



IETA
CLIMATE CHALLENGES
MARKET SOLUTIONS

COP 22 Summary Report



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secretariat@ieta.org www.ieta.org



CONTENTS:

Overview	3
IETA's View	5
The beginning of the COP	6
US Focus	7
Meanwhile, the work began...	
The Paris Agreement	9
The Kyoto Protocol: remember me?	11
Partnership and solidarity: beyond the negotiations	14
IETA's Work at COP 22	16
IETA in the News at COP 22	18

Overview

Those who have attended more than a few COPs know that a high profile, high-excitement meeting is often followed by a low-key one. The celebratory COP 10 in Montreal led to a procedural COP 11 in Nairobi; the flame-out of Copenhagen was followed by the bumpy landing of Cancun.

COP 22 was just such an event. The high drama and joyful denouement in Paris, the surprisingly swift entry into force on the eve of this meeting, topped off by major successes at ICAO and in the Montreal Protocol, was a difficult act to follow.

The mood had another powerful influence. Not since COP 6 in The Hague has a US election occurred during the meeting. Both times, surprise election outcomes created uncertainties. This time, news from across the Atlantic of the election of Donald J. Trump as President of the United States cast a deep pall over the tent city COP site on the first Wednesday. His threat to “tear up” the Paris Agreement was well known. Hence the election set the topic of social conversation for the rest of the event.



The COP 22 site at Bab Ighli

And while the mood among various stakeholders recovered to one of determination and even defiance in the face of Trump’s hostility to the Paris treaty, everyone still had one eye on the news from New York, waiting for early indications of the president-elect’s climate policy intentions.

Regardless of the distractions from beyond Marrakech, it became obvious very quickly that the speed with which Paris was ratified had taken most Parties to the UNFCCC (“Parties”) by surprise and many Parties were not ready at this COP to move towards making decisions on the implementation of the Paris Agreement.

When discussions over the market mechanisms of the Paris Agreement got under way, Parties reverted to traditional positions - underlining common but differentiated responsibilities, linking finance to mitigation commitments - rather than admit they



were not yet ready to put on the table concrete and detailed suggestions on how the structures of Paris should operate.

Nonetheless, Parties made a start - just a start - on developing the guidelines and institutions that will operate the entire Paris Agreement. They identified key issues and started to exchange ideas on how best to address them.

Ratification of the Paris treaty progressed during the meeting, and by the end of COP 22 the number of countries that had ratified the Agreement had risen to 122 out of 193 signatories, representing more than 79% of global emissions.

The future of the US' participation in Paris was a common source of speculation, but it should be pointed out that whether or not the US is involved, Paris will continue as it is now legally in force.

CMA 1, the first meeting of the body which will govern the Paris Agreement, was suspended at the end of COP, and will re-open in 2018 to complete its tasks. The pace of the talks should pick up on Article 6 next year, because it is one of the items of work due to be adopted at CMA 1 in 2018.

So much technical work on Article 6 needs to be completed in two years - compared with the four it took to craft the architecture of the Kyoto Protocol - that the scale of the task seems intimidating. Accounting rules, registries, a new set of additionality criteria, etc. And with very relevant legacy issues such as the destinies of the CDM and JI overhanging this and future meetings, the process may not be straightforward.

Yet many remain optimistic, pointing out that much of the intellectual property created under Kyoto can be usefully "ported" into the Paris Agreement. The Parties are not starting from scratch when it comes to design of "the emissions mitigation mechanism" described in Article 6.4. The question is how to take the best from the past and upgrade the mechanism to the structure of the Paris Agreement, where every Party makes its own national contribution.

In the end, COP 22 can be seen as a meeting that managed to gather Parties' forces together, point them in the right direction and set a programme and deadlines for the work ahead.

IETA's View

This was a procedural COP, so our expectations were rather modest from the start.

Arriving at COP 22, we were optimistic that Parties would be able to agree a workplan to develop substantive proposals. We didn't expect many substantive answers or breakthroughs in Marrakech, given the short time since entry into force.

On market-related items, we were pleased that Parties did gain a better understanding of the key topics that will need to be addressed on Article 6.

Ultimately countries did manage to keep a balance between the three key agenda items for operationalising of Article 6: 1. emissions accounting for internationally transferred mitigation outcomes, 2. the design of a new UN-level crediting mechanism, and 3. an effort to understand the role of non-market approaches and how to account for them.

Our goals for the COP were met in the form of a workplan and a timeline. But we would have liked to see more intercessional work that would advance discussions before the Bonn meetings in May. Unfortunately, some Parties thought this might advance the substantive work too fast. So they decided to invite another round of written submissions to the UN by next May to further illuminate Party views.

Even with a slow start, we see no reason why Parties won't be able to finish this work in two years' time: they know what the topics are now, and they have a better understanding of each other's needs.

We are confident Parties got our message that the business community needs to know what the rules are in good time, if they want the private sector to develop projects. It takes a good three years to raise finance, gain regulatory approvals and implement projects to achieve reductions in time for Parties to use them to meet INDCs in the early 2020s.

As a next step, we will submit views to the UNFCCC ahead of the March 17 deadline, and we intend to take an active approach to bringing countries together to work out the rules for Article 6 in 2017.



*IETA's Jeff Swartz presents the
business view at the talks*



The Beginning of COP 22

October 2016 was a very busy month for global climate change, producing several major accomplishments.

The European Union ratified the Paris Agreement on October 4, triggering the legal process that brought it into legal force one month later, on the eve of COP 22. It meant that COP 22 would also act as the first Conference of the Parties acting as the Meeting of the Parties to the Paris Agreement, conveniently labelled CMA1.

This development built on climate momentum in other areas. The International Civil Aviation Organisation approved its Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) on October 6, establishing the first global sectoral emissions trading system. ICAO now moves into its own implementation phase, in which offset standards and eligibility criteria will be selected and technical regulations will be elaborated.

And on October 15 Parties to the Montreal Protocol meeting in Rwanda adopted the Kigali Amendment, which includes hydrofluorocarbons in the list of ozone-depleting substances and mandates reductions and phase-outs of their production.

This two-week period of major climate-related advances would normally be considered as unstoppable support and impetus to the work of the UN Climate Convention. But the last remaining weeks before Marrakech were dominated by the US presidential election and a gradual shift in opinion poll results towards the Republican candidate Donald Trump. Many delegates were familiar with Trump's negative statements on climate change during the campaign, particularly his opposition to the Paris Agreement.

US Focus

Indeed, COP 22 had hardly started in earnest before the US election result was known. The COP presidency had on Monday November 7 sent the various elements of the Paris Agreement into informal consultation groups, and the plenary halls had gone quiet as “informals” began in the meeting rooms around the site.

The morning after the vote, there was a palpable sense of shock and concern throughout the conference venue. The single topic of conversation and most media reports from COP was whether President-elect Donald Trump would carry out his campaign threat to withdraw from Paris. How would he do it? Would he instead pull out of the Convention? Could the new administration be persuaded to stay?



IETA hosts a packed room of delegates for a US election debrief on the morning of November 9.

IETA held the first event to give an early assessment of the implications of the election result. We called for respect for the outcome, and cautioned that very little is known of President-elect Trump’s actual policies. The climate issue was not featured in the debates. We underlined that polls have shown over a number of years that more Americans want their government to act on climate change.

By Thursday however the shock had turned into determination, defiance and even overtures to the incoming president by various stakeholders at COP 22. “We maintain trust and confidence in the formidable momentum, and in the American people,” UNFCCC Executive Secretary Patricia Espinosa said. “The Paris Agreement carries an enormous amount of weight and credibility.”

“[The Paris Agreement] was deliberately designed to be resilient over the long term, to survive short term setbacks in one country,” Steve Herz of the Sierra Club noted.

Some participants worried whether the Paris process would be able to continue without the active participation of the world’s largest economy. President Obama had played a critical role in the run-up to Paris last year by working with China’s president Xi Jinping to both support the treaty and then to ratify it.



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CLIMATE CHALLENGES
MARKET SOLUTIONS

The threat of a US pull-back was seen as an opportunity for China to assume the mantle of leadership in climate issues, but also to leverage that leadership into other areas.

“China’s influence and voice are likely to increase in global climate governance, which will then spill over into other areas of global governance an increase China’s standing, power and leadership,” a senior Chinese negotiator told [Reuters](#).

The US delegation was at pains to maintain the momentum it had helped create in Paris; its delegation was actively involved in all aspects of the talks, and at a special event the so-called Three Amigos - [Canada](#), the [US](#) and [Mexico](#) - unveiled their mid-century climate goals as part of the 2050 Pathway Platform.



Meanwhile, the work began...

The Paris Agreement

In its [decision](#) on preparations for the entry into force of the Paris Agreement, the COP set a deadline of December 2018 for the work of the SBSTA, SBI and APA. It also decided to hold a joint meeting with CMA at next year's COP in Bonn to review the progress of the work.

- **Article 6 - SBSTA**

The work on fleshing out the rules of the Paris Agreement was divided largely between the 45th Meeting of the Subsidiary Body for Scientific and Technological Advice (SBSTA), which dealt with Article 6; the Subsidiary Body on Implementation, as well as the 2nd Part of the First Meeting of the Ad-Hoc Working Group on the Paris Agreement (APA) discussed most of the remainder.

The fact that Article 6 was singled out for consideration in SBSTA reflects the unique status of market mechanisms within the Paris Agreement. It also shows that there will be a lot of work to do on how best to integrate the intellectual property, including the valuable lessons learned, of the Kyoto Protocol's flexibility mechanisms (CDM and JI) into the new rules.

The discussions covered three distinct elements and advanced in parallel: Article 6.2, which relates to internationally transferable mitigation outcomes (ITMOs), Article 6.4, which covers the new market mechanism that will succeed the Kyoto Protocol's mechanisms, and Article 6.8 which deals with non-market approaches. The talks took the form of "informal consultations", co-facilitated by Kelley Kizzier of the EU and Hugh Sealy of the Maldives.

Parties indicatively agreed that the work to operationalise Article 6 needs to be completed by 2018, in time for the first CMA "facilitative dialogue" at which nations will present updated NDCs.

It became clear pretty quickly that most Parties would like technical input on the various issues, and the chance to submit their own views in a more formal fashion.

"We need to spend a lot of time together," one Party noted, reflecting the wide divergence of views on how to progress these items, particularly Article 6.2 and 6.4.



- **Article 6.2: ITMOs**

Early in the week, negotiators began discussions on guidelines for Internationally Transferable Mitigation Outcomes (ITMOs). The focus here was on accounting for

the transfers, and several Parties felt this issue requires technical input before discussions can continue.

Numerous other points were highlighted: the need for a definition of ITMOs, the risk of double-counting and in particular the relationship between Article 6.2 and Article 13, which establishes a transparency framework.

- **Article 6.4: the “mechanism”**

The 6.4 consultations were an opportunity for Parties to exchange views on the guidelines and rules that will govern the new mechanism that is expected, among other things, to replace the CDM.

The co-chairs asked Parties to express their views on 6 key issues by addressing the following questions:

- What is the impact on the mechanism of all Parties having an NDC?
- How will additionality work?
- How will governance work?
- How can overall mitigation be delivered?
- Should rules on a project-based mechanism be developed first, or for other scopes at the same time?
- What lessons from the Kyoto mechanisms should be taken into consideration?

Opinions differed sharply over how the new mechanism should be structured. Developing country Parties were keen that 6.4 should be the “new” CDM, while developed country Parties wanted to see something beyond a project-based crediting mechanism, a view shared by IETA in its submission to SBSTA in September.

While some focused on ensuring a continued flow of funds to developing countries, others wanted to guarantee flexibility by maintaining a system that generates transferable credits. Some Parties were of the view that the scope of the new mechanism should differ according to the nature of countries’ NDCs. Consequently, the overarching rules might need to be streamlined, they said.

- **Article 6.8: non-market approaches**

Talks on non-market approaches took on political overtones very quickly in the first week. Some discussions revolved around how non-market elements of INDCs should



be accounted for by Parties, but this subject was overtaken by a back-and-forth over what exactly Article 6.8 represents.

Some Parties even suggested that the text allows an examination of fossil fuel subsidies and possible reforms.

This specific element of the Article seemed to bog down the rest of the talks, and may prove to be the hardest part on which to reach agreement, being by far the less defined at this stage.

- **Article 6 conclusions:**

The co-facilitators produced draft conclusions on all three Article 6 agenda items which were agreed Saturday morning: [Article 6.2](#), [Article 6.4](#) and [Article 6.8](#)

Parties have until 17 May 2017 to submit their views on each item, after which an in-session roundtable discussion will be held around the time of SBSTA 46 at the end of May in Bonn, Germany. Suggestions to synthesize all submissions in a document prior to this meeting or to hold a more formal workshop with the involvement of experts were rejected.

The draft conclusions originally made reference to allowing submissions from observers, but this was removed towards the end of the process at the request of some Latin American Parties who felt that observer groups were representative of the developed countries (“Eurocentric”).

The Kyoto Protocol: remember me?

Amid the buzz around the US election result and the work on the Paris Agreement, there were few voices raising the vexed issue of the Kyoto Protocol. The Doha Amendment, which established the second commitment period of the Protocol, remains [unratified](#) by most Annex 1 countries and there is a risk that CP2 may not enter into force before the Paris Agreement period starts.

In the CMP [agenda](#) “The President urged those Parties to the Kyoto Protocol that intend to ratify the Doha Amendment to expedite their domestic ratification procedures and to deposit their instruments of acceptance with respect to the Doha Amendment as soon as possible.” But nobody did.

- **Matters relating to the CDM**

The CMP took note of the report of the CDM Executive Board. Note that it decided it no longer wished to express its “appreciation” of, or “welcome” the Board’s work. This



reflects dissatisfaction among developing country Parties that no Annex 1 Parties are ratifying the Doha Amendment.

Developing countries are concerned that Annex 1 Parties have shifted their focus to Article 6 at the expense of the CDM. Explicit references to the role of the CDM under ICAO's new market mechanism and Paris Article 6.4 were proposed, but these got bogged down in procedural wrangling and were whittled away by Venezuela, Japan and Cuba.

- ***Review of the CDM modalities and procedures***

The completion of the review of Modalities and Procedures of the CDM had been deferred from Paris, and was again taken up by the Subsidiary Body for Implementation in Marrakech. Discussion of the entire review boiled down to whether the text was ready to adopt, or whether additional issues should be examined.

African states and Brazil wanted to complete the review and close the file. However, the EU and AOSIS (small island developing nations) felt that the review was not complete until issues such as double-counting and net mitigation had been addressed. The EU also proposed to include additional guidance for Programmes of Activities (PoAs) and the duties of Designated National Authorities (DNAs).

In the end, this item did not progress very far, as there was no agreement on whether to close this issue and adopt the review 'as it is', or whether further elements should be brought into consideration.

There was some discussion over whether this agenda item should be deferred to SB47 (December 2017), SB50 (May-June 2019) or SB52 (May-June 2020), thereby "parking" the issue while Parties focus on developing the rules for Article 6.4 of the Paris Agreement.

Despite their efforts, Parties were unable to agree on [draft conclusions](#), and this triggered rule 16, which states: "*Any item of the agenda of an ordinary session, consideration of which has not been completed at the session, shall be included automatically in the agenda of the next ordinary session, unless otherwise decided by the Conference of the Parties.*"

Consequently, this agenda item will be deferred to the next SB in May 2017.

- ***CDM appeals mechanism***

This issue was briefly discussed, but a [draft decision](#) proposes to defer it to the June 2019 meeting of the SBI.



- *Issues relating to Joint Implementation (JI)*

The CMP adopted a [decision](#) concluding its review of the JI guidelines: no amendments were adopted.

Draft [conclusions](#) on Guidance to the JISC were published, a very sobering document that highlighted how “projects [are] declining to a point where the activity under the mechanism is practically non-existent.”

The report stated that funding has shrunk to the point where JISC may meet less than twice a year, and may instead hold “virtual meetings”; a clause in the text affirms that these virtual meetings should be considered legal under the rules and procedures of JISC.

Nonetheless, Parties were able to provide a lifeline by linking the future of the JI to the discussions on Article 6.4 under the Paris Agreement. This is important because it allows for work on Article 6.4 of the Agreement to take into consideration what has and has not been effective with the JI mechanism.



Partnership and solidarity: beyond the negotiations

Outside the negotiating rooms, there was plenty of activity to demonstrate that the momentum created by the successes of Paris, Montreal and Kigali was not being frittered away.

The High-Level Segment of the talks produced the **Marrakech Action Proclamation**, which calls for “the highest political commitment to combat climate change, as a matter of urgent priority.” The proclamation reaffirmed developed countries’ commitment to mobilise \$100 billion a year in financing by 2020, urged early action by Parties before the 2020 start of the Paris Agreement, and for raised ambition and strengthened cooperation.



Lord Nicholas Stern (second from right) launches High-Level Economic Commission

At an IETA side-event, economist Lord Nicholas Stern announced that he and Nobel Laureate Joseph Stiglitz will chair the **High-Level Economic Commission**, a new task force under the Carbon Pricing Leadership Coalition. The Commission will develop a vision of how the world can use carbon pricing to collectively decarbonize economies.

The Commission will release its findings at the CPLC High-Level Assembly in April during the World Bank Group and International Monetary Fund Spring Meetings in 2017.

Some 200 companies, acting through the **Science-Based Targets Initiative**, called on countries to fully implement their national climate action plans through the Nationally Determined Contributions (NDCs), through workable domestic legislations, so that many climate commitments can be speedily implemented.

IETA and the International Air Transport Association (IATA) announced they will jointly organise and present a series of workshops around the world at which experts and industry participants will discuss preparations for the world’s first sectoral carbon market mechanism, the **Carbon Offset and Reduction Scheme for International Aviation** agreed by ICAO in October.



A coalition of governments and international institutions launched **The NDC Partnership**, dedicated to working together to ensure countries receive the tools and support they need to achieve their climate and sustainable development goals as fast and effectively as possible.

Our official UNFCCC side event, co-hosted with the Government of New Zealand and the Environmental

Defense Fund, focused on progress under the [Ministerial Declaration on Carbon Markets](#). Speakers included climate ministers Paula Bennett of New Zealand, Kyeung Kyu Cho of the Republic of Korea, Sharon Dijksma of The Netherlands and Nick Hurd of the UK. Minister Hurd announced that the UK would sign onto the Declaration, originally issued in Paris last year by 18 other countries “committed to environmental integrity, transparency and the avoidance of double counting when market mechanisms are used.”

New Zealand also became the 27th national and sub-national government to join the World Bank’s **Carbon Pricing Leadership Coalition**.

Four of the world’s largest economies unveiled their **mid-century climate goals** in Marrakech. The US and Canadian plans target an 80% reduction in emissions from 2005 levels by 2050, while Mexico aims at cutting its emissions in half by the same time.

Earlier, Germany had issued its own mid-century target, which matches the European Union’s target of 80-95% reduction from 1990 levels by 2050.



IETA CEO Dirk Forristor joins ministers at the Ministerial Declaration on Carbon Markets



IETA's Work at COP 22

Highlights:

Working with over 20 partners, IETA staff organised more than [60 side events](#) in our “Open for Business” Hub in the COP grounds in Marrakech.

On the first Tuesday, IETA held a refresher to recap the Paris Agreement and particularly Article 6 on emissions transfers and a new emissions mitigation mechanism.

Dirk Forrister, Lisa De Marco, Kevin Fay of International Climate Change Partnership and Nick Campbell of Arkema gave an overview of what to expect from the negotiations during the two weeks of COP 22.



IETA's Business Hub

On Wednesday Nov. 9 IETA hosted a packed house to hear Dirk Forrister, Jeff Swartz and Kevin Fay discuss the outcome of the **US election** and the prospects for climate action under a Trump presidency.



Canadian Federal Environment Minister Catherine McKenna speaks at the IETA Business Hub

IETA held a number of events covering developments in **Canada**, after the Federal government agreed a nationwide carbon floor price. Environment Minister Catherine McKenna led a Business Dialogue, while David Heurtel and Glen Murray, the climate ministers from Quebec and Ontario respectively, were frequent speakers at IETA's Business Hub.

IETA's official side event in the European Union pavilion, jointly organised with I4CE and Enerdata, focused on “**How to align EU policy with the goals of the Paris Agreement?**” IETA gathered experts from the EU institutions, major European industrial companies, research institutes and think tanks to discuss *how we can align current EU climate policies with the outcomes and goals of the Paris Agreement.*



IETA meets the European Parliament delegation

IETA held a side event on **aviation**, to discuss the ICAO deal and review what it means for the aviation sector and for carbon markets respectively. It explored CORSIA, how it will be implemented and what challenges remain before it enters into force. The event featured speakers from ICAO, the

European Commission, and various IETA members.

IETA joined our colleagues at CMIA to honor a few “**Carbon Pricing Champions**,” with awards given to Jane Hupe on behalf of the ICAO community’s work on CORSIA and Canada’s Environment Minister Catherine McKenna for work on the national carbon pricing framework.

IETA held a **Board Meeting and Annual General Meeting** during COP 22, at which we elected Sung-Woo Kim of KPMG as our first South Korean board member. We also welcomed Jeanne Ng of China Light & Power to the Board. Both Sung-Woo and Jeanne have plenty of experience of working with IETA and will be instrumental in our work to help develop Asian markets. IETA also announced the appointment of its first [China Representative](#).



[IETA in the News at COP 22:](#)

EE News, Oct. 31: [IETA's Forrister discusses growing engagement on wide-scale emissions trading](#) (video)

Carbon Pulse, Nov. 7: [UN climate talks map out two-year process to firm up Paris Agreement rulebook](#)

Bloomberg, Nov. 9: [Trump nomination to limit progress at climate talks, IETA says](#)

Climate Home, Nov. 9: [AS IT HAPPENED: UN climate talks reaction as Trump wins US presidency](#)

Wall Street Journal, Nov. 9: [Donald Trump's Victory Injects Uncertainty Into Climate Accord](#)

Carbon Pulse, Nov. 9: [Trump win casts UN climate talks into existential crisis](#)

Ecosystem Marketplace, Nov. 9: [Can Individual US States, The Private Sector, And The International Community Fix The Climate Despite Trump Election?](#)

DeSmog, Nov. 9: [COP 22: Marrakech Conference Reacts to US Election, Pins Hopes for Global Climate Action on Trump's Inconsistency](#)

Carbon Pulse, Nov. 9: [Putting on a brave face, business groups say Trump era a 'blank page' for US carbon pricing](#)

Environmental Finance, Nov 10: [IETA and CMIA press for airlines to use project-level REDD+ credits](#)

L'Opinion, Nov. 12: [Réduction des gaz à effet de serre : 1ère session de media training africain sur le rôle des marchés du carbone](#)

D24am, Nov. 12: [Amazon launches tool for measuring environmental services at COP 22](#)

Climate Home, Nov. 18: [Marrakech climate summit marks the start of a new era](#)

New York Times, Nov. 18: [Diplomats Confront New Threat to Paris Climate Pact: Donald Trump](#)