

# ECO

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*This is the first edition of ECO in-between. Tell us what you think!*

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## The Show Must Go On: Expectations for Marrakech

Paris provided hope and momentum. It was a giant leap forward, providing the world with an international framework to address climate challenges. If COP22 can build on this momentum, and fully maximise the gains of COP21, we might indeed make real progress!

COP21 had shortcomings, though. It does not provide the necessary ambition required to fulfil the objectives of the Agreement itself. The ambition showcased by countries within their INDCs does not reflect the stated objectives of the Agreement: to hold warming to well below 2°C and pursue efforts to limit it to 1.5°C. ECO wonders if countries will now put their heads in the sand and point to the 5-year-cycles? Or recognise the inadequacy of their current INDCs and ramp up their ambition so as to ensure that the Paris Agreement's objectives articulated in Article 2 are fulfilled?

Facilitating and enabling faster implementation, along with ensuring urgency for greater ambition, should be COP22's cornerstone. Short-term ambition needs to be increased and acted on. COP22 has the potential to set a precedent for the 2018 facilitative dialogue and its successful outcomes. Rather than finger pointing, or just reiterating existing institutional inadequacies, the focus of discussions should be on capturing and incentivising over-achievement by countries in the pre-2020 period, ensuring that institutions within the UN-FCCC account for the needs of countries, as suggested at various technical expert meetings (TEMs). Significant progress needs to be made on institutional support for capacity building to enable developing countries to access finance, as well as carry out their proposed mitigation actions. A key requirement for success at COP22 will obviously be a robust and reliable roadmap from developed countries on how they are going to meet their US\$100-billion promise, that also outlines improvements on accounting and transparency, related to the delivery of promised support.

COP22 could be an important milestone for discussions on Loss and Damage. Delivery of an ambitious

5-year work plan for Loss and Damage is a necessary assurance for vulnerable countries. Adaptation, too, will be an important issue where progress needs to be made. Successful proceedings of the adaptation TEMs, as well as the creation of a multi-country initiative on adaptation, would be an important signal that adaptation is being dealt with, on par with mitigation. A strong sign towards this could also be earmarking climate finance for adaptation. This will help provide confidence to vulnerable countries that their adaptation plans will be brought to fruition. As technology rights represent an important part of getting implementation right, the critical underfunding of the Climate Technology Centre and Network must also be addressed.

This COP will also set the stage for the next phase of the climate regime. COP22 will have to prepare the ground for a likely early entry into force of the Paris Agreement, as well as set expectations for the 2018 facilitative dialogue. Building a strong foundation for both will be crucial when setting political expectations, as well as giving a strong signal of momentum.

Marrakech needs to end on a high note. There are strong expectations from the Moroccan presidency to deliver a COP that enables ambition, re-mandates institutions within the UN-FCCC to facilitate implementation and builds on the momentum from Paris.

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## 1.5°C: To Be Or Not To Be?

ECO congratulates the IPCC for its recent Scoping Meeting for the Special Report on 1.5°C. When finished, it will be a highly important and visible scientific report. Its repercussions will be felt for generations to come. Although CAN experts were not invited, ECO appreciates that the IPCC did invite experts from a cross-section of disciplines, including practitioners, social and political scientists and sub-national actors.

There is no doubt that we will need to undergo massive transformational changes to our economy and society if we are to limit the temperature increase to 1.5°C. This Special Report must be the lightning rod that signals the opportunities and risks of a 1.5°C temperature limit, as well as a guiding star on the pathway towards 1.5°C. At present, we are off course. Scientists need to grab the bull by its horns and elaborate clearly on the plethora of benefits related to phasing out all human carbon pollution by 2050 at the latest, starting with transforming our global energy sector into a 100% renewables one. They need to explore all sustainable policies, such as maximising the recycling of obsolescent equipment or ending deforestation and chemical (and emission) intensive agriculture, in order to render the land use sector a global contributor to protecting the climate. Scientists must also make it very clear that without significant growth in clean investment and financial support (both public and private) for developing nations, fast global decarbonisation won't get off the ground. Shifting the trillions away from all fossil fuels is crucial to avoiding climate havoc beyond 1.5°C.

ECO welcomes that this Special Report will not only address scientific, technological and economic factors, but first and foremost consider the ethical, equity and sustainable development dimensions of a 1.5°C world. Transparency in the underlying assumptions used in the modelling of pathways will help us make the difficult policy choices and trade-offs required

for the transformational change the planet needs.

We recognise that current government commitments fall considerably short of even reaching the 2°C goal agreed to in Paris, let alone 1.5°C. However, ECO reiterates the view found in scientific literature that fundamental change in line with social justice is feasible. To do so we need urgent and scaled up actions before 2020, and a significant decline in global emissions during the next decade.

ECO calls on governments to use the Facilitative Dialogue at COP24 in 2018 as a key moment to take stock of where we are, and where we need to be to achieve 1.5°C. The IPCC Special Report, which will be on the table there, will be crucial to those deliberations. Governments must emerge from that dialogue with clear intentions to upwardly adjust their commitments for both pre-2020 and in their NDCs, to put the world on a secure path to limiting the global temperature increase to 1.5°C above pre-industrial levels.

Parties will discuss the outcomes of the IPCC Scoping Meeting at the upcoming IPCC Plenary meeting in Bangkok. We sincerely hope that all Parties agree to the recommendations made in the approach and content of the Special Report in 2018. This will mobilise governments, businesses and citizens around the world to act with urgency to secure a safe future for all, especially for the most vulnerable. While we are not naïve, and understand that even a 1.5°C world has dire impacts on people and nature. We also know that living in a 1.5°C will mean the difference between life and death for many millions of people.

In the end, as with all issues, this is not a question of science or technological ability. It is a question of the power of the incumbents. But where there is a will, there is a way.

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## The Next Big Thing: Loss and Damage Finance

The 2016 UNEP Adaptation Finance Gap Report predicts that, by 2030, adaptation costs will be 3 times greater than current predictions, reaching US\$140-300 billion annually, with the potential to be 5 times greater by 2050. Yet, adaptation finance delivered to developing countries in 2014 was a mere \$22.5 billion, including the full face value of loans made at market rates. Even with a very generous calculation, current adaptation finance provides only 10% of the amount needed. The specifics of a finance roadmap must be agreed in Marrakech.

This is only one part of the picture. Numbers from the UNEP report are only for adaptation finance—not loss and damage. As specified in the Paris Agreement, loss and damage is a separate matter. Financing must go above and beyond that provided for adaptation. Loss and damage would cost twice as much as adaptation. Costs for all developing countries in a 2°C warmer world cost an estimated \$400 billion per year by 2030, reaching over a trillion dollars per year by 2050.

The most vulnerable countries need at least \$50 billion each

year now to deal with loss and damage. This amount climbs every year. This month's Forum of the Standing Committee on Finance, focusing on loss and damage finance, must acknowledge the scale of the problem and put in place plans—call them financial instruments if you will—to generate the scale of finance needed and to identify its sources. While insurance/risk transfer is required as one of the instruments, it is not a panacea to address all impacts, particularly those due to slow onset events.

In particular, innovative sources of finance—additional to existing aid and adaptation commitments—must be mobilised for addressing loss and damage. These innovative sources can also have side benefits. For instance, putting in place a carbon levy on fossil fuels could easily mobilise \$50 billion per year, and would help ensure that the industry most responsible for climate damage is the one paying for it. Without such finance to address the costs of loss and damage, it is the impoverished and most vulnerable who will continue to pay the true costs of climate change.

## No More Adaptation TEM Seminars

Technical Expert Meetings (TEMs) must be solutions oriented, identify ways to overcome barriers to implementation and seek to expedite implementation of actions on the ground. TEMs on mitigation have successfully brought discussions into the UNFCCC on how we can concretely go about reducing GHG emissions, beyond hypothetical percentages and carbon equivalents. It has brought about the launch of exciting initiatives, such as the Africa Renewable Energy Initiative, and will hopefully give legitimacy to other initiatives under the Global Climate Action Agenda (GCAA). ECO is hopeful that the technical examination of adaptation can deliver similar things, especially in terms of addressing the barriers to implementation and fostering concrete action on the ground, in the spirit of more, faster, now.

In May, ECO noted that negotiators at the first adaptation TEMs were surprised they were “just seminars”. To go beyond this, it is time to identify which crucial issues adaptation TEMs should address to achieve outcomes not already covered by other existing processes. No one is interested in duplication. To gain support from Parties and buy-in, a common understanding of what the added value is must be established.

For example, the adaptation TEMs could be tasked with answering questions about overcoming barriers to implementation, and then leveraging the considerable capacity of the Champions for pre-2020 climate action. It will ensure this happens in practice, enabling action and resilience building. Questions to be answered would concern institutional, technological, capacity building and knowledge barriers and gaps for implementation; effective tools for the transfer and dissemination of technological know-how; barriers to accessing finance; analysis of the possible role of business in expediting implementation and, finally, how we can promote cooperation on concrete action on adaptation in accordance with nationally defined development priorities.

Hakima El Haité and Laurence Tubiana, the Champions, have crucial roles in ensuring the adaptation TEMs bear fruit. Their focus must be on how existing initiatives can be scaled up and replicated, how ideas developed can be matched with necessary means of implementation and how concrete initiatives can be launched at annual high-level events and/or as part of the GCAA. A significant benefit of the Champions is leveraging the interplay between states and non-state actors, including business, which ECO believes will be necessary to overcome barriers to implementation of adaptation actions.

## Compliance in the APA

As the APA continues its work in preparation for the first meeting of the Parties to the Paris Agreement, the Compliance Mechanism and its modalities and procedures are beginning to get some well-deserved attention. This will facilitate implementation and promote compliance as established in Article 15, and should be open to inputs from the public.

While Parties are preparing submissions on modalities for the Transparency Framework and Global Stocktake, the APA Co-Chairs have articulated five “guiding questions” to facilitate deliberations in Marrakech on the Compliance Mechanism. These concern basic design issues: scope, operationalisation of differentiation, triggers, relationship with existing arrangements and the participation of the concerned Parties. Other design questions that will eventually need to be addressed by the APA include the relationship between the Compliance Mechanism and the Transparency Framework, as well as the role of the public.

As Parties prepare their responses, ECO recalls the heated debates in the ADP and COP21 regarding the legal form of NDCs. Ultimately, the view prevailed that a strong transparency and accountability system could secure greater effectiveness of the Agreement than a strict legal obligation to implement or achieve NDCs. A transparency and accountability system was thus established resting on three pillars: the

Transparency Framework, the Global Stocktake and the Compliance Mechanism. Moreover, that system is the basis of the hybrid character of Paris; the top-down system of transparency and accountability was (and is) key to the credibility and viability of the bottom-up approach to mitigation.

ECO believes that a strong transparency system for the Paris Agreement requires the meaningful involvement of non-Party stakeholders. The design of the modalities and procedures for the Compliance Mechanism should therefore contemplate openings for the public to, inter alia: trigger investigations; submit relevant data and observations; challenge compliance data where it is inaccurate and access all relevant compliance documentation. Similar openings are needed for the Transparency Framework and the Global Stocktake. They may build on good practices found in other international forums.

These discussions are not expected to be completed at or by COP22. So, more time can be taken in answering the key question of how to operationalise a meaningful role for the public in the Compliance Mechanism. This should assist the Co-Chairs and the Parties in further refining their thinking about compliance modalities, and the future direction of those discussions.

## Celebrating September 16

Did you know the world spends September 16 celebrating Burger Day? Whatever you think of this, worry not because it is also this year's Preservation of the Ozone Layer Day! And it serves as a very welcome reminder for governments to devote the day to promoting activities that support the Protocol, its amendments, and amendments shortly to come.

With the countdown to adopt a new amendment in Kigali next month to phase-out HFCs, ECO would love to see officials coming together to discuss barriers to an ambitious amendment. Even on a limited budget, here are some cheap and cheery ways to celebrate, and help the climate:

- Reach out to other countries on the importance of early freeze dates for Article 5 and non-Article 5 countries

- Skype on the issue of reduction schedules for HFCs
- Have a virtual exchange with your pen pals on the baselines for HFC phase-down
- Get your head around the exemption mechanism
- Call your friends so that this can be discussed at the upcoming UN General Assembly
- Start discussing the money issue!

With high stakes and limited time, Kigali can't become a missed opportunity to reduce HFC emissions, bringing down warming by 0.5°C. With all hands on deck, we can make this year's Ozone Layer Day (even if it's your first!) meaningful.

## Take Off Delayed? ICAO Must Act On Aviation Emissions

As the International Civil Aviation Organisation (ICAO) approaches its triennial assembly in Montreal this fall, ECO is anxious for real progress. On its current flight path, commercial aviation will consume 27% of the available carbon budget in a 1.5°C scenario. In 2013, ICAO committed to adopting a credible market-based mechanism (MBM) at its 2016 assembly to stabilise net emissions at 2020 levels.

But in negotiations leading up to this assembly, nations have done a U-turn on this pledge. They agreed that the forthcoming targets will be voluntary until 2027. After kicking their mandatory, universal commitments down the road for seven years, the same countries that have signed up to the Paris Agreement are about to finalise an ICAO plan that is neither mandatory nor universal.

The voluntary nature of the emerging ICAO deal may be less important than whether ICAO delegates interpret it as a ceiling or a floor. Paris, after all, started out as a voluntary responsibility, to which the vast majority of the world's nations have voluntarily signed on to, but the caveat is that the Paris Agreement will only enter into force after reaching the 55/55% threshold that would turn it into a legal instrument. So far, the signs aren't good—countries such as the US are trying to use the ICAO deal to block more ambitious measures at regional and national levels. That's

hardly in the spirit of Paris.

It remains to be seen whether ICAO can achieve a meaningful outcome before COP22. It'll be a good start if nations representing 70 to 80% of global emissions join a deal that includes an honest, robust MBM for offsetting airlines' emissions, as well as move to swiftly increasing ambition beyond offsetting.

However, ECO wonders if even 70% coverage is believable—voluntary participation could soon turn into voluntary enforcement or safeguards, undermining the whole measure. To avoid such an epic aviation disaster, ICAO has the heavy duty to prove that there is climate credibility.

To reach that outcome, some developing countries may need better coordination across areas of interest. Otherwise, we will continue to see diplomats and environment officials committing to a robust international climate agreement, whilst their transport colleagues toil away on emission exemptions for airlines.

It wouldn't be the first time in international negotiations that the right hand didn't know what the left hand was doing. But if ICAO can benefit from a grand clarification, in which transport ministries align with their more climate-focused colleagues, we may arrive in Marrakech on the cusp of an advance worth celebrating.

## G20 in China: Blue Skies, But No Leap Forward

ECO applauds China and the US formally joining the Paris Agreement as a prelude to the G20 summit in Hangzhou, China. This is a major step toward the entry into force of the Paris Agreement. It is a very timely signal to the world that global leaders are serious about what President Obama once called: "the best chance we have to save the one planet we have". With the two largest polluters joining, the count of countries/emissions represented has risen from 24 and 1% to 26 and 39% respectively; closing the gap towards the 55/55% double-threshold.

Other than this, ECO found the rest of the G20 slightly anti-climatic. Despite a strong push from China and the US, no other nations announced ratification. Contrastingly, India came forward with being unable to ratify the Agreement by the end of 2016. Similarly, still no end date for "the world's most destructive subsidies" exists. Progress on the fossil fuel subsidy phase-out was limited to countries being merely "encouraged" to participate in peer reviews.

The emphasis on natural gas as a low-carbon alternative, and the "diversification of energy sources" in the Communiqué has a distinctive fossil fuel odour to it. Plus, the G20 completely failed to address how—despite the Paris Agreement—the world is still headed for 3°C of warming due to the low ambition in countries' NDCs.

Finally, ECO is feeling a bit dismayed due to Chancellor Merkel's silence on the climate agenda of the incoming German G20 presidency. Perhaps this is because parts of her government are closely listening to industry "front" groups; killing off ambition in the forthcoming German 2050 mitigation strategy.

There was a silver lining on the finance and investment horizon, though: China positioned itself as a green finance leader with encouraging rhetoric around green growth and sustainable development, and the establishment of the G20 Green Finance Study Group. ECO is pleased at the broad push towards transparency and mobilisation of finance for sustainable infrastructure within the G20. The world's leading finance ministers and central bank governors embracing "green finance" as part of their own agendas is an important breakthrough. That isn't to say that there wasn't more "growth" than "green", though, with no clear and stringent definition of what constitutes a "green" investment. To make financial flows truly consistent with long-term climate goals, it is pivotal to exclude carbon intensive technologies, embrace renewables and scale-up green finance beyond current levels. While some of the clouds are lifting, a more concrete reset of the global economy is not what came out of Hangzhou.