The Kyoto Protocol: Will Cheaters Prosper?

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Abstract
Environmental accounting researchers need to be involved in the formulation of national and international greenhouse gas policy in order to help ensure that there is an acceptable level of international accountability for actions that have climatic affects. This paper discusses the role of accounting within these debates.

Keywords
Kyoto Protocol, Environmental Accounting, Accountability, Emissions Trading, Climate Change

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The Kyoto Protocol: Will Cheaters Prosper?
By Dr. Jane Andrew

Of all global environmental issues, climate change has emerged as the most prominent and publicly contested. Many of the contributors to this journal have also felt compelled to participate in the discussion with Cummings’ (2000) providing insights into the possibilities and limitations of carbon accounting; Ahmed (2000) has discussed policy choices available to Australia in order to meet its emissions commitments; Gibson (1999) has investigated national emissions trading; and Martin (1998; 1998a) has provided a review of the Government’s interim report on emissions trading and the National Greenhouse Strategy – and this only names a few. The attention climate change has received within this forum shows that environmental accounting researchers see a need to be involved in the formulation of national and international greenhouse gas policy in order to help ensure that there is an acceptable level of international accountability for actions that have climatic affects.

The intensity of debate over climate change arises in part because it is inexplicably linked to economic growth. The pollutants causing global warming can’t be divorced from the material and industrial expansion of the modern ‘west’. In turn, the future of nations who are increasingly orienting themselves towards material goals also appears to rest heavily on the same environmentally hazardous energy sources (O’Riordan & Jager, 1996).

The Kyoto Protocol

The Kyoto Protocol, negotiated in 1997, was supposed to orient individual nations towards the global environmental objective of reducing overall global greenhouse gases by at least 5% below 1990 levels in the commitment period of 2008 to 2012 (Kyoto Protocol, 1997). It has been well documented that only three countries were allowed to increase their emission, Australia, Iceland, and Norway. In order for the Protocol to be binding 55 Parties need to ratify the agreement, and at this stage 84 countries are signatories, but only 30 have ratified it (all of which are ‘developing’ nations).

There are a number of issue that have yet to be resolved to the satisfaction of many of the signatories, such as the design of flexibility mechanisms, the quantity of sink credits allowed through sink activities, the consequences for not complying with the Protocol and, most importantly, the role of ‘developing’ countries. Although significant, these issues have also proved to be effective stalling devices (Joint Standing Committee on Treaties, 2001). As pointed out by Cummings (2000), the failure of COP6 to settle these disagreements reflects the divisions in the international community over strategies to reduce greenhouse gas emissions.

Beyond these technical sticking points, the Protocol has been racked with criticisms from outside government and corporate circles. It has been argued that by focusing on the determination of a tolerable degree of climate change, many moral and political issues associated with the differential use of the environment have been ignored (O’Riordan & Jordan, 1996). There are also philosophical problems because the
Protocol reduces nature to scientific explanations and economic solutions; it is devoid of alternative ways of understanding nature and articulating an opinion on its changes and future; part of the Protocol’s main charter is to ensure that material well-being is not sacrificed as a result of climate change; and island nations who face imminent destruction if climate change is not addressed have felt excluded from the discussions.

There are also issues of equity that have been superficially addressed by the concept of ‘differentiation’ relating to who contributed most to the current state, who has benefited most from abuses of the environment, who will be affected first, who can afford to stave off some of the effects, and who will emit the most greenhouse gases in the future (O’Riordan and Jordan, 1996). Along with this, there have been significant criticisms of the way that the Kyoto Protocol mimics the assumptions of global capitalism as though environmental issues don’t require any reconsideration of the assumptions that underpin our society, but that they require a reorientation of them (Gibson, 1999).

To many, the Kyoto Protocol’s targets are too little, too late (Beck, 1996). There is no denying that the Protocol is a conservative agreement and although it attempts to veil its economic orientation, it is obvious that the environment is being viewed as a business issue. It is generally accepted that the agreement in itself is not going to solve global warming. Whatever the problems with the Kyoto Protocol, the general consensus is that climate change is real and it requires a comprehensive international approach if it is to be addressed. Considering the conservative nature of the Protocol, it is disconcerting that even it has proven almost impossible to mandate.

Can Cheaters Prosper?

From the perspective of government negotiators it is imperative that the aspects of the Kyoto Protocol mentioned previously are clarified. Much of these negotiations are taking place in an attempt to limit the Protocol’s impact on national economies.

Although much of the focus has been on how nations can trade emissions and how the clean development mechanisms can be put into operation, non governmental organisations have also been working hard to clarify these issues in order to try to limit the ability of industrialised and post-industrial nations to cheat. At the moment there are a number of key areas that are open to interpretation in a way that may not favour the environment or honour the commitment to greenhouse gas reductions (Hare and Meinshausen, 2000). Here is a brief outline of the areas of concern:

1. The ability to manipulate data related to sinks and sources means that the comparability of this information could be meaningless and its contribution to the reduction in CO2 could be overstated. As plantations and reforestation are considered to be sinks, the ability to measure the reduction in CO2 is limited by the fact that trees only store carbon temporarily and this carbon can be discharged if there is a fire or as the trees naturally go through their life cycle. Another issue associated with plantations as sinks is that the cheapest option may lead governments to plant fast growing monocultures. Resources diverted to this project may have been better
spend on the development of clean technologies (Cummings, 2000).

2. Countries are applying pressure to ensure that the type of carbon accounting adopted will be beneficial to them. As the Kyoto Protocol outlines that the benefits of reforestation programs undertaken since 1990 can be taken off the commitment, but many countries have are trying to manipulate the definition to include credit for regenerating trees after harvesting, without considering the emissions that result from the harvesting.

3. Changing land use can result in less CO₂ being released into the atmosphere and this can be counted towards emissions reduction. The problem with the arrangement is that many nations will be able to meet a significant portion of their reduction commitment through this activity, thereby requiring little action to limit fossil fuel emissions and change the nature of the energy structure of national economies.

4. Emissions trading will allow developed countries to purchase the right to emit CO₂ from other countries who reduce emissions by more than their targets. Although the same global reduction should be achieved, many countries may be able to avoid significant changes to the nature of their economy and energy uses. Although emissions trading could provide an incentive to reduce emissions, this should be subject to strict, comparable, verifiable reporting with heavy penalties on both the buying and selling of non-existent carbon credits.

5. The Clean Development Mechanism (CDM) is in the process of being developed with the overall aim of ensuring that if a country invests in cleaner technology in a developing country, this will count towards emissions reduction at home. Although these projects need to be negotiated in more detail, industrialised countries would like the CDM to include reforestation projects in developing countries. This would be cheap, but as mentioned previously, it does not provide a permanent carbon store. In many ways the transfer of sustainable technologies could be one of the best outcomes from Kyoto, but the proposals currently being considered appear to block this transfer. In order to avoid these problems, there should be a list of acceptable technologies that can be used to meet the targets and this should exclude projects that involve nuclear technology, coal and large dams for hydro-electric power generation. It should include systems that use renewable energy sources and promote energy efficiency. (See Greenpeace’s report on Cheating the Kyoto Protocol, 2000 for more information).

The idea that countries may be able to meet their targets most cost-effectively through mechanisms that allow them to take only limited action domestically is problematic. Although industrialised nations are attempting to ensure that this is possible, the environmental consequences of such activities may undermine the purpose of the Kyoto Protocol.

**Bush and Howard’s (Environ)Mentality?**

With George W. Bush’s controversial election to the office of President, the Kyoto Protocol has come under direct attack. George W. Bush has said that the business of America is business and that nothing should get in the way of economic growth. George W. Bush indicated that his government would
not even pay lip service to environmental issues, particularly when those issues directly impacted on the energy sector (O’Brien, 2/4/01, www.abc.net.au/7.30). The downturn in the US economy has also provided support for Bush’s ‘America First’ position on economic and environmental issues. The short-sighted nationalism illustrated by the Bush Administration is at odds with the long-term transnational approach required to deal with global warming. As the Bush Administration has indicated its isolationist position, the commitment to American issues will remain paramount. This position shouldn’t be unfamiliar to Australian’s, as Prime Minister John Howard has outlined a similar position, evidenced by the following quote:

As I have demonstrated to date, my Government will continue to stand up for our national interest, jobs and economy in the international negotiations (Howard, 1997, p.20).

The Australian Parliament’s Joint Standing Committee on Treaties has just released its report The Kyoto Protocol – Discussion Paper (2001), outlining, based on public consultation, what it sees as the approach that best reflects that national interest. The report suggested that until the issues associated with the design, scope and implementation of the Protocol have been resolved, the Australian Government should not ratify the agreement.

This has been echoed in the Howard Government’s mixed messages since the Bush announcement that it would not support the Protocol. Senator Robert Hill has said that he is disappointed in the Bush Administration’s decision to walk away from the agreement, but that he would be prepared to work with them on a new approach if this was to lead to the best outcome at the lowest price. The approach of the Australian Government lay in stark contrast to the reactions of Japan and members of the EU who have spoken out strongly against the US abandonment of the Protocol and reaffirmed their commitment to the targets.

Whatever the temptation that the US’s decision provides the Australian Government, it is unlikely that they will walk away as it is well known that Australia negotiated its way out of tough targets (O’Brien, 2/4/2001, www.abc.net.au/7.30). Overall, it is considered to have been a ‘good’ deal for Australia even though the perception of a good deal is largely based on the affect such targets will have on the national economy rather than the global environment.

The Future

Another round of talks will be held in June, and it is likely that the US will try to use their obvious reluctance to participate to scale back the expectations or change the parameters of how the goals can be met. It is still yet to be seen whether they will walk away altogether or whether the latest controversy has all been part of a negotiating tactic. Australia’s position has always been controversial, and the current contradictory approach of the government does not reflect the clear ‘economy and jobs’ first position that was adopted at the time of the negotiation. It will be interesting to see whether Australia does finally ratify the agreement and under what conditions – it seems clear from the insights of the Joint Standing Committee’s Discussion Paper that those submitting opinions and research are deeply divided as to the ramifications of the Protocol.
Bibliography


