

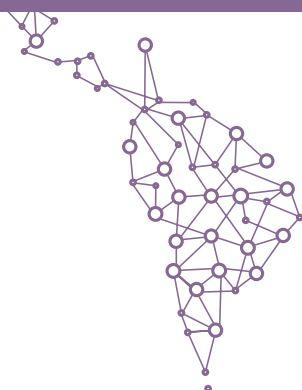
22nd Summit of the United Nations Framework Convention on Climate Change

COP22

Marrakech, Morocco,
November 7-19, 2016

February 2017

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EXECUTIVE REPORTS

It is worth noting that at COP22, the following official meetings took place related to the Convention:

- 1. The 12th Session of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP12)**
- 2. The 1st Session of the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement**
- 3. The 2nd part of the first session of the Ad Hoc Working Group on the Paris Agreement (APA 1-2)**
- 4. The 45th Session of the Subsidiary Body for Scientific and Technological Advice (SBSTA45)**
- 5. The 45th Session of the Subsidiary Body for Implementation (SBI45)**



MARRAKECH
COP22|2016|CMP12
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The 22nd Conference of the Parties (COP22), called “COP of Implementation of Marrakech”, made slow but steady progress in technical matters related to the implementation of the Paris Agreement, reached during COP21 in 2015. One of its main conclusions was the Marrakech Action Proclamation, a statement without legal force which claims for the political commitment at the highest level to fight against climate change, and reaffirms the ratification of the Paris Agreement already done by 129¹ Parties (out of 197 Parties that integrate the

Convention, and represent more than 79% of global emissions). Said Proclamation, in addition, is not only triggered by governments, but also by the scientific and business community, together with a global action of all kinds and at all levels. The Proclamation underlines the commitment by developed Parties to mobilize 100 billion dollars annually since 2020. All eyes turned towards 2018, when the Agreement will begin to be implemented. The Paris Agreement was the focus of ministerial negotiations at COP22. The fact that it came into force in just one year (two years earlier than anticipated), together with the recently reached international agreements to combat hydrofluorocarbons (HFC) and aviation emissions, both generated high expectations prior to COP22. Apart from all these, the presidential election in the USA were added, creating an environment of uncertainty in the negotiations.

¹ Information available as of February 7, 2017

This Summit was noted for its focus on technical details (development of guidelines and next steps) related to the implementation of the Paris Agreement. Notable decisions were made on:

1. Nationally determined contributions
2. Transparency framework
3. Global stocktake
4. Financing and technology
5. Cooperative approaches, both market-based and non-market based
6. Adaptation

1.

Nationally determined contributions (NDC)

One of the main topics of COP22 was the assurance of NDC's comparability, including the establishment of common components, the accounting rules and the timeframes for future pledges.

Specifically, parties agreed to work in the following topics in a workshop to be held in 2017:

1. Information of the NDCs: timeframes, scope, methodological approaches, etc.
2. Guidance on accounting NDC.
3. Adaptation communication under the framework of NDC.
4. Compliance and implementation committee.

A brief guiding questionnaire, directed to nations, for the development of the characteristics, information and accounting of NDC, was elaborated as presented below:

1. What is the understanding of features of NDCs?
 - a. What should be the purpose of further guidance on features of NDCs?

2. What is the understanding of information to facilitate the clarity, transparency and understanding of NDCs?
 - a. What is the purpose of further guidance on such information?

3. What is the understanding of accounting for Parties NDCs?
 - a. What should be the purpose of further guidance of such an accounting?

In particular, with respect to NDCs, deadline for nations to report their progress was brought 2 years forward (from 2020 to 2018) to start the dialogue in order to adjust them according to the results achieved.



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2.

Transparency framework

The transparency framework will consist of 3 elements:

- 1. Parties reporting their actions** (and for developed countries, the support they brought);
- 2. A technical expert review;**
- 3. A multilateral consideration of those.**

Countries discussed the modalities, procedures and guidelines that could be used for those elements, and the methodologies for developing countries to have flexibility over their submissions. A brief questionnaire was elaborated as a guide about the transparency framework (to prepare for a 2017 official workshop):

1. What should be the key elements of the Modalities, Procedures, and Guidelines (MPGs) for the transparency framework?
2. With respect to the elements identified under question (a), how should experience from the existing Monitoring, Reporting and Verification (MRV) arrangements under the Convention inform the MPGs, and how should flexibility for those developing country Parties that need it in the light of their capacities be reflected?

Nevertheless, joint work is needed in order to build a reference framework to validate the progress of each country, assuring the effectiveness in the allocation of resources and facilitating the economic involvement of the non-governmental organizations.

3.

Global stocktake and the role of ARPEL

The global stocktake will be a 5-yearly appraisal occurring in-between NDC commitment periods, and starting in 2023. In Marrakech the countries debated whether to have a technical and then a political dialogue phase, and whether to shortlist a set of sources and/or types of information to be used as reference for the stocktake (some examples were preliminarily listed, e.g. IPCC reports, Parties National Communications, Reports from the Secretariat of the Convention, reports from regional and/or multilateral organizations among which ARPEL might be included, etc.).

Also agreed in Paris was a 2018 “Facilitative Dialogue”, which can be seen as a warm-up exercise for the full global stocktakes, and is intended as an early opportunity for countries to raise ambition and close the gap between NDCs and the long-term aims of Paris since the commitments agreed through the NDC are not yet sufficient to limit the increase of the temperature of the planet to less than 2°. The nature of the Dialogue will be negotiated over the course of 2017 with a report and decision at COP23.

Therefore, it is highly probable that our industry be required to become even more committed to emissions reduction, despite the fact that there are already strong commitments by non-governmental actors that leverage the impact of NDC: more than 2,000 companies worldwide (more than 80 coming from our sector); more than 400 investors, more than 200 civil society organizations; more than 70 multi-institutional cooperation initiatives, among others.

4.

Financing and technology

The Paris Agreement created a Technology Framework to guide the respective mechanism and encourage the innovation and cooperation. In Marrakech, Parties discussed how to facilitate further and closer cooperation between the Technology Mechanism and the Financing Mechanism of the Convention. One of the possibilities considered was that the representatives of entities related to Technology (for example, the Climate Technology Centre and Network) participate in the meetings of entities related to Financing (for example, The Global Environment Fund and the Green Climate Fund), and vice versa. Minor decisions were made, so this analysis will continue to be developed in future meetings.

The following five themes for the Technology Framework were identified which will be developed in 2017:

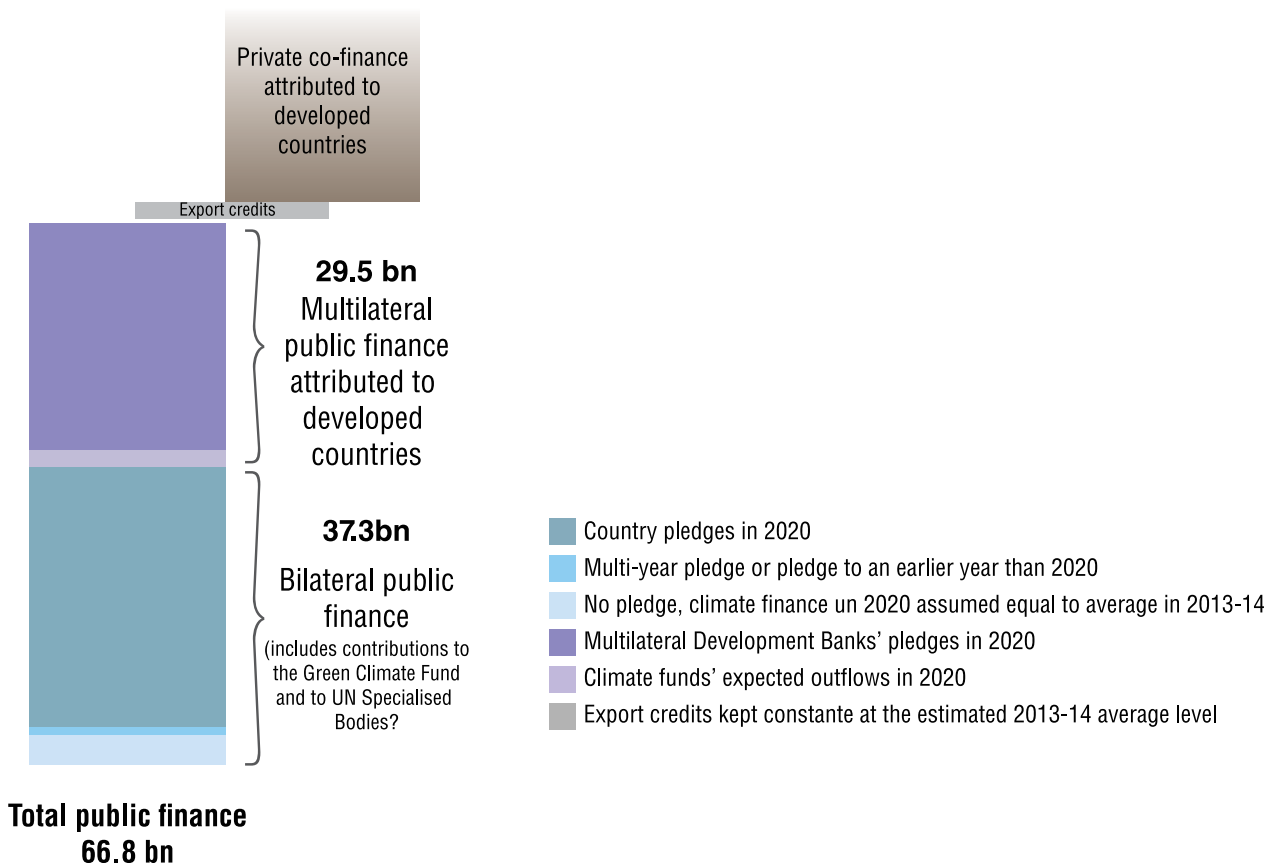
1. Innovation
2. Implementation
3. Enabling environments and capacity-building
4. Collaboration and stakeholder engagement
5. Support

\$ 100 billion roadmap

Regarding the \$100bn per year that developed countries agreed to mobilize by 2020, under the framework of the Paris Agreement, and with the aim to contribute with mitigation and adaptation actions to be implemented in developing countries and in a transparent manner, Australia, United Kingdom and the OECD² conducted a study at the beginning of 2016 to inform about the basis of the respective roadmap. According to this study, only considering the promises made in 2015, public financing would increase from U\$S 41 billion/year in 2013-2014 on average, to U\$S 67 billion/year in 2020.

The OECD analysis estimated that if the level of mobilization per dollar in 2020 were the same as in 2013-2014, the estimated public financing in 2020 will mobilize 24.2 billion in private financing. The analysis also estimated which could be the level of private financing mobilized by 2020 if mobilization rates and projects combination in 2020 were different than they were in 2013-2014. The analysis shows that if the proportion of projects with private financing and the effectiveness of mobilization improve mobilization rates would significantly increase in comparison with the business-as-usual scenario. In summary, if the mobilization of public and private financing is maintained at rates equivalent to those historically recorded, the target of USD 100 billion by 2020 is likely to be reached.

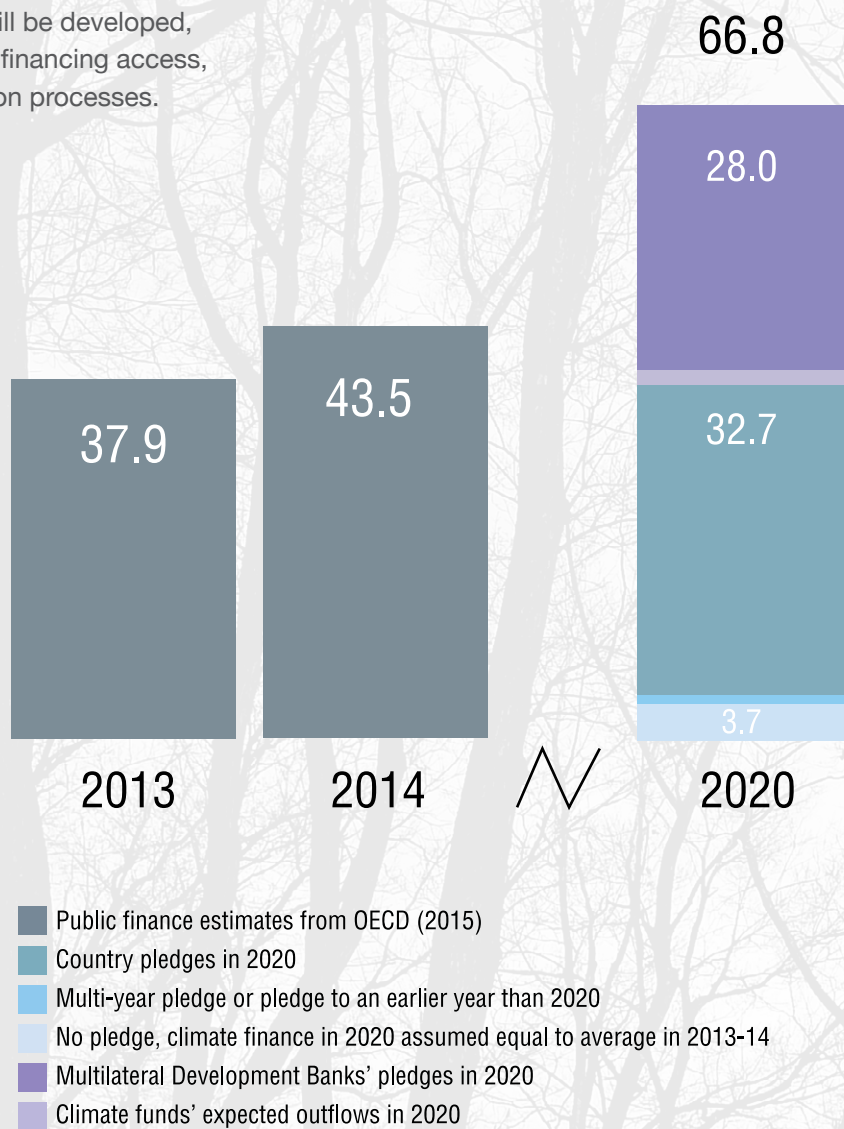
Projected finance levels in 2020



² Organization for Economic Cooperation and Development

Besides the explained above, financing processes under the Paris Agreement must still be developed, mainly regarding the transparency, financing access, monitoring, reporting and verification processes.

Estimated public finance levels in 2013, 2014 and 2020



- Public finance estimates from OECD (2015)
- Country pledges in 2020
- Multi-year pledge or pledge to an earlier year than 2020
- No pledge, climate finance in 2020 assumed equal to average in 2013-14
- Multilateral Development Banks' pledges in 2020
- Climate funds' expected outflows in 2020

Source: OECD (2016)

5.

Cooperative approaches: market and non-market based

Markets continued to be a relevant topic in negotiations under the process – here discussions were under the review of the Clean Development Mechanism of the Kyoto Protocol, and also on Article 6 of the Paris Agreement on market and non-market approaches.

The review of the CDM scheme is important, as it has implications for the new sustainable development mechanism established under Article 6.4 of Paris. On said Article, Parties disagreed on how to define additionality criteria for possible projects, as some Parties argued that the only projects which might be additional would be those which enhance mitigation beyond the Paris long-term aim of “well below 2°C”. Other key parts of such Article are Article 6.2 recognizing

“internationally transferred mitigation outcomes” and Article 6.8 creating a framework for non-market approaches. Some Parties wish to see the “internationally transferred mitigation outcomes” result in a number of new market mechanisms, but others interpreted in Marrakech as being simply a reference to accounting procedures for NDCs and that only one United Nations enabled market mechanism would be established.

Parties agreed to submit further views on operationalizing Articles 6.2, 6.4 and 6.8 referred above, and agreed to hold roundtables to analyze them at the next SBSTA³, 46th session.

During a COP22 side-event from IETA⁴, Nicholas Stern and Joseph Stiglitz announced that they will chair the Economic Commission under the World Bank Carbon Pricing Leadership Coalition. Said coalition aims at developing a vision on how carbon pricing can effectively decarbonize economies.

³ *Subsidiary Body for Scientific and Technological Advice*

⁴ *International Emissions Trading Association*

6.

Adaptation

The Climate Vulnerable Forum⁵ pledged to update the NDCs of its countries before 2020, prepare long-term strategies of low carbon development and generate 100% of their energy from renewable sources by 2050.

Proposals were also developed in order to make the Adaptation Fund of the Kyoto Protocol also applicable to the Paris Agreement.

This way, the adaptation agenda is gaining more relevance expecting that this be reflected in the NDCs, and that the allocation of financing be more equitably distributed among the countries in comparison to the mitigation agenda.

It is worth highlighting again the importance that the access to financial resources had, and the fact that parties were encouraged to submit technical proposals aimed at achieving the goals set as soon as possible.

The growing importance of climate change adaptation issues is strongly reflected in the thematic priorities defined by ARPEL member companies. Consequently, this year the issue will be protagonist on the agenda of the Regional Conference. Also, an ARPEL Workshop on Climate Vulnerability will be organized, with the objective of sharing experiences and best practices in the management of climate risks. They will then be displayed in a reference guideline for the sector in the region.

⁵ International alliance of countries highly vulnerable to climate change, which includes several countries of our region: Barbados, Colombia, Costa Rica, Dominican Republic, Grenada, Guatemala, Haiti and Honduras.

7.

Non-State Actors

As has been noted over the past few years, the COPs are increasingly focusing on encouraging action as well as negotiating decision texts – negotiators refer to moving into an “implementation” phase. Marrakech was not short of initiatives and announcements in this regard.

COP-21 in Paris recognized the role of non-state actors and voluntary contributions, and created two High-Level Champions to ensure a durable connection between the Convention and the many voluntary and collaborative actions, and incentivize further voluntary efforts.

In Morocco a Global Climate Action Agenda platform was created for state and non-state actors to demonstrate their respective efforts.

Marrakech also saw the High-Level Champions launch of the “2050 Pathways Platform”.

Such platform was described as a multi-stakeholder initiative aimed at providing technical and financial support to those seeking to devise long-term, net zero-greenhouse gas, climate-resilient and sustainable development pathways, including through the sharing of resources (including finance and capacity building, among others), knowledge and experiences. The list of allies of this initiative comprises 22 countries, 15 cities, 17 states and more than 200 companies. Moreover, US, Canada, Mexico and Germany also launched their long-term low emissions development strategies at COP-22.

This report was made by the Climate Change Working Group, made up of experts from the following member companies: Ancap, Chevron, Cupet, Enap, EP Petroecuador, Equion, Pemex, Petroamazonas EP, Petropar, Petroperú, Pluspetrol, Tecpetrol & YPF.

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REGIONAL ASSOCIATION OF
OIL, GAS AND BIOFUELS SECTOR COMPANIES
IN LATIN AMERICA AND THE CARIBBEAN

ARPEL is a non-profit association gathering oil, gas and biofuels sector companies and institutions in Latin America and the Caribbean. Founded in 1965 as a vehicle of cooperation and reciprocal assistance among sector companies, its main purpose is to actively contribute to industry integration and competitive growth, and to sustainable energy development in the region. Its membership currently represents over 90% of the upstream and downstream activities in the region and includes national, international and independent operating companies, providers of technology, goods and services for the value chain, and national and international sector institutions.



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