Sir Nigel Knowles: last climate change tango in Paris?

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The window of opportunity for action is closing, so agreement at the upcoming UN talks is vital to ensure stability and growth on a global scale.

World leaders are meeting in Paris later this month for the annual UN Climate Change conference and, after years of failure to agree a deal to combat the adverse effects of climate change, the signs are positive ahead of the crucial conference.

2015 is on course to be the hottest year on record and world leaders have been outspoken on the issue. The US and China in particular are making strong pledges and finding common ground in their recognition that failing to act on climate change is having an adverse impact on the planet.

Although the risks related to climate change are huge, the business upsides linked to positive solutions are also becoming clear and business leaders see huge opportunities associated with a more sustainable approach to economic growth.

The governor of the Bank of England Mark Carney recently stated that global warming could become one of the single biggest risks to economic stability if we fail to act. Leading organisations such as Citigroup and the Economist Intelligence Unit put the cost of climate change in the trillions but, crucially, believe that acting now could also avoid trillions of dollars of future damage. Policy certainty and a strong deal in Paris, underpinned by robust legal frameworks, can go a long way towards providing the certainty businesses and investors need to take action.

Building blocks for progress
Climate change slipped down the political agenda after the global recession and the unsuccessful 2009 climate negotiations in Copenhagen, where a divergence of opinion between G7 nations, major developing economies (G77 and China) and Small Island Developing States led to a failure to agree a successor to the Kyoto Protocol.
The past 18 months have seen some significant developments at a national level and a new ‘bottom-up’ approach whereby individual national commitments are stitched together. This provides hope of a positive outcome in Paris. National and regional emissions reduction commitments coupled with strong private sector action and major investment in ‘green growth’ in developing economies are all key to underpinning a global deal.

Climate change is a focus for the newly launched Global Goals for Sustainable Development and a priority for international institutions such as the World Bank, International Monetary Fund and the World Economic Forum. There is also a renewed appetite for putting a price on carbon.

National commitments
In Paris 190 nations will be represented and the major global emitters have already outlined actions they intend to take as part of a global climate deal. These commitments are known as Intended Nationally Determined Contributions (INDCs). The EU has committed to cutting emissions by 40 per cent compared with 1990 levels, by 2030. The US has committed to cutting its emissions by up to 28 per cent, compared with 2005 levels, by 2025. China will agree that its emissions will peak by 2030.

The aim of the UN negotiations is to reach international agreement to limit global warming to a maximum of 2 degrees in the coming decades – the level climate scientists believe necessary to limit adverse impacts. PwC calculates that these national commitments get us to 3 degrees, which would see likely economic and environmental losses, so there will be a need for a further action over the next decade.

The significance of these national pledges should not be underestimated, however, as they require a huge shift in growth strategies. They provide a kick-start to global action and, as technologies and solutions evolve through a scaling-up of investment and R&D, world leaders should be in a position to agree more progressive reduction targets in the future. Businesses from Unilever to Tata Group have called for governments and investors to commit to a global goal of net-zero greenhouse gas emissions by 2050, while the likes of Google, General Motors and Goldman Sachs are backing Obama’s desire for a strong outcome in Paris.
Likely outcomes

The challenge in Paris is to reach an agreement between developed and developing nations under the UN Framework Convention on Climate Change. A new international treaty could modify existing rights and obligations under the convention.

Elements of an agreement will include emissions reduction (under the INDCs), finance, technology sharing, capacity building, loss and damage. There is increasing agreement that the principle of prevention of harm applies to climate change, meaning that states have a duty to ensure their jurisdictional greenhouse gas emissions do not cause harm to other states.

Developed countries have agreed that by 2020 financial flows of at least $100bn a year will be directed to support developing countries to invest in clean technology to cut their greenhouse gas emissions, and to adapt infrastructure to the likely damage arising from climate change. Arriving at a firm commitment on where this funding will come from is one of the main potential barriers to a Paris deal.

Major obstacles remain but the desire to take positive action appears stronger than ever. Leading businesses and governments recognise that global action on climate change is crucial to provide a stable base for growth and prosperity. Our window of opportunity for action is closing and it is imperative that we get a positive outcome in Paris.

Sir Nigel Knowles, global co-chairman, DLA Piper