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### **Global Uncertainty Continues on Climate and Carbon**

After two weeks of negotiations at the United Nations climate change negotiations in Poland, not much was agreed, beyond negotiating work plans for 2009 negotiations. While that is very modest, the priorities for negotiation are set. With the global financial crisis central to the thinking of all of the 192 countries in Poland, perhaps this represents good progress.

On key issues, expect serious action on the future role of forestry in reducing climate change. Increased recognition of forest carbon assets and flexible mechanisms for using them will be critical. Long term business options for forest investments will need to be enhanced.

Technology transfer is a serious issue. The idea is to transfer low emissions technologies to developing countries. But some developing countries – like China for example in the pulp and paper industry – already have the best available technologies. But as China pointed out repeatedly in these negotiations – they expect to get new technologies, but they will not be providing any back to developed countries.

There is increasing international acceptance that carbon capture and storage provides one of the great hopes for climate change. Expect massive investments to flow into this emerging technology in coming years.

Progress has been made on global finance mechanisms for climate change, but of course, the financial crisis is an overlay to this area ahead of all others. Those who can will end up paying of course, but who pays how much and for what is ultimately the big issue to be resolved. In the end, it all comes down to money.

Slow progress is an issue for businesses, especially those that are now and will in future be obliged to consider and act on emissions and carbon liabilities.

Those businesses with significant carbon liabilities that want or need to pursue the



voluntary carbon markets will still have to navigate the formal, informal and prospective processes and rules just to work out what's possible and conduct their risk management and business planning. Equally, sound project design and implementation will be critical if businesses are to avoid future, unexpected liabilities.

With the uncertainty of slow international negotiations, Australian businesses will need to remain focussed on understanding the domestic situation for a few months yet. With the Carbon Pollution Reduction Scheme White Paper to be released with the Government's mid-term emissions reduction targets on 15<sup>th</sup> December, businesses will need to stay focussed on their domestic opportunities and obligations.

Unfortunately, for any real business certainty, we may have to wait for Copenhagen in 2009 and even then, that assumes a 'new climate deal' will be agreed.

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