The Paris agreement: what does it mean for the EU's domestic energy policy and external climate strategies?

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Paris has been declared by many as a historic moment and breakthrough in international climate negotiations. By putting an end to the Kyoto governance and signalling the decline of the fossil fuel area, this new agreement is a huge step forward in the history of international climate diplomacy. Although the Paris agreement does not mention it explicitly, it sets a definite step towards decarbonisation and an overarching international framework for climate action. However, the agreement's impact will depend largely on the implementation of the concrete targets set in the intended nationally determined contributions (INDCs) and on the future level of ambition of national and local governments. This ambition should go beyond the "business as usual" scenario and the lowest common denominator, if it is to transform the very basis of our economic and social models with sustainability as a core element.

Despite new mechanisms, uncertainties still remain

Although a legally binding agreement has been reached, national governments still have a lot of homework to do. Firstly, detailed work programmes need to be agreed and elaborated within the next 4 years. Secondly, the legal provision of implementation support for INDCs needs to be further developed. Thirdly, the enforcement of accountability and transparency provisions is also subject to further elaboration, as there is no sanctioning mechanism yet.

A new feature of the multilateral process is a facilitative dialogue among Parties by 2018 to review the general ambition of countries towards the long-term goal. However, the first global stocktaking as part of the 5-year review cycle will be carried out in 2023 only.

Since emissions should ideally peak before 2020 to achieve the long-term goal of keeping global warming below 2 (and pursuing 1.5) degrees Celsius, this timeframe is inadequate. Therefore, the 2018 review should be seized as an opportunity to put forward the revised targets for 2025. To this end, each country would need a comprehensive decarbonisation strategy for 2025, 2030, 2050 and beyond, with sectoral targets and indicators in major areas (transport, industry, power sector, infrastructure, renewables, residential area, technology and innovations), based on its capacity.

Apart from the implementation and enforcement procedures, uncertainties about a number of major issues still remain for the EU. In particular, this regards how exactly

the 1.5 degree Celsius target will be operationalised and what it means for the EU's long-term domestic energy and climate policies, as well as for its external partnerships with third countries.

The role of the EU during the negotiations

EU climate diplomacy has been building up over the past years to create a momentum for COP21, in order to reinforce trust among its strategic partners and forge new alliances, in particular through the G20 and G8 fora.

One of the strengths of EU climate diplomacy during COP21 was indeed its bridge-building role in bringing together a broad coalition of more than 100 countries that shaped major elements of the agreement and paved the way to the notion of a 1.5 degree Celsius target. This coalition with the countries of the African, Caribbean and Pacific Group of States (ACP) during the negotiations was a novelty in the EU's alliance-building strategy. Furthermore, it was significantly strengthened through the backing of the US, Mexico, Norway, Columbia, Gambia and Brazil that joined forces with the EU, the island countries and the least developed countries for a broader climate alliance.

Europe also insisted on incorporating the five-year review cycle in the agreement, as well as setting up a robust transparency framework. Thus, it shaped to a great extent the monitoring, reporting and verification mechanisms in the agreement.

On other fronts, however, Europe has been less successful in these negotiations. One of the greatest losses of EU climate diplomacy has been that the shipping and aviation sectors – the largest and growing sources of emissions – did not make it into the final text. Having recognized the untapped potential in these sectors, the EU had been calling for a global approach to reduce greenhouse gas emissions from international aviation and shipping, but eventually failed to make this a priority.

Another lost battle - but not only for the EU - has been that the reference to human rights and gender equality was moved from Art.2 of the Treaty (defining the purpose of the agreement) to the preamble, where it does not carry any legal weight or obligation. Furthermore, the failure of EU ministers in Brussels to agree on key aspects of the European Financial Transactions Tax during COP21 left the question about innovative climate financing open.

How will COP21 guide EU domestic policies this year?

2016 will be a decisive year in EU climate and energy policy-making, with the Paris momentum as a possible leverage force in shaping, and where possible, improving the EU's position. With the further implementation of the Energy Union strategy, the governance framework in the 2030 climate and energy package, the revision of several legislative initiatives as well as new proposals, the EU has its work cut out. Top of the list after Paris is certainly the ETS revision including an enlarged scope as well as an adapted mechanism which takes into account the 1.5 degree Celsius target.

But also other regulatory issues will not remain unaffected after Paris: ESD, renewables, electricity market design will be some of the concrete fields to prove if the post-Paris-enthusiasm will translate into domestic ambition. One very practical aspect is the adaptation of all existing and the drafting of new proposals to the new 1.5 degree Celsius scenario. With regards to the 2020 objectives, but even more so for the 2030 climate and energy package, this will be a challenge. While some might hope for an opportunity to make targets nationally binding and overall more ambitious, others might see their chance to review the whole 2030 package and scale down both national and European ambitions.
Currently, the ETS has a huge surplus of permits, which have to be removed in order to keep the system up and running. Carbon Market Watch estimates that the emissions in the EU ETS need to decrease by 4% annually as from 2021 rather than the proposed 2.2% to enable a full decarbonisation of the power and industry sectors. To this end, the EU needs to urgently phase-out coal and coal subsidies. However, one of the great paradoxes is that free allowances are still given to coal-fired power plants in some European countries, which is counterproductive to the efforts to phase-out coal.
EU coal emissions have been reduced to only 2.3% per year over the past nine years, which makes the transition 3 times slower than what is needed to stay below 2 degrees Celsius.

To put the Paris agreement into practice at EU level and to avoid backsliding from countries like Poland and the UK, regional cooperation could be stepped-up. Since a number of (new) Member States are expected to exceed their renewable energy targets for 2020, there is room for going beyond the 2020 targets and increasing ambition within the 2030 framework. Regional cooperation in renewables deployment could bridge the gap between national efforts and European ambition. Furthermore, there is a huge untapped potential for energy efficiency in Eastern Europe that would enable the EU to increase its energy efficiency target to 40% and more. This could be an attractive business case for the residential, transport and industrial sectors in these countries and create a regional market for green innovation.

EU climate objectives and its external partnerships

The EU has realised that its climate diplomacy tools could help to cooperate more closely with third countries on the implementation of INDCs. For example, capacity building for monitoring and reporting can clearly be one of the areas for increased cooperation. Linking climate policies and the Sustainable Development Goals (SDGs) at a global level was a major achievement in 2015 and this synergy needs to be further reinforced in the coming years. One of the major political objectives of the European Commission and its external actions is the mainstreaming of climate change in international development and financial agreements.

Synergies between UNFCC processes and SDGs could be strengthened by setting climate-relevant targets for different sectors such as transport, energy, infrastructure, agriculture, etc at national level. This would encourage finance and infrastructure ministries in developing countries to (better) integrate climate considerations into national and sectoral planning and thus achieve a more sustainable and resilient development. The EU could support its partners in climate mitigation and adaptation measures through its External Action Service and development policies in the coming years (2016-2020). A major priority for the European Commission in this area is to provide support to developing countries on how to implement their INDCs and elaborate a functioning transparency system, so that a common transparency and reporting system is applied internationally. The upcoming mid-term review of the EU budget could be used to incorporate a stronger climate dimension in EU cooperation agreements. In this way, climate mitigation and adaptation measures could be given higher priority in EU funding instruments for external action.

Climate financing has been one of the thorny issues during the negotiations. Although the EU contributed significantly to the inclusion of a solidarity package in the Paris agreement, the overall financial commitment to adaptation as well as ´loss and damage´ is insufficient to address the pressing challenges in developing countries. Innovative financing to support climate mitigation and adaptation measures in developing countries is essential. Considering the huge investments in dirty subsidies each year (fossil fuel energy subsidies are estimated to reach US$5.3 trillion in 2015, or 6.5 percent of global GDP according to a recent IMF report), an energy subsidy reform is urgently needed to unlock new revenues for green innovations and strengthen support schemes for renewables. The IMF report shows that, compared to advanced economies, the potential for fiscal gains is almost 4 times bigger in emerging economies and 2 times bigger in low-income and developing countries.

Another achievement of the Paris agreement has been a more nuanced and flexible approach to differentiation based on capacities. The role of leading emerging economies such as China, India and Brazil and their commitment to reducing GHG emissions are essential. Therefore, the EU should try to incorporate stronger climate objectives in its different sectoral dialogues with these countries and use different tools such as capacity building programmes, research & innovation, technology transfer and training for young entrepreneurs.

The EU could use its external partnerships and alliances to forge an international coalition to reduce emissions in the area of aviation and shipping. A major issue of concern in these two sectors is how to make the International Civil Aviation Organization (ICAO) and International Maritime Organisation (IMO) commit to emission reductions in line with the 2 degrees Celsius target. It is crucial that the EU continue pressing for a global solution in ICAO and IMO through joining forces with some of the alliances that have been built in Paris. Setting up monitoring and verification procedures for these two sectors is also essential for achieving more drastic emission

cuts. The EU monitoring, reporting and verification (MRV) Regulation, adopted in 2015, could pave the way for an international framework on CO2 MRV standards in the maritime and shipping sectors.
2016 is expected to be a key year for EU external climate actions with the upcoming negotiations with the ICAO and IMO, the UNGA high-level thematic debate on implementing commitments on sustainable development, climate change and financing, and the G20 Leader´s Summit in China focusing on green growth. Moreover, the COP22 in Morocco will elaborate further details of the agreement and review the Warsaw mechanism on loss and damage. It is vital to keep the Paris momentum alive throughout this year and align actions on the ground with the globally defined climate goals.

The Lima-Paris Action and the role of subnational and non-state actors
Finally, the Lima-Paris Action managed to mobilize a multi-stakeholder movement, bringing together a large number of cities, private actors and civil society organisations to scale up climate action and speed up the uptake of innovative solutions. Parallel to the UN climate conference in December 2015, another symbolic climate summit took place in the city hall of Paris, in which nearly 1000 local leaders supported a switch to 100% renewable energy and an 80% GHG emissions reduction target by 2050. In addition, they committed to develop climate action plans and enhance cooperation and investments in low-carbon projects across the globe.
Since 50% of the submitted INDCs rely on local and subnational action, it would be good to develop more inclusive participation processes and/or innovative finance tools to engage different levels of government in the design and implementation of climate mitigation and adaptation policies. Decentralisation is another likely core element of the future energy transformation, which will be driven by a wider group of actors, including small renewable energy producers, local communities, cooperatives and technology providers.