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The Paris Agreement: historic! What's next?

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A historic climate agreement was struck on Saturday the 12th of December in Paris. After four years of talks and two weeks of negotiations in Paris, the agreement represents a decisive reinforcement of the foundation for international climate policy. This article presents an analysis of the Paris Agreement and its negotiation, and of what should come next. Rather than analysing in detail its individual elements, it takes a step back to look at the bigger picture.

A paradigm shift from a closed to an open architecture

In computer sciences, an open architecture is one designed to make adding, upgrading and swapping components easy. By contrast, a closed architecture is difficult to modify and incompatible with external software. The Paris Agreement represents the accomplishment of a paradigm shift that has been several years in the making, from a

closed to an open architecture. In the case of climate governance, a closed architecture was embodied by the Kyoto Protocol: precise targets, fixed lists of countries, strong legal rules and institutions, and a state-only approach. The system proved too cumbersome to evolve rapidly and to include the rapidly growing emerging countries.

The nationally determined contributions (NDCs) embody this shift. The diversity of countries and the desire to have universal participation required a flexible instrument in which each country could propose, implement and rapidly update its own climate plan (in the jargon of the agreement: NDC). Likewise, the tangled issue of differentiation between 'developed' and 'developing' countries could not, in the end, be solved by an explicit, quantified redefinition of responsibilities or categories. Rather, the Paris Agreement establishes a flexible framework, in which all countries participate based on their national circumstances; developed countries take the lead, and developing countries progressively take on more responsibilities. The same goes for the objective of limiting warming to 2°C: upfront allocation of the 'carbon budget' has proven intellectually seductive, but practically impossible. Instead, the Paris Agreement establishes a long-term goal of net zero anthropogenic emissions and a mechanism of five-yearly revisions of NDCs to put us on a trajectory to get there. A final aspect of this shift is the establishment of numerous multi-actor, multi-geometry initiatives on innovation, finance, resilience, etc., which complement the formal, multilateral agreement.

This open architecture is balanced by a series of common rules, notably legally binding and universal rules on transparency of action and financial support, and regular, coordinated five-yearly revisions of national climate plans, starting in 2020. It is balanced, likewise, by an overarching objective of limiting warming to "well below 2°C … and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century". The phrase recognises the scientific conclusion that limiting warming to well below 2°C requires reaching net zero anthropogenic emissions of greenhouse gases. Moreover, the Paris Agreement is a legally binding agreement: it will require the ratification of all participating countries and stipulates that "Parties shall pursue domestic mitigation measures, with the aim of achieving the objectives of [their emissions reduction] contributions". This will provide a strong impetus to strengthen domestic policy measures.

The shift from a closed to an open architecture, balanced by a common long-term objective and common rules, has been seen by some as a step in the wrong direction. But climate change is a hugely complex and long-term problem: it will require innovation and learning in terms of technologies, institutions, policies and social norms. Moreover, addressing climate change goes to the heart of national fiscal and financial, economic, energy and land-use policy. It is therefore not possible to prescribe specific solutions or policies at international level, such as an international carbon tax or a division of the global 'carbon budget'. Rather, the international architecture must create the conditions in which national policies can be put in place, strengthened and their coordination progressively deepened.

It should be stated clearly that the Paris Agreement is by itself not sufficient to limit warming to well below 2°C. But its objective, as an open architecture, is to provide the tools to rapidly scale up action through five-yearly, coordinated revisions of NDCs and enhanced cooperation, including through initiatives outside the framework of the UNFCCC. The Paris Agreement was not designed to be perfect upfront. The success of the Paris Agreement will depend on its ability to work, evolve and improve. We return to this point later on.

A true negotiation to a high ambition equilibrium

Economics has long contained the concept of 'multiple equilibria'. Negotiations can contain several equilibria, and jump suddenly from one to the other. There were two equilibria possible in the Paris negotiations. One represented a lowest common denominator, similar to the text presented by the ADP co-Chairs in October. Here agreement would have been possible because no country or group of countries was required to make major concessions, but neither

did any receive major concessions.

The other represented a high ambition outcome. A variety of factors aligned to produce, out of the alchemy of true negotiation, a text of remarkable ambition. Each country and group of countries has had to cede on core positions. The developed countries committed to continued and progressively scaled up financial support for developing countries, based also on more stringent accounting. Emerging countries agreed to effectively blur the historic distinction between developed and developing countries. Both developed and emerging countries agreed to a very strong expression of the long-term goal of global climate cooperation, namely net zero emissions by the second half of the century.

Instrumental in this was: the impulse given by the Heads of State at the start of the conference; two years of assiduous and effective diplomacy by the United States; proactive and indeed courageous engagement from India and China; and a much more vocal and coordinated voice from vulnerable countries. Particular accolades must also go to the French Presidency, which led with political commitment and technical knowledge. A high ambition equilibrium is held together by the tension between each of its elements and requires the most intimate knowledge of the issues and positions of each country. Here the French Presidency's technical knowledge of the issues was instrumental. Finally, the negotiation process was highly transparent and inclusive, which created a sense of common ownership of the final outcome and avoided the procedural hiccoughs that have scuppered previous deals.

But more than these factors, the seriousness of climate change has driven the issue over the last few years to the highest political level, into boardrooms, and into public consciousness. In a period of apparently decaying international order, climate change has driven the emergence of a remarkable multilateral legal agreement, adopted by consensus by 196 Parties and containing NDCs from 185 countries.

What is next?

The previous years of negotiation have been necessary to find the appropriate architecture to build collective action. In this sense, the Paris Agreement builds on the (sometimes too slow) experimentation and learning that has taken place over the last two decades. But, as noted above, the success of an open architecture agreement depends on its capacity to work, evolve and improve.

Developed countries need to match the steps taken by developing countries

Since 2005, the objective of international climate negotiations has been to bring on board the emerging countries. At COP21, China and India notably have taken an enormous step towards greater responsibility for action on climate change, including through leadership by Prime Minister Modi and President Xi Jingping. The vulnerable developing countries have also accepted the paradigm shift of an open, universal regime. That Paris bargain thus involved a huge evolution on the part of the developing countries, to come to the table with INDCs and accept what is, in essence, a fundamental break with the binary differentiation of the Convention and the Kyoto Protocol.

That bargain is not of itself stable: to hold it true, developed countries must be serious and immediate in the implementation of their mitigation contributions and financial commitments. The presence of a long-term goal for finance may require institutional innovation in developed countries' fiscal policy in order to provide a predictable financial basis. They must also send early signals of their capacity to consider more ambitious objectives for 2030 and beyond, by launching the domestic processes that will allow them to put forward revised mitigation contributions by 2020 at the latest. This is needed both to confirm the signal to all public and private decision makers, investors and innovators that the Paris Agreement represents a step change in the transition to a new approach to development and prosperity, and to create the condition in which major emerging countries will also consider additional measures by 2020.

Preparing the next revision of NDCs will be crucial for the success of the Paris Agreement. At the national level, immediate domestic policy is required in order to start to change the economic and energy system in a direction that can allow a stronger contribution to be submitted internationally. Internationally, cooperation on finance and technology is required to create a context in which major emerging countries can go further in 2020. Finally, the next round of contribution must be informed by more systematic and long-term understanding of the economic and energy system transformations required for the globally agreed objective of very low emissions in 2050 and net zero emissions in the second half of the century. For this reason, the development of transformational national trajectories, and their discussion and debate at national level, will be an important springboard to the next round of contributions.

More effective management of climate resilience

The agreement also presents a step change in the recognition of the importance of adaptation and resilience. It adopts tools for ensuring the regular submission of adaptation plans, enhanced solidarity in the face of climate impacts, and greater funding for adaptation action. But successful adaptation and resilience will require further reinforcement of international governance arrangements, and of course of national policy frameworks. In this domain, international policy making is still in its infancy. There needs to be a much stronger, more systemic and more scientific monitoring of global vulnerabilities related to climate change. This can form the basis of more coherent, coordinated, and intense national and international policy response to climate impacts.

Immediate implementation and complementing the Paris Agreement outside the UNFCCC

Finally, the real challenge will be implementation. Countries cannot wait until the Paris Agreement enters into force: preparing the ground for raising ambition in 2020, as the agreement prescribes, requires immediate implementation.

Moreover, the Paris Agreement is a foundational, not a specific, agreement. It sets the basis for state to state cooperation, establishes the long-term objectives, and contains the basic tools: NDCs, transparency, and financial support. It gives direction and purpose to international climate cooperation, and a capacity to collectively assess progress. However, deep decarbonisation and climate resilience require stronger policy cooperation than is possible under this kind of foundational multilateral framework. The job of the multilateral framework is to create the demand and legitimacy for these initiatives. Some of these more specific tools have started to emerge driven forward by the political attention that was focused on the COP, notably the Mission Innovation, the Solar Alliance, and the Financial Stability Board’s task force on corporate disclosure of climate risks. But these will need to be implemented, strengthened and others will need to be developed. The Paris Agreement provides a universal foundation, upon which must be built stronger pillars of cooperation.

One particular event in 2016 could be crucial for ensuring that none of the momentum that the Paris negotiations built up is lost, namely the Chinese G20. The Chinese G20 agenda is already shaping up with multiple potential entry points to sustainable development and climate mitigation. The Chinese program identified the role of a coordinated response from multilateral development banks in raising investment in infrastructure, and in the negotiation of an international investment framework for increasing across-the-board investment. This provides an important opportunity to ensure that climate concerns are integrated. Likewise, the program for the Chinese G20 identifies the importance of developing national plans for implementing the 2030 Agenda, including on sustainable development, climate and energy.

Time to take stock and set the next agenda

2015 saw the negotiation of three important sustainable development agreements: the Sustainable Development Goals, the Addis Ababa Action Agenda on Development Finance, and the Paris Agreement. This marks the end of

an important policy making cycle. Now is the time to take stock of what has been achieved, and what more needs to be done, especially to move from targets to action. This is why IDDRI will be launching an international conference in 2016, in order to take stock and participate to setting the agenda for sustainable development for the years to come.

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