COP26 SUMMARY REPORT

15 NOVEMBER 2021

COP26: ARTICLE 6'S MARATHON COMES TO AN END

The UNFCCC's 26th Conference of the Parties took place in Glasgow, Scotland from Sunday 31 October to Saturday 13 November 2021, after a two-year hiatus due to the coronavirus pandemic.

Even as travel restrictions meant that Parties had to try and advance negotiations through virtual meetings in 2020 and most of 2021, it was clear that real progress could only be made through face-to-face discussions. As a delegate from Antigua and Barbuda noted in the closing plenary, "It's been a pleasure to work in person again."

The two weeks of talks produced the Glasgow Climate Pact, a flurry of high-level sectoral pledges, and a set of decisions that complete the Paris Rulebook by operationalising Article 6 of the Paris Agreement and establishing transparency requirements for Parties when reporting both their emissions and their climate actions.

Decisions were also taken to begin work on the next set of financial commitments by developed countries to support adaptation in climate-vulnerable developing countries, and on rules on common timeframes for updating Nationally Determined Contributions (NDCs).

For the carbon market community, Glasgow represented the end of a six-year marathon that was kicked off by the initial achievements at COP21 in Paris. Advocates of market mechanisms have had to endure the frustration of repeated failure by countries to bridge divides on important technical issues, but we ended COP26 with optimism and a determination to make Article 6 a success.

IETA Council's new chairperson Lisa DeMarco speaking with US special envoy on climate change John Kerry and Canadian MP and former Green Party leader Elizabeth May during the closing plenary at COP26

UK COP26 President Alok Sharma (Photo: UNFCCC)

THE KEY OUTCOMES FROM COP26

The complete list of documents and decisions adopted at COP26 can be found on the UNFCCC website.

The Glasgow Climate Pact: The COP, CMP and CMA approved their respective decisions, tagged "Glasgow Climate Pact". These decisions urged Parties to come forward with further enhanced NDCs in 2022, with 2030 targets aligned with the Paris Agreement's temperature goals. The Pact also calls on governments to "accelerate the development, deployment and dissemination of technologies, and the adoption of policies, to transition towards low-emission energy system", including by "accelerating efforts towards the phasedown of unabated coal power and phase-out of inefficient fossil fuel subsidies", the first time such language has been included in COP decisions.

The CMA Pact text points out that GHG emissions need to fall by 45% compared with 2010 levels by 2030 if the world is to stay on track to reach net zero by around mid-century (paragraph 22). It goes on to note “with serious concern the findings of the synthesis report on nationally determined contributions under the Paris Agreement, according to which the aggregate greenhouse gas emission level, taking into account implementation of all submitted nationally determined contributions, is estimated to be 13.7% above the 2010 level in 2030” (paragraph 25).

Article 6: Parties approved decisions on the three elements of Article 6: Article 6.2 (“cooperative approaches that involve the use of internationally transferred mitigation outcomes towards nationally determined contributions”); Article 6.4 (“a mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development”); and Article 6.8 (“non-market approaches”).

Common timeframes: Countries agreed language that “encourages” Parties to update their NDCs every five years, and that each set of updated NDCs should cover a 10-year period.

Enhanced transparency framework: Parties adopted rules setting out how they should communicate their national emissions balances.

CDM Guidance: The CMP formally decided that the Executive Board of the Clean Development Mechanism (CDM) shall not register any new requests for registration, renewal of crediting periods or issuance of certified emission reductions (CERs) for emission reductions occurring after 31 December 2020. Any new requests must now be made under the Paris Agreement Article 6.4 mechanism. The CMA decisions on Article 6.4 also address the transition of CDM projects and credits.

Nationally Determined Contributions: The CMA cover decision requested Parties “to revisit and strengthen the 2030 targets in their nationally determined contributions as necessary to align with the Paris Agreement temperature goal by the end of 2022, taking into account different national circumstances”.

New collective quantified goal on climate finance: The COP acknowledged that financial contributions had failed to meet the 2020 goal of $100 billion a year and discussed ways to scale up collective contributions for the next period to 2030. These discussions were not conclusive and will continue in 2022.

Loss & Damage: The CMA approved decisions establishing the role of the Santiago Network under the Warsaw International Mechanism on Loss and Damage. The Santiago Network will “catalyse” technical assistance to avert, minimise and address loss and damage in climate-vulnerable developing countries. The decisions stopped short of any financial commitments.

Article 6 Negotiators celebrated the end of their six-year journey (Photo: UNFCCC)

INTRODUCTION

Prime Minister Boris Johnson had laid out the UK Presidency's priorities for COP26 as "coal, cars, cash and trees", aiming to extract pledges from Parties to phase out the use of coal, scale up the shift away from fossil fuels in transport, boost financial support for adaptation in vulnerable countries, and to slash deforestation.

A rush of high-profile initiatives at the start of the two weeks ensured that at least some of these wishes were fulfilled, but the final session of the COP also underlined how difficult it can be to make ambitious commitments. Draft text in the COP cover decision initially referred to a "phase-out" of unabated coal but, after an intervention by India, this was amended to "phase-down".

And while there was relatively little in the way of financial commitment in the decision texts, the Leaders' Summit that took place during the first two days of COP26 included a number of funding pledges, while the summit also saw the launch of a raft of bilateral and multilateral initiatives:

- The Glasgow Leaders' Declaration on Forests and Land Use
- The Global Methane Pledge
- Beyond Oil and Gas Alliance
- First Movers Coalition
- Just Energy Transition Partnership
- International Aviation Climate Ambition Coalition
- Accelerating the Transition to 100% Zero-Emission cars and vans
- Clydebank Declaration for Green Shipping Corridors
- The Glasgow Financial Alliance for Net Zero
- Breakthrough Agenda
- Global Coal to Clean Power Transition Statement
- US-China Joint Glasgow Declaration on Enhancing Climate Action in the 2020s

Article 6 negotiations enjoyed perhaps their highest profile at a COP, with strong media interest going into the summit and a steady flow of reporting and commentary throughout the two weeks. It was clear that, while the Presidency did not always refer to it by name, the stated goals of enhancing "cooperation" and "completing the Paris Rulebook" meant that Article 6 was near, or at, the top of the agenda.

As always, the agenda was divided among the three governing bodies: the 26th Conference of Parties to the UNFCCC (COP26), the 16th Conference of Parties serving as the Meeting of Parties to the Kyoto Protocol (CMP16), and the third Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA3). Article 6 appeared under the jurisdiction of the CMA, with the preliminary technical discussions handled by the Subsidiary Body on Scientific and Technical Advice (SBSTA).

IETA Managing Director Katie Sullivan with Juan David Durán, Executive Director, EcoRegistry; Daniele Perginotti, Director, Carbon Footprint Italy; and Miroslav Polser, Strategic Director, Climate Chain Coalition

WEEK ONE

The High-Level segment of COP26 saw numerous calls for more widespread carbon pricing, led by the UN, Germany, Canada and even Prince Charles, who said “putting a value on carbon [would make] carbon capture solutions more economical.”

India’s Prime Minister Narendra Modi surprised many by announcing a net zero target date of 2070 for his country, as well as pledges to ramp up renewables, lower the country’s carbon intensity, and cut emissions by 1 billion tonnes by 2030.

Nigeria also unveiled its own commitment to reach net zero by 2060 which, BloombergNEF calculated, means that just 11% of global emissions are not covered by a net-zero goal.

Canada’s Prime Minister Justin Trudeau delivered on an election pledge from earlier this year when he unveiled a commitment to cap oil and gas emissions and to bring those industries to net zero by 2050.

UN Secretary-General Antonio Guterres sounded a word of warning, saying that there is a “deficit of credibility and a surplus of confusion over emissions reductions and net zero targets, with different meanings and different metrics.” Guterres said he is setting up a group of experts to develop ways to measure and analyse net zero commitments from non-state actors.

Article 6 talks took place under the aegis of SBSTA during the first week, under the leadership of Tosi Mpanu Mpanu of the Democratic Republic of Congo.

The talks began by using the penultimate set of texts from the Madrid COP two years ago, but these were quickly set aside when the chair issued updated documents on Monday night.

The SBSTA chair was assisted by long-time co-facilitators Mandy Rambharos of South Africa, Hugh Sealy of Barbados, Peer Stiansen of Norway and Kim Solberg of The Netherlands. Negotiators also were able to refer to an informal options paper, circulated by the SBSTA chair before COP, that laid out the main areas of contention.

The main issues were Share of Proceeds and whether it should apply to transfers made under both Articles 6.2 and 6.4, whether there should be a cancellation from transfers of ITMOs to achieve an Overall Mitigation of Global Emissions (OMGE), corresponding adjustments in both transfers, and the CDM transition into the Article 6.4 mechanism.

Guinea represented the Group of 77 and China at this year’s COP (Photo: UNFCCC)

On the CDM, there were a number of views on how to restrict the eligibility of CERs when transferring them into the new Article 6.4 mechanism.

Some developing countries wanted very strict limits on the transfer of Kyoto Protocol activities, particularly the Least Developed Countries and the African Group.

On the other hand, developing countries that have benefited the most from the Kyoto Protocol and host a large number of projects – in particular Brazil, the Like-Minded Developing Countries and the Arab Group – wanted to carry over many more credits and activities.

The Arab Group called for no limitations on the eligibility of former CDM projects in the new mechanism, though it did offer a compromise by suggesting a cut-off date based on the “generation date” or vintage of CERs, but this was dismissed by the Environmental Integrity Group as impractical.

The Arab Group also pressed for OMGE to apply to both Articles 6.2 and 6.4.

Brazil reiterated many of its existing positions on issues, though we had been told to expect some potential for compromise. At the same time, China was conspicuously low-key at this first meeting, refraining from expressing any strongly-held positions.

There was also a stronger focus on Article 6.8 in the early talks, with the Like-Minded Developing Countries and the AILAC groups stressing the need to give equal importance to non-market mechanisms.

After developing country Parties asked for capacity building to help them with market development, especially for Article 6.2, the co-facilitators inserted in the texts a technical programme that would transfer financial resources and technologies from developed to developing countries.

There was also an early focus on setting out the details of the functions of the Article 6.4 Supervisory Body, which would replace the CDM Executive Board, which our team felt demonstrated a real desire to make progress.

The SBSTA portion of the talks came to an end on Saturday, 6 November. In the final SBSTA plenary that evening, most negotiating groups expressed regret that Article 6 issues hadn’t been advanced further, but also their appreciation for the work done by the SBSTA chair.

The Environmental Integrity Group emphasised that there needed to be clear rules on corresponding adjustments, while the Least Developed Countries regretted that “we are still hearing arguments against a Share of Proceeds for the Adaptation Fund, which threatens the balance between adaptation and mitigation.”

Parties did not refer to the issue of carrying over CDM projects and credits, though environmental NGO coalition the Climate Action Network urged governments to not allow any carryover and to require corresponding adjustments for all transfers, whether inside or outside the scope of NDCs.

Parties also underlined the importance of agreement on common timeframes for NDCs and robust transparency rules for reporting.

However, IETA felt that options in the text had become clearer and more concise. It was clear to our team that technical negotiators didn't really have political authority to move on the key issues.

Hugh Sealy of Barbados and Peer Stiansen of Norway co-facilitated the technical discussions on Article 6 (Photo: UNFCCC)

WEEK TWO

At the opening COP stocktaking plenary on Monday, 8 November, SBSTA Chair Tosi Mpanu Mpanu reported that Article 6 talks showed “a determination to find solutions and compromises”.

He described the texts as “bold” and expressed his belief that “they can be bolder still. There are areas where convergence is apparent… there are a limited number of remaining difficult issues. Parties are aware of the delicate linkages between items.”

COP President Alok Sharma appointed pairs of ministers to push forward work on the remaining outstanding technical issues and asked the SBSTA chair to lead Article 6 discussions on a “very limited number of issues on which technical progress can still be made”.

He asked ministers Espen Barth Eide of Norway and Grace Fu of Singapore, who also conducted ministerial consultations on Article 6 in the first half of the year, to deal with “specific issues that would benefit from political guidance”.

Sharma cited in particular adaptation finance (Share of Proceeds) in Article 6.2, accounting for units generated outside the scope of NDCs, and the use of pre-2020 (Kyoto) units to meet NDCs.

Sharma also tasked ministers with resolving issues regarding common timeframes for NDCs, the enhanced transparency framework, adaptation, mitigation, maintaining 1.5°C within reach, loss and damage, and climate finance.

A number of negotiating blocs made interventions during the plenary. The various statements appeared to take a step back from the detail-oriented statements of the first week. All stressed the importance of adaptation finance, common but differentiated responsibilities and the need for developed countries to contribute to adaptation finance.

While Article 6 was mentioned, the issue of Share of Proceeds was only referenced by India on behalf of BASIC, which we took to be a sign that while adaptation finance was a priority, it may not necessarily need to be included in Article 6.2.

Discussions on Article 6 moved into closed session on the second Tuesday of COP26, as Parties began to discuss the “cover text”, the top-level political decisions that would capture the progress of the COP.

This was also the point at which the issue of phasing out of coal and fossil fuel subsidies entered the talks.

IETA CEO Dirk Forrister and NCS Advisor Carlos Cordova met with Colombia’s environment minister Carlos Eduardo Correa (centre right)

By Wednesday, we had begun to hear speculation about various elements that might be in a final Article 6 text. One of those dealt with the relationship between the voluntary carbon market (VCM) and the mechanisms established under Article 6.

Sources suggested that corresponding adjustments might be required for voluntary market transactions. Our view was that the Article 6 discussions have never implied that the VCM should be brought under the umbrella of the Paris mechanisms.

Several Parties had for a long time rejected the idea that they should have to make adjustments for such transactions, but we started to hear that they were prepared to be flexible on this.

Some of the same countries that stood against having to make corresponding adjustments were the same countries that wanted a large carryover of Kyoto credits, so it was clear that they would need to compromise.

We heard proposals for “transitional arrangements” for corresponding adjustments and for specific limitations on how many CERs could be brought into the Paris system.

On the final Thursday, we saw a small breakthrough when Brazil signalled that it was willing to compromise on the issue of corresponding adjustments; for a long time, Brazil had argued that host countries should not have to make corresponding adjustments for reductions made outside the scope of an NDC that are sold abroad.

However, we were told that Brazil had acknowledged that if an Article 6.4 unit is authorised for transfer, a host country should make corresponding adjustments.

This was significant because it meant that there was no longer an issue over whether reductions are made inside or outside the scope of an NDC. And it also opened the way for transfers of reductions for voluntary use to have the option of being adjusted.

The next iterations of the Article 6 texts also included language covering how to account for transfers for “other international mitigation purposes”, which we took to refer to markets such as CORSIA and potentially a future market for shipping via the IMO. It may also refer to the VCM, though we believe there is no consensus on this interpretation at the moment.

There were also signs of movement on Share of Proceeds: we heard alternative proposals that a levy for adaptation funding might not be required from Article 6.2 transfers.

Parties appeared to recognise that generating adaptation finance from Article 6.2 could be problematic, given all the various types of activities that could be covered by this mechanism; applying a share of proceeds would probably be administratively quite difficult.

The issue of OMGE in Article 6.2 remained a sticking point at this juncture, with Parties still debating whether they should cancel units at a rate commensurate with the scale of the mechanism under Article 6.4, or just consider the scale when cancelling units, or just strongly encourage Parties to cancel units potentially on a similar scale.

The final texts sent to CMA for adoption were finally published on Saturday morning, with all these issues resolved. Under Article 6.2, Parties are encouraged to cancel units not used by any Party towards its NDC or other purposes, while under Article 6.4, host parties are to make a corresponding adjustment for any first transfer. There is also a 5% levy on first transfers under Article 6.4 for the Adaptation Fund as well as a minimum 2% cancellation to ensure OMGE. Transfers made under Article 6.2 face no levy.

US Special Envoy for Climate John Kerry and China's lead climate negotiator Xie Zhenhua in discussion during the final plenary (Photo: UNFCCC)

CLOSING PLENARY

On Saturday afternoon, COP26 President Sharma brought Parties together for an informal plenary, and a number of Parties highlighted remaining areas of disagreement, particularly related to adaptation finance through the Share of Proceeds in Article 6.2.

There was also disappointment on the lack of progress on Loss and Damage, though Parties did agree to elaborate a work programme for the Santiago Network that will support the process.

The new collective quantified climate finance goal could not be pinned down at COP and it was decided that it would be negotiated in an ad hoc work programme to be completed by 2024. Allied to this, a standing committee on finance would provide inputs on the definition of climate finance to the next COP.

It was also in this session that the language relating to a phase-out or phase-down of coal use and fossil fuel subsidies became relevant. China suggested that the text could be reworked to reflect more closely the wording that was used in its joint statement with the US unveiled earlier in the week.

India also intervened, objecting to the language on fossil fuel subsidies. The country's delegate pointed out that India subsidises LPG for poorer households to replace the use of biomass, and that those subsidies had led to improvements in health.

Most interventions however expressed cautious support for the draft decisions, with many countries making reference to the importance of maintaining the 1.5°C goal.

FINAL SESSION

It became clear that the various decisions in the Glasgow Climate Pact had garnered sufficient support to be passed through consensus, and COP President Sharma brought the informal plenary to an end, before reconvening the COP in formal session.

The reference to coal and fossil fuels in the cover text was brought up almost immediately by India. Environment minister Bhupender Yadav proposed alternative text for paragraph 36 of the cover decision that replaced the reference to a "phase-out" of coal with "phase-down".

This brought a series of protests from the Environmental Integrity Group, the European Union, Liechtenstein, Mexico, Fiji, Marshall Islands and AOSIS.

Speaking for the EU, Commission executive vice president Frans Timmermans said that the agreement the EU and others had forged with South Africa earlier during the summit "should be the template of how we help other coal producing countries to rid themselves of this fossil."

Despite the disappointment expressed by these Parties and groups, the amended text was approved, along with decisions on Article 6 and the CDM.

The COP then proceeded to approve the full agenda of items, and formally closed at 2328 GMT on Saturday 13 November.

IETA issued a press statement immediately after the Article 6 decision, which you can read on our website.

THE OUTCOMES

The COP approved the following texts:

Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

The work programme under the framework for non-market approaches referred to in Article 6, paragraph 8, of the Paris Agreement

The Glasgow Climate Pact **(COP text)**

The Glasgow Climate Pact **(CMA text)**

The Glasgow Climate Pact **(CMP text)**

IETA Managing Director Katie Sullivan hosted a very popular Americas Deep Dive side event at the IETA Business Hub

Annie Félix Groth, head of Advocacy at Biofílica Ambipar Environment; Carlos Cordova, NCS Advisor, IETA; Ana Milena Plata, CEO, Biofix; and Juan David Durán, Executive Manager at Ecoregistry spoke at a side event hosted by Brazil

ON THE SIDELINES OF COP26

Observer access to the negotiating rooms was strictly limited but we were fortunate enough to be present whenever open sessions were held, and those of our members who were not in Glasgow were able to watch many sessions online.

In Madrid in 2019, we'd enjoyed an enhanced media presence due to that event's focus on Article 6 and the fact that IETA is the pre-eminent NGO working in the field of market mechanisms.

In Glasgow, IETA was, if anything, even more prominent. In the run-up to the event, there was a considerable amount of reporting on the importance of completing the Paris rulebook and the role of carbon markets and we had the attention of the more mainstream press. IETA was featured in articles by the BBC and BBC World Service, the Financial Times, the Washington Post, Bloomberg, S&P Platts, Reuters, Nature, Inside EPA, Swiss national radio, Canadian Broadcasting Corp, China's National Business Daily and Austria's Trending Topics as well as Carbon Pulse.

In the first week of COP, we launched Blue-Sky Thinking, a collaboration with UK news producer ITN Productions. The news programme featured our CEO Dirk Forrister and member companies explaining the role that market mechanisms can play in achieving net zero. Location reporting and interviews with prominent market stakeholders helped convey our mission and the opportunities that efficient markets can offer.

IETA also hosted the Glasgow Declaration on Carbon Pricing in the Americas, at which 12 national and sub-national jurisdictions declared their support for carbon pricing as "a central economic and environmental policy instrument for ambitious climate change action and as a key component of a green recovery from the COVID-19 pandemic." The partners pledged to work to implement a Carbon Pricing in the Americas platform to boost cooperation and identify opportunities to link markets.

Our CEO Dirk Forrister also hosted conversations with François Legault, Premier of Québec and with Peter Liese, the member of the European Parliament responsible for shepherding the EU ETS reform process.

Despite the challenges presented by a slimmed-down attendance and social distancing measures, IETA presented a full programme of more than 80 meetings and events at the COP26 Business Hub. Most of these sessions were streamed for a virtual audience.

Our side event programme welcomed speakers from all continents on a wide variety of topics. IETA and its Hub partners held events covering:

- Carbon removals
- Impact investing and the energy transition in Indonesia
- Article 6 and net zero
- Carbon markets and green hydrogen
- Carbon as an asset class
- Updates on the state of Article 6 negotiations
- Business and Human Rights in the Just Transition
- Financing the energy transition
- Market potential of f-gas mitigation
- Monetising carbon removals
- Supply-side perspectives on the voluntary carbon market
- How carbon removals achieve the "net" in net zero
- Scaling up the voluntary carbon market
- Measuring the impact of response measures
- The role of Asia's power sector in the net zero transition
- How developing countries are preparing for Article 6 markets
- The role of technology partnerships in achieving net zero
- Building momentum on Article 6 in eastern Africa
- How carbon pricing can support the net zero transition
- Hydrogen's role in net zero
- How clean energy drives the energy transition
- The future of the voluntary carbon market
- What technology is needed to scale the voluntary markets
- Scaling carbon capture
- What business wants from Article 6
- Sub-national jurisdictional REDD+ experiences
- Nature-based removals from reforestation
- Corresponding adjustments between voluntary and compliance markets
- Decarbonising the power sector
- What steps are needed to carry out ITMO transactions
- Operationalising Article 6
- Digital carbon tags and CBAMs
- E-mobility and carbon markets
- Trends in the VCM
- Using technology to drive transparency involuntary markets
- Scaling negative emissions technologies
- Combining renewables and energy storage
- Going beyond carbon neutrality with trees
- Carbon markets in the Americas
- Standardized spot and futures contracts in the voluntary market
- Host countries' role in the voluntary market
- Meta-registries for ITMO issuance
- Natural climate solutions beyond COP26
- How DEFI & blockchain can accelerate the move towards net zero

Our programme would not have been possible without the support of our Hub partners – thank you all very much!