

May Commentary

As we continue our headlong descent into this seemingly never-ending financial and economic black-hole, we're increasingly skeptical about achieving any real meeting of the minds at the up-coming UN Climate talks in Copenhagen in just a few short months. Not only are the camps for the developed and developing world poles apart both literally and metaphorically speaking, the Europeans are already criticizing the U.S for not going far enough in reducing greenhouse gases, before we've even been able to get climate change legislation through Congress! With more than 20 million jobless migrant workers returning to their ancestral villages as China's "economic miracle" loses its luster, and as the newly-emergent middle class finds it's hitherto voracious appetite for all manner of goods curtailed, there is the very real risk of social upheaval if the so-called Great Recession does not quickly end. Against this backdrop of gloom and doom we feel that there is absolutely no prospect that China will agree to any sort of hard cap on its greenhouse gas emissions given its often expressed fear that a cap would exact a heavy toll on its already wobbly economy. China will maintain its obsession with growth at any cost, because the very survival of the Government is at stake. Even if China is by some miracle brow-beaten by the international community into agreeing to a firm cap, the bottom-line is that the country simply does not have the ability to make it work given its lack of environmental enforcement infrastructure, its lack of transparency, the absence of rule of law and a free press. We need look no further than the country's degraded environment to see how it will not be able to follow through and enforce any meaningful reduction in greenhouse gas emissions. If China were serious it would at the very least up-date its data, which is more than a decade old. Under the circumstances, our best hope for any progress at Copenhagen in regard to China lies in a sub-national sectoral approach in certain energy-intensive industries to establish energy or carbon-intensity reduction goals. This could be done through the establishment of Special Low-Carbon Economic Zones (much like the Special Economic Zone concept 3 decades ago) in what would amount to pilots in the more progressive coastal provinces, with a view to replication across the country in the future. Its going to be a hard negotiation in Copenhagen with China using every bit of ammunition at its disposal from demands for the transfer of clean technology and funding to a new "consumption-based carbon accounting system" where the West would be responsible for the emissions from Chinese exports. Hard caps are definitely not being considered but it's quite likely that China's next 5 Year Plan will see a continuation of the energy-intensity reduction program installed at the onset of the last period i.e. another 20% by 2015. Let's not hold our collective breath for a major breakthrough in Copenhagen, because it's simply not going to happen!