Implications of the Paris Climate Agreement

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*The **Global Forum on Sustainable Energy (GFSE)** is a neutral multi-stakeholder platform which is facilitating international dialogue on energy for sustainable development by taking into accounts the special interests and challenges of developing countries. GFSE aims at the establishment of a sustainable world energy system from a social, economic and environmental perspective.*

GFSE contributes to both international discourse and information dissemination on sustainable energy. The multi-stakeholder platform plays a crucial role in facilitating sustainable energy projects by bringing together donors, investors and project developers. Their interaction creates new opportunities and enhances existing initiatives in the field of sustainable energy.

No enforcement mechanism or infringement procedure is foreseen. The Paris Agreement is based on a system of global peer pressure.

Key Points of the Paris Agreement

The historic Paris Agreement of 12 December 2015 at COP21 is the first international agreement committing 195 Parties, developing and industrial countries alike, to combat climate change and to kick-start action and investment towards the goal of limiting global temperature increase to "well below 2°C". Efforts shall be pursued to even limit global warming to 1.5°C above pre-industrial levels, and the Intergovernmental Panel on Climate Change (IPCC) was mandated to develop a report by 2018 on how to reach this goal.

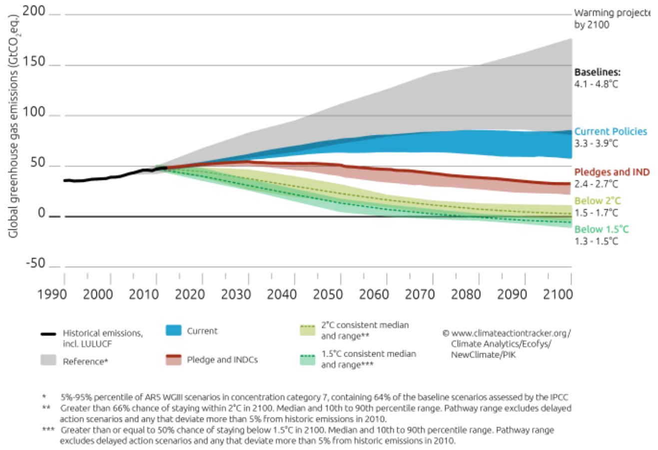
The climate objectives and measures contained in the countries' climate action plans, or (intended) nationally determined contributions, (I)NDCs, are voluntary in nature, but a number of legal requirements are contained in the new climate deal:

- Signatories will have to enhance ambition every five years starting in 2020, with updated plans that tighten their emission cuts
- Starting in 2023, signatories shall take stock every five years to publicly report on their progress in curbing emissions compared to their plans. This means that they are legally required to monitor and report on their emission levels and reductions, using a universal accounting system.

This so-called **ambition mechanism** foresees that the updated (I)NDCs shall be no less ambitious than existing ones. Once the Paris Agreement is ratified, INDCs will turn into nationally determined contributions or NDCs. Parties may update their contributions any time and are required to do so every 5 years, starting by 2020 at the latest. An international review process will provide suggestions to each country for raising ambition. 2023 will mark the year for the first **global stocktake** to assess the collective achievements towards the 2°C goal, with subsequent stocktaking every five years. No enforcement mechanism or infringement procedure is foreseen, so the Paris Agreement is based on a system of global peer pressure. Nonetheless, the climate deal delivers a strong message to the global marketplace to shift investment towards green energy instead of fossil fuels as Parties aim to reach global peaking of greenhouse gas emissions as soon as possible.

Until the adoption of the Paris Agreement, the commitments pledged, representing 185 countries and about 94% of 2010 global emissions, show an expected global mean temperature rise of 2.4-2.7°C[1], which is far off the goal of the climate deal. At the end of March 2016, 161 INDCs were submitted to the UN Framework Convention on Climate Change (UNFCCC), detailing objectives and activities to combat climate change.

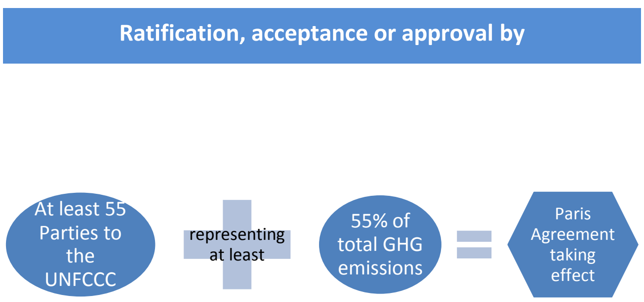
[1] http://www.climateactiontracker.org/indcs/



Emissions Levels until 2030 under Current Policy Projections and Submitted INDCs (Source: Climate Action Tracker)

The Paris Agreement also aims to strengthen the ability to deal with the impacts of climate change through support and international coordination. Signatories shall submit national adaptation communications, comprising their priorities, support needs and plans. The agreement further reinforces the **Warsaw International Mechanism on Loss and Damage**, which is the first time that loss and damage are included in an international agreement; there is, however, no liability clause in the climate deal.

International cooperation on climate-friendly technologies and capacity building are significantly strengthened, and **climate finance** shall be scaled up to mobilize funds of up to USD 100 billion per year by 2020 through developed country contributions and voluntary contributions by others. With the aim to build mutual confidence and promote effective implementation, the Paris Agreement establishes an enhanced **transparency framework** applicable to all Parties to make measures and assistance verifiable.



Ratification, Acceptance or Approval of Paris Agreement

On 22 April 2016, a record number of 175 Parties (174 countries plus the European Union) signed the Paris Agreement at a high level signing ceremony at the UN Headquarters in New York. This marked another historical record for first-day signatures to an international agreement. The agreement will remain open for signature for one year until 21 April 2017.

The Paris Agreement can enter into force 30 days after 55 countries accounting for at least 55% of global GHG emissions have deposited their ratification instruments. Fifteen countries already done so at the ceremony, including small island developing states that will be most affected by climate change impacts. Strong business engagement could be seen at the ceremony, and the Executive Director of UN Global Compact, Lise Kingo, called on companies to set an internal carbon price at min. USD 100 per metric ton over time as a way to include climate change into corporate strategy and investment.

Once the accord enters into force, the first meeting of the Parties to the Agreement will occur together with the next Conference of the Parties (COP). Analyses show that the 55% threshold cannot be achieved without the acceptance of at least one of the top four emitting parties, namely China, the United States, the European Union or Russia.

Commitments to Climate Action on All Levels

Another key outcome of the COP21 conference was the **recognition of actions by cities, regions, businesses and investors as well as civil society**. The conference saw a series of action days and a High Level Meeting on Climate Action, and the commitments to action by these stakeholders are captured in the NAZCA (Non-State Actor Zone for Climate Action) portal. In spring 2016, NAZCA showed more than 11,300 commitments to action, the bulk of them dedicated to emissions reductions, energy access & efficiency, and renewable energy.

Leading cooperative action on NAZCA are the transformational initiatives of the Lima-Paris Action Agenda (LPAA) of the COP20, created to accelerate ambition in the run up to the COP21 in Paris and beyond. Both NAZCA and LPAA were launched at the COP20 in Lima.

The Buildings Day at COP21 saw the launch of a Global Alliance on Buildings and Construction, which aims to unite governments, international organisations and leaders from the construction sector in their efforts to divert construction finance to green buildings, implement an action programme, promote initiatives and solutions by all signatories to the alliance, and create a network for public authorities in charge of construction.

How is sustainable energy affected?

The new climate deal saw a universal commitment of all countries to decarbonise their economies, which is expected to result in stronger clean energy deployment on a global scale. This can drive down technology costs and create new market opportunities.

The most advanced economies have already included renewables in their energy mix and planned to increase their use in order to meet their mitigation goals: Japan aims to derive 22-24% of its electricity production from renewable sources by 2030 and the European Union plans to reach 27% of renewable energy in its final energy consumption.

But the least developed economies are also playing their part: 40% of non-G20 countries, which have submitted their contributions, have set specific targets in this area. One such country is Côte d'Ivoire, which aims to reach 16% of the energy mix by 2030, or 32% with international support.

Potential areas for saving energy have been identified and countries are willing to adapt the most effective practices across all levels of development. Sectoral energy efficiency measures (buildings, transport, industry, etc.) have been planned by many countries.

Many forested countries, including those which are economically least developed, have planned to halt or even reverse deforestation trends. Forests are natural "carbon sinks" and are also beneficial for adaptation and the preservation of biodiversity. Mexico aims to halt deforestation by 2030, while the Democratic Republic of the Congo intends to plant about 3 million hectares of forest by 2025 at the latest. China already has a substantial reforestation programme underway that shall help to increase the national forest stock by 4.5 billion cubic metres by 2030.

NAMAs and INDCs

Parties to the UNFCCC had already agreed to "initiate or intensify preparation of their **intended nationally determined contributions (INDCs)**" at COP19 in Warsaw in 2013. All parties to the UNFCCC shall develop INDCs for the post-2020 period, including a mitigation goal that represents a progression beyond current efforts and avoids backsliding. These INDCs make it possible to track progress and achieve a collective ambition level sufficient to limit global warming below 2°C relative to pre-industrial levels.

Mitigation goals have to be transparent, quantifiable, comparable and verifiable; least developed countries and small island developing states do not need to prepare such a goal, but may instead communicate information on strategies, plans and actions for low GHG-emission development. Once the Paris Agreement is ratified, these INDCs will turn into **nationally determined contributions**, or **NDCs**.

When developing (I)NDCs, signatories to the agreement can revert to their experience with the drafting of **Nationally Appropriate Mitigation Actions (NAMAs)**, e.g. in terms of technical specifications, mitigation potentials, costs and benefits or institutional arrangements. These NAMAs refer to any action that reduces emissions in developing countries and is prepared under the umbrella of a national governmental initiative and as part of the country's sustainable development objectives. NAMAs were introduced at the COP13 in Bali in 2007, inviting developing countries that did not have any mitigation obligation under the UNFCCC, to shape their own mitigation measures towards 2020 under the Bali Action Plan.

They continue to be a valuable climate instrument after the Paris Agreement, although the link between NAMAs and (I)NDCs and their outlook for the post-2020 framework has not been completely clarified. NAMAs can range from policies directed at transformational change within an economic sector, and cross-sectoral actions for a broader national focus to single projects. NAMAs are supported and enabled by technology, financing, and capacity-building with the aim to achieve reductions in emissions relative to 'business as usual' emissions in 2020. The NAMA registry, a publicly-available platform operated by the UNFCCC, facilitates the matching of finance, technology and capacity-building assistance for NAMAs seeking support, and provides for the recognition of other NAMAs.

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Climate Finance and Carbon Markets

Shifting financial flows towards a low-emission climate-resilient development pathway is one of the main objectives of the Paris Agreement. Although the accord does not include new specific commitments to finance, the accompanying Paris Decision "strongly urges developed country Parties to scale up their level of financial support, with a concrete roadmap to achieve the goal of jointly providing USD 100 billion annually by 2020 for mitigation and adaptation" and to also continue appropriate technology and capacity-building support. Developed countries shall uphold their collective mobilisation goal through 2025, but that a new quantified goal shall be set prior to that date, starting from the USD 100 bln floor. Developed country Parties shall continue to lead in mobilizing finance beyond previous efforts and from a variety of sources, instruments and channels, while others may contribute on a voluntary basis. Public funding will remain vital, especially in areas like adaptation, where it is difficult to attract private investment.

Climate finance shall take into account the needs and priorities of developing country parties, and achieve a balance between mitigation – which currently accounts for over 90% of climate finance – and adaptation. Particularly vulnerable parties with capacity constraints (least developed countries LDCs, small island developing states SIDS) and the reduction of emissions from deforestation and forest degradation/enhancement of the forest carbon stock were exceedingly considered.

The Financial Mechanisms of the UNFCCC, including its operating entities, shall be maintained under the new agreement. The Green Climate Fund (GCF) and the Global Environment Facility (GEF) as the operating entities of this mechanism shall ensure efficient access to financial resources particularly for LDCs and SIDS. Parties further agreed that the Adaptation Fund created under the Kyoto Protocol could play a role in implementing the Paris Agreement. Recommendations in this regard shall be made at the COP22 in 2016.

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The Paris Agreement further recognizes that some Parties pursue voluntary cooperative approaches in implementing their NDCs to allow for higher ambition in their mitigation and adaptation actions (Article 6). In cases where Parties engage in voluntary cooperation that involve the use of internationally transferred mitigation outcomes (ITMOs) towards nationally determined contributions, they shall promote sustainable development and ensure environmental integrity and transparency, and shall apply robust accounting to avoid double counting.

The agreement establishes a mechanism to contribute to the mitigation of GHG emissions and support sustainable development, which aims to deliver an overall mitigation in global emissions. It shall contribute to reducing emission levels in the host Party that will benefit from mitigation action resulting in emission reductions that can also be used by another Party to fulfil its NDC; the mechanisms aims at the participation of both public and private entities authorized by a Party. The Subsidiary Body for Scientific and Technological Advice (SBSTA) was mandated to operationalize this provision by recommending a set of decisions to the Conference of the Parties serving as the meeting of the Parties to the agreement at its first session.

The Paris Agreement in Brief

The Paris Agreement stipulates the scientifically based target of 2°C global temperature increase and is both a universal and dynamic agreement, committing industrialised and developing countries alike and ensuring that the ambitions communicated in INDCs are increased every five years.

A first global stocktake will take place in 2023 to assess the collective achievements. To achieve the jointly agreed goal, climate action of the signatory states will have to be supplemented by initiatives of sub-national and regional actors, businesses and investors as well as the civil society. A Global Alliance on Buildings and Construction was launched with the aim to divert construction finance to green buildings and to develop and implement a comprehensive action programme.

Climate finance needs to be scaled up to reach the 100 billion dollar target by 2020 and go beyond thereafter. A balance between mitigation and adaptation finance is needed, and more investment has to flow into research & development of new, clean and innovative technologies and cross-border initiatives. The GCF and the GEF will ensure efficient access to climate finance and take specific needs of particularly vulnerable parties into account.

The Paris Agreement demonstrates universal ambition for climate protection, which will now have to be translated into concrete action to decarbonise the world economy and ensure a sustainable global development pathway.

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