



# Presentation to the Policy Network seminar on “The politics of climate change: seeking a global solution through national action”

Mutsuyoshi Nishimura

Mutsuyoshi Nishimura is special adviser on climate change to the prime minister and cabinet of Japan, and a former Japanese global environment ambassador to Kyoto. This presentation was the basis of his contribution to a seminar on the Politics of Climate Change: Seeking a global solution through national action in a new world order held in London on 4 December 2008 as part of the ongoing work of the Politics of Climate Change project, organised by Policy Network in conjunction with the Centre for the Study of Global Governance at the London School of Economics.

The views expressed in this presentation represent the personal views of the speaker, and not necessarily the views of the government of Japan.

Since my time is limited and I might not be able to convey all my messages, I will circulate a separate note about the Copenhagen deal for your reading after this seminar.<sup>1</sup>

I will instead speak about and react to the four political challenges Lord Anthony Giddens talks about in his Sept 2008 Policy Network paper "The Politics of Climate Change".

### 1. The management of risk

The prevailing scientific consensus on the effects of climate change is periodically questioned by those who want to scale-up and those who want to scale-down the present levels of urgency and severity in its assessment.

How in these circumstances can democracies construct a prudent, long term and consistent policy agenda to manage these risks, whilst also building consensus around the agenda? To what extent is this agenda shared with the pursuit of energy security?

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Well, on the first challenge, I wish to present the following argument: yes, the science is still questioned despite a "(quasi) scientific consensus" forged by the latest IPCC' analysis. And I am accepting and trying to make sense of all these on-going arguments that are coming from skeptics and that are shooting in all directions.

But the key point is this; we must all be responsible and considerate to our future generations. We really have to be lest we are not morally bankrupt.

If one is absolutely sure of one's prognostication regarding the situation in 100 years time or even 200 years later, then you can proselytise the entire world with it. But this is by no means as light-hearted as horse betting. If questioning the science functions purely for the sake of prolonging discussions, better stop them now and take a precautionary attitude. For precaution is the faculty reserved only to the human species.

I also accept the widely acknowledged difficulty, as referred to in the Policy Network paper, in "forging a consensual and cohesive political narrative because of the inchoate nature of the scientific research on climate change".

This paper goes further to argue that all this "makes it difficult to garner electoral support for early and radical action. They serve as an added strength in favor of the argument that a climate change settlement would be detrimental to domestic economies".

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<sup>1</sup> See appendix 1.

Well, in my view, all this difficulty is due largely to what I would call “a pathetic lack of the sure solution which is the leanest and least expensive”.

As a matter of fact, the world climate, despite its seriousness, has yet to be administered with the right prescription for its sure solution.

It is not constructive for science to spread fears without policymakers being able to offer a sure solution, the surest solution. What is actually taking place, though, is a thousand doctors making two thousand and one ads for different prescriptions which places the people in the decision rooms in a huge quandary, let alone subjecting poor people in the streets to uncertain angst.

The spectre of huge spending causes people to shy away from getting really serious about climate change. But it would be even worse if the planet is not, in the end, saved, after a lot of good intended abatement actions and tremendous sacrifices have been undertaken....If the earth is not cured after applying hundred of prescriptions, recipes and medicines...for what use is it for all of us to take drug after drug?

It is true that this is a fertile ground where skeptics can gain ever more ground.

Thus, in my view, the lack of a cohesive political narrative is not a result of the existence of hordes of skeptics, but it is rather, due to the nonexistence and non availability of real, neat, sure, and cheap solutions.

Such solutions are not available at this moment, not even in the decision room of the high world council let alone in a tiny pub in the East end of London.

Therefore, it needs to become an urgent task for the entire world and most particularly for the community of key stakeholders, to discuss real solutions which are not only capable of stopping the catastrophe but are capable of doing it in the cheapest way possible.

In my humble opinion, it is a hybrid of global upstream emission trading system (UGETS) and a concomitant technology development policy.

If only the world accepts a forceful global GHG cap through mid-century that will ensure an agreed level of climate stability, if only the world accepts an introduction of a world emission trading system covering the wholeness of the world economy at upstream level, then there is the surest chance to stop climate catastrophe at the least cost and the least bureaucracy. Concomitant technology innovation policy will decisively enhance the effectiveness of the UGETS .

## 2. A return to planning?

Effective national action on climate change requires a return in some form to long-term government planning. What new forms of interventionism would be most expedient, learning from the failures of the past? How can the climate change dimension be built into every relevant aspect of public policy? How can market-orientated approaches be balanced with state-centric ones in coping with vital issues of mitigation and adaptation, such as carbon pricing, the role of regulation, energy efficiency, transport and land use, the promotion of specific technological innovation by government, and lifestyle and behavioural changes?

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As Nicholas Stern rightly says, this is “the biggest example of market failure ever”. Then as theory goes, externalities must be internalised by putting a price on carbon. Governments must play a key role in setting up a regulatory framework for carbon pricing. Governments can thus create a market through which the private sector can play the game.

The most efficient carbon market is one which gives rise to a single common carbon price world-wide to continue for the decades to come, not for some time to come. And this will be, coupled with a declining and forceful cap on global GHG emissions, and coupled with a set of concomitant technology policies, the most powerful and surest way to achieve climate stability whilst incurring the least global cost.

Government’s task is to design a global carbon market which is absolutely cost effective and capable of saving the planet. Governments must therefore ensure free and unrestrained carbon transactions world-wide.

This is a new function of the government but it is hardly deemed as “returning to planning”. Governments have to promote technology development and its transfer not by planning but by being more ingenious.

My own government has been ingenious in introducing Top Runner System which is quite effective in enhancing energy efficiency. Governments can provide key seed money for crucial R&D. Governments can provide a congenial forum for PPP. Japan did indeed do a good job in enhancing energy efficiency by promoting those policies and measures.

Governments can also promote the development and transfer of technology by public funding on top of establishing ingenious mechanisms which I have just described. Governments can also create a carbon market, and can spearhead the innovation efficiently if the price signaling system is for a long-term period instead of being short-term.

Yet, that is not the end of the story. Going further, governments have an utterly crucial role to play in the long-term context; to inspire the nation with a new vision towards a low carbon civilization. Whether it is to stop climate catastrophe or to rise up to the challenge of dwindling fossil fuel, governments have a political obligation to show the direction for the nation to go.

In the globalisation of the 21<sup>st</sup> century, the quicker and deeper one goes to a low carbon civilization, the better off it is in terms of competitiveness, technology development, sustainable growth and energy security. No nation can expect to prevail in the global competition as long as it remains fossil-fuel dependent. The new race of the 21st century is on and it is all about how to reduce more, not less.

To inspire the nation with such vision is a new role for the government, but here again, it is in no way “a state planning”.

Let me get into the discussion of market-centric and state-centric a bit more.

As of today multiple tools are available in the toolbox which has basically two chambers, one market centric and the other state-centric. These two chambers are functionally important.

But what is really needed is that the world gains confidence through the availability of sure and cheap prescriptions. The last thing which the world can afford to do is to proceed with a lot of work, that costs enormous amounts, and involves going through a hugely regulated honey-comb of bureaucracy just to obtain a small bit of money for a small dose of the technologies of yesterday, thus alienating a lot of people and yet still falling short of stopping the climate catastrophe.

Let a hundred flowers bloom debating about the best possible solutions. Let a hundred tools from the toolbox be taken out and tried one at a time. But at a certain stage we will have to finish this hodge-podge approach to combating this battle. We will have to decide which policies and measures will be the most effective and the cheapest in order to stop the debacle once and for all and for sure.

In a nutshell, it is not a time for us to debate whether the role of the state should be back and if so in what form. It has been always been around for whatever and whenever the time is required for it. Governments have a new crucial role to find solutions and inspire the nation for the new civilization.

### **3. Creating a political and public consensus for action**

How can the democratic penchant for partisanship and short-termism, within differing democratic cultures, be replaced by longtermism and a consensus-based policy agenda? How can an ambivalent public opinion, especially at times of economic

uncertainty, be convinced of the merits of long-term action on climate change? What can governments do to induce sustained support for combating climate change?

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I often exaggerate and I get ticked off for it. I do it today nonetheless, and say this, "Let us forget about climate change. Instead, let us think about how to win the global game of the 21<sup>st</sup> century".

If we talk about climate change, it is all about historical responsibility, fair burden sharing, equity between rich and poor, finger-pointing and such sort of things. Ideological divide won't subside. No proactive process ensues.

If it is, on the other hand, a matter of winning the global game of the new century, one must proceed quicker and deeper towards a low carbon, and reduce one's emissions drastically, no matter what your neighbors do or do not do. This is the new enlightened attitude which must militate against the partisanship and short-termism that the Policy Network paper is talking about.

We need a resounding and convincing voice to be heard in praise of such a new enlightened national interest. And if this happens, there is a better chance for the much needed political and public consensus for action be formed and nurtured.

Of course, the second element in this context is Keynes. Keynes is back to rescue the world economy. Keynes is back to rescue the climate....

If spending is loved, then there is no better place. Spending in energy infrastructure will create double dividends, jobs and growth on one hand and an easier path towards a low carbon economy on the other hand, ultimately saving the planet.

#### **4. The implications for social justice**

The social and economic costs of climate change will be large. How can you ensure that the impact of policies to address climate change are perceived as equitable by key groups in society and do not penalise those who are less fortunate?

What are the prospects of ensuring that western democracies can be persuaded to carry the economic and political burden of climate change instead of countries in the developing world?

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As I have said earlier, externalities must be internalised, a cost is going to be paid by all those who burn fossil fuel, by all those who benefit from the fossil burning. Thus practically all of us are going to pay a price for polluting the pristine planet.

Social justice starts from all individuals taking responsible decisions about whether to pollute or not to pollute. So if we talk about justice and equity, the first order of the day is to establish a system whereby individuals can not emit gas with impunity.

The cost of carbon is just as important as the cost of fossil fuel as they affect the sense of equity. Carbon price must be at a minimum for equity consideration. And this can be achieved only if a global ETS is put in place.

Why? Because, in the global ETS, reductions will take place wherever they are the cheapest. This would mean that all low-hanging abatement opportunities would be exhausted before the carbon price would go upward. McKinsey has estimated figures of more than 10GT of reduction in the territory of negative cost.

One of the key points about global ETS is this; the cost can be reduced to the minimum if the regulatory framework is right. This is important. If the cost is at a minimum, equity concern is easier to manage. In this sense, global upstream ETS is pro social justice.

Global upstream ETS is pro business. As long as any country, any company, any steel mill is competitive with the prevailing carbon price, it can burn fossil fuel as much as it wishes. It is not a growth stifling system. It is a pro-business way to achieve climate stability. This is yet another factor capable of bringing about a consensus for action.

It is pro-government in that it does not force to establish a tremendous honey-comb of bureaucracy. This is the leanest and least cumbersome way to achieve the climate stability.

And all this is a message for developing countries too. Once China is forced to take numerical abatement commitments, they will be able to find global emissions trading attractive as it would be compatible with their growth perspective.

Of course, it is not easy for developing countries to accept the notion of global cap and emission trading. All this entails a new historic commitment to the global causes, numerical capping and so on.

For the concept of carbon price to be accepted by developing countries there must be a paradigm shift. I just don't deem the world as incapable of mutating. The time must come sooner or later when the developing world will share the global commitment.

I could also see over the horizon a new tide coming, however faint. The time will come for sure when China and India as new world players develop the sense of commitment for the global causes. If enough time is given for them to mull over the issue, then we could see a paradigm shift taking place.

Of course, today, China does not accept anything like national emissions allocations. But let us take a longer view and maybe in 2015-2020, China will be a different country.

In my view, it would be possible that China and India will eventually make some quantum leaps like accepting a long-term shared vision, and agreeing with the global long-term reduction path which will lead to an acceptable level of climate stability.

Fantasy? Well, it may well be for some time to come, but if this continued to be deemed fantasy for decades to come, the planet would be in a real danger.

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Let me say this to conclude my presentation.

What I would like, is to urge you to think about the post Copenhagen perspective. And to think about how serious the issue will be in a matter of a few years to come.

Yes, if you like, you can ditch Kyoto as Gwyn Prins and Steve Rayner have argued<sup>2</sup>. But imagine the alternative, where people remain blind to and unsure of achieving an acceptable level of climate stability – at the lowest possible cost. It is not advisable. Imagine an alternative, where some people pledge to do their best whilst others forget about it and do nothing with impunity, is not advisable.

If the international community rises up to the challenge of climate change and mobilizes global efforts, we must be sure to succeed and avoid catastrophe.

Half-minded efforts are not a good strategy. It is almost like President Bush saying, "Are you with us or with them?" If we fight against climate change, we have to succeed. We shouldn't pull any punches. This is an all out battle. Are we here to save it or lose it? This is the question. Hence my search for the surest and the cheapest solution. Thank you.

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<sup>2</sup> Nature Journal: 25 October 2007. "Time to ditch Kyoto"

## Appendix 1

### Notes on Copenhagen

Mutsuyoshi Nishimura

#### 1. A new redefined and enlightened national interest

In the 21st century, no nation can expect to prevail in a globally competitive world as long as it remains fossil-fuel dependent. Therefore, the prevailing method in the climate negotiation of getting other nations to commit to reduce their GHG emissions further is merely self-defeating. A nation which starts its transformation to a low carbon economy vigorously by reducing its fossil dependency is sure to win the game. The new race of the 21st century is on and it is all about how to reduce more, not less.

In order to break the present stalemate, all major players, and most particularly those who emit the most, and those who have a large potential to abate at a low cost must come to realise this simple truth: the quicker and deeper one moves towards low carbon, the closer one is to winning the global competition of the 21<sup>st</sup> century.

#### 2. From theory to reality

Despite the tremendous amount of climate discussions, progress is, and has been, slow and meager. Debates create more animosity than understanding. The international community is divided, and the world cannot win the battle against climate change with the rich and poor standing so far apart. The principal cause of this divide is the prevailing tendency to debate the issue in the light of theory and not in the light of reality.

Technology transfer provides an exemplary case on this point. Countries tend to deal with this issue in a generic context. But if we have a chance to deal with technology transfer in the context of realities such as Guangdong Province, China, or Sub-Saharan Africa, for example, we are likelier to achieve better results. If we collaborate with host countries on their real projects such as to modernize coal firing power plants within xx years, then it is likelier that this collaborative effort would provide the most efficient and fitting clean technologies, procure financing, establish suitable business links, help build local capacity, deal with intellectual property rights and all other related issues more quickly and practically.

Working together on the basis of reality provides quicker results than working on the basis of generic theory. More importantly it will create a new sense of positive cooperation, a sense of partnership, a sense of trust amongst nations, rich and poor. And this sense of partnership and trust is absolutely indispensable for the world to de-carbonize itself and enhance the sustainable growth of all nations at the same time.

### **3. A World Climate and Energy Council should be created in the UNFCCC**

A global climate challenge of this magnitude cannot be properly met with the UNFCCC functioning basically as a static, treaty drafting institution. As the treaty drafting runs its course, the UNFCCC needs to establish a world headquarters to energize and spearhead actions crucially needed to achieve the in-time transition to a low carbon world, by ensuring the short-term peak and decline as well as the long-term reduction of global GHG emissions.

New dynamic policy coordination is absolutely necessary in order to spearhead real actions on a global scale to fend off a climate catastrophe. This should be implemented through a climate and energy-related "Situation Room" which could be called a "World Climate and Energy Council".

Key tasks for such a World Council to adopt are:

- (1) To take the highest political leadership to save the planet from catastrophe.
- (2) To speed up the technology development process.
- (3) To scale up and accelerate R&D and commercialisation of key breakthrough technologies considered crucial in the peak and decline context, particularly clean coal technologies and CCS.
- (4) To speed up and expedite the transfer of those technologies.
- (5) To commence a new drive for energy efficiency and conservation.
- (6) To constantly monitor GHG emission trends and take the necessary enabling measures to achieve global de-carbonisation.

The developing world must be assured that a high world council will spearhead a new congenial cooperation and safeguard their sustainable development. Developing nations must also be assured that there will be a new genuine world process committed to develop technology and implement its transfer which is both adaptable and effective.

### **4. Sectoral approach**

For the global efforts of this magnitude to keep going for decades to come, a fair burden sharing must be agreed amongst all countries. Burden must reflect, amongst other factors, real abatement potentials of each country. Sectoral Approach is one good way to do this.