

**BEST PRACTICES IN POLICIES AND MEASURES TO ADDRESS CLIMATE CHANGE: OPPORTUNITIES FOR THE UK AND GERMANY IN THE INTERNATIONAL NEGOTIATION PROCESS**

*Prepared with Funding from the Anglo-German Foundation for the Study of Industrial Society*

**August 2000**

**Joy Hyvarinen, Institute for European Environmental Policy**

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## **1. Introduction**

The purpose of this paper is to consider how the UK and Germany could play a leadership role in advancing efforts to combat climate change through the process that has begun to consider 'best practices' in policies and measures under the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol.

At the time of writing, the most recent international negotiating session has failed to reach agreement on this issue among the Parties to the UNFCCC. Negotiations are currently under way among EU Member States to agree a common EU position for the next international negotiating session. Reaching international agreement on 'best practices' in policies and measures is likely to prove difficult, but the UK and Germany could play a decisive role in bolstering the EU position.

First, the paper provides a general background section, followed by a description of the UNFCCC and the Kyoto Protocol. It considers the role of policies and measures in the UNFCCC and the Protocol. The paper then outlines the situation in the European Union. It provides an overview of policies and measures in the UK and Germany. It then addresses developments in the international negotiating process. In conclusion, the paper considers issues ahead.

## **2. Background**

The UK and Germany are in a unique position, as leading EU countries in which favourable national circumstances mean that targets to reduce greenhouse gas emissions can be achieved with relative ease. This creates challenges, but also opportunities.

In particular, both countries have a key role to play in the development of EU negotiating strategy. As discussed in an earlier IEEP paper, the EU is struggling to maintain a strong and credible negotiating strategy in the international climate process.<sup>1</sup> Major Member States have an essential contribution to make to the development of a results oriented

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<sup>1</sup> Joy Hyvarinen, *The EU in the International Climate Negotiations - Lost and Defeated?*, IEEP, January 2000.

long term EU negotiating strategy. The current negotiations on policies and measures provide an opportunity to advance the development of such a strategy.

The process of considering policies and measures, ie action at the national level, under the UNFCCC and Kyoto Protocol is still undeveloped. There are significant political obstacles and little progress has been made so far in the discussions about best practices in policies and measures, as discussed later in the report. However, strengthening consideration of policies and measures at the international level is an important EU priority. The EU position is that the emphasis of implementation of the UNFCCC and the Protocol should be on domestic action.

There is some risk that the detailed rules for implementation of the Kyoto Protocol, currently under negotiation, may provide scope for some governments to avoid tough national policy decisions, for example by 'exporting' emissions through international emissions trading. However, the EU and others have argued that a credible long term response to climate change requires domestic action in all industrialised countries.

### **3. The UN Framework Convention on Climate Change and the Kyoto Protocol**

The 1992 UN Framework Convention on Climate Change (UNFCCC) and the 1997 Kyoto Protocol form the international climate régime. The aim of the UNFCCC is to achieve the return of greenhouse gas emissions to 1990 levels by the year 2000.<sup>2</sup> The UNFCCC, which entered into force in 1994, has 184 Parties, including the UK and Germany.

The Kyoto Protocol introduced clear, legally binding greenhouse gas reduction targets for industrialised countries.<sup>3</sup> A few countries (eg Australia) are allowed to increase emissions, while the majority is committed to an eight per cent reduction target. This includes the UK and Germany, but both have taken on larger targets under the EU burden-sharing agreement and at the domestic level (see sections 5 and 6 below). The US has a seven per cent target and Japan six per cent. Annex I (industrialised country) Parties<sup>4</sup> are to ensure that their emissions do not exceed the assigned amounts in the first 'commitment period' 2008-2012, '... with a view to reducing their overall emissions of such gases by at least 5 per cent below 1990 levels ...'.<sup>5</sup> An important point is that Annex

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<sup>2</sup> The exact content and nature of the vaguely worded commitments outlined in Articles 4.2 (a) and (b) of the UNFCCC is somewhat unclear, but these are broadly seen to amount to either returning or stabilising emissions by 2000.

<sup>3</sup> The Protocol covers a 'basket' of six greenhouse gases: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>). These are listed in Annex A to the Protocol, together with sectors/source categories for emissions. Individual country targets are listed in Annex B as the 'Quantified emission limitation or reduction commitment' (QELRC) of each Party.

<sup>4</sup> Annex I and Annex B contain almost identical lists of countries. Belarus and Turkey are included in Annex I of the UNFCCC, but not Annex B of the Protocol. Other differences include additions in Annex B such as Croatia and Slovakia.

<sup>5</sup> Article 3.

I Parties must show *demonstrable progress* towards meeting their commitments by the year 2005, by when negotiations on a second commitment period must also begin.

The focus of attention is now on the Kyoto Protocol. Preparatory negotiations are currently under way for the Sixth Conference of the Parties (COP 6), due to take place in November 2000 in The Hague. COP 6 is a deadline for reaching agreement on key issues related to implementation of the Kyoto Protocol. In 1998, the Fourth Conference of the Parties (COP 4) adopted the *Buenos Aires Plan of Action*, a time table for reaching agreement on a raft of issues that were left unresolved when the Kyoto Protocol was adopted.

Most countries believe that it is necessary to reach agreement on an 'implementation package' at COP 6 before they can ratify the Kyoto Protocol. However, the year 2002, which marks the tenth anniversary of the UN Conference on Environment and Development (the Rio Conference), has emerged already as a widely supported target date for entry into force of the Protocol. Both the UK and Germany have expressed their support for this as a desirable target date.

As concerns the Buenos Aires Plan of Action, most of the attention has concentrated on reaching agreement on the 'Kyoto mechanisms'.<sup>6</sup> Other important issues which are drawing considerable attention include agreement on a compliance system and the extent to which land-use, land-use change and forestry activities will be included in the Protocol. The latter could involve a *de facto* renegotiation of the targets in the Protocol, if countries can claim that large amounts of their emissions are being absorbed by forests and other 'carbon sinks'.

#### **4. The Role of Policies and Measures in the UNFCCC and the Kyoto Protocol**

##### ***Background***

The means that countries have at their disposal for reaching the targets under the UNFCCC and the Kyoto Protocol are 'policies and measures' and the 'Kyoto mechanisms'. The latter comprise international emissions trading and the project-based schemes Joint Implementation (JI) and the Clean Development Mechanism (CDM).<sup>7</sup> These allow Parties to reduce emissions outside their borders and credit reductions towards their own national targets.

It has not yet been decided precisely what role the mechanisms will finally be allowed to play in the achievement of the Kyoto targets. The EU has aimed for some level of restriction, based on concerns that extensive reliance on international emissions trading and the other mechanisms could permit countries to avoid making emissions reductions at

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<sup>6</sup> Also known as the 'flexibility mechanisms'.

<sup>7</sup> Emissions trading is dealt with in Article 17 of the Protocol, Joint Implementation in Article 6 and the CDM in Article 12.

home. On the other hand, the US for example is arguing for unlimited trading opportunities.

So far, the international process has paid relatively little attention to the issue of 'policies and measures', ie domestic action, to address climate change.<sup>8</sup> In light of the immediate importance of issues such as the Kyoto mechanisms, the strong disagreements among governments and the need to reach an agreement which will enable as many countries as possible to become Parties to the Protocol, it is perhaps understandable that policies and measures are not at the top of the agenda. However, the EU has recognised the critical importance of domestic action in industrialised countries to a credible global long term response to climate change.

### ***Key Provisions related to Policies and Measures***

Policies and measures are central to both the UNFCCC and the Kyoto Protocol. The key provisions include Article 4.2(a) of the UNFCCC, which requires Parties to adopt policies and measures, stating that '[t]hese ... will demonstrate that developed countries are taking the lead in modifying longer-term trends in anthropogenic emissions ...'.

Article 4.2(b) requires Parties to provide 'detailed information on ... policies and measures' through national communications, in accordance with Article 12. This Article also states that '[t]his information will be reviewed by the Conference of the Parties, at its first session and periodically thereafter, in accordance with Article 7'. According to Article 4.2(b) the detailed information on policies and measures submitted by Parties is to 'promote progress' towards the commitments in Article 4.2(a).

IEEP has proposed that policies and measures should be given a more central role in the review of implementation of commitments. In addition to effective national reporting and review of individual national communications (ie reports), the COP could develop a process for in-depth debate of Annex I countries' policies and measures, which could serve both as a *learning process* and as a means of helping build political will in Annex I countries. This process of exchange should take place in a facilitative and open atmosphere, based on discussion of implementation challenges and successes, in particular innovative approaches with replicable elements. A window of opportunity for developing such a process has opened with the 'best practices' discussions.<sup>9</sup>

Article 7 already states that the COP is to promote and facilitate the exchange of information on measures adopted by the Parties (Article 7.2(b)) and is also to assess the overall effects of measures (Article 7.2(e)). Article 2 of the Kyoto Protocol confirms the

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<sup>8</sup> 'Policies and measures' is used to refer to domestic action, although it can sometimes include domestic trading.

<sup>9</sup> See *IEEP Submission to the UNFCCC on 'Best Practices' in Policies and Measures*, August 1999; and Joy Hyvarinen, *Encouraging Implementation of Annex I Country Policies and Measures, and Review Processes under the Climate Convention and the Kyoto Protocol*, IEEP, October 1999; *Review Processes under the Climate Convention and the Kyoto Protocol, including 'Demonstrable Progress' by Industrialised Countries*, IEEP, May 1999.

central role of policies and measures, among other things requiring Annex I Parties to cooperate to enhance the individual and combined effectiveness of policies and measures (Article 2.1(b)). Article 2.4 of the Protocol foresees the possibility that the Parties may consider ways and means of elaborating the coordination policies and measures. Article 2 also requires Parties to implement and/or further elaborate policies and measures in a wide range of sectors, for example the promotion of sustainable agriculture and enhancement of energy efficiency in relevant sectors.<sup>10</sup>

In other words, the basis for developing such a process of exchange and discussion is already in place.

## 5. The European Union

### *The European Union and the Kyoto Protocol*

Under the Kyoto Protocol, the European Community (EC) and each Member State are committed to an eight per cent reduction target. However, this target is being redistributed among the Member States. Article 4 of the Kyoto Protocol contains the so-called ‘EU bubble’ provision, which allows Parties to agree to ‘fulfil their commitments ... jointly’.

In June 1998, the Council reached political agreement on burden-sharing. The agreement is not yet incorporated in a legal instrument, although this will take place before ratification. The Member State targets are distributed as follows:

EU Member State Targets	
Belgium	-7.5%
Denmark	-21%
Germany	- 21%
Greece	+ 25%
Spain	+15%
France	0%
Ireland	+ 13%
Italy	- 6.5%
Luxembourg	-28%
Netherlands	-6%
Austria	- 13%
Portugal	+ 27%
Finland	0%
Sweden	+ 4%
UK	-12.5%

<sup>10</sup> Article 2.1(a).

An important point to note is that Article 4.5 of the Kyoto Protocol states unambiguously that if the ‘bubble’ target is not reached, each Party remains responsible for its own target, *as set out in the burden-sharing agreement*.

In other words, the UK will be bound by the 12.5 per cent reduction target and Germany by the 21 per cent reduction even if other Member States fail to meet their share of the bubble. Consequently, it is very important for the EU to ensure that all Member States meet their respective targets. As discussed below, the UK and Germany have both taken on further domestic targets.

So far, progress towards stabilising EU emissions in line with UNFCCC requirements has not been encouraging. In 1999, a report by the European Environment Agency (EEA) confirmed that only three EU Member States showed a decreasing trend in CO<sub>2</sub> emissions between 1990-96, while significant increases were observed for others.<sup>11</sup> The three which showed decreases are the UK, Germany and Luxembourg. Germany and the UK have the largest shares of emissions in the EU.<sup>12</sup>

The EEA report noted that: 'The (nearly) stabilisation of emissions for the EU as a whole between 1990 and 1996 depends strongly on the reductions in Germany and the United Kingdom.'<sup>13</sup> The report confirmed that Germany had reduced CO<sub>2</sub> emissions by 9.4 per cent in that time period. The UK reduced CO<sub>2</sub> emissions by 3.5 per cent.<sup>14</sup>

In both the UK and Germany, the reductions in greenhouse gas emissions are mainly the result of other factors than action specifically aimed at addressing climate change. Both countries need to reinforce their strategies to ensure that their targets are met. Germany in particular needs to take further action, if it is to meet its target. Having taken on larger commitments through the burden-sharing agreement than required internationally, both countries also have a strong interest in ensuring that other EU Member States achieve their commitments. The burden-sharing agreement may raise sensitive issues about enforcing compliance within the EU. The EU will also be internationally responsible for its joint target.

The recently amended EC Monitoring Mechanism for CO<sub>2</sub> and other Greenhouse Gases (Council Decision 1999/296/EC) provides a means for tracking progress under the burden-sharing agreement and for managing important parts of EU climate change strategy. The monitoring mechanism covers implementation of policies and measures. The mechanism has not worked well in the past. A major factor has been inadequate reporting by Member States. For example, in the second evaluation and assessment in

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<sup>11</sup> See European Environment Agency (EEA), *Overview of National Programmes to Reduce Greenhouse Gas Emissions*, Topic report No 8/1999, p 26-27.

<sup>12</sup> In 1990, Germany contributed 29.3 per cent and the UK 17.8 per cent. As above, p 11.

<sup>13</sup> As above, p 26.

<sup>14</sup> As above, p 11.

1996, insufficient reporting on implementation by some Member States, including the UK and Germany, was a major problem.<sup>15</sup> The amended Decision offers an opportunity to revitalise the process, but this will need to include strengthened reporting by Member States.

### ***Common and Coordinated Policies and Measures***

Common and Coordinated Policies and Measures (CCPMs) are a central part of the EU's climate strategy. 'Common' refers to EU level action involving all Member States, while 'co-ordinated' measures aim to add value through EU level coordination of national measures.

The 1997 Treaty of Amsterdam gave sustainable development an enhanced role as a guiding aim for the EU and reinforced the integration principle, ie the requirement that environmental considerations be taken into account in other areas of EU policy. The intention is that climate change should be at the centre of the EU integration process.

In June 1998, the Environment Council emphasised the importance of policies and measures. The Council agreed that there would be an annual evaluation of progress. An overall evaluation is to take place in 2002 'with a view to significant progress by 2005 in accordance with the Kyoto Protocol'.<sup>16</sup> The compliance régime for the Kyoto Protocol is under development, but IEEP is assuming that it may be possible for countries to be in formal compliance with the Kyoto Protocol, without necessarily having achieved 'demonstrable progress'.

In its 1999 Communication on climate change, the Commission noted that:

'A reinforcement of both national and common and co-ordinated policies and measures will be necessary to generate a downward trend towards the commitment taken at Kyoto...[a]ction needs to be taken now if the Member States and the EU are to have any chance of reaching this target ... [r]apid adoption of planned policies and measures needs to be ensured with a view to making demonstrable progress in emissions reductions by the year 2005 .....without this follow-up current Member States' projections are not realistic.'<sup>17</sup>

In March 2000, the Commission presented a Communication on *EU Policies and Measures to Reduce Greenhouse Gas Emissions: Towards a European Climate Change Programme*.<sup>18</sup> This responded to an invitation by the October 1999 Environment Council

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<sup>15</sup> Report from the Commission under the Council Decision 93/389/EEC, *Second Evaluation of National Programmes under the Monitoring Mechanism of Community CO<sub>2</sub> and Other Greenhouse Gas Emissions - Progress Towards the Community CO<sub>2</sub> Stabilisation Target* COM (96) 91.

<sup>16</sup> Kyoto Protocol Article 3.2.

<sup>17</sup> *Preparing for Implementation of the Kyoto Protocol* COM (1999) 230 final, Policy-makers Summary.

<sup>18</sup> COM(2000)88.



to produce a list of priority actions on climate change in early 2000 and, subsequently, prepare appropriate proposals. The Communication listed a considerable number of proposed policies and measures, for example improvement of energy efficiency standards, development of an EC wide policy framework for emissions trading, development of a framework for voluntary agreements, economic instruments for aviation and measures to address road transport. The Communication also launched the European Climate Change Programme (ECCP), a Commission Programme designed to bring together stakeholders in the preparatory work on common and co-ordinated policies and measures.

Common policies and measures are difficult to agree, because of differing views and opposition among Member States. The Commission has repeatedly expressed its frustration with the lack of progress in introducing energy taxation, in spite of drawn-out discussions over the last decade. The UK has argued strongly that taxation is a matter for individual Member States, although other Member States have since emerged as stronger opponents. The recent proposal for a Directive on renewable energy, which has indicative targets for Member States, was blocked several times. Discussions about EU guidelines on state aid for environmental protection are currently progressing slowly.

## **6. Overview of the UK and Germany**

### ***The UK***

Liberalisation of the energy market was prompted by other than climate change concerns, but it has been a key factor in the reduction of UK emissions, by leading to a switch from coal to gas. However, since 1998, government policy has not supported introduction of new gas fired power plants (although this is seen as a temporary situation). The in-depth review of the UK's second national communication under the UNFCCC highlighted liberalisation as the most significant policy.<sup>19</sup> However, the review team noted that in the longer term further policies, combined with strengthening of existing ones, would be necessary.<sup>20</sup>

As noted, the UK's target under the EU burden-sharing scheme is a 12.5 per cent reduction. In addition to this, the UK has a 'domestic goal' of cutting emissions by 20 per cent by the year 2010.<sup>21</sup> The draft UK climate change programme, published in March 2000, sets out the government's proposed approach to implementing the Kyoto Protocol. The programme will be finalised in autumn 2000, after consultations.

Notable policies and measures in the draft programme include: the Climate Change Levy (an energy tax on industry), negotiated agreements with industry, Integrated Pollution Prevention and Control (IPPC), domestic emissions trading, doubling the capacity of

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<sup>19</sup> *Report on the in-depth review of the second national communication of the United Kingdom* (FCCC/IDR.2/GBR 17 December 1999), p 10

<sup>20</sup> As above, p 26.

<sup>21</sup> The Labour Party committed itself to this goal while in opposition.

combined heat and power by 2010, measures in the transport sector and new Energy Efficiency Standards of Performance (EESOPs) for the domestic sector.<sup>22</sup> Consultations are under way concerning the Climate Change Levy, due to come into effect in 2001. There have been some concerns that the impact of the levy may be watered down in the consultations. The fuel duty escalator - an automatic annual increase in road fuel duties - has been an important measure, although the government announced in 1999 that future increases will be considered on a budget-by-budget basis. It also reduced the 6 per cent real term rise in duty.

The UK aims to increase the share of renewables to 10 per cent by 2010, from the current 2.5 per cent. The Non-Fossil Fuel Obligation (NFFO) has been the main mechanism for promoting use of renewables. New legislation is now being put in place. In comparison, Germany's share of renewables was around 5 per cent in 1999, which its government plans to double by 2010.

Business engagement has been a key element in the UK's efforts to address climate change. The intention is to begin domestic emissions trading in 2001. The UK Emissions Trading Group (ETG), which brings together over 100 major companies and trade associations, has developed the initiative.<sup>23</sup> As described below, voluntary commitments by industry are an important part of Germany's response to climate change, but there has been less interest in emissions trading, until very recently.

As a report prepared for the US-based Pew Center on Global Climate Change points out, the UK faces some of the same political difficulties as Germany concerning nuclear energy, decreasing use of coal, growth in domestic energy use and growing transport emissions. However, the report also notes that the UK's difficulties in relation to coal-fired generation and nuclear energy are not as challenging as Germany's.<sup>24</sup>

## *Germany*

The European Environment Agency (EEA) report referred to in section 5 confirmed that reductions in greenhouse gas emissions so far have been based mainly on the economic restructuring in the former East Germany. Other factors, such as increased efficiency in power and heating plants, substitution of brown coal by natural gas and reduced energy consumption in final consumption sectors, also played a role.<sup>25</sup>

Like the UK, Germany has set a domestic target that goes beyond both its Kyoto Protocol and EU burden-sharing commitments. The target is to reduce CO<sub>2</sub> emission by 25 per

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<sup>22</sup> Department of the Environment, Transport and the Regions, *Climate Change: Draft UK Programme*, March 2000.

<sup>23</sup> The ETG was originally set up by the Confederation of British Industry (CBI) and the Advisory Committee on Business and the Environment (ACBE) in 1999.

<sup>24</sup> John Gummer and Robert Mooreland, Sancroft International Ltd, *The European Union and Global Climate Change: A Review of Five National Programmes*, prepared for the Pew Center on Global Climate Change, June 2000, p 26.

<sup>25</sup> As at note 10, p 11.

cent by 2005, from the base year 1990. Key policies and measures include voluntary commitments by industry since the mid-Nineties, ecological tax reform, measures to encourage energy efficiency in buildings and households, the promotion of co-generation and the promotion of renewables. Ecological tax reform is a continuing process.

As concerns energy from renewable sources, the 1990 'feed-in law' has ensured access to the grid.<sup>26</sup> Initiatives at sub-Federal level have been important, such as strong Länder support for renewables and various actions at municipal level. Use of wind energy has grown very rapidly in the 1990s.<sup>27</sup> In April 2000, a new Renewable Energy Law came into force, replacing the old feed-in law. The new law aims to support renewables within the liberalised energy market. In comparison with the UK, Germany has been slower to liberalise the electricity sector.<sup>28</sup> A new Electricity Act, aimed at deregulation, came into force in 1998. Although coal production has decreased, heavy coal subsidies are a problem.

The in-depth review of Germany's second national communication found that economic instruments were the most common type of measure, although regulation was also important. The review also highlighted the voluntary commitment by industry. The in-depth review team found the extent to which policies were implemented and monitored difficult to gauge, due to the distinction between establishment of many policies at Federal level and application at Länder level.<sup>29</sup>

In comparison with the UK, Germany faces a greater challenge in reaching its target.<sup>30</sup> The government recognises this and, at the time of writing, a new interim climate protection strategy has just been adopted. It aims to ensure that Germany meets its international and domestic emissions reduction targets. Key features of the strategy include proposed burden-sharing for reducing CO<sub>2</sub> emissions in sectors such as industry and energy, increased support for cogenerated heat and power through the introduction of minimum quotas and introduction of new legislation concerning energy efficiency in the domestic and buildings sectors.

Emissions trading has drawn less interest in Germany than in the UK, but the Green Party has recently proposed the establishment of a first domestic emissions trading group, involving a limited number of major companies. The intention would be to gain experience before the introduction of an EU trading scheme, likely to take place in 2005.

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<sup>26</sup> See for example BMU, *National Precautionary Climate Protection* Art.no: 2104, October 1999 or Forum Umwelt & Entwicklung, *Die Umsetzung der Klimakonvention in Deutschland: Dokumentation des Status quo und der klimapolitisch relevanten Forderungen der Nichtregierungsorganisationen*, 1999.

<sup>27</sup> See for example Andreas Wagner, German Wind Energy Promotion Association, *Wind Energy in Germany - Ready for the 21<sup>st</sup> Century*, Irish Wind Energy Association Annual Conference, Tralee, 31 March - 1 April 2000.

<sup>28</sup> For an analysis, see for example *Germany's Electrical Storm*, The Economist, November 13 1999.

<sup>29</sup> *Report on the in-depth review of the second national communication of Germany* (FCCC/IDR.2/DEU 24 August 1999), p 9.

<sup>30</sup> See for example, *The European Union and Global Climate Change: A Review of Five National Programmes*, above at note 25, p 14.

## 7. Developments in the International Negotiating Process

In the international negotiating process, the EU Presidency speaks on behalf of the European Community and its Member States. This means that the UK and Germany do not make individual interventions, but positions and negotiating strategy are agreed in EU coordination. In the first half of 2000, the Presidency was held by Portugal. In the second half, it is held by France. However, the UK and Germany, as major Member States, have considerable say in the development of common EU positions.

The EU has consistently emphasised policies and measures in the international negotiating process, originally proposing the inclusion of mandatory policies and measures in negotiations to agree the Kyoto Protocol. The 'umbrella group', a group of countries formed by the US and other non-EU countries, is less comfortable with an emphasis on domestic action in the international negotiations. Among other things, these countries are opposed to internationally agreed, obligatory policies and measures.

However, as discussed earlier, strengthening exchange of information and experiences concerning domestic policies and measures in the international process could play an important role in encouraging and assisting domestic action, for example by identifying examples of successful policies and measures, or elements of policies and measures, and learning from these. Provisions in the UNFCCC and the Kyoto Protocol provide a basis for this. As noted, recent developments in the negotiating process have opened a window of opportunity for strengthening the focus on policies and measures.

The Fourth Conference of the Parties (COP 4) requested the UNFCCC Secretariat to prepare a report on 'best practices' in policies and measures, for consideration by the eleventh session of the UNFCCC's Subsidiary Body for Scientific and Technological Advice (SBSTA 11), on the basis of Annex I Party national communications. As noted, Article 2.1(b) of the Kyoto Protocol requires Annex I Parties to cooperate to enhance the individual and combined effectiveness of their policies and measures. In addition, it states that Parties are to take steps to share their experience and exchange information on policies and measures, '...including developing ways of improving their comparability, transparency and effectiveness.' After entry into force of the Protocol, ways to facilitate such cooperation are to be considered.

The request to the Secretariat is contained in Decision 8/CP.4, part of the Buenos Aires Plan of Action.<sup>31</sup> The decision also requested the Secretariat to organise a workshop to assess best practices, on the basis of conclusions by SBSTA 11. This led to the Copenhagen workshop, considered below.

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<sup>31</sup> *Report of the Conference of the Parties on Its Fourth Session, held at Buenos Aires from 2 to 14 November 1998 Addendum (FCCC/CP/1998/16.Add 1 20 January 1999).*

*Germany: examples of best practices. Information provided to the UNFCCC.*

The Fourth Conference of the Parties invited Parties to submit information on best practices in policies and measures to the Secretariat. The submission by Finland on behalf of the EU included the following examples submitted by Germany:

- 100 000 Solar roofs photovoltaics programme. Provides loans for PV modules;
- Eco-tax, adopted in 1999. Imposed on electricity, petrol, gasoline, gas and light heating oil. Revenues rechannelled to ease tax burden on labour;
- The 'Feed in' Regulation for electricity from renewable energy sources. Aimed to further the market penetration of renewable energy;
- Voluntary commitment by industry. Aims to reduce CO<sub>2</sub> emissions by 20 per cent by 2005, from 1990 levels. Covers more than 70 per cent of industrial and energy consumption.
- Regulation on insulation in buildings and household heating. New version in force since 1995, requires a reduction in annual energy use for heating of buildings by 30 per cent in comparison with former regulation.

*Source: FCCC/SBSTA/1999/Misc.10*

### ***The UNFCCC Workshop on Best Practices in Policies and Measures***

The UNFCCC Workshop on Best Practices in Policies and Measures, sponsored by the governments of France and Denmark, took place in Copenhagen from 11-13 April 2000.

The workshop, which included working groups and panel discussion, provided a means to explore views and consider experience in various countries. However, it also served to illustrate the urgency of strengthening the process for considering policies and measures at the international level. This process is clearly still at a very immature stage.

A presentation by the Commission highlighted questions which the EU had been addressing and sought to stimulate debate on:

- (1) What is meant by 'best practice'?
- (2) What are the key evaluation criteria for identifying 'best practice'?

- (3) What kind of information is needed to evaluate 'best practice' examples?
- (4) How can national circumstances be taken into account when identifying 'best practice'?
- (5) How can one ensure that real 'best practice' examples are taken up by Parties?
- (6) What can be learnt from evaluation and assessment of 'best practice' examples regarding other, less prominent, but equally important policies and measures?<sup>32</sup>

The list of questions pinpointed by the Commission illustrates what an early stage the process finds itself in. Although the adoption and implementation of effective policies and measures is recognised as critical to the success of the Kyoto Protocol, the development of for example internationally agreed criteria for effectiveness has not progressed much. In light of the implementation problems many countries are struggling with, there is in an urgent need to strengthen exchange of experience and learning.

*The UK: examples of best practices.*

The Copenhagen Workshop on Best Practices in Policies and Measures (11-13 April 2000) included a presentation on the *UK Climate Change Programme and Examples of Best Practice*. This covered a range of policies and measures under the following headings:

- Energy market liberalisation and deregulation.
- Renewable energy (the Non-Fossil Fuel Obligation and new legislation).
- Improving business energy efficiency (eg the Climate Change Levy, emissions trading).
- Reducing emissions from the transport sector (eg the fuel duty escalator, the new integrated transport policy).
- Improving energy efficiency in the domestic sector (eg new Energy Efficiency Standards of Performance Scheme).
- Non-CO<sub>2</sub> gases (eg regulation, voluntary agreements).

*Source: UNFCCC, Presentation by United Kingdom.*

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<sup>32</sup> Marianne Wenning, European Commission, *EU Common and Coordinated Policies and Measures: A Way Towards Best Practices*, presentation at the UNFCCC Workshop on Best Practices in Policies and Measures, 11-13 April 2000, Copenhagen.

The contribution by non-governmental organisations to the Copenhagen workshop presented a list of recommended best practices, which captures policies and measures that are in place in the UK and Germany. The list included:

- Taxes, subsidies and other financial incentives (eg eco taxes or energy taxes, phasing out certain subsidies).
- Green procurement.
- Public awareness raising.
- Standards (eg energy efficiency).
- Research and development on renewables.
- Other examples, such as binding national renewables targets.<sup>33</sup>

This identifies best practices in areas that should be a priority for possible international consideration in the future. The UK and Germany are in position to provide several examples in these areas, as part of the development of a strong EU position.

In February 2000, the Environmental Futures Forum 2000 of the Group of Eight (G8) countries considered 'domestic best practices addressing climate change in G8 countries'. The conclusions of this event, a set of general recommendations, were presented to the Copenhagen workshop.

### ***The State of the International Negotiations after the Twelfth Session of the UNFCCC Subsidiary Body for Scientific and Technological Advice***

The twelfth session of the Subsidiary Body for Scientific and Technological Advice (SBSTA 12), in June 2000, considered the outcome of the Copenhagen workshop. The aim was to consider how - and if - the process of considering best practices in policies and measures could be taken forward and which issues it might address.

Strong disagreements were evident in the preparations for the Copenhagen workshop and discussions there. In addition to the differing views of the EU and the 'umbrella group', Saudi Arabia, on behalf of oil-producing countries, had raised a broad range of concerns, in particular emphasising the impact of policies and measures adopted in industrialised countries on certain developing countries.

Discussions at the SBSTA 12 session, which were Chaired by Norway, replayed these views. Portugal, on behalf of the EU, emphasised the importance of policies and measures to implementation of the Kyoto Protocol. Switzerland expressed support for the EU. Canada, which is part of the umbrella group, highlighted the importance of national circumstances. The umbrella group countries generally argue that the differing

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<sup>33</sup> *NGO Perspective of Best Practices on Policies and Measures to Reduce Domestic Greenhouse Gases*, presentation by Kimiko Hirata on behalf of the Climate Action Network and Japanese NGOs at UNFCCC Workshop in Copenhagen, 11-13 April 2000.

circumstances in different countries mean that a uniform notion of 'best practices' can not be applied.

One area of significant difference between the EU and umbrella group countries relates to quantified assessment of the effects of policies and measures. Umbrella group countries also prefer 'good practices' to 'best practices', as the latter could be a basis for establishing a hierarchy of policies and measures.

At the SBSTA session, the EU proposed further technical workshops on policies and measures. However, the end result of several difficult discussions was that SBSTA was unable to reach a substantive decision, deciding instead to consider the issue further at its thirteenth session. Even this procedural decision was strongly contested, signalling more battles ahead. The thirteenth SBSTA session will take place in Lyon, France, from 11-15 September 2000. The procedural decision from SBSTA 12 refers to progress in considering 'good practices', rather than the 'best practices' used for the Copenhagen workshop.<sup>34</sup>

## **8. Issues Ahead**

As noted, the Sixth Conference of the Parties (COP 6) will take place in November this year. Consideration of best practices, or 'good' practices, at the preparatory meetings will aim to produce a decision on this issue for formal adoption by COP 6.

As there are a large number of unresolved, high priority issues on the agenda for COP 6 and the remaining preparatory meetings, policies and measures are less likely to receive negotiating time and attention. There are also somewhat differing views within the EU concerning the level of priority that policies and measures should be given in the EU position for COP 6. The EU's negotiating approach will need to find a balance among issues and interests within the EU, the need for a clear and strong negotiating position and the likelihood of trade-offs in the final deal making in The Hague.

France, which holds the Presidency of the EU, has sought ways of giving policies and measures priority. At the time of writing, discussions are under way concerning the EU position for the preparatory meetings in Lyon in September. At the moment, Germany is perhaps showing a stronger interest in addressing policies and measures in the international process than the UK.

In Germany, some recent thinking reflects a recognition of the concerns of umbrella group countries, by emphasising that coordination is not about the imposition of harmonised policies and measures. There are significant benefits to coordinating introduction and implementation of policies and measures among countries with similar interests. This would not need to comprise all Annex I countries and could, for example, take place through regional programmes. These ideas may offer a possible basis for some

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<sup>34</sup> *Report of the Subsidiary Body for Scientific and Technological Advice on Its Twelfth Session*, Bonn 12-16 June 2000, para 27 (FCCC/SBSTA/2000/5).



level of compromise between the EU and the umbrella group. Areas that have been mentioned for possible future coordination are renewables, product standards and labelling and the F-Gases (HFCs, PFCs and SF6).

Both the UK and Germany could provide examples in these areas. It would seem particularly interesting to explore the potential for international action on renewables, perhaps even including the possibility of agreed national targets. As noted, both countries have national renewables targets, although Germany is generally ahead on renewables. There is growing public awareness and growing interest from business and industry in this area, including from major UK companies. The UK and Germany could make a critical contribution to developing strong and credible EU proposals for international action to promote reliance on renewables.

However, in the near term, the major challenge for the EU relates to negotiating strategy on policies and measures. Although there have been efforts since the SBSTA meeting in June to develop a clearer position, the EU seems, once again, to find itself in a situation where differing priorities among Member States, or perhaps simply insufficient development of common EU priorities, risk resulting in a weak EU position in the UNFCCC negotiations this autumn.

The UK and Germany, as major EU Member States, need to address, with France and other Member States, how the EU could advance successful proposals on policies and measures. It may well not be possible to achieve a substantive decision on policies and measures at COP 6, especially in light of the short time left to prepare. In that case, the emphasis could be on ensuring continuation of some type of process on policies and measures, as substantive elements can be developed later on. On the other hand, last-minute deals at COP 6 may provide an opportunity to secure some progress.

Whatever approach the EU chooses to take, the UK and Germany are critical to shaping the EU position. Policies and measures have been an EU priority in the international negotiations for a long time, but the EU has made very limited progress in advancing its proposals. Continued lack of progress on policies and measures may risk weakening the EU's entire agenda in the international climate negotiations.

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