

From Warsaw to Paris – Negotiating Global Climate Change

Expert Talk at the Cairo House
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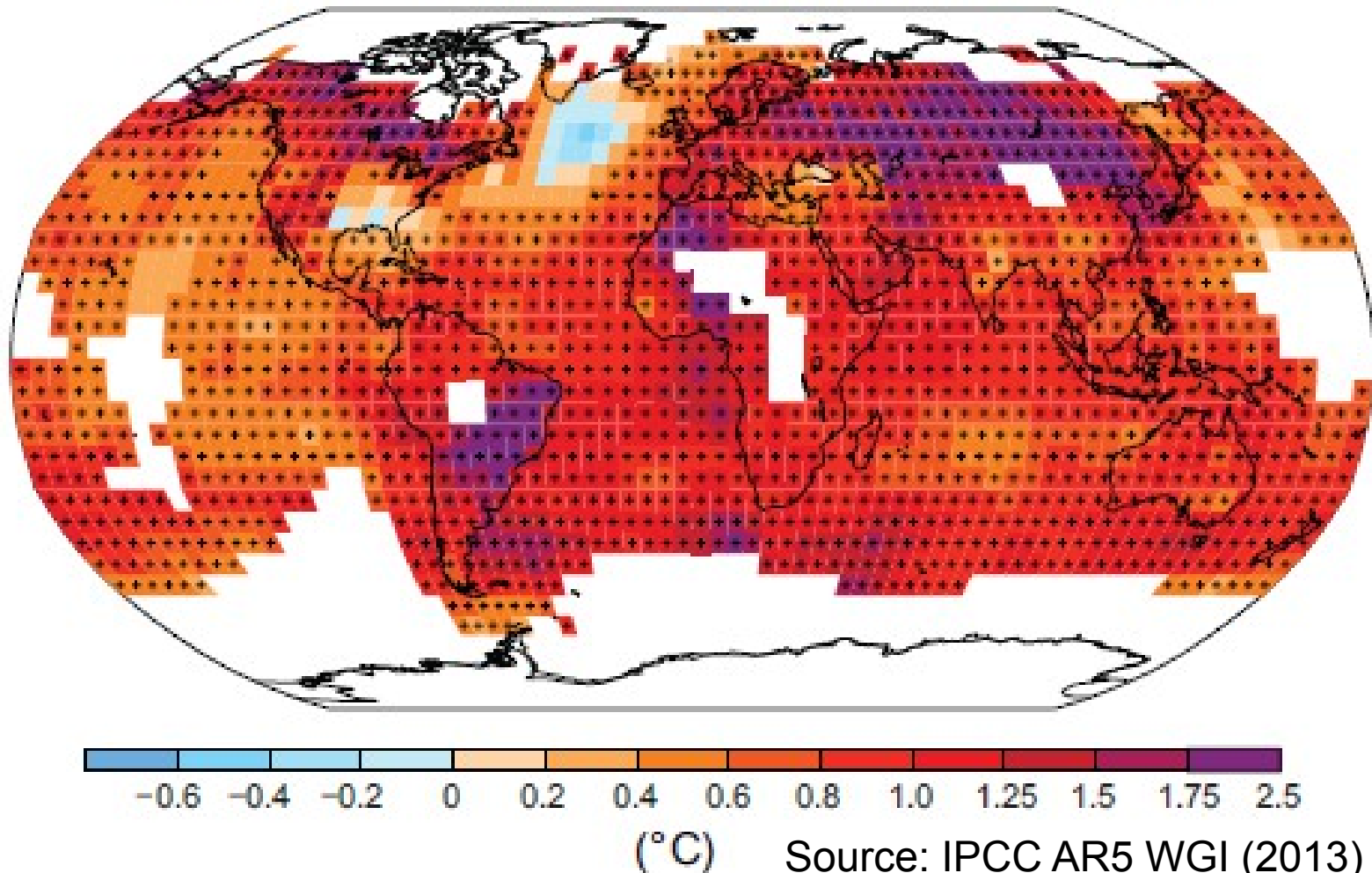
- ▶ Not-for-profit think tank for environmental research, policy analysis, consultancy
- ▶ Founded in 1995
- ▶ Offices e.g. in Berlin, Brussels, Washington DC
- ▶ Independent, non-partisan
- ▶ Interdisciplinary team, more than 140 people

Who do we work for primarily?

- **International**
 - UNEP
 - OECD
 - Ministries & agencies of different European countries
- **Europe**
 - European Commission
 - European Parliament
 - European Environmental Agency
- **National**
 - Ministries & agencies at national & subnational level
 - Expert commissions of the German Parliament (Bundestages)
- **Non Governmental Organizations**
 - Universities
 - Foundations
 - Environmental organisations

Why are we meeting today?

Observed change in surface temperature 1901–2012



- ▶ Outcomes of Warsaw
- ▶ Milestones until Paris
- ▶ Emission Reduction Targets / Emission Gap
- ▶ NAMAs, Market & Non Market Mechanisms
(Framework for Various Approaches)

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(Framework for Various Approaches)**

What did parties expect from Warsaw?

- ▶ Finance COP?
- ▶ Implementation COP?
- ▶ REDD+ COP?

- ▶ Certainly not
 - Breakthrough COP
 - Ambition COP
 - Treaty COP

effective operationalization of the Green Climate Fund to reach a [very] [significant] [substantial] scale of funding that reflects the needs and challenges in developing countries in addressing climate change;]

alt 2bis [Stresses the importance of ambitious and timely contributions [by developed country Parties] [and] [from interested contributors [on a voluntary basis]] [in accordance with the principles and the provisions of the Convention] [in accordance with paragraphs 29 and 30 of the governing instrument] to enable an effective operationalization of the Green Climate Fund to reach a [very] [significant] [substantial] scale of funding [USD 20 billion] that reflects the needs and challenges in developing countries in addressing climate change [no later than COP 20] [in the context of the resource mobilization process in paragraph 9];]

alt 2ter [~~Stresses the importance of ambitious and timely contributions in accordance with paragraphs 29 and 30 of the governing instrument to enable an effective operationalization of the Green Climate Fund to reach a [very] [significant] [substantial] scale of funding that reflects the needs and challenges in developing countries in addressing climate change;]~~ I

How were the results of the Warsaw Climate Summit perceived in Egypt & wh



COP19/CMP9
UNITED NATIONS
CLIMATE CHANGE CONFERENCE
WARSAW 2013

Implementation COP

► Warsaw REDD+ Framework

- addresses methodo-logical questions, institutional arrangements and results-based finance (GER pledged 12 Mio €)

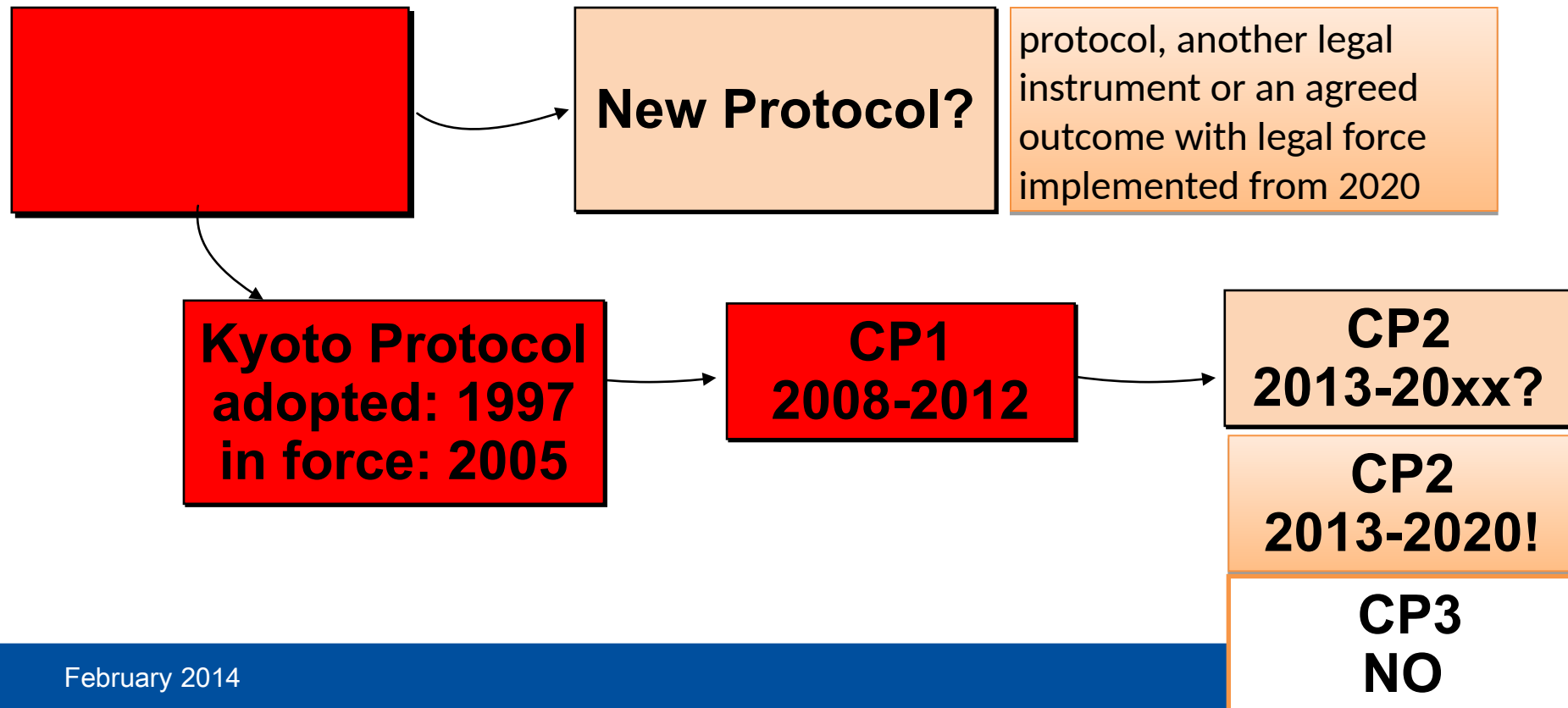
► Warsaw international mechanism on loss & damage

- Different from adaptation?
- Enhance knowledge, action, dialogue; support by developed countries only „requested“; 2016 review
- ENB: institutional arrangements „proved to be one of the most contentious of the conference“

► Future regime - timeline

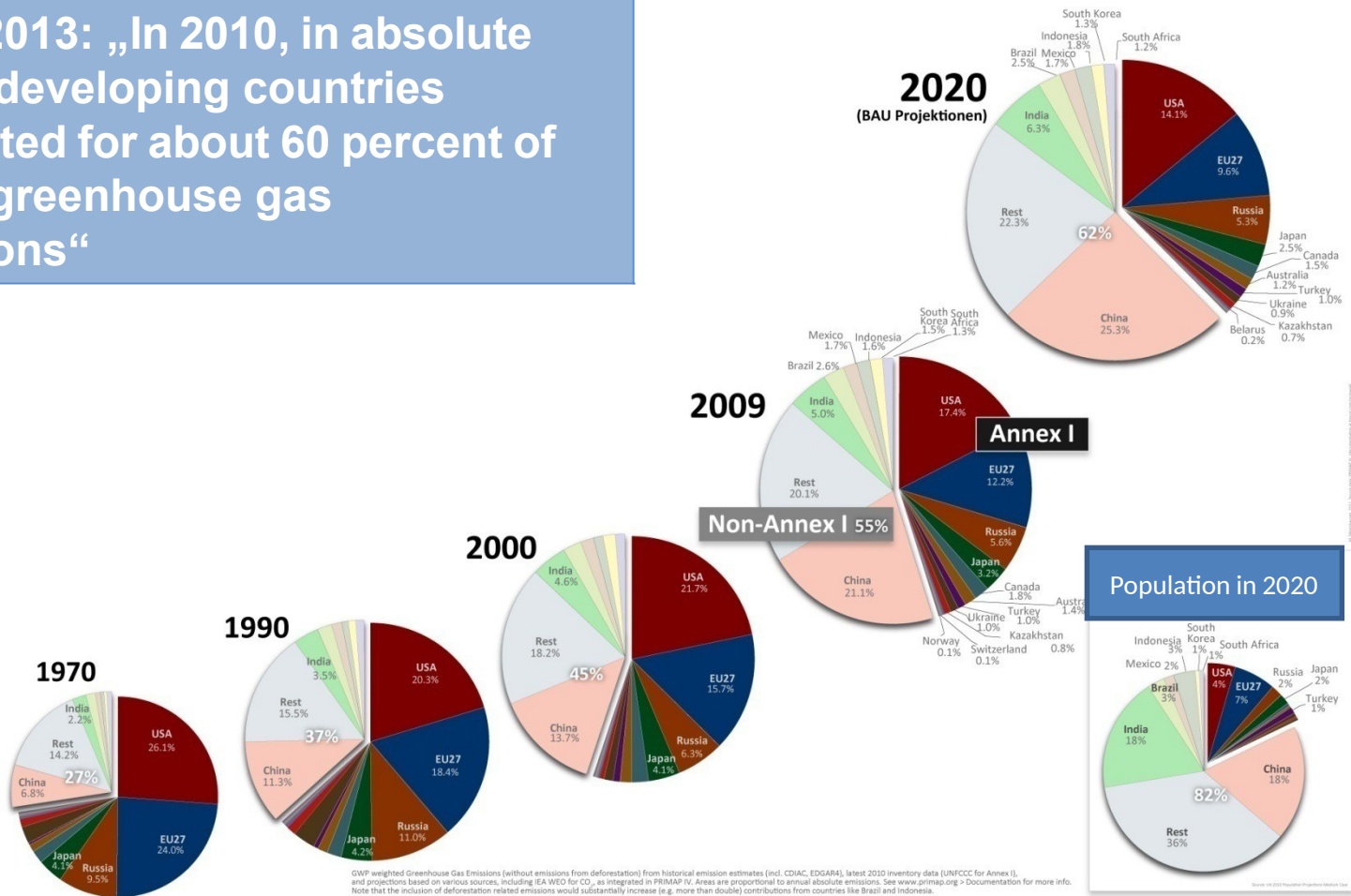
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- ▶ **Milestones until Paris**
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Since 2005 question: What is the future?



Changes in the world ... (2020 BAU)

UNEP 2013: „In 2010, in absolute levels, developing countries accounted for about 60 percent of global greenhouse gas Emissions“

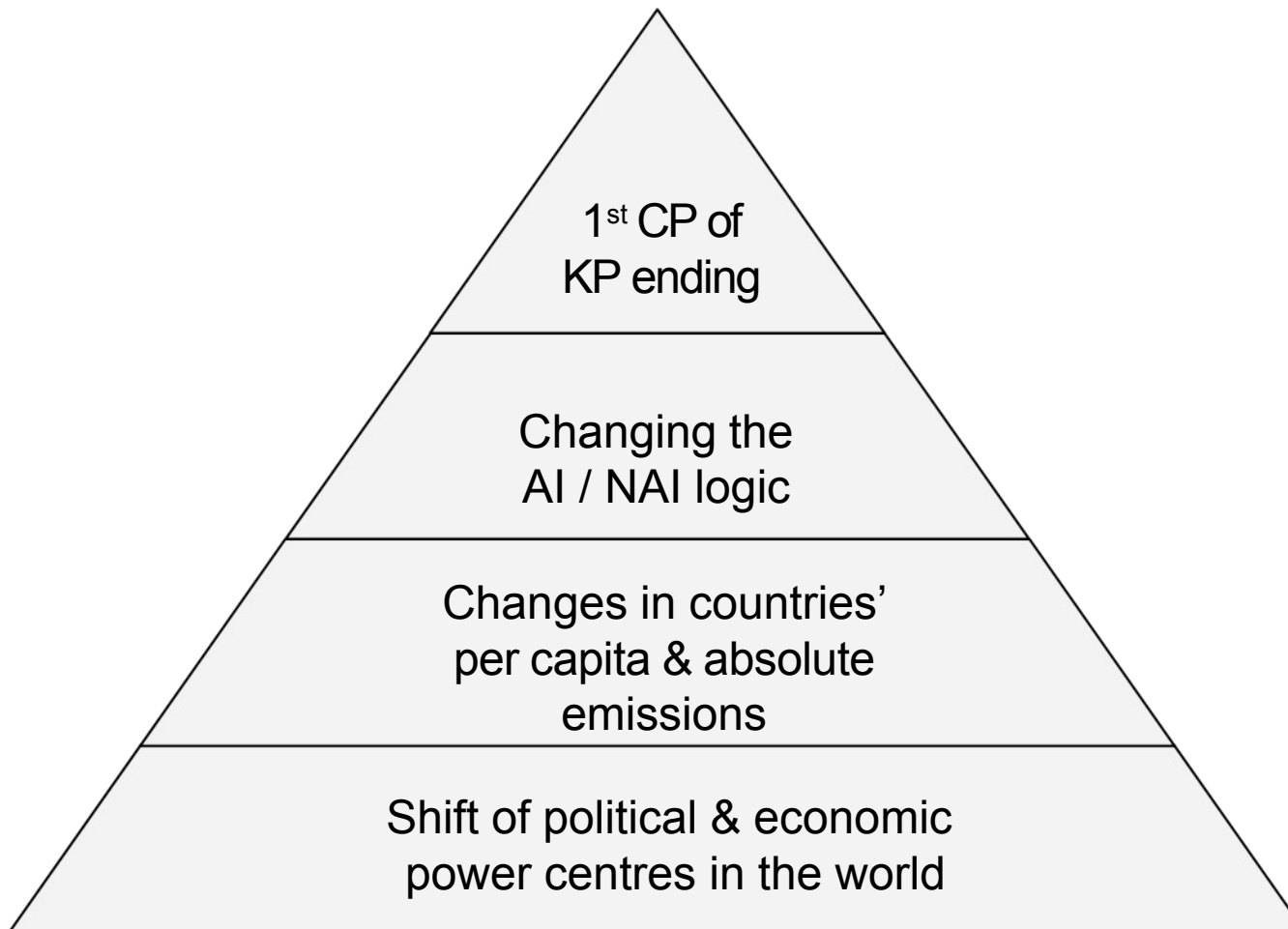


Source: Malte Meinshausen, 2011

... are reflected in negotiations

- ▶ **CBDR&RC under KP:**
 - Binding country specific commitments for AI countries (see Annex B)
- ▶ **Bali**
 - NAMAs
- ▶ **Durban**
 - Efforts by all parties

Underlying issues to be taken into account



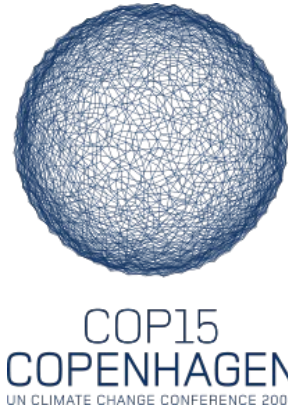
Or parties will fight in the plenary – e.g.:

- ▶ Who contributes to mitigation in what form? => ADP – Warsaw-Decision – last minute fight (IND!) in plenary:
- ▶ „Decides ... to invite all Parties to initiate or intensify domestic preparations for their intended nationally determined ~~commitments~~ contributions, without prejudice to the legal nature of the contribution, in the context of adopting a protocol, another legal instrument or an agreed outcome with legal force ... and to communicate them well in advance of the 21st session of the COP (by the first quarter of 2014 by those Parties ~~in a position~~ ready to do so..“

Negotiations: a short overview over the last years

2007 – 2009 (**Bali Roadmap**)

- Mandate & negotiations on post-2012 process leading up to **Copenhagen** (CPH)
- Taking note of Copenhagen Accord, no treaty; some pledges



2010 – 2012 (Post Copenhagen)

- Post-CPH recovery process via **Cancun**
- “Restart” in **Durban** (ADP, 2nd CP)
- Doha established 2 Workstreams:
 - ▶ WS1: Vision & structure of the new 2015 agreement (to be implemented 2020)
 - ▶ WS2: Enhancing pre-2020 ambition



COP17/CMP7
UNITED NATIONS
CLIMATE CHANGE CONFERENCE 2011
DURBAN, SOUTH AFRICA

Current context for 2015 negotiations

- ▶ World has changed since 1992 – AI/NAI divide not as relevant or useful as before
- ⊙ UNFCCC process has not enough to show for two decades of implementation and negotiation
- ⊙ Economic situation less favorable than in CPH run-up (2007/8)
- ⊙ Domestic politics of some key players have not changed (for the good)
- ⊙ Media (and thus public) attention on climate change is low
- ✓ Signs of action being taken at the national/regional level
- ✓ Cost of renewable energy has come down significantly (it can be done)
- ✓ Climate science has stronger evidence of change and its speed

COP 19 negotiations on WS1

- ▶ Much debate, little progress = parties far apart
- ▶ Some examples:
 - **Global adaptation goal** – e.g. pro G77/CH – determined by estimating adaption needs – others stressed technical difficulty of this
 - **Mitigation commitments** – what kind of differentiation? CBDR! Only w/ provision of means? Historical responsibility (IPCC to develop methodology?)? only domestic commitments w/out offsets?
 - **GCF windows** – e.g. for IPR?

Non exhaustive list – co-chairs proposal

- ▶ **Institutional arrangements:** ways of building on and strengthening them;
- ▶ **Differentiation:** ways of reflecting;
- ▶ **Commitments:** ways of characterizing them;
- ▶ **Mitigation:** putting forward intended nationally determined commitments & of considering ambition, equity and fairness...;
- ▶ **Adaptation:** global goal; strengthening implementation of NAPs...;
- ▶ **Finance:** enhancing mobilization, scaling up, predictability & delivery of climate finance;
- ▶ **Technology:** addressing barriers & enabling environments...;
- ▶ **Transparency:** enhancing MRV of actions and support; developing accounting rules;
- ▶ **Capacity building, compliance and periodic review**

COP 19 decision on WS1

- ▶ ADP to further elaborate „elements for a draft negotiation text“ in 2014
- ▶ COP invites „all Parties to initiate or intensify domestic preparations for their intended **nationally determined contributions** “
- ▶ Developed countries „urged“ to provide support for contributions

UN regime – upcoming issues in 2014 (2015)

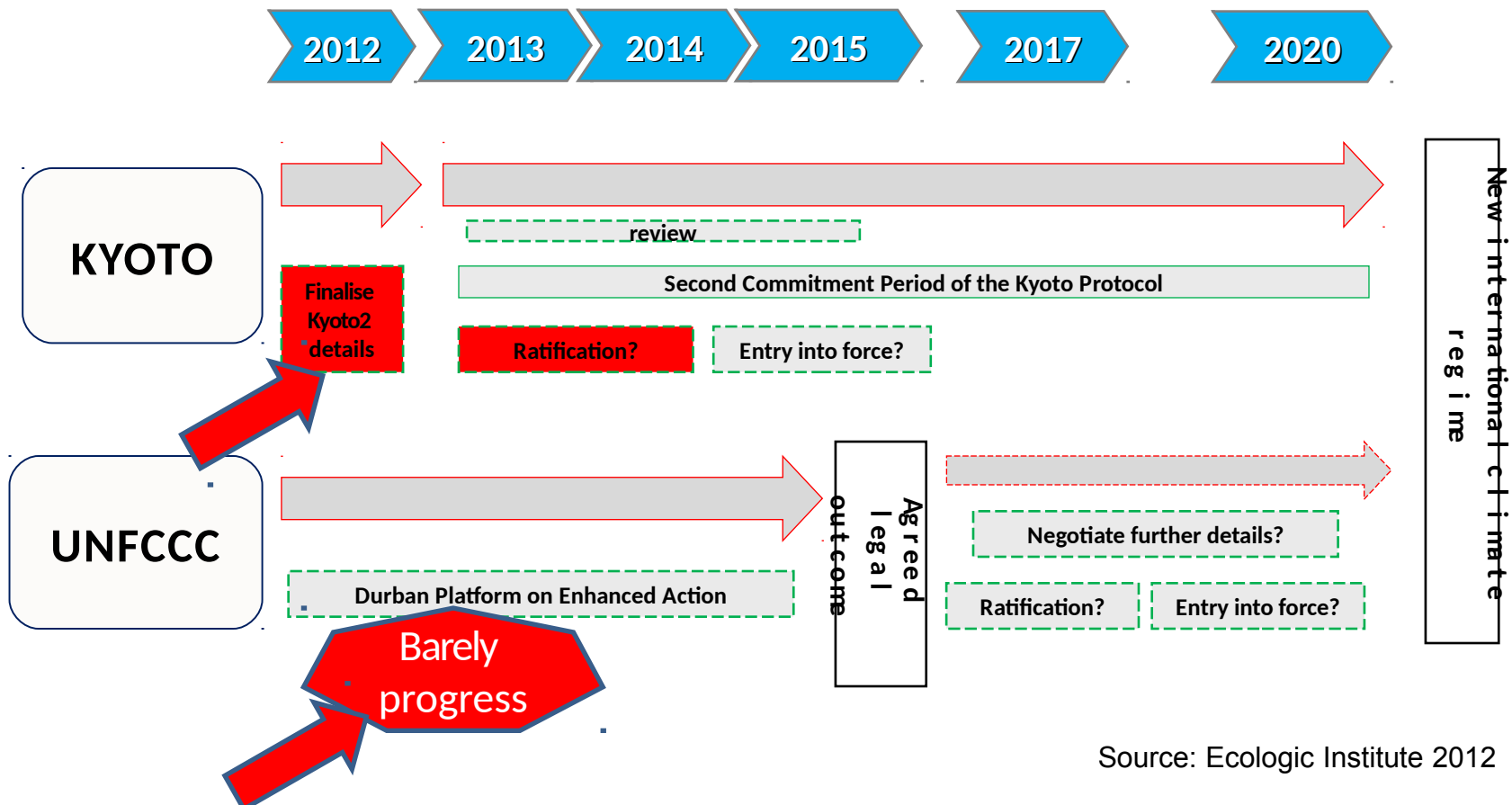
- ▶ from March:ADP develops elements of the new agreement
- ▶ April : Ambition Review (KP): submissions
- ▶ June: KP ministerial; ADP ministerial
- ▶ September: UN SG High level Meeting

- ▶ COP20:
 - ▶ ADP considers elements of the new agreement
 - ▶ ADP ministerial
 - ▶ Ministerial dialogue on finance
 - ▶ ADP identifies information from parties for understanding their proposed commitments

- ▶ **2015** Parties propose contributions „well in advance“ of COP21 (1st quarter); before May: Negotiating Text

Timeline: process up to 2020

Coompare it to
Bali ... CPH



Source: Ecologic Institute 2012

- ▶ Outcomes of Warsaw
- ▶ Milestones until Paris
- ▶ **Emission Reduction Targets / Emission Gap**
- ▶ NAMAs, Market & Non Market Mechanisms (Framework for Various Approaches)

What do we have already?

► Pre 2020

- Pledges under the Convention
- KP CP2 commitments (only 15% of emissions)
- NAMAs

► Negotiations 2014

- KP: review of & simplified way to increase ambition
- WS2 under ADP
- Work programme on clarification of IC pledges
- NAMA workprogramme
- UNFCCC 2013-2015 review (IPCC knowledge!)

What do we have already?

- ▶ Post 2020 it looks bleak
 - 2 degree Celsius limit
 - Not even a 2050 vision
 - Barely anything for 2030
 - No numbers yet under ADP WS1

Pre 2020: Warsaw WS 2 results

- ▶ Urged each party to communicate targets or NAMAs as applicable
- ▶ Urged developed countries to implement their targets & revisit their targets
- ▶ Urged developing countries to implement their NAMAs and consider further action
- ▶ Technical examination, sharing of best practices
- ▶ Promote voluntary cancellation of CERs

Lack of Ambition for 2020: UNEP Gap Report

- ▶ **2010: 50.1 GtCO₂e** about 20% higher than 2000.
Global emissions picking up again after decline during economic downturn (2008, 2009)
- ▶ **2020: should be 44 GtCO₂e** for a likely chance to stay below 2°C under least-cost scenario
- ▶ Emissions gap in 2020 to **12 GtCO₂e** per year (ICIs included for first time, but difficult to quantify)
- ▶ Technical potential for reductions in 2020 still about 17 GtCO₂e - **enough to close gap to “levels that meet the 2 degree C target, but time is running out”**
- ▶ **Warning: More and more likely that “world will have to rel**

World Bank released report warning that we may be heading for a **4 degree Celsius temperature rise** by 2100 that would bring unprecedented heat waves, droughts and floods.

Everybody knows – but too little action follows

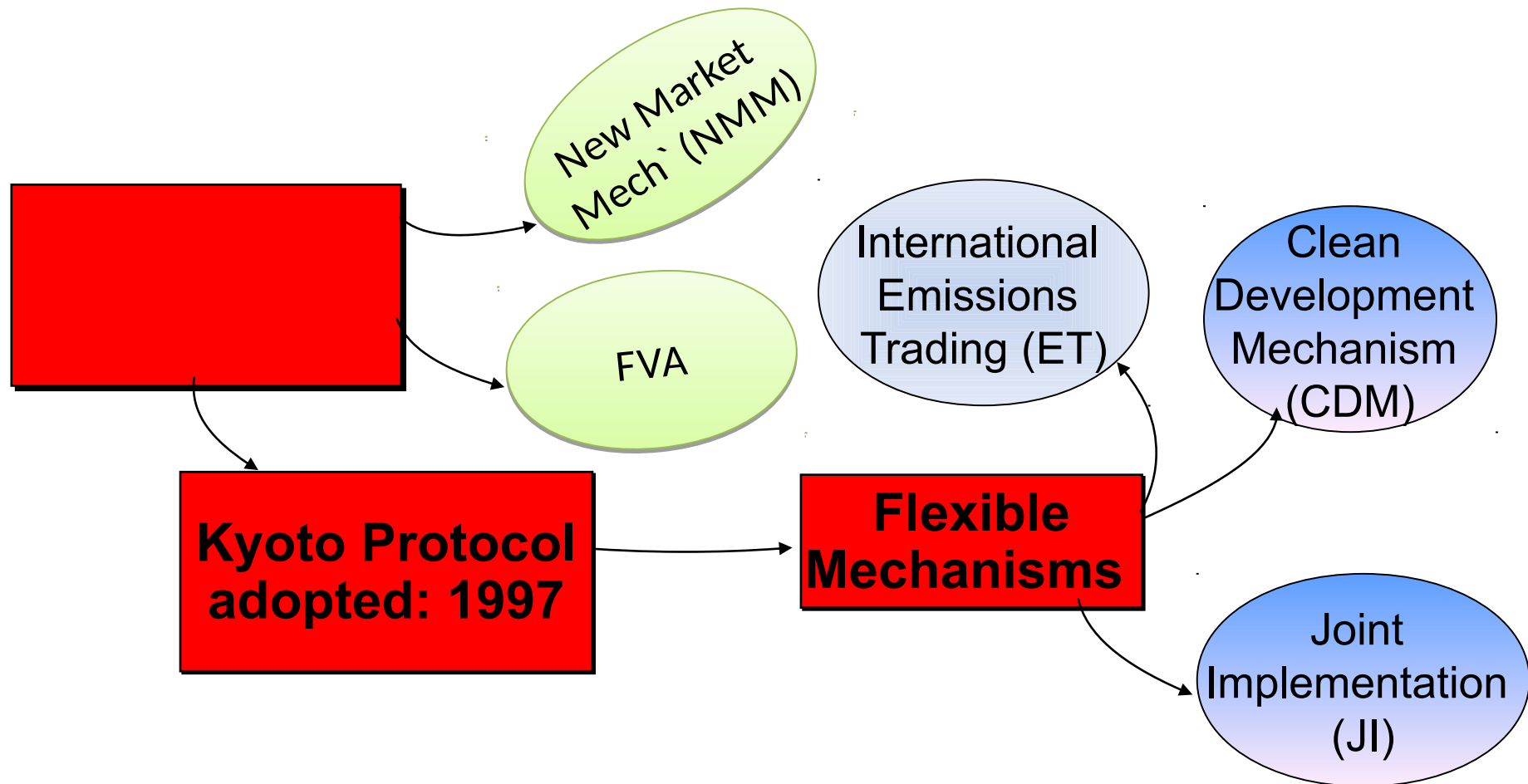
- ▶ Warsaw ADP decision: “Underlining the **significant gap** between the aggregate effect of Parties’ mitigation pledges **by 2020** and aggregate emission pathways consistent with having **alike chance** of holding the increase in global average temperature **below 2°C** or **1.5°C**”

EU makes first internal moves: 2030 targets

- ▶ **EU Commission tabled proposal**
 - 40% domestic GHG reduction by 2030 (vs 1990) (if intern. Negotiations deliver, option to increase targets w/ offset-use)
 - 27% renewable energy by 2030
- ▶ **EU Council to discuss it in March**
- ▶ **Member States' views differ:**
 - UK: no renewable target (bc of nuclear)
 - Poland: Too early for targets (internat. neg.)
 - GER: three targets; 30% renewables target

- ▶ Outcomes of Warsaw
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- ▶ **NAMAs Market & Non Market Mechanisms, (Framework for Various Approaches)**

Market based approaches



Reason to create & use flexible mechanisms

- ▶ FlexMex principle that it is not decisive where but only that GHGs are reduced
- ▶ Possibility to use FlexMex to
 - put a price on carbon
 - utilize market efficiency
 - reduce costs of mitigation
 - contribute to sustainable development

**“The value of global carbon markets
dropped 38 % to 38.4 billion € ... in 2013”**

(Thomson Reuters Point Carbon, January 2014)

General aspects to be negotiated

► Approach

- Do we want to use markets? (BOL...)

► Framework

- Contribution to climate protection (not only cost-efficiency of compliance) (e.g. CDM, NMM)
- Moving away from project based approach
- Contribution to international financing (e.g. AF/SoP)
- Distribution of (project) activities (e.g. CDM)

► Implementation

- Sustainability of instruments (e.g. CDM)

► Application: for new regime?

On most issues no progress in Warsaw

- ▶ Doha: SBSTA should work on modalities & procedures for NMM, NMA and FVA – but very little dynamic & no results in Warsaw
- ▶ Overall: openness to share information on a voluntary basis on a platform – but e.g. EU wanted accounting rules for FVA
- ▶ SBSTA to continue its work at next session and prepare decisions for COP20
- ▶ Q: How to link the negotiations to ADP? How can it become part of post 2020 debate?

CDM in the 1st CP (2008-2012)

► Projects

- over 7,300 project activities being registered
- in over 90 countries,

► Programmes of Activities

- over 1,500 component project activities
- in over 230 PoAs
- registered in over 60 countries

► over 1.4 billion CERs being issued

► over USD 215 billion being invested

(see Warsaw decision on CDM guidance)

Critique/changes encountered in the years

E.g.:

- ▶ Questionable contribution to sustainable development in NAI countries
- ▶ Additionality / adequate baselines
- ▶ Environmental integrity
- ▶ Perverse incentives
- ▶ Geographical distribution of projects
- ▶ Big vs small projects / transaction cost
- ▶ Programme based instead of project based approaches
- ▶ Adequate capacities of institutions involved
- ▶ Lack of demand

CDM at the moment

► Crisis!

- No demand / overcapacities = no price incentives anymore

► Risks

- Loss of trust in carbon markets
- Loss of institutional capacities
- Lack of incentives for climate friendly projects

CDM in Warsaw

- ▶ Relevant negotiations under SBSTA (e.g. regarding HFC23)
- ▶ 2 COP/MOP decisions
 - Guidance
 - Review of Modalities & procedures
- ▶ NAI – especially Africa – still very interested in CDM (despite low prices)
- ▶ Openness for far-reaching reforms limited – especially BRA insists on established rules

CDM in Warsaw: Guidance to the EB

- ▶ Decision refers to crisis of CDM and related risks (e.g. loss of institutional capacity)
- ▶ Some guidance on rules (EB to support countries)
 - e.g. on crediting new project on same site, streamlining procedures, stakeholder consultation
- ▶ EB to expedite work evaluating the work of the voluntary sustainable development tool & develop guiding tools to help DNAs in monitoring sustainable development benefits
 - Voluntary! Upon request of specific party!
- ▶ Check potential expansion of materiality standard
- ▶ Institutional work towards a more equitable distribution of projects and PoAs

CDM in Warsaw: Review of Mod.&Proc.

- ▶ **Review of Modalities & procedures**
 - Secretariat prepares technical paper (March) for consideration by SBI (June) on:
 - ▶ **Governance:**
 - Membership & composition of CDM EB
 - Liability of DOAs, DOA role
 - ▶ **Technical issues, like provisions for PoAs, length of crediting period, demonstration of additionality**
 - **Submission April 2014**
 - **COP/MOP Decision December 2014**

Problem: How to create demand?

- ▶ International carbon markets: No demand
- ▶ Price: Too low to create incentives
- ▶ Warsaw: Side event on „Carbon Initiative for Development“ (CI Dev)
 - Launched December 2011
 - Mainly projects on energy access in LDCs/sub-Saharan Africa
 - Also for clean tech's in low income countries
 - Performance based finance – buys CERs above market price, adequate for financing needs of project
- ▶ Possible Future: Piloting of NMM projects (w/ financial support) – but demand needed soon

► Extra: Some international dynamics...

Many climate specific fora exist – examples:

► Global/multi-lateral

Treaties

UNFCCC/KP



Partnership on Mitigation & MRV



REDD+ Partnership



Petersberg Dialogue

Cartagena Dialogue

Miscellaneous Bi/Multi-laterals

Major Economies Forum on Energy and Climate (MEF)



Renewables Club

CCAC

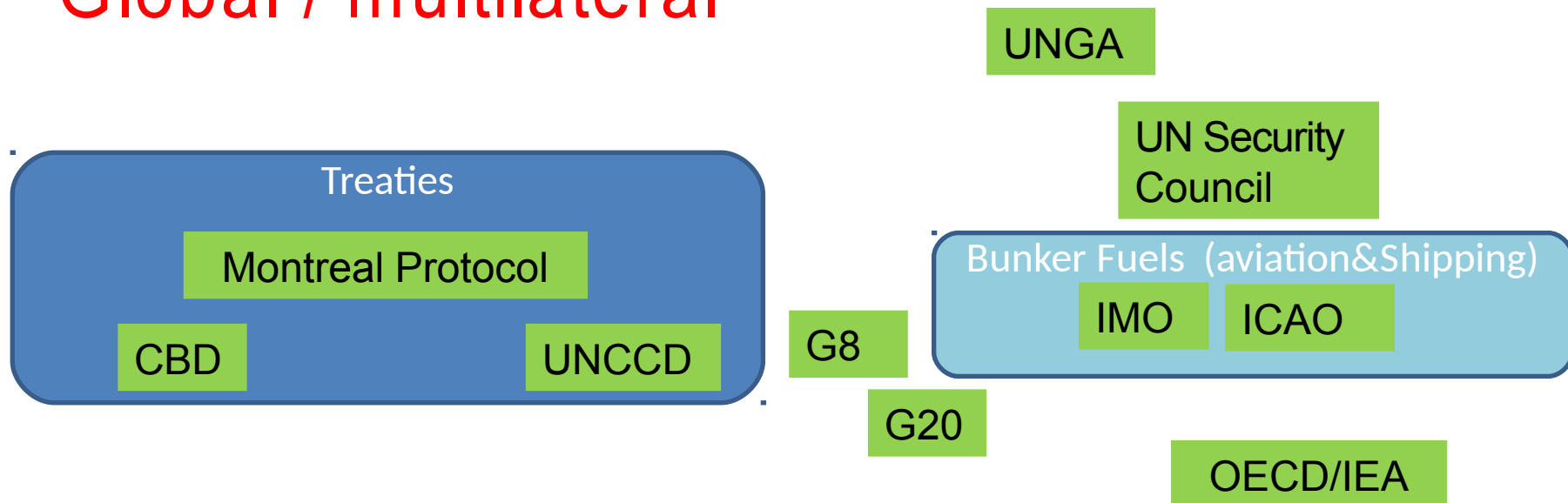


► Regional

Asian Pacific Partnership on Clean Development & Climate (AP7)

Non-climate specific fora w/ climate relevance – examples

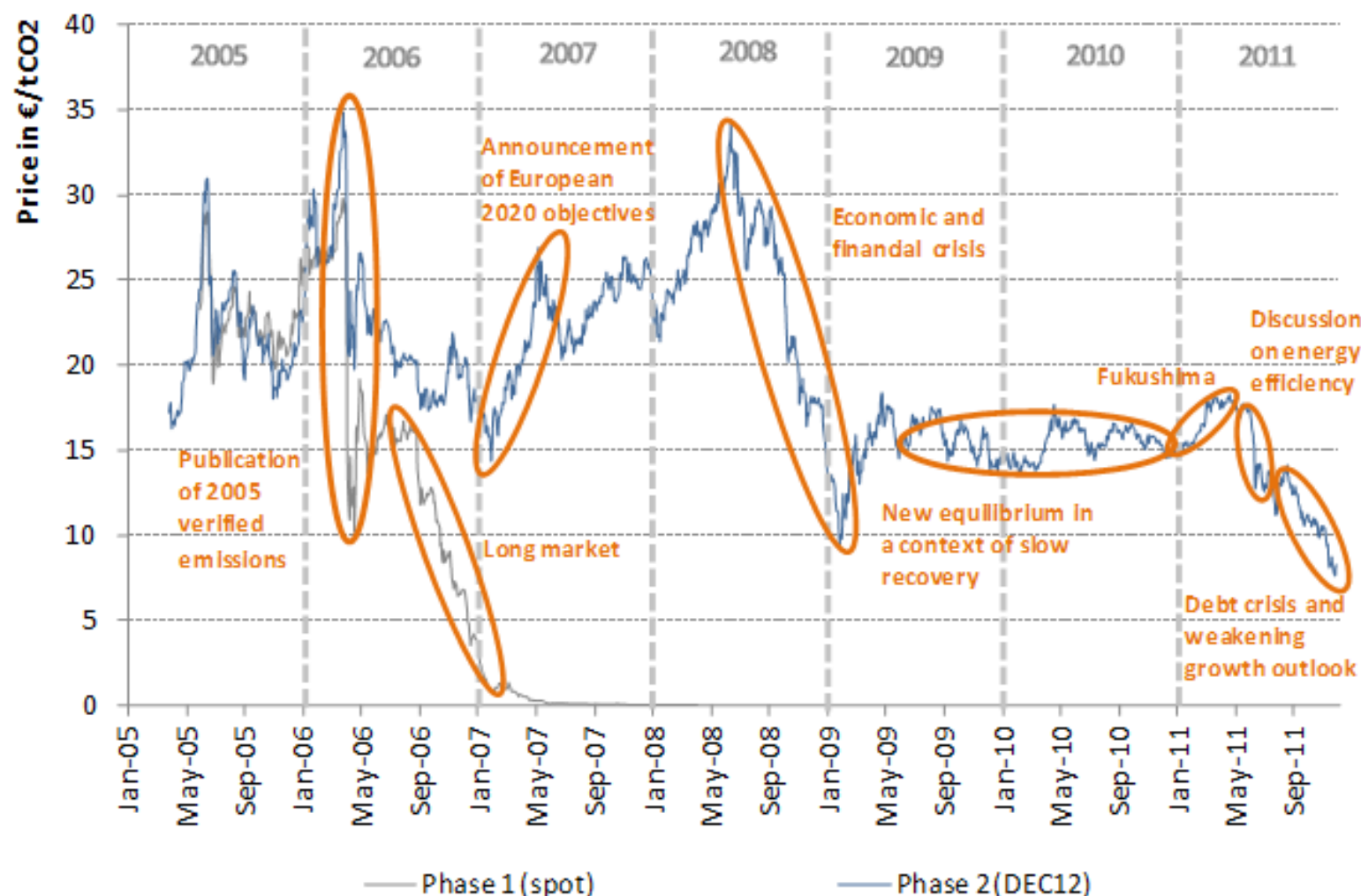
► Global / multilateral



► Regional



EU ETS CO2 Prices, 1st & 2nd Trad. Period



3rd Trading Period EU ETS (2013-20)

ICE European Emissions EUINDEX



EU ETS reform

- ▶ Backloading of 900 Mio certificates (to be released 2019/2020)
- ▶ Starting from 2021: Market Stability Reserve
- ▶ Price increased (still very low)
- ▶ Point carbon expects prices around 40 € mid of next decade – but very difficult to predict
- ▶ Fuel switch (coal to gas) starts roughly between 30 and 40 €, but not for brown coal

US Secretary of State Kerry announcement

- ▶ “I’m very pleased to also announce today that the leaders of China have agreed to join us in a mutual effort – China and the United States will put an extra effort into exchanging information and discussing policies that will help both of us to be able to develop and lead on the standards that need to be announced next year for the global climate change agreement.”

Source: The Guardian, 15.2.2014



Thank you!

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