

1-12 December 2014

# GUIDE TO THE UN CLIMATE TALKS

COP20 and beyond

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- UNFCCC negotiations aim to finalise a new global climate change agreement at the COP21 conference in Paris at end-2015
- In the meantime, delegates are meeting in Lima next month (1-12 December) to try to make progress on a number of crucial issues that will underpin a new deal. The hosts of COP20 in Lima aim to produce a working draft text for a deal that can be finalised in Paris
- We do not expect a breakthrough in Lima. Decisions on the most contentious issues, such as the fairness of each countries' targets, will be postponed until COP21 and beyond
- The most likely outcome from Paris will be a simple endorsement of the respective long-term targets that each country will announce ahead of COP21. The deal is likely to be light on detail, leaving many elements to be worked on over the coming years

## COP16 (2010)

'Cancun Agreements'

- NAMA framework formalised and developing countries' non-binding 2020 goals adopted
- Green Climate Fund established to deliver developed countries' pledge of \$100bn/yr by 2020

## COP17 (2011)

'Durban Outcomes'

- Creation of the 'Durban Platform' – a blueprint for negotiating a legally binding post-2020 deal to be finalised by end-2015
- Management framework for the Green Climate Fund adopted

## COP18 (2012)

'Doha Climate Gateway'

- Agreement to extend Kyoto Protocol for a second commitment period to 2020
- Post-2020 negotiations streamlined into a single track – the Durban Platform

## COP19 (2013)

'Warsaw Outcomes'

- 'Commitments' changed to 'contributions' in the Durban Platform text
- Countries agreed to come forward with their contributions in advance of COP21
- Creation of a mechanism to address 'loss and damage'

## COP20 (2014)

'Lima Lead-up?'

- US, China, and EU to provide more details on their 'Intended Nationally Determined Contributions' (INDCs)
- Pressure to be placed on other countries to communicate their INDCs ahead of COP21

## COP21 (2015)

'Paris Deal?'

- Collation of national INDCs/targets
- Outline of the basic elements of a new post-2020 framework
- Details to be worked out later...

Note: NAMA, Nationally Appropriate Mitigation Action, refers to an action taken by a country to reduce its emissions.

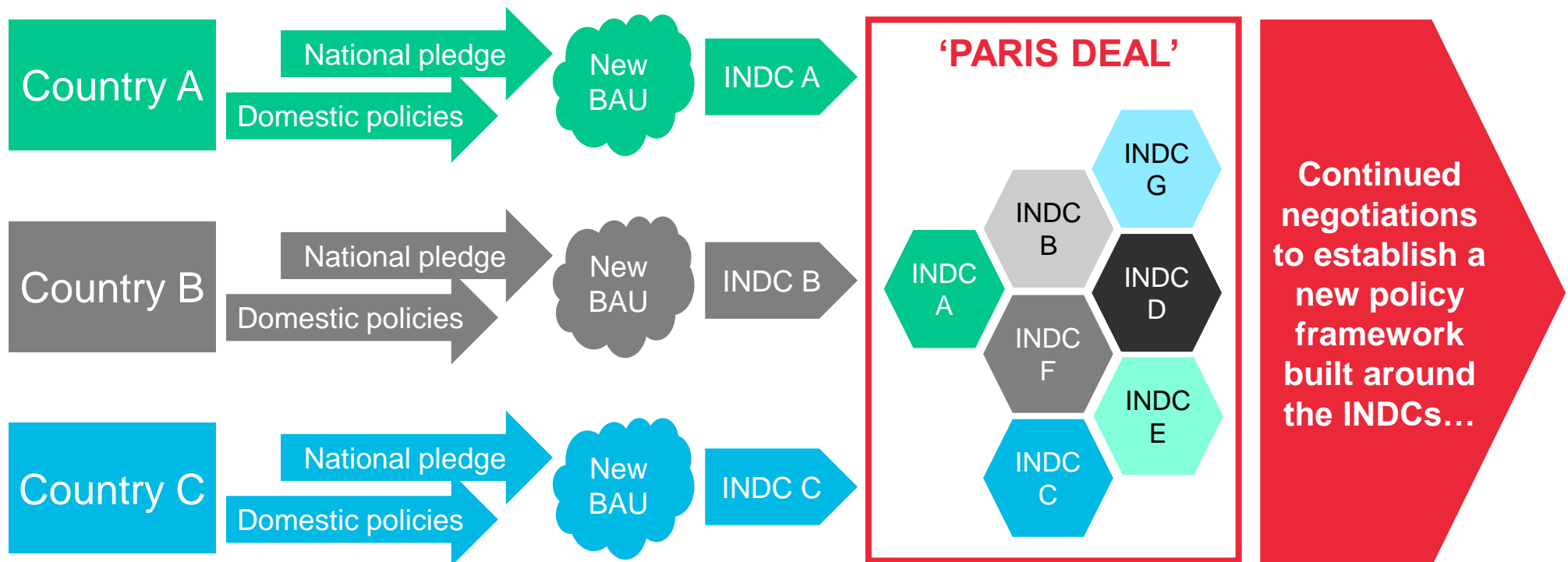


# **BUILDING A NEW DEAL**

What will a post-2020 deal look like?

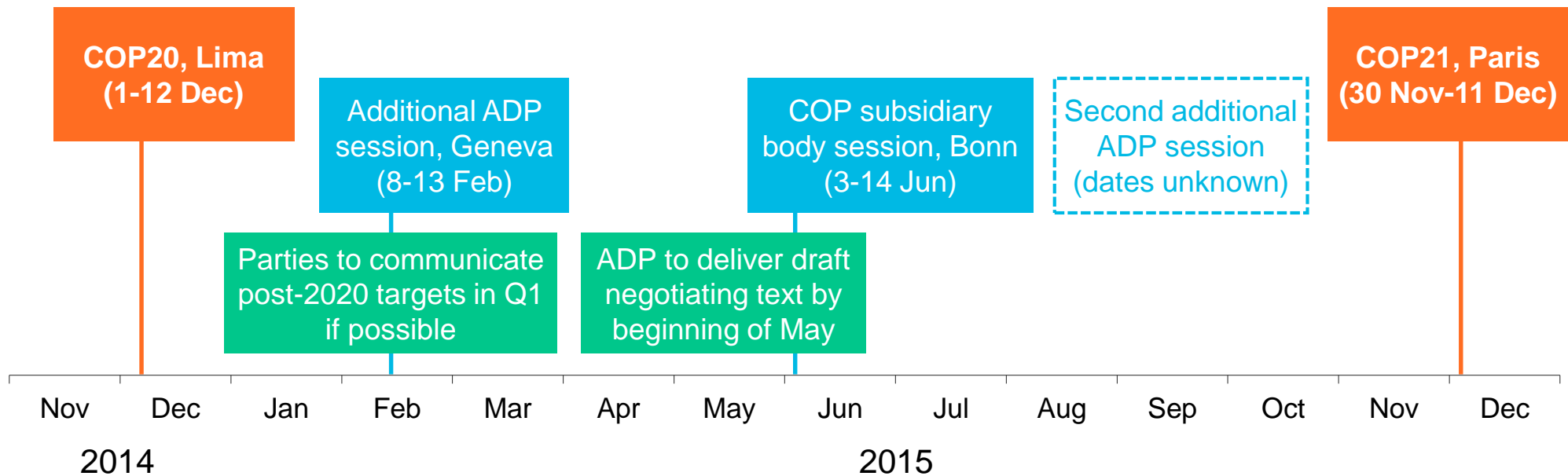
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The Paris deal is most likely to be a **hotchpotch of Intended Nationally Determined Contributions (INDCs) – post-2020 targets – defined by each country**, and a starting point for years of continued negotiations about how national goals interact within a global framework



# MILESTONES OVER THE NEXT 12 MONTHS

- The next 12 months will be dominated by governments' gradual announcements of countries' INDCs, which will form the basis of a Paris deal
- There was previously a deadline set for countries to submit their INDCs no later than August next year, but this target date has been dropped. The US, China and EU have all announced their respective headline post-2020 goals, putting increasing pressure on other countries to come forward with their plans
- Two additional negotiating sessions have been planned for 2015 to give more time for a draft text to be finalised before delegates arrive in Paris in December



Note: ADP, Ad Hoc Working Group on the Durban Platform.





# STICKING POINTS

Themes that will dominate the discussion to Paris and beyond

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	FAIRNESS – ‘CBDR’	FINANCE	AMBITION
OVERVIEW	<ul style="list-style-type: none"> <li>Common but differentiated responsibility (CBDR) is one of the founding principles of the UNFCCC</li> <li>CBDR recognises differences in countries’ responsibility for historical emissions and in their economic capability to achieve emission reductions in the future</li> <li>The 1997 Kyoto Protocol set emission reduction goals only for developed countries, following the principle of CBDR</li> <li>Countries need to agree on how to interpret CBDR under a new post-2020 framework</li> </ul>	<ul style="list-style-type: none"> <li>A central pillar of the UN climate talks is the promise of financial support from developed to developing nations, to pay for emission reductions and help countries adapt to the effects of climate change</li> <li>Following disagreements over CBDR, it is unclear how much each country should expect to pay or receive</li> <li>At COP15 in Copenhagen (2009), developed countries pledged to ‘mobilise’ \$100bn of climate finance per year by 2020, and the Green Climate Fund has been established to distribute this</li> </ul>	<ul style="list-style-type: none"> <li>The overarching objective of the UNFCCC is to curb global emissions sufficiently to limit the increase in mean global temperature to 2°C from pre-industrial levels. Some countries are pushing for a 1.5°C target</li> <li>To achieve the 2°C goal, global emissions must fall by 40-70% from 2010 levels by 2050, and to near-zero by 2100, according to the IPCC</li> <li>The Paris agreement will be built around ‘nationally determined contributions’ put forward by each country</li> </ul>
ISSUES	<ul style="list-style-type: none"> <li>No country is arguing that CBDR be excluded entirely, but the US and other developed countries are against a continuation of a binary Kyoto-style interpretation of CBDR</li> <li>The EU is calling for a flexible approach to defining each party’s responsibilities, by looking at a <i>range</i> of criteria, including future as well as historical emissions</li> <li>At the other end of the spectrum, countries such as India are clinging onto CBDR calling for a new agreement to be built on the existing definitions of developed and developing</li> </ul>	<ul style="list-style-type: none"> <li>Countries disagree on how to measure climate finance and where funds should come from – ie, the share of public vs private finance</li> <li>A meagre level of finance has materialised to date, with \$30bn ‘fast-start’ support delivered over 2010-12. A near-term aim for the GCF to raise \$10bn by end-2014 is close to being achieved</li> <li>Importantly, developing countries argue that their participation in a post-2020 framework will depend on adequate assurances about financial assistance</li> </ul>	<ul style="list-style-type: none"> <li>The framework of targets that emerges from Paris is likely to resemble the set of NAMAs put forward under the Cancun Agreements in 2010. These collectively fall far short of a trajectory consistent with a 2°C pathway</li> <li>It is unclear how the ‘ambition gap’ can be closed through a repeat of this process</li> <li>Various economic and industrial drivers, as well as public health concerns around air pollution, will lead to emission reductions</li> <li>It is debateable to what extent such reductions should be included when quantifying the achievement of a country’s climate action goals under the UN framework</li> </ul>

As part of the broader discussion around a post-2020 deal, talks will focus on a number of key issues that form the nuts and bolts of a future global policy framework. We expect to see **minor progress on these themes in Lima**, as they will likely get side-lined until an overarching deal is in place

## MONITORING, REPORTING & VERIFICATION

- A key foundation of any new deal will be its monitoring, reporting and verification (MRV) framework. INDCs, which are established by each country, are inherently difficult to quantify, benchmark and compare. So, a robust and transparent MRV framework is crucial to evaluating the ambition and progress towards each country's target under a new agreement
- Accurate and consistent verification of emission reductions relative to a hotchpotch of INDCs will be necessary if interaction and links between countries is to be achieved under a new global framework. This could be to track relative achievements and could form the basis of a new global carbon market

## MARKET MECHANISMS

- The role of market mechanisms within a new deal is contentious. The draft negotiating text refers to the use of markets to achieve mitigation goals, but it is unclear exactly how a new flexible mechanism will work
- Markets could be used to allow individual INDCs to interact, by facilitating trading between countries that over/undershoot their goals. One option is continue the use of project-based offsets (vis-à-vis the CDM and JI), but the 'new market mechanism' may become grander in its scope and scale
- Parties are unlikely to take a definitive decision in Lima or Paris on the future of market mechanisms, but a new deal will probably state that markets will part of a post-2020 framework, leaving the details to be worked out later

## GCF AND THE \$100BN

- The GCF is technically independent from the COP negotiations, but the issue of climate finance is central to the post-2020 talks
- The first GCF 'pledging conference' took place in November, taking the commitments to \$9.3bn by 21 governments. This is far short of the \$100bn per year by 2020 promised by developed countries in 2009
- Executive director of the GCF, Hela Cheikhrouhou, called the initial capitalisation of the fund a "sign of trust-building", which seems appropriate given that there are still several unknowns about how the fund will function
- The GCF board is expected to start reviewing funding proposals in H2 2015, with some likely to be used to leverage private sector finance

## OTHER MECHANISMS

- Forestry will be on the agenda in Lima after world leaders at the NYC Climate Week endorsed a non-binding plan to end deforestation by 2030. A new framework (REDD+) was established at COP19 last year, to harmonise MRV frameworks and channel finance into emission reductions from forestry
- Discussion around 'loss and damage' will likely continue in Lima, building on the mechanism created at COP19 that aims to provide financial support for vulnerable countries affected by climate change. Loss and damage is a particularly contentious part of the climate finance debate. Developing countries such as those facing existential threats from sea-level rise believe they are due significant compensation, but developed countries are cautious, saying that they are 'not willing to sign a blank cheque'





# NEGOTIATING GROUPS AND SCHEDULE

A who's who to COP20

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# KEY PARTIES

## THE HEAVY-WEIGHTS

### PARTY VIEWS

#### US

##### CBDR

- Does not support a “bifurcated approach” based on the developed vs developing country categorisation from 1992

##### LEGALITY AND STRUCTURE

- Advocates a legally binding deal but would not support the creation of a new ‘treaty’ as this would require Congressional approval that would be next to impossible to achieve

##### FINANCE

- Not willing to sign a blank cheque
- Public sector resources to mobilise private sector finance

#### CHINA

##### CBDR

- Vehemently defends the 1992 split between developed and developing nations and calls for continuation of this interpretation of CBDR
- Any efforts by developing countries would be contingent on financial and technological support from developed countries

##### LEGALITY AND STRUCTURE

- Developed country commitments should be legally binding

##### FINANCE

- Private sector funding should be supplementary to public finance sources
- At least 1% of developed countries’ GDP should be provided per year post 2020

#### EU

##### CBDR

- Argues for a ‘dynamic approach’ to target setting between developed and developing nations
- All parties should aspire to economy-wide absolute emission reduction goals

##### LEGALITY AND STRUCTURE

- Pushing for a legally binding framework, with robust and transparent MRV standards to allow targets to be quantified and compared
- Strong advocates of market-based approaches

##### FINANCE

- Acknowledges importance of both public and private sources of climate finance

### BNEF COMMENT

- [The announcement of its new 2025 emissions reduction target](#) (26-28% below 2005 levels by 2025) will give the US a strong voice in Lima, with US delegates likely to be more engaged compared with previous COPs
- The US target is likely to be praised for galvanising the UN talks, but it is also likely to be criticised for not being ambitious enough
- The US has its hands tied by political deadlock at home, and therefore cannot give away many concessions in negotiating a new deal. However, the recent cooperation agreement signed with China is significant as it may numb the division between the two countries on the issues described above

- [China's recently announced pledge](#) for its emissions to peak ‘around’ 2030 marks a step-change for its role within the UN process
- China has always strongly resisted placing a limit on its emissions within the UN talks, and although a 2030 peak is in line with its broader economic development goals – to move away from manufacturing towards services – it is for the first time opening itself up to international scrutiny on climate action
- China is part of the 133-nation strong G77. But, since its cooperation agreement with the US, tensions could rise between the rest of the developing country bloc and the world’s biggest emitter

- As part of the EU’s [2030 climate and energy package](#) the bloc has pledged to reduce its emissions by 40% below 1990 levels by 2030
- The EU likes to see itself as a leader within the UN talks and will do what it can to make the Paris deal as broad as possible, pushing for compromise and universal participation
- The EU is historically pro-market mechanisms but is suggesting that it will not accept any form of UN offset to help meet its target post 2020. This is an anathema to the EU’s established position on markets and we expect European negotiators to change their stance on the matter in return for concessions from developing country parties

# KEY PARTIES

## THE MIDDLE ORDER

### PARTY VIEWS

#### JAPAN

##### CBDR

- Does not support a binary division of countries into developed and developing
- A new deal must be “applicable to all”. CBDR should be interpreted as a “dynamic concept”

##### LEGALITY AND STRUCTURE

- Major economies should provide quantified mitigation targets, whereas smaller emitters may submit qualitative commitments only

##### FINANCE

- Unwilling to make long-term financial pledges (for post 2020) as part of any deal to be signed next year

#### RUSSIA

##### CBDR

- New deal should take different stages of economic development into account, but needs to be flexible

##### LEGALITY AND STRUCTURE

- Legally binding for both developed and developing countries
- Strong emphasis on MRV – the “quantification of efforts is important to allow for comparison of ambition between parties”

##### FINANCE

- Russia has remained quiet on the issue of climate finance. Russia is unlikely to classify itself as a donor or a recipient nation

#### INDIA

##### CBDR

- New deal should be consistent with the structure of the Kyoto Protocol – ie, employing the same differentiation between developed and developing countries

##### LEGALITY AND STRUCTURE

- Developed countries to take on legally binding emission reduction targets. But developing country targets to be voluntary only

##### FINANCE

- The participation of developing countries in a post-2020 deal is dependent on the delivery of financial and technological support from developed countries

### BNEF COMMENT

- There is still significant uncertainty over Japan’s future energy policy following the 2011 Fukushima Daiichi nuclear disaster. Until it becomes clear how its energy mix will evolve it is difficult for Japan to take on a long-term emission reduction target
- Japan chose to not participate in the Kyoto Protocol’s second commitment period, but has escaped the same flack that Russia and New Zealand received due to Fukushima
- With a general election due in December, we expect Japan to take a back seat in Lima. Its INDC is likely to be vague and accommodate for the uncertainty that the country faces in turning back on its nuclear capacity

- Russia is never willing to take on ambitious commitments, but has always supported a legally binding deal with universal participation
- Russia will argue to hold on to the ‘hot air’ granted to it by virtue of the UNFCCC’s 1990 baseline year – its emissions plummeted after the fall of the Soviet Union in the 1990s
- The Ukraine crisis has lost Russia goodwill in the international diplomatic arena, as well as costing it its closest ally in the climate-negotiations. Russia and Ukraine have teamed up on a number of issues in the past but it is unlikely that this will continue, weakening Russia’s negotiating position

- [India tends to make a lot of noise](#) during the UN negotiations, but brings little to the table
- India will strongly resist taking on a binding mitigation target. It has relatively low per capita emissions, and fears that emission reduction goals may inhibit economic growth and poverty alleviation. Prime Minister Narendra Modi has made universal access to electricity a key election pledge. This may be inconsistent with an ambitious emission reduction target
- The Indian government has commissioned a study of its future emissions, which will be released in December. This will likely form the basis of India’s INDC, which will accommodate for continued growth in emissions

### PARTY VIEWS

### BNEF COMMENT

## CANADA

### CBDR

- New deal to be applicable to all, but differentiated to “reflect unique national circumstances and capabilities”

### LEGALITY AND STRUCTURE

- Paris agreement to be legally binding and consist of core provisions that do not change over time
- Accompanying decisions taken in future years will focus on implementation

### FINANCE

- Recognises a need to support the poorest and most vulnerable countries.
- Previously opposed the GCF with Australia, but has shifted its stance and is now supportive

- Canada was the black sheep of the Kyoto Protocol, as it withdrew from the agreement in 2011. Canada reneged on its target as its emissions grew rapidly in line with the expansion of its fossil fuel industry. The government claimed that the Protocol was meaningless without the inclusion of the US and China
- Now that the US and China have announced their long-term goals, it will be difficult for Canada to continue with its policy of inaction, especially since it has often aligned itself with the US in the UN talks. However, it is unlikely to take on an ambitious goal that would constrain the growth of its oil and gas sector

## AUSTRALIA

### CBDR

- It is not viable to use a binary approach to defining developed and developing countries. Contributions should be differentiated based on “national circumstances and capacities”

### LEGALITY AND STRUCTURE

- Paris deal should be only an outline of overarching commitments, with details to be set out in accompanying decisions in later years

### FINANCE

- Majority of climate finance will be mobilised and directed through private sources outside the UNFCCC
- Opposes the GCF, and prefers money to be spent on domestic climate action

- Australia has lost a lot of credibility around the UN negotiating table since Prime Minister Tony Abbott repealed the country’s carbon price earlier this year. Abbott has snubbed the UN talks in the past, sending only low-level delegates to COP19
- Under its current government (the next general election must be held before January 2017), Australia will probably take a backseat in the UN climate talks
- Its INDC is likely to reflect the country’s business-as-usual emission trajectory but it may be open to the use of market mechanisms post-2020

## SAUDI ARABIA

### CBDR

- A new deal must adhere to the principles of the UNFCCC with ‘equity’ being central to the negotiations. “Responsibilities between parties must be differentiated”

### LEGALITY AND STRUCTURE

- Developed countries should take on economy-wide mitigation commitments. Developing country parties, however, will only implement their pledges if developed nations are forthcoming with financial and technological assistance

### FINANCE

- Developed countries should provide \$70bn/yr in 2016, rising to \$100bn by 2020

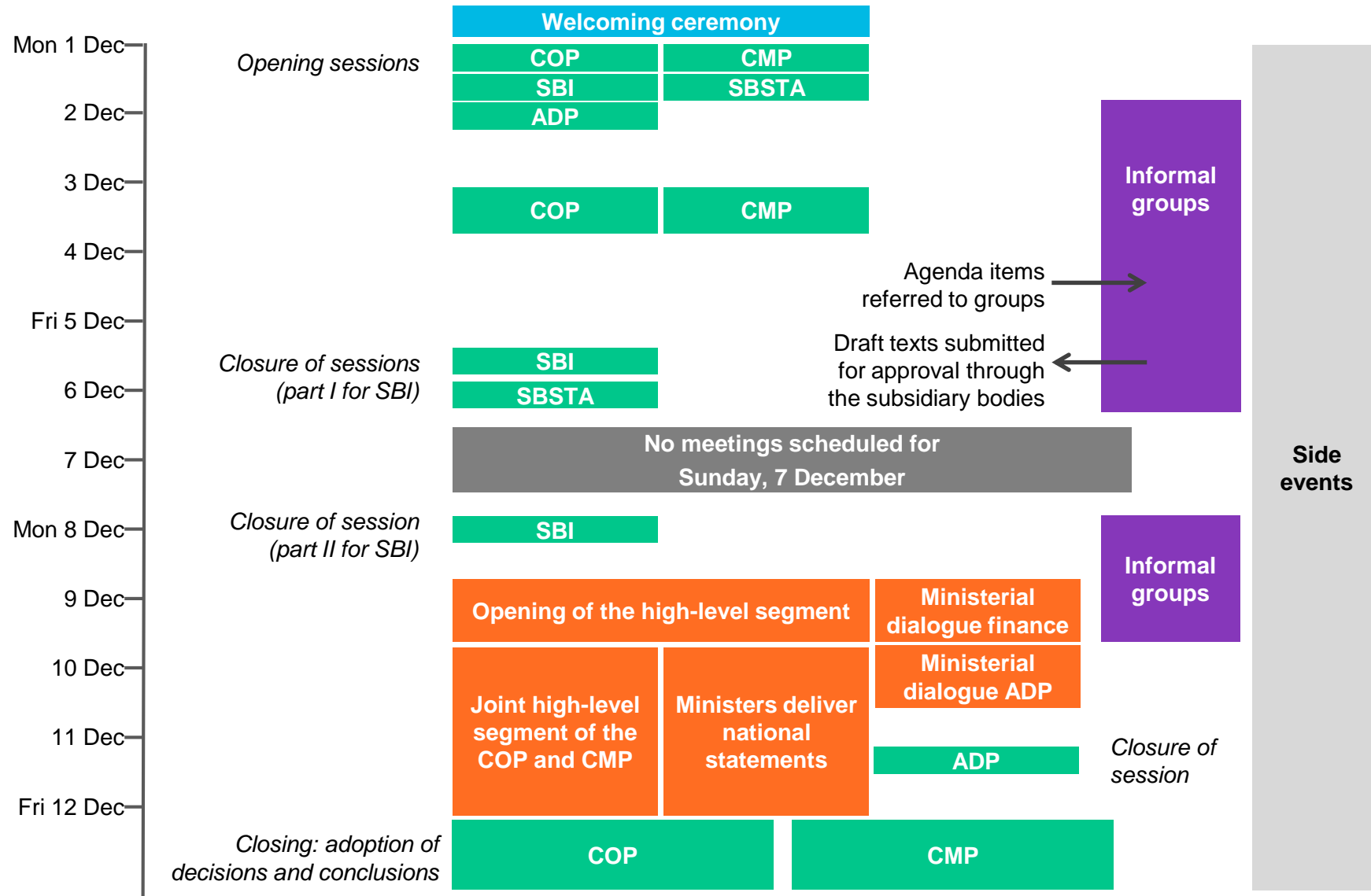
- Saudi Arabia, the world’s biggest oil exporter, continually tries to throw spanners in global climate policy. For example, Saudi Arabia has previously called for financial compensation to be given to energy exporters that may suffer from a reduction in demand for energy as a result of climate action, and recently pushed for the IPCC to make clear in its latest report that the rise in average global temperatures has *slowed* over the past 17 years
- Saudi Arabia will continue to call for developed countries to lead on mitigation efforts and will continue to seek financial support, despite being one of the world’s richest countries



Group	Acronym	Description and members
Alliance of Small Island States	<a href="#">AOSIS</a>	<ul style="list-style-type: none"> <li>Comprises 39 low-lying coastal and small island countries</li> <li>Formed in 1990 with a primary purpose to address climate change</li> </ul>
Association of Independent Latin American and Caribbean States	<a href="#">AILAC</a>	<ul style="list-style-type: none"> <li>Comprises Latin American and Caribbean parties with shared interests and positions on climate change issues</li> <li>Members are Chile, Colombia, Costa Rica, Guatemala, Panama and Peru</li> </ul>
BASIC countries	BASIC	<ul style="list-style-type: none"> <li>Comprises newly industrialised countries Brazil, South Africa, India and China</li> <li>Formed in 2009 to jointly negotiate at COP15 in Copenhagen</li> </ul>
Environmental Integrity Group	EIG	<ul style="list-style-type: none"> <li>Comprises Liechtenstein, Mexico, Monaco, South Korea and Switzerland</li> <li>Formed in 2000 as they did not feel a natural fit with party groups that emerged from the Kyoto Protocol</li> </ul>
Group of 77	<a href="#">G77</a>	<ul style="list-style-type: none"> <li>Comprises 134 developing countries, including China and India</li> <li>Formed in 1964 by 77 developing countries with similar economic interests and to enhance their negotiating capacity in the UN</li> </ul>
Least Developed Countries	LDCs	<ul style="list-style-type: none"> <li>Comprises 48 developing countries that are considered 'highly disadvantaged' in their development process and vulnerable to eg, natural disasters by the UN</li> <li>Recognised since 1971 and country list is reviewed every three years</li> </ul>
Like-Minded Developing Countries	LMDC	<ul style="list-style-type: none"> <li>Comprises 26 member countries, including Argentina, China, Egypt, India, Indonesia, Pakistan, Philippines, Saudi Arabia</li> </ul>
Umbrella Group	n/a	<ul style="list-style-type: none"> <li>Loose coalition that comprises of non-EU developed countries, usually made up of Australia, Canada, Japan, New Zealand, Kazakhstan, Norway, Russia, Ukraine and the US</li> <li>Formed following the adoption of the Kyoto Protocol in 1997</li> </ul>



# COP20 SCHEDULE



BNEF research	Publication date	Link
Not impressed: India reacts to US-China climate deal	20 November 2014	<a href="https://www.bnef.com/insight/10984/">https://www.bnef.com/insight/10984/</a>
How significant is the US and China's climate pact?	13 November 2014	<a href="https://www.bnef.com/Insight/10942/">https://www.bnef.com/Insight/10942/</a>
Q4 2014 Global Carbon Policy Outlook: record warmth	31 October 2014	<a href="https://www.bnef.com/Insight/10822/">https://www.bnef.com/Insight/10822/</a>
Road to Paris 2015: building bridges over the Rhine	29 October 2014	<a href="https://www.bnef.com/Insight/10798/">https://www.bnef.com/Insight/10798/</a>
What happened at Climate Week NYC?	26 September 2014	<a href="https://www.bnef.com/Insight/10590/">https://www.bnef.com/Insight/10590/</a>
White Paper: the data behind the UN deadlock	19 September 2014	<a href="http://about.bnef.com/white-papers/the-data-behind-the-un-deadlock-a-need-to-know-guide/">http://about.bnef.com/white-papers/the-data-behind-the-un-deadlock-a-need-to-know-guide/</a>

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<a href="#">@IETA</a>	<a href="#">@AlexJFMorales</a>	<a href="#">@Ewa_Bxl</a>

## Other resources

<a href="#">UNFCCC</a>	<a href="#">COP20</a>
<a href="#">GCF</a>	<a href="#">IETA</a>

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## MARKETS

Renewable Energy  
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Advanced Transport  
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## SERVICES

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Unique analysis, tools and data for decision-makers  
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