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## Climate Negotiations on New Global Carbon Market Postponed Until 2021

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As the COVID-19 pandemic continues to disrupt lives, travel and operations across the globe, international climate negotiators have decided to postpone discussions on a critical component of the Paris Agreement—developing a global carbon market—until 2021.

Between December 2 and December 15, 2019, 197 states parties to the United Nations Framework Convention on Climate Change (UNFCCC) gathered in Madrid, Spain, for the annual climate change negotiations, known as the Conference of the Parties (COP).<sup>1</sup> One of the main objectives of COP25 was to agree the remaining item from the so-called [Paris Rulebook](#) of instruments that implement the Paris Agreement: the rules for Article 6 of the Paris Agreement.<sup>2</sup> The purpose of Article 6 is to create a new global carbon market to mitigate greenhouse gas (GHG) emissions (often called carbon trading).

As explained in this summary, while negotiators agreed to many of the technical aspects of Article 6 implementation, they could not resolve their differences in relation to environmental integrity (*i.e.*, mitigation action that would not exist but for a project), double accounting and corresponding adjustments in counterparty records, timing of emissions reduction realization across multiyear national plans, and transition of credits under existing market mechanisms (namely, the Kyoto Protocol to the UNFCCC). Negotiators could not finalize the rules for Article 6 at COP24 in Katowice, Poland.

Negotiations were scheduled to continue during 2020 leading up to COP26 in November 2020 in Glasgow, Scotland, in parallel to member states revisiting their national climate action plans (known as Nationally Determined Contributions or NDCs). In response to the unfolding COVID-19 crisis, the UNFCCC and the hosts of COP26, the UK, have postponed COP26 until a date to be confirmed in 2021.<sup>3</sup> The first pre-COP26 negotiation has been moved from June to October 2020. While the immediate concern globally is managing and recovering from COVID-19, the postponement of COP26 defers discussions regarding a new global carbon market under Article 6. The postponement also provides additional time for governments to consider international (and domestic) climate change regulation more broadly. Until negotiations on Article 6 are concluded, companies will not be able to plan their operations and investments based on the proposed new

global carbon market.

An interrelated development likely to impact climate negotiations (and action) in 2020 and beyond is the European Green Deal that was launched in parallel to COP25, along with the proposals for EU net-zero climate legislation and potential carbon border adjustment taxes. How those initiatives will interact and interlink with the Paris Agreement will depend on their ultimate design and will warrant close observation.

[Read the full alert.](#)

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1. The COP is the supreme intergovernmental decision-making body of the UNFCCC.
  2. The Paris Rulebook is similar to the Marrakesh Accords for the Kyoto Protocol.
  3. UNFCCC, 'COP25 Postponed', press release 1 April 2020, available at <https://unfccc.int/news/cop26-postponed>.
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