



EU Says 'No-Lose' Carbon Limits May Lure Poor Nations (Update1) By Mathew Carr, 22 May 2008

The European Union may entice developing nations including China into a global climate agreement by setting "no-lose" greenhouse-gas targets, which offer incentives to cut emissions and no penalty for failure.

Targets may be unveiled for industries such as power generation and steel, providing developing nations with carbon credits they could sell to richer countries with stricter limits, according to an EU document posted on a United Nations [Web site](#). International negotiations take place next month in Bonn.

The document and other national submissions reveal how rich and poor nations remain [divided](#) on how to curb greenhouse gases. China wants industrialized nations to "change their lifestyle" and spend 0.5 percent of gross domestic product to help developing countries fight climate change. The U.S. is seeking "meaningful contributions" from poorer countries.

"It's very unlikely that developing nations as a group will accept targets that will limit their ability to become developed," said Geoff Sinclair, London-based head of carbon finance and trading at Standard Bank Group Ltd., South Africa's largest bank. "Morally, you can understand their argument."

It's difficult to say whether U.S. lawmakers will be receptive to "no-lose" targets as they seek to protect the nation's economy, Sinclair said today by telephone.

Record Oil

Crude oil today rose to a record above \$135 a barrel in New York on concern supplies are inadequate after U.S. stockpiles unexpectedly dropped last week. Oil futures have more than doubled in the past year.

"The rising cost of energy is going to hit developing countries very hard," said Fiona Wain, chief executive officer of Environment Business Australia, a think-tank near Canberra whose members include Merrill Lynch & Co. and BP Plc.

Developing nations will need money from credits to help pay for energy and so-called clean technology, she said. "It's a very sensible way of going about things."

The "no-lose" agreements, which could also apply to national economies rather than only certain industries, would set limits "below business-as-usual emission projections, without any obligation to reach targets," the EU said. They would "increase participation of developing countries and the private sector in a global climate regime."

Nations are participating in a UN-managed process to agree on a replacement to the 1997 Kyoto Protocol by the end of next year.

Industry Limits

The EU joins the U.S. and Japan, the world's biggest and second-biggest economies respectively, in calling for industry-based benchmarks to limit emissions. A U.S. submission doesn't mention "no-lose" agreements.

So-called sectoral approaches "could diminish the risk that ambitious policies to reduce emissions in certain sectors in some countries might lead to increasing emissions from the same sectors in other countries," the EU document says.

Other nations said boosting the energy efficiency of factories, buildings and vehicles should be a priority, because that will curb energy demand. Japan recommended an industry-based approach that includes a "global estimate" to improve energy efficiency by 30 percent by 2020.

Singapore said cutting fuel waste and burning it more effectively would curb emissions and free up money for economic growth. "Developing countries can achieve this dual objective through actions which will improve their energy efficiency," Singapore said in its UN submission.

The EU, China and developing nations including India and Pakistan last year pushed for industrialized countries to seek emissions cuts of 25 to 40 percent by 2020 from 1990 levels, a proposal rejected by the U.S.

The EU and the U.S. caused the build-up of the world's emissions, accounting for more than half of cumulative greenhouse-gas output from 1900 to 2005, the International Energy Agency said in November. China and India contributed 8 percent and 2 percent, respectively, the IEA said.

To contact the reporter on this story: [Mathew Carr](#) in London at m.carr@bloomberg.net