

# Carbon Trading: Copenhagen - are we nearly there?

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November 29, 2009

## *BRAVE Partners discusses what the climate change conference in Copenhagen might bring.*

Those with Children will recognize the moan heard from the back of the car on a long journey: "Are we neeerly there yeeet?". Despite, this time, the attendance of America in earnest at Copenhagen – BRAVE Partners is waiting for the Mid West to cry: "I don't want to see Granny, I want to go back home".

Copenhagen is the first Climate Change Conference that the Americans are attending in earnest. The agreements, or lack thereof, struck in Copenhagen will have a dramatic effect on the nature, size and scope of carbon markets throughout the world. With so much at stake on not only what price carbon might be in the future, but moreover, what form carbon trading might take in the future, BRAVE Partners is watching carefully.

### **COP15**

The United Nations annual Climate Change Conference, or COP15, is set to take place this year from December 7 to December 18 in Copenhagen. For the uninitiated, COP stands for Conference of the Parties. It is the highest body of the United Nations Climate Change Convention and consists of environment ministers who meet once a year to discuss the convention's developments.

193 countries will take part on this occasion including the USA and China. Originally it was hoped that a climate agreement for the period from 2012 (when the Kyoto Protocol expires) would come out of the conference.

So far so good.

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## But it isn't all so straightforward.

Earlier in November this year after leaders, including US President Obama, gathered for the Asia Pacific Economic Cooperation forum in Singapore it became clear that a binding agreement at Copenhagen was highly unlikely.

Indeed the UN has indicated on the back of developments in Singapore that a decision on an additional meeting to continue climate negotiations will likely be made in Copenhagen. There is already a June meeting scheduled in Bonn and a summit planned in Mexico City in November 2010.

## The fact that the debate continues is no doubt a good thing, for several reasons.

Firstly, those phobic about things being made unnecessarily convoluted and obscure will have been turned off the process of learning more about what will actually happen at Copenhagen – or even what has happened in the run up to it. And this is disturbing, given the implications.

On September 15, a rough draft running to 181 pages of what could be signed at COP15 was released.

And “non words” (“additionality” isn’t in my dictionary but it appears 5 times in the text) together with poorly chosen words and obscure acronyms abound therein. If you’re tempted you can find the draft at:

<http://wattsupwiththat.files.wordpress.com/2009/10/un-fccc-copenhagen-2009.pdf>

### Translation

According to the Guardian newspaper - which has issued a plea to help understand the incomprehensible language of climate change diplomacy - one of the most irritatingly used words in the document is PARTIES - which in this context means countries, not fiestas.

Parties is used a mere 997 times (that’s a staggering average of 5 times a page) whilst NAMAs pops up 151 times, AWGLCA (oh yes) 277 times, SIDS 33 times, EBFTM 24 times and TNAs a restrained 19 times.<sup>1</sup>

Meanwhile the word “people” makes it into the document a heartening 4 times.

Don’t you just love the Guardian for producing such stats?

And don’t you just love it even more for providing a translation of the negotiating text:

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<http://www.guardian.co.uk/environment/interactive/2009/sep/28/climate-change-copenhagen-text-explanation>

But lucky for us that the Guardian does this. And lucky for us that a brave number have taken it upon themselves to wade through the text.

### Harry Potter and climate change

Whilst I'm not so naïve as to think policy documents are ever going to be produced in the easily graspable style of JK Rowling, I genuinely believe we have a problem here. If climate change is going to become a political issue that affects us all to the same extent as say health or education, we need to start gaining a better understanding of what we're dealing with here.

My second cheer over the fact that the climate change debate will not end at Copenhagen comes on the back of concerns that what is so skilfully obscured in the related documentation is potentially politically insane.

### The (all too) United Nations

Lord Christopher Monckton, a man of strong and often shocking views, has noted that the proposed Copenhagen agreement would create a world government, under the auspices of the United Nations, which would have the power to directly intervene in the financial, economic, tax and environmental affairs of all the nations that sign.

Monckton has warned Americans in a recent speech that if President Obama signs the Copenhagen climate change treaty, he "will sign your freedom, your democracy, and your prosperity away forever – and neither you nor any subsequent government you may elect would have any power whatsoever to take it back again."

Now whilst Monckton's not a scientist and his criticisms of the theory of anthropogenic causes for climate change and the stated scope of it may or may not be controversial for the sake of it, he's actually got a point here.

The draft document does indeed refer (p18) to a "government" that "will be ruled by the COP".

### So to avoid political insanity this debate needs to continue.

It also needs to continue because our understanding of climate change issues still needs to evolve before we cement our response to it.

BBC Television's Question Time tackled the following question this week: "Is global warming a scam perpetuated by a vocal minority which has been seized on by government as an excuse to raise taxes and promote false green credentials?"

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**Lord Christopher Monckton  
Warning on the impact of signing  
the current proposed Copenhagen  
agreement**

David Davis, Conservative MP for Haltemprice & Howden, responded: “I am an agnostic on this – I am a scientist by training – I was a science minister when much of this early research was done. It’s an incredibly complex subject. I think there is global warming going on, but I am not entirely persuaded – I think it’s 80% probable that it’s caused by man, but I’m not certain of it. [However] I resent acutely listening to people saying the debate is over. In science the debate is never over. The debate on quantum mechanics isn’t over let alone the debate on climate change. We’ve got to get this right.”

Indeed if scientists who favour the anthropogenic theory are correct, then we would be grossly irresponsible to subsequent generations were we to fail to do anything about it.

If, on the other hand, such scientists are wrong, proposed policies could slow down the growth and prosperity of both developed and especially developing economies.

So is it right to be excited about the Chinese and Americans finally conceding to CO<sub>2</sub> reductions? Probably yes given the respective scale of emissions in both cases. China and the US are responsible for over 40% of global greenhouse gas emissions and whether or not these emissions warm the planet, thereby effecting climate, there are also – very compelling - health related arguments for reducing them. As a Lehman Brothers report of 2008 indicated, an estimated 400,000 people a year die of respiratory diseases caused by polluted air in China.

But if the US/China development in itself increases the chances of a signing at Copenhagen, then I think, we should all probably worry – unless significant revisions are made to what is both a convoluted and potentially nation-damaging text.

### **It’s not bash a politician – it’s hug a scientist**

Oh and by the way our Secretary of State for the Department of Energy and Climate Change, Ed Miliband, who’s been in this job for just over a year, has an educational background in politics, philosophy and economics and no career experience – save that gained over the last year – in anything remotely scientific. If you’ve read other commentary from BRAVE Partners this week (cf “hands up politicians: who speaks finance?”) you may be under the impression that it’s bash a politician week at the firm. It isn’t – and I’m convinced Ed Miliband is extremely bright. But we need to get our response to CO<sub>2</sub> emissions right, both for the future of our world, and the future of our nation. Let’s hope he knows his AWGLCA from his NAMAs.

- *BRAVE Partners believes that carbon credits are underpriced.*
- *The firm believes that this situation will persist due to lack of political and cultural pressure to increase the cost of carbon.*
- *BRAVE Partners LLP is seeking to work with companies whose business model reduces carbon emission by creating natural efficiencies.*

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## **BRAVE Partners services**

BRAVE Partners is an advocate, for liquid, mature carbon markets. However, the current state of the political process makes the firm skeptical that these will emerge for a number of years. The Kyoto protocol was incomplete, especially without America. It also expires in 2012. So far there is not a clear viable successor to Kyoto on the table at Copenhagen. Even with the current interest from the US Administration, BRAVE Partners believes that the carbon markets are destined to drift and remain inefficient, which will only serve the traders and not the global economy.

However, BRAVE Partners does remain positive. The firm believes that there are many efficiency driven technologies that can be developed on their own economic merit. These will reduce CO<sub>2</sub> emissions as a by product and ultimately help to drive carbon markets and set the price.

BRAVE Partners can assist entrepreneurs to develop and fund their businesses and to maximize the value of carbon credits.

## **Interaction**

If you enjoyed this commentary and would like to receive a weekly update by E-Mail, then please contact BRAVE Partners on [commentary@bravepartners.com](mailto:commentary@bravepartners.com)

If you would like to comment on the content of this piece, then please send an E-Mail to [discussions@bravepartners.com](mailto:discussions@bravepartners.com)

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<sup>i</sup> NAMAs = Nationally Appropriate Mitigation Actions (you should have known that; it's not defined in the UN document)

AWGLCA = Ad Hoc Working Group on Long-term Cooperative Action

SIDS = Small Island Developing States (you should have known that too as it isn't defined in the UN document either)

EBFTM = Executive Body on Finance and Technology for Mitigation

TNAs = Technology Needs Assessments