PARIS AGREEMENT – US COP*ING* OUT

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The Paris Climate Agreement has been a diplomatic success story, giving rise to the hope that the world finally unites in the fight against climate change. In 2015, 196 countries signed the international compromise and formally committed to finding solutions in order to mitigate climate change. Trump's announcement on 1 June to withdraw from the Paris Agreement was a blow to the deal that could weaken its effectiveness considerably. In this snapshot we discuss the possible implications of the withdrawal and we take stock of the current status of implementation of the major economies.

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What's at stake?

The Paris agreement requires developed and developing countries to limit their emissions to 2°C with an aspiration of 1°5C, below 1990 levels. Moreover, financial aid and funding will be provided to developing nations to help them reduce emissions and cope with the effects of climate change. The agreement requires regular reviews and revisions every 5 years to ensure commitments stay on track.

Prior to the 23rd session of the Conference of the Parties (COP 23) to the UN Convention on Climate Change (UNFCCC), the Trump Administration's decision to withdraw from the Paris Climate Agreement broke the consensus all countries reached in 2015. Although the Obama Administration had previously pledged to cut emissions 26-28% below 2005 levels by 2025, it was unlikely to reach these ambitious objectives given the Trump Administration's political agenda. However, the world's second largest polluter being part of the Paris Agreement would have continued to send a strong political and market signal that countries at the UN level are united in addressing global environmental challenges. Although it is too soon to understand the economic and environmental repercussion of the US leaving the Paris Agreement, it is already clear that the Trump Administration is planning to roll-back domestic climate-related programs, such as the Clean Power Plan and the current vehicle fuel economy standards.

Nevertheless, G7 environmental ministers, as well as India, China, and even a few of the most populated US states, have reaffirmed a strong commitment to the swift and effective implementation of the Paris Agreement, which remains the only comprehensive and immediate global tool for addressing climate change.

Practical implications for the accord

One of the key topics discussed during the Paris Agreement involved the Green Climate Fund, which addresses the best way to fund climate change in countries with developing economies. Previous UNFCCC meetings established a $100 billion-per-year commitment from developed countries towards the Fund, starting in 2020.

Under the Obama administration, the Paris Agreement, and the question of how to finance climate change was signed without Congressional approval. This has led to major criticism as the $500 million transferred to the Fund did not have bipartisan consensus. The Green Climate Fund was established under the UNFCCC framework with the hopes of mobilizing climate finance to support mitigation and adaptation action in developing countries. The idea of the UNFCC was to provide a clear signal to incentivize the development of renewable sources of energy worldwide while cutting emissions from the energy sector.

The Trump Administration has a different strategic approach to its energy policy, stating that natural resources (oil, gas and coal) constitute such a large share of the US energy mix because they are the most reliable and, affordable electricity and transportation fuel sources. The Administration also argues that decarbonizing the economy and investing in new technologies to fight climate change will drive up energy costs. According to their figures, the US economy would lose 6.5 million of industrial sector jobs, including 3.1 million manufacturing jobs by 2040. When announcing his decision to withdraw from the Paris Climate Agreement, President Trump also said the US would stop contributing to finance climate change in developing economies under the Green Climate Fund. This political statement signifies the Trump administration's commitment to secure investments in the US's oil, gas, and coal sectors. Nevertheless, we shall see if Trump policies will drive investments within these fields, as there are other drivers which are affecting energy policy more profoundly, such as the low gas prices, the ongoing shale gas boom and the competitive costs for renewables which ultimately make coal uncompetitive.

However, moving forward with the Green Climate Fund and the mobilization of $100-billion-per-year in 2020, from a variety of sources, is a very important political commitment to address the pressing mitigation and adaptation needs of developing countries.

There is still hope that the Green Climate Fund can be saved, as some US cities like Seattle, have announced recently that they will contribute with cash to get close to the $100 billion figure. Additionally, as of June 2017, the Green Climate Fund has raised 10.3 billion in pledges from 43 state governments.

> "We will start to renegotiate and we'll see if there's a better deal. If we can, great. If we can't, that's fine"
>
> *Donald Trump, President of the US*

In addition to this, a lot of progress has been made by stakeholders from the private sector that have made larger than anticipated contributions to the fund. However, more needs to be done by the other US cities that have committed to cut emissions. Even with the mobilization of the private sector, the fund will likely not progress in the upcoming years without a strong mandate for funding from other government sources.

Status of EU Implementation

The European Union has been at the forefront of international climate change negotiations. After President Trump made the announcement that the United States was going to withdraw from the Paris climate agreement, many European leaders, including the governments from Germany, France, and Italy said publically that the fight against climate change would continue with or without the US.

The preparations for the contribution of the EU to the Paris climate agreement commenced in October 2014, when all EU leaders agreed that the bloc would cut domestic GHG emissions by at least 40% below 1990 levels by 2030. This target was re-emphasised in the EU's Intended Nationally Determined Contribution (INDC), submitted in March 2015.

EU Member States have already made significant progress towards delivering the target by 2030. According to the European Commission's 2016 progress report on implementing the Paris Agreement, emissions covered by the EU Emission Trading System (ETS) decreased by 24% between 2005 and 2015. Emissions from the Effort Sharing

Decision (ESD), which addresses sectors not covered by the ETS (building, transport, waste and agriculture), are also likely to decrease 30% by 2030. Further, the EU Member States are currently re-negotiating the proposal to implement the Paris Agreement, (which will include more ambitious standards).

The long-term commitment by the EU to climate action is evident and robust given the current policy discussions around the EU ETS as well as the ESD. Agreeing on and implementing these remaining climate policy dossiers, and potentially revisit the level of ambitious in a few years' time is critical for the EU to successfully deliver the Paris Agreement targets.

> "There is a much stronger expectation from our partners across the world from Africa, Asia and China that Europe should assume leadership in this effort and we are ready to do that"
>
> *Maroš Šefčovič, Commission Vice-President*

If ongoing policy negotiations fail to reach a common understanding among Member States due to the ambition to increase the targets of the 2030 climate and energy framework, there is a threat that some countries will use the US exit as rationale for not progressing the dossiers in the Council.

Therefore, it is important to finalize the remaining energy and climate legislation in the upcoming months, in order to ensure the EU meets its climate objectives ahead of COP23 in Bonn, Germany. Once there has been an agreement at the EU level of the different policy dossiers, the energy and climate targets could be revised once again if there is a strong political will by the world economies.

Additionally, there will be another opportunity to revise the climate ambition of the EU fairly soon. In only a few years' time the EU needs to once again prepare for its 2050 commitments for climate and energy strategies. Technically, the work has already started, but negotiations will likely be difficult among Member States. In 2012, the European Commission's low-carbon roadmap for 2050 encountered opposition from some Member States in the Council and was not endorsed. A new roadmap will have to be published before 2020, and will have to provide a fresh strategy to restart long and tedious negotiations.

Taking into consideration that the IPCC will release a special report in 2018 on the impacts of global warming should the temperature increase to 1.5 °C above pre-industrial levels, and that the European Elections will take place in the summer of 2019, it is unlikely to expect the new document by the EU before late 2019.

Are other major economies on track?

The Summit held in Brussels in June between the European Union and China has brought a number of important developments on the climate side. EU and Chinese leaders reaffirmed their commitment to implementing the 2015 Paris Agreement. In fact, EU and Chinese diplomacy also discussed the possibility of co-hosting, along with Canada, a major ministerial gathering in September to advance the implementation of the Paris Agreement. China, the EU and Canada are likely to be the major economies driving the shift towards clean energy.

Despite the commitment from other major economies to the Paris Agreement, the efforts from big polluting economies such as Japan, Australia, and Russia are considered inadequate by Climate Action Tracker in order to limit warming below 2°C.

- Australia: Under present policy, Australia's emissions are set to increase to more than 21% above 2005 levels by 2030 (52% above 1990)—in stark contrast to its proposed Paris Agreement target of an emissions reduction of 26–28% (below 2005 levels by 2030) which, in itself, is falling far short of what could be considered a fair contribution by Australia.
- Japan's claim that its INDC target of 26% below 2013 emission by 2030 is in line with a 2°C pathway. However according to the assessment done by Climate Action Tracker, Japan is unlikely to reach its inadequate INDC target with the policies it currently has in place.
- Russia: The target set by the Russian government is one of the weakest put forward by any government.

Private sector involvement

Since COP 21, the private sector has been very visible and active in the climate debate. Indeed, several stakeholder initiatives have been organized during the recent COPs to raise the profile of the different sectors and companies that are taking leadership roles in the debate. Initiatives such as Caring for Climate Business Forum, RE100 or The Carbon Pricing Leadership Coalition bring together leaders from the private sector, civil society and governments, to share experience working with carbon pricing or other policies to expand the evidence base for the most effective climate policies. The World Business Council for

Sustainable Development is also showing a path to reflect action on concrete policies.

As we move forward on implementation of the Paris Agreement, it is clear that without the involvement of the private sector, the climate agenda and the transition towards clean energy will not progress at the speed needed to reach ambitious GHG reduction goals. The momentum achieved in Paris will incentive investments from the private sector in new technologies such as electric vehicles, energy storage, and mature variable renewables.

According to the IEA, it is important to look at both how far clean-energy technologies can move the energy sector towards climate change goals, and the possible scenarios were technological innovations pushed to their maximum practical limits.

Conclusions

Although it is too soon to understand the economic and environmental repercussion of the US leaving the Paris Agreement, it's clear that the Trump Administration will face diplomatic consequences with important economic allies worldwide. The Trump Administration will also face tough scrutiny from cities, states, and business leaders at home.

In fact, it is highly likely that EU and worldwide leaders will start having direct conversations on climate with US states, cities and corporates without involving the White House. The global push for decarbonisation has gained a momentum that seems irreversible and even includes oil and gas companies as well as leading global investment banking firms. Now that there is a business case for moving forward on the decarbonisation agenda, policymakers need to provide certainty on policies for the transition towards the low carbon economy.

Regarding the implementation of EU climate and energy framework, it is important to finalize the remaining energy and climate legislation in the upcoming months. Once there has been an agreement at the EU level of the different policy dossiers, the energy and climate targets could be revised once again. The COP21 already provides a strong framework to track progress by world economies thanks to the five-year review cycle.

However, regardless of the pathway chosen for the clean energy transition, many sectors and regions still suffer from the lack of financial and policy support that's needed to limit global emissions to 2°C with an aspiration of 1°5C, below 1990 levels. A lot remains to be done to ensure that they are not left behind.

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