



## **Warsaw Climate Conference Takes Baby Steps Towards New Climate Agreement**

*A first assessment of the climate conference in Warsaw by Wolfgang Sterk, Lukas Hermwille, Nico Kreibich and Florian Mersmann*

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In what has become normal procedure at the international climate negotiations, the Warsaw climate conference concluded more than one day behind schedule, in the evening of Saturday 23 November. However, on most of the key issues it yielded little to show as result of the overtime work. Since Japan announced a substantial downgrade of its 2020 emission target, from -25% to about +3% compared to 1990 levels, it was in fact the first climate conference that ended with less ambition than it started with.

### **Negotiating a New Climate Agreement**

The politically most relevant task of the conference was to develop a clear and concrete roadmap for the negotiation of a new comprehensive climate agreement. After the failure of the 2009 Copenhagen conference to adopt the hoped-for treaty, countries decided at the 2011 conference in Durban to make a new attempt. The Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP) aims to develop a new agreement “applicable to all”, which is to be adopted in 2015 and to be implemented from 2020.

However, a clear roadmap for the process had so far been lacking, in particular for how to determine how exactly countries are going to participate in the new agreement. Questions here are whether countries will adopt legally binding commitments or not, differentiation among countries, and whether countries may determine the form and ambition of their participation purely nationally or that is to be negotiated internationally.

The traditional industrialised countries (listed in Annex I of the UN Framework Convention on Climate Change) have been keen to break down the so-called “firewall”, the clear distinction between Annex I and non-Annex I countries (the traditional “developing countries”) that is laid down in the Framework Convention of 1992. They argue that this distinction is outdated since many non-Annex I countries are nowadays wealthier than many of the traditional industrialised countries and that their contribution to global emissions has also grown rapidly. While traditionally legally binding commitments have been expected only

from Annex I countries, they now demand that in particular the more advanced countries of the global South should be on the same legal footing in the new agreement, though not necessarily with the same type of commitments. That is, the legal status should in their view be the same for everyone though the contents may differ among countries.

However, in particular the “group of like-minded developing countries (LMDCs)”, which includes China and India, some other Asian countries such as Pakistan and the Philippines, OPEC countries such as Saudi Arabia as well as the left-leaning Latin American countries such as Bolivia and Venezuela, have so far strongly resisted any explicit or implicit dissolution of the traditional distinction between the Annexes. They have maintained that Annex I countries should continue to take the lead since they are the ones who caused the climate problem, even nowadays have much larger economic resources to do something about it, and have in the view of these countries so far mostly failed to do their homework in terms of reducing their own emissions and in providing support to non-Annex I countries.

In Warsaw, they therefore strongly defended the view that only Annex I countries should adopt legally binding commitments, while only “enhanced actions” should be demanded from non-Annex I countries. They also strongly objected to any notion that the actions of non-Annex I countries should be in any way assessed internationally. Annex I countries as well as many non-Annex I countries were in favour of setting an early deadline for the international submission of initial offers in order to provide sufficient time to countries to assess and negotiate each other’s offers. One of the problems of the Copenhagen process had been that many countries had put their pledges on the table only one or two months before the conference and many countries were keen to avoid a repetition of this situation. Many Annex I and non-Annex I countries were also in favour of first defining requirements for which information countries would have to submit along with their initial offers in order to provide transparency on the actual content of the offers. Many suggested that these information requirements should be determined already by June 2014 in order to give sufficient time to countries to develop their initial offers accordingly. Many countries also supported the establishment of an international process to assess whether countries initial offers actually represented their fair shares and would add to the globally required level of ambition. However, the LMDCs maintained that any such process of assessing offers should only apply to Annex I countries but not to non-Annex I countries.

In the end, countries only agreed on the bare minimum necessary to move the process forward. Countries are now invited “to initiate or intensify domestic preparations for their intended nationally determined contributions, without prejudice to the legal nature of the contributions”. These intended contributions are supposed to be communicated “well in advance” of the 2015 COP, “by the first quarter of 2015 by those Parties ready to do so”, and “in a manner that facilitates the clarity, transparency and understanding of the intended contributions”. The ADP is to identify the information that countries will provide accompanying their intended contributions, but only by the 2014 COP in Lima, which takes place in December of next year.

In summary, the final text hardly goes beyond the lowest common denominator. Prior drafts had included wording on “commitments”, the “contributions” wording in the final text accommodates the position of the LMDCs that there should be no binding commitments for

non-Annex I countries. On the other side, Annex I countries prevented any differentiation between themselves and non-Annex I countries regarding the legal nature of their participation in the future agreement, instead of differentiated provisions there is only one set of provisions that applies to all countries. The late date, the Lima COP, which was ultimately agreed on for the identification of the information that is to be submitted alongside the “intended contributions” is not helpful for ensuring that transparent and adequate contributions will be tabled in the first quarter of 2015. There is also no language whatsoever on what is going to be the process for the international consideration of the intended contributions once they have been submitted. The 2015 agreement thus currently seems to be on course to continue the current structure: non-binding pledges that are determined purely bottom-up instead of being negotiated internationally.

## **Enhancing Short-Term Ambition**

Alongside the new climate agreement to be adopted in 2015, the ADP’s Workstream 2 discusses measures to increase the short-term ambition of mitigation measures. This workstream was established in Durban as the level of ambition of the mitigation pledges countries have made for the time until 2020 is far below what would be necessary to achieve the agreed goal of keeping global warming below 2°C. The United Nations Environment Programme’s annual “Emissions Gap Report” estimates the gap between the current level of ambition and what is necessary at 8-12 gigatonnes of CO<sub>2</sub>-eq.

In the run-up to the Warsaw summit Nauru had submitted a detailed and well-received proposal on behalf of the Alliance of Small Island States (AOSIS). AOSIS proposed to establish a mechanism to identify and evaluate different technological and policy options to abate greenhouse gas emissions at a technical level, with a view to subsequently implement these options on a larger scale. According to the proposal, options to increase the deployment of renewable energy and energy efficiency should be first to be looked at.

Despite positive feedback from many industrialized countries including the United States and EU, the proposal ultimately did not go forward. Countries also discussed concrete topics such as regulating fluorinated hydrocarbons (HFCs) under the Montreal Protocol on Substances that Deplete the Ozone Layer under the heading ‘international cooperative initiatives’. It was, however, not possible to come to a consensus on these proposals and hence they are not mentioned in the final conclusion.

The negotiations under the ADP’s Workstream 2 suffered from a poor dynamic and were dominated by repetitions of well-known and extensively spelled-out positions of the respective countries. Emerging countries such as India and China insisted on industrialized countries increasing their commitments under the Kyoto Protocol or the Convention. Developing countries have also been dissatisfied with the level of financial, technological and capacity building support provided to them by industrialised countries and pressed for negotiating the scale-up of climate finance as well as the strengthening of the technology mechanism and of capacity building under the ADP, notwithstanding the fact that these issues are also dealt with under separate agenda items. Consequently, countries agreed to discuss how to increase the level of ambition for pre-2020 mitigation at a ministerial meeting on the

occasion of the meeting of the subsidiary bodies to the UNFCCC in June 2014. A ministerial meeting of the Parties to the Kyoto Protocol had already been scheduled before and will now be amended to include high-level representatives of countries that are not a party to the Kyoto Protocol.

Furthermore, countries agreed to facilitate the exchange of experiences and best practices of mitigation measures undertaken by cities and other subnational actors. Last but not least countries are invited to voluntarily cancel certified emission reductions generated under the Clean Development Mechanism as a means to close the mitigation gap.

## **Reducing Emissions from Deforestation and Forest Degradation**

After eight years of intense discussions, in Warsaw countries were finally able to reach an agreement on a mechanism to reduce deforestation and degradation of forests in developing countries (REDD+)<sup>1</sup>. Negotiations were able to build on significant progress achieved at the climate talks in Bonn in June 2013 as well as on discussions in workshops held throughout the year. This allowed countries not only to reach agreement on the question of financing but it was also possible to agree on a number of methodological issues. With these decisions, the conditions under which developing countries can access results-based payments for emission reductions achieved in the forestry sector have been established.

The agreed package of methodological decisions inter alia includes provisions on how REDD+ countries are to measure their forest emissions and how these data and information must be reported and verified. While the question of verification had led to controversies between developing and developed countries and prevented an agreement on REDD+ in Doha last year, now in Warsaw countries agreed on how the data and information provided by developing countries will be assessed by an international team of experts. In addition, countries decided that developing countries are to report on how minimum ecological and social standards (safeguards) have been respected and addressed before they can access results-based payments for forest mitigation activities; a requirement several non governmental organisations and indigenous peoples groups had been calling for.

The final decision further stresses the relevance of positive incentives for non-carbon benefits that go beyond the mere reduction of greenhouse gases. This makes it possible to implement sustainable forest programmes that do not only reduce greenhouse gas emission but also have positive impacts on biodiversity and the livelihood of local communities. Countries further agreed on a key role for the Green Climate Fund in the dissemination of results-based payments. The installation of a REDD+ specific institution responsible for the coordination and supervision of REDD+ measures (REDD+ committee), for which the Coalition for Rainforest Nations had vehemently advocated, did not meet with the approval from other countries. Instead, countries agreed to designate national entities at the national level that are

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<sup>1</sup> REDD+: “*Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries*”.

to serve for the coordination of support of REDD+ and communicate with the relevant bodies of the Convention. These entities are encouraged to meet on an annual basis.

## **Loss and Damage and Adaptation**

As during last year's climate negotiations in Doha, this year's conference in Warsaw was also overshadowed by announcements of extreme weather events. The devastation caused by super typhoon Haiyan in the Philippines exemplified where the limits of adaptation measures lie and pushed the discussion on how to deal with climate-induced losses and damages to the centre stage of the negotiations. In Doha, the question on the installation of a mechanism on loss and damage already proved to be a crunch issue of the negotiations between developed and developing countries and countries agreed on a compromise formula, stating that "institutional arrangements, such as an international mechanism" would be established in Warsaw.

In Warsaw, developing countries arrived with the clear goal to establish this international mechanism and the group of G77/China tabled a detailed proposal already at the start of the negotiations. Several developed countries, however, clearly opposed the proposal by pointing out that the installation of an international mechanism under the Conference of the Parties to the Convention (COP) would not represent their preferred solution, but that the issue should continue to be treated within the existing adaptation bodies. After very intense negotiations, during which developing countries temporarily left the negotiation room to express their dissatisfaction with the lack of progress, countries agreed to install the "Warsaw international mechanism for loss and damage associated with climate change impacts".

Contrary to what developing countries had originally asked for, this international mechanism will however not be set up under the COP but be established under the Cancun Adaptation Framework. Developing countries agreed on this compromise after intensive discussions in the plenary, which had in return ensured them a review of the mechanism's structures, its mandate and efficiency by 2016. With this review, there is still the possibility to lift the mechanism's placement to a higher level in the future. Developing countries further managed to include a passage in the preamble which denotes that loss and damage is an issue that goes beyond adaptation. This can be considered a first recognition of loss and damage being an issue different from mitigation and adaptation.

In parallel to these negotiations on loss and damage, several other adaptation-relevant discussions were held in different other fora, making it challenging for the negotiators involved. One of the central issues was the question on the continuation and future design of the Nairobi Work Programme, which supports developing countries in the analysis and assessment of adaptation-related issues and is to lead to improved decision making and implementation of measures. Countries agreed on a continuation of the work programme and decided to widen its scope by establishing new work areas and enhancing the coordination with other bodies and processes. Warsaw also saw the presentation of the Adaptation Committee's first report, which was generally well received. Countries welcomed the progress made by the committee but raised concerns regarding its financial situation. In several negotiations, the general lack of funding for adaptation measures was highlighted by

developing countries as a crucial problem. Against this background, it was praised as a ray of hope when the Adaptation Fund was able to meet its goal of raising 100 million USD due to the pledges made by several European countries at the climate summit.

## **Finance**

The allocation of adequate financing balanced between mitigation and adaptation measures has been one of the major "crunch issues" in the negotiations for a long time. With the establishment and subsequent operationalisation of the Green Climate Fund, hopes of developing countries had been high prior to Warsaw that industrialised countries would start capitalising the fund in order to raise it from its current status of an "empty shell". Funding commitments for the GCF would in part also address what proved to be a major stumbling block in this year's negotiations: How will industrialised countries reach their stated goal to raise their finance efforts to a steady annual global sum of 100 billion USD in 2020?

The GCF still had not been fully operationalised prior to the Warsaw COP, which made industrialised countries' finance ministries hesitate to commit financial resources. For a full operationalisation, the relationship between the COP and the GCF had to be clarified and adopted by this year's COP. To this end the Standing Committee on Climate Finance had prepared draft arrangements that passed muster without strong dissent among country delegations. The arrangements state that the GCF is to be guided by the COP. The GCF will submit annual reports on policy implementation, programme priorities and eligibility criteria, as well as activities, financial resources and status of allocation for mitigation and adaptation.

But while questions of institutional arrangements proved no large problem, once again the substantial issue of mid- and long-term finance provisions did. Discussing the Work Programme on Long-Term Finance, developing and industrialised countries clashed in a familiar manner. Many developing countries stated that they expected COP19 to be a "finance COP", with clear and ambitious pledges for funding by developed countries, and a roadmap for scaling up climate finance levels from Fast Start Finance levels of 10bn USD globally to the 100 billion USD from 2020 commitment. Some developed countries, most notably Australia, rejected any financing commitments or quantified pathways. Negotiations continued through several days and nights before reaching a decision on the extended Long-Term Finance Work Programme on Saturday.

The decision omits any clear language or a roadmap for upscaled climate finance, but urges developed countries "to maintain continuity of mobilization of public climate finance at increasing levels from the fast-start finance period in line with their commitment to the goal of mobilizing USD 100 billion per year in 2020". It also recognises the financial pledges made by countries at COP19, including the contributions to fulfil the fundraising goal of 100 million USD for the Adaptation Fund. The Work Programme on Long-Term Finance will continue until 2020, and will also now include biennial high-level ministerial dialogues starting next year.

## Bottom-Up Dynamics to the Rescue?

Warsaw once again starkly highlighted the sharp divisions and lack of trust among countries. One can only hope that countries' behaviour was to some extent tactical, staking out maximum claims in order to be in a better position for the subsequent negotiations. And one may perhaps hope that countries' posturing in the negotiations will increasingly be overtaken by realities on the ground. The rapidly declining equipment costs of renewable energy technologies are driving a rapid scale up in increasing numbers of countries. Equipment costs of solar photovoltaics (PV) have fallen by no less than 4/5 within the last five years. Wind turbine costs have also fallen by about 1/3 in the same timeframe even though starting from a much lower level.<sup>2</sup> And these trends are projected to continue. Deutsche Bank recently estimated that 3/4 of the world solar market will be sustainable with little or no financial support within 18 months.<sup>3</sup> A recent report by Citigroup projects that both wind and solar will be fully competitive with other energy sources in most parts of the world by 2020.<sup>4</sup> Analysts note that 2/3 of the about 100GW of solar PV that is currently installed globally has been installed in the last 2.5 years, and project that another 100GW will be installed in the next 2.5 years.<sup>5</sup>

Ironically, these developments are to a large extent driven by some of the countries that are among the most recalcitrant within the UNFCCC. While Japan now has a target that would allow it to increase its emissions, it is projected to become the world's largest solar PV market this year, neck to neck with China.<sup>6</sup> Japan argues that the shutdown of all of its nuclear plants post-Fukushima made its change of targets necessary, but according to analysis by Ecofys, Climate Analytics and the Potsdam Institute for Climate Impact Research even fully replacing all those nuclear plants with coal would merely halve the original target.<sup>7</sup> Given the rapid scale-up of renewables, Japan's actual emission trajectory can thus probably be expected to be much more climate friendly than its new target indicates. And while China took a hard-line position on the issue of taking binding commitments, it at the same time went to great length to showcase its own even more impressive investment in climate-friendly technologies and the launch of regional pilot emission trading systems. Some analysts, including ones like Citigroup that can probably not necessarily be considered to be environmentally blinkered, even consider that Chinese coal consumption may flatten within this very decade, driven by

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<sup>2</sup> Liebreich, Michael (2013): Keynote. Bloomberg New Energy Finance Climate Summit. 23 April 2013. <http://bnef.folioshack.com/document/summit2013/1czp7t>, last accessed 25 June 2013.

<sup>3</sup> Parkinson, Giles (2013): Deutsche Bank: Solar, distributed energy at 'major inflection point', <http://reneweconomy.com.au/2013/deutsche-bank-solar-distributed-energy-at-major-inflection-point-10487>, last accessed 27 November 2013.

<sup>4</sup> Channell, Jason; Lam, Timothy; Pourreza, Shahriar (2012): Shale & renewables: a symbiotic relationship. Citi Research. <https://ir.citi.com/586mD+JRxPXd2OOZC6jt0ZhijqcxXiPTw4Ha0Q9dAjUW0gFnCIUTTA==>, last accessed 25 June 2013.

<sup>5</sup> Lacey, Stephen (2013): Chart: 2/3rds of Global Solar PV Has Been Installed in the Last 2.5 Years, <http://www.greentechmedia.com/articles/read/chart-2-3rds-of-global-solar-pv-has-been-connected-in-the-last-2.5-years>, last accessed 27 November 2013.

<sup>6</sup> Watanabe, Chisaki (2013): Japan Set to Overtake Germany as World's Largest Solar Market, <http://www.bloomberg.com/news/2013-06-04/japan-set-to-overtake-germany-as-world-s-largest-solar-market.html>, last accessed 27 November 2013.

<sup>7</sup> Japan reverses Copenhagen pledge, widens global emissions gap, nuclear shutdown not to blame – Climate Action Tracker, <http://climateactiontracker.org/news/147/Japan-reverses-Copenhagen-pledge-widens-global-emissions-gap-nuclear-shutdown-not-to-blame.html>, last accessed 26 November 2013.

the government's desire to shift the economy away from manufacturing, more modest growth targets, plans to cut air pollution and to aggressively push non-coal energy sources.<sup>8</sup>

One can only hope that these developments will at some point trickle up into the minds of governments when it comes to negotiating climate change.

The Wuppertal Institute will soon publish a detailed analysis of the conference on its website.

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<sup>8</sup> Yuen, Anthony, et al. (2013): The Unimaginable: Peak Coal in China. 4 September 2013. <https://ir.citi.com/z5yk080HEXZtolax1EnHssv%2Bzm4Pc8GALpLbF2Ysb%2FI21vGjprPCVQ%3D%3D>, last accessed 26 November 2013.