

# POLICY OPTIONS COULD INCREASE AMBITION IN THE 2015 CLIMATE AGREEMENT

Henrik Jepsen

## Key Points

- The 2015 agreement on climate change<sup>1</sup> should include not only economy-wide emissions reduction targets, but also a common menu of policy options<sup>2</sup> that the parties to the agreement could implement on a voluntary basis.
- Specific options would be defined through a party-driven process and could include options such as renewable energy targets and energy efficiency standards and labelling.
- The menu could help develop a pipeline of funding proposals for the Green Climate Fund (GCF) and other institutions that could support developing countries in their implementation of options.
- The menu should be designed as a mechanism to facilitate and incentivize ambition over time, and could either be entirely facilitative or include monitoring, reporting and verification (MRV) and legal force.

## Introduction

Economy-wide targets for emissions reductions will be an indispensable element of a 2015 agreement, but reaching agreement on ambitious targets is notoriously difficult. This is why the agreement needs to include a mechanism that can facilitate and incentivize increased ambition over time. Such a mechanism should focus on high-potential policy options that contribute to the same general goal: climate change mitigation.

## High Potential, Low Attention

Technical experts and political decision makers are increasingly aware of the high potential in energy efficiency, renewable energy and other thematic areas. Recent analyses have concluded that a few specific energy policies, including energy efficiency measures and limits on least-efficient coal-fired power plants, could stop the growth in global energy-related emissions by the end of this decade, at no net economic cost (International Energy Agency [IEA] 2014). Adoption of global best practices in electricity, industry, building and transport by China and the United States alone would reduce close to 23 percent of the emissions gap (Höhne et al. 2014a). Similarly, a recent UNFCCC (2014) summary of submissions on pre-2020 mitigation found that: “there is ample technical mitigation potential to cover the emissions gap through policies, actions and initiatives in the thematic areas with high mitigation potential.... Significant experience exists in implementing policies, measures, actions and best practices

1 The 196 states (including the European Union) that are parties to the United Nations Framework Convention on Climate Change (UNFCCC) are currently negotiating a climate agreement to be adopted at the 21st Conference of the Parties (known as COP21) in December 2015. This 2015 agreement is to advance the ultimate objective of the UNFCCC, which is to stabilize greenhouse gas concentrations “at a level that would prevent dangerous anthropogenic interference with the climate system....” (UNFCCC 1992).

2 This brief builds on the idea of a “policy menu” proposed by Höhne et al. (2014b). See also Bodansky (2007); also see below.



## About the Fixing Climate Governance Project

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Climate scientists agree that human activity has been changing our planet's climate over the long term. Without serious policy changes, scientists expect devastating consequences in many regions: inundation of coastal cities; greater risks to food production and, hence, malnutrition; unprecedented heat waves; greater risk of high-intensity cyclones; many climate refugees; and irreversible loss of biodiversity. Some international relations scholars expect increased risk of violent conflicts over scarce resources due to state breakdown.

Environmentalists have been campaigning for effective policy changes for more than two decades. The world's governments have been negotiating since 1995 as parties to the United Nations Framework Convention on Climate Change (UNFCCC). These talks have not yet produced agreements that are sufficiently effective in curbing greenhouse gas emissions or helping the world adapt to climate impacts. Some effort has shifted to partial measures by national governments, provinces, cities and private companies, which together, also fall far short of the need identified by science so far.

The Fixing Climate Governance project is designed to generate some fresh ideas. First, a public forum was held in November 2013. High-level workshops then developed a set of policy briefs and short papers written by experts. Several of these publications offer original concrete recommendations for making the UNFCCC more effective. Others make new proposals on such topics as how to reach agreements among smaller sets of countries, how to address the problems of delayed benefits from mitigation and concentrated political opposition, ways that China can exercise leadership in this arena and how world financial institutions can help mobilize climate finance from the private sector. These publications will all be published by CIGI in 2015.

that address policy barriers and also bring about substantial mitigation and sustainable development benefits.... Achieving emission reductions and harnessing sustainable development benefits through successful replication and scaling up of such policies is a major incentive and driving force behind further emission reductions.”

Some governments are already taking steps in high-potential areas: China has outlined its intention to increase output targets of renewables in its five-year plan for 2015–2020; the United States has proposed national regulations for power plants; and the European Union has established 2030 targets of 27 percent for renewable energy and energy efficiency. Meanwhile, the GCF has now adopted energy efficiency, renewable energy, transportation, deforestation (Reducing Emissions from Deforestation and Forest Degradation [REDD+]) and other themes as “initial result areas.” Finally, dozens of countries signed declarations in support of carbon pricing and reducing deforestation at the September 2014 UN Climate Summit, which focused specifically on “action areas,” including, for example, agriculture, cities and energy. Outside the United Nations, there is a proliferation of “two degree clubs,” such as the Climate and Clean Air Coalition, which may complement the UNFCCC by enabling member countries to take more ambitious action and pull other countries along with them (Weischer, Morgan and Patel 2012; Stewart, Oppenheimer and Rudyk 2013).<sup>3</sup>

Paradoxically, the UNFCCC negotiations on a 2015 agreement have yet to absorb the growing recognition of high-potential areas and the proliferation of clubs. While the current draft agreement runs to a staggering 90 pages, the terms “renewable energy,” “energy efficiency” and “carbon pricing” are mentioned only five times in total. Largely ignored in the negotiations on the 2015 agreement, specific policy options in high-potential areas have been relegated to the less prominent Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP) workstream 2 negotiations on pre-2020 ambition. This seems to confirm that the parties to the UNFCCC are still — in the words of David Victor (2011) — “obsessed with the idea of targets and timetables” (see also Barrett 2005, 391; Stewart, Oppenheimer and Rudyk 2013, 7ff). Judging from experience, such an obsession could lead to suboptimal outcomes: if there is one lesson from negotiations on the UNFCCC, the Kyoto Protocol and the Copenhagen Accord, it is probably that economy-wide targets are painfully difficult to agree, even at ambition levels far below Intergovernmental Panel on Climate Change recommendations (see also Jepsen 2013).

<sup>3</sup> For a similar point, see Parson (2015). Also see Lin, Dong and Yang (2015).

## An Ambition Mechanism for Policy Options

The UNFCCC parties could benefit from an ambition mechanism under which they identify and implement a range of policy options in high potential areas (see also Höhne et al. 2014b; Bodansky 2007). The parties should still negotiate economy-wide targets, but supplement these negotiations with parallel discussions where the difficult issue of targets is “unbundled” in favour of a number of partial issues. Such unbundling has succeeded before. Egypt and Israel resolved their 1978 dispute over the Sinai Peninsula by essentially unbundling the difficult issue of “frontier location” into two separate sub-issues, sovereignty and security. This allowed the agreeable solution of a demilitarized zone under the Egyptian flag (Sebenius 1984, 186). Similarly, the states that will be parties to the 2015 agreement might be able to make headway by discussing themes such as those currently considered under workstream 2: renewable energy, energy efficiency, land use, urban environment, non-CO<sub>2</sub> greenhouse gases, or carbon capture, use and storage. Several policy options within these and other areas have already been identified by UNFCCC parties, expert organizations and researchers (see, for example, UNFCCC 2014; Höhne et al. 2014b; Stewart, Oppenheimer and Rudyk 2013). Options in renewable energy and energy efficiency include, for example:

- **Renewable energy targets:** UNFCCC parties and expert organization International Renewable Energy Agency (IRENA) have found that targets can send stable policy signals and advance renewable energy deployment. Several parties, including China, the European Union and the Marshall Islands, have already adopted renewable energy targets (UNFCCC 2014).
- **Energy efficiency standards and labelling:** Scaling up of energy efficiency standards and labelling programs can support rapid deployment of technologies. More than 75 countries, including China, the United States, India, the European Union and Ghana, already have programs in place (ibid.).

## How the Ambition Mechanism Would Work

The ambition mechanism would be a recurring process of six steps. In the first step, the parties to the 2015 agreement (hereafter “parties,” unless otherwise stated) and organizations would submit information and views on policy options that could enhance mitigation ambition. Second, the submissions would provide input to technical expert meetings where stakeholders — for example, parties, expert organizations, private investors and international financial institutions — identify high-potential options. Third, the UNFCCC Secretariat would produce a summary for policy makers, including a number of recommended policy options. Fourth, the parties to the 2015 agreement, i.e.,

the Governing Body, would consider the summary and convert policy options into a non-binding menu under the agreement (Höhne et al. 2014b). In step five, high-level dialogues would be convened and serve as a platform for parties to formally announce their intention to implement options on the menu. Potentially, non-state actors such as local governments or private companies could also announce their intentions to implement options. The dialogues would also serve as a forum for discussing the focus areas of future technical expert meetings. Sixth, developing countries could apply for available financial and technical support from a wide range of organizations, including the GCF, Global Environmental Facility (GEF), Climate Technology Centre and Network (CTCN), bilateral and multilateral development finance institutions. These organizations could also facilitate co-financing from private investors. The applications for support would help create a pipeline of funding proposals for such institutions and investors, in particular the GCF, which has mobilized more than US\$10 billion and has already picked out thematic initial results areas as described above.

This six-step process could be repeated annually. Each annual cycle would provide an opportunity for parties to add high-potential options to the menu and announce their intention to implement these options or any of the existing options on the menu. Over time, the menu would expand and more parties would become committed to its options. This way, the ambition mechanism could make cooperation under the UNFCCC both broader and deeper.

This ambition mechanism could be completely non-binding and facilitative. If parties preferred, however, the mechanism could have some legal force. For instance, parties could be invited to include — on a voluntary basis — their implementation of policy options in updated “nationally determined contributions” (NDCs) to the 2015 agreement. If a party chose to include a policy option, its implementation of that option would then become subject to MRV. Depending on the legal character of the 2015 agreement, parties might also decide that once a given policy option has been included in NDCs by a certain number of parties representing a specific threshold share of global emissions or global GDP, the implementation of that policy option would become legally binding for the parties that included it. Each such legally binding policy option would essentially represent a sub-agreement to the 2015 agreement.

Whether the mechanism was purely facilitative or had legal force, it would be a hybrid between collectively determined provisions (top-down) and individually determined announcements (bottom-up). Parties would choose from a negotiated menu according to their own preferences.

## Incentives and Added Value

The mechanism proposed here provides incentives that can pull parties toward higher ambition. First, the information-sharing and learning process under the mechanism could facilitate implementation of low-cost policies, that is, policies that are unilaterally attractive, but are not exploited due to a lack of information, attention or other factors. Showcasing of successful activities, input from stakeholders and high-level political attention could help parties identify and overcome barriers and pick low-hanging fruit. Thus, in some respects, the mechanism might resemble the existing workstream 2.

Second, where options are more costly and not unilaterally attractive, the mechanism could incentivize the necessary international cooperation: Party A may initially be unable or unwilling to take on a renewables target or a technology standard because the national costs would outweigh the national benefits or a lack of capacity or investment capital. However, it may be willing or able to do so if supported by institutions such as the GCF, GEF and CTCN or as part of an agreement among multiple parties (especially if implementation was subject to MRV and legally binding). Expanding on this logic, the mechanism could also provide a platform for package deals where Party A implements a policy option on, for example, energy efficiency in exchange for Party B implementing a policy option on renewable energy. Of course, international cooperation may be further incentivized by additional financial and technology transfers and by high-level political involvement as indicated by the UN Climate Summit, where governments rallied around various policy initiatives (see also Jepsen 2013).

Third, over time the mechanism could strengthen incentives for mitigation action by driving down net costs and transforming costly policy options into low-cost measures. Renewable energy targets, for instance, could spur innovation or reduce perceived risks of low-carbon investments. Similarly, standards could lower production costs and increase the competitiveness of products such as electric cars and energy-efficient appliances (Barrett 2005, 97ff, 395–405; Stewart, Oppenheimer and Rudyk 2013; UNFCCC 2014).

Fourth, apart from mitigation benefits, parties might be attracted by potential co-benefits, which are generally more tangible for options in high-potential areas than for economy-wide targets. For renewable energy and energy efficiency options, for example, specific co-benefits identified in the UNFCCC include cost savings, poverty reduction, job creation, enhanced productivity and competitiveness, energy security, trade benefits, energy access, improved energy system stability and resilience, improved health and reductions in pollutants (see, for example, UNFCCC 2014). The prospect of such benefits can help drive ambition. To illustrate, energy security and reduction of

pollutants are increasingly important issues for European and Asian governments, respectively.

To summarize, a party's incentives to implement a given policy option would represent a combination of mitigation benefits, co-benefits, low costs, opportunities for showcasing and high-level political attention, cooperation from other parties and support. Of course, the same policy option may represent a unilaterally attractive low-cost measure for some parties, a costly measure requiring international cooperation and support for other parties, and a completely unrealistic effort for a third group. One advantage of the mechanism's menu approach is that it allows different parties to move ahead with different options.

The picking of low-hanging fruit, fostering of international cooperation, reduction of costs and emphasis on co-benefits could add value to the existing regime and support more ambitious economy-wide targets. Parties already implementing policy options might find it less costly to commit to ambitious targets. Conversely, parties already committed to targets might be looking for options to meet or exceed those targets and signal commitment to specific actions.

## The Building Blocks Exist Already

A mechanism based on a policy menu would build on existing agreements, decisions and institutions. Article 4.1 of the UNFCCC (1992) already states that all UNFCCC parties shall: “[p]romote and cooperate in the development, application and diffusion, including transfer, of technologies, practices and processes that control, reduce or prevent anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol in all relevant sectors, including the energy, transport, industry, agriculture, forestry and waste management sectors.” In fact, the parties to the UNFCCC have previously negotiated common policies and measures based on article 4.1.

With regard to the existing negotiation process, the UNFCCC has already launched a process focused on policy options (workstream 2) and published a document recording Höhne et al.'s idea that: “[m]eaningful mitigation action can be further strengthened through the development of good practice policy menus, which bring about growth and sustainable development benefits. Policy menus can provide options and a concrete outcome of aligning good practice policies with internationally available support as a means to achieve key climate and development goals” (UNFCCC 2014). Interestingly, the draft negotiation text for the 2015 agreement now includes both a “Placeholder for a new platform for enhancing mitigation ambition” and a provision for a “review / assessment / [ambition] mechanism to be (...) informed by (...) a process of technical examination of mitigation potential, opportunities, co-benefits

of mitigation action and policy options for enhancing mitigation ambition.”

Finally, with regard to support, all developing countries are already eligible for support from the GCF and could apply for available financial resources to implement policy options in the GCF’s initial result areas. Other support options exist as well, as described above.

## How This Differs from Previous Ideas

The proposal outlined in this brief resembles previous ideas. Yet, there are important differences:

Unlike the “two degree clubs” and “building blocks” described by Weischer, Morgan and Patel (2012) and Stewart, Oppenheimer and Rudyk (2013), this brief proposes a specific mechanism to facilitate implementation of policy options within the UNFCCC, which offers an institutional structure, convening power and political attention. The UNFCCC’s structure, power and attention can reduce start-up costs and help international initiatives get off the ground in the absence of leadership from a single dominant country or group of countries.

Unlike the complete and elaborate “policies and measures” advanced by the European Union during the negotiations that led to the Kyoto Protocol or the “sectoral approaches” presented by Bodansky (2007), this brief sketches a party-driven process for defining policy options as well as provisions for support.

Unlike the “Sustainable Development Policies and Measures” (Baumert and Winkler 2005), which would be defined by individual developing countries, the above proposal suggests a regime where all parties can implement options that are negotiated and, thus, partly top-down in nature.

Finally, the brief adds to Höhne et al.’s (2014b) original proposal for a “policy menu” by elaborating on the possible process and building blocks as well as the incentives and added value from a negotiation perspective (see, for example, Sebenius 1984; Jepsen 2013).

## Conclusion

Economy-wide emissions reduction targets should be an essential part of the 2015 agreement. But the agreement should also include a mechanism to incentivize actions in high-potential areas. Building on ideas by Höhne et al. (2014b), Barrett (2005) and Sebenius (1984), this brief proposes that the parties to the UNFCCC should unbundle the thorny issue of economy-wide targets and establish a process where they can identify and, on a voluntary basis, implement policy options. This could help parties increase ambition over time. For analysts, a next step could be to examine which options would have the most backing

from domestic and international stakeholders, including expert organizations and the private sector. The UN Climate Summit, which explicitly engaged non-state actors, could serve as a starting point.

## Author’s Note

This policy brief is based on my Ph.D. dissertation (Jepsen 2013) and reflects only my personal views.

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## Acronyms

CTCN	Climate Technology Centre and Network
GCF	Green Climate Fund
GEF	Global Environmental Facility
IEA	International Energy Agency
IRENA	International Renewable Energy Agency
MRV	monitoring, reporting and verification
NDC	nationally determined contribution
REDD	Reducing Emissions from Deforestation and Forest Degradation
UNFCCC	United Nations Framework Convention on Climate Change

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## About the Author



**Henrik Jepsen** holds a Ph.D. from the Department of Political Science at Aarhus University. In his Ph.D. thesis on issue linkage in the international climate change negotiations, he identified causal mechanisms in the processes where large agendas are transformed into package deals, the conditions that are necessary and sufficient to make these processes work, and overall effects of simultaneously negotiating multiple issues. The thesis included

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