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# Briefing on the COP24 summit in Katowice

During two weeks between December 2nd-15th, 2018, delegates from 197 countries in the world convened in Katowice, Poland, for this year's major round of global climate negotiations at the **COP24 summit** under the UN Framework Convention on Climate Change (UNFCCC). The meeting, with the official name COP24/CMP14/CMA1-3, took place under the authority of the COP24 president, State-secretary of the Polish Ministry for Environment, Michał Kurtyka. As usual, it was unsure until the very last hours of the summit whether the parties would actually manage to reach an agreement on the matters defined on beforehand. After having run more than one day overtime, on Saturday night Dec. 15th, the "**Katowice Climate Package**" was officially approved, in particular a 133-page document featuring a set of guidelines on how to implement the Paris Agreement.


Already from the outset, the Polish host had labelled this summit "**The Just Transition COP**", to underscore the need to secure future jobs and economic growth also in coal-dependent regions, such as the south of Poland. For many developing countries, a Just Transition is a key objective in these negotiations, but then in the sense that developed/industrialised counties, such as the EU (including Poland) should take lead in reducing GHG emissions globally and also support the developing countries with climate finance. A lot of time was spent on discussing the just transition concept, and the motto "Leave no-one behind" was extensively referred to by the parties, but in the end not much of this was made concrete and transposed into real decisions anyhow.

## Setting the scene

In 2015, the first universal and legally binding climate treaty – **the Paris Agreement** – was adopted at the COP21 summit. It was a landmark decision in the global policy making for several reasons. Above all, it is appreciated for its high ambition, raising the overarching goal with a view to limit the global warming to well below 2 °C, as well as to pursue efforts to limit it further to 1.5 °C. It is also unique in the sense that all countries in the world have now set quantitative targets to reduce GHG emissions in the form of Nationally Determined Contributions (NDCs). Other key features include the 5-year review process ("ratchet mechanism") for increasing the ambition level over time and the new market mechanisms (Article 6) to spur climate action using emissions trading.

After the successful adoption of the Paris Agreement at the COP21 summit in Paris, 2015, it went unusually fast for the countries to ratify the agreement, which allowed the treaty to enter into force on record time in November 2016, right before the COP22 summit in Marrakech (not least driven by many parties seeing the value of making the Paris Agreement binding for the signatories before a new U.S. administration took office in the beginning of 2017). The quick entry into force put pressure on the negotiators, since the Paris Agreement stipulates that a proposal for a **Paris Rulebook** should be ready by the first conference (CMA1) of the parties to the Paris Agreement. Obviously, this was not possible to finalise already in Marrakech 2016, so instead they set Katowice 2018 as a deadline, by simply adjourning CMA1 to the two subsequent COP meetings.

Next to finalising the Paris Rulebook, the other important objective of COP24 in Katowice was to perform a Facilitative Dialogue, that was last year renamed to the "**Talanoa Dialogue**" (using the Fijian traditional word for an inclusive, participatory and transparent dialogue). The aim of the process was to evaluate the collective efforts to reduce GHG emissions on the global scale, in relation to the Paris Agreement's long-term objectives as well as to share ideas, skills and experience on how to enhance climate action. **The IPCC's special report** on pathways to reach 1.5 °C (Sept. 2018) came very timely for this exercise. It concludes the many environmental benefits of limiting global warming to 1.5 °C instead of 2 °C, but also that the global GHG emissions must be drastically cut, roughly by half, until 2030 and then further down to "net-zero" levels by 2050.

In the run-up to the COP24 summit, **the U.S.** administration reconfirmed its intention to withdraw from the Paris Agreement, as soon as they are eligible to do so. Nonetheless, the U.S. was present in Katowice and very active in the actual COP24 negotiations, the official reasons being that they want to ensure a level playing field and protect the U.S. interests. Moreover, according to the built-in rules of the Paris Agreement (Art. 28), the U.S. cannot formally withdraw until three years after the entry into force, followed by a notice period of one year, meaning that the U.S. may have a new leadership by that time. Hence, the rules may become applicable to them as well in the future. Regarding withdrawal, there were mixed messages from **Brazil**, whose new President Bolsonaro first vowed to leave the Paris Agreement, although this was later denied closer to COP24. In any case, Brazil's offer to host the next COP summit in 2019 was suddenly pulled back.

Framing the COP24 summit was also the recent news that the global GHG emissions have started to increase again, after having reached a plateau or even decreased for a couple of years, which alongside the **IPCC's** new scientific evidence, as well as extreme storms, droughts, floods and fires during 2018, further accentuate the urgent need for taking strong climate action in the near-term.

## Talanoa Dialogue

According to the Paris Agreement, the parties should in 2018 take stock of the collective efforts in relation to the progress needed for reaching the long-term goal. Though, already before COP24 it was widely acknowledged that even if the pledges for reduced GHG emissions which are featured in the NDCs submitted to the UNFCCC to date are successfully implemented, they may lead to GHG emission levels consistent with a global warming of around 3-4 °C. Therefore, the goal of the Talanoa Dialogue is to create a bedrock for **accelerating the global efforts to tackle climate change**. It is supposed to facilitate for countries to implement and enhance their NDCs, although it did not require the parties to submit any new and more ambitious climate targets at this stage. Instead the next round of national plans shall be delivered in 2020. As agreed in Bonn 2017, the Talanoa Dialogue should be conducted in a manner that promotes cooperation and not lead to discussions of a confrontational nature where individual parties or groups are singled out.

The ministerial phase of the Talanoa Dialogue at COP24 was organised around 21 roundtables with political leaders focusing on different topics, and it resulted in the adoption of the "**Talanoa Call for Action**" (link). It clearly points at the significant gap in the effort needed to limit global warming to well below 2 °C, based on a Synthesis report (link) which reviews the actions by both parties and non-party stakeholders. As the initiative move from dialogue to action, it stresses the need for enhanced climate action both pre-2020 and after that, and it envisages that parties will present more ambitious NDCs by 2020. According to the Paris Agreement, all parties shall submit a Mid-century low-carbon development strategy to the UNFCCC secretariat by 2020. Some parties announced at COP24 that they will consider taking on higher ambitions already by the 2019 UN Secretary-General's Climate Summit in New York, Sept. 2019. This could set pressure on the EU to consider increasing its climate target for 2030, based on the recently presented EU long-term climate strategy, in connection to the special EU Council summit in Romania, May 2019.

At the COP24 summit, it became clear that not all parties are fond of the IPCC's special report, as four oil producing nations (the U.S., Saudi-Arabia, Russia and Kuwait) were both questioning the content and refusing to adopt decisions which welcome this unique fact-based report compiled by the world's 4,000 leading climate scientists. The question of how the COP24 should relate to the **IPCC report** therefore turned out to be **one of the main battle fields** which received most attention during both weeks in Katowice. The bleak outcome is that the COP24 decisions *welcome* the "timely completion" of the IPCC report, whereas merely *invite* parties to make use of it.

## Paris Rulebook

The Paris Rulebook stretches over issues such as transparency criteria, common formats of the NDCs, accounting of GHG emissions, climate finance, adaptation efforts, timeframes, etc. A lot of the debate at COP24 centred around the level of detail and timing of reporting, including some degree of gradual phasing-in of requirements based on the parties' "common but differentiated responsibilities and capabilities". A positive outcome with regards to the last aspect was that China for the first time agreed to become subject to the same uniform rules as the developed countries. Another key objective of the Rulebook is to define the more detailed rules on Article 6, which should provide for the establishment of new market mechanisms that can incentivise private sector driven GHG emissions mitigation and sustainable development.

The diagram below gives an indication about where **the main sticking points** were found during the two weeks. Moving into Katowice, the climate negotiators already brought with them draft agreement texts consisting of 2,809 brackets (alternative formulations) from pre-COP sessions. The reduced number of brackets show that an increased convergence was achieved over time. While alignment was found relatively fast on issues such as NDC guidelines, compliance, and transparency, it was clearly more difficult to reach a common view on Market mechanisms (Article 6) in particular. In the end, this was also the topic which caused the COP24 summit to run into overtime and where most disappointment could be felt towards the outcome, not least from the private sector.

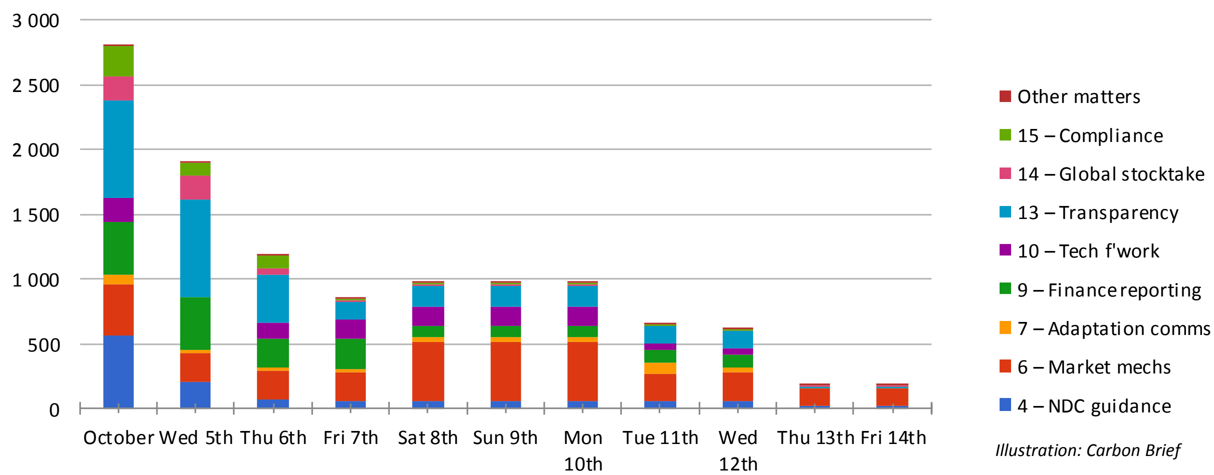


*Illustration: Carbon Brief*

## Mitigation

Although the overarching goals of the COP24 summit was to 1) adopt the administrative rules and procedures (Paris Rulebook) and 2) take stock of the collective efforts to meet the global climate goal (Talanoa Dialogue), the question about increasing the ambition levels of the NDCs always hangs in the air over the negotiation table. According to the Paris Agreement, parties shall **update their NDCs by 2020** and every five years thereafter. In parallel, a global stocktake shall be carried out by 2023 and every five years thereafter. This is the backbone of the Paris Agreement's "ratchet mechanism" that shall lead to ever increasing ambitions over time. **Pre-2020 action** was a separate theme also at COP24 and to a large extent it refers to the ratification of the $2^{nd}$ commitment period of the Kyoto Protocol (Doha Amendment) running between 2013-2020. The EU finally ratified it in February 2018, but still 22 parties are missing before it enters into force.

The major debacle around the IPCC's special report on the 1.5 °C target could be a sign that there is some hesitance towards committing to the steep GHG emission reductions which according to the IPCC will be necessary in the next decades. At the same time, the countries blocking this issue were the "usual suspects" (incl. Saudi-Arabia) and their actions are not an indicator for the general atmosphere. In fact, other parties expressed their intentions to prepare **more ambitious NDCs by 2020**, and in some cases already at the UN climate summit in New York, Sept. 2019. But there is no way around the fact that the positive momentum and unified response from COP21 in Paris about taking bold and urgent climate action seems to have diminished, at least to some extent.

## Global stocktake

A core element of the Paris Agreement is the 5-year “ratchet mechanism” or “pledge-and-review” process. At COP24, the negotiators had the task to define the ground rules for **the first global stocktake that will take place in 2023**. In the Paris Rulebook, the process is divided into three stages; information collection, technical assessment and consideration of outputs. The stocktakes are primarily about reviewing progress made in respect of cutting emissions, adapting to climate change and providing climate finance. In addition, the rulebook mentions that the stocktakes may also address the issue of Loss and damage, which is a sensitive issue for many developing states. The rulebook clearly states that the goal of the stocktake is to enhance the collective ambition of action and support towards achieving the purpose and long-term goals of the Paris Agreement.

## Financing

A major sticking point at the COP24 summit in Katowice, just like at any COP meeting, was related to the developed countries’ pledge in the Paris Agreement of jointly mobilizing annually $ 100 bn by 2020 for supporting climate action in developing countries. For years it has been debated how to **define and measure the flows of climate finance**. The developed countries, making reference to a recent OECD report, claim that they are indeed on track to reaching this goal. The developing countries, on the other hand, are critical to including in the calculation the developed countries’ overseas development assistance (ODA), export credits, loans, etc., and would prefer if all climate finance came from the state-budgets (public finance), since it’s perceived as a more reliable and additional source of climate finance.

In addition to the Paris Rulebook providing more guidance on the measuring and reporting of climate financing flows, it was also agreed in Katowice that a process should be initiated at COP26 in 2020 in order to **establish new targets on climate finance from 2025 onwards**, using the current target of mobilizing $ 100 bn per year from 2020 as a floor.

During the COP24 summit, several developed countries announced **decisions to provide additional climate financing** to the developing countries, e.g. Norway and Germany doubling their contributions to the Green Climate Fund (GCF), and Sweden making new financial pledges to the Adaptation Fund and the Least Developed Countries (LDCs) Fund.

## Market mechanisms

The area where the COP24 summit clearly **failed to deliver on its task** is related to the new market mechanisms that shall be established according to Article 6 of the Paris Agreement. On this point, diverging views were so significant that they could not be overcome at this stage, although the negotiators spent an extra day trying to find agreement on this outstanding issue. In the end, the COP24 decision simply acknowledges that “parties could not reach consensus thereon” and hence the matter was pushed forward for a decision at next year’s COP25 summit in Chile instead.

In particular, Article 6 provides for two new (voluntary) market mechanisms to be set up for the post-2020 era; 1) A mechanism for “Internationally Transferrable Mitigation Outcomes” (ITMOs) by which countries can trade with overachievements of their climate targets, and 2) A Mechanism for Mitigation and Sustainable Development (MSDM) by which individual projects can generate verified emission credits which can be sold on a market.

More specifically, the COP24 negotiations ran into a deadlock when negotiators attempted to define the provisions aimed at **avoiding double counting** of GHG emissions, through making a “corresponding adjustment” in the inventory of the host country, so that the reduction cannot be claimed by both the buyer and the seller. **Brazil** fiercely opposed all solutions tabled in this direction and, if anything, this is an indication on how vulnerable the UN process is, since no decisions can be taken if consensus is not reached.

Although the double-counting aspect was the major stumbling block in the negotiations on Article 6, there were also other controversial topics which complicated the discussions in this field. For example, many parties are eager to impose **quantitative limitations** which ensure that a that a country cannot entirely achieve its GHG mitigation pledges by just buying credits from others. Another remaining question is related to the potential application of a **share of proceeds**, which is a fee imposed on the trade of these credits aimed at mobilising climate financing. Yet another crucial aspect is how to ensure that the new Art. 6(4) market mechanism leads to an **Overall Mitigation of Global Emissions** (OMGE), as required by the Paris Agreement. This is a new criteria compared to the Clean Development Mechanism (CDM) of the Kyoto Protocol, which aims to move from “just” a geographical redistribution of the mitigation effort (“offsetting”) to achieving additional GHG emission reductions beyond the climate targets set by the involved countries. One idea that surfaced in the negotiations in this regard is to automatically cancel up to 30 % of the credits (discounting), but it was discarded in the more recent drafts. Another major issue which appears to remain open is to what extent it should be possible to use credits generated by the **CDM** for compliance under the Paris Agreement (although these credits belong to the Kyoto regime which was applicable during the two commitment periods 2008-2012 and 2013-2030).

Since no agreement could be found on the rules for Article 6 in Katowice, the parties agreed to **continue work at the next UNFCCC session**, in June 2019, with the objective of adopting the rules at the COP25 summit by the end of 2019, one year later than was previously set as a deadline.

The **market mechanisms are important** since they are a concrete and powerful tool for **creating a CO2 price incentive** on the global scale, spurring more **international cooperation** and **cost-efficiency**, as well as **mobilizing climate finance** to developing countries, and making countries more inclined to adopt **more ambitious climate targets** in general. Last but not least, Article 6 is also important for the ability to establish **linkages between carbon markets** (incl. EU ETS) globally.

## Impact on Vattenfall

There are **no direct implications** on Vattenfall emanating from the decisions made at the COP24 summit. These must instead be seen in a wider context of the Paris Agreement from 2015 and the forthcoming steps in operationalizing the new global climate regime. Main sources of impact include the EU’s updating of its NDC, with a prospect of **more ambitious climate targets**, and how these are implemented through the EU ETS directive in particular, as well as to what extent **Article 6 on market mechanisms** leads to a more global CO2 price and new business opportunities.

The EU delegation presented in Katowice the **new EU 2050 climate strategy** adopted by the EU-commission by end of November. According to this strategy, the EU should become the world's first climate neutral economy by 2050. However, it's not an official EU target until the Council has formally endorsed it. Political considerations will take place in the EU during 2019, also addressing the issue of increasing the EU 2030 climate target beyond 40 %. At present, the EU-Commission is in favor of at least **45 %**, whereas the EU-parliament's view is that it should be as high as **55 %**.

For Vattenfall, it is important to get clarity about the EU's long-term climate ambition at an early stage, and a higher EU 2030 target would support our journey to **become fossil-free within one generation**. A more ambitious EU long-term climate policy may affect Vattenfall through **a further strengthening of the EU ETS**, as well as new binding national commitments via the Effort Sharing Decision (ESD) which would necessitate a more rapid decarbonisation of the transport sector, etc.

## Next steps

- Next Conference(s) of the Parties:
    - COP25 summit to be held in **Chile** during November 2019 (dates and venue t.b.c.)
    - COP26 summit (likely) to be held in **the UK** or **Italy** by the end of 2020.

- Other key events in 2019:
    - World summit "Leaving no-one behind" in Switzerland – February 2019
    - 49th session of the IPCC, Kyoto, Japan – May 2019
    - Annual Subsidiary Bodies meeting (SB 49) in Bonn – June 2019
    - IPCC's special report on climate change and land – August 2019
    - UN Secretary-General's 2019 climate summit in New York – September 2019
    - Pre-COP meeting in Costa Rica – October 2019

- By 2020:
    - The Paris Agreement officially starts to take effect
    - Parties to submit their Mid-century low-CO2 strategies and updated NDCs

## Further reading

- Talanoa Call for Action (link)
- Katowice Climate Package (link and link), advance unedited versions
- Synthesis report – Talanoa Dialogue for Climate Ambition (link)
- Yearbook of Global Climate Action (link)
- IISD/ENB's daily coverage (link)

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