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## What can Cancún Deliver?

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# What Can **Cancún** Deliver?

## Pre-Summit Briefing



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# What Can Cancún Deliver?

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# 1. Introduction

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The latest round of UN negotiations on climate change, COP 16, will take place in Cancún, Mexico, from Monday 29 November to Friday 10 December 2010. The Copenhagen Accord, which was the outcome of last December's climate conference (COP 15), established a "bottom-up" pledge and review process for national mitigation targets. The "top-down" legally binding Treaty that had originally been envisaged by the EU for Copenhagen proved impossible to agree. While some countries expressed qualified satisfaction with the outcome, notably China and India, initial responses from many world leaders pointed to widespread disappointment.

Negotiations have continued towards the delivery of a legally binding agreement in a variety of formal and informal fora over the past year. United Nations Framework Convention on Climate Change (UNFCCC) working groups have met four times since Copenhagen - in Bonn (the home of the UNFCCC Secretariat) in April, June and August and, most recently, in Tianjin in October. Climate change has also been on the agenda at several international fora: the Major Economies Forum on Energy and Climate Change<sup>1</sup>, the G8 and G20, the Geneva Informal Dialogue on Climate Finance, Ministerial Meetings of the BASIC countries (Brazil, South Africa, India and China - the four major emerging economies that negotiated the Copenhagen Accord with the United States), and at a variety of bilateral summits.

This briefing looks forward to the Cancún negotiations. It first sets out what was agreed in Copenhagen on a number of key issues. Second, it examines the positions of key actors in the negotiating process on these issues. Third, it looks at general expectations for COP 16, and finally, it draws implications from the analysis presented.

## 2. What the Copenhagen Accord agreed on key issues

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The Copenhagen Accord was significant in some respects, even if it failed to deliver in others. In the Accord, global leaders subscribed to an aspirational 2°C target for global temperature rise on pre-industrial levels for the first time, and provided a framework for developed and developing countries alike to submit national mitigation pledges. Mitigation pledges were to be submitted initially by 31 January 2010 and thereafter on an ongoing basis.

Over the past year, 138 countries have either associated with or indicated support for the Accord, representing 87% of global emissions.<sup>2</sup> The Copenhagen Accord, however, is not legally binding, and analyses of mitigation pledges submitted under the Accord undertaken by Ecofys, the World Resources Institute, the UN Environment Programme and others suggest that they are wholly insufficient to limit global temperature increases to 2°C on pre-industrial levels.

While the Copenhagen Accord also addressed many ancillary key issues, including adaptation, financing, **measurement, reporting and verification (MRV)**, technology transfer, capacity building, and **reduced emissions from deforestation and forest degradation (REDD+)**, it did so without coming to resolutions in most cases.

**MRV** of emissions mitigation in developing countries, the extent to which actions would require verification from external actors (as is currently the case for Annex 1 countries), and the extent to which finance and technological transfers would be linked to verification, proved to be major stumbling blocks between the US and China. The Accord struck an inconclusive compromise, whereby independent analysis of MRV would “ensure national sovereignty is respected.”

Developed countries also agreed to provide US\$30 billion in fast start **climate finance** for developing countries, increasing to US\$100 billion annually by 2020. Finance would be delivered through a variety of mechanisms, both public and private, but a significant portion of the funding was to flow through a “Copenhagen Green Climate Fund,” the shape of which is to be determined.

The Copenhagen Accord recognized the “crucial role” to be played by **REDD** and called for the ‘immediate establishment’ of a mechanism to prevent deforestation. Annex 1 parties to the Accord also committed to provide financial, technology and capacity-building support for **adaptation** in developing countries and agreement was reached on the establishment of a mechanism to promote **technology transfer**.

From a procedural point of view, it also mandated the two UNFCCC *ad hoc* working groups to continue negotiations along parallel tracks in the run up to COP 16 in Mexico. One group deals with “Further Commitments for Annex 1 Parties under the Kyoto Protocol and the other focuses on “Long-Term Cooperative Action” (a negotiation track under which developing countries may eventually be required to take on mitigation commitments).

### 3. Positions of Some Key Players

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As negotiators gather in Cancún for COP 16 one year on from Copenhagen, the collective mood is very different. Gone is the frantic atmosphere, replaced with a more pragmatic, businesslike approach to negotiations. Gone too are the elevated expectations of 2009. Instead, expectations for COP 16 have been successfully managed to the point where it is broadly accepted in advance that no comprehensive post-Kyoto regime will be agreed in Cancún. The level of ambition is modest – the aims are to flesh out the detailed mechanisms by which the broad commitments of the Copenhagen Accord will be delivered and to send a message that a legally binding deal is achievable in the medium term, potentially in Johannesburg in 2011.



### 3.1. United States

The United States, along with the BASIC bloc, was the key architect of the Copenhagen Accord and believes that the Accord should serve as a starting point for the Cancún negotiations. The U.S. is, however, compromised in the negotiation process by its failure to ratify the Kyoto Protocol, its inability to deliver meaningful emissions reductions over the Kyoto period, and its lack of progress on delivering domestic climate legislation over the past year.

These issues have served as a pretext for inaction by other major emitters. As EU Climate Action Commissioner, Connie Hedegaard, pointed out in a recent speech in Harvard, “many countries are asking themselves why they should take action as long as the biggest emitter in the developed world is unwilling to live up to its global responsibilities.”<sup>3</sup>

The U.S. remains sceptical that a legally binding multilateral climate regime can be negotiated at Cancún, and has declared a preference for making tangible progress on a range of technical issues at COP 16 rather than waiting for comprehensive agreement on a global deal.

The U.S. has pledged a **reduction in greenhouse gas (GHG) emissions of 17% by 2020 on a 2005 baseline**. This equates approximately to a reduction of a mere 3% on a 1990 baseline, which is less ambitious compared to the pledges of other developed countries, as well as short of what would be required to meet the 2°C target.

Yet the ability of the US administration to deliver this relatively modest mitigation target has been brought into question following the collapse of the American Clean Energy and Security Act (which envisaged the introduction of an emissions trading scheme) in the Senate this summer, and the election to Congress of several Republicans who are sceptical of climate change in the recent mid-term elections. Instead, the Obama administration is pursuing the use of Environmental Protection Agency (EPA) instruments to regulate GHGs, and the enactment of legislation in specific policy areas such as vehicle emissions standards and support programmes for energy efficiency that may garner bipartisan support.

While the United States reaffirmed its commitment to its Copenhagen mitigation targets in Tianjin, stating that delivering on the pledge is “not contingent on the moving of domestic legislation,”<sup>4</sup> it is clear that the administration’s weakened domestic position will inevitably undermine its negotiating strength and leadership role in Cancún.

The United States has pledged \$1.304 billion in **fast start financing** for the fiscal year 2010 and another \$1.725 billion for 2011.<sup>5</sup> In spite of these pledges, the United States has yet to provide detailed information regarding its commitments to specific projects. Moreover the administration’s attempts to live up to its fast start and longer term finance promises may be stymied by a number of factors, including the failure to pass emissions trading legislation, which could have provided a revenue stream, as well as the impending battle with climate-sceptic Republicans over the federal budget.<sup>6</sup>

**MRV** is a key issue for the U.S. administration in the negotiation process, not least because

of domestic political pressure in the U.S. Senate.<sup>7</sup> In Copenhagen, the U.S. called for stringent MRV for China, insisting that the world's largest GHG emitter should be subject to international scrutiny. Despite the failure to bring forward domestic legislation over the past year, the U.S. has continued to press China on scrutiny of mitigation efforts. U.S. Climate Envoy, Todd Stern, recently stressed that the United States would not back down on MRV in view of its weakened domestic position on mitigation, saying "I don't accept the notion that because we didn't get our legislation passed, therefore we should show flexibility on transparency. There's no linkage... We're not playing that way."<sup>8</sup>

### 3.2. European Union

Sidelined at the Copenhagen negotiations last year by the United States and the BASIC bloc, the European Union is anxious to restore faith in the multilateral process at Cancún. Although the EU would ultimately accept a second commitment period under the Kyoto Protocol above the current "bottom-up" approach, its preference would be for a new legally binding "top-down" agreement. However, the EU's expectations for Cancún are realistic – it is resigned to "stepwise" progress on technical issues such as finance architecture, REDD+, adaptation and technology transfer, in the absence of agreement by the United States and China on binding targets and MRV.

Under its climate and energy package agreed in 2008, the EU has also **offered a 30% emissions reduction by 2020** on a 1990 baseline conditional on mitigation commitments by other developed countries. It has also committed to a unilateral and legally binding **20% reduction in emissions by 2020** on 1990 levels, and to an 80-95% reduction by 2050. At the most recent European Council in October, leaders agreed to postpone a decision about whether to commit to the 30% target until after the Cancún conference.<sup>9</sup> A roadmap for meeting the 2050 targets will be published by the European Commission in spring 2011, which it is anticipated will include interim targets for 2030.

Collectively, the EU 27 and the European Commission have pledged **\$10.4 (€7.2) billion in fast-start funding for developing countries to 2012**. In 2010, the Union has mobilised the majority of its funding pledge, but has fallen short by some €200 million. Four countries have not delivered their share of the pledge for 2010, with Italy understood to be the main reason for the shortfall.<sup>10</sup>

### 3.3. China

China is a key player in the Cancún process, both as the world's largest emitter of GHGs and as the lead member of the BASIC negotiating bloc that drew up the Copenhagen Accord with the U.S. China is opposed to any "top-down" deal that would impose legally binding targets on developing or emerging economies, which it believes would constrain its capacity for development.



China instead prefers a “bottom-up” approach of voluntary commitments by developing economies. China has consistently stressed the principle of “common but differentiated responsibilities” and aims in Cancún to keep alive the twin track negotiation process, which maintains the Kyoto division between developed and developing economies. It has cited failures by developed countries - most notably the U.S. - to live up to promises on mitigation as the key obstacle to progress at Cancún. Indeed, at the most recent round of negotiations in Tianjin, China robustly dismissed U.S. criticism that it was acting as if the Copenhagen Accord “never happened”<sup>11</sup> by calling the U.S. a “preening pig,” which was itself avoiding responsibility for tackling climate change. China wants to see progress on emissions reduction, technology transfer and climate finance from developed countries as a precondition for any deal.<sup>12</sup>

Rather than agree to an absolute emissions reduction target, which China argues would constrain its prospects for economic development, it has pledged **a reduction in emissions intensity per unit of GDP of 40-45% by 2020 on a 2005 baseline**. It has also pledged an increase in the share of non-fossil fuels to 15%, and an increase in forest cover. China was opposed to the inclusion of long-term mitigation targets in the Copenhagen Accord.

While the real impact of intensity targets are difficult to assess, the Copenhagen target is less than would be expected from previously announced domestic policies on energy efficiency and renewable energy.<sup>13</sup> China has, for instance, an ambitious five-year domestic commitment to achieve a 20% improvement in energy efficiency per unit of GDP by 2010 compared to 2005 levels, which it is expected to meet.<sup>14</sup> It is also understood that China is considering the introduction of a climate change law and a domestic emissions trading regime, which would provide significant domestic impetus for mitigation by putting a price on carbon.<sup>15</sup> While China’s attitude to international negotiation is sometimes perceived as unconstructive, real domestic action is being taken, and China has emerged as a leader in clean energy investment, far outstripping the US and EU in this area.<sup>16</sup>

The US-China battle over **MRV** dominated much of the Copenhagen process, and has remained a feature in the run up to Cancún. China remains bullish in the face of repeated U.S. calls for enhanced transparency and has continued to stress that scrutiny of mitigation efforts in developing countries must respect national sovereignty. At the Major Economies Forum in November, Chinese negotiator Huang Huikang argued that international MRV was not on the table at Cancún and was not conditional on concessions by developed countries on other issues.<sup>17</sup>

### 3.4. India

Like China and the other countries of the BASIC bloc, India is in favour of retaining the Kyoto Protocol’s clear distinction between developed and developing countries. It is also opposed to taking on legally binding targets, because of its small contribution historically to global warming and because of its “huge developmental backlog,” according to Environment Minister, Jairam Ramesh.<sup>18</sup> In contrast to China, India favours a multilateral architecture, seeing the UNFCCC

process as “the only game in town;” it has stressed that progress needs to be made in Cancún to restore credibility in the multilateral process.<sup>19</sup> However, India has also taken a pragmatic approach to negotiations, indicating its willingness to consider certain issues such as forestry outside of the UNFCCC architecture. The need for the U.S. to restore goodwill by delivering on new and additional climate finance commitments and on a technology mechanism has also been emphasised by India.

Under the Copenhagen Accord, India has **pledged a 20-25% reduction in GHG emissions intensity per unit of GDP by 2020 from a 2005 baseline**. This reduction excludes the agricultural sector. While the target is not considered particularly demanding, India’s contribution to the overall scale of the climate change problem is comparatively small both in terms of total global emissions (approximately 4%) and in terms of emissions per capita (1.7 tonnes CO<sub>2</sub>e).

The MRV of mitigation measures is a contentious issue in India, which, like China, is opposed to stringent international reporting requirements for emerging economies. The Times of India recently explained the rationale for this opposition: “the US stance of demanding equal levels of scrutiny of mitigation actions of emerging economies is considered a backdoor route of converting the voluntary actions of countries like China, India, Brazil and South Africa into international commitments.”<sup>20</sup>

However, in recent weeks, India has sought to display some flexibility in order to break the deadlock on this issue. At the November session of the Major Economies Forum, Ramesh tabled a proposal for all major emitters to undergo international consultation and analysis on mitigation every two to three years. Countries with a global emissions share of less than 1% would only be subject to scrutiny every four to five years. While the *content* of the report would differ between developed and developing countries, Ramesh suggested that reporting requirements would be the same for all major emitters. He made clear that this proposal is contingent on concrete commitments by the United States and support for another Kyoto Protocol commitment period.<sup>21</sup>

**Fast start finance** is a key issue for India and it is concerned to ensure that the funds promised by developed countries are “additional” to existing commitments for alternative purposes. India’s flexibility on MRV perhaps represents a higher prioritisation of financing in its negotiating position compared to China.



## 4. What to Expect from Cancún

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It is widely anticipated that COP 16 will not deliver a comprehensive global agreement on the post-Kyoto climate architecture. Concerns have been expressed at the burgeoning negotiating texts and the glacial pace of negotiations, described by U.S. Climate Envoy Todd Stern as “going backwards.”<sup>22</sup> Wide gulfs still exist between many of the key players on mitigation targets and MRV, as well as on the long-term vision.

Success at Cancún will therefore be measured on its ability to galvanise negotiations on a balanced package of decisions across a range of technical issues. The key to unlocking the process is likely to be progress on climate financing commitments from developed countries and agreement on long-term climate finance architecture. The UN High Level Advisory Group on Climate Financing recently released its report, which stressed that the \$100 billion dollar annual target by 2020 is challenging but feasible, if it includes private and public sector, multilateral and bilateral sources, and grants or concessional loans for the most vulnerable countries. Progress on financing needs to be matched by concessions from developing countries on enhanced MRV.

Significant progress is also possible on REDD. Since Copenhagen a REDD+ Partnership involving 71 countries has been established as an interim platform in order to develop a long-term response to how forests in developing countries can contribute to a global climate change solution. Progress has been significant: “fast-track” funding up to 2012 has been pledged. A key issue that remains is how efforts to avoid deforestation can be documented. Although the Partnership remains technically outside the UNFCCC process, it is envisaged that, once the blueprint of an agreement has been reached, this stream could be reintegrated under the UNFCCC umbrella, perhaps thereby reinvigorating negotiations.

## 5. Implications

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Copenhagen was chosen as the occasion when a successor Treaty would be agreed for good reason. An agreement reached at the end of 2009 would have allowed three years for implementation, a time period considered the minimum period required for Parties to implement the outcome. Now that this deadline has expired, and with no successor Treaty on the horizon, there is an increasing sense of urgency to agree a post-2012 climate regime. It should be borne in mind within this context that the Kyoto Protocol was negotiated in 1997, but no mitigations actions were required until 10 years later.

Any gap between Kyoto and a successor Treaty would constitute a serious set back in the fight against climate change and would be very damaging for the development of international carbon markets. International investors have repeatedly called for certainty. Most recently, over 250

investors from around the world, representing over \$15 trillion dollars, released a statement stressing the need for “clear, credible, and long-term policy frameworks that shift the risk-reward balance in favour of less carbon-intensive investment”.<sup>23</sup>

While the EU and the US have a preference for a new Treaty which nuances the distinction between developed and developing countries, it seems increasingly likely that if top-down commitments are to be agreed in a Treaty, this will be done within the context of the Kyoto Protocol. While Cancún will not answer this question conclusively, it must provide greater clarity of how and when it will be addressed.

Cancún also offers an opportunity to undo some of the damage inflicted on the multi-lateral system at Copenhagen. The manner in which the Accord was negotiated alienated many countries. Cancún is seen as a litmus test for the multilateral system. It is an opportunity to restore faith, but the stakes are high. A repeat of the often disjointed, intractable and confusing scenes at Copenhagen could irredeemably damage the process, and alternatives are already emerging.

China and the United States, among others, are willing to consider alternative approaches, including bilateral and plurilateral fora that recognise the changed geo-political landscape. In this context, the EU's influence is likely to be diminished. Plurilateral and bilateral negotiations are not favoured by many developing nations, who see the UN process as the only truly inclusive one.

The idea of a more flexible approach to international climate change negotiations has, however, gained traction in recent months. A paper by Robert Keohane and David Victor, part of the Harvard Project on International Climate Agreements, argued that a flexible and adaptable “regime complex,” comprising various countries working together in different ways, may be preferable to and a more realistic prospect than a unified regulatory climate regime.<sup>24</sup>

In the absence of a binding international deal, sub-state action is also contributing to the “regime complex.” In the U.S. many states are implementing legislative and other measures - with California being the most notable example - which has the potential to play an important role in reducing U.S. emissions by 2020. Action is also being taken at metropolitan level, which is important considering that many cities are major GHG emitters. Corporations, too, are being proactive in climate risk management, through internal mitigation efforts and major supply chain initiatives. These efforts cannot be dismissed as trivial; a number of major corporations are bigger in scale than many national economies.

In the absence of a “top-down” legally-binding global framework, “bottom-up” approaches have the potential to contribute to the fight against climate change. There is a real danger inherent in relying on “bottom-up” approaches, however: no guarantee exists that pledges will be implemented or that dangerous climate change will be avoided. There is no substitute for the coherence and certainty provided by a comprehensive international agreement.

## Endnotes

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- 1 The Major Economies Forum is a space for dialogue on energy and climate change issues, convened by President Obama, consisting of 17 key economies, including the U.S, Brazil, South Africa, India, China, Australia, Canada, Indonesia, Italy, Japan, Korea, Mexico and Russia. European interests are collectively represented by the European Union, while France, Germany, Italy and the United Kingdom are also independently members of the Forum.
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<http://www.usclimatenetwork.org/policy/copenhagen-accord-commitments>
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- 4 Earth Negotiations Bulletin, October 2010 : 'Summary and analysis of the Tianjin Climate Change Talks', IISD
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<http://www.wri.org/publication/summary-of-developed-country-fast-start-climate-finance-pledges>
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- 22 Associated Press, 21 September 2010: 'Big powers talk climate, no grand deal sighted'
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