

Paris and beyond: **Essential recommendations for climate negotiations**

CYCLICAL IMPROVEMENTS

MARKET MECHANISMS

TECHNOLOGY COOPERATION AND INFORMATION SHARING

LOW CARBON INVESTMENTS AND FINANCE

How to avoid watering down the climate mitigation ambition?

How to ensure a new era of global climate policy after Paris?

The Paris Agreement starts a new era in global climate policy. Global mitigation action needs to be enhanced further by the Paris Agreement and future COP-decisions. **Implementing a diverse set of instruments and mechanisms for enhancing climate mitigation ambition is essential. These options must not be ruled out or watered down in the Paris Agreement.**

This Policy Brief presents concrete recommendations for the climate negotiations in four different areas.





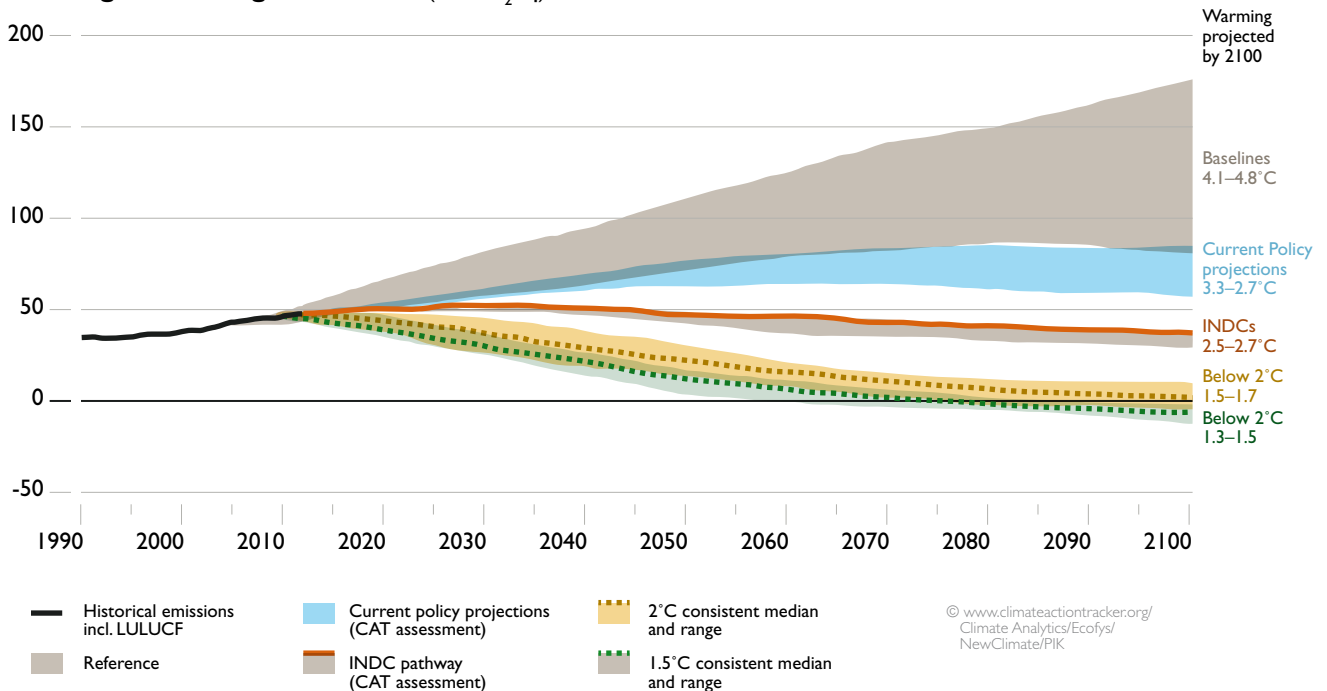
Technology and information transfer is an important way to increase cooperation and solidarity between countries.

The burden sharing of the climate change mitigation efforts has shifted from a top-down approach towards a voluntary bottom-up framework of the Paris Agreement. However, it is highly unlikely that the current contributions (INDCs) of the Parties are sufficient to limit global warming below the agreed 2 °C.¹ This is not a surprise, as noticed by Joseph Stiglitzⁱⁱ, among many others:

“In no other area has voluntary action succeeded as a solution to the problem of undersupply of a public good. And this is especially so when there are global public goods, the benefits of which are shared by everyone in the world. There is simply insufficient “solidarity” at the global level.”

Nevertheless, mirroring the history of climate negotiations and the political ambience, the current approach seems to be the only politically feasible way to proceed. Therefore, important questions arise: How can the attractiveness and economic viability of countries’ climate contributions be increased? How can solidarity between countries be strengthened? We argue that progress can be ensured by paying attention to (1) cyclical improvements, (2) market mechanisms, (3) technology cooperation and information sharing, and (4) low carbon investments and finance.

Global greenhouse gas emissions (GtCO₂eq)



THE INDCs SUBMITTED BY PARTIES INCREASE THE AMBITION LEVEL OF CLIMATE MITIGATION, BUT ADDITIONAL MEASURES ARE REQUIRED TO LIMIT GLOBAL WARMING BELOW THE AGREED 2°C.

Main messages to Paris and beyond

1. Cyclical improvements

The parties' mitigation commitments and efforts should be transparent, quantified and comparable. The pressure for continuous cyclical improvement of contributions rests essentially upon effort comparisons between countries. Hence, pledge-and-review processes must be based on (1) clearly formulated individual mitigation contributions and (2) transparent and congruent monitoring, reporting and verification procedures and practices. ⁱⁱⁱ

In order to ensure that the given commitments are executed, a comprehensive compliance mechanism is needed. Also, the Parties should be encouraged to make more ambitious climate commitments. Both the compliance mechanism and rewarding instruments should be specified and implemented in the future COP-decisions.

3. Technology cooperation and information sharing

The Paris Agreement should include a provision on non-market mechanisms that encourages new voluntary mechanisms, such as cooperative technology agreements and standards. This could increase the forms of voluntary cooperation and reduce the innovation and trade related risks of low-carbon technology development. ^{v,vi}

Technology and information transfer to developing countries could be enhanced by strengthening the existing Technology Mechanism (TM). For example the following issues require further consideration (1) coordination between the TM's executive committee and technology center, (2) identifying technological needs and priorities and (3) financial allocation. ^{vii}

2. Market mechanisms

The Paris Agreement should include a provision on market mechanisms. International market mechanisms could transfer information on abatement costs and mitigate carbon leakage as well as contribute to price harmonization and cost-efficiency. Market mechanisms could promote Parties' cooperation also in other dimensions and encourage them towards more ambitious mitigation efforts.

Market mechanisms require clear and detailed rules and institutions that take into account, for instance, loopholes, double-counting, monitoring and verification issues. The rules can be elaborated in subsequent COP meetings. ^{iv}

4. Low carbon investments and finance

Sufficient long-term goal for mitigation and cyclical improvement of mitigation and finance contributions would help to overcome the uncertainties related to low carbon investments. These investments are often perceived as risky, mainly due to the uncertainty of public policies. Thus, this can be a crucial message for the finance markets. ^{viii}

The scale and sources of climate finance in the Paris Agreement should be negotiated and agreed on together. Climate negotiations can help to close the low-carbon investment gap by mobilizing multiple sources of finance to low carbon investments. This could be achieved e.g. by perceiving the public climate finance as seed-money that attracts funding from other sources. Thus, the scale would have two dimensions (1) quantitative target for public finance and (2) qualitative target for other sources.

Mitigation ambition in four different areas needs extra efforts from all Parties. The technologies and policy instruments already exist. They just have to be put into full operation.

The project *“Mechanisms to enhance climate mitigation ambition in the UNFCCC context: Messages from the economic literature”*

utilizes literature on international environmental agreements to form a comprehensive outlook of the tools and mechanisms that could be applied in the UNFCCC context to enhance the global climate mitigation commitments. The final project report, presenting concrete suggestions on the tools and mechanisms to enhance climate mitigation in the Paris Agreements framework, will be published in early 2016. The project is carried out by Finnish Environment Institute SYKE and VATT Institute for Economic Research and funded by the Finnish Ministry of Environment.

This policy brief focuses on the options to enhance climate change mitigation in the UNFCCC framework in the post 2020 era. The mitigation options related to land use are outside the scope of this paper.

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Photos: Mobisol, Timo Assmuth | Layout: Erika Várkonyi
ISBN 978-952-11-4529-2 (pbk.) | ISBN 978-952-11-4530-8 (pdf)