

## Beyond emission targets: ambition in the context of the 2018 Facilitative Dialogue

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2018 will mark the start of a new period that must pave the way for more ambitious climate action over the next decade, if reaching the “well-below 2°C” goal is to remain plausible. Countries have agreed at COP21 that they would take stock of existing climate action every five years, and identify avenues to promote the needed low-carbon and resilient transformation with a view to enhance ambition.

The first step, called the Facilitative Dialogue (FD’18), will take place next year, likely through a year-long process. Thus, following this “moment” and in order to remain consistent with the collective objective set in the Paris Agreement (PA), countries will need to submit more ambitious Nationally Determined Contributions (NDCs) by the end of the decade. Many see the FD’18 as a rehearsal for the dynamic, so called ‘ambition mechanism’ built into the PA, namely the Global Stock Take (GST), a similar exercise to be held every five years, starting in 2023. As such, the FD’18 should lay the foundation for a regular process to question, adjust and strengthen domestic as well as global ambition levels.

In the end, these exercises aim at providing domestic policymakers with the tools to strengthen their contribution and put their respective country on the path towards the profound low-carbon transformation agreed upon in Paris. This paper therefore advocates adopting a broader lens—and a richer, more operational and thus more effective view of what ambition really means—to achieve this goal.

### RECOMMENDATIONS

- A credible transition towards Paris’ long-term goal of carbon neutrality in the second half of the century requires deeper emission reductions before 2030.
- The ambition mechanism under the Paris Agreement needs to deliver on its promise to regularly increase collective ambition, or risks undermining global climate governance architecture.
- Mid-term targets are an incomplete metric to evaluate ambition and may divert policy efforts away from the real drivers of a low-carbon transformation.
- Ambition should be viewed as a combination of target-setting, preparedness to implement, and a capacity to sustain further reductions over time.
- This requires taking full account of sectoral realities, developing a long-term vision and establishing a robust climate policy governance.
- Developing national and local long-term pathways is critical for the low-carbon transition, as a process to create broad stakeholder’s ownership of a long-term vision, and to inform today’s policy decisions about their consistency with deep decarbonisation goals.

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## 1. THE AMBITION MECHANISM UNDER THE PARIS AGREEMENT

For different domestic reasons, some of the world's main emitters are not well placed to open a conversation on enhanced ambition; others are struggling to implement the necessary steps to achieve the commitments they took in 2015:

- The European Union faces other pressing issues (Brexit, migration crisis) and lacks effective governance, as illustrated by the difficult negotiations over the next phase of the EU emissions trading system, as well as the effort sharing regulation.
- The current administration in United States is trying to repeal federal climate policies and has announced its withdrawal from the PA. Efforts by individual States, cities and companies are not likely to lead US negotiators to ask for a discussion on ambition at the United Nations Framework Convention on Climate Change (UNFCCC).
- China may not acknowledge overachievement of its pledge before the end of the 13<sup>th</sup> five-year plan in 2020, even if there are signs that it could review its nationally determined contribution (NDC).

Furthermore, the notion of ambition lacks a comprehensive perspective that would enable a constructive discussion. By broadening the scope beyond countries' aggregate emission levels to the long-term sectoral transformation needed to drive decarbonization, FD'18 can shed light on progress and suggest new avenues and options for policymakers to raise ambition and enhance climate action.

This can be done through the sharing of best policy practice, registering irreversible dynamics (observed technological progress and behavioral change), and confidence building leading to more cooperative efforts. Several vehicles have also emerged outside the negotiations space to foster climate action by supporting early movers and leveling the playing field, from sector-specific coalitions to Mission Innovation or the 2050 Pathways Platform, for example. Beyond the climate threat itself, progress towards a low-carbon and resilient future must be driven by immediate social and economic interest, with policy and investment plans to engage sectors and non-state actors, attract private investment, and ultimately achieve sustainable development goals. Rather than an externally imposed moral obligation, this should be the rationale to act for policymakers.

## 2. TARGETS: AN INCOMPLETE METRIC TO EVALUATE AMBITION?

A 2030 national target is generally considered ambitious if it represents a serious negative departure from past emission trends, which says little about the objective of the PA. This narrow metric of ambition risks putting a straight-jacket around the issue. In reality, the careful wording of the PA calls for achieving the equivalent of net zero emissions globally in the second half of the 21<sup>st</sup> century, an outcome that hinges on the speed at which this can be achieved by major emitters.

The country-based aggregate vision of ambitious targets is limited for the following reasons:

- Ambition should be seen in the context of our collective goal, with the immediate question: are current pledges putting us on track with the long-term goal of the PA? The now well-known and well-documented answer is unequivocally no. A country's ambition is only relevant in the context of reaching a carbon-neutral world in the second half of the century.
- A country overachieving its pledge is not a sign that it lacked ambition when tabled at COP21. Many factors can contribute to reducing GHG emissions—unexpected technical change, market-driven closure of carbon-intensive activities, high energy prices that depress demand, or low growth. There may be important lessons to draw from Parties that may overachieve their targets (EU, China, at present), beyond the fact that target-setting is time consuming and tabling adjustments in an intergovernmental process can be an onerous task (and for what gain?).
- Similarly, the domestic delivery of pledges may fall short of expectations, reminding us that an ambitious target (in fact any target) does not guarantee its delivery—even in a country like Germany<sup>1</sup> with strong policy frameworks, serious governance and political determination. This begs the question of domestic (or international) processes to deliver more robust emission goals in the future.
- What does a 5 to 10-year target say about ambition and the achievement of the long-term goal? For instance, switching from coal to gas in electricity results in substantial one-off drop in emissions but also locks in fossil fuel infrastructure (gas terminals, pipelines) and delays the introduction of regulations to accommodate the integration of variable renewables. Ambition in the first period

1. <https://www.agora-energiewende.de/en/topics/-agothem-/Produkt/produkt/442/Das+Klimaschutzziel+von+-40+Prozent+bis+2020%3A+Wo+landen+wir+ohne+weitere+Ma%C3%9Fnahmen%3F/>

target could indeed hamper future mitigation efforts. An economy may align its near-term objective with a long-term net-zero trajectory, but not catalyze changes required to stay on the path. One-off mitigation potentials may be poor indicators of future ability to decarbonize an economy. Similarly, some policy and infrastructure efforts with limited visible impacts in emissions today could pave the way for smoother structural changes down the line. In other words, ambition, envisaged as profound economic shifts and structural change, is not best represented by a near-term target, a misleading metric when it mostly implies marginal adjustments.

Ambition obviously combines multiple factors beyond the numbers pledged in NDCs. The PA engaged the world on a profound change away from the fossil fuel-based paradigm on which our societies, policies and regulations were built. This transformation requires substantial and continued efforts over decades, facilitated by the emergence of a shared long-term vision, both at domestic and international levels.

### 3. CASTING DIFFERENT LIGHTS ON AMBITION

Climate ambition is multi-dimensional. The earlier this is recognized, the more the time ahead of 2020 can be used to foster greater change. FD'18 would be more productive if it embraced these dimensions, since it should also help countries review and potentially revise their pledges. It is therefore important to open this debate now, rather than after the Dialogue, when the ambition clock starts ticking and capitals struggle to present new pledges. In our view, the discussion on ambition requires broadening to cover three components of equal importance:

- **Targets:** deeper emission reduction targets, critical to bridge the gap on the road to the well-below 2°C-1.5°C goal.
- **Preparedness:** domestic ability to deliver on the pledge, even if conditioned on foreign support.
- **Durability:** ability to further deliver reductions beyond target year. With policy and capital stock inertia, this implies taking measures that start delivering reductions in several years.

Building on these, it is possible to unpack the question of ambition through different prisms: sectoral realities, a long-term vision, and a robust governance.

#### Sectors matter

The recently published MILES analysis illustrates again that, beyond emission targets, true ambition relies on the ability to engage the sectoral transformations for deeper emission cuts (IDDRI, 2017). Emission reduction efforts must be rooted

in sectoral realities: aggregate metrics (i.e. carbon intensity of growth, emissions per capita) convey the notion of effort or distance to target, but miss information on feasibility, trade-offs or co-benefits.

A reflection based on aggregate policy tools is also not without risk. The carbon price prescription continues to be relevant, as a means to bringing certain low-emission solutions to competitiveness. The conditions for the emergence and deployment of these solutions will often require targeted infrastructure development, better aligned sector-specific regulatory approaches, and signals to innovators along the supply chains, be it in agriculture, buildings, electricity, mobility, or materials.<sup>2</sup> These sector-by-sector efforts must of course be reflected in a general framework that includes positive and negative interactions between sectors.

Furthermore, by engaging each key sector of their economy separately, countries can avoid triggering a zero-sum game, in which each sector aims at minimizing its relative effort instead of identifying resources, opportunities and capabilities within. Adopting a sectoral perspective allows to better pilot the low-carbon transition by working with all relevant stakeholders to determine an acceptable roadmap that takes into account the realities of each sector's political economy (power forces, share of GDP, concentration, investment capacity...).

#### Time horizons matters

Progress along the three dimensions of ambition (targets, preparedness, durability) will benefit from a long-term vision coherent with the Paris objective of a global balance between sources and sinks, and an understanding of possible pathways to this objective. Instead, a near-term focus runs the risk of exploiting low-hanging fruits with quick but only one-off greenhouse gas returns. A long-term vision and the underlying socio-economic and emissions pathways can ensure:

- The credibility of intermediate sector-level and aggregate goals and necessary milestones, when progress can be addressed, allowing for warning signals and course-correction.
- The consistency of policy actions across time periods, allowing to determine when specific infrastructure decisions should be taken and to sift out fake "good ideas". A long-term mitigation analysis may indicate that the timing of mitigation should not necessarily follow the ranking of

2. A carbon price alone will not generate charging stations for electric vehicles or bus rapid transit routes. Its ability to drive the penetration of renewable energy sources in the electricity system in a cost-effective manner has also been questioned, on the ground that electricity market regulations and pricing rules were formatted by pre-existing technologies (OECD, IEA, NEA, ITF, 2015).

static marginal abatement cost, as this ignores potentials with high near-term costs, long lead times but high mitigation rewards in the long run (Vogt-Schilb, 2015). Shifting to electric vehicles (EV) may generate few and expensive reductions as long as electricity remains fossil-based, but allows learning in manufacturing and in the management of EV batteries as storage solution in an electricity system with variable renewables.

- The elaboration of more robust strategies by ‘future-proofing’ them against uncertainties on GDP growth, energy, commodity and technology prices. An uncertainty range that would make little difference over a decade could prove disruptive looking at the next 35 years.
- The anticipation of profound societal and industrial changes, allowing to plan for social support and compensations, or for alternative infrastructure and business investments in vulnerable regions. This would also facilitate a practical discussion with domestic stakeholders on their role and obligations to deliver a future based on a shared vision. This is crucial for territories that are at risk or stand to gain from the transition.
- The alignment of expectations of funders and investors, to provide for continuity of both public and private finance. A non-linear long-term plan with various milestones and passage points offers the guarantee that climate action is not a policy fluke that may be overturned by the following government. It also comforts long-term investors or international donors that economic development decisions respond to an internal choice rather than outsiders’ preference.

#### Governance matters

One of the main barriers to climate policy consistency over time has been the fluctuant, and frankly, often lesser weight that climate has had compared to other domestic issues (employment, industrial policy, agricultural policy...). Overcoming this requires climate policy to acquire a foundational dimension at the heart of other policies, which in turn necessitates dedicated governance instruments.

A first step lies in mainstreaming climate policy objectives, the integration of climate targets in sector-focused line ministries that do not have climate at the core of their portfolios (OECD, IEA, NEA, ITF, 2015).

Going further, a growing number of countries have established dedicated legal processes and engaged in regulatory reform, e.g. inscribing their target into law, or establishing dedicated bodies, with regular legislative processes that guarantee scrutiny and oversight, ensure transparency,

inclusiveness and time consistency of climate policymaking, hence avoiding political posturing and sensitivity to electoral cycles. For most countries, a dedicated climate governance framework will be the backbone of a truly ambitious, structural climate policy.

#### 4. CONCLUSION

- The true level of ambition of a country’s climate action and policy is not best represented by economy-wide targets, an incomplete metric that only gives a partial understanding of the depth of the low-carbon transformation.
- Hence, the run-up to the FD’18 should socialize a more comprehensive vision of ambition, not through a single number or an end goal, but through a matrix, illustrating the multiple dimensions of ambition and its various drivers. NDCs allow, by design, much flexibility in the information a country can bring forward: Parties could be encouraged to use this opportunity to describe how they tackle the various dimensions of ambition (e.g. targets, preparedness and sustainability as previously illustrated).
- The Facilitative Dialogue should provide tools and instruments for policymakers to enhance their NDC and illustrate that the change that their country is undertaking is structural enough to align with Paris Agreement long-term objective, while ensuring a credible and sustainable development.
- It should bring together experiences and offer best practices, in the design of ambitious policies and the implementation of transformative action in line with a long-term aspiration, and allow to share these lessons with those embarking on this journey. In so doing, it would send a strong message to the rest of the climate policy community and stakeholders.
- It should encourage all countries as well as non-state actors to plan for the long term, an effective way to reconsider mid-term targets. In the end, climate ambition must indeed rest on vision, and on continuity and consistency in policymaking and private sector decisions. ■

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