

# analyses

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## **Copenhagen: A Guide for Negotiations**

**Where do we stand? Why are  
we there? What should we aim for?**

IDDRI Climate Team



# Copenhagen: A Guide for Negotiations

## Where do we stand? Why are we there? What should we aim for?

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The negotiations here in Copenhagen will unfold as follow. There are two negotiating tracks: one under the United Nations Framework Convention in Climate Change (UNFCCC), and one under the Kyoto Protocol (KP). Under each of these tracks, the work is subdivided into different building blocks:

|     |   |
|-----|---|
| KP  | Numbers   |
|     | Mechanisms                                      |
|     | Land Use, Land-Use Change and Forestry (LULUCF) |
| LCA | Shared vision                                   |
|     | Mitigation developed                            |
|     | Mitigation developing                           |
|     | Mitigation other issues                         |
|     | Adaptation                                      |
|     | Finance   |
|     | Technology                                      |

Instead of commenting on each issue separately, what we propose in this paper is to analyze the relationships between some of these topics. Indeed, there are mainly linkages in this very complex negotiation, and this is one of the main reasons why it has progressed so slowly during the past two years since Bali: nothing is agreed until everything is agreed. The main interdependencies are to be found between:

- Shared vision and developed countries emission reductions (2)
- KP and LCA (3)
- Developing countries mitigation actions and MRV rules and procedures (4)
- Matching support with actions (5)

Under each of these items (2 to 5), this paper is subdivided into three different subheadings:

- First it describes the current state of play of negotiations: where do we stand?
- Second it analyzes the remaining divergences: why are we there?

- Third it gives possible ways forward: what should we aim for?

In the introduction (1), the paper also tries to give an answer the following overarching question: are we negotiating numbers or rules? And in the conclusion (6), its look at what is likely to remain to be done after Copenhagen.

## Are we negotiating numbers or rules?

### Where do we stand?

*The numbers do not add up. There is inconsistency between the long-term goal and short-term pledges. There is a growing consensus around a long-term objective of limiting the temperature increase to 2°C above pre-industrial levels. To have a reasonable chance of stabilizing the temperature increase to 2°C, global emissions need to be below 44 GtCO<sub>2</sub>eq in 2020. The sum of the high end of current pledges adds up to 46 - 50 GtCO<sub>2</sub>eq according to different studies. It means that we are probably on track to 3°C rather than to 2°C.*

As Copenhagen is starting, the map of emission reduction and limitation pledges is almost complete. All major emitters have now announced their pledges, even though they are expressed in different terms. The European Union (EU) already adopted a unilateral 20% emission reduction target in 2020 compared to 1990 levels, and said it is ready to move to 30% if the Copenhagen deal is deemed satisfactory (if commitments by other developed countries are comparable and if actions by major developing countries are adequate). The Japanese Prime Minister Yukio Hatoyama announced a 25% emission reduction target in 2020 compared to 1990 levels. The American President Barack Obama announced a 17% emission re-

duction target in 2020 and 42% in 2030 compared to 2005 levels. The Chinese President Hu Jintao announced a 40 to 45% carbon intensity decrease in 2020 compared to 2005 levels. The Indian Prime Minister Manmohan Singh announced a -24% carbon intensity decrease in 2020 compared to 2005 levels. The Brazilian Chief of staff Dilma Roussef and Environment Minister Carlos Minc announced a 36 to 39% deviation from a Business As Usual (BAU) scenario in 2020. The Indonesian President Susilo Bambang Yudhoyono announced a unilateral 26 to 41 deviation from BAU in 2020. The South African President Jacob Zuma announced a 34 and 42% deviation from BAU by 2020 and 2025 respectively. Etc...

Are we then on track to the 2°C target? To have a reasonable chance limiting the temperature increase to 2°C, global emissions need to be below 44 GtCO<sub>2</sub>eq in 2020. But different studies trying to take stock of current pledges come up to different results.

- According to Lord Nicholas Stern, the high end of pledges is at 46 Gt CO<sub>2</sub>eq.
- According to the Climate Scoreboard (CROADS model) they are consistent with a 2.9°C temperature increase by 2100 and emissions of approximately 50 Gt in 2020.
- According to the Climate Action Tracker (Ecofys/Climate Analytics) they are consistent with a 3°C temperature increase by 2100 and 650 ppm CO<sub>2</sub> eq.
- According to Project Catalyst, the low end of pledges is at 54 Gt CO<sub>2</sub>eq in 2020 and the high range is at 46. If we keep only the high end of pledges, the gap to be closed is therefore in between 2 and 6 Gt CO<sub>2</sub>eq.

Consolidating the different pledges into emissions targets require that a number of assumptions need to be made: the nature of targets is different from one country to the other (scope, inclusion of offsets, etc) and between developed and developing countries; LULUCF and peat emissions need to be estimated; and economic growth forecast are needed to translate intensity targets into actual emissions. This explains the variations in between the different sources.

Nevertheless, one can conclude from these different studies that:

- We are not there yet. There is still a significant gap to be closed to ensure consistency

between short-term pledges and the long-term goal.

- If countries stick to the low end of their pledge, we will miss definitively the 2°C target and most probably be on track to 3°C.
- Countries therefore need to come to the high end of their pledge. Mobilizing and delivering adequate support will be key to make developing countries move to this high end.

### Why are we there?

*This divide between the short-term pledges and the long-term goal can be explained in three different ways. First, they are somehow subject to different negotiation processes: the long term goal is subject to a top down and international negotiation, the short term pledges are mainly the result of bottom up and domestic legislation. Second, the sequence between domestic legislation and international negotiation is reversed compared to Kyoto. Third, the level of ambition of developed countries is way to low, and does not enable them to put pressure on developing countries.*

These two elements are somehow subject to different negotiation processes, and so far do not match. The global long-term goal is subject to a top down and international negotiation. There is a growing consensus around the long-term goal to limit the temperature increase to 2°C above pre-industrial levels. Individual short and medium term pledges are mainly the result of bottom up and domestic negotiation. The long-term global goal has been used by countries to calibrate their short-term pledges, but not consistently. There is no global arithmetic locking up, and individual short-term pledges do not add up to the required level of global emission reduction.

As compared to Kyoto, in Copenhagen, the sequence in between domestic legislation and international negotiation is somehow reversed. Negotiators coming to Copenhagen have to build upon what has been decided (EU) or what is currently being discussed (USA) by their domestic parliaments. This situation is double-edged. On the one hand, it means that we are making progress both in terms of awareness and in terms of implementation. But on the other, it means that negotiators have less room for manoeuvre.

No country seems to be in a position to push for others to increase their targets. The total

pledge of developed countries as a group now ranges from -14 to -19% in 2020 compared to 1990 levels, including offsets. This is less than the lower end of the range established by the IPCC: -25 to -40% in 2020 compared to 1990 levels. In this context, developed countries have virtually no clout to push for major developing countries to increase their targets. On the other side, no country seems to push very hard for the USA to increase its target, even though it is deemed by all insufficient. Everybody has in mind the history of Kyoto, where the USA first took a target in the international negotiation, and then failed to adopt it in its domestic legislation. So everybody fears the backlash that could result an attempt to push for the US to increase its target. And this in turn increases the risk that other A1 countries will stick to the lower range of their pledges

#### What should we aim for?

In this context, there are two things on which the negotiations should focus:

- First, we should certainly push for higher pledges from industrialized countries (see section 2).
- Second, we should mobilize and deliver adequate finance to build confidence with developing countries and trigger additional action from that group (see section 5).
- But we also need to recognize that this negotiation is not just about numbers, but also about rules, and that setting adequate rules for the years to come will be essential to compensate for the current dynamics of discussion. As a consequence we should also:
- Third, negotiate right now a second commitment period covering 2020-2030 for industrialized countries, where short term inertia could be overcome and therefore political ambition and consistency with the 2°C objective could be confirmed by adequate targets
- Fourth define a robust MRV system (see section 4). The negotiations are likely to have a limited direct impact on emission reduction pledges. But they could have a significant indirect leverage on them through the definition of proper MRV rules and procedures in the medium to long term, by creating transparency and building trust among countries.
- Fifth, we should introduce a revision clause to negotiate an increase of the 2030 targets, and prepare the next commitment period. This

negotiation would build upon new science and technology development, and experience gained in implementing policies and measures. This process should be initiated soon after 2015 with the objective of completing discussions before the end of the commitment period.

The negotiation process needs to reinforce the pressure on all countries to improve their current pledges, and on industrialized one to come up with more concrete and adequate offers regarding financial support. However, one should admit that the negotiations are likely to have a limited direct impact on emission reduction or limitation pledges by developed and developing countries respectively. One can certainly not take for granted, at that point, that pledges will go beyond the current upper level. Therefore there is still a 2 to 10 Gt gap that might not be closed in Copenhagen. But negotiation could have a significant indirect leverage on future emissions if we make sure that the Copenhagen agreement will not irreparably fix targets with a low level of ambition, but makes provision for future revision.

First, developed countries should commit to 2030 emission targets, not in substitution of, but in addition to, 2020 emission cuts. While 2020 pledges are of critical importance in determining emission reductions required in the near term, the strengthening of 2020 targets is rather limited given the current lack of proper institutional arrangements and inertia of infrastructural change, and in light of potential technological improvement over the upcoming decades. Governments may be willing to implement more ambitious action now, but effective outcomes in terms of CO<sub>2</sub> emissions reductions will partially be delayed. Thus, 2030 is a useful reference point for determining emission reduction pathways, since it allows countries to envisage deeper, structural changes, and hence tougher emission cuts. If we are to wait until the end of the coming decade to negotiate the next commitment period (up to 2030) we will recreate the same lock-in situation where government can claim that the inertia of the economy and the energy system limit their (otherwise ambitious) political objectives.

Then, the definition of MRV rules and procedures would create transparency and build trust among countries. Indeed, the current low

level of ambition of short and medium term pledges is driven by two main factors, one that is partly domestic and partly international, and the other that is purely international.

The costs of climate actions are currently probably overestimated, especially the negative impact of the introduction of a carbon tax on GDP through reduced consumption. Climate policies are only beginning to be implemented at scale, and there are large uncertainties regarding their costs. Policymakers conceivably make conservative assumptions regarding the price implementation and makes decisions considering the upper range of estimated costs. For that reason, costs will probably be less than feared, and negotiation would have a different dynamics if the economical and political risks associated to this uncertainty on costs could be partially removed by experience. The Copenhagen agreement should therefore introduce a revision clause.

The costs of individual climate actions are also quite high because they do not take into account the potential benefits of international cooperation. Global carbon markets together with a coordinated approach to standard setting and feed in tariffs for the global deployment of existing low carbon technologies, and a coordinated approach to investment in research and development of future low carbon technologies could yield significant collective benefits, and lower the costs of individual actions. The Copenhagen agreement should therefore put in place effective cooperation mechanisms.

Countries fear that other countries, sometimes being economic competitors, will not really do what they pledge to do. It triggers in particular some fears over competitiveness losses. A robust MRV system could suppress or at least diminish these fears by enhancing transparency, and by building confidence among countries. The Copenhagen agreement should therefore establish a robust MRV mechanism.

## Shared vision and developed countries emission reductions

### Where do we stand?

The long-term global goal of limiting the temperature increase to 2°C is so far not translated into consistent emission reductions. To be consistent with this goal, emissions should be

reduced by at least 50% in 2050, and peak before 2020. But countries have not yet agreed on these numbers.

### Why are we there?

*Developed countries would like to get an agreement on these numbers: a 50% global emission reduction in 2050 and a 2020 peak. They have agreed to reduce their own emissions by at least 80% in 2050. Developing countries so far refuse to include these numbers in the agreement, and have good reasons to do so. The mid term emission reductions by developed countries are not ambitious enough. And simple arithmetic leads to the conclusion that they do not give enough development and emission space to developing countries. In addition, these short term targets are not consistent with their own long-term goal, and developing countries quite legitimately consider that industrialized countries may never be in a position to comply with their long term pledges.*

Developed countries as a group need to cut emissions by at least 80 % in 2050 compared to 1990 levels. In order to reach such a goal, developed countries need to put in place credible emission reduction pathways. The IPCC establishes that developed countries as a group reduce their emissions by 25 to 40%. Current pledges by developed countries fall below the lowest bound of this range: -14 to -19%.

| Country           | Emissions in 1990 | Emissions in 2020 (low range) | Emissions in 2020 (high range) |
|-------------------|-------------------|-------------------------------|--------------------------------|
| Australia         | 453794            | 384712                        | 303294                         |
| Canada            | 540227            | 540227                        | 607636                         |
| EU                | 5222374           | 4177899                       | 3655662                        |
| Japan             | 1195370           | 1081418                       | 896528                         |
| Russia            | 3359567           | 2519676                       |                                |
| US                | 5257278           | 5046987                       |                                |
| Belarus           | 107101            | 101746                        | 96391                          |
| Norway            | 37406             | 26184                         | 22444                          |
| Ukraine           | 852887            | 682310                        |                                |
| New Zealand       | 43714             | 39343                         | 34972                          |
| Total             | 17069718          | 14600502                      | 13865900                       |
| Percent Reduction |                   | - 14%                         | - 19%                          |

Source: UNFCCC GHG inventories.

### What should we aim for?

*Securing a more adequate level of ambition from developed countries is a precondition to any agreement on long term objectives. There*

are three different avenues to push for higher pledges:

First, some countries that made a double pledge could accept to move from the lower to the upper range of their pledge

Second, some countries could accept to go slightly beyond their current pledge, because they are currently well below their potential.

Third, some countries could accept to add complementary measures that produce additional emission reduction.

In addition to that, negotiating targets for a second commitment period, introducing a revision clause to eventually revise the agreed targets (see section) would be key in building consistency between long term objectives and actual commitments.

In that context, confidence may be found to agree on a long-term global goal of reducing emissions by 50% in 2050 and a global peak of emissions in 2020 as aspirational goal. Any further implication on future contributions by individual countries or group of countries should be made conditional to a fair carbon budget sharing.

We need to pursue the negotiation on short-term pledges in Copenhagen to increase current ambition. There are three different possibilities to reach that objective.

First, some countries could be challenged to go slightly beyond their current pledge:

- The Russian target can be considered as quite low, given the surplus of Assigned Amount Units (AAUs) it was given during the first commitment period of the KP.
- The Indian and the Chinese targets are below what current policies and measures are likely to deliver. In China for example, the combination of the 2010 energy efficiency target and the 2020 renewable and nuclear targets are likely to lead to an absolute level of emissions of 11.2 Gt CO<sub>2</sub> eq in 2020, below the 12.6 GtCO<sub>2</sub>eq that would result from a 45 carbon intensity decrease coupled with 8% GDP growth per annum.
- The USA could increase their pledge from -17 to -20% since the Congress, even if it has not passed the legislation yet, is discussing about -20%, not -17% as the House of Representatives already adopted. It should be noted that the internal debate in the USA is focusing more on internal burden sharing and domestic rules than on the overall target.

Second, some countries that made a double pledge could be asked to move from the lower to the upper range of their pledge:

- The EU should move from -20 to -30%, provided that efforts by other developed countries are comparable, and that actions by major developing countries are adequate.
- Indonesia made a unilateral commitment to reduce its emissions by 26% and said it could move to 41% if it receives adequate support. Many other developing countries, such as Brazil and South Africa for example, have framed their pledge in the same way. Therefore, mobilizing financial and technological support will be key, if these countries are to agree to move to the high end of their pledges.

Third, some countries could accept to add complementary measures that produce further emission reduction to their current pledge. Both for the USA and for China, the numbers announced so far do not include some complementary measures that could yield some more emissions reductions or limitations: mainly performance standards for sources not covered by the cap and trade system in the USA, and reforestation in China.. Similarly, methane emissions reduction potentials in the energy and the waste management sectors receive little interest in both developed and developing countries, while they could compensate for a significant share of the gap identified in section 1.

## KP and LCA

### Where do we stand?

*The Copenhagen negotiations are a two-track process: one under the UNFCCC, and one under the KP. The KP sets provisions for developed countries emission reduction targets, with the exceptions of the USA. There is still great uncertainty whether we will get a two-track or a one-track outcome at the end of Copenhagen.*

In other words, we still do not know whether or not the KP will survive Copenhagen. Legal options currently on the table for the Copenhagen outcome include: a simple series of COP decisions plus an amendment to the KP; a decision to put in place a new legal instrument that would complement the KP plus an amend-

ment to the KP; a decision to put in place a new single legal instrument that would replace the KP, or the adoption in Copenhagen of one or the other of these new legal instrument. The EU and other KP Parties have been accused of killing the Kyoto Protocol.

#### Why are we there?

Parties have different interests regarding the KP. Developing countries want to maintain the KP because they want it to serve as a reference for the mitigation commitments of all developed countries, be it in terms of numbers, MRV rules, or compliance mechanism. On the other hand, the USA made it clear that they would not ratify the KP for reasons that go beyond their opposition to the existence of a compliance mechanisms: they relate to two elements of their yet to be adopted cap and trade system: offsets and borrowing. Therefore, the EU and other KP Parties find themselves caught in between a rock and a hard place.

#### USA: reasons for refusing a Kyoto type commitment

The USA still refuses to ratify the Kyoto Protocol (KP), and its opposition is somehow more radical than anticipated. The USA is not only opposed to the existence of international sanctions, it is also opposed to the basic structure of the KP. Especially to existence of Assigned Amount Units (AAUs), a unit used to set a Quantified Emission Limitation or Reduction Objective (QELRO), that represents a carbon budget during given a commitment period within.

The USA puts forward two technical arguments and one political one to justify its opposition:

- First, the US cap and trade system would allow for quota borrowing from future periods. This is incompatible with a QELRO.
- Second, the US cap and trade would allow for offsets that are not defined globally but rather domestically (by their Environmental Protection Agency). This is not compatible with the KP carbon market.

Of these two technical oppositions, the latter one is the most serious. The USA has two main requirements, rather contradictory, in defining their national offsets. The USA has long criticized the non-additionality of flexibility mechanisms in the KP, notably the Clean

Development Mechanism (CDM) so insists on provisions that would deliver additional reductions. The USA also insists that offsets effectively limit price increase of quotas on the carbon market but do not want to limit national offsets. This is contradictory to the commonly defended argument in favour of harmonized system rules. Indeed if each party defined its own offsets, the environmental integrity of the system would be threatened. It should be noted that there are also huge differences between the USA and other parties on the issues of governance of financial contributions to support developing country efforts. On the issue of financial governance, the USA proposes the creation of climate funds under the World Bank as recommended by the COP under the UNFCCC, and is prepared to negotiate intensely on the composition of the executive committee for these funds and the respective roles of the committee and of the COP. On offsets, the USA does not seem ready to drive the international negotiation forward and prefers to define its own rules. It is probably a sequencing issue. The USA does not want to negotiate harmonized rules internationally before it has passed its domestic legislation.

These technical hurdles would be surmountable. On borrowing, other tools exist to nationally mitigate the risk of Carbon price increase, and to a certain extent domestic borrowing can be made compatible to current multilateral carbon trading rules. The USA could also drive the international negotiations to ensure the additionality of offsets, and in any case have the capacity to be more restrictive than the standards agreed at multilateral level (The EU has been doing so concerning the use of CDM on the EU-ETS). But these technical oppositions hide behind a more political opposition. The USA is resistant to an international system that would assign a limited carbon budget through a Kyoto like, QELRO approach. It is the A (in assigned) of the AAU that really poses a problem. The USA wants the international agreement to be the mere mirror of what they commit to domestically.

#### Developing countries: rationale for maintaining the KP

The developing countries are vigorously defending a second commitment period of the KP. This position is backed by two main arguments:

- First, developing countries argue that the KP must continue to serve as a reference of developed countries' actions and commitments, particularly given that the IPCC's emission reduction range of 25-40% below 1990 levels by 2020 is under the KP and not the UNFCCC.
- Secondly, they consider that a replacement of the KP by another protocol runs the risk of weakening the KP.

In addition to these concerns, there might be two additional tactical considerations, as far as emerging countries are concerned:

- Either they recognize that it is not possible for KP Parties to sign a deal where they would not be in the same box as the USA, but they want them to pay the high price for leaving the KP;
- Or / and, they accept that the USA is bound by less stringent rules than other developed countries, because next time, when they will have to take commitments similar to these of developed countries, they will prefer to be in the US box rather than in the KP box.

#### EU: in between a rock and a hard place

The EU is somehow caught in between a rock and a hard place. It wants to ensure that the USA is bound by identical or at least comparable rules. But it is accused of killing the KP when it wants to import the elements of the KP within the UNFCCC. It should be made clear that, among developed countries, the EU is probably the one with the strongest attachment to the KP itself, but perhaps even more importantly to the KP structure, as it already took a Kyoto type commitment to reduce unilaterally emission by 20% in 2020 compared to 1990 levels, through the climate and energy package.

#### What should we aim for?

*The decision on the future of the KP is a very political one. In fact, it is the main red line for many developing countries that said they would walk away from the negotiations if KP Parties decided not to commit to a second commitment period. In any case, the rules of the game for the USA and other developed countries should be comparable.*

Developing countries fears are understandable. There is an obvious risk that if we were to

import the *acquis* of Kyoto in the context of a new legal instrument, the existing rules could be weakened by the re-negotiation process. But in the meantime, by sticking to the current divide between KP developed countries and the US, it almost creates a guarantee that the US engagement will be much weaker than that of other developed countries.

Whether or not a second commitment period to the Kyoto Protocol is mandated, the negotiations at Copenhagen should be a negotiation on the creation of a "Kyoto +". A Kyoto + in terms of participation, in obtaining the engagement of the USA. And also a Kyoto + in terms of ambition and efficiency of the international climate regime, notably in the establishment of new dispositions linked to technological and financial support to developing countries for mitigation action and adaptation.

## Developing countries mitigation actions and across the board MRV rules

### Where do we stand?

There are three remaining crunch issues on developing countries nationally appropriate mitigation actions (NAMAs).

- First whether or not this package of NAMAs should be embedded in wider plans or strategies.
- Second how should we ensure that there is an efficient matching in between action and support. There is a particular issue regarding carbon market support to NAMAs.
- Third, there is an issue regarding the MRV rules to apply to these NAMAs. The most contentious point here is about whether or not autonomous NAMAs should be MRVed, and if so how?

The negotiations on MRV are crucial to internationalize domestic pledges made by countries. They lie at the heart of the political deal to be found since there is a possible tension between transparency and sovereignty. So far, countries have divergent view on what these rules ought to be, and especially whether they should be common or differentiated between countries.

### Plans and strategies

The idea to ask countries, developed and devel-

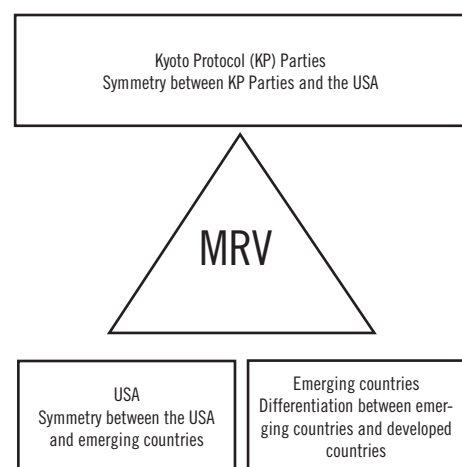
oping alike, to display low carbon growth strategies first materialized in the Major Economies Forum (MEF) negotiations in L'Aquila in July 2009. The fact that it should apply to both developed and developing countries is important politically. The rationale for such plans is two-fold.

- First to include emission reduction objectives into emission reduction pathways. This applies mainly to developed countries that ought to take individual short term (2020) and long-term (2050) emission reduction objectives.
- Second to give some consistency to the package of actions through a comprehensive strategy. That applies mainly to developing countries, which NAMAs can be sectoral or programmatic.

But the whole idea of plans and strategies for developing countries looks a bit differently now. There was an expectation by the time of L'Aquila that emerging countries might commit to a bunch of sectoral NAMAs rather than to economy wide targets. It did not happen like that. All emerging countries have now pledged economy wide emission limitations, be it in the form of carbon intensity decrease (China, India) or deviation from BAU (Brazil, Indonesia, South Africa). It creates a confusing situation: With economy wide objectives, the need for ensuring consistency in between sectoral NAMAs appear less important, and NAMAs could be focused on ensuring consistency and accountability between supported actions and respective financial support. But we are not there yet, and recent pledges by emerging countries were clearly announced as unilateral announcement, not multilateral commitments. No MRV rules would therefore apply to these pledges and their future realization, and the initial issue about consistency remains fully valid. Nevertheless the need for short term actions by developing countries to be put into perspective though an emission reduction pathway remains. But it will be much more difficult to get emerging countries to commit to a long term goal of emission reduction or to a peak year. For example, China is strongly against any attempt to impose any long term individual emission reduction targets; And Jaima Ramesh, the Indian Minister of the Environment made it very clear at its latest audition in front of the Parliament

that the single most important red line for India was the peak year. However, it should be noted that two countries, Brazil and South Africa, through their deviation from BAU pledges, are in fact pledging to peak. Brazil estimates its BAU at 2.7 GtCO<sub>2</sub>eq in 2020. Its high pledge then leads to 1.6 GtCO<sub>2</sub>eq in 2020 which is less than the 2.1 GtCO<sub>2</sub>eq of 2005 and approximately the 1994 level. In the same way, South Africa pledges translate into a peak of emissions in between 2020 and 2025.

#### MRV: the impossible trinity



#### Why are we there?

*As we arrive in Copenhagen, countries still have divergent views on MRV. This is mainly because they put focus on different things, because they have to sell differently the deal to their public opinion when they come back from Copenhagen.*

#### USA

The most important thing for the USA is to ensure the symmetry between its own MRV rules and these of emerging countries, especially China. The USA agrees with the fact that developed and developing countries should take different nature of commitments or actions, economy wide emission reduction for developed countries, nationally appropriate mitigation actions, that could be framed into carbon intensity decrease or deviation from business as usual scenarios, for developing countries. But since the USA re-engaged into the negotiations after the election of Barack Obama, it has constantly insisted on the fact that the MRV rules applying

to these commitments or actions have to be the same. The single most important issue for the USA is probably to ensure that the verification system is the same for them and for China. Indeed, the USA keeps saying that it has no trust in the Chinese legal system. They do not trust that what is pledged by China will actually be implemented. Therefore, they cannot live with China self-reporting its actions, even if it does so by following internationally agreed guidelines.

### KP Parties

The most important thing for KP Parties, especially the EU, is to ensure the symmetry between their own MRV rules and those of the USA. This is not to say that the EU does not push for MRV rules of emerging countries to be as close as possible to their own. But politically, the most important thing for the EU to sell the deal to a European audience is probably more to ensure the symmetry their own MRV rules and those of the USA than between their own rules and those of emerging countries. The EU could probably live with a differentiated set of MRV rules for emerging countries, including China, more easily than the USA, provided that these rules are robust enough and ensure transparency.

### Emerging countries

Emerging countries pay a particular attention to the negotiation on MRV rules. Indeed climate change might be a global issue, but climate change negotiations are deeply rooted in a North/South divide. And Northern and Southern countries are supposed to supply different things. Developed countries mainly need to offer some numbers: emission reduction numbers and finance numbers. Developing countries mainly need to offer some rules: MRV rules that apply to their mitigation actions. Of course, this way of representing the negotiations is way too simple. There is an issue on rules for developed countries too, since the USA will not ratify the KP. But in any case, the KP rules will be used as the reference. And the emerging countries need to offer numbers, which they did, even though they are not expressed as absolute emission reduction or limitation but as deviation from BAU or carbon intensity decrease. But MRV rules for developing countries is the big news of Copenhagen, as compared to KP, even though it has to build upon the existing provisions of the UNFCCC, especially those of the article 12 on

communication of information related to implementation.

Developing countries want to ensure the differentiation in between their own MRV rules and those of developed countries. More precisely, there are three sub debates on MRV for developing countries actions.

- First, developing countries stress that the MRV should apply to the implementation of their actions, not to their outcomes.
- Second, developing countries want to differentiate in between supported and unsupported actions.
- And third, if they agree that there could be some international oversight on supported actions, they want to self report, by following internationally agreed guidelines, they autonomous actions.

In each case, one or two emerging countries somehow took its distance from the hard lines defended by developing countries as a group. Brazil implied that MRV could apply to expected outcomes, not only to implementation. South Africa said there was no such thing as supported and unsupported actions: every action is supported, be it domestically or internationally, and such a divide is not useful, both from a substantial and negotiating point of view. And India mentioned it had no problem with international oversight, in the way the WTO is doing for example.

## Matching support with actions

### Where are we?

*The negotiations on finance used to be subdivided into three different topics: amount and sources of financial transfer; governance of the financial architecture; and delivery of finance.*

The negotiations did not make much progress on sources of finance. There is still a wide range of possible options. This issue has to be solved by Ministers or Heads of State.

They did make some progress on governance. There is a growing consensus that a new fund should be created, even though there are still divergences regarding the details of it. The delivery of finance has not made much progress, mainly because of the chicken and egg problem. What should come first: support or action? The new debate on fast start finance can

be seen as a way to overcome this problem. Up front money could usefully be spent and kick off actions. But the provision of fast start finance should not divert from the need to provide adequate mid term finance (until 2020).

#### **What should we aim for?**

The provision of finance is key. If we are to close this gap between current pledges and what is needed, every single country will have to commit to the highest end of its range. And developing countries have conditioned their pledges to the provision of adequate support.

#### **On the amount**

The Copenhagen agreement must recognize the approximate level of overall investment –both public and private– needed to meet mitigation and adaptation needs. A significant portion of this will be private finance. But governments will have to leverage this private finance –through regulation, public loans and guarantees...– and governments cannot control private flows. So this number should be accompanied by a public finance commitment.

#### **On sources**

Countries need to tap a new source of finance. Relying only on budgetary contributions will not provide the necessary predictability of flows. And tapping a new source is the best way to prove additionality of climate finance compared to ODA. The first best option should be the cap and trade emissions from bunkers and to use some of the auctioning revenues for climate finance in developing countries.

#### **On governance**

A new fiduciary fund should be created, that can use existing institutions (multilateral, regional and bilateral development banks) as funding channels, but also allows for national entities (public and private banks as well as the government itself) to used resources, following COP established criteria. This new fund would then serve as a mechanism to globally align incentives by financial actors.

#### **On fast start**

Up front finance is useful to prompt immediate actions. Money should be used for readiness and capacity building, especially to design

plans and strategies. But also to finance those of those adaptation and mitigation action that stand ready. It is important to ensure that fast start finance is MRVed, as to ensure that financial flows are not recycled.

#### **What is left for after Copenhagen? Paving the way for a new legally binding instrument in Mexico**

It is very unlikely that the Copenhagen agreement will be legally binding. There will probably be no new treaty in Copenhagen. Indeed, as we have said, Parties still have widely divergent views on the legal nature of the agreement to be adopted. There is not enough time here to solve these issues. Besides, there is a particular US timing issue, since the legislation is not yet passed in the US Congress.

This is not to say that the Copenhagen agreement will be a mere political statement. It will probably consist of a set of decisions, some of them under the COP (X/CP15) and some others under the COP/MOP (Y/CMP/5). Under the COP, it will probably consist of a core decision (1/CP15), plus a series of satellite decisions, on some aspects of shared vision, adaptation, a registry for mitigation actions, REDD plus, technological mechanism!;

Any attempt to discuss the legal nature of the agreement during the first 10 days of Copenhagen would probably only delay the progress on substance, and not come to a conclusion, given the divergences mentioned. Negotiations under the AWG-LCA and AWG-KP should then focus on substance, without prejudging the legal nature of the outcome. But when comes the end of Copenhagen, the Presidency of the COP and COP/MOP will have to give some clarity regarding the legal nature of the final outcome, and the process to lead there. The Copenhagen agreement should not only be a way to make the headlines by capturing the maximum political commitments. It should set the roadmap for a process that leads to the adoption of a new legally binding instrument by December 2010 at the latest. But not everything should be hold before the final legal agreement is adopted. Some operational decision, such as those on adaptation, technology, REDD plus etc should lead to immediate action. ■



## Copenhagen: A Guide for Negotiations

Where do we stand? Why are we there? What should we aim for?

IDDDRI Climate Team

# IDDDRI

 SciencesPo.

**FOUNDED IN PARIS IN 2001**, the Institute for Sustainable Development and International Relations (IDDDRI) is born from three assumptions: the global changes resulting from human activities are unsustainable over the long-term; a complete transformation of development models is needed; this is possible if coherent policies are soon implemented at the global level to bring about changes in lifestyles.

IDDDRI is an independent institute which aims to bridge the gap between research and decision-making: it uses scientific research to shed light on

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