COP26 – three opportunities for global cooperation on climate action

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The transition to climate neutrality is a global challenge that calls for a coordinated global response. Under the umbrella of the 26th UN Climate Change Conference of the Parties, in short COP26, nearly 200 countries will come to the negotiating table in Glasgow from 31 October to 12 November 2021 to deliberate on how a significant increase in global temperatures can still be averted.

Given the growing urgency of the climate crisis, the conference might provide the critical boost for implementing the agreed targets. However, there is no guarantee that the negotiations will be successful. Climate change mitigation is a global public good and unilateral efforts can therefore lead other states to reduce their own ambitions (free rider problem). Moreover, countries have diverse interests and negotiating positions, which will make negotiations challenging. Right now, the sharp rise in energy prices constitutes a painful headwind that might influence and, in the worst of cases, block the negotiations.

Three opportunities are emerging to make progress in global cooperation on climate action: making common climate targets and national contributions more binding, strengthening climate finance and finalising the regulatory framework for cooperation mechanisms.

COP26 will have to drive progress towards implementing globally agreed climate targets

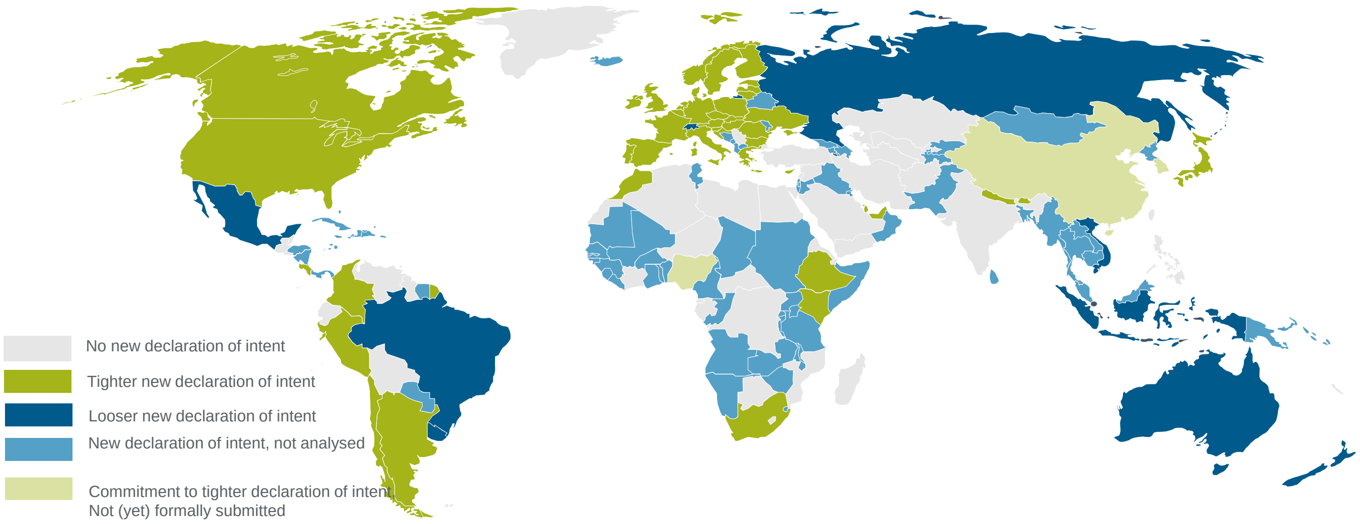
Under the Paris Agreement concluded at COP21, the signatories agreed on a common long-term climate objective, which was to limit global warming to not more than 1.5°C compared with pre-industrial levels and to formulate binding nationally determined contributions (NDCs) for all states. Despite this undisputed milestone in the global fight against climate change, the efforts derived from the commitments thus far are insufficient to avert a significant increase in global temperatures. One lever that can be used to make progress is to strengthen the mechanisms of international climate cooperation. In this regard, COP26 offers three major opportunities:

1. Ensuring that common targets and nationally determined contributions are more binding

2. Using international climate finance as a lever for global climate policy

3. Finalising the regulatory framework for international cooperation mechanisms

Figure 1: New declarations of intent for nationally determined contributions (NDCs) in the lead-up to COP26



Note: Data current as at 25 October 2021.

Source: Climate Action Tracker (2021).

Ensuring that common targets and nationally determined contributions are more binding

The Paris Agreement provides for nationally determined contributions to be gradually increased in five-year cycles. Although a total of 115 countries submitted new declarations of intent in the lead-up to COP26, not all NDCs have already been formalised and not all commitments actually mean a higher level of ambition on the previous NDCs (Figure 1). What will be key is whether large emitters such as India, which is responsible for 7% of global carbon emissions, and China (28%) can be moved to adopting new declarations of intent. China has announced but not yet formally submitted a more ambitious contribution, while India has not yet committed to adopting a new declaration of intent.[1] According to different estimates, the current NDCs lack the necessary ambition to ensure that global warming will be limited to 1.5° compared to pre-industrial levels.[2]

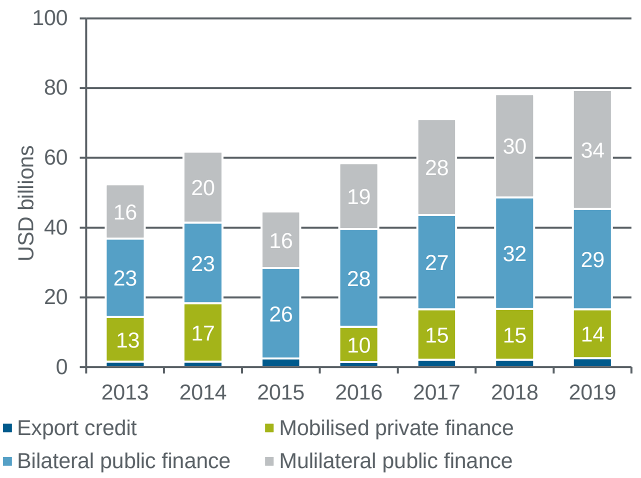
What is proving to be problematic, in particular, is that countries do not have to fear any legal consequences if they fail to implement their NDCs. The national commitments will not solve the free rider problem unless there are sanctioning mechanisms. It may therefore be a rational decision for individual states to set low national targets.[3] Making the NDCs more binding and evaluating them in shorter intervals could be expedient so that visible progress made in achieving individual targets prompts other signatories to adopt higher ambitions.

Using international climate finance as a lever for coordinated global climate policy

Financial transfers from advanced economies to developing and emerging economies are of enormous importance to make progress in global cooperation on climate action. By making the transition easier for developing and emerging economies and improving enabling conditions, they can mobilise private investment and thus make an important contribution to global climate action. The target of mobilising an annual volume of USD 100 billion in financial transfers from advanced economies to developing and emerging economies from the year 2020 onward was already formulated in the Copenhagen Agreement of 2009 (COP15). The OECD recently established, however, that industrialised countries mobilised only around USD 80 billion in annual climate action finance for developing countries up to 2019 (Figure 2) and the funds for 2020 are likely to be even lower as a result of the coronavirus pandemic.[4] That is one important reason why climate action finance will be a priority topic at COP26. The recently published climate finance report contains future commitments from donor countries to secure the intended USD 100 billion – at least from the year 2023.[5] Whether the recipient countries will trust these promises given the missed targets of the past should be doubtful.

International climate finance could contribute to a global harmonisation of climate policy instruments in the future. For example, financial transfers could be made conditional on the implementation of a carbon price in recipient countries. That would require financial transfers to be secured more reliably than in the past. Implementing a distribution key that defines the contribution of advanced economies to the envisaged USD 100 billion is likely to be key to achieving this.[6] Greater reliability of financial flows also matters because many developing countries have tied their national targets to external financial aid. In order to bring developing countries on board, the mode of operation of the mechanism adopted in 2013 to finance climate-induced loss and damage (Warsaw International Mechanism for Loss and Damage) also has to be improved because the direct long-term risks of climate change affect these countries more than others.[7] [8]

Figure 2: Climate finance from advanced economies to developing and emerging economies



Note: Financial flows from advanced economies to developing and emerging economies for supporting mitigation and adaptation measures. Since 2016, private financial flows have been subject to an expanded methodology and are therefore not comparable with 2013–2014, data gap in the year 2015.

Source: OECD (2021).

Finalising the regulatory framework for cooperation mechanisms

The Paris Agreement created the opportunity for the signatories to work together on achieving their climate targets and trading emission reductions between them. At COP25 in Madrid they failed to reach a full agreement on what rules should apply to the international cooperation mechanisms. In Glasgow they will attempt to complete the remainder of the regulatory framework of the Paris Agreement.

The aim of the regulatory framework must be to ensure that for every ton of CO2 emitted anywhere into the atmosphere, one ton is removed elsewhere. A successful agreement between the negotiating partners on consistent, transparent and reliable rules would be a milestone in global coordination on climate action because international cooperation mechanisms will significantly reduce the costs of transitioning to climate neutrality. Carbon emissions would then be reduced where this is most cost-effective over time and across regions and economic sectors. Efficiency gains will then enable additional carbon emission reductions. Studies have revealed that as a result of these cost reductions, the achievable emissions reductions could theoretically at least double while total costs remain the same.[9]

[1] CAT (2021), The CAT thermometer, Climate Target Action Tracker, retrieved from: https://climateactiontracker.org/documents/853/CAT_2021-05-04_Briefing_Global-Update_Climate-Summit-Momentum.pdf (as at 25 October 2021).

[2] Liu, P.R. and Raftery, A.E. (2021), Country-based rate of emissions reductions should increase by 80% beyond nationally determined contributions to meet the 2 °C target, Communications Earth & Environment 2 (1), 1–10.

[3] Gollier, C. and Tirole, J. (2015), Negotiating effective institutions against climate change, Economics of Energy & Environmental Policy 4 (2), 5–27.

[4] OECD (2021), Climate finance provided and mobilised by developed countries: Aggregate trends updated with 2019 data, OECD, Paris.

[5] OECD (2021), Forward-looking Scenarios of Climate Finance Provided and Mobilised by Developed Countries in 2021-2025: Technical Note, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, https://doi.org/10.1787/a53aac3b-en; UK COP26 (2021), Climate Finance Delivery Plan, Meeting the US$ Billion 100 Goal.

[6] Schalatek, L. and Bird, N. (2020), The principles and criteria of public climate finance - A normative framework, Climate Finance Fundamentals, Heinrich Böll Foundation.

[7] Notre Dame Global Adaptation Initiative, ND GAIN Country Index, retrieved from: https://gain.nd.edu/our-work/country-index/ (as at 25 October 2021).

[8] WWF, Expectations on Loss and Damage at COP26, retrieved from 4837 – EXPECTATIONS ON LOSS AND DAMAGE REPORT_type.pdf (panda.org) (as at July 2021)

[9] Leslie, G. (2018), International trading of emissions reductions could greatly increase global climate ambition, EDF Blog, Climate 411, retrieved from: http://blogs.edf.org/climate411/2018/08/01/international-trading-of-emissions-reductions-could-greatly-increase-global-climate-ambition/ (as at 25 October 2021).