

CMI Briefing Note

COP31 Takeaways

November 2026

Carbon Market Institute

COP31 Takeaways – Week 2

The second week of COP31 saw thinner crowds but a full program, as negotiations moved into their final stages. Divisions over the transition away from fossil fuels and climate finance ultimately prevented agreement, and the talks closed two days late without an overarching cover decision. While headlines have focused on this outcome, it's worth noting that cover decisions are not mandated feature of COPs and are typically their most politicised element. Some parties opposed any reference to fossil fuels, while others declined to endorse a text they considered inadequate, with several reaffirming their commitment to the Paris Agreement and multilateral process in doing so. The absence of a cover decision is disappointing, but it does not undo the mandated decisions adopted. Beyond the cover decision, a range of formal decisions, including on Article 6, were adopted, and voluntary initiatives on electrification, methane and oceans gained significant support.

Week two featured a range of thematic days, notably Tuesday 17 November on Ocean, Seas, Nature and Land Use. Blue carbon and nature-based market solutions were the focus of many sessions across country pavilions. The day also saw the launch of the Antalya Ocean and Seas Compact, a Presidency initiative which aims to put oceans and coastal ecosystems more firmly at the centre of international climate action. It encourages countries to integrate ocean measures into their Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs), and to mobilise the partnerships, technical support and finance needed to turn ocean-related commitments into practical projects. At a High-Level Ministerial Event on Financing Blue Ambition, Minister Chris Bowen announced $10 million towards the Unlocking Blue Prosperity Partnership and $1 million for The Ocean Risk and Resilience Action Alliance (ORRAA).

Here are a few key takeaways from week 2, from CMI's perspective:

1. COP31 negotiations: Progress, compromise and unresolved tensions

- *Successive draft decision texts narrowed the scope of proposed outcomes, reflecting efforts to secure consensus among almost 200 participating countries.*
- *Key areas of negotiation included the fossil fuel transition and emissions reduction ambition, climate finance, electrification, climate science and the timing of future scientific assessment, and trade-related measures.*
- *The talks took place in a challenging geopolitical context, with no official US delegation.*
- *Energy security weighed heavily on national positions, with major producers expanding fossil fuel supply while the EU emphasised domestic clean energy to reduce exposure to supply shocks, underscoring the increasingly complex relationship between climate ambition, trade and national economic interests.*
- *UNEP's latest Emissions Gap Report, which found that exceeding 1.5°C is now unavoidable, sharpened calls for stronger mitigation ambition.*
- *The EU, small island states and a large coalition of other countries pushed hard for clear language on transitioning away from fossil fuels, while fossil fuel-producing economies resisted firm commitments.*
- *Later drafts removed stronger language on the transition away from fossil fuels, and proposals to strengthen action on methane were watered down.*
- *With no significant new climate or adaptation finance on the table, there was limited scope for the trade-offs that often help build consensus.*
- *Ultimately, parties could not agree on an overarching cover decision, with the final draft falling short on climate finance, science and the transition away from fossil fuels. . However, standalone decisions were adopted on matters including the just transition, adaptation and Article 6, with work to continue in Bonn and at COP32 in Addis Ababa.*

2. Electrification and energy transition gain prominence

- *The COP31 organisers promoted a voluntary ambition to increase electricity's share of global final energy demand to 35% by 2035, from just over 20% currently. This was strongly backed by an Electrify Now NGO Coalition, formed in June 2026, including Australia's own Energy Efficiency Council. By the end of COP31, this voluntary pledge was endorsed by more than 75 countries and 180 businesses.*
- *The proposal sought to accelerate the transition across the transport, heavy industry and built environment sectors.*
- *However, developing countries raised concerns around the inclusion of top-down targets in a formal COP decision.*
- *The negotiations reflected growing recognition that electrification, clean energy deployment and energy security are increasingly interconnected.*
- *A separate initiative led by Germany and the European Union, with support from the UK, France and Nigeria, seeks to accelerate the transition towards SF6-free electricity grid infrastructure and reduce leaks. SF6 is an extremely potent greenhouse gas used in electrical grid equipment.*

3. Climate finance and adaptation remain major points of contention

- *Climate finance remained a significant area of disagreement throughout the negotiations.*
- *Draft cover decision texts removed an earlier proposal calling for at least US$120 billion annually in adaptation finance.*
- *This sits against estimated developing country adaptation needs of approximately US$305 billion annually by 2035, according to UNEP.*
- *The outcome highlights the persistent gap between the scale of adaptation finance required and the commitments being negotiated, a gap felt most acutely by climate-vulnerable developing countries and Small Island Developing States.*
- *Mobilising private investment alongside public finance will remain critical to addressing the scale of adaptation and resilience requirements.*

4. Carbon markets and Article 6 negotiations

- *Decisions on Article 6.2, 6.4 and 6.8 were adopted, resolving some implementation matters while leaving harder issues for 2027 and the 2028 review. On funding for Article 6.2 infrastructure, parties will consider a technical paper on funding models in 2027, with a possible decision at COP32.*
- *Discussions highlighted ongoing differences over the implementation of Article 6.2, particularly regarding the consistency of technical expert reviews, the interpretation of significant inconsistencies, authorisation processes, registry systems, reporting requirements and environmental integrity. The adopted guidance refines how technical expert reviews are conducted and reported, and parties rejected proposals to apply article 6.4 approaches to these reviews.*
- *The negotiations reinforced that putting the institutional, technical and administrative infrastructure in place to support operational cooperation and credible international carbon markets remains challenging.*
- *Findings presented by the Article 6 Implementation Partnership highlighted the scale of the implementation gap: 94 of 106 Parties analysed have developed or are preparing to develop authorisation and/or tracking arrangements, but only 15 have both systems fully in place. This points to significant needs for technical assistance, capacity-building, registry infrastructure and reporting capability.*

- *Under Article 6.4, a key debate was whether methodologies are too conservative, leading to low crediting and high transaction costs, or whether current settings are needed to protect environmental integrity. The adopted text asks the Supervisory Body to consider how its standards, methodologies and tools work together when revising them.*
- *Funding is a key issue to watch for both mechanisms, with stable funding for Article 6.2 still to be agreed and Article 6.4 facing a projected funding shortfall from 2028.*
- *Attention is also turning to the 2028 review process, with potential issues including authorisation and accounting, longer-term project certainty, unit carryover and banking, cooperative approach definitions and avoidance.*
- *Alongside the formal negotiations, industry discussions highlighted growing momentum towards the interoperability and harmonisation of regional carbon markets, particularly in Southeast Asia. Engagement involving Singapore's CIX, Malaysia's BCX, Indonesia's IDX and the CAD Trust explored how greater alignment across market infrastructure, standards and systems could support regional connectivity.*
- *Discussions also considered how developing countries can move from establishing compliance carbon markets to mobilising investment in decarbonisation, including through climate finance and international cooperation under the Open Coalition on Compliance Carbon Markets.*
- *Overall, COP31 discussions underscored both the opportunities and the considerable work still required to make Article 6 operational. Building country readiness, strengthening market infrastructure and ensuring consistent environmental integrity will be critical to translating international cooperation into credible emissions reductions and investment. These developments also create opportunities for Australia to contribute through its carbon market expertise and stronger partnerships across the Indo-Pacific.*