COP-25 Madrid

A meeting of frustrated expectations – inside the negotiations as well as on the streets

Highlights

- COP-25 was tasked with finalizing the rules of Article 6 of the Paris Agreement – i.e., the rules of future international carbon markets –, reviewing and strengthening the Warsaw International Mechanism for Loss and Damage, and concluding various finance-related matters. However, despite an almost two-day delay in closing the conference, delegates failed to deliver on most of the pending issues.

- While the Madrid COP had a relatively ‘light’ negotiation agenda, the Article 6 negotiations proved to be both promising – due to the degree of compromise negotiators from all sides offered at one time – and frustrating as negotiations ultimately collapsed. The lack of agreement points towards a sobering loss of momentum in the implementation of the Paris Agreement.

- The Chilean Presidency and its Spanish partners invested their political capital to mobilize support for new and more ambitious Nationally Determined Contributions (NDCs) that are in line with science and reflect the urgency of climate action. In the end, the adoption of a set of decisions under the banner “Chile Madrid Time of Action” did little more than repeat the existing decision texts. The document helped save face but failed to produce a fresh and meaningful collective effort.
• The lack of ambition – in particular, the absence of clear statements supporting strong mitigation action – stands in contrast to the increasing demands from the public for countries to take action. However, considering that the negotiations happened against the backdrop of the US withdrawal from the Paris Agreement, a surge of populist governments around the globe, and social unrest in many Latin American countries, and that the conference was an “in-between COP” with a light negotiation agenda, media and observers may have arrived in Madrid with unrealistic expectations.

• Hope comes from civil society and businesses that are increasingly cooperating on climate action. Businesses that recognize their responsibility to engage in mitigation action published ambitious commitments come mostly from smaller countries, contributing together not much more than 10 percent of global emissions.

An ill-starred meeting

If proof was needed that multilateralism is under fire at the turn of the decade, climate change negotiations would make useful demonstration material. The 25th session of the Conference of the Parties to the UNFCCC (COP-25) is the COP that no one wanted:

The Brazilian government – which changed leadership after the Presidential elections in 2018 – withdrew its offer to host the conference. Chile, which took over from Brazil, felt it needed to cancel the conference following the massive protests across the country and the ensuing political turmoil. In the end, Spain offered to host COP-25 and produced something close to a logistical miracle in less than six-weeks.

However, the impressive organizational capabilities of the city of Madrid and the Spanish government did not manage to dispel the clouds that hung over the conference. Demonstrations of hundreds of thousands of people, strong media coverage, and recent reports of the Intergovernmental Panel on Climate Change (IPCC) had created expectations that the meeting, even if it had delivered on its agenda, would have hardly been able to meet.

Instead, the Madrid COP may be remembered as the COP that brought fame to a little-known procedural rule that gives cover to political procrastination. Rule 16 of the provisional UNFCCC rules of procedure is applied when Parties fail to agree and allows for pending issues to “be included automatically in the agenda” of the subsequent COP. Rule 16 was applied 15 times in Madrid, an indication of a lost opportunity and a heavy cargo on the way to COP-26 in Scotland.

Ambition

Ambition, or, better yet, the lack thereof, has become the mantra of international climate negotiations. Repeated over and over again, ‘ambition’ is both boon and bane of the Paris Agreement. In contrast to the Kyoto Protocol, which determined its end goal by establishing a cap on developed countries’ greenhouse gas emissions, the Paris Agreement relies on a mix of continuous self-assessment and collective bargaining to bring it on the path towards meeting its ambitious goal of limiting global heating to well below 2°C. The ambition of the Paris Agreement depends on the accumulated ambition of all NDCs, which each country ‘may at any time adjust […] with a view to enhancing its level of ambition’ (Art.4.11 PA). This means nobody is really ever off the hook.

In Madrid, the communication of new NDCs was not on the agenda. It is not until this year that countries with an NDC timeframe until 2025 have to submit new NDCs. Countries whose current NDCs are already valid until 2030, have to (re-)‘communicate or update’ their NDCs next year.

So why the whole drama in Madrid?

First, the Chilean government had hung its reputation on raising ambition. It had launched the ‘Climate Ambition Alliance’ at the UN Secretary-General’s Climate Action summit in September 2019, with the end to accelerate the transformation needed to meet the goals of the Paris Agreement. Chile made various attempts during the COP to convince governments to come forward with pledges and announcements of additional and stronger climate action, i.e. increase ambition, in anticipation of a new round of submissions of NDCs in early 2020. The Chilean Presidency and the UNFCCC secretariat created high stakes when they expected to meet the expectations coming from inside and outside of the negotiation rooms.

1 Rule 16 of the UNFCCC draft rules of procedures.
2 Decision 1CP21 para 23 and 24.
3 Countries that have signed up to the alliance have committed to increase their ambition and submit a revised NDC next year. So far, 42 countries have confirmed that they will update their NDC next year and 79 have confirmed that they want to increase their ambition. However, these commitments come mostly from smaller countries, contributing together not much more than 10 percent of global emissions.
COP-25 to be a ‘launchpad’ for high climate ambition.

Second, people outside the negotiation rooms have unmistakably understood the message of climate science and the inadequacy of government actions. Fridays4Future, Extinction Rebellion and many other movements have rallied behind Greta Thunberg and her message, and they are becoming more vocal every week. Government inaction thus cannot hide any longer, and the growing civil society movement places it center stage.

Third, the discussions in Madrid made it clear that countries have very different understandings of ‘ambition’. For developing countries ambition is not only limited to mitigation. They see it as a function of finance, technology transfer and capacity building. Without a clear commitment from developed countries to provide support, they will not consider raising their NDC ambition in 2020. Developed countries in turn point towards the responsibility and ability of countries to do what stands in their power to reduce emissions.

Fourth, as countries move towards implementing their NDCs, it is becoming obvious that national political dynamics, spanning from climate-skeptical populism to unwillingness to confront national lobbies, are making additional action difficult for many countries.

The negotiation of the “Chile-Madrid Time of Action” documents – the main outcome of COP-25 – completes a series of failed attempts to raise ambition in advance of COP-25. The draft documents – one negotiated for each of the treaties: the UNFCCC (under the authority of COP), the Kyoto Protocol (under the authority of COP serving the Kyoto Protocol (CMP)), and the Paris Agreement (under the authority of COP serving the Paris Agreement (CMA)) – saw some back and forth, sinking first to low points and eventually reaching slightly higher ground. Instead of merely reiterating the need for ambition, the final decisions “re-emphasizes with serious concern the urgent need to address the significant gap between the aggregate effect of Parties’ mitigation efforts in terms of global annual emissions of greenhouse gases by 2020.” The UNFCCC text also stresses the relevance of both the “pre-2020 implementation and ambition” and the different initiatives and partnerships for global action. Moreover, it references the role of non-Party stakeholders in “contributing to progress”, as well as – bowing to the new enthusiasm by activists and impact funds alike for climate action around forests and agriculture (‘nature-based solutions’) – the “essential contribution of nature to addressing climate change”. While these are all pertinent and useful aspects, negotiators barely saved face.

The truth is, almost all countries fall short of taking climate change as seriously as they should and refuse to do what is in their ability to confront the global climate crisis. Madrid has confirmed this point.

Since the adoption of the Paris Agreement, there have been considerable efforts to make NDCs consistent and comparable. Negotiators have tried to establish ‘common time frames’, referring to the number of years covered by an NDC. The Paris Agreement left the matter undecided, but mandates Parties in Article 4.10 to consider common timeframes. It is of considerable importance, however, in particular with respect to the upcoming 2020 update of NDCs, but also more generally as countries debate whether NDCs should be updated every five- or ten-years, or apply different time frames for adaptation, finance and mitigations. Collective ambition would have seen a boost had the Madrid COP clarified that all Parties should submit a fresh (enhanced) NDC in 2020. Instead, the relevant decision (CMA) did not modify existing ambiguity and deferred the decision to the next COP. Rule 16 was applied.

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5 Decision 1/CMA2.
Finance

Finance (like ambition) was omni-present as an underlying topic, providing a nuance to almost all negotiation topics. Whether shaping the discussions on loss and damage, coloring the talks around markets or guiding the debates on pre-2020 action and updated NDCs, finance is an essential pre-condition for the cooperative spirit that is needed for countries to agree on technical matters.

The overall disappointment on the reluctant and inefficient flow of finance unites developing countries, who see the lack of funding as “lack of progress on the pre-2020 agenda”. In the view of most developing countries, finance should come in the form of government-to-government transfers, while developed countries count public and private transfers as equally valid contributions to the USD 100 billion per year Copenhagen finance goal. While this goal is yet to be met, developing countries pushed for a potential new and amended long-term finance goal in Madrid. Agreement was postponed, Rule 16 applies.

The official discussion around finance focused on guidance for operational entities of the financial mechanism of the UNFCCC and the Paris Agreement, the Green Climate Fund and the Global Environment Facility. Developing countries expressed frustration with the slow and cumbersome operations of the Green Climate Fund, and the decline in climate allocation in the latest Global Environment Facility replenishment. The COP provided guidance to the operating entities of the financial mechanism (GCF and GEF) and tasked the Standing Committee on Finance to conduct additional analytical work, including mapping data availability and gaps by sector, assessing climate finance flows, and presenting information on the determination of the needs of developing country parties related to implementing the Convention and the Paris Agreement.

Interesting in this context is the newly convened Coalition of Finance Ministers for Climate Action, which laid out the “Santiago Finance Plan”. Under the plan, finance ministries commit “to facilitate a trajectory of smooth transitions toward that goal and are well positioned to play a lead role for such long-term transition strategies.” While this in itself does not address the frustrations of developing countries, it certainly marks a step in the right direction.

Markets

As the missing piece in the Paris Rulebook, markets – unintentionally – occupied the spotlight at COP-25. Failure to deliver Article 6 at the end became not only a grave disappointment to the carbon market community but also dealt a blow to the COP as a whole. Unfortunately, it was also something of a déjà vu. Like the previous year at COP-24 in Katowice, negotiations on Article 6 extended long after the official closing of the COP – in the process causing COP-25 to be the longest session in the history of the UNFCCC – only to accept defeat in the early hours of Sunday morning.

Seeing history repeat itself seems particularly painful as Parties and those orchestrating the negotiations had made every effort to learn from the past. Early on in the process, the negotiations chair engaged political leaders and heads of delegations in a conversation on what were seen as the main political controversies: the transition of the Clean Development Mechanism’s (CDM) activities and units to the Paris context, the application of a “share of proceeds” for adaptation finance to cooperative approaches under Article 6.2 (so far only agreed for the Article 6.4 mechanism) and the requirement to perform ‘corresponding adjustments’ to units issued under Article 6.4 (opposed by Brazil and like-minded developing countries). At the middle of the conference, the facilitating ministers from South Africa and New Zealand reported that they were seeing a landing zone for two of the three controversies. The alternation between serious progress and continued stalemate was perhaps the

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6 Statement of the BASIC countries which involve Brazil, South Africa, India and China.
7 OECD (2019), Climate Finance Provided and Mobilized by Developed Countries in 2013-2017, puts the latest available figures (for 2017) at USD 71.2 billion.
8 Overview over the Santiago Action Plan (2019).
most defining characteristic of the negotiations, making the final outcome difficult to predict. However, it is good to highlight that what was achieved along the way was certainly not all grim.

**Parties showed willingness to compromise...**

First and foremost, the negotiations did not see any stalling tactics and Parties showed serious commitment towards completing the task in Madrid and working together constructively until the final hours. In the spirit of finding compromise, they were willing to soften some long-held positions. For example, to meet a key ask of the Alliance of Small Island States (AOSIS), Parties that had not hitherto done so accepted that “overall mitigation of global emissions” could be operationalized through a mandatory discount on emission reductions. Some developed countries stretched beyond their comfort zone in discussing adaptation finance under Article 6.2 and the EU showed willingness to engage on CDM transition, including allowing a limited transfer of pre-2020 credits. The discussion on accounting methods for corresponding adjustments was particularly encouraging, as Parties’ grasp of this overly-technical issue matured and converged. The definition of baselines and additionality under the Article 6.4 mechanism, on the other hand, did not see a common position emerge.

Under the Chilean presidency’s effort to broker a deal, new concepts were introduced into the final negotiation texts, such as a limited possibility for a Party to opt out of corresponding adjustments for activities under the Article 6.4 mechanism or the creation of a reserve fund of pre-2020 CERs. While this opened up a path towards compromise for some of the stickiest issues, Parties failed to come to an agreement on the detailed terms. A political controversy that proved unbridgeable, however, was the question of whether all transactions under Article 6.2 – the key provision enabling trades between countries – should come with a (mandatory) levy (fiercely opposed by the US and Canada who consider it paramount to the application of a tax on their carbon pricing schemes) or simply a voluntary contribution. While there were still too many loose ends to clutch a deal during overtime, delegates did not seem dispirited by the overall outcome. Crucially, they agreed to continue the negotiations based on the three texts prepared by the Chilean presidency, thus safeguarding the progress made when SBSTA reconvenes in June 2020.\(^9\)

A noteworthy development during COP-25 was the formation of larger-scale coalitions. The most striking example is the emergence of G77+China on the scene, which for the first time in the negotiations of markets was able to unite behind a common position, namely calling for the extension of a mandatory share of proceeds to Article 6.2. Another example is a large developing country coalition of AOSIS, least developed countries (LDCs), the Association of Latin American and Caribbean countries (AILAC) and the African Group of Negotiators (AGN) tabling a joint proposal on overall mitigation and share of proceeds across Article 6. Closer collaboration also emerged between the like-minded developing countries ( spearheaded by Saudi-Arabia, India and China) and Brazil.

...however, overall, the negotiations saw the traditional dividing lines between developed and developing countries resurface.

With the repeated failure of COP-25 to operationalize Article 6, the question is whether Parties will continue to strive for a successful outcome in 2020. There are already signs of some wavering commitment, in line with the familiar mantra “no deal is better than a bad deal”. Minister Shaw from New Zealand, who facilitated high level negotiations during COP-25, suggested to postpone Article 6 negotiations for a few years while multilateral and bilateral cooperation could go ahead in practice and in absence of the ruleset.\(^10\) Another break-up tendency is the formation of a group of signatories to the *San José Principles for High Ambition and Integrity in International Carbon Markets* during the final hours of negotiations. The “unconventional group” is led by Costa Rica and Switzerland and currently has 32 member countries from AILAC, AOSIS, the Umbrella group and the EU.\(^11\)

Lastly, pressure on Article 6 negotiations is building from outside the UNFCCC process. In the absence of an Article 6 ruleset, the International Civil Aviation Organization (ICAO), which is in the process of developing a Carbon Offsetting and Reduction Scheme (CORSIA) to control the rise in CO\(_2\).

\(^9\) Article 6 conclusions and presidency texts are available [here](https://www.climatefocus.org/climate-focus/)

\(^10\) *In an interview given to Carbon Pulse.*

\(^11\) [Press release 13, December 2019, San José Principles](https://www.icao.int/Newsroom/Press-Releases/Pages/20191213a.aspx)
emissions from international aviation, is left to single-handedly define its own rules for global emissions trading. A growing voluntary market is also asserting itself and establishing standards for robust accounting in the post 2020 period, highlighting that credible emission reductions can be assured through robust baseline and additionality rules and do not depend on government action.\textsuperscript{12}

**Loss and damage**

Originally designed prior to the adoption of the Paris Agreement – at the Warsaw COP (COP-19) in 2013 – the Warsaw International Mechanism for Loss and Damage ("WIM") responds to the fact that climate change is no longer a projection, but a reality that is presenting countries with actual losses and damages – ever more often catastrophic ones. People in poorer countries are at least five times more likely to be displaced by extreme weather than people in rich countries.\textsuperscript{13}

The Paris Agreement gave the WIM recognition (Article 8.2 Paris Agreement) and placed it under the authority of the CMA. However, the mechanism lacks operationalization in terms of institutional responsibilities, business processes and importantly, finance. Developing countries have been trying to move these negotiation topics forward, until recently with little success. The Madrid outcome brought some improvements, if at a modest scale. The decision on the WIM is broad in its scope and adds considerable detail to the rationale and overall purpose of the mechanism.

And yet, the core dealings of the WIM remain as vague as the latest add-on to the mechanism, the ‘Santiago network for averting, minimizing and addressing loss and damage associated with the adverse effects of climate change, to catalyze the technical assistance of relevant organizations, bodies, networks and experts, for the implementation of relevant approaches at the local, national and regional level, in developing countries that are particularly vulnerable to the adverse effects of climate change...’\textsuperscript{14} While there are many words to describe the Santiago network, there is, nevertheless, little clarity on what the mechanism generates, for whom and when, and how much funding will be made available. Which brings us back to the issue of climate finance in general.

A complication concerning treaty governance has been presented by the fact that the United States (US) – a key industrialized country and historic contributor to climate change – is in the process of withdrawing from the Paris Agreement. This withdrawal would remove any obligation for the US to engage in the WIM, if the mechanism were governed by the Paris Agreement only. Developing countries are understandably eager to keep the WIM on the agenda of treaty of origin, the Convention, to which the US remains a party. Hence, the Madrid conference produced two WIM decisions, one from the CMA, the other from the COP. The latter decision is a simple referral (really - again?) of the governance matter to COP-26.

**Non-state action**

If governments keep dragging their feet, maybe solutions must be powered by non-state actors. This seems counter-intuitive, not at least because the most official window for non-state action within the mechanics of the Paris Agreement is provided by the very provision – Article 6 – for which negotiations have stalled once again. And yet, both non-governmental for-profit and not-for-profit organizations are claiming an ever more important role when it comes to addressing the climate emergency. From youth organizations to

\textsuperscript{12} See the Working Group Statement (Gold Standard, WWF, CDP, WRI, The Nature Conservancy, Carbon Market Watch, ICROA and others): Envisioning the voluntary carbon market post-2020, available [here](#).

\textsuperscript{13} Oxfam (2019), *Forced from Home: Climate-fueled displacement*.

\textsuperscript{14} Draft WIM Decision COP25, para 43.
financial services firms, from Greta Thunberg to BlackRock – the world’s largest asset manager with USD 6.8 trillion under management – from subnational governments to businesses, academia and Indigenous Peoples, non-state actors have started to engage forcefully in the combat against climate change and may yet demonstrate orchestrated leadership where governments cannot. For example, in the context of “Business Ambition for 1.5°C — Our Only Future”, 177 companies have pledged to set highly-ambitious emission reduction targets to help limit the worst effects of climate change — more than doubling in size since the first group of early movers was announced in September. The corporate shift away from the mantra of ‘individual interests only’ to a new understanding of shareholder responsibility for climate and environmental sustainability is particularly encouraging. At the same time, the Paris Agreement provides an increasingly important reference point for corporate action.

Wrapping up COP25

All this leaves one both exhausted and hopeful. The deferral of so many pressing issues to the next COP almost seems a dereliction of duty. And yet, the international battleship – the Conference of the Parties – continues to move forward. The degree of compromise Parties were offering – if ultimately to no avail – may still bode well for the Glasgow negotiations.

At the same time, non-state actors are sure to put increasing pressure on their governments to weave an international framework for cooperation. For all the enthusiasm they inspire, non-state actors cannot model the transformation to a zero-emissions economy alone. Governments are essential on this road.

If anything, COP-25 has demonstrated the growing disconnect between public expectation and government action, and between non-governmental leadership and political realism. And it has pointed to the amount of work still to be done.

Now – if there was time, one could relax and consider the long-term merits of procedural phenomena such as the one presented by the UNFCCC’s Rule 16: patience and persistence perhaps. But surely, time is the one thing the planet does not allow us. In a world that is literally burning, we are not at liberty to spend another 25 COPs debating the options for ‘cooperative approaches’ to save the world.

Source: photo by Sandra Greiner

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