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The attached are (1) Confidential communication from Major to Bush alerting him to the post-Rio action plan, he will suggest @ G-7 mtg. & (2) some basic principles as adopted by the EC @ Lisbon Summit last week. Note that 1993 date deleted from EC-accepted resolution. Note also, however, that EC proposing APON Plans on many things -- not just climate. In a letter to Pres. I am working on now, we will do the same in light of Pres' commitment in Rio to carry Rio documents into practice.

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COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(91) 1693 final

Brussels, 30 October 1991

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

A COMMON PLATFORM : GUIDELINES FOR

THE COMMUNITY

FOR UNCED 1992

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(91) 1744 final

Brussels, 14 October 1991

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

A Community Strategy to limit Carbon Dioxide emissions and to improve energy efficiency

Communication from the Commission to the Council

A Community Strategy to limit Carbon Dioxide emissions and
to improve energy efficiency

1. A GLOBAL CHALLENGE

1. In 1990 a comprehensive report assessing the nature and the consequences of global warming was presented by the Intergovernmental Panel on Climate Change (IPCC). It represented for the first time a consensus amongst scientists on the possible impact and risks of the greenhouse effect. Taking into consideration the long lead times involved in changes in the global climate system, some immediate action is recommended. In this respect, a decision to stabilise CO₂ emissions is a first important step.
2. CO₂ emissions are recognised as being the main contributory factor to the greenhouse effect (see Annex 1). They arise primarily from the burning of fossil fuels. Removal of CO₂ from emissions at present is not only uneconomic but at the technical level such methods are far from being sufficiently developed. As a consequence, no feasible solution exists in the short and medium term other than to reduce the growing use of fossil fuels. This can be achieved through improved energy efficiency and through substitution by other energy sources which emit less or no CO₂.
3. The greenhouse problem is global in nature. The climate system as a whole is influenced by CO₂ emissions, regardless of their place of origin; their impact is also global, although the economic and social consequences differ according to geographical conditions. Until now the industrialised world has been the major emitter of CO₂, but the developing world is expected to experience the fastest increase in the years to come. It is therefore of critical importance to reach a global solution in which all countries of the world, developed and developing, are ready to participate.
4. With the completion of the Internal Market, the European Community will be the biggest economic/trading partner in the world with the potential to exercise an important level of moral, economic and political influence and authority. As such the Community owes it to both present and future generations to put its own house in order and to provide both leadership and example to developed and developing countries alike in relation to protection of the environment and the sustainable use of natural resources. This responsibility has been acknowledged and a political commitment undertaken in the declaration "The Environmental Imperative" adopted by the Heads of State and Government of the Community at their meeting in Dublin in June 1990. The willingness of the

Community to fulfill its responsibilities offers an important opportunity to fill a current vacuum in global foreign policy and a catalytic role in regard to the Global Climate Convention to be adopted at the UNCED Earth Summit in June 1992.

5. Already Article 130R of the Treaty adopted in the 1986 Single European Act urges the Community "to ensure a prudent and rational utilisation of natural resources", it requires "that environmental damage should as a priority be rectified at source", "that the polluter should pay" while the Community shall take into account "the potential benefits and costs of action or lack of action". This article of the Treaty is in line with economic theory which advocates the internalisation of external costs such as environmental damage caused by energy use, to improve overall economic efficiency.
6. The Joint Energy/Environment Council of 29.10.90 decided to stabilise CO₂ emissions in the Community in the year 2000 at 1990 levels. The purpose of this Communication is to outline a comprehensive strategy to reach this commitment along the lines already discussed by the Joint Energy/Environment Council and to invite the Council to say whether they consider that this strategy should now be developed and, where necessary, translated into specific proposals. This strategy is based on an intensification of non-fiscal measures, a fiscal volet involving a possible tax directed to energy saving and to a reduction of polluting sources of energy but not involving any increase in taxation in total, and on complementary national measures. If the Council wishes to go forward in these directions, it would be possible to indicate to the Community's major international partners that the Community would be prepared to go ahead with the reduction of CO₂ pollution by these means and to invite them to indicate whether they are equally prepared to take action of a similar kind. It is evident that the adoption of a clear strategy would increase the credibility of the Community in ongoing international negotiations and guarantees the cohesion of the Internal Market.

II. THE PROBLEM

7. With an average of 2.2 tons of carbon per head, the Community represents 13% of global CO₂ emissions, compared to 23% for the U.S., 5% for Japan and 25% for Eastern Europe and the USSR. Four main sectors in the Community are responsible for these emissions : power generation (31%), transport (26%), industry (20%), and residential/commercial (20%) (see Annexes 2 - 4). During the period 1970 - 1985 emissions almost stabilised. During the period 1986-1990, however, this positive tendency has been reversed and emissions have grown by 4%. The positive effects on CO₂ emissions resulting from a consistent improvement of energy efficiency and a substitution towards less CO₂ emitting energy sources, practically came to an end with the drastic decrease in energy prices and the slowing down of investments in nuclear power generation. For the period 1990-2000, CO₂ emissions are likely to continue to grow by another 11% (see Annex 5).

III. IN SEARCH OF SOLUTIONS

8. CO₂ emissions are related to the very different uses of fossil energy by millions of consumers and businesses. Efficient use is in many cases not the rule for a variety of reasons : lack of information, behavioural habits, reluctance to make investments even when they have economic pay-back periods (e.g. longer than 3 to 5 years), adverse price incentives, lack of capital, short-term interest of energy suppliers, lack of alternatives, uncertainty of energy prices. As a consequence, an efficient and effective policy needs to involve a set of mutually reinforcing measures of a regulatory, voluntary and fiscal nature. Moreover, on the basis of the subsidiarity principle, the package needs to consist, on the one hand, of measures requiring some degree of coordination or harmonisation amongst the Member States, and on the other, of measures which can be implemented most efficiently at national, regional or local level.
9. A first step in controlling CO₂ emissions needs to include measures which involve the lowest economic costs and which at the same time lead to benefits in other policy areas. In this respect, most attention needs to be paid to the exploitation of cost-efficient technical possibilities to improve the energy efficiency in the Community. Such possibilities appear to exist in all sectors and for all energy sources. Apart from reducing CO₂ emissions, an ambitious programme to improve energy efficiency will increase energy security, improve the efficiency of the transportation system, limit energy related air emissions other than CO₂ and can strengthen industrial competitiveness. Such a programme will re-establish the momentum of the various energy conservation efforts which have slowed down considerably since the 1986 drop in energy prices.
10. The fuel switching option also has a role to play in the stabilisation exercise for 2000, although for technical, political and economic reasons the full extent of this role may not be achieved. For the transport sector clearly in the time horizon envisaged there are no possibilities for fuel switching. For power generation there is some wider margin of manoeuvre. Current economics and policy trends are such that substitution of solid fuels by gas is to be expected. The extent to which a CO₂ motivated redirection of energy supplies in favour of a much more substantial contribution of natural gas to the detriment of coal and possibly oil supplies could negatively affect the present situation of fairly secure and moderately priced energy supplies, depends on the pace of such developments as well as on geopolitics. The presently known resource endowment of Europe and the neighbouring regions with gas would allow substantially increased Community gas imports, in particular in the framework of a European Energy Charter. It is however not clear, whether the infrastructure investments can be financed and completed well before 2000 and what the price effects would be. It is clear that the fuel switching option will become an important ingredient of policies aimed at reducing CO₂ emissions after the year 2000. It is therefore important that the correct signals are already made at this stage.

11. Renewable energy sources may have a role to play in all economic sectors. They could represent up to 5% of total energy consumption by the year 2000 and over 8% in 2010. They are thus likely to contribute significantly to the stabilisation of CO₂ emissions, on the condition however that their market position as well as current RD & D programmes are being reinforced. For example, biomass may undergo development, in particular in the context of the modification of the Common Agricultural Policy which may release large land areas for new uses. Certain kinds of renewable energy will increasingly be linked to energy efficiency measures (e.g. passive solar) whilst wind energy and hydro energy will continue to be increasingly used. However such developments are only likely to happen if some technical obstacles can be overcome and if the economic position of these energies can be improved.

IV. APPROACH TO BE FOLLOWED : A PACKAGE OF MEASURES

12. The Commission is conscious that there are a number of solutions to the problem. In determining the strategy to follow, the Commission has taken into account the need to base its approach on actions which on the one hand minimise the economic costs and on the other hand maximise the advantages in terms of the environment and which also have a clear benefit on other policy areas. The package which is proposed is based on three types of measure :
 - specific measures including RD & D programmes, sectoral measures, other types of regulatory and voluntary measures;
 - fiscal measures;
 - complementary national programmes.

V. SPECIFIC MEASURES

RD & D programmes

13. In the light of the longer term perspective, RD & D programmes need to be reviewed and intensified, while programmes of dissemination of technology such as THERMIE need to be enlarged. The Community and its Member States will need to reshape and strengthen their efforts in the area of energy technologies and on the economics of CO₂ policies. The third Framework programme of research and technological development of the Community (1990-94) already covers RD & D activities in these areas. In particular, the specific programme in the field of non-nuclear energies (1991-94) which is a development and extension of the JOULE programme, will be pursued in the field of minimum-emission power production from fossil sources including the development of carbon abatement technologies, renewable energy sources and energy utilisation and conservation including energy efficient transport. Particular attention will need to be paid to the transfer of environmentally friendly technology and know-how to the developing countries.

Sectoral measures

14. A set of regulatory and voluntary measures will need to be developed in the four sectors identified above as the major emitters. Many of those reviewed in this paragraph are already covered to some extent by Commission proposals such as the SAVE program, but will need to be strengthened.

- **Power generation**

New and critical initiatives for the future involve the Altener programme on renewable energy and a proposal on least cost planning. The latter will create incentives for energy utilities to consider energy saving potentials with its clients on the same basis as the expansion of its production capacity. The US experience has shown that this instrument can result in an important improvement of energy-efficiency.

Specific measures are needed to encourage users to accelerate low pollution/high performance technologies (combined heat and power generation). The electricity sector is likely increasingly to make use of renewable energy sources and biomass products (urban waste).

- **Industry**

For most companies, energy represents a small share of overall production costs. The scope for improvements in energy efficiency is nevertheless considerable in these firms and a widespread application of energy auditing is therefore needed. Although the relative potential is smaller for some highly energy-intensive industries (e.g. steel, chemicals, non-ferrous, pulp and paper, glass, cement), significant reductions can be realised through voluntary agreements or other means. In this respect the potential of combined heat and power generation needs to be exploited carefully. Finally, third party financing systems can be established in this sector as in others, to overcome substantial financing needs for investments in energy saving.

- **Transport**

Transport is currently the source of around 25% of the Community's CO₂ emissions. This share is liable to increase in the future, mainly as a consequence of the expected further growth in the volume of road traffic. Because road traffic also entails other considerable external costs (acid emissions, congestion, etc.), structural policies are urgently needed at the Community level and in the Member States to encourage a more environmentally rational approach towards mobility. To reduce or at least contain the external costs, a full range of measures will be necessary. These will cover three main areas :

- The application of best available technology to reduce exhaust emissions and increase fuel efficiency.
- Transport policy measures aimed at increasing efficiency within each transport sector as well as at systematic promotion of the most environment-friendly mode of transport. This is likely to result in a shift from road to rail, inland waterways and combined transport as well as from the private car to collective transport.

- A change in user behaviour. Reduced individual car use will need to be encouraged through i.e. information, public education and public awareness campaigns. The general introduction of more stringent speed limits is needed and will need to be rigorously enforced.

The required structural changes in the transport sector clearly represent a major challenge to the Community. For that reason, the Commission will present before the end of this year a Communication on transport and the environment.

- **Household/Commercial**

Regulatory measures will be developed based on stricter norms and standards for electric appliances (freezers, refrigerators, boilers, etc.), lighting, improvements to insulation of buildings, especially existent ones, and better information (e.g. labeling). The institutional process of adopting such new standards is cumbersome, and long. Moreover, the penetration rate of new energy efficient appliances is slow as consumer durables have a long life time.

Other regulatory and voluntary measures

15. In addition to the four sectors already mentioned, as part of an overall CO₂ policy other actions will need to be developed. In this respect, recycling of waste, afforestation schemes and schemes to improve the quality of life in urban centres are examples of the kinds of action which could contribute to the strategy. Certain measures of this kind have already been initiated at the Community level and will need to be reinforced in the future.

* * *

16. Even with a significant increase in the speed of introduction and the coverage of all of these regulatory and voluntary measures, they are unlikely to be sufficient to reach the stabilisation target. On the basis of the Commission's analysis it appears that these measures, together with the results of technical progress that would in any case have taken place with capital replacement and other market developments, will contribute about half of the objective (see Annex 6). For that reason additional measures are necessary, to create incentives for speedier introduction of new energy efficient equipment.

VI. FISCAL MEASURES

17. Fiscal measures have been advocated as a useful means of tackling the CO₂ problem in terms of their economic efficiency by the Council, the European Parliament and the Economic and Social Committee, as well as by international bodies such as OECD and by academics. In the Commission's view, given the characteristics of carbon dioxide emissions (global character without direct negative

health impacts), the use of policy instruments based on market mechanisms to give incentives for the reduction of emissions will be more cost-effective than relying solely on regulatory means. Regulations are often economically inefficient, given that they generally do not take into account the marginal costs of reaching different norms and standards, nor do they give a permanent economic incentive for developing and applying technological improvements to go beyond existing norms. Such instruments also allow the internalisation of external costs and are in line with the polluter pays principle.

Existing fiscal initiatives

18. Some of the existing fiscal proposals are likely to make an important contribution to the strategy but will need to be reinforced. This is the case in particular for those on the internalisation of the environmental costs in the circulation tax on lorries¹ or by enlarging the use of tax differentiation. This approach will need to be extended to private cars. Following the experience with fiscal incentives for leadfree petrol and cars equipped with 3-way catalytic converters, the Commission has decided to follow a new type of legislative approach providing for an orderly use of fiscal incentives by the Member States within the Internal Market. This model is particularly relevant for the Member States in cases where they wish to speed up a general application of stricter standards for new energy efficient equipment within the Community.

A new fiscal initiative

19. The proposals described above cannot achieve the economic objective set out in paragraph 17. For these reasons the Commission has come to the conclusion that it is necessary to envisage the possibility of a more specific tax in addition to the other measures of the package in order to attain the stabilisation target in an efficient and cost effective way. In fact, it seems difficult to motivate economic agents to improving their energy efficiency if energy prices are too low. Moreover, some energy sources, in particular some renewables, which are favourable for the stabilisation objective as well as for overall environmental quality, will not be able to develop significantly if their market position is not enhanced by the internalisation of their comparative environmental advantage into their price. A new specific tax is considered to be the most appropriate means of giving a long-term price signal and to bring about a change in the economic behaviour of 340 million energy consumers. It would act as an overall support to, and increase the effectiveness of, the other measures of the policy package. A Community initiative would avoid a proliferation of separate actions by individual Member States which could lead to distortions of competition and disruption to the Internal Market. It would allocate a value to natural resources that are limited and which need to be safeguarded for future generations.
20. A key characteristic of the new tax will be its revenue neutrality. This means that it should not result in any increase in statutory contributions and charges. The new tax needs to be offset by fiscal incentives and by tax reductions for companies and individuals. In the Commission view this should not involve increasing the tax

¹ COM (90) 540 of 8.2.1990

burden, rather the modification of the tax mechanism by means of a progressive reform to make it more environmentally friendly. In addition, great care will be needed when putting such incentives in place to avoid introducing any new distortions of competition.

21. The new tax needs to be designed with great care if it is at the same time to limit any adverse economic effects on the competitive position of Community industries and on the economy in general, to maximise the potential gains in terms of CO₂ reduction and to take into account benefits in other policy areas. In particular it will be necessary to ensure that security of energy supplies is not affected and that disproportionate socio-economic difficulties are not created.
22. It is essential to avoid more pronounced economic costs for some industrial sectors, in particular those employing energy intensive production processes and with a large involvement in international trade (steel, chemicals, non-ferrous, cement, glass and pulp and paper). Until the Community's main competitors take analogous measures, special treatment needs to be envisaged. This special treatment, which could be given to the most affected industries in exchange for agreements to reduce CO₂ emissions, could take the following forms :
 - partial or total exemption;
 - application of a zero rate;
 - introduction of fiscal incentives, tax reductions or reductions in charges for employers.

The choice between these different approaches, which are in any case not exclusive - fiscal incentives could be combined with one of the first two options - needs further reflection. At this stage it appears that the most appropriate option would be to apply a zero rate. Further consideration of these options needs to be carried out in consultation with the industries most affected.

23. It will also be important to ensure that the creation of a new tax does not result in an increase of taxation on individuals. It will be necessary to reduce taxes or to give tax incentives for environmental protection actions or for energy efficiency schemes to compensate the effects of the new tax. The particular situation of each Member State would need to be taken into account in the final choice of solution. In introducing such a tax it will be necessary to provide for its temporary suspension and for modification of the rate in the light of economic developments and progress towards the stabilisation objective. It is also necessary to put forward a regular and thorough assessment of the efficiency of the tax and of the implementation of the principle of revenue neutrality.
24. Two types of tax can be envisaged : an energy tax which would apply equally to all energy sources or a CO₂ tax modulated on the basis of carbon content. An energy tax would be more effective in encouraging energy efficiency; a carbon tax would provide more specific incentives to reduce CO₂ emissions. However, this second option would put a relatively high burden on coal, which is the most secure energy supply. Moreover, it would favour nuclear energy, which has advantages in terms of CO₂ reduction but which leads to its own particular problems. A 100% carbon tax option

would also have, according to their energy structure, a significantly different impact on the industrial competitive position of the Member States. Finally, because of technical, economic and political limitations to fuel substitution, only a significant improvement in energy efficiency will be able to contribute significantly to the 2000 stabilisation objective.

25. In the light of this analysis, the Commission considers that the best option would be a tax based on an energy component and on a component based on carbon content. In order to stimulate alternative sources of energy, the energy component will need to exclude renewables, but not large scale hydro electric schemes. It will also need to exclude energy sources used as raw materials. The energy component of the proposed tax should not exceed 50%. The mix could be reviewed at a later stage in the light of new technical developments or particular developments in the field of energy security.
26. The tax rate required to reach the Community stabilisation target by the year 2000 depends, on the one hand, on the evolution of a set of key variables (in particular, economic growth, world energy prices and the diffusion of technical progress) and, on the other hand, on the response of economic agents to the proposed policy measures. Both variables are subject to a considerable degree of uncertainty, which partly explains a certain divergence in the results obtained by different studies. Based on these different studies, there is a convergence of views that a tax rate equivalent to \$10 per barrel of oil in combination with the other elements of the strategy, including those taken at the national level, is likely to be sufficient to ensure that the overall strategy can come close to the CO₂ stabilisation target (see Annex 7).
27. In order to ensure a smooth introduction of the increased energy prices which will result from such a tax and to reduce the overall cost effect to consumers and industry, an early announcement and a gradual introduction is essential. In the light of the various possibilities which exist (see Annex 8), and taking into account the need to ensure the cohesion of the Internal Market, it could be envisaged that a tax of \$3 per barrel would be introduced on 1.1.93 with an additional \$1 per barrel in successive years until 2000. An early introduction of this scheme is justified given the limited time available to arrive at the stabilization target. A later start would involve higher increases over a shorter period and could result in national incentives which could prejudice Community cohesion. The precise timetable could however be modified in the light of economic developments as part of the monitoring process.
28. The precise details of the tax need to be worked out in collaboration with the Member States within the requirements imposed by the Internal Market and by international obligations. As part of the exercise it will be necessary to take account of the fact that the introduction of the tax has as its objective the modification of consumer (final or intermediary) behaviour. To keep administrative costs to the minimum, it will be necessary, as far as possible, to use existing fiscal mechanisms. Thus for

hydrocarbons it would be appropriate to use the existing excise framework. For coal and electricity, the specific fiscal framework needs further consideration. As far as the rate is concerned, a rate expressed in money terms appears to be preferable to an ad valorem rate.

VII. ECONOMIC IMPACT

29. On the basis of the analyses carried out by the Commission the introduction of the policy package described above would entail modest macro-economic costs. This is essentially due to the revenue neutrality of the new tax (the revenue is likely to be some 50 billion ECU) as well as its gradual and predictable introduction. An analysis of the entire package of policy measures indicates that, in the Community as a whole, there might be a small reduction in the annual economic growth rate compared to what would otherwise occur during the period under consideration (between 0.05 and 0.1 percentage points) and a temporary increase in the rate of inflation (0.3 to 0.5 per annum) (see Annexes 9 - 10). This analysis of the economic impact does not take into account any evaluation of the positive effects in other policy areas and in particular the direct economic benefits related to the rational use of energy. Moreover, the costs of not taking action although difficult to measure, would be significant.

VIII. COMPLEMENTARY NATIONAL PROGRAMMES

30. The proposed Community strategy requires actions at Member State level, in line with the concept of subsidiarity. Community measures involve actions which require coordination or harmonisation at Community level if the programme is to be efficiently implemented and if it is to be inserted in the most optimal way into overall Community policies in particular concerning the internal market, competition, economic and social cohesion, and macro-economic convergence. Member States will need to complement the Community package with measures adapted to their own particular economic, cultural and geographical circumstances, as well as to differences in the pattern and level of CO₂ emissions.
31. Amongst the areas in which action will be needed are the following :
- RD & D, e.g. to stimulate clean technologies, renewables and energy efficiency;
 - fiscal incentives, e.g. insulation of houses;
 - carbon sinks, e.g. forestry planting, development of more green spaces at local and urban levels;
 - information, education and training programmes in the field of energy efficiency;
 - transport infrastructure and environmentally friendly means of transport.
32. The Commission takes note that some Member States with per capita levels of CO₂ emissions above the Community average, such as the Netherlands and Belgium have decided to reduce their emissions by 5% by the year 2000. Denmark and the Federal Republic

of Germany have decided to reduce their emissions by 20% and 25% respectively by the year 2005. The Commission recalls that, according to the conclusions of the Joint Energy/Environment Council of 29.10.90, Member States with, as yet, relatively low energy requirements can be expected to grow in step with their development and may need targets and strategies which can accommodate that development while improving the energy efficiency of their economic activities. In any event, the Commission considers the implementation of the Community measures described above as a minimum requirement.

IX. BURDEN SHARING

33. In order to reduce the temporary burden arising from the application of this strategy in certain Member States whose economic development is lagging behind the rest of the Community, the Community should in principle state its readiness to contribute to the costs of such adjustments. In addition, the timing of the gradual introduction of the Community strategy could be modified according to the specific needs of individual Member States.
34. Consideration needs to be given to the appropriate financial instrument(s) through which such assistance could be offered, including for example the Structural Funds, to the extent that the measures required are compatible with the objectives of the Funds. Certain measures which contribute towards this adjustment effort and which are fully compatible with Community structural policy are already receiving support from the Funds under both Community Support Frameworks and Community Initiatives. Any commitment to further measures, which may have to be on a much larger scale, should not prejudice the priorities which remain to be determined for the post-1993 period of structural assistance. The Structural Funds could contribute in so far as the measures concerned are eligible, but financing needs would need to be taken into account in the determination of the overall financial envelope for 1994-98.

X. MONITORING MECHANISM

35. A monitoring mechanism should be set up to follow whether the CO₂ stabilisation target of the Community is being reached. The Member States will be required to submit their national programmes, as well as other necessary information, to the Commission for evaluation. The Commission will examine and will inform the Council whether the national plans are in conformity with other Community legislation as well as whether additional efforts are required to meet the CO₂ Community stabilisation target. In this latter case, the common strategy may have to be intensified or some Member States may have to commit themselves to take further action.

XI. INTERNATIONAL CONTEXT

36. The overall strategy set out above can stand on its own and have positive benefits for the Community. However, in view of the need to combat the global warming problem, Community action should be part of an overall international effort to stabilise CO₂ emissions. The Community will have to make every effort to ensure its partners undertake comparable concrete action. All industrialised countries (except the USA) seem to be ready to stabilise CO₂ emissions at 1990 levels by the year 2000. As far

as the means of achieving this objective are concerned, most of the EFTA countries are already applying or are considering fiscal measures of the type proposed in this Communication. On the other hand, the USA and Japan until now have put their faith in regulatory instruments. In the case of the developing countries, although their CO₂ emissions have been limited, it is expected these will grow rapidly in the coming years. It is essential that the industrialised countries set an example if they wish the developing countries to take part in the development of a global strategy. In a similar vein, it is important that the Central and Eastern European Countries and the USSR which contribute an important part of global CO₂ emissions, are at this stage in their development ready to take appropriate measures as a cost effective part of their economic restructuring. The Community is already making a substantial financial contribution to this process.

XII. CONCLUSION

37. The Community strategy set out above will make an important contribution to reaching the Council decision to stabilise CO₂ emissions in the Community in 2000 at 1990 level. Given the existence of scientific uncertainty about global warming and the long-term character of the results of any policy measures, the basic principle which has been applied is to undertake only those actions which involve the least adaptation costs and which have also a clear benefit on other policy areas. The package of regulatory, voluntary and fiscal measures will achieve a considerable improvement in energy efficiency and will also provide incentives to move in the longer term towards the use of energy sources which emit no or less CO₂.
38. The Council is invited, in the light of the Communication, to take a position on the strategy proposed by the Commission. The Commission will put forward the necessary legislative proposals.

ANNEXES

- Annex 1 : Basic facts on greenhouse gases.
- Annex 2 : Total and per capita CO₂ emissions.
- Annex 3 : Contribution of the various sectors to the total CO₂ emissions in the EC.
- Annex 4 : Structure of gross energy consumption in the EC.
- Annex 5 : CO₂ emission stabilisation effort, 1990-2000.
- Annex 6 : Sectoral CO₂ emission reduction potential of current policies and SAVE programme.
- Annex 7 : Change in fuel prices.
- Annex 8 : Options concerning obligatory character of tax level.
- Annex 9 : Macro-economic impact of the proposed package.
- Annex 10 : GDP and price effect of package of measures including a carbon/energy tax of 10\$/b.

ANNEX 1

BASIC FACTS ON GREENHOUSE GASES

	Relative contribution to the Greenhouse effect over 100 yr period	Long Lifetime?	Sources known?
Carbon dioxide	61.0 %	yes	yes
Methane*	15.0 %	no	semi-quantitatively
Nitrous oxide	4.0 %	yes	qualitatively
CFCs	11.0 %	yes	yes
HCFC-22	0.5 %	mainly no	yes
Others* (Ozone)	8.5 %	no	qualitatively

Source : IPCC

* These values include the indirect effect of these emissions on other greenhouse gases via chemical reactions in the atmosphere. Such estimates are highly model dependent and should be considered preliminary and subject to change.

ANNEX 2

TOTAL AND PER CAPITA EMISSIONS OF CARBON (1989)			
COUNTRY	TOTAL million t of Carbon	% OF WORLD TOTAL	PER CAPITA t Carbon
B	29.1	0.5	2.93
DK	13.8	0.2	2.69
D	186.1	3.2	3.02
GR	18.6	0.3	1.86
E	55.0	0.9	1.42
F	97.5	1.7	1.74
IRL	8.0	0.1	2.27
I	102.8	1.7	1.79
L	3.3	0.1	8.83
NL	38.7	0.7	2.61
P	10.3	0.2	1.00
UK	154.0	2.6	2.69
EUR 12*	760.9	12.9	2.34
USA	1352.7	23.0	5.45
JAPAN	296.5	5.0	2.40
USSR and Eastern Europe	1463.2	24.9	3.63
REST OF WORLD	2011.9	34.2	0.49
WORLD TOTAL	5885.2	100.0	1.13

Source : Commission's services.

* The EUR-12 total includes emissions from bunker oil (not included in Member States data) and does not match the sum of Member States emission due to statistical differences.

ANNEX 3

1989	CONTRIBUTION OF THE VARIOUS SECTORS TO THE TOTAL CO2 EMISSIONS IN THE EC (In %)												
SECTORS	EC	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
POWER GENERATION	31.3	21.1	43.2	35.1	46.2	32.9	13.5	34.0	29.3	11.9	30.8	39.1	37.9
RESIDENTIAL/ COMMERCIAL	19.7	24.5	20.5	19.6	11.9	9.8	25.4	30.2	20.2	10.6	24.3	8.4	18.8
TRANSPORT	25.5	21.7	24.5	21.6	24.2	32.3	34.0	20.0	26.0	21.4	21.4	28.3	24.1
INDUSTRY	19.6	28.3	10.5	20.7	14.8	20.1	23.6	15.4	19.8	56.1	16.7	20.7	15.1
ENERGY SECTOR	3.9	4.4	1.3	3.0	2.9	4.9	3.5	0.4	4.7	0.0	6.8	3.5	4.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : Commission's services.

ANNEX 4

1989	STRUCTURE OF GROSS ENERGY CONSUMPTION IN THE EC											(in %)	
	EC	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
COAL	21.0	20.6	33.2	28.0	36.3	22.7	9.6	38.4	9.2	33.9	12.5	16.3	30.7
OIL	44.8	40.1	52.9	39.7	62.1	52.5	41.8	41.4	60.9	43.3	36.7	78.8	38.5
GAS	18.3	17.1	8.9	17.6	0.6	5.3	11.7	19.6	24.7	12.0	47.9	0.0	21.6
NUCLEAR	14.3	22.1	0.0	13.8	0.0	17.1	36.6	0.0	0.0	0.0	1.5	0.0	8.4
OTHER	1.6	0.0	5.1	0.9	0.9	2.4	0.3	0.6	5.2	10.8	1.3	4.8	0.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : Eurostat.

ANNEX 5

CO₂ EMISSION STABILISATION EFFORT, 1990-2000 (EUR-12)

	Emissions Million tons of CO ₂	Amount by which the stabilisation objective is exceeded (in %)
CO ₂ emissions in 1990	2738	
CO ₂ emissions in 2000 (without efficiency gains according to current trends)	3264	19%
CO ₂ emissions in 2000 taking into account also market & "normal policy" gains(1)	3032	11%
CO ₂ emissions in 2000 taking into account also gains to be expected from the SAVE programme(2)	2955	8%

Source : Commission's services

-
- (1) According to scenario 1, Energy in Europe, special issue, July 1990, update of July 1991; in the assumption of a higher economic growth, the increase of CO₂ emissions could be twice as high.
- (2) SAVE programme, COM (90) 365 final; it has to be noted that the impact of some SAVE measures are already included in scenario 1 "gains from market and policy".

ANNEX 6

SECTORAL CO₂ EMISSION REDUCTION POTENTIAL OF
CURRENT POLICIES AND SAVE PROGRAMME (1990-2000)
(In million tons of CO₂)

SECTORS	Gains from market & policy ¹	Additional gains through SAVE ²	Total savings	CO ₂ Reduction need	Additional programme
Domestic/tertiary	95.4	35.0	130.4		
Industry	72.4	35.0	107.4		
Transport	63.9	7.8	71.7		
TOTAL	231.7	77.8	309.5	526.4	216.9
Percentage over total CO ₂ reduction needed to achieve stabilisation	44%	15%	59%	100%	41%

Source : Commission's services

¹ According to Scenario 1, Energy in Europe, special issue, July 1990, including update July 1991.

² SAVE Programme, COM (90) 365. It has to be noted that the impact of some SAVE measures are already included in scenario 1 "gains from market and policy".

ANNEX 7

CHANGE IN FUEL PRICES
(% INCREASE OF A 10\$/B TAX¹⁾)

POWER STATIONS AND INDUSTRY

hard coal	58
heavy fuel oil	45
natural gas	34

HOUSEHOLDS

light fuel oil	16
natural gas	14

TRANSPORT

gasoline	6
diesel	11

Source : Commission's services

-
- 1) - prices and exchange rates as of 1990;
- modulation according to 50%/50% carbon/energy tax;
- assumption that the tax is totally passed on to the energy user (first round effect).

ANNEX 8 : OPTIONS CONCERNING OBLIGATORY CHARACTER OF THE TAX LEVEL

Several different options exist for the tax rate to be applied, with different degrees of obligation for the Member States. The options which can be envisaged (in order of increasing constraint for the Member States) are :

- target rates (horizon 2000), free progression, no minimum rate;
- target rates with a fixed minimum rate at the beginning and free progression;
- target rates with a fixed minimum rate and obligatory predetermined progress;
- definitive rates fixed from the outset.

The target rate would correspond to the convergence level in the medium term which the Member States would have to move to in their own time.

ANNEX 9 : MACRO-ECONOMIC IMPACT OF THE PROPOSED PACKAGE OF MEASURES

The overall macro-economic impact of the proposed package of measures is the net effect of positive and negative impulses that generate in their turn indirect effects. Energy efficiency investments generate positive demand effects while related costs and price increases due to the carbon/energy tax cause negative cost effects. As the revenues of the carbon/energy tax would be used to reduce other taxes in parallel, additional positive demand impulses will be generated.

The likely quantitative impact on the main macro-economic aggregates is based on three different sets of simulation results, i.e. based on the HERMES model for the four largest Member States, on DRI's econometric models for eight Member States (D, E, F, GR, IRL, I, P, UK) and on the QUEST model for all Member States, Japan and the United States.

They all assume the introduction of a carbon/energy tax of the order of 10\$ per barrel of oil, even if the detailed modalities differ somewhat. The DRI scenario also contains the non-fiscal measures, as well as a reinforcement of existing tax initiatives, e.g. in transport.

When interpreting these simulation results, it is important to keep in mind that the simulations may contain a positive bias to the extent that they implicitly assume that the tax is defined and implemented in an economically sound way and that the response of private economic agents and public authorities is such that macro-economic disturbances are avoided. Should this not be the case, the economic effects could be substantially different.

An important general conclusion is that the three sets of simulations show a remarkable convergence in their results, and conform the empirical findings from the academic literature.

a) Gross Domestic Product (GDP)

The use of the tax revenues is one of the main determinants of the GDP effects. In the hypothesis of a strict tax neutrality the impact on GDP, estimated on the basis of the HERMES model, is estimated to be modest and the potential impact on the average annual growth is likely to vary from -0.2% to +0.04 (which equals -1% to 0.2% for the GDP level after 5 years). The negative effect is considerable higher in case the tax burden increases (-1.6% on GDP level after 5 years).

The DRI analysis containing also non-fiscal measures but not a full tax neutrality (up to 85%) largely confirms the HERMES analysis : an average reduction of the annual growth rate of 0.06%.

b) Prices (CPI/PPI)

The three simulations clearly reveal the carbon/energy tax-induced increase in consumer (CPI) and producer (PPI) prices. The precise amount depends on whether the tax revenues are used for reducing other indirect taxes (e.g. VAT) or charges (e.g. employers' social security contributions) or whether the tax revenues are either not recycled or used for reducing direct taxes. In the former case, the price increase tends to be only half as high as in the latter case, where in the medium term the consumer price level is roughly 4% higher than otherwise. This would approximately correspond to an increase in the annual inflation rate of the order of 0.3-0.5 percentage points. It is generally assumed that no destabilising wage-spiral is set in motion.

c) Employment

In view of the comparatively short time period under consideration, it is not surprising to see that total employment moves broadly in line with economic activity. Provided the tax is introduced in a budget neutral way, the employment effects are generally small. Should the tax revenues be used for lowering labour costs, the employment effects may even be positive, at least in the medium and long run.

d) Government Budget Balance

Evidently, the public finance aspects are to a large extent determined by the decision on the revenue use. Although without revenue redistribution the government's budget balance is set to improve, this improvement is likely to be at least partly eroded by the negative budgetary impacts of the resulting slowdown in economic activity.

e) External Balance

The impact of the introduction of the carbon/energy tax on the external balance is, to a significant extent, determined by positive effects of lower energy import requirements, positive trade balance effects of a possible slowdown in domestic economic activity and eventual negative trade effects if the country's export structure is biased towards energy intensive products. Because of those compensating movements, the aggregate current account effects generally tend to be small.

Conclusions

There is a remarkable convergence in the results of these independent simulation exercises. The introduction of a 10\$ per barrel of oil carbon/energy tax is likely to have noticeable, but relatively modest macro-economic consequences, provided certain rules are respected. These macro-economic effects mainly consist of an increase in the general price level, implying at least a temporary rise in inflation. This is likely to be inevitable. Whether the inflationary impulse remains transitory or whether it leads to a wage-price spiral with subsequent monetary policy induced recession largely depends on the reaction of private and public economic agents.

The other macro-economic effects, notably the GDP response, are largely a function of the modalities of the tax introduction (in particular the gradual and predictable introduction of the tax, the size of the tax rate and the use of the tax revenues) as well as of the wage/price and central bank behaviour. In principle, a policy to reduce CO₂ emissions or energy consumption can be expected to entail costs, including macro-economic costs (i.e. GDP losses). The lower the degree of flexibility with which the economy adapts to the tax, the higher these costs. If, however, the introduction of the carbon/energy tax is taken as an opportunity for structural reform, e.g. by using the tax revenues for reducing other taxes, then the gains from such a policy may well exceed the costs of the emission reduction.

The benefits of the proposed package in terms of environmental improvement (greenhouse and other gases), increased energy security or other positive effects (e.g. health and health costs, transport problems, ...) are difficult to quantify and to integrate in macro-economic simulations. It should therefore be taken into account that the figures and results presented do not include these benefits.

ANNEX 10

GDP AND PRICE EFFECTS OF A PACKAGE OF MEASURES, INCLUDING A
CARBON/ENERGY TAX OF 10\$/b (EUR-8 : D, E, F, GR, IRL, I, P, UK)

	Annual growth rate	Level ⁽¹⁾
GDP	-0.06	-0.8
PPI	0.29	4.0

Source : DRI Report for the European Commission.

(1) Percentage change in the level after 15 years compared to the reference case.

UN Conference on Environment and Development

- Position of the Government of the Federal Republic of
Germany and Present State of the Negotiations -

I. Basic Principles

Following the first worldwide Environmental Conference held in Stockholm in 1972, we believe that the follow-on Conference on Environment and Development (UNCED) called by the General Assembly of the United Nations and to be held in Brazil in 1992 represents a milestone for global environment and development policy. It is essential to maintain the natural basis for life on our planet both today and for the sake of future generations. At this conference a new course must be set. No country, no government alone is in a position to solve global environmental problems such as climate change and changes to the ozone layer, the widespread destruction of forests due to air pollution and improper use, loss of species diversity and the deterioration of soil and water resources. What we need is increased international cooperation among all countries, in particular a more intense partnership between developing and industrialised countries. This also means that we, as countries enjoying mutual trust must be ready to limit our absolute sovereignty in treaties and agreements negotiated on equal terms in order to further the cooperation required if we are to reach our joint objectives.

The Federal Government expects this conference to give decisive impetus for the realisation of such a global partnership in environment and development policy. The industrialised countries which continue to be responsible for most of the emissions which lead to global environmental

problems, therefore bear particular responsibility. For this reason, the industrialised countries must change their behaviour in such a way that the developing countries too have space to continue their necessary environmentally compatible development. An example of this is the German CO₂ reduction programme.

Nevertheless, adjustments in the policies of developing countries will also be necessary. To achieve this, these countries ought to be able to depend on the cooperation and support of the industrialised countries.

II. Individual Positions

The objectives of the Federal Government for this Conference may be summed up as follows:

1. World Climate Convention

The signing of the World Climate Convention, if possible with initial implementing protocols. Priority must be given to limiting and reducing climate-relevant emissions, in particular CO₂, as well as to maintaining and increasing forest areas in their function as CO₂ stores and sinks. This must be done by means of obligations binding under international law. Mere declarations of intent by countries are not sufficient. National one-sided declarations of intent can at most be a supplement to formal convention obligations.

As an initial step, the Federal Government is striving to achieve a global stabilisation of CO₂ by the year 2000 and reductions by 2005 and 2010.

2. Convention to Protect Biological Diversity

We believe that in the desired convention to protect biological diversity, priority must be given to protecting species in their natural habitats. In this context, ex-situ measures and questions of biotechnology are of secondary importance: they should be subject to independent regulations.

3. Declaration on the Protection and Maintenance of Forests

After very difficult negotiations, agreement was reached at the 2nd PrepCom Meeting to strive for a global consensus on basic principles for the protection, management and development of forests in all climate zones.

The Federal Government believes that this global consensus must contain as comprehensive specific elements and principles as possible. Furthermore, it should also contain the stipulation that on this basis international governmental negotiations should be entered into immediately after UNCED with the aim of negotiating a forest convention binding under international law within the space of 2 years.

In the discussion on forests, it became increasingly clear that the developing countries will only be prepared to take forest protection measures if the limitation, originally discussed at great length to the effect that only tropical forests would be under protection, is given up in favour of forest protection in all climate zones. This is also the position of the Federal Government. The Federal Government is implementing comprehensive national programmes of measures to protect and conserve forests in Germany. Furthermore, international forest protection measures (e.g. the tropical forest pilot project in Brazil) are also given support.

4. Banning Environmental Crimes

Together with the Soviet Union, the Federal Government has introduced an initiative to outlaw environmental crimes. Deliberate serious damage to the environment which may permanently impair the basis of life on earth and cannot be justified under international law must be prevented using all appropriate political and legal means. The environment may not be misused as a weapon or as a hostage. This applies equally to war and peacetime.

The Federal Government will be pressing for suitable measures to ban environmental crimes both in the relevant committee of the UN General Assembly and within the framework of UNCED.

5. Technical and Financial Cooperation

A decisive prerequisite for the success of UNCED will be to ensure that agreement is reached in the fields of finance and technological cooperation/transfer of technology.

- a) The industrialised countries in principle recognise the need to make available new and additional financial resources to deal with global environmental tasks and to support environmentally-compatible development.

The Federal Government stands by its agreement to resolution 44/228 of the UN General Assembly dating from December 1989 which stressed the need for new and additional financial resources for environmental protection measures in the developing countries. At the 3rd PrepCom Meeting, the Federal Government made it clear that the Global Environmental Facility of the World Bank, UNDP

and UNEP with a modified decision-making structure still to be negotiated should be the financial mechanism to deal with global environmental tasks - including the international conventions to be negotiated. The developing countries, however, are calling for an independent fund to be set up for each environmental convention, and, moreover, a general Green Fund to finance environmentally-relevant development tasks.

The Federal Government will press, both within the European Community and within the OECD for the development of realistic positions in this regard which make agreement with the developing countries possible.

- b) The Federal Government believes it is urgently necessary to intensify technological cooperation under the aspects both of the promotion of development and precautionary action on the environment. It will only be possible for the developing countries and also for the countries of central and eastern Europe to take on responsibility for conserving the environment if they have the technical possibilities at their disposal to prevent existing environmental damage and to take precautionary measures to avoid any new damage from arising.

- What is required here is not a one-track transfer of technology but rather cooperation in partnership with efforts made on all sides. Apart from cooperation between industrialised and developing countries, the technical possibilities of the threshold countries and thus south-south cooperation ought not to be neglected.

- The development and distribution of technology takes place primarily within the framework of the expansion of international trade and entrepreneurial activities (e.g. the granting of licences and direct investments). In this process, it is the particular task of countries and governments in both industrialised and developing countries to protect and support technological cooperation and technological transfer by creating a framework which makes this possible and, also to break down existing barriers.
- The possibilities for technological transfer within the framework of bilateral and multilateral development cooperation must also be used to the full. Environmental impact assessments must be an integral part of all programme planning and implementation.
- An important condition for successful technological cooperation is education, information and instruction of wide sections of the population and increased training and further education of experts in developing countries both in the public and private sector (so-called capacity building).

The proposed text drawn up by the 3rd PrepCom Meeting largely corresponds to these ideas and forms a good basis for further negotiations.

6. Action Programme Agenda 21

Together with the conventions and agreements mentioned above, the action programme Agenda 21 to be passed by the conference will mark the start of increased international cooperation in the field of environment and development.

Priority objectives and tasks as well as planned strategies and measures to implement them will be set by Agenda 21 for all topics to be dealt with by the conference. The Federal Government is trying to ensure that ambitious and indeed feasible objectives and tasks are defined.

a) The following basic objectives are common to the positions on all sectors:

- development of the national potential for knowledge and expertise
- the creation of an adequate legal and institutional framework at a national level
- an environmental cost assessment (internalising external costs) as well as the most comprehensive use of economic instruments as possible in order to promote the integration of environmental demands into other policy areas.

b) With regard to individual topics, the Federal Government is calling in particular for the following

- with regard to the protection of the earth's atmosphere
 - * an increase in energy efficiency and rational energy use,
 - * promotion of new and renewable energies,
 - * inclusion of the sectors industry, domestic households, traffic and transport and agriculture;

- with regard to waste

- * avoidance of waste as far as possible by measures taken in the production stage,
- * priority for the active recycling of waste,
- * disposal of the waste which nonetheless arises using high technical standards,
- * worldwide ratification of the Basle Convention;

- on biotechnology

- * the use of biotechnology to safeguard food supply, to solve environmental problems and to improve health,
- * risk assessment and the meeting of safety standards as an integral part of any form of use,
- * the development of safety guidelines applicable at an international level;

- on land resources and desertification

- * sustainable land use practices and agricultural practices in particular,
- * integrated land use planning,
- * differentiated measures at local, national and international level;

- with regard to freshwater resources, priority must be given to

- * improving existing water provision systems,
- * water provision of the people before other water uses,
- * fighting water pollution before water processing;

- on marine protection
 - * reduction in inputs, as far as possible at source,
 - * the fight to combat the illegal dumping of waste,
 - * the further development of existing regional and international agreements;
- on chemicals/dangerous substances
 - * risk assessment and risk minimisation,
 - * uniform global classification and marking systems,
 - * systematic registration of existing substances
 - * international exchange of information on substances;
- on environment and development
 - * crucial measures to combat poverty,
 - * effective population policies,
 - * improvement in the field of education, training and further education,
 - * including the local population in particular in planning and executing measures,
 - * the rôle of women in development.
- with regard to the topic of human settlements, the Federal Government will be holding an International Conference on Strategies for the Improvement of the Urban Environment in February 1992 in view of the particular importance of implementing environmental protection in urban areas in order to develop specific proposals for the relevant part of Agenda 21.

7. "Earth Charter"

At the conference, a declaration on the rights and obligations of countries in the fields of environment and development is to be passed ("Earth Charter"). What count here are principles such as sovereignty and the basic principle of common, but differentiated responsibility for the global environment as well as the obligation of countries to inform other countries involved of possible transboundary impacts of any project to be undertaken, and to warn them immediately in cases of emergency.

The Federal Republic of Germany, the EC and other countries too are striving to ensure that principles on the relationship between the state and citizens are also included in the Charter, such as, for example, the obligation for the public to be involved in licensing projects of relevance to the environment. Furthermore, the significance of the principle of precautionary action, the polluter-pays principle and the cooperation principle should be stressed as the basis of environmental policy, particularly in the domestic field.

8. Institutions

One of the tasks of UNCED is the development of proposals for how the rôle of the United Nations can be increased in international environment policy and what institutional alterations in the United Nations' system are required in order to do this.

Discussions on this question only began at the 3rd PrepCom Meeting. It is the aim of the Federal Government to strengthen the UN organisations concerned, in particular UNEP,

and to improve coordination in the UN system in the field of environment and development. It must be looked into whether the task of coordinating efforts should be entrusted to a body of UN member states or should be given to a UN body in which all relevant UN organisations are represented.

III. The Present State of Negotiations

The negotiations that have taken place up until now have been difficult; nonetheless some progress has been made. Account must be taken on the one hand of the fact that the spectrum of topics to be dealt with by the conference is extremely wide. On the other hand it must also be noted that more than one hundred countries with very different levels of development and different interests are involved. Furthermore, decisions in this body are generally taken by consensus. In spite of the tremendous commitment of the countries taking part and considerable readiness to compromise, many difficulties must still be overcome in order to reach the desired results by June 1992.

The Federal Government believes that the positions it represents can only be implemented by continuing the close cooperation with the other member states of the European Community. The European Community is playing a central rôle in these negotiations as the point of contact for developing countries. In order to be able to continue in this rôle as a mediator, the further development of community positions for the further negotiations on the climate and on species diversity and with regard to the concluding 4th PrepCom Meeting is of tremendous importance.

Furthermore, the Federal Government will continue to use many bilateral and multilateral contacts to try to influence the position of other countries with regard to their negotiation objectives.

TEXT OF A MESSAGE DATED 19 JUNE FROM
THE PRIME MINISTER TO THE PRESIDENT

UK

Candy
(AC Gore's office)

Begin

The Rio Conference has been a real success. We now need to maintain the momentum, and to take the lead in doing so. I propose that at the forthcoming Munich Summit leaders should make a political commitment to an eight-point plan for follow-up action by the end of 1993 :

- To ratify the Climate Change Convention and publish national plans for implementing it;

- To publish national plans for action on bio-diversity, and to establish the basis for ratification of the Convention;

- To publish national plans for the implementation of the Forest Principles;

- To publish national plans for the implementation of the Rio Declaration and Agenda 21;

- To give financial support for developing countries for the implementation of Agenda 21 through official Development Assistance (ODA) and for the replenishment of the Global Environment Facility (GEF);

- To take the lead at the 1992 U.N. General Assembly in the establishment of the Sustainable Development Commission;

- To put our weight behind establishing an international review process for the Forest Principles;

- To take the lead in the restructuring of the GEF so that it can in time be established as the permanent financial mechanism for the Climate Change and Bio-diversity Conventions;

I am copying this letter to fellow G7 Leaders. I hope we can discuss this proposal when we meet in Munich. I am sending a similar letter to Prime Minister Cavaco Silva and to other EC colleagues with the suggestion that they might take on a similar commitment at the Lisbon Council.

Ends

1. *Rio Conference on Environment and Development*

The European Council welcomes the results of the United Nations Conference on Environment and Development (UNCED) held at Rio de Janeiro from 3 to 14 June 1992 and in particular the acceptance by the international Community at the highest level of the aim of sustainable development worldwide. It also noted with satisfaction the role played by the Community and by its Member States in the Conference.

The European Council invites all the participating states to proceed rapidly to the implementation of the measures agreed at Rio.

The Community and its Member States, for their part, are prepared to commit themselves to the following eight-point plan:

- to ratify the climate change convention and publish national plans for implementing it;
- to publish national plans for action on biodiversity, and to establish the basis for ratification of the convention;
- to publish national plans for the implementation of the forest principles;
- to publish national plans for the implementation of the Rio Declaration and Agenda 21;
- to give financial support to developing countries for the implementation of Agenda 21 through Official Development Assistance (ODA) and for the replenishment of the Global Environment Facility (GEF);

- to take the lead at the 1992 UN General Assembly
in the establishment of the Sustainable
Development Commission;

- to put their weight behind establishing an
international review process for the forest and
desertification principles;

- to take the lead in the restructuring of the GEF
so that it can in time be established as the
permanent financial mechanism for the climate
change and biodiversity conventions.

The European Council invites the other states to
make a similar commitment.

TEXT OF A MESSAGE DATED 19 JUNE FROM
THE PRIME MINISTER TO THE PRESIDENT

UK

Candy
(ACGore's office)

Begin

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Ends

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COVER PAGE +1 PAGES

TO: Candy, Senator Gore's office
fax no. 224 0580

DATE: June 30, 1992

FROM: Gilbert DUBOIS
CHRONO: GD92-679 San Francisco: ~~Y/N~~ - Delegations: ~~Y/N~~:

ADDRESSEE PLEASE COPY TO:

Attached please find a copy of the text of a message from British Prime Minister Major to President Bush. The message contains an 8-point plan for follow-up action (to Rio) by the end of next year.

The text was made available by the UK Embassy last week.

Andreas van Agt

U.S. SENATOR AL GORE, D-TN
Friday, June 5, 1992
Rio de Janeiro, Brazil

The United Nations Conference on Environment and Development, or the Earth Summit, held recently in Rio de Janeiro, moved the world to a better understanding of how future progress is inextricably linked to improvement of the environment. It also laid the groundwork for meaningful changes in policies in every nation on the face of the earth to stop the destruction of the global ecological system. For these reasons, I believe the Earth Summit in its largest sense was a magnificent success. Every nation in the world is now thinking about the same challenge at the same time in a new way.

For many years, heads of state, parliamentarians, legislators, scientists, journalists and many others concerned about the environment have talked with each other about ecological tragedies in one nation or another. And local dialogue has been similar to the old parable of the blind men and the elephant. One of the blind men had the elephant's trunk in his hand. Another had the elephant's tail. And yet another had one of the elephant's enormous legs. And they described to each other completely different animals. Only after enough time had passed and enough communication had taken place was there a realization that they each had a separate part of the same beast.

At the Earth Summit, there was the same realization that the disappearance of the Aral Sea, the burning of the rainforest, the disappearance of living species at a rate one thousand times greater than the natural extinction rate, the tragedy of the Love Canal, the garbage crisis, the oil spill in Alaska, the dead dolphins in the Gulf of Mexico, the dead seals in the North Sea and the dead starfish in the White Sea, are all different parts of the same global crisis.

This crisis was addressed by heads of state in Rio and will continue to be discussed around the world. The challenge is in making the difficult decisions on how to implement this new way of thinking and the new shared recognition that human beings must heal the relationship between our civilization and the ecological system of the earth.

A number of dramatic changes made it possible for the Earth Summit to take place. For instance, people all over the world now feel that they are part of a single global civilization. We are a community of separate nations and we shall remain so, but we face the same problems and we must construct a common agenda for solving those problems. The Earth Summit was the first of many conversations that will take place on a global basis as we endeavor to create that global agenda.

Some remarkable agreements were arrived at during the Earth Summit. Most of the world now agrees that freedom is a prerequisite for solving the global environmental crisis. As people who care about the future of our world, we must make a compact with one another to struggle against the enemies of freedom. Dictatorship is an enemy of freedom. Communism is an enemy of freedom. Ignorance is an enemy of freedom. Corruption is an enemy of freedom.

Racism and sexism, exploitation and oppression are enemies of freedom and everywhere we look in the world today, wherever the human spirit is crushed, wherever individuals feel powerless and live out their lives in fear that they have no meaning or purpose, human beings and the environment suffer. From Eastern Europe and the states of the former Soviet Union, to Ethiopia and to Tibet, to Haiti and to South Central, Los Angeles, we have an obligation to hear what people are saying, to feel the suffering when we hear the numbers of children who are dying in the world every single day. We have an obligation to link the democracy movement and the environmental movement. We can do so and we must do so.

Many of us have come to believe as human beings that the ecological crisis is fundamentally a spiritual crisis. It is not an accident that in those countries where the environment has been the most devastated, human suffering is usually the worst. Where the human spirit has been pushed down and where hope has been abandoned, we see the erosion of the soil and cutting down of the forest and the poisoning of the water and the air.

It is a spiritual crisis because the crisis springs out of the relationship between human beings and the ecological system of the earth. There have been three dramatic causes of this transformed relationship between human beings and the earth.

The first is the population explosion. After 10,000 generations of human beings, there were little more than two billion people on this earth in 1945. In the last five decades, population has increased from a little over two billion to five and a half billion and in the next five decades, it will rise to at least nine or 10 billion.

We must listen when those who understand the population problem the best tell us that it is linked not merely to the availability of safe and effective birth control on a voluntary basis, but it is also profoundly linked to poverty, injustice, human suffering and child mortality. As Julius Nyerere said 30 years ago, the most powerful contraceptive in the world is the confidence by parents that their children will survive. When we save the lives of children, we make it possible for mothers and fathers to choose to have smaller families. These same experts tell us that the population problem is inextricably linked to the level of education and literacy in the world, especially among women who must be empowered to participate in the decision making.

Let us also listen to spiritual and religious leaders when they say aid for developing countries must not be conditioned upon policies related to birth control. If they tell us without words that a change in thinking is possible that allows some parts of society to address the question of making safe and effective birth control available voluntarily while others, including religious leaders, work to address child survival rates and literacy and education rates, we must not prolong the argument. We must simply move forward as a world with a new common understanding that we do have the capacity to create throughout this world the conditions that will lead to stabilizing population all over this world.

In the industrial countries, we must also listen to those in developing countries who say, "Wait a minute, what about the fact that each and every individual in an industrial country is responsible on a per person basis for 20 or 30 times as much pollution as an individual in developing countries?" In order for the world as a whole to respond to the challenge posed by the population explosion, we must also address the problems of waste and wasteful consumption in the industrial world.

The second cause of this transformed relationship between civilization and the earth after population is the scientific and technological revolution. We have had a difficult time coming to grips with the fantastic new powers as a result of our intellectual achievements as a civilization. Remember the story of the sorcerer's apprentice who learned the magical incantation that began a process which he did not know how to stop? We have been faced with a similar challenge. Just as nuclear weapons transformed the consequences of all-out warfare, so thousands of new technologies which magnify our ability to exploit the earth have transformed the consequences of all-out exploitation.

At the dawning of the nuclear age, Albert Einstein said, "Everything has changed, except our way of thinking." Over the last few decades, human beings have tried to come to grips with a new way of thinking about warfare. We have not fully acknowledged the debt that all humankind owes to Brazil and Argentina and other nations in South America who had the courage to say we will abandon this technology of nuclear weapons and we will make a pact to stop the march that other nations began toward nuclear weaponry. We have had achievements in this area.

Now we face the necessity of arriving at a new way of thinking about our relationship to technologies for exploiting the earth. Chlorofluorocarbons (CFCs) give us cause for hope because agreements were reached at the Earth Summit by most nations of the world that will eventually result in their phaseout. We must build on that success by recognizing the partnership between north and south, industrial countries and developing countries. These partnerships made possible assistance from the north to those nations in the south that needed access to new technologies that allow for quicker abandonment of CFCs.

Of course, some of the technologies now contributing to the destruction of the earth's environment will be more difficult to change. The internal combustion engine and all of the engines that burn fossil fuels are now putting a quantity of carbon dioxide and other greenhouse gases into the atmosphere that threatens the climate balance of the earth. We must create a new partnership on a global basis to dramatically accelerate the development of new technologies that allow and foster economic progress without environmental destruction.

Developing countries have expressed their concern about the terms of technology transfer. They fear economic exploitation. Those from developing countries should listen to those in the industrial world who say, "The fruits of invention must be safeguarded sufficiently to reward those who come up with the new inventions." This will encourage the flood of new discoveries upon which all humankind will rely during the transition to environmentally sound technologies.

The third and final cause of this transformed relationship, after population and technology, is the most subtle but the most important. It is our way of thinking about the relationship itself. Specifically, it is our assumption that we are somehow separate from nature. That we have the right to exploit nature without any concern for the consequences of what we do. The assumption that we who are alive today somehow have the right to exploit the earth without considering those who still come after us in the next generation, and the ones after that. This is a way of thinking that has lead to horrendous exploitation and it must now change.

In order to change it, we must continue a dialogue among the peoples of every nation, between the peoples of industrial cultures and traditional cultures, drawing upon the wisdom that has been passed down over the thousands of generations we have been on earth. We must resist the temptation to believe that the only thing that matters is the world of thought, and instead come to an understanding of our basic connection with the rest of nature, with each other and with those who will come after us.

I believe the central organizing principle in the post-Cold War world must become the task of saving the earth's environment. We are close to a time when all of humankind will envision a global agenda that encompasses a kind of Global Marshall Plan, if you will, to address the causes of poverty and suffering and environmental destruction all over the earth. In order to reach that day, we must have leadership in this world. And when it does not come from heads of state, it must come from others who are close to the people and who hear what they, especially children, are telling us.

We must gain enough momentum to overcome the two obstacles that lie in our path. The first is the obstacle of denial that prevents us from recognizing the problem as it truly exists. But even after we break through that barrier and realize the enormity of the challenge

before us, we run headlong into the second obstacle, even more formidable than the first. It is called despair. How do you tell people to have hope in the face of these enormous tragedies unfolding around the world? How can we have hope when we see how large these tragedies are and how enormous these challenges have become?

We can have hope because we are human beings and because we are part of the earth. Archbishop Camara never gave up hope when democracy was snuffed out in Brazil. Nelson Mandela never gave up hope when apartheid threatened to destroy South Africa. The men and women of the formerly communist countries never gave up hope when they saw the opportunity to restore freedom in their lands. We have no right to give up hope. We must reach out to freedom, and we must understand the concept of sustainable freedom. As Martin Luther King, Jr. said, "Whenever freedom is denied to anyone, freedom is threatened for everyone."

We are one world. We do have common commitments. And we share a common hope for the future of this earth. Let us commit ourselves to one another and to the people all over this world who we represent that we shall overcome in this great struggle.

****Taken from a speech to the Global Forum of Spiritual and Parliamentary Leaders on Human Survival. Sen. Gore chaired the U.S. Senate delegation to the Earth Summit.****

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1. Rio Conference on Environment and Development

The European Council welcomes the results of the United Nations Conference on Environment and Development (UNCED) held at Rio de Janeiro from 3 to 14 June 1992 and in particular the acceptance by the international Community at the highest level of the aim of sustainable development worldwide. It also noted with satisfaction the role played by the Community and by its Member States in the Conference.

The European Council invites all the participating states to proceed rapidly to the implementation of the measures agreed at Rio.

The Community and its Member States, for their part, are prepared to commit themselves to the following eight-point plan:

- to ratify the climate change convention and publish national plans for implementing it;
- to publish national plans for action on biodiversity, and to establish the basis for ratification of the convention;
- to publish national plans for the implementation of the forest principles;
- to publish national plans for the implementation of the Rio Declaration and Agenda 21;
- to give financial support to developing countries for the implementation of Agenda 21 through Official Development Assistance (ODA) and for the replenishment of the Global Environment Facility (GEF);

- to take the lead at the 1992 UN General Assembly in the establishment of the Sustainable Development Commission;
- to put their weight behind establishing an international review process for the forest and desertification principles;
- to take the lead in the restructuring of the GEF so that it can in time be established as the permanent financial mechanism for the climate change and biodiversity conventions.

The European Council invites the other states to make a similar commitment.

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TO: Candy, Senator Gore's office
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DATE: June 30, 1992

FROM: Gilbert DUBOIS
CHRONO: GD92-683

San Francisco: Y/N - Delegations: Y/N:

ADDRESSEE PLEASE COPY TO:

Attached is the EC "eight-point plan" post-Lisbon that we just received from Brussels. Please note that, with the exception of the preamble, the words.. "and desertification" added to point 7, and the last sentence ... "The European Council invites the other states to make a similar commitment", the UK version we sent to you this morning and the attached are identical.

Andreas van Agt