



## HYE-MIN LEE

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Climate change has continued to be the priority of each G20 presidency, especially last year in Antalya. Country leaders made a very strong commitment to the successful conclusion of COP21. I believe that their commitment has contributed to the successful conclusion of the Paris agreement. This year too, the leaders discussed this climate change issue as one of their priorities. In particular, China attached very strong significance to these issues. They made their commitment to make climate change one of their priorities, and they want to make a contribution to these issues.

During the discussions, especially among the Sherpas, who prepared the communiqués for the leaders, I found two divergent views. One is between the developed and developing members of the G20. Developed G20 member countries stress the importance of implementing the mitigation and adaptation commitments under the Paris agreement. However, developing countries stressed the necessity of providing means of implementation, including financial resources. They stressed the point of parallel implementation.

We need to implement a commitment regarding mitigation and adaptation, but developed countries should provide financial means. It was stressed in the Paris agreement that developed countries would provide USD 100 billion per year until 2020. The USD 100 billion in finance should be fresh money. It should not change the name or cap of already committed official development assistance. We had a very strong debate on these issues. Developed countries do not want to make it clear regarding their commitment to the provision financial resources up to USD 100 billion. Developing countries then refuse to make a strong commitment to the early implementation of the Paris agreement.

This year, if you look at the communiqués of the G20 leaders regarding climate change, it is not so impressive. That is because of divergent views between the developing and developed members of the G20. There was a reluctance of developing members with regard to the commitment to the early entry into force of the Paris agreement. However, there was a joint ceremony with China, the G20 presidents for this year, and the US on the opposing side.

The deposit of their instrument for the ratification of the Paris agreement to the General Secretary Ban Ki-moon was very symbolic. This is because it took place just one day before the opening of the Hangzhou G20 summit meeting. It was very symbolic in demonstrating the US and China's commitment to the early entry into force of the Paris agreement. I think that contributed to the entry into force of the Paris agreement well ahead of schedule. It was scheduled for the end of the year, but it became effective on 4 November, several days before the COP22.

I would like to touch upon the three related issues with regard to climate change which are under discussion at the G20 level. One is a directly related issue, which is inefficient fossil fuel subsidies. The G20 leaders agreed in 2009, at their Pittsburgh summit, and every year, they renewed their commitment with regard to the inefficient fossil fuel subsidy.



The leaders agreed to rationalise and phase out inefficient fossil fuel subsidies that increase wasteful consumption in the medium term. They recognise the need to support the poor.

This is the commitment of the leaders, adopted in 2009, and every year, they renew their commitment. However, to be frank, there is no development on these issues. The US pushed very hard on these issues, stressing that we need to set a timeframe for phasing out inefficient fossil fuel subsidies. They proposed to set a year, 2025. It was an agreement of the leaders to phase out the subsidies over the medium term. Regarding the medium term, they said it was reasonable to think about 2025. However, many developing countries are not responsive to this idea and they refuse to adhere to that.

There is no movement at all on these issues, so the US is now trying to take another approach, which is the peer review of fossil fuel subsidies. This year, in September, for the first time, the US in China published its respected peer level review on its support for fossil fuel subsidies. They do a reciprocal peer review of the fossil fuel subsidies under the auspices of the G20. The report addressed each stage of the supply chain for fossil fuels, discussing in detail the subsidies which have been identified in the course of the review process. The US review team had the US, China, Germany and Mexico. The Chinese review team had China, the US, Indonesia and the IMF. All these peer reviews were facilitated and coordinated by the OECD.

The US intends to increase the number of G20 members doing peer reviews as a way of making progress on these issues. Germany and Mexico now intend to do peer reviews as from next year. However, the problem now is that the US wants to eliminate the inefficient fossil fuel subsidies, but to my knowledge, there is a legal issue involved. It is very difficult to define what an inefficient subsidy is. We have a definition of a subsidy in the WTO, so we can use it. However, there is no definition of inefficient, so I think there will continue to be a dispute on these issues.

The other issue is hydrofluorocarbons (HFC). HFCs replaced the CFCs in '87, because CFCs are very detrimental to the ozone layer. We have concluded a trial protocol on the substances which are detrimental to the ozone layer. HFCs are not harmful for the ozone layer, but they are the world's fastest-growing greenhouse gases, and one of the most powerful. They trap thousands of times more heat in the earth's atmosphere than CO<sub>2</sub>.

HFCs are substances which are generally used as a cooling material for refrigerators. They are not detrimental to the ozone layer, but they emit much more CO<sub>2</sub>, so the US is very strongly insisting on the restriction of the use of HFCs. The amendment to the Montreal Protocol on these substances was agreed by its members this October in Kigali in Rwanda. I think this is a very important development on these issues.

It followed seven years of negotiations, and it was agreed that developed countries would stand to bring down HFCs by 2019. Developing countries will follow with a freeze in HFC consumption levels in 2024. All countries are expected to consume no more than 15-20% of their respective baselines. However, the remaining issue is how to finance the developing countries to change from HFCs to new substances. Then there is the intellectual property right, meaning how to provide know-how on the alternatives to HFCs, which are now being explored.

I think there are two questions again, the finance and the intellectual property right, and the third one is aircraft CO<sub>2</sub> emissions. The general assembly of the International Civil Aviation Organisation (ICAO) adopted the resolution on 7 October this year to combat CO<sub>2</sub> emissions from aircraft. ICAO adopted global market-based measures, which will take the form of carbon offsetting and a reduction scheme for international aviation. However, there are many exemptions, and participation will only become mandatory in the second phase, which will apply from 2027 to 2035. This makes the airline industry the first industry sector ever to adopt global carbon market measures.

Many technical issues need to be further agreed and clarified, including methodology for monitoring, reporting and verification of individual operators' emissions. It is too early to determine the extent to which this mechanism will impact aircraft operators and the global carbon market. However, it is clearly a strongly important step for the mitigation of CO<sub>2</sub> emissions of the international aviation sector. These currently account for 2% of the global CO<sub>2</sub> emissions. And are estimated to increase by three times by 2040. These three issues, including fossil fuel subsidies, aircraft CO<sub>2</sub> emissions and HFCs, are the issues which are driven by US leadership. If the US does not play a leading role in combating these closely related climate change issues, I do not see that there would be any further progress on these issues in the future.

### **Donald JOHNSTON**

If you have all been listening to this, there are a lot of good intentions out there, which there have been since the Stockholm conference in 1972. For example, regarding the aircraft decision, ICAO were nervous about publicity. However, as you point out, the second phase only becomes binding in 2027. If you look at the COP22, it is filled with statements saying that few of the loose ends left by the Paris agreement were completely tied up in Marrakech. Instead, the process was one of defining the issues at stake. It was also about outlining what kinds of documents and workshops would be needed to make sense of it by the 2018 deadline.

Then we get another statement on finance, which you have just discussed. This was from COP22, just last week. It says that despite this, there are a few notable outcomes. Finance is always controversial, and once again, it was this topic that went down to the wire. However, in the end, there was little progress so they agreed to continue discussing it. There is another one that is also critical. The adaptation fund discussions fell flat, with countries merely agreeing to discuss the issue and hand in their views by 31 March 2017. This has been a consistent pattern with the UNFCCC process. I do not think you can put 195 countries around a table and expect to get a consensus on some of these complicated issues.