



PAVING THE ROAD TO PARIS?
WHAT THE EU CAN DO
TO FACILITATE A POLITICAL
CLIMATE CHANGE DEAL

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MAIN AREAS OF INTEREST

EU-Asia relations, China's climate change policy, renewable energy, non-traditional security threats, energy security and decentralised energy systems.

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EXECUTIVE SUMMARY

On the road to the Paris climate change conference in December 2015 the positions of the key international players - the United States (US), China, India, and Australia - need particular scrutiny from Brussels and other European capitals. What are the prospects of a more ambitious climate deal after the US, China, India and Australia confirmed their targets at the beginning of October? To what extent and under what circumstances will the European Union (EU) be able to influence a higher level of ambition and can it continue to strive for a leadership role?

This strategic update argues that the EU cannot take a political leadership role itself beyond developing its technological innovation capacity. Instead, the EU can offer its rich experience in implementing climate policy domestically (emissions trading, renewable energy policies, decoupling of emissions and economic growth) and building relationships with foreign climate change policy elites. This gives the EU an ideal skill set to facilitate negotiations, support China and the US to achieve their declared commitments, and “plug in” with more hesitant countries such as Australia.

This strategic update uses a SWOT analysis to outline the EU’s role in negotiating the post-Kyoto climate change agenda bilaterally and multilaterally, with case studies of bilateral EU lobbying and negotiation with China and Australia.

Long term shifts in geopolitical alliances and international hotspots, as well as an increasing consensus on climate change science, have altered the political landscape between the 2009 Summit in Copenhagen and the 2015 COP21 in Paris. In practice, the EU might have to focus on achieving a deal which sees the major emitters committing to emissions reductions, even if it means compromising on its legal status.

By putting the question of finance at the forefront of the negotiations, the EU could engage countries such as China, and more importantly India, whose populations are wary of imperialist motives of developed countries.

Regardless of the outcome of the Paris Summit, the process has created an international community of politicians, experts and scientists who are truly internationalised. The EU is in a good position to foster this community and keep up the momentum.

THE FINAL SPRINT TO PARIS

2015 is an unusual year for European climate politicians. The Chinese low-carbon growth initiative and the US Clean Energy Plan show an unprecedented willingness to action on climate change from countries usually opposed. At the same time, European Commission officials find their hands tied as the Euro and the increasing refugee influx dominate European public debates.

Reflecting its more cautious starting position, the EU has not put forward a conditional target under the United Nations Framework Convention on Climate Change (UNFCCC), which would have meant promising to ramp up ambition should other countries be willing to follow suit. And yet, there is an unprecedented momentum for action on climate change, which suddenly makes European “fantasies” of five years ago seem attainable.

The new Intended Nationally Determined Contributions (INDC) process of commitments puts all aspects of a new agreement are up for negotiation. By October 2015, the world’s major emitters had submitted their commitments and a study by Climate Action Tracker (CAT) showed that the plans, if implemented, would “limit average temperature rises to 2.7C above pre-industrial times by 2100, down from 3.1C estimated last December.”¹ In Paris, mitigation, adaptation, finance, and technology are all on the table. There is no room for complacency; every possible effort will be required for success and a wrong step by the hosts, chairs and facilitators or other important players could fracture the positive dynamic and trust that are evident at present. Never have the stakes been so high, since a failure of the summit (which clearly is a conceivable possibility), will likely lead to abandoning the multilateral course of combating climate change.

1 Climate Action Tracker. 2015. “INDCs lower projected warming to 2.7°C: significant progress but still above 2°C”, Accessed October 5. <http://climateactiontracker.org/news/224/INDCs-lower-projected-warming-to-2.7C-significant-progress-but-still-above-2C-.html>.

On the road to the Paris climate change conference (30 November to 11 December 2015) the positions of the key international players, the US, China, and India, need particular scrutiny from Brussels and other European capitals. What are the prospects of a more ambitious climate deal after the US and China announced a bilateral deal and their individual INDCs this year? To what extent and under what circumstances could the EU influence a higher level of ambition and can it continue to strive for a leadership role?

This strategic update consciously chooses a political perspective, since the debate about the scientific basis for climate change has mostly been closed. The Fifth Assessment Report by the International Panel on Climate Change has provided conclusive evidence for man-made climate change and the need for public action.²

The Strategic Update is organized as follows. Part I provides an overview of the EU's INDC and the EU's declining leadership aspirations. Part II analyses the EU's prospects as a negotiator at the Paris Summit, carrying out a SWOT analysis of strengths, weaknesses, opportunities and threats. Part III then acknowledges the importance of domestic politics within negotiating countries and relates the SWOT analysis back to negotiations with Australia and China, two crucial members within the UNFCCC. I conclude by suggesting for the EU to champion its unique experience in technological implementation and policy design, as leadership now seems out of its reach.

2 Intergovernmental Panel on Climate Change. 2014. "Fifth Assessment Report (AR5)." Accessed October 1. <https://www.ipcc.ch/report/ar5/>.

Part I

INTERESTS - EU LEADERSHIP ASPIRATIONS NO LONGER A GIVEN

The EU and its member states have for years tried to influence and shape the international climate change agenda.

Until recently the EU has successfully portrayed itself as a forerunner in implementing ambitious climate policies, for example increasing the overall share of renewable energy technologies to 24.3% of total primary energy production³ and leading improvements in energy efficiency. The EU has managed to decouple economic growth from carbon emissions: from 1990-2013 greenhouse gas emissions reduced by 19%, while GDP grew by 45%⁴.

Thus, the EU's leadership ambition was considered a given. However, climate relevant markets have not delivered the expected results. The hopes in a successful emissions trading system have been shattered with a carbon price as low as €6-7/tonne of CO₂. Internal climate and energy policies had anticipated high fossil fuel prices. Instead oil prices have dropped to half the level of June 2014, making investments in alternative energy sources less attractive.

In addition the escalation of the conflict in Ukraine and a tense relationship with Russia, which provides 33.5% of European crude oil and 39% of European natural gas, has raised concerns about European energy diversification.⁵

EU member states are struggling with their emissions targets. German emissions increased in 2012 and 2013, leaving it with the challenge of curbing emissions by another 20% by 2020.⁶ This meant a change in the climate change discourse, which has shifted from the challenge of achieving green growth and decarbonisation to prioritising energy security considerations.

Hence the EU has also repositioned its priorities within the international climate infrastructure. According to Marcu et al. the EU's interest now lies stronger in extending its soft power and achieving solutions at a multilateral level rather than by a small "climate club" of powerful nations. A multilateral agreement would be a powerful demonstration that great power politics, so representative of the past decade, can be counterbalanced.

3 The primary production of renewable energy within the EU-28 in 2013 was 192 million tonnes of oil equivalent (toe) — a 24.3 % share of total primary energy production from all sources. Eurostat. 2015. "Renewable Energy Statistics." Accessed October 1. http://ec.europa.eu/eurostat/statistics-explained/index.php/Renewable_energy_statistics.

4 Marcu, Andrei. 2015. "Paris 2015: What's in it for the EU." *CEPS Commentary*: 5.

5 Eurostat. 2015. "Energy Production and Imports." Accessed October 1. http://ec.europa.eu/eurostat/statistics-explained/index.php/Energy_production_and_imports.

6 Clean Energy Wire. 2015. "Germany's greenhouse gas emissions and climate targets." Accessed October 1. <https://www.cleanenergywire.org/factsheets/germanys-greenhouse-gas-emissions-and-climate-targets#dossier-references>.

EU POSITION

In March 2015, the EU published its own INDC, the second party to do so. The INDC sets out several key policy targets:

Key policy target / initiative	Implementing measures (estimated date of legislative proposal by the European Commission)
At least 27% share of renewable energy in final energy consumption by 2030	Renewable Energy Package / new Renewable Energy Directive (2016-2017)
At least 27% improvement of energy efficiency (relative to 2005) by 2030	Reviews of Directives on Energy Efficiency (2016), Energy Performance of Buildings (2016), Energy Labelling and Ecodesign (2015), and Regulations on CO ₂ and cars / vans (2016-17)
43% GHG emission reduction in ETS sectors by 2030 (from 2005), including increased linear reduction of 2.2% per year	Revision of the EU ETS Directive (2015)
30% GHG emission reduction in non-ETS sectors (from 2005)	Legislative proposals on the Effort-Sharing Decision to allocate binding non-ETS targets to each Member State (2016)

Table 1: Key EU policy initiatives and its implementing measures; taken from Dröge and Spencer (2015)⁹

Based on its commitment, the EU formulated goals for the Paris meeting at the meeting of EU Environment Ministers on 18 September 2015 to achieve a “global, fair, ambitious and legally binding international treaty.”⁷ In practice this means achieving several goals:

- Global greenhouse gas emissions need to peak by 2020 at the latest, be reduced by at least 50% by 2050 compared to 1990, and be near zero or below by 2100.
- Five-yearly monitoring and adjustment meetings under the UNFCCC.
- Development of a tracking system on government performance.
- Scaling up of climate finance to jointly mobilise USD 100 billion per year by 2020 from a wide variety of public and private sources in developed countries.
- Pre-2020 action and collaboration with third countries.

⁷ European Commission DG Climate Action. 2015. “EU agrees position for Paris climate change conference”. Accessed October 1. http://ec.europa.eu/clima/news/articles/news_2015091801_en.htm.

According to Dröge and Spencer, the EU's INDC is focusing on mitigation only and could be more ambitious⁸. There is a lack of transparency on how the EU plans to implement the INDC as well as a lack of information of how land use, land use change and forestry (LULUCF) will for the first time be included in the overall domestic reduction target.⁹

This view on transparency is not shared by the Commission and other observers, who are more concerned about the EU's ability to negotiate at all. First its position needs to be negotiated in the Council among the member states and only then the Commission gets a mandate from the Council. Given the EU's transparent political process, the EU's interests are public; as a result, other countries are aware of the EU's position from the outset. Moreover, there is a lot of public pressure to deliver on mandates. Hence the EU Commission aimed to provide an INDC that is workable and easy for other countries to understand. Focusing on the key areas of interest only and predominantly on mitigation will open room for negotiation.

The following section will analyse to what extent the EU and its negotiators are positioned to achieve their goals during COP21, looking first at the EU's status within the UN negotiations system in general and second at the impact on its bilateral negotiating position with two core countries, China and Australia.

8 EU Think Tank Platform for Paris 2015 (TT2015). 2015. "Home". Accessed October 1. <http://www.ttc2015.com>.

9 Dröge, Susanne and Thomas Spencer. 2015. "The EU's INDC and its contribution to a successful deal in Paris 2015." Accessed October 1. <http://www.ttc2015.com/sites/default/files/Final-The%20EU%E2%80%99s%20INDC%20and%20its%20contribution%20to%20a%20successful%20deal%20in%20Paris%202015.pdf>.

Part II

WHAT ARE THE EU'S NEGOTIATION PROSPECTS FOR PARIS?

The EU's declared position (its INDC) for the climate negotiations is firmly rooted in achieving emissions reductions (i.e. mitigation) rather than adaptation, and securing a legally binding, five-yearly reviewed agreement.

Negotiation practice tells us that below officially declared positions, each side has underlying interests speaking to more existential needs, such as identity, legitimacy and sovereignty.¹⁰ For the EU these are leadership, balance of power and protection of competitiveness.

Based on interests rather than positions, the EU will be able to enter into negotiations with other parties to develop options for a final agreement. Having gained rich experience in climate policy, developing a strong domestic green industry base as well as international collaboration on climate projects, development and climate finance, the EU is in an ideal role to act as a facilitator at the negotiations.

SWOT

In order to assess the scope within which the EU and its member states can act in Paris, the following section provides a short overview of its Strengths, Weaknesses, Opportunities, and Threats (SWOT). SWOT analyses are usually used during the planning phase of a business project or in personal development. While strengths and weaknesses are internal to an organization, opportunities and threats relate to external factors and shocks that could pose challenges to the status quo. Deep knowledge about one's own interests, the bottom line (Best Alternative To a Negotiated Agreement – BATNA) and possible agreement options, is crucial for win-win negotiation outcomes that the EU is aspiring to achieve. Since the EU is one of many actors involved in the climate negotiations, any action it takes has to be carefully weighed against those of others.

The analysis (on the next page) demonstrates that the EU is endowed with several advantages, in particular its consistency in climate policy and cooperation that make it a respectable interlocutor for other countries. At the same time its confusing decision-making structure and status as a supranational entity tends to confound national governments.

¹⁰ Fisher, Roger, and William Ury. 2012. *Getting to Yes: Negotiating Agreement Without Giving in*. New York: Random House.

<div>S - Strengths Advantages Policy consistency and climate policy pioneering Improving energy security, policy of energy diversification on gas and LNG Unique resources Rich policy experience: although the EU-ETS has failed, it was the biggest experiment and other countries are now “learning from failure” Highly trained and experienced experts on climate policy Unique selling propositions Advanced technology, emissions and GHG inventories, capacity building, political design Mode of multilateral action Principle of open dialogue and legitimacy Long-standing bilateral and multilateral relations with core climate players Transparency of decision-making, interests and options</div>	<div>W - Weaknesses External Perception Loss of legitimacy after collapse of CDM and carbon price More permanent lack of “actorness” due to structure (COP 21 is organised by France, the EU is represented by the Commission’s DG Climate Action, while Luxembourg has the EU Presidency) EU is considered a lightweight when compared to the US – reduced emissions paradoxically mean the EU is less crucial to a final agreement Domestic politics constraints Domestic concerns on differentiation between member states (Poland, Germany, UK) override international ones Commission mandate given by the Council, publicly available Limited Resources DG Climate Action only has 138 staff which is small (for comparison DG Development Cooperation has 1,026 staff).¹¹ No climate leadership personalities: President Hollande could still rise to the task</div>
<div>O - Opportunities Political willingness and new format INDC process: non-aggression between developed and developing countries. High pressure to come to an agreement, yet lower expectations by the public New climate leaders US and China agreements (2014-2015) Willingness to create anti-carbon clubs Deep decarbonisation and divestment movements Social Changes Broad consensus on climate science Effects of climate change are being felt, increase in temperatures and extreme weather events Combination with the development agenda, Post-2030</div>	<div>T – Threats Political changes and energy market development Refugee crisis, wars in Syria and Ukraine, and energy dependence divert attention from combating climate change New entrants in green growth markets / economic crises US clean energy package Chinese stock exchange, yet no effect on climate change policy 2 Low oil price, fracking Social changes: EU integration Eurocrisis means reduced resources for climate policy Volkswagen scandal, doubts about European emissions standards</div>

Table 2: SWOT Analysis for the EU as facilitator of a Paris Agreement

This weakness influences all EU foreign policies, not merely those on climate change. The present alliance of interests by major global players as well as an unprecedented political will and public support for climate science and action open a window of opportunity during the upcoming climate summit.

Importantly though, there are threats in terms of internal divisions between the more coal-reliant member states, notably Poland, and those who would benefit from preferential treatment towards renewable energy technologies.

In terms of geopolitics, there are crises in several parts of the world, including a more existential crisis about European integration triggered by the refugee situation and the Euro. While resources of the bureaucracies within the EU Commission and the member states are scarce, divisions between the EU member states in other areas might also spill over into the climate change field.

It is important to realize that the EU's starting position at the end of 2015 is profoundly different from that just prior to the Copenhagen Summit in 2009.

In 2009, the EU's efforts focused on providing public pressure on the big polluting countries and on building alliances with vulnerable state groupings, such as the Small Island Developing States (SIDS) and the Independent Alliance of Latin America and the Caribbean (AILAC).

In 2015 the climate field has been shaped by the announcements by the US and China and the Pope's unprecedented public lobbying on the subject. The Pontiff's intervention has taken much of the moral argument that the EU would normally make. The EU has had to take a backseat and due to internal constraints has not enough resources to do otherwise.

11 However, DG CLIMA's work has overlaps with the DGs Environment (449 staff), Mobility and Transport (437 staff) and Energy (519 staff). European Commission. 2015. "Staff Demographics for COMMISSION on 01/07/2015." Accessed October 1. http://ec.europa.eu/civil_service/docs/europa_sp2_bs_cat-sexe_x_dg_en.pdf.

12 Gippner, Olivia. 2015. "Pourquoi l'avenir de la Chine est vert". Accessed October 1. http://www.huffingtonpost.fr/olivia-gippner/cop-21-chine_b_8138120.html.

EU EFFORTS TOWARDS OTHER COUNTRIES

In light of dramatically changing priorities and external conditions the EU no longer retains an elevated position within the international climate process. The EU failed when exerting force to elicit higher climate ambition from other countries. When it attempted to extend the European emissions trading system to also cover international airlines in 2012, it created a global outcry and intense resistance from the US and China amongst others, who saw their sovereignty threatened.

However, bilaterally the EU and its member states retain their strong position at the core of a network of climate action and diplomacy; through the Green Diplomacy Network¹³, specific climate diplomats of the EU External Action Service, and importantly through EU capacity building projects with other countries.

Studies of EU leadership and limited followership by countries like China and India have shown that the EU functions as a template for policy design and implementation of climate policies. Emissions trading, feed-in tariffs and car emission standards, which it has pursued consistently since the Kyoto Protocol, were among its biggest contributions.¹⁴

Member states such as Germany and the UK believe that better informed countries and leaders are also better partners within the negotiation process. A diffusion of policy approaches, possible thanks to the EU's emphasis on transparency and capacity building ability, results in gains for EU soft power on climate issues. Countries like China, which actively look internationally for policy design inspiration, especially draw on EU experiences in climate policy making.

The next section will look more deeply into the dynamics of bilateral lobbying, capacity building and cooperation between the EU with two crucial, yet very different actors in the climate change process, China and Australia.

13 The Green Diplomacy Network links staff who hold formal responsibilities concerning the climate issue in the member states' embassies with central units in national capitals and Brussel. European External Action Service. 2015. "EU Green Diplomacy Network." Accessed October 1. http://eeas.europa.eu/environment/gdn/index_en.htm.

14 Torney, Diarmuid. 2015. *European Climate Leadership in Question. Policies towards China and India*. Cambridge: MIT Press. Gippner, Olivia. 2015. "Chinese climate policy and the role of the European Union : a bureaucratic politics approach to understanding changing climate policy during the Hu-Wen leadership (2003 - 2013)". PhD diss., Freie Universität Berlin. Rousselin, Mathieu. 2012. "But Why Would They Do That? European External Governance and Domestic Preferences of Rule Importers." *Journal of Contemporary European Research* 8 (4): 470-489.

Part III

WHAT REALLY MATTERS: DOMESTIC POLITICS, BUREAUCRACIES AND CONSTITUENCIES

For all countries taking part in multilateral negotiations domestic politics are crucial. How the EU positions itself globally is only one part of the story.

The EU's negotiation position is as much about alliances as it is about being able to understand others' constraints and seeing common interests with other players.

In the US, outgoing President Obama's willingness to issue executive orders provides a unique window of opportunity for the US to take leadership.

In China, there is an emphasis on reducing air pollution under the present leadership of Xi Jinping and Li Keqiang, as well as a pro-climate bureaucracy which welcomes European climate capacity building.

On the other hand India, the third largest emitter of greenhouse gases, has been reluctant to announce an emissions peak, but focuses its INDC on deriving 40% of its emissions from renewable and other low-carbon sources. In the context of a new government under Narendra Modi, economic development and the expansion of the manufacturing sector are priorities. That's why the new budget's plans to increase Solar PV to 100 gigawatts (GW) by 2022 and wind power to 60 GW might be much more consequential for reducing India's emissions growth.¹⁵ At the same time a strong ideological resistance to external influence makes India particularly suspicious towards binding international agreements.¹⁶

Finally, Australia, one of the highest emitters per capita, has submitted a minimal INDC under a highly conservative government that seeks to protect Australian coal exports.

I will now look at these dynamics in more detail for EU-China and EU-Australia relations, highlighting recent domestic changes and their impact on bilateral cooperation with the EU.

The two countries were chosen as they represent two different negotiation groupings in the UNFCCC, both having significant emissions reductions potential and relevance to the overall emissions trajectory.

15 Economic Times. 2015. "Budget 2015: India targets 1,75,000 MW green power by 2022." February 28. Accessed October 1. http://articles.economicstimes.indiatimes.com/2015-02-28/news/59612832_1_power-sector-solar-power-generation-capacity-wind-energy.

16 Dröge, Susanne, and Christian Wagner. 2015. "India's Position in International Climate Negotiations." *SWP Comments* 14. Accessed October 1. http://www.swp-berlin.org/fileadmin/contents/products/comments/2015C14_dge_wgn.pdf.

Australia is part of the Umbrella Group, a loose coalition of non-EU developed countries which formed following the adoption of the Kyoto Protocol. China is representative of the formal Group of the G77 and China, as well as the informal BASIC (Brazil, South Africa, India, China) grouping.

China and Australia are both currently pursuing high-emissions growth models. Yet, while the Chinese leadership appears strongly committed to a low-carbon path¹⁷, the current Australian government has all but erased previous emissions reductions after repealing a carbon tax in 2013.

Even new Prime Minister Malcolm Turnbull has, in September 2015, declared a continuation of the present path of reluctant climate policy.¹⁸ Thus, Australia provides a telling case for what could happen if a country digresses on its previous climate commitment.

CHINA AND THE EU

	China	EU
Mitigation	Emissions peak, national carbon market by 2017, fair and balanced, no external Measuring, Reporting and Verification (MRV)	Overall reduction, international MRV, transparency
Adaptation	Important, but not crucial, continue efforts on agriculture, forestry and water	Support for adaptation planning within the member states and developing countries, no reference in the INDC
Finance	Common but differentiated responsibilities (CBDR), support for developed countries to reach USD 100 billion by 2020 each year, support for Green Climate Fund (GCF)	Support to reach USD 100 billion by 2020 each year, support for GCF, planned Council conclusions on climate finance
Technology	Technology transfers	Technology development
Status of the agreement	Not legally binding	Legally binding

Table 3: Climate pledges by China and the EU, based on both countries’ INDCs¹⁹ and announcements prior to COP21.

17 Gippner, Olivia. 2015. “Pourquoi l’avenir de la Chine est vert”. Accessed October 1. http://www.huffingtonpost.fr/olivia-gippner/cop-21-chine_b_8138120.html.

18 Climate Council of Australia. 2015. “Climate Change 2015: Growing risks, critical choices.” Accessed October 1. <https://www.climatecouncil.org.au/uploads/153781bfef5afe50eb6adf77e650cc71.pdf>.

19 Latvian Presidency of the Council of the European Union. 2015. “European Union undertakings in adaptation planning (according to paragraph 12 of Decision 1/CP.20).” Accessed October 1. https://unfccc.int/files/focus/adaptation/undertakings_in_adaptation_planning/application/pdf/20150602_eu.pdf#. Latvian Presidency of the Council of the European Union. 2015. “Intended Nationally Determined Contribution of the EU and its Member

As table 3 demonstrates, positions on the main issues at the COP21 negotiations for the EU and China actually align.²⁰

By defining its emissions peak in 2030 (which it will realistically achieve by 2025²¹), the Chinese government has also demonstrated its willingness to reduce overall emissions and to transition its economic model.

Although Beijing has not specified an absolute level of emissions, it announced its intention to implement the agreement by drawing on a national emissions trading scheme to be launched in 2017.²² While this demonstrates high-level Chinese support for climate action, carbon prices will likely have to rise, and nuclear and renewable energy efforts will need to be ramped up to exceed the number of coal-fired power plants for China to meet their targets.

If the period to 2015-30 sees an increase comparable to the doubling of Chinese per capita emissions during 2004-13, the target of limiting global warming to the 2 degrees above pre-industrial levels - agreed at the 2009 Copenhagen Summit - will be unachievable.²³

Despite support at the highest echelons of Chinese decision-making for the fight against climate change and water scarcity, China and the EU disagree on the legal status of an agreement. China wants to avoid it being legally binding, while the EU has included the demand in all its climate communications. This split will present a significant drawback for an alliance during the negotiations.

Furthermore, the Chinese negotiators have a strong rhetoric preference for a “fair and balanced” division of responsibility between developed and developing countries, while the EU emphasizes an agreement “applicable to all”. These different emphases do not exclude each other, yet they could conceivably slow down the process.

States”. Accessed October 1. <http://www4.unfccc.int/submissions/INDC/Published%20Documents/Latvia/1/LV-03-06-EU%20INDC.pdf>.

European Council. 2015. “Preparations for the 21th session of the Conference of the Parties (COP 21) to the United Nations Framework Convention on Climate Change (UNFCCC) and the 11th session of the Meeting of the Parties to the Kyoto Protocol (CMP 11), Paris 2015.” Accessed October 1. http://www.consilium.europa.eu/press-releases-pdf/2015/9/40802202584_en_635781831600000000.pdf.

20 This finding corresponds with previous trends, as demonstrated in my framing analysis of 2014. Gippner, Olivia. 2014. “Framing It Right: China–EU Relations and Patterns of Interaction on Climate Change.” *Chinese Journal of Urban and Environmental Studies* 2 (1): 1-22.

21 Grantham Institute. 2015. “New study finds China’s emissions likely to peak by 2025.” Accessed October 1. <http://www.lse.ac.uk/GranthamInstitute/news/new-study-finds-chinas-emissions-likely-to-peak-by-2025>.

22 Lu Huang, Keira. 2015. “China confirms 2017 launch of national emission trading scheme, pledges 20 billion yuan to developing countries.” *South China Morning Post*. 26 September. <http://www.scmp.com/news/china/policies-politics/article/1861561/china-confirms-2017-launch-national-emission-trading>.

23 Oxford Analytica. 2015. “China-US deal sets stage for new climate change regime.” Accessed October 1. <https://www.oxan.com/display.aspx?ItemId=DB198592>.

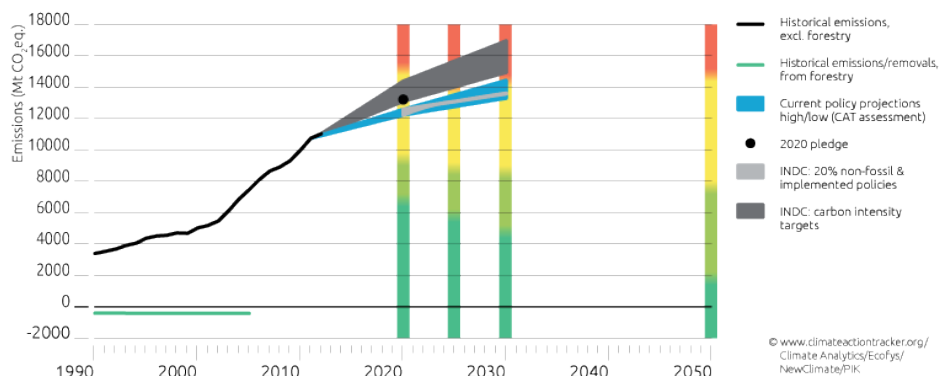


Figure 1: Development of China's carbon emissions based on INDC pledges²⁴

Although the division between the industrialised countries covered under Annex I of the Kyoto Protocol (who committed to emissions reductions in the first period) and the majority of developing countries have been removed from the present phase of the negotiations, China firmly demands developed countries "honour their previous commitments". This means, for example, filling up the currently incomplete Green Climate Fund in order to support developing countries effectively in order to adapt to climate change. The term "fairness" is also ubiquitous in European communication - a conscious choice by negotiators to garner support by China and other developing countries.

DOMESTIC CHANGES

There have been significant changes in the Chinese leadership's attitude since the Copenhagen Summit. President Xi Jinping has made climate change a core priority of his government. Premier Li Keqiang underlined the importance of the "war" on pollution at the National People Congress in March, but implementation may slow amid reduced forecasts for economic growth and current stock market woes.

The leadership is driven by internal demands of energy dependence (China is a net importer of coal, oil and natural gas) and increasing air pollution. A rising middle class (from 4% of urban households in 2000 to 68% in 2012) who are able to make their concerns heard publicly, for instance through social media, is forcing the government to be more transparent and responsive to public requests.

²⁴ Climate Action Tracker. 2015. "China." Accessed October 1. <http://climateactiontracker.org/countries/china.html>. Copyright © 2009 by Ecofys and Climate Analytics.

Structural reforms towards a low carbon economy are now well underway and make the Chinese model a possible template for other developing countries. In addition, the government's rhetoric now is to "be responsible to the world" and conducive to an agreement.

While all of these drivers signal change, EU negotiators remark that the Chinese position at the negotiations has been quite consistent regardless. In particular, the delegation team is unchanged, still led by Su Wei and Xie Zhenhua of the National Development and Reform Commission.

Besides the leadership level, the National Development and Reform Commission and its climate change department (though similarly understaffed as the EU's DG Climate Action) have been able to develop a vast international network and push for domestic climate change innovations, from emissions trading to carbon intensity targets. One particular member of the NDRC, its former Vice-Chairman and once Environment Minister Xie Zhenhua has acted as a key player and change agent. It is a positive sign that he has returned from his retirement to once again lead the Chinese negotiating team at the COP21 summit.

BILATERAL COOPERATION

In terms of funding the EU has been highly supportive of Chinese climate projects. After the establishment of the EU-China climate partnership in 2005, the European Investment Bank (EIB) provided a €500 million loan to support the NDRC's Chinese climate programme.

Big bilateral programmes took place on the Clean Development Mechanism, emissions trading and carbon capture, storage and utilization (CCUS). The EU is planning more support for CCUS domestically in Europe and with a focus on China as well. The EIB plans to cooperate closely with the newly founded Asian Infrastructure Investment Bank on climate topics.²⁵

Cooperation on emissions trading is a key example of effective EU-China climate cooperation. The EU approach has served as a template regarding policy design and practical implementation, as well as providing lessons learned from a failed carbon credits market.

To achieve this, the EU has been proactive on the level of high level visits, organising delegations of scientists and policy-makers and developing *guanxi* (good long-term personal relationships, characteristic for Chinese networking) with officials within Chinese NDRC departments. The European Commission's DG Climate Action even has a specific office dedicated to emissions trading in China. The importance of the issue for the bilateral relationship is also reciprocated by the fact that the Chinese embassy to the EU in Brussels is one of the few Chinese embassies with a climate change desk.

²⁵ Jing, Fu. 2015. "EIB planning to step up cooperation with China." *China Daily*. April 23. http://europe.chinadaily.com.cn/business/2015-04/23/content_20515612.htm.

Hence, as a Commission official has put it, there is a seeming “schizophrenia” in the relationship: while bilaterally both sides consider it positive and the Chinese NDRC is ready to act alongside the European Commission, their relationship at the multilateral level has so far been characterized by a retrenchment to traditional positions and a Chinese insistence on its role as a developing country in juxtaposition to the EU. There is a small chance of the new Chinese leadership turning this dynamic during the COP21 Summit.

WHAT DOES THIS MEAN FOR THE EU IN THE NEGOTIATIONS?

- Strive to support China to take on a leadership role.
- Encourage and highlight domestic enforcement efforts in China. Support them by offering capacity building.
- Help to underline the link between climate change and public health and low-carbon growth to strengthen the present path in the face of slowing economic growth.
- Be open to a non-binding treaty, if it allows progress on questions of emissions reductions and climate financing.

AUSTRALIA AND THE EU

	Australia	EU
Mitigation	26-28 % below 2005 levels, national energy productivity (output/energy consumption) +40% in 2015-2030, international MRV	Overall reduction, international MRV, transparency
Adaptation	National climate resilience and adaptation strategy in 2015 ²⁶ based on investment in science	Support for adaptation planning within the member states and developing countries
Finance	Conform with the international agreement	Support to reach USD 100 billion by 2020 each year, support for GCF, planned Council conclusions on climate finance
Technology	Conform with the international agreement	Technology development
Status of the agreement	Not legally binding, applicable to all	Legally binding, applicable to all

Table 4: Climate pledges by Australia and the EU, based on both countries’ INDCs²⁷ and announcements prior to COP21.

26 Australian Government. 2015. “Adaptation and climate resilience in Australia.”. Accessed October 1. <https://www.environment.gov.au/climate-change/publications/factsheet-adaptation-climate-resilience-australia>.

27 Australia. 2015. “Australia’s Intended Nationally Determined Contribution to a new Climate Change Agreement.” Accessed October 1. <http://www4.unfccc.int/submissions/INDC/Published%20Documents/Australia/1/Australias%20>

On substance within the UNFCCC process Australian pragmatism and analysis have delivered thought leadership in the negotiating process over many years, alongside other delegations.

Australia advocated differentiation of national reductions targets before it was respectable within the EU.²⁸ Yet, the current INDC provided by the Australian government is much less than what has been demanded by climate experts and scientists.²⁹

External criticism has focused on the country's high level of per-capita emissions from its economic base in the coal and mining industries.

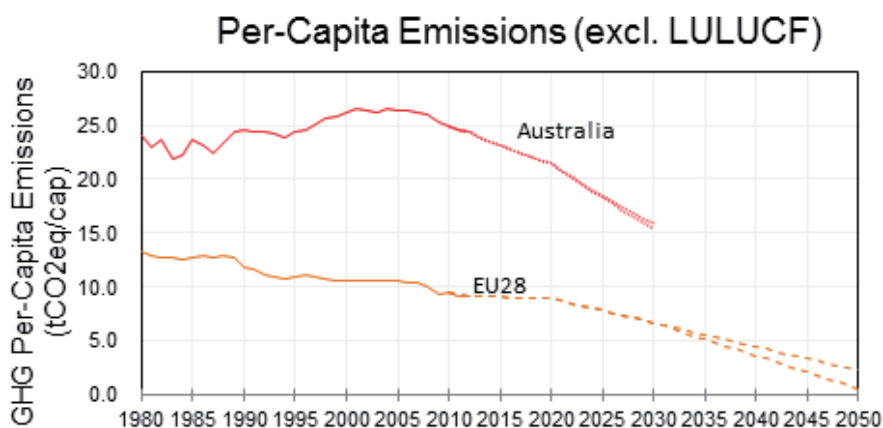


Figure 2: Per-capita greenhouse gas emissions for Australia and the EU (excluding land use, land use change and forestry), 1980–2012 with projections based on current INDC pledges for 2012–2030 (Australia) and 2012–2050 (EU)³⁰

A priori one would expect the EU to be much more successful in its bilateral cooperation with Australia compared with China, given its similar cultural and political background as well as a similar level of economic development. Yet, domestic conditions have led to a profoundly different development of climate policy in the Australian context.

Intended%20Nationally%20Determined%20Contribution%20to%20a%20new%20Climate%20Change%20Agreement%20-%20August%202015.pdf. See Footnote 17.

28 Interview with Howard Bamsey, Australian National University, 16 July 2015.

29 Workman, Annabelle et al. 2015. "Setting Australia's Post-2020 Target for Greenhouse Gas Emissions". Accessed October 1.

<http://www.climate-energy-college.net/setting-australia%E2%80%99s-post-2020-target-greenhouse-gas- emissions>.

30 Meinshausen, Malte. 2015 (personal communication), in Workman, A. & Gippner, O. (forthcoming 2015).

DOMESTIC CHANGES

Like China, Australia's economy is strongly focused on its coal-based growth and the country is geographically located far outside of European spheres of influence. Yet, Australia is one of the most divided countries on the issue of climate change. It is one of the very few countries where climate policy has resulted in the removal of several prime ministers.

Frequent leadership turnovers in Australia have been determining climate change policy. After strong resistance and even "sabotaging" of the Kyoto Protocol negotiations under the Howard government (1996-2007), the Rudd government (2007-2010) took the opposite approach, as Rudd immediately signed the Kyoto Protocol and initiated the policy process for a carbon tax and an emissions trading system.³¹ In 2010 the same government, however, delayed the introduction of an emissions trading system by three years, after domestic interest groups, such as electricity generators, protested.³² This undermined his position in his own Labor party and he was replaced by Julia Gillard later that year. Tony Abbott, Liberal Party winner of the 2013 election, repealed the carbon tax.

As former climate negotiator and expert on Australian climate policy, Howard Bamsey emphasizes: "these strong changes mask an underlying continuity in the perception of national interests. Abbott was widely criticized for proclaiming that coal is good but it was the Rudd Government that endowed the Global Carbon Capture and Storage institute in part to try to ensure a future for Australian coal exports."³³

These trade-offs of long-term climate policy for short-term political gain have garnered both international and national resistance. Public shaming in line with the G20 summit in Brisbane was found to change the rhetoric of former climate-sceptic Tony Abbott to reflect a general concern for climate change in Australia.

While observers might argue that Australia is inconsequential due to the limited absolute emissions caused by its 24 million inhabitants, the landmark Garnaut report noted that the country's influence on the neighbourhood and importantly on Indonesian policies vastly enlarges its political clout.³⁴

The country's bureaucracy and academia furthermore boasts a rich base of climate policy and science expertise. Most government officials focusing on climate policy interviewed in July 2015 had adopted a "wait and see" attitude until a more progressive government would restart some of the former emissions mitigation initiatives. Even Australia's business leadership, including

31 Hamilton, Clive. 2007. *Scorcher: the dirty politics of climate change*. Melbourne: Black Inc. Agenda; p. 222.

32 Taylor, Lenore. 2010. "Rudd's ETS flip-flop sparks climate chaos ." *The Sydney Morning Herald*. April 29. <http://www.smh.com.au/environment/climate-change/rudds-ets-flipflop-sparks-climate-chaos-20100428-tsgu.html>.

33 Gippner, Olivia. 2015. "Australia's 'prickly' relations with EU hamper climate diplomacy." Accessed October 1. <http://www.lowyinterpreter.org/post/2015/09/30/Australias-prickly-relations-with-EU-hamper-climate-diplomacy.aspx>.

34 Garnaut, Ross. 2011. *Australia in the Global Response to Climate Change*. Melbourne: Cambridge University Press; p. 168.

the extractive and manufacturing sectors, as well as civil society organizations, including trade unions, have united to create the Australian Climate Roundtable.³⁵ They are demanding a stable policy on climate change. For businesses in Australia as elsewhere, policy stability is essential for long-term investment decisions. Put another way, the Australian economy will suffer if political parties do not soon reach some degree of consensus on the issue.

In September 2015 once climate-sceptic Tony Abbott was ousted by his more climate friendly contender for the Liberal party's leadership, Malcolm Turnbull. However, the former supporter of emissions trading has left climate advocates disappointed after the first days in office, where he proclaimed he will stick to the previous government's climate policy called "Direct Action". Since the introduction of the policy in 2014, Australia's absolute emissions have been on the increase again.

BILATERAL COOPERATION

Having once gained considerable international clout on climate change, cooperating directly with the EU on linking respective emissions trading systems and with China on the contentious issue of measuring and verifying emissions from domestic industries, Australia has all but lost its diplomatic prestige on the issue.

After the sudden end to intensive bilateral cooperation in 2013, the EU's efforts in bilateral dealings with Australia have been focused on less contentious issues, such as energy efficiency improvements in cars and buildings and the Global Carbon Capture and Storage Institute based in Melbourne, of which the European Commission is a founding member. Besides that the European Commission has been making concerted efforts to increase climate ambition and an "informed debate" by making discussions on climate policy obligatory in all bilateral meetings between Australia, the EU and its member states³⁶, by designating a climate diplomat to the EU delegation in Canberra and by organising public events, such as European Climate Diplomacy Day events in June 2015.

35 The Climate Institute. 2015. "Australian Climate Roundtable Join Statement." Accessed October 1. <http://www.climateinstitute.org.au/australian-climate-roundtable.html>.

36 Also see public letter sent by the 26 ambassadors of the EU and its member states to Australia. Financial Review. 2015. "Europe calls for action." May 25. Accessed October 1. <http://www.afr.com/brand/europe-calls-for-climate-action-20150525-gh94p8>.

WHAT DOES THIS MEAN FOR THE EU IN THE NEGOTIATIONS?

- Engage with existing experts and officials at city and state levels on climate change and low-carbon growth. They will be the ones taking Australian climate policy forward when a pro-climate government comes to power.
- Increase and continue international pressure on Australia.
- Be open to a non-binding treaty, if it allows progress on questions of emissions reduction commitments.

GOING FORWARD

The above analysis has shown that the EU's negotiating power has changed considerably since the landmark Copenhagen Summit in 2009. The reasons for this have been both external as well as internal.

Externally, the EU is giving up its leadership position to the US (on the negotiation side) and China (on the technology implementation side). The US always had a highly qualified team of negotiators, but it lacked the mandate to enter into agreements. In Obama's last year in government, when he is using an unprecedented number of executive orders, the tone has changed dramatically towards providing "leadership in international efforts"³⁷.

Internally, a less attractive economic case for emissions reductions as well as several crises dominating domestic debates and concentrating resources, leave EU negotiators with limited support or political attention within the EU and the member states. Furthermore, the failed EU Emissions Trading System and scandals, such as the emissions-manipulation by one of the largest European companies, Volkswagen, damage the EU's image and legitimacy as a climate leader abroad. The Commission, the Luxembourg EU presidency, and the French hosts of the COP21 Summit are currently working hard to reclaim the momentum.

Thus, the actual leverage by the EU is limited and mediated by domestic politics. However, there remain opportunities, such as focusing on its own strengths on technological innovation capacity and finance. Furthermore, its rich cooperation experience and awareness of domestic priorities constraining strategic climate partner countries' room to manoeuvre should be considered during the negotiations.

How does that translate into negotiation strategy and tactics? Instead of striving for a leadership role, the EU can use its procedural knowledge derived from within the member states to fill the role of a mediator and facilitator during the negotiations between the big powers: the US, China and India.

EU member states have done so in the past as chairs for several negotiation streams and of course as hosts of several COP meetings. By deploying a maximum of human resources to the negotiations, providing information and importantly assessing contributions made in plenary and closed door sessions quickly for other negotiators, it can fulfil a crucial role in what can become an extremely messy process.

37 The White House. 2015. "Climate change and President Obama's Action Plan." Accessed October 1. <https://www.whitehouse.gov/climate-change>.

ON THE ROAD TO PARIS

On the road to Paris and in view of President Obama's proactive climate lobbying ahead of the summit (meetings with the leaders of China, India, the Pope, and visits to the Arctic), the US will take the lead. The EU's "back seat" position should be desirable as long as EU interests are taken care of.

This would mean moving away from its official position, foremost that an agreement must be legally binding on all parties. The requirement might be too advanced for many developing countries who cannot cope. At the other end of the scale, the US government could not justify this to the Republican-majority Senate in Washington, where still many are not convinced that climate change is man-made.

Thus, more realistic goals for the EU are three kinds of "tipping points":

- a) to put in place regulatory provisions covering 75-80% of all emissions
- b) to focus on investment which will make clean technologies cheaper
- c) to solidify political consensus - no politician should be able to deny the science or responsibility any longer.

Despite the significant challenges and geopolitical upheavals of 2015, the Paris summit and the unusual alignment of countries with an interest in achieving an agreement presents the EU with a window of opportunity. And the stakes have never been higher with essentially two possible outcomes:

- 1) Breakthrough and consensus on a completely new form of agreement.
- 2) Complete breakdown of the negotiation process.

However, the big questions of whether an agreement will be legally binding, what will replace the differentiation of annexes and how to generate and distribute finance are so-called "late night issues"; which can be prepared by negotiators, but can typically only be decided towards the last days of the conference by heads of government and ministers.

BEYOND PARIS

Long term shifts in geopolitical alliances and international hotspots, as well as an increasing consensus on climate change science, have altered the political landscape.

The European discourse has profoundly shifted from a focus on economic co-benefits to emissions-reducing, renewable technologies, and energy security.

Even if the UNFCCC Process should fail and countries should decide to revert to minilateralism and small-membership climate clubs³⁸, a community of politicians, experts and scientists has an inherent interest in pushing forward the climate agenda. Climate change is one of the few areas in which a truly international elite has emerged.

The EU can offer its rich experience in implementing climate policy domestically (emissions trading, renewable energy policies, decoupling of emissions and economic growth) and building relationships with foreign climate change policy elites to support China and the US in their declared commitment to climate change.

RECOMMENDATIONS

- Focus on achieving a deal which sees the major emitters committing to emissions reductions, even if it means compromising on its legal status.
- Put the question of finance at the forefront of the negotiations. Countries such as China and more importantly India have to justify any climate commitments to their populations.
- Involve climate communities in other countries, such as Australia. Although the government is currently reluctant, the country boasts a wealth of experience in climate policy and science. ■

38 Falkner, Robert. 2015. "International Negotiations: Towards Minilateralism." *Nature* 5: 805-806.

PAVING THE ROAD TO PARIS?

WHAT THE EU CAN DO TO FACILITATE A POLITICAL CLIMATE CHANGE DEAL

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The positions of key international players, the US, China and India on the road to the Paris climate change conference in December 2015 call for particular scrutiny from Brussels and other European capitals. What are the prospects of a more ambitious climate deal after the US and China announced their own targets in November 2014? To what extent will the EU be able to influence a higher level of ambition and can it continue to strive for a leadership role?

The EU can offer its rich experience in implementing climate policy domestically (emissions trading, renewable energy policies, decoupling of emissions and economic growth) and building relationships with foreign climate change policy elites. This strategic update uses a SWOT analysis to outline the EU's role in negotiating the post-Kyoto climate change agenda bilaterally and multilaterally, with case studies of bilateral EU lobbying and negotiations with China and Australia.

