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# COP24 Summary Report

Climate Challenges  
Market Solutions



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# COP24:

## Market mechanisms get left behind, but for a key reference

More than two weeks of tough negotiations in the city of Katowice reached agreement on the bulk of a plan to implement the Paris Agreement. It is being hailed as a major landmark for transparency and reporting, but it failed to agree on the chapter governing Article 6 of the Paris Agreement. Despite several days of talks at ministerial level, the impasse could not be broken, and Article 6 decisions were set aside, to be revisited in 2019.

The only positive market provision in the Katowice Package is a basic reporting provision for market transfers, found in the Transparency rules for Article 13 (paragraph 77). Even this section relies on the more detailed guidance that is still incomplete.



*COP President Michal Kurtyka is all smiles at the final plenary, but there wasn't much joy for markets in the decisions on the Paris Rulebook.*

While COP23 last year benefited from Fiji's Talanoa spirit of communication and open engagement, COP24 presented a more sober face. The bright lights of the Christmas market in the main square were a momentary exception to the rather gloomy surroundings.

The irony was not lost on many participants that the COP24 venue sat above an old coal mine. It was hard to escape the taste of coal in the air around the city, where some buildings still burn coal for heat. However, our hosts made every effort to welcome us; despite some shortcomings in logistics, the event ran smoothly.

## The key outcomes from the two weeks include:

- The [Paris Agreement Rule Book](#), which elaborates rules governing the reporting of emissions, regular stocktakes on progress in mitigation, adaptation, financial flows, addressing loss and damage, and a commitment to boost the ambition of Nationally Determined Contributions (NDCs).
- Formal acknowledgement of the Intergovernmental Panel on Climate Change (IPCC)'s Special Report on Pathways to 1.5°C.
- Conclusion of the [Talanoa Dialogue](#), the year-long process of sharing stories and experiences that was designed to build trust and confidence in the multilateral [approach](#) and encourage ambition.
- A proposal by the UN Secretary General Antonio Guterres to convene a Climate Summit in September 2019.
- A [mandate](#) for the chair of the SBSTA to continue negotiations over the implementation of Article 6 of the Paris Agreement.
- Agreement to meet in Chile for COP25, although the date and specific venue are still uncertain.

## Article 6: Falling at the last hurdle

IETA's particular interest at COP24 was in the negotiations on Article 6 of the Paris Agreement, covering cooperative approaches (Art. 6.2), a new market "mechanism" (Art. 6.4) and non-market approaches (Art. 6.8).

The Article 6 negotiations began under the Subsidiary Body for Scientific and Technological Advice (SBSTA), chaired by Paul Watkinson of France, on Sunday 2 December, as part of an effort to give delegates as much time as possible to develop positions and start working toward agreement.

### Week 1

The first week of talks appeared to be businesslike, with texts being elaborated amid a positive atmosphere. But as we moved into the weekend, it became clear that difficulties were mounting.

The Ad-Hoc Working Group on the Paris Agreement (APA) was the main body charged with the elaboration of the Paris Rulebook. APA was co-chaired by Jo Tyndall of New Zealand and Saudi Arabia's Sarah Baashan. This body had basic market references under consideration as part of the sections on Mitigation (Article 4) and

Transparency (Article 13).

The main work on Article 6 remained in SBSTA. Ireland's Kelley Kizzier and Singapore's Anshari Rahman (replacing Hugh Sealy of the Maldives) served as co-facilitators of Article 6. They hoped to issue a new iteration of the draft text by the first Friday (December 7). This deadline slipped, and it wasn't until Saturday that a new version appeared.

Early differences of opinion quickly emerged on issues including the origination of Internationally Transferable Mitigation Outcomes (ITMOs) both inside and outside the scope of NDCs; achieving Overall Global Mitigation of Emissions (OMGE) through mandatory cancellation or discounting of ITMOs; and whether a Share of Proceeds should apply to ITMO transfers under both Article 6.4 and 6.2.

Saturday's new iteration of the text was all in square brackets, the UN technique for reflecting issues that are still undecided.

Parties also highlighted a number of further sticking points:

- The proposals on Overall Mitigation of Global



*IETA and Environmental Defense Fund held a popular side event on how efficient, linked international markets could lower the cost of mitigation by nearly \$270 billion a year by 2030.*



*At an EU-sponsored side event, Eric Theroux of Quebec outlined how carbon pricing can shift from taxes to market mechanisms.*

Emissions became a potential deal-breaker to many, as it would represent a tax on mitigation. Extending the Share of Proceeds to Article 6.2 would have added yet another tax on transfers – which many also opposed as it went beyond the Paris deal.

- Parties struggled over whether to require corresponding adjustments if reductions are made from sectors outside a country's NDC.
- Equally, there was disagreement over whether ITMOs can be used for purposes other than meeting an NDC. This provision aimed to provide an implicit recognition that programmes such as CORSIA could also have access to ITMOs.
- The text showed competing options for the composition and membership of a new supervisory body for the Article 6.4 mechanism, and a minority pushed for inserting a supervisory body to govern Article 6.2 ITMO transfers as well – which ran counter to the Paris deal.
- Finally, the Article 6.4 talks were also split over the transition of the CDM. Parties differed over the eligibility criteria for CDM projects to qualify for the new mechanism. There were competing proposals over whether all CDM projects should be automatically eligible, or whether

some cut-off dates for credits and certain project types should apply.

Efforts in SBSTA to bridge differences on Saturday got bogged down. The co-chairs' goal was to get consensus on technical issues, so that the larger political issues could be given to ministers to decide.

But with disagreements persisting on many issues, the SBSTA session drew to a close with most issues still open. The co-chairs managed to produce a streamlined text that structured the open issues for decision. SBSTA then forwarded this version to the Presidency.

## Week 2

On Monday December 10, the Presidency proposed a new procedural approach of delegating specific topics to pairs of facilitating ministers. For Article 6, he assigned James Shaw, Minister for Climate Change of New Zealand and Carolina Schmidt, Minister of the Environment of Chile to facilitate an agreement.

The ministers were tasked with clearing up the text so that Parties could reach agreement on technical issues, and to forward the more political issues for ministerial discussions later this week.

This meant that Kelley and Anshari became



*IETA's Katie Sullivan underlined the value of markets at a side event hosted by the Chinese delegation*

“experts” tasked with helping the Ministers and the COP Presidency. The same technical negotiators from week 1 continued their efforts during Monday and Tuesday, aiming to narrow the range of issues for Ministers to resolve. They were given a deadline of 1700 Tuesday to forward text to the Presidency.

The new of draft decisions for all three elements of Article 6 (6.2, 6.4, 6.8) still reflected differences of opinion on a wide range of issues. The co-facilitators of the group said they would continue work on baselines, corresponding adjustment, OMGE and Article 6.8 governance, but that other areas would need to go to ministers for further action.

Specifically, there was still disagreement on rules for ITMOs being generated and tradable from “inside/outside” NDCs, as well as guidance on whether ITMOs could be used for purposes other than meeting an NDC.

Throughout Wednesday and Thursday talks proceeded at both technical and ministerial level

without any progress. At a stocktaking plenary held on Thursday afternoon, facilitators and ministers reported progress and convergence in finance, transparency, mitigation, adaptation and the global stocktake, but ominously there was no report from the Article 6 work stream.

A further iteration of the [Article 6.2](#) and [6.4](#) texts appeared on Thursday evening, with some cosmetic changes to the wording on non-NDC uses of ITMOs, but little else to encourage our observers.

By Friday, it was becoming clear that the transition of the CDM into the new mechanism, as well as corresponding adjustments, had emerged as potential obstacles to an agreement. Brazil, along with a small group of other Parties, was said to be unhappy with provisions that would require a corresponding adjustment for first transfer of Article 6.4 credits. Brazil also opposed the basic language on reporting of ITMO transfers as part of the transparency and accounting framework under Article 13.

As the talks moved into overtime, it was beginning to look as though Article 6 would not be able to progress along with the rest of the Paris Rulebook. With no progress on resolving the impasse between Brazil (with some other Parties supporting) and the rest, talk began to circulate of postponing a decision on Article 6 until next year.

As last-ditch efforts to reach a deal on Article 6 continued, plenaries were scheduled, then delayed, until late on Saturday afternoon when a [draft decision](#) emerged that did indeed postpone a decision on Article 6 until 2019.

The brief decision text also referenced, in a footnote, the Thursday iteration of the Article 6 decision as the starting point for talks next year.

This appeared to be good enough for the Polish Presidency, which quickly convened a plenary at which a [package](#) of decisions was adopted by the Conference of Parties.

### **Kyoto Protocol - CDM Guidance**

With the Conference focusing most attention on the development of the Paris Rulebook, there was little time to spend on the existing mechanisms of the Kyoto Protocol. At COP23 in Bonn, Parties approved a business plan for the CDM's Executive Board through to 2019, which suggests that decisions on the “modalities and procedures” of the CDM will also be dealt with at the next COP.

At the end of the first week, the Conference also

[accepted](#) the annual report of the CDM Executive Board, but took no further action regarding the mechanism except for a direction to review a cookstove methodology – and to provide a review on the state of the CDM's finances.

In the case of the Joint Implementation, there was, as of 16 December, no draft decision on its work uploaded on the UNFCCC website.

### IETA's View on the Outcome

The outcome of the Katowice COP was generally hailed as a success, with an almost-complete slate of decisions that set in motion the process of writing detailed rules to operationalise the Paris Agreement by 2020.

IETA and other business groups have already taken pains to emphasise that the lack of agreement on Article 6 means that there is as yet no framework enabling action for the private sector. Investments in projects covered under the Article 6.4 mechanism require certainty and, so far, the rulebook doesn't contain any.

### One bit of good news!

Negotiators did agree on important guidance on how countries will report on use of ITMOs. It is found in the section of the rulebook under Article 13, covering the Transparency Framework, where it describes how Parties will account for their cooperative approaches (see page 77 [here](#)).

But more is needed to provide a full framework that describes how to reconcile transfers of mitigation outcomes for different types of targets (single-year and multi-year), corresponding adjustments within those mechanisms and systems to support cooperative approaches. The new 6.4 mechanism provisions still need to be elaborated so that it can become operational.

### A quick guide to the broader rule book

The decisions adopted in Katowice aim to breathe life into the Paris Agreement. The summary below is intended to help you navigating the rule book (based on its latest version, [here](#)) and find the key outcomes.

#### Matters relating to Article 4 (NDCs) of the Paris Agreement

- Further guidance in relation to the mitigation section, page 14
  - Parties **shall** provide the information necessary for clarity, transparency and understanding contained in annex I.
  - Parties **shall** account for their nationally

determined contributions in accordance with the guidance contained in annex II.

- Annex I, page 17, outlines information to facilitate clarity, transparency and understanding of nationally determined contributions.
- Annex II, page 20, refers to accounting for Parties' nationally determined contributions.
- Common time frames for nationally determined contributions, page 25
  - Parties shall apply common time frames to their nationally determined contributions to be implemented from 2031 onward.

#### Matters relating to Article 9 (Finance) of the Paris Agreement

- Identification of the information to be provided by Parties in accordance with Article 9, page 45.
- Developed country Parties shall biennially communicate indicative quantitative and qualitative information related to Article 9.
- Annex, page 47, outlines the types of information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement.

#### Matters relating to Article 13 (Transparency) of the Paris Agreement

- Parties shall submit their first biennial transparency report and national inventory report, if submitted as a stand-alone report, in accordance with the modalities, procedures and guidelines, at the latest by 31 December 2024.
- Annex, page 67, outlines modalities, procedures and guidelines for the transparency framework for action and support referred to in Article 13 of the Paris Agreement.
- Page 74 outlines the information necessary to track progress made in implementing and achieving nationally determined contributions under Article 4 of the Paris Agreement, including a key area for market cooperation:
  - Each Party that participates in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards an NDC under Article 4, or authorizes the use of mitigation outcomes for international mitigation purposes other than achievement of its NDC shall also provide the following information in the structured summary consistently with relevant decisions adopted by the CMA on Article 6;
    - (i) The annual level of anthropogenic emissions by sources and removals by sinks covered by the NDC on an annual basis reported biennially;

- (ii) An emissions balance reflecting the level of anthropogenic emissions by sources and removals by sinks covered by its NDC adjusted on the basis of corresponding adjustments undertaken by effecting an addition for internationally transferred mitigation outcomes first-transferred/transferred and a subtraction for internationally transferred mitigation outcomes used/acquired, consistent with decisions adopted by the CMA on Article 6;
- (iii) Any other information consistent with decisions adopted by the CMA on reporting under Article 6;
- (iv) Information on how each cooperative approach promotes sustainable development; and ensures environmental integrity and transparency, including in governance; and applies robust accounting to ensure inter alia the avoidance of double counting, consistent with decisions adopted by the CMA on Article 6.
- Page 92 elaborates the elements of the technical expert review

**Matters relating to Article 14 (Global Stocktake) of the Paris Agreement**

- Page 100, decides that the global stocktake will consist of the following components:
  - (a) Information collection and preparation, focusing on gathering, compiling and synthesizing information and preparing

- for conducting the technical assessment referred to in paragraph 3(b) below;
- (b) Technical assessment, focusing on taking stock of the implementation of the Paris Agreement to assess collective progress towards achieving the purpose and long-term goals of the Paris Agreement, as well as opportunities for enhanced action and support to achieve its purpose and goals;
- (c) Consideration of outputs, focusing on discussing the implications of the findings of the technical assessment with a view to achieving the outcome of the global stocktake of informing Parties in updating and enhancing, in a nationally determined manner, their actions and support, in accordance with relevant provisions of the Paris Agreement, as well as in enhancing international cooperation for climate action;

**Matters relating to Article 15 (Compliance mechanism) of the Paris Agreement**

- On page 106, elaborates modalities and procedures for the effective operation of the mechanism to facilitate implementation of and promote compliance with the provisions of the Paris Agreement.

**Other important developments at COP24**

COP24 also saw new financial pledges to the Green Climate Fund (GCF), to the Least Developed



*Dirk Forrister, Alex Hanafi of EDF, New Zealand’s lead negotiator Kay Harrison, Jonathan Shopley of Natural Capital Partners, Yue Huang of IATA and Lisa De Marco of DeMarco Allan launching the Katowice Declaration at the UK Pavilion.*



*Stefano De Clara, Kelley Kizzier for the EU delegation, Alex Hanafi and Nat Keohane of EDF, Steve Rose of EPRI, Jonathan Grant from PwC and Dirk Forrister presented at our official side event.*

Countries Fund, and an announcement that contributions to the Adaptation Fund have crossed the \$100 million threshold.

The Talanoa Dialogue, a year-long conversation on ambition in the Paris Agreement, ended at COP24. The final element of the Dialogue, to which IETA members contributed during the year, was the inclusion of the IPCC Special Report. The high-level section of the COP issued the Talanoa Call for Action, which calls upon all countries and stakeholders to act with urgency.

Countries are encouraged to factor the outcomes of the Dialogue into efforts to increase their ambition and to update their NDCs, which detail nations' climate actions, in 2020.

#### On the sides of COP24

IETA hosted more than 35 side events at its Business Hub during COP24, while IETA staff and members participated in countless further events across the COP village.

The highlight of the fortnight was IETA's and Environmental Defense Fund's launch of the [Katowice Declaration on Sound Carbon Accounting](#), an initiative that grouped business groups, businesses and NGOs in a call for negotiators to adopt robust carbon accounting rules to create a strong basis for cooperative activities under the Paris Agreement.

The Declaration was signed by more than 45 entities, including the International Chamber of Commerce, which represents businesses in more than 130 countries, with more than 1 billion employees.

IETA and EDF also co-hosted an official COP side event at which Dirk presented early results from modelling carried out by the Joint Global Change Research Institute at University of Maryland. The research shows that efficient, linked international markets under Article 6 can drive down the cost



*IETA hosted an event on how international experiences with emissions trading could contribute to China's new nationwide carbon market. (L to R) Min Li (IETA), Professor Zhang Xiliang (Tsinghua University), Liv Rathe (Hydro), Dirk Forrister, Federico De Credito (ACT), Kamesh Iyer (RWE), Xie Xi (TNC) and Zhang Binliang (CNPC).*



*Panelists from our side-event on Canadian low-carbon corporate leadership and innovation: Beth Hardy (International CCS Knowledge Centre), Dale Friesen (ATCO), Katie Sullivan, Ginny Flood (Suncor) and Genevieve Brisson (Enerkem)*

of abatement by as much as \$270 billion a year by 2030. You can watch a recording of the event [here](#).

IETA staff hosted and spoke at a number of sessions devoted to the Chinese emissions market.

We hosted a panel of seven guests from Chinese think-tanks and participants in emissions markets as Professor Zhang Xiliang of Tsinghua University spoke on the role of the Chinese national ETS in contributing to the achievement of China's NDC.

Speakers including Liv Rathe of Hydro shared their views and experiences of different carbon markets with reference to China's ETS and their suggestions and expectations for the low-carbon and energy transition in China.

Dirk also spoke at two side events hosted at

the Chinese pavilion. He spoke on international experiences of emissions trading systems contributing to low carbon development in China, and on ETS experiences in contributing to greenhouse gas reductions in industry.

Katie Sullivan presented at an event hosted by the Chinese Academy of Social Science, the China New Energy Chamber of Commerce and SinoCarbon Company on international market and financial solutions for emissions reductions.

Another side-event showcased industry low-carbon leadership and best practice across Canada's diverse energy sector. We heard from ATCO, Suncor, Enerkem and the International CCS Knowledge Centre about Canada's existing innovative low-carbon networks, technologies and partnerships that could be replicated and scaled



*ICROA attracted a large audience to its fourth workshop on voluntary markets.*



*Jonathan Shopley of Natural Capital Partners spoke at ICROA's workshop on the voluntary market.*

worldwide to enhance climate ambition.

Katie also chaired a session featuring guests from the International Carbon Action Partnership (ICAP) and Quebec, to discuss linking emissions trading systems. California ARB chief Mary Nichols and Quebec environment minister MarieChantal Chassé highlighted the experience of the WCI.

ICROA also hosted its fourth workshop on increased voluntary action under the Paris Agreement. The event began with an update on ICROA's evolving thinking since the presentation of its [Guidance Report](#) on pathways to increased voluntary action by non-state actors published shortly before COP23.

Jonathan Shopley of Natural Capital Partners and Jeff Swartz of South Pole then highlighted the recent evolution of ICROA's position. Key to this process is to ensure that non-state actors will be in a position to continue to make strong claims after 2020.

And despite the reluctance of some Parties to admit the topic of aviation emissions to this year's COP agenda, IETA's very first event of the fortnight was devoted to ICAO's CORSIA mechanism.

We started our programme with an update on the latest news on the sectoral market's development, before moving to a question-and-answer session

with Jane Hupe of ICAO, Yue Huang of IATA and Katerina Kolaciova of Vertis Environmental Finance.

Of course, it wouldn't be a COP without the Carbon Pricing Champion Awards. IETA once again partnered with CMIA to present two awards this year, sponsored by ALLCOT and Climate Resources Exchange.

The first was to the Republic of Colombia, represented by Ricardo Jose Lozano, Minister of Environment and Sustainable Development. The award recognised the leadership of the Colombian government in the promotion of carbon pricing and offsetting as instruments to address climate change.



*IETA and CMIA presented the first COP24 Carbon Pricing Champion Award to the Republic of Colombia. (L to R) Dirk Forrister, Sebastian Carranza, Specialist, Ministry of Environment and Sustainable Development of Colombia; Ricardo Jose Lozano, Minister of Environment and Sustainable Development of Colombia; Margaret-Ann Splawn, Executive Director of CMIA; Alexis L. Leroy, CEO and Founder of ALLCOT Group; Tommi Neuvonen, Managing Director, ALLCOT Group.*

Our second award was to the secretariat of Carbon Pricing Leadership Coalition, represented by Angela Churie Kallhaug. This award recognised the work of the secretariat in supporting the jurisdictions that are committed to putting a price on carbon.



*Dirk presents the Carbon Pricing Champion Award to Angela Churie Kallhaug of the CPLC Secretariat.*

## Finally, we'd like to thank every one of our speakers, and the partners that made our participation and our programme at COP24 possible:

Carbon Pricing Leadership Coalition

ICAO

IATA

Vertis Environmental Finance

European Roundtable on Climate Change and Sustainable Transition

Chevron

CCP

German Environment Ministry

IEA

EBRD

MUFG

GreenGo Web

Asian Development Bank

ALLCOT

Climate Resources Exchange

CMIA

Mars

International Carbon Action Partnership

Government of Quebec, Ministry of Environment, Climate and Sustainable Development

Mootral

Japan Foundation Center for Global Partnership

Asia Society Policy Institute

Suncor

ATCO

Shell

Global CCS Institute

IPIECA

Harvard Project on Climate Agreements

EPRI

GasNaturally

GORD

# Climate Challenges. Market Solutions.

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