

UNITED NATIONS DEVELOPMENT PROGRAMME

Bureau for Development Policy
Environment and Energy Group



Summary of UNFCCC Negotiations Panama City, Panama, 1-7 October 2011

In the last meeting before the UNFCCC Climate Change Conference in Durban, parties met in Panama City from 1 – 7 October, 2011. Two negotiating bodies were convened, the Ad Hoc Working Group on the Kyoto Protocol (AWG-KP) and the Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA). Over 1,800 participants came to Panama City, representing governments, intergovernmental and non-governmental organizations, academia, the private sector and the media.

This report provides a summary and analysis of the UNFCCC Panama City session. It reviews the main political issues and assesses the status of negotiations across the themes of the discussions. A guide to the major items that will be discussed in Durban (areas of agreement and areas of disagreement) and their possible implications for development are detailed in tables presented in Annex 1, covering the following issues:

- Mitigation for Developed Countries
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- Kyoto Protocol
- Adaptation
- Reducing Emissions from Deforestation & Forest Degradation (REDD+)
- Capacity Building
- Technology Development and Transfer
- Finance
- Loss and Damage
- Gender

As the tables indicate, the areas of agreement are overshadowed by vast disagreements on critical issues. This does not bode well for Durban. Furthermore some developed countries have stated that a key element of any legally-binding framework is the inclusion of emissions reductions by all major economies, including developing countries.

Last Stop before Durban

With COP 17/CMP 7 only seven weeks away, parties spent the Panama session further clarifying their negotiating positions and outlining their expectations for the Durban conference. The discussions centred around two issues: how to establish the **mechanisms agreed upon in the Cancun Agreements**, such as the Adaptation Framework, Technology Mechanism and REDD+, and **political issues**, such as the 2nd commitment period of the Kyoto Protocol and long-term finance.

In Panama, Parties shared their priorities, in terms of what should be included in a package in Durban. Developed countries were clear that any comprehensive agreement should contain emissions reductions by all major economies. They stated that the “1992 world” was no longer a sufficient way to

address greenhouse gas emissions and that mitigation pledges and actions by both developed and developing countries are necessary. Developing countries, however, emphasized that developed countries must increase their ambition and provide technical, financial and capacity building support across all the areas of the Cancun Agreements.

Designing the Gears of the Mechanisms

As mentioned above, parties continued to discuss and refine the institutions, governance, and functions of the mechanisms established in the Cancun Agreements. Some discussions made substantial progress. For example, on **Technology**, parties discussed the selection process of the host of the Climate Technology Centre and Climate Technology Network (CTCN). Parties debated the criteria and timelines for the host selection process, which will likely begin next year.

Similarly, on **REDD+**, parties continued to discuss the variety of financing options that could contribute to the full implementation of REDD+ results-based actions. Parties generally agreed to include various sources of funds, including both public and private finance. On **Adaptation**, parties focused on the operational modalities, procedures and composition of the Adaptation Committee, as well as the Committee's linkages to other elements under the Convention that address adaptation (including the Nairobi Work Programme and the National Adaptation Plans).

On **mitigation**, parties continued to discuss the many systems that would support transparency and accounting of mitigation pledges and actions, including Monitoring, Reporting and Verification (MRV), International Assessment and Review (IAR), Nationally-Appropriate Mitigation Actions (NAMAs), Biennial Reporting, and International Consultation and Analysis (ICA).

Mind the Gap: Political issues of the Kyoto Protocol and Long-Term Climate Finance

In Panama, parties emphasized the need to “avoid the gap” in two important areas: between the first and second commitment periods of the Kyoto Protocol and between the pledges for fast start and long-term climate finance.

The first commitment period of the **Kyoto Protocol** will expire at the end of 2012 and parties must find consensus on whether a 2nd commitment period will occur. Many developing countries see a 2nd commitment period as a critical component of any future regime on climate change, while many developed countries argue that a future regime should include mitigation commitments by all major economies. With Kyoto's expiration date getting closer, many developing countries argue that a gap between the 1st and 2nd commitment periods must be avoided and Annex I parties should come to Durban ready to make emission reduction commitments for a 2nd commitment period.

Likewise, on **finance**, parties discussed a potential gap between the \$30 billion pledged in Fast-Start-Finance (that concludes at the end of 2012) and the \$100 billion pledged by 2020. Many developing countries called for developed countries to make public pledges of climate finance that would be available to developing countries from 2013 to 2020 and beyond. Developed countries emphasized that, in order to be viable, long-term finance must include many sources, including the private sector and innovative sources such as carbon markets. They also see any long-term finance arrangement as closely linked to mitigation commitments by all major economies, including China and India.

A Balancing Act for Durban

Importantly, the Panama session also highlighted the concern of how to align both mechanisms and political issues into a streamlined and comprehensive package. Parties raised practical questions such as how different mechanisms relate to each other (e.g. how will capacity building support technology transfer?) and how the mechanisms link to political issues (e.g. how will nationally-appropriate mitigation actions relate to a potential 2nd commitment period of the Kyoto Protocol?). Moreover, parties face the challenge of aligning both the mechanisms and political issues with the financial structure being designed by the Green Climate Fund (GCF) Transitional Committee.

These issues will continue to be discussed in the lead up to, and at, the Durban conference. It is clear that any outcome in Durban must include both decisions on mechanisms and political issues, but how each of these will be addressed remains a key question. In Panama, parties were keen to find the right balance between critical areas, but more work will need to be done to find common ground. Parties will continue to provide more detail on views of how these positions can come together, but it remains to be seen whether this leads to an acceptable agreement in Durban.

Upcoming meetings

Although the Panama conference was the last session before Durban, parties will continue meeting to express their expectations for decisions to be adopted in Durban. These discussions will continue alongside the meetings of the Transitional Committee of the Green Climate Fund and a Ministerial meeting before the COP 17/CMP7. Planned meetings include:

- 16 – 18 October: 4th Meeting of the Transitional Committee of the Green Climate Fund
- 23-26 November: Pre-COP ministerial meeting and meeting with negotiators and stakeholders
- 28 November - 9 December: COP 17/CMP 7 in Durban, South Africa

Annex: Issue-by-Issue Analysis

Mitigation for Developed Countries

Scaled-up mitigation efforts by developed countries are a key part of the Cancun Agreements. Developed countries are urged to increase the ambition of their economy-wide emission reduction targets and expected to submit annual greenhouse gas inventories and biennial reports on their progress in achieving emission reductions. These reports will undergo an International Assessment of Emissions and Removals (IAR).

Areas of Agreement	<ul style="list-style-type: none"> • Developed countries will provide information in biennial reports on their emissions, targets, progress achieved, and provisions of support to developing countries • A technical review will be carried out based on greenhouse gases (GHGs) inventories, biennial reports and National Communications • IAR: could serve several purposes – e.g., confidence building, increasing learning-by-doing, measuring progress • IAR should avoid duplication between the different reviews and build on existing processes and to ensure that it is an efficient process • IAR should focus on progress to targets • IAR modalities and guidelines are necessary
Remaining Disagreement/Areas to Clarify	<ul style="list-style-type: none"> • How to design a common accounting framework for GHGs • How to address the gap between the reduction pledges and the global goal • The role of sectoral approaches (agriculture, international aviation and maritime transport) • The role of market approaches – how can they be used in the future regime? • Use of mechanisms in absence of 2nd commitment period under the Kyoto protocol? • Link between IAR and compliance process. What are the consequences of IAR? • Should there be differentiation within IAR (e.g. less for smaller countries)? • Should comparability of efforts be measured? How? • What is the scope of IAR? Should it include projections and/or support information? • Will the output of IAR be a technical review or assessment report(s)? How often will this be conducted?
Implications for Development	<p>Developed country mitigation must be the driving force behind a global climate regime, creating a market for carbon credits and promoting development of low-carbon technologies. Current level of ambition of reduction pledges does not guarantee the 2°C target. If the use of mechanisms is restricted after 2012, this may negatively affect incomes of the Adaptation funds, where the share of proceeds from CDM is the main sources of finance. IAR can provide a useful assessment of achievements towards targets.</p>

Commitments for Annex I Parties under the Kyoto Protocol

The adoption of the second commitment period in Durban is seen as a corner stone by all developing countries. Current pledges by developed countries are not sufficient to contribute substantially to the global goal of 2°C, and, moreover, the US—the world’s second largest emitter—is not a party to the treaty. Some developed country parties to the Kyoto Protocol – Japan, Russia and Canada – have stated that they will not join a 2nd commitment period while others – Australia and New Zealand – see a 2nd commitment period as a transition toward a global treaty. The adoption of the 2nd CP is conditioned by completion of technical work on mechanisms, sectors, rules for accounting of land use and forestry activities and others. While in Panama, the progress on technical issues was substantial, there are still many political issues to be decided in Durban.

Areas of Agreement	<ul style="list-style-type: none"> • There are political and technical issues to be decided • Technical work on LULUCF, mechanisms, sectors
Remaining Disagreement	<ul style="list-style-type: none"> • Adoption of the 2nd commitment period • Level of ambition of the Annex I country pledges • How to transform pledges to the commitments • The length of 2nd commitment period • What to do with the carry-over of assigned amount units from first CP • Functioning of mechanisms without the 2nd commitment period? • Whether nuclear activities can be considered as an activity under the flexible mechanisms • Share of proceeds to be applicable also for other mechanisms, not only CDM
Implications for Development	Failure to agree on the large political issues, including the 2 nd commitment period of the Kyoto Protocol, threatens to stall the Durban negotiations. Moreover, without urgent action, the global goal of limiting temperature increases to 2°C may be surpassed, amplifying negative implications of climate change on developing countries

Mitigation for Developing Countries

In Panama, parties continued to discuss how Nationally-Appropriate Mitigation Actions (NAMAs) can be moved forward, including the formats and processes for submitting NAMAs.

<p>Areas of Agreement</p>	<ul style="list-style-type: none"> • Developing countries will develop low emission development strategies that include Nationally-Appropriate Mitigation Actions (NAMAs) • Developed countries will provide financing, capacity building and technology for <i>some</i> NAMAs, although the means for which is unclear • Supported NAMAs will be internationally recorded in a NAMA registry, and their implementation monitored, reviewed, and verified (MRV) • Unsupported NAMAs will be subject to domestic MRV and reported through new, enhanced National Communications every four years. In addition, developing countries are required to submit biennial reports that include greenhouse gas inventories information on mitigation actions, needs and support received • A process of International Consultation and Analysis (ICA) will be developed for biennial reports • LDCs and SIDS will be exempt from undertaking <i>unsupported</i> NAMAs
<p>Remaining Disagreement</p>	<ul style="list-style-type: none"> • The specific definition, content, and requirements for NAMAs • Guidelines for biennial reporting that facilitate the presentation of information on finance, technology and the capacity- building support needed/received. • What levels of capacity building support and necessary for biennial reporting? • Facilitation of support for NAMAs and guidelines for the MRV • The scope of mitigation “ambition.” Developing countries argued that the concept of ambition does not apply to them and there is no need to regularly update the list of NAMAs and to submit new or updated information on mitigation actions. • What type(s) of financing to support the preparation and implementation of NAMAs is necessary, including support for institutional arrangements at the national level. • Developed countries called for more comprehensive information on the mitigation actions of developing countries, with the aim of understanding the diversity of actions as well as the effects of the actions.
<p>Implications for Development</p>	<ul style="list-style-type: none"> • The main sources of global emissions are all closely linked to the MDGs • Reducing emissions should be undertaken in the context of national priorities for poverty reduction and the MDGs. • NAMAs will require informed investment choices, national policies, and regulations

Two important elements of the discussion included the modalities for the “registry” that will compile information on NAMAs and the procedures for international consultation and analysis (ICA). More detail on these two elements is provided below.

Registry

Areas of Agreement	<ul style="list-style-type: none"> • The main function of the registry will be to collect information on NAMAs seeking international support and to match them to the support available from developed countries • A separate section of the registry will compile information on domestically-implemented NAMAs • Main pieces of information on NAMAs to be submitted to the registry seeking for support • SBI will further elaborate the features of the registry
Remaining Disagreement	<ul style="list-style-type: none"> • The modalities for matching NAMAs to support – is this led by the registry or the GCF? • Format for the NAMAs submitted to the registry - developed countries would like a more formal approach, while developing countries want full flexibility
Implications for Development	The registry will provide an internet-based platform to match NAMAs with support. This will provide important information on country-driven approaches to climate change.

International Consultation and Analysis (ICA) – possible elements, modalities, and procedures

Areas of Agreement	<ul style="list-style-type: none"> • ICA must be based on sound technical footing • The objective of ICA is improved transparency of mitigation actions and effects • Different frequencies of ICA may be needed for different countries • Capacity building and learning-by-doing are important aspects of ICA • ‘Full-time’ experts (as well as national experts) may be needed to help prepare ICA • There is a need for expedited funding for reporting in order to get inputs for ICA ready to be used for 2013-2015 review
Remaining Disagreement	<ul style="list-style-type: none"> • ICA (not) analysing countries performance • Timing and frequency; scope; content of analysis; output; format for international consultations
Implications for Development	Recognition of the mitigation measures by developing countries can contribute to keeping global temperature increase to below 2 degrees.

Adaptation

The adaptation discussions in Panama focused on the design of the Adaptation Committee, with several submissions outlining different operational modalities, procedures, composition and activities under the Adaptation Committee mandate. The biggest issues going into Durban are composition of the Committee, its linkages with existing or future institutions and elements under the Convention (NWP, GCF, NAPs, etc.) and the role of the committee in supporting UNFCCC financial mechanisms.

Areas of Agreement	<ul style="list-style-type: none"> • Adaptation Framework that includes support to adaptation planning, programmes and projects, vulnerability assessments, strengthening institutional capacities, disaster risk reduction, and knowledge and information • Adaptation Committee to promote the implementation of enhanced action on adaptation in a coherent manner; • National Adaptation Plans (NAPs) for least developed countries and other developing countries to identify medium and long-term adaptation needs and implementing strategies to address those needs.¹ • Established regional centres and networks, as well as an international centre • Linkages to funding mechanisms of the UNFCCC, including the Green Climate Fund
Remaining Disagreement	<ul style="list-style-type: none"> • Composition for the Adaptation Committee, including percentage of representation from different regions, • Linkages to other institutions, NAPs, and the Green Climate Fund; • The role of the Adaptation Committee in reviewing proposals for projects/programmes under the GCF or other UNFCCC financial mechanism • How to define which countries are the most vulnerable? • Mechanisms and institutional arrangements of the Adaptation Framework
Implications for development	<ul style="list-style-type: none"> • Without effective adaptation, climate change threatens to undo decades of development. It is therefore critical to pursue climate-resilient development assistance and strengthen the capacity of national institutions to incorporate adaptive capacity and building resilience into development and budget planning. • With smart planning, adaptation now offers an opportunity to improve climate resilience through MDG achievement and poverty reduction.

¹ NAPs are considered separate from National Adaptation Programmes of Action (NAPAs). While NAPs focus on medium and long-term adaptation needs, NAPAs focus on urgent and immediate adaptation actions.

Technology Development and Transfer

Areas of Agreement	<ul style="list-style-type: none"> • Goal to establish the Climate Technology Centre and Climate Technology Network (CTCN) in Durban • CTCN should start its work as soon as possible, preferably in 2012 • The CTCN should keep a balance between mitigation and adaptation technologies consistent with the needs, requests, and capabilities of developing countries. • Parties should maintain neutrality when advising on environmentally sound technologies • UNFCCC Secretariat will provide technical assistance with the preparation of the CTCN host selection procedure documents • There is a general consensus that CTCN should be hosted by an international or UN organisation with appropriate network and proven experience in technology • Host organisation has to provide substantial in kind resources
Remaining Disagreement	<ul style="list-style-type: none"> • Whether the governance of the CTCN should be the Technology Executive Committee or independent governing structure • The selection process and criteria for choosing a host for the CTCN: who will do the selection (TEC or expert panel of six experts) • Time lines and the role of the SBI in the selection process • The link of the CTCN to the Green Climate Fund and to the Adaptation Committee
Implications for development	<ul style="list-style-type: none"> • If there is no decision on CTCN in Durban, the activities of the CTCN may be delayed by one year

Reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries (REDD+)

Areas of Agreement	<ul style="list-style-type: none"> • Parties reached consensus on REDD+ as part of the Cancun Agreements, pledging to work toward defining the scope, elements, approach, scale and safeguards for REDD+, as well as the need to define financing options and methodological issues. • Parties are exploring financing options for the full implementation of REDD+ results-based actions. Parties agreed that public financing should play a greater role in the readiness phase, but that a basket of alternative financing options should be considered for the third phase. • Parties agreed to work on the definition of forests; develop modalities relating to reference levels and forest monitoring systems; develop guidance relating to safeguards; and develop modalities for MRV anthropogenic forest-related emissions by sources and removals by sinks, forest carbon stocks and forest area changes resulting from the implementation of REDD + activities.
Remaining Disagreement	<ul style="list-style-type: none"> • Role of the carbon markets on financing for the result-based phase of REDD+ • Developing countries are concerned on guidelines from SBSTA being too prescriptive and stringent reporting requirements and this will be opposed by developed countries
Implications for development	<ul style="list-style-type: none"> • The critical link between forestry and livelihoods makes REDD+ a major opportunity to support development and poverty reduction efforts. • Financing available for REDD+ offers an opportunity for those who depend on forests to build more sustainable livelihoods. • For forested developing countries, REDD+ offers the primary opportunity to benefit from climate mitigation financing and catalyse the transformation toward low-emission, climate-resilient development.

Capacity Building

Capacity building is a cross cutting issue that is essential to ensuring effective mitigation and adaptation. Within the negotiations, there is a disagreement among parties over whether there should be a specific source of funding and technical support or instead whether this issue should be mainstreamed in all other areas. It is critical that capacity building is effectively represented in a post-2012 climate regime and that sufficient funding is allocated to this area.

Areas of Agreement	<ul style="list-style-type: none"> • Capacity building is a necessary element to any climate change agreement • Capacity building must be supported with technical and financial assistance • Reporting mechanisms for capacity building should be effective and not increase the burden on developing countries
Remaining Disagreement	<ul style="list-style-type: none"> • Whether to create an additional capacity building institution/expert group that provides coordination, as well as monitoring and reporting on capacity building activities • Whether capacity building is treated as a “stand alone” or “cross-cutting” issue and linkages to the CTCN and others mechanisms • The identification of performance indicators (and/or potentially reporting through the National Communications) for the review of capacity building in developing countries • The modalities for and review of financial support for capacity building activities –one window/fund should provide support or capacity building mainstreamed into mitigation, adaptation windows/funds, etc. • The role of the private sector in capacity building • Modalities for monitoring and review
Implications for Development	<ul style="list-style-type: none"> • It is clear that an immense gap exists between the ambitions being discussed in the negotiating text and the actual capacity of countries to implement and access resources to finance actions to fight climate change and promote development. Capacity development is critical to ensure that developing countries—especially the most vulnerable—can make informed investment and technological decisions with respect to climate change.

Finance

Finance is a cross-cutting issue within the climate change negotiations and covers a number of different elements. In Panama, negotiators focused on two key issues: the Standing Committee that will improve coordination and coherence of climate change finance and commitments for long-term finance from developed countries. In parallel to the discussions – and outside the formal negotiations—a Transitional Committee is working to design the Green Climate Fund. The Transitional Committee will report on its work in Durban.

Areas of Agreement	<ul style="list-style-type: none"> • Scaled-up, new and additional, predictable and adequate funding shall be provided to developing countries. This finance should have a balanced allocation between mitigation and adaptation. • There was agreement that international organisations should continue to support assessments of investments and financial flows needed to address climate change in developing countries, following work by UNFCCC Secretariat and UNDP.
Remaining Disagreement	<ul style="list-style-type: none"> • <i>On the design of the Standing Committee</i>, there is some convergence that the committee should provide a coordination function. However, developed countries call for the Standing Committee to play an advisory role that supports information sharing and encourages synergies between sources. Developing countries, however, advocate for a very active Standing Committee that would have an operational, regulatory and oversight role. Some developing countries argue that the Standing Committee should have a permanent status by making it a Subsidiary Body (alongside the SBI and SBSTA), directly reporting to the COP, whereas most developed countries argue the Standing Committee should be under the SBI. • <i>On a potential gap between fast start and long-term finance</i>, governments emphasized that there should be no gap between the two periods. Many developing countries also state that fast start finance lacked transparency, consistency and clarity on access modalities and that this should be avoided with long-term finance. • <i>On long-term finance</i>, developing countries call for public commitments by developed countries that would pledge scaled-up funds toward activities after 2012. Governments also discussed transparency, emphasizing that finance should closely be monitored. • <i>On the role of the private sector</i>, governments emphasize that, in order to reach adequate levels, long-term finance must include investments from the private sector. However, the role of the private sector is debated, with many developing countries arguing that private sector investments should stem from public funds provided by developed countries and that adaptation funds in particular should be ensured by predictable public allocations. • <i>On the Green Climate Fund</i>, the Transitional Committee continues to hold regular meetings and work on the scope, governance, and operations of the Fund. Many developing countries argue that the GCF should be capitalized immediately to endorse the GCF design and attract private investors.

Implications for Development	<ul style="list-style-type: none">• Outcomes from the finance negotiations are critical to the effective implementation of the Convention.• This requires a ramping up of finance volumes in a coordinated manner. A clearly defined role for the standing committee is essential in this regard.• The governance structure, thematic windows, access modalities, operationalisation and agile capitalisation of the GCF will also be key.
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Gender and Climate Change

<p>Areas of Agreement</p>	<p>Gender is referenced throughout the discussions as a cross-cutting issue:</p> <p>Enhanced action on adaptation</p> <ul style="list-style-type: none"> • This text includes references to gender considerations, - “ Emphasizing the work of the adaptation committee should be guided by the principles of the conventionand should take into account gender perspectives” • Urges parties to ensure the membership of the adaptation committee takes into “account gender balance in accordance with the decision 36/CP.7;” <p>Technology: Gender equality texts suggestions have been tabled and retained in Agenda item 3.5 - draft text for a draft decision, on Technology development and transfer, to be negotiated by parties in Durban.</p> <p>Finance: Advocacy and technical support efforts will continue to ensure gender equality considerations are fully integrate in Long-term finance COP decisions, and to facilitate gender balance in the standing committee on the Financial Mechanism under the COP.</p> <p>Parallel efforts are being carried out to position gender considerations in the GCF</p>
<p>Remaining Disagreement</p>	<p>Awareness on the importance of gender equality considerations is now well accepted. The remaining challenge is how to practically sustain the integration of gender considerations in global policy and in climate change programming.</p>
<p>Implications for Development</p>	<p>Integrating gender into global climate change policy will facilitate equal participation of women and men in decision making, facilitate equal access to resources, more inclusive growth, and will enhance efficiency in climate change policy and programme implementation.</p>

Loss and Damage

Areas of Agreement	<ul style="list-style-type: none"> • To establish a work programme in accordance with the Cancun Agreements to address loss and damage associated with climate change and its impact; • The need to strengthen international cooperation and expertise in order to understand and reduce loss and damage with adverse effects of climate change, extreme weather events and slow onsets. • Agrees thematic areas are as follows: Assessing risk of loss and damage; approaches to address loss and damage; Role of the convention enhancing implementation of a loss and damage programme
Remaining Disagreement	<ul style="list-style-type: none"> • Negotiations on the loss and damage work programme stalled due to increased discussions on response measures. <p>Ways forward:</p> <ol style="list-style-type: none"> 1. The issue on loss and damage will be discussed at COP17 in Durban. Despite agreement to continue discussions in Panama, L&D discussions were instead referred to continue at Durban. 2. Parties and relevant organizations have submitted their views and information to the UNFCCC secretariat in preparation for COP17. <ul style="list-style-type: none"> ➤ SBI requests the UNFCCC Secretariat to explore possibility to convene expert meeting if possible. ➤ SBI continues to elaborate on the details on the broad thematic areas. In order to generate knowledge for making recommendations on L&D to the COP at its 18th session in 2012, the following elements shall be considered: a) Possible development of a climate risk insurance facility to address impacts associated with severe weather events; b) Options for risk management and reduction; risk sharing and transfer mechanisms such as insurance, including options for micro-insurance; and resilience building, including through economic diversification; c) Approaches for addressing rehabilitation measures associated with slow onset events; and d) Engagement of stakeholders with relevant specialized expertise