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## Stakeholder Consultation on the 2015 International Climate Change Agreement: Shaping international climate policy beyond 2020

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### 1 How can the 2015 Agreement be designed to ensure that countries can pursue sustainable economic development while encouraging them to do their equitable and fair share in reducing global GHG emissions so that global emissions are put on a pathway that allows us to meet the below 2°C objective? How can we avoid a repeat of the current situation where there is a gap between voluntary pledges and the reductions that are required to keep global temperature increase below 2°C?

#### 1.1 Time horizon

*“In shaping the 2015 Agreement we will need to learn from the successes and shortcomings of the Convention, the Kyoto Protocol, and the Copenhagen-Cancun process.”*  
(COM(2013) 167 final, p. 3)

One major shortcoming of the Kyoto Protocol and the Copenhagen-Cancun process is their time span of only 5 to 10 years, which is far too short in terms of the time needed to negotiate such agreements and – more importantly – the investment periods and live spans of large industrial installations and infrastructures.

The most powerful “tool” to drive down GHG emissions is to change investment patterns of “long-living” investments such as power plants, industrial installations, ships, buildings, etc, as early as possible. However, since the investment cycles are often 20 years long and may even last 50 years, the time horizons of the current UNFCCC agreements do not fully provide the incentives required to change the investment patterns towards low-carbon technologies. In the period remaining to drive down global GHG emissions, for many investments there will only be one opportunity to invest in low-carbon technologies. Missing this opportunity will later increase the cost of GHG mitigation since parts, if not all, of the investments have to be considered as sunk costs.

Continuing with commitments periods of only 10 years or less will result in stop-and-go cycles and mainly trigger investments in low-carbon technologies with shorter investment cycles but not kick-start the transition towards a GHG-free economy.

The required investment incentives will only be provided if Parties collectively agreed in 2015 on a long-term target path for driving down global GHG emissions to zero and also individually provide their contributions to achieving this path. In other words: each Party needs to provide a plausible strategy for how to drive down its own GHG emissions to zero by or before the globally agreed target year.

Assuming that the IPCC’s Fifth Assessment report recommends, for example, reducing global GHG emission to zero by 2070, Parties could develop their individual GHG mitigation trajectories on how to achieve this goal by or before 2070. These trajectories would include intermediate mitigation goals for 2025, 2030, 2035, etc. both for each Party and for the global GHG emissions.

To provide long-term investment certainty, Parties would also need to commit not to weakening or relaxing their trajectories but only to strengthening them. However, it may turn out that the intermediate goals are significantly undercut or reached earlier. Past experience suggest that climate policy goals were often achieved earlier or at lower cost than previously projected. Therefore the trajectories should be frequently reviewed and strengthened in such cases but by no means weakened or relaxed because this would significantly undermine investment certainty and thus immediately disincentivise investment in low carbon technologies.

As long as all Parties commit to a long-term strategy which ultimately results in a transition of their economy towards zero GHG emissions, we should also not be too concerned if intermediate global mitigation targets are not fully met. Certainly a minimum level, such as two thirds or three quarters, should be met with regard to the intermediate targets. Taking into account the past experience that goals are often met earlier than previously projected, particularly if a collective effort triggers synergies and spill-overs, such gaps can very likely be closed in the reviews at a later stage. It is more important to start with an already substantial level of aggregate commitments than to wait until the remaining gap is closed.

## 1.2 Common but differentiated responsibilities

A second fundamental flaw of the current UNFCCC architecture is the way in which the principle of common but differentiated responsibilities (CBDR) was implemented. Differentiating Parties into just two groups – developed and developing countries – was very pragmatic in the 1990s to get global initiatives for reducing GHG emission up and running. However, the experiences of recent years show that the world is not just black and white but more colourful and that the colours are constantly changing.

The new agreement should distinguish at least four groups of countries:

- Developed countries (DCs)
- Major economies or advanced developing countries (ADCs)
- Neither advanced nor least developing countries (NDCs)
- Least developed countries (LDCs)

The categorisation may mainly depend on economic criteria such as per capita GDP. Already existing definitions should be used where possible (e.g. for LDCs).

Responsibilities between these groups may differ in terms of type of commitment, level of ambition or timing. However, there should be no group without any commitment to contribute to global efforts for reducing GHG emissions.

And in order to reflect differences in the pace of development, the allocation to these groups should be reviewed at least every five years. Countries which have developed quickly may then be shifted to another group and are thereby expected to increase their contribution to the global efforts.

## 1.3 Legal nature

*“The new agreement “... must provide a bridge from the current patchwork and bottom up approach, largely based on non-binding decisions, to a legally binding agreement ...”  
(COM(2013) 167 final, p. 3)*

The new agreement must trigger the transition towards a GHG-free economy and it must thus provide incentives for all Parties and for private entities to reduce GHG emissions. However, whether this requires that the nature of the agreement needs to be legally binding is a different question. Many Parties have already expressed their reluctance to accept enforcement measures if they would not comply with their targets or commitments.

And who should actually enforce non-compliance measures since there is no final sovereign at the global level? The example of Canada’s withdrawal from the Kyoto Protocol illustrates that Parties could easily withdraw from UNFCCC instruments if they face significant enforcement measures. In other words, without a global sovereign at the global level, no agreement can actually be legally binding. Therefore the EU should not put too much effort into negotiations on the legal nature of the agreement but rather ensure that it encourages Parties to adopt GHG mitigation policies which contribute to the global effort of keeping the temperature rise below 2°C.

**2 How can the 2015 Agreement best ensure the contribution of all major economies and sectors and minimise the potential risk of carbon leakage (CL) between highly competitive economies?**

The issue of carbon leakage would be less relevant and potentially even negligible if the 2015 Agreement were actually to include all Parties, particularly all developed and advanced developing countries. The EU should therefore focus their negotiation efforts on ensuring that all developed and advanced developing countries are included in the 2015 Agreement with appropriate targets rather than seeking ways of addressing carbon leakage.

**3 How can the 2015 Agreement most effectively encourage the mainstreaming of climate change in all relevant policy areas? How can it encourage complementary processes and initiatives, including those carried out by non-state actors?**

Is encouraging the mainstreaming of climate change in all policy areas something that needs to be addressed under the UNFCCC? Probably not - such mainstreaming is a prerogative of national governments. The existence of a global agreement which includes all Parties would provide sufficient incentives to national governments to seek climate change mainstreaming opportunities in their country.

**4 What criteria and principles should guide the determination of an equitable distribution of mitigation commitments of Parties to the 2015 Agreement along a spectrum of commitments that reflect national circumstances, are widely perceived as equitable and fair and that are collectively sufficient avoiding any shortfall in ambition? How can the 2015 Agreement capture particular opportunities with respect to specific sectors?**

**4.1 Terminology**

One difficulty in the negotiation process on a future agreement is that there are many different synonyms for commitments, such as obligations, targets, pledges, goals, aims, objectives, reductions, limitations, etc. The problem is that they partly have different meanings but no common definition or understanding of these meanings. The terms are therefore used rather arbitrarily and not in a consistent manner (not even in this paper).

It would significantly increase the mutual understanding during negotiations, if Parties would somewhat harmonise the use of these terms:

Commitment:	Legally binding agreement under the UNFCCC to reduce GHG emission with enforcement measures in the case of no-compliance
Pledge:	Unilateral declaration to reduce GHG emissions without any enforcement measures
Target:	Numerical value of commitments or pledges
Goal:	Overarching term including all the more specific terms such as commitment, pledge or target.

These are just initial examples of how the terminology could be harmonised with no aspiration of being correct or necessarily useful. Dimensions which potentially could be addressed by the different terminology are the legal nature, the type (see 4.2 below), etc. The EU should therefore make an effort to provide a useful definition of the different terms in order to facilitate the discussions towards the 2015 Agreement.

**4.2 Spectrum of commitments**

Currently there is only one type of commitment under the UNFCCC: economy-wide absolute emission targets. However, the targets have also been differentiated since the relative values of the limitation targets were not the same for all Parties. This type of commitment will certainly

form one of the main pillars of any future agreement. Parties applying this type should commit to a long-term trajectory for reducing their GHG emissions to zero while the shape and the end date of the trajectory may differ between Parties.

Two types of variations of this commitment type can be envisaged:

- Instead of the entire economy, only certain sectors or broad segments of the economy may (initially) be covered;
- Instead of being absolute the target may be determined as an indexed or specific value such as GHG emissions per unit of GDP.

Sectoral commitments may be seen as a transitional element which can be applied by Parties who do not feel ready to cover their entire economy from the outset. They could start with certain sectors where they already have good data or where data can be made available more easily. The experience with these selected sectors will help to establish the necessary domestic infrastructure and bodies and will facilitate the expansion of the sectoral scope at a later stage until the entire economy can finally be covered.

Usually absolute emission targets are considered as more reliable since they easily allow determining the global mitigation effort. However, in most cases they are derived from business-as-usual (BAU) projections. If these projections turn out to be significantly overestimated, the derived targets may not require any additional effort but rather generate so-called hot air. This issue can at least partly be addressed if the target is determined as an indexed or specific value. An indexed or specific target would not create hot air even if the economic development is much slower than projected. The respective country would, on the other hand, also have more room for accommodating strong economic development, if its development turns out to be higher than projected.

One concern often mentioned in this context is that indexed or specific targets may not contribute to absolute GHG emissions reductions at all, if the economic growth rate is constantly higher than the rate of reduction of the indexed or specific emission value. However, a commitment which provides a trajectory which clearly describes how the indexed or specific emission value will be reduced to zero GHG emissions per unit of GDP will also ultimately result in an economy without any GHG emissions. The accumulated GHG emissions during that transition period may, however, be different depending on whether the economic development was very dynamic or not.

In addition, more policy-oriented types of commitments may be considered. Parties may, for example, commit to increasing their share of renewables in the national energy balance or to improving their energy efficiency constantly. Clearly, the disadvantage of such targets is that it is more difficult translating them into future emissions reductions needed to determine the global mitigation effort. One advantage, however, is that they can be more easily communicated to national constituencies since they are formulated in a way which seems to be more attractive (increase share instead of reduce emissions). Parties may thus commit to more ambitious targets since the constituency may be more willing to accept such targets.

Providing a broader spectrum of types of commitments may encourage Parties to take commitments or more ambitious commitments since they can be tailored to their circumstances. A broader variety of commitments will, on the other hand, also impede the comparison of efforts.

All developed countries should agree to economy-wide absolute commitments or pledges. Advanced developing countries should also agree to economy-wide targets. However, since their economic development may be more volatile and thus less predictable, it could be considered whether indexed or specific targets would be more appropriate in such circumstances. Least developed countries may initially take no firm targets at all but commit to certain policy goals. The remaining group of developing countries, which are neither advanced nor least developing, may initially take targets for selected sectors or broader segments of their economy. The coverage of the sectors should be enhanced over time so that eventually also their entire economies are covered.

### 4.3 Criteria and principles

An equitable distribution of efforts would certainly facilitate development of the 2015 agreement. However, how can such a distribution be identified? One approach would be to identify socio-economic and environmental indicators which could reflect equity aspects as well as rules or algorithms on how to combine the indicators for deriving the appropriate distribution for all Parties. Indicators which could be considered under such an approach would include:

- GHG emissions per capita,
- GDP per capita,
- GHG emissions per unit of GDP,
- human development index,
- share in global GHG emissions,
- current share of renewables in the domestic energy balance,
- etc.

Principles which could be taken into account would be for example:

- equal distribution of per capita emissions,
- equal distribution of cost burden,
- preferences for catch-up of economic development,
- etc.

Already these incomplete lists of indicators and principles can be combined into many different distribution algorithms. Each of them will result in a different distribution of efforts and thus in significantly diverging preferences of Parties on what would be the most appropriate indicators and algorithms. In addition Parties may disagree on the definition of indicators, the underlying data or on the implementation of the algorithms.

Already these few considerations illustrate that a technocratic approach to determine an equitable distribution of efforts may not deliver the intended outcome. Instead of trying to identify the most appropriate criteria and principles the EU should rather focus on the process of how Parties could unilaterally determine their appropriate contributions to the global GHG reduction effort.

The Copenhagen/Cancún experiences have unfortunately shown that such a unilateral pledging process may not deliver the mitigation ambition required to stay below the 2°C temperature increase.

Assuming that Parties would be willing to accept more ambitious mitigation targets if they know that the overall ambition level is higher, all Parties may agree to pledge at least two targets, one of which they would adopt anyway and the other of which they would adopt if a certain level were collectively achieved, e.g. two thirds or three quarters of the global mitigation requirement. Parties may even submit GHG mitigation “supply curves” which yield increasingly ambitious domestic targets for each percentage point of increased ambition of the aggregate global effort. The logic behind this approach is that more ambitious efforts would be domestically less harmful if Parties are assured that the aggregate global effort is comparable so that there is no or marginal distortion in international competition.

Unilateral pledging of intermediate targets may also be less contentious if Parties derive these targets from their long-term transition plan towards a GHG free economy (see also 1.1).

## 5 **What should be the role of the 2015 Agreement in addressing the adaptation challenge and how should this build on ongoing work under the Convention? How can the 2015 Agreement further incentivise the mainstreaming of adaptation into all relevant policy areas?**

**6 What should be the future role of the Convention and specifically the 2015 Agreement in the decade up to 2030 with respect to finance, market-based mechanisms and technology? How can existing experience be built upon and frameworks further improved?**

**6.1 Market-based mechanisms**

Market-based mechanisms (MBM) enable Parties to take more ambitious targets because the emission reductions can be implemented where it is economically most efficient. Both buyers and sellers of the resulting units profit from such transaction. The seller can implement more emission reductions and receives financial resources to do so while the buyer saves the additional costs which domestic implementation of equivalent mitigation measures would have caused. In other words: MBM enable more GHG mitigation measures to be implemented globally at the same cost.

While the need to establish such MBM under the 2015 Agreement is hardly called into question, several design issues of the respective modalities and procedures still need to be agreed upon. However, these agreements should be reached sooner rather than later because otherwise Parties may not be able to take into account their flexibility while determining the pledges.

Some Parties are questioning whether mitigation units generated under such ADP MBM are required to fulfil pre-2020 commitments. Given the current level of ambition such concerns are not entirely without grounds. However, they could be addressed if it were possible to generate units pre-2020 which were only used to count towards targets post-2020 (prompt start). Such a prompt start approach would:

- address the concerns raised in terms of currently insufficient levels of ambition,
- facilitate a learning-by-doing or test phase for improving the design of the approach and enable interested Parties to establish required infrastructures and bodies, and
- already contribute to increasing the post-2020 ambition.

The EU should therefore clearly communicate that a use of units from new MBM towards existing pre-2020 commitments is not envisaged any more but that ADP MBM need to be made operational as soon as possible so that their impact in terms of flexibility can be taken into account by Parties when they determine their post-2020 targets.

**7 How could the 2015 Agreement further improve transparency and accountability of countries internationally? To what extent will an accounting system have to be standardised globally? How should countries be held accountable when they fail to meet their commitments?**

**8 How could the UN climate negotiating process be improved to better support reaching an inclusive, ambitious, effective and fair 2015 Agreement and ensuring its implementation?**

**9 How can the EU best invest in and support processes and initiatives outside the Convention to pave the way for an ambitious and effective 2015 Agreement?**