Yale Center for Environmental Law & Policy

Lifting the Ambition of the Paris 2015 Agreement: An Agenda for Lima
November 2014
The Yale Climate Dialogue

Climate change negotiations have struggled to gain ground for decades. The Paris 2015 Agreement, however, presents a critical opportunity to enhance ongoing efforts and foster ambitious action. Increasingly, signals point to an opportunity for real success in Paris – notably, the US-China pact to which presidents Obama and Xi agreed in early November 2014. Building on this momentum, a strategic agenda at the Lima Conference of the Parties can lift ambitions and energize negotiations to achieve a truly successful global response to climate change.

This policy memo provides three core ideas for a ramped up agenda in Lima that strengthens and supports the 2015 Paris Agreement:

1) Engaging a Broader Set of Climate Change Leaders in the 2015 Agreement;
2) Strengthening Clean Energy Finance by Lowering Barriers to Investment; and
3) Enhancing 21st Century Metrics to Track Performance and Raise Accountability.

The Yale Climate Dialogue[1] invites decisionmakers to build these breakthrough ideas into the international agenda for the Paris 2015 negotiations.

First, we analyze several modalities to institutionalize commitments from cities, states/provinces, regions, civil society, and businesses. Second, we discuss expanded clean energy finance mechanisms that leverage limited public investment to attract vastly increased sums of private capital. Third, we propose to develop metrics and scorecards that can raise ambition and better track climate action across different scales and sectors. We believe these three policy goals can reinforce and ramp up negotiations to deliver a 2015 Paris Agreement that motivates transformative progress and builds a 21st century policy framework.

Engaging Climate Change Leaders Who Can Demonstrate Action: An Energized Agenda through Broader Participation

Recently, the pace and extent of climate leadership from cities, regions, civil society, and companies has accelerated dramatically. Many actors have reinforced support for the UN process by building this upwelling of climate leadership, including the UN Secretary General Ban Ki-moon through his September 2014 Climate Summit. (See Appendix B for illustrative, but not exhaustive, list of complementary efforts.)

A 21st century policy framework can deliver new mechanisms to connect, aggregate, organize, and order commitments across scales and sectors. Formally recognizing a broader set of actors is both feasible and advisable. The model would bring key decisionmakers to the table, institutionalize their commitments, ground solutions in local knowledge, and create a culture of contribution.

A range of techniques could formalize the commitments of cities, states/provinces, regions, civil society, and businesses within the international climate process. Enthusiasm has emerged around one new model – the idea of opening the 2015 Paris Agreement to signature by a broader range of climate leaders including mayors, provincial/state leaders, and CEOs. The International Labour Organization, for example, already uses a model in which labor unions and businesses can sign agreements alongside governments. While the exclusively state-to-state model makes sense for certain subjects like arms regulation, for which national

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[1] See Appendix A for description of the Yale Climate Dialogue and list of participants.

governments exercise complete control, the model poses challenges for issues like trade and climate change, in which many decisionmakers drive action and outcomes.

Another option would be to include a series of alternative "boxes" or signature blocks at the end of the Paris 2015 Agreement. Through these boxes or blocks, leadership entities like cities, states/provinces, civil society, and companies could each sign on to a specific set of goals, commitments, or declarations. For example, Mayors sign a signature block with commitments for cities, CEOs would sign a signature block of commitments for businesses, and so on. However, all parties would commit to the opening language, objectives, and shared principles of the core Paris Agreement.

Alternatively, a third option consists of a series of networked agreements linked to the core Paris 2015 Agreement. The networked agreements would be in different legal forms, providing an appropriate structure of commitments for the various decisionmakers in both public and private realms. A fourth and similarly "linked" option is to have a series of parallel agreements with frameworks for cities, states/provinces, civil society, and industries. In both cases, agreements could be referenced in the body of the Paris Agreement, and detailed in appendices or codicils, providing heightened recognition.

As part of the Yale Climate Dialogue, an international team of lawyers is drafting a white paper that will describe potential structures to craft: 1) an Agreement open to signature by a broader set of actors; 2) an Agreement with alternative signature blocks for different types of actors; 3) a networked Agreement; or 4) a series of parallel agreements. The white paper will build on existing legal precedent and examples from international environmental treaties, trade law, private law, and existing carbon trading regimes.

A growing number of leaders from the highest levels have signaled their interest in opening the Paris 2015 Agreement to signature or association by a broader set of actors and seeing development of potential models for the Agreement. Thus, the Lima Declaration should encourage a robust set of modalities to consolidate commitments from diverse actors.

Strengthening Clean Energy Finance: Reducing Barriers to Investment

Tackling global warming will require ramped up investments in renewable power generation, energy efficiency, adaptation, and other low-emissions markets. Efforts have focused primarily on mobilizing public capital through global funds such as the Global Environment Facility and the new Green Climate Fund and through national and multilateral development banks. However, this model alone will not meet the scale of investments required to fully address climate change. A number of groups have already demonstrated how to vastly increase investment by using limited public capital resources to leverage much greater private capital. (See Appendix B for an illustrative, but not exhaustive, list of groups.)

Identifying and implementing creative finance mechanisms will draw the resources needed to fund a climate action transformation by increasing private capital flows from around the world. To tap the private capital now widely available in both developed and developing countries requires reducing investment risks and spreading knowledge among lenders about the creative financing structures and best practices available to minimize risk. Strategic policies, which will vary across jurisdictions, can foster opportunity by reducing risks that include: uncertain political, regulatory and legal environments; lack of a stable and robust financial sector; interest rate, currency and other macroeconomic risks; and uncertainties in operation and performance of renewable technologies.

Many experts now recognize that leveraging limited public capital to reduce the risk to private investors can help overcome clean energy investment challenges. Private investors demand risk that is comparable to conventional energy investments. Public financing can fulfill their demand by assuming the marginal risks that otherwise deter private investment. Additional policies can create best practices that address "soft costs" of project execution such as underwriting, documentation, and regulatory burden. Lowering soft costs reduces the total cost of projects and increases the returns on investment.

Green banks and similar institutions, (which now exist in the UK, Malaysia, Japan, Korea and several US states) have successfully used financial structures to reallocate risk, enhance knowledge transfer, and reduce soft costs. The Connecticut Green Bank has pioneered a strategy that simplifies the review and funding process and reduces the soft costs of project execution.

The tools exist to break through the barriers to private finance. These tools need to be catalogued and made available through technical assistance so that political and business leaders around the world can draw on the data and best practices of prior experience. Incorporating creative finance mechanisms into the Lima Agenda and pathway to the Paris Agreement can strengthen the UN process by mobilizing needed capital to finance a clean energy future.

Keeping Score: Capturing Information Age Opportunity to Track Performance and Broaden Accountability

Improved metrics can build enthusiasm and momentum around the Paris 2015 Agreement by better tracking mitigation and adaptation progress, highlighting leaders and laggards, identifying best practices, and offering concrete ways to reinforce action commitments at all levels. Solving the problem of climate change requires the best data available. Consequently, pursuing a successful climate strategy with broadened participation requires measuring the emission reductions from not only nation states, but also tracking progress in cities, regions, civil society, and companies. Refined metrics can ensure consistency and create a more robust framework for "adding up" the impacts of efforts across scales and sectors. At a minimum, criteria should be quantifiable, specific, accountable, and assignable to appropriate entities. A number of initiatives have already begun rigorous work to build 21st century metrics to meet the goals outlined above. (Appendix B contains an illustrative list of projects.) This modern platform must combine data without double-counting, link stakeholders to harmonize information, and provide a baseline for continued improvement to spur maximum progress.

Metrics must include transparent measures of progress by governments and the private sector to encourage competition and cooperation among peers that can breed greater accountability. As the Environmental Performance Index has demonstrated, actors are most motivated by comparisons against their peer groups. In fact, even countries near the top of the Environmental Performance Index have expressed concern that they are behind their regional peers – and have thus taken action to improve – despite their overall high performance. The same is true for bottom performers who may not rocket to the top of the rankings, but are struggling to improve in comparison to similarly situated nations. Metrics should thus focus on peer groups to motivate competition, while recognizing that different groups may need tailored, yet comparable, metrics. Through the right metrics, new mechanisms of accountability can reorient a narrative of enforcement toward a narrative of productive competition and cooperation.

Next Steps to Advance the Global Response to Climate Change

The Yale Climate Dialogue will continue bringing critical thought leaders together to detail these three strategic policy ideas through a set of upcoming white papers. We hope decisionmakers find these reinforcing policy ideas helpful in setting the agenda to achieve a robust Paris 2015 Agreement and raise the long-term trajectory of international climate policy.

Appendix A:

The Yale Climate Dialogue

The Yale Climate Dialogue has convened a team of diverse and dynamic thought leaders from around the world to develop a suite of policy options that can facilitate a more robust global response to climate change. Drawing on the expertise of leaders from business, government, and academia, the Dialogue seeks to deliver action-oriented solutions that have the potential for broad appeal across the world and a capacity to bridge existing political divides. While every participant may not sign on to each individual idea of the proposal, they have collectively shaped an agenda and 21st century policy framework that will strengthen the results of the negotiations on climate change over the next 12 months.

Yale Climate Dialogue Participants

1. Kenneth Abbott, Arizona State University (USA);
2. Neric Acosta of the Philippine Climate Change Imperative (Philippines);
3. Monica Araya of Nivela (Costa Rica);
4. Peter Bakker (with Gail Whiteman and Carina Larsfalten) of the World Business Council for Sustainable Development (Netherlands);
5. Daniel Bodansky of Arizona State University (USA);
6. Tom Burke of E3G (United Kingdom);
7. James Cameron of Climate Change Capital (United Kingdom);
8. Reid Detchon of the UN Foundation (USA);
9. Dan Esty of Yale University (USA);
10. Pascale Giet of Rexel Group (France);
11. Angel Hsu of Yale University and Yale-NUS (National University of Singapore) College (USA);
12. Wang Jin of Peking University Law School (China);
13. Lawrence E. Jones of Alstom Grid Inc. (Liberian-American);
14. Andreas Kraemer of Ecologic Institute (Germany);
15. Brice Lalonde of the United Nations Global Compact (France);
16. Aurélien Lechevallier of the office of the Mayor, City of Paris (France);
17. Nick Mabey of E3G (United Kingdom);
18. Malini Mehra of GLOBE International (India);
19. Sascha Müller-Kraenner of Ecologic Institute (Germany);
20. Christophe Nuttall of R20 Regions of Climate Action (France);
21. Amy O'Meara of the Corporate Eco Forum (USA);
22. Richard Ottinger of Pace Law School (USA);
23. Lavanya Rajmani of the Center for Policy Research (India);

24. Teresa Ribera of the Institute for Sustainable Development and International Relations (Spain);
25. Jacob Scherr, Senior Advisor to the Natural Resources Defense Council (USA);
26. Erik Soleheim of the Organization for Economic Cooperation and Development (Norway);
27. Laura Storm of Sustainia (Denmark);
28. Isabel Studer of the Global Institute for Sustainability, Tecnológico de Monterrey (Mexico);
29. Terry Tamminen of R20 Regions of Climate Action (USA);
30. Jorge Viñuales of Cambridge University (Argentina);
31. Mark Watts of C40 Cities Climate Leadership Group (United Kingdom);
32. Patrick Weil of Université de Paris 1 Panthéon-Sorbonne (France);
33. Wang Xi of Shanghai Jiao Tong University (China).

Research Support Team

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Appendix B:

Illustrative List of Groups Working to Engage a Broader Set of Climate Leaders

- At the September 2014 UN Climate Summit, the World Bank announced that 74 countries and 23 sub-national jurisdictions (state, cities, and provinces) had joined over 1,000 businesses – worth more than US$24 trillion in assets – in voicing support for carbon pricing.

- C40 Climate Leadership Group, ICLEI- Local Governments for Sustainability, and United Cities and Local Governments, have established the Global Mayors Compact, which enables cities to publicly commit to greenhouse gas emissions reductions. With over a 1,000 local governments party to the Compact, these cities' existing commitments alone could reduce annual emissions by 454 megatons of greenhouse gas emissions in 2020.

- R20 Regions of Climate Action held a World Summit of Regions for Climate. The Summit closed with over 3,000 sub-national governments committing "to adopt, support and engage in concrete "bottom-up" [actions] … in partnership with businesses and investors, to complement the efforts of Parties in the framework of the intergovernmental negotiation process of the UNFCCC, to reach a global Climate Agreement in Paris in 2015."

- Efforts by, for example, the World Business Council for Sustainable Development and Sustainia – which identifies readily available market-based climate solutions – have united and galvanized CEOs.

- University of Oxford and Natural Resources Defense Council (NRDC) are facilitating the "Coalition of Commitments to Climate Action" to rally commitments, link actions, and showcase impact to strengthen the narrative and institutional structures around climate action.

Illustrative List of Groups Working to Strengthen Creative Climate Finance

- The World Economic Forum's Green Investment Report, among other results, finds that US$700 billion annually is needed for a "climate resilient path towards green growth," and that an annual US$130 billion investment would mobilize the private capital necessary to reach these levels.

- The World Resources Institute has conducted investigations into public and private finance in developing and developed countries. The organization found, for instance, that tailoring traditional financial instruments to address sector-specific risks can help leverage private finance and that public institutions should seek to complement private investment based on specific risk profiles.

- The Climate Policy Initiative launched the Global Innovation Lab for Climate Finance to catalyze "investment flows through effective public-private partnerships."

- The Organisation for Economic Cooperation and Development reports on and provides country-level assistance to address, for example, domestic policy that can increase private investment flows.

- Green Wish Partners is an international investment advisory firm focused on strategic advice in developing economies, particularly in Africa. Having identified renewable energy as a key resource in Africa, Green Wish is building a Sub-Saharan platform to help drive investment in renewable energy.

- E3G is working in places like China, South Africa, Columbia, Peru, and Chile to develop strategies for low emissions and climate resilient national frameworks and works with development finance authorities to leverage climate finance for broader change.

- World Bank Carbon Funds and Facilitates operate outside the UNFCCC to achieve GHG reductions.

Illustrative List of Groups Working on Improving Metrics

- Climate Action Tracker measures emissions commitments and actions on the national scale to determine if the commitments are sufficient to limit warming to 2 degrees Celsius.

- "Bridging the greenhouse-gas emissions gap," a 2012 report published in *Nature Climate Change*, describes 21 broad "wedge" initiatives that, in combination, could reduce global emissions enough to halt warming at 2 degrees Celsius.

- Carbon*n* Climate Registry is the world's largest database on sub-national climate actions. C40, United Cities and Local Governments, and ICLEI- Local Governments for Sustainability run the Registry. The Global Compact of Mayors has designated Carbon*n* as its central repository for city-level actions.

- Carbon Disclosure Project works with corporate and urban leaders and shareholders to gather and publish data on greenhouse gas emissions, forests, and water, in the public and private sectors.

- University of Oxford and NRDC, as well as Ecofys, World Resources Institute, and the Cambridge Institute for Sustainability Leadership, are advancing plans for a clearinghouse platform to better aggregate, showcase, and catalyze the groundswell of climate action from all stakeholders.