

Making business sense of the UN Climate Summit. #Paris2015

Pre-COP briefing

Jonathan Grant gives a preview of the climate negotiations which start on 30th November in Paris.

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Like Schrodinger's poor cat, which exists in an uncertain state being both alive and dead at the same time¹, it is reasonable to say that COP21 is both a success and a failure. Although they fail to reach two degrees, pledges by governments and business show that the Paris summit has already succeeded in provoking a tangible shift in action and attitudes. All that's needed now is an agreement.

Little progress in Bonn (again)

Negotiators start the climate talks in Paris, on 30th November, where they left off at the last negotiating session in Bonn in October – with a 54 page long draft text. Those talks in Bonn were a step in the wrong direction for two reasons. First, countries reinserted most of their historic positions into the short skeleton text drafted by the co-chairs. Not only did the text balloon from 20 to over 50 pages, but there was no convergence on any of the substantive options. Negotiators are unwilling to compromise before COPs, given the links between the different issues and the absence of real political pressure which only comes from the hard deadline of a summit.

Secondly, developing countries appeared to coalesce around the principle of differentiation between countries. This is despite the fact that several developing

countries, such as Ethiopia and Mexico, have proposed relatively ambitious targets (INDCs²). Kyoto's fatal flaw has been the binary division between developed and developing countries (as per the 1992 definition of the terms) and the responsibilities or actions of each group. If this division remains at the end of the talks in Paris, the Agreement is unlikely to survive when it arrives back in other national capitals.

Countries' negotiating positions have diversified in recent years to reflect their particular concerns and circumstances. But in Bonn the G77 + China group dominated the interventions on behalf of all developing countries. Their concerns relate to finance and loss and damage, but other differences include the nature of the emissions targets and the reporting and review process.

The COP routine

So the stage is set for the typical rhythm of a COP: negotiation, frustration, crisis, a shorter text. In the first week, the major sections of the draft will be discussed by different subgroups. The text can't be negotiated as a whole because it is too long, has too many options and is only marginally less complicated than quantum mechanics. It is doubtful that there will be much progress. Frustration will increase until a point, where the co-chairs and then



the Presidency of the talks will be asked to draft a shorter 'balanced' document that reflects the concerns of all countries. The trick will be to develop the new drafts in a seemingly open and inclusive manner in order to keep everyone on board and avoid any 'Danish Text' scandal.

The process will be repeated until everyone is equally happy, or equally unhappy, with the Agreement. At that point, it is likely to be very short. The Copenhagen Accord was only two and a quarter pages long on the final Saturday morning at the conclusion of those talks. It is unlikely that many binding commitments will remain in the draft – there will be far fewer “shall(s)” than “should(s)”.

The draft Agreement

As currently drafted, the agreement is filled with options that are separated in the text by brackets (the advanced find function on adobe counted 1074 of them). There are two main sections of the document: the Agreement (covering the durable aspects or the 'what'); and the COP Decisions (including provisions subject to revision such as the national targets or INDCs² and the 'how'). The main sections are:

- **Purpose [Article 2]** – to limit temperature increase to 1.5°C or 2°C
- **Mitigation [Article 3]** – this long section includes the global and national targets, the mechanisms to achieve them, and timeframes. The global long-term goal references peaking, zero emissions, 40-70% reductions over different timeframes. Countries shall/should maintain, implement, fulfil their nationally determined mitigation component of their contribution. The section also specifies the structure of the INDCs, notes progressive ambition, and allows for cooperative approaches (or emissions trading). Lower down in the Decisions section of the document there is an oblique reference to border tax adjustments (which would apply a carbon price to the import of carbon intensive goods, to bring their cost more in line with those produced domestically). One of the Decisions notes that *unilateral measures shall not constitute a means*

of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.

- **Adaptation [Article 4]** – this notes the goal/vision to enhance adaptive capacity, the need for cooperation between countries, financial support, reporting requirements, and the particular vulnerabilities of least developed countries and small island developing states.
- **Loss and Damage³ [Article 5]** – this further develops this contentious issue that was first set out at COP19 in Warsaw. The text describes building on the Warsaw International Mechanism for Loss and Damage, though there is an option in brackets for no text on loss and damage, i.e. no Article 5.
- **Finance [Article 6]** – This section is a bit of a mess. It includes an option for developed countries to scale up finance from the US\$100 billion per year by 2020 pledged in Copenhagen. Other issues are the sources of finance (public, private etc), how the money could be channelled to developing countries and the role of different institutions such as the Green Climate Fund. Interestingly, this section also states that countries shall [should] *implement and improve where necessary the pricing of greenhouse gas emissions*. Whether this survives the next draft remains to be seen.
- **Transparency [Article 9]** – this is a substantial section covering the process for reporting on national action on emissions and the provision of finance. As with other sections, there is the potential for differentiating the responsibilities of developed and developing countries. Article 10 refers to a 'Global Stocktake' which aims to review progress and raise ambition at a global level (i.e. not focus on the progress of particular countries).

Three risks

With 195 countries participating, there is always the risk of failure. There are three main risks to the talks. First, is the 'Copenhagen risk' that the talks and drafting process are mishandled by the Presidency to the point that countries are alienated and walk away⁴.



Secondly, there is 'Kyoto risk' noted above, in that the deal agreed in Paris collapses when it arrives back in national capitals. The prospect of binary differentiation between developed and developing countries raises this risk. And thirdly, there is 'febleness risk' which results from the attempt to manage the first two risks. This could produce an agreement that is so flimsy that a group of countries walk away saying that 'nothing is better than something'.

But many well-seasoned commentators are positive that there will be a deal at the end of the COP, even though it might not be a particularly ambitious one. Even this is likely to accelerate the low carbon transition as national legislators gain confidence that other countries are also taking action.

Even when we leave Paris at the end summit, it will still be hard to know whether the cat is alive or not – though Schrodinger might say it is definitely one or the other. It will probably be fair to say that COP21 is a qualified success provided there is an agreement at the end of it. But the deal will need to be durable, to withstand shifting national politics, and it will need to support financial and technical cooperation, and

gradually raise ambition by all countries. Success or not will only really be observable late in the next decade.

(1) Schrodinger devised his infamous thought experiment to counter the 'Copenhagen interpretation' of quantum mechanics which suggests a particle can exist in all states until observed. He was arguing that in the 'real world' of course the cat couldn't be both alive and dead at the same time.

(2) Intended Nationally Determined Contributions.

(3) A per the negotiating text: "the purpose of the mechanism shall be to promote and support the development and implementation of approaches to address loss and damage associated with the adverse effects of climate change, including extreme events and slow onset events, in developing countries that are particularly vulnerable to the adverse effects of climate change".

(4) This is a dreadful oversimplification of the failure at COP15, and I have written previously how the 'blame the Danes' narrative isn't quite right.

Our Paris 2015 website:

<http://www.pwc.co.uk/sustainability-climate-change/paris-2015/index.jhtml>

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