

# The United Nations Climate Change Conference 2009 in Copenhagen

The report was edited by Markus Götz on 27. Januar 2010

FutureCamp Climate GmbH  
Chiemgastr. 116  
81549 München, Germany

[www.futurecamp-climate.de](http://www.futurecamp-climate.de)  
[markus.goetz@future-camp.de](mailto:markus.goetz@future-camp.de)

Tel +49 (89) 45 22 67 -29  
Fax +49 (89) 45 22 67 -11

## Preface

In December 2009, Climate Change took centre stage. Literally, the world was watching the gathering of 115 heads of state. Many of these had repeatedly declared their strong desire to achieve an ambitious, legally binding outcome of the Copenhagen Conference (COP). Despite the unprecedented political and public attention, the momentum could not be translated into a post-Kyoto agreement. In the end, a group of 26 heads of state came up with a short paper, the "Copenhagen Accord", which the Conference of the Parties only "took note of". Formally, it does not have the status of a decision that could provide further guidance in the process of building a post-2012 global climate change framework. The media and many activist groups described COP 15 as a "failure" and many politicians openly showed their disappointment.

How does the world look after COP 15? Was COP 15 the failure it has been criticised to be? What are the implications for current policies and mechanisms that had been established under the Kyoto Protocol? And which guidance does "Copenhagen" provide for the post-2012 world? What concrete conclusions can be drawn for companies that are involved in the carbon markets that make use of Kyoto's flexible mechanisms CDM and JI? What strategic implications does COP 15 provide in specific sectors?

The world has become more complex after Copenhagen. The global climate change architecture is becoming more fragmented, with trends towards regionalization, nationalization and bilateralism. This makes it even more difficult for companies to make strategic decisions.

However, it would be a mistake to reduce attention on the post-Kyoto process now. COP 15 offers far more guidance regarding how a post-Kyoto global framework might look like in contrast to the first reactions the media had led one to expect. On the one hand, the Copenhagen Accord is much more substantial than a quick look might tell. Especially when read with profound knowledge of the entire negotiating process, the picture becomes much clearer in far more detail.

An agreement at COP 16 in Mexico is very likely to happen. It will be dependent on the concrete steps that states take to implement the provisions of the Copenhagen Accord. The first deadline is 31 January 2010. According to the Accord, states shall submit their emission reduction targets and actions by then. Along with these international developments come initiatives at other levels, e.g. national. The most important of these is US climate legislation. Its progress in the US Senate is crucial for COP 16. But Copenhagen showed that there are other important players in the game as well, such as China, Brazil and India. These countries are also currently undertaking important legislative steps - in the end, it is not that important whether these countries start acting on the grounds of climate policy or for other reasons, e.g. energy security.

A "Copenhagen-Mexico Agreement", or however it might be called, has become far more actual than media reporting might let one assume. Although several "big issues" still stand in the way, considerable progress has been made in many fields - especially at the more technical levels that have direct implications for business.

## 1. Outcome of COP 15 in Copenhagen

The United Nations Climate Change Conference (COP 15 /CMP 5) in Copenhagen, Denmark took place from 7-19 December 2009. The conference was supposed to mark the end of a two-year negotiating process that had been conducted under the Bali Road Map, launched in 2007. The main objective of the conference was to deliver a new treaty to succeed the Kyoto Protocol, which expires in 2012. Expectations were summarized by UNFCCC Executive Secretary Yvo de Boer in the Opening Plenary of the COP. The result should be:

- An agreement on implementation of mitigation, adaptation, finance, technology, reducing emissions from deforestation and forest degradation in developing countries (REDD) and capacity-building actions
- Ambitious emission reductions commitments
- "Start-up finance" of around US\$10 billion per year, and
- A shared vision on long-term cooperative action

Finally, the conference resulted in a political agreement - the "**Copenhagen Accord**". The document is not legally binding and does not have the status of the Kyoto Protocol. Its implementation will depend on the next steps taken by states. However, in substance, it contains essential statements in all areas that de Boer mentioned:

- **Mitigation:**
  - Economy-wide emissions targets for Annex I (developed) countries for 2020
  - Non-Annex I (developing) countries "will implement mitigation actions"
  - Targets and actions are to be submitted into respective appendices by 31 January 2010. Developed countries might act tactically and submit their lower targets in order to negotiate towards the higher targets in Mexico.
  - Actions for which developing countries are seeking support will be recorded in a (National Appropriate Mitigation Actions - NAMA) registry; voluntary actions by Least developed and small island countries on the basis of support.
- **Adaptation:** Adequate, predictable and sustainable finance, technology and capacity-building to support the implementation of adaptation actions in developing countries, especially for those particularly vulnerable.
- **Finance:**
  - USD 30bn collective commitment of developed countries for period 2010-2012
  - USD 100bn a year mobilized jointly by 2020
  - Long-term finance shall consist of public and private resources.
  - New "Copenhagen Green Climate Fund" and a High Level Panel
- **Technology:** Establishment of a new Technology Mechanism in order to enhance action on development and transfer of technology.
- **REDD-plus:** Immediate establishment of a mechanism to enable the mobilization of financial resources from developed countries.
- **Shared Vision:** The agreement "recognizes the scientific view that the increase in global temperature should be below 2 degrees Celsius." A review of the Accord is called for by 2015, including consideration of strengthening the goal to 1.5 degrees Celsius.

The direct relevance of the provisions of the Copenhagen Accord will depend on the next steps states undertake. After targets and actions are entered in the Annexes, concrete implications can be drawn. The 31 January deadline might be subject to some tactical bargaining moves and thus be delayed. However, once the Annexes have been filled with figures and actions, the Copenhagen Accord should become far more operative than anticipated by many after COP 15.

Though not legally binding, the document serves as an important landmark towards a new global treaty that is expected to be finalised in late 2010 at COP 16 in Mexico. It also helps to identify consensus in the negotiations in which many of these issues are developed even further. If not seen in the light of the ongoing process, the Copenhagen Accord will easily be underestimated.

Apart from the Copenhagen Accord, progress and results have been achieved in many issue areas, the most important being:

- **Mitigation by Annex I countries:** It has become apparent that countries will remain at the lower range of pledged targets as long as no legally binding agreement is achieved. No country came up with any surprises; the US target stayed in line with the pending federal legislation.
- **Mitigation by developing countries:** All major emerging economies (China, India, Brazil, Indonesia, South Africa, and Mexico) presented efficiency targets for 2020. Most of them are national initiatives independent of an international agreement with consequences for independent international review.
- **Sectoral Approaches:** As a new mechanism, sectoral approaches will be of limited importance for the coming years. NAMAs will be the most important new mechanism.
- **Emissions from international aviation and maritime transport:** No decisions have been adopted, but the issue is of importance for a new agreement, especially with regard to possible levies.
- **Financing:** Several countries made clear how much public finance they would provide for the 2010-12 period. (EU € 2.4bn p.a., US \$1.4bn p.a.).
- **Carbon Markets:** No structural changes in the existing carbon market under Kyoto. Major developments such as linking of cap-and-trade systems are not subject to the COP, but require bilateral agreements. Targets under the Copenhagen Accord will have impact on demand side, changes in targets between the 31 January 2010 deadline, and COP 16 (December 2010) should be observed! No direct impacts on supply side, however indicators regarding NAMAs, REDD-plus, CDM and JI. In summary, no clear signals have been sent to the market and uncertainty will remain at least until COP 16.
- **CDM:** No substantial reform of the CDM yet, but development towards more transparency, optimized and more standardized processes, and better regional distribution. Underrepresented methodologies will be prioritized. No decisions regarding CCS and nuclear energy under the CDM yet.
- **JI:** Should COP 16 bring a second commitment period, JI will continue. The only issue that is being discussed controversially are levies from JI.
- **LULUCF & REDD:** Substantial, detailed progress for a reform of LULUCF. REDD-crediting is not likely to be implemented soon, but consensus towards a phased approach.
- **Technology Transfer:** Institutional arrangements under the Accord; no need for alarm regarding Intellectual Property rights; important developments in the field of technology need assessments and possible project activities.

Besides the political agreement, the Copenhagen Conference brought many small steps that need close observation.

## **2. Specific outcome for Clean Development Mechanism (CDM)**

In Copenhagen, the UNFCCC released a draft decision to the CDM titled "Further Guidance Relating to the Clean Development Mechanism". Before COP 15, a huge number of proposed amendments had been circulated, with focus on how to shape the clean development mechanism, including all the experiences since 2005.

The CDM draft decision called for an improved system of "continuous performance monitoring" for DOEs and improved access to information on the performance of DOEs. Moreover, the EB is requested to adopt measures to increase capacity and improve performance of DOEs, which includes a system to promote improved levels of training for auditors involved in validating, as well as verification activities. The good news is that the parties are aware of the DOE issue, but the decided measures will not solve the problem, which is a structural one. In addition, the workload for DOEs might be increased, which will not be helpful for speeding up validations and verifications within the DOEs.

With regard to the communication between EB and project participants, the EB shall establish modalities and procedures for a direct communication in relation to individual projects. In the past, the DOE was exclusively the speaking tube for project participants of the EB.

At the next EB meeting, the Board will start with the further development of the approach for additionality and selection of the baseline scenario - the so-called Additionality-Tool. A guidance for the treatment of feed-in tariffs for renewable energy project activities should also be developed.

The establishment of simplified modalities is important for demonstrating additionality of small-scale projects to boost micro and small-scale emission reductions parallel to the PoAs. Regulation will be implemented for project activities up to 5 MW that employ renewable energy as their primary technology, and for energy efficiency project activities that aim to achieve energy savings at a scale of no more than 20 GWh per year. This should be helpful, especially for the development of PoAs.

Another interesting point is that the EB is requested to improve the "Tool to calculate the emission factor for an electricity system" for project activities hosted in countries with a paucity of relevant data, including providing flexibility for the calculation of grid emission factors. This is a fact for most of the countries in Africa and Small Island states with a small output of CDM projects.

In the draft decision, the EB has been granted permission to streamline registration and issuance procedures for emission reduction projects. As long as the new procedures are not established, the existing procedures for registration, issuance and review shall apply.

Regarding PoA, revision of relevant procedures and guidance is requested, especially by defining more clearly the situations in which DOEs could be held liable for erroneous inclusion of a component project activity, in order to reduce barriers to the development of PoAs under the CDM. Up to now, just a few DOEs offer validation services for PoAs due to the liability issue. DOEs shall be encouraged to establish offices in developing countries in order to reduce the transaction costs.

The current draft decisions foresee that countries with less than 10 registered projects should benefit from deferred payment of the registration fees until after the first issuance, as well as a new funding to accelerate the development of CDM projects in these countries. These new funding possibilities of the Trust Fund for CDM are important to boost CDM projects in countries with less than 10 registered projects. The EB is

requested to allocate financial resources from the interest accrued on the principal, as well as any voluntary contributions from donors, in order to provide loans for the development of PDDs to cover the cost for validation and for the first verification.

Carbon capture and storage (CCS) in geological formations as a possible mitigation technology could become of importance, but no decisions have been made. However, this controversial issue is backed by important Parties in the process; it can be expected to be put forward until COP 16.

Issues raised and highlighted in the CDM draft decision are far-off from being worth called a substantial reform of the CDM, which might have been necessary. The inadequacies have only partly been addressed, but the above-mentioned issues might help to develop CDM further – but just little by little.

### **3. Specific outcome for Joint Implementation (JI)**

The COP/MOP released in Copenhagen a draft decision to JI titled “Guidance on the Implementation of Article 6 of the Kyoto Protocol”. Almost all issues within the draft decision refer to projects under Track 2. Joint Implementation seems to be continuing after 2012 similar as in the first commitment period if a new commitment will be the result at COP 16. Within JI, First Track also from the point of view of JISC-members will be the mostly used option as it is the case today.

The Joint Implementation Supervisory Committee (JISC) is acknowledged with appreciation and encouraged for a couple of issues but these are not relevant for the implementation of the most JI projects. The revision to the fee structure that has been discussed very controversial before the COP 15 in Copenhagen and recommended by the JISC, has been endorsed.

Within the draft decision it became obvious that the JISC has a finance problem. Therefore the JISC shall report on the financial and budget projection up to 2012, including an analysis of when and under which conditions the committee will become self-financing. The CMP urges Parties included in Annex I to the Convention to make contributions to the Trust Fund for Supplementary Activities for funding the work on joint implementation in the biennium 2010 - 2011 at a level that would ensure the thorough and timely implementation of the Joint Implementation management plan. This problem and the fact that the issue if a share of proceeds is levied also for JI or not still is unsolved will not cause problems for ongoing projects under Track one.

FutureCamp Climate elaborated a comprehensive report about COP 15 covering the sectors & subjects forestry, agriculture, building, footprinting, HFC, Shipping & Aviation as well as technology transfer. If you are interested please feel free to get in contact with [markus.goetz@future-camp.de](mailto:markus.goetz@future-camp.de).