COP26 and the Importance of Article 6: Implications for Southeast Asia

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SYNOPSIS
Southeast Asia is one of the world's most vulnerable regions to climate change. Since the last international climate conference held in Madrid two years ago, the region has made significant progress in charting out its transition plan towards a low carbon future. This policy brief explores Southeast Asia's approach to the upcoming Glasgow COP26 climate conference, and identifies the key elements that will need to be finalised in order for countries in the region to achieve the objectives of the Paris Agreement.

KEY POINTS

- The Paris Agreement has been an important driver of the region's low carbon roadmap and all Southeast Asian countries have submitted new and updated Nationally Determined Contributions (NDCs) in 2020 and 2021, signalling their commitment to the global treaty.
- Most countries have indicated that they will require international support in the form of climate finance, technology transfer and capacity building in order to achieve their new or updated NDCs by 2030. To this end, countries attending COP26 must make progress on the new collective quantified goal for climate finance so as to support countries that need it.
- Most Southeast Asian countries have been fairly consistent in submitting transparency reports detailing progress in both mitigation and adaptation to climate change. But some are falling behind in reporting and this may set them back as all countries prepare for the new Enhanced Transparency Report regime which will start in 2024.

INTRODUCTION

The last COP, COP25, was held nearly two years ago in Madrid, Spain in December 2019. The time that lapsed since then has been a crucial period for the world in preparing for the full implementation of the Paris Agreement. COP26, which is taking place in Glasgow, United Kingdom from 31 October to 12 November 2021 is an important conference not just for Southeast Asia, but for all countries because the Paris Agreement requires collective action of all countries.

Southeast Asia has been very active in pursuing mitigation and adaptation efforts to address climate change, including pursuing an energy transition towards more renewables, adopting low carbon technologies, and establishing a regional power grid. The Paris Agreement has been an important driver of some of these efforts but the COVID-19 pandemic has also offered countries a chance to re-think financial flows that are required to support a green and resilient recovery.

ANALYSIS

New Climate Pledges and Net Zero Targets

In the past two years, Singapore, Vietnam, Thailand, Cambodia, the Lao People's Democratic Republic (PDR), Malaysia, Indonesia and Myanmar submitted updated Nationally Determined Contributions (NDCs) while Brunei Darussalam and the Philippines submitted their first NDCs. Singapore submitted an updated NDC in March 2020, committing to peaking emissions at 65 MtCO2e in 2030. The country also communicated a long-term strategy to half emissions from 65 MtCO2e to 33 MtCO2e by 2050, with a view to achieve net zero as soon as viable by 2100. Vietnam, in its NDC submission in September 2020, changed its base year from 2010 to 2014, increasing its unconditional mitigation target from 8 per cent to 9 per cent compared with the updated BAU scenario by 2030 with its own domestic resources. It now commits to increasing its emission reduction to 27 per cent, up from the 25 per cent stated in its last NDC, conditional on international support. Thailand submitted an update to its first NDC in October 2020, adding adaptation and highlighting how its targets have been integrated into its national strategy. In August this year, Thailand announced its National Energy Plan to achieve net zero emissions or carbon neutrality within 2065-2070, which will serve as the basis for enhancing its subsequent NDCs.

Cambodia and Brunei both submitted NDCs on 31 December 2020. Cambodia updated its deviation from 2030 business-as-usual target from 27 per cent to 41.7 per cent – of which 59.1 per cent is from forestry and land use – and extended the coverage of its NDC to include the agricultural and waste sectors. The country also provided more detailed actions in key sub-sectors such as energy efficiency, and plans to half deforestation rate by 2030 in line with its REDD+ strategy. In a letter addressed to UNFCCC Executive Secretary Patricia Espinosa, Brunei highlighted the challenges posed by restrictions related to the COVID-19 pandemic in the preparation of its updated NDC at the given time. Indonesia's NDC, like others, identified why their updated NDC reflects progression beyond the existing one. Lao PDR submitted an updated NDC which included both unconditional and conditional sectoral targets in the Land-use, Land-use Change and Forestry (LULUCF), Energy & Transport sectors. Lao PDR also committed to a national level 2030 unconditional target of 60 per cent GHG emission reductions compared to the baseline scenario, or around 62,000 ktCO2e in absolute terms and is targeting net zero emission by 2050 with adequate financial support, and institutional capacity building.

More recently, Malaysia's new Prime Minister Ismail Sabri Yaakob tabled the 12th Malaysia Plan in parliament, with a pledge for Malaysia to become a carbon neutral country by 2050 at the earliest. Indonesia had pledged in its long-term strategy communicated in August this year to achieve net zero emissions by 2060 or sooner. This puts Malaysia in the lead in terms of ambition to achieving net zero emissions, though crucial rollout details are still being developed by the federal government.

Climate Finance

Southeast Asian countries are divided on this matter of finance. The most recent NDCs reveal that while some countries put forward conditional mitigation targets that require international support in terms of finance, technology and capacity building, others do not. At COP26, there will be negotiations on how to boost climate finance for developing countries from 2025 onwards. It was agreed at previous COPs that developed countries should mobilise USD100 billion annually by 2020 to support developing countries. Countries meeting in Glasgow will discuss how to increase this amount from 2025 onwards. The amount of climate finance need not be agreed in Glasgow, but there is an expectation that COP26 should include further details on how the new goal deliberations would be done and to set the goal before 2025.

In its NDC, Indonesia reported its international support received in 2015-2016 as USD1,237.41 million in the form of loans and grants through bilateral and multilateral channels like the Global Environment Facility and from countries directly, such as Norway, Germany, Japan, USA, to name a few. Vietnam reported in its NDC that preliminary data indicates that the amount of grants from several support funds on climate change and green growth is about USD350 million. However, this figure does not include foreign direct investment projects in energy efficiency and renewable energy (2010-2013 – USD500 million) while financial resources for mitigation projects also came from trading carbon credits. Malaysia's updated NDC in July 2021 noted how successful implementation of adaptation activities will increase investment and funds from sources like the private sector. This may indicate that countries in the region may be exploring cross-sectoral climate finance, technology transfer and capacity building solutions rather than only looking for international support.

Loss and Damage
ASEAN is highly vulnerable to climate change impacts. Vietnam and the Philippines are the two most affected countries in the region, due to their exposure to flooding and typhoons. The region is highly vulnerable to sea level rise and coastal inundation, due to large populations and economic assets in coastal areas. Loss and damage is mentioned in a number of Southeast Asian countries' NDCs.

Vietnam identified economic losses due to climate change, as well as non-economic losses such as adverse impacts on people's health and the relocation of communities and economic zones, land erosion, loss of cultural heritage, local knowledge, biodiversity and ecosystems. The Philippines has said that loss and damage from extreme weather events are increasing at an "unacceptable rate" and estimated that the Super Typhoon Haiyan resulted in a loss of 4 per cent of their GDP in 2013. The Philippines also noted the increasing difficulty for fast and timely recovery, and that it is apparent that the loss and damage impacts of these climate events are outstripping the country's capacity to withstand climate shocks. There is no publicly available information on the applicability of loss and damage for Singapore, but the Government announced back in 2018 that it was contributing to the establishment of the Southeast Asia Disaster Risk Insurance Facility (SEADRIF), which is a regional platform and ASEAN+3 initiative in partnership with the World Bank that aims to build ASEAN's financial resilience against climate-related disasters. Current members include Cambodia, Indonesia, Laos, Myanmar, Philippines, Singapore and Japan.

Transparency Reporting
There were a total of six Biennial Update Reports (BUR) submitted over the past year and a half, including two first Biennial Update Reports by Cambodia and Lao PDR on 13 August 2020 and 28 July 2020 respectively. Vietnam, Malaysia and Thailand submitted their third BUR, and Singapore submitted its fourth. All have at least submitted one National Communication, which is required under the Convention. At COP26, Cambodia and Lao PDR will participate in the 11th Workshop of the facilitative sharing of views, presenting their first transparency reports to other countries and to take questions. This is significant, as both countries are currently categorised by the UN as Least Developed Countries (LDCs), but are about to graduate. Every three years, the Committee for Development Policy (CDP) comprising independent experts that report to the UN Economic and Social Council (ECOSOC) may propose a list of countries to graduate from the LDC status. In the CDP's 2018 review, Lao PDR, along with Bangladesh and Nepal were recommended for graduation after having met all three criteria – GNI per capita, a human assets index (HAI) and an economic and environmental vulnerability index (EVI). In 2021 review, Cambodia was found to have met all three graduation criteria and will be reviewed again in 2024. If Cambodia meets at least two out of three criteria or if its per capita income is sustainably above the "income-only" graduation threshold, set at twice the graduation threshold, Cambodia will cease to be listed as an LDC.

This is good progress, but moving from the current Measurement, Reporting & Verification (MRV) system to the Enhanced Transparency Framework will not be easy. Notably, Brunei, Myanmar and the Philippines have yet to submit any BURs, which sets them back in preparation for the new transparency regime. This new transparency regime moves away from the differentiated approach in the past and requires that all countries refer to a single reporting guidance known as Modalities, Procedures & Guidelines (MPGs) that was agreed as part of the Katowice Climate Package at COP24 in 2018. There are remaining transparency related matters outstanding to be finalised at COP26 that have implications on how soon countries can transition from existing transparency arrangements to the enhanced regime under the Paris Agreement. Countries only have three years to prepare to submit their first Biennial Transparency Report. For past discussion on outstanding issues to be finalised at COP26, please refer to *ESI Policy Brief* no. 44.

Article 6
Singapore's Minister for Sustainability and the Environment Ms Grace Fu was invited by the

UK COP26 President-designate Alok Sharma to co-facilitate ministerial consultations on Article 6 of the Paris Agreement with her Norwegian counterpart. Together, they will work with other ministers to find common ground on politically sensitive issues related to the establishment of market and non-market approaches to addressing climate change. Finalising Article 6 is important since a number of Southeast Asian countries are considering or have implemented carbon pricing and market mechanisms to address climate change. These include Singapore, Indonesia, Philippines, Thailand and Vietnam. Almost all ASEAN member states have project development experience with crediting mechanisms such as the Clean Development Mechanism (CDM), voluntary standards, and Joint Crediting Mechanism (JCM), to name a few. Therefore, it is likely that these countries already have knowledge or a foundation for cooperative actions under the Paris Agreement's Article 6 mechanisms. For example, Thailand has a Voluntary Emissions Trading System (V-ETS) piloted by the Government. Vietnam has guidelines for facility-level MRV developed for the steel and cement sectors. If the Article 6 negotiations are successful in Glasgow, the resultant international carbon market will generate demand for associated services at a global scale and Singapore will stand to benefit from this demand as a carbon services hub. A recently published report on green finance by the COP26 Universities Network and Singapore research centres noted that high-quality data for carbon emissions and credits should be part of the green recovery and transition plans is important for Southeast Asia. This will not only accelerate the clean energy transition, it will help the region develop a market for nature-based solutions which can also offer adaptation and resilience to climate change.

CONCLUSION

The COP26 agenda does not just end there. The linkage between Article 6 and 13 was identified as another key issue by many groups and Parties, in relation to the common tabular format of the structured summary for tracking progress of NDCs. Much of the contestation is around guidance provided in paragraph 77 (d) of the MPGs. There is a need for strengthened coordination among the experts working on Article 6 and Article 13 negotiations at COP26. A breakthrough on Article 6, and an agreement on common time frames and data reporting standards for NDCs will be essential in ensuring the robustness of the Paris Agreement. Further delays reduce the time countries have to adjust domestic planning and review processes before applying common time frames to their NDCs by 2031.

Finally, climate action must be inclusive and support for developing countries is important, particularly in a post-COVID future. Developed countries should fulfil their climate finance commitments with a substantive support package for developing countries at COP26. Negotiators from Southeast Asia will be looking to more opportunities to reflect further on these issues, advance understanding of technical and political considerations, and build momentum towards agreement.

WHAT TO LOOK OUT FOR

- COP26 in Glasgow from 31 October to 12 November 2021, where Article 6 rules are scheduled to be presented to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) for consideration.
- Finalisation of a common time frame for NDCs at COP26.
- Level of climate finance commitments for developing countries by developed countries at COP26.

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