



Global carbon market negotiations are running out of (over)time

The talks on future global carbon markets are already in overtime after countries failed to agree on a global deal last December in Poland. Now even this extra time is quickly running out. Less than two months before the crunch time talks at the next UN climate summit, the number of unresolved issues appears to be as high as ever.

This week, countries meet in Costa Rica to prepare the upcoming UN climate summit, the “COP25”. This is a crucial opportunity to seek common ground on four key unresolved issues linked to the Paris Agreement market provisions, the “Article 6”.

Only new projects after 2020

The transition of old carbon credits from the Kyoto Protocol mechanisms is among the thorniest topics.

Several countries, in particular those with a huge number of old Kyoto credits still for sale (among which are Brazil, India and China), are keen to see these credits recognised under the Paris Agreement in order to continue cashing in on the old system.

But this would be cheating the planet, as most of these credits do not represent new, additional emission reductions, and their sale is not necessary for projects to continue reducing emissions.

Count it only once

Another issue where countries cannot find agreement is the need to have strong rules in place to ensure that emission reductions are not counted towards multiple climate efforts.

There is increasing support for applying “corresponding adjustments” whereby a country will not count emission reductions which have been sold to another country. But many difficult technical issues remain open, such as how to account for market transfers for countries with single year targets (a target set for a specific year, e.g. 2030, instead of a trajectory which sets an emission reduction goal for each year in this trajectory).

No future for offsetting



At the heart of the discussion is also the question of how to go beyond the zero-sum logic which has underlined (and undermined!) the Kyoto protocol system, whereby emission reductions in developing countries were used to justify emissions in developed ones.

This is no longer acceptable under the Paris Agreement and in the long term, it will eventually be impossible for any system to operate under this logic. This is because countries' self-established targets – the NDCs – must represent the most ambitious level of emission reductions possible, and be economy-wide, leaving no room for any “extra abatement” to be sold to another country.

In the short term, concrete steps can already be taken to transition towards a world in which emissions are truly reduced and not merely shifted.

First, a partial cancellation rate should be applied, in order to ensure that a portion of the emission reductions achieved under Article 6 is never used to justify pollution elsewhere.

While partial cancellation of credits is necessary, it is not sufficient to achieve environmental integrity. To truly reduce emissions, the projects implemented under Article 6 will also have to respect strict criteria and methodologies, including when setting baselines.

A key principle should be that any project or activity can under no circumstances lead to an increase in emissions between or within NDC periods.

Sustainable development must be at the heart of climate action

Last but not least, markets cannot continue on the path they have followed in the past when it comes to social, environmental, and human rights impacts.

Lack of social and environmental safeguards under the Kyoto Protocol's carbon markets has led to several projects not only damaging the environment but sometimes infringing on human rights. This is of course unacceptable. Any climate policy should work to protect and promote human rights.

At a minimum, this requires clear rules for the consultation of local stakeholders and a grievance mechanism established under an independent body.

Finally, future market mechanisms should not only “avoid harm”, but they should actively contribute towards the sustainable development goals, and require that activities benefit local communities.