



CONCLUSIONS OF THE SENATE EUROPEAN AFFAIRS COMMITTEE ON THE CHALLENGES OF COP21



European Affairs committee

On 22nd October 2015, prior to COP21, the Paris climate meeting to be held from 30th November to 11st December, Mrs Fabienne Keller, Senator (Bas-Rhin, The Republicans), and Mr Jean-Yves Leconte, Senator (Senate Representative for French citizens living abroad, Socialist and Republican), set out the European Union's objectives and undertakings on global warming before the European Affairs committee, chaired by Mr Jean Bizet, Senator (Manche, The Republicans). Furthermore, they detailed the issues and challenges faced by the 195 Parties to the United Nations Framework Convention on Climate Change at the Paris conference.

What content should a universal agreement contain?



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The European Union desires that Paris should be the opportunity to reach a *"dynamic, universal, legally binding agreement, providing a transparent review mechanism for the verification of commitments"*.

The universal nature of the commitments made by the 195 Parties to the United Nations Framework Convention on Climate Change (UNFCCC) will, in itself, constitute a considerable improvement to the Kyoto Protocol, which only bound some 35 industrialised countries (the United States did not ratify it and Canada withdrew from it in 2011) and only covered 15% of greenhouse gas emissions (GHG).

While the Paris protocol will not include a sanctions mechanism, its **binding character** should make it more than just a declaration of intent. Robust measures for **verification and transparency** and reporting obligations will highlight any failure by

States to keep to their commitments, both in respect of the other Parties and public opinion.

Furthermore, the European Union is advocating strongly for a five-yearly rendezvous clause, making the agreement **dynamic** and encouraging Parties to update or raise their financial contributions and levels of commitments to reduce their emissions levels.

The Environment Council meeting of 18th September, 2015 also stressed the equal importance of **mitigation** (*reducing greenhouse gas emissions*) and **adaptation** measures (*prevention and support to protect countries, particularly the most vulnerable, to combat global warming and climate disaster risk*). An all-country consensus on the balance between these two concepts has not been achieved, but it is consistent with the Green Climate Fund commitment to allocate 50% of its resources to each. Moreover, this balance is a **key demand of developing countries**, which make it a *sine qua non* condition of their agreement in Paris.

What impact are Intended Nationally Determined Contributions (INDCs) having?

States completed the submission of voluntary contributions, describing their roadmap for the mitigation of carbon emissions, on 1st October. Some 150 contributions, representing nearly 90% of global emissions, were submitted by this date. However, these cumulative contributions fall short of those needed to prevent global temperatures rising by more than 2°C and are more likely to see them rising by 2.7°C/3°C. This supports the imperative to introduce a **five-yearly rendezvous clause by 2025**.

The **EU**, which accounts for some 9% of global emissions, after China (25%) and the United States (11%), published an ambitious **INDC** on 6th March, 2015. It commits to a **reduction of at least 40% of EU emissions** by 2030 compared to 1990 levels and covers all sectors, including Land Use, Land Use Change and Forestry (LULUCF). In addition, the EU aims to **reduce its emissions by 80-95 % by 2050 compared to 1990 levels**.

What is the funding situation?

"Climate finance" is a fundamental aspect of the debate, with an impact in three areas:

- Firstly, it includes *new* financial aid evaluated at **\$100 billion annually from 2020, to be provided by developed countries to developing countries** to help them **protect themselves** from the consequences of global warming and **transition** to low-carbon economies. This is predicated on public funding, loans, funding from multilateral development banks and the commitment of private funds. The terms of such financing will be central to the accession of developing countries to the draft agreement.



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- Secondly, innovative measures to **direct public financing towards low carbon investments** or encourage private financial stakeholders to adopt **financial strategies conducive to carbon neutrality**: private equity investment in clean technologies and green infrastructure projects. The incorporation of "**compulsory cross-compliance (eco-conditionality)**" in **IMF or central bank financing**, for example in the implementation of the ECB quantitative easing policy, still depends on the harmonisation of assessment tools at a global level and introducing a common definition of "climate finance".
- Thirdly, national energy transition policies should schedule **reductions in public support for fossil fuels** - estimated by the OECD at \$200 billion a year for 40 countries.

A **financial transaction tax (FTT)**, currently being studied in the framework of enhanced cooperation between 11 member countries of the European Union, including France, could partially fund adaptation and mitigation policies. Furthermore, though significant, emissions from **maritime and aviation fuels** are not covered under current reduction protocols. COP21 could enact the

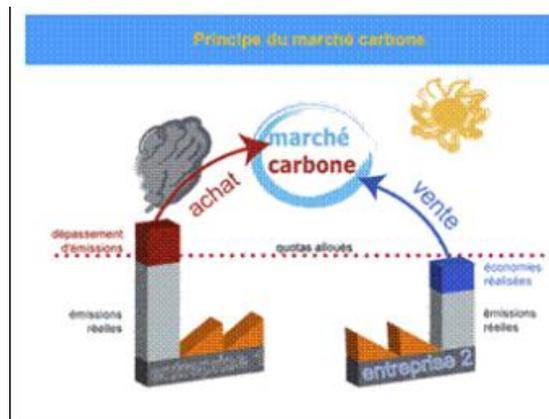
principle of **specific taxation of ship-owners and airlines**.

What are the challenges surrounding carbon pricing?

Carbon pricing was initiated as part of the Kyoto Protocol and is a key tool in guiding large emitters in the business sector to invest in research, development and implementation of low carbon technologies.

The **EU Emission Trading System (ETS)**, established in 2005, has become - after initial teething problems - a mechanism that is now setting a precedent. It is the world's largest carbon market and covers a large portion of greenhouse gas emissions. Its **ongoing reform** should lead to a **significant increase in the price of carbon**, which is currently very undervalued. Over recent weeks the Commission has proposed a reform to reduce the cap on total annual emissions, taking the proportion of auctioned allowances to 57%. Revenues from these auctions must be directed towards **investments in energy efficiency and the increased use of renewables**.

The reform will focus on the allocation of free allowances to very energy-intensive industrial sectors and must be sufficiently selective to limit exposure to the risk of loss of competitiveness and "carbon leakage".



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In the same vein, for the co-rapporteurs, a **carbon offsetting** mechanism at borders, compatible with WTO rules, should prevent imported goods that do not use clean technologies from competing with those produced in countries where manufacturers are bound by stringent measures.

The operation of a **market mechanism** putting a price on carbon poses both a problem of **equity** between sectors - according to whether they emit greenhouse gases or not, and **competitiveness**

between industries in the same sector, from different countries or continents, exposing them to the risk of **relocation**. This underlines the importance of **universal commitments** and the **wide adoption** of mechanisms putting a **price on carbon**. This is one of the major challenges of the Paris Conference.

How should the inclusion of carbon sinks be evaluated?

The inclusion of carbon sinks in INDCs constituted by **meadows and forests** varies from one declaration to another, each country tending to present itself in the most favourable possible light. **Canada and Russia** have, for example, pledged to preserve and develop their vast **forest areas** and have incorporated the impact of this in their mitigation commitments, but as of yet there is no clear definition available on the conditions for the equitable accounting of the impact of such carbon sinks. Thus, while the European Union contribution includes **Land Use, Land Use Change and Forestry (LULUCF)**, this is subject to a revision of EU rules on carbon accounting in this sector to be introduced in 2016.



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Conclusions of the European Affairs committee

On preparations for the 21st session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC)

The committee,

Noting the conclusions of the 5th Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) and the potentially disastrous impact of global warming on the planet and fully endorsing the goal to limit warming to below 2°C;

Welcomes the ambitious commitments made by the European Union in its Intended Nationally

Determined Contribution (INDC) to achieve a domestic reduction in its greenhouse gas emissions of at least 40% compared to 1990 levels by 2030; supports the European Union objective to reduce emissions by 80-95% by 2050 compared to 1990 levels;

Desires that the Paris agreement should achieve a consensus and commit all parties, including emerging countries, in a reciprocal approach, to ambitious and fair goals, both on mitigation of emissions and adaptation for developing countries and those among them especially vulnerable to the effects of climate change.

Specifically, the European Affairs committee:

On financing:

Calls on the European Union and its Member States to make available the necessary public resources to finance measures combating climate change, especially with a view to funding, together with the private sector, the annual amount of \$100 billion set for 2020; underlines the need to focus public resources on adaptation measures for developing countries and countries that are most vulnerable to climate disasters; recalls in this context the objective of the European Union to devote 20% of its budget to measures combating climate change for the period 2014-2020;

Urges the eleven EU Member States involved in enhanced cooperation, to finalise the implementation of a financial transaction tax (FTT), the proceeds of which could be partially allocated to support adaptation and mitigation policies while taking due account of the Council conclusions relating to own resources providing that part of the receipts of this tax constitute an own resource for the EU;

Proposes that the European Union and its Member States undertake or continue, each according to its own capabilities, initiatives to gradually reduce their support for fossil fuels in order to direct future energy investment towards low carbon energy sources.

On the need to put a price on carbon, especially through a reformed market mechanism.

Conscious of the need to put a price on carbon to implement an approach to boost progress towards carbon neutrality founded on economic and industry-based principles;

Welcomes the reform, currently being finalised, of the EU Emission Trading System (ETS), including establishing a stability reserve by 2019, the

programmed increase in the share of allowances auctioned and focusing free allocations of emission allowances on the sectors and companies most exposed to the risk of relocation (carbon leakage);

Invites Member States to prioritise incomes generated from allowance auctions for initiatives and investments to improve energy efficiency and the increased use of renewables;

Considers pertinent the widespread adoption by all parties to the United Nations Framework Convention on Climate Change (UNFCCC) - at local and national level - of systems putting a price on carbon, especially through the development of carbon markets;

On specific guidelines to be incorporated into future climate strategies:

Encourages the European Union and those World Trade Organisation (WTO) member countries committed to the conclusion of a multilateral agreement on environmental goods, to set up an agreement in the near future to facilitate trade and exchange of facilities that promote low-carbon growth, particularly in the field of renewable energies;

Insists that aviation and shipping be rapidly incorporated in the sectors covered by emissions reduction and invites the International Civil Aviation Organisation (ICAO) and International Maritime Organisation (IMO) to act to this effect before the end of 2016; requests that the opportunity presented by the 21st Session of the Conference of Parties be taken to adopt the principle of fuel taxation in these two sectors and that the resulting income be allocated to the Green Climate Fund;

Calls on the European Union and its Member States to make rapid progress towards an Energy Union that would allow Europe to benefit from safer, more affordable and climate-friendly energy.

Asks the European Union that its future "coherent and integrated policy for the Arctic region" target the sustainable development of this region and be

respectful of its fragile environment, in order to limit future contribution of the Arctic to global warming.

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