

CORNHUSKER ECONOMICS

The Status of International Negotiations on Climate Change

In the [October 20, 2010](#) issue of this newsletter we talked about the status of United States initiatives in limiting greenhouse gas (GHG) emissions. Although there are uncertainties associated with the science of climate change, some aspects of the science are known with virtual certainty (they have a greater than 99 percent chance of being true). Scientists know with virtual certainty that levels of greenhouse gases, like carbon dioxide in the atmosphere, have been increasing since pre-industrial times; that the atmospheric buildup of CO₂ and other greenhouse gases is largely the result of human activities such as the burning of fossil fuels; and that increasing greenhouse gas concentrations tend to warm the planet. We also noted that international cooperation is essential to reach a solution to the problem.

We are reviewing the recent history of international negotiations on climate change and reporting on their current status in this issue.

The Kyoto Protocol is the most important global agreement on climate change created so far. It was signed in 1997 and ratified by most of the industrialized and developing countries. It is part of the negotiations held within the United Nations Framework Convention on Climate Change (UNFCCC) started in 1992, whose goal was to limit GHG emissions.

Recognizing the fact that the industrialized economies were the most important contributors to the high level concentration of GHG accumulated in the atmosphere today, most of the burden of the Kyoto Protocol falls on them. This is why industrialized countries (called Annex I parties) agreed to legally binding reductions in greenhouse gas emissions. Developing countries (Non-Annex I parties) do not have quantitative emission reduction commitments, but they are committed to mitigation actions.

The goal of the protocol is to reduce GHG emissions by 5.2 percent on average, with respect to 1990 levels by the year

Market Report	Yr Ago	4 Wks Ago	11/12/10
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$83.16	\$95.36	\$98.11
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	102.78	120.85	122.87
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	93.55	114.79	111.55
Choice Boxed Beef, 600-750 lb. Carcass.	139.94	153.18	157.79
Western Corn Belt Base Hog Price Carcass, Negotiated.	52.58	64.00	62.89
Feeder Pigs, National Direct 50 lbs, FOB.....	*	*	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.....	57.70	81.96	76.63
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.....	94.37	142.50	150.50
National Carcass Lamb Cutout, FOB.	242.30	336.98	348.65
<u>Crops, Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	4.38	5.76	5.61
Corn, No. 2, Yellow Omaha, bu.	3.61	5.10	5.10
Soybeans, No. 1, Yellow Omaha, bu.	9.52	11.08	12.26
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	6.11	8.89	8.37
Oats, No. 2, Heavy Minneapolis, MN, bu.	2.62	3.65	3.34
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	*	*	170.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	82.50	75.00	75.00
Grass Hay, Large Rounds, Premium Nebraska, ton.	*	*	*
Dried Distillers Grains, 10% Moisture, Nebraska Average.	122.50	144.00	160.25
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	41.75	50.75	56.00
*No Market			

2012. By October 2010, 191 countries had signed and ratified the treaty; the United States (with 36.1 percent of total GHG emissions in 1990) has not ratified it.

In December of 2007 the UNFCCC met in Bali, Indonesia, with the main goal of establishing a framework of negotiation for a new long-term climate change regime to be signed two years later. The meeting culminated in the adoption of the Bali Road Map, where governments of developed and developing countries reached agreements on joint efforts to combat climate change.

The Bali Road Map included the Bali Action Plan (BAP) which provided a roadmap toward a new international climate change agreement, to be signed in 2009. The Bali Action Plan was centered on four main pillars: mitigation of GHG emissions; adaptation of developing countries to impacts of climate change; the supply of technology to reinforce adaptation; and financing to help developing countries to reach the goals without damaging economic growth and poverty eradication. The idea of developing countries taking actions to mitigate emissions is very important, given their rapidly increasing share of global GHG emissions.

Another key outcome of the meeting in Bali was the importance given to deforestation as a key driver of climate change. Land use change, mainly in the form of deforestation, contributes about 20 percent of global GHG emissions. A proposal was made to take further meaningful actions to Reduce Emissions from Deforestation and Forest Degradation (REDD), and a deadline for agreement was set for 2009. REDD calls upon governments, non-government organizations (NGOs), and the private sector from developed economies to use monetary incentives in order to encourage developing countries to mitigate their GHG emissions due to deforestation and forest degradation.

Notably, Bali also meant the return of the United States to the negotiating process within the UNFCCC framework for the first time after their withdrawal from the Kyoto Protocol back in March of 2001.

The last global UNFCCC meeting was held in Copenhagen in 2009. Given that the Kyoto Protocol expires in 2012, it was expected that a new mandatory agreement would replace and extend it. However, despite the high expectations and much political pressure, it became clear before the conference that reaching a comprehensive post-2012 binding agreement for long-term action would not be possible.

As a result of the meeting a parallel political accord was reached, which is external to the UNFCCC negotiations. This "Copenhagen Accord" was promoted by 25 countries, including the United States and China, who helped to write the draft. In the Accord, countries committed to keep global temperature rise below 2°C through deep cuts in GHG emissions, achieving the peak of global emissions as soon as

possible, while noting that emissions in developing countries will take longer to reach their peak. Developed countries (Annex I) committed to implement individually or jointly with developing countries (Non-Annex I), to achieve nationally appropriate mitigation actions. In total, nations that represent 80 percent of the global GHG emissions committed to submit reduction goals (Annex I), and mitigation actions (non-Annex I) for the period up to 2020. So far, 138 countries have already submitted their targets. This represents more than 80 percent of the global emissions. These countries include Brazil, with a reduction of about 37 percent; China between 40 and 45 percent; European Union between 20 and 30 percent; India between 20 and 25 percent; Japan 25 percent; and the United States 17 percent.

The agreement also pledges 30 billion U.S. dollars to developing countries over the period 2010-2012, with the commitment to reach 100 billion U.S. dollars per year from 2020 onward, to help them to mitigate GHG emissions. The funding will be balanced between adaptation and mitigation; and for adaptation, it will be prioritized for the most vulnerable countries.

The Accord also calls for the immediate establishment of REDD+ and mobilization of financial resources from developed countries. Pledges of 3.5 billion U.S. dollars were made during the Copenhagen meeting, and were extended to 4.5 billion U.S. dollars in posterior meetings during 2010.

During this year there were four preparatory rounds of negotiations for the meeting to be held in Cancún, México, November 29 to December 10, 2010. The goal of the Cancún meeting is a mandatory agreement to replace the Kyoto Protocol. Stay tuned!

Federico Trindade, (402) 264-5484.
Graduate Research Assistant
Dept. of Agricultural Economics
University of Nebraska-Lincoln
fttrindade@huskers.unl.edu

Diego R. Alvarez, (402) 570-446
Graduate Research Assistant
Dept. of Agricultural Economics
University of Nebraska-Lincoln
diego.alvarez@huskers.unl.edu

**NO NEWSLETTER NEXT WEEK
THANKSGIVING HOLIDAY**

