



Assessment of achievements of the Lima Climate Change Conference and perspectives on the future

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Abstract

The Lima call for climate action adopted at the Lima Climate Conference on Climate Change specifies that the principles of the United Nations Framework Convention on Climate Change, including the principle of common but differentiated responsibilities, shall apply to the new climate agreement to be adopted at the Paris Conference on Climate Change in 2015. Decisions on other heavily debated items, including the intended nationally determined contributions, were also made at the Lima Conference. The significant achievements in Lima and the positive momentum have laid a solid foundation for the adoption of a new climate agreement in the Paris Climate Conference. Four measures are proposed for China to meet great challenges in addressing climate change beyond 2020, including early formulation and issuance of a climate change law, establishment of a greenhouse gas emission trading scheme, promotion of advanced climate technology investments, and further international engagement for climate change.

Keywords: Lima Climate Change Conference; Ad Hoc Working Group on the Durban Platform for Enhanced Action; Greenhouse gas mitigation; Climate change negotiation; Carbon market; Common but differentiated responsibilities

1. Conference overview

On December 1–12, 2014, COP20 (the 20th Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC)) and CMP10 (the 10th Session of the Meeting of the Parties to the Kyoto Protocol, hereinafter referred to as Lima Conference or the Conference), was held in Lima, Peru. Representatives from 188 countries, 102 international organizations, 624 non-

governmental organizations, and 434 media agencies took part in the conference. The conference was originally planned to close on December 12, but it was delayed until 1:30 PM on December 14 due to obvious disagreements on certain significant principles. The Lima call for climate action (LCCA) (UNFCCC, 2014) and other relevant decisions were finally adopted through compromises among Parties.

2. Major outcomes and analysis

Similar to the previous climate conferences, the Lima Conference had several dozen agenda items. The conference focused on the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP), which has two key items (Lu, 2012): to further enhance all the Parties' pre-2020 action under the Convention or Kyoto Protocol and to prepare the draft negotiating text of a new agreement on post-2020 global climate change to be adopted in Paris, France in 2015. Other

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important items included: loss and damage mechanism, financial mechanism, technology development and transfer, capacity-building, carbon market mechanism, and transparency of action and support. This report focusses on the analysis of the ADP negotiation outcomes, and briefly analyzes the outcomes of other aspects.

2.1. Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP)

At the COP17, the 17th Session of the Conference of the Parties to UNFCCC in 2011 in Durban, South Africa, a decision was adopted to launch a negotiation for formulating a new agreement on post-2020 global climate change and enhance all the Parties' pre-2020 emission mitigation efforts. This negotiation was launched at the end of May, 2012. At the COP18, the 18th Session of the Conference of the Parties to UNFCCC, which took place at the end of 2012 in Doha, Qatar, an ADP negotiation roadmap was developed to work out the elements of the new agreement on global climate change in 2014, to prepare the draft negotiating text in May, 2015, and to conclude the negotiation by the end of 2015. It was agreed that the new agreement should include mitigation, adaptation, finance, technology transfer, etc. In addition, it was decided to continue the talks on pre-2020 measures and actions to mitigate the global greenhouse gas (GHG) emissions. COP19, the 19th Session of the Conference of the Parties to UNFCCC in 2013 in Warsaw, Poland, launched the discussion on the core elements of the new agreement. It was decided at the Warsaw Conference to request all Parties to submit their intended nationally determined contributions (hereinafter referred to as INDCs) in 2015, i.e., to put forward their post-2020 targets to address climate change based on their national circumstances and conditions as their contributions to protect the global climate.¹ In 2014, the ADP talk at the Lima Conference focused on three issues: the main elements of the new agreement on global climate change, the scope and timeframe of INDCs, and enhanced pre-2020 mitigation actions by all countries, especially the further quantified emission reduction commitments by developed countries under the Kyoto Protocol.

Prior to the Lima Conference, the ADP conducted three rounds of negotiations, in March, June, and October, 2014. Based on the inputs submitted by the Parties or Groups of Parties, the ADP Co-Chairs, with support of the Secretariat of the UNFCCC, put forward a Non Paper of new agreement elements that served as the basis for the negotiations at Lima. The main expected outcomes at the Lima Conference included: the formulation of a document covering the core elements of the 2015 agreement to serve as the basis for negotiations in 2015, definition of the INDCs scope, and further strengthening of the pre-2020 ambitions, including enhancing emission reduction commitments, meeting the financial commitments by developed

countries to support developing countries, and promoting the entry into force and implementation of the Doha Amendment to the Kyoto Protocol (to be effective after being approved or ratified by 144 Parties).

2.1.1. Talk on the new climate change agreement

The discussions at the Lima Conference were based on the Non Paper formulated in October, 2014. There were significant divergent and even opposing opinions among the Parties on the main principles and elements of the new agreement contained in the Non Paper. As a practice, the UNFCCC negotiation follows the Party-driven approach, which means that all inputs, proposals, and requirements by the Parties or Groups of Parties are included in the draft. Consequently, as the negotiations moved forward, the draft became increasingly lengthy (up to more than 100 pages at one time), with increasingly divergent or even opposing positions. If this had continued, it would have been impossible to formulate a draft to serve as the basis for the talks in 2015. In the last few days of the conference, all Parties agreed to focus the talk on the important principles, and define those principles in the COP decisions as a first step. Thereafter, based on the consensus on principles, negotiation on the substance would be conducted. In fact, the conference was delayed for 37.5 hours only because the Parties could not reach an agreement on the important principles. Finally, the Parties worked out the LCCA after reaching consensus on some of the important principles through compromise, while some principles were vaguely presented or not mentioned, remaining to be discussed in 2015.

The important principles discussed at the Lima Conference include the following.

First, should the principles under the UNFCCC be fully applicable in the proposed new agreement, especially the principle of common but differentiated responsibilities and the principle of equity between developing and developed countries? Developed countries emphasize that the principles under the UNFCCC are out of date, and that new principles should be developed to guide the new agreement to reflect the present global social and economic development; however, developing countries maintain that the principles under the UNFCCC are still valid and should apply to the proposed new agreements.

Second, should all Parties continue to be grouped into Annex I Parties and Non-Annex I Parties, the same grouping of Parties under UNFCCC? Developed countries oppose the continuing grouping of countries as that under the UNFCCC, arguing that the grouping is out of date since the world's political and economic situation has changed greatly, and that therefore, the countries should be re-grouped. However, developing countries insist that the grouping of countries as that under the UNFCCC should continue to apply, since this grouping was based on the historic GHG emissions and responsibilities for the protection of the climate, and the national development levels of countries. They maintain that although the economic and social status of many developing countries have significantly improved, the historic GHG emissions and the responsibilities of countries do not change, and that further, developed countries have developed even more during the same period.

¹ It should actually be all countries' specific commitments to address climate change, but at the final moment of the negotiation, it was changed into contributions as a compromise to reach agreement by all countries.

Third, what should the new agreement include? Developed countries strongly insist that it should only include the post-2020 GHG emission reduction targets by all countries, such as the GHG emission reduction targets by 2025 or 2030, while developing countries maintain that it should not only include the GHG emission reduction or limitation targets, but also the national adaptation targets to climate change, and support means provided by developed countries to developing countries in terms of finance, technology transfer, and capacity building.

Fourth, how should the transparency of national emission reduction or limitation targets, policies, and actions, in addition to the transparency of support means provided by developed countries to developing countries be ensured? Developed countries require the emission reduction targets of all countries, and the applied emission reduction policies, monitoring, reporting, and verification system (MRV) of GHG emission reductions to be transparent and verifiable; however, developing countries require that, besides the transparency of emission reduction policies and measures, the support means provided by developed countries to developing countries, together with their MRV should also be transparent and verifiable, and that developed countries should provide support to enable transparency, fully reflecting the common but differentiated responsibilities and different national conditions and capabilities between developing and developed countries.

Fifthly, should the new climate change agreement be legally binding? If a country does not comply with the requirements of the new agreement, would it be legally liable? Some countries, including the U.S., do not want the new agreement to be legally binding, or have legal force, and do not want to bear any legal liability for non-compliance with the agreement, which is fully consistent with the position of the U.S. The U.S. government does not want any international agreement to have legal force in the U.S. If an international agreement has legal force, the U.S. government would need to submit the agreement to Congress for ratification, which is the condition for the agreement to be effective in the U.S., while the U.S. Congress, especially the Republican Party, usually disapproves of such agreements that could potentially lead to legal consequences for the U.S., its citizens, or entities.

The LCCA makes it clear that all principles under the UNFCCC shall apply to the new climate change agreement, including the principle of common but differentiated responsibilities. However, it does not mention whether the Parties would be grouped as Annex I Parties and Non-Annex I Parties, and also does not mention if the agreement would be legally binding. These unspecified and unresolved issues will continue to be challenging issues in the 2015 talks. On the elements of the new agreement, the LCCA specifies that the new agreement shall address mitigation, adaptation, finance, technology, capability building, and transparency in a balanced manner, but it does not specify whether developed countries should provide developing countries with finance, technology transfer, and capacity-building support. Finally, the LCCA is silent on the legal status of the new agreement, which remains to be resolved in 2015.

A significant political barrier was overcome at the Lima Conference, i.e., the new climate change agreement is to

enhance the implementation of the UNFCCC and that all of the UNFCCC principles shall apply; this is a prominent and important achievement. Some of the wordings of the LCCA related to the principles are the same as the U.S.–China Joint Announcement on Climate Change on November 12, 2014 in Beijing, which is considered as the contribution of the U.S.–China Joint Announcement to the Lima Conference. In fact, at the conference, the Parties spoke highly of the U.S.–China Joint Announcement on Climate Change, for it brought about a new political momentum to drive negotiations on the new agreement.

2.1.2. Intended nationally determined contributions (INDCs)

Intensive and heated debates on the INDCs were held at the Lima Conference to obtain clear guidance on the scope and content of the INDCs to be submitted by the Parties, and the outcome of the debates as contained in the LCCA includes the quantifiable information to be submitted by Parties, such as the base year, timeframe, scope, policies and measures, scenarios/assumptions and methods, guidelines to estimate GHG emissions, and ways to evaluate if the contributions are fair and ambitious, and how their contributions help achieve the UNFCCC's ultimate goals; however, the politically sensitive items, such as finance, technology development and transfer, and capacity-building were not included in the INDCs. Further, the ex-ante review of the adequacy of the INDCs to be submitted by the Parties and the comparability of the GHG emission reduction efforts among the Parties were removed from the draft submitted for adoption. The EU, U.S., and China put forward their post-2020 mitigation targets that are considered as the basis of their INDCs, although these targets are not fully consistent with the requirements of the INDC submissions as specified under the LCCA.

2.1.3. Enhancement of pre-2020 actions

This item has three parts: enhancing all countries' pre-2020 emission reduction or limitation levels, strengthening the support in finance, technology transfer, and capacity building by developed countries to developing countries, and facilitation of the ratification and implementation of the Doha Amendment to the Kyoto Protocol. Not much time was spent on this item at the Lima Conference, since developed countries obviously cannot fulfill their existing commitments and promises with respect to finance, technology transfer, and capacity building, and are not at all willing to further increase their pre-2020 emission reduction commitments. In conclusion, the LCCA only calls for, or encourages, all countries to ratify and implement the Doha Amendment to the Kyoto Protocol and urges all Parties to enhance their pre-2020 mitigation efforts.

2.2. Other important items

2.2.1. Loss and damage

In 2013, the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts was established at the Warsaw Climate Change Conference to mitigate

the heavy loss caused by climate change on developing countries. Developing countries maintained that this mechanism should be included in the new agreement. However, developed countries strongly opposed this, arguing that climate change adaptation is a locally beneficial action, and that therefore, it should be the responsibility of the local authority to take care of the adaptation measures, including the required finance. Finally, the LCCA at its preamble only recalls this mechanism and welcomes the progress made, but does not include it in its action plan.

2.2.2. Finance mechanism

The main item of climate change talks during the UNFCCC process has always been that developed countries should provide developing countries with sufficient financial resources to help them mitigate GHG emissions and adapt to climate change. In the past, the Global Environmental Facility (GEF) acted as an interim finance mechanism to provide developing countries with financial support to address climate change. At present, the Green Climate Fund (GCF), established by a UNFCCC decision at COP16 in 2010 at Cancun, is the finance mechanism under UNFCCC. At COP15 of the UNFCCC in 2009 at Copenhagen, developed countries promised to scale up the financial support to developing countries by US\$ 100 billion per year by 2020 (including the public fund from the government, multilateral financing institutions (e.g., multilateral development banks), and funds from the private sector). The GCF officially began operations in 2014 and raised US\$ 9.7 billion before the Lima Conference, setting a goal of raising 10 billion US\$ by the end of 2014. Developing countries have been complaining that developed countries have not met their commitments on finance provisions. To satisfy the developing countries' expectations with respect to finance, the president of the Lima Conference convened a ministerial roundtable on finance. At the roundtable, ministers from developing countries strongly urged developed countries to show their sincerity and fulfill their finance promises. Several countries made new or additional pledges to contribute finances to support developing countries, helping the GCF raise additional funding. Finally, the GCF received pledges from Parties for a total funding of US\$ 10.2 billion, exceeding the earlier expectation. Besides, the Chinese government announced at the roundtable that it will support the establishment of the South–South Cooperation Fund on Climate Change and promised to double its annual contribution of funding from 2015, receiving warm welcome and appreciation by the Parties.

2.2.3. Technology transfer

Technology transfer has also been an important topic of climate change talks during the UNFCCC process. At present, the Technology Mechanism has been established under UNFCCC, and includes two arms: Technology Executive Committee (TEC) and Climate Technology Centre and Network (CTCN). Developing countries are not satisfied with the fact that the Technology Mechanism only provides some consultancy and information services, and hope to obtain real technology

investment, development, and transfer. However, developed countries have acted very passively on this issue, and pushed all these requests to TEC and CTCN. To solve the issue of lack of funding for technology transfer, at the Lima Conference, developing countries proposed to link the action put forward by the Technology Mechanism with the resources allocated by the Finance Mechanism (GCF and GEF). However, the developed countries rejected this idea, and nothing came of it.

2.2.4. Carbon market mechanism

The Lima Conference adopted the guidance to continue the clean development mechanism and joint implementation, and the draft document of the new agreement attached to the LCCA also includes a paragraph on the carbon market mechanism, indicating that the carbon market mechanism will continue to play a role in the future climate change architecture; however, the paragraph does not define the specific carbon market mechanism.

3. Perspectives on the Paris Climate Change Conference in 2015

Even though the Lima Conference laid a good foundation for the Paris Conference, the climate change talks in 2015 still face significant challenges, and therefore, much effort is required to address these challenges, which includes at the very least, the grouping of countries, legal status of the new agreement, review of emission reduction efforts by Parties, linking of efforts to address climate change by developing countries with the provisions of support by developed countries, as well as the means of support (finance, technology transfer, and capacity building), carbon market mechanism, loss and damage mechanism, and so forth.

The United Nations Secretary-General Ban Ki-moon held the United Nations Climate Summit on September 23, 2014, in New York, to enhance the global political momentum to drive the process and to ensure the success of the Paris Conference. The outcomes of the Lima Conference have laid a sound and solid foundation for the Paris Conference. In particular, the Lima Conference removed a significant political barrier in the United Nations climate change talks, i.e., the principles under the UNFCCC shall apply to the new agreement. Further, the GCF raised up to US\$ 10.2 billion, which partially satisfies the expectation of the developing countries. All these achievements have created a good environmental and political momentum for the Paris Conference. Besides, much evidence indicates that major state leaders will present at the Paris Conference to provide political guidance to ensure the success of the negotiations.

In summary, one may conclude that the Paris Conference will be a success even though it faces many challenges.

4. Perspectives on Chinese climate change governance in the future

Since 1991, China has been a major driving force in the United Nations' climate change talks, and has systematically

supported research on climate change science and policy as well as mitigation and adaptation actions. In 2009, China announced its GHG emission mitigation targets by 2020 with indicators of carbon emission intensity per GDP, non-fossil energy share, and forestry management. From 2009 onward, the central and local governments have integrated these targets into their work plan for implementation. At the 18th National Congress of the Communist Party of China (CPC), the concept of ecological civilization was included in the CPC's guiding policy, and the newly elected government promised to further enhance the efforts on addressing climate change. Therefore, it is expected that addressing climate change will be a priority for the government in the future.

For addressing the significant challenges related to the post-2020 global climate change, China will have to enhance its efforts, and the following four recommendations are highlighted based on previous studies.

First, a Climate Change Law that defines the GHG emission rights and reduction obligations should be formulated and published as soon as possible. At present, there is no legal regulation to address climate change, and hence, the government has no legal basis to formulate relevant policies and measures to reduce GHG emissions. Having no law to define GHG emission rights and reduction obligations leads to difficulties in implementing (Lu, 2013). Clearly, there is an urgent need to formulate a law that can define GHG emission rights and reduction obligations, which can lay a sound and solid foundation for the government to formulate GHG emission reduction policies and measures, establish an ETS, and explore carbon financing.

Second, a national ETS should be established and improved based on operational experience. China has made an ambitious plan to build a national ETS by 2016. The Asian Development Bank (ADB), when it made policy recommendations to China in 2014, recommended the construction of a national ETS through the approach of “unified planning and design by central government, management and operation by local governments, and linking ETS of provinces/cities step-by-step”,² i.e., the central government is responsible for formulating the unified ETS policies, rules, guidance and methodologies, setting GHG emission targets for all provinces and cities, and establishing and managing a central registry for recording, monitoring, and verifying carbon trading; all the provinces and cities will be responsible for assigning their GHG emission reduction obligations to entities, checking the compliance of GHG emission reduction obligations by entities in accordance with the central government's unified requirements and guidance, and supervising the operations of local ETSs. When a local ETS system can meet the requirements of the central government's policies and regulations, it can be linked and integrated into the national ETS.

China's carbon market will soon become the largest market in the world, and is expected to be gradually linked with other countries' carbon markets after 2020. A China-centered global carbon market can be expected. With the development and operation of the carbon market, carbon finance will become a reality. In 2025 or thereafter, China is expected to become a global carbon trade center and carbon finance center.

Third, investment in advanced climate technologies to address climate change needs to be scaled-up. The most effective way to mitigate climate change is to scale-up the deployment of advanced climate technologies (advanced mitigation and adaptation technologies). The Asian Development Bank has recommended a policy package to promote investment in advanced climate technologies in its policy recommendations to the Chinese Government in 2014, which includes incentive policies, market access standards, government procurement policy, and talent policy. It also recommends that assessment methods of advanced climate technologies for investment should be developed for application, an incentive fund for climate technology investment be established, and that the emission reduction benefit achieved by advanced climate technologies be included in the cost-benefit analysis.

Fourth, China needs to be more internationally engaged in climate change governance. As China's national power continues to increase, China will play an increasingly important role in addressing global climate change. It is only natural that the international community expects China to increase its contribution. To meet these expectations, China can contribute by addressing the difficult issues, such as taking the lead to develop an acceptable roadmap for stabilizing global GHG emissions, defining the principles and methods to fairly and reasonably share the global obligations among countries, establishing a globally-unified carbon market with acceptable international rules, guidance, and methods, and exploring effective ways to scale up global investment in advanced climate technologies. All these expectations along with the associated challenges will require China to engage itself more deeply with international governance on climate change and to contribute more.

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² Asian Development Bank's policy recommendations for the thirteenth five-year plan of the Government of the People's Republic of China in December 2014.