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Submission to the European Commission public consultation on the 2015 international climate agreement

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Our main messages:

- ✓ Greenpeace calls for an ambitious 2015 agreement in which as many countries as possible participate, in particular all major emitters.
- ✓ The agreement must be legally binding (a Protocol) and provide the instruments and flexibility that enables countries to commit to increasingly ambitious greenhouse gas emission reductions.
- ✓ Consideration should be given to long-term emission reduction pathways consistent with keeping temperature increase well below two degrees Celsius (2°C) with high certainty.
- ✓ Non-participation measures should be included in the agreement in order to encourage participation of as many countries as possible.
- ✓ Carbon leakage concerns have been gravely exaggerated by industries. Subsectors that may be exposed to a significant risk must be identified by fact-based independent economic assessment, on the basis of strict criteria.
- ✓ The 2015 climate agreement must provide a set of binding minimum standards for the establishment of regional and national emissions trading schemes (cap and trade schemes) and potential linkages between these schemes.

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?

Most important is to establish an ambitious global agreement in which as many countries as possible participate, in particular all major emitters. The agreement must be legally binding (a Protocol) and provide the instruments and flexibility that enables countries to commit to increasingly ambitious greenhouse gas emission reductions.

Consideration should be given to long-term emission reduction pathways. In order to keep global temperature increase well below the 2°C with adequate certainty, global greenhouse gas emissions must be reduced at least 80% by 2050 against 1990 levels. Global emissions should peak by 2015 and should be reduced to at least 1990 levels by 2030.

The 2015 agreement must provide an incentive for more ambition by:

- ✓ Regular comparison of agreed cumulative reduction efforts with scientific findings regarding the emission reduction pathways consistent with keeping temperature increase well below 2°C.
- ✓ Regular comparison of reduction commitments with the country-by-country results of effort sharing calculations (based on a range of often used effort sharing formulas).
- ✓ A review every five years of the greenhouse gas reduction commitments under the agreement.
- ✓ Non-participation measures should be included in order to encourage participation of as many countries as possible. The agreement should enable participants in the 2015 agreement to price and regulate emissions related to imports from non-participants. Ideally, participants agree a common approach.

The EU's milestone of 40% greenhouse gas emission reductions for 2030 (which has been mentioned in the Commission 2030 Green Paper) is not consistent with a cost-efficient and low-risk pathway for keeping global warming below the 2°C threshold. Greenpeace calls for at least 55% domestic greenhouse gas emission reductions by 2030 compared to 1990 levels (as part of a package of targets for renewable energy, energy savings and greenhouse gas emission reductions). Attached to this submission is a report by Ecofys, regarding the EU 2030 targets[1].

For 2030, the EU must agree a set of targets irrespective of action in third countries. The conditional EU commitment to 30% greenhouse gas reductions has not encouraged non-EU countries to increase their level of ambition. Instead, the conditionality has created unnecessarily uncertainty for investors within Europe.

[1] Ecofys (2013), The next step in Europe's climate action: setting targets for 2030

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?

The risk of carbon leakage has been gravely exaggerated by several industry groups in order to gain unjustified competitive advantages. For instance in the EU, several industries (steel, refineries[2]) have profited from free allocation of ETS emission allowances, while they have passed on carbon costs related to the ETS to consumers.

Moreover, many industries in the EU have built up a reserve of carbon emission allowances that they obtained for free. The surplus within the system is expected to grow further up to 2020, and under current rules can also be used for compliance post-2020. It is worth noting that the long list of companies benefiting from free emission allowances was developed on the basis of a projected 30 euro per tonne ETS carbon price by 2020, while current prices are around 4 euro per tonne.

According to recent analysis by the European Commission's DG for Industry and Enterprise there is little evidence to support the concept that the decision by firms to offshore is the result of excessive regulatory costs[3]. For industry, climate and energy policy is a far less relevant factor in investment decisions than other aspects, like differences in tax structure, labour costs or local market conditions. These aspects cannot be tackled by a 2015 agreement.

Nevertheless, a limited number of subsectors in the EU may be exposed to carbon leakage as a result of inaction in other countries.

In the case certain major economies do not participate in the 2015 agreement, a list of (sub) sectors must be prepared on the basis of fact-based independent economic assessment, using strict and transparent criteria. The fact that many industries can still reduce energy costs (and related emissions) with a net gain to their competiveness must be taken into account, as well as the possibility for industries to pass on carbon costs to consumers.

Only for the (sub) sectors that are identified as exposed to a significant risk for carbon leakage complementary measures should be taken to avoid carbon leakage. These could include pricing and regulating imports from countries not participating in the 2015 agreement or targeted subsidies to compensate industries for incurred carbon costs. However, such subsidies must be strictly earmarked for investments in low-carbon industrial technology.

[2] CE Delft (2010), Does the energy intensive industry obtain windfall profits through the EU ETS?

[3] European Commission (2012), European Competitiveness Report.

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?

An ambitious and effective 2015 agreement requires binding emission reduction commitments from all countries, in particular the major emitters. Next to the commitments for developed countries, also other countries (in particular major economies such as China, India, Brazil and South-Africa) must commit to binding emission reductions.

Application of one specific effort sharing formula is not likely to deliver success; a more flexible approach is required.

Initially countries must indicate themselves their economy-wide level of post-2020 greenhouse gas emission reductions. A 2014 deadline for this first step must be established in Warsaw (COP19). In a second round, countries can comment on each other's reduction commitments and commitments are compared with country-by-country results of effort sharing calculations (based on a set of widely accepted effort sharing formulas). Finally, the ambition level per country will be fixed (provided later reviews) in 2015 (COP21). The emission reduction commitments must be included in a schedule that must be revised every five years without complex ratification procedures.

Sectoral agreements for important internationally operating industries (steel, chemical, aviation, and shipping) could also be part of the 2015 agreement, provided compliance is ensured (no voluntary agreements).

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?

The 2015 climate agreement must provide a set of binding minimum standards for the establishment of regional and national emissions trading schemes (cap and trade schemes) and potential linkages between these schemes. The rules must ensure these schemes deliver real, permanent and additional emission reductions. Emission reductions from forest protection (REDD+) programmes should not be eligible for trading under emissions trading schemes, but should be funded by international climate finance instruments.

Existing offsetting schemes (Clean Development Mechanism, Joint Implementation) under the Kyoto Protocol are flawed and require a complete overhaul. Under current circumstances, the EU should refrain from purchasing any offset credits post-2020.

The 2015 climate agreement must also provide instruments to generate new and additional international finance. The finance must support energy savings, renewable energy, forest protection and climate adaptation in the poorest countries.

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 must provide a clear and binding set of common accounting rules which provides clarity on how to calculate performance and compliance. At a minimum, the compliance regime should combine the enforcement and facilitative approaches under the Kyoto Protocol with the peer-reviewed mechanisms established in Cancun (IAR/ICA) as well as add measures for non-participation. The regime should also include an early-warning mechanism of potential non-compliance.

For the development of domestic and regional carbon markets binding quality standards are required under the 2015 agreement to regulate amongst others quality standards for credits, a common transaction log and compliance rules. The rules must ensure real, permanent and additional emission reductions.

Monitoring, reporting and verification is crucial for transparency, building trust and compliance. Governments must publish regularly and electronically data. Detailed technical reporting should take place annually.

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?

Clear rules of procedures, including voting provisions for routine implementation decisions of the Conference of Parties, should form a part of the 2015 agreement, though resolution of the matter does not need to wait until then.

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 EU should invest in processes that assist the development of regional and national emissions trading schemes. These schemes, and cooperation between countries developing carbon markets, can be an important stepping stone towards the 2015 agreement.

The EU should work closely with the small island states and other vulnerable countries, so to jointly push for a higher level of ambition in the 2015 agreement.

The EU should also take a leading role in establishing sectoral agreements for important internationally operating industries (steel, chemicals, aviation and shipping).

Moreover, the EU should play an active role in the G20, ICAO, IMO and other relevant bodies that can bring major emitters on board of the 2015 agreement.

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