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Joint debate Ifri - OCP PC

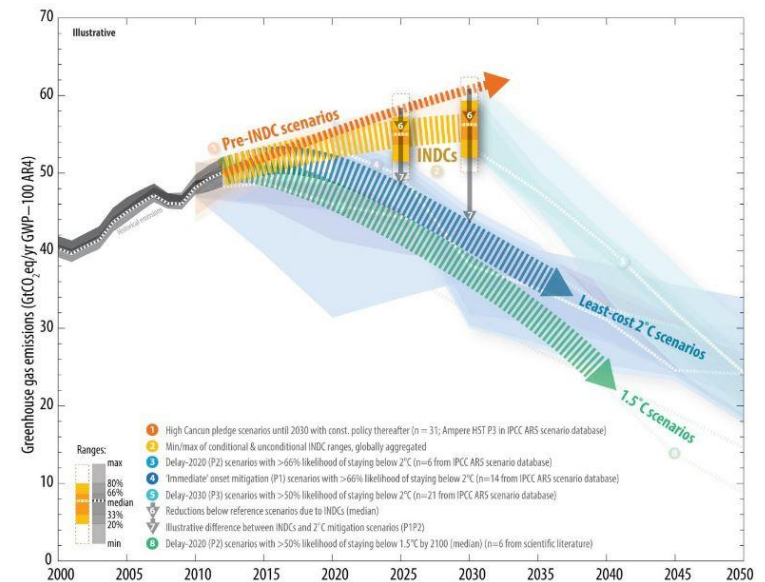
What to expect from COP22?

Carole Mathieu, Ifri Center for
Energy

Paris COP21: The “end of the beginning”

- Projected emission levels are not consistent with holding the temperature rise below 2°C
 - Emissions growth slows down but no decrease by 2030
 - Long-term temperature rise between 2.7 and 3.5°C

Graph source: UNFCCC, 2016



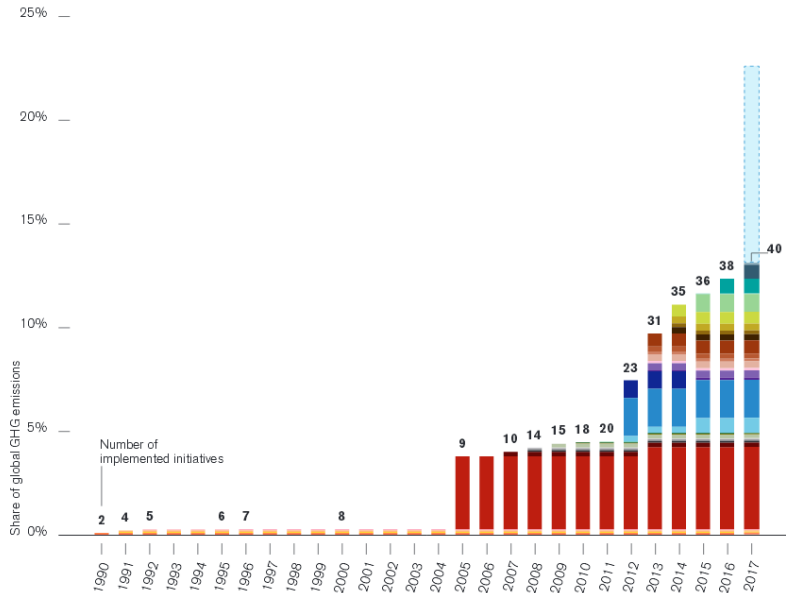
- Paris agreement is essentially about collective targets and procedural steps
 - Obligation to adopt measures, not to reach climate targets
 - No threshold to be passed at the end of each 5-year cycle

Creating a virtuous circle of ambition?

- National interests may be the best guarantee that results will be delivered
 - Growing awareness about climate action co-benefits
 - Cost attractiveness of low-carbon solutions and new market segment
- Knock-on effect and peer pressure
 - Role of the US-China joint announcement in November 2014
 - National commitments backed by the 10.000 initiatives referenced in the Lima-Paris action plan
- Making clear than the low-carbon transition is ongoing and irreversible
 - Catalyse climate action and prevent carbon lock-in

Climate Policies after COP21:
continued engagement, but lack of
global consistency

A patchwork of tailor-made climate policies



Source: World Bank, Ecofys

- Carbon pricing continues to expand, but it is now less likely to be the grand solution to the climate challenge
 - Carbon pricing applies to 13% of global emissions
 - Prices range from 1.8 to 123€/ton
- Diversification of approaches in the post-COP21 era:
 - Ending fossil-fuel subsidies
 - Ruling out carbon-intensive options
 - Introducing emissions standards
 - Supporting innovation and deployment of low-carbon solutions

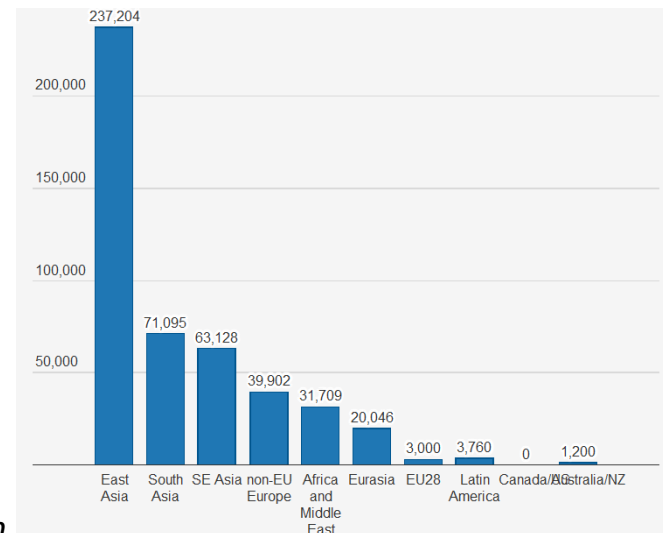
From incremental to transformative climate action

- Decisions must be consistent with mid-term targets, but also in line with the long-term climate neutrality goal
- Toward “climate tests” for large infrastructure projects:
 - Rejection of Keystone XL may set a precedent
 - Discussions around export routes in Canada, oil production in the Arctic, Carmichael coal mine projects in Australia, trade agreements etc...



Economic development vs. climate protection: the debate is not over

- China's emissions may have reached their peak but the contribution of South & East Asia is likely to rise
 - India's strategy: push all energy sources to meet a growing demand
 - Multiply REN capacity by 4 by 2022
 - Double domestic coal production by 2020



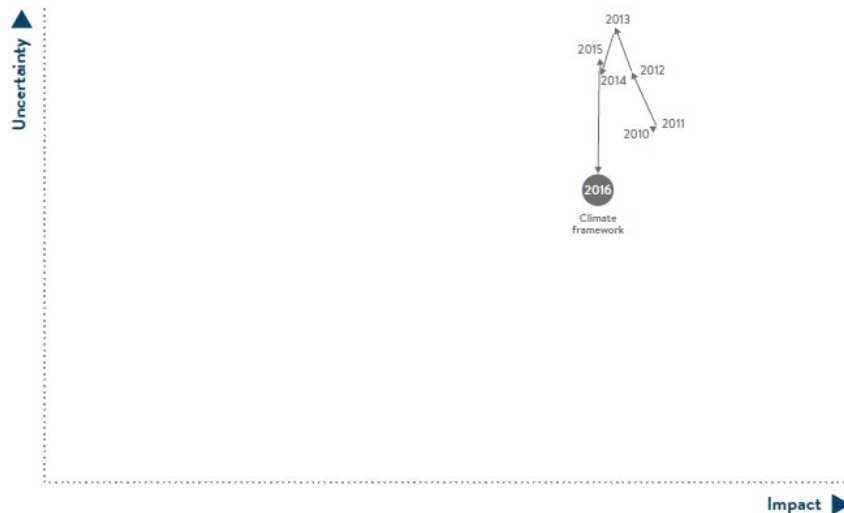
Coal project proposals, as of July 2016, Source: CoalSwarm

- If technological progress is not fast enough, financial assistance is needed to rule out all carbon-intensive options

Still waiting for a complete switch to the
low-carbon economy

No positive confidence shock for low-carbon solutions

- Global long-term targets remain much less influential on market sentiment than short-term policy measures



- US solar stocks after Paris: +5%
- US solar stocks after ITC extension: +30%

Issues Monitor, Climate Framework
Source: WEC, 2016

- Traditional energy companies are getting ready and progressively taking diversification steps
- Key challenge: major uncertainty on the pace of the global energy transition

Setting reasonable expectations for green finance

- The Paris agreement is also an economic agreement
 - Art. 2: “making financial flows consistent with a pathway towards low GHG emissions and climate-resilient development”
- Green finance is developing, but still attracting a minority of capital owners
 - Divestment movement
 - Carbon risk assessments
 - Green bonds market
- Finance can only go fully green if rules of the game in the real economy turn green as well

3 recommendations for the future of international climate action

Betting on mutual oversight

- COP22 is the first opportunity to call upon governments to honour their collective goals
 - Make sure the practical rules are as ambitious as the general provisions (e.g. transparency)
 - Stress again that climate pledges are not enough and clarify purpose of the 2018 dialogue
 - Ensure climate clubs are delivering results
- Swift ratification confirms that peer pressure is the strongest driver we have
- Climate ambition has to be considered a sign of respectability on the international scene

Putting climate finance at the heart of future negotiations

- Most developing countries have referred to financial assistance needs in their INDCs
 - Many have also submitted unconditional and conditional pledges
 - Climate justice principle and need to support adaptation efforts
- The 100bn/yr target for 2020 is confirmed, but still little detail on how efforts will be shared
 - Importance of the donors' climate finance roadmap
 - Define consensual accounting rules by 2018
- Access to financing needs to be streamlined
 - Green Climate Fund's approvals target for 2016: USD2.5bn but lack of high-quality projects pipeline

Enhancing dialogue on domestic experiences with the low-carbon transition

- Need to demonstrate climate co-benefits, for governments to gain confidence and submit more ambitious pledges
 - More diverse climate policies, more lessons to be learnt
 - Opportunity to gather groups of countries/regions facing comparable challenges
- Aligning technical, financial, regulatory, societal (...) innovations
 - Consistency will be key to ensure a swift and least-cost transition



ENERGY TRANSITION PLATFORM

Conclusions

- COP21 was a resounding success, but it has not completely ruled out hesitations for low-carbon investments
- In the new climate regime, based on voluntary pledges, the main risk is that the transition is too slow
- COP22 should focus on keeping up the momentum and requiring additional mid-term efforts
- Morocco can voice concerns of developing countries and take up climate finance issues



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