COP21 BRIEFING NOTE

THE PARIS AGREEMENT: A FRAMEWORK AND MANDATE FOR ENHANCED ACTION ON CLIMATE CHANGE

On 12 December 2015, the international community concluded a 6-year negotiation track, which culminated in the adoption of the ambitious Paris Agreement. The main resolve of the agreement, as spelled out in Article 2, is to further strengthen the global response to climate change "by holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels".

Even though the agreement fails to set specific emission reduction targets and lacks details about how the target will be achieved, monitored and enforced, the document has been welcomed by most stakeholders as a very positive outcome (better than expected) and hailed as a landmark agreement, which will change the way we do business in the decades to come. The agreement does indeed provide a clear signal that the international community is taking climate change seriously and that it has decided to move away from a fossil-fuel based economy. Most importantly for stakeholders in the climate change and clean technology sector in Africa, the agreement provides a strong framework and mandate for enhanced action on climate change.

Now that the dust from COP21 has started to settle the ball is in the court of national governments and non-state actors in Africa to continue the momentum that has been built up in Paris and implement the vision that has been created at the international level. Governments, businesses, NGO's, research institutions, financial institutions and civil society in Africa should all work together to seize the opportunity provided by the Paris Agreement and scale up real climate actions on the ground.

"The Paris agreement establishes the enduring framework the world needs to solve the climate crisis. It creates the mechanism, the architecture, for us to continually tackle this problem in an effective way"

---- Barack Obama, President of the United States of America

Reaching the target through nationally determined contributions

Unlike the Kyoto Protocol in 1997, the Paris Agreement does not establish specific emission reduction targets for individual countries. Instead, the agreement has set up a bottom up system whereby each country can set its own goals based on its specific circumstances. The goals and its associated action plans are summarized in so-called *nationally determined contributions* (NDCs), which will be monitored and updated over time through five-year reporting cycles.

The bottom up approach that has been anchored in the agreement creates a lot of flexibility, which can be seen as either a positive or a negative feature of the agreement. On the one hand, due to the voluntary nature of *nationally determined contributions,* the risk does exist that the global community will not achieve the target that it has set, or that actions will be too little too late to avert non-reversible climate impacts. This risk has for instance already been illustrated by the fact that the intended *nationally determined contributions* that were submitted in preparation of the COP21 are estimated to put the world on course for something like 3°C of warming - which is short of the 1.5 - 2°C target that is mentioned in Article 2 of the agreement.

On the positive side, and this has been the general sentiment coming out of COP21, the current agreement creates the necessary flexibility for national governments to adapt and formulate their targets and action plans in line with specific circumstances and contexts. This does not mean that countries will be entirely free to do whatever suits them. First of all, there will be a great deal of monitoring, reporting and verification taking place in order to evaluate progress and achievements. Every five years, countries will carry out a global stock-take to ensure that the world is still on track for reaching the goal for limiting global warming to 1.5 - 2°C. Each global stock-take will also be a moment for governments to make further commitments and agree on how to increase their efforts if needed. Finally, the agreement also requires *nationally determined contributions* to become more ambitious over time as technologies evolve and experiences accumulate. In this way, countries will not be allowed to slide back into old habits.

What is probably most positive about the bottom up approach is that, unlike the Kyoto Protocol, the Paris Agreement creates a platform for long-term collaboration and constructive dialogue. On hindsight, it could have been expected that the fixed emission reduction targets and the zero-sum game that was established under the Kyoto Protocol were bound to fail because countries were always going to step out the moment economies were starting to hit rough weathers. In that sense, the iterative, flexible and forward-looking approach proposed under the Paris agreement has a much better chance to survive in the long run and this will create the long-term vision and signal that investors and financiers need.

Whichever side one takes - positive or negative - it is clear that a lot will now depend on national governments, in collaboration with non-state actors, to act upon what has been promised at the international level. National governments will have an increased role to play in proactively formulating their climate ambitions and plans, and create enabling environments for the implementation of real actions on the ground. Countries will need to step up their efforts to prepare and update their nationally determined contributions, and systems will need to be enhanced for monitoring, reporting and verification. Non-state actors, including the private sector, will also be required to more closely monitor greenhouse gas emissions and supply relevant data and information on a more regular basis.

All countries are in it together

Another major difference with previous climate agreements is that the current agreement requires *every country* to contribute towards achieving the general objective of tackling global warming. This marks an important break away from the approach that was taken under the Kyoto Protocol, which had only set legally binding emission reduction targets for developed countries. On the one hand, the shift in focus is based on the recognition that the emission footprint of large developing countries has rapidly increased over the last two decades and in some cases overtaken greenhouse gas emissions in developing countries. On the other hand, the shift in focus also reflects the realization among many developing countries, including many countries in Africa, that low carbon development is not necessarily a burden but could, in fact, be a unique opportunity to leap frog into state-of-the-art clean technologies for energy generation, transport, urban design, manufacturing, agriculture, etc.

Despite the shift in focus from developed countries to all countries, the agreement does continue to recognize the unique circumstances of different countries in the world and nationally determined contributions will continue to be based on "common but differentiated responsibilities and respective capabilities". In this context, the Paris agreement has also made a number of strong provisions on capacity building to support effective climate change action in developing countries, to "facilitate technology development, dissemination and deployment, access to climate finance, relevant aspects of education, training and public awareness, and the transparent, timely and accurate communication of information".

Climate finance will become increasingly available

Like previous agreements, the Paris

The return of the carbon markets?

What few people would have predicted one year ago has actually become true: markets have made it back in the game. Not only does Article 6 of the Paris agreement introduce the use of 'cooperative approaches' (read 'markets and carbon trading') and internationally transferred mitigation outcomes (read 'carbon credits' or ITMO's if you want), the agreement also establishes a CDM-like mechanism "to contribute to the mitigation of greenhouse gas emissions and support sustainable development".

The exact modalities and procedures of the mechanism and the workings of the cooperative approaches will still need to be fleshed out. A lot of questions also remain in terms of the impact of the new agreement on existing mechanisms like the CDM but it is clear that Article 6 has set the door wide open again for markets and crediting mechanisms worldwide. It will be up to governments and project developers in Africa to seize this new opportunity and swiftly act upon.

"We congratulate governments on a historic agreement, grounded in a new spirit of cooperation. With the endorsement of more than 190 governments and a strong foundation for markets going forward, businesses can begin planning for a vibrant new future"

----- Dirk Forrister, CEO and President of the International Emissions Trading Association

agreement recognizes that, on top of capacity building, developing countries will need strong financial support to transition into a low carbon development pathway. This is clearly reflected in Article 9 of the Paris agreement, which states that developed countries will continue to "provide financial resources to developing countries with respect to mitigation and adaptation".

More than before, the Paris agreement includes a strong sense of urgency and the need for up-scaling financial support as soon as possible. Article 9.2 concludes that the mobilization of climate finance should represent "a progression beyond previous efforts" and the decision text that accompanies the Paris agreement "*strongly urges* developed countries to scale up their level of financial support, with a concrete roadmap to achieve the goal of jointly providing USD 100 billion annually by 2020". Important steps towards achieving this goal were already taken by the many pledges that were made on day one of the COP21 as well as throughout the event (See for instance the 36 pledges from governments, multilateral development banks and climate funds that are listed on the UNFCCC website). The Green Climate Fund alone has been mandated to invest USD 1.2 billion in 2016.

What might be more important than the wording and figures put in the Paris agreement itself is the general recognition by an increasing number of governments, city administrations and business leaders worldwide that green growth and low carbon development constitute an economic opportunity rather than a barrier to growth. For example: savings that can be made through energy efficiencies, smart transport systems, urban planning, cutting back of fossil fuel subsidies, etc.; health benefits that can be achieved by using cleaner technologies; jobs and economic benefits that can be created through the production and dissemination of clean technologies. These are indeed the kind of messages and realizations that have started to reverberate through government and business offices across the world and this is what makes it more likely that private sector investors, (semi-) commercial banks, development banks, donor countries and indeed also governments in developing countries will start scaling up funding for investments in clean technologies. In the long run, the availability of climate finance will primarily be driven by economic opportunities and less so by the wording that has been put in the Paris agreement. It will be the task of governments, businesses and project developers in Africa to show the world that low carbon investment opportunities also exist in Africa.

Putting climate finance to work

With climate finance and green investments becoming increasingly available, there are also a number of important takeaways from the discussions in Paris, especially when it comes to creating the right conditions and environment for large-scale climate finance investments to start flowing to Africa.

First of all, national governments are well advised to create and enforce strong enabling environments for the distribution and dissemination of clean technologies. Without clear policies and regulations, the long-term viability of any project, programme or initiative would necessarily be at risk. A stable regulatory environment is also a *sine qua non* for business and private sector investors to actively engage. Many examples already exist in Africa of how a strong regulatory environment can spark action and investment, including for example the feed-in tariff policies for renewable energy in countries like Kenya and Rwanda (among others) the renewable energy procurement programme in South Africa, the ambitious railway programme in Ethiopia, etc. Such initiative should be enhanced, supported and replicated in other countries.

Secondly, more efforts should be made

to make climate actions, programmes and projects ready for investments from climate financiers. This will include proper scoping of technological options and opportunities, in-depth analysis of the long-term financial and/or economic viability of climate actions and setting up transparent contractual arrangements. With the proper preparation of climate actions and projects, the likelihood of accessing large-scale sources of climate finance can be significantly improved.

Finally, for the successful transitioning into a low carbon economy in Africa, governments can consider enhancing their collaborations with stakeholders in the private sector and *vice versa*. By now, it is widely recognized that the public sector will not be able to finance the transition to a low carbon economy by itself and that significant contributions from the private sector will be required. In addition, the private sector can bring the necessary expertise that is needed for the efficient roll out and dissemination of clean technologies. On the other hand, governments can create the necessary regulatory environment and can ensure that climate actions are properly embedded in the national context and are aligned with national priorities.

In order to support the above activities, Article 10 of the Paris agreement establishes a framework for improved support towards the preparation and implementation of low carbon actions from the early stages all the way to implementation. Among other things, Article 10 establishes a technology framework to support the transfer, diffusion and implementation of low carbon technologies in developing countries. According to the text, the framework should facilitate, *inter alia*:

"(a) the undertaking and updating of technology needs assessments, as well as the *enhanced* implementation of their results, particularly technology action plans and project ideas, through the preparation of bankable projects;

(b) The provision of enhanced financial and technical support for the implementation of the results of the technology needs assessments;

(d) The enhancement of enabling environments for and the addressing of barriers to the development and transfer of socially and environmentally sound technologies".

Governments and non-state actors, including the private sector, should tap into the opportunities that will be offered under the technology framework and other mechanisms that have already been adopted by the Paris Agreement (e.g. the Climate Technology Centre and Network).

Conclusion

The Paris agreement might well be the historic turning point that many actors in the climate change and clean technology sectors have been waiting for and mark the beginning of the end of the fossil fuel era.

It is expected that international sources of climate finances will soon be up-scaled to support the transition towards a green economy.

With all the cards on the table, it is up to actors in Africa to proactively seize the opportunity.

Carbon Africa at COP21

Also this year, Carbon Africa actively participated in the COP and took part in a number of side events to present best practices from Africa.

On 2 December 2015, Carbon Africa presented experiences from early-stage project preparation in the sustainable waste sector in Mozambique. The presentation was made at a side event organized by NEFCO on *Nordic Climate Action in the Urban Solid Waste Sector: Recent Nordic experiences in the solid waste sector of cities in developing countries*

On 8 December 2015, Carbon Africa presented 9 concrete action points for the continued promotion of CDM in Africa at a side event on *The Continued Relevance of CDM and Carbon Markets for Africa: A discussion on the future of CDM in a new climate agreement*. The side was organized by Carbon Africa, in collaboration with its partners Climate Focus and Ecosur Afrique.

On 9 December 2015, Carbon Africa participated in side event which was co-hosted by the Mozambican and Belgian government on *Public Private Partnership in Support of Early Stage Project Development in the Waste Sector in Mozambique: Lessons learnt from a publicly supported early stage project development initiative.* During the side event, Carbon Africa highlighted to role of climate finance in promoting early-stage project preparation.

CarbonAfrica limited

Carbon Africa Limited - P.O. Box 14938, Nairobi Kenya | Tel: +254 706 374 150 or +254 731 851 754 | Email: info@carbonafrica.co.ke | Website: www.carbonafrica.co.ke

"IT IS RARE TO BE GIVEN THE OPPORTUNITY TO CHANGE THE WORLD … SEIZE IT"

---- François Hollande, President of France