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Statement of Frank E. Loy
U.S. Under Secretary of State for Global Affairs and
Head of the U.S. Delegation to the Sixth Session of the
Conference of Parties to the UN Framework Convention on Climate Change
November 25, 2000

I had hoped to be able to say today that we had reached another major milestone in the fight against global climate change. Regrettably, I cannot. Although an agreement on key issues was close at hand, the parties to this conference were unable to reach the agreements needed to make the Kyoto Protocol a working reality. The United States made one last effort in a meeting this afternoon with the European Union. We made clear we were willing to move even further in hopes of concluding the agreement we believed we had this morning – to no avail. Yet we remain fully committed to building on the movement seen here and achieving the goal that so narrowly eluded us at this Conference.

The United States is deeply disappointed – because these issues are of such profound importance, and because we came so close, only to see our efforts unravel. We stand ready to resume our negotiations at any time.

The United States arrived in The Hague fully prepared to engage in the genuine give and take needed to forge a strong, sensible agreement – one that was cost-effective and had real environmental integrity. Through the course of these negotiations, we made every effort to accommodate the reasonable concerns of other countries. We showed real willingness to compromise. And no country offered more forthright, creative proposals to try to break the logjam.

While many nations here demonstrated a similar willingness to compromise and negotiate in good faith, others did not. On too many of the core issues before us, too many of our negotiating partners held fast to positions shaped more by political purity than by practicality; more by dogmatism, than pragmatism. And while we were prepared to compromise our positions, we were not prepared to sacrifice our core principles. We were not prepared go home with an agreement that would make it impossible for us to fulfill our commitments to the climate.

The United States put forward a number of constructive proposals in hopes of arriving at a more positive outcome. We proposed a robust compliance regime with real consequences and penalties for non-compliance. We came forward with a creative plan to provide substantial new resources so developing countries can reach their sustainable development goals while they also fight climate change. We advanced rules to recognize the central role of forests and farmlands in the carbon cycle, while agreeing to dramatically reduce the amount of credit the United States could claim under Kyoto from carbon that is absorbed by U.S. forests – so-called carbon sinks.

We stressed – particularly with the EU – that the real focus of our discussions should be completing the architecture and rules that will allow all of us to truly meet this challenge over the long term. And in this vein, there is cause for optimism. The elements of an agreement were sitting on the table in plain sight. It included some of the toughest issues – sinks, compliance, and ensuring strong domestic action. We were ready to sign on to that agreement – others could not. But we stand ready to pick up where we left off.

I am troubled that some of our partners in these negotiations held fast to positions that not only strayed from the Kyoto bargain, but ignored some of the fundamental realities we face.

They ignored environmental and economic realities, insisting on provisions that would shackle the very tools that offer us the best hope of achieving our ambitious target at an affordable cost. Listening to the rhetoric in these halls, one might think that emissions trading is some new, half-cocked notion being offered up here for the first time. Some seem to have forgotten that it is a fundamental feature of the Kyoto Protocol – accepted by all parties as a legitimate means of meeting our targets. Trading is a proven way to achieve maximum environmental benefit for every available euro, dollar, or yen. And artificially limiting it, as some here insisted, was simply unacceptable.

Some of our negotiating partners also chose to ignore physical realities of our climate system, depriving parties of another important pool by refusing them credit for carbon sequestered by their farms and forests. Again, this is not a new idea, but a fundamental feature of the Kyoto Protocol.

And, finally, they ignored the political reality that nations can only negotiate abroad what they believe they can ratify at home. The United States is not in the business of signing-up to agreements it knows it cannot fulfill. We don't make promises we can't keep.

One could hardly overstate the enormity of the task we faced here in The Hague. Forging a strong global warming agreement is a diplomatic challenge second to none. Like virtually no other issue in history, it truly implicates every nation on Earth. Given the sheer complexity of the issues, and the tremendous differences among us, our success at Kyoto was no small wonder. It is a profound disappointment that we were unable here to build on that foundation.

The Kyoto Protocol remains a landmark environmental achievement. It establishes a sound long-term framework for addressing climate change, combining strong environmental targets with flexible, market-based mechanisms for ensuring those targets are met cost-effectively. Today, there is broad and growing acceptance that these tools must be an essential part of any long-term strategy to fight global warming.

In the three years since Kyoto, scientific consensus on climate change has only deepened, and so has support for addressing it. This is nowhere more true than in the world business community. Three years ago, corporations came to Kyoto to block action. Three years later, corporations came to The Hague to contribute constructively. This momentum makes the outcome here at COP-6 all the more disappointing.

The pages of history are filled with stories of important and worthy international efforts that took years to triumph, and suffered many setbacks along the way. Some said the superpowers would never limit their nuclear arsenals – but they did. Some said we would never rid the world of smallpox; that we would never join together to take action to fix the ozone hole in the atmosphere. But we did.

Likewise, I am confident that world efforts to fight global warming will continue. I am equally confident that the United States will continue be a leader in this fight. We will not give up. The stakes are too high; the science too decisive; and our planet and our children too precious.

# # #

DEVELOPING COUNTRIES AND CLIMATE CHANGE

October, 2000

The United States and others have repeatedly maintained that climate change is a global problem requiring a global solution. Virtually everyone agrees that any ultimate solution to the problem of greenhouse gas concentrations in the atmosphere can only come about with control of the emissions of such gases from all parts of the globe. Indeed, credible projections show that unchecked emissions from today's "developing" countries would actually exceed projected emissions from the developed countries as early as 2020. Naturally, then, the role of developing countries in the fight against climate change is an important part of the discussions regarding the Kyoto Protocol.

Background

Developed and developing countries have argued for more than a decade about how to allocate the responsibility for mitigating climate change. In the 1992 UN Convention on Climate Change Convention, concluded at the Rio Earth Summit and ratified by the United States shortly thereafter, countries agreed to act "on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities" and that "developed country Parties should take the lead in combating climate change and the adverse effects thereof." The Convention also calls for OECD countries to provide financial and technological assistance to developing countries to help them mitigate emissions and adapt to climate change. These principles reflect an understanding that industrialized countries are primarily responsible for human-induced climate change, as well as the view that it would be inequitable to ask developing countries to take burdensome actions now when their per capita emissions remain only a small fraction of those in the developed world.

The Conference of Parties (COP) to the Convention held its first session in 1995 in Berlin. In Berlin the Parties agreed that the commitments of industrialized countries should be strengthened, through the negotiation of a protocol. The United States pushed hard to ensure that the mandate for the new negotiations would result in new obligations by all countries, taking into account varying national circumstances. However, the developing world, the European Union, Japan and other OECD countries argued that the Convention's call for "developed countries to take the lead" required, as an initial matter, that only developed countries take on new legal commitments. To avoid isolation and maintain international momentum in the fight against global warming, the United States agreed in the end to negotiate legally binding emission reduction targets for developed countries alone.

In 1997, before the Kyoto conference attended by the Vice President, the U.S. Senate passed a resolution (95-0) sponsored by Senators Robert Byrd (D-WV) and Chuck Hagel (R-NE) calling on the Administration to reject any international agreement that failed to include legally binding emission targets for developing countries.

Later that year, in Kyoto countries hammered out the outlines of an historic agreement under which developed countries would reduce their combined emissions to roughly 5% below 1990 levels during the period 2008-2012. At Kyoto, the United States pressed for provisions that would enable those developing countries that wished to take on a legally-binding commitment in the future to do so. However, the largest developing country emitters (China, India and Brazil) blocked these provisions, fearing arm-twisting by the United States, inequitable targets and early calls for new commitments that would jeopardize their economic development. The Kyoto Protocol contains no new commitments from developing countries and no immediate avenue to include such commitments in the treaty.

President Clinton declared in late 1997 that the Kyoto agreement was a work in progress. He stated that he would not submit the Protocol to the Senate for its advice and consent to ratification until 'key developing countries participated meaningfully' in the fight against climate change.

Since 1997, the United States has argued that developing countries that assumed a legally binding emissions target could generate substantial revenues through international emissions trading. While a few countries are interested in taking on a target (Argentina, Kazakhstan and Bolivia), most developing countries remain concerned that an emissions target would hinder their economic growth.

In 1998, at COP-4 in Buenos Aires, the United States pushed for consideration of whether existing commitments (including developing country commitments) were adequate to deal with the environmental threat of climate change. Developing countries resisted forcefully, threatening to block progress entirely until we agreed to defer consideration of this issue. In 1999, at COP-5, it continued to be apparent that the United States would be isolated in pushing for consideration of developing country actions.

Current Posture

During the past year, we have sought to generate interest in a "new dialogue" that would explore a variety of possible developing country actions ranging from national targets to new market mechanisms that, like the CDM, could facilitate foreign investment and economic development while mitigating growth in emissions. In general, developing country reaction has been somewhat negative. While the least developed countries, including many in Africa, and countries with economies in transition as well as small Latin American countries are less negative, the politically powerful large-emitters, including China, India and Brazil, vehemently reject any effort to initiate further discussion of any additional actions they should take. These countries fear that any steps, including those that might have some economic benefits, would place them on the slippery slope to legally-binding and, in their view, economically-damaging emission targets. The EU and Japan have signaled to us privately that they are unwilling to press for a new dialogue with developing countries at this time.

Moreover, developing countries are now pressing for the industrialized world to agree this year to provide significant financial resources for the developing world. Developing countries argue that OECD countries have not met their financial commitments under the 1992

Framework Convention. While we believe that the extensive climate change bilateral and multilateral assistance provided by the United States and other wealthy countries has discharged these obligations under the Convention, that perception is not widely shared even among northern European countries, such as Sweden and The Netherlands.

Politically, the issue of developing countries remains central. Many on the Hill have repeatedly stressed the importance of developing country participation. Treaty opponents are clearly considering using this issue as a major argument against the Protocol. They point to the language of Byrd-Hagel to insinuate that binding targets in the first budget period will be a prerequisite to ratification and will evaluate the success of COP-6 in part on our ability to demonstrate progress toward this goal. On the other hand, others point out that despite Byrd-Hagel, the Senate has already ratified a treaty (the Convention) which clearly contemplates that the developed world should "lead", and that the developing country issue is essentially one of environmental effectiveness and economic fairness. In other words, while it might not be necessary that developing countries adopt first period budget targets, the argument for ratifying the treaty would be greatly undercut if we could not show in some way that developing countries are participating in the fight against climate change and are working to mitigate their own emissions growth in some significant way.

Issues

Heading into COP-6, and in thinking about ultimate ratification of the treaty, we face several issues regarding developing countries. First, understanding that some progress with developing countries will likely be a prerequisite for ratification, how important is it that we show real progress in this area in The Hague. State Department negotiators point out that any insistence on major concessions on this issue next month will likely come at the expense of our leverage on the issues on the agenda (such as rules for the mechanisms and sinks).

Second, what is a realistic goal for progress on this issue at COP-6 and how do we weigh the relative importance of seeking progress on this issue next month versus our need to maximize leverage on the agenda items? Do we feel that sequentially we should focus first on the agenda item issues and then on developing countries?

Third, how do we handle the call for additional resources for developing countries? While we have rejected calls for things like taxes on emissions trading, how do we evaluate the arguments that the United States – with agreement from the Senate – has already committed to providing resources to the developing countries and that those resources would go to precisely the type of progress we have said we need to see from developing countries (i.e., capacity building and technology deployment that will help mitigate greenhouse gas emissions). Some business interests have argued that such governmental investments could help develop and expand markets for U.S. products.

Finally, what might we be able to put on the table that could help us achieve progress at COP-6 without sacrificing our vital interests?

- Taking first budget period off the table.
  - ↳ maybe in exchange for COP-7 agenda item?
- get COP6 agreement to discussion in future (COP7?)
  - ↳ maybe with Lawrence Fund as a solid offer on part.
  - ↳ putting money on table this way gives LDC's a vested interest in meeting our requirements for ratification.
- Are we willing to close on BAPA w/o anything on DCs?
  - ↳ yes
- Are we willing to take 1st budget off table?
- little $ now, both real and repackaged, plus Lawrence Fund?
- why not combine Lawrence Fund, first budget period clarification, and commitment to seek approp. funds.
- Is an acceptable outcome: commitment to ~~dialogue~~ Lawrence Fund, nothing on dialogue.
- Spectrum from stingiest position to most generous
  1) no new $, agenda item at COP7
  3) Lawrence Fund, plus agenda item, + taking 1st budget period off the table.
  2) but willingness to discuss $ on table if tied to commitment to new dialogue on action together.
  4) 3 + some immediate commitment to $.

David Gardiner
10/31/2000 06:22:52 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP

cc:
Subject: sperling on sinks, etc...

This is Sperling from the December 11, 1997 press briefing with Steinberg and Feurth after the conclusion of Kyoto, and later Feurth saying the same thing.

MR. SPERLING: I'd just emphasize that the agreement that was reached was very, very close to the position -- the United States position going in, and we thought stayed -- kept its faith with realistic and achievable and market-based approach that the United States had. As Jim stated, most of the -- many of the elements in terms of the timetable, in terms of the focus on the six gases, et cetera reflected positions the United States went in.

A couple points that I would just make is, one, that the seven percent in an apples-to-apples comparison is actually very close to our going in position. The way that it is -- our position was that we wanted to be at 1990 levels by an average of the 2008-2012 period. And what we focused on was how the negotiations affected the real efforts that we had. And to the extent that there was different ways of accounting that might change the number, that was not as important to us as what the impact -- the real impact, the real effort was.

And so by having in the agreement three of the gases have a 1995 baseline and by the fact that there is a more generous accounting for the use of (sinks), this made our number -- the position we had seem more below zero than reflected the real effort.

In terms of how it would affect on an apples -- if the question is, how does the minus seven in kind of an apples-to-apples basis affect ours, we think it would be about exactly where ours is, but it could be up to, at most, three percent below what we had suggested. So there's some ambiguity as to how the (sinks) would be scored or accounted for, but I think it's safe to say that it's basically in our range, though with the flexibility shown, it could end up being two or three percent below in apples-to-apples real effort terms, where we started out.

MR. FUERTH: That one will be in Washington.

In answer to your question, first of all, you can't -- as I said, maybe I should explain this a little more -- they are using a slightly different baseline than we did, so that minus seven is probably more like somewhere zero to minus two or three. I'll explain that.

First of all, when we looked at our six, all six gases, we had all of them having a baseline of 1990. They agreed -- internationally, it was decided that three of the gases would have a baseline of 1995. So that just took ours just as it was and made it from zero to minus one, just by counting a different baseline.

So, then, they count the sinks, which is the notion of things that absorb greenhouse gas emissions, and they decided to count not land management, because they thought that was too hard to figure out, but forestation things where forests will absorb -- that was counted. So that essentially just took our proposal, which was at zero, and the first thing made it minus one, and that adds somewhere from three to six to our proposal.

So if it only makes three percent, then we would -- then our proposal would have -- the exact same proposal with the exact same policies would have just been the same. If it ends up -- I'm sorry, I apologize -- it would have been minus three, because you had one from changing the baseline from three gases, and then you're getting somewhere between three to six from changing the sinks. If you got a full six, then this policy would simply be our policy.

It may -- our experts who are out there thought that it could actually only subtract three from ours, in which case we would have made a real effort of minus three. So the question is, our zero is equivalent to somewhere between zero and minus three percent if you're doing an apples-to-apples comparison.

So there is some flex -- I'm not saying it's exactly the same; there is some flexibility there. This standard could end up meaning that we'd be three percent below.

August 9, 2000

Sensitive But Unclassified

Kyoto Protocol Diplomatic Update

In the last few months a number of new ideas have emerged relating to the Kyoto Protocol's compliance provisions. Importantly, these ideas could help: (i) control the cost of the treaty; (ii) provide an incentive for countries to take domestic action; and (iii) make it easier to reach agreement on environmentally sound rules in other areas.

These new ideas could also create a new source of funds to help developing countries take stronger international action against climate change. This is important because international pressure from the G-77, the EU and some members of the Umbrella Group is building for COP-6 to include new financial commitments from developed countries. Securing developing country consent for a new dialogue about their meaningful participation in the Kyoto process will be very difficult in any event. Absent new financial commitments, moving forward on this front would prove impossible.

Brazil Floats a New Approach

In April, Brazil's chief negotiator floated informally the idea of creating a new international compliance mechanism, which Brazil proposed privately should be adopted by the parties in November at COP-6. The Brazil proposal has several important characteristics.

- Countries that fail to meet their Kyoto targets could remain in compliance with the Protocol by purchasing (from an international bank, fund or auction house) emission permits at an agreed upon rate ($x per ton emitted in excess of the Kyoto target).
- The proposal is a compliance option, rather than a non-compliance penalty. In legal terms, countries making the payment would have complied with their Kyoto obligations regardless of whether they met their Kyoto targets. What if they don't buy??
- Use of the compliance mechanism would be voluntary.
- The compliance payment rate would be set by the parties in advance of the commitment period to provide economic and political certainty.

While Brazil did not propose a particular compliance price, its proposal (by its very nature) would cap the cost of the Protocol. Privately, Brazil has told us that it is prepared to set a fairly low price. Brazil hopes both to improve the prospects for entry into force of the Protocol (which it sees as better than any alternative) and to increase the probability that money from the compliance system would be used for developing country needs. Brazil has yet to go public with its concept (and officially Brazil supports a punitive financial penalty), but Brazilian negotiators have expressed their strong interest in moving forward with other countries on the new approach.

How if you don't know how many tons?

Status of Compliance Negotiating Text

The idea of a voluntary compliance fund(s) is in the current version of the draft decision on compliance that will be finalized at COP-6. Reference to the fund is very generic – it does not resolve most the key issues inherent in the Brazilian approach, including such questions as when the price would be set and at what level, who would control the money, and whether the monies would be spent internationally or domestically. Most negotiators have accepted the idea that a compliance fund could have some benefits for them, but few countries are pressing to elaborate that concept in any great detail at COP-6. If we do nothing, COP-6 is likely to agree on the bare framework of a voluntary compliance fund, leaving the critical questions (price, control of funds, use of funds) for discussion and resolution in the future.

Some Umbrella Group Allies (interest in controlling cost)

Japan's top MITI negotiators tell us that MITI now supports using the compliance system to control the cost of the Protocol. Last month, Japan appointed a new Environment Minister and top climate change negotiator. While the new Minister is unlikely to have views on Brazil's informal proposal at present, she is a former MITI official who is concerned about economics but is also under pressure to show her environmental credentials. Canada's lead negotiator (Environment Minister David Anderson) has told us he finds the cost controlling elements of the Brazil proposal very attractive. Australia, which is interested in preserving the competitiveness gains it secured at Kyoto (by negotiating an easy target), appears willing to consider a voluntary compliance fund only if its purpose were to guard against temporary price spikes in the market for emission credits. Russia has not participated in discussions concerning the informal Brazilian concept. Russia's primary goal at COP-6 is to lock in rules that promote investment in Russia under the Kyoto mechanisms. To the extent that a compliance fund could diminish interest in the Kyoto mechanisms, Russia might oppose it. Russia's internal confusion and inattention to the negotiations make its acquiescence just as likely.

European Union (interested in U.S. domestic action)

The EU's primary goal at COP-6 is to ensure greater domestic action by the United States against climate change. The EU is concerned that the cost of implementing the Kyoto Protocol could be 'too low,' and that this could harm both the environment and EU competitiveness.[1]

[1] The EU argues that if the price of carbon is very low in the first commitment period, businesses will have little incentive to innovate, invest and adopt green technologies. The EU claims that if developed countries fail to stimulate development of new technologies they will make the long run cost of fighting climate change higher than necessary and thereby set back the drive to stabilize ghg concentrations. Interest in domestic action has a more

To raise the cost of the treaty for the United States, the Union has proposed placing a 'concrete ceiling' or cap on the Kyoto mechanisms. Many EU countries, however, recognize that (a) the United States will not agree to a legally binding concrete ceiling and (b) limits on emissions trading may harm Europe economically, as the EU targets are quite tough.

Several key EU states are looking for new ways to satisfy their needs and allow them to back away from the concrete ceiling. Foremost in this group is France, which holds the EU Presidency through COP-6 and will be a major force at The Hague. PM Jospin's senior environment advisor is willing to press the EU to limit the cost of the Protocol (using the Brazil compliance concept) if the United States agrees to take stronger domestic action. The UK and EC are willing to deal with cost and domestic action as a package too. According to French negotiators, Germany is prepared to explore such a package as well, though we have no independent confirmation. On behalf of this group, France has proposed combining the Brazil proposal (with the price set 'at an appropriate level') with one or more of three somewhat new approaches to domestic action. Acceptance of any of the three options would obviate the need for the EU concrete ceiling:

doesn't this create perverse incentives?

1. Cost Floor. The French are now advocating privately what they call a 'concrete cost floor.' In order for a party to use the voluntary compliance fund it must be able to demonstrate that it has raised the cost of carbon domestically to an internationally agreed upon minimum level (or by an internationally agreed upon minimum amount or percentage). The United States, they argue, could meet this obligation by enacting a domestic cap and trade program, as proposed by the President in 1997, provided the domestic permit price met the internationally negotiated level.[1]

2. Limiting Supply. As an alternative, the French propose driving the price of carbon up by reducing the supply of tradable permits. Specifically, the EU wants to (a) keep sinks and nuclear out of the CDM, (b) give developed countries only very limited credit for carbon sequestration (3.3 and 3.4) in the first budget period and (c) limit the sale of Russian hot air. The EU views these (incorrectly) as sources of 'bogus tons' in the system. Limits on 'hot air' would differ from the EU concrete ceiling in that as a technical matter the former would affect the legal rights of sellers (Russia and Ukraine)

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political side too. EU negotiators tell us confidentially that the EU is concerned that their businesses will rebel if U.S. competitors are permitted to pursue options that are much less costly than those imposed on companies in Europe.

[1] The French have said that the price could be lower if we applied our domestic cap and trade program to heavy industry. EU countries have had a hard time developing the political will to regulate this sector and firm action by us would help them a great deal politically.

but not purchasers (United States) of emission credits; though as a practical matter the difference may not be very significant.

3. Policies and Measures. France proposes, as a third alternative, a 'robust' international process that would evaluate the adequacy of national climate policies and other domestic measures taken by countries that fail to meet their Kyoto targets. The French have long supported 'harmonizing' policies and measures (PAMs), particularly carbon taxes. While they understand that we would never agree to this approach, they believe that an international review process on the adequacy of PAMs would create political pressure for the United States and others to do more domestically. It is unclear whether a strong but indefinite and non-binding PAMs process would be sufficient for Germany and other Nordic states, which have been the biggest supporters of the concrete ceiling. Nevertheless, one could imagine some kind of PAMs review process appended to a more acceptable version of the cost floor or supply limiting options mentioned above to make the package more attractive to the EU.

U.S. NGOs (interested in domestic action and cost too)

The concerns of our environmental community mirror those of the European Union – ensuring adequate domestic action in the United States. While most environmental NGOs continue to oppose any type of 'safety valve' (when presented as an up or down choice), there is strong reason to believe that any package on domestic action and cost that satisfies the EU would be welcomed by at least some in the U.S. NGO community. Some NGOs (WWF and CIEL) are fully aware of France's proposal to tie cost and domestic action, and they are willing to see how the proposals develop. One group (RFF) is actively pushing the Europeans toward France's direction. Some NGOs (EDF and CCAP) remain concerned about the potential effect of a voluntary fund on the effective functioning of the trading system. While many in our NGO community remain unaware or agnostic about the French approach, the idea of a compliance fund in general is gaining steam with environment NGOs. Formally, the NGOs propose that the payment price be equal to the market price for carbon at or near the end of the commitment period. One could imagine that the environmental NGOs would accept a reasonable and predetermined price if their concerns about domestic action, 'bogus tons' and other so-called 'loopholes' were addressed more squarely.

The business community has not expressed a view on the emerging link between domestic action and cost. Importantly, however, moderate companies (such as the members of the Pew Group) are growing very nervous about the likely outcomes at COP-6. They fear that the hard fought flexibility we secured for them at Kyoto will evaporate and that the rules for the Kyoto mechanisms will be so Byzantine that the mechanisms will be of little use in reducing their costs. Industry's biggest and growing fear, in sum, is that the cost of the treaty will be too high. Disillusionment with the Kyoto process could stifle industry interest in taking voluntary action to reduce emissions.

Developing Countries (interested in a new development fund)

As highlighted above, if a new compliance mechanism were created a number of politically important questions would need to be resolved, including whether monies generated through the compliance system were managed and spent internationally, domestically or in some hybrid approach. These issues do not necessarily need to be resolved at COP-6.

Yet, agreement that at least some of the funds could be spent internationally would be relevant to managing developing country demands at COP-6. The G-77 sees COP-6 mostly in financial terms. The constant refrain from China, India, Nigeria (head of the G-77) and other important counties is that COP-6 must produce substantial new financial commitments by developed countries. The G-77 views the stand-alone fund to combat ozone depletion created under the Montreal Protocol as an example of the type of action it supports. Some developing countries want capacity building assistance and the transfer of advanced technologies. Others (small islands and Africa) are also interested in funds to help vulnerable countries adapt to climate change. Saudi Arabia and OPEC continue to push its poison pill demand for compensation for lower oil revenues. (Dealing with OPEC may be a separate issue.)

The G-77 sees the compliance system as one possible source of revenue and in this sense they would support the informal Brazil proposal. Few G-77 negotiators, however, appreciate how the informal Brazil proposal could relate to cost and domestic action. Brazil's main negotiator reports that he has explored, however, this matter with China and India, and that neither country would oppose a deal that capped cost and enhanced domestic action provided revenues from the compliance fund would be earmarked to fund developing country needs.

At present, the G-77 is pushing to secure financial resources through a new fee on emissions trading. The Kyoto Protocol already envisions that 'a share of the proceeds' from CDM would be used to help developing countries adapt to climate change. The G-77 wants to extend this principle to all the other Kyoto mechanisms. OECD countries are not united on how to deal with this demand. On one hand, we share a general aversion to paying the G-77 to allow us to take on legally binding commitments and we need to preserve any financial commitments we might make to secure new developing country commitments down the road. On the other hand, abating emissions in developing countries will require substantial new resources over the long run. Using those funds to promote American exports of clean technologies could be good for U.S. firms and may be the most effective way to abate G-77 emissions in the short run.

The United States until present has opposed calls for new financial commitments. Unfortunately, the EU has waffled and may now be fueling G-77 expectations. On this issue, the EU is being lead by the President of COP-6 Jan Pronk (the Netherlands' former Development Minister) and by the EU's indifference to taxing the mechanisms (as doing so would make domestic action comparatively more attractive than emissions trading to the United States). Some of our Umbrella Group allies are also saying new monies are needed. We risk isolation if we continue to oppose new funds under any circumstances.

→ more an issue of 1) how much; 2) for whom/where spent and 3) who controls.

Diplomatic Calendar

COP-6 is just around the corner and yet discussion of the approaches presented above is just beginning. Interest in the voluntary compliance fund is building internationally. With a push from the United States some deal on cost and domestic action might be possible. Absent U.S. support this package will wither on the vine. Similarly, developing country issues could move in a number of directions absent U.S. leadership – we could face another Seattle with developing countries lined up against the OECD or, more likely, we could find the United States isolated in opposing new financial commitments.

Two upcoming meetings are particularly important in this context. First, on September 1-2, RFF and a French NGO with close ties to the French climate team will convene in Paris (at France's request) a 'by invitation only' conference for senior expert negotiators and economists to discuss whether the idea of packaging domestic action and cost makes sense. Second, the last major negotiating session before COP-6 occurs in Lyon immediately afterward. Public negotiations on compliance at Lyon most likely will not deal with the voluntary fund. Yet the full range of compliance options will be a major topic of closed-door discussion at Lyon. Developing country issues will be front and center at Lyon. We must send the right signals at each of these September meetings.

THE WHITE HOUSE

WASHINGTON

COP – 6 STEERING COMMITTEE

Agricultural Sinks

June 26, 2000
3:00 – 4:15 p.m.

Agenda

1. Introduction

2. Overview and Update on Kyoto Process

3. Sinks Briefing

4. Issues for Decision and Timetable

5. Discussion

The Kyoto Protocol and COP-6: Context and Status

June 26, 2000

Background

The Sixth Conference of Parties to the United Nations Framework Convention on Climate Change (COP-6) will be held November 13-24, 2000 in The Hague. In the months ahead, the Administration will need to make several major decisions in preparation for this meeting. This memorandum provides an overview of where we stand in the Kyoto negotiations.

COP-6 will be the most important and highest-profile climate change meeting since the 1997 Kyoto conference. At Kyoto, nations reached an historic agreement to reduce greenhouse gas emissions from developed countries an average of approximately 5 percent below 1990 levels by 2008-2012. The United States agreed to a 7 percent reduction. The President and Vice President were personally involved in the decision-making and diplomacy leading up to Kyoto; the Vice President attended the conference.

The formal agenda of COP-6 will be dominated by decisions on the rules for the Protocol, covering important elements such as the modalities for emissions trading, the role of forests and farmland and the consequences of noncompliance. Many of these issues are enormously complex. Others will involve difficult political debates. Obstructionists (including OPEC countries and perhaps China) may attempt to block any deal. Under any circumstance, reaching agreement on these rules will be extremely difficult. The modest progress made at the most recent negotiating session highlights the real prospect of deadlock or breakdown at COP-6.

Many governments, however, see COP-6 as the last chance for decisions that would allow the Kyoto Protocol to enter into force without renegotiating the agreement's emissions targets or timetables. European governments, in particular, are calling for the Protocol to enter into force by 2002. In addition, our election and Presidential transition may focus attention on the meeting. U.S. environmental groups are framing the outcome of COP-6 as a central part of the Clinton-Gore environmental legacy.

Summary of Major Negotiating Issues

- Market-based Mechanisms

One of the historic achievements of the Kyoto Protocol was agreement on the use of emissions trading and a project-based investment system known as the "Clean Development Mechanism" (CDM). The United States fought to include these market mechanisms to help countries meet their national emission targets cost effectively. However, market-based tools have only been used on a limited basis internationally, and negotiating the critically important rules under which trading would take place has been extraordinarily complex.

Perhaps the highest-profile open issue is the desire of the European Union to impose "concrete ceilings" on the use of the mechanisms. The EU wants to cap the ability of buyers and sellers to transfer emission credits. European governments view emissions trading as a way for the United States to avoid reducing domestic emissions. They fear that Russia and Ukraine, who negotiated generous emission allowances at Kyoto, will be allowed to sell to the United States what the EU views as phony emission reduction credits ("hot air"). They argue this would further reduce the need for U.S. domestic action and undermine the environmental effectiveness of the Kyoto agreement.

Other political issues involve the CDM. Some Member States in the European Union attach very high priority to excluding nuclear energy projects from the CDM. They view nuclear energy as environmentally harmful and object vehemently to the suggestion that the Kyoto treaty should support nuclear energy even though its nuclear technologies are climate-friendly.

- <u>Forest and Farmlands – "Carbons Sinks"</u>

COP-6 is slated to decide the extent to which countries should receive credit toward their Kyoto targets for carbon sequestration (taking carbon out of the air through, for example, conservation tillage and sound forestry practices), referred to as "carbon sinks". Not only is the sinks issue environmentally important (to climate change, biodiversity and conservation), but the United States could gain economically from favorable decisions in this area. In addition, many farm-state Senators on both sides of the aisle are eager to reward farmers financially when they help fight global warming. The European Union is united in its desire to strictly limit the role of forests and farmlands, which they see as yet another way for the United States to avoid reducing its emissions.

This issue has three major dimensions. First, in Kyoto we succeeded in getting credit for some forestry activities. Now, however, legitimate environmental concerns about how sinks categories will be defined pressure us to make concessions. Second, Kyoto left open the possibility of adding new carbon sink areas to the treaty, but few if any countries support our call for a generous, comprehensive approach. Third, the EU opposes our effort to allow countries to receive CDM credits for sink investments and projects in developing countries.

- <u>Compliance</u>

Since before Kyoto, the United States has led the world in calling for a strong compliance system. We have seen this as necessary to encourage countries to meet their Kyoto targets and to convince the Senate that there will be a level playing field for U.S. companies. We have advocated requiring countries that exceed their targets in a particular period to make up the difference in the subsequent period. This idea, commonly called "subtraction of tons" or "borrowing" now has widespread support internationally.

Recently, the EU, some developing countries, and our environmental community have criticized our approach as insufficiently "green". They fear that countries will defer action on climate change and get farther into carbon debt as time goes on. Once again, the EU and environmental groups favor a compliance regime that could impose financial penalties. Another approach is to require countries to pay a reasonable fixed price for each unit of emissions exceeding their targets. If the price were set lower than the eventual market price for carbon reductions, the compliance payment would act as a sort of price "safety valve".

- Developing Countries

The United States left Kyoto pledging to secure the "meaningful participation of key developing countries" in the international fight against global warming. Developing country commitments are not formally on the agenda at COP-6 thanks to developing country opposition. At prior COPs, this issue has produced controversy but no progress. The most ambitious goal that stands any chance of success at COP-6 is a mandate for developed and some developing countries to negotiate new commitments, most likely in the second budget period (and such a mandate is a long shot). Some small developing countries may announce their willingness to take on targets at or before COP-6. These countries will not be able to join the Protocol's target regime or participate in emissions trading until the COP decides by consensus to add developing country commitments to the Protocol, something developing countries have refused to do. We have never stated that "participation" means, necessarily, commitments within the Kyoto framework. Without targets, however, it is difficult to see how developing countries could provide a market for the purchase of emission credits.

Negotiation and Political Dynamics

Politically, decisions at COP-6 are increasingly viewed through a prism that places efforts to contain the cost of the Protocol at odds with maintaining its environmental integrity. Though this perception is widely held and in part drives the negotiations, a good deal of this debate has little do to with the environmental effectiveness of the treaty. The EU and environmental groups paint our policies – our desire to stave off restrictions on the Kyoto mechanisms, to get credit for forests and farmlands, and to involve developing countries – as efforts to avoid domestic action and merely lower the cost of the treaty. We have argued that all of these policies contribute to the environmental integrity of the agreement, while lowering the cost. For example, any approach to climate change that does not include developing country emissions or carbon sequestration would fail to address a significant portion of global greenhouse gases.

The United States risks isolation at COP-6 on these issues. Frustration with the U.S. has led a number of countries to discuss the possibility of ratifying the Protocol without the

United States. Several European governments are now taking steps to reduce domestic emissions that are generally perceived to be aggressive and significant, and therefore they feel ready to adopt Kyoto obligations. Most countries in the world believe that U.S. efforts are, in comparison, minor.

Many believe that there is reason to doubt whether any deal achievable at COP-6 would create a reasonable prospect of our ratifying the Kyoto Protocol in the next few years. These observers note that during the past half-decade the Senate has failed to ratify any significant environmental treaty, and has shown, furthermore, its willingness to flout considerable international pressure in exercising its advice and consent authority (CTBT). This dynamic – a belief that the U.S. is not serious about reducing emissions and is unlikely to ratify a treaty in the near term – contributes to the potential for isolation of the United States at COP-6.

On the other hand, we might view all of these discreet issues to be addressed at COP-6 in light of two principles: 1) the U.S. should show global leadership on this issue and this means insisting first and foremost on a treaty that will yield significant environmental benefits; and 2) ratification of the Protocol will not be considered by this Senate in this current political atmosphere – the political and scientific dynamics of climate change are rapidly evolving and we should not be overly bound by the political setting of the day.

Ultimately, how we deal with all of these issues between now and November depends on how we define "success" at COP-6. Perhaps the most realistic goal for COP-6 is to demonstrate that 1) the Protocol is alive and moving toward completion and 2) U.S. ratification remains possible in the near or medium term. Such a goal for COP-6, in turn, presents a number of tasks in the short term, including determining the acceptable range of outcomes on each of the outstanding issues and then evaluating what combinations of those options yield an overall result that we would find acceptable.

THE WHITE HOUSE

WASHINGTON

June 21, 2000

MEMORANDUM FOR DISTRIBUTION

FROM: ROGER BALLENTINE

RE: First COP-6 Strategy Meeting

We will be holding our first COP-6 strategy meeting on Monday, June 26 at 3 p.m. in Room 180. This meeting will likely be the first of two meetings on the subject of sinks. The U.S. must make a submission on this highly complicated and politically challenging issue by August 1st. Critical strategic decisions will be put to this group for resolution prior to that time.

I intend this meeting to be mostly informational. The State Department will make a brief presentation on the issue of sinks, and we will then frame issues for decision and identify any additional needed information.

I enclose 1) a background paper on the sinks issue; 2) a context-setting memo on the Kyoto process, and 3) copies of the UNFCCC and the Protocol.

Distribution:

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cc:

John Podesta
Ian Bowles
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Mike Orfini

THE WHITE HOUSE

WASHINGTON

April 18, 2000

MEMORANDUM FOR JOHN PODESTA
CHARLES BURSON

CC: GEORGE FRAMPTON
LEON FUERTH
JIM STEINBERG

FROM: ROGER BALLENTINE

RE: COP6: Policy Status and Outlook

As we come upon the conclusion of Earth Day, we will begin to focus intently on the Sixth Conference of Parties to the United Nations Framework Convention on Climate Change ("COP6," November 13-24 in The Hague, Netherlands). This Memorandum outlines the issues currently on the table and our plans for preparation.

I. Background

The President and (especially) the Vice President, were responsible for the success at COP3 in 1997 that produced the Kyoto Protocol. The last two meetings of the COP have incrementally addressed open issues with the Protocol. COP6, on the other hand, has been targeted by much of the international community (as well as by domestic NGOs) as the meeting at which a ratifiable Protocol must be finalized. The Europeans and others have rallied around this notion, calling for ratification of the Protocol by 2002.

While we have not voiced such expectations, we too have stated that COP6 is a crucial meeting. Most of the world community considers the U.S. the main obstacle to completion of the Protocol. The U.S. NGO community shares much of this sentiment. Thus it is very likely that the U.S. would be blamed for a "failure" at COP6.

II. Our Goals

Our first preparatory task is to come to some consensus as to what constitutes "failure" and "success" at COP6. Failure would most likely mean that at the meeting's end, much of the world community considers the multi-lateral process over - at least one including the U.S. This suggests that we might define "success" as an ending to COP6 with a consensus that 1) the Protocol is alive and moving toward completion and 2) there remains a chance for U.S. ratification in the near term.

III. <u>The Challenge</u>

Success defined in this way requires a balance between the "rightward" pull of the current U.S. Senate and much of the U.S. business community, and the "leftward" pull of the international community as well as U.S. NGO's. Conceptually, this is a balance between issues of the *costs* of the Protocol and its "*environmental integrity*". More specifically, such a balanced result will depend on the resolution of a number of key matters: flexibility mechanisms (such as emissions trading), developing country participation, the role of agricultural "sinks", and potential new cost-controlling mechanisms (such as a "safety valve").

For example, much of the developed and the developing world (as well as the U.S. environmental community) resists our efforts to make unlimited use of trading and to get the developing world to "meaningfully participate" in the climate change fight (despite the fact, for example, that we would argue that cost-decreasing flexibility mechanisms add to the environmental integrity of the Protocol; unfortunately, many of those calling for "environmental integrity" are really calling for the U.S. to "pay" for our past emissions). Many see both issues as signs that the U.S. is not willing to seriously address the problem at home. On the other hand, without securing liberal use of flexibility mechanisms and achieving some progress in developing country greenhouse gas abatement, the Protocol would be pronounced dead on arrival by a significant faction in the Congress, and would receive harsh reviews from a wide array of business sectors. Therefore, the negotiations of all of these issues will be roughly defined by these polarized positions.

IV. <u>Preparations</u>

We do not, of course, need to achieve a perfect, consensus balance on each remaining issue to be negotiated. Instead, the political and policy balance we need to achieve is one measured across all of the elements to be worked out at COP6. Working with the State Department and our interagency team, we are addressing each of these issues. We are consulting with stakeholders, the Congress, academics and others to evaluate our negotiating flexibility as to each issue, and exploring how we could negotiate a package of issues that achieves the overall balance we need. Thus, either here or at the State Department, we are holding meetings on sinks, rules for the mechanisms, compliance, developing country participation, and so forth. I can provide details as to the status and outlook for each of these issues at any time.

One important point deserves significant emphasis: to maximize our leverage in multilateral negotiations we need to demonstrate serious domestic actions. Showing a serious intent to take action to reduce emissions in the U.S. will lessen environmentalist criticism of our positions and will give us greater credibility with other nations in our negotiations

Jacqueline Krieger
05/24/2000 06:17:20 PM

Record Type: Record

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

cc:
Subject: Notes from 5/22 IWG

FYI - Notes from today's IWG meeting. Let me know if you have any questions.

- On the mechanisms (Trigg Talley). The Chairs negotiating text should be out today - State will coordinate comments which will be prepared on each section. Trigg is drafting a paper on permanence which he will distribute to the Umbrella Group this week. An issue has come up on baselines - whether it will be the Convention or IPCC that will handle methodological issues after COP 6 - it seems that most are leaning toward using the Convention bodies.

- Report on the Assistant Secretary's meetings (Dan Bodansky). 5/17 meeting on sinks in the CDM: discussion focused on the issue of leakage (there is concern about certain types of projects, such as avoided deforestation and the need to deal with the global demand for wood issue); permanence (that this is a bigger issue for sinks than other types of projects - Trigg is doing an options paper); criteria for sustainable development (Euro NGOs are very concerned about the destruction of old growth forests and consequences on biodiversity - though there are questions as to how realistic these scenarios are - evaluating projects on SD criteria could be part of the host country approval process). 5/22 meeting on sustainability in the CDM: Dan indicated that there was a difference of view on whether we need this - this could be similar to an environmental impact assessment kind of process - discussed whether to restrict certain types of projects such as nuclear, large scale hydro, clean coal. Next meeting 6/1on definitions of 3.3 & 3.4 and using ODA in the CDM.

- Report on outreach meeting with the Int'l Climate Change Partnership/Kevin Fay (Dan Bodansky). ICCP's main concern was that they heard that the USG was discussing fallback on supplementarity - they were assured that this is not so. Seemed unconcerned about the propossal to move review of adequacy of national systems up to 2006. Like the concept of hybrid liability better than buyer or Swiss proposal. On the idea of developing baselines for certain types of projects first, concerned that 'their type of projects' wouldn't be in first. Not much feedback on how they think baselines should be developed (methodological approaches).

- Report on OECD/IEA/AIXG meeting in Paris (Dan Bodansky). Discussion about a paper that IEA (Jonathan Pershing) has developed on various options for formulating future developing country targets. For those interested in this issue, this paper is a must-read.

- Discussion about an EPRI proposal on liability. It is a modified version of the Swiss proposal, kind of complicated, if interested let me know and I'll provide more information.

- Has Mexico ratified the Kyoto Protocol or not? Confusion over this question. Some in the government (from Mexican Energy Dept. officials at recent BNC meeting) say that they have, U.S. embassy says that they haven't and will wait until after elections this July.

Message Sent To:

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Draft Overall Message for The Hague

Climate change is the premier environmental challenge of the 21st century. There is overwhelming scientific consensus that human activity has begun to affect the climate, and that continuing on our present course may have dire consequences. The evidence of this warming trend has only grown stronger.

The United States is fully committed to meeting this challenge, both through strong domestic actions to reduce greenhouse gas emissions, and by working with other nations to achieve agreement on a sound, cost-effective global strategy.

At home, the United States is committed to a comprehensive program to fight climate change culminating in binding emission targets beginning in 2008, along with a domestic greenhouse gas trading program. To prime the pump for this effort, the Clinton Administration has secured over $1 billion each of the past [3] years for the research, development, and deployment of clean energy and energy efficient technologies. In the last year alone, the President has [list as appropriate]:

- Transport EO
- 21st Century Trucks
- International Energy EM (???) and Trade Missions
- Action on Tax package (???)
- Greening of White House

Beyond action at the federal level, state and local governments and corporate America are also stepping up to this challenge with aggressive goals and targets for reducing emissions. Partly as a result of these efforts, evidence suggests that the American economy has begun to de-couple economic growth and growth in greenhouse gas emissions. [In each of the past two years, economic growth has far outpaced growth in U.S. emissions.]

Three years ago in Kyoto, more than 160 nations agreed on the basic architecture of an international strategy to address the challenge of climate change. Since then – in Buenos Aires, Bonn, and now at The Hague – we have been working to turn Kyoto's broad concepts into working realities. Our task at The Hague is to achieve the kind of steady, solid progress that is necessary to keep this process on track.

The United States is fully committed to completing the work begun at Kyoto and looks forward to addressing the critical issues of cost and developing country participation, so the treaty can be ratified. But much remains to be done.

COP 6 has the potential for being an historic conference, but only if we can make significant progress on key substantive issues:

Environmental Integrity: If we are serious about the fundamental commitments made in the Protocol, we should all be able to agree to binding rules and consequences for:

- Monitoring of emissions;

- Reporting of emissions;
- Tracking of trades and of sink activities;
- Eligibility to participate in the mechanisms;
- Reviewing implementation;
- Non-compliance with targets.

Cost-Effectiveness: Achieving a cost-effective agreement is critically important to the United States. We have an environmental obligation to ensure that the Protocol has integrity and is based on sound science. But we also have an economic obligation to ensure that the Protocol leads to predictable, cost-effective reductions and is based on sound economics. That means:

- Decisions on new sinks activities and the inclusion of sinks in the CDM. Sinks can help slow the accumulation of ghg while we develop additional means to combat the long term problem. Sink projects can also help spur sustainable growth opportunities in developing countries.

- The U.S. expects to be able to meet most of its commitment domestically. But to ensure that implementation can be achieved at a reasonable and predictable cost, the U.S. will also continue to insist on rules that do not encumber use of the Kyoto mechanisms.
    - Limiting this ability would only make reducing greenhouse gases more expensive for everyone, with no gain to the environment.
    - The EU proposal to cap use of the mechanisms is hypocritical. Under EU reallocation, 10 of the 15 countries would not meet the proposed EU formula. They thus allow themselves a measure of flexibility that they propose not to allow to others.
    - Much recent analysis (such as that of the Pew Center) suggests that the US will achieve most of its reductions at home – meaning that the cap will significantly raise costs to address a problem that does not exist.

Developing Countries: On the issue of developing country actions, we fully support their efforts to grow their economies and improve the well-being of their citizens. We also firmly believe that this goal can be achieved without repeating the wasteful and polluting practices of the past century. We are committed to creating sustainable development opportunities through Kyoto's Clean Development Mechanism and through other partnerships between developed and developing countries.

- Each successive COP since Kyoto has seen forward movement on commitments by developing countries to take action on climate change.
- In addition, both India and China have expressed increased commitment to this fight in joint statements with the United States.
- We are hopeful of seeing more progress on this issue at The Hague.

Resolving – or coming close to resolving – these key issues will mean we are well on the way to completing the historic work begun in Kyoto. At a minimum, we must achieve the kind of solid progress necessary to ensure that the process is kept on track. We need to work as quickly as possible for a treaty that is complete, cost-effective, and ratifiable. This we owe to future generations.

Discussion Draft – May 22, 2000

<u>Press/Public Affairs/Public Diplomacy Strategy</u>
<u>On Climate Change: Pre-COP-6</u>
<u>(May 22 – November 10, 2000)</u>

<u>OBJECTIVE:</u> Shape and improve EU media and opinion leaders views of U.S. climate change policies and positions domestically and regarding Cop 6. Specifically:

1. Emphasize overall US commitment to Kyoto and domestic action;
2. Underscore necessity of cost-effectiveness;
3. Focus on need for developing nation participation; and
4. Highlight EU hypocrisy on emissions trading caps.

<u>STRATEGY:</u>

- Look for opportunities for POTUS and VPOTUS to communicate U.S. climate change themes.

- Develop clear initial message document (John Gibson's first draft attached) and Q&A. Have approved by State, CEQ, etc. and refined as we go along.

- Connect senior U.S. officials with key European journalists to inform them about U.S. climate change positions throughout the year, specifically capitalizing on press hooks.

- Devise speaking schedule and plan for amplification of speaking events for senior U.S. climate officials (including, among others, Loy, Ballentine, Sandalow and Gardiner).

- Post informational materials about U.S. climate change positions on State, WHCCTF, Bureau of International Information Programs (R/IIP) and U.S. embassy websites to update and expand the existing reference materials available to the general public worldwide.

- Begin the U.S. planning process for press/public affairs/public diplomacy activities at COP-6 through regular organizational meetings organized by OES and coordinated with WHCCTF.

<u>PLANNING TIMELINE:</u>

1. May – June: Define key issues and refine the policy message. Identify U.S. validators and foreign surrogates. Action: CEQ, WHCCTF, OES, G.

2. May – June: Develop a contact list of key European reporters covering climate change. Action: OES, EUR/PD and European PAOs.

3. May-June: Potus trip to Portugal, Germany, Russia and Ukraine: Work with OES, CEQ, and WHCCTF to have climate change materials included in Potus speech, possible statement (to coincide with UN World Environment Day--June 6).

4. May – July: Identify funding levels and nail down staffing and logistical details for COP-6 press operation. Action: OES, Office of International Conferences (IO/OIC) and European Office of Public Affairs and Public Diplomacy (EUR/PD).

5. May – November: Arrange press interviews/speaking opportunities for senior U.S. climate change officials when they travel domestically and overseas. Action: OES, White House Climate Change Task Force (WHCCTF) and Bureau of Public Affairs (PA).

6. May – November: Initiate Worldnet interactives, Digital Videoconferences and VOA interviews with senior U.S. climate officials and opinion leaders/journalists in key countries. Action: OES, WHCCTF and R/IIP.

7. May – November: Draft and release fact sheets, op-eds, byliners, Washington File reports and publications about U.S. climate change policies. Design, develop and print press kits for distribution at COP-6. Action: WHCCTF, OES, Office of the Under Secretary for Global Affairs (G) R/IIP, PA and Environmental Protection Agency (EPA).
   - WHCCTF will provide OES with cleared text of COP 5 fact sheet for posting on State and R/IIP websites (already occurred).
   - John Gibson will begin planning of document on domestic policies for distribution at and, hopefully, prior to COP 6. This document will be a more ambitious undertaking than past COP documents. Same steak, more sizzle (pictures, color, graphics, etc.). Planning for funding, printing, and shipment to The Hague also will begin.

8. May – November: Ensure that all informational materials posted on U.S. websites are available in French, German, Spanish and Japanese. Action: R/IIP.

9. June – November: Convene monthly planning sessions in June, July and August on COP-6 press/public affairs/public diplomacy strategies. Convene biweekly/weekly planning sessions in September and October. Participating offices will include: CEQ WHCCTF, OES, IO/OIC, (G), Office of the Under Secretary for Public Affairs and Public Diplomacy (R), R/IIP, PA, regional offices of Public Affairs and Public Diplomacy (EUR/PD, WHA/PD and EAP/PD), PAO/The Hague, and EPA. Action: OES and WHCCTF.

10. July 21 – 23 (G-8 Summit): (Per 5/10 meeting: Recommend that POTUS addresses climate change and the Kyoto Protocol in speech to Japanese and global audiences. Action: WHCCTF and CEQ.)

11. September: Schedule a media tour following the Lyon Subsidiary Bodies meeting for senior U.S. officials to meet with editorial boards and key climate change reporters in Geneva, Paris, Berlin and London. Action: OES, CEQ, WHCCTF, G, EUR/PD.

12. September: Issue ALDAC cable on climate change public diplomacy strategy that includes core talking points. Engage EST officers at U.S. missions worldwide in outreach activities.

Action: OES.

13. September – November: Involve U.S. Ambassador to The Hague, Cynthia Schneider, in press and public diplomacy programs targeted to the Dutch and northern European audiences (e.g. provide speech text). Action: OES, WHCCTF and PAO/The Hague.

14. October 2 (U.S. – EU Summit): (Per 5/10 meeting: Recommend that Secretary Albright addresses climate change in her remarks to the French, who will hold the EU Presidency as of July 1, and global audiences. Action: OES and G.)

MILESTONES:

May 30 – June 6 POTUS trip to Portugal, Germany, Russia and Ukraine. (POTUS may discuss climate change in speech on 6/5 in Ukraine coinciding w/UN World Environment Day. This will be one week before start of Subsidiary Bodies meetings in Bonn.)

May 31 U.S. – EU Summit, Queluz, Portugal

June 12 – 16: Subsidiary Body on Implementation and Subsidiary Body on Scientific and Technological Advice Meetings, Bonn.
Head of U.S. Del: Amb. Hambley
(Open to Press: about 20 reporters expected for opening and closing UN press briefings Monday and Friday.)

July 1 France assumes EU Presidency

July 21 – 23 G-8 Summit, Okinawa

September 11 – 15 Subsidiary Body on Implementation and Subsidiary Body on Scientific and Technological Advise Meetings, Lyon
Head of U.S. Del: Amb. Hambley.
(Open to Press: UN will try to encourage Geneva-based reporters to attend closing press briefing on Friday.)

September 18 – 22 European Media Tour (Tentative), Geneva, Paris, Berlin, London.

October 2 U.S. – EU Ministerial Meeting, Paris

October 19 – 22 Society of Environmental Journalists 10th National Conference, Michigan State University.

November 13 – 24 COP-6, The Hague.

CLIMATE CHANGE AND COP-6

May 24, 2000

Agenda

I. OVERVIEW

II. PROCESS GOING FORWARD

- A. Negotiations Lead – State Department
- B. Policy Resolution/Agency Coordination – White House
- C. Stakeholder Outreach – White House/State Department

III. GOALS FOR COP-6 AND BEYOND

IV. MAJOR ISSUES WHERE U.S. POSITION IS NOT FULLY RESOLVED

- A. Developing Country Participation
- B. Sinks
- C. Limitations on Emissions Trading
- D. Clean Development Mechanism
  - i. Eligibility of nuclear, hydro, clean coal, sinks
  - ii. Applicability of non-climate environmental standards
- E. Compliance
- F. Cost Controls

V. POLITICAL ISSUES AND PRIORITIES

- A. Setting Expectations
- B. Legislative Strategy – Short Term
- C. Business Community Strategy
- D. Environmental Community Strategy
- E. Other Stakeholders (e.g. Agriculture Community)

VI. OTHER RELATED ADMINISTRATION ACTIVITIES

- A. G-7
- B. Budget/Clean Energy Export Assistance
- C. Other Trade-Related Issues
- D. Other POTUS Bi-lateral, Multi-lateral

CLIMATE CHANGE AND COP-6

May 24, 2000

Agenda

I. OVERVIEW

[You should reiterate that climate change and COP6 remain major Administration priorities; that what we do important to this President as well as the next President; that it is important for the climate; and that it is important for the future of multilateral environmental agreements in general. We need success here to help vindicate President's mantra that we can fight climate change and grow economies]

II. PROCESS GOING FORWARD

[Because it is so important, we will have a process that coordinates issues across the Administration and that can get issues resolved, maybe with the participation of the President and Vice President, when necessary]

A. **Negotiations Lead – State Department** *[As always, the State Department is the head of our negotiating efforts and we need to provide assistance and guidance as Frank's team needs it]*

B. **Policy Resolution/Agency Coordination – White House** *[As we have under Todd's leadership for previous COPs, the White House/Roger will lead a process that airs and resolves major policy issues and that includes all interested Administration parties]*

C. **Stakeholder Outreach – White House/State Department**

III. GOALS FOR COP-6 AND BEYOND

[We need to agree on our goals for COP-6, keeping in mind that this is part of a longer-term ratification strategy to be completed in the 2001-2003 time frame. Most will agree that our goal for COP-6 is to favorably resolve issues related to the mechanisms of the Protocol and to end the negotiations with a perception domestically and internationally that the multilateral process is alive and moving forward]

IV. MAJOR ISSUES WHERE U.S. POSITION IS NOT FULLY RESOLVED

[We cannot try to resolve issues in this meeting. You should highlight the major issues below and state that these are among the issues that our Administration process will need to resolve].

A. **Developing Country Participation** *[Our toughest and most important issue. The treaty is politically dead and environmentally useless if nothing is done to lower developing country emissions].*

B. **Sinks** *[Our position on how forestry, farm and land management practices that sequester carbon are counted as reducing "emissions" has major political and diplomatic consequences]*

C. **Limitations on Emissions Trading** *[Our likely position will be to oppose any limits on the ability of countries to purchase emissions reductions from abroad]*

D. **Clean Development Mechanism** *[The CDM allows companies and countries to get credit for investing in and deploying projects in developing countries that reduce greenhouse gases]*

  i. **Eligibility of nuclear, hydro, clean coal, sinks** *[Major political issue domestically and internationally]*

  ii. **Applicability of non-climate environmental standards** *[Must CDM projects pass environmental tests other than greenhouse gas reduction?]*

E. **Compliance** *[What rules will we accept re: international policing of essentially U.S. commercial activity?]*

F. **~~Cost~~ Controls** *[Should we seek some "safety valve" type of control on costs?]*

V. POLITICAL ISSUES AND PRIORITIES

A. **Setting Expectations** *[It is critical that we do not set expectations too high so that opponents will declare Kyoto dead; how do we best communicate expectations?]*

B. **Legislative Strategy – Short Term** *[What do we need to do on the Hill now to build support for the negotiations? Should we force action on the issue?]*

C. **Business Community Strategy** *[How do we best use elements of industry that support us? How do we best deal with hardened opponents?]*

D. **Environmental Community Strategy** *[same issue as with business community]*

E. **Other Stakeholders** (e.g. Agriculture Community)

VI. OTHER RELATED ADMINISTRATION ACTIVITIES

A. **G-7** *[How can we/should we advance the Administration's climate and/or COP-6 agenda with the G-7?]*

B. **Budget/Clean Energy Export Assistance** *[Progress on these fronts will help with the negotiations; clean energy exports can be critical to ratification]*

C. **Other Trade-Related Issues** *[We should seek to coordinate Administration activity to avoid inconsistency and potential embarrassment. Coordinate with Commerce trade missions, for ex.]*

D. **Other POTUS Bi-lateral, Multi-lateral** *[What opportunities are there for POTUS to communicate directly with counterparts]*