

Energy Transition: A Multifaceted Challenge for Europe

High-Level Conference What are the European stakes towards COP21 and beyond?

10th November 2015, 9:00 to 13:30, Egmont Palace, Brussels

Main points from the presentation of Dr Johannes Meier (CEO of the European Climate Foundation) in **Session 1: What are the stakes of the EU towards COP21?**

Let me add to the discussion four reflections:

1. Why is the Paris agreement so important for Europe?
2. What does the nature of the proposed Paris deal imply for Europe?
3. I would like to point at the challenge to operationalise the 2 Degrees commitment effectively in Paris and thereafter.
4. Finally, let me point at the importance of finance in all of this.

1. Role of Paris agreement

A Paris agreement must be a turning point, and send a loud and clear signal to citizens and the private sector that the transformation of the global economy is inevitable, beneficial, and already underway.

Europe is set to profit a lot from an ambitious deal:

- Lower dependence on imported oil and gas and the volatility that comes with it.
- Large global markets for RES-led energy systems, EE products and services.
- A more level global playing field when it comes to internalising externalities of carbon and other GHG gases. (Carbon pricing in other regions, commitments to emission peaking, coal divestment etc.)

Without a strong agreement in Paris, our development goals will not be deliverable.

2. Understanding the nature of the deal in Paris

The bottom-up collection of INDCs and the proposed ratcheting-up process constitutes essentially a soft-governance approach where Europe has a lot of experience.

The effectiveness of any soft governance approach rests on establishing trust and credibility of implementation. That is why it is important to pay a lot of attention on the process following the COP21. It is not enough to look only at the INDCs, but there needs to be a clear commitment to ratcheting up every five years, as initial INDCs will not add up to less than 2 degrees.

So at stake in Paris is also Europe's ability to deliver on its targets. Making the energy union work, strengthening the EU governance with regard not only to the energy systems but also with regard to the implementation of defined standards for energy and fuel efficiency is key. The VW scandal shows brutally some key weaknesses in the current ability to implement standards and targets.

With regard to building trust, at stake is also the developed nations' credibility in helping the developing nations and those countries already massively affected by the impacts of climate change. Climate finance is the measure for this credibility which makes the European contributions to the climate fund politically so important.

3. Key challenge: Operationalising 2 degrees obligation

Leaders need to develop a rich and wide-ranging conversation about how to operationalise the 2 degree obligation, avoiding a narrow focus on the wording of one headline sentence and instead considering a few different components, infused throughout the Paris Agreement, that clarify "what needs doing and by when".

- The LTG must clarify the need to end emissions from fossil fuels, by referring to "near zero", "phase-out" or "decarbonisation".
- The end date of 2050/"close to mid-century" is a reasonable horizon for stimulating real-economy action, as opposed to delaying the deadline for action. Additional components include language on a year for peaking global emissions, aligning all financing to be compatible with 2°C and supporting the development of national 2050 clean energy transformation pathways.
- Vague and undefined terms, such as "climate neutrality" or "low carbon transition", and inadequate time frames, like "end of the century", do nothing to strengthen the international community's response to climate change and risk undermining confidence in the Paris Agreement.
- An ambition mechanism must contain all parties undertaking an assessment of progress every 5 years, with a view to increasing, strengthening, progressing their ambition every five years, starting with a review in 2018/2019 with a view to increase their 2030 targets or putting forward new 2030 targets (for those with a 5-year commitment period). Vague language, such as resubmit or revisit, provides no guarantee that countries will increase ambition regularly.

4. Central role of finance

A clear work programme needs to land discussions on 'shifting the trillions' not only at the COP21 but also through the Chinese G20 Presidency in 2016. The financial sector is addressing the mounting evidence of climate related risk, identified by Mark Carney in his latest speech. The risks of stranded assets and unsustainable business models in the fossil fuel and energy intensive sectors are beginning to bite.

- **We need a work-programme for 2016 to develop a framework assessment, applied to all international public finance to ensure consistency with 2°C and aim to implement it across all sectors by 2018;**

- **G20 Finance Ministers should commit to integrating a 2°C scenario through macroeconomic forecasts and models and call for international finance institutions to follow this.**
- **Given the central role of the City of London in all matters of finance there is good opportunity to bolster European leadership.**

Conclusion

The COP21 is putting the European governance and the European project to the test. Whether we can deliver an aligned position and most importantly implement effectively our targets and climate finance will be crucial tests of our credibility in the international space.

Most importantly, if Europe delivers its stated energy and climate ambition there will likely be major rents from innovation of energy systems, from reduced fossil fuel imports and energy security.