

Oxford Climate Policy Blog

Initiating debates on international climate policy

The risks of not adopting a Paris Agreement Ambition Cycle at COP 26 in Glasgow

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Heraclitus of Ephesus (Ἡράκλειτος, *Herakleitos*; c. 535 BC – 475 BC)

* The authors would like to express their gratitude for feedback and contributions to Aglaja Espelage, Janine Felson, Geert Fremout, and Axel Michaelowa.

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I. Summary

'Ambition', or rather the lack of it, currently headlines most discussions on the Paris Agreement. The term refers to how much countries are willing and able to do to combat climate change and its adverse impacts through the pledges in their Nationally Determined Contributions (NDCs).

According to Article 4.9 of the Paris Agreement, all Parties must communicate an NDC every five years starting in 2020. Each successive NDC has to “*represent a progression beyond the Party’s then current nationally determined contribution and reflect its highest possible ambition*”. [Art. 4.3]

While the ambition of an NDC is nationally determined, it can be internationally enabled or stifled. The importance of the latter should not be underestimated. The provision of finance, technology, and capacity is an important enabling factor, but countries will also peg their level of ambition on how much other countries (their peers) are willing to do. All countries have to do their fair and equitable share, as agreed in Article 4.3, reflecting “*common but differentiated responsibilities and respective capabilities, in the light of different national circumstances*”.

The vast majority of the initial NDCs (over 80%) have a time frame up to 2030.[1] For them, paragraph 24 of [Decision 1/CP.21](#) applies, requesting the countries in question: “*to communicate or update by 2020 [these initial NDCs] and to do so every five years thereafter*”. The problem is that this poses a number of significant risks.

Locking in low ambition

For one, there is the risk of locking in low ambition, for national and international reasons:

- At the national level, planning for the longer-term (more than 10 years) as required under paragraph 24, introduces greater uncertainty – and therefore Parties are likely to opt for risk-averse conservative (low) ambition.
- At the international level, there is no timetable for Parties to consider enhancing previously communicated ambition: everyone is waiting for everyone else, and there is no deadline for (informal) consultations to ensure a just and equitable distribution of ambition, with the effect that the initial risk-averse ambition remains unchanged.

Thwarting Global Stocktakes and Replenishments of Climate Funds

Under paragraph 24, there is a risk that every ten years, there is no information whatsoever on what Parties intend to do next. This not only introduces uncertainty for domestic stakeholders and hampers advance planning, but also thwarts:

- the *ex ante* component of every second Global Stocktake, and by extension the ability to assess whether the global community is on target to achieve the 2°C/1.5°C trajectory; and
- the ability to take into account the financial needs of developing countries as expressed in (‘conditional’) NDCs in the course of the replenishments of the multilateral climate funds. This may disadvantage developing countries in financing their NDCs.

Additional political risks

The further away a target, the greater the temptation to postpone action, with the intention of compensating later in the implementation period. This is a high-risk strategy.

Also, while longer-term targets can be updated in the mid-term, updating a previously communicated ambition may not generate the same public and political attention than the setting of a new target.

The Ambition Cycle: a simple and elegant remedy

These currently prevailing risks to equitable ambition under the Paris Agreement can be mitigated through two simple process requests, for Parties:

- to communicate by 2025 their next NDC, ending in 2035 ('with a time frame up to 2035'), and
- in 2025, to consider enhancing ('updating') the ambition of their initial 2030 NDC; and to repeat these two steps *ceteris paribus* every five years thereafter.

This 'Ambition Cycle' [2] will:

- shorten the horizon of projections necessary to formulate NDCs;
- provide for a five-year assessment phase;
- create an ambition enhancement timetable that provides space for Parties to update their previously communicated ambitions in a fair and equitable manner, reflecting everyone's highest possible ambition as referred to in Article 4.3;
- enhance confidence in, and facilitate predictability for financing and means of implementation by ensuring that the periodic needs determination reports of the Standing Committee on Finance and the replenishments of the multilateral climate funds can be informed by, and take into consideration, the needs of developing countries as reflected in their NDCs;
- increase support for formulating NDCs by providing an NDC time frame common to all, and facilitate planning on how market mechanisms can be used to raise ambition and avoid double counting under Article 6; and
- reduce the temptation to postpone action.

It would thus remedy the shortcomings of the 10-year time frame without impeding its advantages. At the same time, it is compatible with the '5-year' and the '5+5-year' options tabled by Parties in the common time frame negotiations. The proposed Ambition Cycle can unite all the options on the table in a way that retains all their advantages, while avoiding the significant risks they pose on their own.

II. The Prevailing Majority Set-up

As mentioned above, paragraph 24 *requests those Parties whose intended nationally determined contribution ... contains a time frame up to 2030 to communicate or update by 2020 these contributions and to do so every five years thereafter*. The problem is that it does not actually determine what exactly is to be done every five years after 2020. 'Plan A' and 'Plan B' below describe what in our opinion are the most plausible implementations of paragraph 24.

Plan A. 'Update-first' (2025)

- [0] : *In 2020, the 2030 iNDCs are communicated or individually updated (para. 24)*
- [1] : *In 2025 the first (2030) NDCs are individually updated ('update-first').*
- [2] : *In 2030, the second round of NDCs with time frames up to 2040 are communicated.*
- [3]: *In 2035, the 2040 NDCs are individually updated; etc.*

Key Issues/Risks

Locking in of low ambition due to a lack of an updating time table

It has been said that the decision requiring Parties to submit their NDCs “at least 9 to 12 months in advance of the relevant session of the [CMA] with a view to facilitating the clarity, transparency and understanding of these contributions”[para. 25] was not only to give the Secretariat time to produce a synthesis report, but also to enable Parties, in light of this synthesis report, to update these NDCs before they communicate them at the ‘relevant’ CMA session.

While that failed to take into account that Parties would find it difficult to carry out an updating in such a limited time frame, not only procedurally but also for fear of being accused to have done the original determination in bad faith, it is correct that the highest possible ambition requires not only national but also international consultation.

The level of the ‘highest possible ambition’ referred to in Art. 4.3 [4] depends not only on national circumstances but also on the wider international picture: If I do not know what my competitors are going to offer, and I am worried that I am going to be accused of (unfairly) losing competitive advantage with my offer, then the natural thing to do is to assume no-one else offers anything and calibrate my offer accordingly low.

Indeed, fair and equitable distributions of ambition can only be achieved through consultations, formal or informal, where everyone involved knows in advance what the others intend to do, so as to arrive at an outcome with a mutual level of confidence that each country is indeed doing its fair share with its highest level of ambition.

Plan A does provide the 'space' to have these consultations, at least when it comes to the 2025 and 2035 updating: the ambition levels of the NDCs in question (2030 and 2040) will have been known for (at least) 5 years. However, what is missing is a clear signal from the process that the time has come to consider an update. Updating, if it happens, is done on an 'individual', that is to say, non-coordinated level. But there is a danger that in the absence of a synchronized updating cycle (time table) no significant updating will take place (as may well prove to be the case in Glasgow), as no-one wants to stick out their neck first.

Decadal cliff-edges

The main drawback of starting the para 24 cycle in 2025 with just an update of the 2030 NDC, however, is that until the next NDC is communicated (which has to be done in Spring 2030 [5]), it is not clear what exactly the target post 2030 will be, and given the Plan A communication cycle, this sort of ignorance 'cliff-edge' will happen at the end of each decade.

a. Domestic considerations

Domestic stakeholders need to have a degree of certainty of what will be asked of them at least for the short term, i.e. the next few years. Being potentially in a position of not knowing for sure what will be demanded (other than that it will be more) 6 months before the demands are meant to kick in, should rightly be unacceptable.

b. Global Stocktake (GST)

Additionally, tracking the progress of achieving the PA at GSTs through an assessment of NDCs and their progress would involve Parties submitting Information to facilitate Clarity, Transparency and Understanding (ICTU) of NDCs. Such information as agreed (Annex I of decision 4/CMA.1) requires inclusion of a "*time frame and/or period for implementation, including start and end date, consistent with any further relevant decision adopted by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA).*" Although applicable to second and subsequent NDCs, Parties are strongly encouraged to include the agreed information when updating their NDCs in 2020.

However, there is no *ex-ante* information available for the GSTs prior to a cliff-edge (i.e. the 2028 and 2035 GST) This is likely to result in locked-in ambition particularly as the ICTU also anticipates information on the planning processes involved in arriving at the NDC. It is unlikely that if a Party, in the absence of an agreed common timeframe, undertakes such planning processes and submits an NDC, that it will revisit the domestic NDC planning process (or it is likely to resist doing so) to revise its NDC merely to comply with a subsequently agreed timeframe. Therefore, to avoid any additional burdens of having to possibly reconfigure institutional and planning processes to facilitate ICTU and NDC formulation in the future, it would be advantageous to agree on an ambition cycle prior to the second NDC, that can be informed by the GSTs.

Additionally, the absence of a synchronised or agreed common timeframe may bring into question the value of the global stocktake if there is no information on which to base *ex ante* or *ex post* actions and therefore whether the Paris Agreement trajectory is on track. An agreed common timeframe that can be synchronised with the GST is therefore the most elegant solution to maximising the intended value of the GSTs.

c. Implications for replenishments of the multilateral climate funds

During the four-yearly replenishments, the multilateral climate funds establish their strategic programming for the subsequent four-year funding period. It is key that these priorities take into account the priorities of developing country NDCs, not least because most of them contain components that are 'conditional' on foreign funding. However, under Plan A, this will not be possible.

For example, the next replenishments of the Green Climate Fund, the premier multilateral climate change fund, will take place in 2023, 2027, 2031, 2035, etc. This means that half the GCF replenishments (2027, 2035) would happen under cliff-edge conditions, with insufficient if any information on NDCs for the relevant funding period. As a result, financing for NDC implementation is likely to be impacted negatively.

Plan B. 'Communicate-first' (2025)

- [0] : *In 2020, the 2030 iNDCs are communicated or individually updated (para. 24).*
- [1] : *In 2025, the second round of NDCs with time frame up to 2040 are communicated ('communicate-first'), and there is the opportunity for an individual update of the first round of (2030) NDCs.*
- [2] : *In 2030, the 2040 NDCs are individually updated.*
- [3] : *In 2035, the third NDCs with time frame up to 2050 are communicated, and there is the opportunity for an individual update of the 2040 NDCs; etc.*

Key issues/risks

Plan B manages to avoid one key disadvantage of Plan A, namely the cliff-edge scenarios: there are at any one time NDCs communicated with a time frame 10 to 15 years in the future. However, in addition to the risk of locking in of low ambition due to a lack of an updating timetable already highlighted in the context of Plan A, Plan B has some additional issues not present in Plan A.

Locking-in of low ambition due to a lack of confidence in longer-term projections

For one, not many countries, if any, have the wherewithall to make projections with a fifteen-year time horizon with sufficient confidence for them to be as ambitious as possible. Accordingly, they will reasonably be cautious in the original determination of the ambition level of their NDCs with accounting year more than 15 years in the future.

This risk could be mitigated by the fact that there are two possible points for updating — at the beginning of the NDC term [2] and mid-term [2] — but the former still involves a projection horizon of more than 10 years, which may still lead to conservative updates.

The risk of a false sense of non-urgency

Another problem, albeing related to the issues discussed above, is the fact that long time-frames are likely to lead to the misconception that there is sufficient time later to make up for inaction now: “we can overshoot now and compensate later”

This can have disastrous consequences, particularly in the context referred to above (1.b) when, as in 2035, which is the first time we will have meaningful data after 2020 to update the next NDC ending in 2040. If we have succumbed to a lack of urgency due to the lack of mid-term data, then there is a significant risk that we will not be able to compensate our early lack of ambitious action in the remaining 5 years.

III. The Glasgow Ambition Cycle

These currently prevailing risks to ambition under the Paris Agreement can be mitigated by adopting a couple of simple process requests, collectively making up the ‘Glasgow Ambition Cycle’, namely that Parties:

- (i) to communicate by 2025 their next NDC, ending in 2035 (‘with a time frame up to 2035’), and
- (ii) in 2025 , to consider enhancing (‘updating’) the ambition of their initial 2030 NDC; and to repeat these two steps ceteris paribus every five years thereafter.

** The dotted blue line segments indicate that the NDCs in question could be communicated up to 5 years before the relevant CMA. For example, the 2035 NDC could be communicated any time between 2021 and 2025. However, communicating after 2028 has the advantage of being able to take into account the 2028 GST.*

- [0] : In 2020, the 2030 iNDCs are communicated or individually updated (para. 24).
- [1] : By 2025, a second round of NDCs with time frame up to 2035 is communicated, and there is a request to update 2030 NDCs simultaneously in 2025 .
- [2] : By 2030, a third round of NDCs with time frame up to 2040 is communicated, and there is a request to update 2035 NDCs simultaneously in 2030.
- [3] : By 2035, a fourth round of NDCs with time frame up to 2045 is communicated, and there is a request to update 2040 NDCs simultaneously in 2035; etc.

Combining the advantages of Plan A and Plan B while avoiding their shortcomings

In this way, the proposed Ambition Cycle combines the advantages of Plan A and Plan B while avoiding their shortcomings, and provides a number of additional workable elements to the Paris Ambition Mechanism:

- It ensures that after 2030, all Parties have NDCs that end simultaneously, namely in 2035, 2040, 2045, and so forth, which does help in aggregating and synthesizing outcomes.
- It ensures that from 2025, all Parties will always have two NDCs communicated, providing short-term certainty for the next five years, and a longer-term vision (for the subsequent five years).
- It does not require long-term (see 'Key Issues/Risks Plan A) projections for the determination of NDC (while not precluding them either), and any final updating of an NDC involves only short-term (5 year projections).

- It provides the enabling framework through a synchronized ambition updating time table for Parties to revisit together the ambition of NDCs communicated five years earlier in light of changing circumstances to be able to enhance their ambition in an equitable and fair manner.

Other key advantages

Compatibility and inclusiveness

Although our detailed discussion has been focussed on the situation addressed in paragraph 24, often referred to as the '10-year Option' and how the proposed Ambition Cycle can be used to resolve the main problems inherent in that Option, it is important to highlight that the proposed Glasgow Ambition Cycle is **perfectly compatible** with the situation addressed in paragraph 23, that is to say with the '5-year' and '5+5-year' Options.

Creating space for equity

Some may be worried that by introducing synchronised updating of NDC ambition, particularly following GSTs that are highly likely to reveal significant global ambition gaps, will lead to countries being pressured into taking on disproportionate ambition increases. It is indeed crucial, that the envisaged periodic updates be seen to be fair, if they are to happen at all, and a key advantage of the Ambition Cycle is that it provides the space for this to happen. Take the situation illustrated in Figure 4.

[1] The 2035 NDCs are communicated by 2025

[2] In 2028, there is the Global Stocktake, informing the NDCs communicated in 2030 (Art. 4.9)

[3] In 2030, Parties are scheduled to update their 2035 NDC, if possible.

In order to facilitate a fair distribution of (updated) ambitions, Parties need prior information on what they are all proposing to do, as well as time to consider the fairness of these proposals

Under the Ambition Cycle, everyone will know in 2026 what Parties have communicated they will contribute by 2035. This leaves 5 years for them to arrive at a fair sharing of 2035 updates in 2030, in light of the information provided by the 2028 GST and the potential change in national circumstances since 2025. Without this 'equity space' there is a very little chance of an equitable ambition sharing in the 2030 communications.

Facilitating the predictability of financial needs

Figure 5 illustrates how the Ambition Cycle incorporates the replenishment cycles of the Global Environment Facility (GEF) and the Green Climate Fund (GCF), with the year of the replenishment and the relevant 4-year funding periods, as well as the end year of the relevant NDCs, either initially communicated or updated, following the Ambition Cycle. The figure shows that information on financial needs provided in the NDCs covers all replenishment periods and is never more than 5 years old. Under the Ambition Cycle, financing needs for countries with conditional NDCs can therefore properly be taken into account in the strategic programming of the GCF/GEF.

At COP 24 in Katowice, the Standing Committee on Finance was requested "to prepare every four years a report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, for consideration by [COP 26] (November 2020)".[[Decision 4/CP.24, paragraph 13](#)] While it is not quite clear how the postponement of COP 26 to November 2021 will affect the start of these reports, their periodicity is essentially that of the GCF funding periods as depicted in Figure 5, which means that the above argument applies *ceteris paribus* to these reports.

Article 6

It will not be surprising that the issue discussed here has a bearing on the Article 6 negotiations. In that context, we would like to highlight that the Ambition Cycle addresses the following two Art. 6 issues:

- Parties report every two years on progress towards implementing their NDCs as well as on how their emission balances were adjusted for ITMOs transferred/used. However, only after the end of an NDC timeframe is it possible to assess whether the NDC was achieved, including with respect to Art. 6 engagement. From an Art. 6 perspective, it is important that NDC timeframes are the same for buyers and sellers in order to be able to avoid uncertainty as to whether double counting is actually avoided.
- It is important for host-countries to understand with reasonable certainty where they stand with respect to (i) generating Art. 6 credits and transferring out ITMOs, in particular to avoid transferring the 'low-hanging fruit' mitigation outcomes, as well as (ii) financial needs for conditional activities. Regular, five-yearly updates of NDCs can provide the required information.

[1] Source: Climate Watch. 2018. World Resources Institute. Only ten countries have a time frame up to 2025: Ecuador, Micronesia, Gabon, Palau, Saint Vincent and the Grenadines, Samoa, Timor-Leste, Tuvalu, United States of America, and Uruguay.

[2] See also '[Complete the Ambition Mechanism](#)'.

[3] By 'individual updating' we mean updating in the absence of a common synchronised updating time table.

[4] Art. 4.3. Each Party's successive nationally determined contribution will represent a progression beyond the Party's then current nationally determined contribution and reflect its highest possible ambition, reflecting its common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.

[5] 25. *Decides* that Parties shall submit to the secretariat their nationally determined contributions referred to in Article 4 of the Agreement at least 9 to 12 months in advance of the relevant session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement with a view to facilitating the clarity, transparency and understanding of these contributions, including through a synthesis report prepared by the secretariat; [[Decision 1/CP.21](#)].

This entry was posted in Uncategorized on 31 August 2020 [<http://blog.oxfordclimatepolicy.org/ambition-cycle-agreement-in-glasgow/>] by Benito Muller.

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