What to expect from COP21?

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Participants:

Jos Delbeke, Director General at DG Climate Action, European Commission
Simone Mori, Head of European Affairs, ENEL
Thomas Spencer, Programme Director Climate, IDDRI

Chair: **Simone Tagliapietra**, Visiting Fellow, Bruegel

Notes:

On 30 November 2015 the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC) finally starts in Paris. COP21 is supposed to deliver a new universal climate agreement that is applicable to all countries, with the aim of keeping the rise in global average temperatures below 2°C relative to pre-industrial levels. But the UNFCCC, in line with the recent joint research centre publication, estimate that the current declarations by countries will instead imply a path towards a 3°C increase.

Thomas Spencer, lead author of the Modelling and Informing Low Emission Strategies (MILES) Project, presented some of their results. The MILES Project, funded by the European Union, was a collaboration of 13 institutions. Their idea was to develop scenarios based on the declered Intended Nationally Determined Contributons (INDCs to understand how they will translate in terms of technologies and infrastructure. He presented the main findings for China, USA and India.

China committed to have a peak of its emissions by 2030, make its best efforts to peak earlier and to reduce its CO2 intensity by 60-65% by 2030 compared to 2005 levels. The Chinese INDC will be delivered firstly through a large reduction of carbon intensity in the energy sector and secondly through a restructuring of the industrial sector. With the economic restructuring of China, the share of industry in GDP drops to 38.5%.

The United States committed to reduce its emissions by 26-28% by 2025 compared to 2005 levels. This will be delivered through the existing regulatory authority and recent regulatory action like the Clean Air Act and the Energy Policy Act, but also state level action like California's Renewable Energy Sources Directive. To do so they will have to promote significant growth in the use of renewables and natural gas and potentially promote the use of carbon trading at state level. Another challenge will be to conciliate the reduction in emissions of transport in the low oil price environment.

India envisages decreasing by 33 to 35% its greenhouse gas intensity by 2030. Compared to China, India is not in its transition phase but at its growing phase on the so-called Environmental Kuznet's curve. Also the 40% non-fossil fuels in installed capacity in the electricity sector and the significant growth in coal demand by 2030 will have mixed effects.

Finally aggregating together USA, EU, China, India, Brazil and Japan, the joint commitment is a reduction by 40% of carbon intensity of electricity between 2010 and 2030. With renewables peaking at 36% of the supply, coal demand falling to 17% in China, Japan, EU and US, the low-carbon electricity will reach 41% of global supply by 2030.

Spencer argued that INDCs represent a very significant step forward but they must be strengthened in a timely, predictable and regular way. Crucial progress should be made on drivers of decarbonisation in 'levers' where less progress has been made (transport, carbon capture and storage, phase out of fossil fuels, carbon pricing, controlling energy service demand, etc.)

Based on the previous presentation, Simone Mori argued that the outcomes in Paris will be decisive for investment decision and that there is room for optimism:

- Starting from 2008 and until now the cost of new technologies has been decreasing. Technologies that were still in their infancy during Copenhagen are now the cost-efficient solution. The technology is there to avoid the Copenhagen failure.
- INDCs are a good basis and can be used to leverage up ambition in the future.
- Carbon-market instruments as they are implemented are favoured by firms because they are equivalent to a commodity risk.

Jos Delbeke emphasized the need to have every country on board, unlike with the Kyoto protocol. INDCs are good for that. Half of the world implemented or will have a carbon pricing system. The EU is working to link its trading scheme with Switzerland, discussing the linkage with Australia and already considering linkage with China. There are also signs of interest from South Africa and Chile.

Second, the EU being leader in renewables, the appropriate industrial sector has to be developed to remain as it is.

Third, Delbeke restated the position of the whole European Union concerning the outcome of the Paris agreement:

- Implementation of their INDCs by all
- Long-term targets based on science with a 5-year reviews
- Transparency and accountability through robust common rules

As there are problems still to be solved:

- Differentiation: move away from the divide between developed and developing countries.
- Legal form: Binding agreement or not.
- Climate Finance

Event notes by Augustin Lagarde, Research Intern