Climate - Policy
POLIMP
BRIEFING NOTES

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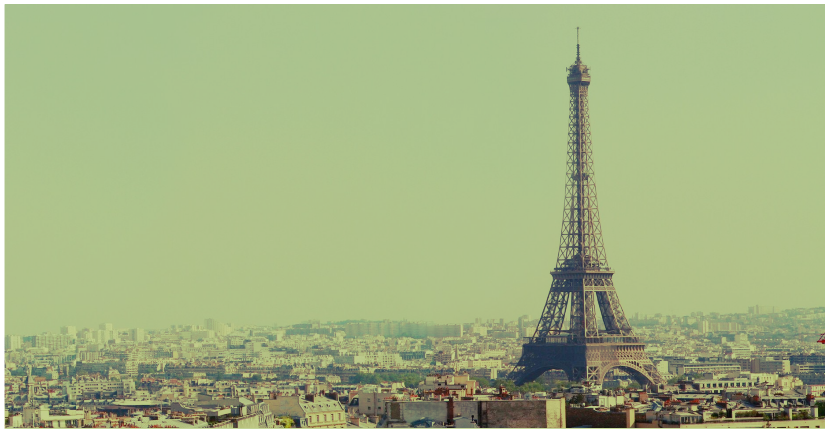
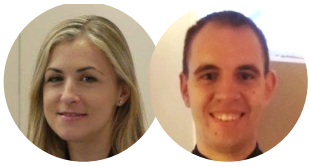
POLIMP Guide towards COP21 in Paris



FROM THE KYOTO PROTOCOL TO PARIS

The upcoming COP21 in Paris aims at adopting a new climate agreement to limit (average) global warming to 2°C. At the core of the preparation for the agreement are the Intended Nationally Determined Contributions (INDCs), submitted by all Parties in advance of the summit.

The previous key climate treaty, the Kyoto Protocol, only contained quantified emission reduction targets for developed countries (to be achieved during 2008-2012, prolonged for only a few countries after 2012 by the Doha Amendment), as illustrated in Figure 1. The conference in Paris is anticipated to lead to a much more inclusive climate deal, as INDCs have been submitted by both developed and developing countries in all world regions (see Figure 2).



Chara Karakosta, UPRC and Erwin Hofman, JIN

"With the INDCs, the Paris agreement is about to be much more inclusive than the Kyoto Protocol"

POLIMP's analysis of INDCs shows that there are significant differences in level of ambition, and how proposed GHG emission reductions will be calculated. Figure 2 shows that almost all Annex I Parties, as well as amongst others Brazil, Tunisia, and Botswana, have pledged reductions compared to a base year (usually 1990 or 2005).

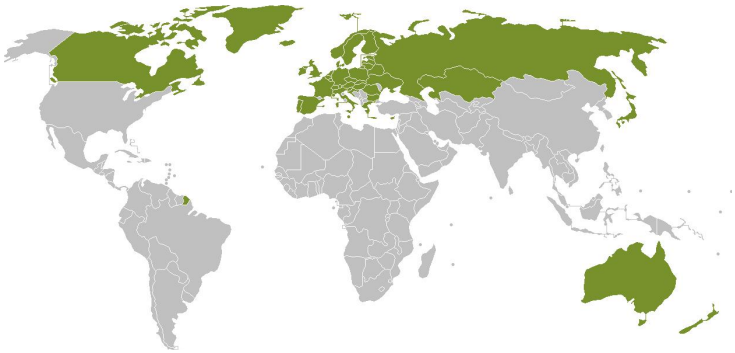


Figure 1. Countries that have taken on binding emission targets under the Kyoto Protocol, in the first and/or second commitment periods.

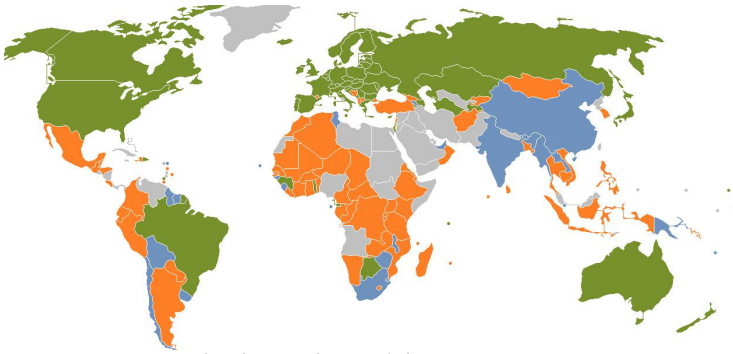


Figure 2. Countries that have submitted their INDCs up to 1 Nov 2015.
base year target *baseline scenario (BAU) target* *other target*

Up to early November, 128 INDCs have been submitted, reflecting 155 countries (including EU Member States). While the first INDCs were submitted in the first quarter of 2015, most Parties submitted their INDCs in September 2015, so that these could be included in a synthesis report by the UNFCCC secretariat by 1 November 2015. The synthesis shows that, even if all INDCs are implemented, global emissions will continue to grow until 2030. Nevertheless, the growth of emissions is expected to slow down substantially.

All submitted INDCs are available at the official submission portal: www4.unfccc.int/submissions/indc. Climate Action Tracker provides an independent analysis: climateactiontracker.org/indcs. See also ClimatePolicyInfoHub.eu/keywords/unfccc for a historical overview of itnernational climate policy and negotiations.

A large group of mainly developing countries opt for reductions below 'business as usual' (BAU) levels, while other Parties, such as China, have formulated emission intensity targets (emissions per unit of GDP) or an emission trajectory with the aim to peak their emissions in a certain year.

In this issue

INTEGRATED DESIGN FOR **LOW CARBON CLUBS**

On 8 July 2015, Climate Strategies (POLIMP partner), ICTSD, The Stanley Foundation, and IDDRI hosted a discussion in Paris on the role and the interest of developing 'low carbon clubs', based around the interrelationship of carbon pricing, technology investment, and trade.

Although the UNFCCC remains the main body dealing with climate change internationally, many different actors are undertaking climate action, from private sectors to local governments, also including growing efforts from the financial sector. The recognition of the role of so-called 'non-state actors' and smaller groups or diverse coalitions from around the globe, was one of the central issues emerging from this roundtable debate.

The generally accepted theory of 'coalitions of the willing' signifies their potential, yet it is unclear how such coalitions will emphasise complementarity with multilateralism, create efficiency, and accelerate action. The concept of 'climate clubs' had been used in the past, although it has been recently gaining momentum and support because of its potential actionable benefits.

Key components of such a club are 'excludable benefits' to members, which create incentives to join. The club would provide benefits for its members through a combination of efficiencies and increased policy coordination for aspects such as carbon pricing, and technology and innovation. There may also need to be a means to prevent free riding, as well as penalties for non-compliance. In terms of participation, a climate club or low carbon club could consist of a group of countries, regional or sub-regional entities, or non-state actors agreeing on increased policy cooperation and on one or more climate objectives, such as emissions reduction efforts, renewable energy, or energy efficiency standards.

Club approaches could be important when establishing carbon pricing. There is increasing support for carbon pricing, including from the private sector, but a global price is not yet within reach. This is therefore an area where actors could move at multiple speeds. Furthermore, when establishing a carbon price, club membership could also be effective at limiting free riding. To be efficient and acceptable to consumers, carbon pricing needs to be articulated with adequate policies and benefits (i.e. innovation, technology, and redistribution), which could be more enticing to implement under a club structure.

In the area of technology, there is particular need for innovation in the most polluting sectors. Here, progress between coalitions of the willing could play a meaningful role. Technologies need to be improved as a complement to carbon pricing; successful climate mitigation depends on progress in those two pillars.

Paris workshop participants mentioned several useful examples of agreements or initiatives that could be seen as clubs, for example emissions trading schemes. These could be used to combine carbon pricing with incentives for innovation, technology development, and transfer, with revenues from the carbon price to be invested in innovation.

There were also discussions on the compatibility of climate clubs with the multilateral systems, as it was recognised that the clubs should be complementary to multilateralism, rather than alternatives. As for the WTO system, it was argued that it is indeed equipped to support plurilateral action, and the general exception clauses provide space for measures taken based on environmental concerns, as long as they are carefully designed. Furthermore the UNFCCC also contains an article supporting plurilateral action, article 7.2.C. It was again argued that one or more lines of text in the COP21 outcome to link the future design of clubs to the Paris agreement would, however, be desirable as a complement.

 Climate Strategies will co-host a side-event on design elements for low carbon clubs at COP21 in Paris, Wednesday 2 December 2015 at 11:30 (room 6 of the main UNFCCC site): climatestrategies.org/cop21-events-and-exhibit.

TRAIN TO PARIS 2015: LOW CARBON TRAVEL TO COP21

The worldwide railway organisation UIC organises the Train to Paris campaign, to bring delegates to the COP21 climate conference. A synchronised network of trains will arrive in Paris from across Europe and Asia: trains will depart from amongst others Bonn, Edinburgh, Geneva, and Beijing.

The campaign aims to raise awareness of the important role of sustainable transport, and rail in particular, as part of the solution to climate change. Upon the arrival of the trains in Paris, at 28 November, a symbolic welcome will take place, as well as a high-level round table event.

 More information and a video about the Train to Paris 2015 campaign is available at www.traintoparis.org.

DOMESTIC CARBON MARKET INITIATIVES IN EUROPE

Despite the bleak prospects for market-based mechanisms under the Kyoto Protocol (Joint Implementation and the Clean Development Mechanism), carbon crediting through project cooperation is far from over. Several EU Member States are considering domestic systems for additioanl emission redutions with carbon credit trading. They continue to appreciate the role of markets in adding value to projects with greenhouse gas emission reductions.

Several European initiatives are developing domestic offset systems that have the potential to achieve emission reductions that go beyond the EU's emission trading scheme (EU ETS). Such domestic offset systems could in addition foster innovation, deliver co-benefits for the rgion, and bring voluntary methods as blueprints for compliance markets.

On 19 June 2015, the Gold Standard Foundation and German Federal Environment Agency organised an expert workshop on domestic carbon initiatives, in order to explore how to join efforts and scale up the impacts. Initiatives from Austria, Belgium, France, Germany, the Netherlands, Switzerland, Spain, and the United Kingdom were present at the workshop in Berlin, where the following key lessons and recommendations emerged:

Learn from domestic offset initiatives: these incentivise additional efforts to protect the climate beyond mandatory measures. Furthermore: the voluntary carbon market allows exploring useful innovative ideas for climate protection.

Institutionalising deeper cooperation: there would be great benefits in intensifying cooperation among domestic offsets initiatives, for example through developing joint concepts and a joint regulatory approach (e.g. for double counting).

From double counting to transparent accounting: consensus is emerging that a transparent approach should be adopted, based on clear information on emissions and their reductions.

Continued need for a platform dialogue: Mutual learning and exchange among the several initiatives is important.

Provide adequate finance: Environmental ministries and agencies should support work on domestic offset schemes, as these activities can yield great benefits. Ideally, support should be internationally coordinated.

A MORE ELABORATE ARTICLE ON THE WORKSHOP IN BERLIN HAS BEEN PUBLISHED IN THE OCTOBER ISSUE OF JIQ MAGAZINE, AVAILABLE FOR DOWNLOAD AT WWW.JIN.NGO.

A SUSTAINABLE ECONOMY THROUGH SMEs

UN Secretary-General Ban Ki-moon has stated in the run-up to COP21 that business, next to governments, has a crucial role to play in limiting global temperature rise and building climate-resilience. This holds for large-scale multinational enterprises, but certainly also for small and medium-sized enterprises (SMEs), given their importance for economies. For instance, SMEs make up 99% of all European businesses and provide more than two-thirds of European employment. Furthermore, their embeddedness in local communities make SMEs key players in a transition to a green economy, as they are also able to focus on issues of equity and inclusivity.

"For the economy, greening and growing go together, even more so in the future"

— *Kurt Vandenberghe, Director for Climate Action and Resource Efficiency, DG Research and Innovation, European Commission*

The business and job creation potential of the green economy is significant: a better use of resources alone would represent an overall annual savings potential of € 630 billion for European industry (SMEs and large corporations taken together). Additionally, the development of renewable energy could lead to 3 million additional jobs by 2020.

In recent years, these benefits have been partly reaped already as nine out of ten SMEs have undertaken resource efficiency measures, and 42% of them have hired an employee responsible for 'greening' activities. At the same time, however, several obstacles prevent SMEs to invest in greening their business operations, which relate to skills, governance, incentives, etc. From the experiences of green SMEs it has become clear that, to fully profit from the arising opportunities of a green, efficient and circular economy, a strong governance framework is needed – both at the EU and at the Member State level. The EU has already adopted policies aiming to improve SMEs' environmental performance. A key effort in this regard is the EU's Green Action Plan for SMEs, aiming to turn environmental challenges into business opportunities.

It has been recognised that for such green business transitions, information is crucial, for SMEs and for policy-makers alike. The GreenEcoNet platform is a European platform connecting SMEs, policy-makers, and the research community to exchange green SME success stories and to offer technical, financial, learning, networking and information exchange tools for greening SME business. Its main audience includes SMEs that are interested in greening their business operations but have thus far, for different reasons, not been able to do so.

SMES AND SME NETWORKS ARE INVITED TO SHARE THEIR 'GREEN SOLUTIONS' THROUGH THE GREENECONET WEB PLATFORM: WWW.GREENECONET.EU.

EU CLIMATE **GOVERNANCE** TOWARDS 2030

The third POLIMP webinar, which took place on 28 October 2015, focused on EU climate policy for 2030: 'why are we talking about governance?' It explored the current state of play regarding proposals for a new EU climate and energy governance framework. Guest speakers were Jonathan Gaventa, Director at the London office of E3G, and Katharina Umpfenbach, coordinator of energy policy issues at Ecologic Institute in Berlin. The discussion was moderated by POLIMP team member Matthias Duwe.

Ms. Umpfenbach elaborated on the experience gained on climate and energy governance in the EU since 2008, when the 2020 Package was established. However, "a challenging road remains ahead towards full decarbonisation by 2050."

According to Mr. Gaventa, "we have some very powerful mechanisms, but they are not always fully aligned." This applies to three different issues: geographical incoherence (e.g. between EU Member States), incoherence between sectors (e.g. between climate and energy policies), and temporal incoherence (decision makers live in the present, responding to immediate crises, while the lifetime of decisions is often several decades). Mr. Gaventa sees no 'big bang' solution to this, but rather a gradual process.

In response, Ms. Umpfenbach pointed out that this need for coherence is hindered by Member States' wish for flexibility.

Figure 3. Jonathan Gaventa and Katharina Umpfenbach.

An example of this contradiction is the decision for an EU-wide binding renewable energy target for 2030, without corresponding national targets. As a result, Member States will no longer be accountable.

In conclusion, there is room for improvement over the current system, and great need for more coherence. Targets and policy should be streamlined and integrated. However, because of compromises between coherence and flexibility, as in the case of the EU-wide renewables target for 2030, certainty for investors may be hampered.

A RECORDING OF THE 3RD POLIMP WEBINAR, AS WELL AS PREVIOUS WEBINARS, IS AVAILABLE VIA POLIMP.EU/EVENTS/POLIMP-WEBINAR.

ClimatePolicyInfoHub.eu

CLIMATEPOLICYINFOHUB.EU explores the impacts of EU and international climate policy for decision-makers in policy, business and civil society.

THE EUROPEAN CLIMATE POLICY MIX

To realise the savings aimed at with the 20-20-20% targets for 2020, the European Union has introduced a mix of climate policies, using a variety of policy instruments and targeting all economic sectors. The different policies have fulfilled their purpose with varying success and different performances regarding environmental and cost effectiveness, as well as additional impacts on society.

This article elaborates on the mix of climate policies in the EU. It addresses the ingredients of the EU mix, focussed on greenhouse has emissions, renewable energy, and energy efficiency, and how they complement each other.

CLIMATEPOLICYINFOHUB.EU/EUROPEAN-CLIMATE-POLICY-MIX

KEY **PUBLICATIONS**

POLIMP Briefing Notes are concise notes on key climate policy issues and their implications. The series includes notes on amongst others innovative financing of renewable energy, and sustainability criteria for biomass.

WWW.POLIMP.EU/PUBLICATIONS/BRIEFING-NOTES

The POLIMP Expert Response Survey Series engages a group of stakeholders on climate and energy policy issues. Recent surveys have focused on issues such as the revision of the EU ETS, and lessons from the Copenhagen climate conference. The survey results are available on the POLIMP website.

WWW.POLIMP.EU/PUBLICATIONS/SURVEY-SERIES

POLIMP has synthesised socioeconomic impacts of a new climate regime on the EU. The report shows a range of impacts of the 2030 emission target, and models show the importance of combining several energy and climate targets.

WWW.POLIMP.EU/RESULTS: D4.2

The POLIMP project aims to address gaps in knowledge and to inform policy at various decision-making levels regarding the implications of international climate policies under discussion.
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