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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**The 2015 International Climate Change Agreement: Shaping international climate
policy beyond 2020**

Consultative Communication
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Consultative Communication

<p>This Consultative Communication invites a debate with Member States, EU institutions and stakeholders on how best to shape the international climate regime between 2020 and 2030. It sets out a context and poses a set of questions to frame this debate. Further background is given in a separate staff working document.</p>
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1. THE URGENT NEED FOR MORE AMBITION

The first decade of the 21st century was the warmest on record and the summer of 2012 witnessed the unprecedented melting of Arctic sea ice. Extreme weather events witnessed during 2012, such as the extreme drought and wildfires in Southern Europe and the US, followed by unprecedented storms and flooding in parts of Asia, the Caribbean and North America, although not individually attributable to climate change, are consistent with science projecting that their frequency and impact will increase as our climate changes further. Even as the global economic growth slowed, human-induced emissions of the greenhouse gases (GHGs) that cause global warming continue to rise dramatically.

Although the science of climate change is clear and the impacts are increasingly visible, actions to address climate change continue to fall far short of what is needed. The most recent UNEP "gap report" shows that countries' unconditional pledges to reduce GHG emissions, if fully implemented, will deliver no more than one third of what is needed by 2020 to prevent a dangerous 2° C rise in global mean temperature above pre-industrial levels. A recent World Bank report predicts that even if these pledges are fulfilled there is a 20% likelihood that the globe will be on track for more than a 4° C temperature rise by 2100. This would be a more than fivefold increase compared to the rise in global temperature the world is experiencing today, with extremely severe risks for vital human support systems.

Only by acting collectively, and with greater urgency and ambition, can we avoid the worst consequences of a rapidly warming planet. Recent research and analysis reveals that this is still within our reach, and that the pathway there promises many other benefits. Countries that have begun to pursue low carbon development strategies are demonstrating that significant reductions in greenhouse gas (GHG) emissions can be achieved at affordable cost, and can generate benefits as diverse as new jobs, national energy security, improved urban transportation, lower energy bills (through energy savings and increased efficiency) and improved air quality. Despite a wide spread acknowledgement that reducing the use of fossil fuels is in their national interests, many countries however continue to fear negative economic repercussions or lack the tools and means to enable further action, especially in the current economic context. The result is that global ambition remains insufficient.

In 2011 the international community launched negotiations on a new international agreement to act collectively to protect the earth's climate system. This agreement, which is to be completed by the end of 2015 and to apply from 2020 onwards, is currently being negotiated through a process known as the "Durban Platform for Enhanced Action" (ADP).

Negotiations under the ADP follow two work streams: the first will adopt a new international agreement by 2015, the second aims at increasing ambition before 2020, when the 2015 Agreement will enter into force. While this Consultative Communication focuses on the first work stream, designing the 2015 Agreement, the actions we take between now and 2020 will be crucial to setting policies on the right path.

2. INTERNATIONAL CLIMATE POLICY: STATE OF PLAY, CHALLENGES AND OPPORTUNITIES 2020-2030

The 2015 Agreement will have to bring together, by 2020, the current patchwork of binding and non-binding arrangements under the UN Framework Convention on Climate Change (Convention), into a single comprehensive regime. The EU and a number of other European countries as well as Australia agreed to join a legally binding 2nd commitment period under the Kyoto Protocol as a transitional measure between 2012 and 2020. During this same period, a further sixty countries, including the United States of America (US), major emerging economies, low and middle income as well as least developed countries, have pledged to take different types of emission reduction and limitation commitments under the Convention. These pledges were triggered by the Copenhagen Climate Conference at the end of 2009 and formally submitted as pledges that are not legally binding under the Convention a year later in Cancun (see accompanying staff working document for further background).

The unilateral, or "bottom up" nature of the Copenhagen-Cancun pledging process allowed for a more inclusive international approach. For the first time the US, China, India, Brazil, South Africa, the EU and others committed at the international level to specific domestic climate policies as part of the same initiative. However, in addition to being voluntary, a number of the pledges made by major economies are conditioned, for example on others taking more ambitious action and the availability of financial resources. Most importantly, as already mentioned, current pledges, if fully implemented, are expected to deliver less than a third of the ambition required to stay below a 2° C temperature rise.

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. We will need to move beyond the North-South paradigm reflecting the world in the 1990s towards one based on mutual interdependence and shared responsibility. The 2015 Agreement will need to address the challenge of attracting the participation of all major economies, including the US, China, India and Brazil, that have so far resisted legally binding commitments to reduce their GHG emissions. It must build on the current frameworks to support countries in their efforts to adapt to unavoidable climate change, especially the most vulnerable. Most importantly, it must provide a bridge from the current patchwork and bottom up approach, largely based on non-binding decisions, to a legally binding agreement that effectively combines a bottom up and top down approach and that will put the world on an emissions pathway that will keep the global temperature rise below 2° Celsius.

The Agreement will have to reflect how the world has changed since climate negotiations began in 1990 and how it will continue to change as we approach 2030. It will operate in a context in which (see accompanying staff working document):

- Scientific advances have removed any reasonable doubt that we are warming the planet;
- Emerging economies are an increasing source of economic growth and GHG emissions;
- Significant sustainable development challenges remain;
- Addressing climate change also brings significant opportunities;

- Increasing global trade will continue to raise issues about production-related emissions, and preventing carbon leakage (carbon intensive activities shifting from high ambition to low ambition countries).

3. FOUNDATIONS OF THE 2015 AGREEMENT

The process of designing and implementing the 2015 Agreement will need to overcome a number of challenges:

- **Enabling the necessary ambition for reducing global emissions**

Previous negotiations have led to pledges and commitments that are insufficiently ambitious. Avoiding a similar situation for the 2015 Agreement will be essential to prevent dangerous climate change. For the first time, the current negotiations are to be guided by the long term goal of putting the world onto a pathway that will keep global warming to below 2° C compared to pre-industrial levels. However, it seems unlikely that governments will agree precisely how the entirety of this challenge can be shared in an equitable manner in 2015. In addition to being grounded on a sense of shared responsibility, and on fair individual starting points for reaching that goal, the new agreement must therefore also provide the tools and processes to enable the further strengthening of individual and collective ambition. It must be able to adjust dynamically, enabling the regular review and, inevitably, strengthening of ambition. Moreover, it must provide a means of demonstrating that countries can do more collectively than they are able do individually and avoid that countries wait for others to act first before taking action themselves. And it must provide incentives to encourage ambition, and disincentives for low ambition.

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?

- **Enabling the contribution of all major economies and all sectors in the global mitigation effort**

Environmental effectiveness will require contributions from all major economies and all sectors in a comparable, equitable, transparent and accountable manner that minimises the risk of carbon leakage. Securing contributions from all major economies and all sectors is therefore essential. Without such agreement, individual states and regions may continue to hold back their climate ambition in relation to what their competitors are prepared to do. To help avoid this, the 2015 Agreement could both encourage and incentivise countries to adopt ambitious commitments sooner rather than later and help level the playing field between current leaders and laggards.

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?

- **Mainstreaming climate change and the mutual reinforcement of processes and initiatives**

Climate change policy can never stand alone but instead must support economic growth and the broader sustainable development agenda, as well as help create new employment opportunities. Whether it addresses mitigation or adaptation, climate policy must be fully integrated or "mainstreamed" across all policy areas and form a key component in the design of energy, transport, industry, agriculture, forestry and broader sustainable development policies and strategies.

The 2015 Agreement must therefore recognise and reinforce broader sustainable development objectives and support the full integration of climate change objectives into relevant policy areas. This includes the follow-up to the Rio+20 Conference, and the review of the Millennium Development Goals (MDG) by 2015, as well as the implementation of agreements such as the Convention on Biological Diversity. This work provides an opportunity to address challenges related to climate change and its impacts on poverty eradication and the three pillars of sustainability (environmental, economic and social development), where it can provide important co-benefits. In this respect, the Commission has proposed a joint approach towards a "Decent Life for all by 2030" that brings together the work strands of the follow-up to Rio+20 and the MDG review.

Moreover, it is important to encourage bilateral, plurilateral and regional initiatives that complement and accelerate efforts under the Convention. These complementary initiatives could encourage countries, together with the private sector and civil society, to make progress in reducing emissions through more focused collective action. Current examples of such initiatives include the initiative to phase out fossil fuel subsidies under the G20, initiatives launched in the context of the Rio+20 process and efforts to reduce emissions of short lived climate pollutants, including hydrofluorocarbons (HFCs).

Question 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?

4. DESIGNING THE 2015 AGREEMENT

The negotiation round launched in Durban in 2011 reflects a fragile but crucial international consensus about the nature of the 2015 Agreement. If it is to deliver more than Kyoto, Copenhagen and Cancun have yet delivered, the 2015 Agreement must be inclusive, by containing commitments that are "applicable to all" countries, developed and developing alike. It must be ambitious, by containing commitments that are consistent with limiting global mean temperature rise to 2° C. It must be effective, by enabling the right set of incentives for implementation and compliance. It must be widely perceived as fair and equitable in the way in which it shares the effort to reduce GHG emissions and the cost of adapting to unavoidable climate change. Moreover, the 2015 Agreement must be legally binding. Only a legal form entailing a legally binding treaty will reflect the highest degree of

political will required to drive the necessary level of ambition and the global transition to a low carbon economy; ensure that commitments are ratified and implemented in national law; secure the longer-term attention of governments, civil society, business and the media; and ensure the appropriate level of transparency and accountability for the commitments made.

The 2015 Agreement must focus on encouraging and enabling countries to take new and ambitious mitigation commitments. At the same time it must learn from and strengthen the current international climate regime. Many of its institutions, tools and processes, including the Green Climate Fund, the Adaptation Committee, International Assessment and Review and Consultation and Analysis, the Technology Executive Committee, Low Emission Development Strategies and National Adaptation Plans, have only just started their operation, but could contribute significantly to the design of the 2015 Agreement.

The 2015 Agreement must respond to scientific advances, including the 5th Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), the summary of which is due to be finalised in October 2014, a year before the adoption of the 2015 Agreement. It will also need to be sufficiently dynamic and flexible to adjust as scientific knowledge develops further, but also as unit costs of technologies, as well as national or regional socio-economic circumstances change. The recently agreed second commitment period to the Kyoto Protocol sets an interesting precedent for dynamic regime design by defining a review process that encourages ambition to be increased or ambition gaps to be narrowed during the commitment period. At the same time, this dynamism will have to be balanced by the expectation, especially from business, for predictability and certainty.

- Mitigation

Science tells us that in order to have a likely chance to stay below 2° C, the growth of global GHG emissions will have to be reversed before 2020 and global emissions must decline every single year thereafter. Accordingly, the 2015 Agreement needs to meet the challenging goal of reducing global emissions to below 1990 levels by 2030, which would be equivalent to a global reduction of around 25 % compared to 2010 emissions.

While the Copenhagen-Cancun pledges, combined with Kyoto's second commitment period have left a significant ambition gap, they have also generated a tremendous variety of national policies and measures, including carbon markets designed to reduce emissions in specific sectors.

In parallel to the 2015 negotiations, the Convention and the Kyoto Protocol will continue to improve transparency and accountability, defining common elements for reporting, improving existing and developing new market mechanisms, and encouraging new international partnerships around different sectors, gasses and policies, for instance agriculture and forestry, shipping and aviation or GHGs other than CO₂.

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?

- Adaptation

Adverse effects of climate change will increasingly be felt and adaptation challenges will further increase. The specific impacts of climate change will vary across countries depending on their geographical, cultural, social and economic situation and their resilience and capacity

to adapt. Different measures will be required, designed locally to meet local situations and integrated in the normal development planning process. Domestic and regional experiences with work on adaptation, including within the EU and its Member States, have underlined the need for the full mainstreaming of adaptation issues into a broad range of policy areas, such as regional and spatial planning, coastal area and water management, agriculture and health. They have also highlighted the need for full coordination with disaster risk management policies and shown the benefits of ecosystem-based adaptation.

To date, the adaptation framework under the Convention focussed on improving the resilience of societies through closing knowledge gaps (Nairobi Work Programme), better planning (National Adaptation Plans), and improved access to funding (Adaptation Fund, Green Climate Fund). In addition, the 2012 Doha Climate Change Conference further strengthened international cooperation on the issue of loss and damage associated with the adverse effects of climate change, including impacts related to extreme weather events and slow onset events. Important complementary work also takes place outside the Convention, including in the context of the Hyogo Framework on Disaster Risk Reduction.

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?

- Means of implementation

The EU should promote a comprehensive and integrated approach to the means of implementation including financing issues at the global level. At present, financing discussions related to climate, biodiversity, development and sustainable development are taking place in different fora, even though the potential financing sources are the same. There is a strong need to ensure coherence and avoid a duplication of efforts with regard to the UN financing for development process. The Commission plans to present a proposal for an integrated EU approach to financing and other means of implementation related to the various global processes.

Discussions on means of implementation will need to include the options for mobilising the necessary finance, both from domestic and international, public and private sources, as well as the development and deployment of new technologies and the use of market-based mechanisms.

Financing

Discussions on the appropriate financing to enable and support poor countries to implement their mitigation commitments and address adaptation challenges will remain a central element in the elaboration of the 2015 Agreement. Climate considerations both for mitigation and adaptation will need to be fully integrated into all public and private investments in the coming decades.

The Green Climate Fund is in the process of being made fully operational. In Copenhagen, developed countries promised to mobilise US\$ 100 billion annually for climate finance by 2020 from a wide variety of sources as needed and in the context of meaningful mitigation action and transparency on implementation. Looking ahead to 2030, due to continued economic growth all major and emerging economies are expected to further strengthen their capabilities to act against climate change including by joining forces in providing support. Already now 32 countries that are considered "developing countries" under the Convention have a higher per capita GDP than the EU Member State with the lowest per capita GDP. By

2020 and beyond this number may have increased even further. The discussions on means of implementation under the 2015 Agreement will need to take this new reality into account, and move beyond a developed/developing country paradigm into one in which a broader range of countries will be expected to shoulder a share of the responsibility to provide the necessary means.

The 2015 Agreement will also need to build upon the outcome of on-going discussions on mobilising private finance and innovative sources of financing. Putting an international price on carbon emissions from international aviation and maritime transport, could, in addition to achieving its primary goal of emission reductions, also help provide the necessary resources to support international climate change mitigation and adaptation measures.

Technology

At the same time, by 2020 climate policies will already have harvested many of the cheapest emission reduction options, especially energy efficiency improvements, but also the most competitive renewable energy options. Consequently, the focus will increasingly shift to new and more advanced technologies. Driving down the costs of these technologies and creating the right policy framework for their deployment will become key. Creating an international framework that can help incentivise the faster dissemination of these technologies internationally is a key task for the Convention, which was why the Climate Technology Centre and Network was created. In the coming years this new institution will have to show its added value.

Market-based mechanisms

The fight against climate change will only succeed if the 2015 Agreement can be implemented in a cost efficient way in the years after 2020. Therefore, there will need to be an increased focus on the use of market-based instruments.

In the EU the focus will remain on giving market incentives to reduce emissions, including through emissions trading. The Kyoto Protocol raised the profile of this innovative flexible tool to help meet emission reduction commitments. Since then, the EU emissions trading system (EU ETS) has been developed, covering 30 countries and giving the main incentive for the rapid development of the Kyoto Protocol's Clean Development Mechanism. Moreover, the use of carbon pricing and market based mechanisms domestically is gaining support and interest in a growing number of countries. This includes the start of the carbon pricing mechanisms in Australia, which is to develop into a fully-fledged emissions trading system by 2015, but also domestic developments in Korea and China, as well as a number of States in the US. In addition, countries are starting to explore options to bilaterally link their emissions trading systems, including between the EU and Australia.

However, over the past years the flexibility mechanisms have been heavily criticised, and any further development or improvement (including agreement on advanced sectoral market mechanisms) has proven difficult. Over the last five years the main developments of market based instruments have taken place domestically and outside the Convention indicating that there seems to be a preference for bilateral and plurilateral solutions.

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?

- Transparency and accountability

The previous round of negotiations focussed in particular on improving transparency through a complete overhaul of the measurement, reporting and verification (MRV) system. This improved system should have completed its first full cycle in 2015. At the same time, much experience on accounting has been gained under the Kyoto Protocol. However, the current legal patchwork does not provide for a robust accounting framework for all. The next round of negotiations provides a unique opportunity to create such framework taking into account the lessons learned from the Kyoto system. Improving accounting is particularly desirable given the continuing domestic debates about the comparability of domestic efforts with efforts in other countries and resulting ambition decisions. Uncertainties and suspicion on the ambition levels of other countries continues to undermine trust and confidence.

An international agreement with a strong legal character requires a robust system of compliance and enforcement, capable of determining whether a Party has complied with its commitments, providing facilitation to bring a Party into compliance, and holding non-compliant Parties accountable. The Kyoto Protocol enforcement branch may, for example suspend from international emissions trading a Party that has failed to fulfil its reporting obligations. While the Kyoto compliance system has had mixed results, its successes have depended on tailoring compliance procedures and consequences to the specific nature of the commitments Parties undertake.

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?

5. PREPARING THE PATH FOR THE 2015 AGREEMENT

The UN negotiating process over the past two decades has become more complex with increasingly crowded meeting agendas and annual highly politicised Conferences of the Parties (COPs). COPs that on the one hand fail to meet often unrealistic public expectations and on the other hand do not respond to scientific evidence undermine the credibility of international institutions and erode domestic support for climate action. Their open-ended participation and decision-making by consensus often results in only agreeing on the lowest common denominator. Moreover, the costs of this negotiating process are considerable.

Opportunities for strengthening the effectiveness and efficiency of the UN negotiations need to be identified. This could include:

- developing rules of procedure to better facilitate reaching decisions than through the consensus rule applied under the Convention;
- revisiting the frequency of the annual COPs, where the Convention is one of the few that provides for an annual conference. In doing so, it will be important to find a

balance between the continued need for political attention for climate change and avoiding the expectation of ground breaking new progress at every meeting;

- rather than working with a single annually rotating COP Presidency, options such as grouping countries into joint Presidencies over more than one year or having two-year Presidencies;
- keeping the current frequency of formal meetings for technical work, the intensity of which is likely to increase in the coming years;
- streamlining and consolidation of the large number of specific agenda items, more informal exchanges ahead of formal technical meetings as well as setting clear priorities in order to contain the overall cost of meetings;
- opportunities to further strengthen the contributions of stakeholders, including expert views from business and non-governmental organisations;
- a strengthened role for the Convention Secretariat.

In addition to strengthening the UN process itself, ways could be explored to encourage and better cooperate with issue focussed initiatives that are seeking to move forward ambitious climate action. In view of the growing urgency of the climate issue, the more ambitious and effective processes are most likely to earn the support of governments and the public at large.

Question 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?

A success in 2015 will only be possible with broad based support from a critical mass of political leaders, including from the world's major economies. The run-up to Kyoto and Copenhagen, but also Cancun and Durban have shown this to be an essential ingredient of success. UN Secretary General Ban Ki-moon's announcement at the Doha Climate Conference that he will organise a world leaders climate summit in 2014 to support the 2015 Agreement sets an important milestone for raising the political momentum. The G20 or the countries involved in plurilateral initiatives like the Major Economies Forum could play an active role in the lead-up to 2015, if supported by a stronger leadership on climate change from all major economies. In addition, the EU will continue to strengthen its cooperation with other countries, outside the G20, committed to ambitious action on climate change. Creating this political momentum is, however, only possible if there is broad based support from civil society, business and other political constituencies. This will require the active contributions and support from Parliamentarians, business, civil society, cities and regions and other non-state actors, together with their colleagues in other countries.

A further indispensable element to enable the 2015 Agreement is leadership by example. Demonstrating in practice the multiple benefits, including economic benefits, from modernising the economy with technologies that reduce GHG emissions, whether in advanced, emerging or developing countries, as well as showing that decoupling economic growth from GHG emissions is feasible, remain the best way of persuading all stakeholders that economic growth, reducing poverty, sustainable development and fighting climate change are mutually compatible and indeed reinforcing policy objectives. Over the past two decades, this has been the leadership model the EU has pursued, even with its decreasing share of global emissions, at now less than 11%. The EU decoupled its GHG emissions from economic growth: EU emissions decreased by 18% since 1990, while the overall economy grew by 48%, and the value added of EU manufacturing industries increased substantially.

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?

6. STAKEHOLDER CONSULTATIONS

The objective of this Consultative Communication is to start a broad discussion with Member States, EU institutions and stakeholders in the European Union and outside on the design of the 2015 Agreement on climate change for the period after 2020. Stakeholder views will be canvassed both by means of a dedicated stakeholder conference in spring 2013 and an online public consultation¹.

In addition, the Commission will work with Member States to organise outreach activities and public debates in Member States. Furthermore, to solicit the views of non-EU partners, the Commission will present and discuss the Consultative Communication at international meetings.

¹ http://ec.europa.eu/clima/consultations/0016/index_en.htm.