



## COP25 Climate Summit in Madrid: A Bad Climate Forecast

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*Most of the rules for the functioning of the international climate protection system were established at last year's COP24 climate summit in Katowice. The goal of COP25, which began in Madrid, on 2 December, is to complete the negotiations. Despite the need for swift action to protect the climate, countries are not willing to declare new ambitious greenhouse gas emission (GHG) reduction targets.*

COP24 established a list of details of the functioning of the international system to mitigate climate change, such as monitoring and reporting of GHGs. This list specifies the provisions of the 2015 Paris Agreement and was named the "Katowice Rulebook". COP25 in Madrid aims to reconcile the remaining elements for this rulebook, which Poland is committed to preserving after the success of the Katowice negotiations. The year-long Polish COP presidency ended on 2 December and Chile has taken it over.

**Bad Aura for Earth's Climate.** Even just the organisation of COP25 has encountered difficulties. First, in November 2018, Brazil withdrew as host of the summit after Jair Bolsonaro won the presidential election. In its place, Chile came forward. However, as a result of the protests related to internal issues, the state also withdrew, announcing it on 30 October. Spain then took up the role of summit host, though Chile maintained the COP25 presidency.

A special summit on climate action, convened in New York on 23 September by UN Secretary-General Antonio Guterres, may be considered a prediction for what happens at COP25. The special summit's aim was to get countries to reduce their GHG emissions faster, but the summit sputtered. Country representatives did not announce breakthrough commitments to counter climate change and some have not declared any new targets.

More indications of hesitation are seen from the parties. On 4 November, the U.S. administration formally announced its intention to withdraw from the Paris Agreement, notifying the depositary, the UN Secretary-General. This was the first possible date according to the text of the accord. This means that after a period of one year, on 4 November 2020, the U.S. will cease to be a party to it. Although the U.S. presidential election will take place on 3 November, the new term of office will not begin until 20 January 2021, so only President Donald Trump can change course. Given his critical attitude towards the agreement, his stopping the withdrawal is unlikely. On 12-13 December, the EU will return to the topic of setting the climate neutrality target by 2050, the last days of the climate summit. The lack of readiness to declare new targets is also visible among other large economies, including China, India, Japan, and Australia. Formally, the parties should declare their next objectives in 2020.

**The Most Important Gaps in the Katowice Rulebook.** COP24 established uniform guidelines according to which states are to report their nationally declared contributions (NDCs) in regard to, for example, monitoring and reporting GHG emissions. However, several thorny issues were left for further discussions. The most important of these is the implementation of Art. 6 of the Paris Agreement, which establishes

International Transfer of Mitigation Outcomes (ITMO). This allows the purchase of emission reductions units achieved in one country to help another achieve its NDC. Art. 6 provides for three possibilities of cooperation in this regard: solutions based on bilateral or multilateral cooperation; a global market mechanism under which emission reduction units can be transferred; and non-market solutions, without financial transfers. The biggest problem for the negotiators is to determine the shape of the first two solutions, so as not to allow for double-counting of emission reductions, that is, both in the country that has decided to sell the gains and in the one that bought them. However, reaching compromise has been difficult because of the differences in the sectoral scope of the NDCs and the indicators used to measure the declaration.

There are further challenges in the specification of some of the details of parts of the Katowice Rulebook. At COP24, the parties agreed to a common timeframe for the NDCs from 2031 but they could not agree when they should be declared or for how long they should be. These periods would increase the transparency of the system and facilitate the transfer of outcomes, among other benefits. However, the differences between the delegations' positions were so large on the topic that the talks were delayed until a June negotiating session in Bonn, Germany (location of the UNFCCC secretariat). Discussions are also ongoing on the reduction of emissions from air and maritime transport.

COP25 will also review existing solutions. The most important concerns the "Warsaw Mechanism of Loss and Damage", which was set up six years ago at COP19 in Warsaw and aims to support countries affected by natural disasters related to climate change. Small Island Developing States and Least Developed Countries count on new additional financial support for this purpose but developed countries are not in agreement. Among the proposals is the establishment of an expert group to search for solutions.

**Divergent Positions.** The largest opponent of strict rules for ITMO under Art. 6 are Brazil and Saudi Arabia. They want to allow double-counting of emissions. Brazil also wants to include in the mechanism units from the previous system established by the Kyoto Protocol of 1997. The EU will not agree to this because it would alter emission reduction measurements and lead to an increase in emissions vis-à-vis a scenario without international transfers. The new system would also give an opportunity to better verify emission reductions.

In the second week of COP25, the issue of the categorisation of Turkey may come back. Turkey wants to be counted among the developing groups rather than the developed ones so it can become a beneficiary of financial support for climate protection rather than a state required to pay. However, acquiescing to this demand could set a precedent threatening more demands from other parties to the accord.

The U.S. notification of withdrawal from the Paris Agreement negatively affects other countries, notably China. In the face of the trade dispute with the U.S. and growing challenges in economic growth, China has hesitated to declare a new emissions reduction target. The EU is examining the possibility of a bilateral climate agreement but it's unlikely to be completed until 2020 at the earliest. China explicitly warned the EU during COP25 against introducing a carbon border tax that would increase the cost of imported products depending on their emissions.

In the absence of new ambitious actions by countries, non-state actors may play a bigger role in climate protection. Regional and local authorities (e.g., U.S. states), mayors (Global Covenant of Mayors), individual companies (e.g., Google) or financial institutions (e.g., Allianz, which has committed to zero-emission assets by 2050) have for years now participated in the climate summits and in setting the new targets.

**Conclusions.** The need for enhanced action to reduce GHG emissions does not match the current international political reality. The U.S. exit from the Paris Agreement and trade disputes are discouraging other countries from making new commitments. Therefore, during COP25, new declarations by non-state actors are important. For companies, a pledge toward environmental sustainability is an important marketing opportunity and the actions of financial institutions limiting funding possibilities for fossil fuel and carbon-intensive solutions can make new commitments a necessity.

Last year's success of the Polish COP presidency gives hope that it is possible to conclude the negotiations of the Katowice Rulebook despite the adverse political circumstances. To achieve agreement over Art. 6, direct EU-Brazil discussions might be key. An important argument in the talks with Bolsonaro may be to link climate action with trade. At the same time, the EU should seek broad support from developing countries for which the implementation of Art. 6 may be an opportunity to obtain additional financing. If a compromise is not possible, one solution might be to create "clubs" of states that use a similar structure and methodology in their NDCs to establish trade with each other in emission reductions.