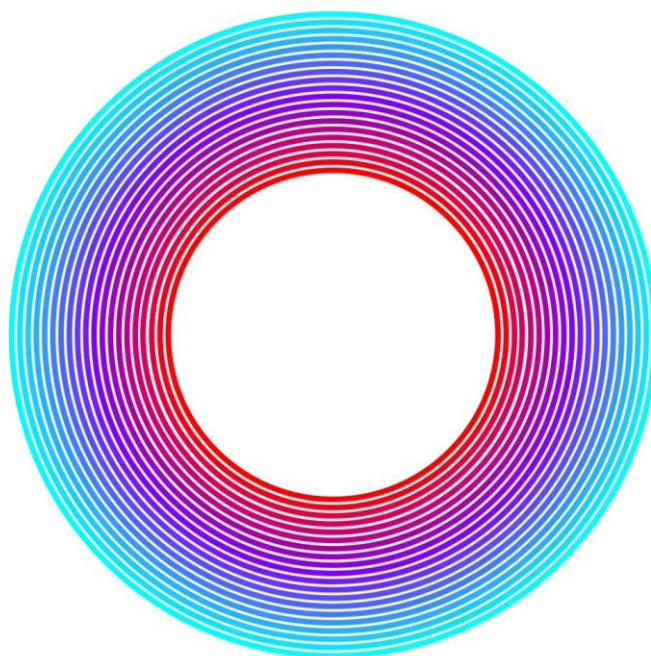


IETA Lima COP20 Summary



LIMA COP20 | CMP10

UN CLIMATE CHANGE CONFERENCE 2014



IETA
CLIMATE CHALLENGES,
MARKET SOLUTIONS

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IETA LIMA COP20 SUMMARY

COP20 showed the urgency of effort that national capitals will now be faced with on developing both national and international market approaches. Under the guidance of the COP, market mechanisms will be in the 2015 Climate Agreement

The 20th Conference of the Parties to the UN Framework Convention on Climate Change (COP) and the 10th Conference serving as the Meeting of the Parties to the Kyoto Protocol (CMP) were held in Lima, from 1-12 December (although it spilled over to Sunday, 14 December). This was also the seventh part of the second meeting of the Ad Hoc Working Group for the Durban Platform for Enhanced Action (ADP), which is the group tasked with negotiating the Paris 2015 agreement.

The first week of the negotiations also saw the 41st meetings of the Subsidiary Body for Implementation (SBI) and Subsidiary Body for Scientific and Technological Advice (SBSTA) convene. Both the SBI and the SBSTA continue to be technical forums to work out the details of UNFCCC architecture on issues such as market mechanisms, implementation of the Kyoto Protocol, adaptation, accounting and REDD+.

Positive momentum going in to Lima...

The past few months have seen a flurry of activity that was hoped would bolster prospects in Lima. September's Climate Summit at the UN headquarters in New York was a real political boost to efforts to reach a new deal in Paris next year, while the EU's agreement of its 2030 climate and energy package in October was another positive step.

But the real change in dynamic came in November, with a surprise announcement from the US and China of a joint agreement on climate change, covering emissions goals, renewable energy targets, clean technology and phase-out of HFCs. This marked the first time China had put a date on when it plans to peak its emissions and, crucially, went some way to levelling the field between the two parties.

The round of government pledges to the Green Climate Fund (GCF), almost at the targeted initial capitalisation of \$10 billion by the start of the Lima talks, was also seen as a positive indicator ahead of the talks. (And was pushed over the mark in the second week with pledges from Canada, Australia and Belgium.)

Lima had two main deliverables going into the talks: 1. to finalise the scope and format of the Intended Nationally Determined Contributions (INDCs) which governments will present next year for the Paris agreement; and 2. to compile the draft negotiating text for the 2015 Agreement. Both of these were ultimately achieved, but not without a fair amount of tension and an extra 36 hours of negotiating time – matched with a significant watering down of earlier iterations of the text. In the early hours of Sunday morning, the [Lima Call for Climate Action](#) was finally adopted.

...so where did it start to go wrong?

Throughout the two-week meeting, there were three main flashpoints in the ADP negotiations:

1. Whether the INDCs should simply focus on mitigation (emissions cuts), or also encompass adaptation, finance, technology transfer and other elements;
2. Whether the INDCs should be reviewed by the COP, how frequently, and if these should be aggregated before the Paris talks next December; and
3. How to handle differentiation – that is, how can the developed-developing divide be overcome and how the future process is guided (if at all) by the ever-contentious acronym of CBDR (common but differentiated responsibilities).

Other thorny topics during the two weeks included the legal form of the Paris 2015 agreement (will it be a totally legally-binding agreement, or will only certain elements of it be binding?), scaling-up of climate finance and the scope of pre-2020 actions.

By last Thursday night, progress on the issues above was stalled and the COP President, Peru's environment Minister Manuel Pulgar-Vidal, adjourned proceedings and instructed the ADP co-chairs to work with him on a new ADP text. Lead negotiators from Norway and Singapore played a role in trying to find consensus among the various constituency groups.

The new text, with a series of options on key sections, was well received during the following day's contact group meeting. Most developing countries were disappointed by the lack of balance/differentiation, no reference to loss & damage, and limited references to methods of implementation (MOIs) for INDCs (finance, adaptation, technology, capacity building). Essentially developing parties were concerned that they might have similar, if not identical, requirements to file their INDCs as developed countries (but without the support and resources to make this happen).

Proposed preamble language about ADP's relationship with the Convention ("Guided by the Convention" vs "Guided under the Convention") caused further debate, with developing parties (including India) accusing developed countries of trying to weaken the role of the Convention in the new agreement.

Tension levels (and curiosity levels amongst observers) began to rise on Friday afternoon, as the COP President again worked with the ADP co-chairs on a new ADP decision text and country groups had conducted internal reviews. It wasn't until 2am on Saturday that Pulgar-Vidal convened all groups, stressed the need for parties to be "flexible" and passed the mic to the ADP co-chair, who introduced a noticeably leaner decision text. Not long before 4am, the ADP co-chair adjourned the meeting until 10am to begin substantive dialogue on the new text.

A bloc known as the Like-Minded Developing Countries (LMDCs), comprising India, China and a number of major OPEC nations, including Saudi Arabia and Venezuela, demanded that a Paris deal include "differentiation". They insisted on more lax requirements than

developed parties when submitting national INDC information and refused to accept proposals requiring external review, monitoring and verification of each country's plan prior to Paris. The LMDC bloc refused to budge from their position that financial support be promised by developed countries in order for their group to agree to the new INDC text.

It's worth noting that at this point, the original ADP text, which included elements on the use of market mechanisms, had now been heavily watered down with no reference to the use of market mechanisms other than in the Annex which is a non-paper (no legal substance) on the elements for a draft negotiating text on the 2015 Agreement.

Early Saturday afternoon, the ADP text was sent to the COP President to redraft under his own authority, in consultation with each country grouping. At this point, two new co-chairs for the ADP were elected: Ahmed Djoghlaif (Algeria) and Daniel Reifsnnyder (USA).

The redrafted ADP text was released close to midnight, nearly 24 hours after the COP was scheduled to end, and with COP President Pulgar-Vidal remarking "with it, we all win". The final text was adopted by the COP at 1.30am, renamed the [Lima Call for Climate Action](#), and COP20 finally wrapped up just after 3am on Sunday 14 December.

The ADP negotiations: A Call to Action?

If one thing is clear to IETA, it's that the onus on the development of market mechanisms is now back in the hands of national capitals and regions.

Over the course of the second week in Lima, the draft ADP decision text for the COP was stripped of any mention of markets in the INDCs – a far cry from the [thorough draft](#) that was published on 8 December, which contained an Annex with six options for the form and scope of the INDCs, each with an element of market mechanisms. Instead, the content and scope of the INDCs is reduced to just one paragraph:

"14. Agrees that the information to be provided by Parties communicating their intended nationally determined contributions, in order to facilitate clarity, transparency and understanding, may include, as appropriate, inter alia, quantifiable information on the reference point (including, as appropriate, a base year), time frames and/or periods for implementation, scope and coverage, planning processes, assumptions and methodological approaches including those for estimating and accounting for anthropogenic greenhouse gas emissions and, as appropriate, removals, and how the Party considers that its intended nationally determined contribution is fair and ambitious, in light of its national circumstances, and how it contributes towards achieving the objective of the Convention as set out in its Article 2"

Note the text includes no mention of market mechanisms or emissions reduction accounting. Governments will now have to develop their INDCs and — to quote the text again — for "those ready to do so", submit them by Q1 2015.

The text that was [finally adopted](#) comprises two main parts:

1. The Lima decision, including the paragraph above on INDCs and reiterating commitment to the 2015 deal – and that a draft negotiating text will be ready and circulated by May 2015; and
2. A 39-page Annex, compiling the elements for the draft negotiating text – full of many options for language throughout, but also peppered with references to the use of market mechanisms.

The Lima decision also states that a synthesis report on the INDCs submitted to the UNFCCC by 1 October 2015 will be prepared by 1 November 2015 – a win for those that pushed for a review of the tabled contributions before Paris. The text also reintroduces the CBDR concept that has plagued previous COPs, while also acknowledging that each country's INDC must represent progression from its current actions.

Negotiators also tackled the legal form of the 2015 deal – whether it is agreed under article 15 of the Convention (an amendment to the Convention), article 16 (an annex) article 17 (thus making it a protocol). (If you want a refresher on the 1992 Convention, see [here](#).) In any eventuality, the draft negotiating text has to be circulated six months in advance of the COP where it is to be adopted, ie by June 2015 to be ready by the start of COP21 in Paris at the end of November 2015. In the end, there was no decision in Lima on what the legal form of the 2015 Agreement will be.

Market matters

Week one of the COP saw negotiations on the **Framework for Various Approaches (FVA)**, **New Market Mechanism (NMM)** and **review of the modalities and procedures for the Clean Development Mechanism (CDM)** all take place under the subsidiary bodies. All three ended with no firm conclusions and will resume at SBSTA 42 and SBI 42 in Bonn in June 2015.

Talks on the FVA and NMM (linked with the non-market approaches discussion as well) came unstuck early in the first week, with objections from some developing countries – led by Brazil, but joined by India, China, the Arab Country constituency Group, and Bolivia – that the work was pointless until there is clarity on the role for markets in the 2015 agreement.

(To be fair to Brazil, the country attempted to introduce markets into the ADP talks – even requesting a technical meeting on markets next year, if there is an extra session between Geneva in February and Bonn in June. Brazil's [submission to the ADP](#) in November introduced the concept of concentric differentiation and emissions trading.)

The EU, [Umbrella Group](#), [Coalition of Rainforest Nations](#) (CRN) and [AOSIS](#) (small island states) supported continuing the negotiations on the technical papers (FVA [here](#) and NMM [here](#)) provided by the UNFCCC Secretariat one week before the Lima negotiations began, with a view to informing a draft decision in Paris. A third option, to continue negotiations but with no view on when a decision could be made, was backed by the Africa Group with the EU, Japan, et al again supporting it as a second option. The UNFCCC is a non-consensus based treaty and, as such, these negotiating issues ended with no conclusion.

The [review of the CDM's modalities and procedures](#) under the SBI met with a similar fate to the FVA/NMM/NMA talks, and will also resume at SBI in June next year. This issue was originally meant to conclude at COP19 in Warsaw last year, and discussions focused on what the CDM might look like after 2020. The EU continued to push for the introduction of 'net mitigation' for all governments that wish to use the CDM to meet their INDC's, but was met with fierce objections from Brazil who argued that there was little validity in creating a new CDM post-2020 before the Paris Agreement has been finalised.

However, during the second week of Lima, CMP10 approved decisions on guidance to the CDM Executive Board and JI. These were pretty much business-as-usual, dry UNFCCC documents, as both decisions lack much substance or progress on consolidating the mechanisms or offering much reform. They are more technical and formative documents than anything else.

On the [guidance to the CDM Executive Board](#), most articles refer to streamlining project procedures and methodologies, along with voluntary deregistration of CDM projects.

The [JI guidance](#) requests the UNFCCC Secretariat to produce a technical paper before June 2015 on how the JI can achieve cost-savings, with lessons learned from the CDM. It also invites parties to share information about how JI has helped achieve emissions reductions – which is important for the future climate agreement.

Climate finance: at the heart of the negotiations

Climate finance is a major cross-cutting issue across the UNFCCC talks. Finance is always a challenging and sticky matter in the negotiations; a reality that played out in spades at COP20.

As the Ministerial Dialogue on Climate Finance got underway last week, the GCF reached its initial resource mobilisation target of \$10 billion, following pledges from Belgium and Australia (yes, Australia). By the end of COP, the final tally of pledges to the Fund had reached \$10.2 billion, with thanks to last-minute pledges from Peru, Colombia and Austria.

Developed countries, those who have committed to mobilise \$100 billion a year for mitigation and adaptation in developing countries, assumed the initial billions in pledges to the GCF would help drive cooperative spirit in Lima. Unfortunately, this wasn't the case. After reaching the symbolic \$10 billion, developing country blocs (LMDCs, LDCs, G77+China, etc) called for more "predictable" and "adequate" forms of public financial contributions to 2020 and beyond. These calls for further financial support seeped deep into the ADP discussions related to INDC information requirements, triggering further debate and sleepless nights at the Pentagonito.

Although the role of private sector in reaching climate finance commitments was made loud and clear outside of the Lima talks, it was sparsely mentioned during the actual negotiations or found within the final adopted decisions. GCF Secretariat staff and board members joined several IETA side-events in Lima, noting that the Fund's now "open for business" and 2015

will see critical milestones of interest to public and private sector players – including the accreditation of GCF implementing entities by March, and the acceptance of project proposals by June.

By early Saturday evening, all COP decisions related to finance had been gavelled through by the President. This included decisions on the more contentious areas of [Long-term finance](#) and [Report on the Green Climate Fund \(GCF\) to the COP and Guidance to the GCF](#). Highlights from key finance-related COP decisions are summarised below.

In addition to welcoming the [biennial submissions from developed parties](#) on strategies and approaches to scale-up climate finance (2014-20), the **Long-Term Finance Decision** call for a “substantial share of public climate funds” to be directed into adaptation activities and that 2015-16 in-session workshops should largely focus on adaptation finance and climate finance readiness support to developing countries. This COP Decision also requests developed countries to enhance their “quantitative and qualitative elements of a pathway, placing greater emphasis on transparency and predictability of financial flows” during the period from 2016 to 2020.

The **Standing Committee on Finance’s** (SCF) Report Decision endorses the committee’s 2015 Work Plan and notes the completion of its inaugural [2014 Biennial Assessment and Overview of Climate Finance Flows Report \(2010-12\)](#), which was featured heavily during the two weeks in Lima. The report, which notes there was no system for tracking climate finance at the time of writing and thus is drawn from several sources, found that climate finance flows ranged from \$340 billion-650 billion per year during 2010-12 – with \$40 billion-175 billion per year of developed to developing country flow.

Going forward, the SCF will work with various stakeholders to further explore climate finance monitoring, reporting and verification, based on “best available information on the mobilisation of various resources, including private and alternative resources, through public interventions”. As reflected in the Committee’s COP decision, a priority area of SCF’s work in 2015 will be on “financing for forests” – including a **2015 Forum** that will bring “all relevant actors” to support the programming of this event.

Finally, the COP’s [GCF decision](#) highlights the \$10.2 billion pledged to the fund to date – now making it the world’s largest climate fund. The Decision requests acceleration of GCF’s operationalisation of its important Private Sector Facility to ensure private and public entities “with relevant experience in working with the private sector” are accredited in 2015. It further requests the Fund’s 24-member Board to complete core areas of its 2015 Work Plan as soon as possible, including: activities to accept financial inputs from non-public sources; investment and risk management frameworks; impact analysis on initial results areas; and the GCF’s approval process, including methodologies to select programmes and projects.

REDD+ falls on safeguards

After last year's surprise breakthrough on REDD+ in Warsaw, and the fact that COP this year was in an Amazon country, more progress was hoped for on the issue of forest protection. Alas, it was not to be in Lima.

One of the few areas up for discussion on REDD+ in Lima was safeguards. The tense talks ended with no conclusion, following some opposition to having safeguards – ironically coming from those nations whose populations would be safeguarded (led by Brazil and the Coalition for Rainforest Nations) – as they feel it is too premature. Developed countries (particularly the EU, US and Norway) pushed for further guidance on safeguards as means of boosting confidence for REDD+ investment.

This also means that there was no decision on a REDD+ mechanism, while a decision on alternative approaches to addressing the permanence of LULUCF activities under the CDM was [delayed until 2016](#).

However, in the meantime, some countries are forging their own path for REDD+ investment. Brazil, Colombia, Guyana, Indonesia, Malaysia and Mexico pushed ahead with submitting reference levels for their respective emissions from deforestation. Ecuador and Colombia also signed a declaration of intent with Norway and Germany for financial support under the REDD Early Movers Programme, with a full agreement expected next year.

Lima also saw the launch of [Initiative 20x20](#), a Latin America driven program to restore 20 million hectares of degraded land with strong support from a group of [impact investment firms](#) to commit \$365 million into REDD+ activities.

Ratification of the Doha Amendment (Kyoto Protocol 2013-20)

Since COP18 in Doha, there have been very few governments that have actually ratified the Doha Amendment, which is the second commitment period of the Kyoto Protocol. A full map of those countries that have ratified is [available on the UNFCCC's website](#). Even in Europe, only Monaco and Norway have ratified this amendment. There are two reasons why there is such a low ratification rate; one is simple and the other is extremely complicated and politically-motivated.

Let's start with the simple one first: it takes years to get a head of government or state to ratify an international agreement. In most democracies, the issue must be taken up by a national parliament or legislature and then reviewed by the ministries/departments affected by it. Therefore the Doha Amendment is likely clogged in the heavy arteries of most national bureaucracies.

The second reason for this is Ukraine and Russia. Countries in the former Soviet Union and Eastern Europe have a stockpile of surplus assigned amount units (AAUs), which they want to carry-over and use for compliance towards their commitments under the second phase of the Kyoto Protocol. Although Russia and Belarus did not adopt the Doha Amendment, Ukraine and Kazakhstan intend to and wish to utilise AAUs from the first period of the Kyoto Protocol to meet their targets in 2020. Under the Doha Amendment a country may carry

over up to 2% of their surplus AAUs, CERs, ERUs and RMUs (remember those!?) in a reserve account in the UNFCCC Registry for compliance in 2020.

This issue (known in the UNFCCC world as Articles 5, 7 and 8) has not been resolved yet, as Ukraine and the EU came into disagreement with accounting provisions related to the carry over shortly after the Doha COP. In Lima, Russia began to influence Ukraine (yet again!) on what type of accounting provisions would best benefit Ukraine economically in regards to its AAU carry-over. After some very technical negotiations and several phone calls back to Kiev, the Ukraine and the EU finally [came to an agreement](#) on how to enforce the carry-over of AAUs into the second compliance period of the Kyoto Protocol. This issue will now be sent for a decision at COP21 in Paris, and will ultimately lead to the EU's 28 member states ratifying the Doha Amendment of the Kyoto Protocol (the second compliance period) in Paris next year.

On the road to Paris...

The first big things to watch in 2015 are the World Economic Forum in Davos 21-24 January, closely followed by the ADP's third meeting in Geneva 8-13 February.

By the end of the first quarter of 2015, we should see the first round of INDCs submitted to the UNFCCC, and they will be published online. More information will be sent next year.

This will be closely followed by circulation of the draft negotiating text by May 2015, ahead of meetings in Bonn 3-14 June.

Another one to watch for is a report by 1 November aggregating all INDCs received by 1 October, and then Paris COP21 starts on 30 November. And will totally finish as scheduled on 11 December.

Events wrap

IETA was fortunate to, once again, have a Pavilion inside the COP grounds, facing the EU's and near Australia and China. Over the two weeks, we partnered with an impressive 26 other organisations, including the UNFCCC, ATAG, BCSE, BC Government & Pacific Coast Collaborative, BMUB Germany, Carbon Market Institute, GEF, GCCSI, Harvard Project on Climate Agreements, IEA, IPIECA, ITRI, USAID & BIOREDD, WBCSD and the World Bank Group, among others.

There was an incredible amount of events that took place in our space, including...

- Dirk Forrister **in conversation with Christiana Figueres**, who touched on the need to consolidate the various market mechanism negotiating streams – which IETA is very much in favour of!
- The **launch of the Carbon Pricing Leadership Coalition**, jointly organised with the World Bank and WBCSD, which featured an impressive panel including Rachel Kyte

of the World Bank, Paul Polman of Unilever, Korea’s Environment Minister Yoon Seong-kyu, market veteran Pedro Moura Costa, Edie Chang from California’s ARB, Mats Andersson of AP4, IETA’s Dirk Forrister and was facilitated by Peter Bakker of the WBCSD. The lively discussion focused on the need for a carbon price going forward, and Korea’s minister noted that the country – which is introducing an ETS next month – is doing so as it is the most efficient way to cut emissions.

- We also hosted a second **in conversation** session, with **Jos Delbeke** from the European Commission. He stressed that carbon pricing will be a part of the INDCs and that a future role for project-based offsets needs to “carved out more carefully”.
- We also hosted a session on **Climate Leadership & Policy Innovation: North America’s Sub-National Markets**, featuring 4 Canadian Provinces Ministers and the California ARB. It was a timely discussion that showcased true carbon leadership and channels to future cooperation across North America’s currently fragmented market landscape. IETA’s event strongly complemented other sub-national action and announcements in Lima, including: the [Joint Statement on Climate Change](#) by California, Ontario, Quebec, British Columbia: and news that Toronto would host the [Climate Summit of the Americas](#) on 7-9 July 2015.
- Although you wouldn’t have realised it from the Lima negotiating pulpits, if you look at the numbers (and state of public coffers), you can see that public finance simply will not be enough to reach the billions required to meet 2020 climate finance targets. Various IETA COP side events helped to bring private sector messaging to UN climate finance discussions, while educating private stakeholders about the GCF’s status and promising opportunities to emerge in 2015+. In Lima, **IETA co-hosted a GCF-private sector dialogue with BCSE**, as well as a climate finance dinner (which turned into a pisco/scotch speakeasy) with BDI and SNI (Peruvian Industries Association).
- We also held a “**making the COP mech links**” discussion with staff and active private sector observers from the COP financial mechanisms (GEF, GCF), technology mechanism (CTCN), and Standing Committee on Finance.
- Working with partners, IETA’s pavilion also became the landing pad for great events covering green financial innovation and leveraging clean private capital, including a high-level dialogue hosted by the GEF which was written up in [ENB on the side](#).

IETA in the news

- [Dirk Forrister](#), [Katie Sullivan](#) and [Jeff Swartz](#) all spoke with Climate Change TV during the COP, on markets and finance
- [Carbon Brief](#) quoted Dirk Forrister in its wrap of the Lima talks

- Dirk Forrister and Kelley Kizzier of the European Commission spoke at a side event jointly organised with Harvard that [Reuters reported on](#)
- Dirk Forrister [wrote for The Hill](#) on why the UN climate talks matter to the US
- ...and [for BusinessGreen](#) on why markets matter to the process
- [Deutsche Welle](#) quotes Dirk Forrister in its Lima opener
- [Bloomberg](#) spoke to Dirk Forrister on why markets are key for the Paris deal
- [The Gulf Times](#) quotes Dirk Forrister in its story about carbon pricing
- [RTCC](#) on the need for the UN climate deal to support market links, quoting Dirk Forrister, IETA's GHG Market Report *Markets Matter* and the Harvard paper on linkages
- [BusinessGreen](#) also quoted IETA on the Harvard linkages paper
- Jeff Swartz [writes for RTCC](#) on why markets need to matter more at Lima
- ...and [speaks to Bloomberg](#) about Brazil's novel proposal for the Paris deal
- Argus reported on IETA's side event with Christiana Figueres (*UNFCCC Cop: Figueres sees role for CO2 mechanisms*; 4 December edition)
- ...as did [Ecosystem Marketplace](#)
- Dirk Forrister on [what business is looking for at Lima](#)
- Dirk Forrister and Jeff Swartz [on carbon pricing and China](#)
- Katie Sullivan talks with Reuters about [business engagement with the GCF](#)
- Dirk Forrister [talks to Climate Change TV/RTCC](#) about markets and the UN climate process
- Katie Sullivan writes about why finance matters to the COP and business for [Environmental Finance](#)
- [Bloomberg](#) talks to Dirk Forrister for its week 2 preview
- [Ecosystem Marketplace](#) quotes Dirk Forrister in its piece about the CDM and the new market mechanism
- And don't forget IETA had [a COP20 members blog](#) – thanks to Arkema, VCS, Shell, GDF Suez, The CarbonNeutral Company, Statkraft, PwC and Norton Rose Fulbright for contributing!



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