The 20th annual UN climate conference (COP20) takes place from December 1-12 in Lima, Peru. The meeting occurs at the end of an eventful year for climate change efforts, and 12 months before a new global climate deal is set to be agreed in Paris. The conference will therefore act as an indicator of whether events such as Ban Ki-moon’s high-profile Climate Summit and the release of the IPCC’s 5th Assessment Report have helped influence negotiating positions, as well as provide a sense of likely ambition for the year ahead.

This briefing note focuses on the key required outputs from Lima, namely agreement on: the elements of a draft negotiating text; the form and structure of ‘intended nationally determined contributions’ submissions; and how to enhance ambition in the pre-2020 period. It begins by considering the backdrop to Lima and concludes with a short assessment of the politics and positioning of key countries.

**BACKDROP TO LIMA**

It has been a busy year for climate action around the world. Indeed, it is hard to think of any year, including the rhetoric-filled 12 months preceding COP15 in Copenhagen, filled with so many climate-related milestones. Although it will take time to tell how many of the new announcements and initiatives will produce real results, the political atmosphere and business environment heading into this year’s COP in Lima is arguably better than it ever has been.

Crucial to the creation of this positive atmosphere has been the bilateral relationship between the US and China. The joint announcement in early November of new emission commitments – a 26-28% cut from 2005 levels in the US by 2025 and peaking of emissions by or before 2030 by China – was the culmination of a long diplomatic process that may well represent a pivotal point in international climate politics.

Although this ‘G2’ moment was arguably the climate news of the year, it also builds on a number of other important developments from around the world that augur well for UN talks. The EU, for example, finally reached agreement on its 2030 climate and energy package in October. Although not as ambitious as many had hoped, the commitment to an emissions cut of “at least 40%” by 2030, leaves the door open to an increased goal – perhaps 50% – if an ambitious global deal can be reached in Paris.

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1 COP – or ‘Conference of the Parties’ is the official name given to annual UN climate change conferences. COPs are the supreme decision-making body of the UN Framework Convention on Climate Change (UNFCCC)
The UN Climate Summit, held in September in New York, also underlined the increasing political, business and civil society support for a strong deal. The release of the New Climate Economy Report a week before the summit set the scene. Prepared by some of the world’s leading economists and political figures and aimed at finance ministers and CFOs, the report systematically set out how bold climate action and economic growth go hand in hand.

Other highlights from New York included: a commitment by countries to halve the rate of deforestation by 2020 and eliminate it by 2030; the first ever meeting of foreign ministers to focus solely on climate change; an announcement from a group of investment funds – most symbolically the Rockefeller Brothers’ Foundation – that they would divest from around US$50 billion in fossil-fuel assets; and over 1,000 companies and 75 countries declaring their support for carbon pricing.

At the national level change has also been afoot. The election of Narendra Modi as India’s new Prime Minister is perhaps the most significant shift. As Chief Minister of Gujarat, Modi was a champion of renewable energy, particularly solar, and has given strong indications that he is committed to continuing this approach as PM. Many hope this embrace of renewables will help soften India’s position in UN negotiations, which historically has been to oppose limits on developing country emissions, at least until economic development and poverty reduction needs have been met.

Business too is increasingly seeing the opportunities of more ambitious climate action. Global clean tech investment, for example, is on track for a record year, rebounding after two years of decline. Wind and solar power continue to move down the cost curve and are now the cheapest form of new-built electricity in a growing number of regions, including much of the US. Major corporates are also taking on 100% renewable energy targets, helping create “demand destruction” for high carbon energy. In the world of finance, divestment of fossil fuel assets has moved from the fringes of university campuses to the attention of mainstream financial analysts. And the establishment of the We Mean Business Coalition of organizations that work with thousands of leading businesses on climate and energy, has underscored that the mainstream voice is now increasingly a low carbon one.

It would be wrong, however, to paint a Pollyanna-ish view of the backdrop to Lima. There remain important barriers and challenges to address and the risks from delaying action continue to grow. At the geopolitical level, events in Ukraine, Syria and West Africa, to name just the current international crises, act as a drain on political capital and attention, pushing climate down the agenda (which makes the success of China-US cooperation all the more remarkable). An escalation in any of these crises or the emergence of a new one over the coming 12 months could handicap talks in the approach to Paris.

At the domestic level too there are reasons for concern. In the US, the Republican controlled Congress is almost certain to make life difficult for the Obama administration, including with regards to climate efforts. In Europe, the rise of populist parties is upending traditional politics, creating in some places a backlash against perceived bureaucracy and overspending, with green polices and measures often targeted. (Oddly, this is occurring at the same time that polls continue to show strong public majorities in favor of clean energy). In China, the government has a clear incentive to continue to push forward with clean technology, primarily to deal with local pollution rather than climate, but it also faces challenges with managing the current transition in its economy.

There is also the simple math that global emissions continue to rise. The World Meteorological Organization announced in September that CO2 levels in the atmosphere had increased more between 2012 and 2013 than at any other period since 1984. And the release of the Fifth Assessment Report from the Intergovernmental Panel on Climate Change (IPCC) over the last 12 months, has underlined that the window for tackling climate change effectively and affordably is fast closing.

2 http://www.wmo.int/pages/mediacentre/press_releases/pr_1002_en.html
The message then for governments and negotiators as they head to Lima is a very simple one that should now be familiar. Bold climate action is not a burden or a cost but an opportunity – economically, politically and socially. It is an opportunity that is increasingly being demonstrated by leading companies, sub-national governments, cities and communities. And the delay in seizing and scaling these opportunities through international cooperation increases risks, financially and physically, to businesses, governments and communities everywhere.

**KEY OUTPUTS**

By the standards of many recent COPs, the Lima meeting is likely to be a relatively straight-forward affair. Since the conclusion of the negotiations on a second commitment period for the Kyoto Protocol in 2012, there has been a single negotiating process – the ‘Ad-Hoc Working Group on the Durban Platform’, or ADP for short. The key outputs from Lima are centered on the work of this group.

The ADP is charged with two tasks. First, it must reach agreement on “a protocol, another legal instrument, or an agreed outcome with legal force” – otherwise known as the new global climate deal – by December 2015 in Paris. This new agreement would enter into force in 2020. Second, it is seeking to identify voluntary and cooperative ways to “enhance mitigation ambition” by all countries in the period to 2020 in order to bridge the emissions gap the world faces. Two separate working groups, administered by the ADP’s co-chairs, have responsibility for these talks.

The co-chairs have identified three key deliverables from Lima, building on the work of a number of inter-sessional meetings that have taken place over the year. These outputs are:

— Agreement on elements of a draft negotiating text (which Parties would begin to formally negotiate on from early 2015).

— Agreement on the structure and form of ‘Intended Nationally Determined Contributions’ or INDCs.

— Agreement on how to accelerate implementation of enhanced pre-2020 climate action.

The co-chairs have provided Parties with a draft COP decision on these matters as well as a “Non-Paper” that contains the elements of a draft negotiating text.

**The draft negotiating text**

Leaving Lima with a clear and concise draft negotiating text under their arms is an essential outcome for negotiators. With just 12 months left to finalize a deal, countries cannot afford to repeat the mistakes they made in the lead up to COP15 in Copenhagen five years ago – the last time governments attempted to forge a new climate deal.

Negotiators then had left COP14 in Poznan, Poland a year earlier, without agreement on a draft text and spent the following months simply adding more options, rather than negotiating them down. The result was an unwieldy, and ultimately unresolvable text of over 200 pages that was a key factor in Copenhagen’s near-death experience.
From non-paper to official text

The ‘non-paper’ – UN-speak for a document without any official standing and presented without prejudice to country positions – sets out 13 indicative headings (see table below) that capture the critical elements that the final deal will need to include.

Although the non-paper has been prepared by the ADP co-chairs, it is constructed around proposals and known views of Parties, so in theory should be recognizable and acceptable as a starting point for most countries. As an amalgamation of positions, it naturally includes options on different issues, some of which remain diametrically opposed. Moving the document from a ‘non-paper’ to an official negotiating text – the key task of Lima – will require addressing enough of these problems for Parties to adopt it as the basis for formal negotiations in 2015.

Points to note

The non-paper certainly provides interesting reading for followers of UN climate negotiations. The language represents both a departure from the original UN Climate Convention (the UNFCCC) and Kyoto Protocol, and a continuation of them. This is best illustrated in the repeated reference to “evolving common but differentiated responsibilities and respective capabilities” (italics added). Anchoring the text around the most politically important UNFCCC principle while acknowledging – for the first time – that it is also a fluid definition, is an important step for a process that has been hamstrung in the past by a binary division of countries based on levels of economic development in 1992.3

Another illustration of the shift in positioning is that in most cases where actions are proposed, these are applicable to “All Parties”. This includes key and difficult issues such as mitigation, finance and technology transfer. Although developed countries are still required to take the lead and contribute the most, the explicit recognition that all countries have to take action of some kind marks an important shift for international climate efforts, and UN rhetoric in particular.

Despite the paper’s attempts to find common ground, there remains much on which countries can disagree and many questions to be resolved.

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3 In Annex I of the UNFCCC
On **mitigation**, for example, should there be a global long-term decarbonization pathway, a global carbon budget or a maximum greenhouse gas concentration target? Options here include net zero emissions by 2050 and negative emissions by 2100, a 40-70% GHG cut by 2050 from 2010 levels (in-line with IPCC recommendations), and a ‘350ppm CO2e’ goal. On an individual country level, Parties also need to agree on the kind of ‘commitments’ or ‘contributions’ they have to make. For example, should developed countries have economy-wide targets, or should this apply to “all major economies”? These are not minor points.

On **adaptation**, there appears less to debate. This in part simply reflects the fact that all countries will need to adapt and so must take actions – international agreement or not. The exception is the issue of ‘Loss and Damage’. This is the idea that a mechanism of some kind is needed to deal with the most severe climate impacts in the poorest countries, which even the best adaptation and mitigation measures can’t protect against. In Warsaw last year an ‘International Mechanism for Loss and Damage’ was established by the COP, but the idea has always had tepid support from developed countries. This is a key issue, however, for small island developing states (SIDS) and the least developed countries (LDCs), which will push hard for fully operationalizing (i.e. funding) the Warsaw mechanism.

**Box 1: ‘Commitment’ or ‘Contribution’?**

Language matters in diplomatic negotiations. It is one of the reasons why many multilateral processes can go on for years. A simple error in a single sentence can bind a country to an unwanted action or activity, so taking the time to get things right is important. It also means that there are long battles over the use and meaning of certain words. The debate around ‘commitment’ or ‘contribution’ is a case in point.

In Paris, countries will need to sign up to something concrete – but will it be a ‘commitment’ they make or a ‘contribution’? The division in opinion here is largely along developed and developing country lines. Developed countries, generally speaking, are happy to take on ‘commitments’ – as they did under the Kyoto Protocol – but they also want developing countries to do the same now, even if the stringency is different. Many developing countries, however, want to refer to their actions as ‘contributions’ – a term which is generally thought of as less binding than ‘commitments’ and suggests that they “are helping” rather than fulfilling an obligation.

To the climate and atmosphere the difference is immaterial – it is the action which is important. But for the negotiations, the debate is part of the perennial and highly political argument regarding the common but differentiated responsibilities of countries. It is not a debate that Lima is likely to resolve.

**Finance** remains the lightning rod issue for the negotiations. Over the last few COPs there has been good progress in developing and operationalizing the institutional framework for climate finance through the UNFCCC, epitomized by the establishment and recent initial capitalization of the Green Climate Fund (GCF). What remains to be negotiated is the level and sources of funding. Mobilizing US$100 billion a year by 2020 has been an agreed goal since Copenhagen. The non-paper includes various options for where this might be raised (e.g. levy on international air and sea transport, tax on oil exports to developed countries), how it might be spent (e.g. even split between mitigation and adaptation) and the types of sources (e.g. mainly public coffers or a diversity of public and private financing).

The critical issue of **monitoring, reporting and verification (MRV)** is covered under the ‘Transparency of action and support’ heading in the non-paper. The current text notes there will be a “transparency framework” applicable to “all Parties” but there are options as to how and to who this should apply.

The non-paper also covers **adaptation**; this is mainly about how countries adapt to the impacts of climate change. The non-paper includes options for how to finance adaptation, how to provide financial, technical and capacity building support, and how to address the issue of Loss and Damage.

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1 350 parts per million CO₂ equivalent - a level of CO₂ in the atmosphere that could keep global mean temperature increase below 1.5°C according to some climate models. Current levels of CO₂ however are already at around 400ppm.
Determining the length of commitments / contributions periods was a contentious issue under the Kyoto Protocol 2nd commitment period negotiations, and could well prove to be the same for the Paris agreement. Options in the non-paper include variations on five year periods as well as a 10 year option. From an emission reduction perspective, a shorter period is better, providing the opportunity to revise and ratchet up ambition more frequently. Shorter commitment periods, however, would need to be framed within the context of a longer term goal, or a series of periods in order to provide investment certainty for business.

Connected to period lengths is the question of ‘ex-ante’ consideration of commitments. This involves reviewing proposed commitments from countries prior to final agreement of a commitment period. There is disagreement over whether this should take place at all, and if it does, what it should involve and require of countries e.g. would an unfavorable review require countries to change their commitments? This section of the non-paper also includes text on a regular five-year strategic review of commitments – an essential factor given the largely bottom-up, ‘hope-for-the-best’ nature of the new agreement. A key function of the review would be to identify if more ambitious action was necessary.

The innocuously titled ‘Procedural and institutional provisions’ section of the non-paper touches on one of the most important elements for the Paris agreement, namely its legal form. As noted above, the aim of negotiators is to agree “a protocol, another legal instrument, or an agreed outcome with legal force”. The reason for having this ambiguity was principally to accommodate the US because of the generally accepted view that the US Senate was (and is) unlikely to ratify a formal protocol. Finding a legal arrangement that works for the US and that is also acceptable to all other Parties will be one of the major challenges in the year ahead. One current idea, first proposed by New Zealand, is to have an agreement with legally binding rules for all countries, alongside voluntary commitments or contributions. This proposal was developed with the US in mind. It would allow US negotiators to demonstrate to the Senate that China and other major economies were now subject to the same rules (a critical issue for many US legislators), while at the same time US ‘commitments’ (as those of all other countries) were bound at the international level by a moral rather than legal obligation. Legal force would still apply to actions, but this would be through national legislation, which, crucially, would be independent of any international sanction.

**Intended nationally determined contributions (INDCs)**

If the draft negotiating text is the car that negotiators need to complete by Paris, then the INDCs are the fuel that will ultimately make it run.

Parties agreed at COP19 in Warsaw last year that they would aim to submit their INDCs by March 2015. Negotiators have spent much of the intervening period trying to decide on the form and content of INDCs to ensure that commitments / contributions are comparable. The draft decision prepared by the ADP co-chairs includes three options setting out submission information for INDCs. These options reflect the spectrum of country views on what commitments / contributions submissions should entail.

Option 1 is arguably the most pragmatic, seeking to balance different positions. It sets out commitment / contribution information required for all key areas of the draft agreement, namely mitigation, adaptation, finance, technology and capacity building. Importantly, no differentiation is made between submissions from developing and developed countries.

Option 2 also requires submission of information in all key areas of commitment, but differs from Option 1 by setting out different requirements for developing and developed countries. This option reflects the position of certain developing countries.

Option 3, in contrast to the other two, proposes that INDC submissions only include mitigation commitments / contributions, with the same approach applicable to all Parties. This option is supported by certain developed countries.

Reconciling these different approaches will be essential if countries are to submit INDCs in a form that is useful for allowing common assessment. Without this, negotiations are likely to struggle to advance.
The draft decision proposes establishing an “electronic platform” and holding workshops in June to “provide opportunities for seeking and providing clarification to Parties” and to “enhance the clarity, transparency and understanding of aggregate effects of INDCs”. In short, this will provide countries (and observers) with the chance to gain a better understanding of different INDCs and assess both the individual and overall level of ambition on the table.

Pre-2020 ambition

The draft decision text on pre-2020 ambition is both an exhortation to greater effort on the part of all countries and a series of practical steps.

Developed countries, for example, are “urged” to communicate a quantified, economy-wide emission reduction target for 2020 and to revisit existing ones, with the aim of increasing them. These pre-2020 targets are of course voluntary and non-binding at the international level, although many are reflected in COP decisions from the Cancun conference in 2010. Developing countries meanwhile are “urged” to communicate nationally appropriate mitigation actions (or ‘NAMAs’ in UN-speak). All Parties to the Kyoto Protocol are also called on to ratify and implement the Doha amendment in order to trigger the entry into force of the Protocol’s second commitment period.

The draft decision then lists a series of actions aimed at helping to build further ambition, including: a forum on pre-2020 climate action in June 2015; continuation of the Durban pre-2020 mitigation work-plan to 2020; a series of technical expert meetings and an updated technical paper in 2015; and a recommendation for Paris that would identify enhanced action for the 2016-2020 period.

BOX 2. THE CLIMATE GROUP AND WE MEAN BUSINESS AT COP

The Climate Group will again be present at COP this year. Our focus will be on a series of activities with our States & Regions Alliance taking place during the second week of COP. These are:

— General Assembly of the States & Regions Alliance, on Tuesday December 9. This is a closed-door, high-level meeting involving 11 ministers and representatives from 15 sub-national governments of the Alliance.

— Compact of States & Regions session, also on December 9. This is an open meeting co-hosted with nrg4SD. CDP and the Californian Secretary of Environment will speak, while attending ministers will sign the Compact itself.

— COP20 side event with nrg4SD and University of Leeds, on Wednesday December 10. This official COP event will showcase the economic case for climate action from a sub-national perspective.

Follow our activities on Twitter using hashtag #statesandregions

For more information contact Anne-Sophie Doernbrack at sdoernbrack@theclimategroup.org

The We Mean Business coalition will also be active in Lima, both through partnership and individual organization activities. The coalition is planning to meet with negotiators and negotiating groups to discuss what forward-looking businesses can do to enhance pre-2020 ambition and help secure the most ambitious outcome in Paris next year. CDP, BSR, WBSCD, the Prince of Wales’ Corporate Leaders Group (CLG) all have activities planned and will also be supporting the UN Global Compact’s Caring for Climate Business Forum on December 8-9. We Mean Business itself will be hosting a lunch panel on corporate leadership from Latin American companies during the Forum on December 8.

For more information contact Sandra Roling at sandra@wemeanbusinesscoalition.org
WIDER OUTCOMES, POLITICS AND POSITIONING

Like every COP, Lima is a conference of many parts. In addition to the ADP negotiations described above, there are also the meetings of the permanent subsidiary bodies – ‘SBI’ and ‘SBSTA’ – that deal with implementation of UNFCCC decisions and scientific and technical advice respectively. Much of the work that will define international action over the coming 5-10 years is already taking place in these bodies and the various committees, funds and working groups that report to them.

All eyes, however, will be on what the ADP does or doesn’t achieve. Adoption of the draft decision and non-paper presented by the co-chairs would constitute a good outcome for Lima. Chairs – who are always former senior negotiators themselves – are bound to present proposals that they judge to represent a fair and equitable balance of views. They also tend to push the boundary in terms of ambition based on their expert opinion of what is politically feasible. The papers presented for Lima will have been carefully crafted and calibrated in these regards. Proposals from chairs, however, have a fraught history in UNFCCC negotiations. There is no guarantee that what goes into the negotiating mixer in Lima will come out looking the same.

That said, the developments of the past year described at the start of this briefing, together with the ghosts of Copenhagen, are likely to be sitting heavily on the minds of negotiators. The political price of being seen to cause trouble or block progress is now arguably higher than it has ever been. The China-US announcement in particular makes it increasingly hard for reluctant Parties – both developed and developing – to hide behind the skirts of the world’s two largest emitters. Canada and Australia, led by climate skeptic federal governments, are particularly exposed in this respect, but India too is likely to be under pressure.

The role and positioning of Brazil and South Africa, as key emerging economies and with significant diplomatic influence among developing countries, will also be critical to progress in Lima. Then there is Russia. Always something of an unknown quantity, the current rift with the West adds further complexity to the diplomatic choreography that will be needed to get consensus on key decisions.

Finally, there is the critical role of the COP President, played by the host country Peru. Previous conferences have succeeded, failed or limped on as a consequence of the role played (or not) by the COP President. The good news is that Peru sits firmly in the pragmatic country camp. It is a member of the progressive AILAC group of Latin American countries, which includes Colombia, Costa Rica, Chile, Panama and Guatemala. AILAC was established to find a ‘third way’ to bridging differences between developed and developing countries, making Peru an ideal host for this important COP.

The coming two weeks will show exactly what Peru can deliver. It is an important COP to get right. Lima may well lack the glamor and attention that Paris will no doubt get next year, but as the Peruvian Foreign Minister rightly stated at Climate Week NYC in September, without success in Lima, there is no Paris.

The Climate Group will be sharing COP20 news and blogs on TheClimateGroup.org and on Twitter @ClimateGroup.

Further Recommended reading
— Peruvian Predictions by E3G’s Liz Gallagher
— What would success look like at COP20? by WRI’s Jennifer Morgan & David Waskow
— A climate finance roadmap by E3G’s Marcello Jaramillo

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