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EDITORIAL

The mirage of Madrid: elusive ambition on the horizon

In December 2019, country delegations convened for their annual climate conference. COP-25, that is, the 25th Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC), took place in ‘Madrid, Chile’ – located politically in Chile but physically in Madrid.¹ As always, expectations abounded. The conference was to deliver the final rules for a global carbon market. It was also supposed to send a strong signal on increased ambition, ahead of countries revising the climate targets and policies set out in their ‘nationally determined contributions’ (NDCs) in 2020. The Madrid Climate Conference failed to deliver on both accounts. There is no clear pathway towards enhanced ambition of climate targets in 2020 and negotiations on carbon markets broke down yet again.

Ambition. The communication of new NDCs was not on the official agenda of the Madrid Climate Conference. However, COP-25 provided the last opportunity to generate some momentum towards the formulation of new and updated NDCs, addressing the ambition gap between current NDCs – which remain largely unchanged from the ‘Intended’ NDCs submitted by Parties in advance of the Paris Climate Conference in 2015 – and the urgency of action that science demands.² Current NDCs are nowhere near the emission cuts needed to limit warming to 1.5°C or even 2°C. The IPCC Special Report on Global Warming of 1.5°C found that current NDCs would result in global emission levels of 52–58 GtCO₂e by 2030, almost double the 25–30 GtCO₂e emissions required for a 1.5°C-compatible 2030 benchmark.³ This could result in global temperature increase between 2 and 4.9°C by 2100 (Raftery, Zimmer, Frierson, Startz, & Liu, 2017).

In the run-up to the conference, the Chilean government had put a lot of effort into collecting commitments from countries to renew and raise the ambition of the mitigation targets included in their NDCs. At the UN Secretary-General’s Climate Action summit in September 2019, it launched the ‘Climate Ambition Alliance’⁴ with the aim of accelerating the transformation needed to meet the goals of the Paris Agreement. The Alliance was created to bring together nations that committed to upscaling their action in 2020 as well as those that are working towards achieving net-zero carbon dioxide emissions in their countries by 2050. The 59 initial commitments under the Alliance came mostly from smaller countries that pledged to submit more ambitious NDCs, contributing together not much more than ten percent of global emissions.⁵ By the end of the Madrid conference, a number of European and a few middle-income countries had joined the Alliance and committed to submit new and more ambitious NDCs in 2020.⁶

Weakened and distracted by civil unrest at home, the Chilean government still tried to rally support for additional pledges in Madrid, describing it as a ‘launchpad’⁷ for high climate ambition. However, neither the hundreds of thousands of protesters taking to the streets of Madrid in support of strong climate action, nor Greta Thunberg’s presence, nor the pressure from environmental observer organizations could persuade countries to step up and make bold announcements. The amount of ‘sovereign emissions shame’ inflicted on countries was not enough to convince governments to commit ahead of the 2020 deadline. It may be that governments are increasingly immune to civil society pressures during COP weeks, or that they are reluctant to step forward and make announcements before finalizing political processes at home. However, appearances matter, and the observer cannot help but think that negotiators are taking cover under the impenetrable and highly-bureaucratic UN negotiation proceedings and sheltering under pre-determined national positions.⁸

Instead, the conference took the pulse of waning global ambition and conducted a timid headcount on which countries are considering stepping up their efforts in 2020. The result is sobering. Negotiators achieved the bare minimum to avoid outright failure and embarrassment. The ‘Chile Madrid Time of Action’ – the main negotiated outcome of COP-25⁹ – is an aspirational document which comes hot with frustration and lukewarm

in content. After some last-minute back and forth, the Parties could agree only to repeat previous decisions and ‘re-emphasize[s] with serious concern the urgent need to address the significant gap between the aggregate effect of Parties’ mitigation efforts in terms of global annual emissions of greenhouse gases by 2020’.¹⁰ The decision text also stresses the relevance of ‘pre-2020 implementation and ambition’ and of different initiatives and partnerships for global action; and it references the role of non-Party stakeholders in ‘contributing to progress’. However, there is no clear call to formulate more ambitious NDCs, and neither is there an agreement on long-term finance or on common NDC timeframes and reporting guidelines. Adaptation, a central concern of the developing countries, was absent from the agenda and outsourced to constituted bodies. Once more, the COP did not agree to ‘welcome’ recent IPCC reports which were merely ‘taken note of’.¹¹

And carbon markets ... The adoption of rules for operationalizing Article 6 of the Paris Agreement on ‘voluntary cooperation in the implementation’ of NDCs was the big-ticket item on the official negotiation agenda. The Article 6 guidelines were the only part of the rules operationalizing the Paris Agreement¹² not completed at last year’s COP. Pushed to Madrid and, once again, unresolved, they now await further deliberation at COP-26 in Glasgow in November 2020. The pending issues included developing rules for the transfer of ‘internationally transferred mitigation outcomes’ (ITMOs), a proxy term for transferred emission reductions, but which could in future extend beyond emission reductions. Carbon market rules involve significant technicalities that could have consequences that are hard to predict (Müller & Michaelowa, 2019; Obergassel & Asche, n.d.; Schneider & Theuer, 2019). Main points of disagreement relate to the double-counting of emission reductions linked to ITMOs, and the question whether old Kyoto Protocol units are still valid to be used against current commitments, among others. Negotiators could not agree on ITMO accounting rules to avoid the double-counting of emission reductions. Neither could they agree on banning the carry-over of old Kyoto Protocol units for use by countries in meeting their Paris Agreement NDCs. Allowing such a carry-over could trigger the resurrection of a large number of – currently almost worthless – credits issued under the Clean Development Mechanism and excess Assigned Amount Units held by countries that over-achieved their (rather unambitious) Kyoto Protocol mitigation targets. While most countries have no intention of using such old units to meet their emission targets, Australia, in flames from bushfires, is seriously considering using leftover units to meet its NDCs (Baxter, 2018). There is perhaps no better illustration of the level of reality-denial the climate crisis can still trigger, and how hard it is to get countries to acknowledge the intensity of the problem and prioritize action. Other issues of contention related to proposals for an ITMO ‘tax’ to benefit adaptation and the requirement to cancel a portion of ITMOs so that these go beyond mere offsetting and bring about a net positive benefit, i.e. an actual reduction of emissions to the atmosphere.

Technical disagreements on accounting rules notwithstanding, Article 6 negotiations never lack either flavour or passion. They are also politically fraught, and drawn-out discussions on technical specificities are often charades that mask strategic positioning by governments. Observers add their share of concerns and confusion. While some comments draw attention to concrete risks related to the negotiated rules, others seem to simply express deep discomfort with market-based instruments more generally.

In the end, negotiators – while coming agonizingly close to an agreement – failed to lift the final brackets around contentious text.

How does the disappointing outcome of Madrid matter – and to what extent is it indicative of the broader state of global climate affairs?

Ambition. The continuous striving for ambition is the boon and bane of the Paris Agreement. Lacking the clear emission targets of the Kyoto Protocol, the ‘mandatory in submission’, ‘voluntary in content’ NDCs of the Paris Agreement hold up a mirror in which we see reflected – without any mercy – the shortcomings of current NDCs. Not that the Kyoto Protocol was the slightest bit more ambitious, but it organized negotiations around ‘commitment periods’, during which the Parties had time to achieve their targets until the next commitment period came up. Under the Paris Agreement, ambition is no longer fixed for agreed periods but subject to a mix of continuous self-assessment and collective review and bargaining. The ambition of the Paris Agreement depends on the accumulated ambition of all NDCs, which countries ‘may at any time adjust [...] with a view of enhancing [their] level of ambition’ (Article 4.11), i.e. increase their ambition compared to the previous NDC. The Agreement invites all parties to constantly revisit the progression of their contribution, so that ambition will

inevitably be high on the agenda of every future COP. However, it is questionable whether that introspection will yield satisfactory results in the short time available for emissions to peak and then reach net zero.

The prize question is whether country delegations can be motivated by anything other than self-interest and relentless pursuit of maximum short-term benefit in international climate negotiations, and how they can exit the 'cumbersome distributional bargaining over lowest-common-denominator mitigation targets' (Bernauer & McGrath, 2016). Interestingly, in their myopic view on negotiation gains, governments seem to be out of touch with their own national constituencies. Public opinion by and large favours independent and bold climate action. Polls have found public support for unilateral climate policies, irrespective of the action taken by other countries (Bernauer & Gampfer, 2015). Support also remains strong even if national economic forecasts are not so favourable and costs of action are high (Kachi, Bernauer, & Gampfer, 2015). But a government's assessment of its fair contribution in negotiation rooms only partly factors in public opinion. Country delegations and diplomats often follow the logic of 'rational prudence', which equates fairness strictly with the goal of advancing their own short-term interests (Tørstad & Sælen, 2018). As a result, ambition is rarely cast as a function of the state of the global climate, capabilities, responsibility or needs, but determined by reciprocity, i.e. what countries with shared identities are doing, along with 'demarcation', i.e. what countries with competing interests and from other 'blocks' are doing. This tendency is even more detrimental in the absence of strong climate leaders and with climate-sceptics heading a number of powerful nations. The described dynamic is clearly at odds with the spirit of the Paris Agreement, which appeals to countries to live up to the country's highest possible ambition in the shortest possible timeframe.

So far, the premise of the Paris Agreement that naming and shaming would ignite action has yet to materialize. The transparency framework of the Paris Agreement alone is unlikely to ratchet up action and overcome political unwillingness among countries to increase ambition (Gupta & van Asselt, 2019; Weikmans, van Asselt, & Roberts, 2019). The Global Stocktake, a collective assessment of the progress in meeting the Paris Agreement goals, will first be tested only in 2023 and it remains to be seen whether this will create the additional pressure needed to tip the balance in favour of truly ambitious greenhouse gas targets by countries. At the moment, not even climate negotiators seem to be very optimistic that the pledge-and-review system of the Paris Agreement will deliver (Dannenbergh, Zitzelsberger, & Tavoni, 2017). Most governments seem to have become immune to public naming and shaming.

This stands in contrast to the demonstrations by children and students – the next generation of voters and policy makers – which leave no doubt that climate should stand high on the agenda in news and public discourse. Pushed by public opinion, brand perception or scientific insight, an increasing number of companies have started to reduce emissions and invest in climate adaptation,¹³ which is particularly relevant where national governments are reluctant to take action or where, as in the case of the US, are actually dismantling previously agreed policies and standards (Arroyo, 2018). At the 2019 Climate Summit in New York, the UN issued a call for action – 'Business Ambition for 1.5°C – Our Only Future' – to mobilize corporate action. By December 2019, 177 companies had pledged to set highly ambitious emissions reduction targets to help limit the worst effects of climate change – more than doubling in size since the first group of early movers was announced in September.¹⁴ This came after a group of 477 investors, controlling USD34 trillion in assets, called on world leaders to update their NDCs and step up ambition.¹⁵ While many pledges remain vague¹⁶ and the overwhelming majority of companies have yet to align their operations with the Paris Agreement, the buzz in board rooms opens an opportunity for engagement.

As long as countries continue to fall short in putting forward ambitious climate plans, global climate conferences should reconsider their focus and shift attention from pledges to action. After all, only action can achieve technological and political breakthroughs, which then allow countries to ratchet-up their ambition, setting in motion the virtuous feedbacks that the drafters of the Paris Agreement envisaged. While countries are inherently bad at cooperating voluntarily through setting all-encompassing targets (Levin, Cashore, Bernstein, & Auld, 2012), they are much better at coordinating action and rallying behind particular, more narrowly-defined issues (Barrett, 2016).

This means replacing – or at least complementing – the exclusive focus on 'ambition' as a catch-all concept for updated and re-submitted NDCs with sessions discussing action around particular thematic issues. While several authors have proposed 'climate clubs' as means to accelerate action among ambitious and engaged

countries (Hovi, Sprinz, Sælen, & Underdal, 2016; Nordhaus, 2015; Weischer, Morgan, & Patel, 2012), or ‘coordination treaties’ (Barrett, 2016) to take measures around green technologies, these proposals have tended to focus on international cooperation among governments *outside* of the UNFCCC. The proposed thematic sessions would take place in the context of the Paris Agreement under the UNFCCC and could include governments as well as non-state actors. Refocusing the process from negotiations around abstract concepts such as ambition and complex carbon market rules to concrete implementation problems such as electro-mobility, sustainable supply chains, phasing out coal, overcoming the intermittency of renewables, and substituting energy-intensive building materials, has the potential to cut through the climate stalemate that characterized COP-25. The Paris Agreement provides a platform and framework under which a number of issue-linked implementation partnerships could be forged. Different countries could come together in smaller groups and coordinate action and finance around specific problems; they could also capitalize on energy and commitment that is expressed outside of the negotiation room and cooperate with non-state actors.

Issue-specific cooperation agreements could bring together governments, subnational public actors (cities, states), major industries, and NGOs in the institutional context of the Paris Agreement. Such partnerships should be more formalized than the current Non-state Actor Zone for Climate Action (NAZCA)¹⁷ initiatives and follow a clear implementation pathway. The transparency framework would apply and the success of such cooperation agreements would be evaluated and fed into the Global Stocktake.

And carbon markets ... Such partnerships could also give new meaning to Article 6 cooperative approaches, with or without the transfer of ITMOs. While many issues would require a mix of technology development and finance, joint planning and public-private partnerships, some may also be based on carbon markets. Depending on how such climate partnerships were constructed, they would also overcome another inherent problem of the Paris Agreement: the absence of demand for ITMOs. Without fixed targets, common accounting rules for NDCs and a trading infrastructure, where demand for Article 6 units is supposed to come from remains a mystery. Partnerships among smaller groups of countries could coordinate through reciprocal carbon price floor arrangements, wherein a group of trading partners would agree on minimum carbon prices to be applied in their economies. They could also actively harness the energy of voluntary carbon markets.

As countries still struggle to define the fundamental operating principles of Article 6, private actors are embracing voluntary carbon markets. The past year has seen a boom in voluntary carbon credit demand. These markets follow their own, private, regulatory framework and rely largely on voluntary pledges for climate action, though there is also increasing ‘pre-compliance’ demand.¹⁸ In the first eleven months of 2019 alone, more than 93 million carbon credits were issued under the leading Verified Carbon Standard rules, a significant growth on previous years.¹⁹ Harnessing that ‘mitigation market force’ in the context of public-private partnerships under the Paris Agreement may help to define climate compacts around particular mitigation problems and create real examples for cooperative approaches.

There may already be a group of governments ready to accept the challenge. On 14 December 2019, as COP-25 ran into overtime, a number of committed countries launched the *San José Principles for High Ambition and Integrity in International Carbon Markets*.²⁰ These rules, which formulate a framework for high-integrity carbon market transactions, are supported by over 30 countries²¹ – mostly European, Latin American, and small-island states. A combination of voluntary carbon market rules and the San José Principles could well help to kickstart cooperation among countries and private partners around particular climate challenges. While Article 6 negotiations remain stuck in the Rule 16 trap,²² there is no need to hold back ambition and investments flows while they await being set free.

Instead of looking back towards the frustrated expectations of Madrid, all actors, governments, corporations and NGOs should join in their ambition to make COP-26 to be held in November 2019 in Glasgow a success. They could use the convening power of these global climate conferences to organize sessions that provide space to discuss concrete collaboration around mitigation and adaptation challenges. Such collaboration may yield real emission reductions faster than it takes to remove brackets around COP decisions.


Notes

1. In its dichotomy of physical location and country chair, the COP followed the Fiji-Bonn (COP-23, 2017) example, which was chaired by Fiji but took place in Bonn.
2. The countries that have NDCs with a timeframe up to 2025 are due to submit new NDCs for the 2030 time frame. Countries whose current NDCs are already valid up to 2030 are expected to re-'communicate or update' their NDCs by 2020. Decision 1/CP21 para 23 and 24.
3. IPCC, (2018), Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty, V. Masson-Delmotte, P. Zhai, H. O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J. B. R. Matthews, Y. Chen, X. Zhou, M. I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, T. Waterfield (eds.), <https://www.ipcc.ch/sr15/>.
4. Climate Summit Press Release, 23. September 2019. https://www.un.org/en/climatechange/assets/pdf/CAS_main_release.pdf.
5. IISD 26. September 2019, includes a list of the original signatories: <https://sdg.iisd.org/news/chile-launches-climate-ambition-alliance/>.
6. UNFCCC Press Release 11 December 2019. <https://unfccc.int/news/climate-ambition-alliance-nations-renew-their-push-to-upscale-action-by-2020-and-achieve-net-zero> The list of countries can be accessed here: <https://cop25.cl/#/cop-news/6uwx6gJHfSFV5TdOF6r9>.
7. UNFCCC Press Release 29 November 2019. <https://unfccc.int/news/cop25-to-be-the-launchpad-for-significantly-more-climate-ambition-0>.
8. The problem is not new, Joanna Depledge already published in 2006 a paper on the ossification of the climate regime (Depledge, 2016).
9. The decision was adopted in three formats, by the COP as well as by the governing bodies of the Kyoto Protocol (CMP) and the Paris Agreement (CMA).
10. Decision 1/CMA2, a repetition of the preambular text in decision 1/CP.21.
11. The SBSTA only took note of the IPCC Special Report on Climate Change and Land and the IPCC Special Report on the Ocean and Cryosphere in a Changing Climate. See Research and systematic observation. Draft conclusions proposed by the Chair, Retrieved from https://unfccc.int/sites/default/files/resource/sbsta2019_L15E.pdf.
12. Referred to as the 'Paris Rulebook'.
13. An increasing number do, but many still do not. Most of the larger corporates still invest a lot more in anti-climate lobbying than into climate mitigation or adaptation. Check the many InfluenceMap reports on corporate lobbying and climate change at: <https://influencemap.org/index.html>, and SEI, IISD, ODI, Climate Analytics, CICERO, and UNEP. (2019). The Production Gap: The discrepancy between countries' planned fossil fuel production and global production levels consistent with limiting warming to 1.5°C or 2°C.
14. UNFCCC Press Release 11 December 2020. <https://unfccc.int/news/at-cop-25-corporate-climate-movement-grows-as-new-companies-announce-plans-to-align-with-a-15degc>.
15. Reuters 26 June 2019, <https://www.reuters.com/article/us-climatechange-investment-letter-exclu/exclusive-investors-with-34-trillion-demand-urgent-climate-change-action-idUSKCN1TQ31X>.
16. New York Times 23 January 2020 on the World Economic Forum Davos meetings and company climate action: <https://www.nytimes.com/2020/01/23/business/corporate-climate-davos.html>.
17. The Global Climate Action (NAZCA) portal is an online platform where actors from around the globe - countries, regions, cities, companies, investors and other organizations - can display their commitments to act on climate change, see <https://climateaction.unfccc.int>.
18. Verra reports seeing an increase in pre-compliance demand from airlines ahead of the implementation of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), whose voluntary pilot phase is to take effect in June of 2021, as well as from companies looking to emerging carbon pricing approaches in countries around the world, many of which are considering allowing the use of voluntary carbon credits. <https://verra.org/datainsights/december-2019/>, see also (Lang, Blum, & Leipold, 2019).
19. <https://verra.org/datainsights/december-2019/>.
20. Government of Costa Rica, 14 December 2020. <https://cambioclimatico.go.cr/press-release-leading-countries-set-benchmark-for-carbon-markets-with-san-jose-principles/>.
21. As of 8 January 2020.
22. Rule 16 refers to the provisional UNFCCC rules of procedure that are applied when Parties fail to agree and allows for pending issues to 'be included automatically in the agenda' of the next COP. This system perpetuates instances of non-agreement and floods COP agendas without necessarily creating any incentives for Parties to achieve a solution.

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