

## It's the politics, stupid!

What makes it so difficult to reach a deal on market-based cooperation under the Paris Agreement?



Photo by IISD/ENB | Kiara Worth

**AXEL MICHAELOWA, AGLAJA ESPELAGE AND BENITO MÜLLER**

An outsider could be forgiven for thinking that it is the extreme technical nature of the Article 6 negotiations that make them so excruciating and challenging. All that talk about triggers, timing, corresponding adjustments, share of proceeds, and re-registering Clean Development Mechanism (CDM) activities makes it seem like the negotiations belong only in the rarefied realm of technocrats.

But at the end of the day, at the 2019 UN climate conference in Madrid, despite progress on technical issues, it was the *politics* that failed, as politicians were unable to reach a deal on a how to collect a contribution to adaptation finance, on exemptions for accounting of projects pursued through the centralised mechanism, and the degree to which Kyoto Protocol units enter the new market.

The discussions are really about how much money can be mobilised for the implementation of nationally determined contributions (NDCs), the environmental integrity of markets, balancing demand and supply, and avoiding a competitive edge for activities in a specific sub-group of countries. There are no easy answers to any of these issues, but it is politicians rather than technocrats that will need to break the deadlock at COP26 in Glasgow in 2020. The technocrats

can then ensure that the political decisions are converted into a functioning and robust manual for future carbon markets. After all, these are complex questions and easy deals are not sufficient to give a clear roadmap for market-based cooperation. This means that ministers and heads of delegations as well as Article 6 negotiators must work in tandem, in every delegation.

For now, the Article 6 negotiations are stuck in Groundhog Day. The second week of COP25 in 2019 was much like COP24 in Katowice in 2018 as far as the high-level market negotiations are concerned: long nights, torturous and reluctant compromises, deferring of critical issues to an ever-expanding future work programme, brinkmanship... and then – no deal. There is hope, however: during the first week of COP25, Article 6 negotiators advanced significantly in clarifying the options on the table and building consensus on accounting rules for different types of NDCs and the processes of reporting and reviewing the results of international cooperation.

To break out of this unrewarding pattern at COP26 next year, politicians (for the high-level discussions) and negotiators (for the technical details) – particularly from developing countries – will need to get fully engaged and coordinate their efforts. A robust and credible deal on Article 6 is not possible if only the “heavy weights” are at the table. Developing country negotiators and politicians will need to be heard, to ensure that Article 6 contributes to raising rather than demolishing climate ambition, and that the markets work for everyone, without harming anyone.

The alternative to a common rulebook would be the emergence of different “clubs” of like-minded countries adopting their own rules for carbon markets (with either more or less ambitious aspirations in environmental integrity). These clubs are unlikely to work in favour of developing countries with limited administrative capacities. They need a centralised system that takes into account their limitations, and makes adequate provisions to address them, to create a fair (if not level) playing field, while protecting integrity of the markets and ensure ambition raising in line with Paris Agreement targets.

Markets can play a role in promoting mitigation and enhancing mitigation ambition – if the rules are right. They can mobilise action by non-government actors, thus enabling governments to raise ambition in their NDCs.

When a deal on Article 6 is being negotiated at COP26, it is imperative that all negotiators, including those from small delegations, as well as heads of delegations and ministers have a full understanding of the real-world implications of the technical options that are being discussed and the underlying political issues behind these technical options. It was with this in mind that we translated the complexities of Article 6 to simple language in our recent [policy brief](#). The intention is to make the Article 6 negotiations more accessible for smaller delegations, and for their political masters, so they can actively engage in the discussions.

We now have one more year to get it right. Let’s hope that rather than giving up due to sheer exhaustion with the topic, we take forward the progress achieved at the technical level and focus on the political questions that really matter: credible market mechanisms that are balanced, inclusive from the start, deliver environmental integrity, and result in genuine mitigation benefits.

**Read *Negotiating cooperation under Article 6 of the Paris Agreement*. Here is some feedback on the policy brief:**

*"This paper is one of the most comprehensive overviews of the complexity in current Article 6 negotiations and manages to translate very sophisticated concepts in a plain, understandable way."*

– Luca Lo Re, Environment and Climate Change Analyst, IEA/CCXG

*"I used the paper to introduce issues under negotiation of Article 6 to all members of the technical team of my delegation before joining COP25. It provided clear guidance to us."*

– Pham Van Tan, Head of the Technical Team at COP25, Viet Nam

*"I found this policy brief very informative. It gives a clear picture about the ongoing negotiations process on Article 6 and the challenging issues."*

– Ousmane Fall Sarr, Coordinator of the West African Alliance on Carbon Markets and Climate Finance

*"The paper really helps to understand the market mechanisms issues and is very useful for the COP25 negotiations."*

– Nivohary Ramarason, Delegation of Madagascar to the UNFCCC

*"In my view the paper was useful, especially for those not so familiar with the subject and the last stand of the negotiation. With other words: the paper delivered what it promised."*

– Philipp Ischer, State Secretariat for Economic Affairs, Switzerland

*"This paper by ECBI does a masterful job explaining the complexities of the current Article 6 negotiations to a broad audience without losing analytical rigor. I have used it with a range of students and find that all come away with the key takeaways on the sticking points and why – and some even grasp the nuances. A terrific starting point for understanding market mechanisms under the Paris Agreement."*

– Tracy Bach, Professor of Law and Co-Focal Point of the UNFCCC Research and Independent NGOs