

## Challenges and Outcomes at COP-9

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### 1. Introduction

The Ninth Conference of the Parties (COP-9) to the United Nations Framework Convention on Climate Change (UNFCCC) took place in Milan, Italy, between 1-12 December 2003. The nineteenth sessions of the COP's two subsidiary bodies, the Subsidiary Body for Implementation (SBI-19) and the Subsidiary Body for Scientific and Technological Advice (SBSTA-19), took place concurrently. From the start, COP-9 was not expected to be a high profile or ground-breaking conference. With the future of the Kyoto Protocol – the major instrument adopted by the international community to tackle climate change – contingent on Russia's uncertain ratification, COP-9 did not start in a particularly upbeat mood. Participants arrived in Milan with a range of issues needing resolution, including the controversial guidelines for sinks in the Clean Development Mechanism (CDM), guidance for the Special Climate Change Fund (SCCF) and implications of the Intergovernmental Panel on Climate Change (IPCC) Third Assessment Report (TAR) to the climate regime. With attendance of ministers at a level not seen since COP-6 in 2000, the pace of the conference did however manage to pick up, with decisions on significant items finally being adopted. Over twenty decisions were taken at

COP-9 and a number of conclusions, many of which had been agreed at SB-18 in Bonn in June 2003. This briefing note attempts to assess progress made at COP-9 on these various issues.

### 2. An assessment of outcomes

From the outset it became evident that the importance of the developing country issues had been underestimated by negotiators and the secretariat, as the most challenging negotiations were expected to be those on land use, land-use change and forestry (LULUCF). In the end, funding quickly emerged as the most contested and difficult issue, where major disagreements within and between negotiating groups became most apparent. The other developing country issues, particularly adverse effects and non-Annex I (developing countries) national communications, set a questionable tone in the opening of SBI-19, by contributing a lengthy discussion on how these matters should be treated. Of particular importance was the phrasing of agenda items, but even once this had been agreed, those negotiations did not reach what can be considered "successful" outcomes. If success is evaluated based on reaching agreement, then it was successful – however the significance of the contents of the LDC Fund decision remains open to discussion. Some believe that the scramble to come up with an LDC Fund decision only means that what has been agreed will cause troubles in the near future, and will have to be renegotiated. With the adoption of the CDM/LULUCF decision, COP-9 concludes the Buenos Aires Plan of Action (BAPA) negotiations, which in itself is historical.<sup>1</sup>

### CDM and sinks

The inclusion of forestry-based activities under the Clean Development Mechanism (CDM) has been a contentious issue in the history of the Protocol, creating major rifts between the EU and some Umbrella group members<sup>2</sup> and also within G77. The Marrakech

<sup>1</sup> See Dessai *et al.* (2004) for a historical account of the implementation of the BAPA.

<sup>2</sup> The Umbrella Group represents a loose alliance of Annex I States not affiliated with any other negotiating group, and includes Australia, Canada, Iceland, Japan, New Zealand, Norway, the Russian Federation, Ukraine and the US.

Accords<sup>3</sup> agreed that only afforestation and reforestation (A&R) activities would be eligible under the CDM, but the definitions and modalities for inclusion of such project activities during the first commitment period were to be adopted at COP-9.

Pre-sessional consultations on definitions and modalities were based on the draft negotiating text from SBSTA-18 on CDM forestry modalities and procedures, and outlined a new negotiation text prior to the official start of COP-9. However, crunch issues remained, such as the reference year for reforestation activities, whether to account for positive leakage, how to deal with non-permanence, defining appropriate Certified Emission Reduction units (CERs) and how to ensure that projects would account for environmental and socio-economic impacts.

The adoption of a decision on modalities and procedures for A&R under the CDM was an important step for the conclusion of the BAPA.<sup>4</sup> In the decision the baseline year was kept at 1989 and accounting for positive leakage was excluded. Regarding the issue of non-permanence, the decision defined two types of CERs: a *temporary CER* (tCER), which expires five years after its issue and a *long-term CER* (lCER), which expires at the end of the crediting period of the project activity. Both should be replaced after their expiry date and lCERs may also be subject to replacement when the five-year Designated Operational Entity evaluation indicates a reversal of net anthropogenic greenhouse gas removals by sinks. The decision establishes the crediting period for an A&R activity under the CDM at either 20 years, which may be renewed at most twice (up to sixty years), or a maximum of 30 years. In relation to projects' environmental and socio-economic impacts, the decision removed the prior contentious Appendix E that had been an element of the draft negotiating text coming out of SBSTA-18, and included a more general list of criteria in its Appendix B, which outlines the information required in the Project Design Document. The sequestration threshold for small-scale activities was put at 8 KtCO<sub>2</sub>eq/year but due to lack of time and technical preparation, simplified modalities and procedures for small-scale projects could not be approved on this matter and a decision was postponed to COP-10 as this issue only emerged halfway through COP-9 at the insistence of a group of Latin American countries.

<sup>3</sup> See Boyd and Schipper (2002) or Dessai and Schipper (2002) on the Marrakech Accords.

<sup>4</sup> FCCC/SBSTA/2003/L.27

The nature of the decision has made clear that all major groups have compromised their views on the issue as a way of supporting the Kyoto process. Developing countries such as Mexico, Bolivia and Colombia renounced to some of their aspirations regarding the baseline year and the EU was more conciliatory by making considerable trade-offs in the area of environmental and socio-economic criteria. Toward the end of the negotiations, some EU countries signalled their commitment to build a bridge between Parties by resolving a conflict within the Group of 77 (G77)<sup>5</sup> regarding the sequestration threshold for small-scale projects.

The decision has finally clarified the rules of CDM-forestry activities to carbon buyers and sellers and, therefore, the carbon market in this sector may continue to grow (Lecocq and Capoor, 2003). We may expect that several land use, land-use change and forestry activities currently in their early development stages will consider pursuing CDM validation and registration in the near future. However, the decision outcomes may also be interpreted as problematic. Environmental and socio-economic considerations within the project design document do not categorically prohibit the use of genetically modified organisms and invasive alien species in projects, leaving such decisions in hands of host countries legislation. More importantly, they do not incorporate aspects that are central to sustainable development, such as the distribution of knowledge and power within projects' decision-making frameworks, the distribution of carbon economic and institutional benefits across forest resource managers, or the careful consideration of the projects' potential gendered bias, among other important aspects. The practical responsibility for sustainable development falls upon the host country national authority and its NGOs, which are expected to have the expertise and knowledge about the needs of the local communities where projects develop. Therefore, project developers, national authorities and designated operational entities will have to encourage a cross-scale inclusionary and participatory process if CDM-forestry projects are expected to deliver sustainable development in a context of credibility and legitimacy (Brown and Corbera, 2003).

### **Good practice guidance for LULUCF**

As part of the methodological work programme, and in accordance with the Marrakech Accords decision on land use, land-use change and forestry (LULUCF)<sup>6</sup>, Parties at COP-9 were expected to adopt the 'IPCC Report on Good Practice Guidance for Land Use, Land-

<sup>5</sup> UN developing countries lobbying group that was founded in 1964 and later expanded to represent 133 nations.

<sup>6</sup> Decision 11/CP.7

Use Change and Forestry', approved by the IPCC Plenary at its 21<sup>st</sup> session in November 2003, as well as the draft common reporting format tables for reporting emissions and removals from sinks. Also under this agenda item was consideration of two other IPCC reports: one on definitions and methodological options to inventory emissions from human-induced degradation of forests and devegetation of other vegetation types (known as degradation and devegetation), and another one on the current scientific understanding of the processes affecting terrestrial carbon stocks and human influences upon them (known as factoring out)<sup>7</sup>. A technical paper on accounting for harvested wood products was also taken up by the same negotiating group.

Negotiations proceeded smoothly until deadlock appeared on the seemingly straightforward and highly technical issue of the good practice guidance. Here the Alliance of Small Island States (AOSIS) halted the swift adoption of the good practice guidance for reporting both under the Convention and the Protocol, emphasising insufficient time to fully consider the report by national experts<sup>8</sup>. As a consequence, the good practice guidance was adopted for reporting under the Convention, but not yet under the Protocol. The decision regarding their use for reporting under the Protocol was postponed until COP-10. Although at the time many Parties urged the adoption of the good practice guidance for both Convention and Protocol in order to be ready for the prompt entry into force of the Protocol, this deferral can hardly be considered a major setback. Parties will be using the GPG in preparing annual inventories due in 2005, while testing and submitting their views on the draft tables for LULUCF activities under the Protocol in time for SBSTA-20.

Numerous other issues under this agenda item remain for consideration at SBSTA-20. These include the IPCC report on degradation and devegetation and the issue of estimation methods relating to harvested wood products. Also left for

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<sup>7</sup> "Factoring out" since it involves the factoring out of direct human-induced changes in carbon stocks and greenhouse gas emissions and removals by sinks, from those due to indirect human-induced and natural effects and past practices in forests.

<sup>8</sup> The report is lengthy and complicated and had just recently been approved by the IPCC, so that experts from many developing countries had had no time to go through it. Among the reasons for carefully assessing the report is that key definitions (such as that of forests) had changed from those used in the 1996 IPCC Guidelines, possibly affecting the estimation of carbon stocks under the Protocol (Personal communication with I. Fry).

further discussion is the IPCC report on factoring out, which essentially states the current scientific inability to provide a practical methodology that would distinguish and account for different effects on changes in carbon stocks for any broad range of LULUCF activities. This will certainly prove an important challenge for the scientific community in the years to come.

### ***The Special Climate Change Fund***

The operationalisation of the Special Climate Change Fund (SCCF) was one of the major outputs of COP-9, but negotiations were difficult. The SCCF was created by the Marrakech Accords to finance climate change activities in the areas of adaptation, technology transfer, certain specific sectors (e.g., energy transport and agriculture), and activities to assist oil-producing countries diversify their economies (Dessai, 2003). At COP-8, Parties decided to initiate a process to provide further guidance to the GEF so that a decision would be adopted at COP-9.<sup>9</sup> At SBI-18, it was noted that Parties identified adaptation (to the adverse effects of climate change) as a top priority for funding, as well as technology transfer and its associated capacity building activities.<sup>10</sup>

Negotiations began in an encouraging spirit, but as soon as the co-chairs of this contact group tabled draft text, dissatisfaction and frustration became apparent. The co-chairs' draft suffered numerous iterations – slightly different versions emerged every other day – but the contact group was unable to resolve certain disputes. Disagreement continued through to the closing SBI-19 plenary, where Parties agreed to forward the draft decision to the COP President for resolution. The contentious sections included the linkages with the Millennium Development Goals,<sup>11</sup> the information required to implement adaptation activities, and most importantly the issue of economic diversification. Much controversy was apparent within the negotiating groups, specifically within the EU and G77. Among other things, laws in individual EU countries were prohibiting them from agreeing to certain provisions in the draft decision, and this led to protracted and tense negotiations in small groups. Eventually agreement was reached within, and between, negotiating groups, and a decision was adopted on the last day of the conference.<sup>12</sup>

The adopted decision gives top priority to adaptation activities, emphasising that activities should be country-driven, cost-effective and integrated into national sustainable development and poverty-

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<sup>9</sup> Decision 7/CP.8

<sup>10</sup> FCCC/SBI/2003/8

<sup>11</sup> See <http://www.developmentgoals.org/>

<sup>12</sup> FCCC/CP/2003/L.8

reduction strategies. The SCCF will also finance technology transfer and its associated capacity building. The implementation of adaptation activities will be informed by national communications or least developed country (LDC) national adaptation programmes of action (NAPAs) and other information provided by the Party. Adaptation activities will be implemented in a range of areas such as water resources management, agriculture, integrated coastal zone management, monitoring of vector-borne diseases and coping with disasters emanating from extreme weather events. The controversial issue of economic diversification was postponed until COP-10, but in the meantime Parties have been asked to submit their views on activities to be funded in this area and also the other sectors the fund considers.

To some, it was clear that the adoption of a decision was better than having no decision, as this would have stalled the operationalisation. However, the bickering negotiations between the EU and the South almost led to a collapse, partially due to the EU's return to "bunker" mentality. According to many Northern delegates, if economic diversification was to be included in the activities to be funded under the SCCF, developed countries would be unable to raise any money with their ministries of finance for this fund, and so the SCCF would remain empty since contributions are voluntary. For the South, in particular Saudi Arabia, this was "backtracking" on the adopted Marrakech Accords. Prioritising adaptation in the SCCF was an important feat, since human-induced climate change is now detectable at the regional scale (Karoly *et al.*, 2003), climate change impacts are now detectable in ecosystems (Parmesan and Yohe, 2003; Root *et al.*, 2003) and these are expected to worsen in the future (Thomas *et al.*, 2004). The battle over economic diversification has been postponed, but it will not be easily resolved.

### **LDC Fund**

This particular issue was to blame for dragging out the closure of the conference. The matter of the Least Developed Country (LDC) Fund began quietly in informal meetings, and ended with a marathon negotiation session involving the Minister of Environment from Tanzania heading the LDCs, the President of the COP and numerous Annex I countries. The Marrakech Accords adopted the LDC Fund to support the LDC work programme, which includes the preparation of NAPAs. At COP-8 Parties agreed that further guidance for the operation of the LDC Fund would be necessary, and this was reinforced at SBI-18. It was therefore up to Parties in Milan to decide on this. However, at the final

meeting of SBI-19, the co-chairs of the informal consultations reported that no agreement had been reached on further guidance to the LDC Fund. Discussion then broke out in plenary, amidst protests from the LDCs about the lack of progress. The SBI was forced to forward the issue directly to the COP, and the matter was handled in a small, informal negotiating group. The final decision requests the Global Environment Facility (GEF) to consider numerous elements when developing the operational guidelines for funding the implementation of NAPAs, including criteria for supporting activities on an agreed full-cost basis, taking account of the level of funds available, and the urgency and immediacy of adapting to the adverse effects of climate change.<sup>13</sup> It also highlights a country-driven approach, and equitable access by LDCs to the Fund. The implementation of the decision will be further assessed at COP-10.

It is difficult to assess whether the adoption of this decision was a positive or negative outcome. Negotiations on the guidelines for preparation of NAPAs were long and seemingly well crafted; the decision adopted at COP-9 was rushed and prepared under much pressure. The decision also leaves much of the resolve of how to implement NAPAs in the hands of the GEF, which only seems to move the debate from the UNFCCC to the GEF Council, where LDCs probably have less bargaining power than donor countries. This issue is certainly one to look out for in the future as we move closer to the implementation of adaptation activities in LDCs.

### **Progress on implementation of decision 5/CP.7**

Decision 5/CP.7 originates in the Marrakech Accords and relates to the implementation of Article 4.8 and 4.9 of the Convention, as well as Articles 2.3 and 3.14 of the Protocol (see Barnett and Dessai, 2002), mainly dealing with the adverse effects of climate change, the LDCs, the impact of response measures and other multilateral work (mainly workshops). Measuring progress is by no means straightforward since decision 5/CP.7 serves as an umbrella for a whole range of activities. This discussion resulted in a set of SBI conclusions containing a bracketed negotiating text that will be addressed again at SBI-20.

There were positive pre-session consultations on this topic where the chair of SBI produced a background paper which identified areas to be discussed. During COP-9, a contact group met several times, but no decision was agreed. Instead, the whole draft decision remains bracketed and annexed to the SBI conclusions, which request Parties and others to submit information

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<sup>13</sup> FCCC/CP/2003/L.9

on activities relating only to the adverse effects of climate change according to decision 5/CP.7.

The bracketed draft decision was first proposed to Parties by the negotiating group co-chairs and subsequently suffered various changes by the Parties. For example, developed countries wanted to note the "significant progress" in implementing 5/CP.7, whereas developing countries want to note the "limited progress". Other parts of the text are more promising focusing on insurance, risk assessment and risk transfer mechanisms. There is also reference to regional workshops and a range of actions under the umbrella of response measures, including the establishment of an expert group on economic diversification.

Postponing a decision to the next SBI was the easy way out for Parties, but this comes at a price to the vulnerable communities and countries identified in Article 4.8 and 4.9. The fact that the impact of the implementation of response measures are included in this agenda item make it extremely difficult to move forward, which shouldn't be the case (see Barnett *et al.*, 2004).

### **Capacity building**

The aim of discussions at COP-9 was to review the Marrakech Accords' decisions on capacity building in developing countries<sup>14</sup> and in economies in transition (EITs)<sup>15</sup>. Parties adopted one decision at COP-9 without considerable controversy.<sup>16</sup> In this decision, they agreed to complete a comprehensive review of the implementation of the capacity-building framework in developing countries by COP-10, after which such a review will be carried out on a five-year basis. For EITs, such a comprehensive review will also be completed by COP-10, but the frequency of further such reviews will be determined by a review of the national communications of those countries.

### **Additional guidance to the GEF**

A decision that provides additional guidance to the GEF beyond the original agreement between the UNFCCC and GEF was compiled based on outcomes from negotiating groups on national communications, capacity building and technology transfer.<sup>17</sup> On national communications, the COP decided that the GEF should monitor the

performance of the "global project"<sup>18</sup> to support the preparation of national communications, and provide finance in a timely manner to non-Annex I Parties whose activities are not covered by the "global project". On capacity building, the GEF should continue to provide financial support to developing country Parties, take into account the capacity-building framework in decision 2/CP.7, and provide financial support to EITs for the implementation of the capacity-building framework in decision 3/CP.7. The GEF should also continue supporting enabling activities relating to technology needs assessments. The COP also requests the GEF to operationalise the piloting of an operational approach to adaptation as soon as possible, and report on steps taken at COP-10.

This standing agenda item was not unusually controversial or debated. However, a certain degree of tension was evident, as three other financial issues were being hotly contested (the SCCF, the LDC Fund, and the secretariat's budget for 2004-5). Mention of workshops and other activities taking place subject to sufficient resources also reflects this concern.

### **Technology transfer**

Under technology transfer, Parties discussed the proposed work programme of the Expert Group on Technology Transfer (EGTT) and adopted SBSTA conclusions on the matter. In the conclusions, the EGTT 2004 work programme is endorsed, but it is noted that the full implementation of the work programme will require additional resources. The conclusions encourage Parties to report more specifically on capacity-building activities relating to technology transfer in their national communications. United Nations Development Programme (UNDP) and other organisations are invited to provide information to the EGTT on implementation of technology needs assessments and technology transfer capacity building activities. Finally, a workshop is to be organised to address innovative options for financing development and transfer of technology.

### **Non-Annex I Communications**

The discussion on non-Annex I national communications generated considerable debate in the opening session of SBI-19. Under this issue, four sub-items were to be addressed; two of them were passionately contested by developing countries. The most obvious concern lay with the agenda sub-item on the fifth compilation and synthesis of initial national communications, where Parties were to consider a

<sup>14</sup> Decision 2/CP.7

<sup>15</sup> Decision 3/CP.7

<sup>16</sup> FCCC/SBI/2003/L.19

<sup>17</sup> FCCC/SBI/2003/L.28

<sup>18</sup> The Global Project refers to GEF funding for non-Annex I national communications.

document which contained information on steps taken by non-Annex I Parties to implement the UNFCCC<sup>19</sup>. This document was vehemently opposed. Although not stated outright, the document essentially demonstrates that non-Annex I Parties are in fact undertaking several important and effective measures toward implementing the UNFCCC, and also toward reducing greenhouse gas emissions. Such a document could be seen as "fodder" to those seeking emission reduction commitments by developing countries. Related to this was the sub-item on timing for submission of second and third national communications. The title of the fourth sub-item was "frequency of submission of second and, where appropriate, third national communications". Developing countries, led by Brazil, urged that reference to "frequency of" should be removed. The timing issue is linked with the disclosure of information, and also with funding for the preparatory work that is necessary for the national communications. This issue was left for discussion at SBI-20.<sup>20</sup>

While the document on steps taken by non-Annex I Parties was rejected, the fifth compilation and synthesis of initial national communications was considered by Parties, and a decision was taken on the matter.<sup>21</sup> The COP requests a compilation and synthesis of initial national communications submitted before 1 April 2005 for consideration at COP-11. The COP also notes that many projects have been proposed by non-Annex I Parties, and requested the secretariat to prepare a document on the possible means to facilitate the implementation of those projects proposed to be funded.

### **Programme Budget for 2004-5**

The issue of the secretariat's budget for 2004-5 was one that had created significant turbulence at SB-18. Although this was also the case at COP-9, the issue was finally resolved. Australia and the US continued to call for a separate budget for the UNFCCC and the Protocol. The inclusion of the development costs of the Protocol in the secretariat's core budget was also contested. The three budget scenarios included a nominal increase over the 2002-3 budget of 9% with a reduction in real terms around 4% (US\$ 35 792 430), no increase, but a reduction estimated in real terms at around 12% (US\$ 32 837 100), and finally "any other amount". In the final agreement,<sup>22</sup> Parties adopted a budget amounting to US\$ 34 807 326.

<sup>19</sup> FCCC/SBI/2003/INF.14

<sup>20</sup> FCCC/SBI/2003/L.30

<sup>21</sup> FCCC/SBI/2003/L.23

<sup>22</sup> FCCC/CP/2003/L.4

Noting that the Protocol may enter into force during the coming biennium, the COP also approved an interim allocation of US\$ 5 455 793 to support Protocol-related activities. The COP also adopted the indicative scale of contributions for 2004 and 2005 for the programme budget. In addition, the decision highlights that the programme budget contains elements relating to the UNFCCC, and to preparatory elements under the Protocol, and that Protocol-related elements in the core budget, the interim allocation and the Trust Fund for Supplemental Activities constitute the portion of the overall resource requirements relating to the Protocol.

This programme budget reflects both hope and uncertainty in terms of entry into force of the Protocol. It also reflects the considerable muscles flexed by the US in ensuring that the budget contains a separate provision for Protocol activities, although many of the activities cannot realistically be separated from a logistical perspective. This division has now set a precedent for future budgets, although optimists might hope that with a change in the administration on the US, a change in policy may also come.

### **Third Assessment Report of the IPCC**

In general, it is agreed that the publication of the IPCC First Assessment Report led to the adoption of the Convention in 1992. The Second Assessment Report in 1996 led to the Kyoto Protocol negotiations. COP-9 agreed to initiate two new SBSTA agenda items related to the IPCC's TAR on the scientific, technical and socio-economic aspects of: 1) *impacts of, and vulnerability and adaptation to, climate change*, and 2) *mitigation*.<sup>23</sup> This will focus on exchanging information and sharing experiences and views among Parties on practical opportunities and solutions to facilitate the implementation of the Convention.

Although a brief decision was adopted, negotiations were protracted with a clear North-South divide. For developed countries the emphasis was on technical issues, but G77 appeared to be somewhat nervous that such work might lead to pressure, by the back door, for developing country commitments in a second commitment period agreement. However, most Parties were keen to move forward, at least on the level of information sharing and consideration of practical solutions. In particular, China appeared to be eager to see progress, especially in the area of technology. Some observers would see the EU's position as being an attempt to consider, from a technical point of view, how the ultimate objective of the Convention (Article 2) might be approached. But this more ambitious goal was not achieved and the agreement reached emphasizes the need for information sharing and

<sup>23</sup> FCCC/SBSTA/2003/L.26/Add.1

practical approaches, but at the same time does not preclude the consideration of long-term issues under the broad themes of sustainable development, opportunities and solutions and vulnerability and risk. It will also develop next steps.

In summary, this issue resulted in an agreement to develop a work programme that will stimulate more scientific and technical work on adaptation and mitigation, with the possibility of opening discussion on the longer-term issues of the Convention including Article 2, when the time is ripe. Therefore, this will be an interesting item to watch in future SBSTA sessions. In theory, there is a possible space here within the negotiations to discuss long-term issues (see Hasselmann *et al.*, 2003) and the ultimate objective of the Convention. In practice, the extent that this is possible will depend upon the political, rather than technical, agendas of the Parties most actively involved.

### **Annex I national communications**

While the issue of the second review of adequacy of commitments under UNFCCC Article 4.2(a) and (b) was placed in abeyance for the fifth time in a row, some elements of this important topic managed to make their way into negotiations through an unguarded backdoor under the agenda item of Annex I national communications. This issue is important because it addresses one of the keys of the Convention – to ensure a reduction of greenhouse gas emissions by Annex I Parties. Co-facilitated by former UNFCCC Executive Secretary Michael Zammit-Cutajar and José Ovalle of Chile, a discussion reflecting enormous institutional memory took place among experienced negotiators from a range of countries in a small back-room in the conference centre. Addressing the complete data set on Annex I emissions between 1990-2000, available for the first time, clear concern was expressed about rising emissions. The final decision lost many of the initial points, but still concludes that further action is needed by Annex I Parties to meet their commitments.<sup>24</sup> A workshop to discuss the issue of preparation of national communications by Annex I Parties is requested, and this may provide a platform for the issue of Article 4.2(a) and (b) to move further.

### **Ministerial round-table discussions**

During the high-level segment of the COP, three round-table sessions were held towards the end of

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<sup>24</sup> FCCC/CP/2003/L.3

the second week. The three themes of the round-tables were “climate change, adaptation, mitigation and sustainable development”, “technology, including technology use and development and transfer of technologies”, and “assessment of progress at the national, regional and international levels to fulfil the promise and objective enshrined in the climate change agreements, including the scientific, information, policy and financial aspects”. Unlike the round-tables at COP-8, these round-table discussions avoided resulting in any type of declaration, mandate or similar document, although this had been suggested by a “leaked” document several weeks before the conference. The particular emphasis of such a suggested “Milan Mandate” may have been on greater commitments from developing countries. Instead, the round-table discussions led only to a COP President’s “Summary”, which does not contain references to individual Parties’ statements.<sup>25</sup>

Much of the discussions reiterated Parties political positions, but some honest exchange of views also took place. A couple of messages from the President’s summary are worth noting. “Many Parties highlighted that climate change remains the most important global challenge for humanity. In meeting this challenge, the international community is confronted with a clear choice between collective irresponsibility or maturity.” Although no names were made explicit, this is a clear plea for the United States to come back on board with the Kyoto process. A similar appeal has recently been made by the UK Government’s Chief Scientific Advisor, Sir David King, urging the United States to take leadership in emissions control (King, 2004). With this in mind, many Parties emphasised that every effort should be made to implement the Kyoto Protocol even though it hasn’t entered into force yet. Parties also noted the importance of adaptation as a response to climate change. Perhaps not surprisingly, “some Parties mentioned that uncertainties in the legal and political field are now bigger than in science”. This could require a larger emphasis on social science, in particular policy and legal analysis, in the realm of climate change research.

### **Side events**

When certain issues are taboo in the COP process, side events<sup>26</sup> are a good way to explore different possibilities. COP-9 had over 100 side events covering a huge range of topics from CDM idiosyncrasies to equity and adaptation, transportation, climate change

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<sup>25</sup> FCCC/CP/2003/CRP.1

<sup>26</sup> One to three hour sessions mostly organized by non-governmental organizations, but also by the secretariat, Parties and intergovernmental organisations, that occur in parallel to the negotiations, usually in the same conference centre.

impacts, renewable energy, international emissions trading, amongst many others (ENBOTS, 2003). Because the COP process wasn't particularly exciting (in comparison with previous COPs), side events counted with the presence of numerous negotiators, leading some observers to say that the most valuable outcomes of COP-9 occurred during the side events. COP-9 was characterized by a surprisingly large number of side-events addressing the post-Kyoto period or second commitment period (see Aldy *et al.*, 2003; CAN, 2003; Philibert *et al.*, 2003; MEJ, 2003; NIES/IGES, 2003; WBGU, 2003). Events ranged from discussion seminars where different countries and other actors were able to present their positions, to presentations of reports such as that from the WBGU (German Global Change Advisory Council), which set out possible architectures for a post-Kyoto regime. Overall, there was a considerable degree of optimism that ways forward would be found in developing the international climate regime.

### 3. Outlook

As always, COP was filled with hard work, difficult negotiations and interesting side events. It is not easy to assess the overall impact on international climate politics by the events in Milan; all COP meetings are part of an ongoing process. Furthermore it is interesting to look at the results in the perspective of what did not happen: it was certainly negative that this could not be the first COP/MOP, and that formal entry into force of the Kyoto Protocol still seems uncertain. COP-9 was very much business as usual, and in fact it may be argued that this session, with its decisions on sinks in the CDM, and guidelines for the funds linked to the Convention, in reality finalised the 2001 agreements of Bonn and Marrakech.

On the 11 December 2003, Kyoto celebrated the sixth anniversary of its adoption at COP-3 in Japan. It wasn't a joyful celebration since Russia still hasn't ratified the Protocol, which would allow it to enter into force. At the end of the first week, a statement by a Russian policy advisor in Moscow denying that the Russian Federation would ratify the Protocol, incorrectly reported as having been spoken in Milan, initiated a wave of uncertainty and fear, spread by the international press. To those not in Milan, this appeared to be the biggest concern. To those at COP-9, this statement was – although delayed – effectively denied: Russia was continuing to assess the impacts of ratification on its economy. But lack of commitment by the Russians in either direction left many conference participants worried, regardless of the statement. It is possible that Russian President Putin, after an

expected successful election in the spring, might find it in line with Russian interests to ratify. But the uncertainty about Russian intentions could also have had a crippling effect on COP-9, and that did not happen.

The opening day of the COP was struck by two events: a general strike of the public transport in Milan and an article by Paula Dobriansky, US Under-Secretary of State for Global Affairs, in the *Financial Times*<sup>27</sup> calling the Kyoto Protocol "an unrealistic and ever-tightening regulatory straitjacket, curtailing energy consumption". Dobriansky argued that there are only two ways to substantially reduce greenhouse gas emissions. One is to use existing technologies, which according to her is the "wrong" way. The other is to use "breakthrough" technologies, which is the US approach. This approach is similar to the traditional view of technological change in conventional economics, which may be characterised as "manna from heaven" – where innovation just happens, thereby making technology cheaper. The alternative view that is increasingly accepted by researchers across Europe, is that technology is a complex process strongly influenced by economic factors and public policy. In this view, the costs of production fall with increasing investment and experience. Crucially, the direction of industrial innovation and technological development is influenced by policy that stimulates markets and supports products. This new economic view results in a radically different policy message. Policy to promote innovation in low-carbon technology and greenhouse gas reduction targets must be combined. The transition to a low-carbon society will require both technology policies to provide the push and targets to provide the market "pull". As Robert Watson, the former IPCC chair, has noted: "technologies exist or can be developed...but it will take political will, enhanced research and development activities, public-private partnerships, and supporting policies to overcome barriers to the diffusion of technologies into the market place" (Watson, 2003). There was agreement, amongst Parties participating in the roundtable discussion, that an appropriate combination of near-term and long-term actions was critical. Further research into the optimal mix of near- and long-term options is certainly warranted.

Besides being the forestry and side event COP, COP-9 was also the development and funding COP. Many formal and informal discussions about adaptation to climate change and development took place, not least because of the operationalisation of the SCCF and the LDC fund. UNDP/GEF's Adaptation Policy Framework<sup>28</sup> was launched at COP-9 and is expected to be widely

<sup>27</sup> *Financial Times*, 1 December 2003, "Only new technology can halt climate change".

<sup>28</sup> See [http://www.undp.org/cc/apf\\_outline.htm](http://www.undp.org/cc/apf_outline.htm)



used by developing countries who are trying to develop strategies, policies and measures for adaptation to climate change. The GEF also announced a new strategic priority "Piloting an Operational Approach to Adaptation", which is expected to help operationalise future guidance for the Convention on adaptation. This programme is initially being funded for three years with US\$50 million. In this instance, it seems that for once adaptation policy is ahead of the adaptation science, but considering the scale of the potential adverse effects it is not surprising that adaptation to climate change is finally being considered seriously, although the voluntary funding is clearly insufficient. Nevertheless, some Annex I countries re-pledged their 2001 Bonn commitment to finance climate change activities in developing countries, including adaptation. Much policy and science research work is still necessary in this area. For example, is adaptation to climate variability the same as adaptation to climate change?<sup>29</sup> This seems a very pertinent question for the implementation of NAPAs within the context of the LDC fund. It is clear that adaptation to climate change needs to be based on present day climate variability and the vulnerability it creates, but for the UNFCCC, "climate change" only relates to human induced climate change, which can create implementation problems because of uncertainty.<sup>30</sup> Another issue that was troubling many negotiators was the meaning of "mainstreaming" adaptation to climate change. Different understandings by Parties led to widespread confusion and a build-up of distrust during the SCCF and LDC fund negotiations. To some, mainstreaming means there is no need for additional funding, because adaptation and climate change concerns will be integrated into development projects. To others, mainstreaming means an added-cost activity of incorporating adaptation in development projects and programmes.<sup>31</sup> At the end of the day, however, it all boils down to whether or not extra cost will be involved. Some climate change is now inevitable so adaptation to climate change will certainly start play an increasingly important role in the Convention process.

All this means that the complex process of developing an international climate regime moves on, laboriously. Technical agreements on budget and on non-Annex I communications, guidance to GEF or good practice guidance for LULUCF might seem ephemeral in comparison with the dimensions of the global problem. But this is how international co-operation works, and the impact of the small

steps should not be underestimated, as long as the sense of direction is still there.

And that is of course the crucial question: Milan kept the process going, but did it also provide some basis for the work that must start now to prepare for the long term? The uncertainty about the final destiny of the Kyoto Protocol obviously complicates the analysis. Much more needs to be done to facilitate future North/South discussions: the EU has a special responsibility in promoting contacts with G77. But the agreement of a work programme on mitigation and adaptation within the framework of the IPCC TAR discussion could open the road to discussions among key countries on the post-2012 regime. There are certainly many obstacles on the road, essential national interests being challenged, and the continuing unwillingness of the Bush Administration to recognize that global problems cannot be solved by unilateral action. But the side events in Milan showed that wide groups of scientists and NGOs are engaged; and most governments feel their responsibility. It will be necessary to tackle the long-term development of the climate regime with full recognition of the important issues of equity and justice that arise.<sup>32</sup>

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<sup>29</sup> See Adger *et al.* (2004).

<sup>30</sup> See Pielke (2004).

<sup>31</sup> See Schipper *et al.* (2003).

<sup>32</sup> See Paavola and Adger (2002).

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