IETA Paris COP 21 Summary:

The makings of a global climate deal – and a new era for carbon markets

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CLIMATE CHALLENGES
MARKET SOLUTIONS

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IETA Paris COP 21 summary: The makings of a global climate deal

We made it! After four gruelling years, a new global climate change agreement was adopted on 12 December in Paris, with actions to be undertaken by all. Crucially, it establishes framework for a new era in emissions trading and lays the foundation for a future crediting mechanism, underpinned by robust and transparent accounting provisions.

The Paris Agreement and Decisions: a snapshot

- 20 pages of Decisions; 12-page Paris Agreement
- Long-term goal of 2°C with effort towards 1.5°C, and emissions neutrality in the second half of the century
- Once implemented, the Agreement could help countries unleash new investment flows and drive innovation
- **All three of IETA's pre-COP asks are included in the Agreement: cooperative approaches with international transfers of emission reduction units, rules for carbon market accounting, and a new crediting mechanism.**
- Key points on the Agreement:
    - Enhances cooperation through market approaches
    - Includes strong accounting principles to ensure environmental integrity
    - Provides a mechanism for sustainable development available to all who want to use it (developed and developing countries)
    - Includes direct and indirect references to REDD+
    - Nationally Determined Contributions will be reviewed every five years, starting from by 2020 (Decisions 23 and 24)
- Concept of common but differentiated responsibilities (CBDR) for developed vs. developing countries remains – but there's a significant evolution compared to the Kyoto Protocol with the addition of 'in the light of national circumstances'
- All Parties to the Agreement must act on mitigation and adaptation, with developed countries taking the lead
- Evolution also on climate finance, with developed countries taking the lead and developing countries contributing on a voluntary basis
- The Agreement will enter into force once at least 55 countries accounting for at least 55% of total global greenhouse gases are covered have deposited their instruments of ratification, acceptance, approval or accession

The 21st Conference of the Parties to the UNFCCC (COP 21) and the 11th Conference serving as the Meeting of the Parties to the Kyoto Protocol (CMP 11) opened in Paris, France from 30 November. Set to run until 11 December, in time-honoured tradition, talks overran for one day until 12 December. As well as the usual COP/CMP agenda items, this COP had one momentous task: to finalise a new international agreement on climate change for the post-2020 era, which would see all countries pledge to undertake actions to curb emissions, irrespective of their economic status.

The 12th part of the second session of the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP 2-12) – which had a clear mandate from COP 17 in Durban to finalise a draft negotiating text for the Paris Agreement and accompanying decisions – met during Week 1 of COP 21. On 5 December, the group formally closed under the US and Algerian co-chairs, having agreed to hand over a 48-page document to the COP for ministers to use as the basis for final negotiations in Week 2.

The 43rd sessions of the Subsidiary Body for Implementation (SBI) and Subsidiary Body for Scientific and Technological Advice (SBSTA) convened during week 1 of the talks. Under the Paris Agreement, both the SBI and the SBSTA continue to be technical forums to work out the details of UNFCCC architecture on issues such as market mechanisms, implementation of the Kyoto Protocol, adaptation, accounting and REDD+.

Little happened in these sessions to progress IETA's issues, with SBI delaying the CDM and JI reviews again until next year. SBSTA also postponed talks on a framework for various approaches and new market mechanism (citing draft rule 16 of the UNFCCC procedures) until its next session and a decision on LULUCF under the Kyoto Protocol until next year's COP (as stated at last year's COP in Lima).

Waves of momentum coming in to Paris

This year's COP was unlike any other in recent years: it was clear from the outset what was expected, more than 180 parties had tabled their Intended Nationally Determined Contributions (INDCs), business and civil society were consistent (and constant) with their expectations and contributions on business action and carbon pricing, in the run-up. Investors had made a raft of pledges in the preceding 14 months, such as to decarbonise portfolios or increase the share of investment in low-carbon and climate related areas. IETA's own work on market provisions gained steam with a letter of support from 20 other major business organisations. The stage was set – what could go wrong?

Day 1 of the COP saw more than 150 Heads of State deliver statements intended to inspire greater action at the talks. While a great bang to begin proceedings on – and a welcome opportunity to ease in to COP and get the lay of the land, always tricky at the start of a COP – little was said that hadn't already been said (bar Canadian Prime Minister Justin Trudeau's declaration that "Canada is back" – and, my, was it ever at COP 21). President Hollande, Prime Minister Trudeau, and President Xi Jinping all highlighted carbon pricing or emissions trading in their remarks on the ground in Paris. But this was no bad thing: everyone knew where everyone stood, and the day served as a reminder of the job at hand.

Tensions in week 1…

But despite these lofty goals and a boost of momentum from Heads of State, the negotiations soon reverted to type. The Co-Facilitators established several spin off negotiating groups under the ADP, but progress was slow-going and minimal. On 3 December, following presentation of a new text, it was decided that these spin-off groups would end. The ADP would instead work as a whole, going line by line.

This endeavour began on 4 December, with a five-hour plenary. Intended to be a time to negotiate further, it rapidly disintegrated into procedural wrangling and everyone restating old positions – ultimately, little progress was made. Particular points of contention – and these remained an issue the whole two weeks – included finance, loss and damage, ambition and differentiation (ie, the divide between developed and developing countries, and how shifting circumstances should be reflected in the agreement).

Yet another new text on 5 December aimed to reflect this mammoth posturing exercise – and it did, just in a reflections note. A revised text appeared later the same day. It was this 48-page, bracket-riddled document which the ADP accepted and passed to the COP for the political negotiations to kick off. **IETA's key asks and provisions on market mechanisms remained in every single iteration of the text throughout the COP.**

This was a key moment: four years since the COP launched the ADP in South Africa, this document reflected the collective sum of everyone's efforts to date. At times during these four years, it wasn't certain if this mandate would be fulfilled, let alone on time. This was the first sign that the French Presidency was onto something with its clear setting of expectations.

Afterwards, COP President Laurent Fabius laid out the plan for the following week. He established an open-ended Comité de Paris – effectively a plenary grouping on the text – as well as a legal and linguistic review group in addition to four working groups on cross-cutting issues. These included:

1. **Means of implementation**: including finance, technology, capacity building. The facilitators for this group were the ministers from Gabon and Germany.
2. **Differentiation**: in particular with regards to mitigation, finance and transparency. This group was facilitated by the ministers from Brazil and Singapore.
3. **Ambition**: such as on the long-term goal and periodic reviews, facilitated by ministers from St Lucia and Norway.
4. **Pre-2020 efforts**: excluding finance. Ministers from Gambia and the UK oversaw this group.

The aim was that the facilitators of each group would be able to find compromises among the parties on these issues and prepare draft text on the relevant elements.

Game on.

… gave way for diplomacy and compromise in week 2

Breaking with tradition, Sunday was not a day of rest at COP 21, with ministers and their teams buckling down to work on 6 December on the text handed over by the ADP under these four groups. By the next day, the facilitators reported the beginnings of progress on most issues (the full reports are available online).

This arrangement made for a different format to COP for observers: gone were the open contact group meetings, where you could see who was saying what. Instead we all relied on the Comité sessions and hallway conversations to get information.

Fabius also announced four new groups would be convened, in addition to the original four. These would address:

1. **Adaptation**, including loss and damage, co-facilitated by ministers from Bolivia and Sweden.

2. **Cooperative mechanisms**, which is markets by another name, facilitated by ministers from Canada and the Democratic Republic of Congo.
3. **Forests**, overseen by the ministers from Ecuador, Switzerland and Republic of Congo.
4. **Response measures**, facilitated by ministers from Poland and Egypt.

Venezuela was also tasked with facilitating discussions on the preamble, and Mexico on facilitating implementation and compliance. France made a brilliant political move by giving the preamble to Ambassador Claudia Salerno of Venezuela as it helped temper down her usual ideological rhetoric during plenaries.

By Tuesday, compromises were starting to emerge. On markets, the EU and Brazil joined forces, for the first time in UNFCCC history, to submit a joint proposal to break the deadlock on cooperative approaches (emissions trading by another name) and a mechanism to support sustainable development. At the Comité de Paris meeting that evening, Canada's Minister of Environment and Climate Change Catherine McKenna reported that Parties were willing to look for a compromise, with many showing interest in having provisions to facilitate cooperative approaches as well as specific principles – environmental integrity, avoiding double-counting, sustainable development and the voluntary nature of these cooperations.

However, she noted that some Parties (countries from the Latin American ALBA group) maintained the view that these provisions should not form part of the agreement. This became a growing problem as the week progressed, which forced this section of the text go down to the wire. In fact, Article 6 (the key markets section of the text) was the last section of the final Agreement to be finalised, as IETA always expected (it wasn't sorted until the early hours of 12 December).

The following day, COP President Fabius presented a new text – running to just 29 pages. However, issues remained over differentiation, finance and ambition, with a lot of dispute throughout the COP over whether the long-term goal should be 2°C or 1.5°C, or even net-zero emissions or decarbonisation by 2100. An informal meeting – sparking the first of three successive all-nighters – was convened after the Comité de Paris, to address these issues, while parallel meetings would address other matters.

Almost 24 hours later, the COP President published yet another text – with a notable absence of brackets from Wednesday's version. This included the wording on the long-term ambition, with agreement on text that Parties would aim to "hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C". Accounting provisions for mitigation (and, ultimately, any kind of trading) were also agreed, but the actual enabling provisions remained in brackets.

By this stage – late Thursday evening – COP President Fabius stressed that time was of the essence, and reminded governments to "show necessary responsibility – it's time to come to an agreement."

Friday was spent mainly waiting. Rumours whizzed around about the state of play, with a lot of concern around the markets provisions in the text. While talks around the text continued, other long-running political talks yielded results – most prominent being the High-Ambition Coalition (on which Politico has some good background) which had met in secret for several months but went public at the last minute to break the developed vs. developing country deadlock. With more members joining throughout the week, this group was seen as instrumental in splitting the G77 negotiating bloc and helping facilitate the overall deal.

And then there was a deal

Finally, Saturday brought news. A new text – the proposed final one – was released at 1.30pm CET, after a brief and emotionally-charged Comité de Paris meeting. A further Comité meeting (intended to be the final one) was scheduled for 3.45pm, then delayed to 5.30pm. An hour later, the room was filling up, but there was still no sign of action. The tension around Le Bourget was palpable.

At 7.15pm CET, proceedings finally kicked off. The race for COP President Fabius to get the gavel down was on. Somewhat controversially, he noted that interventions from Parties would be made in the COP plenary.

Fabius quickly turned to Colombia's minister to highlight that the legal and linguistic review committee noted some discrepancies between some of the translated versions, and made two recommendations to address these, including reusing terminology from the Kyoto Protocol.

Further technical errors were rapidly noted by Richard Kinley of the UNFCCC Secretariat, owing to sleep deprivation – including a much-reported shall/should muddle in article 4, paragraph 4 (relating to emission reduction targets which could in theory have required developed countries to take absolute economy-wide targets with the word 'shall', instead of *recommending* them to take such targets with the replacement of the word 'should'), which was integral to getting a deal the US could take home and be Congress-proof. Richard spoke so fast that not even the most-seasoned COP veterans could follow along with his overview of textual changes to the text.

With these clarifications quickly noted, Fabius wasted no time and proposed passing a revised text incorporating these simple corrections to the COP – a final agreement and decision text. No objections were heard (he allowed for less than a second to allow for objections) – and the text was passed to COP, and just nine minutes in, the final Comité de Paris meeting closed and went straight into the COP plenary.

Fabius quickly went through the formalities to open the plenary and dove straight into the matter. With clarification that a revised document was underway, at one minute and 30 seconds in to the meeting his gavel came down, the deal was adopted, and the plenary erupted into applause, cheers. (And maybe a few tears.)

Bridging the gap on CBDR

One of the trickiest issues throughout these negotiations – and yet at the heart of the "ubuntu" spirit driving the ADP talks – was differentiation, and specifically how the agreement could reflect changing circumstances without tying developing countries into efforts beyond their means.

Article 4 of the Agreement addresses this. Objectively, this is a well-crafted section that begins to move the climate world away from 1992 ideologies and reflect more where we are today. Paragraph 3 invokes the language that saved the day in Lima last year: common but differentiated responsibilities and respective capabilities, in the light of different national circumstances. (We'll spare you the acronym – but The Atlantic ran a tongue-in-cheek piece on this important shift.) Paragraph 6 makes a special division of least-developed countries and small island developing states from the rest of the G77 bloc.

What this means is that countries like, for example, China are expected to do more than countries such as Haiti, with the former's economic development far outstripping the latter. But it retains the onus on developed countries to take the lead – integral to keeping the BASIC grouping on board with the agreement.

Markets matter

This really went down to the wire, after intense discussion with Venezuela and Bolivia in the COP's final hours. (Over the two weeks, opposition to cooperative approaches and the mechanism to support sustainable development was voiced from ALBA, Like-Minded Developing Countries grouping, and the Arab Group.)

We were encouraged to see that the three IETA asks remained in the final Agreement text. (The place to look is Article 6, page 24.) These three items are:

1. **Provisions to facilitate cross-border transfers** (article 6, paragraph 2)
2. **Robust accounting measures** – including the avoidance of double-counting (article 6, paragraphs 2 and 5)
3. **A new crediting mechanism** (article 6, paragraph 4)

Decisions 37, 38 and 39 (page 6) bolster these, with a request that SBSTA prepare relevant guidance, rules, modalities and procedures for each, with the COP serving as the Meeting of Parties to the Agreement (aka CMA) to adopt these at its first session, ie the first CMA after the Agreement enters into force.

(Article 21, paragraph 1 states that the Agreement will enter into force on the 30th day after the day on which at least 55 Parties representing at least 55% of total global GHG emissions have deposited their instruments of ratification, acceptance, approval or accession.)

One key point of note: all Parties have access to the mechanism, both as hosts and investors. There was a push by some to keep just developing parties as hosts, but this was ultimately removed. Unlike the under the Kyoto Protocol, we are shifting to a world where all parties have a contribution. This is why language on the avoidance of double-counting of emission reductions achieved under this mechanism is so important.

What this means is that **our work will now focus on ensuring the smooth implementation of the agreement**, and on ensuring that the SBSTA proposals live up to promise. Unlike 18 years ago, when the Kyoto Protocol was agreed, there is no need to start from scratch – our collective experiences with the CDM, JI and other programmes provide a very solid launch pad for these discussions in the months ahead. Decision 38 mandates governments to build off of all mechanisms and approaches adopted by the UNFCCC and "its related legal instruments".

The decisions text also specifically mentions the role of carbon pricing in cutting emissions. Paragraph 137, on page 19, (in the section on non-party stakeholders) states that the COP "also recognizes the important role of providing incentives for emission reduction activities, including tools such as domestic policies and carbon pricing". In its intervention after the Agreement was adopted, Chile welcomed this formal recognition of carbon pricing, adding that it helps us to transition to a low-carbon economy.

New Zealand took this a step further in its statement, with a **carbon market declaration** from 18 countries (Australia, Canada, Chile, Columbia, Germany, Iceland, Indonesia, Italy, Japan, Mexico, Netherlands, New Zealand, Panama, Papua New Guinea, South Korea, Senegal, Ukraine and the US). This declaration sends a signal that there is an important role for markets in the post-2020 period, and the group will develop standards and guidelines for environmental integrity of global carbon markets. The ultimate aim is of increasing action and raising ambition, through the use of carbon markets.

Role for REDD+

Article 5 of the Agreement encourages governments to take action to conserve "sinks and reservoirs … including forests". Specific reference to previously agreed decisions regarding reducing emissions from deforestation and degradation secures the Warsaw Framework for REDD+ approaches.

While overt mention of a REDD+ market mechanism was removed from the final text, paragraph 2 does allow for the use of results-based payments towards these and leaves the door open for REDD+ market based finance in the future. This is supported by decision 55, on the importance of adequate and predictable financial resources.

Language referring to "related guidance and decisions already agreed under the Convention" is also a nod to safeguards for REDD+ activities, to protect forest communities, indigenous people and biodiversity. Language on these lines also made their way into the Agreement's preamble.

There is also the potential for REDD-based activities to be addressed via the market provisions of article 6.

Money talks

Finance is usually the crux of the matter at COP, and Paris was no different. This was closely entwined with differentiation throughout the negotiations, and article 9 of the Agreement reflects the CBDR balance of article 4.

In a bid to get ahead of the game, recent months have seen countless finance pledges and announcements, from governments, development banks and funds as captured by the UNFCCC. This is in addition to several private sector initiatives on climate finance as well.

Similar to how ambition is tackled in article 4, the finance article will see developed countries continue to take the lead on providing resources – for both mitigation and adaptation. In recognition of the broad donor base to the Green Climate Fund, and other finance initiatives such as China's South-South funding, paragraph 2 of article 9 encourages other parties to provide support voluntarily.

Underpinned by decision 54 – which maintains the $100 billion per year by 2020 as the floor until 2025 – the Agreement also states that developed countries should continue to take the lead in mobilising financial resources from a wide variety of sources. This scaled-up finance is aiming to achieve a balance between adaptation and mitigation, focusing on particularly vulnerable parties.

A global stocktake on progress of implementation of the Agreement (article 14) – starting in 2023 and occurring every five years – is to take into account "relevant information" provided on climate finance flows, including biennial climate finance reports, from developed countries and/or Agreement bodies.

This latter point refers to paragraph 8 of article 9, which states that the Financial Mechanism of the UNFCCC and all its operating entities (Green Climate Fund, Global Environment Facility and its administered funds, and the Adaptation Fund) will serve under the Paris Agreement – as spelled out in decision 59.

The Standing Committee on Finance will also serve the Agreement (decision 64), in line with functions and responsibilities established by the COP.

Next steps

On the Agreement, the next step is for governments to sign and ratify, accept or approve it. In line with Article 20 on page 30, it will be open for signature at the UN headquarters in New York from 22 April 2016 for one year.

As outlined above, the Agreement will enter into force on the 30th day after the day on which at least 55 Parties representing at least 55% of total global GHG emissions have deposited their instruments of ratification, acceptance, approval or accession, in line with article 21.

For IETA, we believe we have been extremely successful at COP 21. We not only got our three asks into the Agreement, we have a formal and recognised 'home' for carbon markets in the form of Article 6.

Our next steps will focus on the SBSTA discussions on the guidance for accounting as it relates to cooperative approaches and the use of internationally transferred mitigation outcomes as set out in article 6, paragraph 2. We will also focus on the mechanism to contribute to GHG mitigation and sustainable development (article 6, paragraph 4), and again engage in the SBSTA process as it develops the relevant rules, modalities and procedures.

We always knew that Paris was not the end, but the start of a new chapter. We will regroup on these issues and look forward to continuing on this path with you all in 2016.

IETA in the news: full COP wrap

- Dirk Forrister talks to Bloomberg about the key decisions in the Paris Agreement
- The Guardian included Dirk Forrister in its rolling live blog on COP 21's final day
- Reuters asks Jeff Swartz about the future for emissions trading after the Paris Agreement is adopted
- Katie Sullivan talks cooperative approaches and emissions trading in Huffington Post
- Forbes quoted Dirk Forrister in a write up of EPRI's event on the value of emissions trading partnerships at the IETA/WBCSD Pavilion

- Jeff Swartz speaks to Climate Home on the release of the final Paris Agreement text
- Dirk Forrister spoke with the FT about emissions trading – also quoted is IETA Board Member Jonathan Grant, speaking at an IETA media briefing
- Dirk Forrister welcomes the Paris Agreement in BusinessGreen
- Carbon Pulse asks Dirk Forrister about the future of emissions trading after the Paris Agreement
- InsideEPA quotes Dirk Forrister in its wrap of the final agreement
- Dirk Forrister talks to Energy Intelligence about the final push for a deal
- BusinessGreen quotes Jeff Swartz on the EU-Brazil proposal on markets – as do InsideEPA and Climate Home
- Dirk Forrister talks COP with Platts
- The Globe & Mail quoted Katie Sullivan on the importance of accounting standards for markets
- Dirk Forrister on the proposed Paris Agreement in BusinessGreen
- Jeff Swartz is quoted in a write-up of a Harvard Project on Climate Agreements side event by the Harvard Gazette and another by the Dhaka Tribune
- Carbon Pulse included Dirk Forrister and IETA member Lisa DeMarco, speaking at an IETA media briefing, in its live blog of Day 12 of COP 21
- IETA's official side event, with EPRI and Duke University, was written up by Forbes and also appeared in National Geographic
- Sarah Deblock talks about the state of play in week 2 to BusinessGreen
- Energy Intelligence quotes Jeff Swartz about the high-ambition coalition
- IETA was included in Carbon Pulse's wrap of reactions to a new text mid-week 2
- Argus Media spoke to Jeff Swartz as week 2 of the talks got underway
- Energy Post included IETA in a wrap of negotiations in week 2
- IISD covered a CCS event Jeff Swartz spoke at in week 1
- Jeff Swartz talks carbon pricing and the Paris Agreement with Energy Intelligence
- Dirk Forrister spoke to Climate Home in the Climate Change TV Studio during week 1
- ICROA's business and offsetting video was covered by Carbon Pulse, BusinessGreen and Entelligent
- Jeff Swartz writes for Environmental Finance on market matters
- Bloomberg cited IETA's INDC Tracker in a story about the end deal
- Jeff Swartz on the negotiations in BusinessGreen
- Carbon Pulse and The Environmentalist quote Jeff Swartz on the EU-Brazil markets proposal
- Dirk Forrister talks ambition with BusinessGreen – the story also covers IETA Board Member Karl Upston-Hooper's comments on markets in the Paris Agreement
- Jeff Swartz appears in Climate Action Business Association's video with a recap of week 1
- Carbon Pulse quotes Dirk Forrister on the CDM and aviation
- Environmental Finance reported on changes to IETA's board
- Footprint interviewed Dirk Forrister on business wants from COP 21
- Jeff Swartz talks with Carbon Pulse about market provisions in the Paris text
- Energy Intelligence quotes Dirk Forrister and Jonathan Grant speaking at an IETA press briefing on the start of the negotiations (2 Dec, subscription only)
- Carbon Pulse covered the first IETA-CMIA Carbon Pricing Champion Award, to Ontario and Québec

- Ahead of Paris, Jeff Swartz spoke with [Platts] about the outlook for the talks
- Jeff Swartz on the fate of the CDM review in [Carbon Pulse]
- We also had a [Members Blog] throughout the two weeks, capped off by a post by Dirk Forrister as we awaited news of the deal. Big thanks to all our contributors for once again giving up your time to IETA and sharing your thoughts on various aspects of the COP – we are very grateful!

IETA

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