The Paris Climate Agreement

Key messages

- BP welcomes the direction provided by the Paris Agreement, for countries to determine their contributions to holding temperature rise well below 2°C.
- We will continue to work in our own right and collaboratively with other companies in the Oil & Gas Climate Initiative (OGCI) to evolve our businesses towards and help deliver the aims of the Agreement.
- The Oil and Gas Climate Initiative (OGCI) has identified 4 important measures to drive further progress towards reducing GHGs: energy efficiency; more natural gas in the energy mix; further research and development; partnerships and multi-stakeholder initiatives.
- BP has joined other important climate initiatives:
  - World Bank Zero Routine Flaring by 2030 goal.
  - Climate and Clean Air Coalition (CCAC) Oil & Gas Methane Partnership (OGMP).
  - Carbon Pricing Leadership Coalition (CPLC).
- We are pleased the Agreement creates the possibility for carbon pricing to help deliver global goals and national contributions.
- We continue to work with relevant stakeholders to play our part.

Additional information

The Paris agreement

- On 12th December 2015, all the governments involved adopted the Paris Agreement. The Agreement is for implementation post-2020, and will come into force when it has been ratified by at least 55% of participating countries, representing at least 55% of global GHG emissions.
- The Agreement maintains the expectation that developed countries should take the lead and support the efforts of developing countries. But for the first time the Agreement binds all participating countries to its provisions, and encourages voluntary contributions by developing countries.

Long-term temperature objective

- The Agreement aims to "hold global average temperature rise to well below 2°C above pre-industrial levels and to pursue efforts to limit temperature rise to 1.5 °C above pre-industrial levels."

Emissions reduction goals

- There is no quantitative long-term emissions goal but countries "aim to reach global peaking of GHG emissions as soon as possible … and to undertake rapid reductions thereafter … to achieve a balance between anthropogenic emissions by sources and removals by sinks of GHGs in the second half of this century."[1]

[1] Being interpreted by some to mean "net zero" emissions, itself undefined.

- The Agreement places binding commitments on all parties, from 2020, to:
  - Make "nationally determined contributions" (NDCs) – i.e. climate pledges. Developed country NDCs should include absolute emission reduction targets, and developing countries are encouraged to move over time towards them.
  - Pursue domestic measures aimed at achieving their NDCs.
- There is no binding commitment to achieve NDCs.

Reporting and review of national contributions

- The Agreement places binding commitments on countries, starting by 2023 and repeated every 5 years after that, to:[2]
  - Report on their emissions and progress made on their NDCs.
  - Undergo international review of collective progress.
  - Submit new, more ambitious NDCs every five years
- The principle of transparency in accounting and reporting is included in the Agreement but the detailed mechanisms are not.

International emissions trading and carbon pricing

- The Agreement describes how countries can pursue "voluntary co-operation" in the implementation of their NDCs – in other words, trade GHG emissions.
- It calls for a new mechanism to enable GHG emission reductions in one country to be counted toward another country's NDC, provided double counting is avoided.
- Carbon pricing is referenced positively as one possible domestic policy option.

Loss and damage from climate change impacts

- The Agreement recognises the importance of "loss and damage" resulting from climate change, and identifies the need and a cooperative mechanism to address it. But it explicitly states this does not "provide a basis for any liability or compensation."

Finance for developing countries

- The Agreement extends the existing goal for climate finance from $100 bn a year by 2020 to a minimum of $100 bn after 2025. The definitions of acceptable funds and funding vehicles are not yet clear.

Implications of the Paris Agreement

- For the first time, all participating countries are now bound to some form of climate policy post 2020, and to strengthen it over time. For many countries, in some of which BP operates, this will be their first engagement with climate policy.
- We will need to consider our response carefully. In the meantime our current positions and engagements remain unchanged.
- Key for BP businesses will be whether and how countries implement their NDCs, through carbon pricing, regulation or other mechanisms.
- Current INDCs will not deliver a well below 2^{o}C temperature goal. The current INDCs have been estimated to result in a temperature rise of around 2.7-3.5^{o}C.
- The inclusion of support for international emissions trading and market mechanisms could lead to carbon pricing, potentially reducing the cost of achieving emissions reductions substantially.

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[2] A pre-implementation review of emissions is scheduled for 2018 to see if the initial Intended Nationally Determined Contributions (INDCs) for implementation post-2020 are adequate. This and some other provisions are contained in a "Decision" of the Parties, to which the Paris Agreement is appended. For brevity this note refers to both as "the Agreement".