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

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Introduction

Oxfam welcomes the consultative communication on the 2015 International Climate Agreement published on 26 March 2013 and welcomes the opportunity to share our views on the nature of the future climate agreement. Oxfam is an international confederation of 17 organizations networked together in 94 countries, as part of a global movement for change, to build a future free from the injustice of poverty.

We are alarmed by the projections of the impact of climate change on food security, pushing up food prices through long-term, insidious weather changes, as well as through increasingly extreme weather events, which wipe out harvests in a matter of days and cause price shocks equivalent to 20 years' of annual increases in food prices. For the world's poorest people who spend a large portion of their income on food, particularly in the developing world, but increasingly also in Europe, these food price rises are already leading people to cut down on the quantity and nutritious quality of the food they consume.

However, current action both in the EU and globally falls devastatingly short of addressing the urgency of climate change. A recent World Bank report warned that the world is currently on a path to warm 4ºC by the end of this century, but there is a widespread view that adaptation to the projected 4°C warming will not be possible in many regions and for substantial portions of global populations. We are calling for greater ambition on climate change globally as well as in the EU, to stop the devastating impacts which current and predicted temperature increases are having on many poor communities across the world. The international community cannot fail this time round.

Our main messages are:

- The 2015 deal needs to have sustainable development and equity at its heart, should be based on science and ensuring the world moves onto an emissions pathway consistent with a high probability to keep warming well below 2°C while keeping the possibility to stay below 1.5°C within reach. Countries should use an Equity Reference Framework to establish what their fair share of the global effort looks like. Such a framework would be dynamic and allow for graduation of commitments over time as countries become more capable and more responsible.
- To secure an ambitious global climate agreement in 2015, developed countries will need to demonstrate progress on climate finance. This includes a track record of year-on-year increases in climate finance over 2012-2015 and a credible pathway for continued increases up to 2020. A dedicated amount for adaptation, which prioritizes the needs of the poorest and most vulnerable recipient countries, should be agreed in line with estimates of developing country needs. The ADP must also unlock innovative sources of public finance which will be essential post 2020, but also need to be generating significant flows before then.
- Also, the EU needs to present itself as a credible leader in the negotiations, and this requires that it demonstrates the ambition it asks of the new agreement also through its own policies. The discussions on the 2030 climate and energy package are of crucial importance here. Outcomes need to reflect the EU taking up its fair share of the global effort, which entail a domestic ambition target substantially higher than the 40% that has been proposed by the by the Commission. Furthermore, the EU would substantially contribute to delivering progress at the international negotiations if it would set up, through the structural reform of the ETS, funding measures which automatically deliver climate finance from auctioning of emissions allowances to the Green Climate Fund, as well as support climate action at home (e.g. an ETS NER300-type fund)

Question 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?

- The 2015 agreement should have equity at the heart of the deal. The recognition of sustainable development as a fundamental right of all people and countries has to be at the forefront of the negotiations. The failure of the Copenhagen Summit to deal upfront with this right as well as to establish what would be a fair division of the effort to be delivered led to its eventual breakdown. A different approach will be needed to reach agreement in 2015.
- Equity can be understood to mean that each country contributes its fair share to the globally needed mitigation effort. This must include an understanding of the latter in terms of emissions pathways and remaining carbon budgets in order to keep warming below 2°C with high probability and to keep staying below 1.5°C warming within reach. The agreement must also recognise the right to sustainable development of all people and countries and include commitments and obligations by countries in line with an operationalisation of the UNFCCC principle of common but differentiated responsibilities and capabilities to inform what each country's fair share is.
- The discussion on equity and fairness cannot be avoided and will in fact need to be the very first step in building an agreement for countries to be guided in their own national consultations on their initial 'offers' for mitigation commitments under the new agreement. This will require a discussion on what indicators should be included in the assessment of fairness of effort which would provide guidance for countries to assess their own and each other's mitigation commitments. The discussion is needed before countries identify their initial mitigation 'offers' at home, e.g. through domestic consultation (see also Q4). An approach favoured by some, by which countries' commitments would be purely identified by those countries alone is bound to fail, and will not ensure that all countries come on board, nor that overall ambition will be sufficient to avoid catastrophic levels of warming.
- To operationalise the above, Oxfam supports the proposal by CAN International, on agreeing an Equity Reference Framework (see the submission by CAN Europe).
- The 2015 agreement should also pin down the ways in which developed countries will deliver on their commitments to provide climate finance in line with commitments made in Copenhagen in 2009. The flipside of low ambition currently present in developed countries is that more climate finance should be provided to developing countries to help them with emissions reductions – this would be an important contribution to helping close the emissions gap as well. This means that in advance of COP21 in December 2015, and as sine qua non for delivering the agreement, developed countries need to be able to demonstrate progress over the years preceding 2015, i.e. showing year-.on-year increases in finance until 2015 and make concrete and transparent progress on their commitments to increase finance to 100bn USD annually by 2020. The lack of clarity on financial commitments for the majority of parties since the end of the Fast Start Finance period is not conducive to constructive negotiations and risks scuppering the deal.
- The new 2015 agreement should be legally binding, built on an improved set of rules from the Kyoto Protocol and the Convention. An open review at regular intervals of the mitigations commitments as well as finance commitments made by parties, as well as assessment of the emissions gap to stay below 2°C should be held to create the pressure to move to greater ambition.

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

- Studies mapping climate action across the world by GLOBE[1] show that climate policies are being implemented in most major economies, meaning that carbon leakage concerns will cease to be a major concern anymore in the future. In fact, one of the best ways in which Europe could address concerns around carbon leakage would be to focus on early action domestically, which would in fact give a competitive advantage to European industries. Moreover, studies show that In a global policy scenario aiming for equal per-capita levels in 2050, regions with above average emissions incur lower mitigation costs by taking early action, even if the rest of the world delays.
- For the EU, this would mean agreeing on a comprehensive set of ambitious climate policies for 2030 to put Europe ahead of other economies, as well as lead in the fight against climate change. Such a package should include an ambitious greenhouse gas target that is in line with complete decarbonisation in 2050, a renewable energy target with social and environmental sustainability criteria, as well as an energy efficiency target. Furthermore, agreeing domestic ambition well in advance of COP21, before the Ban Ki-Moon meeting in 2014, will be crucial to ensure a successful global agreement on climate change in 2015.
- In international sectors where direct competition occurs, such as aviation and shipping, proposals exist to ensure that no distortion takes place in the sector while respecting principles of Common But Differentiated Responsibilities and Capabilities. Influential organisations such as the World Bank propose that the impact of climate measures in these sectors could be offset through a rebate to those countries where the impact of such measures is not in line with those countries respective capabilities. Instead of exempting companies from these countries, countries themselves would be compensated for the (in fact very small) increase in costs that their economies will incur.

Question 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?

- First, there needs to be clarity on the globally needed mitigation effort to which countries would contribute through an equitable distribution of mitigation commitments. In our view, this effort needs to be identified based on science and adhering to the precautionary principle, and must ensure the world moves onto an emissions pathway consistent with a high probability to keep warming well below 2°C while keeping the possibility to stay below 1.5°C within reach. For the agreement, both the global emissions pathway and the available carbon budget corresponding to such a pathway must be established.
- Second, it is within that identified globally needed mitigation effort, that countries would be required to contribute their fair share. We suggest distributing the required effort to reach the globally needed mitigation, not e.g. remaining tonnes of carbon within a carbon budget (but the resulting emission levels inherent in all countries' efforts need to stay within the remaining budget).
- A country's fair share of the global effort should be identified based on the principle of common but differentiated responsibilities and respective capabilities. This could mean a country would be expected to contribute according to its relative responsibility for past and current emissions as well as its relative capabilities to reduce emissions, which could be understood as a function of factors such as average wealth levels in that country, development needs and poverty-reduction priorities (ensuring each country's right to sustainable development), inequalities within a

[1] http://climatepolicyinitiative.org/publication/the-policy-climate/

country, the availability of mitigation technologies, marginal abatement cost relative to a country's economic capacity and other factors describing the level of human development within a country.

- It is of utmost importance that countries reach an understanding on applicable equity principles and criteria before countries identify (e.g. through domestic consultation) their initial mitigation 'offers' during 2014, as countries will have to know beforehand against what principles and criteria their 'offers' will later be assessed against, with regard to equity, adequacy and ambition, before final commitments can be inscribed into the new agreement.
- The differentiation based on criteria and principles such as the above would also eventually be expressed by (a) the nature or type of a country's commitment (which could also be a combination of several sub-commitments) and (b) the numbers, i.e. ambition, attached to it. For instance, at least all those countries that are expected to reach levels of capability and responsibility compared to today's Annex 1 countries should accept economy-wide, absolute reduction targets for the period after 2020. Countries with medium capability and responsibility could accept other types of commitments such as economy-wide efficiency targets, or a combination of commitments e.g. on a sectorial basis, where perhaps a country would accept an efficiency target for one sector and an absolute emissions target for another. Countries with low capability and responsibility will need to be given more flexibility. Countries with extremely low capability, such as Least Developed Countries, should be encouraged to accept voluntary, action-oriented commitments but not be obliged to take on outcome-oriented targets.
- The equitable distribution of mitigation commitments should be designed in a way that allows graduation of commitments over time as countries become more capable and more responsible. For instance, a country with medium capability and responsibility might start with an economy-wide efficiency target plus an absolute emissions target say for the power sector (contributing to reaching the economy-wide efficiency target). Over time, it could strengthen its commitment e.g. by accepting absolute targets also for other sectors, until, by the time the country has reached high levels of capability and responsibility, the country is subject to an economy-wide emissions target.

Question 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?

- The 2015 Agreement should include adaptation as part of a continuum of actions which are strongly related to the level of mitigation ambition that is displayed by parties. A lack of ambition on mitigation results in emissions gaps which mean that substantially more resources will be required for countries to adapt. Similarly, if adequate actions for adaptation are enabled and supported to be taken in time, more resources will need to be spent on addressing loss & damage.
- A new mechanism to deal with Loss and Damage should also form part of the 2015 deal. The principles, functions and modalities of the institutional arrangement on Loss and Damage should be agreed throughout 2013, for the mechanism to be established at COP 19, in Warsaw, and operationalized by 2015.
- The 2015 agreement should agree to a robust review mechanism to ensure that the scale of needs for adaptation and loss and damage is periodically reviewed, and guidance is issued to the relevant institutions and parties.
- While as part of the ADP negotiations, agreement should be reached that a minimum of 50% of all public climate finance between now and 2020 will be spent on adaptation, the new 2015 Agreement should also ensure that climate finance arrangements (see next section) include developed country targets to provide public financial support for adaptation in developing countries, which prioritise the needs of the poorest and most vulnerable recipient countries. These public finance commitments must be defined in line with estimates of developing country needs, the best available climate science on emission trajectories and climate impacts, and

within the objective to maintain a pathway to stay below 2°C while keeping a limit of 1.5°C within reach.

Question 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?

- Financing low-carbon and climate-resilient development after 2020 will require a significant scale up in resources. Most assessments indicate that the overall financing required to catalyse this shift in developing countries will be several times larger than the $100bn commitment made by developed countries. Even if significant financing comes from the private sector, action will still fundamentally depend on major public finance support – crucially to support adaptation in poor and vulnerable countries and low-carbon development plans in countries that have difficulties attracting private sector investments. It is therefore imperative that the post-2020 agreement set clear objectives specifically focused on public finance.
- The 2015 agreement should agree on **public finance targets for the periods 2020-2025 and 2025-30**. These must include a dedicated amount for adaptation, which prioritizes the needs of the poorest and most vulnerable recipient countries, in line with estimates of developing country needs, the best available climate science on emission trajectories and climate impacts, and within the objective to maintain a pathway to stay below 1.5°C.
- The ADP should agree to a **robust review mechanism t**o ensure that the adequacy of existing public finance commitments is reviewed on a regular basis in line with the latest science and needs analyses, ensuring that adaptation is prioritised in the use of public finance.
- The ADP must work towards meaningful commitment to developing **innovative sources of public finance** which will be essential post 2020, but also need to be generating significant flows before then. The 2015 deal must include agreement on alternative sources of financing, including carbon pricing in the international transport sector, and other potential sources such as FTTs. These sources are critical to raising significant public finance that is not subject to annual budget cycles in contributing countries.
- Climate finance for mitigation should also be understood as a second tier by which developed countries with high capability and high responsibility deliver on their fair share to the globally needed mitigation effort .Climate finance contributions should be agreed multilaterally, based on the 'fair shares' that emerge from the Equity Reference Framework to be agreed by parties. **Disbursements of climate finance post 2020 should also be guided by equity principles. Climate finance for adaptation should be prioritised to meet the needs of the poorest, least developed and most vulnerable countries, including small island developing states, and to the most vulnerable peoples, populations and communities.**
- The ADP must agree that **by 2020 (i.e. when the new agreement enters into force), the Green Climate Fund should become the main channel to manage and allocate international climate finance**. A central fund with democratic and transparent governance and ensuring a country-driven approach to action is key to creating trust and ensuring fair provision of finance.
- **Climate finance should be provided in ways that ensure country ownership and the ability of civil society and affected communities in developing countries to participate in the development and oversight of strategies and plans for the use of the finance.** Together with national designated authorities and funding entities, multi-stakeholder mechanisms at the country level should have the authority to set parameters and make key decisions about the projects and programs to be funded.
- Agreement must be reached that **climate finance should be subject to internationally agreed safeguards and rights, implemented through national country systems.** Social and

environmental safeguards should be in line with international standards but are best designed and administered through national, accountable, participatory and inclusive institutions.

- The 2015 Agreement should also include clear accounting rules for the provision of finance which is transparent and traceable (provides details of funding), comparable, and clarifies to what extent climate finance provided is additional to the 0.7% aid commitment.

Question 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?

- The 2015 agreement should include a harmonisation of accounting and reporting provisions. For mitigation, all countries would be able to report on actual net emissions entering the atmosphere every year. Obviously there will have to be flexibility given to developing countries, especially those with lower capabilities, and the detail and stringency of accounting and reporting will also depend on available financial and technical support given to these countries. Certainly all countries in the upper ranks of responsibility and capability should have the same requirements on accounting for emissions and for meeting their commitments – to allow assessments regarding comparability of effort and the equitable distribution of mitigation commitments.
- The 2015 agreement should also include improved reporting formats for the provision of climate finance. One of the most important lessons learned from the Fast Start Finance period is that the lack of agreed common standards for climate finance have led to a considerable amount of creative accounting by developed countries. Despite important steps taken with the setting up of the Green Climate Fund and other institutions, and despite the vague, but oft repeated commitment by developed country parties to deliver $100bn annually by 2020 in climate finance, progress on climate finance can currently not be transparently measured or monitored. For instance, there is no common baselines against which claims of newness and additionality are made, a lack of common standards with regard to accounting for loans, including non-concessional loans, and private finance, and a lack of accounting clarity for financed programmes where climate is only one out of several components or objectives
- The 2015 agreement should include decisions that clarify what can be counted as climate finance, and agreed reporting formats (Common Tabular Formats for reporting) should include project level reporting rather than only aggregate numbers and mutually agree with recipient countries which funded activity is considered climate finance consistent with Article 4 of the UNFCCC and which one is not.

Question 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?

- The preparedness of countries to sign up to an ambitious agreement in 2015 is a direct function of those countries believing that what will be expected of them can actually be delivered. This means the EU should use a two-tier approach that on the one hand pursues the negotiations but on the other hand engage much more actively in delivering climate action on the ground. For instance the EU could seek the co-operation with interested countries on new initiatives to identify barriers of action and ways for their removal as well as support needs, for an expanded deployment of renewable energies e.g. in some of the advanced developing countries. The Alliance of Small Island States (AOSIS) has brought up this idea within the context of the negotiations but it could also be pursued outside the UNFCCC, e.g. in a dedicated initiative between the EU and interested partner countries, e.g. to be launched at the Warsaw Cop or the Lima COP.

- Also, the EU needs to present itself as a credible leader in the negotiations, and this requires that it demonstrates the ambition it asks of the new agreement also through its own policies. The discussions on the 2030 climate and energy package are of crucial importance here. Outcomes of the 2030 climate and energy package need to reflect the EU's fair share of the global effort, which entail a domestic ambition target substantially higher than the 40% than is currently put on the table by the Commission. Furthermore, the EU would substantially contribute to delivering progress at the international negotiations if it would set up, through the structural reform of the ETS, measures which automatically deliver climate finance from auctioning of emissions allowances to the Green Climate Fund (e.g. an ETS NER300-type fund).

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