

My recent review of the first draft of the Copenhagen Accord finds that the major updates thus far entail little more than more aggressive targets for some of the larger Annex 1 countries. While these stricter targets are commendable, many of member nations are far from meeting their current pre-Copenhagen targets. Those that have made progress towards their goals can largely attribute the progress to outsourcing their emissions to non-Annex 1 countries through CDM credits. There are structural components to the UNFCCC that undermine its ability to facilitate the realization of proposed emissions reductions and renewable energy development. Several primary issues are...

1. **The Clean Development Mechanism (CDM)**- The logic of “cap and trade” underlies the primary instrument used in reducing emissions. The current structure of the CDM allows for Annex 1 countries to offset virtually all of their emissions (even increases in some cases) by investing in CDM projects in non-Annex 1 countries. This effectively removes the “cap” from the cap and trade system. The concept of “additionality” is too loosely defined in the draft. As the CDM is currently written, it incentivizes Annex 1 countries to invest FDI in specific countries in which national industries have financial objectives, namely China which is awarded a vastly disproportionate amount of CDM financing. The same logic driving the outsourcing of human capital is driving the outsourcing of “environmental capital” under the CDM. This neither facilitates aggregate emissions reductions via development of new clean energy technology or promotes equity, which are the two centrally stated goals of the UNFCCC.
2. **REDD-** (Reduced Emissions from Deforestation and Degradation) language being assessed for possible inclusion does not protect existing forests. Currently proposed language might incentivize destruction of natural lands to manipulate LULUCF (Land Use, Land Use Change, and Forestry) measurements, which are not overseen by the UNFCCC Secretariat.
3. **Fossil fuel resource scarcity** is not addressed as a valid concern in formulating incentive structures to promote renewable energy and thus, work towards emissions reductions targets. Instituting a scheme to subsidize and promote renewable energy development would facilitate emissions reductions while promoting the economic growth of all member countries.

Overall, the document is still very fluid and daily changing. The main items I think are important for Copenhagen moving forward are...

1. USA, China, and India commitment is key. Without these key actors representing over 50% of world CO<sub>2</sub> playing a central role in a transition into low-carbon futures, the effort is defeated.
2. The CDM's current comparative advantage for China should be addressed.
3. A legitimate and sensible cap should be set in place and the language concerning the concept of additionality in assessing CDM projects should be much more specific.