

## What to expect in Cancun: Some Key Issues

Cancun, 28 November (Martin Khor\*) --A year after the chaotic Copenhagen summit, the 2010 UNFCCC climate conference begins in Cancun. Expectations are low this time around, especially compared to the eve of Copenhagen.

That's probably both good and bad. The conference last year had been so hyped up before hand, with so much hope linked to it, that the lack of a binding agreement at the end of it and the last-day battle over process and text made it a near-disaster.

Few expect this year's meeting in the seaside resort of Cancun to produce anything significant in commitments either to cut Greenhouse Gas emissions or to provide funds to developing countries. Thus if Cancun ends with few significant decisions, it won't be taken as a catastrophe. It will however be seen as the multilateral system not being able to meet up to the challenge. And that system will be asked to try harder, next year.

The atmosphere at the end of the meeting will of course be crucial. The events, especially at the Ministerial segment, and how the presence of heads of states is handled, should be organised in a transparent and inclusive way, without the surprises of Copenhagen. That way, Cancun will end with the goodwill needed to carry on the work, even if there are no spectacular outcomes here.

It would be unwise (to say the least) to try a repeat (or a variation) of the exclusive high-level small-group process of selected political leaders that clashed with the inclusive multilateral negotiating process in the last days of Copenhagen, and that produced the chaotic ending.

The process in the first week, when negotiators are expected to work hard on the 13 August text and the Tianjin revisions to text, that were both member-driven, will also be important. An inclusive, transparent process driven by members themselves

is required. Even if this takes time, it is time well invested. Attempts to shorten this process by methods not agreed to or that are not transparent may instead produce a short circuit and a fire, waste even more time and result in loss of goodwill and confidence.

### **The lowering of expectations**

On the other hand, the lowering of expectations indicates how low climate change has sunk in just a year in the world's political agenda. And that is bad indeed, because the climate problem has got even worse.

2010 is already rivaling 1998 as the hottest year since records were kept. And there have been so many natural disasters in 2010; some of them like the catastrophic flooding in Pakistan are linked to climate change.

Other events, especially the spread of the financial crisis to Western Europe, and the persistent high unemployment in the United States despite economic growth, have taken over the attention of the politicians and public in the developed countries. The counter-attack by climate skeptics in questioning the science, and by politicians that don't like climate actions, has also affected the public mood to some extent.

Also, the chances of getting a global climate change agreement appear much more dim, as the issues are shown up to be more difficult and complex than earlier envisaged. And when a problem seems intractable, most politicians tend to lose interest because like other people they don't like to be associated with failure. And the problems in the negotiations are many, and they will re-emerge again in Cancun. While the need to address climate change is urgent, there is also the need for patience in getting a successful outcome.

## **The Fate and Shape of the Global Climate Regulatory Regime**

The main problem is the inability of the United States administration to make a meaningful commitment to cut its country's emissions to an adequate extent, because it is now clear that Congress will not adopt a comprehensive climate bill.

This makes the other developed countries reluctant to firm up their own commitments, or even retain the existing regulated system. Many of them are still dragging their feet in stating how much they should cut their emissions, individually and as a group, in the Kyoto Protocol's second period that is to start in 2013.

Worse, Russia and Japan have openly stated they do not want to continue with the Kyoto Protocol, because the US is not in it and major developing countries do not have to join the binding disciplines. A most depressing Kyodo agency news item was published on the eve of Cancun, under the headline "Japan will oppose Kyoto extension at COP16." It quotes a Vice Minister and senior climate negotiator as saying Japan will not agree to extend Kyoto Protocol beyond 2012 even if it means isolating itself at the UN.

Australia, New Zealand and Canada among others have also been unwilling or reluctant to commit to Kyoto's second period. That leaves the European Union, which says it prefers to shift to a new system too but is still open to remaining in Kyoto if others do. Only Norway has said firmly it agrees to a second Kyoto period.

The death of the Kyoto Protocol, under which the developed countries except the US have legally-binding targets to cut their emissions, is something the developing countries cannot accept. They want the developed countries to cut their emissions as a group by more than 40% by 2020 (compared to 1990), and for each country to do an adequate cut, under the Kyoto Protocol. The figures have to be re-calculated to fit 2013-2017 as the second period proposed by the G77 and China.

The US was supposed to take on a "comparable effort" in mitigation as the other developed countries, but under the Convention since it is not a KP member. Para 1b(i) of the Bali Action Plan was designed for that.

This was a crucial part of the overall understanding on mitigation reached in Bali: (1) that the Annex I

parties in KP would take on adequate 2<sup>nd</sup> period commitments on aggregate and individual reduction targets consistent with what science requires; (2) that the US would make its own comparable commitment in the Convention, in accordance with Para 1b(i); and (3) developing countries would undertake enhanced mitigation actions with financial and technological support, both of which would be measurable, reportable and verifiable (MRV).

This three-piece Bali understanding is now unraveling with alarming speed. The KP is in mortal danger, as most of its Annex I members show clear signs of abandoning ship. The new vehicle they are looking to join is vastly inferior. It is the voluntary pledge system that the US had been advocating, in which individual developed countries state how much reduction they would like to set as their target.

In the system, there is no aggregate target to be set in accordance with what the science says is required. There is no mechanism to review the commitments (individual and aggregate) and to get Parties to revise them so that they meet adequate levels. The mild discipline is that there will be a periodic review on whether the Parties meet their pledged targets, but not a review as to whether the pledges are adequate.

There has been a major battle, quite indirect and under the radar screen at first and then fierce and open after that, over the model of climate regime for Annex I mitigation -- the KP model of binding aggregate and individual cuts versus the pledge and review voluntary system. At Bali the first model was adopted, but increasingly challenged in the many 2009 sessions before Copenhagen. Then the fight reached a boiling point in Copenhagen, when the US-led pledge system gained an upper hand for the first time when the Copenhagen Accord seemed to be firmly on the side of the pledge system, in its Para 4.

However, the balance of forces in this battle of models was to some extent restored after Copenhagen when the major developing countries that assisted in the birth of the Accord reaffirmed that they needed the KP to continue into a second period, and that they wanted the binding system of aggregate and individual commitments that are comparable, and with reduction figures consistent with the science. The EU has indicated it also wants this binding system; this is important as the EU is a prime architect and was a champion of this system. For these Parties, para 4 of the Accord and the

binding system are complementary and not contradictory.

For the developing countries the retention of the binding system for Annex I parties is a touchstone, a Litmus Test to prove that those that are responsible for most of the stock of emissions in the atmosphere, are serious about the much-proclaimed “taking leadership in the fight against climate change.” If the developed countries downgrade their mitigation commitment from a binding system based on adequate efforts, to a voluntary pledge system without a review of adequacy, then it would be tantamount to giving up leadership, and to a deregulation of the system, and at the worst possible time -- when there is growing scientific and empirical evidence of the seriousness of the climate problem.

### Disastrous Projection of Pledges

Top climate scientists in a new UN Environment Programme report show how disastrously off-mark such a voluntary system can be. Instead of cutting their emissions by at least 25-40% below 1990 levels in 2020 as required (or by more than 40%, as demanded by developing countries), the developed countries will **actually increase** their emission by 6% in a bad scenario (based on the lower end of pledges and the use of loopholes) or will only cut by 16% in the good scenario (based on the upper end of pledges and without the use of loopholes). The calculations are based on the pledges the developed countries made under the Copenhagen Accord.

These pledges, together with the figures from announcements made by some developing countries, show that the world is moving in the direction of a global temperature increase of between 2.5 to 5 degrees Celsius before the end of this century, according to the UNEP report. This is far removed from the 1.5 or 2 degree “safe limit”, and is a recipe for catastrophe.

In 2005 the global emissions level is estimated at 45 Giga tonnes (i.e. 45 billion tonnes) of CO<sub>2</sub> equivalent and in 2009 it is estimated at 48 Gton. With business as usual, this will rise to 56 Gton in 2020, which is on the road to disaster. The scientists in the UNEP study agree that emissions have to be limited to 44 GtCO<sub>2</sub>e by 2020 to stay on a 2 degree limitation course. Based on the Copenhagen Accord pledges, the emissions in 2020 could be 49 Gton under a good scenario, but as high as 53 Gton (almost like business-as-usual) in the bad scenario.

It is evident that all groups of countries have to contribute to improving this disastrous situation. However the Annex I countries are obliged to take the lead, and show the way. But their pledges so far are deficient, as a group. And the intended downgrading of the regulated system to a deregulated system goes in the wrong direction.

A major turn-around in the attitude of most developed countries towards their own emission reduction will be the most important and the hardest problem to resolve in Cancun.

### The Obligations Proposed for Developing Countries

Another contentious issue will be the proposed new obligations to be placed on developing countries. At Bali, it was agreed the developing countries would enhance their mitigation actions, and have those actions that are internationally supported to be subjected to MRV. The finance and technology support provided by developed countries would also be subjected to MRV. The mitigation actions that developing countries fund themselves do not have to be subjected to an international MRV system.

However Bali-Plus obligations on developing countries are also now being proposed by developed countries. These proposed obligations include an “international consultation and analysis” (ICA) system to be applied to mitigation actions that are unsupported, and a much more rigorous system of reporting on overall mitigation actions through national communications (once in four years) and supplementary reports (once in two years). Since the most important elements of the national communications are also to be in the supplementary reports, this in effect means reporting once in two years.

The Bali-plus obligations also include proposals by the EU that developing countries together have a mitigation target of “deviation from business as usual” by 15-30% by 2020. And many developing countries have voluntarily announced targets for reducing emissions growth, reducing the emissions-GNP intensity, or even reducing emissions.

The situation has become complicated. There are many developing countries which did not sign on to the Copenhagen Accord, so the need to undertake ICA does not apply to them, unless the ICA becomes accepted by all. Many of the developing countries that associated with the Accord do not agree with the stringent MRV and ICA systems

proposed by the developed countries, as reflected as options in the various texts.

More importantly, the MRV concept was agreed to as part of the three-element Bali understanding on mitigation that includes the KP continuing into a second period, and the US making a comparable commitment under the Convention. These two crucial parts of the understanding involve the commitments of developed countries and they are now under threat. Many developing countries are questioning why they should continue to agree to upgrading their obligations if developed countries are wanting to downgrade their own system of commitments.

Another obligation that developed countries are seeking to place on developing countries is to give the latter a large contributory role in the overall meeting of long-term global emissions goals, such as a 50% global cut by 2050 compared with 1990. If Annex I countries take on a 80% reduction, while the global goal is a 50% reduction, this means developing countries would have to undertake a per capita emissions cut of over 50%, and a “deviation from business as usual” of over 80%.

These are very onerous targets for developing countries, which also have priorities for economic development. Their development prospects would suffer if the targets designed for them are accepted, unless there is a sufficiently massive transfer of financing and technology. The implications of these targets are still not fully understood. The discussions on a global goal are taking place in the shared vision issue.

### **Cancun Deliverables? New Structures in Finance, Technology and Adaptation**

Developing countries are also saying they are willing to enhance their mitigation actions and to prepare more detailed reports, but they need the funds and affordable access to new technologies to do these. The provision of finance and technology, which are commitments of the developed countries, is also needed for adaptation and capacity building

The possible bright spot in Cancun could be a decision to create a new climate fund in the UNFCCC and under the authority of the Conference of Parties. The discussion on this is quite advanced. Agreement to establish the new fund would be a limited gain, as the details of the

fund (including its governance and the amounts it will have) would still have to be worked out later, through a process that Cancun can also decide on.

Nevertheless, it would be an advance if Cancun can make this significant decision to establish the new fund. But Cancun may be deprived of even such a simple outcome. The US made clear in Tianjin, and this was confirmed by a recent speech by its special climate envoy Todd Stern, that there cannot be an “early harvest” in Cancun such as setting up a fund.

For the US to agree to that, there must be a Cancun agreement on mitigation, in which developing countries agree to the stringent obligations on reporting and international analysis, and in which developed countries undertake a pledge and review system.

At Cancun, it can be expected there will be an appeal to the US to allow the fund to be set up, and not to tie this to conditions that its demands in other areas be met first. The US will be told not take the funds that can get actions going in the developing world as “hostage” or conditional on its getting its way in other areas of the negotiations.

On technology transfer, another key issue for developing countries, there has been progress on the technology mechanism to be set up, an Executive Body and a Centre and Network. Again, a decision to establish these bodies is within reach in Cancun, and it should not be stalled on the ground that progress must first be made in other areas.

The developing countries also want a new Adaptation Committee as well as a new international mechanism to address loss and damage caused by climate change. This has yet to be agreed to.

If Cancun can deliver the establishment of these new structures in finance, technology and adaptation, it would have something to show, and we would not leave empty handed. These are only relatively small measures, but they are still significant, if only to demonstrate that there are still results possible from international cooperation in climate change. If these are not delivered in Cancun, the smoke signals to the world will not be good at all.

*Note: \* Martin Khor is the Executive Director of the South Centre.*