Reflections on the Climate Change Negotiations and Developing Countries

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From the balance in the UNFCCC …

Common Responsibilities

Differentiated Responsibilities and respective capabilities

Equity

<u>All countries A1+NA1</u>

- Cooperate on mitigation programs
- Information provision and exchange
- Cooperation in technology transfer, R&D, adaptation, education and training, GHG sink and reservoir conservation and management

UNFCCC Art. 2 Objective – stabilize atmospheric GHG concentrations at levels sufficient to allow ecosystem adaptation, food security, and sustainable economic development

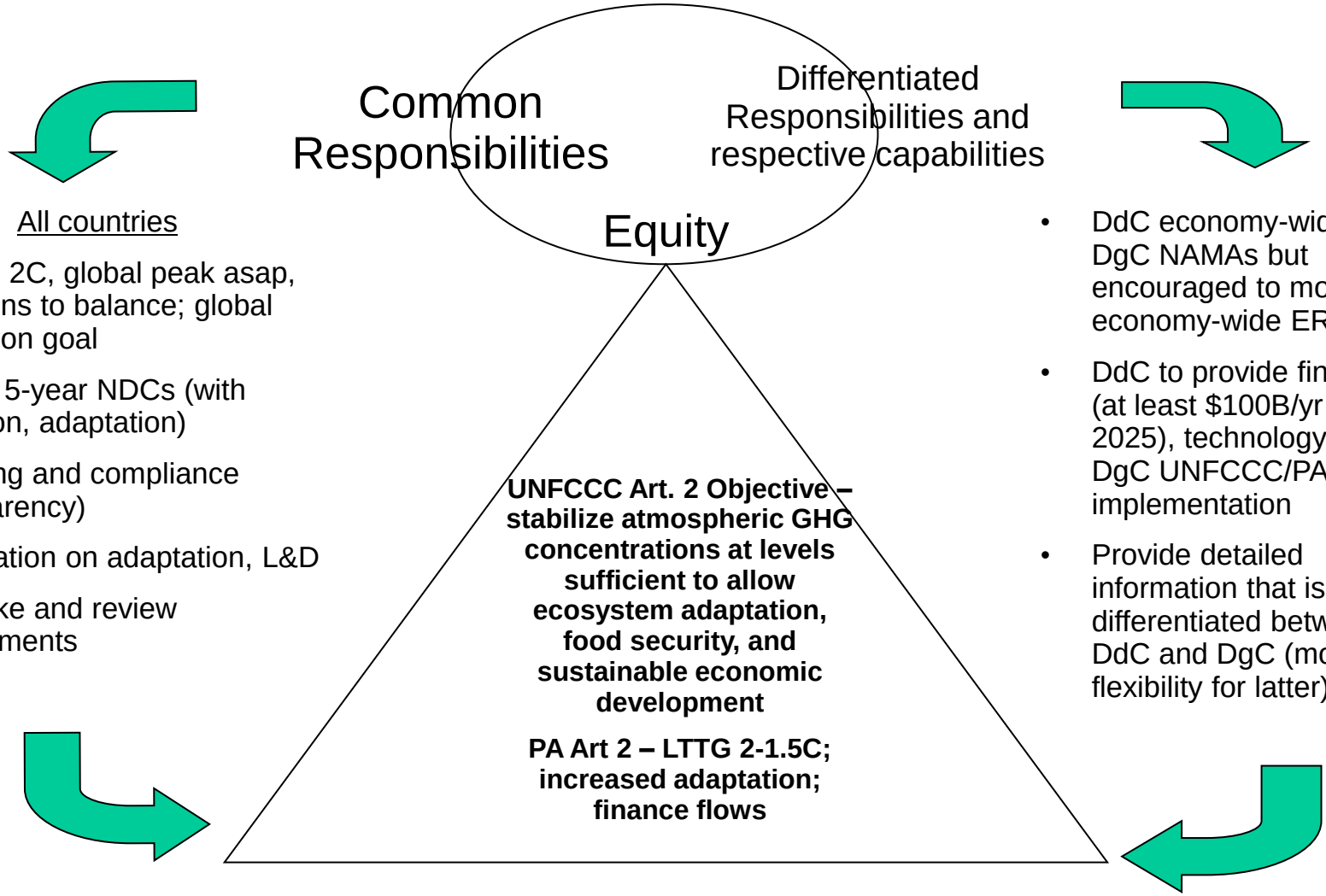
<u>Developed countries A1</u>

- Common commitments with NA1

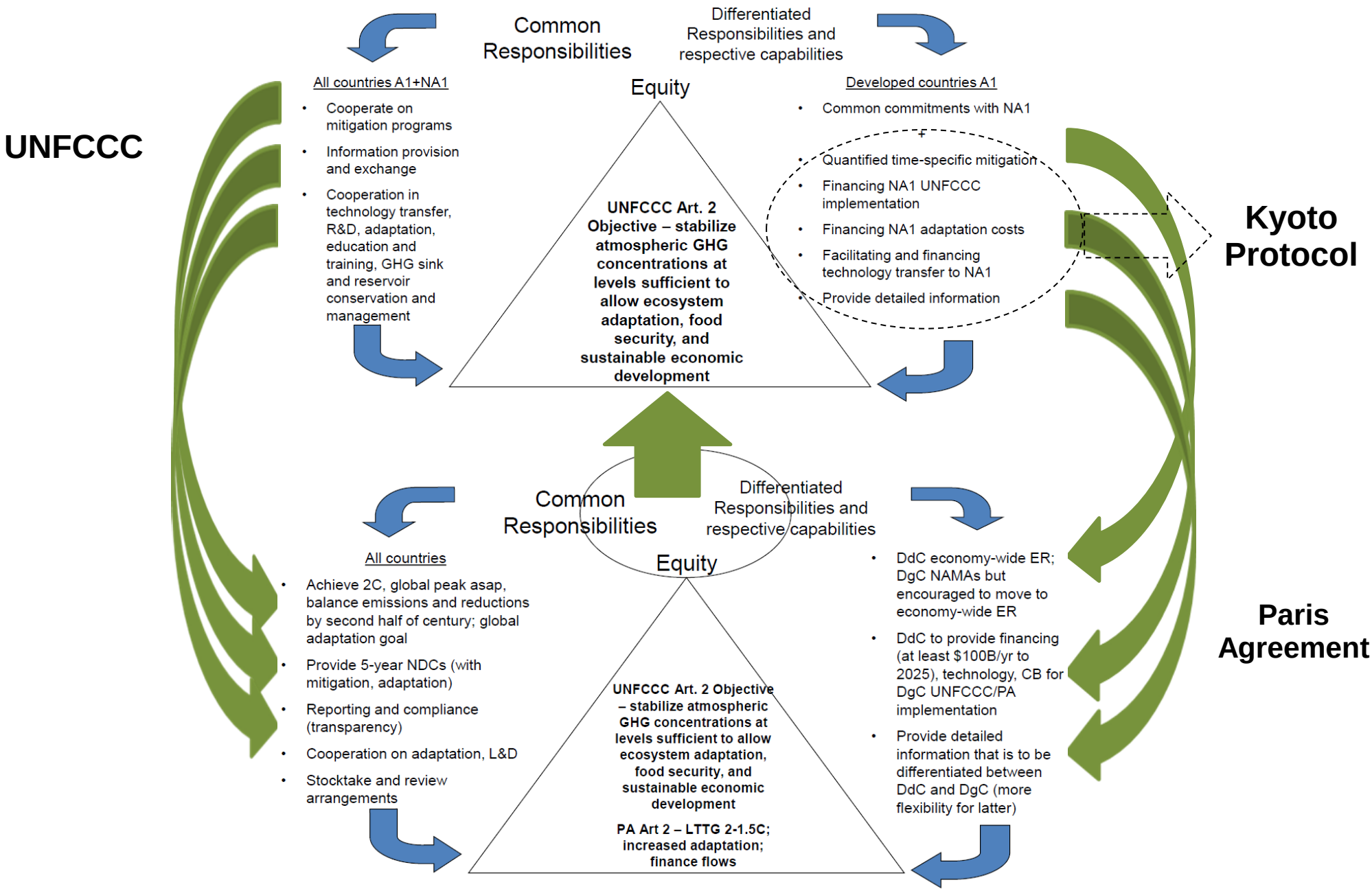
+

- Quantified time-specific mitigation
- Financing NA1 UNFCCC implementation
- Financing NA1 adaptation costs
- Facilitating and financing technology transfer to NA1
- Provide detailed information

… to the UNFCCC's Paris Agreement …



The PA as a subsidiary related legal instrument of the UNFCCC (Art. 7.2 and 17)



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Some Positives for Developing Countries

-The link to the UNFCCC is retained – "enhancing the implementation of the Convention" as the purpose of the Paris Agreement

-Equity and CBDR remains embedded - Paris Agreement will be implemented "to reflect equity and the principle of CBDR and respective capabilities, in light of different national circumstances" → developed/developed country differentiation from 1992 still reflected

-Sustainable development and poverty eradication, which developing countries had pushed, were referred to as contextual elements for key provisions in the Paris Agreement (e.g. mitigation, adaptation, global stocktake, etc.)

-Nationally determined contributions (NDCs) are not mitigation-centric but also covers adaptation, finance, technology, CB, transparency framework, to achieve the purpose of the Paris Agreement, and a progression in light of Parties' differentiated responsibilities and commitments under the UNFCCC

-Developing countries still allowed to undertake any type of enhanced mitigation actions, but are expected over time to move towards economy-wide targets in light of the national circumstances; Developed countries expected to continue doing enhanced economy-wide targets

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The Paris Agreement: Key Features

Some Positives for Developing Countries

-The global stocktake (review every 5 years) includes review of the adequacy and effectiveness of adaptation, including adaptation support

-Loss and damage treated separately from adaptation, but not as a basis for liability or compensation

-Developed countries continue UNFCCC obligation to provide finance to assist developing countries (but this is only commitment to mobilize, in context of mitigation, from various sources, at least $100B/year from 2020 to 2025 and then negotiate a new goal by 2025 starting from $100B/year)

-Technology framework established, linking existing UNFCCC tech and finance mechanisms to support collaborative approaches in R&D and facilitating access to technologies; and also includes assessment of transfer-ready technologies

-Transparency framework provides for flexibilities for developing countries, taking into account different capacities and building on the differentiated MRV regime between developed and developing countries under the UNFCCC (but will still need to be negotiated in order to operationalize flexibilities)

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The Paris Agreement: Key Features

Some Negatives for Developing Countries

-Developed countries (as well as developing countries) have no obligation to actually achieve specific emission reduction targets (like in Kyoto Protocol). The only obligation to take measures with aim of achieving such targets, and to report on actions being taken – i.e. the obligation is of conduct rather than of result, different from the UNFCCC Art. 4.2(a) and (b) and KP CP1 and CP2 obligations for developed countries

-Low level of INDC 2015 ambition for the period 2020-2025/2030. This means inadequate mitigation relative to the 2C or 1.5C goals will take place over the next 15 years to 2030

-Adaptation support is only hortatory, without any concrete mechanism for delivery, and subject only to review as part of global stocktake every 5 years

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The Paris Agreement: Key Features

Some Negatives for Developing Countries

-The loss and damage provision is weak and difficult to operationalize as a basis for delivery of resources to developing countries to compensate for loss and damage due to climate change impacts

-The finance provision essentially continues the current state of play in climate financing, with inadequate or non-existent flows and minimal accountability by developed countries

-The technology provision still has to be negotiated to be made operational if it is to live up to its potential of facilitating climate tech R&D and transfer, but avoided giving mandate to tackle tech transfer barriers such as finance and IPRs

What happens now (2016-2020): Main Focus

Development of the implementing rules and modalities for the Paris Agreement → Differentiation between developed and developing countries in terms of the implementing rules for the Paris Agreement in relation to NDCs (level of ambition), transparency (reporting and verification)

Reviews of:

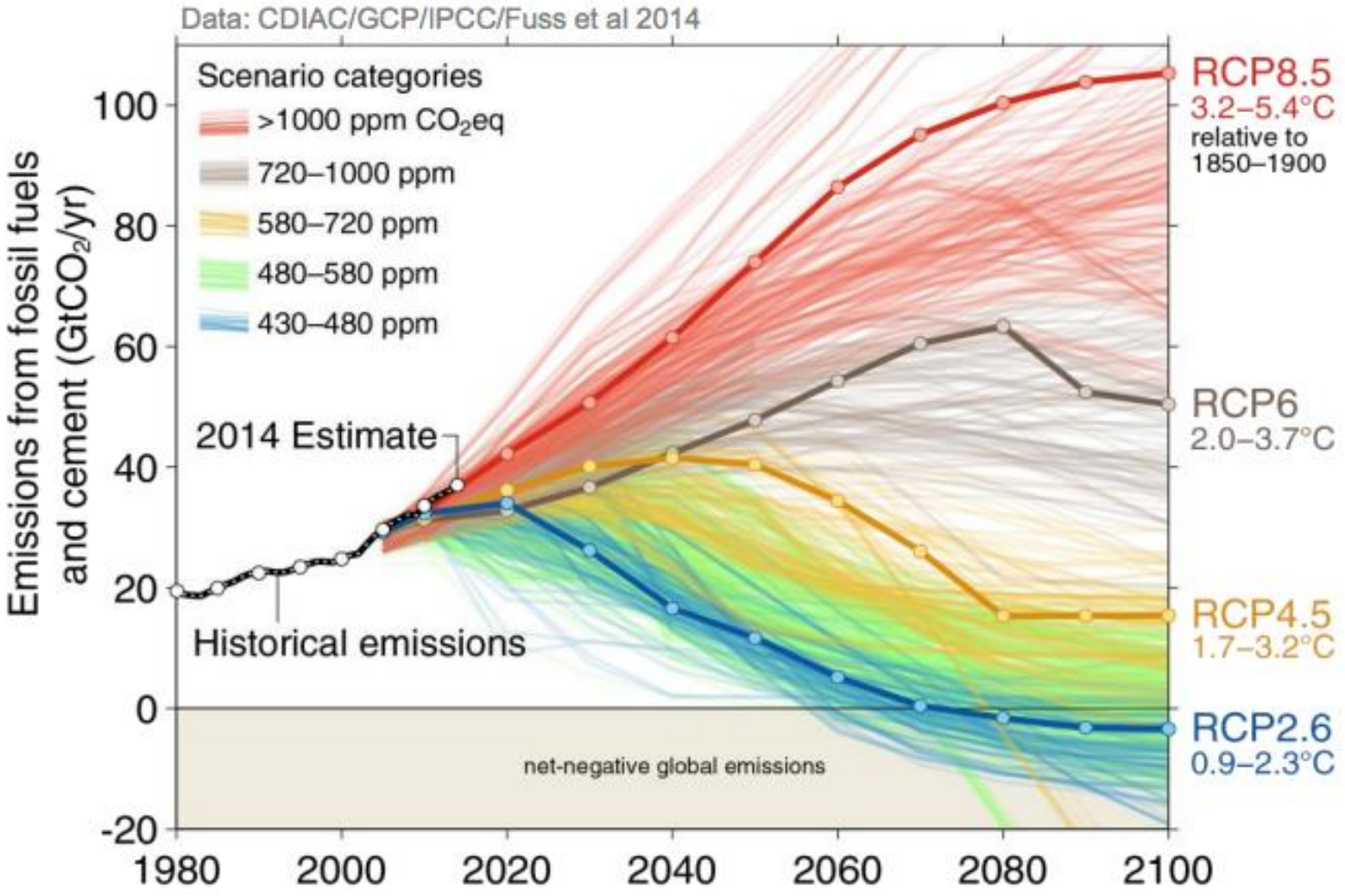
- Adequacy of delivery of climate finance in Finance Facilitative Dialogue (COP22 Marrakesh 2016)
- Adequacy of collective efforts in Facilitative Dialogue (COP24 Eastern Europe 2018)

Entry into force of Paris Agreement – by COP22 or end of 2016? (will Kyoto Protocol 2 EVER enter into force?)

Delivery of pre-2020 commitments – mitigation, finance, technology?

Emissions are on track for 3.2–5.4ºC "likely" increase in temperature above pre-industrial

Large and sustained mitigation is required to keep below 2ºC



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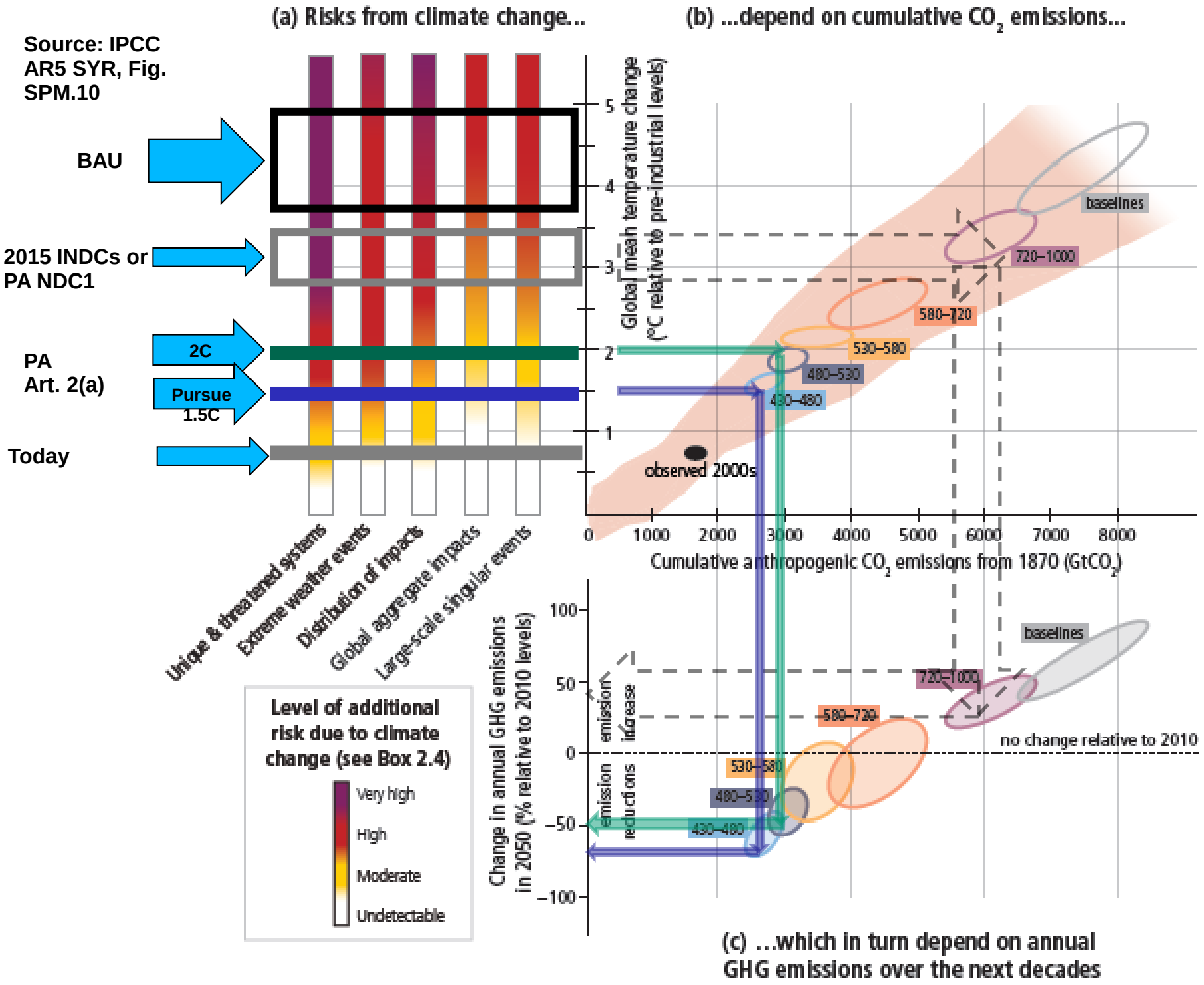
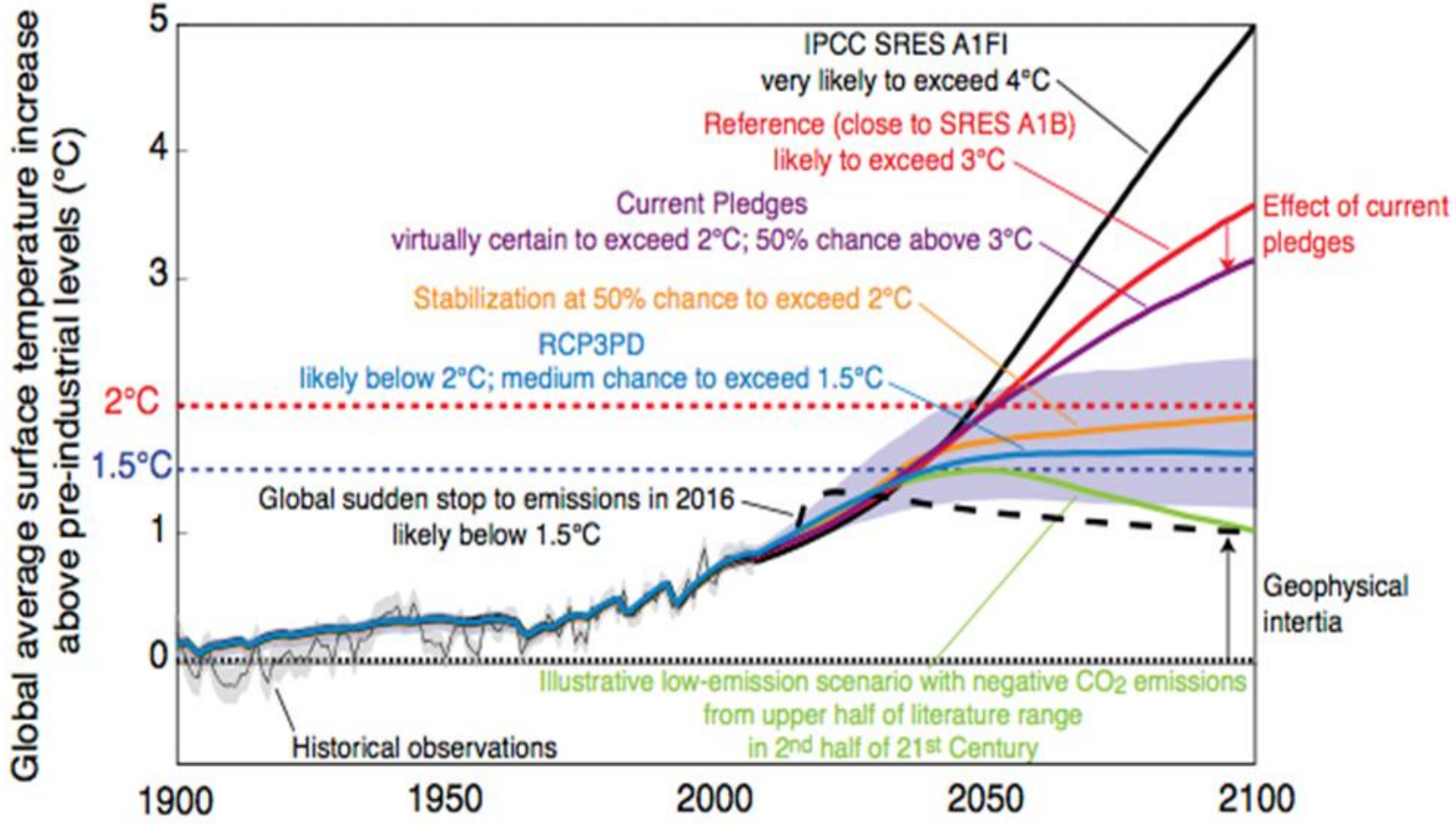
Source: IPCC AR5 SYR, Fig. SPM.10



Are we locked in?

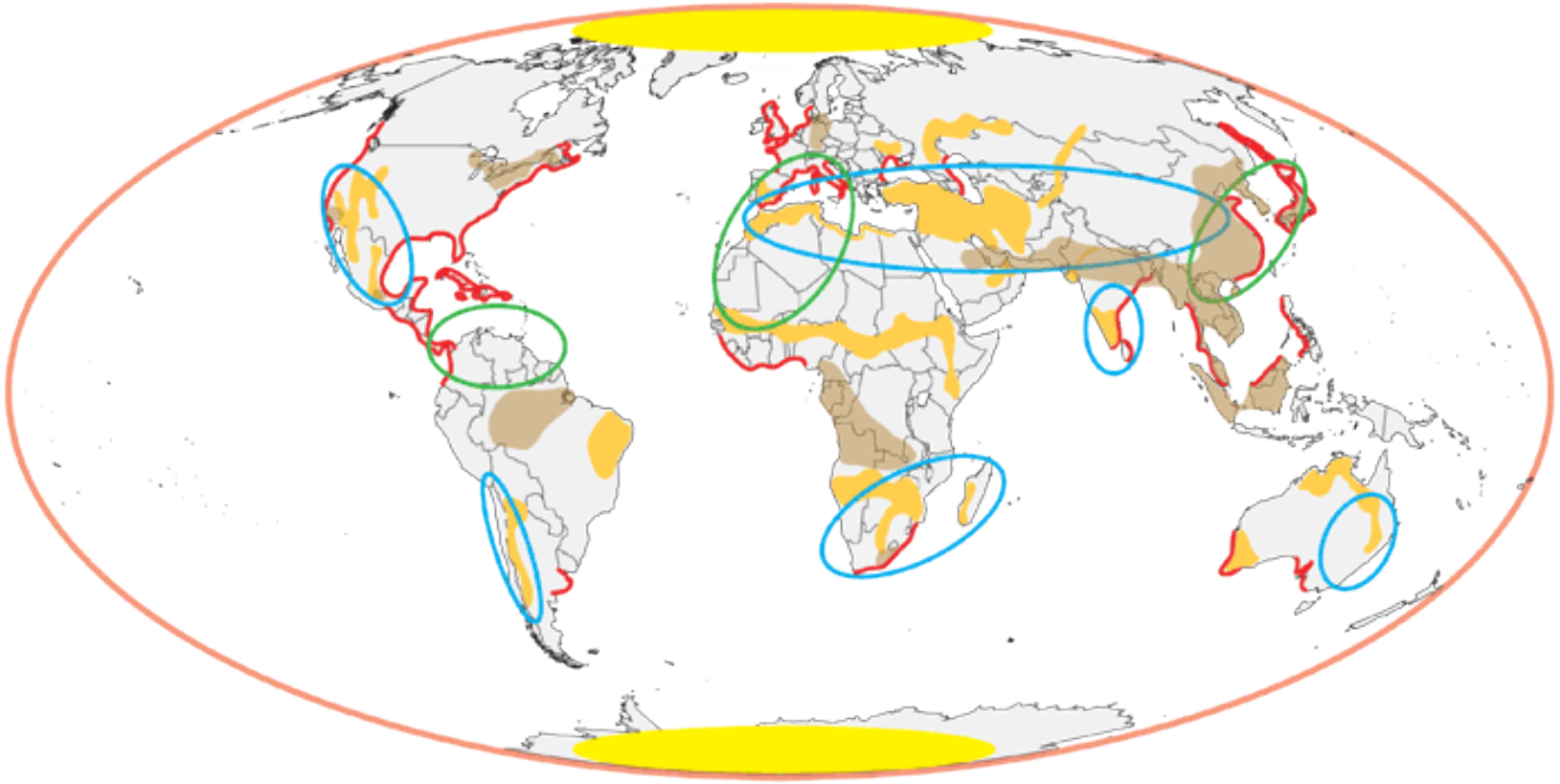


PIK/World Bank (2012), http://documents.worldbank.org/curated/en/865571468149107611/pdf/NonAsciiFileName0.pdf (Fig. 22)

Climate Change Impacts are Increasing

Map 2:

Envrionmental Damages and Risks from Climate Change

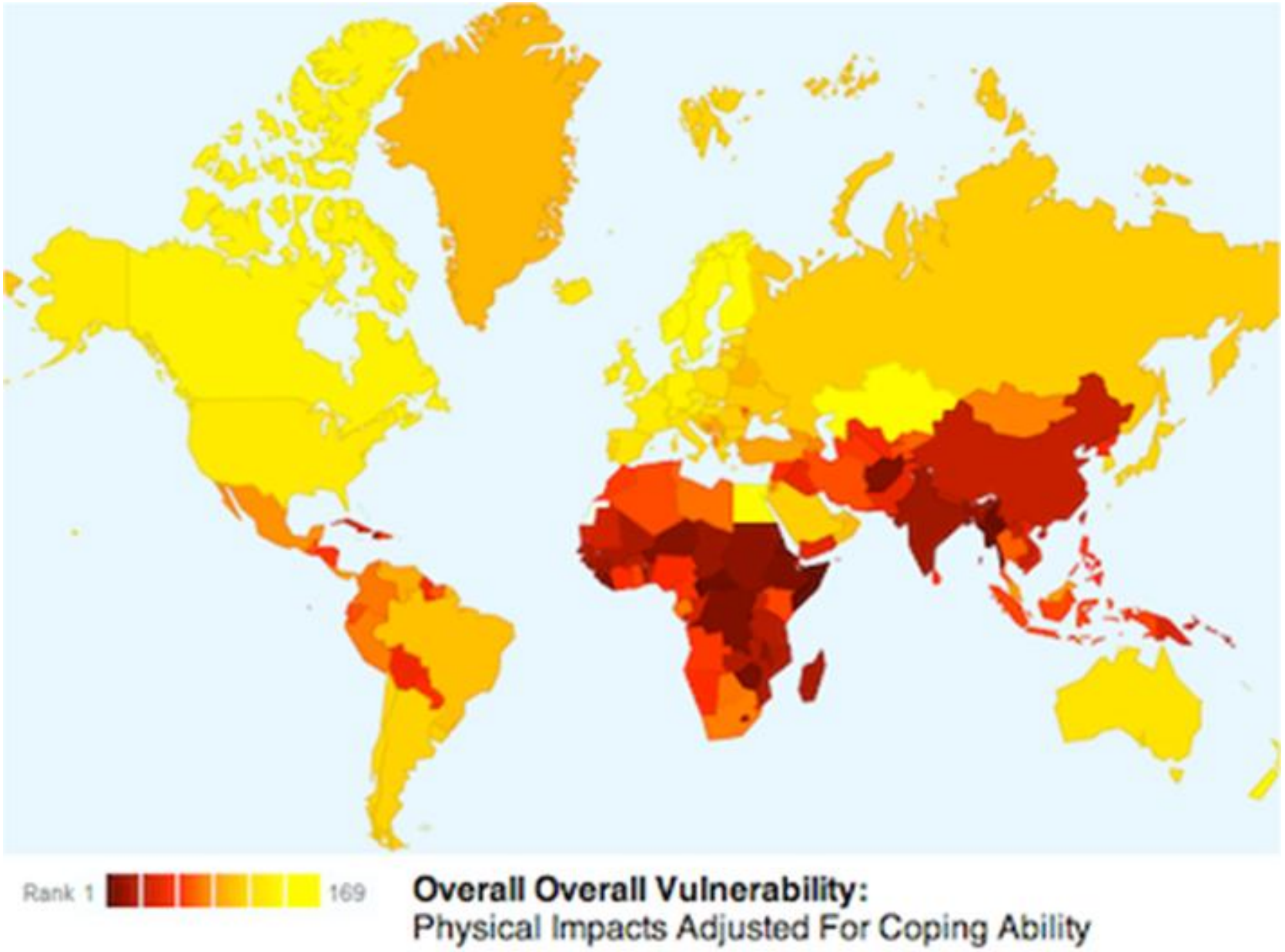


atmospheric brown clouds | melting ice caps | coastal risk | desertification

build-up of greenhouse gasses | water scarcity | crop decline

Source: United Nations Environment Project (UNEP), National Aeronautics and Space Administration (NASA), International Water Managemnt Institute (IWMI)

Increasing Vulnerability and Adaptation Needs



Univ. Of Colorado Environmental Center;
Center for Global Development

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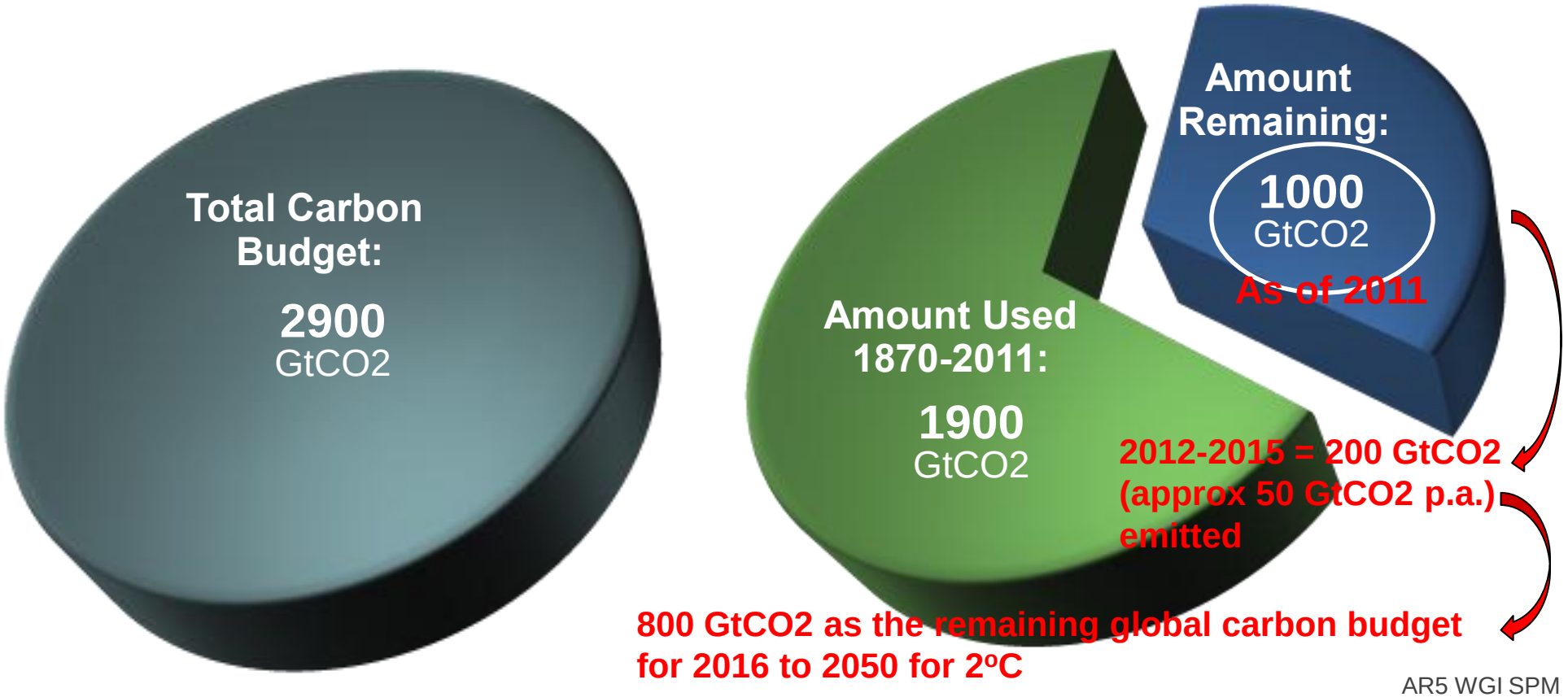
Continued emissions at current levels will exhaust the remaining global carbon budget consistent with a 2ºC goal within the next 15-30 years



AR5 WGI SPM

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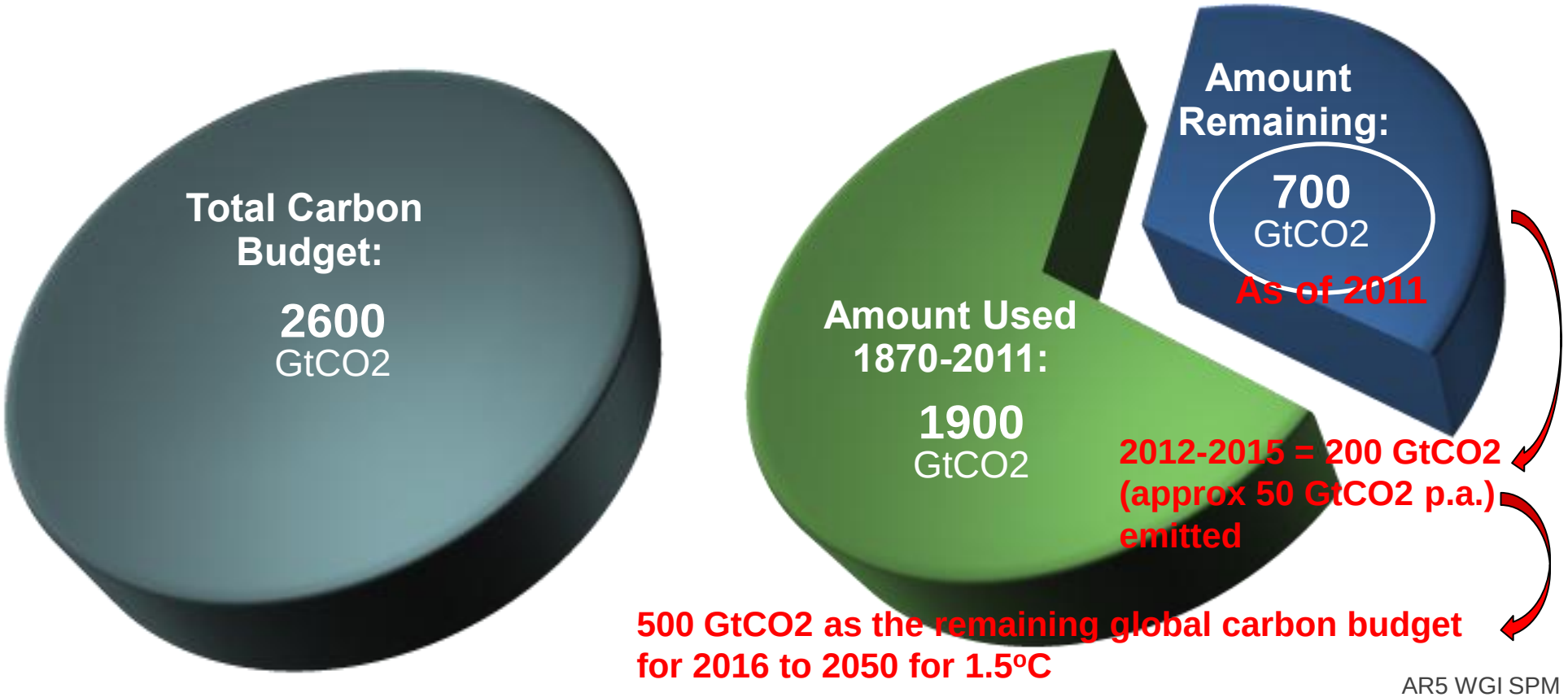
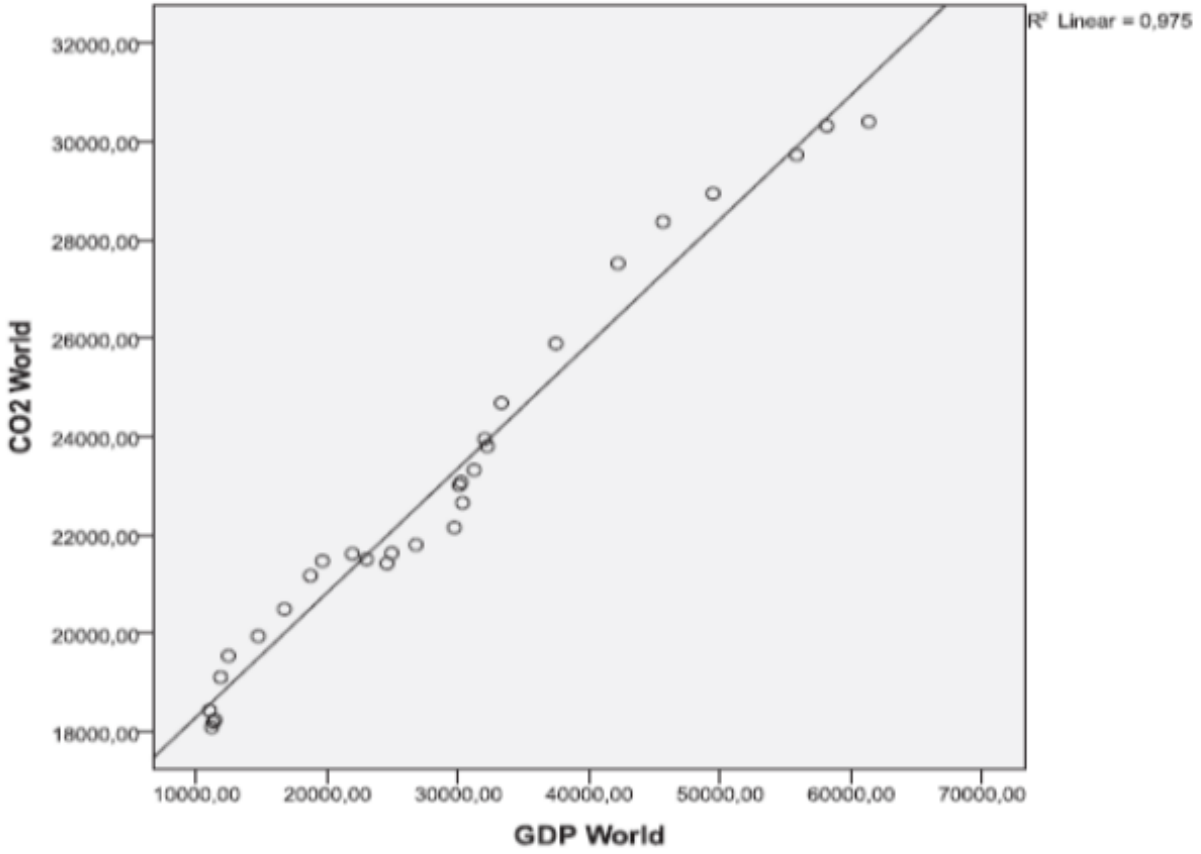
For a 1.5°C goal, the carbon budget shrinks even more



AR5 WGI SPM

- Emissions, energy, and development are linked, given current technologies and patterns of production and consumption

Total emissions 1980-2008 against global economic output (Million tons and billions)



Source: CO2 emissions + Population: EIA (2011) International Energy Statistics; data available from: http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm;
GDP data: World Bank (2011) World Development Indicators; data available from http://databank.worldbank.org/ddp/home.do

Development and Emissions: The Challenge to Developing Countries

"A 1% increase in GDP per capita is found to lead to an increase in CO2 emissions per capita of 0.5% to 1.5%, depending on the study. All studies also find evidence that this coefficient, elasticity of per capita CO2 emissions relative to per capita GDP, is not constant but decreases as per capita income rises" (**IPCC AR5 (2013), WG3, Sec. 12.2.2**) → the 2006 Stern report indicates that historically, in the period 1960 to 1999, per capita GDP-emissions correlation was 0.9 (**N. Stern, The Economics of Climate Change (2006), p. 179**)

Studies generally assume:

- Historical per capita GDP and emission growth rates
- Current types and levels of energy technology resulting in emissions

Annual emission reductions of greater than 1% p.a. historically have only "been associated with economic recession or upheaval" (N. Stern (2006))

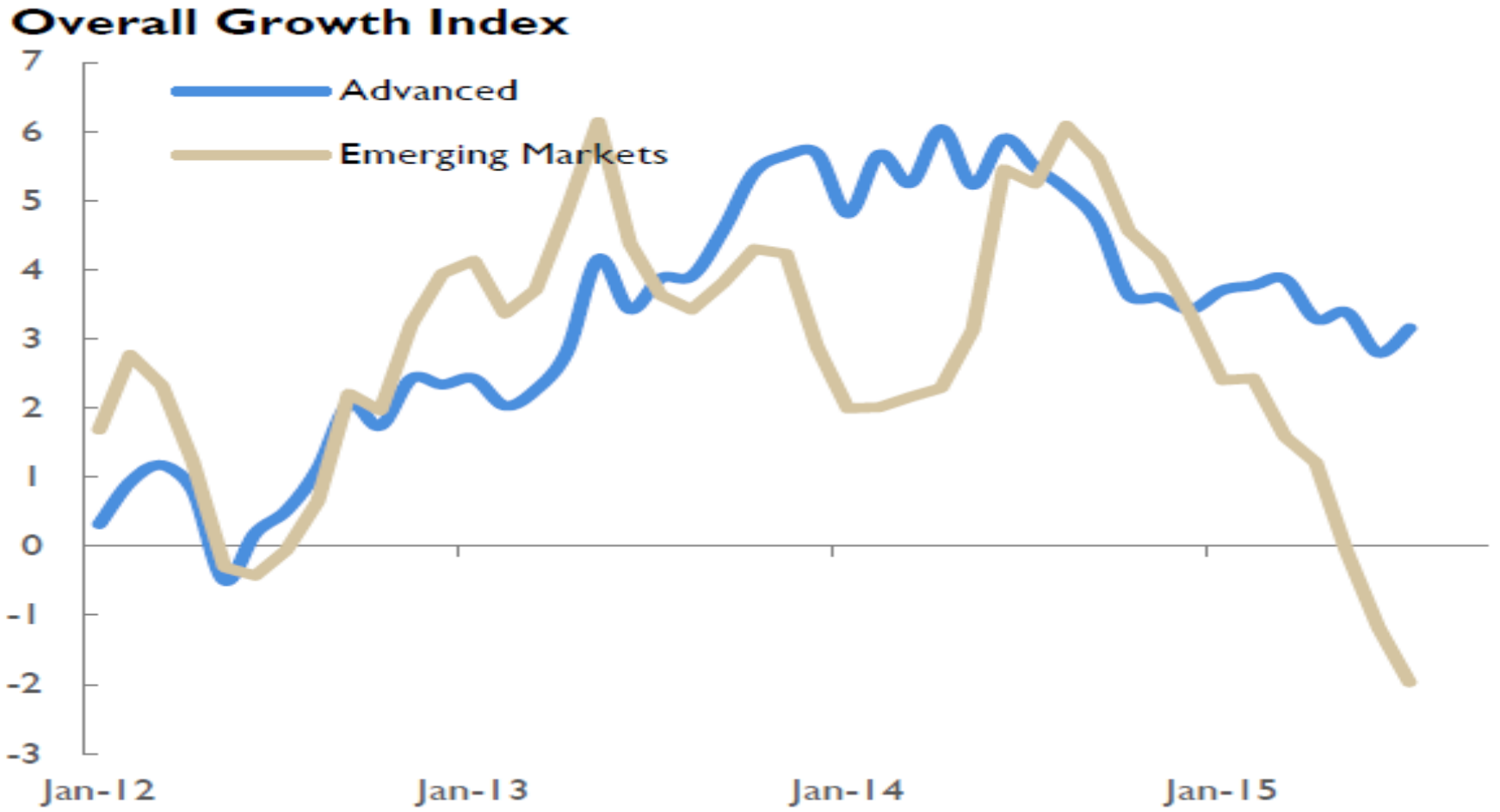
BUT … Global Economic Context – Instability, Uncertainty, Crisis

- Global growth weakest since the 2008 crisis; around 3%. Down from over 5% in pre-crisis years to some 3% in post-recovery years

- Slowdown sharper in EDEs; growth differential with AEs dropped from over 5.0 pp to 2.0 pp despite weaknesses in EZ and Japan. Decline in EDEs is perhaps higher than that indicated by official data for China and India.

- Potential growth falling both in AEs and EDEs; underinvestment (productive capacity). Decline more severe in EDEs.

Global Recovery Tracking for 20 Major Countries (Brookings)



The South in the global economy is facing uncertainty and confusion ...

•South in widespread slowdown with growth of BICS below 2008-2009 levels

•South slowdown arising from:

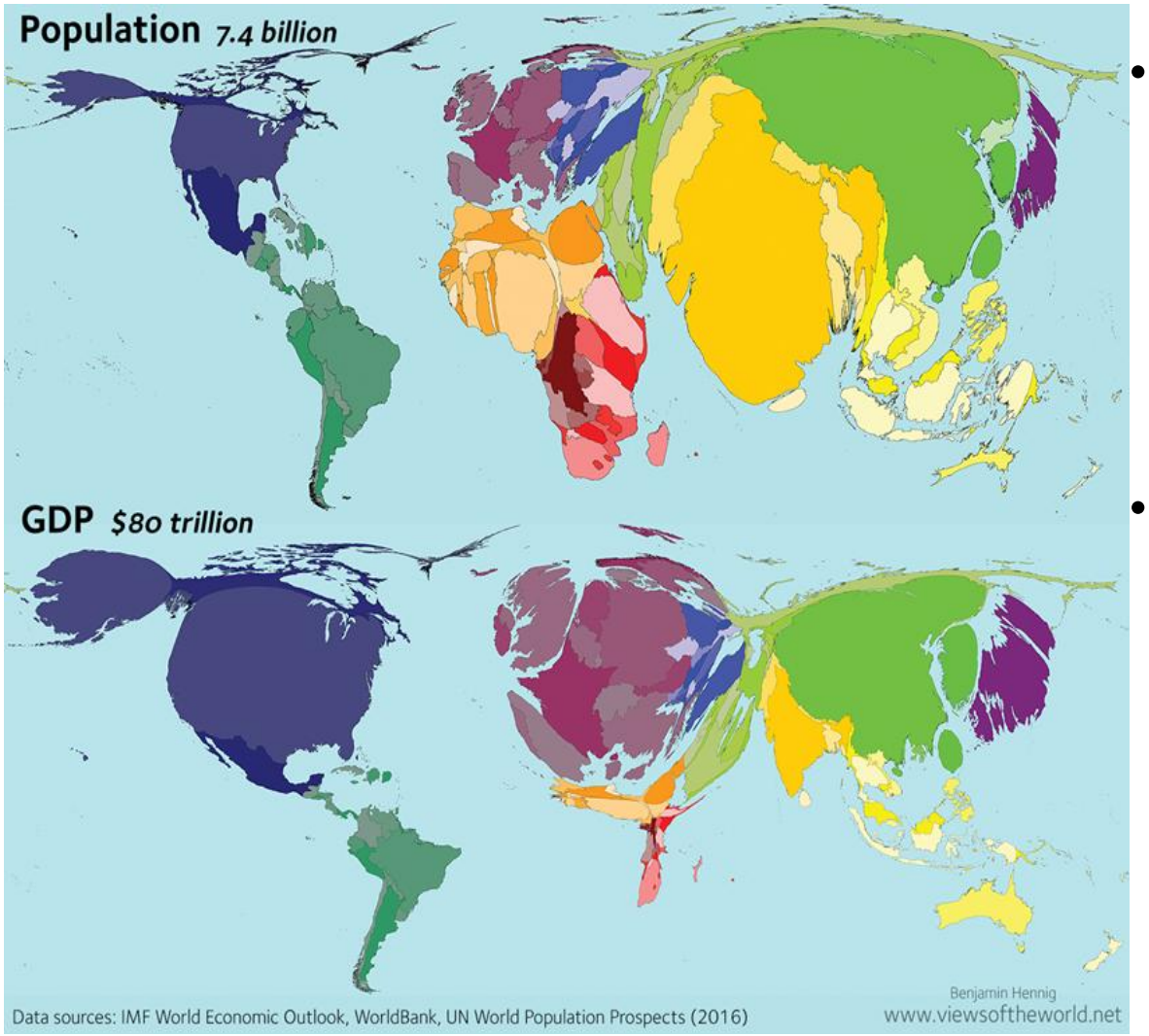
- Trade balances going against developing countries
- End of commodity super-boom as major commodity importers slow down imports, hurting commodity exporters
- Capital flight from the South in search of safe haven or higher yields (reaching US$735B in 2015)
- South reserves falling and their capital and financial markets under stress
- Structural changes in shifting from export-led, to investment-led, to consumption-driven economies for some big South countries and stalled or de-industrialization in others mean that South cannot be the engine for growth for global economy or for each other
- More limited policy and fiscal space in the South compared to 2008-2009 (reserves have been used up or have fled)

→ Important factor - absence of global institutions and arrangements for the prevention and effective management of financial crises with international origins and consequences

In 2016, global output is likely to decelerate moderately to a growth rate around 2.3 per cent, compared with 2.5 per cent 2015. This is the sixth year in a row that the global economy repeats a modest expansion, well below that of pre-crisis levels. This year's performance reflects an expected slowdown in developed countries growth, from 2 to 1.6 per cent; economic stagnation in transition economies, an improvement over their contraction in 2015; and the continuing growth in developing countries of about 4 per cent, resulting from sustained growth in most Asian countries, a deceleration in Africa and economic recession in Latin America and the Caribbean (table 1.1).

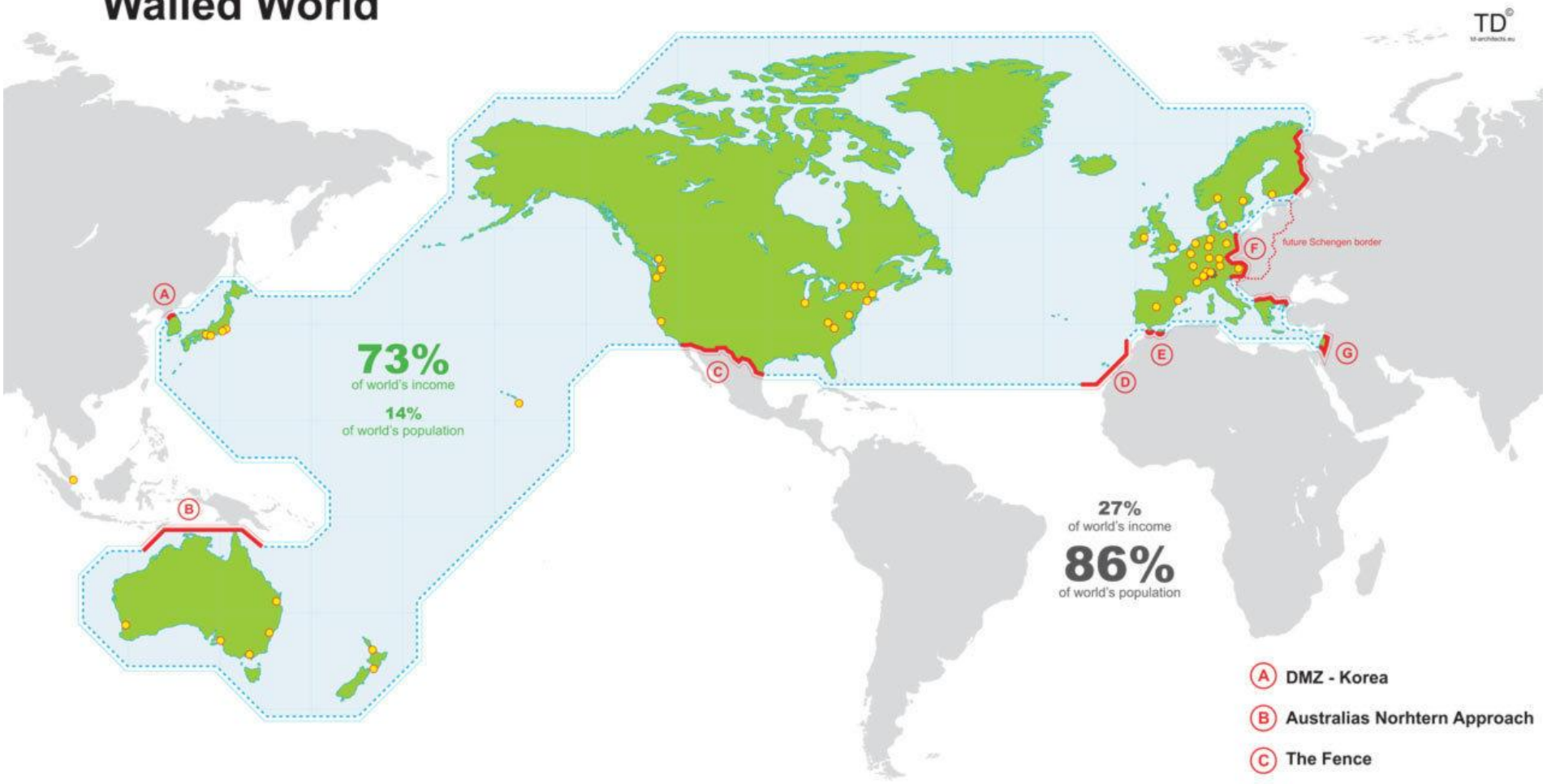
UNCTAD TDR 2016, p. 4

Development Gap continues despite some progress



- No major convergence: growth in developing countries not expected to pick up relative to developed countries in the coming years. North-South development gap remains.
- Developing countries have become highly vulnerable to external financial shocks because of their deepened integration into the global financial system and the ultra easy monetary policy pursued by reserve currency countries in the past 8 years.

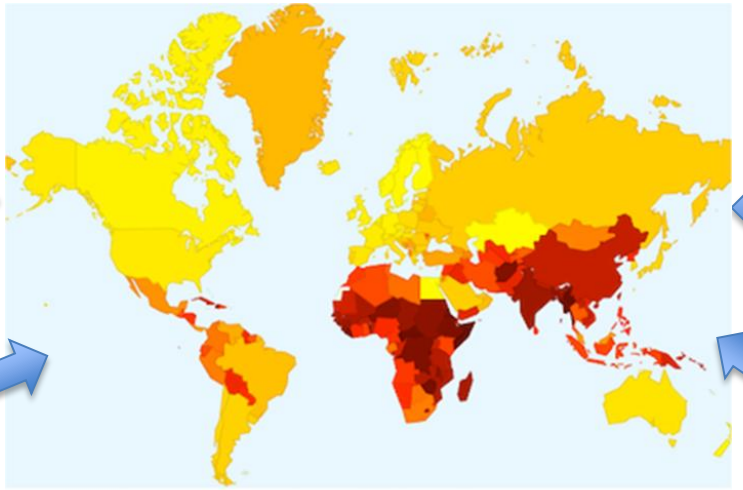
Walled World

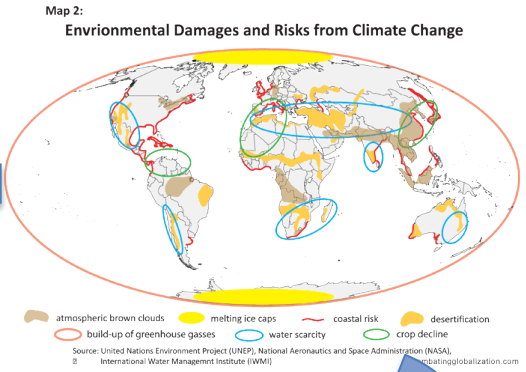


- World's top 50 Quality of Life cities
- heavily guarded border zone
- Switzerland voted in 2005 for the membership to the Schengen community and will become "Schengen-country" soon

- A DMZ - Korea
- B Australias Norhtern Approach
- C The Fence
- D EU Maritime Borders
- E Melilla & Ceuta fences
- F Schengen Borders
- G The Palestinian Wall

Paris Agreement Implementation Context for Developing Countries





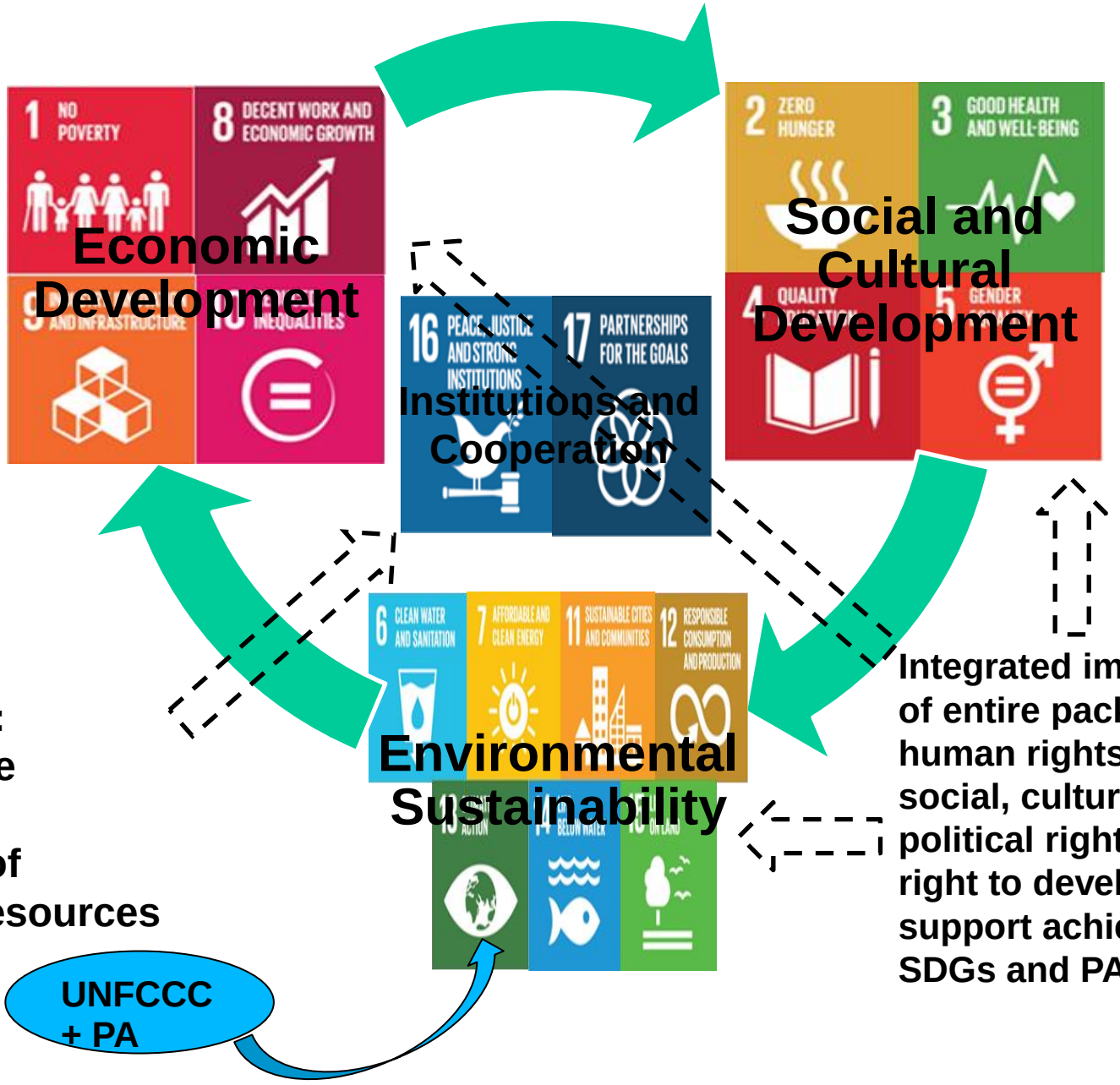
How to address both development and climate change together?

What should be the context and priorities for the design and implementation of developing country NDCs?

What domestic and internal resources are needed?

What should the role, and modalities, of international cooperation in providing resources?

Development underlies the SDGs – and require international cooperation to address systemic issues

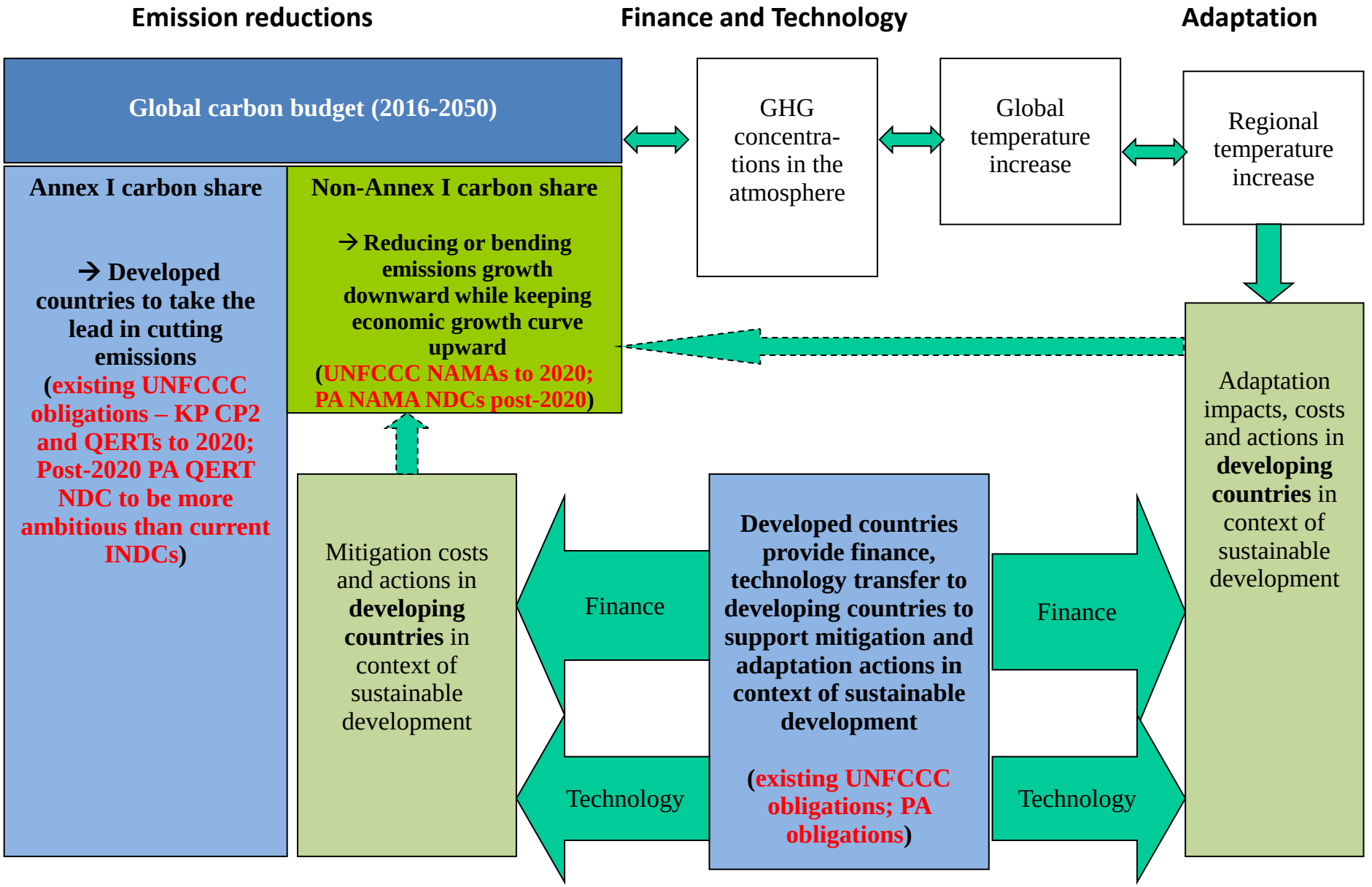


Key concepts:

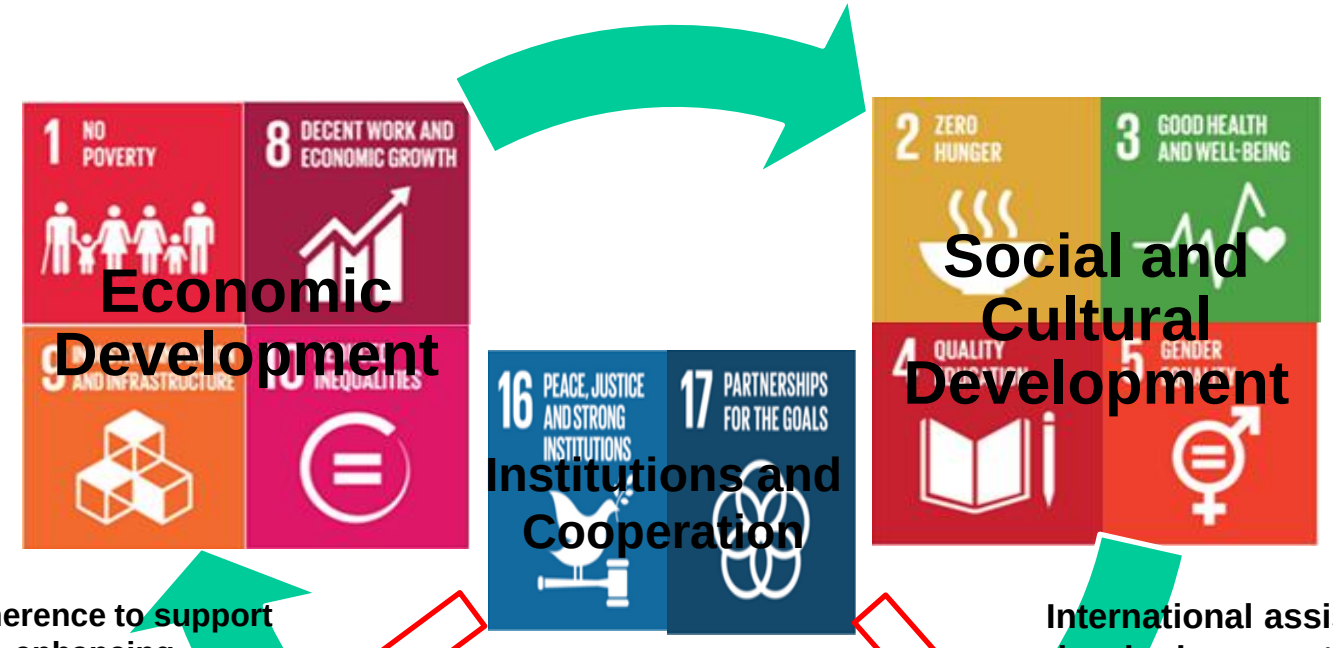
- **Progressive realization**
- **Maximum of available resources**

Integrated implementation of entire package of human rights (economic, social, cultural, civil, political rights, including right to development) support achievement of SDGs and PA

Achieving Equity and Sustainable Development in the Context of Climate Change under the UNFCCC and its Paris Agreement



Systemic approach to international cooperation for SDGs and PA implementation necessary



International policy coherence to support developing countries → enhancing strategic POLICY SPACE; achieving RTD

- Macroeconomic surveillance
- Trade (S&DT; development mandate)
- Tax (tax cooperation)
- Investment (strategic reform, no ISDS)
- Sovereign debt framework
- Capital regulation
- Industrial policy
- Access to medicines (including AMR)
- Innovation support for development (technology and IP)
- Regulating TNC activity
- Climate change action (CBDR, equity)
- Environment action (CBDR; PPP)
- Migration

International assistance for developing countries → supporting development objectives

- Trade assistance; DFQF for LDCs
- Finance (ODA; climate finance)
- Technology development and transfer
- Debt relief, liquidity finance, debt restructuring
- Strategic FDI (esp. industrial infrastructure)
- Capacity building support (institution building, climate action, environment action, infrastructure support, industrial policy, regulatory capacity)
- South-South cooperation

What Needs to be done or reflected in NDCs under the Paris Agreement

1. ***Emission reductions*** – ambitious levels by all; developed countries leading (especially in ambition), developing countries to be supported. Changes to policies and infrastructure (energy, transport, industrial, residential, commercial, agriculture, production and consumption patterns) linked to national development plans or objectives; for developing countries, include financing and technology transfer requirements

2. ***Adaptation*** – adaptation plans and programmes by all, linked to national development plans or objectives and, for developing countries, indicating financing and technology transfer requirements; developed countries to indicate adaptation financing, technology transfer, and capacity building support for developing countries under UNFCCC and PA

3. ***Finance*** – developed countries to indicate climate financing, including for technology transfer, to be provided to developing countries under UNFCCC and PA; developing countries to indicate financing requirements

4. ***Technology transfer*** – developed countries to indicate technology transfer and support initiatives, including financing component, to be provided to developing countries under UNFCCC and PA; developing countries to indicate technology transfer requirements

5. ***Capacity building*** – developed countries to indicate capacity building initiatives, including financing component, to be provided to developing countries under UNFCCC and PA; developing countries to indicate capacity building requirements

Key Considerations for Developing Countries

1. ***Carbon Space*** – determines level of mitigation effort over time → shaped by mitigation obligations assumed, mitigation implementation by others, overall carbon budget implied and agreed to

2. ***Fiscal Space*** – determines ability to provide financial resource allocations over time → shaped by extent of inward external financing flows (both ODA and investment), domestic resource mobilization and allocation (including taxation and government budget), outward domestic financing flows

3. ***Technological Space*** – determines shift of technological base over time → shaped by access to and adaptation of external technology; policy promoters and barriers to technology development, innovation, and transfer; domestic investment in endogenous technology development

4. ***Sustainable Development Space*** – determines pace and pattern of economic development and poverty eradication over time → shaped by national budget and development plans, policies, and programmes; external and domestic economic environment; approach to appropriate mix of agriculture, manufacturing, and services as part of national development plan

5. ***Policy Space*** – determines ability to have policy flexibility and policy choice over time → shaped by multilateral treaty obligations agreed to (e.g. WTO, UNFCCC PA, WIPO, etc)

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Thank you

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