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The Madrid COP25 Climate Conference: Disappointments and Next Steps

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SYNOPSIS

At the closing of the recent COP25, also known as the Madrid Climate Conference held from 2–15 December 2019, countries were most notably unable to come to consensus on the "leftover" issues carried forward from COP24 held the year before in Katowice. The key task for COP25 was to adopt decisions to establish an Article 6 market and non-market mechanism in order to complete the Paris Rulebook. In 2018, 192 countries adopted the Katowice Climate Package, which seeks to operationalise the climate change regime in the Paris Agreement. This policy brief details the key outcomes of the Madrid COP25 and the further work required in preparation for the Glasgow Climate Conference (COP26) scheduled for November 2020.

KEY POINTS

- The Madrid Climate Conference ended in disappointment and deadlock despite having over-run by 2 days, beating the previous record held by Durban COP17. With this outcome, hope for a fully operational Paris Agreement will have to wait until Glasgow COP26 in November 2020.
- Countries were supposed to have adopted modalities and procedures of the market and non-market mechanisms under Article 6 of the Paris Agreement, which was leftover from Katowice COP24. However, consensus on market mechanisms remains elusive, stalling the rules on the entire Article 6 yet again.
- The failure to come to consensus on key issues was disheartening given the urgency of the science presented by the Intergovernmental Panel on Climate Change (IPCC) in three reports in 2019, as well as a year marked by climate protests sparked off by youth climate activist Greta Thunberg. It also prompted UN Secretary-General António Guterres to lament a "lost opportunity" for countries to act.

INTRODUCTION

From 2–15 December 2019, countries met in Madrid, Spain at the 25th Conference of the Parties (COP25) to the United Nations Framework Convention on Climate Change (UNFCCC) to conclude negotiations on remaining issues of the rulebook to implement the Paris Agreement. Despite the cancellation of the COP25 due to social unrest in Santiago, Chile leading to a three-week rush to set-up in Madrid, on 2 December, the COP got off to a good start without any procedural delays and saw over 22,000 government officials, experts and activists in attendance.

Since most of the rules were adopted the year before in COP24 in Katowice, Poland, the work at COP25 was fairly straightforward. The key task at Madrid was to adopt modalities and procedures of the market and non-market mechanism under Article 6 of the Paris Agreement. In doing so, countries would have fulfilled their promise to complete the implementation rulebook needed to guide countries on the way forward. Other issues covered at COP25 included a review of the Warsaw International Mechanism on Loss and Damage (WIM) and its long-term vision, common time frames for NDCs and transparency-related negotiations.

In Week 2 of COP25, the Chilean COP President Carolina Schmidt took over the process after technical work on Article 6 and other issues were completed. On Friday, 13 December following a 7pm press conference, it became apparent that the COP would have to over-run as no consensus was in sight. In the end, the Madrid COP25 over-ran by 2 days (44 hours), beating the previous record of 36 hours held by Durban COP17. By the time the closing plenary began on Sunday morning at 9.30am, many delegates had already left Madrid and worries started to surface that there would not be quorum to take decisions. The UNFCCC document system suffered a malfunction by then and the Secretariat opened a Dropbox folder to share crucial texts. Some delegations experienced difficulties in locating documents via this option, resulting in further delays at the closing plenary.

ANALYSIS

NDC Ambition

One major concern going into COP26 in Glasgow is the additional issues forwarded from COP25 adding to the already heavy agenda. Under the Paris Agreement, all countries that are party are required to submit nationally determined contributions (NDCs) but to also recommunicate or update them every five years. This pledge needs to be communicated to the UNFCCC at least 9 months prior to a COP, which means that we can expect new NDCs starting from March. Successive NDCs must represent a progression and reflect each country's highest possible ambition. These NDC updates will be collectively assessed every five years in a global stocktake starting in 2023 and together these regular rounds of NDCs are to ensure that countries raise climate ambition over time. Setting common timeframes soon will help align all NDCs to best support the UNFCCC ambition cycle. Indeed, the sooner a decision is reached, the more time countries will have to adjust domestic planning and review processes before applying common time frames by 2031 (See Decision 6/CMA.1, paragraph 2).

Singapore's Minister for the Environment and Water Resources, Mr Masagos Zulkifli announced in his speech at COP25 that the country will update its NDC and communicate a long-term low emissions strategy soon. Singapore joins 80 countries who have stated their intention to enhance their NDCs by 2020, according to the World Resources Institute's NDC tracker. However, this only represents 10.5 per cent of global emissions, as the largest emitters have not yet committed. Presently, 14 countries including Costa Rica, Fiji, Japan, Germany, France, the United States and the United Kingdom have submitted long-term strategies as invited to do so under Article 4, paragraph 19 of the Paris Agreement. As the US had submitted its mid-century strategy for deep decarbonisation in November 2016 prior to current US President Donald Trump taking office, it is unclear if the US intends to fulfil the strategy or even communicate new NDCs. On 4 November 2019, the US formally withdrew from the Paris Agreement. Thus it will cease to be a party to the landmark agreement on 4 November 2020, one day after the 2020 US presidential election.

Reporting Formats under the Enhanced Transparency Framework

In Katowice, countries agreed on a substantial amount of detail that would form the basis for a new Enhanced Transparency Framework under the Paris Agreement. By 2024, all countries will apply new common modalities, procedures and guidelines (MPGs) and submit their first biennial transparency report (BTR) and national inventory report (NIR). They will subsequently participate in a technical expert review (TER) and a facilitative, multilateral consideration of progress (FMCP). In Madrid, further work comprised developing common reporting tables (CRT) and common tabular formats (CTF), vital for holding nations to account, not just on NDC progress but also on financial, technology development and transfer, and capacity-building support provided and mobilised, as well as support needed and received, under Articles 9–11 of the Paris Agreement.

Disagreements surfaced one week in, on the application of flexibility for developing countries that need it in the light of their capacities, and options for implementing the flexibilities. For instance, there were different views regarding the reporting of sectoral background data tables, including whether such tables are mandatory for all countries in accordance with the MPGs agreed just a year earlier. Negotiators did however discuss many

options on how to incorporate flexibility, including allowing countries to include or use coloured cells, footnotes to the CRTs to explain where a flexibility provision in the MPGs exists; existing notation keys or a new notation key; use documentation boxes; tables to report on flexibilities used by a Party; by hiding blank columns or rows of tables; removing or hiding rows, columns or tables; or the use of narrative descriptions in the national inventory document. Negotiators also argued over proposed metrics for projections and the role of the transport sector in such projections.

In addition to highly technical discussions, countries also expressed the need to support developing countries' reporting and for their capacity building. This is in order for them to be able to comply with the new MPGs by 2024. It is important, given that most developing countries have limited or no experience with common reporting formats, tables or data entry interface software tool called CRF Reporter that developed countries currently use in their biennial reporting. There were calls for sharing of experiences and more resources towards capacity-building in transparency reporting. In the end, the SBSTA plenary ended without a deal despite calls from the United States, European Union, Australia, Japan, small island states and Latin America asking for more time to get to consensus. However, China, backed by India and African nations called for the meeting to be closed without a decision, invoking "Rule 16" of the Draft Rules of Procedure to bring forward the issue into the intersessional in June for finalisation at COP26.

Market and Non-Market Approaches under Article 6

Article 6 was the primary focus of attention for COP25. COP24 ended with no substantive conclusions on Article 6 rules (see UN Doc FCCC/CP/2018/L.28). Brackets were inserted to places where multiple options remain in the draft texts. With the draft rules whittled down from 391 brackets to 132 brackets, observers thought that negotiators would be able to reach consensus by the end of 2019. However, this was not to be—at the intersessional SBSTA meeting in June 2019, the number of brackets rebounded to 672. Negotiators in Madrid strove to whittle down the brackets again. Eventually, negotiations reached clean texts i.e. no brackets for Article 6.2 (ITMOs) and Article 6.8 (non-market mechanisms). However, Article 6.4 which refers to the "sustainable development mechanism" remained unsettled until the scheduled last day on 14 December, with 27 brackets remaining. The same issues which prevailed at COP24 and earlier continue to stall progress towards consensus on Article 6.4. Tellingly, the "sustainable development mechanism" includes no reference to the United Nations Sustainable Development Goals *per se*, but only "sustainable development" as defined by each State party. (Refer to ESI Policy Brief 30, 19 August 2019 for details).

In the end, COP25, going into overtime on 15 December managed to eke out "clean texts" without brackets or options for Articles 6.2, 6.4, and 6.8. However, the ominous warning that "draft texts do not represent a consensus among Parties" (see UN Doc FCCC/PA/CMA/2019/L.9) means that negotiations are not over. Currently, Articles 6.2, 6.4 and 6.8 are seen by countries to be inalienable parts of the Article 6 package. With the continuing difficulties in delivering Article 6 rules, some negotiators have asked if it would be better to save the two largely uncontroversial texts (Article 6.2 and Article 6.8) by delivering them at COP26, and abandoning Article 6.4.

IETA has noted that Article 6.4 by itself would only reach offset levels of about 6 $GtCO_2e$/year by 2050. Even if the controversial overall mitigation in global emissions (OMGE) cream off was applied at 20 per cent, the highest rate being proposed—whereby carbon credit buyers would have to buy 120 units of credits to offset 100 units of emissions—would only result in 1 $GtCO_2e$/year of net mitigation. This raises questions on whether it is still worth the effort to pursue Article 6.4. In our opinion, the answer to that question is increasingly in the negative. Observers should not hold their breath.

Climate Finance

Matters relating to the Adaptation Fund, Standing Committee on Finance (SCF), report of the Green Climate Fund (GCF) and the Global Environment Facility (GEF) were covered at COP25. At COP26, the SCF will need to report to the COP on progress in implementing its

work plan. It is worth noting that finance is still being discussed under transparency reporting and in Article 6 negotiations. In Madrid, the Santiago Action Plan launched on 9 December saw over 50 finance ministers from Europe and vulnerable countries part of the Coalition of Finance Ministers for Climate Action commit to mainstream climate finance into their domestic economic policies.

2020 is also a significant year for climate finance, as countries had in 2010 committed developed countries to jointly mobilise USD100 billion per year by 2020 to address the needs of developing countries. Presently, the GCF has raised just over USD10 billion and has committed funding of USD5.6 billion for 124 projects. An OECD Technical Note on 2020 projections of climate finance towards the USD100 billion goal points to the importance of having greater clarity on climate finance for improving trust between countries. According to the SCF's third Biennial Assessment and Overview of Climate Finance Flows Technical Report released in 2018, total climate finance provided and mobilised by developed countries reached over USD70 billion in 2016. This suggests that developed countries are on track to reach the USD100 billion goal this year. However, as current reporting guidelines are resulting in a two-year time lag for developed countries to report their climate finance data, the world will not know if the climate finance goal will be met this year. The final amount will also depend on the level of public finance in 2020, the way in which it is allocated between projects and the private-public ratio with which public finance is able to mobilise private climate finance.

CONCLUSION

The Madrid COP25 disappointed many with the lack of consensus on key issues, leading to a dearth of outcomes. Although there were small wins such as the review of the Lima Action Plan on gender and adoption of a new "Enhanced Lima Work Programme" for the full, equal and meaningful participation of women in the implementation of the UNFCCC and Paris Agreement, other important issues regarding the Warsaw International Mechanism on Loss and Damage yielded ambiguous outcomes.

This, mixed in with the large external influences such as the global climate protest movement, the urgency reflected in the IPCC reports published as well as the ongoing social unrest in Latin America brought about renewed calls for an overhaul of the UNFCCC process. The irony of the COP's theme of "Time for Action" by the Chilean Presidency in Madrid was also not lost on participants and observers, who lamented that the ambition levels clearly did not match the level of urgency. The deferment of key issues to Glasgow COP26 means that the incoming Presidency will have more issues to contend with this year, including transparency and Article 6. But the true barometer of progress will be in the updated NDCs submitted by COP26. Will they heed, belatedly, UN Secretary-General António Guterres' call for "ambition, ambition, ambition, ambition and ambition" at the close of COP24 or will it be another "lost opportunity"? We'll have to wait and see.

WHAT TO LOOK OUT FOR

- Singapore's NDC update and long-term low emissions strategy in early 2020.
- The 52nd meeting of the Subsidiary Bodies (SB50) from 31 May–10 June 2020 in Bonn, Germany, where remaining issues will be discussed.
- The 26th Conference of the Parties (COP26) from 9–19 November 2020 in Glasgow, Scotland.

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