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002. draft	Memorandum for the President: Re: Update on Climate Change Negotiations (3 pages)		P1/b(1)
003. form	[Personally Identifiable Information] [partial] (1 page)	10/22/1998	b(6)

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Clinton Presidential Records
Office of Environmental Initiatives
Roger Ballentine
OA/Box Number: 19508

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Climate Change Administration Related Oversight/Strategy [1]

2017-1093-F

ds459

RESTRICTION CODES

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WHITE HOUSE
OFFICE OF ENVIRONMENTAL INITIATIVES
FILES OF ROGER BALLENTINE,
DEPUTY ASSISTANT TO THE PRESIDENT

(prepared by Angie Mizeur)

Box 1 of 9
Submitted 12/22/2000

CLIMATE CHANGE

Administration Related

Oversight/Strategy
Issue Papers/Talking Points
Testimony/ Admin. Statements
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Budget/Finance

FY 2001 Appropriations
FY 2000 Appropriations
FY 1999 Appropriations
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NARA # 16712

ROUGH DRAFT 4/18

DECISION

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
GEORGE FRAMPTON
JIM STEINBERG

SUBJECT: Climate Change/Developing Countries

This memorandum seeks your approval of a modification in our developing country policy under the climate treaty.

BACKGROUND

No effort to address climate change can succeed without the participation of developing countries. Greenhouse gas emissions from developing countries are climbing sharply and will soon exceed those from the industrialized world. Emissions trading with developing countries could help keep costs of addressing climate change to politically acceptable levels in the United States. The U.S. Senate set a high bar for developing country participation in the Byrd-Hagel resolution, which passed 95-0 in July 1997. The resolution calls on the administration not to sign any climate change treaty unless developing countries accept "new specific scheduled commitments ... in the same compliance period" as industrialized nations.

Our current policy focuses on urging developing countries to take binding emissions growth targets (under which emissions could increase from current levels, but would stay below business-as-usual projections). Consistent with the Byrd-Hagel resolution, we insist that these targets apply during the first Kyoto commitment period (2008-2012). We point out that developing countries can benefit economically by agreeing to take targets and then participating in international emissions trading. We also urge countries to participate in Clean Development Mechanism projects, develop national action plans for controlling emissions and adopt other policies that will slow emissions growth.

Our policy has met with very limited success. To date, only two developing countries -- Argentina and Kazakhstan -- have publicly expressed a willingness to adopt binding emissions targets. Many developing countries -- most notably China and India -- are so hostile to the idea that they refuse even to discuss it. In general,

developing countries resent the effort to urge them take emissions targets, arguing that: (1) economic development is their top priority and emissions limits are more likely to hurt than help; (2) industrialized nations caused this problem, by emitting carbon that stays in the atmosphere for more than 100 years; (3) at the Rio Earth Summit, industrialized nations promised to lead the way in reducing emissions, but still haven't done so; and (4) the volatile nature of developing world economies make it too difficult to commit to emissions limits for a period 10 years hence.

Significantly, we lack strong allies in the industrialized world in our effort to engage developing countries. Even our "Umbrella Group" partners (including Canada, Australia, Japan and New Zealand) consider developing country participation to be a U.S. priority driven mainly by domestic political concerns.

In light of the foregoing, we face the real possibility of not making much progress in engaging developing countries under the climate treaty during your term. Of course, there are other important issues squarely on the agenda during the next two years (emissions trading, the CDM, sinks, compliance), so lack of progress on developing countries would not necessarily be equated with stasis in the Kyoto process. Still, developing country participation is the largest looming issue, and if we appear to be getting nowhere in the next two years, questions may be raised about Kyoto's continued viability.

This has led your advisers to explore a possible modifications to our current developing country approach. In particular, they recommend that we either openly support or take some preliminary soundings on two modifications: "adjustable targets" and "transitional targets."

Adjustable Targets. Under this approach, developing countries would accept binding targets now on the understanding that those targets would be adjustable based on future economic performance. For example, a country might agree to a target in 2001, with an understanding that the target would be increased in 2007 if that country's GDP were higher than projected. (Targets could be adjusted downward for lower GDP as well.) One way of expressing roughly the same idea would be for a country to commit itself to achieving a given ratio of emissions to GDP (e.g., X tons of greenhouse gas emissions per dollar of GDP). As GDP increases, allowable emissions would automatically increase as well.

The rationale for this approach is straightforward: it largely eliminates the risk that a target would inadvertently constrain economic growth. This both responds to concerns voiced by developing countries and reflects our own rhetoric on this topic (in particular the assertion that we are not asking developing countries to limit growth to address the problem of climate change).

This approach will not advance the ball with the biggest developing countries like

China, India or Brazil. But it might be persuasive to a number of other developing countries. The only way to know for sure would be to test it out.

There are two downsides to adjustable targets. First, from a technical standpoint, they may be too complex to be workable. In general, only very simple ideas can gain acceptance and be implemented among the more than 160 nations that are parties to the climate treaty. Second, if we support adjustable targets for developing countries, some critics of our climate policy will complain that these countries are getting a better deal than the United States, which agreed to a non-adjustable target. Public discussion of the adjustable targets could underscore the risk the United States has accepted should economic growth exceed projections during the decade ahead.

On balance, however, we believe this idea is worth pursuing. The technical issues are worth exploring internationally, and we do not expect domestic criticism of the idea to be intense. Senator Byrd, for example, has several times stated his view that developing country commitments under the climate treaty may be of a different type than those of industrialized nations.

Transitional Targets. A more significant departure from our position to date would be to support "transitional targets." Under this approach:

- Developing countries would take a *non-binding* target for the first Kyoto commitment period. If actual emissions ended up being lower than the non-binding target, countries could sell the excess on the international market. If actual emissions were more than the target, countries would not be required to make up the shortfall.
- Countries would also agree to take on a *binding* target for the second Kyoto commitment period (2013-2017). This target would be negotiated at the same time second budget period targets are negotiated for industrialized countries (2005, under the Kyoto Protocol).

This approach could provide developing countries with considerable incentive to limit emissions, without incurring the risk, since the target is non-binding. It could also help reduce costs in the United States, by creating a larger pool of emissions allowances for sale. "Transitional targets" would be consistent with the experience of industrialized nations, which took non-binding targets under the climate treaty before agreeing to binding targets.

However, this approach would be criticized by the Congressional majority (and by some Democrats). They would complain that "transitional targets" are inconsistent with the Byrd-Hagel resolution, which calls for developing countries to make "new specific scheduled commitments...in the same compliance period" as industrialized nations. We could respond (1) that these transitional targets meet the literal terms

of the Byrd-Hagel resolution (which does not use the word "binding") and (2) that this is a fair compromise, bringing developing countries into meaningful participation, but in a manner that recognizes their modest economic circumstances. But Congressional critics would still complain, some sharply.

Again, this approach will not draw in the large emitters (China, India, Brazil) in the short-term, since they will be adamantly opposed to accepting a binding regime even in the second budget period (and would almost surely be hostile to doing so even in a third budget period). But the approach might well attract a number of other developing countries, including Latin and African countries, and start to create a genuine fissure in the developing country bloc between those who want to be part of the solution and those who want to continue to just say no.

On balance, we believe this approach is worth exploring, provided we do so carefully. Rather than openly embracing this as a new American position, we would take quiet soundings to see whether, in principle, an approach like this would be interesting to other countries. And we would similarly take quiet soundings among some of our friends on the Hill. This would avoid the worst of all worlds, which would be to adopt this position openly, get attacked for it on the Hill, and then discover that it wasn't getting us very far on the developing country front in any event.

RECOMMENDATION

We recommend that our negotiators be given the flexibility to support "adjustable targets" and to explore the interest of other countries in "transitional targets" as tools for engaging developing countries under the climate treaty. We would move toward more public support only if events dictate.

[Gene Sperling, Janet Yellen, Bill Richardson, Carol Browner, Brian Atwood and Frank Loy concur in this recommendation.]

_____ Approve

_____ Do Not Approve

_____ Let's Discuss

ROUGH DRAFT 4/18

INFORMATIONMEMORANDUM FOR THE PRESIDENT
THE VICE PRESIDENTFROM: TODD STERN
GEORGE FRAMPTON
JIM STEINBERGSUBJECT: Climate Change

The Sixth Conference of Parties to the Climate Convention ("COP-6") is currently scheduled for November or December 2000. We wanted you to know that we are working to reschedule the meeting for March 2001, for the reasons set forth below.

BACKGROUND

The Parties to the Climate Convention meet annually. Meetings typically last 10-12 days. The next Conference of Parties will be held in October 1999.

COP-6 will be an important meeting. It is the deadline for further work on the major open issues under the Kyoto Protocol. In the best circumstance, Parties would agree at COP-6 on rules for emissions trading and the Clean Development Mechanism, on the elements of a compliance regime for the Protocol and on additional guidance concerning the role of carbon sinks (e.g. forests). Then, if sufficient progress is also made in engaging developing countries in efforts to address climate change, the treaty could be submitted to the Senate for advice and consent to ratification in 2001.

COP-6 will also be an extremely difficult meeting. We expect tough, last-minute bargaining with the Europeans and others on efforts to restrict emissions trading; resistance from many countries on U.S. efforts to provide an expansive role for carbon sinks; continued efforts by Saudi Arabia and others to block any progress on the treaty; and substantially less engagement from developing countries than certain domestic constituencies have insisted is necessary. To achieve a successful outcome, we must clear significant hurdles.

At the same time, the motivation of many Parties to reach an agreement at COP-6 may be high. Unless key countries (including the United States) ratify the Kyoto Protocol during the first few years of the next decade, the treaty will need to be

renegotiated. (The Protocol's binding emissions targets start to apply in 2008.) Parties may see COP-6 as the last opportunity to shape a package built on the Protocol that could be accepted here and in other capitals.

SCHEDULE OF COP-6

Unfortunately, the calendar leaves no good options for scheduling COP-6. Any dates before the Presidential election present obvious challenges. In addition, the entire month of December 2000 is unavailable due to Ramadan. (Major multilateral negotiations are almost never held during Ramadan. Arab delegations would object heatedly to -- and probably disrupt -- any climate change meeting held during the holiday.)

At Buenos Aires, the Parties tentatively agreed to hold COP-6 in November or December 2000, at a precise date to be determined. (We quietly objected to the Secretariat's initial suggestion -- holding the meeting during October 2000.) British Deputy Prime Minister John Prescott floated the idea of not holding a meeting during the year 2000, but met with resistance from the Chinese and other members of the G-77.

We have explored a number of options for scheduling COP-6. A first option is November 2000. (The only dates between the Presidential election and Ramadan are Monday, November 13 - Friday, November 25.) This choice is distinctly unattractive for at least three reasons.

First, neither of you would be available for decisions or high-level diplomacy in the months leading up to this meeting. (Your role was instrumental to our success at Kyoto.) Second, the ministerial segment of the meeting would culminate on Thanksgiving and the day afterward, placing considerable burdens on the U.S. delegation and those involved in final, high-level decision-making at home. Finally, in the event of a Republican victory in the Presidential election, countries would expect the next administration to repudiate some or all of any agreement reached at the meeting, undercutting our ability to negotiate a deal.

A second option, at least in theory, is July 2000. (This is the latest date that would keep the meeting within the 2000 calendar year while avoiding the conventions, general election and November and December dates discussed above.) Of course, a July meeting would dramatically raise the stakes in connection with the Presidential election. The outcome would be characterized during the fall as either a sell-out (if we reach a deal) or a failure (if we don't). At least one key issue (sinks) could not be resolved this early, because the COP-6 decision will depend on the results of a scientific study set for release in April 2000. Finally, it is not clear that we could arrange a July meeting from a logistical standpoint, even if it were our preference. Preparatory meetings would need to be rescheduled and conference locations would need to be identified. State Department advises that there is some risk this could not be achieved.

This leaves the final option, which we are reluctantly pursuing. Scheduling the

meeting for March 2001 takes the meeting out of the Presidential election cycle and allows additional time to complete work on complex issues. President Gore would have considerable ability to shape a positive outcome. (A Republican President would have to take responsibility for U.S. policy at the meeting, instead of simply criticizing us for sell-out or failure.) The many downsides of the other options are avoided.

There is, however, one important downside of scheduling this meeting in March 2001. You will be criticized for ducking the climate change issue, by extending the date for this meeting past the end of your term. (There is some chance the meeting might be scheduled in March 2001 without the US being perceived as the main reason for the change, but this is unlikely.) This will be further evidence for some left-wing environmental groups that we are failing to lead on global warming. However, on balance, this appears to be a lesser evil than those associated with other options.

CONCLUSION

We will work in the weeks and months ahead to reschedule the Sixth Conference of Parties to the Climate Convention ("COP-6") to March 2001. If you are uncomfortable with this approach for any reason, please let us know.

November 30, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
KATHLEEN MCGINTY
DANIEL TARULLO
JAMES STEINBERG
TODD STERN

SUBJECT: Kyoto -- Negotiating Guidance

As the climate change negotiations begin in Kyoto, we wanted to update you on the current state of play and identify issues on which your chief negotiators need bottom-line guidance. On a variety of issues, significant differences remain between us and other major players, such as the EU and G-77. An agreement at Kyoto is still possible, but it will require key countries to make significant concessions from their stated positions.

Of the many issues to be resolved at Kyoto, four are likely to require decisions from you: emissions targets, joint implementation with developing countries, overall developing country commitments and a national security exemption. On each of these, Stu Eizenstat will need to know where your bottom line is -- the point to which you could move from a current U.S. position, but beyond which you would consider an agreement unacceptable.

This exercise inevitably raises the question of what would happen in the event we refuse to support an agreement we deem unacceptable. The best case would be to negotiate some form of standstill agreement, in which countries would lock in the progress to date and commit to continued prompt negotiations on the remaining issues. This is the "process outcome" our negotiators would seek, but a more problematic result, with the U.S. relatively isolated and portrayed as the bad guy, is possible as well.

Targets

Among industrialized nations, the most significant outstanding issue is the level of the binding target. Key proposals on the table are as follows: EU --15 percent below 1990 levels by 2010; Japan -- 0-5 percent below 1990 levels by 2010, based on a formula that would produce different targets for different Annex I countries within this 0-5 percent range; U.S. -- 1990 levels by

2008-2012; Canada -- 1990 levels by 2010; Australia -- significantly above 1990 levels by 2010. When discrepancies in accounting methods are taken into account (e.g., the treatment of carbon "sinks" or the number of gases covered), we believe our target is somewhat closer to those of the EU and Japan than has been widely reported.

As you know that the EU has been able to be so aggressively green on its target only because of its "bubble". (The bubble allows different countries to have different targets -- the emissions of several EU countries would actually grow compared to 1990 -- so long as the EU as an aggregate reduced by 15 percent. In essence, the entire EU gets the benefit of the special circumstances that have produced significant emissions reductions in the U.K. and Germany.) However, opposition to the bubble is widespread. In order to get the bubble, the EU may well have to give on other points (including, for example, a differentiated regime in which countries without a bubble might get targets somewhat higher than the EU).

To reach a deal at Kyoto containing enough of the key elements of the U.S. proposal (joint implementation, developing country participation), a U.S. target below 1990 levels of greenhouse gas emissions may well be necessary. EU leaders are demanding a reduction below 1990 levels, as are many leaders in the developing world. A "reduction target" -- even a small one -- would allow these leaders to argue more effectively that Kyoto reflects real progress since Rio, where nations agreed to reach 1990 levels by 2000.

Optical reductions. There may be acceptable ways of recharacterizing the U.S. target that would show a reduction but not require greater effort on our part. Your advisors are actively exploring such options now. One such optical change to our target -- agreeing to defer inclusion of certain carbon "sinks" until methodologies improve -- would put us one or two percentage points below 1990 levels without any increased effort, though there could be downsides in such exclusion. In addition, the Japanese have proposed a technical change in the way three of the six covered greenhouse gases are accounted for. EPA is analyzing whether this change is appropriate and how large an optical reduction it could produce (probably no more than one to two percentage points).

Real reductions. You will likely need to decide whether, if it became necessary in the final endgame to get an overall deal, you would be prepared to reduce our target not just in optical terms but in real terms. Such a reduction could in theory come either in a first budget period (2008-2012) or a second budget period (2013-2017), though the EU and developing countries will press much harder for a reduction in the first period.

A. First budget period: The potential real reduction in the first period could be in the 1 to 5 percent range. Any reductions below the target you have already proposed would undoubtedly intensify the criticism by much of industry and many on the Hill. The problem is exacerbated by recent projections from the Department of Energy suggesting that carbon emissions will be 5 percent higher in 2010 on a business-as-usual path than previously thought. However, such

reductions may be necessary to close a deal at Kyoto with other key elements of our package.

B. Second budget period. It is possible that reductions in the second budget period -- presumably 5 percent or more below 1990 levels by 2013-2017 -- could also be helpful. Given the longer time horizon and the likelihood that such a target would be revisited before the second budget period begins, this could be more palatable to constituencies at home. However, other nations seem intent on reductions in the *first* period; it is unclear how much leverage a 5 percent reduction in the second period, or even a 10-15 percent reduction, would provide. Furthermore, committing now to specific reductions in a second budget period could remove leverage in future rounds of negotiations involving developing countries, and we could be criticized for agreeing to two targets before developing countries agree to any.

Joint Implementation

Your recent efforts to gain support for joint implementation have helped to provide momentum for its acceptance, and have sent a strong message to potential supporters that this remains a U.S. priority. Nevertheless, most key developing countries continue to oppose JI, and it remains very vulnerable. The current negotiating text is inconsistent with the U.S. position: it would allow joint implementation only among industrialized countries or with developing countries that voluntarily take on binding commitments under Article 10 (see below), and would postpone any decision on joint implementation with developing countries until after the completion of an ongoing pilot project, in 2000.

We are still working quietly with Brazil on a compromise proposal. However, the prospects for success are unclear.

In addition, you should know that many countries are seeking percentage limits on the use of joint implementation (for example, by limiting credits to 5 percent of a country's 1990 baseline). We have allowed our negotiators to consider qualitative rather than quantitative limits (e.g., "JI credits would be *supplemental* to domestic measures").

Joint implementation remains critically important to those moderate businesses which have been at least tentatively supportive of your plan, such as BP and several major utilities. The importance of JI is further underscored by the difficulty we are having in negotiating developing country commitments (see below). In the absence of strong commitments from developing countries, participation through mechanisms such as joint implementation becomes especially important. In addition, joint implementation and emissions trading are among the key devices that allow us to argue that the overall cost of reaching your climate change goals will be affordable -- well below the \$100-200/ton costs that opponents claim.

The questions for decision are (a) whether we must have joint implementation with developing countries for credit in the treaty; and (b) whether you would, at the limit, accept a quantitative restriction on JI.

Developing country commitments and the two-step process

In your climate change speech on October 22, you said that the "United States will not assume binding obligations unless key developing nations meaningfully participate in this effort." This hinted at, but did not explicitly detail, a "two-step" approach to the developing country issue. Under such an approach, we would reach agreement at Kyoto but not seek to ratify the agreement without further developing country commitments.

You should be aware that Senator Byrd (whose resolution, passed 95-0 by the Senate this summer, lays down a strong marker on this issue) wrote you this week to reject the two-step approach:

"I believe it would be unwise for the U.S. to be a signatory to any treaty that would not be approved by the Senate on its own merits. Those who are concerned about the consequences of climate change should consider that agreeing to only half a loaf --that binds only the Annex I industrialized nations to emissions limitations --will subject a protocol to intense domestic criticism as premature, unbalanced, and inequitable. Further, I believe it would make binding commitments by the developing world less likely as crucial negotiating leverage would have been lost."

Senator Byrd's views notwithstanding, the reality is that there is no prospect for developing countries to sign on to their own binding targets at Kyoto. In fact, the prospects for the strong Kyoto Mandate that our negotiators were once hoping for -- in which developing countries would agree *now* to commence future negotiations over binding targets within some period of time -- are close to nil.

It thus looks increasingly likely that the most we could realistically achieve in Kyoto is an opt-in mechanism (Article 10), under which any developing country could voluntarily accept its own binding target in the months or years ahead, plus a general statement concerning a follow-on process of future negotiations, in all likelihood without any specific reference to binding commitments. At its weakest, this reference to a follow-on process could take the form of a "review of commitments" for the world as a whole, a provision the EU would accept. Such a review could lead to, but would not guarantee, a new negotiation over developing country commitments.

Neither the opt-in mechanism itself, nor a general reference to a follow-on process, would represent "meaningful participation" by developing countries. Those devices are means to the end, not the end in themselves. Consequently, we would need to emphasize that we

would not expect to submit the treaty for ratification until a critical mass of developing countries were participating meaningfully. The reception of such an approach on the Hill and among business would likely be mixed -- but would likely improve a good deal if we had succeeded in getting joint implementation with developing countries.

The issue for decision is whether the two-step approach in this form -- with the Article 10 opt-in plus a general reference to a follow-on process -- is acceptable or falls below your bottom line.

Military/national security exemption

During the past several months, the Department of Defense has expressed several concerns about the climate treaty. DoD is concerned about the impact of emissions restrictions on U.S. military readiness, on basing negotiations with our allies, and on surge operations (e.g., Desert Storm/ Desert Shield and peacekeeping missions such as Bosnia). DoD accepts that its facilities, including buildings and non-tactical vehicles (about 42 percent of its total emissions), should be subject to greenhouse gas limits to the same extent as non-military facilities.

To address these concerns, we have shaped a package under which military operations and training (which account for roughly 0.7% of U.S. emissions) would be held harmless in any domestic emissions trading program. DoD's facilities would be covered by such a program. We have also pursued several issues under the climate treaty, including authority for the United States to take emissions from our military bases overseas into our national totals (which, due to downsizing, would likely make our targets easier to reach). This provision would address concerns about basing negotiations, and now appears achievable at Kyoto.

An outstanding issue, however, relates to surge operations. Our negotiators originally explored a treaty provision exempting emissions from surge operations, but it now appears unlikely that this can be achieved at Kyoto. We are currently exploring a number of weaker procedural devices, including a decision of the parties on this issue and a statement by the chair. Last week, DoD wrote the White House to state that a decision of the parties at Kyoto would address its concerns but that, absent such a decision, the U.S. should not join an agreement. In the event our negotiators are unable to obtain a decision of the parties or other means of addressing this issue, you will need to decide whether to proceed with the treaty nevertheless.

You should know that this issue -- the impact of the climate treaty on the military -- has received growing attention on the Hill and among industry groups opposed to the treaty.

THE PRESIDENT HAS SEEN
10-22-97

THE WHITE HOUSE
WASHINGTON

October 18, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
KATHLEEN MCGINTY
DANIEL TARULLO
JIM STEINBERG
TODD STERN

SUBJECT: Climate change decision memorandum

This memorandum follows up on our earlier climate change memoranda and meetings with you. It requests specific decisions from you on various elements of our overall climate change policy. We are not looking for final decisions on the precise details of all the elements, but rather for key decisions that could form the basis for a five-point or ten-point plan. Your responses will allow us to put together a climate change policy package that you are scheduled to announce on Wednesday, October 22, while the penultimate negotiations take place in Bonn.

The decisions identified in this memo may be some of the most important and difficult of your Presidency. There does not appear to be any way fully to reconcile four constraints we have previously identified to you -- the environmental imperative, diplomatic realities, economic costs, and political opposition from business, labor and the Hill.

We think it is imperative to think beyond next week's announcement, to the management of this issue for Kyoto and beyond. In the short-term, any decision you make will draw more censure than praise. We can modulate the criticism from different quarters by moving to different points on the policy spectrum, but there is no package that wins universal acclaim. It is important, therefore, to sketch a vision of how your policy will play out in the months and years ahead.

The package we present to you today rests on several premises. First, we understand that you wish to position the United States as a leader on this issue. We present a set of policies that show that the United States is taking this problem seriously and that you are working to build the domestic consensus necessary to address this problem. Second, we recommend that an agreement in Kyoto, while desirable, should not become the measure of success of our policy. The concessions required to reach agreement there could endanger the long-term management of this issue at home. Finally, we believe that our policy can unfold with time. We should advance

a framework that is sufficiently supple to adjust to political, diplomatic, economic, and scientific developments as they occur.

I. Confirmation of your instructions on several elements

Based on your reactions to our previous memos and our meetings with you, we understand that you support the following items as components of an overall climate change policy. The purpose of this section is to confirm that our understanding is correct.

✓ **Tax cuts and R&D:** We held a very productive meeting on Thursday with Secretary Rubin, Director Raines, Deputy Secretary Summers, Chair Yellen, and others to discuss the budget and our climate change proposal. The focus of the meeting was how to structure a package of carbon-reducing tax incentives and other programs that would amount to perhaps \$5 billion over 5 years. Given the constraints on discretionary spending, we decided to explore how to move as many of the initiatives as possible on to the tax side. Treasury is working intensively with DOE, EPA, and other agencies on this front. Some of the preliminary ideas include: a tax credit for the purchase of certain highly efficient equipment for buildings; a tax credit for high fuel economy vehicles; a tax credit for photovoltaic rooftop systems; a tax credit for retiring inefficient electric generating capacity; and a tax credit for industrial cogeneration. The specific proposals could be more fully developed, and final decisions about which activities to encourage through spending or which through tax incentives, as part of the budget process. The offsets for the tax cuts could take the form of reducing current tax preferences for fossil fuels; such offsets would ensure that both the tax cuts and their "pay-fors" advance the effort to reduce carbon emissions.

• Secret
Bug ✓ **Federal energy efficiency:** The federal government spends more than \$7 billion per year on energy. A Federal government energy efficiency initiative is being developed by DOE staff, in conjunction with Defense and other relevant agencies. It would include expanding the use of Energy Savings Performance Contracts, reinventing federal procurement, taking a "sustainable design" approach to federal facilities, and developing more efficient military propulsion systems. The effort would also include a review of existing Executive Orders on purchases, preparation of a new Executive Order to fill any gaps, a directive to federal agencies to prepare greenhouse gas reductions plans and a requirement that all federal agencies assess the greenhouse gas impacts of major federal actions.

✓ **Industry out-reach:** Although we are committed to a binding, rather than voluntary target, it would still make sense to encourage businesses, on an industry by industry basis, to prepare plans in which they tell us what reductions they believe they could achieve on their own and how they could best achieve them. We would ask each relevant industry to prepare a plan over the next 6-12 months and would work cooperatively with industries where appropriate. (For example, the cement industry claims it could reduce CO2

emissions by 10 million tons/year -- over 2 percent of the total national reduction needed to reach 1990 levels by 2010 -- with a regulatory change in how the industry is permitted to mix cement. We would work with the industry to facilitate such a change, if it proved to be appropriate.)

Credit for early action: We would declare that it was crucial that there be no discrimination against firms that take early action to reduce emissions (e.g., that any baseline that might be established would be set prior to any early action -- so that they would not suffer from taking early action and then seeing the baseline moved). Furthermore, we would declare that we would strongly favor appropriately rewarding those who promptly take early action. The details of how such an early credit system would operate, however, are complex and can't be fully articulated until the details of an overall permit trading system are worked out. We should state our support for early action and indicate that early actors will be appropriately rewarded.

5-year science reviews: Under the existing climate treaty, the Intergovernmental Panel on Climate Change is charged with reviewing the state of the science every five years. Several corporate and Congressional leaders have suggested supplementing these reviews with additional studies by the National Academy of Sciences or your Committee of Advisors on Science and Technology (PCAST), on a similar 5-year cycle.

Emphasize long-term goal of stabilizing concentrations. The goal of the existing climate treaty is "to stabilize concentrations of greenhouse gases in the atmosphere at levels that avoid dangerous anthropogenic interference with the climate system." However, the Parties to the climate treaty have never defined precisely what levels are dangerous. Your advisers believe the United States should announce support for developing a specific, long-term goal. The U.S. would urge the Intergovernmental Panel on Climate Change, as well as the National Academy of Sciences, to undertake this task.

Global Environmental Facility. The United States is significantly in arrears to the Global Environmental Facility, which assists developing countries in reducing greenhouse gas emissions. (Of the \$430 million pledged for FY93-FY97, we have been able to contribute roughly \$185 million.) These arrears reduce our leverage with developing countries in negotiations under the climate treaty. Your advisers recommend you reemphasize your strong commitment to the Global Environment Facility and support clearing U.S. arrears at the earliest practical date. Funding for the Global Environment Facility should be pursued as a top priority.

International Financial Institutions. We would work with the international financial institutions (e.g., World Bank and IMF) to boost the importance of carbon reduction efforts in the context of both concessional and non-concessional lending decisions. The purpose would be to ensure that the activities of the international financial institutions provide the proper incentives for countries to undertake efforts to address climate

change.

Bilateral Dialogues. We are pursuing bilateral dialogues with key developing countries (including China, Brazil and India) to promote clean energy. Often, interest in energy efficiency and renewable energy is greater in these settings than in the politicized, multilateral setting of the Climate Convention. Discussions focus on regulatory structures for clean energy development, technical assistance, export credit and related items. Work is underway in this area in connection with the Jiang Zemin state visit later this month. Your advisers recommend that we pursue these dialogues with increased effort in the years ahead.

Transition Assistance. While we should not dwell on transition assistance as a major focus of your plan, you should nonetheless state as one of your principles that we will work cooperatively with labor and Congress to insure that we give proper assistance to any workers who are dislocated by the changes in energy usage inherent in any climate change plan. This both makes sense and is very important to labor.

_____ Approve the above components

_____ Do not approve

_____ Discuss further

II. Overall policy approach, including targets and timetables

The most difficult decisions you must make involve targets and timetables under the climate treaty, and how explicit to make the protections against excessive economic costs as part of your announcement. You have already heard the pros and cons of different courses of action.

To put the target, timetable, and safety valve discussions in context, it may be helpful to examine the overall vision that we have for your policy package. The sections below then describe possible variations on this basic package.

The plan involves three stages. Only after we had accumulated experience during the first stage (of tax cuts, R&D, and industry out-reach) and accumulated more experience during the second stage (of a trial trading program), would we enter the period under which we would be bound by the international treaty to reaching 1990 levels. Possible budget periods are explored below.

Our approach recognizes the novelty of the task that we are undertaking, and the uncertainty surrounding its potential impact, by creating regular reviews of how effectively the economy was responding to the carbon emissions reduction effort, and how effectively other

countries were responding. Such a review would include the impact of the effort on overall energy prices, an analysis of how technology was developing to meet the need for low-cost carbon reductions, an evaluation of progress toward an international permit trading regime, an assessment of the Federal government's own efforts to conserve energy, an evaluation of the efforts undertaken by other countries to meet their targets, and a recommendation on how best to proceed. The review could be conducted every four years, starting with one in 2004 and another in 2008.

In addition to these regular reviews, the basic vision involves three stages:

- **Beginning as soon as possible: Tax cuts, R&D, and industry outreach.** Before 2005, we would start with the policies that we have outlined above: tax cuts, R&D, federal energy efficiency, industry out-reach, and a commitment to rewarding early action.
- **2005-2008 or 2005-2010: Trial emissions trading program.** The emissions trading system would start in 2005, as a trial project that would allow us to learn how the system operates before entering the period in which our binding international obligations would hold. *Why wait?* Gene would prefer that we include an explicit ceiling in this period, to ensure that the permit price does not rise above \$25 per ton. Katie opposes naming a specific ceiling price. This issue is explored in more detail below.
- **2008-2014 or 2010-2015: Return to 1990 emissions levels.** Only after we had accumulated experience during the first stage (of tax cuts, R&D, and industry outreach) and accumulated more experience during the second stage (of a trial trading program), would we enter the period under which we would be bound by the international treaty to reaching 1990 levels. Possible budget periods are explored below. We would also commit to further reductions, to levels below 1990, after the end of the first budget period.

This structure is designed to phase-in implementation of the program, thereby minimizing costs. We thus start with two periods -- amounting to a decade's worth of experience -- in which the pain is relatively low, and the economy has a chance to adapt to some of the new constraints being imposed on it. Only after reviewing our experience under these two periods would we determine precisely how we would make adjustments in the binding international period.

But it is crucial to recognize that even with this strategy, we are still very exposed to attacks about the credibility of our plan or the potential costs involved in meeting the target and timetable. The vast majority of outside, credible *economists* will predict that reaching 1990 levels by the 2010 or 2015 timeframe will involve significant economic costs -- making it awkward for top Administration economists to simultaneously argue that we will meet our target and avoid significant economic costs. Other experts, such as those who look at the unused technological potential in many sectors, will be prepared to support these claims. We

will be forced to face very difficult questions about whether we are willing to accept the costs that most credible outside analysts believe will be necessary to reduce emissions to 1990 levels by the 2010 or 2015 timeframe. But if we try to protect ourselves against such attacks, we will expose ourselves to attacks that the target is not truly binding. Gene's view is that our best hope is to argue that future Congresses and Presidents will decide how best to proceed at the relevant point (see further discussion below).

At the same time, we will also face strong attacks from the environmental and international community on the ground that our target and timetable are too weak. Two weeks ago, Japan proposed 0-5 percent reductions from 1990 levels by 2008-2012, and was harshly criticized. The vast majority of the environmental community expressed outrage when press reports indicated that you were not even considering reductions below 1990 levels in the 2010 timeframe.

Within this overall framework, there are several possible variations:

A. Trial emissions trading program (2005-2008 or 2005-2010)

The framework delineated above would start a domestic emissions trading system in 2005. The first few years of the system -- before any internationally binding obligation would take hold -- would involve a relatively mild constraint (i.e, only a small reduction off the business-as-usual emissions path).

The benefit of an early start is that it allows time for the system to become operational in the run-up to the internationally binding goal, and begins to deflect emissions from the business-as-usual path. The cost is that in order to affect emissions, it moves forward the time at which energy prices will rise from their business-as-usual path.

Gene would prefer to impose a ceiling price on the permit system during this trial period, to ensure that the constraint was mild. The principal benefits of this specificity are that it builds credibility and provides a way to beat back the \$200 per ton (50 cents per gallon) attack. In response to such attacks, we could argue that the price increase would be limited until after the trial budget period (at least 2008) and, that after that date, we would not expect a future President or Congress to impose excessive costs on the economy. To environmental groups, we would argue that the \$25 ceiling applies only to the trial trading period, before the first internationally binding period.

Katie opposes naming a ceiling price. The cost of the \$25 ceiling approach is that it gives opponents a specific, Administration-approved figure to attack. Specifying the ceiling price for the trial period allows opponents to attack on that basis (\$25 per ton of carbon translates into approximately almost \$40 billion per year), and these figures would continue to be identified with the Administration's climate change program even if there is no agreement in Kyoto. We could argue that the figures would explicitly be a *ceiling* and that the prices

could be lower. A specific price would also be opposed by some in the moderate business community at least in part because they think such a price would interfere with their ability to do lucrative joint implementation projects in developing countries. Some in the business community are already arguing that any price of this kind would, whether correctly or not, be perceived as a *floor*.

During the last several days, opposition to a trial program has begun to emerge from utilities and others. We are consulting and will pass along further information as soon as we receive it.

_____ Approve starting the permit system in 2005

_____ With \$25 ceiling on permit price

_____ Without specific ceiling on permit price

_____ Do not approve

_____ Discuss further

B. Targets and timetables under the climate treaty

It is vital to keep in mind that we should discuss targets and timetables as only one part of a three-piece international agreement that must also include provisions for international emissions trading and joint implementation, as well as clear obligations for developing countries. Arguing for this three-part framework allows you to take the high ground by calling for a truly global approach to the problem.

The integrity of this framework is also critical to the economic and political defense of our position. For one, the flexibility for low-cost reductions that trading and JI afford is key to our ability to defend as achievable any target that seeks to reduce emissions to 1990 levels in the 2010 timeframe. As for developing countries, insisting on their meaningful participation deflects the criticism that U.S. competitiveness is at risk and also makes the strong environmental point that the problem cannot be solved without all major greenhouse gas emitters doing their fair share.

The targets and timetables will inevitably remain the focus of enormous attention at home and abroad. Constituencies and other countries will pay more attention to this piece of our policy package than to any other. Based on our meeting with you, we understand that you would like to support a position within the current international mainstream, that you are inclined toward a first target of 1990 levels by roughly 2010 or 2015, and that you would support additional reductions in roughly the 2020 or 2025 timeframe. Based on this understanding, we suggest two possible approaches. (There are, of course, many variations that would accomplish similar goals.) Both

approaches reflect the U.S. position in support of multi-year targets, intended to smooth out annual variations in emissions caused by weather, business cycle, and other factors.

- 1990 levels by 2008-2014; reductions below 1990 levels in the next budget period
- 1990 levels by 2010-2015; reductions below 1990 levels in the next budget period

The basic dynamic is that an earlier timetable would please the environmental and international communities more, while a more gradual timetable would be less opposed by business and labor. Neither of these approaches is likely to win actual praise from the environmental groups or your negotiating partners.

Internationally, the EU and much of the rest of the world will criticize either of these options, since neither calls for reductions below 1990 in the first budget period. (The Japanese were criticized for their plan by much of the international community; we could expect even stronger criticism.) 2008-2014 would be received better than 2010-2015. Similarly, environmentalists will be very disappointed by the absence of reductions below 1990 in the first budget. The commitment to reductions below 1990 levels during the second budget period could help somewhat.

Most business and labor will not be happy with either of these options. The hard-core business opposition will attack either of them with great vigor, but more moderate companies and utilities, of the kind you hosted in the Cabinet Room in August, would feel much better about a more gradual approach (e.g., 2010-2020), but could probably live with 2010-2015 -- *if* we made clear that we were insisting on a full international package as part of the deal: joint implementation, international trading and developing country participation. The AFL-CIO has argued for a 2020 timetable.

Some of your advisers -- including Gene, Dan, and Todd -- would prefer to see a target and timetable more in the 2015 or 2020 range, and the economic agencies would prefer something beyond that. Others -- including Katie, Jim Steinberg, Jack Gibbons and Madeleine Albright -- are inclined toward an earlier target, closer to the 2010 timeframe. It is our understanding that you would prefer something closer to 2010. We have therefore presented two options in that range. Not surprisingly, those who favor something in the 2015-2020 range or beyond would prefer the option below that is less stringent.

Over the weekend, Katie has been engaged in intensive efforts to shape a coalition of business and environmental concerns that might stand up to support your policy next week. Key players are BP, several utilities, and the Environmental Defense Fund. The key components of a policy that might win support from these groups and companies appears to be: (1) 1990 levels by 2008-2014; 1990 levels minus 5 percent by 2015-2021; (2) strong commitment to credits for early action (i.e., before 2008); (3) strong support for existing elements of the U.S. position (flexibility in meeting targets and participation of developing countries), (4) no "safety valve" or

“escape clause”, and (5) no trial permit period as above. At this writing, the results are uncertain. We will keep you closely apprised.

Gene notes that while initial validation is important, we must carefully weigh any possible benefits from policy changes intended to capture initial validation against possible cons from those changes if they might expose us to attacks in a larger political arena.

_____ 1990 levels by 2008-2014; reductions below 1990 levels in the next budget period

_____ 1990 levels by 2010-2015; reductions below 1990 levels in the next budget period

_____ Discuss further

C. Protecting against excessive costs during the international target period

At a minimum, we would announce a general principle that it would be unreasonable to expect you or any future President to impose excessive costs on the economy in implementing this program. The question is whether we go beyond a statement of principle, by announcing some mechanism for protecting the economy against significant damage. *The fundamental tension involved is how to balance the need for protection against charges of high economic costs against the “binding” nature of the international target.* The statement of principle provides the least protection against charges of high economic costs, and the most protection against charges that the target is not binding. In addition to that approach, there are three different visions that build upon a simple statement of principle to provide somewhat more protection against the economic damages argument; the visions vary in trading off protection against charges of substantial costs versus protection against charges that the obligation is not truly binding. You should also keep in mind how any of these approaches influence the effectiveness of your economic team in advocating our policy package.

- Announcing support for a ceiling price in the internationally binding period (e.g., 2008-2014 or 2010-2015). The ceiling price could be defined now or decided in the future following consultation with Congress and other interested parties.
- Announce support for a discretionary safety valve, which would be invoked if costs are judged to be excessive or other countries were not meeting their obligations. This discretionary safety valve would not explicitly specify the criteria (e.g., permit price, GDP growth, unemployment, international trade in permits, other countries’ performance, etc.) that would be used in evaluating the costs of the program.
- Announce support for having the Congress and the President review the program immediately before the binding international period, and decide how to proceed at that point. This approach reflects the reality that future Congresses will always have the option to protect the economy or undertake more environmental action -- and thus recognizes that

decisions about whether the United States was willing to bear the costs that could be necessary to meet the target and timetable goal will have to be made at that time.

Approach 1: Ceiling price in internationally binding period

The first approach would involve a statement to the effect that even during the internationally binding period (2008-2014, or 2010-2015), the government would stand ready to sell additional permits at some price, which could be specified now or set after appropriate consultation with Congress and other interested parties. Such a ceiling price would provide the most protection against charges that the costs involved would be excessive, but it would also provide the most ammunition for those who want to charge that the target is not truly binding.

This idea has emerged in the public dialogue on this issue very recently. Last week, due in part to a general discussion of this issue at the White House conference, there was a flood of constituency interest. Environmental groups wrote criticizing the idea in very strong terms. Several corporate leaders (including Tom Casten of Trigen, BP, and several leading utilities) voiced *opposition*. On the other hand, Gene and others believe that it is reasonable to surmise that as many business groups evaluate a specific safety valve proposal, they will be supportive to the extent that such a proposal caps overall costs.

Approach 2: Discretionary approach which would be invoked if costs are judged to be excessive or other countries are not performing

This discretionary safety valve would not explicitly specify the criteria (e.g., permit price, GDP growth, unemployment, international trade in permits, etc.) that would be used in evaluating the costs of the program. Instead, we would announce now that protective steps would be taken under either of two conditions:

- First, if the effort were imposing substantial economic damage on the country.
- Second, if some percentage of other countries were not meeting their obligations.

The principal benefit of this approach is that it would allow us to fend off the high cost estimates of our opponents, without creating a specific Administration figure to attack. In a related vein, this approach frustrates efforts to plug official Administration figures into conventional economic models, in an attempt to show that our policies are unlikely to achieve their objectives. It also offers the most protection against the concern that non-market mandates will be used to fill the gap between a specific ceiling price and the target and timetable.

On the other hand, it could allow all sides to assume the worst: Corporate groups would worry that the safety valve would never be triggered, and environmental groups (which strongly dislike the idea to begin with) would worry that it would be triggered too easily. We are also likely to be faced with a barrage of questions, from those armed with credible outside analysis,

about how we expect to meet the target for a price that was not “excessive.” We could be forced into reacting to specific model results -- and thus quickly pressed into specifying the precise conditions under which the safety valve would be used. For example, we would likely face questions such as: “Is a \$100 increase in carbon prices ‘excessive’?” If we responded that \$100 was excessive, we could soon fall into the trap of defining the boundary of “excessive.”

Approach 3: Announce support for having the Congress and the President review the program immediately before the binding international period

This approach reflects the reality that future Congresses will always have the option to protect the economy -- and thus recognizes that decisions about whether the United States was willing to bear the costs that could be necessary to meet the target and timetable goal will have to be made at that time.

The benefit of this approach is that it provides some protection against the likely attacks, but still allows us to underscore our commitment to the target. But we could be criticized for avoiding the difficult choices involved, and it could allow all sides to assume the worst: Corporate groups that we had committed to the target and timetable, and that the momentum behind the internationally binding treaty would allow environmentalists to win the debate in a decade; and environmental groups that we were not truly binding the country now.

Katie supports announcing a general principle. Larry Summers supports approach 2 and Gene and Todd support approach 3.

_____ Announce general principle

_____ Approach 1: Ceiling price in internationally binding period

_____ Approach 2: Discretionary approach which would be invoked if costs are judged to be excessive or other countries were not performing

_____ Approach 3: Announce support for having the Congress and the President review the program immediately before the binding international period

_____ Discuss further

How to define the safety valve

Another question that you had about the safety valve was whether it could be triggered if the economic performance suffered because of the carbon emissions reduction effort. In response to this question, NEC staff have worked with Treasury and CEA to explore different possibilities. They have concluded that it is not technically possible to construct a credible safety valve that triggers

only if the carbon emissions reductions adversely affect economic growth: the baseline issues are simply too complicated. For example, suppose that such a policy reduces GDP growth by 0.25 percentage points in each year. If the economy is otherwise booming, so that growth in the absence of this policy would have been 3.5 percent, then the result of the policy will still be a 3.25 percent growth rate. Given the enormous uncertainties, even after the fact, regarding the effects of environmental regulation on the economy, CEA and Treasury believe that it would be impossible to separate out the role of climate change policies on the economy's growth rate with any degree of confidence.

Including a safety valve in the climate treaty

A final question is whether to reflect a safety valve in the climate treaty. Any attempt to do so would meet with fierce resistance and charges that the United States was backtracking from its call for "binding commitments." But if we fail to seek a safety valve under the treaty, there is a risk that our domestic mechanism would put us out of compliance with our international obligations -- thus causing business leaders to fear that we would not invoke our safety valve if necessary.

Gene, Katie, Dan, Jim, and Todd do not recommend seeking a safety valve under the treaty. The costs of doing so would be high and the need is unclear. In the event a domestic safety valve appears likely to cause the United States to exceed emissions limits under the treaty, the United States could adjust domestic programs, renegotiate the treaty or accept the treaty's non-compliance provisions (which are unlikely to be severe).

_____ Negotiate a safety valve under the climate treaty

_____ Do not negotiate a safety valve under the climate treaty

_____ Discuss further

III. Grandfathering and auctioning

Another issue related to a permit system, and one we touched upon in our meeting, is whether the permits should be auctioned or grandfathered. Your advisers suggest that we not declare at this point our position on auctioning or grandfathering. Announcing either approach could entail considerable costs, and there is little to be gained from taking a position at this time. We would state that the structure of the domestic emissions trading program is important, and that we will work with Congress and other interested parties as we developed our domestic implementing legislation.

_____ Agree: announce that we will develop approach in consultation with key constituencies.

_____ Discuss further

IV. Developing country stance

As we have noted before, your advisers favor a tougher line on developing countries than we have taken to date. In particular, your advisers favor a linkage between the United States' willingness to make commitments and the willingness of key developing countries to do the same. Under the "two-step" approach, we would make a strong statement that the United States would not assume binding obligations under the climate treaty until key developing countries assume adequate obligations in terms of their commitments. This linkage with developing country commitments might be reflected in a "Kyoto Mandate," establishing a new round of negotiations under the treaty.

The position recommended by your advisers on this issue could very well endanger an agreement being signed this December in Kyoto. Even the current U.S. position on developing countries, which seeks additional commitments but does not draw this linkage, has won little if any support abroad. State Department negotiators believe that developing countries are unlikely to agree to a "Kyoto Mandate," and that the odds of such a mandate are close to zero unless the United States accepts targets with *reductions* below 1990 levels in roughly the 2010 timeframe.

_____ Approve linkage of U.S. commitments to developing country commitments

_____ Do not approve linkage

_____ Discuss further

V. Electricity restructuring

We have held two NEC principals meetings on electricity restructuring. Our recommendation is that one of the elements of your climate change proposal should be the announcement of support for electricity restructuring, which if properly structured, could reduce carbon emissions. It is the unanimous opinion of your advisers, however, that it would not make sense to announce your entire restructuring package in the context of climate change -- because it would be drowned out by other aspects of the package, because the Hill is consumed with Fast Track, and because we have not worked out all the details of our proposal.

One remaining issue is whether you would announce some specific examples of restructuring provisions in your climate speech. There is internal consensus in support of several provisions that could help reduce emissions, such as a "renewables portfolio standard" to promote wind, solar, geothermal and biomass and "green labeling" to provide consumers with the information to evaluate the environmental consequences of various sources of electricity. The principal benefit of mentioning these specific examples is that it provides more connection to the climate change issue. However, outsiders following the electricity restructuring issue may wonder why other environmental provisions were *not* mentioned. We are working to resolve this issue.

- ☐ Approve statement of environmentally-friendly program for electricity restructuring
- ☐ Do not approve
- ☐ Discuss further

VI. National Security Exemption

You should be aware that the Defense Department is seeking a “national security exemption” under the climate treaty. The Pentagon puts a high priority on this issue, due to concerns that fuel reduction requirements could hamper military operations. The issue has attracted attention on the Hill.

There is consensus among your advisers that some form of “national security exemption” is warranted. However, there may be disagreement concerning the scope of the exemption. We are working to clarify issues and resolve differences, and expect to provide additional information on this issue early next week.



Jacqueline Krieger
05/18/2000 09:52:46 AM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: 5/17 IWG Meeting

Attached are notes from yesterday's IWG meeting. David asked that I circulate these - let me know if you find them useful or if you'd like more information (I've tried to be as brief as possible).

- At the June Subsidiary Bodies meetings, Hambley will do business and enviro NGO debriefs on Wednesday of the first week and Tuesday and Thursday of the second week.
- Dan Bodansky briefly summarized the outreach meetings on Mon and Tues with the business and enviro NGOs. What Dan said, in a nutshell -- Business: keep rules on the mechanisms to a minimum, support seller liability. Enviros: the opposite -- support a buyer-seller hybrid (start w/ buyer and if pre-specified level of reductions made, switch to seller), get some rules on CDM baselines for certain types of projects decided at COP 6 (they emphatically don't like the idea of an "interim CDM" -- prefer to get something off the ground, even if conservative). (Janet and I have more notes from these two meetings and will synthesize them into a COP 6 positions paper). Dan didn't mention the business NGO's discussions on sinks. The enviros ran out of time on sinks - but clearly are concerned about definitions under Art. 3.3 and the potential to create incentives to do bad things to the environment (my note: also clearly not speaking with one voice on sinks). Specifically talked about protection of old growth forests, biodiversity. State committed to hold another meeting with the enviros on sinks, probably after the June SBSTA/SBI meetings.
- Jeff Miotke has done separate briefing w/ EEI, CMA, Aluminum Manufacturers Assn. -- I will follow up and get more on this.
- IPCC Mtg on LULUCF Special Report: Dan Bodansky reported that the meeting went well. Three groups -- Anti-sinks countries, incl. some EU (Germany, Netherlands, Denmark), AOSIS, who feel the FAO definition of reforestation is absurd and think the sinks issue has the potential to gut the Protocol. A small group of developing countries, incl. Brazil and Peru, who don't want conservation included as an activity. Pro-sinks countries, incl. Umbrella Group and some EU (Sweden, France, Finland). Dan's feeling is that the report doesn't seem to be critical as a decision-making document, it provides "a little for everybody" to use to support their positions.
- Umbrella Group Meeting: On sinks in the CDM - need to work out methods to address leakage, permanence, common positions on 3.3. and 3.4. On mechanisms - Maurice LeFranc said that this discussion was fairly "quiet"; some discussion on public participation, transparency, ODA; also stated the need to address what could be in a COP 6 decision (to provide some surety to project developers), but didn't take the idea further. On developing countries - not much, it is a ratification issue for Australia. Dan Bodansky said that the EU wants something out of COP 6 on developing countries, but that they are not thinking of the first commitment period nor about the same kinds of things that we are.

- Position papers are being drafted, due Friday 5/19. Interventions will have to be drafted quickly the second week of the June meetings. A Canadian consultant is drafting the Chairmman's text; new text not available til the 2nd week of June meetings which will make it hard for staff to work the first week.

I have materials that were passed out at the meeting -- agendas for the June SBI and SBSTA meetings and Sue Biniarz's notes from the disc on compliance at Umbrella meeting. Let me know if you want to see them.

Message Sent To:

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Climate Team Meeting

September 29, 2000

Agenda

- Umbrella-EU Meeting
 - Umbrella Group Meeting
 - UNFCCC Informal High Level Consultation
 - African Ministerial
-

Deputies - DC's

↳ will we walk away w/o it?
- cost cap / compliance

- BAU sinks

COP-6 MECHANISMS STRATEGY

September 14, 2000

Agenda and Issues

LSB Intro

Resolution
↓

I. Commitment to Domestic Action/Limitations on Mechanisms

- A. Could we ever accept any quantitative limitation? *only if meaningless*
- B. Could we "commit" to an amount of domestic action? *NOT binding commitment*
- C. Could we agree to a goal for domestic action? *yes*
- D. Will this depend on resolution of the sinks issue?

II. CDM – "Sustainable Development" Limitations

- A. Could we ever agree to a CDM that excluded clean coal technology? *NO*
- B. Could we ever agree to a CDM that excluded nuclear? *maybe, but not*
- C. Could we agree to some prioritization, either by size of project or type of technology? *yes*

III. Liability

- A. Could we agree to any limitations on seller liability? *not much*

IV. CDM – Sinks

- A. Could we agree to any limitations on sinks in the CDM? *maybe*

V. Hot Air

- A. Could we ever accept quantitative limitations on trading with "hot air" countries?
- B. Should limitations/commitments on use of "hot air" revenues be our bottom line?

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. draft	Memorandum for the President: Re: Update on Climate Change Negotiations (5 pages)		P1/b(1)

COLLECTION:

Clinton Presidential Records
Office of Environmental Initiatives
Roger Ballentine
OA/Box Number: 19508

FOLDER TITLE:

Climate Change Administration Related Oversight/Strategy [1]

2017-1093-F
ds459

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. draft	Memorandum for the President: Re: Update on Climate Change Negotiations (3 pages)		P1/b(1)

COLLECTION:

Clinton Presidential Records
Office of Environmental Initiatives
Roger Ballentine
OA/Box Number: 19508

FOLDER TITLE:

Climate Change Administration Related Oversight/Strategy [1]

2017-1093-F
ds459

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

11-6-98
Capitol
Steen
Steinberg
Spierling
COS

THE WHITE HOUSE
WASHINGTON

November 5, 1998

MR. PRESIDENT:

Attached is a memo from Todd, Jim Steinberg and Gene on the two-week Buenos Aires climate change conference, which opened Monday. I understand you and the Vice President discussed this at your lunch. The memo is mostly informational, but there are two decisions in it -- both concern issues of timing.

The first decision concerns whether to sign the Kyoto Protocol during the Buenos Aires conference. All of your advisors agree that Stu Eizenstat should announce next week that the U.S. is signing the Protocol during the conference. *John Podesta concurs.*

The second decision concerns the end date for completing the rules on international emissions trading. Todd lays out three potential options (late 1999, early 2000, late 2000), but all of your advisors agree that the U.S. should seek an end date of December 2000, with the understanding that we would press to resolve as many issues as possible next year. John didn't have a view on the timing of this issue.

Todd, Stu and the State Department team leave for Buenos Aires on Saturday, so they'd appreciate feedback from you at your earliest convenience.

Phil Caplan

Phil

THE WHITE HOUSE
WASHINGTON

November 4, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN ⁷⁰³
JIM STEINBERG ⁷⁴
GENE SPERLING

SUBJECT: Climate Change

The Buenos Aires climate change conference opened Monday. This memorandum is intended to brief you on relevant issues and to seek your approval on two issues of timing.

Background

Kyoto was an historic achievement, but remains, as we have all recognized, unfinished business. As a practical matter, we will need satisfactory resolution of four key issues in order to have a legitimate chance of ratification in the Senate: developing country participation; the rules and regulations for the so-called flexibility measures (international emissions trading and the Clean Development Mechanism (CDM)); further refinement of the provisions on carbon-absorbing sinks; and compliance.

In general, we expect the Buenos Aires meeting to produce incremental progress rather than breakthroughs. The principal outcome is likely to be a work plan with specific time lines for completing work on trading and the CDM. The issue of sinks -- important to forest and farm state Senators -- is on a schedule that contemplates resolution in late 2000 (a scientific review on the subject by the International Panel on Climate Change (IPCC) will be completed in May 2000), so it probably won't figure prominently at Buenos Aires. There will likely be some discussion of compliance, but, again, focussed more on the process for working out a compliance regime rather than on the substance of such a regime.

Regarding developing countries, we expect no broad-based progress. Indeed, leading developing countries, including China, have already blocked Argentina's attempt to include on the Conference agenda a discussion about how developing countries could voluntarily assume commitments. On the other hand, Argentina is still considering an announcement that it has decided to take on a target in the 2008-2012 period, with the precise number to be specified after a few more months of analytic work. Such an announcement would be the biggest news of the

Conference. You raised this matter briefly in your pull-aside with President Menem several weeks ago, and we may ask you to follow up with a call in the next few days. Should Menem go forward with this announcement, it could provoke loud protest from China, India, Brazil and others, as well as some unhappiness in the EU. But it would be a big step forward.

Signing the Protocol

As you know, we have not yet signed the Kyoto Protocol. Our current plan is for Stu Eizenstat to announce at the beginning of the second week of the Buenos Aires conference (November 9 or 10) that we are signing. (The actual signing would be carried out by a USG official at the UN in New York.)

There are pros and cons to signing while we are in Buenos Aires, but the consensus view of your advisors (including NSC, State, NEC, CEQ and OVP) is that this is the best time and place to do it. First, it will enhance the credibility of the U.S. and strengthen our negotiating hand. More than 55 nations have signed the Protocol, including all major industrialized countries except the U.S. Second, since we have already said on many occasions that we are going to sign during the one-year signing period, which expires March 15, 1999, it makes sense to choose a moment when it can do us some good. Third, it would be preferable for us to have signed the Protocol when you travel to Japan the week of November 16, on the eve of the one-year anniversary of Kyoto, particularly since NSC is working on an environmental event there that would feature climate change.

There are two potential downsides to signing during the Conference. First, given the press attention in Buenos Aires, critics like Senator Hagel will have a platform from which to attack us. However, even if we wait to sign until after Buenos Aires, we will still get attacked and will still face possible congressional resolutions of disapproval.

Second, signing could arguably jeopardize the release of funds for the Global Environmental Facility (GEF), a multilateral development facility that funds clean energy and other environmental projects in developing countries. You will recall that, in the budget endgame, we did very well on GEF funding, getting the full \$192.5 million needed to clear our GEF arrears. However, the funding was made subject to a notification requirement which, as a practical matter, gives the foreign ops. subcommittee the power to hold up funding. At the time of the budget deal, the House leadership promised to help us secure the GEF funds. But OMB believes anger over signing the Protocol could damage our ability to get the funding released.

Your advisors (including Treasury) believe that the GEF issue should not deter us from signing. As noted, we have always said we were going to sign during the one-year signing period, and signing during the Buenos Aires Conference makes sense for the reasons discussed above. Second, by rights, the assurances we received from the House leadership on GEF shouldn't be

undermined by our signing, since we had declared our intention to sign months before those assurances were given. Third, whether we sign now or not, the GEF fight is going to be difficult, with GEF opponents quite capable of making anti-climate change demands as the price for approving the release of GEF funds. In fact, deferring signing could backfire if GEF opponents decide to hold the GEF hostage unless we agree *not* to sign.

In short, your advisors recommend that you approve signing the Kyoto Protocol during the Buenos Aires Conference.

Approve ✓

Disapprove

Discuss

The Work Plan Agenda: Caps on Emissions Trading

The EU pressed vigorously at Kyoto for a hard cap on trading -- language making clear that countries had to achieve at least 50% of their emission reductions through domestic measures. They lost on this issue; the Protocol says simply that trading is to be "supplemental" to domestic measures, a qualitative term that doesn't impose a hard cap. Nevertheless, the EU continues to press the issue, arguing that the parties must now define "supplementarity." In particular, they are demanding that "concrete ceilings" on emissions trading, expressed in both quantitative and qualitative terms, be included as a specific agenda item in any work plan.

We have taken a strong position against caps in international negotiations and Congressional testimony. According to our analysis, caps on emissions trading would increase inefficiencies in a trading system, raise the cost of meeting our target, and be difficult to administer. (Ironically, caps could increase costs for the Europeans even more.) We argue that we are committed to aggressive action at home *and* to an efficient international trading system. And we cite the results of our own SO₂ (acid rain) trading system as evidence of how important trading can be environmentally as well as economically.

Our concern is that if the cap issue is included in the work plan agenda in the wrong way it could prejudice the work plan against us, leading to a discussion not of whether a cap is appropriate, but of how tight the cap should be.

U.S. business groups -- even moderate ones, who are open to supporting the Kyoto agreement -- strongly oppose caps. And Members of Congress would undoubtedly be concerned about caps, given our reliance on trading to moderate the cost of addressing climate change.

At the same time, most domestic environmental groups either support caps or believe this an issue of secondary importance, and would blame the United States if a debate on caps slowed overall progress in making the Kyoto Protocol a reality. They tend to join the EU in

characterizing our opposition to caps as proof that we intend to buy our emission reductions from abroad and not take serious domestic action to reduce greenhouse gas emissions.

We are currently exploring whether we can find a means to resolve the work plan agenda in a way that avoids a collision with the EU. But it is still possible that we will face a decision in Buenos Aires either (1) to accept a work plan that undermines our position on caps, or (2) leave Buenos Aires with no work plan and a perception that the Kyoto process had suffered a setback. Should it come to that, we will seek your guidance.

Timing of the Work Plan on Trading and the CDM

The work plan will set an end date for completing the rules that will govern emissions trading and the Clean Development Mechanism. There are, in principle, three options for end dates: late 1999 -- the next scheduled meeting of the Conference of Parties (COP-5); April 2000 -- which would require delaying COP-5 for six months; or late 2000 (probably December) -- the regularly scheduled meeting of COP-6.

Your advisors favor an end date of COP-6 in late 2000, with the understanding that we would press to resolve as many issues as possible at next year's meeting. This outcome makes sense for several reasons. First, the earliest end date, late 1999, is almost certainly unrealistic given the complexity of the issues and the time it takes for the 160-nation Conference of Parties to make decisions. Most of our negotiating partners will assume that these issues can't be resolved in just one year. Second, the moment for resolution of the flexibility issues could be highly contentious and confront us with decisions that, for domestic reasons, we think would be better confronted in late 2000 than before. In particular, on the toughest issue dividing us and the EU -- whether a country's right to trade or use the CDM should be subject to a cap -- there are three possible outcomes: the EU could accept something short of a hard cap (e.g., qualitative language regarding the obligation of all countries to pursue domestic measures); we could accept a hard cap, provoking sharp criticism from the Hill and from business; or we and the EU could collide head-on, leaving the negotiations at least temporarily derailed. The last two of these outcomes would be quite undesirable.

While it is possible that a few may criticize a COP-6 end date as a go-slow approach, it appears that most business and environmental groups are already expecting such an end date. And we can mute potential criticism by underscoring in the work plan that we will strive to finish as many issues as possible by COP-5.

The UK has floated a different approach on timing -- an end date of April 2000, premised on delaying COP-5 until that time. We don't think this is a good idea. First, it could force a showdown on the trading issue at an unattractive moment in the domestic calendar. Second, it would result in at least one issue of importance for ratification -- sinks -- not being resolved until

after your term. (The sinks issue won't be ripe for decision until some months after the IPCC's May 2000 scientific report. If COP-5 were delayed until April 2000, COP-6 would not occur until April 2001 at the earliest.)

Assuming the work plan sets an end date for COP-6 in late 2000, COP-6 would then loom as the next major Conference of the Parties, where the rules on flexibility mechanisms and sinks would be completed. If adequate progress is achieved between now and then on developing country participation, the stage would be set for submission of the treaty to the U.S. Senate in 2001.

There is one last timing issue. The UN climate change secretariat has tentatively suggested that COP-6 be held October 16-25, 2000. Since this would obviously be a bad time for us, we will press to have the date moved. We think it makes most sense to seek an early December 2000 date, after our election but still during your term in office.

**Agree on December 2000
end date for work plan** ☒

Disagree ☐

Discuss ☐

Check all data! Please report errors to the desk.

US COP-4 Directory		ID	Hotel	Room	Phone	Org.	ARR	DEP
ADAIR	Marshall	x	City Hotel	1049	969-7216	STATE	9-Nov	13-Nov
ADASHEK	Jonathan	x	Etoile	711	029-9402	WH	3-Nov	13-Nov
ALDY	Joe	x	Etoile	302	029-9409	CEA	2-Nov	12-Nov
ANDERSON	Kai	x	Sheraton	2321	029-9405	CODEL	3-Nov	12-Nov
ANDERSON	Margot	x	Etoile	704	029-9415	USDA	31-Oct	14-Nov
ANDERSON	Julie	x	Etoile	510	029-9407	WH	3-Nov	12-Nov
ANTHOLIS	Bill	x	Etoile	812	029-9419	WH	1-Nov	12-Nov
ARAUJO	Maria Jose		None	None	None	USIS	None	None
BALLENTINE	Roger	x	Etoile	803	029-9421	WH	8-Nov	13-Nov
BALMACEDA	Luis		None	None	None	EMB	None	None
BARNETT	Meredith		None	None	None	EMB	None	None
BARTON	Rep. Joe	x	Sheraton	???	???	CODEL	10-Nov	13-Nov
BEARD	Kay		None	None	RTNED	EMB	None	None
BECKETT	Ardena		None	None	417-6578	USIS	None	None
BENTON	Col. Dan	x	Etoile	508	029-9438	DOD	31-Oct	12-Nov
BERC	Jeri	x	Central Park		029-9452	USDA	5-Nov	12-Nov
BERRUETA	Manuel		None	None	470-8824	USIS	None	None
BINIAZ	Susan	x	Etoile	501	029-9414	STATE	8-Nov	12-Nov
BITTLEMAN	Sarah	x	Sheraton	???	???	CODEL	9-Nov	12-Nov
BLOOM	Evan T.	x	Etoile	705	029-9461	STATE	1-Nov	13-Nov
BLUMENTHAL	Evelina		None	None	None	USIS	None	None
BONHAM	Kent	x	Sheraton	2201	???	CODEL	7-Nov	13-Nov
BORDEAUX	Chris	x	Etoile	1010	None	DOE	1-Nov	8-Nov
BRADLEY	Richard	x	Etoile	309	029-9454	DOE	31-Oct	13-Nov
BRAVERMAN	Ronald		None	None	None	EMB	None	None
BREED	Bill	x	Etoile	502	029-9447	DOE	31-Oct	13-Nov
BREIDENICH	Clare	x	Etoile	408	029-9418	EPA	1-Nov	15-Nov
BRENNAN	Thomas		Central Park	410	None	STATE	8-Nov	11-Nov
BROUILLETTE-RODRIGUEZ	Andrea		None	None	029-9954	EMB	None	None
BROWN	Rebecca		None	None	417-1143	USIS	None	None
BROWN-BECKETT	Ardena		None	None	None	USIS	None	None
BRUNO	Osvaldo	x	None	None		EMB	None	None
BUCKLES	Col. Tony	x	Sheraton	2117	???	CODEL	6-Nov	12-Nov
BURKE	Hugo		None	None	None	EMB	None	None
BURTON	Guy		None	None	471-7610	USIS	None	None
CAGNOLI	Fedora		None	None	None	USIS	None	None
CAMPAIGN	Alysandra	x	Sheraton	???	???	CODEL	9-Nov	14-Nov
CAMPOS	Juan Carlos		None	None	None	EMB	None	None
CARELLO	Osvaldo		None	None	None	EMB	None	None
CASTRO	Benjamin		None	None	029-9953	EMB	None	None
CASTRO	Angelina		None	None	420-3553	EMB	None	None
CENTRAL PARK HOTEL					864-3300			
CHIRINOS	Guido		None	None	None	USIS	None	None
CLARKE	Veronica		None	None	None	USIS	None	None
CLAY	Kathryn	x	Etoile	1001	???	CODEL	5-Nov	23-Nov
CODEL Sensenbrenner	Phone	x	Sheraton	2109/10	311-4672	CODEL	6-Nov	13-Nov
CODEL Sensenbrenner	Fax	x	Sheraton		311-4693	CODEL	6-Nov	13-Nov
CONF. CENTER	Phone		ExCtr	19	806-1448	DEL	None	None
CONF. CENTER	Fax/modem		ExCtr	19	806-3821	DEL	None	None
CONNERS	Mary Deane		None	None	471-9300	USIS	None	None
CORDOVA	Aura		None	None	424-3083	USIS	None	None
COVINGTON	Philip	x	None	None	029-9955	EMB	None	None
COVINGTON	Nadia	x	None	None	None	EMB	None	None

US COP-4 Directory		ID	Hotel	Room	Phone	Org.	ARR	DEP
CUMBY	Robert	x	Central Park	407	029-9432	TREAS	8-Nov	13-Nov
CUSTIN	Dick		None	None	424-9315	USIS	None	None
DEFAZIO	Peter	x	Sheraton	???	???	CODEL	10-Nov	13-Nov
DELGADO	Linda	x	Etoile	908	029-9427	USDA	4-Nov	8-Nov
DEROSA-JOYNT	Barbara	x	Etoile	404	029-9426	STATE	31-Oct	13-Nov
DINGELL	Rep. John	x	Sheraton	???	???	CODEL	10-Nov	12-Nov
DIRINGER	Elliot		Etoile	1010	029-9422	WH	8-Nov	13-Nov
DIXON	Robert		Central Park	404	htl328-6800	DOE	31-Oct	12-Nov
DOHERTY	Andrea		None	None	None	EMB	None	None
DOLAN	Cathleen		None	None	None	USIS	None	None
DONIGER	David	x	Etoile	609	029-9420	EPA	2-Nov	13-Nov
DRAMISINO	Daniel		None	None	None	EMB	None	None
DURAN	Adela		None	None	None	USIS	None	None
EDWARDS	Daryl		None	None	None	USIS	None	None
EIZENSTAT	Stuart		Etoile	1006	029-9413	STATE	9-Nov	15-Nov
ELLSBURY	Allan	x	Etoile	912	028-8461	STATE	30-Oct	10-Nov
ELLSWORTH	Matt	x	Etoile	801	028-8460	STATE	29-Oct	14-Nov
EMERSON	Jo Ann	x	Sheraton	2018	???	CODEL	6-Nov	13-Nov
ENGLISH	Kate	x	Sheraton	2026	029-9430	CODEL	6-Nov	14-Nov
ENZI	Sen. Mike	x	Sheraton	2016	???	CODEL	4-Nov	7-Nov
ESPINOSA	Gloria	x	None	None	None	EMB	None	None
FARINA	Reinaldo		None	None	None	EMB	None	None
FARR	Robert	x				STATE	28-Oct	7-Nov
FESTA	David		???	???	???	???	???	???
FIDDELKE	Debbie	x	Sheraton	???	???	CODEL	9-Nov	13-Nov
FITZGERALD	Jack		???	???	???	???	???	???
FITZGIBBONS	Dennis	x	Sheraton	???	???	CODEL	9-Nov	13-Nov
FLANNERY	Terry		???	???	???	STATE	11-Nov	15-Nov
FLORES	Carlos		None	None	471-0252	USIS	None	None
FORRISTER	Dirk	x	Etoile	507	029-9435	WH	3-Nov	12-Nov
FRAENKEL	Amy		Central Park	419	029-9434	EPA	8-Nov	11-Nov
FRANKEL	Jeff		Etoile	909	029-9458	CEA	9-Nov	13-Nov
FULLER	James		None	None	471-1214	USIS	None	None
GALLO	Jorge		None	None	None	EMB	None	None
GAMBIRO	Larry		None	None	029-9956	EMB	None	None
GARDINER	David		Etoile	808	969-7210	EPA	7-Nov	14-Nov
GARMAN	David	x	Sheraton	???	???	CODEL	???	???
GEBHARDT	Rhina		None	None	None	EMB	None	None
GIBSON	John	x	Etoile	508	028-8462	WH	8-Nov	14-Nov
GOMEZ	Jorge		None	None	None	EMB	None	None
GORDON	Susan	x	Etoile	904	029-9457	STATE	30-Oct	16-Nov
GREEN	Kevin		???	???	???	???	???	???
GREEN	Arthur	x	Etoile	804	471-0151	USIS	27-Oct	15-Nov
GREENE	Jim	x	Sheraton	???	???	CODEL	9-Nov	13-Nov
GREENFIELD	Victoria	x	Etoile	308	029-9425	STATE	31-Oct	14-Nov
GREENWALD	Michael		None	None	424-9616	USIS	None	None
GUMBINER	Larry	x	Etoile	603	029-9410	STATE	4-Nov	13-Nov
GUTIEZ	Maria Ines		None	None	None	EMB	None	None
HAGEL	Sen. Chuck	x	Sheraton	???	???	CODEL	11-Nov	13-Nov
HAGEN	Bob		None	None	029-9957	EMB	None	None
HALES	David	x	Etoile	604	029-9451	USAID	1-Nov	13-Nov
HAMBLEY	Mark	x	Etoile	306	029-9450	STATE	31-Oct	13-Nov
HARDY	Sgt. Gary	x	Sheraton	2036	???	CODEL	7-Nov	13-Nov
HASPEL	Abraham	x	Etoile	412	029-9441	DOE	2-Nov	12-Nov
HOBGOOD	Teresa	x	Sheraton	2024	029-9403	STATE	1-Nov	14-Nov
HOLT	Elmer	x	Etoile	903	029-9408	DOE	2-Nov	8-Nov

US COP-4 Directory		ID	Hotel	Room	Phone	Org.	ARR	DEP
HOOD	Rob	x	Sheraton	2023	???	CODEL	8-Nov	14-Nov
HOWARD	Hugh		None	None	424-9532	USIS	None	None
HUNT	Don		None	None	029-9958	EMB	None	None
HUNTER	Silvia		None	None	None	EMB	None	None
HUSCLOWITC	Maria Carmen		None	None	None	EMB	None	None
HUSCLOWITC	Walter		None	None	None	EMB	None	None
JACKS	Yvette	x	Etoile	608	029-9437	STATE	31-Oct	15-Nov
JACOBS	Susan	x	Sheraton	2218	028-8464	CODEL	9-Nov	14-Nov
JOHNSON	Dee		None	None	424-9229	USIS	None	None
JONES	Ben	x	Central Park	412	029-9431	TREAS	9-Nov	13-Nov
KANE	Sally	x	Sheraton	2324	029-9416	CODEL	6-Nov	16-Nov
KAUFMAN	Holly	x	Etoile	709	029-9456	DOD	31-Oct	13-Nov
KEENE	Carolyn	x	Etoile	1011	070-8523	STATE	8-Nov	15-Nov
KEENER	Gerry		None	None	None	USIS	None	None
KERREY	Sen. Robert	x	Sheraton	2004	029-9433	T CODEL	5-Nov	7-Nov
KERRY	Sen. John	x	Sheraton	???	029-9430	CODEL	11-Nov	13-Nov
KIMBLE	Melinda	x	Etoile	907	029-9404	STATE	31-Oct	13-Nov
KIRK	Mark	x	Sheraton	???	???	CODEL	10-Nov	14-Nov
KLINK	Rep. Ron	x	Sheraton	???	???	CODEL	10-Nov	13-Nov
KLOPFENSTEIN	Neil		None	None	None	USIS	None	None
KNOLLENBERG	Rep. Joe	x	Sheraton	???	???	CODEL	8-Nov	15-Nov
KOUNTOUPES	Lisa		Sheraton	2318	029-9423	WH	9-Nov	14-Nov
KOZELKA	Paul		None	None	None	USIS	None	None
KUCINICH	Rep. Dennis	x	Sheraton	???	???	CODEL	8-Nov	14-Nov
KURTZ-RANDALL	Margaret		None	None	029-9959	EMB	None	None
LAMAZARES	Fernanda		None	None	029-9960	EMB	None	None
LATTIMER	Timothy		None	None	029-9961	EMB	None	None
LATTIMER	Deborah	x	None	None	None	EMB	None	None
LAW	John		None	None	470-8956	USIS	None	None
LEFRANC	Maurice	x	Etoile	301	029-9401	EPA	2-Nov	12-Nov
LIEBERMAN	Sen. Joseph	x	Sheraton	???	???	CODEL	10-Nov	12-Nov
LINDLY	Kirk		Central Park	428	None	STATE	8-Nov	11-Nov
LOPEZ RECALDE	Jaime		None	None	471-0939	USIS	None	None
LOY	Frank		Etoile	1007	???	STATE	9-Nov	15-Nov
MACEDONIA	Jennifer	x	Etoile	902	029-9440	EPA	31-Oct	13-Nov
MACFARLANE	Jackson		None	???	029-9962	EMB	None	None
MARTIN	Thomas		None	None	None	EMB	None	None
MATSUKATA	Naotoka	x	Sheraton	???	???	CODEL	10-Nov	12-Nov
MAURANTONIO	Pauline	x	None	None	None	EMB	None	None
MAZUR	Mark	x	Etoile	1009	028-8463	DOE	8-Nov	13-Nov
MCINTOSH	Rep. David	x	Sheraton	???	???	CODEL	8-Nov	15-Nov
MCNERNEY	Patricia	x	Sheraton	???	???	CODEL	9-Nov	14-Nov
MERCADO	Rodolfo		None	None	None	EMB	None	None
MERCIER	Stephanie	x	Sheraton	2111	???	CODEL	7-Nov	13-Nov
MERIDA	Mario	x	Etoile	611	029-9439	STATE	31-Oct	14-Nov
MIDDLETON	William		None	None	471-0730	USIS	None	None
MORO	Omar		None	???	179-9151	EMB	None	None
MOSER	Rebecca		Etoile	910	070-8517	DOC	8-Nov	13-Nov
MULHALL	Kyle	x	Sheraton	???	???	CODEL	9-Nov	13-Nov
NARAIN	Susan		None		179-9300	EMB	None	None
NIS ISCARDI	Natalia		None	None	470-5665	USIS	None	None
NITZE	William	x	Etoile	707		EPA	9-Nov	14-Nov
NORLAND	David	x	City Hotel	1149	342-6480/h	STATE	9-Nov	17-Nov
NORTON	Julie		Sheraton	2312	070-8522	STATE	9-Nov	14-Nov
O'LEARY	John		Etoile	???	???	STATE	11-Nov	13-Nov
ORLANDO	Rubek		None	None	474-1872	USIS	None	None

US COP-4 Directory		ID	Hotel	Room	Phone	Org.	ARR	DEP
PAGE	Diana	x	Etoile	303	029-9428	STATE	31-Oct	13-Nov
PAVELA	Todd		None	???	179-9712	EMB	None	None
PEEL	Kenneth	x	Sheraton	2120	???	CODEL	7-Nov	13-Nov
PENCE	Ann	x	Etoile	903	070-8526	STATE	9-Nov	17-Nov
PERCIASEPE	Robert	x	Etoile	1012	070-8524	EPA	9-Nov	12-Nov
PERSHING	Jonathan	x	Etoile	405	029-9448	STATE	31-Oct	16-Nov
POMERANCE	Rafe		Etoile	707	029-9433	STATE	7-Nov	13-Nov
POTASH	Janet		None	???	179-9755	EMB	None	None
POVENMIRE	Susan	x	Etoile	701	029-9411	STATE	30-Oct	12-Nov
PURVIS	Nigel	x	Etoile	1008	029-9417	STATE	6-Nov	14-Nov
REED	Debra	x	Sheraton	2021	???	CODEL	5-Nov	13-Nov
REICHER	Daniel	x	Etoile	912	029-9412	DOE	9-Nov	12-Nov
REICOSKY	Don		???	???	???	USDA	4-Nov	6-Nov
REIFSNYDER	Daniel	x	Etoile	1001	029-9449	STATE	31-Oct	15-Nov
RICH	Jay		???	???	417-0148	USIS	None	None
ROBERTS	Barbara	x	Sheraton	2118	???	CODEL	7-Nov	15-Nov
ROCHA	Manuel		None	None	15-532-3434	EMB	None	None
RODRIGUEZ	Jorge		???	???	471-0789	USIS	None	None
ROSKER	Patricia		???	???	470-7674	USIS	None	None
SANDALOW	David	x	Etoile	807	029-9424	WH	8-Nov	14-Nov
SCHICK	Jack	x	Etoile	1002	None	STATE	1-Nov	13-Nov
SCHULTZ	Todd	x	Sheraton	2229	???	CODEL	7-Nov	13-Nov
SCHWENGELS	Paul	x	Etoile	610	rtnd 11/6	EPA	3-Nov	6-Nov
SEABRIGHT	Jefferson	x	Etoile	1005	029-9442	USAID	2-Nov	11-Nov
SEMANS	Truman	x	Etoile	310	029-9406	TREAS	3-Nov	11-Nov
SENSENBRENNER	Rep. James	x	Sheraton	2216	???	CODEL	7-Nov	13-Nov
SIGLER	Mark		None	None	969-7165	EMB	None	None
SPEDALIERE	Graciela		None	None	470-7542	USIS	None	None
STERN	Todd	x	Etoile	906	029-9429	WH	8-Nov	12-Nov
STOLPMAN	Paul		???	???	ok	???	???	???
STOWELL	Debbie	x	Etoile	708	029-9453	DOE	31-Oct	13-Nov
SULLIVAN	Keven		None	None	969-7343	EMB	None	None
THOMPSON-JONES	Mary		None	None	242-9299	USIS	None	None
TOOD	Pavela		None	None	179-9712	EMB	None	None
TYSON	Greg		None	None	531-2120	EMB	None	None
USIS Control Conv. Center	phones		Expo	801-5241	801-5070	USIS	None	None
USIS Control Conv. Center	fax		Expo	801-5241	801-5070	USIS	None	None
USIS Control Room	phone		Etoile	1st floor	802-0058/9	USIS	None	None
USIS Control Room	fax		Etoile	1st floor	802-0794	USIS	None	None
USIS Control Room/CODEL			Sheraton	None	801-4626	USIS	None	None
VAN WAY	Catherine	x	Sheraton	2227	???	CODEL	7-Nov	14-Nov
VAZ	Maria	x	None	None	None	EMB	None	None
WARREN	Glenn		None	None	969-7246	EMB	None	None
WATSON	Harlan	x	Sheraton	2206	???	CODEL	1-Nov	14-Nov
WERTMAN	Doug		None	None	None	USIS	None	None
WICKWIRE	Susan	x	Etoile	401	029-9436	STATE	31-Oct	13-Nov
WILKINSON	Xenia		Etoile	805	029-9455	STATE	31-Oct	13-Nov
WOFFORD	Martha	x	Etoile	312	029-9443	WH	2-Nov	12-Nov
WUERFMANNSDOBLER	Franz	x	Sheraton	2017	029-9445	CODEL	5-Nov	14-Nov
YACOVONE	Julio		None	???	969-7698	EMB	None	None
ZWALLY	Kurt D.		???	???	???	???	???	???

LAW OFFICES
WILLIAMS & CONNOLLY

725 TWELFTH STREET, N.W.
WASHINGTON, D. C. 20005-5901

(202) 434-5000

FAX (202) 434-5029

EDWARD BENNETT WILLIAMS (1920-1988)
PAUL R. CONNOLLY (1922-1978)

JEREMIAH C. COLLINS
DAVID POVICH
STEVEN M. UMIN
JOHN W. VARDAMAN
PAUL MARTIN WOLFF
J. ALAN GALBRAITH
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GEORGE A. BORDEN
ROBERT J. SHAUCHNESSY
JONATHAN P. GRAHAM
ALLEN P. WAXMAN
DAVID S. BLATT
ARI S. ZYMELMAN
JOSEPH D. PIORKOWSKI JR.
REGINA G. MALONEY
DANE H. BUTSWINKAS
LAURIE S. FULTON
DENNIS M. BLACK
PHILIP A. SECHLER
LYNDA SCHULER

COUNSEL
VINCENT J. FULLER
RAYMOND W. BERGAN

TELECOPY

TO:

Todd Stern

FIRM OR COMPANY:

White House

TELECOPY NUMBER:

(202) 456-2215

FROM:

Robert B. Barnett

TELEPHONE:

202-434-5034

DATE:

October 16, 1998

MATTER NUMBER:

NUMBER OF PAGES INCLUDING THIS PAGE 2

IF THERE ARE ANY PROBLEMS RECEIVING THIS TRANSMISSION, PLEASE CALL
(202) 434-5608 IMMEDIATELY. THANK YOU.

MESSAGE:

June 6, 1978

Many thanks. Meredith's telephone number is
011-541-774-7880. Her cell phone number is 011-541-
036-0735. Her address is: Meredith Barnett, c/o
Daniel Filmus, Resident Director, FLACSO, Ayacucho
551, 1026 Buenos Aires, Argentina. Rita and I are
most grateful.



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AND RETURN THE ORIGINAL MESSAGE TO US AT THE ABOVE ADDRESS VIA THE U.S. POSTAL SERVICE. THANK YOU.

MEREDITH JANE BARNETT

Brown University, Box 2857
Providence, Rhode Island 02912
email: Meredith_Barnett@brown.edu

2801 New Mexico Ave., NW
Washington, DC, 20007 Apt. 324
(202) 338-3393

COUNCIL INTERNATIONAL EDUCATIONAL EXCHANGE, Buenos Aires, Argentina
Semester abroad program at University of Buenos Aires and FLACSO, 1998

BROWN UNIVERSITY, Providence, RI
Class of 2000, Concentration in Hispanic Studies

NATIONAL CATHEDRAL SCHOOL, Washington, DC
Class of 1996, Valedictorian, graduation awards in Spanish and Mathematics

AROUND AND ABOUT PROVIDENCE, Guidebook to Providence, RI 1997-1998
+ Co-Editor: wrote, edited, assigned articles for guidebook

UNITED STATES INFORMATION AGENCY, Washington, DC summer 1996
+ Worked as an intern on an international radio talk show for Voice of America
+ Arranged guests, wrote scripts, screened international call-ins

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS,
Education Department, Washington, DC
+ Intern: helped coordinate and develop New Visions, New Voices, an annual program of staged readings of new plays spring 1996
+ Cast Member: appeared in ensemble musical group that traveled throughout the Washington, DC, area as well as in various plays and musicals 1989-1995

CARVILLE AND BEGALA, political consulting firm, Washington, DC summer 1995
+ worked as an intern organizing and developing research information

BURGUNDY FARM DAY SCHOOL SUMMER PROGRAM summer 1995
+ drama instructor, responsible for production of plays with children

XANDO COFFEE BAR summer 1998
+ server, barista

BROWN UNIVERSITY
+ Melklejohn Advisor, upper class academic advisor to freshmen, 1997-1998
+ Brown'stones, all-female a cappella singing group, 1996-present
+ Kids Project, mentor and tutor for a young child in a Providence public school 1996-present
+ New York University, CAP 21 Program, courses in Musical Theater summer 1997

NATIONAL CATHEDRAL SCHOOL
+ Features Editor, *The Discus* 1995-1996
+ Co-Captain, Junior Varsity Field Hockey Team, coaches award 1994-1995
+ President, SAFE (Stop Aids For Everyone) 1995-1996

**STATEMENT OF MR. CARLOS SAUL MENEM
PRESIDENT OF THE REPUBLIC OF ARGENTINA
AT THE UNFCCC FOURTH CONFERENCE OF THE PARTIES
Buenos Aires. November 11, 1998**

The Republic of Argentina is deeply honored to host this world meeting, with representatives from all over the world and expresses through its President the warmest greetings, and full of hope.

Work done so far, show the crucial work of the United Nations Framework Convention on Climate Change.

The Republic of Argentina is honored to have signed the Convention; and presently, the Kyoto Protocol is in the process of ratification at the National Congress, already having had the approval of the Senate.

As I maintained at the Earth Summit hold in Rio de Janeiro in 1992, our purpose is to erase the false option between economic growth and environmental protection.

The Argentine economy has grown accumulative 52% since 1990, due to the opening up and the modernization and the strength of the fiscal and monetary institutions of our country.

Argentina is one of the countries in the world that have grown the most in this decade and nowadays we participate competitively in the most dynamic circuit of the world economy.

Moreover, within the context of the international financial crisis unleashed in July 1997, Argentina has continued to grow, and has increased permanently, the levels of its reserves and the deposit of its financial system, and the flow of direct foreign investments has also increased sensibly.

These investments grow, presently, at a rate of approximately US\$ 800 millions per month, and an investment of over of than US\$ 70.000 millions are expected from 1998 to 2002.

Argentina achieved these goals after ten years of efforts, with a development that moves to cleaner options.

During this decade, the economy grew at an average rate of a 6% accumulative per year. The increase of the greenhouse gases per capita have only been less than 1% during this period.

In the next two years, Argentina will become a thermoelectric energy producer, which is the least polluting at the world scale.

- For the year 2000, the main sector of the thermoelectric generation, will convert to cycle combined, with a thermal performance superior to 55%, as a consequence of US\$ 2,000 millions investments already completed or in an advanced degree of execution.

- As a consequence of these changes, the thermal generation in Argentina, will have the minor average level of contamination with carbon dioxide, than the one in any other country of the world.

Permanently, we try to achieve these goals of economic development and integration in the global economy as a country concerned in the protection of the environment and in keeping our competitiveness.

This is not aspiration that has emerged of ethical duty, we strongly believe that this is the only sustainable way to grow facing the globalization of the world economy.

That is why, I stress that the option between economic growth and environmental protection is false, and that only their articulation offers an stable perspective, of sustained and integrated progress for mankind.

This is our commitment to this present world and all of the future generations: we want to preserve the planet and at the same time offer an horizon of economic growth, progress and hope for all.

The planet is our home, and to preserve it is our responsibility of one or all.

We can not ignore the warning signals that nature has given as this year, in which the UNFCCC Fourth Conference of the Parties is taking place. The planet, painfully is issuing a warning call to all mankind.

I need also to express our deeply sorrow for our brothers and sisters from Central America, affected by terrible hurricanes and their painful consequences.

Climate catastrophes such as floods, tornadoes, droughts, forest fires, that causing thousands of deaths and leaving hundred of thousands of people homeless, are without doubt a world responsibility, of all and every country without any distinction or whatsoever.

Being a country with a clean growth, is the only sustainable way to grow and in the conditions that world economic globalization imposed today.

I would like strongly to point out here, that the agriculture subsidies of develop countries promotes increases the carbon emissions. The systematic use of this kind of subsidies produces severe environmental damages.

A strategy of clean development is the best and most effective tool that emerging countries have against the non-tariff barrier protectionism of developed countries.

We are convinced that this will be the position that the world community will adopt in the years to come, without any difference of sectors.

In this historic phase of mankind, the birth of universalism in practical, political e institutional terms, not only the highly developed countries might contribute to the creation of a New World order.

Also, the emerging countries also share the responsibility to assume their own initiatives to face and solve every challenge of the 21st century, which is about to dawn.

Argentina does not wish to make the effort outside the system. We want to establish the goals in the frame of the Convention. We have not been able to achieve this goal, but we will work hard from now on in order to do so in the Fifth meeting of the Conference of the Parties.

Meanwhile, we will define our targets that will determine how we will grow with minimum carbon dioxide emissions.

These goals will be defined with the participation of every social sector, through a broad debate at the national level and in the next Conference of the Parties, we shall express our commitment for the period 2008-2012.

We shall continue working to achieve that countries like the Republic of Argentina, that also wish to commit their own targets, are able to take part of all the mechanism of the system.

This implies the creation of a new way in the Convention, which would allow all the countries to participate of all the mechanisms of the Convention and the Kyoto Protocol.

Argentina assumes this commitment and will honor that responsibility of the people of the earth.

As Lisandro de La Torre, one of the major Argentinean politicians of the XX century said:

" Those who know where they are going, and follow the straight path, there will not be travelling this path alone for long".

SECRETARY FOR NATURAL RESOURCES
AND SUSTAINABLE DEVELOPMENT
MARIA JULIA ALSOGARAY

Maria Julia Alsogaray became Secretary for Natural Resources on November 7, 1991 when President Menem announced the creation of the new agency. She had been since 1990 the government-appointed trustee for ENTEL, the formerly government-operated national telephone service until the late 1991 privatization. Daughter of Alvaro Alsogaray, the founder of a political party called the Union of the Democratic Center (UCD), she is a life-long political activist. Firmly aligned with President Menem and his program, she resigned from the UCD in September 1991 after having come into conflict with the party directorate over her perceived cooperation with the President's ruling Justicialist (Peronist) Party.

Alsogaray was also a participant in the New Force Party (FNP), Secretary to the FNP Women's Advisory Committee, and its candidate for the Chamber of Deputies in 1984. It was then that she became member of the Buenos Aires municipal cabinet. She was elected National Deputy for the UCD in 1985 and was a member of the Foreign Relations, Defense, and Science and Technology Committees of the Chamber of Deputies. She later requested leave from the Chamber of Deputies to perform her new duties as trustee of ENTEL.

An engineer like her father, Alsogaray obtained a degree in industrial engineering from the Catholic University in Buenos Aires in 1968 and took post-graduate courses in political science and economics in the U.S. She speaks fluent English.

After graduation, Alsogaray went to work in 1977 for the Presidential Secretariat of Commerce with the rank of Minister Counselor to represent Argentina at the convention of the Latin American Free Enterprise Association (ALALC), as well as the Argentine-Uruguayan Economic Cooperation Agreement (CAUCE) talks. She then entered the Argentine diplomatic service as Minister Counselor for Economic Affairs at Montevideo (1981-83). Born in 1945, Alsogaray is presently estranged from her husband, Francisco Erize, the former director of the Argentine Wildlife Foundation. The couple has two children.

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. form	[Personally Identifiable Information] [partial] (1 page)	10/22/1998	b(6)

COLLECTION:

Clinton Presidential Records
Office of Environmental Initiatives
Roger Ballentine
OA/Box Number: 19508

FOLDER TITLE:

Climate Change Administration Related Oversight/Strategy [1]

2017-1093-F
ds459

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICIAL TRAVEL AUTHORIZATION
(Privacy Act Statement on back)

1. TRAVEL AUTHORIZATION NO. XQ9054		2. DATE 10/22/98	
3. TYPE OF TRAVEL			
☒ Official ☐ Relocation ☐ Mixed ☐ Political		☐ Invitational (Non EOP Employees Only) ☐ Amendment (Show items amended) ☐ Funded by Non-Federal Sources	
4. TRAVELER (First name, middle initial, last name) TODD . . STERN		5. TITLE OF TRAVELER	
6. SOCIAL SECURITY NUMBER (b)(6)		7. AGENCY E02556	
8. DIVISION Climate Task For		9. OFFICE PHONE	
10. OFFICIAL DUTY STATION WASHINGTON DC		11. ☒ Per Diem ☐ Actual Subsistence (unusual circumstances)* Rate(s):	

12. TRAVEL INFORMATION

PURPOSE: To attend UNFCCC COP-4

DATE(S): Travel Begin On 11/7/1998

Travel End On 11/13/1998

ITINERARY: (Point of Origin/Placets) of Official Visitation/Point of Return)

From: WASHINGTON DC

To: BUENOS AIRES, ARG 235/ 87

To:
To:
To:
To:
To:

To:
To:
To:
To:
To:

Return to: WASHINGTON DC

13. MODE OF TRAVEL

☒ Commercial Air☐ Private Vehicle 0.000 Mileage Rate☐ Rail☐ Military Air☐ Government Owned Vehicle☒ Other (specify) _____

14. SPECIAL EXPENSE AUTHORIZED

- ☐ Registration Fees (meeting, training, etc.)
☐ Commercial Rental Car
☐ Excess Baggage not to exceed
☒ Other (Please identify) Misc Expense

15. ESTIMATED COST

AMOUNT

Per Diem/Lodging	\$ 1,410.00
Per Diem/M&IE	565.50
Transportation	1,305.58
Rental Car	0.00
Miscellaneous	800.00
TOTAL	\$ 4,081.08
16. ADVANCE REQUESTED (Include miscellaneous expenses, if any)	\$ 0.00

17. * SPECIAL PROVISIONS/REMARKS (Justification for first class/business/extra fare travel, annual leave enroute, actual subsistence, etc.)

OTHER EXPENSES - cell telephone charges are authorized.

18. ACCOUNTING DATA (Appropriation, division, project, vendor number)

ID092

19. REQUESTED BY

21. Funds are available to defray travel cost specified above

Funds Manager's Certification (Signature)

20. I certify the travel herein was reviewed and determined
to be essential for the accomplishment of agency programs
and missions in the most economical means available.
Approval Official (Signature and Title)

Wesley Wanner, Chief of Staff

OA FORM 22

REVISED JUNE 1994

1. Original (Return with voucher)

2. FMD copy

3. Advance of funds

4. Teleticketing Office

5. Funds Manager copy

6. Travelers copy

PRIORITY MEMBERS FOR SIGNING NOTIFICATION OR FOLLOW-UP**SENATE**

- Byrd (Stu)
- Lugar (Stu)
- Roberts (Stu)
- Harkin (Stu)
- Kerrey (Stu)
- Chafee (VP)
- Biden (Albright)
- Helms (Albright)
- Kerry (VP)
- Lieberman (Stu)
- Hagel (Stu)

HOUSE

- Obey (Stu)
- Mollohan (?)
- Dingell (VP)
- Waxman (VP)
- Miller (?)
- Porter (Stu)
- Boehlert (Stu?VP?)

Fax t-pts to Susan Jacobs (647-2762) (Home -- 703-883-1359)

Allen Nelsen in London called to say that UK and/or European NGOs have gone to Meecher (whom UK Pete Bass calls "nutto") and stressed an approach based upon India's concept of equity involving the contraction of developed-country CO2 emissions per capita and the increase of CO2 per capita by developing countries. NGOs have suggested that Meecher get in touch with Nelson Mandela and encourage him to go to BA and make a pitch for this. I said informally that I thought that was a very bad idea, and that I would run it by you and OES. If this does not get turned off, you may want to speak to Prescott. I'll keep you posted and pass to Todd as well.

Anne

Todd -- I wanted you to be aware of this and also that Allen said Peter Bass (UK) says that the FE really, really wants to avoid a fight over this at BA. He characterized the Oct. 6 document as "verbiage" and tried to tell us "not to worry." He also told Allen that some in UK were offended that the op-ed appeared in a British paper. I told Allen to tell them that they were victims of their own success -- it is a very prominent paper, and that we were merely trying to educate the folks (i.e. general public) in Europe as to why the flex mechanisms are so important. See attached FT articles and ad from today's Wash Post.

PS Stu is looking at the op-ed and points for call to Korean Minister Han Duck Soo. Anne P.

Transatlantic Appeal to Curb Climate Change

Members of the US Senate

The undersigned urge you to ratify the Kyoto Protocol as soon as possible.

For the first time, in Kyoto, agreements of global importance were reached on the reduction of greenhouse gas emissions. These agreements are urgently needed to prevent any further climatic imbalances. Without real measures by major industrialized nations, the sea level will rise faster than ever and the gulfstream may shift. The Netherlands and other low-lying areas in the world face costly rising tides. Moreover, climate change will cause changes in climate variability and consequently an increasing number of disasters such as flood, drought and disease.

Why put the children of our world at risk? The Kyoto Protocol offers numerous opportunities for the development of new and more efficient production methods. Innovation, modern technology, sustainability and global cooperation are the key words for the challenge that lies ahead of us. Let's make a responsible start to the next millennium.

Members of the US Senate, we urge you to accept this challenge and ratify the Kyoto Protocol!

Yours sincerely,

City of Apeldoorn • ASN Bank • Christian Dutch Trade Union (CNV) • Climate Alliance - NL • Dutch Youth Council for Environment and Development • European Business Council for Sustainable Energy Future • Evert Vermeer Foundation • Foundation Nature and Environment • Friends of the Earth - NI • Friends of the Earth - USA • City of Gouda • Greenpeace - NI • City of Harlingen • Jeroen Krabbé • The Body Shop Benelux • City of The Hague • Sierra Club • City of Tilburg • Triodos Bank • U.S. PIRC • City of Utrecht • Pier Vellinga (Institute for Environmental Studies) • Pieter Winsemius (former Minister of Environment) • Workinggroup Church & Environment (National Council of Churches) • World Wildlife Fund - NI • City of Wormerland

P.S. At the same time we also urge the Dutch parliament to ratify the Kyoto treaty according to the reductions agreed upon in Kyoto.



Help Hans Brinker!

The Netherlands are mainly situated below sea level and are protected from the seas by dikes. The symbol of the Dutch watchfulness against the rising tide is Hans Brinker. This observant little boy put his finger in a weak spot in a dike and thus prevented a flooding catastrophe. But our hero can not resist changing ocean circulation, erratic storms and ever rising seas. We therefore ask all Senators: do not let Hans down and ratify the Kyoto Protocol!

For more information contact: FoE-US (202) 783 7400; WWW.MILIEUDEFENSIE.NL/KYOTO

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5th Congress. Committee
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J. Hyde (R-Ill.) approved 93
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major copyright law reform
forcement legislation.
cide to zero tolerance on drugs,
tee has been going nonstop,
the do-everything committee."

nistration has lost what may be
ard S. Klein, a Commerce
writer and, more recently, State
writer and special assistant for
's, has gone to work for United
in Hartford, Conn., as director
ations. Ten years ago, Klein
Brewery, a microbrewery in
hich earlier this year merged
rations. He still sits on the new

Capital Office
1875 Connecticut Ave., N.W.
Washington, DC 20009
(202) 387-3500
Fax: 202-234-6049

MEMORANDUM

To: Hon. Todd Stern, Assistant to the President for Special Projects
cc: Hon. Stuart E. Eizenstat, Under Secretary of State
From: Fred Krupp, Daniel J. Dudek, Joseph Goffman, Annie Petsonk
Date: October 20, 1998
Re: Refocus for COP-4: The Path Forward, The Environmental Goal

As COP-4 approaches, I am concerned that the current preoccupation with "workplans" aimed at specifying *future* tasks in establishing the flexibility provisions under the Kyoto Protocol has diverted the attention of negotiators away from the real environmental challenge: how to stimulate, as soon as possible, reductions of greenhouse gases on a trajectory that can enable nations to achieve the targets they set in the Kyoto Protocol. Momentum is beginning domestically for early action - notably, the Pew Report on Early Reduction Credit programs, the Chafee-Lieberman-Mack bill, and the growing industry interest in early credit. In contrast, the "workplans" now under discussion are premised on the assumption that no action to reduce greenhouse gas emissions or to set up the infrastructure needed to carry out Parties' compliance with their obligations can begin until those workplans are formulated and completed. This workplan-centered approach, unfortunately, is likely to bog down progress, restrict action by capping or delaying emissions trading, and resurrect unacceptable approaches (e.g., protracted negotiations over mandatory Annex B-wide policies and measures) that threaten to choke off rather than nurture the domestic momentum for early action. The cost of delay is measurable: each day, the nations of the world emit more than sixteen million tons of greenhouse gases that remain in the atmosphere for decades to centuries. If the United States wants the news from Buenos Aires to be news of success, then the metric must be not "workplans" but *action*.

That is why, if the U.S. is serious about achieving the environmental goals of the Protocol while ensuring the success in the flexibility mechanisms so instrumental to those goals, the U.S. must go to Buenos Aires with a strategy complementary to, but separate from, the focus on workplans that will otherwise dominate the proceedings at COP-4. The centerpiece of that strategy, in our view, must focus on those actions that nations can begin taking now, before the completion of workplans. Specifically, the U.S. and the Umbrella Group should state their intention to undertake early action strategies, including trading that can facilitate such actions, in the near future, and should challenge other Annex B nations to do likewise. The U.S. and the Group should respond to developing countries interested in participating in emissions trading now by inviting them to work with the Group to develop, consistent with the UNFCCC and the Protocol, voluntary Annex B commitments and thus take advantage of early action programs, including emissions

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sanctions, etc?

trading under Article 17. Instrumental to the foregoing is the view that the existing provisions of the Kyoto Protocol authorize Annex B nations to engage in Art. 17 (and Art. 6) trading now. The Umbrella Group should reiterate this view explicitly at Buenos Aires.

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That this approach would put the U.S. and the Umbrella Group on the "high ground" in driving the kinds of near-term actions so critical to the success of the Protocol reflects three basic considerations:

- ◆ Emissions trading, joint implementation, and the CDM are not three separate flexibility mechanisms. Rather, they form an integrated, global system for producing *compliance* - i.e., for achieving the Kyoto Protocol targets.
- ◆ The painful lesson of Rio is that the longer nations wait to deploy this integrated compliance system, the more environmentally difficult and economically costly compliance becomes.
- ◆ There is a risk that the sole outcome of the negotiations will be a "Buenos Aires Workplan." That kind of outcome would undermine early action, incur serious environmental costs, and likely fail to change the outlook on Capitol Hill.

You have asked my views on timing. I think it's time to focus on the environmental goal of emissions reductions. The longer we wait, the more difficult it becomes to meet the targets that the Protocol sets. We must not allow the Kyoto Protocol to meet the same fate as the Rio Treaty, in which the gap between actual environmental performance and commitment levels became so great that it was infeasible to meet the target.

To avoid this, we need to get going sooner rather than later to building the experience and national infrastructure, encompassing, as an integrated mechanism, all features of the flexibility and cooperative provisions of the Protocol, needed to meet the Kyoto obligations. Experience is the only way to reduce anxiety over Kyoto's implications.

Accordingly, the U.S. must not countenance COP-4 outcomes that amount either to delay or to the disaggregation of what should be fully integrated compliance and flexibility mechanisms of the Protocol. Thus, for example, the U.S. should reject strategies that would postpone the carrying out of emissions trading, even if they would "fast track" the CDM. Not only would this slow overall progress, but if, as a result of such an approach, only the CDM were available, nations' ability to learn from the differential experience of CDM trading and Annex B trading would not be available and a key incentive for broadening participation in Annex B would be lost. Without such a path for broadening participation, there is little hope of actually managing the global greenhouse gas problem ultimately. Fortunately, a commitment by the U.S. and the Umbrella group to embrace the current trading provisions of the Protocol and to act on them now in the context of early action would ensure that "fast track" strategies for the CDM could go forward without jeopardizing the overall integration of the full suite of emissions trading and flexibility mechanisms.

The United States, working together with the Umbrella Group and non-Annex B nations that are considering taking targets, can - and must - re-focus COP-4 on the environmental imperative. We need to liberate prompt action on emissions reductions from the fetters of an approach that centers exclusively on "workplans." Four steps, explained below, can accomplish this goal and

re-focus the entire COP-4 on the environmental imperative of reducing greenhouse gas emissions.

The four steps for re-focusing COP-4 on the environmental goal are:

1. Umbrella Group forward move on early action programs, including trading.
2. Aggressive stance on liability and compliance.
3. Coalition-building with nations considering joining Annex B.
4. For work that does need to be done, develop CDM, JI, and trading together.

The details of these steps are as follows.

1. Umbrella Group forward move on early action programs, including trading. Early action to reduce greenhouse gas emissions is critical to the environmental success of the Protocol. Early domestic action is key to demonstrating to the rest of the world community the seriousness of the United States about the climate change issue. The commitments of British Petroleum, and the Chafee-Lieberman-Mack bill, chart a path forward, and have already attracted significant industry interest. In contrast, a lengthy international process focused on developing trading rules that threatens to include trading restrictions is likely to bog things down. Whether the investments are to be in energy efficiency, or fuel switching, or tons transactions, investors will be reluctant to undertake early actions, and the ability of any nation to offer credit for such early actions will be undermined, if the international community fails to foster prompt actions that lead directly to compliance and to the establishment of those mechanisms instrumental to compliance. Simply sending signals that trading rules will not be completed until some time in the next millennium, as COP-4 appears set to do, in effect will suspend, rather than promote, concrete, near-term action.

We don't have to settle for these steps backward. As S. 2617 demonstrates, each nation has the sovereign ability to go forward with domestic credit for early action programs, or other early reduction strategies. The performance of such programs can be enhanced through international emissions trading among Annex B nations, simply because the early development of an emissions trading market can create a powerful stimulus to investment in early reductions by rewarding such investments directly. It is precisely this kind of early start to trading that Article 17 allows.

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The United States should remind the Umbrella Group, and together the U.S. and the Umbrella Group should remind the international community, that early actions are critical to the success of this effort, and, furthermore, that Articles 3 and 17 of the Kyoto Protocol provide the essential framework for emissions trading to begin virtually immediately. (In June, EDF published "Cooperative Mechanisms under the Kyoto Protocol: The Path Forward", which includes detailed analysis of these issues in support of this conclusion.) That was a key gain in closing hours of COP-3 in Kyoto and its ultimate resolution of the trading issue, which included the specific language of Articles 3.10., 3.11, and 17. To accede to an exclusive focus on rule-development workplans that precluded all other action while they were pending would be to surrender ground already gained. Rather than sending trading into a twilight zone of international rule negotiation, the Umbrella Group should move ahead to consolidate its gain and reap the environmental benefits.

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For these reasons, the Umbrella Group should announce its intention at COP-4 to begin moving forward with early action and begin trading immediately, with commitments by its member nations to establish registries to record transactions, "vintage" traded tons at the time they are transacted, and report and track all transactions with double-entry book-keeping. The Umbrella Group should indicate its willingness to transact with any non-Annex B nation that, in its sovereign discretion, chooses to participate in trading by taking a voluntary Annex B commitment. (More on this below.) By signaling to investors and other participants that a GHG emissions trading market is thus being inaugurated, these simple steps can spur the prompt, early investments in emissions reductions that will be needed if the Protocol's environmental promise is to be kept.

2. Aggressive stance on liability and compliance. By focusing the international community on the already existing framework for Annex B trading and committing to act accordingly, the U.S. and the Umbrella Group can highlight the one area where the COP does need to reach agreement: accountability for non-compliance, which is critical both to the integrity of the Protocol's trading and flexibility mechanisms (Article 17) and to the overall credibility of the Protocol's emissions limitation obligations (Article 18).

Without a mechanism for holding sovereigns accountable for their actual emissions performance and for directly remedying any excess emissions, the Protocol will not be able to guarantee the integrity of the flexibility mechanism and the global emissions trading regime they establish. Lacking, too, will be the basic credibility of nations' emissions obligations under the Protocol. Not only will this threaten the overall viability of the Protocol, but it will pose a particular problem for nations like the U.S. that have strong traditions of domestic enforcement and compliance. In the absence of assurance that all nations will be held fully accountable for their obligations, the U.S. and others will be reluctant to take on legally binding emissions limits, since they would have no assurance that other nations would be held to the same standard. On the other hand, draconian sanctions for non-compliance could also make nations reluctant to sign up to legally binding emissions limits. The key is a balanced system that:

- ◆ provides automatic consequences when actual emissions exceed allowed amounts;
- ◆ "makes the environment whole," that is, makes up for excess emissions; and
- ◆ fosters development of the robust, competitive GHG emissions trading market that will be essential for promoting adherence to, and compliance with, the Protocol, and for driving down the costs of compliance.

A blended system that fosters market development yet maintains credibility is essential. In its initial stages, the system should hold governments responsible if their emissions exceed assigned amounts, and automatically require governments to make up shortfalls (through next-period budget deductions, with penalties, and through end-of-period "true-up" requirements). However, "seller liability" alone will not be sufficient to enforce sovereign compliance. That is because it will still be necessary, later in the budget period, to have a mechanism to ensure that buyers "beware" of purchasing allowances from nations that are in, or are headed toward, environmental deficit. An automatic discount of tons purchased from nations that subsequently move into environmental deficit would provide the impetus for buyers to search for "quality" tons from nations likely to be in compliance, and therefore would unleash competition in favor of compliance among potential sellers. "Vintaging" is, of course, a critical element for the operation of a blended liability system.

Some have proposed that no nation be allowed to trade unless it is subject to mandatory compliance penalties under Article 18 of the Protocol. Article 18 of the Protocol provides that any mandatory compliance penalties established under that Article require amendment of the Protocol. Since the Protocol would have to enter into force before an amendment would become effective, and since it is likely the Protocol would not enter into force unless nations interested in trading ratified it, this approach is really a Catch-22: it would stall any action to reduce emissions. The United States should challenge the proponents of this approach by pointing out that its "stall factor" gives rise to potentially serious adverse environmental consequences.

In addition, the U.S. should turn this proposal to environmental advantage by moving forward aggressively on the development of accountability rules as compliance tools under Articles 12 and 17. First, the U.S. should highlight for other nations and the world the environmental imperative of reaching early agreement on accountability and compliance rules: in the face of credible, automatic consequences for non-compliance, nations and firms will have strong incentives to move quickly to reduce emissions. Second, the U.S. should challenge its negotiating partners to reach agreement, on a fast track, for accountability rules under Articles 12 and 17, both of which require that Parties agree on such rules, as well as for compliance rules under Article 18. Third, the U.S. should challenge the COP to decide, under UNFCCC Article 7, // *problem for our Senate or not?* that the package of rules under all three Articles (12, 17 and 18) will become effective upon entry into force of the Kyoto Protocol.

The environmental benefits of this strategy are significant. The accountability/liability rules form a critical element of the Protocol's integrated compliance system. Early agreement on these rules will motivate early investments in emissions reductions. Protracted negotiation over them will only delay those investments and increase total emissions loadings on the atmosphere.

3. Coalition-building with nations considering joining Annex B.

One of the thorniest issues that confronts both the U.S. and the international community is that of developing nation participation in GHG emissions limitation commitments under the Protocol. However compelling the argument for industrialized nations to shoulder the primary burden, ultimate success in protecting the environment from unwanted climate change (not to mention U.S. Senate ratification) critically depends on the participation of developing countries in a global GHG regime. The CDM is certainly a vital ingredient in paving the road to that participation and there are calls from various quarters to "fast track" the adoption of its implementing rules.

What is important to remember, however, is that what makes the CDM compelling is the fundamental economic and environmental benefits of emissions trading with developing nations, not the establishment of the CDM per se. Thus, it is critical for the U.S. to have a robust strategy for advancing such trading. This is critical because there are a number of risks and uncertainties associated with the CDM. First, notwithstanding the variety of nations and interests that support the CDM, many influential developing country governments are either ambivalent about, or opposed to, the CDM. In addition, the establishment of the CDM's implementing rules faces both substantive and procedural hurdles. Finally, use of project-based emissions reductions exported by countries whose total GHG emissions are uncontrolled to offset the GHG emissions of Annex B nations warrants at least some environmental skepticism. For these reasons, we believe it would be a mistake to rely exclusively on the CDM as the vehicle for delivering the

array of benefits associated with developing country trading, including the "graduation" of these nations to full participation in Article 3 and Annex B.

Accordingly, the U.S. should seek to identify a strategic path to developing country trading and participation that is different from that provided by the CDM. In some ways, the approach discussed above through which the U.S. and the Umbrella Group would use their sovereign discretion to cooperate in the establishment of active trading points the way to such a strategy. A number of nations have quietly signaled their interest in considering the possibility of joining Annex I or Annex B. These nations appear to recognize that the significant transactions costs associated with project-by-project additionality proofs in the CDM can be avoided, hence greater investment flows encouraged, if the nations instead participate in full emissions trading under Article 17. *The Umbrella Group should open the door for these nations to participate, on a provisional basis, in the deliberations of the Umbrella Group and the formulation of common negotiating positions. The Umbrella Group should make it known that if these nations meet the Umbrella Group's environmental concerns for transparency, institutional capacity (registries), and growth budget levels, the prospective members could begin participating in emissions trading immediately with Umbrella Group members, and thereby reap the environmental and economic benefit of early capital investment in greenhouse-friendlier energy systems, transport systems, and technologies. In order to ensure that this activity remained consistent with the fundamental integrity of the Protocol, this approach would have to be buttressed by a legal strategy under Article 7 of the FCCC. Specifically, the COP would adopt, in the form of decisions that would have explicit binding effect upon the Protocol's entry into force, provisions necessary to establish the joining nations' legal status under Article 3 and Annex B.*

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Others may argue that these nations' targets would bring in excess allowable amounts, which some have denominated "hot air" or "tropical air." The Umbrella Group must meet this quite legitimate concern head-on.

- ◆ First, in response to an announcement by non-Annex B nations of their interest joining Annex I under Article 4.2 of the UNFCCC (and Article 1.7 of the Protocol) and in taking a cap and participating in trading, the Umbrella Group should announce that it would welcome such nations into the Group, and that it would commit to work collectively with the prospective developing country Group members to build the transparency and institutional capacity to identify proposed Annex B commitments for these nations that would meet international scrutiny. (The process would be similar to one-off negotiations for admission to the WTO - other nations evaluate the prospective nation's trading transparency, institutional infrastructure for trading, and proposed tariff offers (here analogous to proposed emissions limits)).
- ◆ Second, the Umbrella and prospective Umbrella nations should announce their intent to work together to identify the environmental boundaries for the latter's emissions limitation commitments.
- ◆ Third, the Umbrella Group should announce its willingness to work with prospective Group members toward the adoption at COP-5 of a COP Decision under Article 7 of the UNFCCC setting an assigned amount for those nations, and specifying that the Decision, by its terms, would enter into force simultaneously with entry into force of the Protocol itself. In that context, the Umbrella Group could also commit that for any transactions undertaken with prospective members prior to the time those nations' targets are inscribed in Annex B under

the Decision, the capital flows from all trades would have to be transparently tracked into investments in further emissions reduction activities.

These steps would free up the potential for early investments in emissions reduction activities in prospective Umbrella Group nations, providing direct environmental benefits while encouraging those nations to adopt Annex B limits, all while preserving the fundamental integrity of the Protocol.

4. For any workplans that do get adopted, develop CDM, JI, and trading together.

Jockeying among G-77 and industrialized nations for “fast-tracking” CDM rules (favored by some developing nations) versus trading rules (favored by some industrialized nations) has the potential to lead to stalemate, or at least to long delays in getting these important mechanisms moving. Moreover, as noted above, the only international “rules” that need to be developed multilaterally for emissions trading are those that pertain to accountability and compliance, questions that must be resolved for all nations in the Protocol, whether they participate in trading, the CDM, JI, collective targets, or no flexibility at all.

Accordingly, the U.S. and the Umbrella Group should hold firm to the principle that any workplan for CDM, JI, or emissions trading must develop these mechanisms together, and not on separate tracks or timetables. Putting CDM on a faster track for rule development than emissions trading would simply delay the domestic action that so many have called on the U.S. to undertake. Moreover, as noted above, the key area where rule development should proceed, and proceed on a fast track, is accountability/liability/compliance, which is essential for the environmental integrity of the entire Protocol, with or without the market mechanisms. And, as noted above, the accountability rules need to be developed comprehensively - for the CDM on the same basis as for trading and for Article 18 compliance.

Conclusion

If at Buenos Aires the United States and the Umbrella Group move forward quickly on early action and trading, take an aggressive stance on liability and compliance, build coalitions with nations considering joining Annex B, and ensure that any workplans develop CDM, JI, and trading together, America can bring the Conference of the Parties back to its environmental priorities and make this COP a successful step toward true progress in reducing the emissions of the greenhouse gases that are Earth’s greatest environmental challenge.

COP 4 and Beyond

COP 4 - Buenos Aires, 2-13 November 1998

COP 4 and Beyond

- ◆ A Package for Buenos Aires
- ◆ Convention Issues
- ◆ Protocol Issues
- ◆ Flexibility Mechanisms
- ◆ Future Action

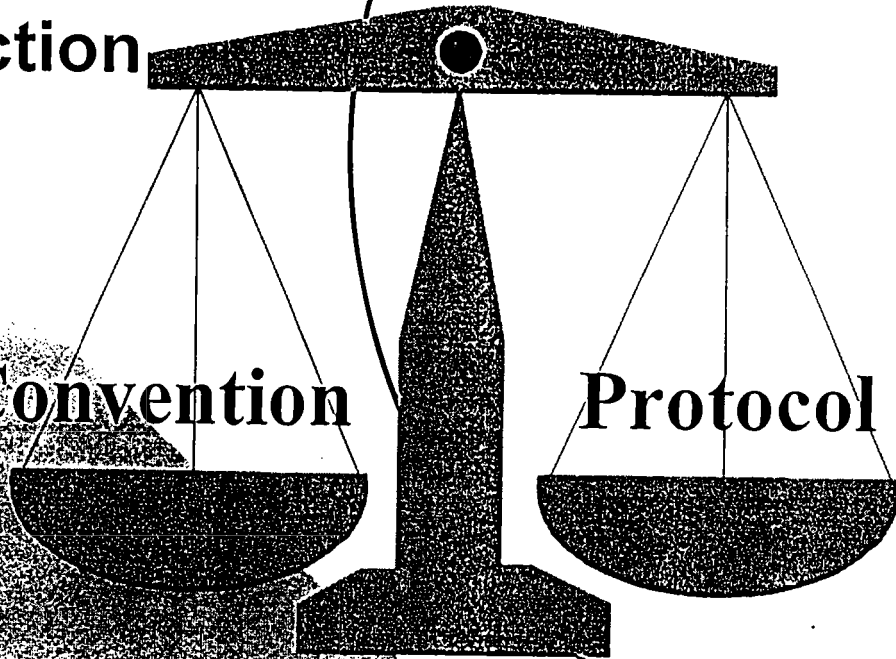
COP 4 - Buenos Aires, 2-13 November 1998

A Package for Buenos Aires

- A programme of action

- momentum

- balance



Convention

Protocol

COP 4 - Buenos Aires, 2-13 November 1998

Convention Issues

- ◆ Technology - “*practicable steps*”
- ◆ Impacts - Article 4.8 & 4.9
- ◆ Non-Annex I communications
- ◆ GEF
 - guidance
 - status

Protocol Issues

- ◆ Domestic action - “*demonstrable progress by 2005*”
- ◆ Flexibility mechanisms
 - emissions trading
 - Article 6 - “joint implementation”
 - CDM
- ◆ Credibility mechanisms
 - national systems
 - reports and reviews
 - non-compliance

Flexibility Mechanisms

Annex II
Imple-
mentation

Emissions Trading
Article 6

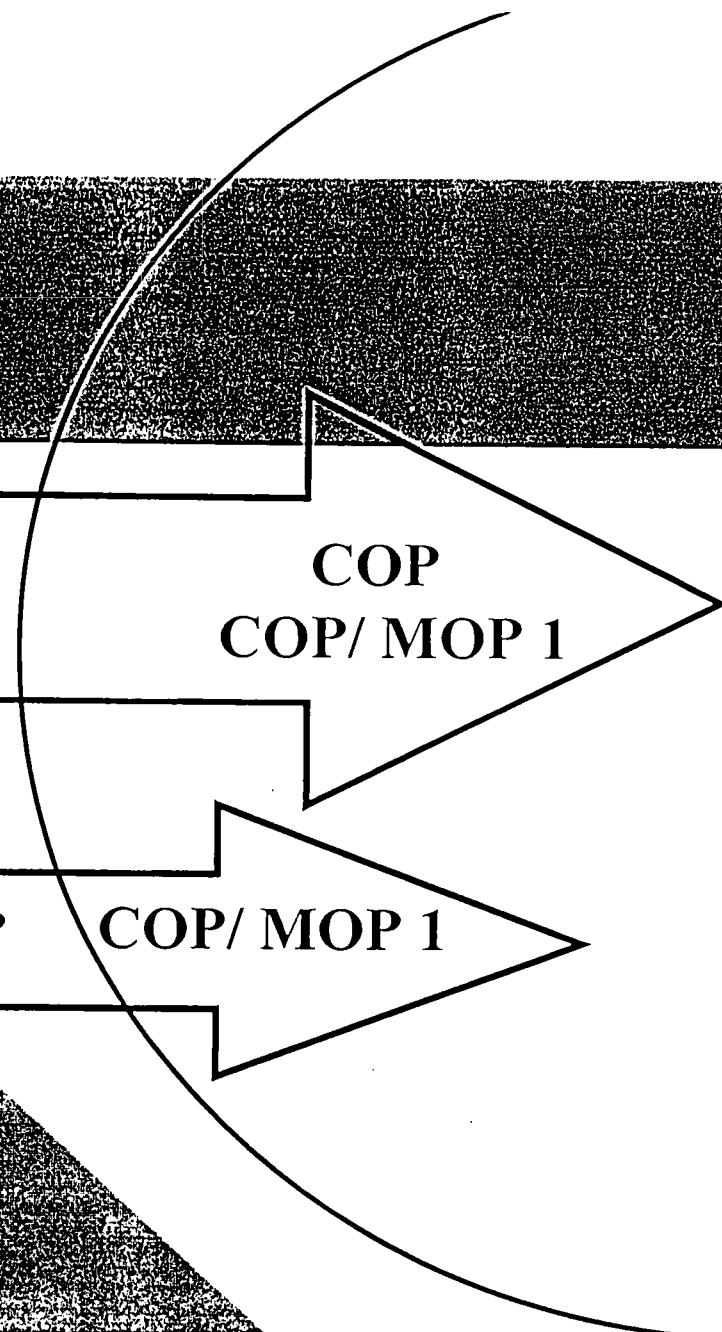
COP
COP/ MOP 1

Sustainable
Development

CDM

"fast track" for 2000 ?

COP/ MOP 1



Flexibility Mechanisms

Annex II
Imple-
mentation

Emissions Trading
Article 6

Sustainable
Development

CDM

COP 4
Workplan

- Practical
- Political

COP
COP/ MOP 1

COP/ MOP 1

Future Action

Towards the objective of the Convention

"Adequacy"

- Art. 4.2 (d)

*"Periodic
examination"*

- Art. 7.2 (a)

Access to Annex I

- Art. 4.2 (f) , (g)

- Art. 15

Review Protocol
COP / MOP 2

-Art. 9

2nd commitment
period (2005)

- Art. 3.9

Voluntary
Commitments

Access to
trading

Qualitative
Indicators

UNITED NATIONS
NATIONS UNIES

JP- Any ideas?



FRAMEWORK CONVENTION ON CLIMATE CHANGE - Secretariat
CONVENTION - CADRE SUR LES CHANGEMENTS CLIMATIQUES - Secrétariat

Executive Secretary
Secrétaire exécutif

Date: 30 September 1998
Ref: DT/DV/c
Direct line: 815-1427

Dear Ambassador,

Dear Mark,

The secretariat is planning to organize a technology round table during COP 4 in Buenos Aires, following a specific request of the Subsidiary Body for Scientific and Technological Advice at its eighth session. It will be convened on 11 November 1998 at a time in the afternoon to be announced, and will be organized as a panel with the participation of approximately 8-10 panel members.

Given the importance of this event, we are aiming at the participation from high-level representatives from governments, and the business and financial communities.

The SBSTA identified as topic for the discussion: "Analysis of barriers to the development and transfer of technology (in both Annex I and non-Annex I Parties) and the identification and elimination of these barriers in order to facilitate the development and transfer of technology."

The secretariat is seeking to have the name of a nominee from the United States of America to participate in the round table. In particular, we would like you to consider a person of Ministerial rank or a senior business executive from your country. We recognize the many responsibilities of such a nominee and that many other activities will be underway, and therefore we appreciate your cooperation in this matter. We would like very much to hear from you via fax or email by 16 October 1998, unless you can give me a response in Buenos Aires next week.

If you need further information before replying, do not hesitate to contact Mr. Dennis Tirpak (+ 49 228 815 1424), or Mr. Daniele Violetti (+ 49 228 815 1427), at the UNFCCC secretariat.

Best regards,

Yours sincerely,

Michael

Michael Zammit Cutajar

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TO: Todd Stern (6-2215)

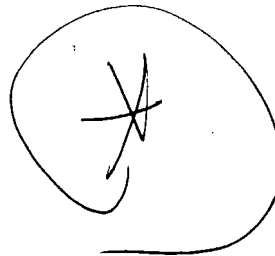
FROM: David Sandalow

DATE: 10/21 PAGES: 2

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COMMENTS:

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Oct. 20. 1998 05:46 PM

P02

CC: Todd

Environment

Climate change: European industry fights for flexibility

Growing European flexibility on Kyoto should keep the US at the Buenos Aires negotiating table, says Henry Edwardes-Evans.

There is at last some hope that the US congress will ratify the Kyoto climate change protocol, Brussels observers say, as long as it is given total flexibility in the way it achieves its target reduction in greenhouse gas emissions.

Realisation of this is dawning on the Council of Ministers. Only a small group of 'fundamentalists' - Austria, Denmark and the Netherlands - back the European Parliament resolution for a 50% cap on flexible mechanisms, the investment and trading tools which will allow an industrialised (so-called Annex 1) nation to gain credits for reducing emissions outside its borders.

As a result, the Community is going to the fourth conference of the parties (COP4) in Buenos Aires with a negotiating position which just about maintains Europe's leading role in pushing for rigorous action but should not drive the Americans from the table at first sight.

In many ways, the European Parliament has got what it wants. While environment ministers hammering out a COP4 negotiating position on October 6 shied away from a numerical cap on flexmechs, they affirmed these must be "supplemental" to domestic action. The Council also agreed to argue for concrete ceilings on flexmechs which "should be defined in quantitative and qualitative terms".

The US may, if pushed, go for some qualitative criteria - i.e. that x amount of the target is achieved by energy efficiency, x amount by renewable energy etc. It will never agree to a cap, however, and the EU must realise that it is pointless to pursue this.

It is pointless as, whatever happens, the US has little choice but to meet the lion's share of its target at home. This is because the US is by far the world's largest emitter of greenhouse gases. The market for tradable emissions in the rest of the world is not big enough to relieve the States of over 50 percent of its reduction target. A back-of-the-envelope calculation by US academics shows that, even in the unlikely event of the US dominating the global flexmechs market, it will only be able to "buy up" 30 percent of its 2008-12 Kyoto target - to reduce emissions by 7 percent below 1990 levels. Demand is going to outstrip supply to the point where it will be more economic to act at home.

It is worth remembering the EU initially rejected the inclusion of flexible mechanisms as a way of achieving Kyoto commitments. It has moved a long way to accommodate flexmechs, not least, because European industry is waking up to the fact that opportunities are already being closed down: "the game is afoot", says energy consultant Stewart Boyle. "European companies have had to watch the US and Japan build flexmechs into their foreign policies.

At trade missions to Peru, Chile and China, the US has been signing little agreements to co-operate on Clean Development Mechanisms - these will allow the States to earn credits by providing financial assistance to emission reduction projects in developing countries."

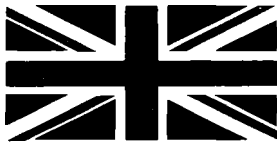
Hang on, European companies are saying, why tie our hands with a numerical cap on flexible mechanisms when there is a market out there? If we are going to have targets, lets have some options. This message has certainly got through to the Council of Ministers. Environmentalists are understandably unhappy with the shift away from the more purist stance but, with each meeting (and COP5 is being lined up for next year), the need to get the US to ratify its seven percent reduction commitment will and must take priority.

Looking at Europe's own eight percent reduction commitment, meanwhile, it is clear that the Commission still places great faith in an EU-wide ecotax, packaged to cause least offence by commissioner Mario Monti's 'harmonisation of taxation on energy products' proposal.

Again the European Parliament is doing all it can to persuade the Council of the need for an ecotax. It may just be that, finally, the proposal will now appear as a serious item on the Council's political agenda after the German election. Both the SPD and Greens have made commitments to introducing various forms of ecotax. It is hard to see a coalition not going ahead with some form of new environmental taxation at home, and France is also looking at a carbon tax. With the Marshall report in the UK suggesting a tax on industry but not on domestic users, you have the big three heading roughly in the same direction.

It remains to be seen whether the old competitive issue remains as strong as before - US companies pay far less for energy, and an EU tax would disadvantage EU commerce even more, the lobbyists argue. BUT, as a final note of caution to EU companies, Germany's deal with industry to pursue voluntary agreements on energy efficiency in return for opposition in the Council to ecotaxes looks shaky. An influential report on voluntary agreements in Germany is highly critical of their effectiveness - and the Institute that carried out the report is advising the SPD on energy taxation issues. ●

Henry Edwardes-Evans is editor of the Financial Times' EC Energy Monthly.



British Embassy
Washington

Press Release

26 October 1998

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BRITISH DEPUTY PRIME MINISTER JOHN PRESCOTT

LAUNCHES NATIONAL DEBATE ON CLIMATE CHANGE

Britain's Deputy Prime Minister John Prescott, today launched a new consultation paper, on how the UK can meet its emissions targets - both the legally binding target from Kyoto and the domestic goal of reducing carbon dioxide emissions by 20 per cent by 2010.

Mr Prescott said:

'The UK has set the pace in international discussions on climate change. Now we are demonstrating our commitment to action at home. We believe that the UK can meet challenging emissions targets and this consultation opens up the debate on how best to achieve our aims.

'There has been far too much talk of the burdens associated with meeting our targets and far too little about the opportunities. The debate I am initiating today is about gain, not pain.

'Energy efficient companies are more competitive. Better transport systems will only good for our economy, and our society. And well-insulated homes will be more comfortable and cheaper to live in,' he said.

'There could also be new jobs and new opportunities for UK firms in the emerging environmental technology market. In future, it's the businesses that gain the edge in producing quality lean and clean products that will be winners in the global market place.'

The Deputy Prime Minister said that we can, and must achieve our climate change targets.

'But as we do so, we are determined that we will not introduce measures that will damage our competitiveness, nor take action that will have unacceptable social costs.

'The UK has already reduced greenhouse gas emissions since 1990. And our targets are realistic. Since the election, we have put in place a number of major new policies aimed at reducing emissions further.

Mr Prescott said that the consultation document identified the scope for action by all sectors. He invited them to work together on how best to cut emissions.

'We all have a stake in combating climate change. We must all do our bit to achieve our targets.'

NOTES FOR EDITORS

At Kyoto in December 1997, developed countries agreed to reduce emissions of a basket of the six main greenhouse gases overall to 5.2 per cent below 1990 levels over the period 2008-2012. The six gases covered by this legally binding target are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

The Kyoto Protocol permits countries to undertake commitments jointly by forming a so-called bubble. Under this arrangement, the European Community agreed jointly to an 8 per cent reduction.

In June 1998, under the UK Presidency, this target was shared out between Member States. The UK agreed to take on a reduction of 12.5 per cent. In its manifesto, the UK Government also set out a domestic goal of reducing carbon dioxide emissions by 20 per cent below 1990 levels by 2010.

The Kyoto Protocol will come into force after it has been ratified by 55 countries including enough developed countries to account for 55 per cent of Annex I emissions in 1990. It is unlikely that the Protocol will enter into force before 2001. Key to achieving these conditions is the position of the United States who require meaningful participation of developing countries before Congress will ratify. The UK will be exploring in Buenos Aires how this could be demonstrated.

On 16 October 1998, Michael Meacher announced a set of climate change scenarios which have been developed under the UK Climate Impacts Programme. The scenarios demonstrate that temperatures could rise as much as 3 C by the end of the next century - larger than any climate change experienced since the last Ice Age.

The Government has already taken action aimed at helping the UK to reach its targets including the Integrated Transport Policy; increasing the fuel duty escalator to 6 per cent per year in real terms; a review of what would be necessary and practicable to achieve 10 per cent of electricity demand from renewables by 2010; discussions with the energy industry and others about the possibility of promoting energy efficiency through a new Standards of Performance scheme; an increase in funds for energy efficiency; and finally, establishing Lord Marshall's Task Force which will be reporting shortly on the use of economic instruments to improve the use of energy by business.

The consultation paper launches a national debate on how the UK can meet its climate change targets. It is the start of a process by which Ministers will take the views of key sectors and identify the level of commitment to delivering emission reductions. It stresses that action by Government alone will not be enough - all sectors have a part to play and action by individual firms, local authorities and households will be critical. Government does not have all the answers.

Developing a new climate change programme will be a complex task - there is a large range of measures that could be used, and the impact of these differ sharply.

The programme must be balanced and equitable, and based on practical and cost-effective measures. The Government will not introduce measures that would damage UK competitiveness or have an unacceptable social cost.

Discussion on climate change should not all be about costs. Many measures will have benefits that go wider than emission reductions - better air quality; a less car-dependent transport system; warmer, more comfortable homes; energy savings for business and consumers; and new jobs and market opportunities from more efficient technologies.

The consultation paper sets out the UK's emissions baseline and projections and breaks them down by sector. It quantifies, where possible, the carbon savings individual measures could deliver. It demonstrates that the legally binding target is well within reach and that a 20 per cent reduction in CO2 is achievable.

The paper outlines the main policy options for reducing greenhouse gas emissions - in the energy supply, business, transport, domestic, agriculture and public sectors.

On current projections the UK is forecast to be about 10 per cent below 1990 emission levels in 2010. This includes the impact of some policies introduced since the election and the new National Road Traffic Forecasts, which imply a reduction of up to about 3 per cent on previous projections. New projections are in development to reflect other developments, including the conclusions of the Review of Fuel Sources for Power Generation.

Emissions from most sectors are currently on a downward trend. This is partly because of the switch to less carbon intensive fuels in the electricity generation sector, but also due to measures in the current climate change programme. However, after 2000 emissions of carbon dioxide start to rise again.

The consultation period ends on 12 February 1999. After the responses have been analysed and other related policy reviews have been completed, the Government will begin work on developing a new UK climate change programme. It will consult on its draft programme in due course.

Copies of the consultation paper are available on the Internet at the DETR web site:

<http://www.detr.gov.uk/consult/climatechange/index.htm>

ENDS

For Further Information call: -

Peter Reid (202) 588-6591

David Arkley (202) 588-6593

JESSE HELMS, NORTH CAROLINA, CHAIRMAN

RICHARD C. LUGAR, INDIANA
PAUL COVERDELL, GEORGIA
CHUCK HAGEL, NEBRASKA
CORDON H. SMITH, OREGON
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JAMES W. NANCE, STAFF DIRECTOR
EDWIN R. HALL, MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

November 3, 1998

*For: Susan Gordon
Judd Stern
David Andulaw*

The Honorable Madeleine K. Albright
U.S. Secretary of State
2201 C Street, N.W.
Washington, D.C. 20520

URGENT

Dear Madam Secretary:

The Fourth Conference of the Parties to the U.N. Convention on Climate Change (known in U.N.-speak as "COP4") is meeting in Buenos Aires, Argentina this month to continue discussions regarding the reduction of global carbon emissions. The meeting is the first of senior Government officials since the Parties adopted the Kyoto Protocol this past December.

I have reviewed the agenda for the meeting and can find no indication that Parties are serious about making this treaty global. There is no time on the agenda specifically allotted to the issue of so-called "developing country" participation.

As you know, the Protocol binds only certain countries that have been designated by negotiators as "developed" countries. Currently, key "developing" countries (e.g., China, India, Korea, Mexico and Brazil) have no mandatory emissions reduction requirements, and will continue to have a free ride under the Protocol. The Senate voted 95-0 on July 25, 1997 to reject a Protocol structure that exempted developing countries.

Press reports suggest that the chief U.S. negotiator, Under Secretary Stuart Eizenstat, may be indicating to some of these countries that participation in the Protocol could be defined in a manner that would not require mandatory reductions in emissions levels. Instead, I understand U.S. negotiators are encouraging these nations to participate only in U.N. assistance programs.

Madam Secretary, please assure me that you have instructed U.S. negotiators to reject outright such an outcome in Buenos Aires. An agreement papering over the fact the Protocol does not require real and binding commitments of developing countries will do little to address the purported problem of global climate change, and much to increase the deepening skepticism of the American people regarding the Kyoto Protocol process.

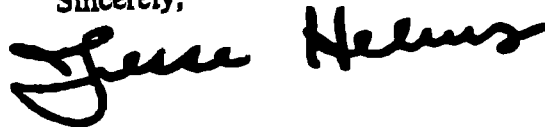
Even among the obligations already included in the Kyoto Protocol, I have serious concerns, including:

- The United States would be required to reduce its emissions levels by more than 30 percent from projected levels by the year 2012. However, more than one year since agreeing to this, the Clinton Administration has provided no specific plan to Congress and the American public regarding how this reduction would be achieved.
- The Protocol is premised on a structure that places higher burdens on the United States. The Kyoto Protocol, like the existing U.N. Convention, continues to rely on 1990 emission levels as a baseline for measuring carbon emissions. (During that period the United States was in a recession, unlike Japan and most Western European countries.)
- The Protocol continues to permit the European Union to maintain a "bubble" for measuring emissions -- that is, certain European countries will be able to increase emissions and take advantage of cheaper reductions to offset the emissions in other European countries.
- The Protocol creates a new U.N. Foreign Aid Bureaucracy, the "Clean Development Mechanism," which would permit the United Nations to levy fees on and regulate investment of U.S. businesses wishing to attain credit for modernizing existing "dirty" factories and energy plants in developing countries. Madam Secretary, existing foreign aid programs have done little to assist developing nations during the past 40 years. I fail to see how creating a new U.N. giveaway program -- financed by taxes on U.S. businesses -- will help solve this problem.

Madam Secretary, given the number of problems already existing with the Kyoto Protocol, there is absolutely no justification for the United States to sign it. I fear, however, that the Clinton Administration will soon sign the United States up to this ill-conceived treaty.

In that event, please recommend to the President that he quickly submit the treaty for Senate advice and consent so that the Senate may reject the treaty and scrap the Kyoto Protocol process altogether.

Sincerely,



JESSE HELMS

DRAFT**FOR RELEASE:***To: TODD
for: ELLIOT***GUATEMALA JOINS 13 OTHER COUNTRIES PARTICIPATING IN USII**

The Mantanzas Project, a 14 MW, (medium head) hydroelectric project with two power plants, was chosen this month for inclusion in the U.S. Initiative on Joint Implementation (USII) program. This project is located in Baja Verapaz, Guatemala, with power plants located on both the Chilasco and San Isidro Rivers. This project will reduce greenhouse gas (GHG) emissions through the use of hydroelectric power to displace electricity that would otherwise have been generated by thermal plants. The permanent installation of clean energy will reduce the need for both barges and plants fueled by fossil energy. The Matanzas project is estimated to reduce GHG emissions by more than 1,100,000 metric tons of CO2 over a 15 year project life. The output of the two plants will be sold to Guatemala's national electric utility, the Instituto Nacional de Electricidad (INDE). The project is expected to begin operations in January 2000.

The project developers have designed a detailed environmental management plan to mitigate the impacts of the project on the fauna and flora of the surrounding area.

The U.S. Initiative on Joint Implementation, part of the Clinton Administration's Climate Change Action Plan, encourages U.S. businesses and non-governmental organizations to use their resources and innovative technologies and practices to reduce greenhouse gas emissions and promote sustainable development worldwide. Voluntary international partnerships offer the potential to achieve greater and more cost-efficient emission reductions worldwide than would be possible in each country alone.

The USII now includes 32 projects in 14 countries, representing a diversity of technologies that range from forestry conservation practices to power plant conversions to energy efficient homes. The projects are reviewed and selected by the USII Evaluation Panel comprised of senior representatives from eight federal agencies.

Project Partners: The Center for Sustainable Development in the Americas, Washington, DC; and Tecnoguat, S.A., Guatemala

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For more information, media may contact Jayne Brady at the Department of Energy, 202-586-5806. Businesses and other organizations may contact USII at 202-586-3288.

DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT

**U.S. Delegation Team To The COP-4
As of 10-20-98**

(Dates shown reflect arrival in BA and departure from BA)

I. Senior Negotiating Team

Department of State

Stuart E. Eizenstat, Head of Delegation (Ministerial) (11/9-11/16)

Cd'A Manuel Rocha- Buenos Aires, Alternate

Melinda L. Kimble, Co-Alternate (10/31-11/14)

Rafe Pomerance, Co-Alternate (11/5-11/14)

Ambassador Mark G. Hambley, Co-Alternate (10/31-11/14)

Senior Staff Advisors:

Susan C. Gordon (10/30-11/7)

Anne Pence (Ministerial) (11/9-11/?)

Executive Office of the President

Todd Stern, Assistant to the President, White House (11/8-13)

David Sandalow, Director for Env. Affairs, NSC/Asso. Director, CEQ (11/7-15)

Senior Staff Advisors:

Bill Antholis (11/1-13)

II. Negotiation and Experts Team

Department of State

Daniel Reifsnyder, Lead Negotiator (10/31-11/16)

Jonathan Pershing, EGC-Negotiator (10/31-11/17)

Susan Wickwire, EGC-Negotiator (10/31-11/14)

Barbara DeRosa-Joynt, EGC (Latin Am.) (10/31-11/14)

Xenia Wilkinson (Developing Countries) (10/31-11/14)

Sue Biniarz, Legal (11/8-13)

Evan Bloom, Legal (11/1-14)

Victoria Greenfield, Economic (10/31-11/15)

Mario Merida, Economic (10/31-11/15)

Negotiations and Experts Team, Continued

EPA

David Gardiner, Assistant Administrator-OP (11/4-14)
Bob Perciasepe, Assistant Administrator-OAR (Ministerial)
David Doniger, Counsel to the Assistant Administrator-OAR (11/2-14)
Maurice LeFranc-OP (11/1-13)
Clare Breidenich-OP (11/1-16)
Jennifer Macedonia-OAR (11/1-16)
**Cropland Sequestration Expert (participation in sinks side event)
**SO2 Trading Expert (participation in trading side events)
** Paul Schwengels (participation in CTI side event)
**Jack Fitzgerald (participation in country study side event)

DOE

Mark Mazur (11/8-14)
Abe Haspel (11/2-13)
Rick Bradley (10/31-11/14)
Debbie Stowell (10/31-11/14)
Bill Breed (10/31-11/14)
**Dan Reicher (participation in technology roundtable) (11/8-13)
**Elmer Holt (participation in CTI events)

USDA

Margot Anderson (10/31-11/15)
Linda Delgado
**Jeri Berc, Soil Scientist (participation in experts groups on seq.) (11/3-15)
** _____, Soil Scientist (participation in side event on soils carbon seq.)

DOD

Holly Kaufman (10/31-11/13)
**Col. Dan Benton (SBSTA/SBI participation only) (10/31-11/13)

USAID

David Hales, DAS (11/1-14)
Jeff Seabright (11/2-12)
_____?

Treasury

Bob Cumbe, DAS Macroeconomic Analysis
Ben Jones, Special Asst. to Summers

CEA

Jeff Frankel, Member (Ministerial only)

Joe Aldy

Commerce

David Festa (Secretary's office) (11/7-13)

IV. Outside Constituencies Management Team

Department of State

N/C Susan Gordon (NGO/Ag/Bs)

**Susan Povenmire (Press) (10/30-11/?)

**Arthur Green (Foreign Press; on detail from USIA) (10/27-11/16)

**Teresa Hobgood (Congressional Relations)

**Julie Norton, H (Congressional Relations)

**Susan Jacobs (Congressional Relations)

**Yvette Jacks (Congressional Relations-2nd week)

Executive Office of the President

Dirk Forrister, Director-White House CCTF (11/3-11/13)

**Roger Ballentine (Congressional Relations) (11/7-14)

**Julie Anderson (Congressional Relations) (11/3-13)

**Elliot Dirringer (Press)

**Martha Wofford (Press) (11/3-13)

Support Team

Department of State

Jack Schick (Policy) (11/1-14)

Terry Flannery (Policy)

**Carolyn Keene (Asst. to U/S Eizenstat) (11/8-11/16)

**David Norland (Traveling w/U/S Eizenstat; non-climate; needs badge)

N/C Yvette Jacks (Admin-1st week)

**Matt Ellsworth, IO (Control Ops) (10/29-11/15)

**Robert Farr, IO (Control Ops) (10/20-11/7)

**Allan Ellsbury, IO (Control Ops) (10/30-11/10)

Executive Office of the President

**Jonathan Adashek (White House) (11/3-11/13)

**John Gibson (White House)

Page 4

Contingencies

U/S for Global Affairs
Special Assistant-G

**** Individuals fulfilling support and technical expert functions will not be counted against delegation totals, however they will carry delegate badges and have full access to the convention floor. Technical experts will participate in a limited capacity in the conference.**

Counts: 45 delegates/26 support staff and technical experts
Total: 71

Buenos Aires Diplomatic Policy Checklist

SIGNING

Eizenstat Audible: General position now is to allow Stu to call an "audible": he could announce our intention to sign shortly after arrival in BA as in the best interests of advancing the negotiations. Could follow the various bilats that he would have on arrival.

- **What can we get for signing?** Any chance of an EU agreement to not pursue caps on trading? Possibility of POTUS or VP phone calls to Germany and others, as a way to allow Stu to make a signing announcement at BA.

DEVELOPING COUNTRIES

Our broad goal is to show some procedural progress on developing country participation under framework of Kyoto Agreement without provoking a major fight with developing countries. Are there particular opportunities for forging coalitions with AOSIS or Central American countries?

- **Agenda item 6.** Argentina continues to push a review of developing country commitments. Current posture is to back Argentina if they decide to keep it on the agenda; accept a renaming of article, if that can be agreed. Do not yet have a position on whether to vote in favor of taking this issue off the table if Alsogaray moves to do so.
 - After assessing last week's meeting in BA, will we vote against a resolution to remove item 6 from the agenda?
 - Is there possibility of AOSIS support for the Chair's prerogative on this matter?
- **Article 4.2 (f, g):** We may be able to demonstrate incremental progress with developing countries on more sharply articulating the avenues through which they can take on Annex I commitments, short of taking on a target and timetable (mostly by way of them committing to more explicit reporting requirements).
 - Question is not whether its good, but whether its good enough? How hard to push it given limited negotiating time?
 - Are there developing countries that we know are prepared to go this far? Could they introduce?
- **Broad adequacy of commitments:** UK has suggested that we could engage a discussion of developing countries under an entirely different mechanism.
 - What are the mechanics of the UK recommendation? Any likelihood of success?
 - Is this likely to engender the same negative reaction without any possible upside?

- Are there AOSIS or Central American nations that would be willing to support this?
- **Voluntary commitments:** Some countries have expressed the possibility of taking on a target and timetable at BA.
 - Status of weekend discussions with Argentina? Is any further U.S. intervention needed? Call from Stu? Call from VP/TDS? Note from VP/TDS? Potus phone call?
 - Are any other countries likely to follow suit? Turkey? Kazakstan?
- **Equity:** In the minds of developing nations, the issue of trading raises the issues of historical equity. Developing nations could try to use this to push per capita emissions goals for each nation. From our perspective, equity could be an opportunity for us to talk about both the coming dimension of the problem, and the fact that we have taken on a target.
 - A decision is needed to engage in the debate, determine terms of reference for the debate, figure out if there is a way to avoid an extended discussion of per capita emission limits.
- **Technology Transfer:** Developing countries will argue that we have not lived up to past obligations. We are certain to push back and say that CDM is going to be the primary mechanism for technology transfer, but developing countries are as certain to say this is not sufficient.
 - Is there anything more than we can say on this? What is the best way to account for what we have done in the past on this score (i.e. the AID \$1 billion package)?

FLEXIBILITY MECHANISMS

Timing and Substance of Work Plans/Future Meetings:

Much of the preparatory work for BA on flexibility mechanisms has focused on how and when rules are to be elaborated in coming years. Just as important

- **Goals of COP-5 and COP-6:** Will need to demonstrate progress and continued momentum on elaborating Kyoto flexibility mechanisms at each of the upcoming COPs -- perhaps even keeping open the option that Senate ratification would be possible before 2000 -- while not overpromising or setting us up for decisions that could not meet our policy requirements.

- What are goals for each of upcoming COPs? Can interim "aim-to-complete" goals be established for COP-5? What are goals for intercessionals/workshops?
- Status of UK suggestion of 18 month run-up to COP-5? Does this work well with the technical timetable for the IPCC's sinks analysis?
- Would an omnibus COP-6 be better placed in December 2000 or February 2001? Is the earlier date realistic substantively?

Emissions Trading

The EU ministerial called for concrete caps on emissions trading, that COP-4 needs to begin to address this issue, and that parties should aim to reach final agreement on this at COP-5. Taking as a starting point that we reject the EU position on concrete caps:

- **Appropriateness as an agenda item.** Our position to date has been that this is not within our understanding of the Kyoto targets, and that a push toward quantitative caps would amount to a renegotiation of the Kyoto agreement.
 - Is there an effective way that we can reject even having supplementarity discussed as an agenda item? How hard a line should we take entering the negotiations? At what level should we deliver this message?
 - How prejudicial is it to have a mention of supplementarity placed on the agenda? Could we live with a communique-like statement suggesting that "some wanted to have supplementarity listed on agenda/some did not"? If not, can we turn the timing of such a workplan to our benefit?
 - Is it acceptable to us to list supplementarity as an accounting item? Would the EU trade this for talking about developing country commitments as part of a general review of adequacy of commitments?
 - Will talking about voluntary aims on domestic action be sufficient to addressing this issue?
- **Liability.** The USG has neared a formal initial bargaining position on liability, and industry will look to this issue as early indication of whether markets will begin to develop for trading emissions permits.
 - Does this need to be resolved at BA?
 - Should this be treated under compliance or under trading?
 - Who will monitor/maintain/provide accounting for the system?

- Will showing movement/flexibility on this issue at BA provide anything in return? Do we need/hope to have an agreed Umbrella position on this at BA?

Clean Development Mechanism:

Progress on CDM would be an important sign that developing countries want to engage in projects that address climate. Much agreement exists between the US and EU. Still, the progress on CDM needs to be coordinated with progress on Emissions Trading.

- **Timing of progress:** CDM projects can begin receiving credit in 2000. Rapid progress on CDM would be welcomed by developing nations and by those businesses wishing to get projects up and running. However, allowing progress to move forward too rapidly could deny us leverage with developing countries on getting favorable rules on ET.
 - How do developing countries assess points of convergence between US and EU? What do we need to do to gain COP-wide agreements on these points, and can we package these as deliverables?
 - Should CDM progress be formally linked to ET progress? Short of a formal link, should we set interim goals?
 - If we lock the timing of CDM progress onto the timing of ET progress, and we don't hope to complete either before 2001, do we lose business support by not having CDM up and running by 2000?
- **Restrictions on CDM.** The Protocol contains language that allows EU and developing countries to make a better case for capping the amount of CDM credits a nation can use to meet its domestic targets.
 - Can caps on CDM be handled/deferred in the same way as caps on trading? Must we address this issue at BA? If so, would a concession here buy us flexibility on emissions trading
 - Which developing countries support us in opposing caps on CDM? How active will they be? Do we need to take any steps in advance to secure their opposition to caps?
- **Regional distribution of CDM.** Developing countries -- particularly in Africa -- are looking for a guarantee that projects do not all go to those countries further along on the development ladder and, hence, most poised to receive them.
 - Is it possible to address desire for regional distribution of projects short of quotas? Can we commit to more extensive regional work-shops and/or aspirational targets for various regions? Will we need to launch any special diplomatic engagement, similar to that which we launched prior to Kyoto?

- Use of ODA funds: Japan favors; EU and US unclear. Need umbrella group reading on issue. Does it need to be raised at this COP?
- **Project Eligibility.** US supports comprehensive view of project eligibility for CDM, but supports identification of project categories for early stages of CDM. EU wants to limit project criteria at COP4.
 - What support do we have among developing countries for the unlimited approach? Among environmental organizations? Is there a way of deferring a decision at COP4 on such limitations?
- **Credit for early CDM action.** Many developing nations that might consider a first period target also could be recipients of CDM projects between 2000 and 2008. They are looking for surety that they will still be allowed to retain credit from these projects, even though they will then become Article I trading nations starting in the 2008 budget period.
 - Is it possible to solve credit for early action problem in a way that does not spark attention to voluntary commitments by developing nations? What is the appropriate forum for resolving this issue?

Verification/Monitoring/Reporting. On these issues, we will want to present a robust position, particularly in light of criticism we are likely to receive from Europeans and environmentalists on emissions trading.

- **Issue of Trading or Annex I commitments?** One of our strongest claims is that emissions trading provides one of the strongest incentives for a robust compliance system by placing a monetary value on the credit worthiness of emission allowances. The EU, however, sees our insistence on trading as a way of avoiding our commitments. They want a resolution of Article 18 -- which enumerates how countries are treated by the COP when they fail to comply -- prior to any resolution of Article 17 -- which describes how penalties are distributed under a trading regime.
 - How critical is it that we keep the compliance discussion connected to emissions trading? Is there a way to resolve Article 18 that doesn't compromise sovereignty concerns? What sort of precedent is set by the Montreal Protocol?
 - EU continues to push for "coordinated policies and measures": what exactly are they asking for?
 - Do liability issues need to be discussed under this heading? How much give do we have on the ground for playing this issue?
 - How do we operationalize our critique of the EU's tendency to ratify and then worry about compliance (vis. our legal necessity of passing implementing legislation *prior* to ratification)?

Sinks

- What is the timing of the report back from workshop?
- Do we have an update from the IPCC meeting? SUBSTA workshop? COP commendation of progress?

Congressional Delegation - Buenos Aires (Tentative Dates Hotel Reservations are Needed)

		Sat. 10/31	Sun. 11/1	Mon. 11/2	Tues. 11/3	Wed. 11/4	Thurs. 11/5	Fri. 11/6	Sat. 11/7	Sun. 11/8	Mon. 11/9	Tues. 11/10	Wed. 11/11	Thurs. 11/12	Fri. 11/13	Sat. 11/14	Sun. 11/15
SENATORS																	
Sen. Mike DeWine	Nov. 11																
Sen. Mike Enzi	Nov. 11																
Sen. Chuck Hagel	Nov. 11																
Sen. Robert Kerrey	Nov. 10-12																
Sen. John Kerry	Nov. 11-13																
Sen. Joseph Lieberman	Nov. 10-11																
SENATE STAFF																	
Anderson, Kai	Nov. 9-11																
Bitlerman, Sarah	Nov. 9-13																
Bonham, Kent	TBD																
Burnam, Jeff	TBD																
English, Kate	Nov. 6-13																
Garman, Dave	Nov. 9-12																
Greene, Jim	Nov. 11-12																
Heck, Michael	TBD																
Kane, Sally	Nov. 6-15																
Matsumoto, Nao	Nov. 10-12																
McNerney, Patti	Nov. 11-14																
Mercier, Stephanie	Nov. 7-13																
Pool, Ken	Nov. 11-14																
Peschke, John	TBD																
Rachatschaffin, Joyce	Nov. 4-12																
Reed, Debbie	TBD																
Wuerfmannsdohler, Franz	Nov. 6-13																
REPRESENTATIVES																	
Rep. Joe Barton	Nov. 10-12																
Rep. John Dingell	TBD																
Rep. JoAnn Emerson	Nov. 6-12																
Rep. Ron Klink	TBD																
Rep. Joe Knollenberg	Nov. 8-14																
Rep. Dennis Kucinich	TBD																
Rep. David McIntosh	Nov. 10-14																
Rep. George Miller	TBD																
Rep. Jim Sensenbrenner	Nov. 7-12																
Republican Rep. TBD	TBD																

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		Sat. 10/31	Sun. 11/1	Mon. 11/2	Tues. 11/3	Wed. 11/4	Thurs. 11/5	Fri. 11/6	Sat. 11/7	Sun. 11/8	Mon. 11/9	Tues. 11/10	Wed. 11/11	Thurs. 11/12	Fri. 11/13	Sat. 11/14	Sun. 11/15
HOUSE STAFF																	
Hood, Rob	TBD																
Schultz, Todd	Nov. 7-12																
Watson, Harlan	Nov. 1-11																
Additional Staffer	TBD																
Additional Staffer	TBD																
Additional Staffer	TBD																
Additional Staffer	TBD																
Additional Staffer	TBD																
MILITARY ESCORT																	
Col. Tony Buckles	Nov. 7-12																
Sgt. Gary Hardy	Nov. 7-12																
FEDERAL AGENCIES																	
Teresa Holgood	Nov. 1-11																
Susan Jacobs	Nov. 9-13																
Julie Norton	Nov. 9-13																
Doug Weckman	TBD																

TOTAL P.03

THE WHITE HOUSE

WASHINGTON

CLIMATE CHANGE PRINCIPALS MEETING

October 23, 2000

Agenda

1. Update on Negotiations
2. Summary of Recent Science
3. Ratification Considerations and Constituency Views
4. Possible COP6 Endgame Scenarios
5. Cabinet Actions

COP-6 DEVELOPING COUNTRY STRATEGY

October 17, 2000

Agenda and Issues

I. Recap of Issue and Political Posture (Roger)

- UNFCCC
- Byrd-Hagel
- Ratification dynamic
- "meaningful participation"

II. Status of Negotiations and International Dynamic (Frank)

- Call for "new dialogue" and reaction
- EU and Umbrella Group postures
- G-77 position(s)
- Call for new funding

III. Potential U.S. Stance and Possible Outcomes

1. No new \$ and insist on agenda item at COP7 to discuss developing country commitments
2. No new \$ and insist on agenda item at COP7 but agree to exclude any discussion of first budget period commitments
3. Agree to discuss new \$, but without any guarantee and only as part of dual dialogue including discussion of new developing country actions (excluding first budget period commitments)
4. Agree to new resources within Kyoto framework (Lawrence Fund – no new taxes), agree to take first budget period off the table, but insist on COP7 agenda item
5. Same as above, but agree to seek immediate new resources for developing countries
6. Do not agree to any new resources but do not insist on any tangible progress
7. Agree to new resources within Kyoto framework (Lawrence Fund), take first budget period off the table, do not insist on COP7 agenda item

IV. Issues for Decision

1. Can we take first budget period off the table?
2. Are we willing to give up progress on BAPA to get certain of these outcomes?
3. Which of the above are acceptable outcomes?

are we willing to commit \$?

COP-6 DEVELOPING COUNTRY STRATEGY

October 17, 2000

Agenda and Issues

- I. Recap of Issue and Political Posture

- II. Status of Negotiations and International Dynamic

- III. Potential U.S. Stance and Possible Outcomes

- IV. Issues for Decision

JOINT STATEMENTS/AGREEMENTS
SIGNED BY
SECRETARY OF ENERGY BILL RICHARDSON

DATE	COUNTRY	TITLE OF JOINT STATEMENTS/AGREEMENTS
5/00	Asian (21 countries)	APEC Energy Ministers Joint Statements on Clean Energy and Sustainable Development
5/4/00	Baltics (Lithuania, Latvia, and Estonia)	Joint Statement on Development and Use of Sustainable Energy and Cooperation in Support of the Environment and Climate Change
3/10/00	Philippines	Joint Statement on Clean Energy and Climate Change (signed by Deputy Secretary Glauthier)
2/22/00	Palestinian Authority	Joint Statement of Intent on Energy Cooperation
12/15/99	Africa (46 countries)	Joint Statement on Sustainable Energy Development and Cooperation in Support of the Environment
10/26/99	India	Joint Statement on Cooperation in Energy and Related Environmental Aspects
7/30/99	Western Hemispheric Energy Ministers (34 countries)	Joint Statement on Clean Development and Use of Energy
6/19/99	Mexico	Joint press announcement by the U.S. Secretary of Energy, Bill Richardson, and Mexican Secretary of Energy of Mexico, Luis Tellez
6/10/99	Kyrgyz	Joint Statement on Ecologically Clean Energy and Climate Change
2/17/99	South Africa	Joint Statement on Clean Energy Cooperation in Support of the Environment
2/5/99	Philippines	Record of Agreement Among the United States Agency for International Development, The United States Department of Energy, and the Philippine Department of Energy (signed by PDAS Calvin Humphrey)
12/15/98	Bangladesh	Joint Statement on Cooperation in Energy
10/1/98	Costa Rica	Joint Statement on Clean Energy Cooperation
4/5/98	Trinidad and Tobago	Joint Statement on Energy Cooperation between the United States of America and the Republic of Trinidad and Tobago (signed by Secretary Madeline K. Albright)

Developing Country Issues

October 17, 2000

Current Negotiations Dynamics on Developing Countries (Default Outcome)

- ◆ Almost all countries accept the need for additional funding for developing countries
 - Default Funding Mechanisms = Extension of CDM charge to ET and JI (“fee for three”)
 - Estimated size of fund difficult to predict but could be between \$100 million and \$2 billion a year
- ◆ But no new path way for additional developing country participation (no new dialogue, or mandate)
- ◆ Need consensus for new action. But:
 - No other OECD country (except Australia) is prepared to press for further consideration of developing country actions now
 - Vehement opposition from key G-77 countries

Two Types of Policy Issues

- ◆ How much do we need progress on developing countries and what can we do to improve our prospects for success?
- ◆ What should we do if (a) we cannot launch a new dialogue at COP-6 and (b) we are isolated in opposing new financial commitments?

Making Progress

- ◆ How much do we need on developing countries at COP-6?
 - Do we need a major positive outcome on developing countries at COP-6 (new dialogue)?
 - Or do we only need to avoid a negative outcome (major new funding obligations or removal of developing country actions from the agenda)?
- ◆ What can we do to make a 'new dialogue' more attractive?
 - Rule out 1st commitment period targets?
 - New financial assistance? How much? From what source?
 - Agree to discussion of 'equity' issues?

Managing the Default Outcome

- ◆ Could we live with a deal that provides some new financial assistance to developing countries but no new dialogue?
- ◆ Pros:
 - Maintain momentum on Kyoto
 - Lock in acceptable rules
 - Avoid a breakdown, isolation and blame
 - Improve prospects of negotiating an acceptable funding mechanism and rejection of a fee on emissions trading
- ◆ Cons
 - Defers action on developing countries and possibly delays ratification
 - Accept new financial obligations
 - Must justify domestically new \$\$ for developing countries

Sources of Funding

◆ Outside Protocol

- Funds can be provided earlier, before Protocol enters into force
- Avoid ‘pre-implementation of Kyoto’ -- funding primarily for Convention, not Protocol, issues (capacity building, tech transfer)

◆ Inside Protocol

- Would not require new appropriation of funds
- Gives G-77 a strong interest in promoting early entry into force of the Protocol



United States Department of State

*Bureau of Oceans and International
Environmental and Scientific Affairs**Washington, D.C. 20520*DATE 9/20/00 TIME 8:30amNUMBER OF PAGES TO FOLLOW 9FAX TO Roger BallentineTELEPHONE NUMBER 456-1782FAX NUMBER 456-1736

OFFICE _____

FAX FROM David B. SandalowTELEPHONE NUMBER 647-1554FAX NUMBER 647-0217

OFFICE _____

MESSAGE: Thought you might be interested in the attached reality
check. See especially pages 8-9.

OPENING STATEMENT
of
GROUP OF 77 AND CHINA
to
SECOND JOINT MEETING OF SBI-13 AND SBSTA-13

Delivered by Chairman Mohammad Barkindo of Nigeria

Lyon, France – 11 September 2000

Thank you, Mr. Chairman – and good afternoon to both of our distinguished Chairmen of the SBI and the SBSTA and to all of our fellow delegates and colleagues. Let me say, as I have before, how very pleased we are to see our Chairmen again at the helm of our affairs.

My statement is on behalf of the Group of 77 and China, which firmly believes we must make further progress at this critical session in Lyon. COP-6 begins two months from now. As the calendar goes, we are well on our way to The Hague; but we must be concerned whether we are well on the way to having a successful session there.

At mid way in our Lyon session, it is appropriate to take stock of where we stand in our effort to forge the elements of the package of decisions we hope to adopt at COP-6. But, Mr. Chairman, we should put those efforts in a longer-term perspective. We begin by recalling why we are here. It is because, eight years ago, we came to the conclusion that the risks of global climate change warranted international action, so we put together what we acknowledged was a “framework” treaty on the subject.

But our framework was not an empty shell. It plainly told the people of the world that the largest share of historical and current global emissions of greenhouse gases has originated in developed countries; that per capita emissions in developing countries are still relatively low; and that the share of global emissions originating in developing countries will grow to meet their social and development

needs. For these reasons, we agreed in our Climate Change Convention, as a matter of first principle, that "the developed country Parties should take the lead in combating climate change and the adverse effects thereof."

They were to take the lead in various ways. Among them were, first, their pledge to aim to return their human-induced greenhouse gas emissions to 1990 levels by the end of 1999. Second, by the commitments of the more well-off developed nations to "take all practicable steps" to finance transfer of environmentally sound technologies, particularly to developing countries. And third, to give full consideration to actions necessary to meet the specific needs and concerns of developing countries arising from the adverse effects of climate change and the impact of the implementation of developed countries' response measures.

We realized by about the middle of the past decade that, for most of the Annex I Parties, their "aim" at returning their greenhouse gas emissions to the specified levels was not very good. Statements of good intentions could not be counted on to achieve needed results. So, we moved to the Kyoto Protocol's legally binding commitments of Annex I Parties to limit or reduce their greenhouse gas emissions.

But, Mr. Chairman, we are very concerned about the implications of the refusal, during the current negotiations, of many, if not most, of the Annex I Parties to back up those commitments by agreeing to a stern enforcement system, such as one that exacts meaningful financial penalties for failure to honour their treaty obligations. Are the developed countries signaling to us, once again, that we are on a road paved merely with good intentions? The distinguished delegate from Samoa put it so well the other day, when he pointed out that mere politically binding consequences are inconsistent with legally binding commitments.

Perhaps even more troubling, from the perspective of intentions, is the manifest attitude of the developed countries about their other two groups of commitments in the Convention, which I previously

mentioned – financing technology transfer to developing countries and capacity building, and actions to deal with both the adverse effects of climate change and the impacts of the implementation of developed countries' response measures.

At our last session in Bonn, the Group of 77 and China identified those as being priority issues for developing countries, and we stressed that the decisions concerning them must provide for concrete actions. For example, we said, "the Group of 77 and China believes that, by COP-6, the governments of the Annex II Parties should commit to specific amounts of financial resources – on an ongoing basis – to make technology transfer a reality, rather than a mere hope." But, here we are, with only three weeks of actual negotiations available before COP-6 adjourns, and what do we have? Nothing that looks very promising.

Proposals from Annex I Parties try to redirect the focus away from their technology transfer obligations by casting on developing countries the responsibility to create what are called "enabling environments." And then, they tirelessly repeat the imperative of more technology needs assessments. As the distinguished representative of the Philippines said this week on behalf of the Group of 77 and China, we are concerned that needs are still being assessed after five years. She was being very diplomatic. I simply ask our colleagues in the developed world: What needs to be done to enhance your capacity to understand that we developing countries are poor; that far too many of our people live on less than one U.S. dollar per day; and that what you take for granted as technological tools of your every-day existence are luxuries for us?

But more disturbing are the submissions of several Annex I Parties which referred to the (quote) "potential significant role" of the CDM as a (quote) "vehicle for technology transfer." Mr. Chairman, let me state as clearly as we know how that we are not going to resolve the technology transfer issues unless the Annex II countries stop trying to deceive developing countries into believing that the CDM is the answer. The CDM is a potentially valuable

mechanism, but it never was intended to enable the governments of the Annex II Parties to shirk their responsibilities under Article 4.5 of the Convention. Let us focus on the only way those Parties can satisfy that obligation in good faith, which is for them to make at COP-6 a serious, specific, and enforceable commitment by which their governments will finance technology transfer and capacity building on a sustained basis.

At the beginning of this past week, the Group of 77 and China suggested a realistic process to negotiate the technology transfer issue. We said the Annex II Parties should inform us, no later than last week, whether they agree – in principle – to the proposition that they should commit at COP-6 to providing specific amounts of funding to developing country Parties for technology transfer and capacity building on an ongoing basis.

We went on to say that, if we can get over that threshold issue, we would begin in Lyon to negotiate with the Annex II Parties on the specific amounts and duration of the financial assistance and the specific funding mechanism. Mr. Chairman, I regret to say we have not heard from our negotiating partners whether they are ready to negotiate in good faith on that basis.

We have had similar disappointments when it comes to progress on the issues of actions to deal with the adverse effects of climate change and the impacts of the implementation of developed countries' response measures. The current proposals of certain Annex I Parties suggest they have no intention to agree during the current negotiations on meaningful implementation of Articles 4.8 and 4.9 of the Convention and Articles 2.3 and 3.14 of the Kyoto Protocol. Their submissions involve proposals for endless inquiries, more waste-of-time workshops, and negotiations over complex analytical methodologies – negotiations that they could prevent from ever reaching a successful conclusion. They say we don't know enough. Yet these same Parties assert we know enough about the revolutionary concept of international emissions trading to take final decisions on that subject at COP-6.

As the Minister of Environment of the Federal Republic of Nigeria said to the Group of 77 and China in St. Etienne, it is sad that we are confronted with the question of whether those Parties are interested in negotiating in good faith on issues of deep concern to the developing countries. That sadness turned to alarm this past week, when several Annex I Parties took the position that their treaty commitments in Article 3.14 of the Protocol should not be subject to the enforcement procedures of the compliance system. So, now we are offered what is unacceptably thin gruel in the first place; and, when it might be withheld by reason of conscious thought or indifference to our plight, there would be no means of enforcement.

Mr. Chairman, the Group of 77 and China stated at our June session in Bonn that mere rhetoric and decisions filled with illusions on the priority issues of developing countries no longer will be sufficient. I now must add that unwillingness to allow the international community to enforce all of the Annex I Parties' commitments undermines confidence that we are proceeding on the right track. And let me emphasise that what I have just said applies to every one of the developed countries' commitments.

Turning now to other aspects of our negotiations, I first will stress that they must be addressed on the basis of clear reference to principles. Our distinguished colleague from Brazil, Dr. Meira, mentioned to us as we were reminiscing last week about our late, great friend and leader, Professor Zhong of China, that he had imparted to us the wisdom of always reminding ourselves of the principles on which we are acting.

Our need to do so is especially clear when we confront new concepts in international agreements. For example, our decisions concerning the difficult subjects of the Kyoto mechanisms and the Protocol's compliance system must start with unambiguous declarations of the principles upon which they are based. The wisdom of this approach should be evident to all, for our Convention and Protocol deal with many new concepts, some of which could have consequences we little understand or can anticipate. We must establish a

firm foundation for these systems before we try to construct an intricate superstructure. Mr. Chairman, the Group of 77 and China is greatly concerned by the massive resistance to our desire to state principles in our decisions. Of what are the resisters afraid?

One vital principle is equity. It is referred to in the first paragraph of the principles stated in Article 3 of the Convention. Achieving equity is nothing other than doing justice, and, as far as the Group of 77 and China is concerned, we will not leave The Hague without enshrining the principle of equity in our decisions taken in that great seat of the International Court of Justice. This includes explaining in the three mechanisms decisions how they will not be allowed to interfere with equity as between developed and developing countries. And it means that, in The Hague, we will define with clarity -- meaning quantitatively -- what equity means when it comes to allocation of the membership of both the CDM Executive Board and the compliance committee established for our compliance system.

Another principle is that the Convention and its institutions are the bedrock upon which all else is based. Saying this in no manner denigrates the importance of the Kyoto Protocol, which is linked to the Convention by its amplifying the emission-limitation commitments of the Annex I Parties. However, the Convention has not lost any of its relevance just because we are spending so much time dealing with Protocol issues. The Convention is important for three basic reasons:

First, it states basic principles, such as the concept of equity to which I referred a moment ago. It also articulates the principle of common, but differentiated, responsibilities. And it reminds us in Article 4.7 that implementation of the Convention, which, Mr. Chairman, includes the Kyoto Protocol, "will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties."

Second, the Convention sets forth ongoing commitments of developed countries, which are just as significant today as they

were when they were agreed upon eight years ago. These include the previously mentioned commitments in Articles 4.5, 4.8, and 4.9.

Third, the Convention establishes the Conference of the Parties as the supreme body. Insofar as the Protocol is concerned, this means the COP/MOP, except for the authority of the COP with regard to Article 17. The Group of 77 and China cautions that, in implementing the Protocol, we must not weaken the role of the supreme bodies by inappropriate delegations of decision-making authority to other bodies.

The basic reasons for this are that, in the open meetings of the COP and the COP/MOP, there is total transparency, and all Parties, no matter how big or small, or rich or poor, have equal voices in the supreme bodies. It is in this context that the developing countries wish to remind the developed country Parties that we intend to be treated as full negotiating partners in resolving the difficult issues identified in the Buenos Aires Plan of Action. The implications of each decision to be taken are just as important to us as they are to you. There are no issues that are within the exclusive domain or competence of any one self-selected group of Parties. This means that no issues or group of issues will be left to the Annex I Parties, or to a subset of them, to thrust decisions upon the rest of us.

The rights and views of every single Party must be respected in the negotiating process. This means that attempting to delete from a negotiating text any proposal made or desired by any Party, over that Party's objection, is not permissible. Such attempts just as easily could bog down the negotiating process as they could speed it up.

Since we met in June, the number of issues that challenge us has not diminished. In fact, the number of proposals on different subjects has grown, and movement on particularly contentious subjects generally is elusive. This may reflect the fact that, as we consider more carefully the implementation of the Climate Change Convention and the Kyoto Protocol, the more we realize we are dealing with issues

that have many different implications for the Parties that require informed consideration.

A week ago and again this morning, we paused briefly in our deliberations to pay tribute to our departed friend and esteemed colleague from China, Professor Zhong. Having previously shared with you the thoughts of the Group of 77 and China about this great man, I have refrained from repeating what was said then. But I note, Mr. Chairman, that our words of tribute would be hollow indeed if, in tackling the mountain of issues before us, we failed to reflect the wisdom Professor Zhong shared with us so many times over the years.

For example, how would he react to efforts to proclaim "success" at the end of COP-6 because we passed off to future sessions or to other bodies the responsibility of the COP to take comprehensive decisions, with no loose ends, on all matters comprehended by the Buenos Aires Plan of Action? I suspect he might have quoted to us an ancient Chinese proverb that was the equivalent of the rejection by the Group of 77 and China at our June session of what we called "the seductive trap of piecemeal decisions on the elements of the package of decisions that will emerge in The Hague." We call on our colleagues from the developed world also to reject that approach.

At the initial meeting of Parties a week ago, the Group of 77 and China once again emphasised the imperative of a balanced package of decisions. In doing so, we said "no Party or group of Parties can be left wanting." In this regard, we applaud the statement of the distinguished head of the delegation of the United States, who, as we understood his remarks during the stock-taking session on Thursday, said in effect that the highest priority is that we leave no issue behind.

He also was heard to caution against introduction of what were called "extraneous issues" that might be viewed as "distractions." Mr. Chairman, I must emphasise on behalf of the developing countries that an assured distraction from our goal of taking decisions to implement the Buenos Aires Plan of Action would be any attempt to introduce in any guise at COP-6 the clearly extraneous notion

of future negotiations on any kind of undertakings or actions of developing countries beyond those specified in our Convention and the Kyoto Protocol. I trust that I need not repeat the full statement of the Group of 77 and China on these matters, made at the joint meeting of the SBI and the SBSTA during their 12th session. I can summarize our views by recalling we said that "nothing has happened to modify in any respect the 'no new commitments' pledge in the Berlin Mandate."

Before closing these opening remarks, I want to thank the Government of France and the City of Lyon for providing these superb facilities and for making us feel so welcome in your country and in your magnificent city. We also thank the Secretariat for its excellent job in facilitating the informal meetings this past week and the Chairs and Co-Chairs of those meetings. They all have contributed greatly to the progress of our work.

We also appreciate the continued, faithful application of the rule against holding more than two meetings, including meetings of contact groups, at the same time. This rule is essential for assuring transparency and the effective participation of all developing countries in the negotiating process. We look forward to continuation of that practice this week. However, I also point out that the arrangements for this week should be improved over those of the past week by having the number of hours devoted to individual issues reflect the equal importance of issues that are priorities for developing countries and for developed countries.

Mr. Chairman, we in the Group of 77 and China have emphasised today some of our primary concerns about how we can enhance confidence in the negotiating process and achieve real progress. We hope you and our colleagues from the North will take them in the constructive vein they were intended. As always, the Group of 77 and China is prepared to work diligently with you and with our colleagues from around the world.

Thank you very much.

Simulation notes:

The Simulation of the last day of COP6, while limited in scope, produced some patterns that deserve some thought as we prepare for COP6.

Keeping in mind :

1. that participants were not steeped in the positions of the countries that they represented,
2. that there is no sense of flow or momentum to a one-day exercise,
3. that time limits imposed the necessity to exclude some critical items from debate, and caused participants to make assumptions about unspecified outcomes in areas as complex and important as Developed Country Sinks, compensation, etc.

...Nevertheless, potentially representative patterns emerged.

1. Granted that the "Chair" was more comfortable with the details of the negotiation than most participants, and often took the discussion to a level of detail unlikely for Ministers, still the complexity of the issues was stultifying. Many participants became confused about the relationship of their own positions and the implications of the positions of others. Even participants who were very clear minded about their negotiating positions and interests occasionally found themselves unable to evaluate the implications of points under discussion.

Conclusion: Every effort must be made to simplify issues and the relationships among issues, and overly technical of detailed answers, even if correct, are as likely to confuse as convince. The "source" of the argument is as important to the acceptance/ persuasion of the audience as is the substantive content. US "credibility" therefore is a factor of key importance and we need a specific and concerted

strategy to strengthen our credibility and enhance the strength of our arguments.

2. There were many areas of disagreement among G-77 and China participants, even though many of the most divisive issues among this group were only touched briefly if at all.

Conclusion: The G77 will be focused more on Convention issues than Protocol issues, coordination will be difficult, and those who wish to slow down or prevent progress will have ample opportunity for making mischief. Even in the simulation, Saudi Arabia was able to thwart the majority of the 77 from strong advocacy of interests on key issues to major groups. It will be wise to work assiduously on relationships with key 77 leaders, both to encourage strength and activism in coordination sessions, and to be sure that they have access to necessary technical expertise that they can trust.

3. One of the few issues on which 77 participants could agree is the need for new and immediate funding. Promises of financial benefit from the CDM, or even from share of proceeds from other mechanisms are too uncertain and too far in the future to have much impact. Without "new money now" the 77 will lock in on extending the share of proceeds, and capacity building, technical transfer, GEF, and mechanisms discussions will be very difficult.

Conclusion: A USG commitment to immediately available new funding in the neighborhood of \$100m per year could take the edge off some of the share of proceeds pressure, and allow completion of discussion on other key issues, while positively changing the tone of the debate. Without new funding, serious progress will not be achieved.

4. The other issue on which there was general agreement among the 77 was opposition to any "new dialogue". The only argument which had any traction was that the US would need "some form of meaningful participation" to ratify. This argument is discounted however, by the concern that the US wouldn't ratify anyway, or would take so long that the

effectiveness of the Protocol would be severely reduced. Only if the other issues are resolved in ways generally favorable to the 77 could we expect some give back on the New Dialogue.

Conclusion: While making it clear that we don't want to initiate the dialogue at COP6, the US need for the New Dialogue should be communicated clearly at every opportunity, and frank discussions of the possibilities for ratification such as the one U/S Loy had with GRILA are important. Early demonstration of US support for LDC concerns for adaptation, capacity building, and technology transfer is important (this has the additional advantage of perhaps moving these issues off the table at the least "cost", before the heavy trading on the key issues begins.) We should also indicate our willingness to include discussion of "principles" such as those drafted by Brazil in the New Dialogue.

With this in mind, consider the following scenarios in light of the following assumptions:

Postulate: The G-77 cannot reach firm agreement internally on several issues:

- Caps on emissions trading
- Caps on CDM
- Sinks contributions to Annex B targets
- Sinks in the CDM

Postulate: The US and the EU do come to agreement on

- Caps on emissions trading
- Caps on CDM
- Sinks contributions to Annex B targets
- Sinks in the CDM

Postulate: The G-77 cannot accept compensation for response measures.

Postulate: The G-77 will be able to agree on a position in favor of new and additional resources, focused on vulnerability/adaptation, capacity building, technology transfer.

Postulate: The reasons of the G-77 for opposing a New are varied. Dialogue

Postulate: The us will not pay much for the BAPA/ BAPA alone will not allow ratification.

Postulate: China etal will not buy into a New Dialogue that does not deal with equity issues, specifically the equalization of per capita emissions. They will not accept permanent second class status for their economies, and we have said we will not ask them to.

Postulate: The G-77 as a whole has no real reluctance to a New Dialogue, but the price for a New Dialogue will be substantially more than the price for acquiescence on cost control measures.

Postulate: The price for the developing country fund might include a mix of money and control. That is we might be able to satisfy with a smaller amount of money if we allow the 77 a majority on the Board.

Postulate: The argument that the G-77 stands to gain from reducing green house gas emissions, and therefore should oppose killing the protocol is weak to the point of irrelevance.

Postulate: Any agreement that requires understanding of complex arguments or arrangements, especially new ones will nbot result in acceptance at COP 6.

Postulate: The most we can hope for on a New Dialogue is a very general agreement to talk next year. No specific reference to China at al or to Binding targets is possible.

Postulate: The US will not accept an international taxation scheme.

Negotiating scenario:

Cut the deal re cost measures with the EU.

Agree to common WEOG/OECD negotiating front on cost issues, and to coordination on other issues.

Float developing country fund in exchange for new dialogue, and find out what the price is.

Accept equity issues as components of the new dialogue.

This will get us out of COP6 with:

A deal on cost control measures, and the promise of more from developing countries in the future. That would be success.

What we then have to determine is, what the necessary outline of the Annex B deal is, and how much we are willing to pay

- A. to get the G-77 to accept the Annex B deal
- B. for the New Dialogue

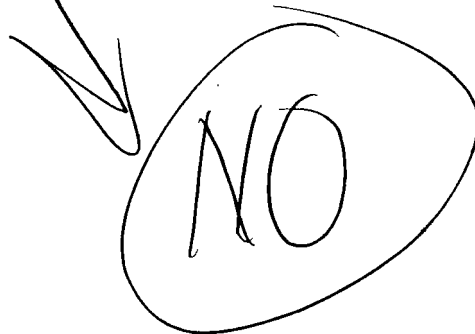
THE WHITE HOUSE
WASHINGTON

Date 7.6.00

To: BERGER, BRAINARD, BALLANTINE

From: The Staff Secretary

ANY COMMENT BEFORE THIS
GOES TO POTUS?



NO



The Secretary of Energy

Washington, DC 20585

June 30, 2000

00 JUL 5 PM4:20

MEMORANDUM FOR THE PRESIDENT

FROM: BILL RICHARDSON *BR*

SUBJECT: Recent Developments in Climate Change

I am writing to update you on the Department of Energy's recent climate change efforts. We have been actively pursuing our developing country strategy that includes persuading some governments to take on greenhouse gas emissions targets, establishing dialogues on climate change with "major emitters" and, most importantly, including environmental protection as a key component to all our discussions of energy development. Through these efforts, I am promoting your message that developing countries can move directly to cleaner, more efficient ways of meeting their energy needs. On the domestic front, our activities are based on the conviction that we can grow the economy and make real progress on climate change at the same time.

International Activities: I am pleased to report that the Government of Bolivia intends to take a binding greenhouse gas emissions target under the Kyoto Protocol. We plan to make a joint announcement in July. Bolivia is the first country to pledge to develop an emissions target since Kazakhstan and Argentina both took on targets at the end of 1998. Persuading developing countries to take on a target is an intensive process. Nevertheless, I believe that increasing the number of countries that have done so is an important element of demonstrating that the developing world is participating meaningfully in the Kyoto process.

As you know, I have targeted a number of countries including India, China and Mexico that have proven to be major "challenges" – large emitters that have voiced strong opposition to developing countries adopting emissions targets. In each case, we have made real progress. With India, I was pleased to sign a Clean Energy statement with Jaswant Singh as a precursor for the Energy and Environment agreement completed on your trip. I am hopeful that our cooperative activities under this program will not only contribute to cleaner energy production and use in India, but also to more cooperative, rather than confrontational, discussions of this issue.

DOE continues to engage the Peoples Republic of China in the area of energy efficiency and renewable energy through an active consultative mechanism and technical exchanges. These are important steps in sharing information and



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technology that will lead to reductions in greenhouse gas emissions. Our activities with Mexico under the high level working group on sustainable energy that you established with President Zedillo have reduced Mexican resistance to discussions of how best to address the problems of climate change.

The Department of Energy continues to develop support from developing countries for clean energy and for the right to take on additional climate change commitments. I have hosted three regional conferences for Energy Ministers from the Americas, Africa, and APEC at which we unanimously endorsed clean energy statements that include language supporting such additional voluntary commitments. Bilaterally, DOE has signed climate change statements with South Africa, Mexico, Kyrgyzstan, Lithuania, Latvia, Estonia, and the Philippines.

My staff is also actively engaged in the international negotiations under the United Nations Framework Convention on Climate Change to complete the detailed development of the Kyoto Protocol. Our strategy continues to focus on creating a value for reducing greenhouse gas emissions and designing agreements that can work effectively at least cost.

Domestic Activities: I continue to push the Comprehensive Electricity Competition Act with Congress and at our many electricity reliability summits across the country. We have had some success with legislative markups scheduled in both houses of Congress, although it is unlikely that we will see restructuring legislation enacted this year.

In transportation, we reached some important milestones in the Partnership for a New Generation of Vehicles program, in which the Big Three automakers will begin marketing substantially more fuel-efficient vehicles within three or four years. While these vehicles will not be the 80 miles-per-gallon vehicles that are the ultimate goal for the program, they are likely to be well-received by consumers, and will set the stage for further advances in this area. We also have embarked on a parallel program to develop a high-mileage 21st century truck.

In power generation technologies, we recently announced the achievement of a 60 percent efficient natural gas-fired turbine--the power generation equivalent of a four-minute mile. These turbines will help us reduce the price of electricity to consumers while reducing greenhouse gas emissions and conventional pollutants.

Finally, through the Department's research efforts, we are advancing our understanding of climate change. For example, we are undertaking a carbon sequestration R&D program, which focuses on cost-effective concepts for capturing then reusing or storing carbon emissions.

While we have been successful in some areas in demonstrating that our approach to reducing emissions while supporting a thriving economy is the correct one, the congressional response to our budget request has been disappointing. The allocations our climate change programs have received are insufficient to maintain our current levels of activity, let alone support expansions that are warranted.

cc:

The Honorable Al Gore
Vice President