Making business sense of the UN Climate Summit. #Paris2015

Bonn report: little progress on the road to Paris

Jonathan Grant reviews the UN climate negotiations in Bonn last week.

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Governments spent two weeks trying to slim down the 80-plus page negotiating document. There was little progress with the basic editing and even less on substance. But officials suggested that more progress was made with the political negotiations and building trust than is reflected on paper. The meeting concluded with an agreement that the co-chairs should edit the text down to a more workable length before the next negotiating session at the end of August.

The scenario and the reality

The meeting did not go according to the co-chairs' plan in their scenario note. They had wanted to spend the first few days of the meeting 'mechanically streamlining', leaving plenty of time for more substantive discussion of the options. Instead, everyone operated under the pretence that having 196 countries editing for long enough would actually produce a coherent and short text. The aim at this stage is less about finding compromise than defining clearly a limited number of distinct alternatives for ministers to consider.

For example, in the Mitigation section of the report, the subsection on markets includes six options, several of which are quite similar. IETA identified three distinct options: the first encouraging the use of markets; the second emphasizing Brazil's CDM+ option; and the third being Alba's 'no-markets' option. The challenge that governments have is to work together to separate the distinct options and cut the excessive verbiage to combine the overlapping ones.

The discussions got bogged down quickly. Watching this tiresome process, it is hard to tell whether countries are: a) stalling for time; b) genuinely feel there is meaningful difference in their option; c) holding out on one option in order to get a better compromise on something else. And with over five months before Paris, there is little reason to compromise and a lot of brinkmanship at this stage.

Frustration in Bonn is normal in advance of a major climate summit. This being a 'Party-driven process', 196 countries grabbed the wheel and promptly stalled. So it was significant that at the halfway stage, many countries vented their feelings, and called on the co-chairs of the talks to take more control of the document.

G7 meet further down the road

Although there was little progress on paper the political negotiations probably advanced further than the text shows. During the UN session in Bonn, the leaders of the G7 discussed climate change further down the road in Germany, literally and metaphorically.

They called for an ambitious and inclusive Paris agreement which should track progress towards targets and promote increased ambition over time. Carbon markets got a welcome nod of approval as did the role of the private sector in mobilizing climate finance. The G7 also pledged to increase support for vulnerable countries and committed to eliminate fossil fuel subsidies.

The G7's emphasis on private finance is also encouraging. But much of the regulation post 2008 - particularly Basel III and Solvency II - has made it harder for the private finance sector to invest in long term infrastructure. Particularly in developing countries, as the capital requirements are too high. Financial regulators and politicians need to be wary of unintended consequences of regulatory reform on the ability and willingness of the private sector to invest in low carbon infrastructure.

Decarbonisation this century?

The G7's call for a decarbonisation of the global economy over the course of this century was significant, but their own emissions targets for Paris fall short of this. Keeping to a two degrees budget requires average annual reductions in carbon intensity (or emissions per unit of GDP) of over 6% each year according to the PwC Low Carbon Economy Index. This compares with Paris targets equivalent to annual reductions of 3.1% for Japan, 3.9% for Canada and the EU and 4.1% for the US (against 1-2% per year currently). As emissions from the G7 represent an ever-decreasing portion of the global total, major emerging economies now need to declare their targets for Paris.

Whatever reaction the G7 countries expected from their decarbonisation announcement, it definitely wasn't a front page headline in the FT declaring the end of fossil fuels.

The three R's: report, review and ratchet

There is increasing recognition that much of what will be agreed in Paris will be nationally determined. The emissions targets will be collated, but it's doubtful that their adequacy will be considered. So a critical component of the agreement is the process for reporting and reviewing national progress on emissions with the aim of ratcheting up the ambition. This component could even be one of the few legally binding sections of the agreement and is referred to as 'transparency'.

Even the co-chairs concede that this is a "difficult" section. How the obligations for the three R's are defined and applied to developed and developing countries will be fundamental to the success of the agreement. If the initial emissions targets are not ambitious enough, the agreement should at least build confidence that countries are doing what they promised to do. Without this, national politicians may be unwilling to ratchet up the ambition in future.

Normal for Bonn

The contrast between Bonn and Schloss Elmau showed that the major divisions are not within the G7 countries, but between the rich countries and the poorest, most vulnerable countries and the newly emerging economies. Now the negotiating text needs to catch up with the progress that is being made in bilateral discussions between countries and in other fora. The concern is that governments plan to agree a legal document in Paris and need time to get the language right. Doing this in the final hours of the summit in Paris risks weakening the agreement.

The meeting concluded with countries authorising the co-chairs to produce a streamlined text. The co-chairs will need to go beyond editing and exercise a lot of judgement when they get out the red pen. They need to get the balance right, because if they cut too much, countries may spend much of the next session adding back the old language.

The revised document will be published on the 24th July, just over a month before the next Bonn session starting on the 31st August. A good outcome of that meeting would be a 50 page document with no more than three options under each of subsections, clarity around which elements might sit in the agreement or in COP decisions, and better definition of the role of the private sector, cities and local or regional governments. At the end of last week some commented that the meeting helped to build trust and that "no country was left behind". They didn't go very far either.

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