

# COUNCIL OF COUNCILS

*An Initiative of the Council on Foreign Relations*



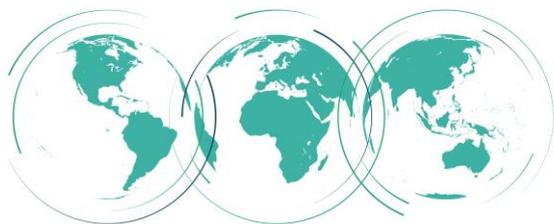
## The Council of Councils Eighth Regional Conference *Panelist Papers*

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*The Council of Councils initiative is made possible by the generous support of the Robina Foundation.*

# COUNCIL OF COUNCILS

*An Initiative of the Council on Foreign Relations*



## Session One

*Reinforcing International Cooperation in  
Responding to Refugees and Migration*



## *Reinforcing International Cooperation in Responding to Refugees and Migration*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

**Elif Özmenek Çarmıklı**, International Strategic Research Organization (USAK)

### **What is driving the global refugee crisis? Which of these underlying dynamics are likely to continue in the coming decades?**

The world is living the worst migration crisis since World War II. Millions of migrants and refugees are trying to survive outside of their country and thousands of them are working their way north. I will try to situate Turkey in the Global Relations Forum (GIF) meeting session.

Turkey is positioned at a significant spot within the international migration regimes and is very often called in literature as “on the crossroads” between Asia, Africa, and Europe. This connectivity to numerous emigration and immigration countries makes Turkey highly vulnerable to changing trends of immigration and requires Turkey to streamline its policy responses accordingly. With this point in mind, it is rather complex to draw a clear picture of what is driving refugees to Turkey. This is mainly due to the fact that there are very different groups that seek asylum in Turkey. The studies show that when the refugees are considered regardless of their country-of-origins in Turkey, drawing common motives for their escapes becomes more difficult. However, it is possible to come with a common point behind their escapes. Those cases represent identity based discrimination in its extreme situations. Some are discriminated against due to their religion, some are due to their social status, and some are due to their ethnic origin. Regardless of the deep cause of this discrimination, it is seen that the main source of the persecution is peoples’ identities. However, the agents of the persecution vary from country to country; in Iraq the main agent is the state, whereas in Somalia the leaders or members of the majority clans are the main agents of persecution, and in Syria’s case nonstate actors (ISIS, Jabhat al-Nusra) appear as one of the agents of persecution.

The recent crisis was jump-started by the Arab Spring, which contributed to making it especially bad. Unfortunately ethnic rivalry, undemocratic governments, political instability, internal wars, rising radicalism, and sectarianism are likely to continue in the region as underlying dynamics that are likely to continue in the coming decades in the region.

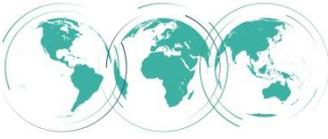
### **What changes need to be made to improve the current system for humanitarian response, at both the global and regional level, including reducing impacts on front line states?**

- **Timely, efficient, and effective response and burden sharing:** Syrian refugee crisis made one thing clear: if the limits (political, social, and economical) of the receiving states are stretched, it is impossible to hold refugees back from moving. The international refugee system was set up on the shared understanding that refugees are an international responsibility, not just the responsibility of the country where they happen to arrive. The current global system for humanitarian response is very much run by a political agenda. Thus this prevents timely, efficient, and effective humanitarian response and burden sharing.

- **Institutionalization of international responsibility:** At the global level the concept of international responsibility of refugee system should be institutionalized. However, especially external dimension of the global North's immigration policies highly prevent this. Today the wealthier states' migration management is mostly characterized by strategies of "externalization." This model is based on the understanding that unauthorized migration ideally should be controlled at the borders of transit countries or at the source. Externalization of migration management is a multidimensional concept however, in its simplest form its focus can be explained in terms of states' attempts to avoid dealing with immigrants once they arrive in-country. This model actually makes the distinction between migrants and refugees more blurred and allows lack of institutionalization of international responsibility.
- **Root-cause approach:** With the Syrian refugee crisis it became obvious that creating buffer states are only temporary solutions. Although it sounds like a root-cause approach is on the rise in the global North's agenda, it is still not effectively on the table. If the root causes of migration are not targeted, restrictive policies of the global North are destined to fail.
- **Comprehensive and genuine effective approach:** At the regional level, many agree on the fact that the events in North Africa, the Mediterranean, and the Middle East not only test the efficiency of the European Union (EU)'s migration policies, but also the normative rhetoric which sets ground for the foundations of the EU and its foreign policy credibility. The international community expects that the immediate but comprehensive response by the EU should primarily be based on the fundamental European values such as human rights, human dignity, solidarity, and respect for human life. A merely security oriented policy based on control does/would not only remain ineffective, but also harms the EU's external image in the world. Thus, a more comprehensive and genuine effective approach requires the engagement and active inclusion of third countries in defining and implementing migration policies.
- **Concrete achievements:** Converging perceptions and expectations is important, mainly because the current narrative raises the question of whether the externalization of migration policies is more likely in practice to mean "burden shifting" onto third countries, or, as claimed in EU discourse, "burden sharing" with them. EU-Turkey further integration in favor of an optimal "burden sharing" will be an opportunity to encourage strongly other regional partners for sustainable cooperation. Only concrete achievements can bring trust and confidence among the partners.

**What explains the recent increase in asylum applications to industrialized nations from the developing world? What additional international mechanisms are needed to manage migration more effectively at a global or regional level?**

Although these questions are very difficult to answer in this part of the discussion, during the GIF meeting we can focus on three different pillars of global migration regime. The first pillar involves the cooperation of all those states with migration concerns, the harmonization of their policies, and the unification of their interests. The second pillar presents an international framework on migration and global mobility. The third pillar emphasizes the importance of organizing and unifying the efforts of nongovernmental parties with influence on the policymaking process, such as nongovernmental and intergovernmental organizations and committees of experts and private companies. We can discuss how these three pillar migration management understanding played a role (or lack of) in recent increase in asylum applications to industrialized nations from the developing world, and what additional international mechanisms are needed to manage migration more effectively at a global or regional level.



## *Get your Act Together: A Wake-Up Call for the G-20, the World Economic Forum, the Gulf States, and the United Nations*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

**Gilead Sher**, Institute for National Security Studies (INSS)

### **The European refugee crisis**

So far this year, more than 2,600 refugees have died trying to cross the Mediterranean Sea to Europe. On August 26, there was horrific news of 50 people found dead in the hold of a boat off the coast of Libya. The day after, 71 people, thought to be Syrians, found dead on a truck in Austria and 150 bodies recovered from boats that had capsized in the Mediterranean. The 250,000 refugees who have made the journey into Europe, mainly from war-torn Syria, Iraq, and Afghanistan are struggling to meet their basic needs and have largely faced hostile responses—from police armed with tear-gas and stun grenades to being held in detention centers or deported. The Syrian toddler, Aylan Kurdi, who drowned in September along with his mother and four-year-old brother, became the tragic symbol of the migration plight.

According to annual figures recently released by the United Nations High Commissioner for Refugees (UNHCR) at the end of 2014, there are almost 60 million refugees and internally displaced people around the globe. For comparison, this is equivalent to the entire population of South Africa, Italy, or the United Kingdom. Not since World War II have there been so many people pushed out of their homes.

Europe and the United States now face a new challenge: They must respond not only to their own economic difficulties, but also to the acute humanitarian crisis caused elsewhere by lousy governance, cruelty, and fanaticism across the Muslim and Arab world and the Middle East.

The terminology used by the media when reporting on this issue has also been called into question. Al Jazeera refuses to use the word “migrants,” claiming that the umbrella term has been used as a dehumanizing tool and no longer appropriately describes the people who risk their lives fleeing unimaginable danger. Others continue to use the word claiming that it is the proper term for anyone crossing over a border, whose status has not yet been determined.

The definition of a refugee, as defined by the 1951 Refugee Convention, is a person who “owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality, and is unable to or, owing to such fear, is unwilling to avail himself of the protection of that country or return there because there is a fear of persecution...”. As such, it is safe to presume that the majority of those coming into Europe are refugees.

Refugees are entitled to protection under international law—they cannot be sent back to countries where their lives would be in danger, they deserve access to asylum procedures, and measures to ensure their basic human rights are respected. According to the UNHCR, migrants choose to move to another country, mainly to improve their lives,

and unlike refugees, they do not face a threat of persecution or death if they return to their home country. Countries are allowed to deport migrants who arrive without legal papers, which they cannot do with refugees under the 1951 convention.

Thus, the distinction is indeed important, and referring to those crossing into Europe as migrants can be seen as an attempt to mitigate the moral and legal responsibility of countries to protect refugees.

All countries of the EU have legal duty to provide protection to refugees. The EU is also one of the richest regions in the world as a whole, but some of the countries within it who are experiencing the highest number of refugees are not. Greek Prime Minister Alexis Tsipras has asked the EU for help, saying the country has insufficient infrastructure to deal with the refugees' large-scale arrivals, as has Italy, and Serbia. The UN is urging the EU to establish a human rights-based, coherent, and comprehensive migration policy. Germany, France, and the United Kingdom have also been recently pushing for a new common policy. Hungary, however, seems to be resisting cooperation, and has taken among the most aggressive measures against refugees including the building of a razor-wire fence. Governments of Slovakia, Czech Republic, Poland, and Bulgaria have also voiced opposition to the concept of an EU mandatory relocation scheme for refugees, perhaps reflecting an East-West divide within the European Union.

### **The Middle East under strain**

Civil war and the rise of the Islamic State has left 11 million Syrians and 4 million Iraqis displaced. Only a small percentage of those fleeing have actually gone to Europe (less than 5 percent). The majority of those remain in their own country; but a significant number now reside in neighboring Turkey (1.9 million), Lebanon (1.2 million), and Jordan (650,000), and only a small percentage of those fleeing have actually gotten to Europe (less than 5 percent). Refugees are having a huge social and economic impact on their host countries - the populations of Lebanon and Jordan are small- approximately 4.5 million and 6.5 million respectively, meaning that one in every five people is a refugee in Lebanon and one in every seven in Jordan. Weak infrastructure and limited resources are putting a strain on these countries, and the influx of so many refugees in a relatively short time is creating new cultural, social, and economic tensions. Many of these refugees are living in poverty and have turned to begging to survive. Meanwhile, wealthy Arab Gulf nations, Qatar, UAE, Saudi Arabia, Kuwait and Bahrain, have not taken in a single Syrian refugee.

In an attempt to address the global crisis, the UN special rapporteur on the human rights of migrants, François Crépeau, has said wealthy countries have to do more, asserting that combined, the world's richer countries could absorb one million Syrian refugees in the next five years or a greater number including additional non-Syrian refugees. Such a policy would reduce the impact of migration on front-line states in Europe, but with 60 million refugees and displaced people worldwide, this may not represent a comprehensive solution.

Britain, has only accepted 1 percent of the Syrian asylum seekers that have made their way to Europe; as of June this year, it had only accepted 187 Syrians. Many EU citizens want to help and have called on their governments to do more. In Germany, activist set up a website "Refugees Welcome" helping refugees find a home in a private house and 11,000 families in Iceland have offered to take in Syrian refugees. Some leaders, both national and religious, have been keen to set an example, for instance, Finland's Prime Minister Juha Sipilä announced he will be taking in Syrian refugees into his seldom used private apartment. Together individual citizens, non-governmental organizations, governments, the European Union, and international bodies, specifically the UN agency for Refugees (UNHCR) which has an annual budget for 2015 of \$7 billion (USD) (the majority of which comes from governments and the EU) can perhaps share the "burden" and do more.

### **Palestinian refugees**

The Palestinian refugee issue may not currently qualify as a crisis, but it represents a protracted problem that has remained unsolved for over six decades, standing as an obstacle to peace and one of the core contentious issues in the Israeli-Palestinian negotiations. The number of Palestinian refugees now numbers over 5 million.

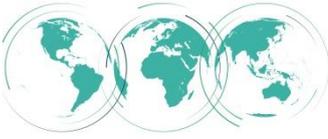
With a population of around 8 million, and Jewish population of just over 6 million, the Palestinian claim for Right of Return, which Israel legally, politically, and historically rejects, is incompatible with the continued existence of a democratic nation state of the Jewish People. Nonetheless, the Palestinian refugee issue calls for a negotiated solution. The Arab Peace Initiative proposes “a just and agreed upon solution.” Following up on President Clinton’s 2000 Parameters, such a solution should be based on 1) granting the Right of Return to a future Palestinian state following its establishment; 2) rehabilitation within the current place of residence; and 3) rehabilitation in third countries. Additionally, Israel should continue to absorb Palestinian refugees on a case-by-case basis (e.g., family reunification), as it has done since 1967. Compensation and rehabilitation schemes would have to be set up as well as a process for processing eligible claims. A solution is likely to encompass all the above, and for this international aid and assistance will be required. However, with the current magnitude of the refugee crisis, it is unclear how much the world’s wealthiest states will be able and willing to help with the Palestinian refugee issue in the foreseeable future.

## **In conclusion**

The global refugee crisis puts a question mark over the International Community’s will and capability to help the world’s neediest people. Other crises are also bound to create refugees—scientists predict that by 2050, 50 million people will be displaced because of natural disasters. Therefore, crisis action plans and long-term solutions will have to be addressed by the international community.

Failing to mobilize the international community as suggested herein below, risks producing results as severe and disastrous as the 20th Century’s aftermaths of the World Wars.

- Firstly, a **short-term**, immediate plan to deal with the severe current crisis is required. Many countries are not taking in their fair share of refugees when they have the capacity and many of their citizens have the will. As well as EU states, other wealthy states including America and Canada, and the rich Arab Gulf states should assist with taking in numbers of refugees.
- Secondly, a **mid-long-term** plan will have to address the root causes of refugeeism (e.g., war, oppression, climate change), as well as work out sustainable solutions.
- Finally, a **comprehensive, concerted international effort** is needed in order to accommodate global refugeeism efficiently, establish binding norms, allocate funds, and find solutions and process claims. The United Nations Secretary General should lead this effort, along with the most advanced and powerful states comprising G-20, the World Economic Forum and under the United Nations umbrella.



## *Reinforcing International Cooperation in Responding to Refugees and Migration*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

**Elizabeth Sidiropoulos**, South African Institute of International Affairs (SAIIA)

The stream of refugees and migrants that have been projected on our TV screens over the last several weeks, and the often diametrically opposing perspectives that have “welcomed” them, highlight the inherent tensions in international cooperation when countries and people feel their way of life and livelihoods threatened. These flows have reinforced the competing pressures between postmodern states and systems (such as is the aspiration of the European Union), and the more traditional state-centric and territorial notion of political entities in the international system.

The last century saw a gradual but steady move in the direction of internationalism, away from pure sovereignty of the Westphalian kind. But the strides in that respect made in the 1990s and early 2000s are being eroded now by responses that seem to revert back to an earlier era. For one, it confirms that the nation-state is not gone—for all those postmodernists. Europe's response to migration illustrates two sets of countervailing tensions. The first set of countervailing tensions is between sovereignty and internationalism. Ironically the challenges of migration cannot be solved by the nation-state on its own.

The second set of countervailing tensions has been accelerated by the spread of globalization and its ability on the one hand to homogenize cultures, while at the same time throw into sharp relief cultural, religious, and lifestyle differences. Thus this set of tensions is between homogeneity and heterogeneity.

These two countervailing tensions—between internationalism and sovereignty and homogeneity and heterogeneity—characterize the challenge of migration and refugee flows in 2015.

### **Drivers of migration and the refugee crisis**

The Geneva Convention's definition of refugee is one who is fleeing conflict or political persecution. In that sense the current drivers are easy to comprehend: an arc of conflict cuts across the Sahel into North Africa and the Horn and across the Red Sea into the Gulf and the Levant. The origins of this arc are not new, nor are their characteristics that manifest in an interplay between violent radicalism, secessionism, and organized criminal networks. They stretch back to the wars in Iraq and Afghanistan. But the Arab Spring has exacerbated the dynamics of this arc, with Libya and Syria becoming the poster children for this phenomenon.

The fall of the Gaddafi regime in Libya was a significant catalyst for the political instability, arms flow, and radicalism that now characterizes much of the Sahel. Mali, considered an example of an emerging democracy in Africa in the early 2000s, reverted to coups and instability, with the return of some 200,000 fighters from Libya. The fragile political systems of other countries in the region have also been severely affected.

The irony of Libya was that external intervention of 2011 was intended to bring stability and put an end to insecurity; rather it accentuated the problems, and made them even more contagious. The drivers of refugee flows are as much a function of how the international community responds to highly unstable situations as they are of internally violent or unaccountable and exclusivist regimes. This is a key reflection for policy makers to consider as they assess responses to the refugee crisis.

However, there is another insidious driver that is not direct political persecution or conflict, but nevertheless is an outcome of political factors that compels citizens to leave their country for a better life: poor governance and lack of political accountability. It is the consequence of irresponsible leadership or the politics of “it’s our turn to eat.” Those fleeing such environments are called economic migrants, but they are nevertheless often victims of dysfunctional political systems. These can take the form of predatory elites or simply an absence of the state, where large swathes of a country are ungoverned. The Westphalian concept of sovereignty takes an ironic twist in those circumstances. There are many of these in the African context. Zimbabwe is a case in point, governed by predatory elites with a strong securocratic state, which has managed to effectively suppress opposition. South Africa, the recipient of significant numbers of Zimbabweans since 2000, preferred to consider them economic migrants, although a few years ago it created a special dispensation for Zimbabweans, in part a recognition of their special circumstances.

Dysfunctional political systems will continue to be drivers of migration whether the people are refugees or economic migrants. Attempts to improve governance and accountability through “democracy promotion” from the outside have proven extremely fraught. We know also that such principles take time to grow roots, and require domestic grounding. Africa pioneered the concept of the African Peer Review Mechanism which was intended to provide a home grown and voluntary mechanism for improving political, economic, and corporate governance. It is a real pity that the commitment of African leaders to it has waned since its establishment in 2002.

On the other hand, more successful political and economic systems will continue to be magnets for people seeking a better life. Many successful economies have been built on the labor of foreigners—my own country South Africa relied for decades on the labor of workers from the broader Southern Africa region in its mines. More recently, while the figures for refugees and economic migrants in South Africa are highly contested, there could be anywhere between one million and five million, in a country with a population of 50 million.

This year the world has been inundated by the traumatic scenes of drownings in the Mediterranean, beatings by border guards in the Balkans, loss of dignity of men, women, and children as they march through Europe. But we should not forget the huge displacement in the Great Lakes in central Africa in the 1990s and the ongoing conflict in Sudan and Somalia. If we look at the figures from the most recent United Nations High Commissioner for Refugees report for 2014, it shows that Europe is not on its own the largest magnet. Sub-Saharan Africa, for example, hosted 3.7 million refugees at the end of 2014, (26 percent of global total), primarily from Somalia (753,000), Sudan (627,000), South Sudan (615,300), Democratic Republic of the Congo (487,800), Central African Republic (410,400), and Eritrea (239,600). In comparison, Europe hosted 3.1 million (22 percent), drawn largely from Syria, Ukraine, and Iraq. Turkey alone hosted 1.6 million of that number.

Refugees and migration are at the confluence of authoritarianism, social exclusion, organized crime, and identity. Each of these requires plans of action and each of these plans needs to speak to all the others. The response has to be multifaceted and multilateral (whether regional or global). We all recognize the necessity of a short-term humanitarian response, but the focus, difficult as it might be, must be on the underlying causes and longer term consequences in both sending and receiving states. If not addressed adequately, it can create new conflicts.

The medium-term response requires rethinking how the international community deals with fragile societies and conflict zones. But this too has no easy answers—Libya for example represents one version of an international community response which saw military intervention from the West that in effect exceeded the mandate of the United Nations and seemed to spurn a diplomatic option. Syria—a response colored by the experience in Libya—

provides a different example of how a conflict can escalate even without direct military intervention. Unfortunately for Syria the diplomatic option left some time ago, and the only possibility now seems outright victory by one or the other party. The flow will not be stemmed soon.

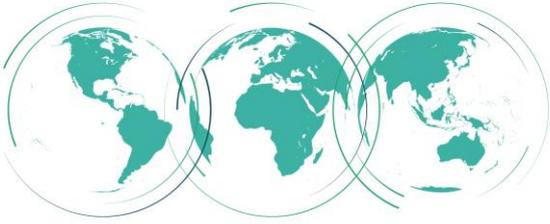
### **What might some options be?**

Identifying new international or regional mechanisms or seeking to improve existing ones are being challenged by the twin countervailing forces, which on the one hand aim to buttress sovereignty and the “national” identity (driven by the fear of the “other”), and on the other require more international cooperation, evoke sensibilities of human solidarity, and recognize the reality of increasing societal heterogeneity. We are seeing these tensions accelerate rather than dissipate, with the rise of vocal right-wing forces across Europe, but also rising xenophobia in countries such as South Africa.

- Regional bodies such as the African Union (AU) and the EU need to cooperate in the short-term humanitarian response. In this context it will be important for the upcoming Africa-EU Valetta Migration conference in November to develop mechanisms for such cooperation and to consider the types of resources necessary. Such actions should include deeper collaboration in dealing with trafficking, and a plan for operating in “ungoverned” spaces in Africa. In the Middle East the divisions among states and the concomitant weakness of regional bodies pose significant challenges, although an engagement with the Gulf states in a coordinated humanitarian response is important.
- The refugee crisis should act as a catalyst for a rethinking of the instruments the international community uses to tackle conflict situations. How might diplomacy be a more effective tool and what resources may be required for this, which the international community as a whole should continue to?
- In tackling the issue of poor governance, bodies such as the AU should scale up diplomacy in conflict (the AU's approach in the early days of the Libyan intervention could have been much more forceful and persuasive). They should also give real meaning to mechanisms such as the African Peer Review Mechanism (the APRM summit in Kenya due to be held in early September, was postponed...)
- In recipient countries the need to develop more effective integration mechanisms for these refugees is a long-term process, but extremely critical that the policies and mechanisms are reviewed and adjusted now. In South Africa for example, the refugees and economic migrants live among local populations, but they have not been properly integrated. Locals see them as taking their jobs away, while the refugees/migrants keep within their enclaves. The government narrative has not helped to assuage tensions, and in fact sometimes has seemed to tacitly support xenophobic views expressed by locals on foreigners. But there is no doubt that flows of such dimensions as we have seen in Europe will change the substance of societies, given the existing challenges that developed and developing countries face in dealing with their own youth and its integration into society, let alone foreigners. These are serious questions and governments must tackle the question of integration and diversity. This needs to be done through the education system, through specific policies that allow for economic integration, without seeming to encourage welfare parasitism. In developing and developed economies foreigners have often brought a new hard working dynamism. Refugees may ultimately return to their homeland, migrants may not. Either way, policies that states and regional bodies contract must steer away from focusing on refugees and migrants as problems but rather as potential productive members of society even if they are there temporarily.

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## Session Two

*The Future of the MENA Region and  
Global Security*



## *Future of MENA Region and Global Security*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

**Bessma Momani**, Centre for International Governance Innovation (CIGI)

### **Likely political development in the Middle East and North Africa (MENA)? Mix of democratization and authoritarianism?**

The MENA region is not entirely a lost cause, and there are signs of hope and progress in some countries. Nevertheless, there are MENA countries, including Syria, Yemen, and Egypt that will continue to be mired in conflict for the next five to ten years. A resolution to the Syrian conflict remains distant as the Assad regime continues to be emboldened by Russian and Iranian support. The two allies of the Syrian regime are also staking a great deal of money and resources to continue to shore up the regime. Russia is already ostracized by the West for its annexation of Crimea and continued intervention in Ukraine. Although Russia has devoted fewer resources to Syria than it has to Eastern Ukraine, Syria represents another arena for Moscow to challenge U.S. hegemony. Thus, the September 2015 deployment of one thousand man force and armament is a low cost investment to keep the Syrian regime afloat. Iran has managed to exit the international sanctions regime with a nuclear deal, and there appears to be no external pressure points left to change Iranian calculations on supporting the Assad regime. Syrian rebels are in disarray but will unlikely surrender to an illegitimate regime that is willing to use chemical weapons and continue indiscriminate barrel bombs against its own citizens. Hence, the Syrian conflict will likely be drawn out for another five to ten years with little prospect for positive political developments.

The conflict in Yemen may come to an end soon as Gulf forces obliterate what little is left of Yemeni infrastructure, but prospects of Yemen returning to a “normal” state are low. Houthi rebels will be defeated, or at minimum retrenched to the Northern part of the country, but Yemen remains the poorest country in the region, was a longstanding hotbed of al-Qaeda activity, and illiteracy and poverty are still rampant. Thus, the conflict in Yemen will abate, but the prospects of political development in the country are not positive.

Another country of concern is Egypt, where stability is a mirage. The government under Sisi has, through wide and sweeping arrests of activists and Islamists, managed to quell popular calls for change, but the challenge for Sisi is economic and not political. The economy is doing poorly, and the infusion of Gulf money to shore up Egypt’s balance of payments and budget will decline significantly with oil prices at \$40/barrel. The Sisi government has not been able to attract foreign or domestic investment at a rate fast enough to meet the high demands of its growing youth bulge and urbanizing population. The recipe for social change and public protest is well known and has been used frequently in previous years with little need for leaders and social movements to corral a base. The prospects of mass protests that will challenge the Sisi regime are a few years away, and the regime has proven it is willing to dispense of figurehead leaders to give the people a mirage of change. It would not be surprising if the regime “asked” Sisi to move over when the luster of his nationalistic propaganda wears off.

Many of the other MENA countries’ political development could be positive. The bright spots for increased democratic development, albeit a slow and conservative change, are Jordan, Morocco, Lebanon, Kuwait, Oman, and

Tunisia. The Arab Gulf countries, which, except for Bahrain, generally escaped the Arab Spring, will likely continue to use their financial reserves to keep the grand bargain of low political participation from citizens in exchange for generous state welfare policies. But again, how long can this bargain be maintained with low oil prices in the foreseeable future? Saudi Arabia's mass reserves have already shrunk from \$1 trillion to \$600 billion in a few years. In my opinion, the prospects of political liberalization in the Arab Gulf are high, but it will be slow. The space for political expression will increase and we might see political progress even come to Saudi Arabia, which remains the most conservative theocratic country in the MENA region.

That leaves other MENA areas of continued conflict like Libya and Iraq, which I think will turn the corner for the better. Libya's warring parties have depended on external support and financing, but these backers will soon run out of interest and capability to buttress their ally. Turkey will soon give up on the Tripoli-based government, as Turkey faces prospects of continued economic challenges and increased tensions with the Kurdistan Workers' Party (PKK). Similarly, Qatar has tried to return to the fold of the Gulf Cooperation Council and make amends with the Saudis and therefore sees no long-term interest in supporting its Islamist factions in Libya, or Egypt for that matter. The Tobruk-based government may also lose its external backing as the Saudis are depleting their financial reserves and are more interested in preserving its domestic control. The Egyptians have seen no abatement of arms crossing the Libyan-Egyptian border despite supporting the Tobruk government and will need to turn all of its attention to the Sinai after the recent escalation of attacks against security forces. Moreover, as noted above, Sisi's control over Egypt will wane and its adventures in Libya will take a low priority in the future. This is all good news for Libya, as political factions will be forced to work together. Moreover, the rise of the Islamic State in Iraq and Syria (ISIS) in Derna is scaring the two governments to find a political solution. I'd expect the parties to come together in the next few years.

The future of Iraq is mixed but not hopeless. The Kurdish Regional Government (KRG) will eventually seek independence. In the coming few years, the KRG will point to the continued challenges in Iraq and the presence of ISIS to effectively argue for self-determination at the United Nations. Although Turkey may not like this at first, the KRG may win over the Turks by continuing to support an anti-PKK narrative and make promises not to court the Syrian Kurdish region to join the KRG. The Turks are already strong investors in the KRG and will be an influential actor in its political development. The KRG has flourished economically and, with a boost of nationalism that comes from independence and the already good relations with Western companies, there might be positive prospects for the new Kurdish state.

With the KRG out of Iraq, the Sunni and Shia will need to work together. Good news for Iraq will be that with KRG out, there will be an extra 20 percent of the budget that could be redirected to other projects. Iraqi politics is currently facing an internal shake up. The fact that Shia cleric Sistani has been supportive of Abadi's attempts to both purge al-Maliki supporters from the government and to crackdown on corruption is a good thing; this says that the Iranians also want to see the Iraqi government get its act together. The challenge is also coming from the bottom-up and Prime Minister Abadi, who is quite competent and has populist backing from youth sectors, is trying to purge corrupt politicians and get the country back on track. The West can do more to help Abadi turn Iraq around, and some ideas are further discussed below.

### **The Sunni-Shia Divide?**

This fault line will continue to grow in rhetoric and a cold war between Iran and the Saudis has been on the horizon for some time, particularly as the Saudis have turned more conservative and aggressive post-King Abdullah. The Saudis will continue to use the Eastern provinces as a scapegoat for domestic troubles, but the spotting of ISIS sympathizers operating in the Arab Gulf that have targeted Shia mosques will turn public sentiment away from this divisive rhetoric. The domestic backlash from ISIS inspired terrorism might prompt the Arab Gulf country leaders, most notably in Saudi Arabia and Bahrain, to tamper the anti-Shia rhetoric. We've seen some moves on this regard in the Saudi religious establishment. This is not say that we should expect a Saudi-Iranian détente, but there is a Saudi recognition that stoking anti-Iranian sentiment at home will not necessarily rally people around the flag, but it might likely stoke domestic security challenges by encouraging ISIS sympathizers from pouncing on anti-Shia

rhetoric and set off domestic clashes and Shia mosque bombings. This turn of events might be the Saudi wakeup call that can help tone down some of the sectarian rhetoric.

The success of the Iran nuclear deal may also temper Iran's anti-Western or anti-Arab rhetoric. If the nuclear deal can deliver some much needed economic prosperity in Iran, the mullahs will not be able to use the pulpit to rally domestic support for its rhetoric. Sidelining the right-wing elements of the Iranian political spectrum would be among the most fruitful side benefits of the Iran nuclear deal. I suspect President Rouhani will be successful in advancing a more reformist agenda in the coming years as Iranians reap the dividends of economic prosperity. The mullahs of Qom are well aware that the green revolution is not dead but dormant, so they will want to preserve the regime with a semblance of political opening that is really more economic than political. Qom's support of the President could keep right wing forces behind the Iranian Revolutionary Guard Council (IRGC) in line, but the IRGC will try its best to break this political alliance of convenience.

### **Future of ISIS? Outside help?**

ISIS will not be defeated but will be contained. This is the best outcome for the short- to medium-term outlook. To defeat ISIS in Iraq, the Iraqi government and military will need to be bolstered by continued and intensified military training. This should include re-professionalizing the Iraqi army to combat ISIS without the kind of sectarian action we saw in the battle to liberate Tikrit from ISIS. The Iraqi army needs strong Western support and training to take on ISIS in Ramadi and Mosul, but these are at minimum two to three years away. The Kurdish Peshmerga will not take on this fight and have no interest in liberating the Arab-dominated Mosul city despite it being a short distance from the KRG's newly demarcated and self-declared green line.

The Iraqi army must be trained and re-professionalized by the Western forces. We have an opportunity to use existing leverage in Iraq to train the army. This training work should not be undertaken solely by U.S. forces, and the current multilateral force engaged in Iraq is still too U.S.-dominated. There may be a greater need for the North Atlantic Treaty Organization (NATO) allies that do not have a history of military intervention in Iraq to play a more positive role. Western powers should tie the Iraqi army's repeated request for military hardware with allowing Western-guided reforms of the Iraqi military. The potential model that could be used in professionalizing the Iraqi military is the Lebanon example. Akin to Lebanon, we ought to leverage American, Western, and Saudi involvement with Iraq to make the army an actual national army and not a sectarian one as was perpetuated by the al-Maliki government who preceded the Abadi. In addition to fighting ISIS militarily we need to counter violent extremism at the source. This includes facilitating continued meetings and conversations between Arab governments and Western governments on best practices of countering violent extremism (CVE). It is necessary to include Western governments that have high incidences of foreign fighters going to Iraq and Syria and this should include governments such as Tunisia, Saudi Arabia, Belgium, France, and Germany and to a lesser extent the United Kingdom, the United States, Australia, Jordan, and Canada.

While there has been a great deal of attention to the foreign fighter problem, a higher likelihood of ISIS inspired terrorism in the west will occur. Here it should be noted that there needs to be a clearer distinction between ISIS directed terrorism, which is an operation formulated and executed by ISIS, and ISIS motivated terrorism, which involves want-to-be ISIS followers who do not make a journey to ISIS territory but are nevertheless inspired by ISIS to commit terror. It is the latter that will pose a stronger security threat to western governments as time goes on. The most effective means to combat the radicalization of disaffected youth, the demographic group most vulnerable to disenfranchisement, throughout the western and Arab world would be to implement CVE policies that include building resilient communities. Denmark has a great deal of successful pilot programs that could help other Western governments to combat radicalization. This leads me to point out that beyond the five eyes program of shared intelligence among Western countries, there lacks adequate funding and attention, particularly at global meetings, dedicated to exchange information and learning of successful CVE strategies. It would be ideal to see the Group of Twenty (G20) countries commit resources and a working group level that is focused solely on updating the G20 community on an annual and consistent basis about what has worked at home or not and stemming the rising tide of radicalization of disaffected youth. The international community must also put increased pressure on social

media networks, Facebook and Twitter in particular, to effectively prevent Facebook and Twitter pages and handles from being viewed on the Internet. The private sector has been timid about taking down social media of ISIS followers, sympathizers, or operatives in the name of defending freedom of speech. This is also not the most effective strategy, as it is often a whack-a-mole strategy that leads to a temporary deletion of Twitter accounts that are reactivated a few weeks later. It would be more effective to use Internet service providers, where governments still have leverage, to block the visibility of these pages as opposed to preventing their existence.

Islamist political parties that are committed to nonviolence can be extremely effective community bridges between disaffected youth and potential ISIS sympathizers. However, vilifications of political parties like the Muslim Brotherhood only further complicate matters and are counterproductive. Preventing radicalization through vulnerable youth communities could be countered more effectively by empowering Islamist political movements and parties that have sworn off violence. This must include the Muslim Brotherhood, which remains one of the largest international groups that can play a positive political development if allowed to come from underground and be a productive member of an anti-ISIS strategy.

### **Nuclear proliferation?**

In addition to existing nuclear powers like Israel, there may be a renewed interest by countries like Saudi Arabia to acquire nuclear technology. This technology may come from Saudi allies like Pakistan or France, which have both been flirting increasingly with the Saudi government. It is most beneficial for the Americans to allay any Saudi concerns about a nuclear Iran by keeping Saudi Arabia abreast of important surveillance and technological developments within Iran. Recent King Salman visit to the United States was a welcomed change in Saudi-U.S. relations. However, it is doubtful that there is a great deal of trust between both leaders. A new U.S. administration will want to put on its agenda an amending of Saudi-U.S. relations, and this is more likely to materialize under a Clinton or some Republican administration. A reinvigorated Carter type doctrine that calms Saudi fears of Iranian transgression in the region akin to Carter's doctrine would be something quite useful in preventing an arms race in the region. The United States needs to increase its visits to the Gulf region at a leaders' level to assuage some Gulf concerns that the shift or pivot to Asia and the Iranian nuclear deal are in no way an abandonment of a long-standing U.S.-Saudi alliance.



## *The Future of the MENA Region and Global Security*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

**Charles Powell**, Real Instituto Elcano (RIE)

A recent study by the European Union Institute for Security Studies (EUISS) came up with three scenarios for the Middle East and North Africa (MENA) region in 2025. The first, described as “the Arab Simmer,” is one in which economic and political issues are managed rather than resolved, leading to protracted unrest and instability. The second envisages an “Arab Implosion,” as a consequence of the failure of Arab states to address the main economic challenges they face as they focus on security only; as a result, popular discontent becomes even more acute, leading to large-scale disruption. The third scenario is an “Arab Leap,” in which the region’s states, recognizing the urgent necessity for reform, finally implement large-scale changes, thereby paving the way for a brighter future. Sadly, the first of these scenarios—the “Arab Simmer”—is currently the most plausible.

### **Megatrends**

These three scenarios are informed by eight so-called “megatrends” which are unlikely to be reversed or significantly modified by 2025:

- The first of these is continued population growth: the population of the MENA region stands at 357 million in 2015, and is projected to rise to 469 million by 2025. This will continue to feed the region’s “youth bulge”; a very high proportion of the region’s population is under thirty years of age.
- The second “megatrend” is urbanization: in 2015, over 56 percent of MENA’s population resides in cities, and the proportion is expected to reach 62 percent by 2020. This rural exodus is largely due to the concentration of economic activity in cities; migration to oil-rich countries, drought, and conflict.
- The third “megatrend” is climate change, which may manifest itself in three major ways: global warming and desertification; scarcity of resources, and the rise of sea levels. The United Nations’ Intergovernmental Panel on Climate Change (IPCC) is predicting an increase in temperature of up to 2 degrees Celsius in 2025 for the Southern Mediterranean, resulting in increased aridity, lower soil humidity, higher evaporation/transpiration rates, and changes in regional rainfall patterns. Given that this is already one of the most water-poor regions in the world, MENA states should take this challenge far more seriously than they have done to date. The IPCC also expects the level of the sea to rise by between 0.1m and 0.3m by 2050, which could cause havoc in low-lying coastal areas of many countries, particularly Egypt, but also Morocco, Algeria, Tunisia, and Libya.
- The fourth “megatrend” is energy. The MENA region harbors 43 percent of world’s proven oil reserves, and about 25 percent of gas reserves. The EUISS study concludes that the oil-producing MENA economies will continue to rely on the hydrocarbon sector, since global demand (particularly from China and India) is projected to increase. Nevertheless, the recent collapse of energy prices may encourage resource-rich states to diversify their economies further.
- The fifth “megatrend” is food prices, which are highly correlated to energy prices. MENA countries rely entirely on food imports, and in 2014 agriculture only represented 3 percent of the region’s gross domestic product (GDP). This partly explains why MENA states are also the highest food subsidizers in the world;

however, although food subsidies represent 5.8 percent of their GDP, they do not benefit the poorest segments of society.

- The sixth “megatrend” is literacy. Between 1990 and 2011, the rate of literacy in the MENA region rose from 55 percent to 77 percent (and as high as 90 percent among the younger generation). In 2000, all MENA states committed themselves to provide universal primary education, achieve gender parity, and halve the adult illiteracy rate by 2015. Only Bahrain and Kuwait will meet all three goals, and Djibouti, Sudan, and Yemen will meet none. However, Algeria, Iraq, Lebanon, Morocco, Saudi Arabia, and Tunisia will achieve the primary education goal, and Egypt, Jordan, and Syria will meet all but the literacy goal.
- The seventh “megatrend” is internet penetration. Currently, 25 percent of the population has access to the internet, a figure which is expected to double by 2025. Significantly, e-transactions and e-commerce are on the rise, and 53 out of 125 million internet users are active on social media platforms.
- The final “megatrend” is gender equality. Although progress in this area has been slow, some MENA states (Algeria, Jordan, Morocco, and Tunisia) have introduced parliamentary quotas for women, and the proportion of women involved in business is also growing.

### “Game changers”

The EUISS study also identifies an additional six events or circumstances (which are defined as “game changers”) that could have a disproportionate influence on future developments in the region:

- A great deal will hinge on how MENA states deal with youth unemployment. The MENA region has the highest youth unemployment in the world, affecting oil-exporting and oil-importing countries alike, and ranging from 28 percent in Saudi Arabia to 53 percent in Yemen. Most worryingly, although it used to be concentrated in pockets of unskilled labor, it is now particularly high among university graduates (45 percent in Jordan; 43 percent in Saudi Arabia). The MENA region’s “youth bulge” could act as a spur to economic development, but if the labor market cannot absorb these youngsters, it may turn into a demographic time bomb. Studies show a high correlation between high youth unemployment and social unrest and conflict: between 1970 and 1999, about 80 percent of civil conflicts occurred in countries where 60 percent of the population was under 30, and largely unemployed. Every percentage point increase in the youth population magnifies the risk of conflict for a given state by 4 percent. States with large numbers of young unemployed males present a significantly higher risk for terrorist activities. In sum, youth unemployment poses a real security challenge to MENA states.
- Because they are large food importers, MENA economies are subject to volatile food prices. Abrupt increases in food prices affect the poorest sections of society most, and can lead to bread riots and mass demonstrations. Only Jordan, Tunisia, and Bahrain have introduced effective measures to decrease food price dependency, but others may follow suit.
- Youth unemployment and high food price volatility may exacerbate domestic insecurity. Security vacuums in Libya, southern Algeria, Egypt’s Sinai, Syria, and Iraq have resulted in the resurgence of Islamist terrorism, but other forms of criminal activity (such as kidnapping and human trafficking) are also on the rise. Domestic insecurity also deters tourism and foreign direct investment (FDI). This is particularly serious for a region which already suffers from one of the lowest FDI rates in the world.
- Regional spillover. Today, Libya, Iraq, and Syria are, for all intents and purposes, failed states, a situation that is as much the cause as the consequence of the rise of the Islamic State. Furthermore, there is a real danger that they will drag some of their neighbors, notably, Algeria, Tunisia, Lebanon, and Jordan, into their orbit of instability.

Additionally, these tensions are fueling the traditional sectarian rivalry between Shia Iran and Sunni Saudi Arabia. Two states are particularly vulnerable in this regard, Bahrain and Syria, where political power is held by a sectarian minority: a Sunni ruling family in Bahrain, where Shias are the majority, and Alawites in Syria, where Sunnis are the majority. The civil war in Syria has thus become a proxy war between the region’s major Shia and Sunni powers, Iran and Saudi Arabia. The latter sees the Syrian conflict as the last chance for Sunnis to limit and reverse the spread of Iranian power and Shia influence in the Arab world. Predictably, the recent nuclear deal has strengthened Iran, and may well lead Saudi Arabia to attempt to develop a nuclear

arsenal of its own. It may also encourage Iran to increase its support for sectarian allies such as Hezbollah and Hamas, thereby increasing the tension in Lebanon and Palestine.

More generally, across the region the Muslim Brotherhood, Hezbollah, Hamas, Iran, Turkey, and Qatar are pitted against an alliance led by Saudi Arabia, the United Arab Emirates, and Egypt, in a conflict which shows no sign of abating. Significantly, Egypt seems to have abdicated its traditional role as a dynamic foreign policy player, while the leading Gulf States have shifted from being policy takers to policymakers.

- To date, democratic change in the MENA region has only been attempted successfully in Tunisia, which has adopted a democratic constitution and held free and fair legislative and presidential elections. However, due to its size and geographical location, the Tunisian example will continue to have a relatively modest impact in the region.
- Inclusiveness and the future of political Islam. Three distinct current of political Islam have emerged in recent years: electoral Islamism (represented by Hamas, Ennahda, and the Muslim Brotherhood); authoritarian Islamism (represented by Saudi Arabia and its allies); and revolutionary Islamism (as practiced by groups such as al-Qaeda and the Islamic State). The shortcomings (and subsequent overthrow) of the Muslim Brotherhood in Egypt were a major blow to electoral Islamism, and raised serious doubts about its acceptance of democratic values and institutions. Although its impact has been smaller, the far more nuanced and sophisticated performance of Ennahda in Tunisia has proved that electoral Islamism can contribute decisively to the establishment of more inclusive, democratic systems of government. In the short-term, however, it is unlikely that this will seriously undermine the strength or appeal of the authoritarian and revolutionary varieties of political Islam.



## *The Future of the MENA Region and Global Security*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

**Ali Vaez**, International Crisis Group (ICG)

**Given the deeply entrenched social, economic, political, ethnic, and sectarian tensions, what is the most likely scenario for the political development of the Middle East and North Africa (MENA) region in the next decade?**

Projecting future trends in the region is increasingly challenging due to not only the complexity of individual crises, but also because nonstate actors have proliferated. Furthermore, in many capitals conflict resolution is increasingly seen as outmoded and negotiations as ineffectual. In Syria, the stalemate has yet to yield either a diplomatic or military breakthrough. Yemen has been plunged into an enormously destructive war that is importing the Saudi Arabia-Iran rivalry into the fragile country. Libya, with peace talks stalled and two rival governments acting as militias, is not far behind. Gaza emerged weakened and demoralized from another war with Israel in mid-2014, but a desperate Hamas might seek to fight again. Iraq remains in tangles as a new prime minister, despite committing to more inclusive politics, is hamstrung by dysfunction and corruption and dependence on Iran-sponsored Shiite militias to stave off jihadi foes. The nuclear agreement between Iran and the P5+1 (five permanent members of the United Nations Security Council plus Germany) concluded on July 14 is a point of light, but it is uncertain whether its positive momentum could be parlayed to easing other tension in the region.

**What mixture of political authoritarianism, violent conflict, and democratic experimentation should one anticipate?**

The existing trends suggest that the situation in the region is likely to get worse before it gets better. The rise of the Islamists—be it the traditional nonviolent groups or extremists jihadists—has given new legitimacy to authoritarian rule, and that has repressed the democratic experiment across the region. Violent conflict is at a new height, creating waves of refugees and radicals that are here to stay for years to come. It will be a while before the extremists could be weakened—not totally destroyed—and the more democratic forces could regroup and gain strength. Not all countries in the region are doomed, but the likeliest picture is one that has more black than white and many different shades of grey.

**Will the Saudi-Iran or Sunni-Shia confrontation become the defining fault line or can it be defused?**

In the short term at least, the nuclear deal is likely to reinforce the sense in regional capitals that Iran's star is ascending, which could exacerbate the clashes along regional fault lines. What could make this even worse is that both Iran and the West appear tempted to take provocative measures to demonstrate to domestic hardliners and regional partners that their fundamental strategic stance and concerns have not changed. Left to its own devices, the region and its two major Shia and Sunni powers are unlikely to be able to defuse the worsening sectarian-tainted proxy war. The Saudis believe that they are in a position of weakness and should only sit at the table with the Iranians once they regain control over the key capitals of the Arab world (i.e., Bagdad and Damascus). The Iranians contend

that Saudi Arabia needs the construct of Iran as an enemy to deal with its internal insecurities. There is no overlap between the parties' hubris and hysteria. At some point, both sides will realize that neither can dominate the region and finding a *modus vivendi* is crucial.

### **Will the Islamic State in Iraq and Syria (ISIS) prove to be a transient phenomenon or an enduring force in the region and even globally?**

ISIS can be diminished and pushed to a corner but not completely destroyed in the near future, in the same way that the Taliban, which was much less sophisticated than ISIS, survived against all odds. The kind of concerted and highly coordinated effort by all the key stakeholders to fight ISIS and its underlying causes is simply not on the cards. Too, regardless of how hard we try to enforce border controls and effective intelligence, foreign fighters and lone wolves will be hard to spot and stop.

### **What is the risk that additional states may seek to acquire military nuclear capability in the region?**

The risks are insignificant. No other country in the region has the nuclear infrastructure that Iran has developed since 1957. Even if the knowledge is acquired, it'd be very hard to obtain the material and equipment needed, as there are very strict international export control arrangements that have been significantly improved in the past few years. Also, in terms of cost-benefit, it makes little sense to antagonize Western countries that have served as guarantors of security to the most regional countries in order to acquire a virtual nuclear capability. Finally, there is logical tension in the argument that a deal that severely constrains and rigorously monitors Iranian nuclear program will provoke other countries in the region to pursue proliferation when an unrestrained and loosely monitored Iranian nuclear program didn't bring about such an outcome during the past two decades.

### **What can outside actors do to reverse the spreading disorder?**

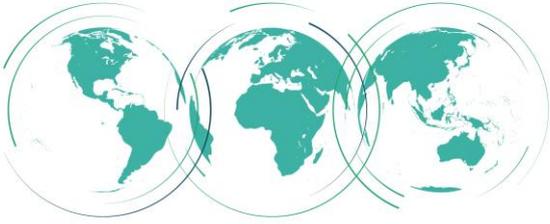
The outside actors should come to realize that only a balance of power that takes into account the fears and hopes of all the stakeholders provides for a sustainable regional solution. The previous policy of blindly supporting the "traditional allies" and containing "arch enemies" has become irrelevant.

#### Recommendations:

- To diminish possible negative repercussions of the nuclear agreement, the same countries who championed the nuclear accord should—in cooperation with other regional partners—engage Iran in dialogue over issues of common interest, such as stability in Afghanistan and Iraq and ending the bloodshed in Syria and Yemen. There is a need for a contact group that could bring different parties to the conflicts in the region together and fashion compromises that could end the bloodshed. This could be the first step towards establishing a *modus vivendi* or an inclusive security architecture in the region.
- For its part, Tehran should take concrete steps to convince its neighbors that the agreement has not come at their expense and that it does not seek dominance in the region writ large.
- There should be an effort to regionalize the parameters of the nuclear agreement with Iran. If successful, this would, in essence, constitute the first step towards a Middle East Zone Free of Weapons of Mass Destruction.

# COUNCIL OF COUNCILS

*An Initiative of the Council on Foreign Relations*



## Session Three

### *Redesigning Regional and Global Energy Governance*



## *Redesigning Regional and Global Energy Governance – Poland’s Perspective*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

Jarosław Ćwiek-Karpowicz, Polish Institute of International Affairs (PISM)

**Energy policy is a matter of national sovereignty and security. Nowadays it is, however, difficult to realize the idea of full energy autarchy on national level. In fact, different factors enhance internationalization or even globalization of separate national energy interests.** First, scarcity of resources and their uneven distribution around the world make international energy trade a necessity—and this, as any other kind of trade, needs to be regulated and coordinated, at minima on bilateral level. Second, extension of energy issues beyond purely commercial dimension, hence involving aspects such as corporate social responsibility, sustainable development, generational responsibility (ensuring future generations’ access to energy resources or corresponding funds), as well as climate change, imposes a new, global layer of understanding of energy, also requiring inter or supranational coordination. Third, multiplication of voluntary, interest driven energy managing bodies, often sectorial or with determined scope—for example groups of suppliers (e.g. Organization of the Petroleum Exporting Countries), regional groups (e.g. energy community), groups of regulators (e.g. Western European Nuclear Regulators Association) underlines the necessity of stronger coordination at a higher than national level. As a consequence, increasing international coordination in terms of energy management is a fact and an inevitability. Still, however, it has not reached the proper global level and one can question whether global dimension of energy dynamics management is desirable.

**Assuming the International Energy Agency (IEA) positive and constructive role in the global energy governance, allowing membership of large consumers seems justified.** In this regards we should take into account IEA’s original task—increasing security of oil supply and creating oil stock management system. Nevertheless, the impact on IEA’s oil stock mechanism (a scope for unification among prospective members) needs to be scrutinized before. At the same time it needs to be noted that the biggest producers are becoming large consumers too. Therefore, such extension of membership cannot be selective, and last but not least is dependent on the willingness of those countries.

Current shape of multinational technological and financial support for developing countries is built upon many bilateral and multilateral institutions and initiatives. They are not working in isolation and many of the initiatives established partnerships, but for the external partners it may appear unclear what the institutions and mechanisms are available to gain knowledge or to further promote sharing of clean technologies. However, creating a new institution can lead to further complication of the existing network of initiatives. Therefore, a **horizontal**

**integration should be deepened between the climate finance and clean technology sharing. Green climate fund (GCF) may become a core institution of existing climate finance system** that will serve its more efficient management. GCF should be coherent and consistent with promotion of sharing of clean technologies and could be the entity that would lead to the sufficient promotion of clean technologies through such channels as knowledge transfer, good practices, market analysis, and awareness raising.

**Shaping the investment environment in the energy sector is still mostly in hands of nation states. However, it seems that building multilateral mechanisms of cooperation on the regional scale** could be an effective measure to overcome some hurdles for energy investments, such as financing or regulatory stability. The viability of such initiatives depends on several factors, including economic calculations, the level of integration between partners and geographical conditions.

There are some examples of attempts to develop cooperation in the energy investment area, i.e. between the North Atlantic Free Trade Agreement (NAFTA)'s members. Although energy issues have been excluded from the NAFTA, the United States, Mexico, and Canada undertake common projects, such as U.S.-Mexico Transboundary Hydrocarbons Agreement, which aims to develop energy cooperation in the maritime border of both countries. There are also several oil projects, including pipelines which connect Canadian oil fields with U.S. refineries. Moreover, in May 2015, those three countries have established a working group to harmonize and integrate climate change policy, especially concerning smart electricity grids, developing clean energy technology, and improving energy efficiency which can encourage potential investors to engage in this kind of projects.

Also members of the Gulf Cooperation Council (GCC) make steps to forge common strategies, e.g. on energy efficiency. GCC is also making efforts to create an efficient power market of six Gulf states through common institutions, such as Gulf Cooperation Council Interconnection Authority. However, the most advanced cooperation is visible within the European Union (EU). It has been gradually built by the means of Trans-European energy networks policy. Currently Projects of Common Interest benefit from financial aid, simplification of procedures or “oversight” (yet very limited) from an EU body—Agency for the Cooperation of Energy Regulators (ACER). Lessons learnt from the ACER's activity shows that it provides legal stability and facilitates implementation the rule of law or allows smoother dispute resolution. It all improves investment environment in the EU.

**Closer cooperation among potential supplier and consumer countries is necessary to develop the Southern Gas Corridor as a realistic alternative to Europe's dependence on Russian gas.** In practice, however, this is very difficult. The experience from Nabucco, and later Nabucco West, showed that consumer countries do not decide about the pipelines and its route. Even despite the fact that, the European Commission was involved in closer cooperation with potential suppliers (it was granted a negotiating mandate) the result depended on producers. Nevertheless this closer cooperation should be continued, maybe with clearer definition on what it means from the consumer's point of view.

**The attention should be put on broader dimension of cooperation** (by the means of different levels of institutions: chambers of commerce, etc.), and that can contribute to easier implementation of a technical issues and future gas contract. However, it seems that not only technical engagement and cooperation is needed, but a strong political commitment from the EU member states as well. Producers look for security of demand and in the current gas market circumstances in the EU (stagnation of demand) such cooperation to ensure Southern Gas Corridor

producers about EU's interest seems crucial. For that purpose, the idea of demand aggregation (voluntary, limited to involved member states) could be tested.



## *Redesigning Regional and Global Energy Governance*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

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In the field of energy, there is an absence of overall global governance and a diffusion of international arrangements for energy cooperation. The prevailing approach by governments continues to be egotistical. Energy alliances are frequently drawn following a variety of defensively-inspired criteria (producers, consumers, etc). In the absence of global governance for the sector, all of this is understandable since energy security is essential to sustained growth and development, and an assured energy supply is vital for the strategic security of states.

What concerns the key players is that not just governments and international institutions but also, and especially, market forces play a leading role concerning energy. In the arena of fossil fuels, the private sector is markedly predominant.

In more recent times, energy markets have proven particularly volatile. Traditional energy demand and supply have been affected by the rise of China, the emergence of the other BRICS (Brazil, Russia, India, China, South Africa) countries, the booming of shale fuels in the United States, the exhaustion and rising costs of some fossil reserves, growing nationalism, the exacerbation of conflicts in the Middle East, the Iranian nuclear crisis, and the rise of worrying East-West tensions. Similarly, energy power has proven fundamental for the prosperity of rich countries and the developing world, where 1.3 billion people still have no access to electricity (International Energy Agency (IEA)). The experience of the BRICS and other emerging economies confirms that a substantial rise in energy demand, supply, and investment is inherent to sustained growth.

The benefit of energy to the improvement of the human condition is upset however, by the fact that, due to the dominance of fossil fuels, energy is also responsible for 70 percent of carbon dioxide (CO<sub>2</sub>) emissions, which in 2014 stood at 32.3 billion tons, emitted mostly from China (IEA). Given the inextricable link between energy and climate change, it is indispensable that, in harmony with measures to be adopted at the twenty-first Conference of Parties (COP-21) in Paris, there is a rapid and decisive worldwide progression towards a prevalence of clean energy. Otherwise, the already compromised goal of stabilizing global temperatures at 2 degrees Celsius above those of the early industrial revolution by 2030 will remain ominously improbable.

The atmosphere is a common legacy of all planetary beings. Climate change has indiscriminate and wide-reaching environmental, social, and health implications. The need for mitigating the harmful effects of fossil fuels is not just a technical or economic issue; it is also an ethical matter of global significance. A sufficiently rapid transit into clean energy remains, but with the increasing engagement of the United States, China, and the European Union, the wheels of change are gaining irreversible momentum. Preliminary estimates of the IEA indicate that global emissions remained unchanged in 2014. This suggests that, if anything, pressure to accelerate the short, medium, and long-term measures necessary to radically de-escalate the impact of energy on global warming will continue to grow.

In what concerns global governance, decisive progress towards clean energy probably requires a multilateral treaty passed by consensus and containing a stepwise approach. One could envisage a legally binding arrangement among states, with well-defined rights and obligations where the different interactions between energy sustainability and energy security and between consumers and producers would be balanced. Nuclear energy would be excluded and would remain under the present nuclear Nonproliferation treaty (NPT) legal regime. The treaty would seek to stimulate an operative public-partnership and involve civil society. All this would happen within a framework of transparency and accountability, to be obtained through international verification.

Ideally and very broadly, such a regime would be built on interrelated pillars. The central pillar would be a commitment by the parties to move by a definite date into a net prevalence of clean energy at global and national levels, with intermediate milestones on the way. States would assume the obligation to enact all legal and administrative measures necessary to that end. Developing countries would probably demand additional pillars, including the formal recognition of the right of every state to have access to all the energy necessary for its development and a legal commitment by the international community to support their transition to clean energy with massive technical and financial assistance. The system would contemplate rewards for achievements and costs for underperformance. Fundamental commitments would be equal for all. But countries where the state or its incorporated companies are materially responsible for past and current atmospheric accumulation of CO<sub>2</sub> and methane on a substantial scale would bear special responsibilities.

Although governments would necessarily be in the driving seat, the private sector would have a pivotal role to play and would be engaged from the beginning both in the negotiations and in the implementation of any such treaty. A practical necessity would be the creation of an independent multilateral organization charged with overseeing the implementation of the agreement. This organization would be staffed with highly skilled experts and firmly devoted to excellence, transparency, and accountability. It would have at least three distinct technical branches. One of such branches would receive and validate the measurements and reports that national focal points designated by member states would regularly forward to the international organization and would conduct periodical in-situ evaluations of national programs. The assessments of this branch would serve as a basis for determining rewards and costs and for activating technical and financial assistance. The second branch would provide state parties with technical assistance in adaptation and mitigation. It would spearhead the support for energy efficiency and for the research, demonstration, and selection of new technologies. The third branch would be charged with the core tasks of identifying, validating, and facilitating the financial architecture that would make possible the global passage into clean energy. A workable economic equation is a precondition for the viability of any clean energy project.

While notionally feasible, something like the above is unlikely to happen anytime soon. Agreeing in a multilateral context on the numerous political, market-related, and scientific dimensions involved would possibly demand a complex and protracted process. Consensus would take time to mature. But global energy demand is estimated to triple by 2050 and if we are to reach the goal of 2 degrees Celsius on time and avoid irreparable concentration of greenhouse gases (GHG), no more than a third of fossil reserves are to be used by 2030. Early practical steps are therefore needed.

One desirable action is to further expand the reach of the European Energy Charter and, as debated elsewhere, consider extending current cooperation in the IEA to include non-OECD (Organization for Economic Co-operation and Development) major consumers. If effective and if major producing countries would also participate in a combined effort sympathetic to clean energy, the exercise could in turn become the basis for a worldwide agreement. In fact, coordination among only the few, even if they are the crucial ones, should constitute just a transitional stage since inclusiveness and participation by all is of the essence to successful global policies.

Technical and financial support to developing countries via the Climate Change related funds, the World Bank, the BRICS Development Bank, the Asian Infrastructure Development Bank, and other such institutions is vitally necessary but will not suffice. The IEA estimates that the annual incremental mitigation cost to meet the 2 degrees Celsius objective will rise up to \$111 billion by 2030. Such amount can only be reached if the private sector is

brought substantially into the picture through new and cost effective business models. This is not an easy challenge given the diverse political, regulatory, material, technological, and financial hurdles that can be expected.

The IEA and the multilateral fora—United Nations Framework Convention on Climate Change, International Energy Forum, International Renewable Energy Agency, etc—on their own and in coordination should endeavor to further strengthen the promotion of energy efficiency as an effective means for reducing GHG emissions and overall energy costs. Though efficiency can be instrumented through a variety of options (CO<sub>2</sub> capture and disposal, better plant designs for the conversion of fossil fuels, substitution by renewable energy or nuclear power), the choice will be determined by each particular situation. Reaching such objective requires the commitment of the aforementioned institutions, as well as of political authorities, regulators, and enterprises, and support for behavioral adjustments by residential consumers in many developing areas.

Another obvious game changer where the influence of the IEA and relevant multilateral organizations can play a key role is innovation and mitigation technology. A greater, better coordinated, and more diversified financial commitment to the research and demonstration of clean technologies that are carefully selected for their intrinsic merits and financial viability could help to bring the developing world massively into the clean energy paradigm. Additionally, a convergence between energy sustainability and energy security can be meaningfully accelerated by an early transition from oil and carbon into natural gas—including shale gas—which, although less efficient than carbon, is significantly effective in reducing CO<sub>2</sub> emissions.

The matter is of particular interest to the Americas, which are home to major oil producers, substantial shale oil reserves and to five of the ten countries with the largest reserves of shale gas (Argentina, the United States, Canada, Mexico, and Brazil). From Alaska to Tierra del Fuego, the continent is well provided in renewable energy sources, including a plethora of lesser contaminating energies (hydro, bioethanol, and biodiesel), and shows significant programs on nuclear, Eolic, and solar energies. The Western Hemisphere can possibly aim at achieving energy autonomy through physical and market integration, which is still embryonic. Energy is a specific target of the Initiative for the Integration of the Regional Infrastructure of South America, and the Union of South American Nations has been seized of the matter for the last six years. In any case, the serious environmental implications require much greater attention before any move.

In the case of commercial exploitation of shale gas, which is already well developed in the United States but still in its infancy in South America, significant transcontinental synergies could develop. The possibility of Washington authorizing gas exports is seen in the subregion as a desirable step, likely to revolutionize the world trade of liquefied natural gas and to encourage technology transfer and substantial foreign direct investment into the development of national shale gas resources.

South America proposes a totally different scenario from that of the Southern Gas Corridor, which is set in a large and multifaceted geopolitical framework, but faces equally substantial obstacles to the development of its immense energy potential. Some of the barriers result from geography and from the magnitude of the investment needed. But in a number of countries additional complications stem from chauvinistic policies, deficient regulatory frameworks, grave institutional inefficiencies, and entrenched corruption—not the least in the energy sector. Effectively tackling these problems is indispensable for sustained energy investment and growth there.



## *The Energy Union: Seeking Internal Coherence to Ensure International Effectiveness*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

**Nicolo Sartori**, Institute of International Affairs (IAI)

### **Introduction**

The European Union (EU) is the world's largest importer of energy resources, and the economic area most dependent from external hydrocarbon supplies. According to data provided by the European Commission, in 2013 the EU imported 53 percent of its energy, for a value of €400 billion.<sup>i</sup> Today, European countries import more than 11 million barrels of crude oil daily (mb/d), more than the United States (7.4 mb/d), China (6.8 mb/d), Japan (4.3 mb/d), India (3 mb/d), and Turkey (0.7 mb/d). At the same time, the EU imports 255 billion cubic meters (Bcm) of natural gas per year, more than twice the amount imported by Japan—the World's second largest importer of gas (112 Bcm)—and significantly more than China (50 Bcm), Turkey (46 Bcm), the United States (31 Bcm), and India (20 Bcm).<sup>ii</sup>

Despite this data, global consumption trends suggest that in the next decades the EU will face increasing competition over energy supplies from non-OECD (Organization for Co-operation and Development) countries. According to the International Energy Agency (IEA), the global distribution of energy demand is set to undergo dramatic changes, with energy use remaining essentially stable in much of Europe and other industrialized countries, with the rise of consumption concentrated in the rest of Asia (60 percent of the global total), Africa, the Middle East, and Latin America.<sup>iii</sup> In this evolutionary context, the European Union is called to strengthen its ability to speak with one voice in global affairs, both to deal with energy suppliers and to establish effective dialogue with other global consumers.

The conclusions on Energy Diplomacy agreed by the Council on July 20, 2015, highlighted the need for Europe to act as a global actor and to develop an effective EU energy diplomacy, in order to promote new energy partnerships and dialogues, to support the EU's energy diversification efforts, and to enhance global energy architecture and multilateral initiatives.<sup>iv</sup> So far, the EU's capacity to play such a global role has been constrained by the provisions of the Lisbon Treaty and by member states' desire to defend their sovereignty and national interests on energy matters. As a matter of fact, the EU exercises a shared competence on energy and—as clearly expressed in article 194.2 of the treaty—the measures it adopts in this domain “shall not affect a Member State's right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply.”<sup>v</sup>

The recent agreement for the expansion of Gazprom's Nord Stream pipeline, which has created a clear fracture between Germany and Central and Eastern European countries over the EU's strategic energy choices vis-à-vis Russia, is just the last example of the difficulties faced by Brussels in brokering a common European approach on energy security matters.

In this context, the launch of the Energy Union might contribute to overcome these difficulties and enhance the EU's capacity to act coherently in regional and global contexts. The results, however, are not likely to be immediate, as the definition of the roles, competencies and powers of the different European institutional actors—both at the internal and external level—will require time and careful management of both formal and informal evolutionary processes.

### **Seeking internal coherence on energy matters**

Challenged by the deterioration of relations with Russia—Europe's largest energy supplier—due to the conflict in Ukraine and subsequent economic sanctions imposed on Moscow by the West, the EU has decided to reinvigorate its energy policy by launching the Energy Union initiative. In April 2014, Donald Tusk, then prime minister of Poland and currently president of the European Council, was the first to introduce the idea of an Energy Union. Tusk's proposal was explicitly aimed at enhancing the European security of supply and at “breaking Russia's energy stranglehold on Europe,”<sup>vi</sup> thanks to the introduction of mechanisms for jointly negotiating energy contracts guaranteeing greater solidarity among member states.

Jean-Claude Juncker, now president of the European Commission, presented the idea of a new framework for EU energy policies during the 2014 European electoral campaign. Then, he appointed Maros Sefcovic as vice president of the Commission for Energy Union, with the political mandate to establish an ambitious energy and climate policy “to give EU consumers—households and businesses—secure, sustainable, competitive, and affordable energy.” However, the scheme ultimately promoted by the Commission in the Energy Union package and released on February 25, 2015, turned out to be significantly distant from Tusk's original proposal. While “energy security, solidarity, and trust” is the first of the five priority dimensions identified by the Commission,<sup>vii</sup> the proposed Energy Union adopts a holistic approach to radically transform the functioning of the European energy sector.

The overall success of the Energy Union's approach will depend on the internal coherence of the European Commission's own actions and on its ability to enhance coordination with and across member states. For this reason, considering that no amendments to the treaties or other institutional changes are foreseen, establishing effective internal governance mechanisms becomes a factor of utmost importance for the EU, in order to ensure the implementation of the Commission's new ambitious energy agenda. Recognizing this urgent necessity, the Council has recently approved its draft conclusions on the “governance system of the Energy Union,” which call for a dynamic and holistic governance integrating member states' strategic planning and reporting for all five dimensions of the Energy Union, and promoting deeper regional cooperation on energy matters.

In addition, the successful consolidation of the new EU energy agenda also lies in the creation of new institutional sources of political power within the EU. The appointment of Maros Sefcovic as the Commission's Energy Union vice president, committed in using his personal charisma as Javier Solana did during his mandate as high representative for the common foreign and security policy, is a case in point. Despite his limited formal powers, Sefcovic's success in promoting the Energy Union initiative across Europe and presenting himself as the key European energy interlocutor for national governments, companies, and civil society contributes to increasing the awareness of the actual role and competences of the EU in the energy domain.

### **Streamlining the external energy action**

In the Commission's view the Energy Union is not just an inward-looking project, but, rather, the creation of a stronger and more united EU is instrumental to engage more constructively with its external partners.<sup>viii</sup> Internal coherence and clear governance mechanisms, therefore, are key factors for the EU to speak with one voice in international affairs and to act as a regional and global energy player. Though the EU's role in energy affairs is officially recognized at the highest institutional levels, this role often collides with the energy prerogatives and interests of different actors, including member states.

When it comes to the EU's external energy action, the institutional picture becomes particularly complex. Both the Council's conclusions on Energy Diplomacy and the EU Energy Diplomacy action plan, in fact, highlight the roles

of the Commission and the high representative, expected to act in close consultation and coordination with the member states and in accordance with their respective competences.

On the one hand, the European Commission—both through the directorates general for energy and for climate and, more recently, through the figure of the vice president for the Energy Union—plays a key role in the definition of the EU's international cooperation in the energy domain, implementing a set of international actions aimed at addressing major energy challenges. Firstly, the existence of information exchange mechanisms allows the Commission to oversee energy agreements signed by member states with non-EU countries. Secondly, bilateral cooperation initiatives have been put in place with supplier countries, notably: the EU-Russia Energy Dialogue; the EU-Norway Energy Dialogue; the Memorandums of Understanding (MoUs) signed by the EU with Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan; the meetings with the Organization of the Petroleum Exporting Countries (OPEC) at the ministerial level; as well as the bilateral partnerships agreed upon with individual OPEC members (i.e. Algeria, Iraq). Thirdly, energy cooperation in the neighborhood is addressed through the Energy Community, the Eastern partnership's "thematic platform" on energy; the implementation of energy cooperation initiatives with key transit states such as Ukraine and Turkey; new Euro-Med energy platforms for gas, efficiency, renewables, and for electricity networks. Fourthly, energy cooperation with global players is pursued with actors such as the United States, China, India, Brazil, and South Africa.

On the other hand, starting from 2011 the high representative has been vested with the European Council's specific mandate to take into account the energy security dimension and ensure coherence of EU foreign policy and the EU energy policy: the EU energy partnerships, indeed, have to be coherent with relevant foreign and security policy goals. In order to achieve these results, the high representative can rely upon the full range of foreign policy instruments at her disposal, including the network of EU Energy Diplomacy experts, which are expected to provide a platform for exchanges on energy diplomacy and ensure coordination with other relevant EU bodies and groups.

In this context of institutional complexity, with member states strongly reaffirming their right to decide over the composition of their own energy supply, the effectiveness of the EU external energy action may remain limited. The deal reached by Gazprom for the expansion of the Nord Stream pipeline, or the Greek and Hungarian attempts to establish cooperation with Russia on Turkish Stream, are the proof of the EU's continued difficulties in implementing common policies and actions in the external energy domain.<sup>ix</sup>

In this context, the Energy Union communication—which correctly lays out the different energy security challenges facing Europe, clearly recognizing the importance for the EU to present itself as a stronger and more united EU vis-à-vis its external suppliers and partners—seems to fail in outlining strong and innovative provisions to enhance the EU's external role. Despite this fact, however, the political capital invested by the Commission in the creation of an Energy Union and the identification of a solid leading institutional figure (namely, Vice President Sefcovic) in charge of completing this process, is sure to give new impetus to EU action in the international energy arena.

While the resistances of member states will certainly not disappear overnight, the objective need for a stronger Europe in global energy affairs may lead to a progressive empowerment of the Commission in this sector. To achieve this goal, along with the necessary cooperation between the vice president for Energy Union and the commissioner for climate action and energy, the Commission will be called upon to effectively involve the figure of the high representative into a coherent cooperation framework, in order to streamline the complexity of the current European foreign energy policy institutional set up.

## **Policy recommendations**

Despite the specific nature of energy as a national security interest, recent events—particularly the confrontation with Russia over Ukraine—raised public awareness over the need for the EU to act coherently in the regional and global contexts. The publication of the first European Energy Security Strategy in 2013, followed by the Energy Union initiative, are a testament of the EU's growing involvement in this domain.

In order to achieve this objective, and within the limits currently imposed by the European treaties, the EU should:

- Go ahead with the Energy Union initiative, and in particular, with its attempt to rationalize and increase the coherence internal energy governance processes. In this context, the mechanisms adopted by the Commission have to be more ambitious than those currently proposed (based on the “2030 climate and energy framework”).
- Strengthen its public diplomacy efforts, both internally and externally, under the guidance of Vice President for Energy Union Sefcovic—a Solana-like figure exploiting at best his personal charisma to achieve political results—and Commissioner for Climate Action and Energy Miguel Arias Canete.
- Work to streamline the EU’s complex foreign energy policy institutional setting, establishing a clear cooperative framework between the Commission’s bodies in charge of the external energy policy and the high representative.

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<sup>i</sup> European Commission, *Energy Union Communication*, Brussels, 25 February 2015.

<sup>ii</sup> BP, *Statistical Review of World Energy 2014*, June 2015.

<sup>iii</sup> International Energy Agency, *World Energy Outlook 2014*, Paris, 14 November 2014.

<sup>iv</sup> Council of the EU, *Conclusions on Energy Diplomacy*, Brussels, 20 July 2015.

<sup>v</sup> European Union, Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community, Lisbon, 13 December 2007.

<sup>vi</sup> Donald Tusk, *A United Europe can end Russia’s stranglehold*, 21 April 2014, Financial Times, <http://www.ft.com/cms/s/0/91508464-c661-11e3-ba0e-00144feabdc0.html>

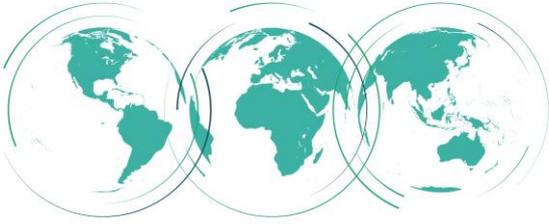
<sup>vii</sup> The other four include *A fully integrated European energy market; Energy efficiency contributing to moderation of demand; Decarbonising the economy; Research, Innovation and Competitiveness*.

<sup>viii</sup> European Commission, *Energy Union Communication*.

<sup>ix</sup> Paradoxically, the powers of Member States in the external energy domain have found significant counterbalances in the action of the Commission’s Directorate for Competition. The proceedings opened by the European Commission against Russia’s gas giant Gazprom for allegedly violating the EU competition rules in the realization of the South Stream pipeline, is a case in point.

# COUNCIL OF COUNCILS

*An Initiative of the Council on Foreign Relations*



## Session Four

### *Global Climate Cooperation Beyond Paris*



## *Global Climate Cooperation Beyond Paris*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

**Sanjeev S. Ahluwalia**, Observer Research Foundation (ORF)

### **What are the prospects for a substantive multilateral breakthrough in Paris?**

The economic burden of a depressing world economic outlook till 2020, does not augur well. Paris is unlikely to be substantially different from the foot dragging which has symbolized a common agreement amongst Annex I countries to cut back emissions. If this was difficult in the “go-go” years till the 2008 downturn, it is improbable now till a high growth trajectory returns.

Extending legal commitments to developing countries is similarly more difficult now. No developing country would want the double jeopardy of low growth today coupled with a constrained carbon footprint in the future once growth prospects revive unless the costs of mitigation are paid for. International assistance for switching to clean energy has always been an issue. Now that even developed economies are under stress, an expansion in this source of long-term, cheap finance is questionable.

Low conventional energy prices also do not help in incentivizing adoption of clean technologies. These options now seem more expensive, despite the recent reduction in the capital costs of clean energy technologies like solar and the prospect of more efficient storage technologies.

These three factors—economic uncertainty, reduced fiscal capacity, and higher relative costs of switching to clean or more efficient technologies—are key drivers for the reluctance to accept legally binding emissions reduction targets or financing commitments. In the “conventional” sense, Paris is likely to be a failure.

### **What is the minimum that needs to be achieved at COP-21 to maintain international momentum?**

However, Paris can be revived if we are innovative in designing the future agenda instead of routinely arguing for extending the Kyoto Protocol provisions. Such “disruptive” innovation can pursue four objectives:

- **Put insipid legal options on the back burner:** First, jettison the fanciful idea that “legal” commitments can trump economic reality. When the chips are down, any country will rather “exit” a legal commitment than impose unbearable costs on its citizens. The United States, Japan, and Russia have been pretty explicit about this proposition. But it is equally true for all countries and most so for developing countries. It is best therefore to recognize the limits of international legal commitments.
- **Abandon game theoretic proxy negotiating stances. Let’s talk Turkey for a common future:** Second, the primary narrative for mitigating the consequences of climate change or adapting to them has been “fingering” the historical polluters whilst also appealing to their conscience for aid. This has limited

appeal in today's economic environment where the drivers of future growth have been transferred to countries outside the Annex I group of countries.

The new “high rollers”—China, Malaysia, and South Korea—have not behaved any differently from the “industrialized countries.” More importantly, elites across developing countries follow a similar resource consumption pattern to those in rich countries. There is a fairly robust link between income and consumption, albeit with regional variations. Whilst the energy intensity of incremental gross domestic product (GDP) has declined, much of the delinking is due to the rapid growth of the IT-enabled services sector; new, renewable energy technology, particularly solar; energy efficient appliances; SMART grid management and appliances; and SMART options for optimizing energy use.

But there is a lot of pent up demand waiting to add to the energy use burden as poverty gets significantly diluted and incomes of the lower one half of the population increase by 2030. We have to budget for growing emissions from developing countries. Even the rich countries know that. Demographics suggest that incremental consumption will shift to younger economies as they grow. The ageing rich countries welcome this shift because in an integrated world, it is competitiveness which matters, not location. This suggests that we have a common business future.

Despite the hoopla of the last two decades, results have been scarce. World per capita emissions in 2011 were 18 percent higher than they were in 1990. We simply need to do better. We therefore need to agree a common “aspirational” emission norm towards which rich countries need to decrease their emissions and which would be the ceiling for developing countries. The average world emission was 4.2 metric tons (Mt) of carbon dioxide (CO<sub>2</sub>) per capita in 1990. The richer countries are mostly above this norm. Singapore is of course the exemplar, having reduced per capita emissions from 15.4 to 4.3 Mt over the period 1990 to 2011.

The good news is that other rich countries, barring a few exceptions, are on a secular trend of reducing emissions. The poorer (low income and lower middle income) countries are still in the below 2 Mt per capita level. For them, the 1990 average per capita emissions allows a development headroom of around 2 to 3 times their current emissions.

The per capita CO<sub>2</sub> emissions in high income organization for economic co-operation and development (OECD) countries were at 11.7 Mt in 1990. The proposed common target represents more than a 50 percent reduction over 1990 for rich countries—much more than the 8 percent committed by them between 2000 and 2012, as also the 16 percent proposed for the post 2012 period.

Why would rich countries be willing to play ball to a more difficult target? Two reasons. First, the existing asymmetric formulations are not producing results. If the science of climate change is correct, this spells calamity for all with the richer countries having more to lose than the poor. Second, the notion of reciprocity is a big difference from the past. For the first time developing countries would also agree to limit their emissions.

How suicidal is this for developing countries? China's per capita emissions in 2001 were 2.7 Mt. With rapid double digit, never before achieved, real economic growth, emissions increased to 5.2 Mt in 2007 and 6.7 Mt in 2011. However, much of the post 2007 growth was overshooting—a temporary supply side response due to an expansionary monetary policy to combat the 2008 global economic slowdown. The result has been enormous volumes of stranded assets, capacity lying idle, and slowing growth.

China has pledged in its intended nationally determined contribution (INDC) to reduce emissions per unit of GDP by 40 percent by 2020 and 60 percent by 2030 over its emission level in 2005. In 2005, per capita emissions in China were 4.4 Mt. Allowing for the additional carbon room embedded in a GDP linked target and for only a marginal increase in its population, it seems to be implicitly targeting a per capita emissions

level of around 4.5 Mt by 2030. China's example of spectacular growth over three decades shows that per capita emissions at 4.2 Mt is a reasonable carbon ceiling for developing countries.

- **Limit ambition in Paris to an in-principle commitment for a new climate framework:** Third, clearly it would be beyond the scope of the Paris meeting to both agree a new in-principle framework for working towards a common aspirational emissions target and determine a time line for its implementation. Of the two it is far better to get every country to commit in principle to a common target and work towards an appropriate target and timeline for achieving it in subsequent discussions.

In the interim, the implications on growth of the agreed target need to be fleshed out to reassure developing countries that it will not be a binding constraint on them. Most energy related technology development is led by rich countries but the buyers are in developing countries. Economies of scale dictate convergence in international standards and papering over of the technology in use gap. This is why developing countries are already working towards energy efficiency and renewable energy without the driver of a legal constraint on their emissions.

- **Tax international capital transfers to fund “green” growth:** Fourth, financing mitigation and adaptation in developing countries adequately is a key determinant for retaining their interest in negotiating a new climate agreement. In the past the reliance has been on aid—which is a polite word for charity. But developing countries have a right to develop and rich countries a responsibility to bear the “pain” of that development. A tax which quantifies that “pain” seems appropriate with a tax regime which is administratively simple, efficient (minimizing the scope for evasion), comprehensive and equitable.

In times of fiscal stress, like the present, incremental finance for funding “green” growth can best be found by taxing the wealth creating drivers. The key drivers for growth in the wealth of nations over the last two decades have been the enormous expansion of access to international markets via the “open economy” model and the “increasingly de-risked” cross border flow of investment and portfolio finance. This trend is likely to get enhanced in future. Trade is already subject to a complex set of tariffs and taxes.

Consequently, private international capital transfer transactions provide the most buoyant resource base for raising a “green tax.” Cross border capital transactions are driven by risk hedging motives and expectations of higher returns overseas. Outbound transfers are mostly by capital surplus countries. These are generally “efficient” countries who have managed their economy well and become globally competitive. China is one such country.

A nominal tax of around 10 Basis Points (0.1 percent) on such outflows is an efficient instrument for financing a “green fund.” In 2013 the value of cross border investment in foreign direct investment, portfolio investment, bonds, and commercial debt into developing countries alone, on a net basis, was \$3.5 trillion. Global cross border capital investments would be higher by an order of magnitude. By levying the tax only on capital outflow from countries which are in breach of the maximum emission norm, efficient countries like Singapore would benefit but most OECD countries would have to pay the tax, as would China. Developing countries, so long as they remain below the norm, would not be liable to tax on capital outflows. This fiscal incentive automatically nudges countries towards compliance; generates adequate global finance in the interim and is not discriminatory.

### **If Paris “fails,” will the major action shift to local, national, bilateral, mini-lateral, or regional initiatives?**

It is difficult to replicate the persuasive power of a global compact. However, in practice the “best” option must never become the enemy of the “good.” Regional initiatives could be one option to average out the inequalities of capacity and capabilities across countries. The regional approach is not necessarily only a substitute. It could be ingrained even within the COP process with a designated regional convener taking the lead in each region or subregion through a process of consensus.

## **What is likely to be the overall impact of diverse, piecemeal alternatives to the United Nations Framework Convention on Climate Change (UNFCCC) process?**

The impact on outcomes is difficult to predict. After all, even the present UNFCCC structure has not been uniformly successful in delivering mitigation. There may also be value in pursuing more granular approaches which target a subset of greenhouse gas (GHG) where mitigation presents lower trade-off versus economic growth and development. Second, some key new regional leaders have emerged—Brazil, Russia, India, China, and South Africa (BRICS). The new framework should facilitate regional champions taking voluntary responsibilities, including on leading regional adaptation efforts.

In return for undertaking such voluntary responsibilities, Annex II countries—those who are committed to financing mitigation and adaptation—must work through and with such identified regional champions to determine the regional strategy for managing climate change. This dual track process, with the regional track supplementing the global negotiations, can deepen the area of engagement with developing countries and facilitate regional options for mitigation and adaptation.

### **Can they substitute for (and even reinforce) more encompassing UN-wide efforts, or are they a distraction?**

More than two decades have passed with no universal substantive legal agreement in place. There seems little harm in encouraging alternative decentralized approaches. This is also aligned to the need for “best fit” rather than the previously popular sanitized “good practice” template approach to development.

A significant driver of climate management is the prevalent culture of resource use. Northern Europe for instance, is culturally most inclined to adopt sustainable resource use patterns than most other rich countries. Singapore, a rich Asian country, has emissions at upper middle income country levels. But such outliers are rare.

Climate driven national commitments vary enormously across regions and not just in tandem with national income. Such regional granularity and resolve is lost at the global level, where the negotiations are primarily guided by game theoretic logic between large blocs. At the regional level, agreements are nuanced and go beyond plain climate economics into common values, norms, lifestyles and encompass bilateral political and economic considerations in trade and investment—all these are relevant factors for mitigating emissions.

### **If global deadlocks at the multilateral level persist beyond 2015, will global debates increasingly shift from mitigation to adapting to the consequences of climate change?**

The long drawn out climate negotiations have eroded the credibility of the process even as the science shows heightened risk of climate related stress events. The prospects of adequate mitigation now seem like pie in the sky. No country, not even the most developed, can consequently ignore adaptation.

More importantly, the science of climate change is yet to be triangulated with experience. The link between emissions, ambient concentration of GHG, and climate change is somewhat indeterminate. The time lines for both reaching the mitigation targets and for reversing the adverse outcomes in the intervening years are uncertain. Most people have become reconciled to expect some global warming and related climate impacts. In this context, adaptation is an interim necessity for countries most at risk whilst mitigation is a continuous objective till the emission targets have been reached, the expected benefits realized or alternative actions formalized.

### **Policy recommendations**

- Abandon the “failed” Kyoto Protocol approach of asymmetric commitments. Adopt a common aspirational emissions target for all but with flexible timelines for achieving it supported by national action plans.

- Abandon the “legal bindings” approach to compliance. Adopt a business process strategy of incentivizing compliance to agreements. Levy a nominal tax on all outbound cross-border private investments and capital flows from countries that have not met the emissions target.
- Encourage regional climate champions to emerge on a voluntary basis. Co-opt them onto a high table of countries providing significant volumes of finance for development.
- Establish regional climate specific mitigation and adaptation technology incubators, managed by private entities on a purchasing power parity basis.



## *Global Climate Cooperation Beyond Paris*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

**Rob Bailey**, Chatham House

### **What are the prospects for a substantive multilateral breakthrough in Paris?**

There is a good chance that Paris will deliver a global climate deal of some kind, though whether it could be considered a substantive breakthrough is a matter of opinion. Whilst it can be argued that any comprehensive agreement to reduce global greenhouse gas emissions would represent a multilateral breakthrough (the only existing instrument, the Kyoto Protocol, covers less than 15 percent of global emissions), there are two reasons for caution. First, the fundamental substance of what is agreed will not be commensurate with the challenge of preventing dangerous climate change. Second, Paris may still leave some major issues unresolved.

#### *Prospects for a deal*

Beginning however with the prospects for a deal, these are better than they were immediately before Copenhagen. As Paris approaches, the world is no longer grappling with the first shockwaves of a global financial crisis (though very significant economic risks remain). The competitiveness and penetration of clean technologies—whether solar photovoltaic (PV), wind, electric vehicles, LEDs or others—have increased, contributing to a growing sense that the transition to a low-carbon economy is well underway; it is noteworthy that 2014 was the first year of global economic growth without growth in energy emissions. Meanwhile, the recent decline in oil prices has opened up political space to pursue fossil fuel subsidy reform. Crucially, there is closer alignment between the United States and China as indicated by their joint announcement of commitments at the end of 2014; this signals political appetite for a deal between the world's two largest emitters. The negotiating dynamics in Paris may also be simplified by the fact that, unlike at Copenhagen, all countries will have tabled their emissions pledges before the talks begin.

#### *Lower ambition*

Some of the improved prospects are clearly the result of changes in the wider economic and political context. However it is also the case that prospects for agreement have improved as ambition for the strength of any deal has declined. Before Copenhagen, the aspiration was for countries to negotiate legally binding, economy wide emissions reductions within the context of an aggregate “top-down” target. Since then, negotiations have moved towards a softer, “bottom-up” framework in which countries make nonbinding, nonstandardized pledges of any kind they wish. This shift is reflected in the official terminology for these pledges: intended (i.e. not binding) nationally determined (i.e. not top-down) contributions (i.e. not commitments), or INDCs for short. Whilst there is still expectation that Paris will agree (or agree to agree) some kind of legal instrument, it is not expected that the INDCs themselves will be legally binding.

Essentially negotiations have traded architectural integrity for political feasibility: the softer, looser framework now being negotiated is more palatable to key parties, particularly the United States and China, improving the chances of an agreement. However as countries submit their INDCs, it is clear that they will not add up to a total consistent with the globally agreed goal of keeping warming below two degrees Celsius: the guardrail above which dangerous

climate change is expected to take hold. Perhaps unsurprisingly, it seems the global collective action problem posed by climate change will not be solved by independent pledges.

#### *Unresolved issues?*

The extent to which Paris delivers a “breakthrough” will also depend on the extent to which it resolves particular challenges within the negotiations: it is quite possible that important aspects of any future global climate regime might remain unresolved after Paris and left to be agreed before implementation (in 2020). One important area is climate finance, where there appears to be little appetite among developed countries to agree post-2020 financing commitments at Paris. Another is the politically, and literally, divisive question of how to differentiate between countries at different levels of development.

#### **What is the minimum that needs to be achieved at twenty-first Conference of Parties (COP-21) to maintain international momentum?**

International momentum will be needed precisely because Paris will not deliver pledges consistent with the stated ambition of limiting warming to two degrees Celsius. To avoid “locking in” insufficient commitments, negotiations will have to continue in order to raise ambition and close the “emissions gap” between what is pledged and what is required. The real question here is whether Paris can deliver a plausible mechanism to do so. The problem is that the gap looks like it will be very large, signaling low collective ambition and throwing into question the credibility of any stated aspiration to close it.

On current trends, the INDCs pledged for Paris look set to reduce global emissions by around 7 gigatons of carbon dioxide equivalent (Gt CO<sub>2</sub>e) from where current policies suggest they would be in 2030— from around 60 Gt CO<sub>2</sub>e to 53 Gt CO<sub>2</sub>e a year.<sup>i</sup> For a good chance of keeping warming below two degrees Celsius, global emissions need to be around 36 Gt CO<sub>2</sub>e a year by 2030— a gap of around 17 Gt CO<sub>2</sub>e.<sup>ii</sup> Relative to existing policies, the international community is on course to pledge just over a quarter of the additional emissions reductions needed to avoid dangerous climate change. Ambition will need to more than triple.

#### *Review and ratchet*

The credibility of the Paris outcome therefore rests in large part on the credibility of any mechanism to raise ambition. The greater the emissions gap, the more such a mechanism must achieve, so the more robust and clearly defined it must be if it is to be credible. At the core of such a mechanism would be a regular review process through which countries increase the ambition of their INDCs, leading to a regular “ratcheting up” of effort.

The logic behind such an approach is that processes of learning, innovation, and deployment will steadily reduce the cost of a low-carbon pathway, making it politically easier for governments to increase their pledges over time, which will in turn drive faster progress towards a low-carbon economy, creating virtuous “cycles of improvement.” The problem is that, so far at least, government ambition has lagged technological progress. Despite rapid improvements in many low-carbon technologies since Copenhagen, most notably solar PV which has seen price falls in the region of 75 percent in developed countries, the INDCs submitted so far indicate ambition has increased only modestly and not widely.<sup>iii</sup>

The apparently weak feedback from technological improvement to political ambition points towards the need for a ratchet and review process that is strong. For such a mechanism to be credible, the Paris agreement would need to include an explicit recognition of the scale of the emissions gap (and therefore the extent to which INDC ambition must be increased) and clarity on the periodicity of the review process—this would need to be relatively short (say every five years) to ensure that ambition can be raised quickly so that a two degrees Celsius emissions pathway remains within reach. An independent scientific analysis for each review point would be needed to assess progress and quantify the increase in ambition needed based on the latest science and emissions data. The process could be further strengthened through the inclusion of an independent analysis that allocates the emissions reductions needed between countries, based on a set of predefined equity criteria. This would provide a common basis on which to scrutinize and assess pledges. It would, however, almost certainly be resisted by many governments due to its “top-down” nature.

### *Long-term goal*

Considerable momentum has emerged around the idea of a long-term goal in the Paris agreement, for example net zero emissions within the second half of the century as promoted by the Group of Seven (G7). Such a commitment would define ultimate ambition and certainly be welcome, but a long-term target cannot credibly substitute for near-term goals to which governments can be held accountable.

The corollary of this is that a long-term goal itself is only credible if the INDCs indicate a plausible chance of meeting it. This is currently not the case: the INDCs are likely to imply higher emissions in 2030 than today. This is patently not consistent with any plausible pathway to eliminate emissions during the second half of the century, nor reduce emissions by around 30 percent by 2030, both of which are needed for a decent chance of limiting warming to two degrees Celsius. And so we return to the need for a robust mechanism to raise the ambition of the INDCs—both as a means to ensure positive momentum after Paris, and to ensure that any aspirational long-term goal is credible.

### **If Paris “fails,” will the major action shift to local, national, bilateral, mini-lateral, or regional initiatives?**

A failure at Paris, to the extent that governments disinvest from the international process, is unlikely. This is because the bar for success has fallen since Copenhagen.

As an aside, it is interesting to note that Copenhagen was widely painted as a failure, although what it delivered is not substantively dissimilar to what is expected from Paris: a bottom-up framework of nonbinding pledges. As already demonstrated, the Paris pledges represent a welcome, but incremental increase in ambition. And whilst Paris may deliver more in other areas—for example rules for how emissions should be monitored, reported, and verified—it looks as though it will deliver less in the critical area of finance, where Copenhagen established the Green Climate Fund and saw around \$30 billion of so-called Fast Start Finance committed over three years plus a longer-term pledge to mobilize \$100 billion a year of finance by 2020 (though the extent to which this latter pledge has been delivered is highly questionable).

However unlike Copenhagen, Paris is not being presented to the world as a “make or break” moment, but rather as the start of a process to steadily increase ambition. In this sense, a failure of Paris would likely emerge *after* the meeting itself, should any review and ratchet mechanism not result in an early, material, upward revision of INDC pledges.

Regarding a shift in action to other initiatives, it is important to note that the “action” has always existed elsewhere. Emissions reductions have occurred as a result of regional, national and sub-national policymaking and regulations rather than COP decisions. The European Union (EU)’s 2020 and 2030 climate and energy packages were neither designed nor agreed at the United Nations Framework Convention on Climate Change (UNFCCC), nor were the growing number of regional, national, and subnational carbon trading schemes, China’s twelfth five year plan, or the United States’ clean power plan. Numerous bilateral arrangements to cooperate on issues such as clean technology, energy efficiency, and capacity building have similarly emerged independently of the UNFCCC process.

However without the UNFCCC process, there would certainly have been less action elsewhere. Glacial and frustrating though it is, the UNFCCC has kept climate change on the international agenda and, most critically, contributed to the political rationale for action. For example, major policy initiatives such as the EU’s 2020 climate and energy package (delivered in advance of Copenhagen) and 2030 package (in advance of Paris) or the U.S. clean power plan (in advance of Paris) should be understood in part as responses to the international process and the global expectations that it creates. The real risk then is that a lack of upward momentum in any subsequent review and ratchet process leads to a slowing of action at the national, regional, and bilateral levels.

### **What is likely to be the overall impact of diverse, piecemeal alternatives to the UNFCCC process? Can they substitute for (and even reinforce) more encompassing UN-wide efforts, or are they a distraction?**

They are not mutually exclusive. Negotiations and discussions on climate change continue to take place in other fora outside of the UNFCCC process such as the G7, the Group of Twenty, and the Major Economies Forum. The Cartagena Dialogue has provided a valuable space to discuss specific aspects of the UNFCCC negotiations among a subset of countries. To the extent that these processes continue to strengthen and propagate international norms around action on climate change and facilitate progress in specific areas of the negotiations, they have tended to complement and reinforce the UNFCCC process rather than undermine it.

The bottom-up framework that Paris will set—of nationally determined pledges—is relatively robust to a proliferation of other initiatives. Governments will essentially have to write national pledges into a register and then report on progress; it is difficult to see how either of these processes could be undermined by governments engaging in other initiatives.

If it becomes increasingly apparent that any post-Paris review and ratchet mechanism is not leading to meaningful upward revision of INDCs, it is possible that governments will look elsewhere for an alternative means to drive collective ambition without necessarily turning their backs on the UNFCCC registering and reporting framework. One such scenario is the emergence of a “coalition of the willing” among progressive countries that pursues more ambitious emissions reductions and imposes carbon border taxes on (higher emission) imports from non-member countries. Over time the coalition might grow as countries join (through the adoption of more ambitious climate policies) to gain access to members’ markets.

### **If global deadlocks at the multilateral level persist beyond 2015, will global debates increasingly shift from mitigation to adapting to the consequences of climate change?**

To a degree, one would expect such a shift in emphasis to happen in any case. Global debates have been dominated by mitigation, but as the impacts of climate change become more and more apparent, the issue of adaptation (and loss and damage) is likely to rise up the international agenda. This can be expected whether or not there is international momentum after Paris, because inertia in the climate system means changes in emissions take several decades to translate into temperature rises—even if all global emissions ceased today, the world would still be committed to another forty years of climate change. Consequently adaptation will attract greater political attention however successful mitigation efforts are.

Another reason why international attention may shift from mitigation to adaptation is that, as the costs of a low-carbon development pathway decline and the benefits—such as improved resource efficiency and security and societal benefits such as clean air—become more widely understood, the need for international negotiations to address the collective action problem should recede. The logic for unilateral, local action will increase. Of course, specific political, institutional, and sectoral challenges will persist and create a need for international cooperation; nevertheless, a shift in focus to adaptation should be expected in general.

However, in the event that mitigation efforts do not succeed in the objective of limiting warming to two degrees Celsius, adaptation will need to be afforded far greater attention than has been the case. The severity of climate impacts will increase in a nonlinear fashion with temperature rise, and extreme consequences can be expected beyond two degrees Celsius of warming. At the international level, discussions would likely be primarily concerned with finance, to help the poorest and most vulnerable countries meet adaptation costs, and addressing loss and damage in circumstances where climate impacts cannot be adapted to.

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<sup>i</sup> Author’s own calculations based on 56 INDCs already submitted at time of writing, covering 60% of global emissions, implying emissions of 56 GtCO<sub>2</sub>e per year in 2030 compared to 60 GtCO<sub>2</sub>e based on current policies. Assuming that the remaining INDCs for the residual 40% of emissions are at the same level of ambition results in global emissions of 53 GtCO<sub>2</sub>e in 2030. Data from PBL Climate Pledge INDC tool. <http://infographics.pbl.nl/indc/>

<sup>ii</sup> 36 Gt CO<sub>2</sub>e is the median value of model projections for emissions pathways that limit global warming to 2°C with a 50-66% probability from UNEP (2014).

<sup>iii</sup> For example, according to Climate Action Tracker, new announcements since the start of 2015 (after the US, EU and China announcements) have made minimal change to projected aggregate emissions, with Russia, Canada and New Zealand all submitting INDCs that are inconsistent with their long-term goals. The EU INDC represents little more than a continuation of recent emissions reduction

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trends which gives confidence that the target will be achieved, but does not demonstrate an increase in ambition. The USA INDC on the other hand does indicate a marked increase in the rate of emissions reductions compared to its previous Copenhagen pledge.



## *The Global Climate Debate Toward Paris*

Council of Councils Eighth Regional Conference  
October 4-6, 2015  
Istanbul, Turkey

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Next December, the twenty-first Conference of Parties (COP-21) will take place in Paris, a new step in an already long process to attempt to face the consequences of climate change for the entire world. From a scientific point of view, the fifth Intergovernmental Panel on Climate Change report concluded that climate change is extremely likely to be the result of human behavior and requires urgent action by the international community to stop global temperatures to rise more than two degrees Celsius above pre-industrial levels this century.

After a long process that started in Rio in 1992 and included the reduction of greenhouse gases for Annex I countries (Kyoto Protocol), the two degrees Celsius limit of average global warming relative to pre-industrial temperatures (Copenhagen Accord), the call for financial aid and technology transference (Cancun), the introduction of a bottom-up logic with the nationally determined contributions (Warsaw), and the intended nationally determined contributions (INDC, Lima), we reach Paris with the goal of arriving at an agreement to reduce carbon dioxide (CO<sub>2</sub>) emissions.

After all these steps, those involved in the climate change process mainly assume that the gap between the countries' carbon-cutting pledges and the cuts that are needed according to scientists to keep the increase of the average global temperature below 1.5-2 degrees Celsius will persist. This is in part because the mechanisms adopted allow countries to register voluntarily for climate actions and there is no coordination in their method of measurement: countries will make their pledges hard to compare to others. Furthermore, the commitments of the United States and China—the main carbon producers—are significantly low. However, nobody wants a similar failure like that of the Copenhagen summit. So, states have agreed on a bottom-up approach in which each country will submit whatever emissions target it deems appropriate and feasible.

Currently, there are major differences among countries on how to face climate change. A first cleavage is between historical emitters (developed countries) and actual emitters (mostly developing countries). Some countries claim the need to be assisted by the most affluent societies in order to meet the investment requirements to mitigate and adapt to climate change and not compromise their economic development. Others believe that each country should internalize the costs of climate change fighting. Secondly, some projections suggest that a \$100 billion annual investment from 2015 to 2040 is required to prevent global temperatures from rising more than two degrees Celsius. Twenty-seven developed countries have agreed to contribute annually only around \$10 billion to a green climate fund.

A more complete panorama of the debate going on is shown by the cluster of positions in different groups of countries. The European Union (EU) has long been considered the leading actor of a climate change regime requiring strong commitments. The Umbrella Group, composed of the United States, Russia, Japan, and six other countries, understand that all parties should assume plausible commitments and present their own possibilities. This

logic has been crucial in the INDC concept and the bottom-up perspective. On its part, China leads the Like Minded Developing Countries (LMDC)—Argentina is part of this group—which is usually characterized as the most conservative group of countries in their climate change positions. Brazil and South Africa, although sustaining common but differentiated responsibilities (CBDR) and historical responsibilities principles, are willing to consider a transition with binding commitments. The Independent Alliance of Latin America and the Caribbean (AILAC) is a group of Latin American and Caribbean countries that put greater emphasis on funding the pre-2020 commitments. Finally, the Environmental Integrity Group, composed of Mexico, Switzerland, and South Korea, has distinguished itself from the LMDC on the idea that all parties should assume commitments as proposed since Warsaw.

But, in view of all this, can we expect Paris to be a success or a failure? A success in Paris can be measured in three different ways if:

- The impact of proposals will effectively maintain the average global temperature increase below 1.5-2 degrees.
- The impact of proposals agreed in Paris plus other actions within the scope of national governments will effectively maintain the average global temperature increase below 1.5-2 degrees.
- China and the United States will have committed to reduce emissions.

Based on one of the three criteria pointed out above, the chances for the COP-21 to achieve success vary. As of September 10, 2015, 32 countries (including the EU) have submitted their INDC. Fifteen of them submitted only unconditional contributions, seven only conditional contributions, and five countries both types of contributions. Also, there isn't a clear consensus on the base-year to take as a point reference of national emissions to be reduced: 36 percent of countries will use 1990, 27 percent the year 2005, and 23 percent 2010. National contributions are also heterogeneous ranging from a 20 percent reduction in total emissions (Benin) to 60-65 percent per unit of gross domestic product (China). Considering China's growth rate, the latter case raises the question of whether the total amount of emissions by 2030 will be higher or lower than 2005.

Besides that, the United Nations (UN) Climate Change Secretariat has been instructed to draft a report, due in November, on the aggregate effect of the country pledges. The report will allow comparing targets against science-based trajectories to keep emissions within the target range. Until then, criterion number one cannot be measured. Further, if ambitious commitment is reached in Paris, there is still the issue of whether the agreement will include a binding legal instrument and control mechanisms that, if implemented, would ensure compliance of national commitments.

Regarding criterion number two, cities account for at least 70 percent of total worldwide greenhouse gas emissions. Many of the policies that could contribute to reducing cities' emissions—planting trees, modernizing transportation, inducing the use of public transportation (a car consumes twenty-six times what a train does per person), municipal services, and buildings and construction policies—are under municipal control and may not be compromised in Paris. That means that if commitments at the COP-21 fail to reach an adequate commitment to maintain the average global temperature increase below 1.5-2 degrees, there would still be ample space for local policies to contribute to climate change mitigation.

As for criterion number three, China and the United States are responsible for 40 percent of global emissions. Considering the history of failures to reach any agreement on the policies towards reducing their total emissions, a commitment to that effect from Washington and Beijing, even if that commitment falls short of preventing an average global increase of temperatures by two degrees, will be a meaningful progress. In this regard, some promising signals are emerging from the United States as the Environmental Protection Agency has proposed a norm to regulate CO<sub>2</sub> emissions.

In its turn, Latin America shows the following conditions previous to Paris. The economic costs in terms of gross domestic product (GDP) will be between 1.5 and 5 percent, if the rise of the average temperature reaches 2.5

degrees. The risk is greater, however, for the Central American and Caribbean countries. Regarding the Mercosur region (Argentina, Brazil, Paraguay, and Uruguay), the challenges posed by climate change and an increase in global food demand may cause greenhouse gas emissions in Mercosur to increase when more agricultural activity is developed. The agricultural sector in the Mercosur countries represents a larger portion of their GDP than in the countries of the four major contributors to greenhouse gas emissions.

Regarding total emissions, Argentina represents only the 0.6 percent of total CO<sub>2</sub> emissions. But it is an important contributor to gas emissions in terms of its population. The country emits 5 tons of CO<sub>2</sub> annually per capita, which is similar to France's and in the middle of the ranking of the top contributors per capita to gas emissions.

Energy has been the major source of emissions in Argentina. Since 2003, the polluting energy sector (oil, gas, and coal) has grown 123 percent and the clean energy sector only 4 percent. This has produced an increase by 77 percent in total emissions. The growth in polluting energy is explained, mainly, by subsidies.

Argentina will submit a unilateral plan with adaptation and mitigation measures. Most importantly, Argentina does not consider itself an emitter but rather a victim of other countries' emissions, especially of countries that have participated in the Industrial Revolution, hinting that climate change is the responsibility of the developed world. Also, the country considers that its mitigation efforts should take into account its role as a global food supplier. Thus, 75 percent of mitigation policies that will be proposed by Argentina are reductions from the industrial, energy, and transportation sectors, and only 25 percent of its INDCs will come from the agricultural sector.

The Argentine government will submit a proposal with unconditional commitments as well as with commitments under the condition of obtaining financial support for those climate change policies. Although there are several criticisms on its implementation, Argentina has published recently a list of policies adopted in order to fight climate change. The list includes: (a) a rational and efficient use of energy program, (b) a program for the increase of small and medium enterprises' energy and production efficiency, (c) an electric appliances quality program, (d) wind energy projects, (e) a national biofuels program, (f) an integral management plan for municipal solid waste, (g) a ban on incandescent lamps, (h) subsidies for electricity from renewable sources, (i) establishment of a 5 percent minimum of bioethanol and biodiesel in all gasoline and diesel marketed in the country, (j) implementation of rational and sustainable native forest management, and (k) promotion of investment in forestry projects.

Finally, Argentina's position is not an issue in the presidential elections agenda. The new government will take office on the December 10, a day before the COP-21 ends, and it will be responsible for the implementation of Argentina's determined contributions.

In sum, this year's UN Climate Change Conference will have to specify and settle some unresolved issues. Some of them include answering the following questions. Will there be a legally-binding convention or not? Will there be control mechanisms to track developments of national commitments? How CBDR will be distributed? In other words, on which basis may CBDR be differentiated and how can responsibilities be differentiated? In the realm of inclusion, how universal participation will be ensured? Will there be financial commitments by the developed world to support mitigation and adaptation in developing countries? If yes, will it reach the \$100 billion per year demanded by developing countries? And, finally, will there be a compensation-fund for loss and damage? Depending on the answers, humanity will be closer or farther from overcoming the major consequences of climate change.

## **Policy recommendations**

- The pillar of the struggle against climate change should be energy efficiency, and most policies towards mitigation should focus on that goal.
- Subsidies to fossil energies should be eliminated and subsidies to clean energies—solar and wind energy—implemented. The same amount of money could be redistributed in order to generate the right incentives for the private sector.

- National governments need to empower and support cities in the modernization of urban public transport and the harmonization of industrial and building regulations. Also, governments should invest in replacing trucks by train in freight transport.