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# The 2015 climate agreement – what's in it for the EU?

Rationales for an active European role

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## International negotiations – defining the EU's position

Since the 2009 United Nations Framework Convention on Climate Change (UNFCCC) negotiations in Copenhagen the EU struggles with its role in the international process. Its ambitious and pushing leadership role did not produce an international outcome that meets with the 2 degrees target. Such an outcome is highly critical given the pace of climate change and the risks attached to it. Moreover, the dynamics of the final negotiation hours in Copenhagen showed that the EU, represented by the Commission and the President, had difficulties in participating in last minute strategic decisions. The US and the big emerging economies forged the Copenhagen Accord instead.

The EU has not yet redefined its role in a consistent way although its portfolio of climate policy cooperation under the UNFCCC and beyond has been broadened. In particular, the "Durban Alliance" which enabled the switch of the UNFCCC process towards the ADP (Ad Hoc Working Group on the Durban Platform for Enhanced Action) is a key alliance for the EU. It comprises more than 100 developing countries. This alliance was built ad hoc during the 2011 COP<sup>1</sup> and the EU has to deliver to this alliance a mitigation target that signals credibility. The first attempt – increasing the 2020 EU target from a 20 per cent reduction to 30 per cent - failed. In October 2014, the EU Council will decide on the EU's climate and energy targets for 2030, building the center piece of the EU contributions to a new international regime after 2020.

Beyond this, there needs to be more financial commitment for the Green Climate Fund. The initial funding of around 10 billion US-Dollars per year, which was demanded by the UNFCCC Secretary General as the essential amount to start operations of the fund, has not yet materialized, but is regarded as due by the Conference of the Parties (COP) in Lima, Peru this year.<sup>2</sup> The financial flows, however, will stem from national budgets of the EU Member States and from the private sector. Six out of 28 Member States have made their announcements by September 2014, led by Germany and France. Given the dire economic situation in most of the EU Member States, the EU will probably not be able to increase the amounts substantially. The private engagement, therefore, will remain a key component of climate finance internationally.

In order to stimulate private sector engagement for more climate-related investment within the EU, EU policies will need to signal that

<sup>1</sup> Droege, Susanne 2012: Climate Talks in Durban. Successful Diplomacy but no Progress on Climate Protection, 2012/C 06, February 2012

<sup>2</sup> Commitments announced at the Ban Ki-Moon UN climate summit on 23rd September 2014 add up to around 2.3 billion US Dollars.

<http://www.germanclimatefinance.de/2014/09/29/climate-summit-new-york-small-steps-climate-finance-long-way-go-replenishing-green-climate-fund/>

climate policy measures pay off in the mid- to long-term, be it as a business case, a strategy for more innovation and competitiveness or in the context of investments abroad. The components of such a policy are the reform of the Emissions Trading Scheme (EU ETS) after 2020<sup>3</sup>, public spending on energy infrastructure (esp. in the context of bringing renewable energy to the market), climate policy targets for Non- ETS sectors like transport, agriculture and buildings at member state level<sup>4</sup>, and, as currently under discussion in Germany, the phase out of international support for large-scale investment into coal and other fossil-based energy production.

A strong basis for the EU's positioning in the international negotiations is its past activities on energy and climate. The global leadership in energy and climate policy with long-term renewable targets and the European Union Emissions Trading System (EU ETS) was a strong signal for many countries in Europe, Asia or Latin America or for sub-national entities like the US states, to consider own measures. The EU has been joined by a diverse group of countries and regions that are pursuing energy and climate change policies in the key sectors of power, transport, buildings and industry.<sup>5</sup> Bringing forward the EU's examples, support for capacity building and technological knowhow under the UNFCCC is another important component of the EU's positioning in the run up to Paris 2015.

## Leadership reloaded?

The shifting focus of the international negotiations – from the Kyoto Protocol's focus on mitigation targets towards adaptation issues and financial commitments – poses an overall challenge to the EU's long-standing leadership role in the multilateral climate policy process. Submitting an emissions target to the UNFCCC is no longer enough to signal commitment. Leadership needs more foreign policy resources than the EU seems to have at its disposal. There are two components to leadership: first, the intention to take political leadership and to induce other countries to follow suit or to enter into leadership coalitions. Second, the means to apply climate policy at home to demonstrate that leadership includes actions.<sup>6</sup>

The political leadership, based on intention, has been taken over by the US government since 2013, making its mark on the international stage with foreign policy initiatives. Already in 2012, former US

<sup>3</sup> Marcu, Andrei 2014: The Market Stability Reserve in Perspective, CEPS Special Report No.92, October 2014

<sup>4</sup> Neuhoff, Karsten; Acworth, William; Dechezleprêtre, Antoine; Droege, Susanne; Sartor, Oliver; Sato, Misato, Schleicher, Stefan; Schopp; Anne 2014: Staying with the leaders. Europe's path to a successful low-carbon economy. London: Climate Strategies, 2014

<sup>5</sup> Neuhoff, K. et al. 2014

<sup>6</sup> Saul, U; Seidel, C., 2011: Does leadership promote cooperation in climate change mitigation policy? *Climate Policy*, 11(2), pp.901–921.

Secretary of State Hillary Clinton played a key role in the establishment of the Climate and Clean Air Coalition to Reduce Short-Lived Climate Pollutants, which now comprises 75 partners. Since 2013, US Secretary of State John Kerry has been driving forward cooperation on climate policy with the Chinese government - a U.S.-China Climate Change Working Group, CCWG was set up - accomplished by high level interactions between President Barack Obama and the Chinese President Xi Jinping.<sup>7</sup> In October 2014 President Barack Obama succeeded in bringing India's new Prime Minister Narendra Modi into a more cooperative stance towards climate action.<sup>8</sup>

The EU should exchange with the US on how to merge the efforts, bringing together the US strategy with the EU's. The EU focus on states especially affected by climate change and its part in the Cartagena Dialogue (forty-three states pushing for a new climate treaty regardless of their usual coalitions) will be the line-up behind the EU's demands for a new treaty. Nevertheless, a revival of the Durban Alliance comes at the risk of questioning the Chinese position as leading G77 country, making interactions between the EU and the US on how to balance the interests crucial.

## Rationales for EU engagement

The EU's stakes in the 2015 climate negotiations in Paris are high. As the COP is hosted by an EU country, managing the expectations around the outcomes is of importance. Copenhagen has taught that the interpretation of outcomes can vary widely. The diplomatic efforts amongst France, UK and Germany towards the 2015 negotiations will need to be intensified and should take into account the international appetite for a new climate agreement. The 2014 September climate summit at the UN-General Assembly in New York has induced high-level political momentum on which the EU can build.

Meanwhile, the EU and its Member States can harness the US push in its diplomatic bid for success in Paris. From a European perspective the US involvement in international climate policy is crucial, especially as it touches on some key issues for a comprehensive deal, such as the verifiability of measures or development cooperation.

The EU's own climate and energy targets are subject to opposition from inside the EU. Thus, an international deal needs to demonstrate that the EU is not longer "doing it alone". This is not only a political issue but a major economic one as international competition is increasingly determined by short-term cheap energy access. This can be altered by incentives for low carbon investment for which a global climate agreement can set the stage.

Starting before the submissions on climate targets are made in March

<sup>7</sup> Droege, S. /Wacker, G. 2014: "China's Approach to International Climate Policy. Change begins at home", SWP Comments 2014/C 40, September 2014

<sup>8</sup> "India clears the air", The Washington Post, October 5

2015, further issues need clarification. Amongst them are the broadness of the new deal, its components and potential roadmaps for further negotiations. Besides the UN talks, also other major meetings will need to be part of the EU's agenda to prepare for Paris. In June 2015 Germany hosts the next G7 meeting. With the Paris deal in mind that meeting should focus on key economic aspects of climate policy.