



**Friends of
the Earth
Europe**

The Cancún Agreement: Not worth cheering

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negotiations, and the role of the EU**

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UN climate negotiations (COP16) ended after two weeks of negotiations in Cancún, Mexico with agreement on a weak package of measures.¹ Although the 'Cancún Agreement' was supported by all parties, except Bolivia, it leaves the world further away from a just and strong agreement on tackling dangerous climate change. It is a package that has prevented collapse but has failed to deliver substance.

This briefing analyses how the deal in Cancún measures up to what science and justice demand. It also looks at what the European Union must do over the coming year before the COP17 UN climate negotiations in South Africa to ensure progress towards an agreement on tackling climate change in line with what the planet and the people need.

Overall assessment

The Cancún agreement:

- Includes pledges that would put the world on track for a temperature rise of between 4 and 5°C, risking catastrophic climate change
- Risks dismantling the system of binding emission reduction targets included in the Kyoto Protocol
- Fails to ensure that developing countries will receive adequate and appropriate support to deal with the impacts of climate change and develop sustainably
- Allows developed countries to continue avoiding making cuts in their greenhouse gas emissions by expanding the use of carbon markets and the use of international carbon offsetting

Countries including Japan, Russia and the United States, have pushed for a deal that means rich industrialised countries including the EU can avoid meeting their obligations to cut domestic greenhouse gas emissions, and provide adequate and appropriate transfers of finance and technology to developing countries. These obligations form part of the "common but differentiated responsibility" that is clearly stated in the UN Framework Convention on Climate Change and the Bali Action Plan (agreed at COP13 in 2007) which sets out a consensus on the balance between developing and developed countries' obligations.²

The deal reached in Cancún does not build upon these clear and legally binding obligations, but weakens the obligations for developed countries to cut emissions, and imposes more obligations on the developing world. It also enshrines some of the outcomes of the failed Copenhagen climate conference.³

¹ The documents agreed in Cancún can be found at: <http://unfccc.int/>

² The Bali Action Plan established two tracks to the negotiations. The Kyoto Protocol track would ensure that the countries who have done most to cause the climate crisis accept binding emission reduction targets. The Long-term Cooperative Action track should ensure that developing countries could benefit from support to adapt to the impacts of climate change, and develop in a sustainable way. Merging these two tracks risks allowing developed countries to escape their obligations:

<http://www.twinside.org.sg/title2/climate/briefings/cancun01/TWN.BP.Cancun01.pdf>

³ "Copenhagen - what next", http://www.foe.co.uk/resource/briefing_notes/copenhagen.pdf

The role of the EU:

The EU was effectively sidelined in Copenhagen in 2009. The new Commissioner for Climate Action, Connie Hedegaard, has since injected some dynamism into the EU's position, but the EU position in Cancún was full of conditions and was dangerously weak in many areas (e.g. overall emission reduction levels, the position on LULUCF, support for markets and offsets, lack of long term finance).

In Cancún, the EU failed to take a leading role, and was content to hide behind inaction from other developed countries such as Japan, Russia and the United States.

Instead of taking its historical responsibilities to reduce domestic emissions and provide appropriate climate finance, it pushed for an expansion of carbon trading and international offsetting – in effect shifting the burden to the poorest and most vulnerable countries.

What the EU must do in the coming year:

- The EU must recognise that there is a massive gap between the emission reductions it has pledged, and what science demands. The EU must commit to reduce emissions by at least 40% by 2020, without offsetting.
- The EU must make an unequivocal commitment to a second commitment period of the Kyoto Protocol without loopholes such as international offsetting.
- The EU must provide transparent and appropriate finance, technology transfer and adaptation funding to developing countries.
- The EU Emissions Trading System must not be expanded by either linking with schemes outside of the EU or instituting sectoral trading with developing countries. Carbon markets cannot be a replacement for mandatory targets.

Targets for emission reductions

The Cancún agreement makes reference to the need to keep global temperature increases below 2°C. However, the reality is that the pledges made after Copenhagen could result in up to 5°C of warming.⁴ This is a death sentence for hundreds of thousands of people in the countries most vulnerable to the impacts of climate change. More ambition is crucial. To avoid catastrophic climate change, developed countries, including the EU, must make cuts of at least 40% in their greenhouse gas emissions by 2020, without offsetting, based on 1990 levels.⁵

The role of the EU:

The EU remains committed to a reduction of 20% by 2020, with an option to move to 30% in case of comparable effort from other countries. This conditional offer has not been enough to trigger an increased ambition on the part of other countries. It also falls far below the emission reductions of at least 40% by 2020 that climate science and the historical responsibility of the EU require. The high level of international offsetting that is allowed will further weaken this target.

As a result of the recent economic downturn, a 20% decrease in emissions by 2020 is little more than “business as usual” and the costs of reaching an increased target are now much lower than the estimates made when the target was set.⁶ Research from Friends of the Earth Europe and the Stockholm Environment Institute shows that domestic emissions reductions of at least 40% within Europe by 2020 are possible, and affordable.⁷

Within the discussions on Land Use, Land Use Change and Forestry (LULUCF)⁸, the EU is keen to agree accounting rules under which countries would set a “reference level” against which future emissions would be measured. This would mean countries are rewarded for increasing emissions (as long as this is below the reference level), allowing them to avoid making real cuts in emissions.

What the EU must do in the coming year:

- The EU must recognise that there is a massive gap between the emission reductions it has pledged, and what science demands.
- The EU must reduce emissions by at least 40% by 2020, without offsetting.
- The EU must push for clear and effective accounting rules for LULUCF.

⁴ “The Emissions Gap Report”, <http://www.unep.org/publications/ebooks/emissionsgapreport>

⁵ The International Panel on Climate Change (IPCC) has made it plain that 25-40% emissions cuts in developed countries will only offer a 50% chance of keeping global temperature increases below 2°C.

⁶ “Analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage”, http://ec.europa.eu/clima/documentation/brief/eu/docs/2010_05_26_communication_en.pdf

⁷ “The 40% Study, Mobilising Europe for Climate Justice”, <http://www.thebigask.eu/40percentstudy>

⁸ http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_lulucf.pdf
and http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_lca.pdf

Legal form

As well as lacking overall ambition, the Cancún deal relies upon a “pledge and review” system, under which countries are invited to make non-binding pledges to reduce their greenhouse gas emissions, which are subsequently reviewed. Pledge and review replaces the system established under the Kyoto Protocol which sets a clear overall aggregate target for total reductions in greenhouse gas emissions, based on the needs of climate science, and also sets binding emission reduction targets for developed nations.

The pitfalls of pledge and review are that it is not binding - countries are not obliged to keep to their pledges; the review process is unclear- with no compliance mechanism; the baseline year against which cuts have to be made is not specified allowing for confusion and gaming of the system, and there is no aggregate target for the total level of cuts to be made by developed countries. The expectation that pledges will be made by developing countries also undermines the principle of “common but differentiated responsibility”. This principle ensures that developed countries that have done most to cause the climate crisis cut their emissions first and fastest.

The Cancún conference suffered an early blow from Japan's announcement that it would not agree to make another commitment under the Kyoto Protocol. The conference never recovered from that blow and allowed blocking countries such as Russia to hide behind this. While the Cancún agreement has not killed off the Kyoto Protocol, the future of the protocol is uncertain. The agreement means there will be negotiations for a second commitment period to follow the first commitment period which comes to an end in 2012. But there is no reference to when these negotiations shall be concluded, nor do they ensure a second period. In fact, it leaves the door open to dismantle Kyoto.

The role of the EU:

The European Union position for Cancún attached conditions to support for the continuation of the Kyoto Protocol. Instead of making a clear commitment, the EU gave mixed messages that it would prefer a single instrument to govern the international climate regime after 2012, but was willing to “consider” a prolongation of the Kyoto Protocol. The EU demanded efforts from every country, especially from the US and other major economies, but also flexibility and effort from developing countries.

What the EU must do in the coming year:

- The EU must make an unequivocal commitment to a second commitment period of the Kyoto Protocol without loopholes such as international offsetting, or inadequate decisions on LULUCF accounting rules.
- In the absence of fair and legally binding aggregate emission reduction targets at EU or UN level, individual EU member states can meet their share of the climate challenge by setting legally binding targets for emission reductions through implementing strong and just national climate legislation.⁹

⁹ More information on the Big Ask campaigns for national climate legislation: <http://www.thebigask.eu>

Climate Finance and technology (mitigation and adaptation for non Annex I countries)

As well as cutting emissions at home, the developed world must provide adequate and appropriate transfers of finance and technology to ensure that developing countries can adapt to the impacts of climate change and develop sustainably. Any climate finance mechanisms must be designed to ensure human rights, including Indigenous Peoples' rights are protected, false solutions are rejected, and governance structures provide transparency and accountability.¹⁰

The new 'Green Climate Fund' has been welcomed as one of the greatest achievements of the Cancún summit. However, the fund is currently empty and there is no indication of how the money will be collected and through which channels it will be delivered. The \$100 billion proposed is far short of what is needed. The inclusion of funds from carbon trading and offsetting creates further problems, as the income is not reliable enough, and market mechanisms cannot be trusted to direct this crucial funding in the appropriate manner.¹¹

The World Bank was invited to have a fundamental role in this fund. Serious questions have been raised regarding the suitability of the World Bank to deliver on climate finance, as it is a major investor in fossil fuel projects, and lacks democratic control and accountability. Involving the World Bank in climate finance will also result in a significant part of climate finance flowing as loans, rather than grants, and will very likely come with conditionalities.¹²

With reference to technology transfer, two new institutions to analyse the issue were created, but nothing was said in terms of where the funds for these institutions will come from.¹³

The role of the EU:

The EU used the first week of the Cancún negotiations to make a key announcement on 'Fast Start Finance', claiming it is on the way to delivering the €7.2 billion it pledged in 2009.¹⁴ This is a first step to more transparency, but the figure is inadequate when compared to the scale of the challenge facing developing countries, and the historical responsibility of the EU.

The source of the money is also worrying. Much of the money being pledged is already counted as part of the official development assistance (ODA) commitment of EU countries. By refusing to state clearly that fast start finance will be additional to ODA, the EU is allowing member states to repackage existing pledges as "new". Member states can define their own rules on additionality since there is no common definition at EU level.

What's more, half of this cash is being provided in the form of loans, not grants and will simply shackle developing countries with more debt. The EU must also not be allowed to rely

¹⁰ "The abc of climate finance", <http://www.foei.org/en/resources/publications/pdfs/2010/abc-climate-finance>

¹¹ "Clearing the Air", http://www.foe.co.uk/news/clearing_air_26302.html

¹² "An Open Letter to the Governments Meeting at the 16th COP of the United Nations Framework Convention on Climate Change (UNFCCC) in Cancún", <http://www.worldbankoutofclimate.org/?p=29>

¹³ Parties have established a technology mechanism with a Technology Executive Committee and Climate Technology Centre and Network to increase technology cooperation to support action on adaptation and mitigation.

¹⁴ http://ec.europa.eu/clima/policies/finance/international_faststart_en.htm

on money from carbon trading (either payments for offsetting, or auctioning revenue from the Emissions Trading System) to meet its obligations to provide climate finance.

The EU also sees the World Bank clearly as one of the channels for the Fast Start Finance, despite the important concerns regarding its suitability for this role.

What the EU must do in the coming year:

- The European Union must provide transparent and appropriate finance, technology transfer and adaptation funding to developing countries.
- Within Europe, EU structural and cohesion funds must be redirected to promote energy saving and renewable energy. Redirecting EU funds can simultaneously reduce emissions, modernise energy systems and provide geopolitical security in new member states.
- EU financing for climate change mitigation should be governed by the UNFCCC, not the World Bank or regional banks such as the European Investment Bank. The World Bank and the EIB are the wrong institutions to control any financing for climate change.
- The EU must ensure money for climate finance is additional to ODA, and come from public sources - not carbon trading.

Carbon markets

While the future of the binding emission reduction targets included in the Kyoto Protocol is in doubt, the market-based “flexible mechanisms” established under the Protocol look set to continue, and increase. These mechanisms, such as the Clean Development Mechanism (CDM) allow rich industrialised countries, and the most polluting industries, to avoid reducing their emissions by buying credits on the international carbon market. International offsetting does nothing to reduce emissions, simply shifting the burden from the rich countries to the developing world. In many cases, the projects financed have caused significant social and environmental problems in the developing world. Offsetting also removes any incentive to create a just transition to a more sustainable economy within Europe.¹⁵

The inclusion of forests in carbon markets would be particularly damaging, allowing developed countries to continue increasing emissions at home, in return for buying forest sector offsetting credits.

Discussions in Cancún also prepared the ground for including Carbon Capture and Storage (CCS) to be included in the CDM.¹⁶ CCS is an expensive and unproven technology, which could lock countries in to increased use of fossil fuel. Allowing international offsetting credits for CCS will subsidise fossil fuel industries with money that could have been used for renewables and small-scale efficiency programmes.

¹⁵ “A Dangerous Distraction”, http://www.foe.co.uk/resource/briefing_notes/dangerous_distraction.pdf

¹⁶ http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_cmp_ccs.pdf

The role of the EU:

The Europe Union has been using international climate negotiations to push for the expansion of carbon markets, and international offsetting.

The European Union Emissions Trading System (EU-ETS) is failing to deliver emission cuts due to the over-allocation of permits (many given to companies for free; the ability to bank permits, and the inclusion of offsetting loopholes.¹⁷ Yet, the European Union plans to link this scheme up with other national carbon markets including Australia, Japan, New Zealand, and eventually China and other developing countries.

A single trading partnership assumes a free flow of emissions credits in a multinational carbon market – but standards within each regional and national system could be very different. This risks a race to the bottom: the country with the lowest standards (for instance high percentages of poorly verified offsetting) would effectively set the benchmark for everyone else. Any increase in the scale of the carbon markets is also likely to popularise the use of highly complex financial instruments – risking a burst carbon bubble with far greater economic, political and environmental consequences than the subprime crash.¹⁸

What the EU must do in the coming year:

- The EU-ETS must not be expanded by either linking it with schemes outside of the EU or instituting sectoral trading with developing countries. Carbon markets cannot be a replacement for mandatory targets under a binding international climate agreement, and adequate and appropriate public funding for climate finance in developing countries.
- The most dangerous loopholes in the EU-ETS must be removed by excluding international offsetting credits, stopping free permits to polluters, introducing a much tighter cap, and preventing the use of banked permits from earlier phases of the EU-ETS scheme.
- The EU-ETS should not be used as an argument to prevent other policies such as binding energy efficiency targets, or to prevent other measures at national level such as national climate laws to tackle industry emissions.
- International offsetting credits should not be allowed to count towards the emission reduction targets set for companies or governments. Forests, CCS and nuclear power should not be used to generate international offsetting credits.

¹⁷ "The EU Emissions Trading System: failing to deliver", http://www.foeeurope.org/climate/download/FoEE_ETS_Oct2010.pdf

¹⁸ "Subprime carbon", <http://www.foe.org/subprimecarbon>

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