



## Briefing on the Copenhagen negotiations

IEEP briefing series for MEP assistants

13 November 2009

This presentation aims to answer the following questions:

1. What are ECF, the Energy Strategy Centre and Project Catalyst?
2. What is the problem we are facing?
3. How are we doing so far?
4. What should we do at Copenhagen and thereafter?
5. Where are the tons we can reduce?
6. What do they cost?
7. Is Europe doing its bit?
8. How can we help you in the future?

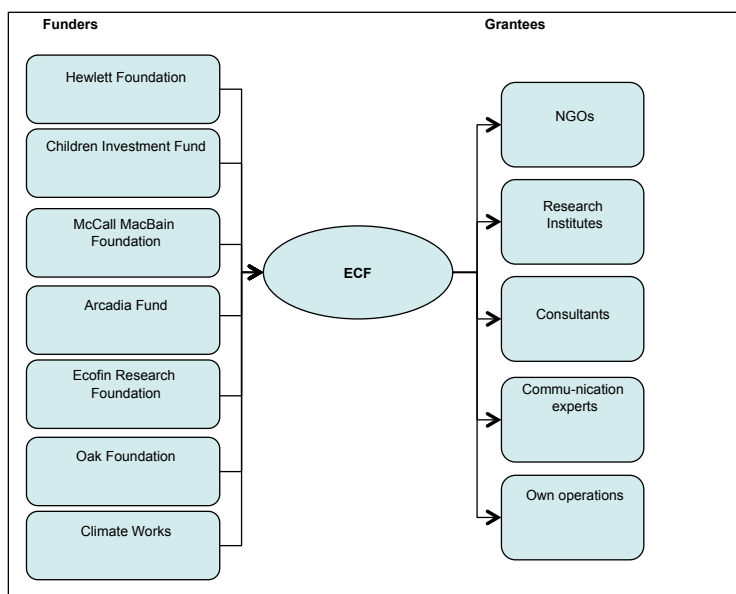
# 1. What are ECF, the Energy Strategy Centre and Project Catalyst?

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2

## About the European Climate Foundation

ECF aims to promote climate and energy policies that greatly reduce Europe's GHG emissions and to help Europe play an even stronger international leadership role to mitigate climate change.



- Started in 2007
- Currently ~30 staff, located mainly in the Hague and Brussels
- ECF is part of a global network of energy foundations, the "Climate Works" network
- Six programmes

3

- **Initiative** of the ClimateWorks Foundation
- **Launched** in May 2008 to provide analytical and policy support for the United Nations Framework Convention on Climate Change (UNFCCC) negotiations on a post-Kyoto international climate agreement
- **An informal forum** where key participants can jointly problem solve
- **Organized** in working groups with some 150 climate negotiators, senior government officials, representatives of multilateral institutions, business executives, and leading experts from over 30 countries
- Analytical support from the international consulting firm, **McKinsey & Co.**
- [www.project-catalyst.info](http://www.project-catalyst.info) for latest papers, news and background

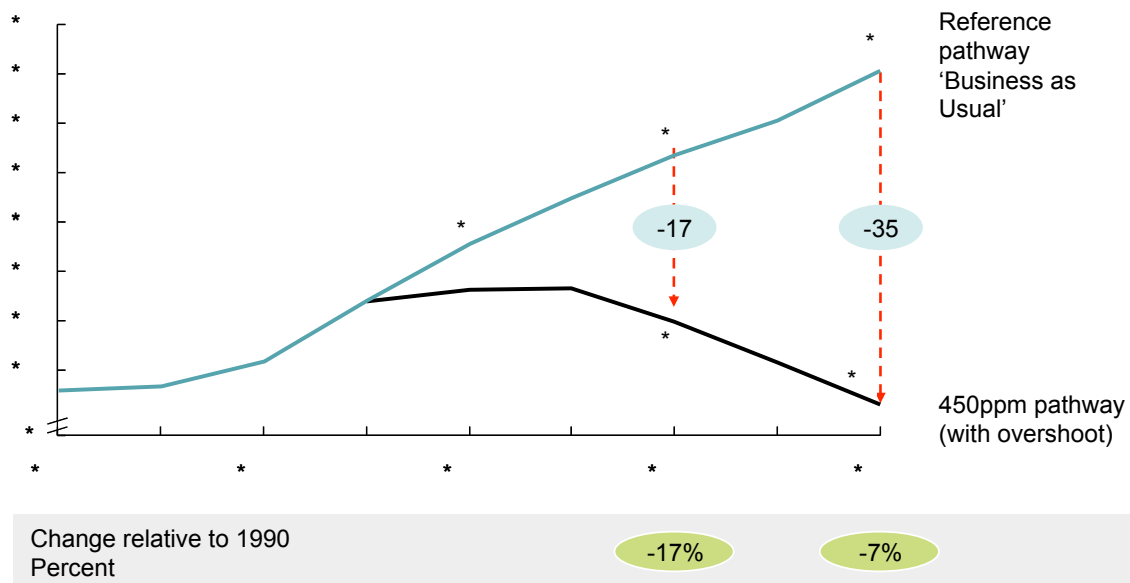
4

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5

## 17 Gt of reductions below “Business as Usual” in 2020 are required for a 450ppm, 2°C pathway

Global GHG emissions, Gt CO<sub>2</sub>e per year



Source: McKinsey Global GHG Abatement Cost Curve v2.0; Houghton; IEA; US EPA; den Elzen, van Vuuren; Project Catalyst analysis

6

## Questions

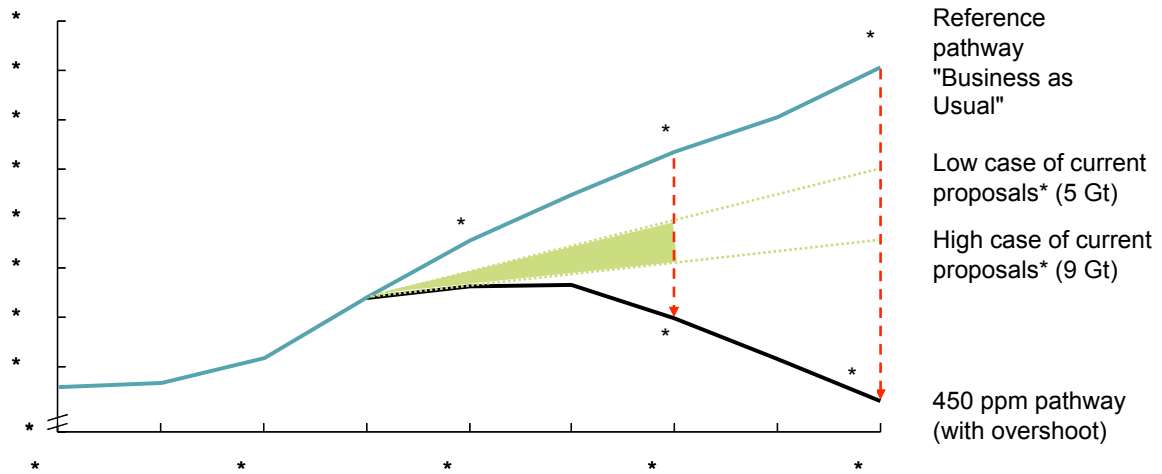
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7

# Current proposals get us only about half way there...

PRELIMINARY

## Global GHG emissions Gt CO<sub>2</sub>e per year



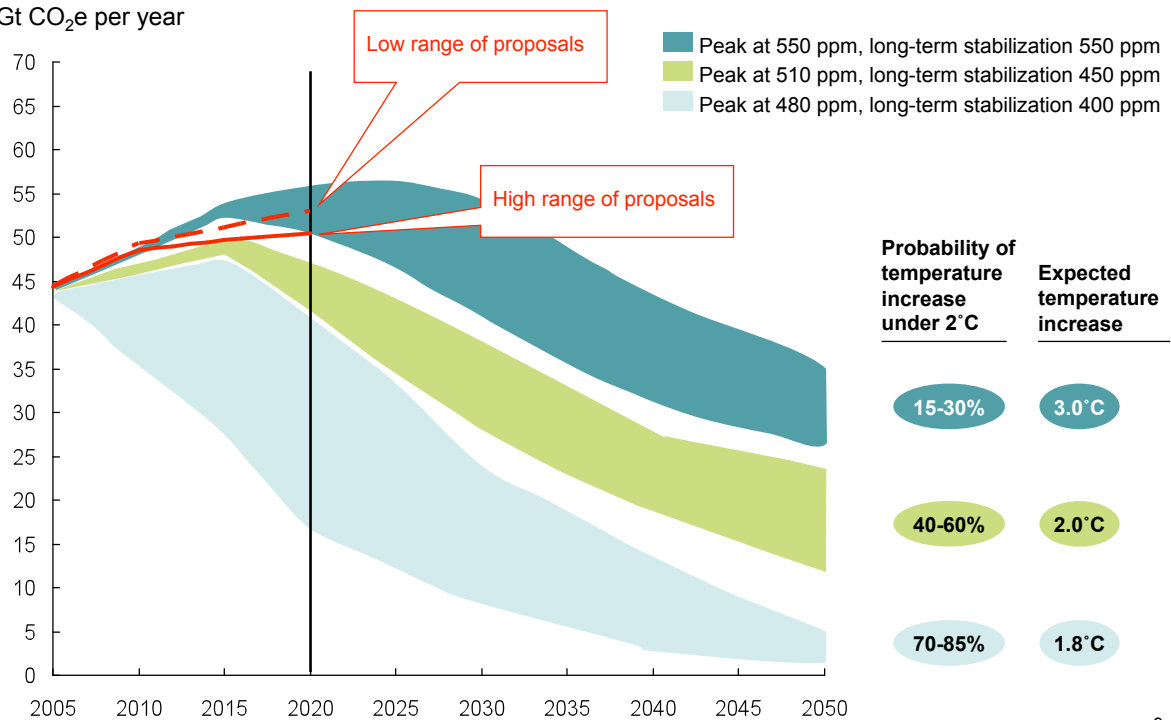
\*E.g., 20% vs. 30% below 1990 emissions in the EU

Source: McKinsey Global GHG Abatement Cost Curve v2.0; Houghton; IEA; US EPA; den Elzen, van Vuuren; Project Catalyst analysis

# ... and leave us on track to 3°C or more!

## Global GHG emissions and pathways for GHG stability

Gt CO<sub>2</sub>e per year



Source: IPCC WG3 AR4., den Elzen, van Vuuren; Meinshausen; Global GHG Abatement Cost Curve v2.0, Catalyst analysis

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10 elements needed for a high level COP decision

	Description
1 A global objective	Global target of staying below 2°C global warming with intermediate targets expressed in tons of CO <sub>2e</sub> , early review of adequacy
2 Low-carbon growth plans	LCGPs required for all but the least developed countries
3 A registry or schedule of commitments/actions	Internationally registered commitments of targets (developed) and actions (developing countries) to promote transparency and measurement
4 Developed country reduction targets	Individual commitments on binding reduction targets that are compatible with equity and the long term objective, plus corresponding actions
5 Developing country NAMAs	Nationally appropriate mitigation actions under developing countries' 'common but differentiated responsibilities' in pursuit of global objectives
6 Adaptation	Support for adaptation that is proportionate to size of the challenge and is demonstrably new and additional to ODA
7 Forestry	Integration of financing for REDD+ in financing commitments from developed world countries
8 Technology	Specific commitments on technology transfer and IP from developed world countries
9 Commitments on financial support	Specific and adequate additional to ODA financing commitments from developed world countries; fast start funding, new sources (bunker fuels)
10 Measurement, reporting and verification	Agreed accounting rules, transparency and review to ensure commitments on finance and actions are met

## Some progress has been made, but more is required and within reach

### Progress made so far

1	<b>A global objective</b>	Global target of <2°C endorsed by MEF and >50% cut endorsed by G8, but current proposals leave us on track to 3°C or more
2	<b>Low-carbon growth plans</b>	First LCGPs already prepared by developed and developing countries, growing support for concept
3	<b>A registry or schedule of commitments/actions</b>	Several proposals put forward by countries; what countries put in registries, including developed country caps, critical for success
4	<b>Developed country reduction targets/action</b>	80% target by 2050 endorsed by MEF and G8, but current developed country mid-term proposals fall short of what is required
5	<b>Developing country NAMAs</b>	Many countries made proposals but not formalized and still lack of ambition, size of funding needed not clear
6	<b>Adaptation</b>	Adaptation Fund is in place but significantly more funding and clarity on institutional arrangements required to meet the challenge
7	<b>Forestry</b>	Some progress on negotiating text on REDD+, regarding scope and implementation
8	<b>Technology</b>	Emerging convergence on cooperative research, development and diffusion, innovation centres, and institutional arrangements
9	<b>Commitments on financial support</b>	Few commitments on financial support have been agreed although some progress on institutional arrangements
10	<b>Measurement, reporting and verification</b>	Emerging consensus on enhanced reporting requirements, verification for funded NAMAs. Future of Kyoto accounting rules unclear.

Source: Project Catalyst

12

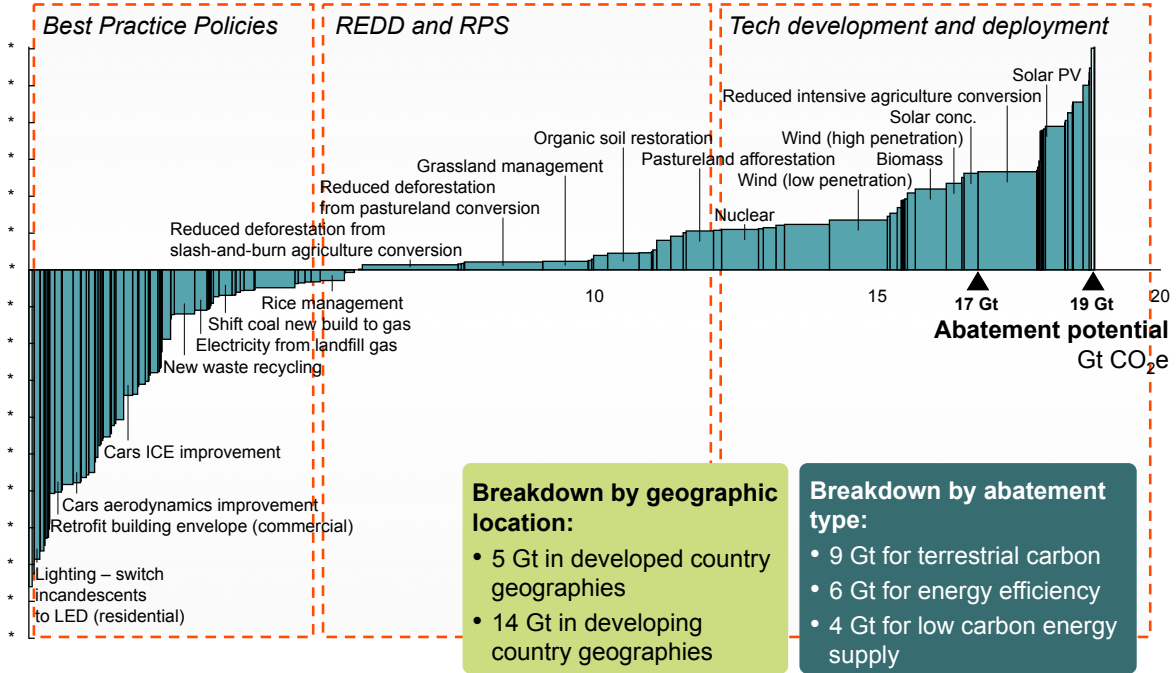
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13

# The McKinsey Cost Curve identifies 19 Gt of abatements by 2020 making it technically feasible to achieve 450ppm

McKinsey global GHG abatement cost curve, 2020\* (up to costs of €60/t, excluding transaction costs, 4% discount rate)

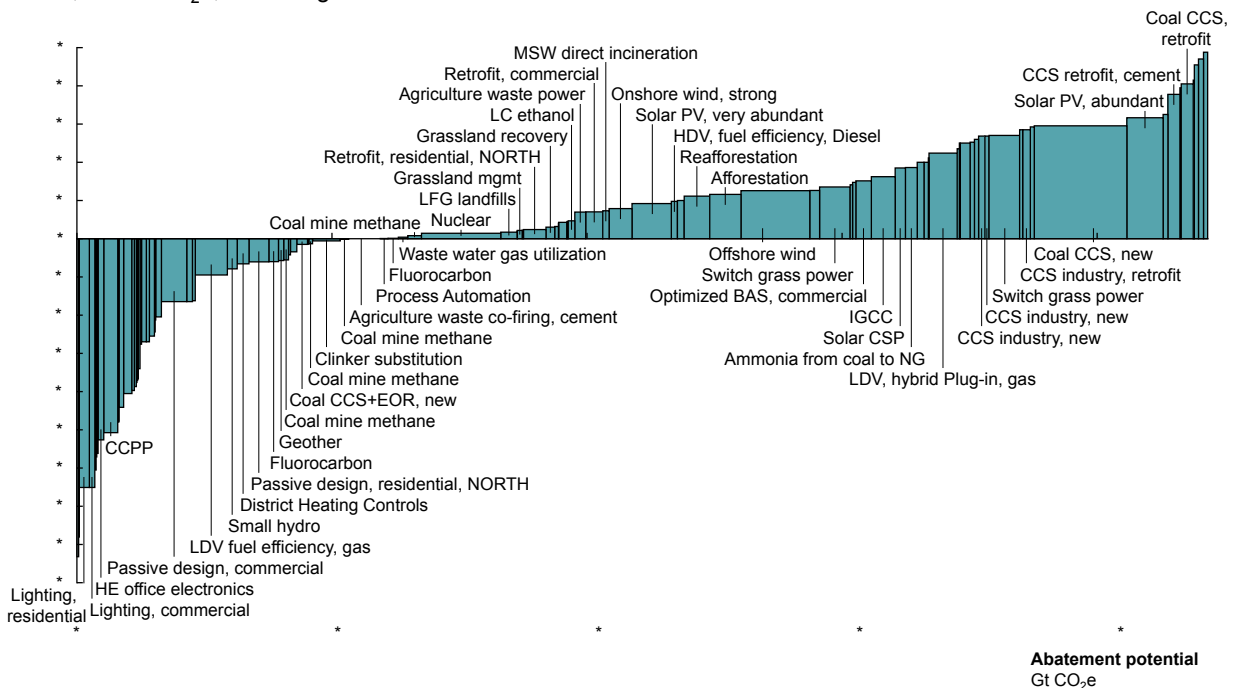


Source: McKinsey Global GHG Abatement Cost Curve v2.0

# EXAMPLE: China 2030 Greenhouse Case Cost Curve – 6,500 Mt of abatement potential

PRELIMINARY

GHG abatement cost curve for China, 2030  
Cost, US\$/t CO<sub>2</sub>e, excluding transaction costs



Source: China climate change cost curve team



## A number of countries are already implementing national strategies to get on low-carbon pathways

NT EXHAUSTIVE

project catalyst

### Mexico

- The Special Program on Climate Change (PECC) will be launched in 2009
- Includes a voluntary commitment to reduce emissions 50% relative to 2000 baseline by 2050
- The program includes specific short-term and long-term initiatives to achieve this

### UK

- UK implemented Climate Change law with progressive deep emission reductions till 2050
- Recommendations on the 2050 emissions reduction target to go to 80% relative to 1990

### Republic of Korea

- "Low Carbon Green Growth" vision announced in 2008
- Comprises the 1st National Basic Energy Plan and Comprehensive Plan on Combating Climate Change
- Green Growth to bring a new paradigm to economic development, seeking to break away from conflicting nature of "green" and "growth" and achieve economic growth while maintaining environmental integrity

### Guyana

- Low Carbon Development Strategy launched in 2009
- Aim is to stimulate the creation of a low-deforestation, low-carbon, climate-resilient economy
- Focus on avoiding deforestation and using funding to enable low carbon economic development of new sectors

### South Africa

- South Africa released its Framework for Climate Policy in July 2008 after 2 years of multi-stakeholder cooperation
- Aim is low-carbon, climate-resilient economy by 2050
- Partly unilateral, partly support needed internationally

### Bangladesh

- Climate change strategy and action plan launched in 2008
- 10-year programme from 2009-18 with aim to foster pro-poor, climate-resilient and low-carbon development
- Defines 37 programmes across 6 pillars
- Adaptation is priority in the short to medium term
- Established National Climate Change Fund to administer funding



Source: Project Catalyst

16

## Questions

project catalyst

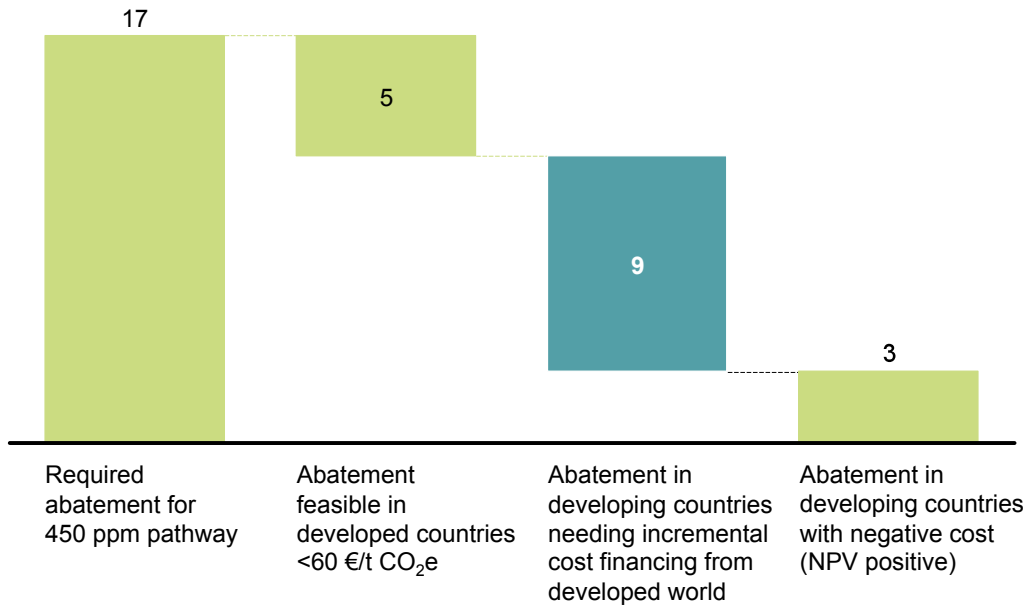
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17

# Seventy percent of 2020 economic abatement opportunities are in the developing world – most of this will need financial support

**The split of the required abatement in 2020**  
Gt CO<sub>2</sub>e, 2020

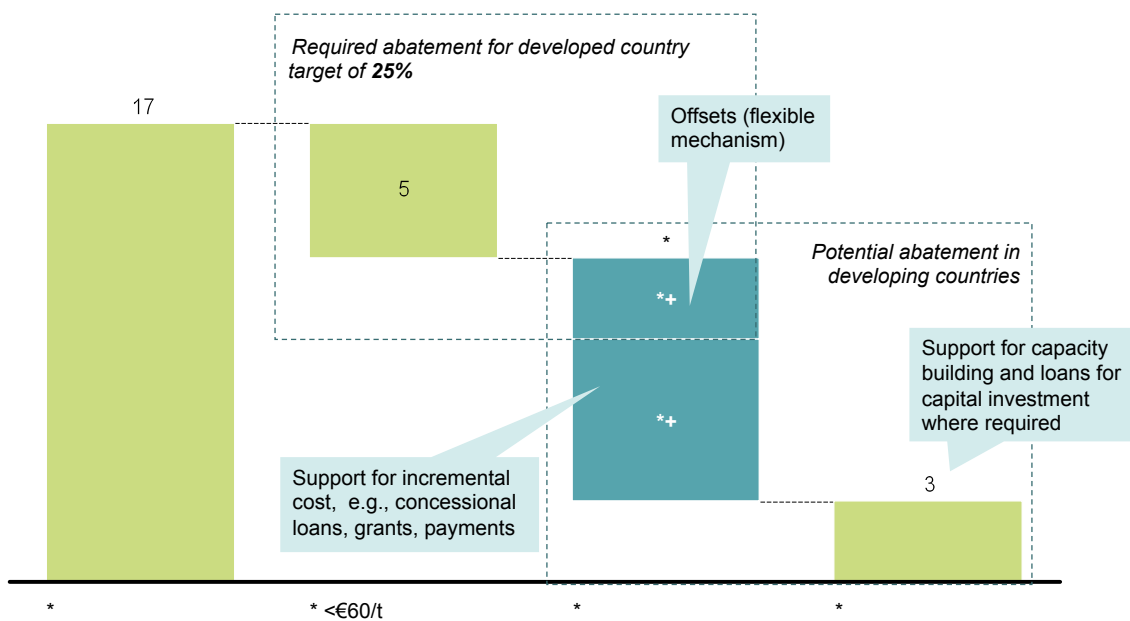
Abatement needing additional financing (to meet incremental costs) from developed world



Source: McKinsey Global GHG Abatement Cost Curve v2.0, Project Catalyst analysis

# Under a 25% (1990) target for developed countries, carbon markets contribute to, but not alone finance, developing country LCGP costs

Required abatement in 2020, Gt

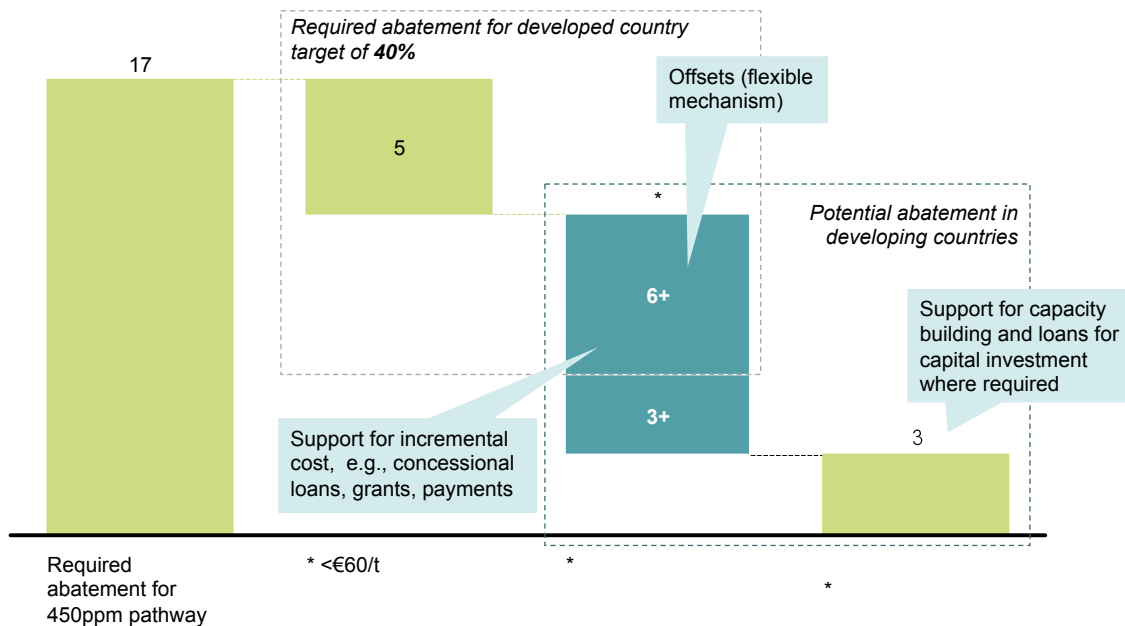


Source: McKinsey Global GHG Abatement Cost Curve v2.0, Project Catalyst analysis

# Under a 40% aggregate developed world cap, carbon markets would deliver a greater proportion of developing country LCGP costs

## The Split of the required abatement in 2020 Gt CO<sub>2</sub>e, 2020

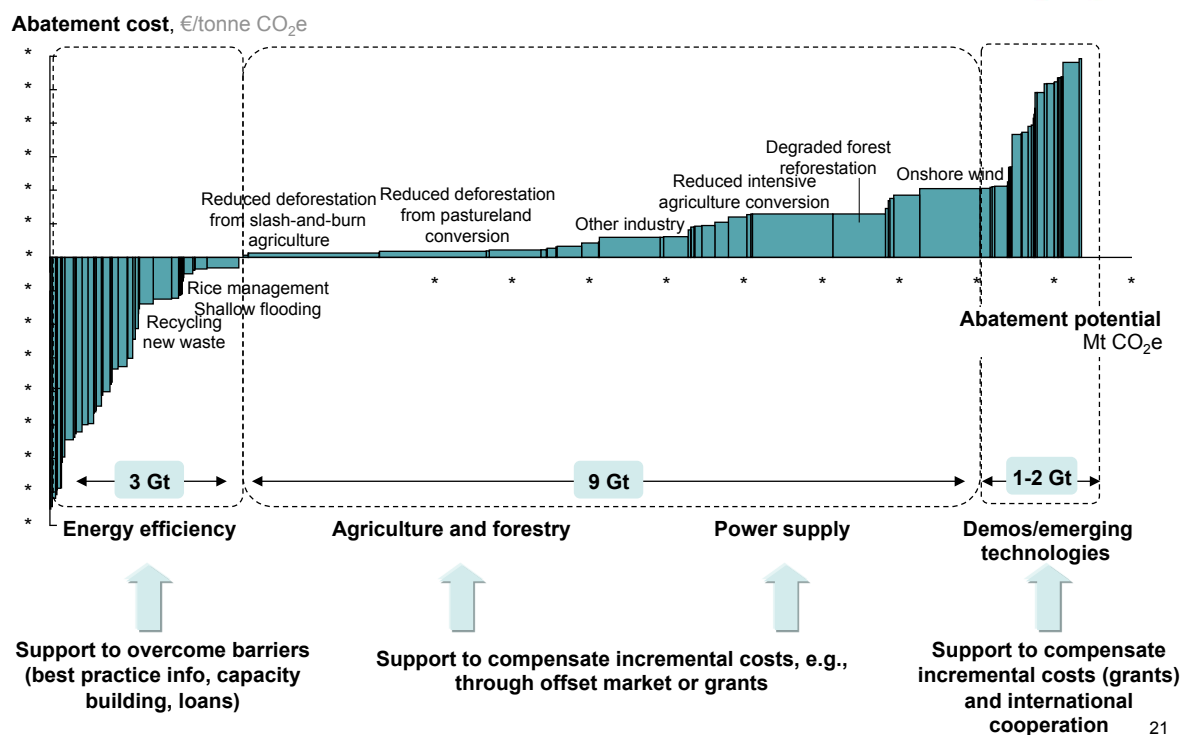
Abatement needing additional financing (to meet incremental costs) from developed world



Source: McKinsey Global GHG Abatement Cost Curve v2.0, team analysis

# Developing countries require different types of financial support for mitigation activities

## Developing country cost curve, 2020 (up to €60/tonne, 10% discount rate)

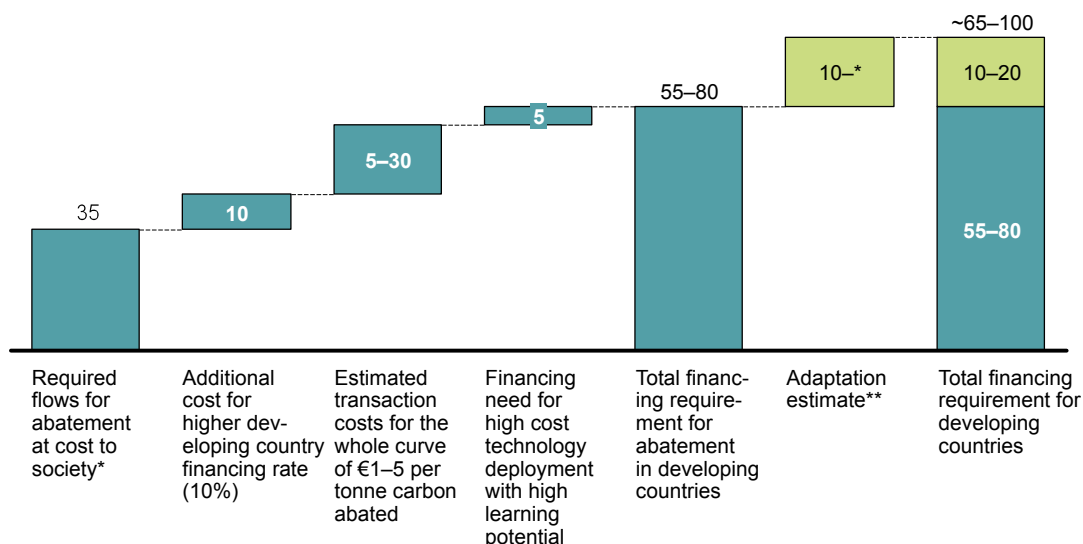


Source: McKinsey Global GHG Abatement Cost Curve v2.0

## Developing countries would require up to €65–100b p.a. to cover incremental costs

Annual financing flows requirement for developing countries  
€bn on average p.a. 2010–20

■ Costs of 12 Gt of developing countries abatement  
■ Adaptation cost



\*Assumes all abatements delivered at average cost; 4% discount rate

\*\*Based on increased financing for global public goods (incl. research), expected funding required priority investments for vulnerable countries (based on NAPA cost estimates), and provision of improved disaster support instruments (based on MCII work)

Source: McKinsey Global GHG Abatement Cost Curve v2.0; 'Bosetti; Carraro; Massetti; Tavoni'; UNFCCC; Project Catalyst analysis

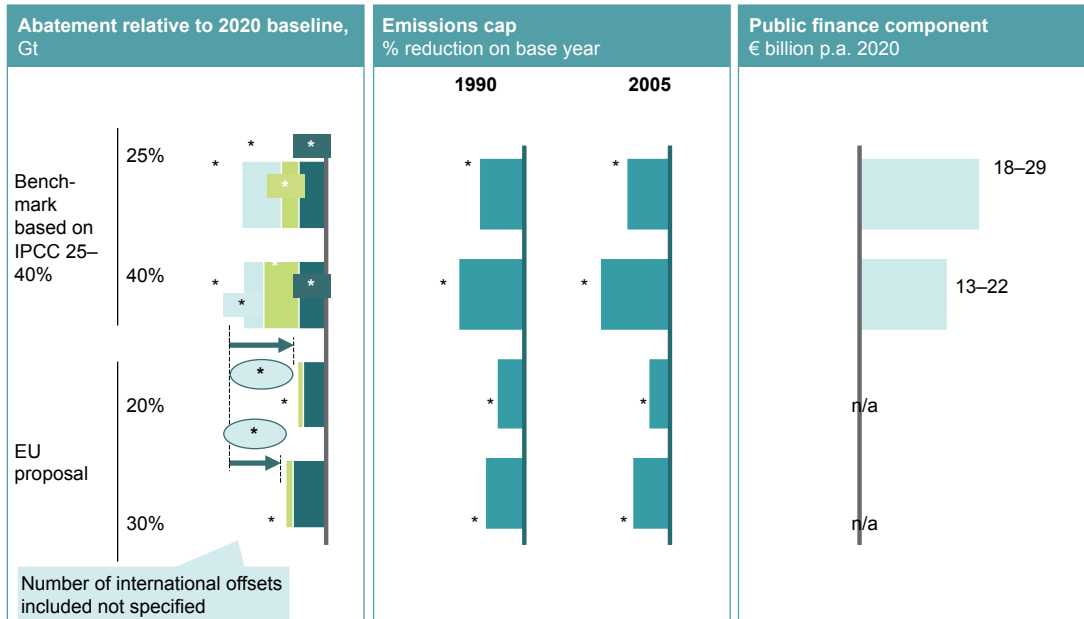
22

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23

# EU27: for 30% target, the EU comes close to its fair share of collective 25% cap – once the finance commitment is defined



Source: Project Catalyst analysis, McKinsey Global abatement cost curve v2.0, UNFCCC for 1990 and 2005 baseline

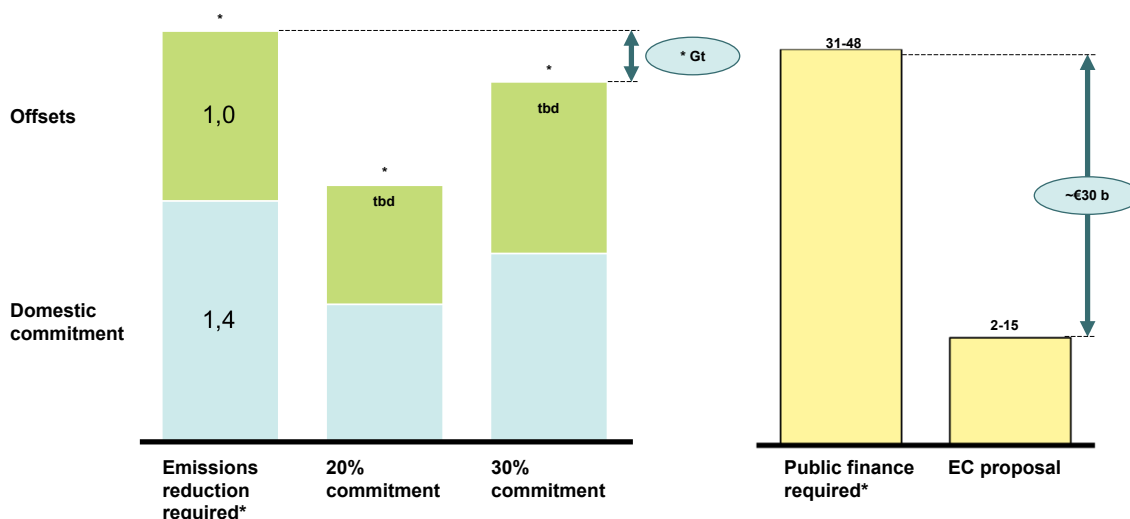
## The EU has shown leadership on emissions reduction proposals but is falling short on financing proposals

The EU's target of 30% comes almost into line with the Project Catalyst benchmark

Emissions reduction (Gt CO<sub>2</sub>e)

But the public financing suggestion falls far short of that required

Public finance to developing countries, € bn per year by 2020



\*According to Project Catalyst benchmark based on 25% aggregate developed world emissions reduction + remaining public finance requirement split by emissions (50%) and GDP (50%) amongst Annex II countries

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- Analytical support (e.g. on CCS)
- Briefings (e.g. CARE package)
- Strategic dialogue

Thank you!

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