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Basic Structure of a Potential Global Climate Contract²

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Contract Framework

1. Negotiation logics as per the Copenhagen Formula

The industrialized nations are annually lowering their emission levels on a self-determined level as concerns amounts. The non-industrialized nations lower their emission levels relative to their economic growth rate on a self-determined level as concerns amounts as well.^[1]

2. Allow for Border Tax Adjustments Against Non-Signatories

Co-negotiate the possibility for climate contract signatories to implement border tax adjustments equalling the competitive edge which is gained through signature refusal to the climate contract against non-signatories.^[2]

3. Financing of a Green Climate Fund

The industrialized nations are to provide a Green Climate Fund of annually at least 100 billion US dollars as of 2020 for the support of the non-industrialized nations on climate-related issues as a prerequisite to win them over as partners in a global climate contract.^[3]

4. Mobilizing the Private Sector

Apart from the country specific implementation strategies (such as legal stipulations, legal frameworks, fiscal regulations, government-accepted or government-supported standards, support of a Green Race) additional motivation and incentives for the private sector, mainly for the premium segment, are to be provided on the national level for voluntary implementation of the targeted private climate neutrality.^[4]

5. Global Neutral

Establishment of a Global Neutral on the UN level (in the style of the Global Compact status) in order to motivate companies, organizations and private persons to voluntarily position themselves in a climatically neutral manner.^[5]

Explanations

1. *The „Copenhagen“ Formula is a quantum leap as compared to the basic logics of the Kyoto protocol and provides the basis for broad-scale consensus since it is rooted in an agreement between the USA and China reached at the Copenhagen Climate Conference in 2009 (with mediation from Germany). Within a certain scope roughly estimated by us, the Copenhagen Formula allows for the reduction of the accumulated CO₂ emissions from fossil fuels by 2050 from 1,600 billion tons of CO₂ emissions to 1,100 billion tons of CO₂ emissions. Combined with decisive contributions from the private sector (see section 4) this should suffice to keep below the 2°C upper limit value (Rel.: WBGU budget approach). At this point in time, it is crucial to successfully bind many partners in a political contract, U.S. and Chinese participation is essential, which stipulates a (dynamic) upper limit value for global emissions. The exact gradient of this upper limit is less decisive and (merely) affects the dimensions of section 4. However, the establishment of some realistic upper limit value is of the essence. The private sector may then make its contributions against this limit gradient.*

NOTE: The distinction between industrialized and non-industrialized nations should be oriented mainly against the per capitum GDP. China should definitely be counted among the non-industrialized nations during an initial 1st phase.

2. *This may be co-negotiated along WTO lines and serves as a pre-requisite for a carbon-leakage-free global climate regime. Bearing WTO requirements in mind, a climate contract participation of (at least) the USA, Europe, China, India and Brazil would be of avail. The potential implementation of border tax adjustments will probably result in the majority of nations acceding to the proposed climate contract. The fact that the requirements towards the nations as per the Copenhagen Formula are „moderate“ (see section 1) and that, moreover, interesting incentives are proposed for all signatories, however, in particular for the non-industrialized nations, is instrumental.*
3. *Already agreed by the signatories albeit funding is yet to be clarified*
4. *Cooperation with the private sector is a key component of the proposal. It targets the voluntary private funding of two instruments in order to reach individual/private climate neutrality:*
 - *Decommissioning of legal emission rights (no-use strategy). Estimated retrenchments amount to 250 billion tons of CO₂ emissions by 2050.*
 - *Generation of negative emissions (minus-emissions), especially through biological sequestration. Global reforestation measures, mainly in degraded tropical areas, are the key instrument. This aims at the development of 500 – 1,000 million hectares of land. The reforested areas are to be „harvested“ in 40-year cycles and are to be immediately reforested. Added value in a cascade of material and energetic use of wood as well as additional and long-term versatile use of further forest products (agroforestry) are the core notion.*

The ratio of use of the two instruments (to be more precise: the extent of the globally accepted decommissioning of emission rights) should be politically regulated via orientation towards the certificate price (e.g. 10 US dollars per ton of CO₂ equivalent) (gradient 3 in image 1).

5. *The Global Compact of the United Nations serves as prototype for the Global Neutral. By activating the private sector a (financial) reduction of the cumulative CO₂ emissions from fossil fuel by 2050 from 1,100 billion tons of CO₂ emissions to 600 billion tons of CO₂ emissions is feasible. However, this assumes that the political sector will conclude a global climate contract as per the Copenhagen logics. The latter figure of 600 billion tons of CO₂ emissions from fossil fuels by 2050 meets the IPCC requirements for maintaining the 2°C upper limit value (see WBGU budget approach). The economic effect of a comprehensively successful Global Neutral in the indicated dimension (i.e. with an annual financial prevention of approx. 15 billion tons of CO₂ emissions by 2050) amounts to the activation of 150 billion US dollars per year with approximately 10 US dollars of average costs per (financially) avoided ton of CO₂ emissions. This would amount to an annual 150 billion US dollars from the private sector for climate protection as a contribution to a green and inclusive (global) economy. This contribution would be mainly raised (either directly or indirectly) via the global premium consumer segment and is unproblematic in terms of dimensions. In fact, already today, there are significant contributions of this type to climate neutrality. Another interpretation may regard this as a Global-Marshall-Plan-type program financed by the private sector. A leverage factor of max. 10 in the implementation may thus well result in economic effects of up to 1,500 billion US dollars activated per year.*

The subsequent image shows the shared responsibility between the political and the private sector as well as the dimensions of the feasible CO₂ reductions:

