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From the Editors: In this anniversary issue of showCASE, we analyse the rather disappointing outcomes of the latest Climate Change Conference (COP25) and ponder on the future of the global climate change policies. Environmental changes are one of the most pressing issues that the global community is currently facing and a topic that has been discussed in showCASE a number of times in the past (indeed, the last issue of 2018 was dedicated to COP as well). As showCASE turns 100-issues old, we remain dedicated to providing expert, fact-based analysis of this and other important topics, from trade and economic growth, through fiscal and monetary policy, to digital markets, healthcare, and education – in the European Union, its neighbourhood, and beyond. We would like to thank all our readers for their ongoing support throughout the past three and a half years, promise to work even harder to deliver even better content in the future, and wish you all peaceful and joyous Holiday Season and a prosperous 2020!

COP25: Great Expectations and Major Disappointments

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The 25th United Nations Climate Change Conference of Parties (COP25) ended on Sunday, December 15 amid a widespread disappointment, after negotiators from nearly 200 countries failed to finalise the Rulebook of the Paris Agreement – despite the fact that only one issue of the said rulebook, Article 6 on the rules for carbon markets, had to be resolved. As 27,000 delegates futilely struggled to reach an agreement on a number of other issues on the agenda as well, thousands of aggravated protesters gathered on the streets of Madrid, where the summit took place, to express their disappointment and call for more ambitious climate policies. Among those discontent with the outcome of the meeting was also António Guterres, the United Nations (UN) Secretary-General, who twitted that 'the international community lost an important opportunity to show increased ambition on mitigation, adaptation & finance to tackle the climate crisis'. But was COP25 indeed such a spectacular failure? And has anything tangible at all come out of the negotiations?

Global carbon markets

Carbon markets, which the abovementioned Article 6 of the 2018 Paris Rulebook was supposed to regulate and operationalise, were meant to be at the very heart of discussions at this year's summit. The scope of negotiations included: double counting (relevant for countries selling emissions to other places); Kyoto carryover credits (carbon accounting measure enabling historical emissions leftovers to be traded freely); Overall Mitigation in Global Emissions – OMGE (a policy ensuring a net reduction in emissions, instead of just offsetting them to a market with savings); as well as adaptation share – 'the share of proceeds', which promotes transferring revenues from the international carbon operations for adaptation projects.

The failure to reach an agreement on Article 6 can mostly be attributed to Australia and Brazil, which opted for a solution that would still enable double counting of emissions' reductions and selling of Kyoto-era credits. The two countries led a group of negotiators that argued that the proposed benchmark ensuring the integrity of the global carbon market ('San Jose principles') was too ambitious and opted for weaker proposal in the final COP25 decision.

Elusive ambition

Despite that fact that under the Paris Agreement all parties are committed to ambitiously '[re]communicating' or 'updating' their Nationally Determined Contributions (NDCs) by 2020, before the summit only 59 countries confirmed their readiness to do so sometime next year. At the same time, according to the 2019 Emissions Gap Report published by the UN Environment Programme (UNEP) on the eve of the meeting, even if all pledges agreed in 2015 were enforced, the world would still be 3.2°C warmer by the end of this century. In fact, CO_2 cuts by as much as 7.6% annually between 2020 and 2030 are needed to limit the global warming to 1.5°C (compared to pre-industrial levels), which makes the window of opportunity for negotiating new pledges even smaller than it was envisaged in 2015.

Given that current NDCs are far from being sufficient to meet the temperature target (apart from those of Suriname and Marshall Islands which have already been strengthened compared to previous versions), COP25 President – Carolina Schmidt, Minister of Environment of Chile – mobilised the parties to express greater ambition from the very beginning. Nevertheless, in addition to 59 countries mentioned above, only 20 others agreed to 'enhance ambition or action in an NDC by 2020' (making it 79 countries in total as of December 18, 2019). With COP25 being the final summit before the deadline of 2020, Madrid was seen as a last chance to push the ambition-related issues forward. However, as a table below suggests, even the prioritisation of 'ambition' (position) in negotiations led to tensions between some of the negotiating alliances.

Table 1. Attitudes of selected negotiating alliances towards issues related to 'ambition' at COP25

Bloc/country	Specific issue	Position
African Group	Ambition	Priority
The Independent Association of Latin America and the Caribbean (AILAC)	Ambition	Priority
Least Developed Countries (LDCs)	Ambition	Priority
Alliance of Small Island States (AOSIS)	Language on ambition, science and urgency	Priority
European Union (EU)	Post-2020 ambition language	High priority
AILAC	Pre-2020 work programme	Does not support
AOSIS	Pre-2020 work programme	Does not support
EU	Pre-2020 work programme	Does not support
LDCs	Pre-2020 work programme	Do not support
Like-Minded Developing Countries (LMDCs)	Pre-2020 work programme	High priority

*Source: O*wn elaboration based on Carbon Brief analysis, https://www.carbonbrief.org/cop25-key-outcomes-agreed-at-the-un-climate-talks-in-madrid

Loss and Damage Mechanism

The loss and damage mechanism – or provision of financial resources to handle climate change impacts which cannot be adapted to – became another bone of content. Poorer and more vulnerable countries for the first time were not only vocal about their needs but came up with a concrete proposal to launch an entirely new financial tool under the Warsaw International Mechanism (WIM) so that larger resources would be dedicated to loss and damage instead of adaptation. As a result, 135 countries from the negotiating alliance 'Group of 77' (G-77) and China published a document in which they called for an 'adequate, easily accessible, scaled up, new and additional, predictable finance, technology and capacity building'. In their proposal, they argued that some extreme events, such as Hurricane Dorian and Cyclone Idai that happened this year, were so extreme and their scale so unexpectable that it was virtually impossible to adapt to their negative consequences beforehand.

Indeed, the G-77 typically plays a crucial role in climate negotiations given the weakening leadership of developed countries and growing needs stemming from more extreme and common climate hazards that occur predominately in those most vulnerable states which constitute a majority of G-77. However, this time the proposal was almost entirely blocked by the alliance of developed countries with the United States (US) predictably at the forefront. The US, led by President Trump who on more than one occasion voiced his disbelieve in the climate change, has also impeded negotiations on international climate financing and assistance. What is more, as the country is opting out from the Paris Agreement next year (although by default remains one of the Parties to the convention), Washington proposed to move the loss and damage mechanism from the COP regime under which it has been operational thus far, to obligations stemming from Paris Agreement. This way, the valuable American financial contribution to the mechanism would be diminished, if not blocked entirely.

Resistance movement

While COP failed to produce any meaningful results, then, some positive developments took place in its immediate vicinity. Firstly, on December 12-13, the European Council decided to make the EU a first climate-neutral continent by 2050, even as Polish refusal to endorse the target essentially forced the other Member States (MS) to adopt an 'all but one' decision. The European Council initiative was a direct response to the new European Commission's package of measures – the European Green Deal – which aims to mobilise around 25% of the EU's budget to help deliver this green transition. The Deal has been described by the new European Commission president, Ursula von der Leyen as a 'man on the moon moment' for the Europeans.

Although smaller in scale, even more ambitious news on one of the EU MS emerged during the summit. On December 6, 2019 the Danish parliament adopted a new climate law which aims at cutting greenhouse gas (GHG) emissions by 70% below 1990 levels by 2030. In order to become fully carbon neutral by 2050, Denmark plans to implement a robust monitoring system on NDC-related progress, together with ideas coupled with financing incentives, on how to strengthen the climate action internationally.

Last but not least, climate action from the Non-Party Stakeholders (NPS), including cities, regions, and investors, among others, and their strong presence at COP is something worth mentioning as well. For example, 177 companies employing over 5.8 million people worldwide in 36 different sectors, joined the 'Business Ambition for 1.5°C — Our Only Future' campaign more than doubling its size since the first group mobilised at the UN Climate Action Summit in September 2019. These pledges became a cornerstone of the Climate Ambition Alliance: Net Zero 2050 – a rising worldwide alliance for all those committed to becoming carbon neutral by 2050. What is more, the entities involved also voluntarily agreed to stick to science-based targets to meet the Paris Agreement through the Science Based Targets initiative (SBTi) calculated by independent climate scientists. Once again, NPS pledges are by far more ambitious than those of negotiating states despite the fact that the latter have significantly more human (knowledge) and capital resources to fully decarbonise.

Blue COP

Although the preamble to the Paris Agreement clearly underlines the necessity of ecosystems' protection, explicitly including oceans, the nexus between safeguarding oceans and climate change has barely been discussed by the Parties until this year's COP. Perhaps due to the summit's original location in Chile – a nation with around 4,300 km of Pacific coastline (the event had to be moved to Spain due to political unrest in the country) – the Presidency decided to push for the “blue COP” narrative specifically focusing on oceans and coastlines. An impressive number of more than 90 side events related to the topic has been organised throughout the conference. But it was a report published over the course of the summit by top political leaders from 14 countries, the so-called High-Level Panel for a Sustainable Ocean Economy, which brought ‘a stark reminder of the serious economic consequences of our changing climate for ocean industries’ and was widely discussed in the COP conference centre corridors. Effectively, 39 countries announced that their respective NDCs will be enriched by a section on oceans from now onwards. The final COP25 decision calls for an enhanced dialogue on oceans in the context of climate change and underlines the need to focus the next UN climate process meeting which will take place in Bonn in June 2020 ‘on the ocean and climate change to consider how to strengthen mitigation and adaptation action’.

The Gender Action Plan

Another rare success story of the 2019 summit is related to a decision on a Gender Action Plan (GAP), intended to ‘support the implementation of gender-related decisions and mandates in the UNFCCC process’ and ensuring the protection of human rights and just transition. This new five-year call for action builds on the original plan agreed at 2016 COP20 in Lima and propounds for gender balance; coherence across all the UN bodies; gender-responsive implementation, as well as robust monitoring actions. Although reportedly the negotiations did not go smoothly in the beginning due to disagreements about the above-mentioned inclusion of rules on human rights protection and just transition, the outcome of the GAP satisfied all the stakeholders involved and was welcomed in the final COP decision.

Where to next?

As media report on lack of political will and broken promises of this year’s summit and NGOs focus on disconnect between the scientifically-back solutions and negotiation rounds’ results, voices questioning the very idea of multilateral climate negotiations are gaining on importance. This year’s COP has not only been impeded by climate deniers from Brazil or the US, but also by some of the most developed countries in the world: Australia, Japan and Saudi Arabia – post-COP25 symbols of low-ambition climate policies. At the same time, developing countries become more and more concerned with the negotiating deadlock and oftentimes take on more leading roles, as the G-77 examples shows. Without support (financial and otherwise) of the developed world, countries in Africa and other most affected places will not be able to achieve much, though.

The next year’s summit is planned to take place in Glasgow in November 2020. Claire Perry O’Neill – the former United Kingdom clean energy minister who has been nominated to serve as the COP26 President – reassures on the progress to be achieved in 2020. On her Twitter account, she promised to ‘pull no punches next year in getting clarity and certainty for natural carbon markets and (…) work with everyone including the private sector for clear rules and transparent measurement’. Indeed, given the fact that only a few agenda items have been finalised during the Madrid COP, there is a lot to be done by the end of the Glasgow talks, when the regime agreed in Paris in 2015 starts being operational. Apart from pursuing an agreement on carbon markets, and mutual timeframes for reporting actions, as well as persuading countries to come up with more ambitious pledges, the British Presidency will have to mobilise developed countries to secure more than USD 100 billion per year for those vulnerable so that loss and damage mechanism is up and running at least until 2025 when the new tools are envisaged. Although some of these issues will be discussed at the annual ‘intersessional’ negotiations in Bonn in June 2020, it is improbable any of them will be brought to an end, mainly because for the months to come, London will be overloaded with Brexit-related arrangements. Nothing remains but to wish for a post-Brexit Great Britain to be able to take up a truly leadership role in the multilateral climate negotiations.

Trade, Innovation, Productivity

The past year has been an intense one in the trade world, with USA-China trade war (currently in a quiet phase with a preliminary deal being announced earlier this month) and general raise of protectionism grabbing the headlines worldwide. However, some positive developments took place as well, for 2019 was also a year of USA signing a trade agreement (USMCA) with Canada and Mexico (aimed to replace the outdated North American Free Trade Agreement known as NAFTA) and European Union signing, seeing enter into force, and concluding negotiations on multiple trade deals (with Vietnam, Japan and Singapore, and MERCOSUR countries respectively). CASE, as always, has been closely observing these developments. Within the scope of one of our major projects this year, *Evaluation of the impact of trade chapters of the Euro-Mediterranean Association Agreements with six South Med partners,* we have been assessing the impact of the trade chapters of these agreements on the economies of Algeria, Egypt, Jordan, Lebanon, Morocco, and Tunisia. Final results of the project, which will be published in Q2 next year, will help to shape the discussion on the future of trade relations between the EU and aforementioned partner countries.

Labour Markets and Environment

The latest available data shows as much as 880,000 Poles – or 5.4% of the employed population – were employed informally (2017). The main reasons for working without a formal contract are the willingness to be eligible for means-tested benefits or to earn more. Surprisingly enough, however, scientific research shows that individuals working without a written contract actually earn less per month than people with similar characteristics but working legally. Additionally, those working in informal sector are usually unaware of being exposed to various short-term and long-term consequences, like higher risk of disability or no old-age pension. Against this background, the goal of one of CASE's major projects in 2019 – *Development and implementation of innovative tools that decease the phenomenon of informal employment in the institutions co-responsible for minimizing the phenomenon of the "gray zone" in the labour market* – was to train the unemployed, young people, immigrants, and employers to make them aware of benefits stemming from legal employment and the true consequences of working or employing workers without a written contract.

Macroeconomics and Public Finance

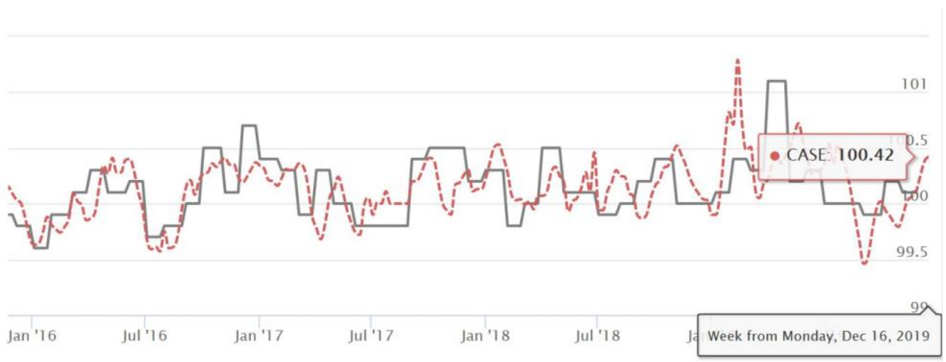
After a few year's period of stability in consumption tax rates in Poland, 2020 will bring a number of substantial shifts in the rates. The changes will be beneficial for those who plan to purchase a hybrid or mild-hybrid electric vehicle, especially if the size of the engine exceeds 2000cm3. On the contrary, the changes will not be appreciated by consumers of tobacco products and alcoholic beverages. If the bill passes in the Lower House of the Polish Parliament (Sejm) on time, the excise rates on alcoholic beverages and tobacco will go up by 10% as of January 2020. In addition, e-cigarette liquids, which currently are excluded from the excise law, will be subjected to it starting from 1st July 2020. This will likely double the current prices. Next year will also bring amendments in VAT, most notably with new rate matrix (starting from April 2020), aimed at simplifying the taxation of certain goods such as spices and fruits. CASE will keep an eye on the price of the above-mentioned goods products to see how tax rates' shifts affected the price.

The Weekly Online CASE CPI

The online CASE CPI is an innovative measurement of price dynamics in the Polish economy, which is entirely based on online data. The index is constructed by averaging prices of commodities from the last four weeks and comparing them to average prices of the same commodities from four weeks prior. The index is updated weekly. For more information on our weekly online CASE CPI, please visit: http://case-research.eu/en/online-case-cpi.

Mid-December Online CASE CPI readout shows that price dynamic accelerated at the end of the year – on average prices changed by 0.42% compared to the previous month. Categories which contributed the most to those increases were "Transportation" with 1.6% change and "Food and Beverages" with 0.6% change month-to-month. Among food products, the most notable changes included meat (1.5%), dairy (0.7%), vegetables (0.7%), and fruits (0.7%). The only category where prices dropped compared to the previous month was "Clothing" (-0.6%).

Our Weekly Online CASE CPI



Online CASE CPI (----) vs GUS CPI (——)

Monthly CASE Forecasts for the Polish Economy

Every month, CASE experts estimate a range of variables for the Polish economy, including future growth, private consumption, investments, industrial production, growth of nominal wages, and the CPI.

CASE economic forecasts for the Polish economy
(average % change on previous calendar year, unless otherwise indicated)

	GDP	Private consumption	Gross fixed investment	Industrial production	Consumer prices	Nominal monthly wages
2019	4.3	4.4	7.5	4.9	2.3	7.2
2020	3.2	3.5	2.5	2.5	2.9	4.0

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