Climate Teams
International Greenhouse Gas Mitigation

A new model for climate cooperation

Halting climate change requires that emissions go to net-zero globally and the faster the better given that emissions accumulate. All countries need to be on this path. Some countries – 'hosts' – have significant opportunities to reduce net emissions in the short term but do not have the resources to make those reductions fast; other countries – 'partners' – have resources but their short-term opportunities to meet their mitigation commitments are more limited. If we can bring these countries together we can accelerate the global low emissions transformation. The 'climate teams' mechanism can enable this.

Effective cooperation among countries on the scale and across the time frames required for transformational investments and policy changes requires shared vision, trust and clear mutual understanding. The economic incentives faced by host countries, partner countries, and investors can be aligned to support this. The 'climate teams' mechanism responds to the new context for cooperation under the Paris Agreement and experience with international carbon markets.

What is a climate team?

A climate team takes a fundamentally different approach to international transfers relative to project-based mechanisms or carbon market linking. It is an agreement among a small group of cooperating governments that comprises:

1. a multi-year emissions baseline that uses the host's Nationally Determined Contribution (NDC) as a starting point for negotiation;
2. pre-commitment of total funds available for payments from partners;
3. a pre-agreed price range for payments per ton of mitigation beyond the NDC;
4. assessment of results relative to the baseline using the host's national emissions inventory;
5. results-based payments from the partners to the host and the transfer of mitigation from the host to partners.

These contractual arrangements can be complemented by collaborative activities, technical support agreements, and relationships with private investors and private companies with compliance obligations under an emissions trading system.

Why consider a climate team model?

Credible baselines for large-scale transfers: "Partner" countries need large amounts of internationally transferred mitigation outcomes (ITMOs) that credibly go beyond the host's NDC. A stringent climate team baseline in the early years allows transfers before 2030 if the host country is credibly on-track to exceed its NDC. Transparent setting of these baselines, with oversight by a wider set of countries, will increase confidence in the integrity of the climate team agreement and give the partner country confidence that its contribution will be recognized for achievement of its own NDC. Using large-scale, possibly even economy-wide, baselines that reduce problems of assessing additionality and avoid within-country leakage, also increases the credibility of the transferred units. The Warsaw Framework for Reducing Emissions from Deforestation and Forest Degradation (REDD+) provides a precedent for this approach, through the idea of "jurisdictional offsets."

Robust monitoring: The climate team model uses and strengthens existing large-scale monitoring systems (national emissions inventories), which already reflect international best practice, along with auditing processes, to minimize bias and provide consistency over time at a national level.

Guarantee of resource flow to host country if it achieves large reductions: The clear pre-commitment of funds to pay for future transfers and agreement on a minimum transfer price give the host country greater confidence when making transformational policy changes and supporting public and private investments in mitigation actions.

Security of supply of ITMOs to partner countries: The partner pays for the transfer of mitigation outcomes only after the mitigation has been proven to have occurred. The host country commits to give priority to climate team members when transferring mitigation outcomes until the partners' pre-committed funds are exhausted. Together with the partners' right of first refusal up to a maximum agreed price, this provides greater security of supply to partners. If reductions are achieved, the partner has the right to claim them at a reasonable price.

Reduced risk of ineffective mitigation effort: There is still a very real risk that mitigation effort in the host country, however genuine, will produce only small reductions, particularly in the short term. The climate team model helps address this risk, in part, by aligning the incentives of partners, hosts and ultimately investors, to work together toward successful low-emission transformation in the host country. Climate finance (with no expectation of ITMOs) can be used strategically to help the host country reach the crediting baseline. The climate team agreement provides a strong basis for providing expertise, strategic public and private investments, and a shift in the political climate and society-wide narrative toward an inevitable transition to low emissions. It facilitates politically challenging regulatory changes. Partners and hosts can choose to create teams that they believe will be effective. Countries may share policy experience, technology, and skills. Partners can also choose to engage in a portfolio of climate team (and other) agreements to reduce the risk that they will not receive sufficient ITMOs to achieve their own NDCs.

How can climate teams strengthen implementation of the Paris Agreement?

Paris brought strong emphasis on the cumulative nature of greenhouse gas emissions and the need for transformational change toward low-emission societies. NDCs can provide an explicit way to define the host country's baseline emissions pathway over many years and stronger National Inventories provide a way to track their progress. If an NDC is considered adequately ambitious, mitigation beyond that NDC is truly additional. The 'climate teams' mechanism leverages NDCs and strong inventories so that transfers of mitigation outcomes under Article 6 can credibly demonstrate national-scale additionality and support increased global ambition.

Experiences with the Kyoto Protocol and with international trade in mitigation outcomes through the Clean Development Mechanism and Joint Implementation have demonstrated the pitfalls of international climate cooperation under centralized mechanisms. When commitment to mitigation is dependent on high-risk international carbon prices, critically needed investment is inhibited. Cooperation among smaller groups of countries with existing trust relationships facilitates deeper, more flexible engagement and insulates their efforts from other countries' climate politics. A more predictable source of ITMOs to partner countries will give them greater confidence to take on more ambitious commitments.

This approach will not work for all countries, but could work for a significant subset. The climate team model depends first on a clearly defined NDC in the host country. This NDC needs to have broad sectoral coverage and a level of mitigation ambition that is acceptably high to both investors and the wider international community. It depends also on an adequate national inventory in the host country; this can be improved through the climate team agreement. The level of funding committed by partners as a group needs to be high enough to enable transformational change, and the host country must, with help, have the capability to achieve this change.