

Enhancing the EU NDC after the Talanoa Dialogue

Policy Paper

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Current scientific evidence, including the UNEP Emissions Gap Report 2017, and the IPCC Special 1.5°C Report, shows that that current global commitments through the National Determined Contribution (NDC) under the Paris Agreement are not sufficient to achieve the Agreement's objectives of attempting to limit global warming to 1.5°C, and achieving carbon neutrality by the second half of the century.

However, the Paris Agreement contains provisions for a mechanism to raise ambition over time, through the process of global stocktaking every five years, and the presentation of new NDCs, which must present a progression in ambition, starting with the *opportunity* for Parties to present an enhanced NDC by 2020, after the 2018 Talanoa Dialogue.

The EU, as one of the main proponents of the Paris Agreement and this mechanism, has stated, in its October 2018 Council Conclusions, that it will continue to create positive momentum to enhance global climate ambition, and that it is ready to update its NDC by 2020 – dependent on efforts undertaken by other Parties.¹ In addition, the current EU NDC might need to be revised as it does not fulfil all reporting obligations under the Paris Agreement yet, such as the need for clarification in NDCs on internal effort sharing agreements (Art. 4.16 of the Paris Agreement).

When considering a review, and revision of the EU NDC, two aspects need to be discussed:

- Is there a justification to consider revisiting the current EU NDC? For the EU, this represents an opportunity to enhance its position internationally, and especially in climate change negotiations by reinforcing the Paris Agreement process. A new NDC would also trigger an internal EU debate on more rapid decarbonisation and position the EU as a front-runner in the global transition to a

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¹ Council of the EU (2018), Council Conclusions for October 9 session. Available at: <https://www.consilium.europa.eu/media/36619/st12901-en18.pdf>

low carbon economy. In addition, it would allow for the inclusion of legislative changes and efforts undertaken since 2015 in the new NDC.

- What are the options to be considered, and dimensions to examine them?² This study examines a number of potential approaches in light of political acceptability; social acceptability; impact on competitiveness; environmental impact; and international impact.

Next to the five criteria listed above, another consideration that needs to be taken into account is whether an option would lead to more fragmented EU policy for climate change. While research and meetings with stakeholders have clearly determined the desirability of more positive impact and acceptability for the five dimensions listed above, it has been more ambivalent with respect to views on a unitary vs. a fragmented EU climate change policy. The latter was justified by survey respondents and meeting participants citing different levels of development and capability, different energy matrices, and the “de facto” current fragmentation through existing instruments such as carbon taxes and price floors.

The options for increasing the ambition of the EU NDC can be grouped along two dimensions:

- Whether it requires a change in the EU NDC headline target or not.
- The level where the incremental climate policy and action takes place: the EU level; the non-EU level, including members states, groups of member states, cities, sectors, enterprises; or the international level.

The revision of the EU NDC, which due to Paris Agreement features must lead to an increase in ambition, can be pursued in a variety of ways, including:

- Through an increase in the domestic headline target (e.g. 40% becomes 50%);
- Through adding an international layer in addition to the current domestic headline target (e.g. 40% domestic + 10% international);
- By communicating additional policies (e.g. 40% plus elements from the EU long-term climate strategy, a list of measures from Members States, cities or sectors).

While many options emerged from discussions, nine were selected and submitted to a survey, with the results presented in the annex to this paper. Based on the survey, and the results of stakeholder consultations in Bratislava, Brussels, Bucharest, Florence, Prague and Warsaw, a number of overall conclusions can be drawn. **They should be taken as signals of how to approach the development of a new EU NDC, should the political will exist and the decision be taken to do so.**

Firstly, with some exceptions, the outcomes of the work undertaken would indicate that the views are stuck in the middle, with no extreme results at this time. This may be the result of a perception that at the end of a long debate on climate change policy and effort sharing, an increase in ambition of the EU NDC is not a real possibility or political priority. Alternatively, it may be a wait-and-see attitude ahead of the new EU political season, or the preoccupation with other urgent social and political issues. Discussing the option for enhancing the EU NDC was seen as a “geeky” discussion.

² This project has focused on this aspect.

Two important issues that were identified were the importance of intra-EU solidarity, and the need for an international approach. Taking on additional commitments will require broad participation from EU Member States and cannot take place in isolation, without continuous buy-in from other significant trading partners through the provisions of the Paris Agreement.

All options that were considered are expected to lead to positive environmental and international outcomes, with synergy between environmental impacts and the way the implementation of an approach is received internationally as an increased EU contribution. The credibility of the commitment, and whether the EU is on track to reach previous commitments (for example in climate finance) is key for both the environmental impact and the international perspective.

The political acceptability of increasing the level of ambition in the EU at this time is not very high, probably coming at the end of a long period of political debate on EU climate change policy. The current alarming scientific evidence does not seem to have affected the level of political acceptability. Social acceptability is stuck in neutral, with actions being taken, or starting to emerge, to ensure a just transition. However, recent social activity in some Member States would indicate that this is an area which requires continuous, and increased, attention.

There is some level of correlation between the impact on competitiveness and social acceptability, with both receiving a more negative reaction with increasing direct EU ambition – for illustration, an increase in the headline target at the EU level is expected to negatively impact competitiveness more, and have lower social acceptability, than an increase in the level of detail in communicating the NDC or the use of international markets.

In implementing any option considered in this study, an important consideration will need to be the timing, as well as the sequencing of NDC and necessary policies and instruments. This was the case in announcing the EU NDC prior to the Paris Agreement and the subsequent agreement on EU policies, such as the ETS, ESR and Energy Union. In addition, the necessary level of changes in EU policies needs to be taken into account, such as the need to revisit the whole ESR, or only its specific targets for Member States.

The use of international markets receives mixed results. It would have a positive reception when it comes to impact on competitiveness, but the option is perceived to have a low level of social acceptability. It must also be added that there continues to be concern regarding the place where the increase in the level of ambition would be placed, and international markets used: at the enterprise level or at the sovereign level.

All this points to the need for continuous engagement at the policy level with stakeholders, the importance of the upcoming EU long-term climate strategy and the debate that it will generate, and very importantly, the significance and momentum emerging from COP 24 in Katowice, both in terms of the Talanoa Dialogue, as well as from the level of agreement on the Paris Agreement rulebook. It is likely that a good result in Article 6 negotiations would result in renewed confidence in and support for an international market solution, which may then be seen as a realistic solution.

Annex I: Survey matrix and criteria used.

Options / Criteria	Political Acceptability	Social Acceptability	Competitiveness Impact	Environmental Impact	International Impact
Enhance the headline target and adjust EU climate legislation	2.61	3.00	2.80	4.10	3.88
Change the single-year emission reduction target to a carbon budget	2.79	3.11	3.02	3.79	3.55
Increase the scope of the NDC	2.50	3.04	2.77	3.94	3.34
Increase the ambition of the ESR, without adapting the headline target	2.60	2.81	3.02	3.85	3.55
Increase the ambition of the EU ETS, without adapting the headline target	2.55	3.00	2.65	3.80	3.50
Increased efforts in other areas, without adapting the headline target	3.18	3.28	3.21	3.93	3.56
Use of international markets	2.98	2.80	3.45	3.70	3.87
Climate finance at the international level	2.84	2.98	3.30	3.91	3.96
Innovation, technology transfer and capacity building	3.25	3.32	3.37	4.00	4.00

Political Acceptability

Any changes to the current EU NDC need to be politically acceptable, as the European Council will need to agree on the changes. This implies that Member States not only acknowledge that the NDC needs to be updated and enhanced, but also agree on the way forward to do so. This is especially important with regards to enhancing the NDC in a timely fashion.

Social Acceptability

Social acceptability is related to the way society at large, public opinion, would react and accept the social impact of an enhanced EU NDC – which includes changes in employment in economic sectors and possible behavioural changes necessary to reach the climate goals.

Impact on Competitiveness

The degree in which the enhancement of the EU NDC affects the competitiveness of the EU industry compared to other countries. The competitiveness impacts could be short-term and/or long-term.

Environmental Impact

The enhanced EU NDC’s main environmental impacts concern its effect on GHG emissions in the EU and global climate change mitigation. Please only consider GHG emissions, and not other potential impacts such as air and water pollution, land use, land use change etc.

International Impact

International impact concerns the manner in which the international community would perceive and respond to an enhanced EU NDC. It concerns the impact of the enhanced EU NDC on the international climate negotiations under the auspices of the UNFCCC, including third countries’ revision of their own NDCs.