

What should we take away from Cancún?

The Cancún Summit, held between November 29th and December 10th 2010, led to a series of decisions relating to the post-2012 international climate change policy. The outcomes of the December 2009 Copenhagen Accord, negotiated by 28 countries, were legalised within the United Nations framework by its 194 members, with the exception of Bolivia. The continuance and broadening of the market mechanisms introduced by the Kyoto Protocol seems to be well underway, even if many technical and methodology decisions should be further addressed during the Durban Summit in 2011.

Background: the UN climate change negotiation process

The annual Conference of the Parties marks the climax of climate change negotiations

The international climate change negotiations are built upon the principles of the United Nations Framework Convention on Climate Change (UNFCCC), which was signed in Rio de Janeiro in 1992. In order to agree on the practical implementation of those principles, the countries that signed the Convention meet every year during a Conference of the Parties (COP).

In 1997 the COP that was held in Kyoto resulted in the signing of the eponymous Protocol, which, for the first time, set the target of reducing the greenhouse gas emissions of 39 developed countries by 5% between 2008 and 2012 compared to 1990 levels.

Since then, two working groups have been established to oversee the UNFCCC and Kyoto Protocol negotiation processes:

- The AWG KP¹, which was formed at the first Conference of the Parties to the Kyoto Protocol in Montreal in 2005, to examine the commitments of countries regulated by the Protocol beyond the first commitment period, which ends in 2012;
- The AWG LCA², which was set up in 2007 by the 13th COP, held in Bali, in order to oversee a global procedure for implementing the UNFCCC for after 2012, when the Kyoto Protocol's first period ends
- The AWG LCA's work programme, known as the "Bali Action Plan", consists of four axes: mitigation, adaptation, technology transfer and financing.

Two subsidiary bodies were also created to help reach the UNFCCC goals and implement the Kyoto Protocol:

- The SBSTA³, which was set up to review scientific and technological knowledge and provide technical advice to both the UNFCCC and Kyoto Protocol governing bodies;

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- The SBI⁴, which is responsible for helping the UNFCCC and Kyoto Protocol governing bodies to monitor and assess the effective application of the Convention and the meeting of the Protocol's targets.

The post-2012 climate goals adopted in Copenhagen

In Copenhagen in 2009, a sub-group of 28 Heads of State was able to draw up a political accord for the period after 2012 outside the UNFCCC process, which simply “took note” of it. The Copenhagen Accord takes up two key elements of the UNFCCC: the distinction between developed countries (known as Annex 1 countries) and developing countries (known as non Annex 1 countries), and the notion of common but differentiated responsibilities, which implies that developed countries accept a particular burden of responsibility to reduce their emissions and providing funding for developing countries' climate change policies.

The first achievement of the Accord was to set a target for limiting the rise in the average global temperature to +2°C. However, the emission reduction targets associated with this objective were not directly incorporated into the Accord. Instead, each country had to deliver its own commitment for the period up to 2020 to the UNFCCC Secretariat at the beginning of 2010. In total, 87 countries, representing 82% of global greenhouse gas emissions, have provided an emission reduction target or a list of mitigation actions. This sizeable coverage is the Accord's second major step forward. Commitments by developed countries have been estimated to represent an emissions reduction of between 12% and 18% by 2020 compared to 1990 levels; commitments of developing countries could represent a 27% emissions reduction compared to their theoretical level without a climate change policy (see Casella, Delbosc and De Perthuis, 2010).

These commitments are not enough to ensure that the rise in the global temperature is limited to 2°C, but it is the first time that developing countries have agreed to qualitative mitigation targets, and have committed to having their real emission reductions verified if they receive international funding.

Finally, another accomplishment of the Copenhagen Accord was the setting of financing objectives to developed countries for developing countries' mitigation or adaptation policies: US\$30 billion in “new and additional” financing sources is expected to be raised between now and 2012 as part of the Fast Start Finance programme. That amount is expected to reach US\$100 billion per year between now and 2020.

News: the decisions taken in Cancún

On December 11th 2010, the 194 UNFCCC delegates adopted a consensual and “balanced package of decisions” regarding international climate change policy, according to Patricia Espinosa, the Mexican Foreign Affairs Minister, who also chaired the Summit. Only Bolivia was opposed to those decisions.

The main results of the Cancún Summit, which was hailed as a success, were:

- Reincorporating the commitments made during the previous negotiation round in Copenhagen into the multilateral United Nations framework;
- Resuming negotiations on continuing with and broadening the market-based tools introduced by the Kyoto Protocol;
- Defining a technical and methodological framework for the coming negotiations, including the next COP, which will take place in Durban, South Africa, in December 2011

Including Copenhagen major landmark decisions in the United Nations process

The clearly stated aim of the Cancún COP was not to seek to obtain greater commitments than those included in the Copenhagen Accord, but to enact those commitments into the United Nations decisions and to define their necessary means. The following measures were recorded:

- Achieving a maximum temperature rise of 2°C compared to the pre-industrial era between now and the end of the century, with reduction commitments from both developed and developing countries (the target could be lowered to 1.5°C, if applicable). In that respect, countries are invited to increase the emission reduction targets they submitted to the UNFCCC Secretariat following the Copenhagen outcome;
- Creating a Green Climate Fund financed by developed countries, in order to manage the funding for mitigation and adaptation policies in developing countries. The Cancún decisions clarify the governance structure and the practical organisation of the fund, which will be managed by a 24-member board of directors, half of whom are from developed countries and the other half from developing countries. The World Bank will ensure the Fund's operational implementation for the first three years, while awaiting the appointment of a trustee which is experienced in managing international financial assets;
- Introducing an international monitoring, reporting and verification system for the funding provided by developed countries to developing countries;
- Introducing international monitoring, reporting and verification procedures for the emission commitments of developing countries. Emerging countries agreed to comply with these new procedures, subject to their “non-punitive” nature. Mitigation actions shall be monitored at the national level according to general guidelines developed by the UNFCCC; in the case of international funding, the national monitoring process shall be strengthened by an additional monitoring procedure at the international level. In addition, an international consultation and analysis shall be carried out by a group of independent experts, in the aim of improving the transparency of national mitigation policies, particularly the assumptions and tools they rely on, and of understanding their impact.
- Introducing an adaptation action plan, the Cancún Adaptation Framework;
- Launching a new technology transfer mechanism, which is responsible to the COP, through the creation of two entities:
 - The Climate Technology Centre and Network, whose regional centres will play a very local role in identifying technology, process and equipment, and capacity building requirements;
 - A Technology Executive Committee, which will be responsible for a more global technology transfer framework. One of its key roles will be consolidating and analysing the Centre and Network's feedback regarding local requirements and obstacles to technology transfers.

Continuing with and broadening the market-based instruments introduced by the Kyoto Protocol

Existing market mechanisms: strengthening the CDM and JI processes

The Cancún decisions specify that the market instruments introduced by the Kyoto Protocol are intended to remain in place to enable developed countries to meet their commitments. This landmark decision seems to indicate that the two current project-based mechanisms, namely the clean development mechanism (CDM) and joint implementation (JI), would be maintained in a potential second commitment period. These mechanisms aim to finance emission reduction projects, in developing countries for the CDM and in other developed countries for the JI.

In parallel with this guiding statement, both mechanisms have benefited from decisions furthering their development. Three areas of improvement were tabled for the CDM:

- Improving the quality and transparency of the decision-making process of its governing body, the CDM Executive Board, through improving its communication with all the parties involved in the process, simplifying the way in which emission reductions and project additionality⁵ are determined, and improving the monitoring of audit activities. Decisions on the structure and operationalization of an appeals mechanism, against decisions by the Executive Board, and on incorporating the concept of materiality⁶ in CDM, were postponed until next COP;
- Ensuring a more balanced geographical breakdown of CDM projects, through a loan programme intended for countries that were home to fewer than ten registered projects as of December 31st 2010. These loans will be financed from the income generated by the CDM Trust Fund investments and by voluntary donations; they will cover the cost of drafting project design documents, approving the projects and performing the initial emission reduction verifications. The UNFCCC Secretariat will be in charge of overseeing the programme and appointing a managing institution;
- Extending the mechanism to other project categories: the Cancún COP enacted the principle of including carbon capture and sequestration technologies in the CDM, and made the SBSTA responsible for developing the practical details for including those technologies at the 2011 COP.

Regarding JI, the guidelines given to the JI Supervisory Committee involve five negotiation levers :

- Accelerating the project registration and verification processes through the standardisation of procedures, including those demonstrating project additionality, for example through the use of positive lists of technologies and determination of default emission factors or energy intensity indicators;
- Further developing guidelines for JI programmes of activities;
- Accelerating the accreditation process to increase the number of independent entities allowed to approve project design documents;
- Establishing a stable source of income for the JI Supervisory Committee by introducing a registration fee for all JI projects;
- Making suggestions at Durban to rewrite the guidelines which supervise the JI mechanism. This aspect is by far the most important and “structural” one since it leaves the door open to a total reforming of the mechanism for the post-2012 era.

One of the challenges ahead for upcoming COPs will be to formally agree on the continuation of the Kyoto Protocol project-based mechanisms. This assumes a clarification of the mandate of their regulatory institutions in the event of a gap between two commitment periods, but also the existence of sources of demand for carbon credits they generate, which is the one and only condition of their effectiveness.

New market mechanisms

The Cancún Accord establishes a mandate for the AWG LCA to suggest new mitigation tools, with the lowest possible cost-performance ratio, at the Durban Conference. These solutions, which will include market mechanisms, could be based on existing Kyoto Protocol instruments as well as including new systems. Among others, two options will be examined: sectoral agreements enabling emission trading within a same sector at the international level, or the granting of carbon credits to Nationally Appropriate Mitigation Actions (NAMAs)⁷.

In particular, such mechanisms could be used to operationalize the deforestation agreement obtained at Cancún.

A clearer path towards a carbon funding mechanism for the REDD+⁸ agreement to combat deforestation and forest degradation

The Cancún decisions officially reiterate the need for a new mechanism to combat deforestation and forest degradation in developing countries, with funding and support from developed countries. Developing countries must gradually ensure national implementation of: i) Reference levels of their emissions from deforestation or forestry coverage; ii) systems for monitoring and reporting on their emissions from deforestation or forestry coverage; and iii) tools for communicating on environmental and social issues, with respect to state sovereignty, indigenous peoples' rights, forest ecosystems and consideration of local development and adaptation requirements.

No decision was reached at Cancún on the terms of funding REDD+ activities, in particular through linkage with the carbon markets. Recommendations regarding funding are due to be presented in Durban. Market mechanisms are not excluded, contrary to hard negotiating stances adopted by some key forestry countries in 2010.

The technological and methodological roadmap for Durban and beyond

Mitigation, consolidation of emissions objectives and MRV systems

The AWG LCA's text recognizes the need to "search for a legally-binding outcome in the future", without any insight on when such a text could be produced and what legal form it would have. The establishment of a second commitment period in relation to the Kyoto Protocol appeared to be particularly compromised by the Japanese, Russian and Canadian refusals to commit in the absence of the US participation in the Protocol.

Nevertheless, the Cancún decisions have already set out the principles for monitoring countries' emissions and funding commitments.

Regarding developed countries, the SBI is responsible for preparing an international process for estimating emissions in order to verify compliance with reduction targets. Meanwhile, developed countries must clarify how they use carbon offset credits and how they calculate their emissions relating to Land Use, Land Use Change and Forestry (LULUCF). Between 2011 and 2013, they must also report, on an annual basis, to the UNFCCC Secretariat on compliance with their Fast Start Finance commitments.

Regarding developing countries, the Cancún decisions establish a registry of NAMAs which receive international support, to facilitate the matching with available funding resources, technologies and capacity building. Developing countries are invited to submit to the UNFCCC Secretariat the details of actions they want to implement, the cost and emission reduction estimates of these actions as well as implementing timelines.

Adaptation action plan

The composition and operating rules of the Cancún Adaptation Framework steering committee will have to be defined in time for the Durban Conference. Developing countries must specify their funding and technology needs, develop better climate data monitoring and collecting systems and acquire an in-depth understanding of climate-related demography trends. Developed countries must guarantee that they will provide new and additional funding, technology (hardware and software) and capacity building to developing countries.

A significant aspect of the Cancún Adaptation Framework is that it includes the possibility of interaction with the private sector, which is traditionally left out of the negotiating sphere on financing adaptation. It does so by inviting countries to consider mechanisms for sharing and transferring risk, for example through micro-insurance and the creation of an international climate risk insurance institution. The SBI is due to make suggestions on this point at the 2012 conference in South Korea (COP18).

Technology transfer action plan

The Technology Executive Committee, which was set up in Cancún, is due to make recommendations for action plans and to formally establish itself. Eleven of its 20 members will be from developing countries.

Continuing the setting up of the Green Climate Fund

An interim Transition Committee is due to be formed shortly to design the fund's structure. This committee will have to clarify several issues for the Durban Conference: the legal and institutional characteristics of the fund, the operating rules of the board of directors, methods for managing financial resources, the selection of financial instruments and an independent mechanism for assessing the fund's performance.

Conclusion

By adopting a balanced set of decisions, the Cancún Conference laid the foundations for a new round of negotiations under the aegis of the UNFCCC. The international negotiators now face an ambitious work program over the next two years, in order to implement these decisions.

In particular, the key question of the legal form of a future climate agreement has not been resolved. The options on the table remain open: an accord building on the Kyoto Protocol, a new inclusive accord for all the main emitters or cooperation between countries based on UNFCCC decisions without any new treaty.

In addition to a structuring decision on the form of commitments, numerous operational elements resulting from Cancún remain to be clarified before Durban: the operating procedures for the Green Fund, the adaptation plan and the technology mechanism, the funding terms of the deforestation accord, the revision of existing processes for the international monitoring of commitments and implementation of new systems for overseeing commitments by developing countries and, finally, the rationalization of the rules governing the Kyoto Protocol project-based mechanisms.

To find out more

- Texts from the UNFCCC decisions, Cancún Conference, December 2010:
 - *Outcome of the work of the Ad Hoc Working Group on Long-Term Cooperative Action under the Convention*, Draft decision [-/CP.16], http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_lca.pdf
 - *Outcome of the work of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol at its fifteenth session*, Draft decision [-/CMP.6], http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_kp.pdf
 - *Guidance on the implementation of Article 6 of the Kyoto Protocol*, Draft decision [-/CMP.6], http://unfccc.int/files/meetings/cop_16/conference_documents/application/pdf/20101204_cop16_cmp_ji.pdf
 - *Further guidance relating to the clean development mechanism*, Draft decision [-/CMP.6], http://unfccc.int/files/meetings/cop_16/conference_documents/application/pdf/20101204_cop16_cmp_guidance_cdm.pdf
 - *Carbon dioxide capture and storage in geological formations as clean development mechanism project activities*, Draft decision [-/CMP.6], http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_cmp_ccs.pdf
 - *Land use, land-use change and forestry*, Draft decision [-/CMP.6], http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_lulucf.pdf
- Other documents:
 - Casella H., Delbosc A. et de Perthuis C., “Cancún, l’an un de l’après Copenhague“, CDC Climat Recherche and Chaire Economie du Climat, 2010, <http://www.cdcclimat.com>
 - Hoblely A., Hedges A., Luckock T., Baines T., “Blog: UN climate change negotiations, Cancún, December 2010”, <http://www.nortonrose.com/knowledge/publications/2010/pub32534.aspx?lang=en-gb>

¹ Ad hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol

² Ad hoc Working Group on Long-Term Cooperative Action under the Convention

³ Subsidiary Body for Scientific and Technological Advice

⁴ Subsidiary Body for Implementation

⁵ An emission reduction project is deemed additional if it could not have been carried out without the supplementary financing of the selling of the carbon credits generated by the emission reductions. Under the Kyoto Protocol, only projects which are additional can be included in the CDM and JI mechanisms.

⁶ The purpose of the work carried out by auditors of CDM and JI projects is to affirm with reasonable certainty that the emissions reductions declarations made by project sponsors are correct. The concept of materiality is a procedural tool available to auditing activities in general. It allows a qualitative and quantitative professional judgment to be issued regarding the acceptable degree of certainty behind any of the audit's aspects or declarations. An erroneous declaration will therefore be deemed to be material, i.e. beyond the threshold agreed on, if its omission is likely to influence the decisions of the audit's recipient.

⁷ NAMAs first emerged at the Bali Conference and refer to voluntary national policies and actions to limit or reduce emissions, originating in either developed or developing countries. They can cover several sectors. Some countries, including major emerging nations, submitted their NAMAs to the UNFCCC Secretariat following the Copenhagen Conference. These were included in an appendix to the Accord and then enshrined in the Cancún texts, but without being legally-binding.

⁸ REDD+ is an international mechanism under the UNFCCC negotiations which are intending to financially reward tropical-forested developing countries which are committing to reduce deforestation and land degradation, preserve forests and increase carbon stocks.