

COP 20 in Lima: a tense rehearsal dinner where everyone ended up eating at the same table

COP20 in Lima was expected to put the negotiations on track to get an ambitious global agreement in Paris in December 2015. As a “rehearsal dinner” for Paris Climate 2015, COP20 managed to keep and strengthen the hopes for a “wedding” of interests with all parties sharing a table. COP 20 achieved its two key objectives: defining a framework – even if only indicative – for the submission of the countries’ *Intended Nationally Determined Contributions (INDCs)*, and a preview of the components of the draft negotiating text that will be discussed throughout 2015 on the way to Paris. Perhaps the most valuable input may be COP20’s treatment – or rather the absence – of the Annex I/non-Annex I differentiation. This marks a watershed moment in negotiations where all countries recognize the need to contribute to climate action. 2014 was a relatively productive year marked by Europe’s engagement through the Energy Climate Package 2030, the US-China agreement and the capitalization of the Green Climate Fund. Nevertheless, many unsolved critical issues remain on the negotiator’s plate to ensure the strong commitments necessary in Paris to reach the ambitious long-term 2°C target.

Background: a step on the road to an agreement in 2015 in Paris

Every year, the signatory countries of the United Nations Framework Convention on Climate Change (UNFCCC) meet during the Conference of the Parties (COP) and the Conference and Meeting of the Parties to the Kyoto Protocol (CMP). The Lima Conference – COP20 and CMP10 – builds on the Warsaw Conference (2014) and sets the course for negotiations on the new global agreement expected in 2015 at COP21 in Paris – a.k.a. Paris Climate 2015.¹

Since 2012, Lima has been identified as a key to give impetus to international negotiations

In Durban, in 2011, COP17 agreed to aim to define a new global agreement in 2015 that shall take the form of “a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties”. The agreement – expected to apply from 2020 – would thus be the new climate regime following the Kyoto Protocol.

The future agreement could contain two main elements: commitments and common tools. Firstly, commitments – or, in the new UNFCCC jargon, “contributions” – could take the form of emissions reduction or climate finance targets. Secondly, the UNFCCC could be established as the depository and manager of common tools to provide the information necessary for trust among signatories. These tools could focus on a number of key points, including the monitoring, reporting and verification (MRV) of emissions reductions and actions – be it at project, program, sectoral or policy level. Common tools to track climate

¹ More details on Warsaw’s decisions and the calendar of the negotiations on the Climate Brief N°33 “International Climate Negotiations – COP 19: do not underestimate the MRV breakthrough” (2014). <http://www.cdclimat.com/Climate-Brief-no33-International.html>

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finance flows both within and between countries are needed to track progress to commitments domestically and internationally on mitigation and adaptation to climate change. Within these discussions on commitments and tools, a number of issues and objectives must be addressed: mitigation, adaptation, finance, technology transfer, capacity-building and transparency of action and support.

COP20 took place in the second half of a long process of discussion and negotiation given the complexity of the topics combined with the requirement to reach consensus under the UNFCCC rules. Thus, four years have been dedicated to address these challenges. Within this process, COP20 was identified as early as in Doha in 2012 as the deadline to provide elements for a draft negotiating text. It was also hoped that COP20 would provide guidelines on the information countries are supposed to include in their intended nationally determined contributions (INDCs) decided in Warsaw in 2013. As discussed below, COP20 has delivered on a number of these points. The main political deliverable for this COP is a 4-page decision, labelled “*Lima Call for climate action*”, and includes a 34-page annex which provides “elements for a draft negotiating text”, which is the formal negotiating basis for the 2015 Paris Agreement.

The menu for the Paris Agreement

The Lima conference can be seen as a “rehearsal dinner” preceding the Parisian wedding that will take place at the end of 2015. The 196 families have now met, it only remains to be seen if they can now come together to resolve the differences concerning e.g. the number of courses, choice of courses, or procedures for changing one’s mind during the dinner.

Legal form of the agreement: on track for an “à la carte” menu

When planning a dinner, agreeing on the menu is the first requirement to be sure everybody is ready to sit at the table and take actions – and feels at ease, thus staying till the end. The negotiations in Lima showed how difficult it will be to adapt a menu to the wide range of palates around the table and find a legal form that responds to all tastes. This has been depicted by the requirements for INDCs,²

- How many courses? → *Is it a mitigation only agreement or should it tackle other topics such as adaptation or finance?*
- Is the choice of courses restricted or is it “à la carte”? → *Is it a Kyoto-like agreement with standardized forms of commitments or a Copenhagen-Cancun approach with a large variety of commitments forms?*
- Is there a possibility to change one’s mind during the dinner? → *What are the conditions to modify commitments in the future?*
- How one can ensure that all countries eat what they have ordered and what kind of sanctions for those who fail to do so? → *Is there any MRV and enforcement process?*

Different options remain on the table while an hybrid approach appears to unite Parties

In 2014, several countries expressed their views on this issue, particularly in terms of the agreement’s binding nature. While, for instance, the EU advocates for a legally-binding agreement, the US reiterated the trouble it had to have the Congress ratify the Kyoto Protocol and stressed reluctance to legally-binding limits on emissions. The experience of the Kyoto Protocol³ and the collaborative potential of flexible approaches emphasized by N. Stern⁴ undermine the supposed benefits of a fully legally-binding agreement. Indeed,

² This list of questions is not exhaustive and caricatures available options with the objective of giving ideas on the issues to be tackled by Paris.

³ See Morel and Shishlov (2014).

⁴ See Stern (2014).

discussions suggested that the agreement form is not necessarily binary and a hybrid approach could be pursued. This hybrid approach could have the internationally binding force of an agreement focusing on specific topics such as transparency, while mitigation targets would be determined and managed nationally.⁵

If the *Lima Call for climate action* decision does not provide a definitive answer on the legal form and the chosen “menu,” it nevertheless suggests what is still on the table. First, *hard law* options such as a protocol or amendments to the climate convention are implicitly considered as the text indicates May 2015 as the deadline to submit to countries a finalized negotiating text. Yet, such instruments require under the UNFCCC a submission 6 months prior to a COP. Nevertheless, the “elements for a draft negotiating text” included in the decision still allow a wide range of options. The still-undetermined legal status of INDCs opens the door to the hybrid agreement described above.

Second, large flexibility is given to countries to customize their own contributions, moving the discussion mostly in the direction of a fully “*à la carte*” menu rather than to a guided choice of options. The details of the INDCs’ key elements to be provided by countries are fairly indicative, which might make comparisons between countries somewhat difficult. Nevertheless, in the run-up to Paris 2015, major countries will most likely provide the suggested information.

Finally, the annex to the *Lima Call for climate action* gives some interesting hints on the differentiation between countries in the future Paris agreement. Firstly, the lack of the usual reference to Annex I/non-Annex I distinction is a sign of a paradigm shift from a bipolarized regime to a multipolarized one. Similarly, the USA-China announcement⁶ was a step in that direction. The Lima decision is inspired by this announcement, building on the classical “*principle of common but differentiated responsibilities and respective capabilities*” with the subtle phrase “*in light of different national circumstances*” present in both.

Differentiating MRV across countries proves to be a challenge

Monitoring, Reporting and Verification (MRV) of countries’ actions and emissions appears to be central to build trust. These frameworks are a key issue to any *hard, hybrid or soft law* agreement. Indeed, the binding force of an agreement is defined by its enforcement procedures, which relies on MRV systems.

With the first steps in Warsaw on REDD+, bringing non-Annex I countries on board for broader MRV processes is a necessary next step. This will, nevertheless, require finding a way of toeing the line on “national sovereignty” of countries. The negotiation draft for the Paris agreement contains elements of transparency of action and support and MRV in three options :

- Option 1: A transparency framework, applicable to all Parties and differentiated between developed and developing countries.
- Option 2: A common transparency framework, applicable to all Parties encompassing reporting through biennial communications, technical expert review of the submitted biennial communications and examinations of the implementation of efforts.
- Option 3: A party-specific transparency framework based on individual circumstances, objectives and capabilities.

Little progress was made at Lima on guidelines for the elaboration and review of national communications. The compilation and synthesis of the 6th annual communications and the elaboration of reporting guidelines for Annex I countries expected to be addressed in Lima were pushed back to the next session of the Subsidiary Body for Implementation (SBI). Moreover the work on national communications from Non-Annex I countries was put on hold.

⁵ See Maljean-Dubois, Wemaëre and Spencer (2014).

⁶ <http://www.whitehouse.gov/the-press-office/2014/11/11/us-china-joint-announcement-climate-change>

However, COP20 saw the first round of the multilateral assessment process of the progress of parties towards the achievement of their quantified economy-wide emission limitation and reduction targets. So far, 17 developed countries – including the European Union, France and the United States⁷ - were reviewed in Lima. All other developed countries will have to go through a similar Independent Assessment by the end of 2015. Developing countries will undergo a lighter International Consultation and analysis process. These processes, agreed to in Cancun, constitute an example of the differentiated forms that MRV systems could take under a hybrid new agreement.

Climate finance: a few steps forward on knowing who will pay the bill

When organizing a wedding, deciding who will foot the bill can be a source of tension. Without surprise, finance remained a hot topic in Lima. Two main issues were debated. Firstly, Parties discussed the implementation of the Green Climate Fund and focused on setting investment guidelines and completing initial capitalization. Secondly, discussions focused on the Copenhagen-Cancun commitment of developed countries to mobilize \$100bn per year by 2020 for developing countries.

The Green Climate Fund, a political tool finally ready to deliver

Officially decided in Cancun in 2010, the Green Climate Fund (GCF) has made progress at every COP and received initial capitalization commitments in 2014. In the end, \$10.2bn were committed for 2015-2018 that will be granted to the Fund in the form of grants, capital and concessional loans. The main contributions come from developed countries such as the USA (\$3bn), the UK (\$1.1bn), Germany and France (\$1bn each). More unexpected –and explicitly referred to in the Lima decision – some non-Annex I countries, such as Mexico, South Korea, or Indonesia also contributed. While all countries did not necessarily respect their “fair share”, it is promising that the initial minimum target has been reached.

This success is the result of the long-running operationalization of the GCF. In 2014, the GCF’s Board made important steps forward by setting up investment guidelines, defining financial instruments and advancing in the definition of accreditation policies for financial entities that will channel the funds at national and regional levels. To start delivering finance as soon as possible, the current financial architecture is relatively basic, as the Fund cannot borrow money on the financial markets and is expected to mainly provide grants and concessional loans. It appears that this simplicity was necessary to allow the funding of the first actions by COP21 next year. Though, it is likely that the business model of the GCF will evolve in the coming years.

Politically, the success of this first capitalization is essential and relieves, at least during 2014, the developing countries’ wariness concerning the provision of predictable and sustainable long term climate finance. The general expectation is that the GCF’s contribution for 2015 would be its ability to effectively deliver finance to developing countries by COP21.

Long-term finance: a critical question with no clear answers

For several years developing countries have advocated for an explicit pathway, with intermediate steps, to reach the \$100bn commitment in 2020. In Lima, the discussion took a step further, looking at the issue of post-2020 finance. However, except the \$100bn commitment itself – reiterated at every COP since 2010 – few details have been agreed to, including the perimeter and accounting rules and the conditions to account for private finance flows.⁸

⁷ http://unfccc.int/national_reports/biennial_reports_and_iar/international_assessment_and_review/items/8451.php

⁸ Past decisions of the COP explicitly include the private sector as an eligible source but developing countries advocate for more stable and predictable flows, enhancing the role of public institutions, such as the GCF.

2014 saw the publication of the first biennial report of the Standing Committee on Finance (SCF) monitoring existing climate finance flows.⁹ This report gives a rather broad range of \$40-175bn for climate finance from developed countries to developing countries¹⁰, highlighting the critical importance of defining which flows need to be accounted for and how to account for them. However, no new step forward was observed in Lima on that topic; only decisions to continue the work on transparency and accounting rules were taken¹¹. In the *Lima Call for climate action*, climate finance is quoted as a central topic of the future agreement but no consensus was reached on whether countries should include it or not in their INDCs.

The ability of developed countries to foment trust around the long-term climate finance will be crucial. Thus, a key, if controversial, topic for 2015 will be further compromises on long-term finance; tangible results will be necessary in 2015 to maintain the trust momentum reached thanks to the GCF and reach an agreement.

Adaptation and adaptation finance: high interest, little progress

An issue whose inclusion in the INDCs was hardly discussed in Lima was adaptation. In the end, countries are “invited to consider” the inclusion of adaptation components in their INDCs. Despite the fact that adaptation is generally a “local” issue, under international negotiations adaptation is directly linked with international cooperation. Financial and technical support is expected by developing countries to implement domestic adaptation policies and actions given the historical emissions of developed countries.

In Lima, the decisions to continue the work of improving cooperation on adaptation were not difficult to reach. On adaptation finance, the decision taken by the GCF’s Board to have a 50-50% balance between adaptation and mitigation was a positive sign for 2014. However, Lima did not provide strong tangible inputs on the topic except concerns and call for further action. In the same vein, the Warsaw Loss and Damage framework experienced only some governance improvements. To be noted, a ministerial declaration on Education and Awareness-raising was adopted.

The pre-2020 ambition as a disappointing appetizer

Since the idea of a new agreement starting in 2020 was raised in 2011, focus has been placed on not wasting time and taking early action. This topic even has its own negotiation track under the Durban Platform, the framework for the negotiation process of a new agreement. Especially highlighted by developing countries, this process combines discussions on the second commitment period of the Kyoto Protocol, the Copenhagen/Cancun voluntary targets and any new action prior to 2020.

Despite the fact that any delay in mitigation actions has been evaluated by several reports as jeopardizing the 2°C objective,¹² the topic did not advance significantly since Durban other than the decision to enact a second commitment period of the Kyoto Protocol (KP-CP2) between 2013 and 2020. On that point, Lima was expected to deliver precisions on accounting rules but this issue was finally pushed back to 2015.

In 2014, developed countries taking part in the KP-CP2 – representing, on aggregate less than 15% of global emissions – reviewed their commitments to balance the option of raising their ambition. At the end, no change in commitments was adopted and the needed ratification of the KP-CP2 by national governments struggles to gain speed.

⁹ <http://bit.ly/1v8AHca>

¹⁰ This range is reduced to \$35-50bn when focusing only on climate finance channeling through public institutions.

¹¹ <http://unfccc.int/resource/docs/2014/sbsta/eng/l26.pdf>

¹² See the IPCC 5th Assessment Report

Finally, Parties decided at Lima to pursue work on evaluating options for raising pre-2020 ambition translating the lack of available tangible avenues on the table. This appetizer has definitely the sense of unfinished business.

Mitigation post-2020: status and level of ambition of national contributions will be the main course of 2015

Since the adoption of the objective to limit temperature rise below 2°C at the end of the last decade, any new international climate regime is evaluated in regards to its ability to fulfill this objective. Therefore, the question of post-2020 mitigation commitments is the main criteria to define the success of a new agreement.

The Kyoto Protocol failed to give a satisfying answer to this question as it covered less than a quarter of global emissions. This is the result of both the historical Annex I/non-Annex I differentiation and the non-participation of major countries such as the USA. The expected new agreement is supposed to tackle this issue through contributions from all countries – even if the form and the ambition of commitments may vary. The main illustration of such an evolution is the absence of different guidelines for INDCs between developed and developing countries. Only least developed countries and Small Island developing States have a special – but nevertheless similar – treatment.

The mitigation component of INDCs will most likely be the most developed. However to date, only soft guidelines have been agreed concerning these commitments and the type of information countries will have to supply. The Lima decision indicates that countries “may” present information necessary to fairly evaluate their contribution’s quality and to demonstrate its ambition. Countries are expected to provide their INDCs by the 1st quarter of 2015 for those Parties ready to do so¹³. Provided information “shall” help the UNFCCC secretariat to provide, by the 1st November 2015 a synthesis report on the aggregate ambition of the INDCs in the light of the overall 2°C objective.

Discussions also dealt with the integration of a dynamic differentiation between countries. The Brazilian proposal¹⁴ of concentric circles with the types of commitments for countries calibrated according to their level of development gained momentum during the negotiation rounds.

One interesting point in the Lima decision concerns ambition. The text specifies that INDCs. “*will represent a progression beyond the current undertaking*” of every country. Currently, these “current undertakings” are Kyoto Protocol commitments and voluntary targets pledged during the Copenhagen-Cancun process.

The option to have a dynamic agreement with periodic review and enhancement of commitments was widely discussed. It is directly linked with the idea of “ratcheting up”: a mix of locked-in commitments and mandatory checkpoints to assess ambition.

Flexibility mechanisms, land-use, REDD+¹⁵: too soon to know whether one has enough room for dessert

The integration of land use, land use change and forestry (LULUCF) and the REDD+ mechanism into the draft 2015 agreement has not been deeply discussed in Lima. It is nevertheless worth mentioning that following the technical breakthrough achieved in Warsaw last year, several countries pointed to the importance of the inclusion of the REDD+ mechanism during the plenary session. Furthermore, the implementation of actions in the

¹³ The decision indicate that countries may present information on the scope and coverage, reference point, time frames, methodological approaches and assumptions used for estimating and accounting greenhouse gas emissions and removals and how is that each country considers that its INDCs are fair and ambitious in light of its national circumstances.

¹⁴ http://www4.unfccc.int/submissions/Lists/OSPSubmissionUpload/73_99_130602104651393682-BRAZIL%20ADP%20Elements.pdf

¹⁵ Reducing emissions from deforestation and degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries

land-use sector was one of the flexibility mechanisms that countries could use in order to meet their commitments or contributions mentioned in the draft agreement. The need for institutional arrangements for adequate, predictable and sustainable REDD+ funding from public and private sources was a key point stressed by developing countries during negotiations.

The work around flexibility mechanisms in Lima focused on the evaluation of existing mechanisms through the different subsidiary bodies and discussions regarding the future of the flexibility mechanisms in the 2015 agreement.

The role of markets in the 2015 Agreement was not clarified in Lima, but the draft negotiation text for the 2015 Agreement includes some elements pointing to the use of market mechanisms supplementary to domestic action in order to help countries achieve their commitments / contributions and actions on mitigation. Different positions have emerged on this sense and options include the Framework for Various Approaches (FVA), a New Market Mechanism (NMM) – that could one turnkey tool of a broader FVA – and Non-Market Approaches (NMA). No firm conclusions were reached on any of these issues as the position of a number of developing countries was that clarification is needed in regards to the role for these types of mechanisms in the Paris agreement before going into further details on their development.

The review of existing mechanisms such as the Clean Development Mechanism (CDM) and the Joint Implementation Mechanism (JI) could not move forward either for the same reasons. Discussions on these mechanisms will resume in June 2015.

Conclusions: hoping for something tastier than Kyoto while avoiding global starvation

The Lima conference played its role as a rehearsal dinner for next year's wedding in Paris. On the one hand, the weak wording of the decision may appear as the result of a weak consensus – building skepticism on the chance to have an ambitious agreement next year. On the other hand, it may give to countries the needed space to find a strong consensus and reach a meaningful agreement.

In short, ingredients of both success and failure are on the table. The end of the first half of 2015 – with the deadline to submit a draft agreement and expected INDCs from major countries – will be a telling intermediary point to see if the recipe works.

A really good *maître d'hôtel* will be needed to keep everyone on the table in Paris, as was done in Lima. Each country will have to find its interest in the global balance of the dinner: global ambition, adaptation, finance and MRV tools. In Paris, countries will also have to insure their contribution reflects their national ambition and capacities, so that they do not have to leave the dinner table in the future.

The bottom line of 2014 remains positive. Growing public mobilization around climate change and a change of paradigm on differentiation may be two key ingredients for success. After such a meal, it should be time for countries to step up on their plate. But even when the rehearsal dinner is tense, the wedding can turn out to be a success. Will negotiators earn a much deserved honeymoon?

Next steps

- **8-13 February 2015:** Negotiation session of the Durban Platform (ADP) in Geneva (Switzerland)
- **May 2015:** Submission of a Paris agreement negotiating text to parties
- **3-4 June 2015:** SBI/SBSTA/ADP Negotiation session in Bonn (Germany)
- **29 June 2015:** Ban Ki-moon's High level Event on Climate change in New York (USA)
- **2nd semester 2015 (date tbd):** ADP Negotiation session
- **1st November 2015 :** Publication of the report aggregating INDCs to be prepared by the UNFCCC Secretariat
- **30 November – 11 December 2015:** COP 21 and CMP 11 in Paris - Le Bourget (France)

More about...

COP 20 Decisions (2014) :

- Lima Call for Climate Action:
http://unfccc.int/files/meetings/lima_dec_2014/application/pdf/auv_cop20_lima_call_for_climate_action.pdf
- *All decisions*
<http://unfccc.int/2860.php#decisions>

Other documents :

- IISD Reporting Services (2014). *Lima Climate Change Conference – COP20/CMP10*
<http://www.iisd.ca/climate/cop20/enb/>
- Maljean-Dubois, S., Wemaëre, M. and Specer T.(2014) *A comprehensive assessment of options for the legal form of the Paris Climate Agreement*
<http://www.iddri.org/Publications/A-comprehensive-assessment-of-options-for-the-legal-form-of-the-Paris-Climate-Agreement>
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