

A South Seas Carbon Bubble

Australia and a near-Pacific regional climate Pact

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ABSTRACT

Global warming will have serious implications for equity, ecological stability and environmental security in the Asia-Pacific region. For these reasons, developed nations like Australia and New Zealand should consider enhancing and institutionalizing regional cooperation to combat climate change. This article argues that significant benefits may be derived from the creation of a South Pacific regional climate pact, established within the ambit of the UN Framework Convention on Climate Change (UNFCCC) and the framework of the Kyoto Protocol, drawing on the example of the European Union. Such a regional approach will enhance the mitigation and adaptation capabilities of the countries involved. Specifically, it proposes an enduring regional institutional framework should be established, involving the creation of:

- a South Pacific Climate Council involving high level Ministerial representation from each participant State,
- a well-supported secretariat,
- a collective emissions reduction target, and collective adaptation targets,
- appropriate funding to enable effective burden sharing in the areas of mitigation and adaptation,
- sufficient resources to enable the achievement of collective and individual emissions reduction goals, and
- an effective carbon market, and other related measures.

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Labor's overwhelming national election victory late in November 2007 was founded, in part, on its promise to tackle global warming effectively. For the previous decade, under the Howard Government, Australia had played a destructive and obstructive role in international climate negotiations. Most importantly, it had refused to ratify the Kyoto Protocol and bolstered the Bush Administration's attempts to undermine international institutions intended to tackle climate change. Meanwhile it supported the creation of alternative forums, treaties and pacts of lesser capability - including the Asia-Pacific Partnership for Clean Development and Climate, which has remained targetless and gravely under-funded.³

Newly elected Labor Prime Minister Kevin Rudd signed the instrument of ratification for the Kyoto Protocol as his first act in government. Three days later, he was received with acclamation at the 13th Conference of the Parties to the UN Treaty on Climate Change (COP 13) in Bali. As the conference would reveal, this ratification was important both symbolically and practically.⁴ But what else, beyond this gesture, might a constructive Australian approach to international climate negotiations involve?

The projected impacts of climate change have serious implications for equity, ecological stability and environmental security in the Asia-Pacific region. For these reasons, developed nations like Australia and New Zealand should consider enhancing and institutionalizing local cooperation to combat climate change. This article considers the example of the European Union as a collective actor to indicate the advantages of localized institutional development and cooperation for effective action against global warming. It argues that cooperation among near-Pacific regional neighbours would be likely to enhance the mitigation and adaptation capabilities of the countries involved. It proposes and considers the prospects for a South Pacific regional climate pact, to be established by Australia within the ambit of the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, and concludes that such an approach

¹ An earlier version of this article was delivered as a paper at the workshop on 'Australia and Climate Change Diplomacy: Towards a Post-Kyoto Regime' hosted by Faculties of Law and Social Sciences, University of New South Wales, and sponsored by the Academy of the Social Sciences in Australia, 22-23 November 2007.

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³ Peter Christoff and Robyn Eckersley 'The Kyoto Protocol and the Asia Pacific Partnership on Clean Development and Climate' in Tim Bonyhady and Peter Christoff (eds) *Climate Law in Australia* (Federation Press, Sydney:2007).

⁴ Peter Christoff 'Bali and Beyond' (2007) *Arena Magazine* Nr 93: 32-36.

potentially offers considerable benefits to its member States as well as the global community.⁵

Climate vulnerability and impacts in the Asia-Pacific region

Numerous reports have examined projected vulnerability to, and impacts of, climate change in the Asia Pacific region at regional, continental and national scales.⁶ These reports offer descriptions of the likely range and intensity of climate-related risks and pressures which threaten countries in South Tropical Asia, which includes New Guinea, the Maritime Continent (East Timor, Indonesia) and the islands of the southwest Pacific (Cook Islands, Solomon Islands, Vanuatu, Fiji, Kiribati and Tuvalu), and also the more southern countries of Australia and New Zealand.

Climate *vulnerability* is commonly regarded as the product of the interaction between potential climate-related *impacts* (which arises from a combination of *exposure* to climate impacts and *sensitivity* to those impacts – including the sensitivities that arise from different levels of resource development) and *capacities* to adapt to those pressures. It is the combination of these effects – *climate vulnerability* - that then ‘determines’ the severity of actual *impacts*.⁷

Correspondingly, a great deal of attention must be paid to the capacity to adapt to emerging climate threats to human and biological communities. Clearly, the poorer the local economies and communities and the greater the climate threats, the greater the level of climate vulnerability and the greater the likelihood of severe impacts affecting regional ecosystems and human security. Effective global and regional mitigation will reduce climate threats and pressures, and effective adaptation – where this is possible – will soften the severity of impacts.

Climate modelling indicates that the Asia-Pacific region (which includes the tropical Asian sub-region and the near Pacific) will face increases in seasonal average temperatures, increases in rainfall (except in Eastern and Southern Australia, and parts of Indonesia), sea level rise, and increased intensity of extreme events (including droughts, precipitation, floods, and storms - the last of which will magnify the impacts of king tides and climate change-induced increased sea-level rise upon coastal communities).

⁵ This should be proposed alongside two other measures: the establishment of a separate annex in the Kyoto Protocol for major emergent (developing country) emitters, and the use of global border adjustment carbon taxes as a form of revenue raising and fund transfer to assist developing countries to move rapidly to a post-carbon economy. See Peter Christoff. ‘Post Kyoto? post Bush? Towards an effective ‘climate coalition of the willing’ (2006) *International Affairs* 82(5) 831-860, and Peter Christoff ‘Beyond the Impasse: China and the US, Australia and Kyoto Plus’, paper delivered at Asia Link Forum, Melbourne ‘Five Minutes to Midnight’ Lecture Series, 23 August 2007.

⁶ For a good recent overview of data and climate projections, see B.L Preston; R. Suppiah; I. Macadam and J. Bathols. *Climate Change in the Asia/Pacific Region: A Consultancy Report Prepared for the Climate Change and Development Roundtable* (CSIRO Marine and Atmospheric Research, Melbourne: 2006). The climate impacts reported in this section of the article are drawn from that study.

⁷ AGO (Australian Greenhouse Office) *Climate Change Risk and Vulnerability* (Department of the Environment and Heritage/Australian Greenhouse Office, Canberra: 2005).

Critical impacts are likely to affect five main areas or sectors of concern: coastal communities; ecosystems and species; water resources; agriculture and forestry; and regional, national and local economies. The magnitude of impacts and their consequences will grow with increases in the rate and magnitude of planetary warming. In addition, these regional impacts are synergistic and also likely to be magnified by global effects.

Coastal communities

Modelling suggests that sea-levels will rise by 3-16 cm by 2030 and 7-50 cm by 2070, assuming that the West Antarctic and Greenland ice shelves remain stable. These impacts will magnify the impacts of tidal surges and storms. The southern Pacific contains many low-lying areas that threatened by even small increases in sea-levels and in the severity and frequency of storm events. The readiest local examples of vulnerability are reflected in the impact of recent tsunamis on the coastal regions of Indonesia and New Guinea. The viability of coastal communities in low-lying Pacific islands will be significantly undermined by climate change. For instance, Fiji and Kiribati would lose significant areas of land and economic capacity if sea levels rise by as little as 30 cm. Protection or relocation of coastal communities and cities, and related infrastructural work, are major future costs for adaptation.

Ecosystems and species

The near Pacific is a haven for a wide variety of endemic terrestrial, freshwater and marine species. It contains some of the planet's most spectacular and biologically important reefs and forest ecosystems – including the Great Barrier Reef and the forests of Indonesia, New Guinea and Australia. The health and survival of coral reef systems are recognized to be severely threatened by even very slight increases in sea temperature, with serious negative consequences not only for marine life but also for economies dependent on fishing and tourism. Temperature increases of as little as 1 degree Celsius above pre-industrial levels – as projected for 2030 - will damage these systems severely. Mangrove swamps and coastal wetlands, which are critical habitat for marine and terrestrial coastal biota, are threatened by sea-level rise. Even slight temperature increases, accompanied with declines in rainfall, threaten Indonesian and Australian rainforests, including through the increased incidence of wildfires which then additionally contribute to releases of atmospheric carbon dioxide.

Water resources

Much of the South Tropical Asian region will experience increases in rainfall and water availability. However, the only areas that will experience an increase in annual rainfall of greater than 10 per cent by 2030 and 2070 are the Pacific Islands east of New Guinea. By contrast, significant declining precipitation is already causing difficulties for agricultural production and urban water supply in Australia, and reductions in rainfall (of less than 10 per cent) are also projected for parts of Indonesia in the next 30 years. These effects will increase by 2070. The seasonal pattern of rainfall will alter over this period, with consequences for both agriculture and forestry.

Agriculture

Climate change will affect regional agricultural systems in several ways. Decline in precipitation is already limiting dryland and irrigated farming for food and fibre in south eastern and south western Australia. The resilience of agricultural systems in parts of the south Pacific will depend on the ability to introduce new crops and cropping practices, which may be limited by economic circumstances and capacity.

Economic integrity

Estimates of regional, national and sub-national economic impacts are hampered by unknowns associated with more widespread and synergistic global effects. Studies tend to focus on individual economic sectors – such as tourism, agriculture, fisheries and forestry – without incorporating non-market costs which are more difficult to quantify (health, ecosystem goods). Overall, however, available studies indicate that climate change will produce net economic damage in the Asia-Pacific region (and, certainly, the near-Pacific), given negative impacts on natural resources and rising costs associated with adaptation and climate-related disaster management. Already, Australia's prolonged drought has been responsible for a decline in GDP associated with a decline in agricultural production and related domestic and export earnings. Significant warming is predicted to severely damage if not destroy major natural 'assets' – such as the Great Barrier Reef – which contribute tourism income and tourism may be further undermined by rising carbon prices (affecting transport costs), general inflationary pressures, and so on. Such impacts could have a greater effect on small States dependent economically on tourism, fisheries and forestry.

Climate equity and efficiency

There are four strong arguments for considering regional cooperation to tackle climate change in the near-Pacific. These are based on issues to do with climate equity, program efficiency, environmental conservation, and environmental security. The first two of these are discussed here, the remainder later in this article.

First, at a regional level in the Asia Pacific and perhaps even more so in the more confined near-Pacific region, the distribution of climate impacts and capacities for response is starkly inequitable. Some of the region's poorest countries, such as East Timor and Tuvalu, have made only the slightest contribution to the problem of global warming yet will be hardest hit by its impacts. Not only do these poorest nations face the greatest threats, but their vulnerability to potential climate impacts is enhanced by their lack of capacity to address them.⁸ Meanwhile, the wealthiest nations in the region – Australia and New Zealand – have contributed disproportionately to current and impending impacts: Australia has one of the planet's highest per capita rates of CO₂

⁸ Intergovernmental Panel on Climate Change (IPCC) Working Group II *Climate Change 2001: Impacts, Adaptation and Vulnerability- summary for policy makers*, Table SPM 2 (Cambridge University Press, Cambridge, 2001):17.

emissions. Ethical considerations should drive a sharing of regional resources to tackle this regional issue of climate inequity.⁹

Second, the efficiency of national action against climate change can be enhanced through synergistic regional cooperation around mitigation and adaptation. Given that some others of the poorer nations in this region (notably Indonesia) also contribute significantly to greenhouse emissions and impacts in ways that cooperative action could limit, the logic of self-interest also applies. Together, these issues of equity and efficiency should encourage positive consideration of institutions and processes for collective action in the Asia-Pacific region.

Carbon bubbles, regional economic organizations, and the European Union

Most Parties to the UNFCCC and Kyoto Protocol operate in isolation in meeting their obligations. However Article 24 of the Kyoto Protocol provides for ‘regional economic integration organisations’ becoming parties to the Protocol. Article 4(6) also refers to regional economic organisations that are parties to the Protocol, and the responsibilities of member States within such an organization/Party. To date, only one such regional economic organization – the European Union (EU) - has become a Party and formed a Protocol ‘carbon bubble’. (The Protocol does not talk about other sorts of collectivities becoming Parties).

Regional cooperation around mitigation through an agreed burden-sharing arrangement has benefited partners in the EU carbon bubble, enabling a more equitable and efficient approach to reducing emissions among countries of varying economic and institutional capacity, and making the EU a leader and international agenda setter in emissions reduction.¹⁰

Through the work of the European Commission, the EU has facilitated ‘burden-sharing’ by enabling individual States to set emissions targets integrated within a larger economic and climate strategic framework. It has created a regional carbon market that is now the centre piece of the Kyoto carbon market. It has engineered a common energy market and sought to create a coherent energy strategy for the EU, and it has worked towards EU-wide standards for energy efficiency. Lastly, via the example of its leading members, it has enhanced the diffusion of institutional innovation and the implementation of renewable energy technologies.

As a result, the EU will meet its collective first commitment period target of 8 per cent below 1990 levels by 2010. This will be achieved through a collective reduction of domestic emissions by 4.6 per cent below 1990 levels by the EU 15 (the EU member group before enlargement in 2004), using its international emissions trading market, and supplementation through the use of other Kyoto Protocol mechanisms to achieve the remaining reduction.¹¹ Moreover, the EU has confirmed that it will, at minimum, cut its

⁹ Marco Grasso “An Ethics-based Climate Agreement for the South Pacific Region” (2006) *International Environmental Agreements* 6: 249-270.

¹⁰ M. A. Schreuers and Y. Tiberghien ‘Multi-level reinforcement: Explaining European Union Leadership in Climate Change’ (2007) *Global Environmental Politics* 7(4) (Nov 2007)19-46.

¹¹ European Environment Agency, *Greenhouse Gas Emissions and Trends in Europe 2006*, EEA Report No 9/2006.

emissions by 20 per cent below 1990 levels by 2020, and that it would increase this target to -30 per cent below 1990 levels by 2020 should other developed nations agree to adopt the same target.¹²

The EU's capacity to go down this route has depended on the prior existence of a clearly defined and effective regional market and the well-entrenched and well-accepted regulatory and legal system that is embodied in the European Commission and European Parliament. But the EU's emissions performance remains beset by the challenges of coordinating national activities, and the collective actor and institutional problems that test its coherence. EU climate policy, as articulated through the Commission, has had some difficulty in managing those original member States (such as Spain and Portugal) which are materially and institutionally 'under-developed' compared to the EU average and its leaders. It has also been challenged by structural and other issues brought to the Union through the accessions from the former Soviet Bloc. Nevertheless, the EU provides a robust example and model for how institutionalized transnational cooperation can enhance the achievement of complex climate mitigation and adaptation goals.

The 'South Sea carbon bubble' - an Australian regional climate change pact

Under the Howard Government, Australia had no substantial climate-related foreign policy strategy. Labor must be more ambitious and creative if it is to offer the sort of international climate leadership that PM Rudd has promised, and if it is also to participate effectively in tackling the climate-related problems of environmental security, equity and ecological destruction that threaten our immediate region.

The EU's example suggests there are significant positive synergies to be derived from cooperative action at the regional level, and for that reason I argue that there is good reason for the Rudd Government to establish a South Pacific regional climate pact, under the umbrella of the UNFCCC and the framework of the Kyoto Protocol. The aim of this climate pact would be to - cooperatively and equitably - improve the capacity and performance of its members to reduce their collective emissions, and reduce their vulnerability to climate impacts by enabling all parties to better meet their needs for climate-related adaptation.

The underlying argument here is that, in general, close regional cooperation:

- is more likely to be effective in addressing issues of climate equity that arise between developed and developing States, as recognized in the UNFCCC and the Kyoto Protocol, than a generalized global agreement to act;
- increases efficiencies in regional adaptation and mitigation activities; and
- improves consideration of and responses to climate-related issues of regional environmental security.

¹² Council of the European Union, Press Release, 2785th Council meeting, Environment, Brussels, 20 February 2007.

Who would be included, and why?

The regional pact should include Australia and its close geographical neighbours - New Zealand, Indonesia, East Timor, Niugini and other near-Pacific Islands drawn from Melanesia and Polynesia (including the Cook Islands, Fiji, Nauru, the Solomons, and Vanuatu). However there are strong reasons for establishing such a pact which go beyond the accident of geographical proximity. The arguments here are based on equity, efficiency, ecological protection and environmental security. Some of these are broadly summarized by **Table 1**.

Table 1: Possible member States of South Pacific Regional Climate Pact

State ¹³	Popln (mill) 2007	Total CO _{2e} emissions Million t (2005 or nearest data, including LULUCF)	Approx Global ranking for GHG emissions	Approx Global ranking for per capita GHG emissions (with LULUCF)	Gross GDP based on purchasing power parity (\$US billion - approx) 2007	Per capita GDP, based on purchasing power parity (\$US approx) 2007 or nearest data	Climate Vulnerability
Australia	20.9	522.2	13	9	718	34,358	High
New Zealand	4.2	52.7	57	18	110	26,195	Moderate
Cook Islands	0.02	-0.07	128	163	0.18	9,100	Extremely High
East Timor	1.0	?	?	?	0.7	350	Extremely High
Indonesia	224.9	3000+	3	24	1,038	4,615	Very High
Fiji	1.0	?	?	126	5.5	6,319	Extremely High
Kiribati	0.1	0.03	125	184	0.3	2,525	Extremely High
Nauru	0.009	0.03	126	43	.04	2,500	Extremely High
New Guinea	6.3	4.6	105	7	17.4	2,751	Very High
Solomon Islands	0.5	0.3	121	174	1.1	2,155	Extremely High
Vanuatu	0.3	0.3	120	131	0.6	3,346	Very High

¹³ Country data drawn from International Monetary Fund, *World Economic Outlook Database*, April 2007; and World Resources Institute data; and UNFCCC emissions data, including at: http://unfccc.int/documentation/documents/advanced_search/items/3594.php?rec=j&prire=600004364#beg

First, this grouping includes countries well-matched to help each other. Australia and New Zealand are wealthy developed countries included in Annex 1 of the UNFCCC and Annex B of the Kyoto Protocol, with considerable capacities for climate mitigation and adaptation. The rest are developing countries of varying degrees of significance in terms of their contribution to the problem of global warming, but each is highly vulnerable to global warming when capacity to adapt is considered against emerging climate-related threats. In terms of adaptation and equity, the pact would facilitate provision of assistance from some of the richest to some of the poorest and most climate-vulnerable countries in the world – such as East Timor and certain small Pacific island nations under threat of extinction from inundation.

Second, the region contains some of the planet's major emitting nations: Indonesia is one of the planet's greatest aggregate contributors of land clearing-related emissions, while Australia - the seventh largest emitter among developed countries - is ranked 13th among all national emitters globally, and among the planet's largest emitters in per capita terms. Therefore such a pact contains significant opportunities for a globally meaningful mitigation effort: Indonesia's and Nuigini's forests are major carbon sinks threatened by illegal (and legal) logging. Relations between these countries are well-developed, in some cases through trade, in others through aid links, and generally cordial. Such a pact would build upon existing institutional arrangements, such as the Trans-Tasman (Australia-New Zealand) Closer Economic Relations (CER) agreement, and the Pacific Islands Forum.

Third, as noted earlier, these forests are also globally significant biodiversity reserves, and host many species currently under threat of extinction. Australia is regarded as a globally significant region for its biodiversity. Many of its unique terrestrial fauna and most of the Great Barrier Reef are also under intensifying threat of extinction from the impacts of global warming.

Finally, environmental security – here intended to include aspects of national security and human security affected by domestic and external environmental pressures and impacts¹⁴ - is also an issue best considered preemptively and cooperatively. If conditions associated with sea levels, and water and food availability, deteriorate, it is certain that issues of environmental security associated with the mass migration of peoples will become significant concerns for regional countries, including Australia. Australia has long had ties to the South Pacific region and there has been an element in Australian foreign policy that has treated parts of this region as falling within an Australian 'sphere of influence'.

Over the past decade, Australia in particular has had an intensified presence in the region based on both its disbursement of aid (including in response to natural disasters in Indonesia, Nuie, Nuigini and the Solomons) and a diplomatic and policing/military presence in times of need in what O'Keefe has termed the Pacific's 'fragile states' –

¹⁴ Jon Barnett 'Security and climate change' (2003) *Global Environmental Change* 13: 7-17

including East Timor, Niugini, and the Solomons.¹⁵ Efforts to deal with gaps in development and governance can only be undermined by growing climate-related pressures, requiring an even greater involvement if these pressures are not tackled preemptively.

Australia's climate pacts as precedents

There are some existing, although weak, Australian precedents for a regional pact: Australia already participates in a number of non-Kyoto climate pacts and arrangements, both multilateral and bilateral. Apart from Australia's involvement in the Kyoto Protocol, the most extensive of these multilateral agreements – although barely funded in practice – is the Asia Pacific Partnership on Clean Development and Climate. Of Australia's other multilateral arrangements, the recently concluded *Global Initiative on Forests and Climate* is perhaps the most promising in real terms.¹⁶ Through the allocation of \$AUD 200 million to Indonesia under this program, to tackle the problem of illegal logging, Australia may assist in a massive reduction of regional emissions from non-industrial sources. Indonesia's forestry-related emissions – some 3 billion tonnes of CO₂ – are estimated to place Indonesia third on the global list of national emitters when both industrial and land use, land use change and forestry (LULUCF) emissions sources are included.

Australia has also entered into a range of bilateral agreements¹⁷, including with:

- Indonesia (October 1996)¹⁸
- United States (Climate Action Partnership, February 2002)
- New Zealand (Australia New Zealand Climate Change Partnership, July 2003)
- China (August 2004)
- South Africa (December 2006)
- European Union and Japan (2007)

The specific objectives for the Bilateral Climate Change Partnerships Programme have been stated as working 'with other countries to:

- Undertake practical actions that achieve or facilitate emission reductions;
- Build capacity to enable implementation of mitigation and adaptation programs;
- Improve scientific understanding of climate change;
- Build support for an effective global response to climate change;

¹⁵ Michael O'Keefe 'Australia and Fragile States in the Pacific', in John Cotton and John Ravenhill (eds) *Trading on Alliance Security: Australia in World Affairs 2001-2005* (Oxford University Press: Melbourne: 2007): 131-149.

¹⁶ See <http://www.greenhouse.gov.au/international/forests/index.html>.

¹⁷ For details about each agreement and its related program of action, see: <http://www.greenhouse.gov.au/international/partnerships/index.html>.

¹⁸ Media release, Senator Hon Robert Hill, Minister for Environment, 'Historic Agreement between Australia and Indonesia on Climate Change', 24 October 1996.

- Facilitate market opportunities for greenhouse technologies, products and expertise from Australia and partner countries; and
- Foster direct involvement by industry, business, scientists and communities in bilateral projects to broaden participation in climate change action.¹⁹

Indeed, the Australia-New Zealand Climate Change Partnership includes as one of its five themes, “[w]orking together with our Pacific Island neighbours to address the regional challenges posed by climate change”.²⁰ In reality, however, projects under these bilateral agreements have had less than \$40 million committed to them - in total - since their inception, and are primarily focused on climate-related monitoring and research. There is little evidence that these bilateral agreements have ever been regarded as vital and ongoing arrangements or that they form part of any substantive foreign policy climate strategy. Furthermore, there is no evidence of substantive outcomes, especially in relation to emissions reduction activity.

What would a regional pact look like?

The current provisions of the Kyoto Protocol suggest several possible forms for such a pact. If one were to consider these along a continuum of institutional development, two models stand out. The most formal would involve the establishment of a new regional (economic integration) organization – broadly along the lines of the European Union - for the purposes of dealing with climate mitigation and adaptation and with its own unified emissions target to which member States contribute through national allocation plans. It would be wise, under the circumstances, for this pact not to be conceived initially as a comprehensive supranational organization of States but rather one that is more limited and climate-specific in its mandate.²¹

Even if this high level of regional institutional innovation were achieved, there remain several issues that would need to be resolved. As Delreux notes, in relation to the European Union:

States are traditionally and historically the main subjects of international law. However, as international and supranational cooperation changed the path of international relations and international governance during the last century, the status of new “polities”, such as the EU, within international law – and more specifically as a partner in international environmental governance and negotiations – came into question. Like other international entities, the EU has to fulfil three conditions to act in multilateral (environmental) negotiations and to become a party to multilateral (environmental) agreements: to possess legal personality, to be recognized by its negotiating partners and to have the necessary competences to make binding commitments.²²

¹⁹ See <http://www.greenhouse.gov.au/international/partnerships/bccpp.html>

²⁰ See <http://www.greenhouse.gov.au/international/partnerships/newzealand.html>

²¹ Alternatively, the Kyoto Protocol could be amended to enable regional pacts to be recognized without a regional member Party being formed.

²² Tom Delreux “The European Union in international negotiations: a legal perspective on the internal decision-making process” (2006) *Int. Environ. Agreements* 6:232.

What powers would be accorded or ceded to a new regional entity by its member States? It is likely that, in relation to climate negotiations, this arrangement would at most (and perhaps preferably should) be comparable to the EU, in the sense that the European Commission in many areas of international environmental negotiations has shared competences for a range of political, economic and legal reasons that reflect its hybrid, in-between nature as both an international entity and a 'State'. This would leave member States the freedom to negotiate separate targets that exceed whatever negotiated targets emerge as part of an international agreement negotiated by the Pact body.²³

Under the least formal arrangement, the pact's member States would engage in multilateral coordination of their targets and activities under a regional arrangement that does not depend on a regional (economic) organization and therefore is not formally recognized under the Kyoto Protocol.

There are several obvious issues with and differences between what is here proposed for the South Pacific region and the EU carbon bubble model. First, there is currently nothing in our region resembling the common market arrangement that, in Europe, led to the European Commission. We would be starting a long way behind where the Europeans were, in terms of institutional developments, when they entered negotiations over their individual and collective Kyoto Protocol targets. It would take considerable effort to establish such a highly developed form of regional economic cooperation, time which we do not have when addressing the problem of global warming. Second, the South Seas bubble group would include both developed States with explicit emissions reduction targets and developing countries without such targets – and far greater diversity than the EU addressed.

Australia should propose a regional pact that rests between these options. It could and should develop a collective emissions reduction target for the second Kyoto Protocol commitment period (2013-2020). Non-Annex 1 members of the pact would be encouraged towards improvements in material standards of living while being assisted to meet their own voluntary, aspirational targets during the second commitment period. They would also participate in and benefit from Kyoto Protocol mechanisms (such as its Clean Development Mechanism). Meanwhile, Australia and New Zealand would adopt stronger mandatory targets, being confident that a small proportion of these could be met through Kyoto Protocol mechanisms applied in the near-Pacific region.

In all, an enduring regional institutional framework should be established, involving the creation of:

- a South Pacific Climate Council involving high level Ministerial representation from each participant State,
- a well-supported secretariat,
- a collective emissions reduction target, and collective adaptation targets,
- appropriate funding to enable effective burden sharing in the areas of mitigation and adaptation,

²³ Tom Delreux (2006) *Ibid.* 6:236.

- sufficient resources to enable the achievement of collective and individual emissions reduction goals, and
- an effective carbon market, and other related measures.

While the pact and its institutions and mechanisms should be established with the short term intention of assisting the development and delivery of ambitious targets for the second Kyoto commitment period, it should also look towards the development of more elaborate and extensive multilateral arrangements in the future. In other words, it would be possible to move, over time, from the second to the first type of arrangement, under an agreed timetable for closer and more formal economic integration.

What might such a pact do?

Much would depend on the level of integration sought through such a pact. At minimum the pact could use trade, aid and direct investment to facilitate substantial transfers of wealth and technology between its members in order to enhance responses to the problems of global warming. It would therefore include:

- financial and technological assistance to its developing State members to help reduce their reliance on fossil fuels while increasing standards of living;
- financial and institutional assistance to ensure that regional forestry is, at minimum, carbon neutral and that carbon sinks are enhanced rather than reduced;
- financial and material assistance to the region's developing States to deal with climate adaptation.

A pact, and its supporting institutions, might therefore:

- encompass what we have at present – a range of bilateral arrangements and agreements – but reviewed, bundled, strengthened to be more coherent and strategic...or wholly replaced by new arrangements;
- involve agreement about targets and modes of assistance to meet them;
- include a regional carbon trading scheme;
- provide and share funding for additional mitigation and adaptation programs;
- offer additional technology transfer programs.

What are the potential liabilities of such a pact?

Finally, while it is worth pursuing this pact strongly we must do so with clear recognition of its risks. Australia now has a poor reputation in the near Pacific region, a reputation diminished over the past decade through its (un)diplomatic bullying of neighbouring Pacific nations and its failure to deliver on even modest aid promises and other commitments. Failure on the issue of climate change would further undermine and damage regional relations. Profound skepticism will meet a promised new approach. This will threaten the pact's success and will need to be overcome with stringent guarantees for achieving realistic targets.

There is also a second danger, that 'bubbling along' could lead to burden-shifting within the South Pacific region via the CDM without any substantial additional emissions reduction. Indeed it could even foster emissions *growth*. Effective monitoring and

transparent reporting would need to accompany the pact to ensure that it delivers real, rapid and substantial outcomes.

In all, however, if implemented and resourced effectively, this pact's benefits would far outweigh these avoidable cautioning considerations. Enduring institutional innovation to tackle climate change – beyond Labor's pledge of \$150 million in Pacific climate aid - would greatly improve regional relations and prospects.