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Cancún De-briefing:

An Analysis of the Cancún Agreements

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Introduction

From November 29 to December 11, 2010, nearly 12,000 participants took part in the United Nations Climate Change Conference in Cancún, Mexico. This conference included the twin-track Convention and Protocol negotiations entitled the 16th Conference of Parties (COP16), and the 6th Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP6), respectively. As outlined in the Bali Roadmap, the deadline for the conclusion of negotiations under the two tracks was originally set for December 2009 in Copenhagen, Denmark at the COP15 and CMP5 conference. However, following two weeks of contentious negotiations, the conference in Copenhagen resulted in the Copenhagen Accord, a document that was criticized for its lack of transparency, weak targets, and the undemocratic process in which it came about. The controversial document was “taken note of” by the COP but never officially adopted, although to date 140 countries have stepped forward in support of the Accord. With several issues, including the adoption of a legally-binding agreement, remaining outstanding following the conference in Copenhagen, the mandates of the two tracks were extended until the Cancún conference where they were expected to report on their outcomes.

Included among the Cancún participants were 5,200 government officials, 1,270 members of the press, and 5,400 representatives of nongovernmental organizations (NGOs), intergovernmental organizations (IGOs), and United Nations bodies and agencies. Over the course of the two weeks, the COP and CMP sessions convened, along with four subsidiary bodies: the Ad-Hoc Working Group on Long-term Cooperative Action under the UNFCCC (AWG-LCA), the Ad-Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP), the Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA). In addition, participants hosted or attended side events, activities, demonstrations, and presentations in and around the conference centres and Climate Change Village (Villa de Cambio Climático).

On December 11th, the conference in Cancún concluded with the finalization of key outcomes from COP16 and CMP in the Cancún Agreements. The Agreements encompass a set of decisions under the Convention and Protocol negotiating tracks and help solidify the central role of the United Nations Framework Convention on Climate Change (UNFCCC) within international climate policy and long-term cooperative action. Contained within the Agreements are provisions on adaptation, mitigation, technology, finance, and REDD+. In addition to the Cancún Agreements, several other decisions were adopted by the COP, CMP, SBI and the SBSTA. These conclusions included capacity building, the financial mechanism and a host of other methodological and administrative issues.

Within this report, we highlight some of these key issue areas under discussion in the COP and CMP meetings: adaptation, capacity building, technology transfer, finance, REDD+, and the flexibility mechanisms: CDM and JI. Within these sections, we make note of the background of these areas leading into Cancún, discuss some of the issues under debate, and discuss their subsequent outcomes. We then turn our attention to other notable conclusions contained or missing from the Cancún Agreements and look to the road ahead in 2011 as Parties prepare for next year’s COP and CMP conference in Durban, South Africa.

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Adaptation

The Bali Action Plan (BAP), adopted in 2007 at COP13 in Bali, recognizes adaptation as one of the key building blocks required for a strengthened future response to climate change. Adaptation to the adverse climate change effects is essential to reduce current impacts and increase resilience to future impacts. This includes initiatives and measures that aim to reduce the vulnerability of human and natural systems against climate change effects as well as utilizing a cross-section of relevant stakeholders from governments to non-governmental organizations and members of local societies.

Within the COP and CMP negotiations, several adaptation issues came under discussion, particularly institutional and implementation issues aimed at action enhancement. The COP confirmed that enhanced action on adaptation is required to help enact actions that reduce vulnerability and build resilience. Decisions put forth by the COP that furthered action enhancement included the establishment of a Cancún Adaptation Framework, an Adaptation Committee, and a loss and damage work program.



The Moon Palace Hotel, home of the Cancún negotiations.

The Cancún Adaptation Framework holds the objective of enhancing action on adaptation, including through international cooperation, as well as consideration of matters under the Convention relating to adaptation. The Framework includes the establishment of a process that enables Least Developed Countries (LDCs) to formulate and implement national adaptation plans (NAPAs) and invites other developing countries to use the modalities formulated to support their NAPAs. In addition, the Framework invites Parties to strengthen and establish regional centers, networks, and national-level institutional arrangements and invites other relevant stakeholders to undertake and support further action on adaptation.

The Adaptation Committee will promote enhanced action implementation across adaptation programs and initiatives under the Convention. It will provide technical support and guidance to the Parties, promote synergy amongst various stakeholders, strengthen information sharing, provide recommendations for COP consideration, and consider other information as communicated by the Parties as it relates to adaptation.

The Alliance of Small Island States (AOSIS) put forth a proposal to establish an international mechanism to address the loss and damage caused by climate change impacts within vulnerable developing countries. Many Parties were in support of this proposal although further clarification was required during the negotiations. Two areas of contention rose amongst developing countries during the second week of the conference: which countries qualify as most vulnerable and the inclusion of response measures within the adaptation text. In addition, developing and developed countries held differing views on loss and damage as well as a fund and institutional mechanism. Ultimately, the decision put forth by the COP agreed for a loss and damage work program under the Framework that will consider, through expert meetings and workshops, climate impacts among developing countries and may develop a climate risk insurance facility.

Subjects of discussion as it relates to adaptation under the CMP plenary sessions included a review of the Adaptation Fund and a discussion of the Adaptation Fund's Board (AFB) Report. The Adaptation Fund, established under the Kyoto Protocol, provides funding for adaptation projects and programs in developing countries. Parties discussed amendments to the terms and conditions of services that will be provided by the World Bank including the timeline for reviewing the Fund at CMP7 and a proposal by the AFB to extend the mandate of the World Bank as interim trustee until CMP9. In addition, Parties discussed regional workshops on accrediting national implementing entities (NIEs)

Within the CMP decision, amendments to the terms and conditions of services to be submitted by the World Bank were adopted on an interim basis. Three regional or sub-regional workshops will take place so that parties will become acquainted with the requirements and process of NIE accreditation. Furthermore, it was agreed that the Adaptation Fund will be examined at CMP7 and will be reviewed every three years thereafter. The review will be in accordance with the terms of reference outlined in the decision's annex.

Capacity Building

Capacity building encompasses the development of a country's human, organizational, institutional, scientific, technological, and resource capabilities. According to the United Nations Conference on Environment and Development, the goal of capacity building is the enhancement of a nation's ability to "evaluate and address the crucial questions related to policy choices and modes of implementation among development options, based on an understanding of environmental potentials and limits and of needs as perceived by the people of the country concerned."

Under the Convention, the need for capacity building to assist Parties, particularly developing countries, to respond to climate change has long been addressed through technology transfer, funding, and national communications. While cutting across a broad range of climate change issue areas and Convention decisions, the topic of capacity building was only first considered as a separate agenda item at COP5 held in 1999 in Bonn, Germany. This decision led to agreed-to frameworks for capacity building at COP7 for developing countries and countries with economies in transition (EITs). The SBI provides advice on promoting capacity building under the Convention, whereas Parties under the Kyoto Protocol are committed to cooperating in the strengthening of national capacity building.



COP plenary in session.

During the negotiations in Cancún, capacity building was discussed under both the Convention and the Protocol. Parties discussed the capacity building framework based on a draft COP decision through contact group and informal consultations held under the SBI and in conjunction with finance and technology by the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) under the Convention.

Within the SBI discussions, it was debated whether or not to recommend text that required the Global Environment Facility (GEF), the UNFCCC financial mechanism, to increase their financial support for capacity building. The SBI ultimately forwarded draft decisions for adoption onto the COP and CMP which decided to resume consideration of the issue at SBI 34.

Under the AWG-LCA, Parties discussed whether capacity building is better supported as a stand-alone activity or as an issue area integrated within mitigation and adaptation efforts. Several developing countries were in favour of retaining an option for the establishment of a technical panel on capacity building within a legally-binding agreement. However, many developed countries preferred an option for utilizing existing or currently proposed institutional bodies to include capacity building within their domain. In addition, there were divergent views on the draft decision text concerning reporting by developed countries on support provided to developing countries for capacity building along with reporting by developing countries showing their use of the support received and their progress in enhancing their capacity to address climate change.

The Agreement under the Convention reaffirms that capacity building is essential for climate change action. It confirms that capacity building support must be strengthened by way of enhanced institutions, communication, education, training, and strengthened networks. The text calls for developed countries and others able to do so to allocate financial resources toward capacity building. Furthermore, Parties are called upon to provide additional information regarding capacity building requirements and provided support. Negotiators are to investigate ways in which to improve upon capacity building monitoring and reporting, as well as modalities for institutional arrangements.

Technology

The technology transfer concept has been embodied in the UNFCCC's goals since it came into force in 1994. Several initiatives and mechanisms are already in place to deploy climate technologies in the developing world. Included within the Marrakesh Accords at COP7, technology transfer activities were grouped under a framework for meaningful and effective actions in order to enhance the implementation of Article 4.5 of the Convention. The Marrakesh Accords further called for the establishment of an Expert Group on Technology Transfer (EGTT) to be nominated by the Parties. Actions for enhancing the technology transfer framework implementation were adopted at COP13 in Bali with funding to be deployed through the GEF.

On November 9th and 10th, representatives from 35 countries and various UN organizations met in New Delhi to discuss the establishment of a new Technology Mechanism, based on the recommendations of the EGTT. The new Technology Mechanism includes the creation of two key bodies: a Technology Executive Committee (TEC) and a Climate Technology Centre and Network (CTCN).

The TEC would function on an international level, providing advice to the COP and setting overall policy directives for technology development and transfer. There was disagreement among participants regarding the nature of the TEC's advisory role. Some felt the TEC should serve as a research group, while others felt that it should help assess activities eligible for funding by the COP.

The CTCN would operate on technology transfer initiatives across all levels of governance and all sectors of the economy. The meeting in Delhi identified four main functions for this operative arm of the new Technology Mechanism:

1. To assist governments to identifying technology needs and priorities.
2. To support governments in the preparation and implementation of technology transition. This includes the provision of in-country technical assistance and training.
3. To facilitate technological innovation and diffusion.
4. To foster national capacity-building for technological development, support, and cooperation.

COP16 saw a modest advancement in negotiations on technology transfer, guided by a framework established during the New Delhi meeting. Participants agreed upon the preliminary structure of a Technology Mechanism, creating a Technology Executive Committee (TEC) and a Climate Technology Centre and Network (CTCN). Due to strong resistance from developed countries, participants deliberately omitted discussion on the contentious issue of Intellectual Property Rights (IPRs)¹.

The TEC will have an advisory and administrative role, identifying technology needs and priorities, coordinating efforts, and providing recommendations for improvement. It will consist of a panel of 20 experts, 11 from developed countries and 9 from developing countries. Parties have yet to nominate, or establish, the qualification criteria for committee members. The framework is sufficiently defined in order for the TEC to begin its activities immediately after suitable candidates are found.

The CTCN, consisting of a centre and a large network, will serve an operative role in technology transfer on an international to regional scale. It will function mainly to carry out the TEC's directives, as well as to facilitate and improve upon existing initiatives. The interactions between the Centre and within the Network are still ill-defined, and will be subject to negotiation over the following year. As a consequence, the CTCN is still far from being a



Mexican President Felipe Calderon addresses global action on energy efficiency in a post-2012 framework.

¹ According to The Energy and Resources Institute (TERI), the role of IPR in technology transfer is contentious because of a disparity between opinions held by developed and developing countries. Annex I countries claim that IPR can facilitate technology transfer whereas Non-Annex I countries feel that strong IPR and their associated costs act as a barrier to access, and prevent modifications that would make the technology more suitable for local needs. TERI recommends measures that would bind both governments and companies in developed countries to transferring climate relevant technologies. This can include legal enforcement, incentives, and compulsory licensing.

working arm of the Technology Mechanism. Further, the relationship between the TEC and the CTCN is unclear, as is how the Technology Mechanism will relate to the Financial Mechanism. The COP agreed to continue negotiations to resolve outstanding issues so that the Technology Mechanism may become fully operational in 2012.

Finance

While the negotiation of targets to mitigate climate change sets a regulatory framework, financing is crucial to realize emission reductions and to adapt to impending climatic changes. Without the financial support for the implementation of adaptation projects, the developing countries cannot achieve their Millennium Development Goals. Given the cost of ambitious greenhouse gas (GHG) emission reductions, adaptation, and technology transfer, climate finance is a focal point of the negotiations.

Several groups undertook discussions on finance and the financial mechanism during the negotiations in Cancún. Within COP drafting group sessions, Parties considered a finance draft decision including fast-start finance, long-term finance, and a proposed new fund and COP body to facilitate climate finance delivery. In addition, financial and technical discussions were subject to discussion within SBI plenary meetings.



U.N. Secretary-General Ban Ki-Moon discusses key findings of the report of his High-level Advisory Group on Climate Change Financing.

Short-term finance

Developing countries felt that the negotiating text should provide details on transparency such as whether funding is new and additional to overseas development aid (ODA), if it is allocated equally among areas of mitigation and adaptation, as well as disbursement details. In addition, one developing country proposed that priority recipients should include those developing nations prone to floods, droughts, and desertification that are susceptible to higher frequency of extreme and catastrophic events or trends caused by climate change in addition to the already recognized LDCs, small island developing states (SIDs), and Africa.

The negotiations resulted in an agreement to greater transparency on the delivery of developed country pledges of \$30 billion in fast-start finance between 2010 and 2012. Increased transparency will result from annual reporting to the UNFCCC in 2011, 2012, and 2013.

Long-term finance

Following from the conference in Copenhagen, developed and developing countries had a different understanding of the size of the funds required for long-term funding of mitigation and adaptation activities. Prior to Cancún,

Annex I Parties were requested to contribute 6 percent of their Gross National Product (GNP) to finance mitigation and adaptation in developing countries. However, in the latest round of negotiations, developing countries supported the option of Annex I countries contributing 1.5 percent of their Gross Domestic Product (GDP) to support them in mitigation and adaptation activities, rather than the text referring to specifically \$100 billion annual commitment from 2020 onward. In the final agreement, the COP formalized the \$100 billion joint annual commitment made by developed countries in Copenhagen for mobilization by 2020.

Institutional arrangements

Institutional and governance arrangements of a new fund were key negotiation issues coming into Cancún. Discussions during the Conference centered on the relationship of the proposed fund with the COP process, composition of a governing board, the design process (including composition of a transitional committee and terms of reference) and the establishment of an oversight finance body. Several developing countries suggested that the board of any new fund should represent SIDS and LDCs.

The negotiations resulted in the establishment of a Green Climate Fund (GCF), following from Mexico's and Norway's proposal in Copenhagen. The GCF will receive financial resources through two tracks - one that uses a determined amount of emission allowances for countries for auctioning, and one that utilizes public resource contributions from developed countries according to their amount of emissions, GDP and population. The sources

of the financial contributions will come through several forms of carbon pricing, as highlighted by the Secretary General's High Level Advisory Group on Climate Change Financing.

The new Fund will be an operational entity of the Convention's financial mechanism in addition to CDM and JI, and will be accountable to the COP to support activities in developing countries, using thematic windows. The GCF will be governed by 24 board members, equally represented by developed and developing country Parties. A Transitional Committee will continue with the Fund's design for recommendation and approval at COP17 in South Africa while a Standing Committee has been established to assist the COP in mobilizing financial resources while measuring, reporting, verifying delivery. The World Bank was approved as the interim GCF trustee, which will administer the Fund, subject to review three years after the operationalization of the fund.

Project-Based Mechanisms: CDM and JI

The Kyoto Protocol established three flexible mechanisms to help industrialized nations meet their emission reduction targets: Emissions Trading (the "carbon market"), the Clean Development Mechanism (CDM) and Joint Implementation (JI). Both CDM and JI are project-based mechanisms in which individual projects are financed with the goal of reducing GHG emissions. These mechanisms then feed the carbon market – the key tool through which global emissions are reduced.

While both project-based mechanisms were developed to help countries reach their emissions reduction targets, there has been debate about the effectiveness of these projects: both in terms of achieving development and effectively lowering emissions. Furthermore, there is uncertainty over the role of credits and current or planned projects if a gap period were to evolve following the end of the first commitment period of the Kyoto Protocol in 2012.

The CDM and JI mechanisms were discussed in Cancún during CMP meetings while side events were held congruently during which stakeholders such as Non-Governmental Organizations (NGOs) and industry reflected upon the effectiveness and equity of the mechanisms. While several topics regarding the flexibility mechanisms were under discussion, some topics garnered greater attention. We have focused on these highly discussed issue areas in the following sections.

CDM continuation and CDM market signals

India and Zambia, among others, urged the CMP to provide a signal to the CDM market regarding CDM continuation. Continuation of the CDM garnered general support amongst parties during the meetings. However, Brazil, supported by China, noted that CDM continuation is dependent upon the continuation of the Kyoto Protocol and the establishment of a Kyoto Protocol second commitment period. CMP Co-Chair Buendía noted that the continuation of the Kyoto Protocol is beyond the mandate of the contact group. However, Papua New Guinea highlighted its proposal for a CMP decision supporting the continuation of the Kyoto Protocol, while Japan and Saudi Arabia, among others, opposed Kyoto Protocol continuation discussions by the contact group. As no party objected the continuation of the CDM, Co-Chair Buendía called for the commitment to the CDM's continuation to be implicit. A signal regarding continuation of the CDM post-2012 is not contained in the final CMP decision.



Demonstrators show their KP support following Japan's statement that it will not sign on for a continuation of the Protocol.

Carbon capture and storage inclusion under the CDM

Saudi Arabia, Norway, and Australia (among other oil exporting nations) have been negotiating for the inclusion of Carbon capture and storage (CCS) as a means by which developed countries can offset their emissions through the CDM. Brazil noted their reservations about the issue and many others were vocally opposed to CCS integration prior to the COP, although silent during the negotiations. Nations like Brazil, whose rainforests serve as a major carbon sink, have argued that delegating funding to CCS projects may reduce available monies for that state's efforts at renewable energy deployment and forest protection. During the AWG-KP meeting on day 4 of the

conference, parties concerned about CCS inclusion under the CDM proposed an option that CCS become eligible under the CDM in a second and subsequent commitment periods provided the resolution of outstanding issues. This would link the AWG-KP CCS inclusion issue to the ongoing work under the SBSTA. Ultimately, in the decision text adopted by the CMP, it was agreed that CCS could be eligible under the CDM. While Brazil expressed their disappointment in the outcome, they confirmed that they would not object to the CMP decision.

Financing for Joint Implementation

On the subject of financing for Joint Implementation, parties discussed a proposed fee to ensure the Joint Implementation Supervisory Committee's (JISC) financial sustainability. Discussions included the level of a fee for JI Track 1 projects, possible differentiated fee levels for small- and large-scale projects, and when the fee would become payable. Some parties suggested text insertion stating that the fee become effective following the adoption of a post-2012 Kyoto Protocol commitment period, although this suggestion was opposed by several other parties. Consensus was eventually reached on a fee and a review of JI. A fee of up to \$20,000 (USD) will be introduced for large-scale project activities under the JI Track 1 procedure, while small-scale project activities will face a fee of up to \$5,000. Further recommendations on amendments and the fee structure will be made by the JISC to the CMP7.

JI continuation in the post-2012 period and a JI operational model

Parties expressed concern over the possible gap period created between the first and second commitment periods and its impact on JI projects and credits. The Parties discussed a paragraph within the text which allows JI project crediting following the first commitment period using Assigned Amount Units (AAUs) from the first commitment period. However, debate arose about the implications of converting Assigned Amount Units to Emission Reduction Units (ERUs). Some parties objected that converting first commitment AAUs to ERUs must be based on emission reductions achieved within the first commitment period.

In addition, the JISC expressed their view on the need for a new JI operational model and JI improvement following the first commitment period. Two options regarding a new JI operational model came under discussion during the conference: formulate a new single JI track or strengthen the two separate tracks. The European Union emphasized that JI operational model discussions should not prejudice the post-2012 climate change framework design. The CMP took note of the JISC view within its decision.

Participation of countries that are in the process of becoming Annex B parties

Parties also discussed within the CMP meetings whether project credits can be issued to countries that are in the process of becoming Annex B parties, such as Belarus. Belarus noted that they are ready to implement several JI projects using the Track 2 procedure and are only waiting on their Annex B status. The CMP decision clarifies that the Secretariat may accept the project design documents of JI projects for publication and the JISC may consider such projects in accordance with JI guidelines before the Annex B designation is entered into force. The CMP further agrees to continue the consideration of ERU issuance from such projects at CMP7 but ERUs may only be issued and transferred following Annex B enforcement and the meeting of eligibility requirements.

REDD+ and Forests

Reducing emissions from deforestation and forest degradation in developing countries was first considered by the AWG-LCA during COP11 in Montreal and later included within the Bali Action Plan (BAP). The original Bali agreement simply called for reducing emissions from deforestation (RED) and then progressed to include land degradation (REDD). REDD has since grown to include conservation, sustainable forest management, and forest carbon stock enhancement (REDD+). In general, REDD+ is a difficult mechanism to structure, as it applies to nearly 40 different countries, each of these with their own specific forest issues and governance structures applicable to indigenous peoples' rights, ownership and clearing.

Discussions on REDD+ at the international level have progressed considerably since first introduced, but no UNFCCC decision providing specific details on the structure of such a mechanism were officially outlined prior to COP16, though a REDD mechanism and a need to finance it was mentioned in the Copenhagen Accord.

Since the COP15, progress has been made on funding and information sharing with the establishment of the REDD+ Partnership. More progress was also made on the issue of environmental safeguards. Though these safeguards were extensively discussed during the Copenhagen conference, experts and negotiators started placing an even stronger emphasis in the months prior to COP16 on the role of a REDD+ mechanism in protecting biodiversity and indigenous cultures. This led to repeated calls to ensure that such a mechanism does indeed benefit biodiversity and people's livelihoods, rather than harm them, by improving the environmental and social safeguards.

This trend was noticeable in the Tianjin Climate Change talks in October, during which discussions were held as to how to address forest protection more holistically, including protection of ecosystem services and how REDD+ could contribute to adaptation. Though some objections have been raised on previously agreed-upon points during the Tianjin talks and in previous occasions, REDD+ was once more viewed as one of the issues on which Parties were expected to reach an agreement of some kind. UNFCCC Executive Secretary Christiana Figueres listed it as one of the set of decisions that could be reached in Cancún, and several country delegates mentioned REDD as a subject on which real progress has been made. Therefore some form of substantive decision was expected in Cancún.

Cancún

During the first week of the Cancún negotiations REDD+ was barely discussed. The REDD+ negotiating text was one of the more advanced texts under discussion and negotiators either wanted to bring other texts to a comparable level or tried to avoid opening a nearly completed text to further negotiations. However, outside of the official negotiations objections were raised – mainly by NGOs and Latin countries led by Bolivia – about the discussed REDD+ mechanism. The main contentious issues involved finance – Bolivia refused to allow any market-based mechanisms to be involved, restating their position from before the COP that forests should not be turned into a commodity – as well as the rights of indigenous people and local communities which, though much discussed in the side events, was not felt to have been properly addressed within the negotiating text.

During the second week of the negotiations, Bolivia resubmitted an alternative AWG-LCA text². The REDD+ section of the Bolivian proposal contained strong social and environmental safeguards, including emphasizing “indigenous peoples’ rights to free prior and informed consent” and making sure that actions are “consistent with the conservation of natural forests and biological diversity”, so that the REDD mechanism is not used, for example, to support the conversion of natural forests into plantations. Though some of the Bolivian text was adopted by the AWG-LCA and appears in Annex 1 to the Agreement, these two stronger points did not make it to the final Cancún Agreement.



The Indigenous Environmental Network speaks up against tar sand reliance in Canada.

Highlights of the text and what happens after Cancún

A few important additions were made to the REDD text since last year's negotiations. One is the option of using sub-national units during an interim period in countries that do not yet have the infrastructure to deal with REDD on national level. While using sub-national monitoring is not ideal in the long run, as it will likely result in internal leakage³, allowing the use of sub-national baselines, and monitoring and reporting projects in the first stage is expected to speed up national readiness projects and assist countries to move forward in their preparations for a national system for monitoring and reporting.

After barely a mention in the REDD text discussed during COP15 or within the Copenhagen Accord, environmental and social safeguards were also an important addition to the REDD text and were added as Annex 1 to the Cancún Agreement. This section adopts much of the safeguards proposed in the Bolivian text, though not some of the stronger points, and stronger emphasis on protecting biological diversity. This is an important development in

² Bolivia submitted a similar text in the Tianjin meeting in August which was one of the two possible versions of REDD. However, this was removed from the AWG-LCA text before the beginning of COP16.

³ Where carbon emissions move from one part of the country where deforestation etc. is being monitored to another area where it is not.

terms of addressing the concerns of indigenous people and human rights and environmental NGOs, and is considered by some as the most important aspect of the text.

Another development evident in the Cancún Agreement, is that the concept of REDD+ is now firmly entrenched in the negotiations, adding the “role of conservation, sustainable development of forests and enhancement of forest carbon stocks” to the previously agreed-on concept of REDD (reducing emissions from deforestation and forest degradation).

Though some progress was made since COP15, most notably in allowing the use of sub-national baselines as an interim measure, the issue of reference emission levels (RELs) is still not detailed in the text beyond stating that a national, or sub-national, reference emissions level should be developed. No mention is made as to what should be used as the baseline (historic rates, adjusted historic rates or projected rates), but SBSTA is requested – in Annex II to the Agreement – to develop modalities for RELs which will be submitted to the COP17.

The agreement over an international framework for REDD+ should give a further boost to bilateral and multilateral projects that have already started or have recently been signed (e.g. – between Indonesia and Norway; Indonesia and Finland; California and Acre, Brazil and Chiapas, Mexico, an MOU was signed in November). Several bodies, such as the UN-REDD Programme, have predicted that the COP16 agreement will increase funding for REDD+ projects. This will move forward the reduction of emissions from forest-related activities, reductions that are likely to be substantial whether or not an overall binding agreement is signed anytime soon.

The current text avoids any mention of a market-based mechanism (whether as something to develop to or something to avoid, like in the Bolivian text), though it does encourage developed countries to enter into bilateral financial agreements with REDD countries. The coming year therefore, will see fierce disagreements on that issue, as well as – possibly – more details about the scope of the Green Climate Fund, and its use in financing REDD+ projects. There will also be a need for strengthening of social and environmental safeguards, which many human rights and environmental NGOs, as well as the countries led by Bolivia, say are not dealt with sufficiently in the current text. In addition, over the course of this next year, terminology in the text will need to be properly defined before the REDD+ framework can become operational on a truly international level.

The Cancún Agreements and the year ahead

The conference in Cancún concluded with the finalization of key outcomes from COP16 and CMP6 in the Cancún Agreements. These Agreements encompass a set of decisions under the Convention and Protocol negotiating tracks as highlighted throughout this report and help solidify the central role of the UNFCCC within international climate policy and long-term cooperative action. Despite opposition from Bolivia, the Agreements garnered support from the remaining 193 parties under the Convention and were officially adopted by the UNFCCC.

The COP agreement is the larger and more substantive of the two decisions and succeeds last year’s Copenhagen Accord. At 30 pages, the agreement put forward by the AWG-LCA incorporates all of the building blocks from the Bali Action Plan outlined in 2007. In addition, the Convention track decision includes a shared long-term vision of limiting average global temperature warming to below 2°C above pre-industrial levels, and recognizes the need to continue to strengthen this goal with a potential 1.5°C target for consideration at a future date. The AWG-LCA has been extended for one more year and will continue to discuss the issue of the legal form of an agreement, be it a legally-binding agreement that complements the Kyoto Protocol, a replacement to the Kyoto Protocol that is an inclusive legally-binding agreement for all countries, or Party cooperation in compliance with COP decisions outside the form of a new treaty.

In contrast to the agreement under the Convention track, the CMP agreement put forward by the AWG-KP is short and concise at only 2 pages. While many countries hoped that a second commitment period would be agreed to in Cancún, agreement on a second commitment period was not contained within the final decision. However, the agreement demonstrated progress under the Kyoto Protocol track and signalled a path forward. For example, the CMP agreement contained important language recognizing the need for Annex I Parties to collectively reduce emissions between 25-40 percent below 1990 levels by 2020. Bolivia remained strongly opposed to the final

conclusions of the AWG-KP's work, stating that it represented a backwards step by postponing a decision on a second commitment period for Kyoto "open[ing] the door for a regime that is more flexible and voluntary." China agreed, saying that the AWG's proposal on finances disregards its requests for flexible funding to accommodate developing nations, and thus limit the availability of subsidized clean technology.

Both the COP and CMP decisions take note of emissions reduction targets put forward by Annex I and Non-Annex I Parties leading into last year's conference in Copenhagen while encouraging Annex I Parties to reduce emissions even further. These pledges have been incorporated into the UNFCCC and the Kyoto Protocol even though reduction commitments for a second commitment period under the Protocol have not yet been established.

Parties and observers came away from the conference relatively satisfied with the outcome despite the disappointment that the legal form and future of the Kyoto Protocol were still undetermined. While the Cancún Agreements are far from perfect, they showed progress in several key areas including increased transparency, the establishment of a Green Climate Fund, Technology Mechanism, and Cancún Adaptation framework, agreement on an international framework for REDD+, and bringing country emissions reduction targets under the UNFCCC process. These elements help flesh out the relatively bare results of last year's conference in Copenhagen and have helped to restore faith in the UNFCCC.

Prior to the next round of climate talks in South Africa, progress will still need to be made in several issues areas. Despite a shared long-term vision of limiting average global temperature warming below an increase of 2°C from pre-industrial levels, the pledges made thus far fall short of achieving this goal. Ambition by both Annex I and Non-Annex I countries must be increased. In addition, details of the Cancún Agreements must be filled in prior to COP17 in Durban so that operationalization of the final decisions can take place without a gap period following the end of the first commitment period of the Kyoto Protocol.

While the road to a successful outcome in South Africa next year is still unclear, the desire for a substantial and balanced international framework to reduce global emissions and help combat climate change is strong. This has been witnessed in the increased collaboration between Parties in Cancún and the willingness on the part of both developed and developing parties to set aside their tensions and resentment over the conference in Copenhagen and its lackluster results. With the groundwork laid in Cancún and new-found spirit of collaboration, Parties have managed to restore faith in the multilateral climate change process and help many breathe a little sigh of relief.

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Acronyms

AAUs: Assigned Amount Units

AFB: Adaptation Fund Board

AOSIS: Alliance of Small Island States

AWG-KP: Ad-hoc Working Group on further commitments for Annex I Parties under the Kyoto Protocol

AWG-LCA: Ad-hoc Working Group on Long-term Cooperative Action under the Convention

CCS: Carbon Capture and Storage/Sequestration

CDM: Clean Development Mechanism

COP: The Conference of Parties

CMP: The Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol

CTCN: Climate Technology Centre and Network

EITs: Economies in Transition

EGTT: Expert Group on Technology Transfer

ERUs: Emission Reduction Units

GCF: Green Climate Fund

GDP: Gross Domestic Product

GEF: Global Environment Facility

GHG: Greenhouse Gas

GNP: Gross National Product

IGOs: Intergovernmental Organizations

IPRs: Intellectual Property Rights

JI: Joint Implementation

JISC: Joint Implementation Supervisory Committee

LDCs: Least Developed Countries

NAPAs: National Adaptation Programmes of Action

NGO: Non-Governmental Organization

NIEs: National Implementing Entities

ODA: Overseas Development Aid

REDD: Reducing Emissions from Deforestation and Degradation

RELS: Reference Emission Levels

SBSTA: The Subsidiary Body for Scientific and Technological Advice

SBI: Subsidiary Body for Implementation

SIDs: Small Island Developing States

TEC: Technology Executive Committee

UNFCCC: United Nations Framework Convention on Climate Change

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Climatico is an independent network of researchers and climate change experts that analyze and report on the latest developments in climate change policy around the world. The group assesses government policies addressing mitigation and adaptation to climate change, including the underlying rationale and drivers of action and non-action. In addition, Climatico focuses on the most important international issues under discussion at high-level climate policy forums and venues (G8, UNFCCC, G-20, etc.) by monitoring policy trends and developments regarding such topics as adaptation, capacity building, technology transfer, CDM, JI, emissions trading, finance, and emissions targets.

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