

Towards COP24: From Bangkok to Katowice

For successful implementation of the Paris Agreement, issues frustrating developing and developed nations must be resolved; political trade-offs may provide an answer

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Key Takeaways from the Bangkok Inter-sessional

- ❖ We are not on track to deliver a robust Paris rulebook in Katowice.
- ❖ It is reasonable to conclude that the talks are stuck on issues of finance, with increasing frustration from developed countries which has spilled over to other issues of importance to developed countries, in particular the NDC guidelines and their scope.
- ❖ In the transparency track, Parties converged to strengthen, but not replace, the existing reporting and communication agreements. Other discussion areas included ‘differentiation’, GHG gases reporting, and reporting requirements for support.
- ❖ Regarding market and non-market mechanisms (Article 6), few elements saw some progress in structure under the draft text, and Party views diverged. Issues on transition of Kyoto Mechanisms remained unresolved.
- ❖ The Presiding Officers received the mandate to make “textual proposals that would be helpful for advancing Parties’ deliberations”; but a robust completion of the Paris Agreement Work Programme (PAWP) will depend partly on how bold the Presiding Officers are in proposing possible landing zones and compromises.
- ❖ A surge in leadership from the incoming COP Presidency would help to highlight those issues that must be raised for ministerial attention in order to find political trade-offs necessary for completion of the work.
- ❖ Draft texts on [SBSTA agenda items 4, 5, 9\(b\), 12\(a–c\) and 13](#), [SBI agenda items 5, 6, 7, 11, 12, 14\(a\), 15 and 17\(b\)](#), and [APA agenda items 3-8](#) were produced on the 9th of September.

Introduction

Over 1600 delegates representing 177 Party countries, 140 observer organisations (including UN secretariat, civil society/think-tanks) and 16 media organizations took part in the Bangkok inter-sessional, in order to ‘advance the work’ and demystify implementation guidelines under the

Paris Agreement (PA). The package hoped for Katowice includes the [PA Work Program \(PAWP\)](#) and an outcome for the Talanoa Dialogue process. While all sessions started off with a constructive spirit, some rapidly got bogged down in extreme negotiating dynamics, with finance and NDCs in particular falling prey. It can be questioned whether this is a true attempt of renegotiation of the PA by some, or if this is just play on the ambiguity contained in the PA.

Ambition and NDCs

Ambition in the PA exists through the aspirational long-term temperature goal and through its review and ratchet up mechanism, which is established thanks to several binding obligations of conduct, nuanced differentiation, and a strong transparency framework.

Bangkok was not a session to focus on ambition per se, but a robust PAWP would enable the delivery of greater ambition. While talks in Bangkok did make some progress, pre-Paris differences between developed and developing countries resurfaced on matters related to finance, differentiation, and on information and reporting rules for NDCs, resulting in little or no progress on those fronts. Ambition – as it is peppered throughout the PA – is held hostage amid the technical hurdles and negotiators' games used over the PAWP agenda items.

While Bangkok served to identify options on the table more clearly, they in fact reveal the deep disagreements on several issues among Parties. The **PAWP** finds itself in the middle of the political stage of the negotiations, with its core elements being used as bargaining chips.

The **crunch issues in Bangkok that affected ambition** were NDCs and finance. In Ad Hoc Working Group on the Paris Agreement (APA agenda) item 3 on *further guidance in relation to the mitigation*, a key issue was the wish of mostly developing countries to see that the scope of NDCs is not restricted to mitigation, which was blocked by several developed countries arguing that the mandate was to develop guidance on existing features (currently mitigation) and not new or additional features. Another element of divergence centred on accounting, with China for Like Minded Developing Countries (LMDC) proposing a bifurcated accounting process with an option for making mitigation information optional within the NDCs. This was opposed mainly by the US. The discussions were not able to find an agreement, and hence, the negotiating tool was not updated to reflect the discussions in Bangkok.

No real progress was observed on SBI agenda item 5 on **common time frames for NDCs**. The arguments here centred on whether the PA allows for flexibility in common timeframes, following China's proposal on behalf of the LMDCs to introduce "multiple common time frames", which developed countries and some developing countries did not agree to.

APA agenda item 8 on setting a **new collective quantified goal on finance and modalities for biennially communicating finance information** in accordance with Article 9.5 was one of the stickiest issues with developing countries proposing to start a process to consider and approve a new finance goal by 2023, and developed countries refusing to engage in discussion on this saying it was too early to start discussing a process and was out of mandate. This refusal by developed countries to engage was used by other Parties to claim that developed countries were engaging

in bad faith, leading to a straining of trust and frustrations spilling over to other agenda items. The revised tool that will be the basis for negotiations in Katowice is entirely bracketed.

The Transparency Framework

Article 13 on transparency framework recommenced discussions by resuming the Ad Hoc Working Group on the Paris Agreement's (APA) sixth part of the first session (APA 1.6) aiming to discuss an additional tool on the [Enhanced Transparency Framework \(ETF\)](#) developed under item 5 of the agenda. The co-chairs emphasized the crucial need for minimising options and implementation approaches to the various elements of the ETF. These elements include the GHG inventory process, calculation methodologies, reporting formats, etc. It was underscored that the Parties need to discuss and deliberate on the **modalities, procedures and guidelines (MPGs)** with conceptual clarity, and further, streamline texts on the various elements of Article 13 during closed formal-informal sessions.

Parties discussed and detailed out 'objectives' of the MPGs for the transparency of action and support (Section A) with a common agreement on providing '**flexibility**' to the developing countries on the content and frequency of reporting and communications. In addition, the Parties recognised that improving developing country Party reporting will be a gradual process dependent on available capacity and new, additional, and adequate financial support. During the closed formal-informal sessions, Parties mutually agreed to strengthen, but not replace, the existing reporting and communication agreements under the Convention contained in decisions 1/CP.16, 2/CP.17 and 1/CP.18.

On the **structure and design elements of the MPGs**, both developing and developed country Parties agreed to add a 'new option' for one set of MPGs with a section for common elements for both developed and developing country Parties (with two separate tracks for developing and developed country Parties, where requirements are different). Some progress was also made in defining the 'flexibility' term in the MPGs for developing country Parties. It was further suggested that the developing country Parties that need a flexibility provision clearly indicate the 'when' and 'what' of flexibility required to ensure environmental integrity (EI) and avoiding double counting in the MPGs.

A majority of the Parties agreed to include '**differentiation**' as a key component in the **National Inventory Report (NIR)** section and accordingly decided to have two sets of guidelines on the use of IPCC guidelines, methodology choice (tier approach), and sectors and gases to be covered for developed and developing countries. Further, Parties seem to converge on including options for the use of the most recent/2006 IPCC guidelines by developed country Parties and 'flexibility' to developing countries by using bracketed texts, such as '[are encouraged] to apply most recent/2006 IPCC guidelines to the extent possible', with an option to provide information on barriers and constraints in the improvement plan.

Multiple discussions were held on **reporting for GHG gases** to be covered under the NIR, and here, Parties again seemed to have an overarching consensus on necessary reporting of all 7 gases by developed countries, while giving flexibility to developing countries to report at least 3 gases

(CO₂, CH₄, N₂O) with a bracketed text to encourage developing countries to report other gases (PFCs, HFCs, SF₆ and NF₃) as appropriate and as per national circumstances.

On **support needed and required** by developing countries, developed country Parties pushed for comprehensive information by developing countries Parties, whereas LMDCs and LDCs strongly opposed detailed information with the rationale that this would create additional burden. They alternatively suggested reporting only key information on support received and needed.

Article 6, Market and Non-Market Approaches

In order to have by 9 September draft texts as a basis for negotiations at COP24 (the stated aim for Bangkok) the Chair of the SBSTA adjured without objections from Parties regarding the establishment of a contact group jointly for all three sub-items of Article 6 (Art. 6.2, Art. 6.4 and Art. 6.8). The objectives of the contact group meeting were disaggregated into “essential elements” for a decision at Katowice and “procedural elements” subject to future work in 2019. Essential elements were captured in the informal notes under Annex I and procedural elements under Annex II.

Market Approaches

Reporting around six ‘building blocks’¹ to operationalize Art. 6.2 was discussed thoroughly by all Parties. Several Parties questioned the need for ex-ante reporting, and some suggested both ex-ante and ex-post as already covered by the broader transparency framework and hence, unnecessary for Article 6. This further initiated discussions on links with the broader transparency framework and duplication of elements under Article 6. Linking to the overall transparency framework with some addendums that include market features, such as corresponding adjustments of ITMOs, was suggested.

The timing and frequency of reporting was discussed at large – some developing country Parties proposed a buffer registry as opposed to real-time reporting, one suggesting that it would address all accounting issues – however, with no concise decision. Several countries suggested the centralized accounting database (CAD) for recording and review, however, there was a lack of clarity on the modalities. The suggestion by developed countries to include environmental integrity (EI) and sustainable development (SD) as elements of reporting was highly disputed by developing countries. In line with India’s view, it is important to not duplicate the efforts made for reporting in the enhanced transparency framework (ETF), and hence, not burden Article 6 with extraneous elements.

The destination for recording **corresponding adjustments** was deliberated upon, with many agreeing on a centralised registry. The debate over real-time recording and buffer registries

¹ **The six ‘building blocks’:** (i) tracking & tools, (ii) eligibility, (iii) reporting ex post (at the end of each calendar year), (iv) reporting ex post (biennially), (v) reporting ex post (at the end of each of NDC period), (vi) review

made its way to corresponding adjustments as well. Several Parties called for corresponding adjustments to be applied on first transfers, and some, in the 6.2 mechanism as well.

A cancellation account for '**overall mitigation of global emissions**' (**OMGE**) in the context of 6.4 was mandated by the draft text for the mechanism's registry, while for 6.2, it was given as an option. As highlighted by several Parties, this is in accordance to the Article 6 text in the PA where one of the goals of the 6.4 mechanism is to deliver OMGE. However, developing country Parties (with the exception of the AOSIS) contested an automatic cancellation, discounting or a conservative baseline approach. Some suggested that it should be voluntary to deliver OMGE, while others endorsed a nationally determined method of selecting a suitable approach. The US and the EU did not hold any strong views in this regard. It is to be noted here that Article 6.4 explicitly mentions the need for OMGE to be achieved by the mechanism. The discussion on **share of proceeds (SoPs)** were carried out simultaneously with discussions in a similar gist (i.e. account for SoPs, methodologies for transfer to the SoPs account, whether SoPs are part of both market approaches or just the 6.4 mechanism). Countries part of SIDs and LDCs called for higher SoPs, which will be directed towards the Adaptation Fund. These views have been aptly captured in the draft texts for Art. 6.2 and 6.4

The LMDCs pushed for the **transition of CDM** projects and certificates as is, from the previous regime, stating several reasons such as maintaining the private sector's trust in UNFCCC mechanisms, the reliability of UNFCCC verification processes, etc. They agreed that methodologies for approving projects and issuing certificates should be revised. However, they were against the application of revised methodologies on already approved of projects and certificates. This was highly contended by developed country Parties and even SIDs. One even stated that transition was not part of the PA agenda. At the insistence of the LMDCs, the element of transition was included in Annex I.

Governance and oversight discussions for the 6.2 mechanism revolved around whether these responsibilities would be carried out by the 6.2 body, the technical expert review (which could either be the one under Art. 13 or one under Art. 6), a combination of these, or an overarching Art. 6 body (possibly linked to the ETF). During discussions pertaining to the 6.4 supervisory body, there seemed to be a consensus on the need for fair representation from Parties part of Annex I, non-Annex I, LDCs and SIDs, i.e. the Paris model. There was debate over allowing **participation** of non-Party actors in Art. 6.2, and further, participation requirements for Art. 6.2 was contested by most countries.

Non-Market Approaches (NMAs)

As set out by the co-chairs, the discussion on Art. 6.8 concerned the governance of the **framework for NMAs**, the **modalities of the work programme**, and the **work programme of activities**. Some Parties questioned the difference between the latter two elements. The NMA approach has not generated a lot of contention, however, the initiation of work on the same has been laggard.

New Zealand submitted an input pertaining to a potential technical paper based on identifying opportunities to streamline **linkages and synergies** between mitigation, adaptation, finance,

technology transfer and capacity building during the design of the framework. This submission informed further discussions on NMAs, and was viewed as a 'step approach', which some Parties agreed to, some added to, and some mildly disagreed to. It was suggested that several of these 'steps' were interconnected, and hence be combined.

There was also a strong call for **support** in stances taken by developing country Parties in forms of capacity building, technology transfer and finance through this non-market approach. This initiated a discussion on the several linkages present within separate Articles of the PA, among the three approaches of Article 6, and within each approach as well. A Party highlighted the need to first identify these synergies and linkages, study them, then set out an approach to strengthen these linkages. Further, several countries highlighted the need to understand the very concept of NMAs, and how they can be used. Some suggested that they assist the other two approaches of Art. 6, and some proposed that they strengthen the overall aims of Article 6. Countries also suggested that those who wish not to participate in market approaches use Art. 6.8 to achieve their NDCs.

Most elements in the informal notes have been housed under both Annex I and Annex II, although few have been left unelaborated in Annex I. Some countries felt that their concerns were not addressed, and that certain elements were missing. The elements voiced as missing and/or unclear included first transfer (for both Articles 6.2 and 6.4), sustainable development, principles or guidance for cooperative approaches, grievances, and vintage ITMOs. There were still a few disagreements, but all in all, the countries agreed that it was a good effort in consolidation of various elements, and that at least some progress had been made.

Conclusion and Way Forward

It is reasonable to conclude that the talks are stuck on issues of finance, with increasing frustration over a perceived dragging-of-feet from developed countries which has spilled over to other issues of importance to developed countries, in particular the NDC guidelines and their scope. The stickiness of these issues is not likely to dissolve from now until Katowice, and hence, it would make sense to filter what the significant political issues are in order to raise them at ministerial level. This would hopefully enable the identification of possible trade-offs and political calls to be taken in order to restore the careful balance that was arrived at in Paris. It seems that if developed countries including the EU and Japan stepped up their game on finance, this would restore the trust on the developing countries' side and unlock the stalemates arrived at in the NDC tracks as well as deliver greater ambition.

It is of utmost importance that Parties negotiate in good faith within the framework of the PA, without seeking to go beyond the PA (more stringency than defined by the rules) or diluting its provisions (taking a step back from the compromises arrived at). This applies notably to **differentiation**. The PA had clearly left bifurcation of the Kyoto Protocol and the Framework Convention on Climate Change behind, and introduced a nuanced form of differentiation not merely between developed and developing countries, but by introducing different forms of differentiation for different engagements i.e. mitigation, adaptation, finance, technology,

capacity building and transparency. This nuanced differentiation should be adhered to scrupulously in all negotiating streams to enable trade-offs.

It has been questioned by some with concern whether the discussions have relapsed to pre-Paris negotiating dynamics. Some have floated the idea that this is due to a lack of a relatively strong engagement of the Polish Presidency. It is imperative that the Presidency play a strong role, notably in rebuilding trust by safeguarding the integrity of the PA, and infusing the much needed political will. The months leading up to Katowice are filled with moments that could be leveraged by the Polish Presidency to highlight those issues that must be raised for ministerial attention: Climate Week and the Heads of Delegation meeting, the release of the IPCC Special Report on 1.5°C, the World Bank and IMF meetings, pre-COP and the CVF virtual summit. It remains to be seen if and how there will be a surge in leadership from the Polish Presidency. A lot of work has been laid out for Katowice, and further, for 2019.

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