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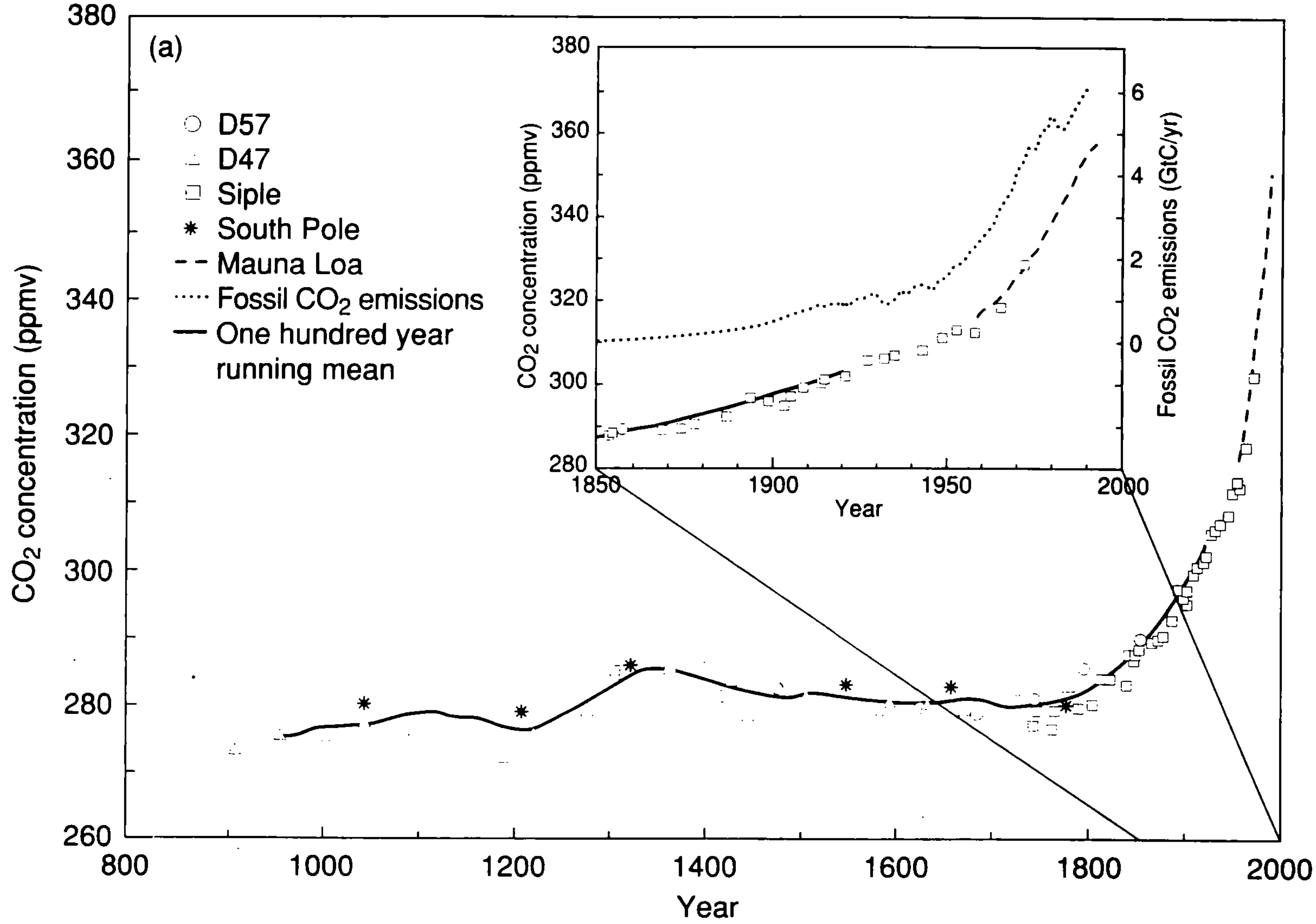
Global Warming State Department Vol 2 [1]

Stack:	Row:	Section:	Shelf:	Position:
S	20	4	11	1

simple way of solving problem of differentiates application in ways that don't look arbitrary, capricious or self-serving

$$\sqrt[3]{GDP \cdot pop \cdot emissions}$$

or $\frac{1}{3}(\log GDP + \log pop + \log emissions)$



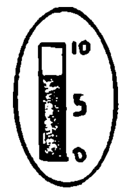
(a)
D57
D47
Siple
South Pole
Mauna Loa
Fossil CO_2 emissions
One hundred year running mean
CO_2 concentration (ppmv)
Year
Fossil CO_2 emissions (GtC/yr)

- CO_2 ABUNDANCE WILL VERY LIKELY DOUBLE BEFORE 2100.

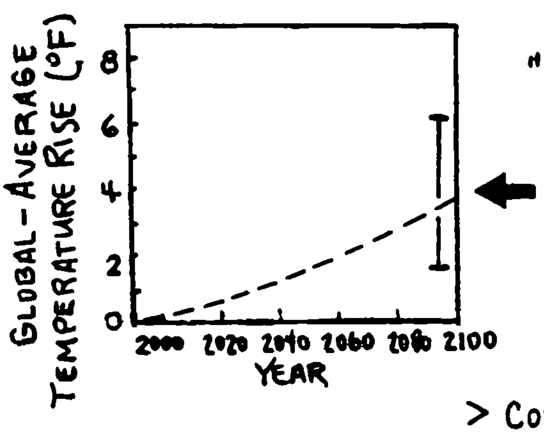
INDEED... TO STABILIZE AT DOUBLED → CUTS IN EMISSIONS

TO RETURN TO TODAY'S → DEEP CUTS

- PREDICTED CLIMATE RESPONSES.



"CONFIDENCE INDEX"



"BEST ESTIMATE": 3½ °F INCREASE IN TEMPERATURES AVERAGED OVER THE GLOBE.

> IF SO, THIS WOULD EXCEED THE NATURAL CHANGES OVER THE PAST 10,000 YEARS.

> CORRESPONDING SEA LEVEL RISE: ~20 INCHES.

SOURCE: NOAA -- Dr. Dan Albritton

United States Department of State

Bureau of Oceans and International Environmental and Scientific Affairs

Washington, D.C. 20520

NOVEMBER 4, 1996

PRINCIPALS MEETING WITH ASSISTANT SECRETARY EILEEN CLAUSSEN

Commerce	Everett Erhlich	482-0432
	Jeffrey Hunker	482-4636
OSTP	Rosina Bierbaum	456-6025
CEA	Alicia Munnell	395-6947
NEC	Elgie Holstein	456-2223
Treasury	Joshua Gotbaum	622-2633
Justice	Lois Schiffer	514-0557
Interior	Brooks Yeager	208-4561
NOAA	Doug Hall	482-6318
OMB	T.J. Glauthier	395-4639
USTR	David Shark	395-4579
Agric	Charlie Rawls	720-5437
DOE	Dirk Forrister	586-9987
DOE	Mark Chupka	586-0861
EPA	Mary Nichols	260-5155
	David Gardiner	260-0275
DOT:	Frank Kruesi	366-7127
OVP	Pete Jordan	456-9500
CEQ	Steve Seidel	456-6546
NSC	David Sandalow	456-2710

<u>NOTE: CLIMATE CHANGE MEETING</u> WITH ASSISTANT SECRETARY EILEEN <u>CLAUSSEN FOR NOVEMBER 16 has been CHANGED to NOVEMBER 15 from 10:30-12:30</u> - DEPARTMENT OF STATE, RM. 7831. Please RSVP to Ms. Wiggins at 647-1554. Thank you.

E. Claussen says Y

3:30-4:30 on THURSDAY, November 7

✓ 10:30-12:30 on FRIDAY, NOVEMBER 15 (CHANGED WAS 11/16)

N 2:00-3:00 on THURSDAY, NOVEMBER 21

Step 1 : Ban coal subsidies
or all energy subsidies

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

26-Nov-1996 01:54pm

TO: Alicia H. Munnell
TO: Jeffrey A. Frankel
TO: Michele M. Jolin
TO: Mark J. Mazur

FROM: Raymond Prince
Council of Economic Advisers

CC: Lisa D. Branch

SUBJECT: Revised draft of Demarch

The statement on a timeline for non-Annex I country participation (p. 10, first paragraph under "Next Steps") is an improvement as is the statement on banking and borrowing (p.4). The statement on p. 10 indicates that non-annex I countries must adopting caps at some specific point in the future if climate policy is to be effective. It is important that the U.S. Demarche include some statement to this effect because non-annex I participation will be an important issue in any ratification. The statement on p. 4 removes the earlier comments that only served to weaken our bargaining position on banking and borrowing. Banking and borrowing our the sole means of capturing inter-temporal efficiencies (when flexibility) discussed in the Demarche.

Two issues are not addressed: whether the Demarche should redline any outstanding proposals and whether it should make a statement about the allocation of permits under an international trading program. Of the two, the issue of an allocation formula is likely to be the more important in any ratification.

It is, therefore, important that the U.S. state in its Demarche that, as a principal, an allocation formula should not penalize a nation for growth and should reward a country for energy efficiency. Something to that effect could be added at the end of the next-to-last paragraph on p. 6.

GCC 11/25/98

Ray

Now, we should be ask to impose some controls on our negotiators

- Have our commitment contingent on non Annex-1 countries agreeing that they will commit to something by 2000.
- Red line some other bad proposals like AOSIS

) goal a

(1) per capita CO_2 emission level

vs 1990

reduction rate to be neg.

in 200X to be neg

(2) total cap nationwide

vs 1990 level

to be neg.

by Each industry

MITI maybe support ↓ to unlimited sitting around a table.

Agency Env. support CO_2 tax system.

pol gr.

Fluidized bed technology for coal

Sox Nox emissions

12/18/96

Eileen Claussen

No debate on science

" over binding target need (tho others may have other interpns)

Lack of agreemt on anythg else.

s

Multi-yr. target (e.g. "2010-2020") idea most widely accepted

Borrowing most negative reactn

some confusn. Borrowg against what?

Trading within Annex I. we need to explain iT. Opposn, tho some support

JI widely criticized, esp. by LDCs esp. "with credit"

a bit of support from AIJ

Even European countries don't see the point.

LDC continuum of commitmt.

Five was drawn from Eur. proposal for "Annex X" countries, which Europeans later said meant new members of OECD.

Differentiatn Japan & a few others (not Eur.) want diff.

Need to think more about

How global trading system would work Also DOE

FT. 11:00 Dep. mtg.

D Sandalow Domestic implemtn Katie & Dan? we should be doing more?

Alternatives: Cap & Trade, Regulatn, T ward, Technology pgms.

Eileen 4 questns.

1. what we want internationally?
2. How implement
3. Consistency
4. Technology for longer term after 2010

MEMORANDUM

COUNCIL OF ECONOMIC ADVISERS

Date: 10 Jan 96

To: Jeff Frankel
Alicia Munnell

From: Jason Shogren

RE: Revised Draft Climate Text from Eileen Claussen

Two points:

1. Flexibility. **Banking** (Article 2 #5) is allowed but **borrowing** is not. Rather in Article 4 #6a, if a State exceeds its emissions budget in a budget period then they are considered to be non-compliant and subject to "consequences" (e.g., additional emission obligation in following periods, denial of future trading opportunities, loss of voting rights).

   To keep the temporal flexibility, why not recommend:

   (a) borrowing (exceeds budget with permission) and payback with interest

   (b) non-compliance (exceeds budget without permission) and penalty

2. Garbled text in Article 16 Entry into force. "To ensure effective [word missing]" does not make sense to me. Also what are the "triggers" that would be used.

United States Department of State

Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs

Washington, D.C. 20520

cc: AM
JAF
RP

November 13, 1996

NOTE FOR CLIMATE CHANGE GROUP

Attached are redrafts of the papers to be discussed on Friday, November 15th. Please use these papers as the basis for the discussion. (The trading paper is now being revised and I will send out a redraft tomorrow).

If possible I would like to come out of Friday's meeting with some consensus on what kind of paper we would like to present at the international meeting the week of December 9. We would then rewrite the papers based on the discussion and circulate different, probably shorter, and hopefully more focussed efforts on the 19th. In an ideal world these papers would be cleared on November 21st, and then sent to the Deputies for a meeting on either the week of November 25th or December 3.

Thanks,

Eileen B. Claussen

Issue Paper: "Compliance"

Introduction

- In general, the United States views the subject of "compliance" with international environmental agreements broadly. We look at the range of techniques that can be used in the negotiating process, in the agreement itself, and outside the agreement to promote a particular environmental objective. Further, compliance should be viewed as a continuing process, not only as something that happens or fails to happen at an end-point.

- It should be noted that there is a four-way (and sometimes inverse) relationship among: the stringency of commitments, the stringency of any compliance regime; the number and type of parties; and the ability to comply.

- In the climate change context, the United States has substantial environmental, economic, and treaty-integrity interests in achieving an agreement that properly balances the right commitments, the right parties, and the right incentives to comply.

- As seen below, many of the compliance-related options involve trade-offs and linkages and should be viewed as a package; in this regard, a preferred option may change if a condition for that option is not satisfied.

- This paper will focus on the following issues:

  1) how can the commitments themselves be structured so as to promote their own implementation?

  2) what kind of review process(es) would be appropriate, including how to deal with parties that are not in compliance?

  3) how should the agreement deal with non-parties?

Commitments

- The U.S. has taken the view that the new legal instrument should contain at least two key sets of commitments:

  -- for so-called "Annex I" countries, a legally binding medium-term emissions target; and

  -- for all countries, commitments that continue to advance implementation of Article 4.1 of the Convention.

(Revised 11/12/96)

o In terms of the "Annex I" target, there are at least three ways in which the structure of the commitment could promote compliance:

-- First, as a matter of form, the target could be legally binding, as the U.S. has already suggested. We are seeking a legally binding target because, in the climate change context, countries tend to make rhetorical and unrealistic proposals when provisions are non-binding, and the existing "aim" has largely not been implemented. A protocol/amendment regime in which targets are legally binding will likely lead countries to seek more realistic and achievable targets at the front end and to implement their commitments more fully later on.

-- Second, as a matter of drafting, the commitment could be articulated as clearly and quantitatively as possible. In 1992, demands by various parties for differentiation were met with vague qualifying phrases now found in Article 4.2(a) and (b). While the United States may not favor differentiation regarding the target, vague phrases to paper over differences on this point could negate the advantage of going to a binding regime.

-- Third, as a matter of substance, the target could be structured so as to be as objectively measurable as possible. This would enhance the ability of the parties themselves, as well as third parties, to determine compliance.

o In terms of commitments advancing Article 4.1 implementation, given the need to get the agreement of developing countries, there may be a limit to how much can be done in structuring these commitments to promote their implementation. In theory, it would be helpful to make the commitments as specific as possible (to make it harder to hide behind the very general language of existing 4.1) and to avoid provisos (such as references in the chapeau of 4.1 to "priorities," "circumstances," etc.). It may be possible to provide developing countries with necessary flexibility through choice of specific measures, rather than through vague, heavily qualified obligations.

o In addition to appropriately structuring the above commitments to promote compliance, options for collateral commitments that could have the effect of promoting compliance with the key commitments would include, for example:

- -- As under the Convention, all Parties could be required to report on their implementation (although the specifics could vary for different categories of parties).

- -- All Parties could be required to systematically measure their implementation, as well as to pursue organizational arrangements to promote uniformity of measurement. Long-term measurements of atmospheric abundance and trends of greenhouse gases could also be useful scientific input into measuring global compliance.

- -- The Parties could agree to continued and more systematic support for efforts to develop national action plans (particularly for developing countries) following the revised Annex I Guidelines for National Communications and the newly adopted Non-Annex I Guidelines for Initial Communications.

- -- The Parties could agree to expanded programs aimed at developing, diffusing and deploying climate-friendly technologies (including through efforts to identify and remove barriers to technology transfer and to improve the performance of existing financial institutions).

- -- "Annex I" parties could be required to have in place domestically an emissions monitoring system (at a minimum for CO_2, at a minimum for specified sources).

- -- "Annex I" parties could also be obligated to effectively enforce their domestic laws related to implementation of the target. (The NAFTA environment side agreement contains such an obligation regarding environmental laws generally. Note that, as in the NAFTA agreement, such an obligation would need to be worded very carefully.)

<u>Review Processes</u>

o As under the Convention, the U.S. should support appropriate review/dispute settlement mechanisms to ascertain whether parties are implementing their commitments under the new legal instrument.

o Key questions include:

- -- who should do the reviewing?

- -- what should they review?

- -- what is the status/consequences of their conclusions?

- An additional cross-cutting question is whether we should support differentiated review processes for different categories of parties (for example, more stringent processes for the binding target than for the potentially more general commitments of developing country parties).

- As to <u>who</u> reviews, options include, for example, the parties themselves (through the Conference of the Parties or other institution); experts nominated by parties; ad hoc panels; standing bodies outside the treaty; the public. What type of expert or panel member is involved depends on what is being reviewed (<u>e.g.</u>, a scientist would not be appropriate for an issue involving treaty interpretation).

- As to <u>what</u> is reviewed, there are at least two basic issues:

  -- First, it needs to be considered whether a review mechanism is to be aimed at alleged non-compliance (<u>i.e.</u>, an actual treaty violation), implementation generally, or a particular aspect of implementation:

    - Some mechanisms, such as traditional dispute settlement, only deal with situations of non-compliance with treaty obligations. (These are generally bilateral, but can also be multilateral.)

    - Other mechanisms are conceived more broadly to review "implementation" issues, where it is not necessary for any allegation of non-compliance to be made in order to trigger a process; such mechanisms are seen as having the advantages of being less adversarial (and therefore more likely to be used) and capable of dealing with a wider range of issues. They are also useful where treaty obligations are so general or caveated that it would be difficult to make out a case of actual non-compliance. (It should be noted that, whereas the Montreal Protocol's friendly multilateral process involves "non-compliance," Article 13 of the Climate Change Convention calls for consideration of a process "for the resolution of questions regarding the implementation of the Convention.")

    - Still other review processes are aimed at particular aspects of implementation, such as verifying facts related to a specific obligation (<u>e.g.</u>, the SBI review process noted below).

-- Second, it needs to be considered whether a particular review process is to review facts and/or law. For example, a dispute involving Article 4.2(b) of the Convention, if it were legally binding, could involve the factual question of actual emissions, the legal question of whether sinks can be counted, or both.

Traditional dispute settlement (such as conciliation or arbitration) is generally empowered to review disputed facts, disputed interpretation of a treaty provision, or the application of a treaty provision to facts. A review mechanism can, however, be limited to fact-finding. As noted above, what is being reviewed will dictate, to a certain extent, who should be doing the reviewing.

o As to status of conclusions of a review process, a review process might have no formal conclusion (e.g., discussion, political pressure) or could yield, for example, a recommendatory report on possible steps to promote compliance (such as technical assistance, in the case of a developing country), a factual report, a recommendatory award, or a binding judgment concerning compliance.

o As to consequences, the conclusion of a review process could form the basis for, for example, further discussions among the parties, action by the Conference of the Parties (in the case, for example, of a recommendation on promoting compliance); good faith consideration by a party (in the case, for example, of bilateral conciliation), or a sanction. Sanctions might include monetary penalties, trade sanctions, or other. (Agreement that trade sanctions could be imposed among Parties as a result of non-compliance would raise particular issues that would need to be addressed should that option be pursued.). Consequences of a conclusion are related to its status; for example, a sanction would not flow from a recommendatory (non-binding) award.

Review Processes under Framework Convention

o By way of background, under the existing Convention:

-- The Conference of the Parties (COP) and the Subsidiary Body for Implementation (SBI) have roles with respect to reviewing reports of parties on emissions/ implementation; with respect to Annex I communications, the SBI has established a review process, coordinated by the Secretariat, involving fact-finding by third-party experts nominated by Parties; review conclusions have political, not legal, status.

-- Parties have the option of resorting to formal dispute settlement, in the event of a dispute concerning the interpretation or application of the Convention. If parties cannot resolve a dispute on their own within a year, the dispute is to be submitted, at the request of any one party to the dispute, to conciliation. The conciliation commission would be composed of members appointed by the parties to the dispute (and a chairman chosen by the members); the results of conciliation are recommendatory, not binding. (Parties may elect to send their disputes to binding arbitration or the International Court of Justice, but this is not required.)

-- Article 13 calls for the COP to consider the establishment of a "multilateral consultative process...for the resolution of questions regarding the implementation of the Convention." As this issue is still being considered, the who, what, and status/consequences of this process are not yet known.

Review Options

o With respect to the new legal instrument, there are numerous compliance review options, many of which are not mutually exclusive. (Note, in this regard, that an amendment does not necessarily have to be subject to the same mechanisms as the current Convention, provided the amendment so specifies.) For example:

-- regular meetings of the parties as a means of keeping political pressure on parties to comply and providing a forum for raising questions about compliance (through a new Conference of the Parties, if the instrument is a protocol);

-- in addition to regular meetings of the parties, establishment of a subsidiary body focused on implementation issues;

-- requirement that reports prepared by parties on their implementation be made publicly available, thereby permitting public scrutiny and pressure;

-- regular factual review of parties' implementation (e.g., current SBI review process involves factual review of Annex I communications by experts nominated by the parties);

-- factual review of parties' implementation (generally or with respect to particular obligations), at the request of a party

-- availablity of "friendly," multilateral consultative process, designed to address either cases of non-compliance only or implementation more generally; should not overlap with the functions of any subsidiary body;

-- availability of traditional bilateral traditional dispute settlement, with (as in the Convention) non-binding conciliation as a minimum requirement;

-- availablity of traditional bilateral dispute settlement, with binding arbitration or judicial settlement as a minimum requirement.

o On the particular issue of whether the United States should support mandatory binding dispute settlement, there are several considerations. For example:

-- Binding dispute settlement could have several advantages:

o The existence of mandatory, binding dispute settlement could create an incentive for parties to fully implement their treaty obligations.

o The prospect, during the negotiations, of ultimately including binding dispute settlement in the legal instrument could have the effect of causing countries to negotiate more realistic and achievable commitments.

o The existence of mandatory, binding dispute settlement could be the type of enforcement tool against other countries that some domestic constituents are looking for in terms of creating a level playing field.

o To the extent that we seek to pursue penalties against parties for non-compliance (such as a monetary penalty or trade sanction), binding dispute settlement would appear to be a precondition; it would be difficult to argue, or accept, that penalties could be triggered by a non-binding finding of non-compliance.

-- Potential disadvantages include:

o Binding dispute settlement is a double-edged sword. While some domestic constituents may view it positively as an enforcement tool, others might prefer to give up that tool rather than subject the United States to the prospect of binding dispute settlement as defendant.

- Even those not generally wary of binding dispute settlement may not support it in this case. Specifically, it is probable that the ultimate target will not be crystal clear, but will be surrounded by some kind of ambiguity (akin to the way the Convention aim is unclear on whether JI, sinks can be counted). If so, a commitment to binding dispute settlement is a commitment to potentially have a third party interpret the ambiguities in a manner binding on the United States.

- In the climate change context, developing countries have historically been opposed to binding dispute settlement. A decision to seek binding dispute settlement would likely lead to developing country calls for differentiated dispute settlement (which we have avoided so far) and/or weaker developing country obligations.

- Binding dispute settlement could cause some countries to to push for weaker or more ambiguous obligations or ultimately decide not to become party to the new legal instrument.

o In making decisions on which review process(es) to support (including, in the case where binding dispute settlement is supported, whether a penalty should attach to a party's non-compliance), the United States should be mindful of the relationship between these issues and the treaty commitments themselves, particularly the target. Relevant aspects of the target (which are not yet known, thereby complicating the task) include:

-- whether it is clear or clouded by ambiguity (either with respect to the target itself or as to whether. for example, JI or emissions trading can be counted);

-- whether it is objectively measurable (is assessing compliance a purely factual endeavor? or does it, for example, involve the application of a subjective standard to objective facts?).

Some hypothetical examples help demonstrate the relationship between a target and issues that might or might not be subjected to a review process:

-- Taking the cleanest case first, assessing compliance with a target that clearly required a party to ensure that its emissions of a particular greenhouse gas in a given future year did not exceed some percentage of a past year's emissions would involve the factual issues of past emissions and emissions in the future year. Disputes could arise concerning the data collection method or other methodology used by a party in implementing the target.

-- To the extent that a target related to emissions of greenhouse gases generally, issues could arise concerning the GWP assigned to various gases and corresponding calculations. There could be additional measurement issues if sinks were part of the calculation.

-- To the extent that a target were based on a predicted future baseline, issues could arise concerning the facts/methodology used to predict that baseline.

-- Any lack of clarity in the text would raise issues of legal interpretation (for example, with respect to whether JI/emissions trading could count (and, if so, how) toward achieving the target).

-- Issues of legal interpretation and application of law to facts would also arise if an otherwise quantitative target were surrounded by one or more non-quantitative phrases (such as "appropriate," "taking into account," or any of the types of phrases currently found in Article 4(2)(a) of the Convention).

<u>Non-Parties</u>

o An issue related to, but distinct from, the issue of how to deal with non-complying parties is how to deal with non-parties. Where a treaty addresses a global environmental issue, a non-party can potentially stand to benefit from the actions of other countries while taking no action of its own (to so-called "free rider") or affirmatively undermining the treaty's objective. Thus, a recurring question regarding such treaties is how to deal with the non-party issue.

o There are numerous ways to seek to minimize the non-party problem:

-- through the negotiating process itself, <u>i.e.</u>, figuring out which countries' participation in the regime is essential and ensuring that they are involved in the negotiation;

- -- through positive incentives for countries to join a regime (*e.g.*, financial and technical assistance, differentiated obligations; allowing opt-outs from certain obligations; side payments; other participatory privileges);
- -- through an entry into force clause that requires ratification by key countries (*i.e.*, those that would be "free riders" if they did not join) (note that an amendment would require 3/4 of the parties to ratify for entry into force; a protocol would need to set its own entry into force requirement);
- -- the use of trade measures against non-parties.

o Were the trade measure option to be pursued in this case, several factors would need to be considered:

- -- It is not obvious what the subject of the trade measure would be. (In the Montreal Protocol, which is the only real precedent here -- given that Basel and CITES are all about restrictions on trade -- the trade restriction applies to certain ozone-depleting substances and products containing such substances; a further call to consider restricting trade in products made with certain such substances has deliberately not been implemented.)
- -- In order to meet the GATT/WTO Article XX chapeau requirement that trade measures not constitute a means of unjustifiable or arbitrary discrimination among countries where the same conditions prevail, the trade measures should not apply where a non-party is in *de facto* compliance with the environmental requirements of the agreement. This raises the questions of who decides whether a country is in compliance and, particularly in the case of developing countries, what constitutes compliance, given the likely general language of any developing country obligation. (This is in contrast to the Montreal Protocol, where the obligations are specific and quantitative and therefore amenable to objective measurement.) These questions make the outcome of any possible WTO challenge by a non-party uncertain.
- -- Also in order not to discriminate, the trade measure should apply equally to parties that are not in compliance. (*See* discussion above concerning dispute settlement and penalties for non-compliance.)
- -- The United States may itself be a non-party to the treaty for an extended period.

→ J. Pershing ß ((

Note. This paper is a draft for internal discussion purposes only. It is intended to outline issues rather than positions or options, and does not reflect the view of any agency of the U.S. government.

Achieving A Flexible Cost-Effective Climate Convention: Initial Considerations On International Emissions Trading and Joint Implementation

I. Why Is Flexibility Important?

The U.S. has already stated the high priority we give to allowing flexibility to nations in how they achieve their emission commitments in the new agreement. By this, we are seeking to:

- achieve GHG reductions where they are least costly, including in other nations, through international "greenhouse gas (GHG) trading" and/or "joint implementation" (JI);
- reduce GHG reductions by an equivalent amount over some specified period of time, allowing trade-offs over time that can accommodate capital stock turn-over and technological advance.

International GHG trading and JI allow meeting a given commitment at lower cost because at the margin, the costs of an increment of reduction will be lower in countries with no GHG commitment or with lower required effort, than by the marginal costs of the same reduction in a limited set of countries. The U.S. may also seek to build incentives for early reductions of emissions into the rules for trading and/or JI, to slow the rate of climate change, and to stimulate development of effective trading institutions and technological advance.

II. How Much Priority Should The U.S. Put On Achieving Flexibility In The Negotiations?

The priority and urgency the U.S. gives to trading and/or JI in the negotiations will depend on decisions regarding the stringency and timing of emission reduction commitments:

- If the targets are not very constraining, trading or JI may not occur because the differences in marginal costs across countries will be lower and may not be worth the transaction costs of participating in the international regime.
- If the targets do not begin for many years (say, 2020), then the need to fully elaborate the rules and procedure for trading by December 1997 may be reduced, allowing efforts to be re-directed in 1997 to more immediate need, provided that the 1997 protocol or amendment creates a process to follow up.

III. Global Emissions Trading -- The Ideal & Why It Is Not Yet Possible

The "ideal" international GHG emissions trading system arguably would be one that capped overall greenhouse gas emissions, country by country, allowed banking , borrowing, and interpollutant trading, and which included all parties to the Convention. This is the "ideal" because the interim environmental goal -- expressed in terms of emissions -- is ensured by the binding nature of the targets, while the theoretical efficiency gains from *flexibility* are most closely approximated in a relative "hands off" "cap and trade" program. Unfortunately, the ideal is unlikely, at this time, because for trading to be global, all *countries* would need to accept a quantitative target or cap on emissions; this is probable for developed countries but unlikely for most developing countries.

IV. What Is Possible -- AIJ, JI With Credits, & Emissions Trading Among Countries With Commitments

Given that the ideal is not possible, we have to think about three distinct flexibility systems which may be possible. They are 1) the existing provisions for "activities implemented jointly" (AIJ) 2); "joint implementation" with credit; and 3) an emission trading regime for counties with quantitative national emission targets (currently "Annex I" countries plus others who may choose to "opt-in"). The features of each of these systems is discussed further below. A discussion of how we ensure movement from the least desirable option to the most desirable options (emissions trading) is presented in Section V., "Next Steps."

The distinctions between the three systems can briefly be summarized as follows:

Activities Implemented Jointly --	voluntary national emission caps for Annex-I participants, no emission limits for non-Annex I participants, no credits allowed against voluntary national emission caps
Joint Implementation With Credits--	binding national emission caps for some (developed country) participants, no emission limits for other participants, credits allowed towards national emission caps
Emissions Trading --	All participants have binding national emission caps; credit allowed against national caps

A. Activities Implemented Jointly

The current AIJ is in a pilot phase under the FCCC. It can end at any time but will be reviewed for decision on its continuation no later than 2000. Current AIJ is a "no national caps/no credit" program to demonstrate the potential and possible mechanisms of two or more countries working together to reduce, avoid, or sequester greenhouse gas emissions. However, AIJ are required to achieve GHG reductions additional to what would have otherwise occurred (an "additionality" requirement). The U.S. launched its own Initiative on JI in October 1993. By the summer of 1996, 51 project proposals had been submitted of which 15 projects had been accepted and 18 more remain under development. The projects involve six different countries outside the U.S. and includes activities related to fuel switching, solar, biomass, hydro, and forest management. A coalition of electric utilities in the U.S. has also initiated their own program aimed at identifying and promoting JI. Other participants include environmental and business

NGOs, technology companies, brokers and financiers, and other diverse organizations. Even though it is still at an early stage, the U.S. IJI has had a substantial influence so far in setting national project approval criteria, determining rigorous international reporting requirements and developing methods for estimating project baselines and related greenhouse gas reductions.

The advantages of AIJ are that:

- It begins to develop necessary institutions and processes in developing countries that in the near future that will not agree to any national target for GHG. AIJ helps many developing countries to develop effective environmental protection regimes. It assists countries to develop and apply methods for estimating source-level emissions and projections, and to estimate emission reductions from specific projects and actions. It helps them to develop collaboration with the private sector in reducing emissions, appropriate institutions, and monitoring and verification regimes. It is also helping move many of these countries towards more effective markets, including in emission reductions. The AIJ pilot begins to develop an infrastructure that would be useful to JI with credits (e.g. project level monitoring, operationalizing "additionality") and to emissions trading (e.g. international reporting guidelines, measurement, monitoring and verification protocols, consistency across national programs)

- AIJ begins to engage some developing countries politically as well on reducing GHG. Many countries who are leery of commitments and crediting for joint implementation or trading (China and India for instance) have shown support (not always openly) for AIJ, and at least a willingness to discuss participation. This category of countries is likely to include the Big Emerging Markets who are undergoing rapid economic expansion and which have vast potential for greenhouse gas friendly investments that would avoid or mitigate some of the projected rapid increase in GHG emissions. The U.S. private sector sets a high priority on increasing the level of commitment in these countries for several reasons. First, they are worried about the competitiveness effect on industries where these countries are global players. Second, these countries present a potentially vast market for U.S. technology. Third, the contribution these countries make to global GHG emissions is increasing rapidly, and eventually they will overtake and defeat the value of developed country emissions reductions. Finally, because of the emission growth rates projected in developing countries, these countries offer a large pool of relatively low cost greenhouse gas reductions, compared to the private sector's estimates of controlling GHG emissions strictly within domestic boundaries. AIJ may help set the stage for bringing developing countries into quantified GHG commitments.

- AIJ should also help accelerate the diffusion of cleaner technologies and practices in developing countries as well. The incubation period for new, cleaner technologies can be fairly long, and the movement from initial commercialization to substantial market penetration depends on real application of the technology in appropriate markets, and the receptors to gain the know-how to procure and operate them effectively. Although the incentives for such private sector-to-private sector projects are low in AIJ, due to the lack of credits, there is evidence that the impact of AIJ on technology diffusion could be significant. Moreover, there is also evidence that this process is assisted by the political attention that clean technology AIJ projects receive in developing and transition countries, helping to improve country receptivity and to expedite project approval processes.

The disadvantages of the AIJ, especially in its pilot phase, are that:

- Incentives for private sector investors to participate are low because no credits are allowed for AIJ. Consequently, projects are limited and relatively small compared to what might occur if credits were allowed, and financing is difficult. Hence, AIJ currently does not produce large quantities of near term GHG emission reductions.

- There remains poor definition of AIJ internationally, resulting in some confusion and slowness in getting programs and activities going, and in exchanging useful information among parties.

- Estimating the real, incremental emission reductions associated with many activities is challenging. The relatively few number of projects and the lack of credits for them (making the "additionality" requirement onerous to some) slows progress in resolving the issues.

B. Joint Implementation With Credit

JI with credit expands the current AIJ pilot program to allow "credit" for emissions reductions relative to a project baseline.

All the advantages of AIJ, described above, hold also for JI with credit Also:

- Allowing credits for projects against national emission caps, or against domestic emission limitation requirements provides a concrete, and possibly substantial, incentive for private entities to invest in JI, to the extent that GHG reductions can be found abroad that are less expensive and as reliable as domestic reductions.

- The likely larger volume of interest and projects in a system of JI with credits would accelerate development of infrastructure (institutional and market) needed in non-OECD countries for both domestic and international emission control purposes. This would also assist their eventual participation in an international GHG emissions trading regime (e.g. development and awareness of GHG emission reduction opportunities).

The disadvantages of pursuing joint implementation with credit are that

- Successful negotiation of JI with credit is not at all certain. Many developing countries have opposed the concept of joint implementation with credits arguing along several fronts, I) that it would represent a new form of eco-imperialism with developing countries seeking to avoid solving a problem they largely created, ii) it would be used as a substitute for needed development assistance; iii) inexpensive reductions would be bought up by developed countries leaving only expensive reductions behind for developing countries when faced with their own commitments; iv) it would threaten their sovereignty by providing an incentive for private companies to circumvent their governments in ways potentially inconsistent with the nations' development objectives It should be noted, however, that through the efforts of USIJI and the Country Studies Program, some developing countries, particularly in Central America, have begun to take a more active role in JI and to view them as an opportunity to encourage investment and technology transfer and to channel development in a more sustainable direction.

- The transaction costs of a project by project JI system are relatively high (compared to the lower rigor needed if credits are not allowed, and to the relative administrative ease of an allowance-based trading system). Designing and implementing a workable system of project by project emission reduction credit for investments made in countries without any overall emission limits may be difficult, complicated, and administratively expensive, and may not attract many investors -- especially if a substantial volume of low-costs trades are available in countries with national commitments.

- Alternatively, parties and participants with less concern for the environmental risks or consequences of an unrigorous crediting program may pressure the system to reduce administrative costs -- "red tape" -- and nullify the potential environmental benefits of the program, and reducing the overall effectiveness of the Convention.

- There are substantial technical difficulties which need to be overcome, primarily the definition and operationalization of additionality and the development of accepted protocols for measuring project by project baselines, as described above for AIJ

C. International Emissions Trading

Assuming that national governments will continue to be the *Parties* to the international Framework Convention on Climate Change and its protocols or amendments, *Parties'* principle obligations will be to ensure that their total national emissions do not exceed the target they will have committed to, for each compliance period Under an international emissions trading regime, the Parties would allow initial national commitments to be modified, taking into account any emissions allowances purchased from other Parties, sold to other Parties, or brought forward through "banking" of extra reductions in an earlier period For more discussion of how emissions trading might work see below

V. How An International GHG Emissions Trading Regime Might Work

A. Key Questions

There are multiple questions which must be answered in order to develop an international emissions trading regime, such as who would participate, where and when trades would occur and how appropriate mechanisms would function. Only "who" and "how" are discussed below

Who would trade?

As discussed above, only Parties to the FCCC that have committed to binding, quantified national emission caps would trade emission reductions and requirements as the Convention would view it As other entities are not bound by the FCCC and subsequent subsidiary agreements, only activities directly involving Parties are within the purview of the agreement. Thus, it is highly likely that only Parties to the FCCC -- almost entirely national governments -- would be the actors officially responsible for reporting net national emissions to the Convention, and may be the only actors able to officially register allowance transactions under the FCCC, although requires further consideration. This also protects national sovereignty in such a system, assuring that only activities approved by the government are allowed to modify its obligations.

However, there remains the more pragmatic issues of how emission trades would be generated and implemented. That is, who would identify the opportunities for emission trades, who would find appropriate buyers or sellers, who would plan, develop and operate the emission reduction activities are far more open questions. Emissions trading could involve government to government transactions or include the private sector, or NGOs, or state, regional or provincial governments (as has occurred in AIJ projects already). Private sector and other participation in emissions trading is much more likely to promote more, and more cost effective, emissions reductions and may create the greatest incentives for development and diffusion of new, lower polluting technologies. The U.S. currently supports and actively encourages private sector and other participation in AIJ and its own domestic trading regimes. Other countries taking on national emission obligations, however, may choose to trade internationally as governments, rather than allowing their subnational entities to participate directly in international trades. The international emissions trading regime should be flexible to accommodate varying national approaches to meeting their emission obligations.

What would be traded?

As noted above, as the conference of the parties to the new agreement will likely view emissions trading, the "commodity" that would be traded would be units of emission reductions that modify the commitments to Parties' quantified emission caps. (This corresponds most closely to the definition of "allowances", as described below.) However, how the commodity is defined at the domestic levels will likely vary across Parties, at least in the near term.

The U.S. currently has several emission trading programs, which allow two different types of commodities to be traded: "allowances" or "credits." Note that the U.S. has advocated flexibility in national approaches to implementation and, it is unlikely that the new agreement or subsequent rules for an international GHG emissions trading regime would require any country to adopt either an allowance or credit system domestically. It is likely therefore that the answer to this question is that both allowances and credits will be traded. It is possible that over time, national implementation strategies may converge on a single definition of the commodity, but this is unlikely in the near term.)

Allowances

- Sources within a country would receive a budget over some period of time of allowable emissions, or "allowances." Sources' allowances would have to be defined and allocated by national governments, presumably in their national implementation plans or related regulations.
- Sources' strategies to stay within their allotted allowances (or "compliance strategies") would not need approval by the national government, although some countries may choose to require it.
- Within the trading system, allowances are fungible and fully acceptable for compliance without further approval (although some countries may require it)
- Sources are required to hold allowances equal to emissions during a compliance period
- There must be some sort of "true up" by authorities, i.e., a reconciliation of emissions and allowances for compliance purposes
- The "cap and trade" system can be the emissions control regime, although it may co-exist with other emission control regimes (i.e. including regulations or fiscal measures).
- Examples: US acid rain control program, Southern California RECLAIM

Credit

- Emission reduction "credits" can be created when sources within a country make reductions <u>beyond</u> a some determined and agreed level, which may be a conventional regulatory standard (such as a power plant emission rate), or a projected baseline for the source. Trading may augment a system of policies and measures or regulations (or fiscal measures) which are the emissions control regime. However, credits could be generated even where there is no other control regime in place -- this latter eventuality raise integrity and reliability questions.
- Other sources (or countries) may purchase emission reduction credits to meet regulatory or other requirements instead of undertaking pollution control measures.
- Regulators certify reductions and credits towards other requirements, and approve trades
- Generally, credit systems provide flexibility and cost savings, but they are not the fundamental regulatory mechanism under which emissions reductions are made. Rather, it is the conventional regulatory standards or other measures that are the fundamental emissions reduction mechanism.
- Examples: EPA Emissions trading policy statement: bubbles, offsets, averaging, banking.

B Attributes of An International GHG Emissions Trading Regime

The following describes the attributes of a "good" international trading or JI regime, recognizing that not all possible system designs would achieve these to an equal extent, and that there are tradeoffs among them. In negotiating, the U S would seek to achieve agreement on a greenhouse gas trading and joint implementation system that would:

- motivate Parties to achieve and strengthen national commitments to reduce or limit GHG;
- ensure that for the system as a whole, trading or JI activities reduce GHG in the atmosphere at least as much, or beyond, that which would occur without trading or JI -- i.e., that the system safeguards environmental benefits.
- be flexible to accommodate differing national approaches to achieving their national GHG commitments;
- be as inclusive of Parties, sub-national entities, gases and sectors as possible, subject to meeting the other conditions
- minimize costs, especially transaction and administrative costs;
- motivate economic actors to continually find and implement cost-effective GHG emission reductions
- ensure transparency through accurate and reliable monitoring, record-keeping and reporting
- provide incentives for compliance and certainty that non-compliers will not benefit or undermine environmental progress

By definition, then, a trading system will allow parties to trade or exchange credits toward and against national GHG commitments through actions that verifiably and reliably reduce accrued, net GHG emissions (or enhance net sequestration) beyond that which would occur without the system In sum therefore, the system should promote and ensure:

verifiability	addtionality
environmental reliability	efficiency
motivation	flexibility
inclusiveness	comprehensiveness

C. Features or Procedures For An International Trading or Joint Implementation System

Certain common features for a party's domestic program would be [necessary for] [facilitate] an international trading or joint implementation. Many of these are desirable even without international trading, but become essential for integrity when trading is allowed

- Compatible domestic mechanisms for determining whether credits or allowances to be traded internationally are <u>surplus</u> to baselines. This includes the capabilities to accurately track or project domestic emissions and to reconcile allowances or credits with emissions measurements or projections

- Compatible quality of emissions baselines information at the project level (for credit-based trading) Countries must be able to establish reasonably accurate baselines at the project-level if they are pursuing credit based trading. Standards (not necessarily regulatory) to assess quality of baseline information would have to be established for different types of sources
- Compatible methods for measurement of emissions. If the traded commodity is to be uniform, emissions must be measured comparably in all participating countries. Different methodologies would have to be developed for specific source types. Uncertainties in monitoring accuracy could be reflected by discounting credits/allowances. A system of discounting would allow participants to trade off credit received for measures versus monitoring stringency and cost.
- Compatible requirements for reporting emissions and allowance/credit data to other countries and to the public. Some mechanism for tracking international emissions and for matching these emissions against allowances or credits would be required for compliance purposes under the new international agreement. This mechanism could be a centralized clearinghouse for registering trades and reporting emissions, under the Secretariat or through another mechanism. This organization would not necessarily have any enforcement powers. Rather, it could reconcile emissions with allowances/credits internationally and would report on any discrepancies. Alternatively, each country could have its own tracking systems but would be required to make all information easily accessible to the public. The integrity of the system would be maintained by countries checking on each other, non-governmental organizations serving as observers or watchdogs, and market participants demanding integrity of participating countries or subnational entities These participants might be reluctant to purchase credits/allowances from countries or sources where there were poor emissions accounting practices.

D. How Does International Emissions Trading or Joint Implementation Relate To National Control Strategies?

A "budget-based" protocol (i.e., one in which each country has an emissions target or cap) easily accommodates a domestic allowance-based cap-and-trade system like the U.S Acid Rain Control Program. It would also be compatible with a domestic credit-based system, if countries choose to adopt emissions standards in some sectors and generate credits through exceeding established regulatory standards or other regulatory baselines. Trading could also be compatible with other national approaches to implementation, including fiscal measures, although this needs further consideration

Assuming there is a budget-based protocol, there are several ways that countries with national emission caps might structure implementation. Some are described below. All of these are workable, especially if certain common requirements, are met (see above) First, a party could issue allowances equal to the national target to national emitters This approach makes emissions trading the fundamental underpinning of a domestic program and is most compatible with a budget-based protocol. If emissions are less or are expected to be less than the allowances held at the end of a compliance period (either by a government or a subnational entity), then the extra allowances would be available for trading.

Second, a party could adopt conventional regulatory standards and national emitters could generate credits by exceeding these standards. This may be a more incremental introduction to emissions trading for inexperienced nations and may be more compatible with policies and measures under consideration in developed countries. On the other hand, it may be more complicated to reconcile credits with a national emissions budget because it must be determined whether credits are surplus to the national target.

In countries using a policies and measures approach alone or with credit-based trading, or where an allowance based system is used that does not cover all sources of emissions (see below), the country would have to, *in some cases*, project the future emissions impact of a group of policies and measures (similar to U.S. State Implementation Programs for air pollution) or of the source and perhaps the sector. It would be more difficult to show that trades are surplus to a national target because the assessment of national emissions is based upon projections of the baseline activities and impacts of policies and measures (e.g., emission standards). These projections are at the aggregate national level and they may be imprecise for determining whether a possible emission reduction credit from an individual source is truly above and beyond the national target.

Third, a party could issue allowances to emitters for some sectors and allow generation of credits for other sectors. This hybrid approach may be the most flexible, since it would allow trading to proceed in the maximum number of sectors.

Finally, a party could bubble or average emissions with other countries. This may be a relatively simple way to trade emission reduction obligations that would be attractive to some countries. However, it could put U.S. at a disadvantage if certain countries decide to average their emissions without including the U.S. (e.g., if the E.U. decides to bubble). Also, the current aspirational commitments of the FCCC have included a regional "bubble," However, no clear delineation of responsibilities and of an action plan that could meet the aggregate target has been made available. In a legally binding and enforceable agreement, such a situation could be problematic.

VI Next Steps

The U.S. will have to decide how much relative emphasis to put on the three main mechanisms available for flexibility discussed in this paper. We will have to consider the political and practical interactions among these three programs, and between these policy issues and the overall structure of the commitment, other developing country considerations, likely national strategies to meet their commitments, and compliance and enforcement.

A AIJ

- A process is just getting underway within the UNFCCC Secretariat to resolve some of the technical issues surrounding AIJ. The Secretariat will be developing a work plan for the next three years and deciding which issues should be solved, in what order and how. The U.S. could contribute significantly to the development and of this work plan and support it once it is developed.
- Through bilateral relations, the development of AIJ projects and the provision of financial assistance to developing countries and EITs, the U.S. could continue to develop stakeholders around the world who support the general flexibility concept underlying AIJ, Joint Implementation with credits, and GHG emissions trading
- The U.S. could withdraw support for AIJ (without credit) and let it fade away.

B. Joint Implementation With Credit

- The U.S. could begin building support in other countries to end the pilot phase of AIJ and push for JI with credits under the next Protocol. If this step is taken, the U.S. could develop options to ensure that developing countries who participate in a system of JI with credits have an incentive to graduate to full participation in an emissions trading regime and the acceptance of a commitment and then advocate one of these options internationally.
- The U.S. could decide not to push for the end of the AIJ pilot phase but rather to wait to the end of the AIJ pilot phase (2000 or beyond if it is extended) to determine whether or not AIJ works and whether to move to Joint Implementation with credit
- The U.S. could decide not to support JI with credit (i.e. no mechanisms involving countries without quantified national emission commitments).

C. International Emissions Trading

- The U.S. is currently researching how an emissions trading regime might work.
- The U.S. could frame the debate on international GHG emissions trading internationally -- The U.S. is the only country with broad experience in emissions trading and an increasing number of countries have suggested that we take responsibility for framing the debate and demonstrating that international emissions trading is workable.
- While there is broad support among developed countries for the concept of emissions trading, there is a widespread lack of understanding both in the general and detailed mechanisms of how it can work. The U.S. could support an intensive phase of education internationally, to equip other countries to participate constructively in designing and eventually carrying out a system.
- The U.S. could begin to answer some of the more detailed questions on how an international GHG emissions trading regime might work that are advanced in Section V

Drafted 11/8/96 Kete/Carter/Kruger/Leggett-Emil
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DEFINING THE FORM OF THE TARGET

Note: This paper is a draft for internal discussion purposes only. It is intended to outline issues rather than positions or options, and does not reflect the views of any agency of the U.S. government.

In July of this year, at the Second Meeting of the Parties (COP-2) to the Framework Convention on Climate Change (FCCC), the United States rejected calls by some nations for short-term emissions targets that would disrupt our economy by coming on too quickly and inflexibly (e.g., a 20% carbon dioxide reduction from 1990 levels by 2005). Instead, the U.S. proposed that the Parties negotiate a legally-binding medium-term emissions target, incorporating flexibility in time and place of implementation, including the use of reliable activities implemented jointly (AIJ) and trading flexibility around the world. The U.S. also expressed interest in working towards a longer-term concentration goal, as set out in the FCCC objective, recognizing that scientific understanding and technology will improve over time.

This paper provides an overview of issues and options related to the design or form of a target. It also identifies a number of issues for further analysis by the interagency analytic effort. The following key issues are addressed in this paper:

* Should targets be defined relative to 1990 emission levels (like the current non-binding aim), to emission levels in a later year, or to indicators of future population growth or economic activity?

* Should the "medium-term" target be set on a single-year basis? As average over a multi-year period (e.g., 3 to 10 years)? As a cumulative amount of emissions over long-term period (e.g., 30 years or more)? In terms of contributions to atmospheric concentrations?

* Should the U.S. maintain its current position in favor of a comprehensive target (i.e., all gases, sources, and sinks) or handle different gases in different ways?

In addition, the paper considers the interaction between the form of the target and several other issues:

* Conditions or options that might be built into the form or design of the target if the current negotiation does not come to full agreement on the role of trading and AIJ as envisioned in our COP-2 statement.

* How negotiation and ratification considerations, as well as consideration of longer-term concentration goals, relate to the choice of a target form.

* Frequency of commitment reviews.

* Possible incentives to encourage early reductions.

I. Target Forms and Periods

a. Baseline Issues

The existing non-binding aim of the FCCC calls for developed countries to return their emissions to their 1990 levels by 2000. Most proposals to date for post-2000 commitments have been stated in terms of changes from 1990 levels in a future year (e.g., 20% reduction from 1990 levels in 2005; 1990 levels in 2010). Other baseline alternatives could be considered:

A later year than 1990. Changing the base year affects the relative position of countries that have had different emissions growth rates in the 1990s. A base year later than 1990 (e.g., 1995) would favor countries such as the U.S. that have had relatively fast emissions growth since then. It would disadvantage countries such as the U.K. and Germany that have reduced emissions since 1990, and especially disadvantage Russia and other countries with economies in transition (EITs) that have had sharply declining emissions due to reductions in economic activity (hopefully temporary) and energy market reforms (hopefully permanent). Raising this issue could complicate and slow the negotiating process.

1990 "adjusted" for weather or economic cycles. In national reports submitted under the FCCC, a few countries unilaterally adjusted their baselines to reflect weather, economic, or energy market conditions in 1990, altering the relative position of different countries. The current Convention, which includes only a non-binding "aim" for 2000, gives no guidelines or limitations for such adjustments. In the context of a legally binding target, any adjustment methods would have to be internationally negotiated and agreed upon.

An average of several years. If there were concerns that unrepresentative weather or economic conditions in the base year unfairly affected the Parties relative position, they could agree to use the average of several years (e.g., the average of the 3 or 5 years surrounding 1990).

Change from a projection of future emissions. Another approach could be to reduce emissions by a specified percentage from what they would otherwise have been under "business as usual" in a future year (e.g, 20% reduction from projected 2010 emissions). This raises difficult questions concerning the choice and validity of any underlying model to project the "business as usual" reference case.

b. Target Form Proposals

(1) Single-Year Targets. Proposals for future commitments made to date by other Parties define both the target level and the base in terms of single-year emissions levels. For example, one proposal would have each Party meet its 1990 level of greenhouse gas emissions in 2010, and presumably in each year thereafter.

A single-year target has the disadvantage of being sensitive to short-term variation in the weather, energy prices, and business cycles. Unusually hot or cold years, for example, can cause U.S. emissions to swing by + or - 25 million metric tons of carbon (MMTC) -- about 2% of total U.S. emissions and about 40% of the reduction sought by 2000 in the U.S. Climate Change Action Plan. Because swings in weather, energy prices, or economic cycles cannot be predicted with confidence, a single-year target would require each country to build in an extra margin of GHG reductions to ensure compliance, rasing both cost and environmental effectiveness.

(2) Multi-Year Average Targets. A short-term (3 to 10 year) multi-year average target would be less sensitive to short-term variation in weather, energy prices, or business cycles, reducing the need for an extra margin of emission reductions to assure compliance. This, in turn, might enable the Parties to agree on a more stringent target.

Form. Either "block" or "rolling" averages could be used. With "block" averages, each defined time period lies end to end (e.g., 2010-14, 2015-19). Compliance would be determined at the end of each block of time, looking at average emissions over the period (e.g., every five years). With "rolling" averages, each year begins a new time period that overlaps the prior and following periods (e.g., 2010-14, 2011-15, 2012-16). Compliance would be determined at the end of each year, looking back to the average emissions of the preceding period (e.g., the preceding five years). Both block and rolling averages smooth out year-to-year variation associated with weather, energy prices, and economic conditions. Block averaging offers additional flexibility for a Party to determine the pace at which the emissions "budget" for the period will be expended (evenly, front-loaded, or back-loaded) in accordance with its national circumstances. (This issue is explored further with regard to longer-term cumulative emissions targets, below).

How long? A multi-year average target could be set for periods of various lengths (e.g., 3 to 10 years). Analysis of weather variation, energy price fluctuations, and business cycles is needed to illuminate how much smoothing of weather and business cycles is provided by rolling average targets of various lengths.

Role of banking and borrowing. Multi-year averages inherently incorporate some degree of banking and borrowing. If emissions are below the target in any one calendar year, that amount automatically can be carried over to offset higher-than-target emissions in other years within the same five-year periods.

Banking or borrowing could also take place *between* multi-year average periods. For example, in a "block" average system, emissions amounts "unused" during one period could be banked and carried over to a later period. Such an approach rewards efforts to make early reductions. Borrowing from a later period in order to emit more in a current period raises more complex issues, however. (These issues are treated more fully in discussion of long-period cumulative targets, below.)

(3) ***Longer-Period, Cumulative Targets***. A cumulative target for longer periods (e.g., 20 or 30 years or more) could give parties flexibility over longer periods than the shorter-term multi-year average target concept already discussed.

Form. Each party would be assigned a cumulative emissions budget for a longer-term period (e.g., 2010-2040, 2000-2050). Each party would then be free to determine how fast to consume its cumulative emissions budget over the period, in accordance with its national circumstances. For example, one country may choose to defer emission reductions to later in the period, and to let emissions continue at or even above current rates in the early years. Another may choose to set a tighter budget for the early years, with less steep reductions in later years.

A variant of this approach would add consideration of the role of sink processes that remove carbon from the atmosphere. Targets would be set in terms of a Party's *allowed incremental contribution to atmospheric concentrations* at a given future date. Reductions late in the period may be more valuable in meeting such a commitment than early ones, since the impact of early emissions on atmospheric concentrations would be reduced in any event by the operation of sink processes. Substantial scientific uncertainty about the operation of current sink processes, as well as the possibility that sink processes themselves would be affected by climate change, would complicate application of this variant.

"Flight plans" and banking/borrowing. Each Party would be required to file a "flight plan" committing to the rate at which it will consume its emissions budget over the whole period. An intermediate reporting and review process would be necessary to assure that each Party was staying on its "flight plan." For example, the longer-term period could be divided into sub-periods, with each Party indicating how much of its budget will be used in each sub-period. Deviations from "flight plans" could be treated in two distinct ways: as a form of non-compliance that subjects the deviant to whatever enforcement mechanisms are available, or as a trigger that requires a deviant Party to file an updated plan that puts it on a path to meet its original obligation. With respect to both original and updated flight plans, consideration would have to be given to how much borrowing should be allowed from later in the period (i.e., the consequences of "falling behind"). A limit might be needed to prevent a Party from using up its entire budget before the multi-decade period ended.

How long? A longer-term cumulative target of 30 years or longer is suggested by the desire to avoid prematurely retiring long-lived energy-related capital stock, and by reliance on technological progress to bring forth cleaner and lower cost technology.

- For example, the United States might want to take account of the replacement cycle for its existing coal-fired power plants, which are responsible for roughly 30 percent of current U.S. carbon dioxide emissions. Most energy analysts project significant rates of replacement of current coal-fired plants in the 2015 to 2025 period and beyond, although replacement rate predictions are uncertain given the option of refurbishing plants to extend their lifetimes. A cumulative budget that allowed reductions to be deferred to late in the period would conserve this capital stock and require less capital to be used for emissions abatement early in the period. Further cost reductions would accrue from back-loading the mitigation profile if time improves the efficiency of replacement sources and brings down their costs.

- One study of both capital stock turnover and replacement cost issues in the U.S. concluded that, assuming agreement at this time on a 50-year cumulative emissions budget for developed countries, no changes in the budget over the 50-year period, and perfect foresight among firms, flexibility to allocate emission reductions over the 50-year time span could reduce overall costs by 40 percent. The savings would be less if the budget period is shorter.

- The potential savings would also be affected if (as is almost certain to be the case) the 50-year cumulative target cannot be guaranteed and is subject to periodic review and adjustment based on developments in science, technology, and economics. Since scientific understanding of the rate and severity of warming is likely to continue improving, targets are likely to be repeatedly reviewed and reconsidered over the next 50 years. If commitments were tightened before the end of a cumulative budget period, the potential savings would be reduced; if they were loosened, savings would increase.

- The rate of technological improvement and cost reduction is also uncertain and subject to policy influence. A target that requires relatively early, but non-Draconian, reduction efforts will send a signal to the private sector that can be expected to accelerate the rate at which current technology is applied and improved technology developed. As an example, while it first appeared that eliminating ozone-depleting clouroflourocarbons from building "chillers" would force costly early retirements of existing units with 30-year expected lives, redesigns stimulated by the phase-out improved energy-efficiency beyond historical or expected rates of improvement; reduced operating costs now make it profitable to replace existing units early. An important question is whether policy-driven acceleration of technological progress in one sector of the economy can be achieved only by diverting resources from technological progress in other sectors, slowing overall labor and capital productivity growth. The Interagency Analysis Team is further considering these issues.

c. Differentiation

Some developed countries are now calling for "differentiation" in their new commitments, rather than a common commitment related to a common base year. For example, Japan has proposed setting the target in terms of a percentage change in base-year *per-capita* emissions, which would be easier for Japan to meet than the same percentage reduction in national aggregate emissions. Australia has suggested a formula based on various economic indicators, intended to compensate for competitive disadvantages that Australia asserts flow from common targets. A formula including adjustments for population growth would benefit the U.S. relative to Europe and Japan (which have stagnant population trends), but if this approach were used in future rounds of negotiations, it would disadvantage all developed countries relative to countries such as India and China, which have very low per-capita emissions and higher population growth.

Another approach that could be advanced is a target adjusted for GDP growth rates. This would respond to concerns that a country experiencing unexpectedly high growth should not be "penalized" by having to live with a fixed emissions budget. On the other hand, it might be reasonable for that country to devote a portion of its increasing wealth to the added cost of living within the fixed emissions budget. Targets could also be based on changes in base-year energy intensity, or GHG emissions per unit GDP. These approaches would reward countries for becoming more efficient in the use of energy (and in the emission of other GHG's). These approaches all share the drawback of not limiting total emissions from the covered countries to a fixed level, since the amount of emissions allowed becomes a function of other variables. In addition, some such formulae could work to the disadvantage of developed countries if they are applied in later rounds addressing limits for emissions from developing countries.

Most differentiation proposals made thus far would disadvantage the United States. The U.S. could respond to these proposals with a differentiation proposal of our own constructed to work to our advantage. To date, however, the U.S. has opposed differentiation among Annex I countries altogether for two reasons. First, we have argued that differentiation would be a negotiating nightmare, because each proposal benefits some parties at the expense of others. Second, the U.S. has urged that the Parties make use of emissions trading and flexibility in the timing of emissions reductions to overcome differences in national emission reduction costs (e.g., cost per ton reduced).

Assuming that we maintain this position of basic opposition to differentiation among the current Annex 1 Parties, we should recognize that new OECD members, such as Mexico and South Korea (membership pending), are unlikely to accept the same target as other developed nations. These countries have graduated from developing country status, but they are still much less developed than the core OECD countries and have much lower per-capita emission rates.

A final issue relates to the differentiation in opportunities for trading rather than in the emissions mitigation commitments themselves. The European Union has used a collective reporting approach in evaluating its own progress towards meeting the existing, non-binding emissions mitigation aim, implicitly trading off emissions increases in some countries against reductions in others. However, to date the U.S. has strongly opposed allowing the European Union to meet any new legally-binding mitigation commitments on a collective "bubbled" basis unless developed countries outside the European Union are afforded a similar opportunity for trading. Adherence to such a position advances both U.S. interests and makes it more likely that we will achieve our flexibility objectives.

II. Treatment of Various Gases

The current Climate Convention covers all GHGs except those controlled under the Montreal Protocol (the treaty that protects the ozone layer); the excepted gases are being phased out or limited for ozone protection reasons. The principal greenhouse gases other than carbon dioxide are methane, nitrous oxide, and a class of industrial gases containing fluorine, many of which are replacements for cloroflourocarbons. Globally, these gases represent about 30% of the added radiative forcing to the atmosphere since pre-industrial times. The FCCC also covers emissions "sinks" of carbon dioxide as well as "sources." Significant amounts of atmospheric carbon are released by deforestation and some agricultural and land management practices. Reforestation can also remove carbon from the atmosphere.

The U.S. supported inclusion of all GHGs and inclusion of both sources and sinks -- the so-called "comprehensive approach" -- during negotiation of the current FCCC, and we used this approach in constructing our Climate Change Action Plan (CCAP). Reductions in emissions of gases other than carbon dioxide constitute about 30 percent of the reductions counted on for meeting the CCAP's goal of returning U.S. greenhouse gas emissions to 1990 levels by the year 2000. Sink enhancement accounted for 10% of CCAP reductions. Many developed countries have eschewed the comprehensive approach, choosing instead to establish separate targets for each gas, focus only on policies and measures for non-CO2 gases, or ignore these gases entirely in their national action plans. Proposals for emissions "targets and timetables" now on the table generally focus only on carbon dioxide emissions.

Different GHGs may present different strategic opportunities from the perspective of effects on the climate system. Methane reductions are especially important given concerns about the rate of warming over a decadal scale (see above). Methane has a short atmospheric lifetime, meaning that reductions in methane emissions produce lowered atmospheric concentrations more rapidly than reductions in emissions of carbon dioxide or other GHGs. If a priority goal is to limit the rate of warming over the next few decades, methane reduction is extremely valuable.

Looking to the period to be covered by the medium-term target, analysis could illuminate whether including all greenhouse gases increases or decreases the overall burden of a given target, as compared to the same target for carbon dioxide alone. For the U.S. (as well as other countries), methane currently may be more cost-effective to control than carbon dioxide when gases are compared on an equivalent basis (see below). Indeed, net reductions in methane, and net increases in the forest sink, were used in the U.S. CCAP to offset growth in carbon dioxide.

The fluorinated industrial gases, however, are growing rapidly from a baseline of near-zero and may be more expensive to limit. Including them in the CCAP made meeting the target of 1990 levels by 2000 more difficult to achieve.

It should be noted that CO2 emissions from fossil fuels (85 percent of all U.S. greenhouse gas emissions) can be estimated with a high degree of certainty from readily available data on fossil fuel production, imports, and consumption. All other sources of emissions are more uncertain, with some sources (land use change, nitrous oxide emissions from agriculture, some methane sources) being highly uncertain. This suggests that a drawback of including all sources and all gases in a comprehensive target is that national compliance may be more difficult to assess.

Assuming continued pursuit of a "comprehensive" approach, each Party could be given flexibility (1) to decide the "shares" of the overall GHG target that it will assign to different gases and sectors, and (2) to allow trading among gases and sectors in order to encourage the greatest and most cost-effective reductions. Several issues are important to consider in regard to inter-gas trading.

Different levels of measurement certainty for various sources and sectors. Emissions from some source types are readily quantifiable, while emissions from others are subject to very large uncertainties. CO_2 emissions from individual power plants are easily monitored (indeed monitors are already in place in the U.S. as a by-product of the Clean Air Act's acid rain program). CO_2 emissions from individual cars are not known so precisely, but they are uniform enough for use of emission factors and averaging. On the other end of the spectrum, carbon uptake by trees is uncertain for the U.S. as a whole and highly uncertain for specific tracts of forest. Similarly, methane reductions from improved cow nutrition can be estimated on a national basis, but estimates at the level of a particular dairy may be subject to great uncertainty. Trading among different gases and sources might be limited by the need for information on emissions and emission reductions to meet a reliability threshold.

Gas equivalence ratios. GHGs can be compared using indexes of "global warming potential" (GWP). The relative strength of the gases varies, however, depending on the time scale being considered. Methane, for example, is considered 22 times more potent, pound-for-pound, than carbon dioxide on a 100-year basis. Its relative importance is even higher on a short-term timescale (e.g., 20 years). The Parties could agree to allow inter-gas trading based on the 100-year GWPs. Alternatively, if slowing the rate of warming in the next few decades is given priority, then a shorter-term GWP might be preferred for inter-gas trading.

III. Interactions With Other Key Issues

(a) The Form of the Commitment and Emissions Trading

An appropriate emissions trading regime is important to serve three important U.S. objectives. The first is cost-effectiveness: analysis shows that emissions trading involving both developed and developing countries has substantial potential to reduce the costs of achieving a given change in greenhouse gas emissions (or to reduce emissions within a given resource constraint). As discussed in other papers, emissions trading can also promote two other key U.S. objectives -- encouraging developing country "opt-ins" to emissions mitigation commitments and encouraging all parties to comply with their commitments.

At COP-2 the U.S. stated that its support for a binding medium-term target was premised on the availability of emissions trading around the world and reliable AIJ. It is possible, however, that agreement on trading provisions of appropriate scope may not be agreed upon by COP-3 in 1997. The pilot phase on "activities implemented jointly" (during which the transfer of emissions credits is excluded) will not be completed before COP-3, and some developing countries could attempt to block discussion of trading or joint implementation in this round on that basis. There are several ways that this situation might be addressed:

- Conservative approach: Set a target the U.S. would be willing to meet without trading, recognizing that trading may not materialize. The possibility that trading might not be available could put added value on flexibility over time.

- Conditional approach: Develop a commitment that explicitly conditions the developed countries' target on a future determination regarding access to emissions trading on a global scale.

- Financial option approach: Include an option for parties to make contributions to an "Emissions Reduction Fund" (ERF) in lieu of making emissions reductions. The fund's resources would be used to secure additional emissions reductions beyond those required by any FCCC obligations. If desired, the ERF could be structured to serve as a supplement to, as well as a substitute for, emissions trading, providing an assured market of last resort through which Parties could buy reductions required to meet their commitments. Depending on the intended purpose, the charge for meeting emissions reduction obligations through the fund could reflect the estimated cost of available low-cost mitigation opportunities plus some administrative premium, or a higher charge to penalize those who resort to the ERF. Use of the fund mechanism could be limited to some fraction of an overall emissions limitation obligation.

(b) Consequences of Form and Timing for Negotiation and Ratification

The form and timing of the target can have interrelated consequences for the dynamics of the international negotiating process and subsequent prospects for domestic ratification and implementation.

The U.S. is on record as supporting a "medium-term" target. Many believe that medium-term translates into a date somewhere between 2010 and 2020 (dates reflected in the Berlin Mandate and the Geneva Declaration), but there has been no definitive decision. For an averaged target of a decade or less, a date identified as being "medium-term" could refer to the start, the mid-point, or the end of the period. For a longer-term cumulative target, the "medium term" could refer to either the start date or the date of the first "flight plan" review.

In terms of the negotiations, commitments that incorporate flexibility could provide an attractive provide an attractive alternative to the briar patch of explicitly differentiated commitments. However, some might interpret an effort to either maximize trading or timing flexibility or delay the start date of new commitments as an indicator of a lack of seriousness or purpose about the climate issue. This could create obstacles for efforts to negotiate further commitments for developing countries, which will be necessary in view of their projected emissions growth.

The form of the target also has implications for ratification and implementation prospects. Given a determination regarding the meaning of "medium-term," the form of the target can directly affect the length of the window for ratification and implementation. Because greenhouse gas emissions have a strong underlying trend and momentum (independent projections suggest that U.S. CO_2 emissions in 2000 will be more than 10 percent above their 1990 level, and trending up) there is a risk that an inflexibly structured agreement could quickly become a dead letter unless it achieves immediate ratification and implementation (R&I). Absent immediate R&I, the outcome could mirror our experience with current efforts to return to the 1990 emissions level by 2000, which we no longer seriously consider pursuing only three years after undertaking them.

Provision of flexibility need not conflict with environmental performance -- the Chairman and Chairman-elect of the Intergovernmental Panel on Climate Change have publicly stated their belief that delayed reduction profiles to a given concentration level are likely to be environmentally indistinguishable from more accelerated profiles. Since flexibility raises the probability of ultimate R&I success by building in the opportunity for multiple attempts should initial efforts be unsuccessful, it could be argued that flexible approaches are preferable on environmental as well as cost grounds once R&I risks inherent in the process are taken into account.

Policymakers should also recognize that, for a given target form, adoption of a later "start date" can provide another means of increasing the length of the window for ratification and implementation. For this reason, the choices of a start date and the choice of a target form may be seen as interrelated with respect to any desire on the part of policymakers to provide for multiple opportunities for R&I.

(c) Relationship of Target Form and Concentration Goals

As mentioned at the beginning of this paper, the U.S. statement at COP-2 in July suggested the need to continue working towards a longer-term *concentration* goal (e.g., for 2050 or 2100), as set out in the FCCC's "ultimate objective" of stabilizing greenhouse gas concentrations at a level that avoids "dangerous" interference with the climate system. Working towards such longer-term goals would respond to requests from some U.S. business interests for a signal as to our long-term trajectory, and also provide a strong message to all governments that limitations will be needed over the long-term on emissions from both developed and developing countries.

The prospect of longer-term concentration goals bears directly on both the *level* of the medium term target (not discussed in this paper) and its *form*. Analysis can describe a large set of emissions paths consistent with any future atmospheric concentration level that might be of interest (e.g. a doubling or tripling, or equivalent doubling or tripling, of pre-industrial carbon dioxide levels). Emissions to date have already rendered some concentrations unreachable. The lower the concentration level of interest, the more restricted are options for future emissions paths.

Policymakers will also need to consider the relationship between medium-term targets and the longer-term concentration goals they might ultimately want to pursue. Analysis can help to determine the extent to which the desire to keep particular longer-term concentration objectives open would impact on the choice of both a target form and target level in the medium term. (As noted above, a medium-term target using a cumulative emissions approach would always be subject to revision. Should very low concentration levels ultimately be targeted, a medium-term target set in the form of cumulative emissions over an extended period might need to be revised to reduce emissions budgets prior to the end of the originally contemplated period. This prospect will have to be considered by Parties, and emitters located within their borders, as they seek to exploit any timing flexibility that may be provided. Parties or firms who are "surprised" by such changes may *ex post* incur greater than anticipated costs, reducing or eliminating any cost savings from the initial adoption of timing flexibility.

An additional factor to consider is scientific concern over the *rate of warming* on a decadal scale, in addition to cumulative warming over a longer period. High-speed warming could exceed the adaptation capabilities of ecosystems and individual species. Our principal point of leverage on the rate of warming may be control of methane, which has a concentrated impact on warming during an atmospheric lifetime that is shorter by a factor of 10 or more than that of other important greenhouse gases.

(d) How Often Is the Commitment Reviewed?

The FCCC contemplates a periodic review of commitments, based on up-to-date scientific, technological, and economic assessments. The first review will be completed in 1997, five years after the Convention was adopted. The next major scientific assessment report is scheduled for 2000 or 2001, but no decision has yet been made on when the next review of commitments will be completed. Five years seems to represent a minimum interval for the accumulation of significant new information and for conducting a diplomatic endeavor of this magnitude, but longer intervals might also be considered.

Given emissions trends in the developed and developing worlds, it is clear that meeting the ultimate objective of the Convention (stabilization of atmospheric concentrations of greenhouse gases at a level that prevents dangerous human interference with the climate system) will require limitations on emissions from both developed and developing countries. Since it is a negotiating reality (reflected in the terms of the Berlin Mandate) that new commitments for developing countries will not be agreed to in this round, questions need to be asked as to when should be the deadline for completing the next round of negotiations, and what should the scope of that negotiation include.

One approach would be for the U.S. to seek a next round focussed on developing country commitments, in order to avoid pressure for further action by developed countries before developing countries take on emissions targets: Realistically, however, we may be unable to definitively rule out review of developed country commitments. How quickly to expect a more forthcoming attitude from developing countries may depend on how successful we are in this round in creating an emissions trading/joint implementation framework in which developing countries, as well as developed ones, see benefits of participation.

(e) Incentives for Early Reductions

Most proposals already tabled or likely to be advanced in the future contemplate a 10- to 20-year period before the first "medium-term" target takes effect. It would be desirable to create incentives to encourage early reductions during this period. One approach would be to define a baseline emissions path for this interval. While Parties would not be required to stay within that baseline during that interim period, they could bank any reductions below that path, for use against later commitments. Another approach, in connection with a long-term cumulative emissions target, would be to begin the long-term period immediately (e.g., 2000-2050).

Revised Draft

November 12, 1996

NOTE: **This paper is a draft for internal U.S. Government discussion purposes only. It is intended to outline issues and options and does not reflect the views of any agency of the U.S. Government.**

Reaffirming and Continuing to Advance the Implementation of Article 4.1 Commitments

Issue

What specific proposals should the United States advocate to "reaffirm and continue to advance the implementation of Article 4.1 commitments?"

Negotiating Objectives

To ensure that action by developing countries is part of a protocol/amendment to the U.N. Framework Convention on Climate Change.

To ensure appropriate balance between the actions taken by developed countries and actions taken by developing countries pursuant to the protocol/amendment.

Background

Greenhouse gas emissions in developing countries are growing rapidly. By the year 2020 they are projected to exceed the emissions of the developed world. China is now the world's second largest greenhouse gas emitter (after the United States).

Developing countries must be part of the protocol/amendment because:

(1) action by the developed world alone cannot solve the problem of global climate change, and

(2) it will be difficult to persuade stake holders in developed countries to take additional action if developing countries are not also seen to be taking some action;

(3) developing countries may otherwise gain competitive advantage

In negotiations toward the Convention, participants largely acknowledged that the environmental benefits of developed country efforts to return their greenhouse gas emissions to 1990 levels by the year 2000 were not quantifiable; the "aim" of the Convention was largely political -- a small downpayment toward reaching the Convention's ultimate objective (the stabilization of atmospheric concentrations of greenhouse gases at a level that will prevent dangerous human interference with the climate system).

In this regard, little has changed since 1992. Whatever step developed countries are prepared to take in negotiations toward a new legal instrument will also largely be insusceptible to quantification in terms of its environmental benefits. It will likewise be difficult if not impossible to measure the environmental benefit of action by developing countries.

In the absence of an environmental metric, the benefits of action by developed countries and action by developing countries can be measured only relatively -- both on a political scale, and each largely in terms of the other.

Politically, it will be indispensable to include developing countries in the new legal instrument. Without developing country participation, it will be difficult for developed countries to summon domestic political support for additional action by them. For this reason, including developing countries in any next step has long been a *sine qua non* of U.S. policy.

Differentiation

The issue is how to include them. Article 3 of the Convention provides that, "The Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their *common but differentiated responsibilities and respective capabilities* [emphasis added]. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof." Article 4.1, which pertains to all Parties, also speaks of their "common but differentiated responsibilities."

Therefore, under the Convention there must be appropriate balance -- or differentiation -- between the actions of developed countries and those of developing countries. This "differentiation" is rooted in their "responsibilities" (historic emissions) -- the usual emphasis of developing countries. It is also rooted in their "respective capabilities" (resources available to respond) -- the preferred emphasis of developed countries.

The Convention differentiates between developed and developing countries by requiring all Parties to take the actions set forth in Article 4.1 and by requiring developed countries to take the additional actions set forth in Articles 4.2, 4.3, 4.4, and 4.5. Differentiation is also evident in Article 12's reporting requirements.

The Berlin Mandate further differentiates between developed and developing countries. It provides for strengthening the commitments of developed country (Annex I) Parties by elaborating policies and measures and setting quantified limitation and reduction objectives within specified timeframes. It also provides that the process will not introduce any new commitments for developing country Parties, but will reaffirm existing Article 4.1 commitments and continue to advance the implementation of these commitments.

"Differentiation" is thus central to the Convention and to the Berlin Mandate. It is also reflected in the Geneva Declaration (July 1996), which provides that the "outcome" [of the negotiations] should encompass commitments for Annex I Parties regarding policies and measures as well as "quantified legally-binding objectives for emission limitations and significant overall reductions within specified timeframe. The Geneva Declaration also specifies that the "outcome" should encompass "commitments for all Parties on continuing to advance the implementation of existing commitments in Article 4.1."

[Note: Arguably, the Geneva Declaration -- which speaks to the "outcome" of negotiations -- offers greater assurance that developing countries will be part of the next step than the Berlin Mandate itself, which speaks only to what the negotiating "process" should include.]

<u>Developing Country Perspectives</u>

In the negotiations that led to the Berlin Mandate, the Group of 77 (G-77) (the developing country caucas in the United Nations) strongly resisted undertaking any new commitments. Leaders of this effort included notably China and India. China, in particular, felt that there was no need to begin negotiations toward a new legal instrument in Berlin, that the Parties should first implement the Convention's existing commitments for an indeterminate period. They reacted very negatively to the German "Elements Paper" (an early effort to set forth basic elements of a protocol. The German paper called for new commitments from developing countries; the G-77 so soundly rejected the German paper that they allowed no reference to it in the Berlin Mandate. Even the protocol proposed by the Alliance of Small Island States (AoSIS) touched off a firestorm within the G-77 because it suggested that developing countries might take some, albeit minor, actions.

Ultimately, the G-77 relented and agreed that negotiations could begin -- but they were adamant that these negotiations involve no new commitments for developing countries. Developed countries, in particular the United States, insisted that developing countries must be involved in the negotiations and that the new legal instrument must include action by developing countries.

The compromise ultimately agreed provided that all Parties would "reaffirm" their existing commitments and "continue to advance the implementation" of those commitments. To some developing countries, this provision was hollow; their representatives have since asserted that developing countries will do nothing beyond what they are already doing. To most developed countries, this provision means that developing countries will be included in the new legal instrument, which will elaborate to some extent on their existing commitments.

Establishing the Continuum

Not yet established in the negotiations is the concept of a continuum with respect to "continuing to advance the implementation of Article 4.1 commitments." At one end, very little beyond existing implementation efforts might be expected; at the other end, the distinction between "continuing to advance the implementation of existing commitments" and "new commitments" might almost be lost.

Where precisely along the continuum of possible actions we would expect developing countries to end up will depend on how far developed countries are prepared ultimately to go in their own "next step." It will also depend on the polical judgment developed countries reach about the concommitant action they will need from developing countries to achieve the kind of rough symmetry that their domestic constituencies will demand.

To settle at some future date on a point along a continuum, it will be critical soon to establish it conceptually and to suggest potential parameters. This could be done in U.S. interventions at the AGBM's Fifth Session in December. Waiting much beyond December will create several problems: 1) what to say in December, if not this; 2) when else to begin laying the ground for potentially significant action from developing countries; 3) how to begin rallying other developed countries, recognizing that unity among them will be important in the negotiations.

With three likely negotiating sessions (March, August and October) after the AGBM's next meeting and before Kyoto in December 1997, not much time remains in which to posit a conceptual approach, rally developed countries and persuade developing countries.

Options Along the Continuum

The continuum of approaches that could be proposed is extremely broad and includes actions both humble and grand. It may aid evaluation to consider them in several categories. They are labeled here simply by letter (categories A-E), which correspond, however, to increasing levels of action.

At the low end, actions proposed would entail little controversy, but neither would they achieve significant reductions in greenhouse gas emissions. At the high end, actions proposed could lead to meaningful greenhouse gas reductions but would be extremely controversial and difficult to negotiate; they could also give rise to developing country demands for substantial increases in development assistance, Global Environment Facility (GEF) funding, technology transfer, etc. Actions higher up along the continuum would also presuppose a higher level of action from developed countries.

Governments participating in the GEF will be engaged in a major replenishment effort in 1997. While this effort may not be concluded before 1998, developed country efforts to involve developing countries in the new legal instrument will likely give rise to calls from developing countries for higher levels of GEF funding -- the more significant the actions expected of developing countries, the stronger the chorus for increased GEF funding. U.S. contributions to date to the GEF ($190 million appropriated) suggest that the United States will fall significantly short of its 1994 pledge of $430 million. Thus, even if the United States were disposed to increase its future contributions to the GEF, we have a credibility problem both among other donors and recipients that will be difficult to overcome.

Note that implicit in the actions listed below is acceptance of the Berlin Mandate proscription against "new commitments" for developing countries. While the provisions of the Berlin Mandate might themselves be overturned, this would come at a very high price, including, most likely, a virtual meltdown of the negotiations. Although some have argued that developed countries should take no additional action unless that action is matched by developing countries, most developed countries accept that the threat of global climate change is too serious to risk a stand-off in which global greenhouse gas emissions continue to grow unabated.

Also implicit in the actions listed is acceptance of the political imperative to show "progress" within the four corners of the new legal instrument. While it would be possible to pursue a strategy in which the United States or a somewhat broader segment of developed countries (e.g., the G-7) sought to change the development path of key developing countries through bilateral or multilateral efforts outside the Convention, it is questionable whether such progress outside the new legal instrument could be used to justify new developed country commitments in the instrument. Appearance and politics militate against this approach, whatever its practical advantages might be.

The categories here are obviously subjective. There is no systematic basis for including a particular action at the high end of one category or the low end of the next. Moreover, the categories and the possible actions within them are not mutually exclusive -- it would be possible to choose particular items from among the categories. Still, the categories listed may serve roughly to differentiate among various possible options, recognizing that there has as yet been little substantive discussion in the AGBM sessions of how to "continue to advance the implementation of Article 4.1 commitments."

<u>Category A</u>

This category of options may include some or all of the following:

1) Stressing the vulnerability of developing countries to the impacts of significant climate change, and systematically documenting the local (national) benefits to be gained from actions to respond to climate change

2) Developing guidelines for domestic processes to implement commitments under Article 4.1

3) Urging developing countries to implement "no regrets" measures to address (mitigate) greenhouse gas emissions that are make sense in their national circumstances

4) Proposing to expand the U.S. "Support for National Action Plans (SNAP) Program (the successor to "Country Studies") to help developing countries identify and implement such "country-driven" (nationally determined) "no regrets" measures, essentially seeking to replicate internationally U.S. voluntary programs under the Climate Change Action Plan of 1993

5) Using investment guarantees to encourage U.S. firms to support developing country efforts to implement such cost-effective measures

Options in this category would require little of developing countries beyond what they are already doing. Domestically, they could require some additional work (seeking to use investment guarantees, which could engender domestic opposition if pursued vigorously) or commitment (expanding the SNAP Program). They would not be controversial or provocative. It might be possible to implement them without signficant expenditure (or calls for significant additional funding from developing countries). They could be reflected in the new legal instrument to demonstrate that developing countries were moving forward to some extent (e.g., a commitment to implement "country-driven", cost-effective measures).

Category B

Options in this category would constitute more of a departure from the status quo than those described above. They might include such items as:

1) Promoting an in-depth review process, similar to that of Annex I Parties, for the initial and subsequent national communications of developing countries (this could involve amending Article 10.2(b) of the Convention to specify clearly that the Subsidiary Body on Implementation, or a counterpart body under the new legal instrument, would be empowered to consider information submitted by each Party individually; it could also involve expanding the powers of such a body, e.g., by enabling the Conference of the Parties to 'elaborate' further the functions and terms of reference of the SBI or new legal instrument counterpart body)

2) Developing a common menu of "no regrets" actions (provision for doing so and for revising the menu from time to time could be included in the new legal instrument, although the menu itself would be established through decisions of the Conference of the Parties) and urging that developing countries periodically and systematically review the menu and "order" such items as could be justified in their national circumstances

3) Proposing new provisions to engage developing countries more effectively in technology cooperation and diffusion (this could be shaped in such a way that developing countries, as the primary beneficiaries, would have little objection -- that is, it need not include references to 'market reform' or 'removing barriers to technology diffusion', but could involve participation in a revitalized Climate Technology Initiative or various elements thereof)

To date the United States has tended to view the development and implementation of a review process for national communications of developing countries as a part of ongoing efforts to implement the Convention. In this sense, the United States has been unwilling to "count" such efforts as "continuing to advance the implementation of existing commitments" under the Berlin Mandate. Still, having just adopted guidelines for initial communications of developing countries at the Second Conference of the Parties in July 1996, the issue has yet to be joined. Experience in negotiating those guidelines has proven that a significant effort will likely be required to develop and implement a meaningful review process, particularly in view of developing country sensitivities and in view of language they successfully included in the Convention that presents obstacles to doing so.

In the context of a new legal instrument, clarifying that national communications of developing countries would be subject to individual, in-depth review (not merely review in the aggregate) would be a meaningful change.

Other options in this category could be structured in such a way as to avoid issues that would provoke developing countries while still advancing efforts to implement existing commitments. None should directly involve significant cost or fuel developing country demands for significantly enhanced funding commitments from developed countries.

Category C

Options in this category go beyond those in Category B. Because they would largely require developing country acquiescence, rather than active agreement, or because they could be accomplished in other fora (e.g., the GEF Council), they could perhaps be accomplished with persistence and determination. Such options largely focus on using "conditionality" with respect to existing funds to promote greater engagement in addressing climate change within developing countries. They might include:

1) Proposing that future GEF funding be conditioned on submission of an initial national communication (report)

2) Requiring that GEF project proposals from each developing country in the climate change focal area be ranked according to their effects on greenhouse gas emissions and that the GEF establish rigorous funding requirements linked with such rankings (either for individual countries or among proposals submitted by all eligible countries)

3) Promoting comprehensive changes in the lending practices of multilateral financial institutions to condition loans and grants on certain policy changes in key sectors (e.g., energy demand/supply, transportation, agriculture) designed to encourage greater attention to climate change concerns and greater participation in the global effort to address them

Options in this category would need to be pursued persistently over time, and could depend on making comparable changes with respect to domestic lending banks (e.g., OPIC). These options might not lend themselves to textual treatment in a new legal instrument, and therefore might not satisfy domestic political needs. They would likely strike a particularly sensitive nerve among developing countries, who have long railed against "new forms of conditionality" and fought hard at the Rio Conference in 1992 to establish an international policy decrying "conditionality" in international funding activities. Developing countries would flatly oppose further conditionality within the GEF. Ranking GEF projects might present problems in terms of short versus long-term reduction gains. Moreover, considerable "conditionality" already is associated with international funding efforts; it might be difficult to add new criteria and/or to avoid inconsistencies with existing criteria.

Category D

Options in this category include those that have already occasioned intense debate internationally, or those that could reasonably be expected to do so. Some may well be indispensable to any new legal instrument; still, negotiating them would likely be extremely difficult. Such options include:

1) Advocating joint implementation for credit under an "opt-in" approach in which developing countries, on a voluntary basis, would be allowed to participate (on a full or discounted basis) in the emissions trading regime among developed country Parties, provided they met certain criteria (e.g., agreement to begin developing a national baseline for greenhouse gas emissions); the criteria that might be adopted regarding developing country participation in such a program might best be implemented through "premiums" for countries that met higher standards in their national programs (e.g., all or most emissions reductions from eligible projects would count if the host country agreed to develop a national baseline within "x" years; less of the emissions reductions would count if lesser efforts were involved);

   the "opt-in", voluntary basis orientation of such a program could serve to lessen the controversy that would otherwise attach to it; still, a number of developing countries will likely argue that "joint implementation," particularly "joint implementation for credit," cannot take place until the "Activities Implemented Jointly" international pilot phase has been concluded and there has been a "conclusive decision" of the COP to move to a successor regime

2) Seeking developing country agreement in a new legal instrument to begin negotiations toward "new commitments" for them by "x" date after the conclusion of COP-3 in Kyoto; this option is sometimes described as an "agreement to agree"; there are many variables and possibilities under this option (e.g., would the future negotiations with developing countries specify that the outcome should be binding targets and timetables, would the negotiations result in a non-binding "aim" for developing countries, would the date fixed for negotiations to begin be the same for all developing countries, might the date for beginning negotiations be triggered when a country met a

particular threshold (in terms of total emissions, as a percentage of global emissions, or based on national annual average emissions growth), might the agreement only involve a commitment to begin negotiating such a threshold by "x" date, etc.;

Options in this category may have some proponents within the ranks of the developing countries (e.g., on joint implementation). Some developing countries might even be willing to set a date for future negotiations that could involve new commitments for them, provided that the mandate for these negotiations was vague enough, that the date set to begin was sufficiently distant, and that the negotiations involved still further commitments from developed country Parties. Still, options in this category will be highly controversial and will, at a minimum, lead to accusations by some that their proponents have torn up the COP-1 decision on "Activities Implemented Jointly", the Berlin Mandate, or both.

Category E

Options within this category define the far end of the continuum of potential developing country actions. They would be the most far-reaching, would likely give rise to the strongest developing country opposition, but hold the potential for a clear advance under the Convention and would go some distance toward placating domestic critics. They might also require stronger commitments from developed countries to make proposing them credible. Possibilities include:

1) seeking to establish a threshold at which developing countries would "graduate" to a new status; this "new" status might not be equivalent to developed country status, but would clearly involved heightened commitments (for example, to energy efficiency "targets" or to a certain percentage increase in the renewables portion of the national fuel mix); the existing Convention "differentiates" between OECD countries (Annex II), OECD countries plus the so-called "economies in transition" (Annex I), developing countries and least developed countries, but it contains no mechanism by which to move from one category to another; the "economies in transition" are less likely in this round of negotiations to settle for the same commitment as OECD countries with only "a certain degree of flexibility" in meeting that commitment -- they are likely to want more "differentiation"; in addition, despite the accession of Mexico and Korea to the OECD, it is highly doubtful

that either would agree to take on the identical commitment as their OECD colleagues -- they are likely to argue for separate treatment within Annex I; the threshold might be triggered by total national greenhouse gas emissions that rise beyond a certain level or by a certain level per GDP and/or per capita, etc.

2) seeking to change the underlying approach in the Convention, which essentially equates Gabon with China, to one which clearly identifies the 25-30 largest greenhouse gas emitters that now account for, and will continue to account for, some 85 percent of the world's total emissions; if this group of countries, both developed and developing, could be segregated from the remaining 130-plus countries whose emissions only amount to about 15 percent of the global total, if a spotlight could be trained on them, and even if only the developed countries among them were to take on new commitments in this round of negotiations, it would be a matter of time before the key developing countries began to feel international pressure to deal with their own emissions; moreover, such an approach would deny the key developing country emitters their hiding place within the ranks of countries such as Antigua/Barbuda, Sri Lanka and Togo.

Proposing options in this category will occasion a strong opposition among developing countries, led by the chief emitters among them who, presumably, would spare no effort to cow their smaller cousins. They will be problemmatic to negotiate and may attract few supporters among the OECD countries, some of whom are quick to retreat when confronted by strong opposition from the G-77. Still, options in this category would likely win strong domestic support, would represent a significant and perhaps critical change in the Convention's approach to the problem, and achieve critical positioning for future negotiations.

APPENDIX A

BACKGROUND ON DEVELOPING COUNTRY COMMITMENTS UNDER THE U.N. FRAMEWORK CONVENTION ON CLIMATE CHANGE

The Berlin Mandate (April 1995) and the Geneva Declaration (July 1996) are the key documents providing guidance on the outcome anticipated with respect to developing countries from the current round of negotiations.

The Berlin Mandate provides that:

"2. The process will, *inter alia:*

> "(b) Not introduce any new commitments for Parties not included in Annex I, but reaffirm existing commitments in Article 4.1 and continue to advance the implementation of these commitments in order to achieve sustainable development, taking into account Article 4.3, 4.5 and 4.7;"

The Geneva Declaration provides that:

The Ministers and other heads of delegations present at the second session of the Conference of the Parties to the United Nations Framework Convention on Climate Change,

"8. Instruct their representatives to accelerate negotiations on the text of a legally-binding protocol or another legal instrument to be completed in due time for adoption at the third session of the Conference of the Parties. The outcome should fully encompass the remit of the Berlin Mandate, in particular:

- commitments for all Parties on continuing to advance the implementation of existing commitments in Article 4.1;"

Status of Countries

The Convention creates four categories of Parties:

1) Annex II Parties (developed countries that were members of the OECD at the time the Convention was negotiated)

2) Annex I Parties (developed countries included in Annex II, plus 11 specifically named "economies in transition" including: Belarus, Bulgaria, Czechoslovakia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russian Federation and Ukraine

3) Developing countries (all Parties not included in Annex I or Annex II)

4) Least developed countries (assumed to be those on the U.N. list of Least Developed Countries)

Current Commitments

In Article 4.1, all Parties, "taking into account their common but differentiated responsibilities and their specific national and regional development priorities, objectives and circumstances" are required to take the actions included in the 10 subparagraphs of the Article. Most significant among these is the requirement to:

"(b) Formulate, implement, publish and regularly update national and, where appropriate, regional programmes containing measures to mitigate climate change by addressing anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, and measures to facilitate adequate adaptation to climate change;"

Article 12 provides that "each Party shall communicate to the Conference of the Parties, through the secretariat, the followng elements of information:

"(a) A national inventory of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, to the extent its capacities permit, using comparable methodologies to be promoted and agreed upon by the Conference of the Partries;

"(b) A general description of steps taken or envisaged by the Party to implement the Convention; and

"(c) Any other information that the Party considers relevant to the achievement of the objective of the Convention and suitable for inclusion in its communication, including, if feasible, material relevant for calculations of global emission trends.

On a voluntary basis, developing countries may propose projects for financing, along with, if possible, an estimate of all incremental costs, of the reductions of emissions and increments of removals of greenhouse gases, as well as an estimate of the consequent benefits.

Under Article 12.5, each developing country Party must make its initial communication within three years of entry into force of the Convention for that Party, or of the availability of financial resources under the Convention. Least developed countries are allowed to make their initial communications at their discretion.

Article 4.3 provides that developed country Parties will meet the agreed full cost to developing countries of meeting their reporting requirements under Article 12. Article 4.3 also provides that developed country Parties will meet the agreed full incremental costs [to developing country Parties] of implementing the measures contained in Article 4.1 that are agreed between the developing country Party and the entity operating the Convention's financial mechanism (currently, the Global Environment Facility).

Development of US Position on Specific Issues

(Only major changes to the US position are noted.)

Date/ Event	Flexibility (JI & Trading)	Non-Annex I Involvement	Emissions Budgets
June 1992 Signing of FCCC		Developing nations should (voluntarily & with Annex I support) begin **monitoring and reporting**.	
April 1995 COP-1 & Berlin Mandate		**No new commitments, will work to implement current commitments.** Agreement specifies that no new commitments will apply to non-an. I nations, but that negotiations on new commitments will begin after work on BM is completed.	
Oct. 1995 AGBM-2	**Idea introduced.** The US urged Parties to consider approaches which "could provide parties with greater flexibility in where emissions are reduced... Examples of such approaches include multi-perty emissions objectives, coupled with emisssions trading or joint implementation..."	**US seeks to recommend ways all parties can become involved.** "We do not intend through our proposals here to suggest any new commitments on the part of developing countries. ... What we would like to do, however, is to examine what the existing commitments imply -- and to recommend ways in which all parties can move toward a more successful set of actions..." Mostly dealing with identifying JI projects and reporting/monitoring.	**Idea first introduced** "An alternative approach that the U.S. urges the parties to consider would be to establish a limit on total emissions over a specified period. ... In connection... it would be useful to consider whether to provide an incentive for early reductions, and if so, how." (US Statement, Agenda item 3(b))

Date/ Event	Flexibility (JI & Trading)	Non-Annex I Involvement	Emissions Budgets
March 1996 AGBM-3	"The inclusion of [several FCCC articles] ... underscores the agreement among parties that any future step must provide flexibility in theimplementation of obligations." (March 6 US Intervention)	**US insists all parties need to be involved at some point in the process.** "Advancing the implementation of Parties' commitments under Article 4.1 entails more than reporting on their current activities. The US believes there is a tremendous potential for all countries, including developing countries, to further their objectives for economic development and growth and to protect the earth's climate system..."	
July 17, 1996 COP-2	**Binding targets conditional on flexibility.** "... the medium-term target must be met through maximum flexibility in the selection of implementation measures, including the use of measures such as reliable activities implemented jointly and trading mechanisms around the world." (T. Wirth)	**Reaffirmed.** "While we recognize that developed countries have the responsibility to lead, we also believe that this effort must be a partnership with all nations. We stand ready to continue our efforts to provide technical expertise to work with developing countries to reduce GHG emissions, and to continue the partnership we have developed with many." (T. Wirth statement)	
Dec, 1996 AGBM-5			"The US believes that the target set in the next step should cover a multi-year period... [and] also strongly supports inclusion of the option for banking between multi-year average target periods." (Intervention on QELROs)
Jan, 1997	**Current Proposal**		

UN General Assembly Special Session	
13. We discussed the progress that has been made since the 1992 Rio Earth Summit in defining and promoting sustainable development, and we commit ourselves to taking action in areas critical to advancing this agenda. Sustainable development demands the full integration of environment, economic and social policies, and should be based upon democratic governance and respect for human rights. In this connection, we reaffirm the vital contribution of civil society. We urge the United Nations General Assembly, at its Special Session to be held next week, to reaffirm and give impetus to the Rio commitments, to take stock of implementation since Rio, and, most importantly, to develop a manageable list of priority issues to address in future work on sustainable development.	[UK]: *sent. 2, add/delete:* "...democratic governance ~~*and*~~, respect for human rights, <u>and the eradication of poverty</u>."
	[EC]: *new para (bracketed para 14 tabled at Sherps mtg.):* "13b. We recognise that rapid progress in the eradication of poverty, and more sustainable patterns of consumption and production, are essential elements in the achievement of sustainable development. We agree on the need to facilitate the <u>development and</u> transfer of environmentally sound technolgies, and to increased efforts to mobilise both public and prvate sector financing, including ODA, and to ensure ~~an adequate~~ replenishment of the Global Environmental Facility <u>at a higher level</u> ~~with fair burden sharing among donors. We note the need to address the question of arrears.~~ <u>We reaffirm the importance of the Global Environmental Facility as the leading multilateral funding mechanism for the global environment.</u>"
Climate Change	
14. We are determined to take the lead and show seriousness of purpose in strengthening international efforts to confront climate	[G]: *sent. 2, add:* "...and reduction targets <u>as well as policies and measures.</u> We support..."

change. We must forge at the Third Conference of Parties to the UN Framework Convention on Climate Change in Kyoto, a strong agreement that fully meets the remit of the Berlin mandate, and that contains legally binding emission limitation and reduction targets. We support an agreement that will advance us toward the ultimate goal of stabilizing atmospheric concentrations of greenhouse gasses at an acceptable level in an efficient and cost-effective way, and that allows Signatories appropriate flexibility in the manner in which they meet the targets. We are committed to achieve emissions targets that	[UK]: *sent. 3, add: (brackets)* "...cost-effective way[, and that allows... in which they meet targets]. [EC]: *sent. 3, add: (brackets)* "...cost-effective way[, and that allows... in which they meet targets]. [EC]: *last sent., add:* "...committed to achieve quantified emissions targets..."
{J:}[are meaningful, realistic and equitable and which maintain accountability and transparency.]	[J]: *support*
{I, G, UK, EC:}[substantially reduce greenhouse gas emissions below 1990 levels for the years 2005, 2010 and 2020. Developed countries should, individually or jointly, reduce emissions levels by the year 2010 by 15% with respect to 1990. They should also commit themselves to common and coordinated policies and measures that would help us avoid competitive distortions and achieve ambitious targets.]	[I]: *support* [G]: *support* [UK]: *support* [EC]: *support*
{F:}[reduce greenhouse gas emissions significantly below 1990 levels by 2005 and 2010, with coordinated policies and measures.]	[F]: *support* [UK]: *second (minimum) preference*
[significantly reduce greenhouse gas emissions below 1990 levels by 2005 and 2010.]	
15. Action by developed countries alone will not be sufficient to meet this goal. Measurable steps will also be needed by developing	[EC]: *sent. 2, add:* "In the longer term, ~~M~~measurable steps will also be needed..."

countries, and their obligations will increase as their economies grow. We agree to work in partnership with them to that effect. In this context, we resolve to facilitate technological development and diffusion to, and promote environmental education and capacity building in, developing countries. We stress the importance of setting up an appropriate mechanism for monitoring and ensuring compliance among Parties. We also agreed to work together to enhance international efforts to further develop global systems for monitoring climate change and other environmental trends.	
<u>Forests</u>	
16. Forests continue to be destroyed and degraded at alarming rates in many parts of the world. To reverse this trend, we call on all countries to work with us to begin implementation of the proposals for action put forward by the UNCSD Inter-governmental Panel on Forests and to develop constructive programs, inter alia, to implement national forest programs for sustainable forest management, establish networks of protected areas, assess the state of each nation's forests using agreed criteria and indicators, harness responsible private sector investment in forests and to eliminate illegal logging. We welcome the progress made in implementing the Brazilian Pilot Program initiated in Houston. We urge the Special Session of the United Nations	[G]: *sent. 2, add:* "To reverse this trend, <u>we urge the Special Session of the United Nations to establish an Intergovernmental Negotiating Committee to develop an international convention to ensure the conservation and sustainable management of the world's forests. This negotiation should be completed by the year 2000. We</u> we call on all countries to work with us..." [G]: *sent. 3, add:* "...initiated in Houston <u>and confirm our willingness to continue supporting it</u>." [G]: *sent. 4, delete:* "~~*We urge the Special Session of the United Nations*~~"
{I, F, EC:}[to establish an Intergovernmental Negotiating Committee to develop an international convention to ensure the conservation and sustainable management of the world's forests. This negotiation should be completed by the year 2000.]{G opposes}	[I]: *support* [F]: *support* [G]: *opposes* [EC]: *support*
{J:}[to launch an intergovernmental initiative for coordinated	[J]: *support*

General use 5/27

UNCLASSIFIED FAX FROM
THE NATIONAL ECONOMIC COUNCIL
AND
THE NATIONAL SECURITY COUNCIL OF
THE WHITE HOUSE

SENDER: DANIEL K. TARULLO

William J. Antholis ☐ Matthias Mitman ☐
Sherman G.Boone ☐ Barbara A. Matzner ☐

PH: 202-456-9288
FAX: 202-456-9280

PAGES: 4 DATE: 6/12/97

SUBJECT: Climate Change Side-by-Side

TO:	FAX:	PHONE:
~~[illegible]~~ Jason Shogren	5-6853	

— as requested by email.

UNCLASSIFIED

United States Department of State

Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs

Washington, D.C. 20520

cc: AW, JAA, JS

June 4, 1997

TO: Distribution

FROM: OES - Eileen B. Claussen

SUBJECT: Distribution of Documents

Attached is a copy of the U.S. submission to the UNFCCC Secretariat, which includes the following documents:

- Additional/modified text on issues related to Annex C (which gases are to be included);
- Additional modified text on issues related to compliance; and
- A copy of the U.S. draft protocol proposal revised to include this additional text.

The Secretariat will include the submission, which was forwarded earlier this week, in the miscellaneous document to be circulated prior to the AGBM meeting. Also attached is a one page fact sheet summarizing changes/modifications. This was not sent to the FCCC, but has been useful in explaining materials to the Hill and others.

Attachment: as stated.

Total pages in this transmission (including cover page): 18

Additional U.S. Proposals

(references are to the original U.S. submission)

Article 1 (Definitions)

- Replace definition 3 ("Greenhouse gas") with the following:

  "Greenhouse gas" means any greenhouse gas covered in Annex C of this Protocol."

- Replace definition 4 ("Tonne of carbon equivalent") with the following:

  "Tonne of carbon equivalent" means one metric tonne of carbon, or a quantity of one or more other greenhouse gases equivalent to one metric tonne based on the global warming potentials decided by the Parties in accordance with Annex C of this Protocol.

Article 2 (Emissions Budgets)

- Delete paragraph 7

Article 3 (Measurement and Reporting)

- Replace paragraph 2 with the following:

  For the purposes of implementing paragraph 1 and promoting comparability, consistency, and transparency, the Parties shall, not later than their first Meeting, decide on agreed best available methods for the measurement by Parties of anthropogenic emissions by sources, and removals by sinks, of greenhouse gases, taking into account the best available methods determined by the IPCC and other expert bodies. They shall also decide on appropriate adjustments to measurements of emissions and removals where agreed best available methods have not been used. The Parties shall periodically update agreed best available methods and adjustments based on evolving scientific knowledge, including advice from the Subsidiary Body for Scientific and Technological Advice referred to in Article 12.

Annex C

- Replace descriptive language with the following:

  All greenhouse gases, their sources and sinks, with global warming potentials as decided by the Parties at their first meeting (taking into account the IPCC's global warming potentials for 100-year time horizons) and as subsequently updated by the Parties to reflect evolving scientific knowledge.

Additional U.S. Proposals
(references are to the original U.S. submission)

In Article 2 of the U.S. proposal (Emissions Budgets), add a new paragraph 6.bis. as follows:

2.6.bis. At the end of a budget period applicable to a Party, any amount of tonnes of carbon equivalent emissions over its emissions budget shall be subtracted at a rate of [rate greater than that in paragraph 6] from the subsequent budget period.

In Article 4 of the U.S. proposal (Review and Compliance Process), substitute for paragraphs 3 to 6 the following text:

4.3 Reviews will be in connection with the review of communications conducted under Article 10.2(b) of the Convention and will be in accordance with guidelines to be adopted by the Parties at a meeting. These guidelines shall, *inter alia*, provide for how information will be made available to the public and define mechanisms by which observers and the public may provide comments, supplemental data or other information to facilitate and improve reviews. The guidelines shall be periodically reviewed by the Parties for appropriate revision.

4.4 Review teams will review all aspects of a Party's implementation of this Protocol, including the likelihood that a Party will achieve its emissions budgets obligations. They will be authorized, *inter alia*, to review pertinent information and consult with the Party in question and others as necessary. They will prepare a report assessing a Party's implementation of its obligations, identifying any areas of apparent non-compliance, as well as potential problems in achieving obligations.

4.5 Such reports will be circulated by the Secretariat to all Parties. In addition, the Secretariat will identify for further consideration any report indicating a question of implementation.

In Article 6 of the U.S. proposal (International Emissions Trading), substitute the following text:

6.1. Except as otherwise provided below, any Annex A or Annex B Party may transfer to, or acquire from, any Annex A or Annex B Party, any of its tonnes of carbon equivalent emissions allowed for a budget period, for the purpose of meeting its obligations under Article 2.

6.2 An Annex A or Annex B Party may not transfer or acquire any of its tonnes of carbon equivalent emissions allowed if it is not in compliance with its obligations under Article 3 (Measurement and Reporting) or if it does not have in place a national mechanism for certification and verification of trades.

6.3 An Annex A or Annex B Party may not transfer in a given budget period any of its tonnes of carbon equivalent emissions allowed if it has exceeded its emissions budget for that period.

6.4 If a question of a Party's implementation of the requirements referred to in paragraph 2 or 3 above is identified by either the review process under Article 4.5 or by the Secretariat under Article 11.2(b):

-- transfers and acquisitions of tonnes allowed (in the case of paragraph 2) and transfers of tonnes allowed (in the case of paragraph 3) may continue to be made after the question has been identified, provided that any such tonnes may not be used by any Party to meet its obligations under Article 2 until any issue of compliance is resolved. Issues of compliance shall be resolved as expeditiously as possible.

6.5 A Party may authorize any domestic entity (e.g., government agencies, private firms, non-governmental organizations, individuals) to participate in actions leading to transfer and acquisition under paragraph 1 of tonnes of carbon equivalent emissions allowed.

6.6 The Parties, at a meeting, may further elaborate guidelines to facilitate the reporting of emissions trading information.

In Article 10 of the U.S. proposal (Meetings of the Parties), for paragraph 4, substitute the following text:

10.4 The Parties:

(a) shall periodically review the adequacy of this Protocol;

(b) shall review the implementation of this Protocol, including the information submitted in accordance with Articles 3 and 5, reports received from the review teams referred to in Article 4, and any other reports and recommendations received from processes under this Protocol;

(c) shall implement an appropriate regime to address cases of non-compliance with obligations under this Protocol, including through the development of an indicative list of consequences, taking into account the type, degree, and frequency of non-compliance;

(d) may establish an implementation committee consisting of a subset of Parties to assist them, including by making recommendations, in carrying out functions referred to in subparagraphs (b) and (c) above.

In Article 11 of the U.S. proposal (Secretariat), for paragraph 2, substitute the following:

11.2 The functions of the secretariat shall be:

(a) to maintain and administer records relating to the accounting of the emissions budgets of Annex A and Annex B Parties, including initial budget allocations, adjustments to budgets consistent with Articles 2, 6, and 7, annual emissions, and remaining budgets in a given budget period;

(b) to facilitate the review of implementation of this Protocol through, <u>inter alia</u>, coordinating the review of Annex A and Annex B implementation; coordinating the reviews under Article 5; identifying for the Parties questions of implementation, including whether individual reports are consistent with reporting criteria; and preparing an annual compilation and synthesis report that contains inventory and budget information, and notes any discrepancies in accounting.

(c) [other].

---

as of June 1997

U.S. DRAFT PROTOCOL FRAMEWORK
(submitted without prejudice to ultimate form of agreement)

The Parties to this Protocol,

Have agreed as follows:

Article 1
Definitions

For purposes of this Protocol:

1. "The Convention" means the United Nations Framework Convention on Climate Change done at New York on 9 May 1992.

2. "Party" means Party to this Protocol.

3. "Greenhouse gas" means any greenhouse gas covered in Annex C of this Protocol.

4. "Tonne of carbon equivalent" means one metric tonne of carbon, or a quantity of one or more other greenhouse gases equivalent to one metric tonne based on the global warming potentials decided by the Parties in accordance with Annex C of this Protocol.

5. "Net anthropogenic emissions" of greenhouse gases is the calculated difference between emissions by sources and removals by sinks.

6. [other definitions to be developed or cross-referenced to the Convention as necessary]

Article 2
Emissions Budgets

1. Each Annex A and Annex B Party shall ensure that its net anthropogenic emissions of greenhouse gases do not exceed its emissions budget for any applicable budget period, as specified in this Article.

2. For each Annex A and Annex B Party, its emissions budget shall be denominated in tonnes of carbon equivalent emissions allowed and shall equal:

   (a) the tonnes of carbon equivalent emissions it is allowed under paragraph 3 or 4 below, plus

(b) any tonnes of carbon equivalent emissions allowed that are carried over from a prior budget period under paragraph 5 below, plus

(c) up to [__ percent] of the tonnes of carbon equivalent emissions allowed under paragraph 3 or 4 below, such as may be borrowed from the subsequent budget period under paragraph 6 below, plus

(d) any tonnes of carbon equivalent emissions allowed that are acquired from another Party under Article 6 (International Emissions Trading) or Article 7 (Joint Implementation), minus

(e) any tonnes of carbon equivalent emissions allowed that are transferred to another Party under Article 6 (International Emissions Trading).

3. (a) For the first budget period, [20__ through 20__], each Annex A Party shall have a number of tonnes of carbon equivalent allowed equal to [a percentage of] its net anthropogenic emissions of tonnes of carbon equivalent in 1990, multiplied by [the number of years in this budget period].

(b) For the second budget period, [20__ through 20__], each Annex A Party shall have a number of tonnes of carbon equivalent emissions allowed equal to [a percentage equal to or less than the percentage in subparagraph 3(a)] of its net anthropogenic emissions of tonnes of carbon equivalent in 1990, multiplied by [the number of years in this budget period].

(c) [possible subsequent budget period(s)]

4. For the budget period [20__ through 20__], each Annex B Party (see Annex B for States included) shall have a number of tonnes of carbon equivalent emissions allowed equal to [options for Annex B Parties include: budget periods, baseyears, and/or percentages different from those applicable to Annex A Parties].

5. At the end of a budget period applicable to a Party, any amount by which the Party's emissions of tonnes of carbon equivalent is under its emissions budget for that period may be carried over and added to its emissions budget for the next budget period.

6. At the end of a budget period applicable to a Party, any amount of tonnes of carbon equivalent emissions allowed that is borrowed from the subsequent budget period shall be subtracted at a rate of [1.2:1] from the subsequent budget period.

6bis. At the end of a budget period applicable to a Party, any amount of tonnes of carbon equivalent emissions over its emissions budget shall be subtracted at a rate of [rate greater than that in paragraph 6] from the subsequent budget period.

7. Any State not listed in Annex A may, in its instrument of ratification, acceptance, approval or accession, or at any time thereafter, notify the Depositary that it intends to be bound by obligations of Annex A Parties. It will then be an Annex A Party. The Depositary shall inform the other signatories and Parties of any such notification.

8. Any State not listed in Annex A may, in its instrument of ratification, acceptance, approval, or accession, or at any time thereafter, notify the Depositary that it intends to be bound by obligations of Annex B Parties. It will then be an Annex B Party. The Depositary shall inform the other signatories and Parties of any such notification.

Article 3
Measurement and Reporting

1. Each Annex A and Annex B Party shall have in place by [the first year of its first budget period] a national system for the accurate measurement of anthropogenic emissions by sources, and removals by sinks, of greenhouse gases.

2. For the purposes of implementing paragraph 1 and promoting comparability, consistency, and transparency, the Parties shall, not later than their first Meeting, decide on agreed best available methods for the measurement by Parties of anthropogenic emissions by sources, and removals by sinks, of greenhouse gases, taking into account the best available methods determined by the IPCC and other expert bodies. They shall also decide on appropriate adjustments to measurements of emissions and removals where agreed best available methods have not been used. The Parties shall periodically update agreed best available methods and adjustments based on evolving scientific knowledge, including advice from the Subsidiary Body for Scientific and Technological Advice referred to in Article 12.

3. Each Annex A and Annex B Party shall put in place, if it has not already done so, national compliance and enforcement programs relevant to its implementation of the obligations under this Protocol.

4. Each Annex A and Annex B Party shall submit to the Secretariat, as part of its communication under Article 12 of the Convention, information on its implementation of this Protocol, including policies and measures it is taking to meet its obligations in Article 2. Such submission shall be in accordance with guidelines which the Parties adopt at their first Meeting, taking into account any relevant guidelines adopted by the Parties to the Convention. Such submission shall also contain the following information:

   (a) once the obligation in paragraph 1 above becomes effective, a description of the national measurement system that it has in place;

   (b) once the obligation in paragraph 1 above becomes effective, the results of its national measurement system;

   (c) a quantitative projection of its net anthropogenic emissions of greenhouse gases through the budget periods; and

   (d) a description of relevant national compliance and enforcement programs it has in place pursuant to paragraph 3 above, as well as a description of their effectiveness, including actions taken in cases of non-compliance with national law.

5. In addition to the information required to be submitted under paragraph 4, each Annex A and Annex B Party shall submit to the Secretariat, on an annual basis and in accordance with the guidelines referred to in paragraph 4, its current calculation corresponding to each of the subparagraphs in Article 2.2 and its remaining emissions budget for that budget period. With respect to any tonnes of carbon equivalent emissions allowed that are acquired or transferred under Articles 6 or 7, the Party shall specify the quantity, Party of origin or destination, and the relevant budget period.

6. The first of the submissions referred to in paragraph 5 shall be part of a Party's first communication that is due after the Protocol has been in force for that Party for two years. The frequency of subsequent submissions shall be determined by the Parties.

7. Information communicated by Parties under this Article shall be transmitted by the secretariat as soon as possible to the Parties and to any subsidiary bodies concerned.

8. Without prejudice to the ability of any Party to make public its communication at any time, the secretariat shall make information communicated by Parties under this Article publicly available at the time it is submitted to the Parties.

Article 4
Review and Compliance Process

1. In addition to the review of communications conducted under Article 10.2(b) of the Convention, the Meeting of the Parties shall consider the information submitted by Annex A and Annex B Parties under Article 3 in order to assess those Parties' implementation of their obligations.

2. Reviews will be conducted by expert review teams, which will be coordinated by the secretariat and composed of experts selected from those nominated by Parties and, as appropriate, by intergovernmental organizations.

3. Reviews will be in connection with the review of communications conducted under Article 10.2(b) of the Convention and will be in accordance with guidelines to be adopted by the Parties at a meeting. These guidelines shall, inter alia, provide for how information will be made available to the public and define mechanisms by which observers and the public may provide comments, supplemental data or other information to facilitate and improve reviews. The guidelines shall be periodically reviewed by the Parties for appropriate revision.

4. Review teams will review all aspects of a Party's implementation of this Protocol, including the likelihood that a Party will achieve its emissions budgets obligations. They will be authorized, inter alia, to review pertinent information and consult with the Party in question and others as necessary. They will prepare a report assessing a Party's implementation of its obligations, identifying any areas of apparent non-compliance, as well as potential problems in achieving obligations.

5. Such reports will be circulated by the Secretariat to all Parties. In addition, the Secretariat will identify for further consideration any report indicating a question of implementation.

Article 5
Advancement of the Implementation of
Article 4.1 of the Convention

Recognizing the progress that has been made to date in implementing commitments under Article 4.1 of the Convention:

1. The Parties reaffirm their commitments under Article 4.1 of the Convention and the need to continue to advance the implementation of such commitments.

2. Each Party shall strengthen its legal and institutional framework to advance the implementation of its commitments under Article 4.1 of the Convention.

3. Each Party shall take measures to facilitate investment in climate-friendly technologies.

4. Each Party shall report, as part of its communication under the Convention, on how it is promoting public education and participation in the development of climate change policy.

5. Each Party that is neither in Annex A nor Annex B shall identify and implement "no-regrets" measures for mitigating net anthropogenic emissions of greenhouse gases, including any identified through the review process under paragraph 7 below. In this regard, each such Party shall also:

   (a) quantify the effects of the measures it implements;

   (b) evaluate barriers to the adoption of potential measures; and

   (c) report to the Secretariat, as part of its communication under the Convention, on the measures it has implemented, plans to implement, and barriers to the adoption of potential measures.

6. Each Party that is neither in Annex A nor Annex B shall submit to the Secretariat, on an annual basis, its inventory of greenhouse gas emissions. Such inventory shall be consistent with any guidelines adopted by the Parties.

7. The Parties shall establish a process for reviewing communications received under the Convention from the Parties identified in paragraphs 5 and 6. The process shall be designed to:

   (a) enable the review of the effects of individual measures described in paragraph 5;

(b) assist such Parties in identifying and implementing "no-regrets" measures for mitigating net anthropogenic emissions of greenhouse gases;

(c) seek to identify key sectors and technological options within them;

(d) consider possibilities for promoting voluntary arrangements with industry aimed at identifying and encouraging implementation of "no regrets" measures; and

(e) explore various means through which such Parties could obtain both the know-how and the technology needed to implement options identified.

Article 6
International Emissions Trading

1. Except as otherwise provided below, any Annex A or Annex B Party may transfer to, or acquire from, any Annex A or Annex B Party, any of its tonnes of carbon equivalent emissions allowed for a budget period, for the purpose of meeting its obligations under Article 2.

2. An Annex A or Annex B Party may not transfer or acquire any of its tonnes of carbon equivalent emissions allowed if it is not in compliance with its obligations under Article 3 (Measurement and Reporting) or if it does not have in place a national mechanism for certification and verification of trades.

3. An Annex A or Annex B Party may not transfer in a given budget period any of its tonnes of carbon equivalent emissions allowed if it has exceeded its emissions budget for that period.

4. If a question of a Party's implementation of the requirements referred to in paragraph 2 or 3 above is identified by either the review process under Article 4.5 or by the Secretariat under Article 11.2(b):

-- transfers and acquisitions of tonnes allowed (in the case of paragraph 2) and transfers of tonnes allowed (in the case of paragraph 3) may continue to be made after the question has been identified, provided that any such tonnes may not be used by any Party to meet its obligations under Article 2 until any issue of compliance is resolved. Issues of compliance shall be resolved as expeditiously as possible.

5. A Party may authorize any domestic entity (e.g., government agencies, private firms, non-governmental organizations, individuals) to participate in actions leading to transfer and acquisition under paragraph 1 of tonnes of carbon equivalent emissions allowed.

6. The Parties, at a meeting, may further elaborate guidelines to facilitate the reporting of emissions trading information.

Article 7
Joint Implementation

1. Any Party that is neither in Annex A nor B may generate tonnes of carbon equivalent emissions allowed through projects that meet the criteria set forth in paragraph 2.

2. In addition to any criteria adopted by the Parties to this Protocol, the following criteria shall apply to projects:

   (a) Projects must be compatible with and supportive of national environment and development priorities and strategies, as well as contribute to cost-effectiveness in achieving global benefits;

   (b) Projects must provide a reduction in emissions that is additional to any that would otherwise occur.

3. [Additional provisions to be added on calculation, measurement, monitoring, verification, review, reporting]

4. Any Party that generates tonnes of carbon equivalent emissions allowed consistent with this Article may:

   (a) hold such tonnes of carbon equivalent emissions allowed; or

   (b) transfer any portion thereof to any Party.

5. An Annex A or Annex B Party may acquire tonnes of carbon equivalent emissions allowed under this Article for the purpose of meeting its obligations under Article 2, provided it is in compliance with its obligations under Article 3 (Measurement and Reporting).

6. Any Party that is neither in Annex A nor Annex B that generates or acquires tonnes of carbon equivalent emissions allowed under this Article shall notify the Secretariat annually of the quantity, origin, and destination of such tonnes.

Article 8
Science

The Parties shall periodically review this Protocol, and guidelines established thereunder, in light of evolving scientific knowledge related to climate change.

Article 9
Progress Toward Long-Term Goal

The Parties shall cooperate in the establishment of a long-term goal with respect to atmospheric concentrations of greenhouse gases.

Article 10
Meetings of the Parties

1. The Parties shall hold meetings at regular intervals. The secretariat shall convene the first meeting of the Parties not later than one year after the date of the entry into force of this Protocol and in conjunction with a meeting of the Conference of the Parties to the Convention.

2. Subsequent meetings of the Parties shall be held, unless the Parties decide otherwise, in conjunction with meetings of the Conference of the Parties to the Convention. Extraordinary meetings of the Parties shall be held at such other times as may be deemed necessary by a meeting of the Parties, or at the written request of a Party, provided that within six months of such a request being communicated to them by the secretariat, it is supported by at least one third of the Parties.

3. The Parties, at their first meeting, shall:

   (a) adopt, by consensus, rules of procedure for their meetings;

   (b) [other].

4. The Parties:

   (a) shall periodically review the adequacy of this Protocol;

   (b) shall review the implementation of this Protocol, including the information submitted in accordance with Articles 3 and 5, reports received from the review teams referred to in Article 4, and any other reports and recommendations received from processes under this Protocol;

   (c) shall implement an appropriate regime to address cases of non-compliance with obligations under this Protocol, including through the development of an indicative list of consequences, taking into account the type, degree, and frequency of non-compliance;

   (d) may establish an implementation committee consisting of a subset of Parties to assist them, including by making recommendations, in carrying out functions referred to in subparagraphs (b) and (c) above.

5. The United Nations, its specialized agencies and the International Atomic Energy Agency, as well as any State not party to this Protocol, may be represented at meetings of the Parties as observers. Any body or agency, whether national or international, governmental or non-governmental, qualified in fields relating to climate change which has informed the secretariat of its wish to be represented at a meeting of the Parties as an observer may be admitted unless at least one third of the Parties present object. The admission and participation of observers shall be subject to the rules of procedure adopted by the Parties.

Article 11
Secretariat

1. In accordance with Article 8.2(g) of the Convention, the secretariat of this Protocol shall be the secretariat of the Convention.

2. The functions of the secretariat shall be:

   (a) to maintain and administer records relating to the accounting of the emissions budgets of Annex A and Annex B Parties, including initial budget allocations, adjustments to budgets consistent with Articles 2, 6, and 7, annual emissions, and remaining budgets in a given budget period;

   (b) to facilitate the review of implementation of this Protocol through, inter alia, coordinating the review of Annex A and Annex B implementation; coordinating the reviews under Article 5; identifying for the Parties questions of implementation, including whether individual reports are consistent with reporting criteria; and preparing an annual compilation and synthesis report that contains inventory and budget information, and notes any discrepancies in accounting.

   (c) [other].

Article 12
Subsidiary Body for Scientific and Technological Advice

1. The Subsidiary Body for Scientific and Technological Advice of the Convention shall serve as the Subsidiary Body for Scientific and Technological Advice of the Protocol.

2. When the Subsidiary Body for Scientific and Technological Advice exercises its functions with regard to matters concerning the Protocol, decisions shall be taken only by those of its members that are, at the same time, Parties to the Protocol.

3. When the Subsidiary Body for Scientific and Technological Advice exercises its functions with regard to matters concerning the Protocol, any member of the bureau of the Subsidiary Body for Scientific and Technological Advice representing a Party to the Convention, but, at the same time, not a Party to the Protocol, shall be substituted by an additional member to be elected by and from the Parties to the Protocol.

Article 13
Subsidiary Body for Implementation

1. The Subsidiary Body for Implementation of the Convention shall serve as the Subsidiary Body for Implementation of the Protocol.

2. When the Subsidiary Body for Implementation exercises its functions with regard to matters concerning the Protocol, decisions shall be taken only by those of its members that are, at the same time, Parties to the Protocol.

3. When the Subsidiary Body for Implementation exercises its functions with regard to matters concerning the Protocol, any member of the bureau of the Subsidiary Body for Implementation representing a Party to the Convention, but, at the same time, not a Party to the Protocol, shall be substituted by an additional member to be elected by and from the Parties to the Protocol.

Article 14
Multilateral Consultative Process

[The Parties, at their first Meeting or as soon as practicable thereafter, shall consider the establishment of a multilateral consultative process to promote effective implementation of the Convention.]

Article 15
Dispute Settlement

[silence, with the result that Article 14 of the Convention would apply to this Protocol.]

[in addition, mandatory, binding dispute settlement [with specific consequences flowing from a violation] among Annex A and Annex B Parties, as well as against other Parties as appropriate (e.g., host countries under Article 7)]

Note: this process would be without prejudice to the review and compliance process under Article 4

Article 16
Evolution

The Parties shall adopt, by [2005], binding provisions so that all Parties have quantitative greenhouse gas emissions obligations and so that there is a mechanism for automatic application of progressive greenhouse gas emissions obligations to Parties, based upon agreed criteria.

Views on Certain Final Clauses

Adoption and Amendments of Annexes

Depending upon what type of material is eventually included in annexes, it may not be appropriate to restrict the content of all annexes to "lists, forms and any other material of a descriptive nature that is of a scientific, technical, procedural or administrative character." For any substantive annex, it may not be appropriate to provide for tacit adoption/amendment.

Signature

This provision should state that only Parties to the Convention may be Parties to the Protocol.

Entry into Force

To ensure effective implementation, as well as to minimize the potential "free rider" problem, this provision may need to stipulate an entry into force trigger that requires ratification by States that account for a particular percentage of global emissions of greenhouse gases.

Annex A

This Annex would include the same States as those listed in Annex I of the Convention, plus those that join subsequently pursuant to Article 2.

Annex B

This Annex would include those States not listed in Annex A that indicate before adoption of the protocol that they want to be included in this Annex, plus those that join subsequently pursuant to Article 2.

Annex C

All greenhouse gases, their sources and sinks, with global warming potentials as decided by the Parties at their first meeting (taking into account the IPCC's global warming potentials for 100-year time horizons) and as subsequently updated by the Parties to reflect evolving scientific knowledge.

FACT SHEET ON SUPPLEMENTAL U.S. CLIMATE CHANGE PROPOSALS

June 1997

In January 1997 the United States submitted a draft text for a legal instrument to address next steps under the United Nations Framework Convention on Climate Change. Several technical elements left undefined in the January submission (principally those relating to compliance issues, and to which gases should be included in an agreement) have been further developed in the attached text; they are described below. The revised U.S. draft protocol proposal containing these new elements will form the basis for the U.S. position in the next session of the Ad Hoc Group on the Berlin Mandate (scheduled to meet in late July). Please call Jonathan Pershing (647-4069) or Linda Strachan (647-3550) of the State Department with any questions.

COMPLIANCE

- The January text created "emissions budgets", with targets based on the total emissions over a period of several years; this revision provides for a penalty to be assessed should a Party exceed its allowed budget.

- The January text created a review process; this revision calls for the review process to build on the existing Convention review mechanism, authorizes the review of any pertinent information, allows for consultations with both the Party and others in the course of a review, calls for the circulation of the completed review to all Parties, and requests the Secretariat to identify any report that requires further consideration.

- The January text provided an option for Parties with budgets to trade emissions; this text limits trading to Parties that have met all obligations pertaining to measurement and reporting of budgets, and that have in place national mechanisms for certification and verification of trades. With respect to a given budget period, it also precludes a Party from trading if it has exceeded its budget, and provisionally limits a Party's ability to trade if its compliance has been called into question.

- The January text provided for Meetings of the Parties; this text also calls for periodic review by the Parties of protocol implementation (including of the review process), requires Parties to implement an appropriate non-compliance regime (including through the development of an indicative list of consequences for non-compliance), and allows the Parties to establish an implementation committee to assist them in carrying out these duties.

ANNEX C: WHICH GASES ARE INCLUDED

- The January text suggested that all gases for which monitoring and measurement procedures are available should be included in the agreement; this revision maintains the broad inclusion of all greenhouse gases, sources, sinks and sectors, and calls upon the Parties to decide on best available methods for measurement, and to propose adjustments to the measurements in cases where best available methods are not used. The revision also calls for periodic updating of measurement methods.

cc: Am

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DEPARTMENT OF STATE - BUREAU OF OCEANS AND INTERNATIONAL ENVIRONMENTAL AND SCIENTIFIC AFFAIRS

CALENDAR OF INTERNATIONAL EVENTS
1997

Feb 11-14	Leghold Traps with EU, New Orleans.
Feb 11-20	Intergovernmental Panel on Forests (IPF)4, New York.
Feb 19-21	U.S.-Russia Intergovernmental Consultative Committee Preparatory Meeting, Seattle.
Feb 19-21	Inter-American Tropical Tuna Commission, Santa Marta, Columbia.
Feb 20-21	Basel Extended Bureau, Geneva.
Feb 21-22	World Health Organization (WHO) Ad Hoc Working Group on Antimicrobial Resistance, Geneva.
Feb 24	Joint Working Party Intergovernmental Panel on Climate Change / UN Framework Convention on Climate Change (IPCC/UNFCCC) Meeting, Bonn.
Feb 24	Regional Environmental Center General Assembly, Szentendre, Hungary.
Feb 24- Mar 7	Framework Convention on Climate Change (FCCC): Subsidiary Bodies for Scientific & Technological Advice (SBSTA) 5th Session; Subsidiary Body for Implementation, 5th Meeting; Ad Hoc Group on Article 13 (AG 13), 4th Session; (First Week Meetings) Ad Hoc Group on the Berlin Mandate (AGBM) 6 Implementation, Bonn.

Feb 24-28	Arctic Council Protection of the Arctic Marine Environment (PAME) Annual Meeting, Ottawa, Canada.
Feb 24 - Mar 7	Commission on Sustainable Development Intersessional, New York.
Feb 25-Mar 2	International Symposium - Natural Resource Management in the Americas, Belize.
Feb 27	UNEP GRID Sioux Falls Advisory Committee, New York.
Feb 27-28	US-EU Consultations on Global Positioning System (GPS), Brussels.
Feb 27-28	Regional Forum on Fisheries in the Caribbean, San Andres Island, Columbia.
March 1	World Trade Organization - Council on Trade and the Environment, Geneva.
March 3	Sixth Meeting of States Parties to the Law of the Sea Convention for Election to the Continental Shelf Commission, New York.
March 3-4	Board of Governors of the U.S.-Israel Binational Science Foundation, Washington.
March 3-4	EU Environment Council Meeting, Brussels.
March 3-7	Fourth Meeting of the Yukon River Panel, Whitehorse, Yukon.
March 5-12	Arctic Environment Protection Strategy (AEPS) Senior Arctic Affairs Officials meeting, Kautokeino, Norway.
March 6-8	US-Japan Common Agenda International Conference on Emerging and Infectious Diseases, Bangkok, Thailand.
March 8-13	Arctic Council AEPS Senior Arctic Affairs Officials Meeting, Kautokeino, Norway.

March 9-11	Multilateral Working Group on the Environment, Valencia, Spain.
March 10-12	Fifth U.S.-Japan Workshop on Global Change Research, Honolulu, Hawaii.
March 10-13	South Pacific Fisheries Treaty, Annual Meeting, Port Villa, Vanuatu.
March 10-14	Food and Agriculture Organization (FAO), Committee on Forestry, 13th Session, Rome.
March 10-14	Environment, Science & Technology Officer's Conference, Washington.
March 10-14	International Maritime Organization, Marine Environment Protection Committee, London.
March 10-14	Meeting of States Parties to the Law of the Sea, New York.
March 11-12	Pacific Salmon Commission - Bilateral Southern Stakeholders, Vancouver.
March 11-12	US-Brazil Common Agenda, Washington.
March 12	Global Environment Facility Replenishment Discussions. Paris.
March 13-14	NATO Science Committee, Brussels.
March 17-18	OECD Committee on Scientific and Technological Policy, Paris.
March 17-19	US-EU Eco-labeling Talks, TBD.
March 17-20	FAO Committee on Fisheries Meeting (COFI), Rome.
March 17-21	Long Range Transboundary Air Pollution Agreement (LRTAP) Protocol on Heavy Metals, Geneva.
March 17-21	FAO Committee on Agriculture, TBD.

March 17-28	International Seabed Authority, Kingston, Jamaica.
March 19	Pacific Salmon Commission - Bilateral Northern Stakeholders, Prince Rupert.
March 19-20	Action Program on Essential Drugs Management Advisory Committee, Geneva.
March 22-23	Basel Convention: Fifth session of Ad Hoc Working Group of Legal and Technical Experts.
March 22-24	Global Partnership Summit, Tokyo.
March 22-24	High-Level Meeting in preparation for UN General Assembly Special Session, Framework Convention on Climate Change, COP-3, Tokyo.
March 27-31	International Workshop on Drought and Desertification, Bet Dagan, Israel.
March 31 - April 4	Space Station Agreement Language Conformance Meeting, Moscow.
April 1-4	Organization for Economic Cooperation and Development (OECD) Fisheries Committee Meeting, Paris.
April 2-9	Arctic Council EPPR Annual Meeting, Greenland.
April 3-4	Global Biodiversity Forum Meeting, New York.
April 3-4	US-Russia Consultations on Global Positioning Systems (GPS), Washington.
April 3-4	PAHO Subcommittee on Planning and Programming Members: Brazil, Canada, Chile, Mexico & US, TBD.
April 3-4	West Greenland Commission (NASCO) Intersessional Meeting, Copenhagen, Denmark.

April 5-6	Pacific Salmon Commission - Bilateral Southern Stakeholders, Seattle.
April 7	US-India Common Agenda for the Environment, Washington.
April 7-11	International Coral Reef Initiative Planning Meeting, Australia.
April 7-25	UN Commission on Sustainable Development - 5th Session, New York.
April 8-9	G-7 Environmental Futures Forum, Washington.
April 9-10	Meeting of Interested Parties for the Division of Emerging and Other Communicable Diseases Surveillance and Control, Geneva.
April 9-12	CCMLR Ad Hoc Advisory Meeting, LaJolla.
April 10-12	Conference on Infectious Diseases, Las Vegas.
April 10-16	Convention on Migratory Species Convention of Parties, Geneva.
April 14-18	North West Atlantic Fisheries Organization (NAFO) Working Group on Dispute Settlement Procedures, Dartmouth, Nova Scotia.
April 15-16	Brazil Pilot Program Participants Meeting, Paris.
April 15-17	North American Commission for Environmental Cooperation (NACEC) Meeting, Montreal.
April 20-22	U.S.-EU Task Force on Communicable Diseases, London.
April 21-25	Pacific Salmon Commission - Bilateral Stakeholders - North/South, Ketchikan.
April 22-24	North Pacific Rim Fisheries Conference, Tokyo.

April 23-24	US-Japan Consultations on Global Positioning Systems (GPS), Washington.
April 24-25	NATO Committee on the Challenges of Modern Society (CCMS) Plenary, Budapest.
April 27-29	Asia-Pacific Economic Cooperation Organization (APEC) Sustainable Development Ministerial, Canada.
April 30 - May 6	"Rio + 5" Meeting, Rio de Janeiro.
May TBD	International Coral Reef Initiative Middle East Workshop, Jordan.
May TBD	OECD Experts Meeting on Economic Aspects of Biodiversity, Paris or Mexico City.
May TBD	U.S.-Egypt Economic Partnership, Cairo, Egypt.
May TBD	Technical Workshop on Queen Conch, San Jose, Costa Rica.
May TBD	U.S.-Russia Intergovernmental Consultative Committee, Vladivostok.
May 1-3	Meeting of the Steering Committee on New Vaccination Approaches, Geneva.
May 4-7	Electricity Products and Greenhouse Gases: Facts and Perspectives, Montreal.
May 5-6	G-7 Environmental Ministerial Meeting, Miami.
May 5-6	G-7 Environmental Ministers Meeting, Miami.
May 5-7	International Commission for the Conservation of Atlantic Tuna Intersessional Meeting, Washington.
May 5-8	Activities Implemented Jointly (AIJ) Project Development Workshop, Cairo, Egypt.

May 5-10	World Commission on Forests and Sustainable Development, Cameroon.
May 5-16	World Health Assembly, Geneva.
May 8-9	OECD EPOC, 11th Session, Paris.
May 12-16	London Convention, Scientific Group, London.
May 13-14	Fourth Meeting of the Task Force on Health in Development, Geneva.
May 15-16	Special Session of the UNICEF/WHO Joint Committee on Health Policy, Geneva.
May 15-16	North West Atlantic Fisheries Organization (NAFO) Intersessional Meeting on Non-Contracting Party Fishing, Brussels.
May 15-23	FAO Commission on Plant Genetic Resources, Rome.
May 16-20	Ad Hoc Working Group on Biosafety, Montreal.
May 17	U.S.-Mexico Binational Commission, Science & Technology sub-group preparatory meeting, Washington.
May 19-20	U.S.-Japan Common Agenda for Cooperation in a Global Perspective, Plenary Meeting, Washington.
May 19-21	Advisory Committee on the Protection of the Sea (ACOPS) Meeting on OCEANS
May 19-22	Global Environment Facility Replenishment Meeting and Council Meeting, Washington.
May 19-23	Meeting of States Parties on the Law of the Sea, New York.
May 21-30	International Tropical Timber Organization (ITTO) 22, LaPaz, Bolivia.
May 21-June 1	Antarctic Treaty Meeting, New Zealand.

May 25-30	Executive Committee of the Montreal Protocol Multilateral Fund, Nairobi.
May 25-30	Primer Congresso de Parques y Areas Protegidas, Santa Marta, Colombia.
May 26-29	International Environmental Agency Workshop on R&D and Technologies for Activities Implemented Jointly (AIJ), Vancouver.
May 26-30	UNEP Intergovernmental Negotiating Committee, 3rd Session for Prior Informed Consent (PIC) Convention for chemicals and pesticides, Geneva.
May 27-29	Asia-Pacific Environment Cooperation Organization (APEC) Marine Resources and Conservation, Pusan, Korea.
May 28	US-EU Summit, The Hague.
May 28-June 6	International Maritime Organization/Maritime Safety Committee 68, London.
June TBD	UN Outer Space Committee, Vienna.
June TBD	Basel Convention - 12th session of Technical Working Group, Geneva.
June TBD	Inter-American Tropical Tuna Commission Annual Meeting, San Jose, Costa Rica.
June TBD	OECD Chemicals Meeting, Paris.
June 2-9	Arctic Council Arctic Monitoring and Assessment Program (AMAP) Seminar, Norway.
June 3-6	Open-Ended Working Group, Montreal Protocol, Nairobi.
June 5-9	Independent World Ocean Commission, Rhode Island.

June 8	APEC Senior Environment Officials Meeting, Toronto.
June 9	U.S.-Mexico Binational Commission, Science & Technology sub-group meeting, TBD.
June 9-11	APEC Meeting of Ministers on Sustainable Development, Toronto.
June 9-13	North Atlantic Salmon Conservation Organization, Greenland.
June 9-13	AEPS Senior Arctic Affairs Officials Meeting and AEPS Ministerial, Alta, Norway.
June 9-13	UN General Assembly Special Session (UNGASS) on Environment, Five Year Review of Agenda 21, New York.
June 9-13	Great Lakes Fishery Commission Annual Meeting, Ottawa, Ontario.
June 9-13	APEC Fisheries Working Group, Cabo San Lucas, Mexico.
June 9-20	Convention on International Trade in Endangered Species 10th Conference of Parties, Harare, Zimbabwe.
June 12-13	AEPS Ministerial, Alta, Norway.
June 12-14	National Council for International Health Annual Meeting and Conference, Washington.
June 14-15	National Council for International Health, Governing Board Meeting, Washington.
June 14-18	International Maritime Organization/NAV 43, London.
June 16	Board of Governors of the U.S.-Israel Binational Industrial Research and Development Foundation, Washington.

June 16-20	Economic Commission for Europe Long Range Transboundary Air Pollution (ECE LRTAP) Working Group, Geneva.
June 20-22	G-7 Summit, Denver, Colorado.
June 23-27	UN General Assembly Special Session on Agenda 21 - Five Year Review of the UN Conference on Environment & Development, New York.
June 22-25	North American Commission on Environmental Cooperation, Montreal.
June 23-25	U.S.-Israel Binational Science Foundation Board of Governors; Jerusalem, Israel
June 23-27	Commission on Sustainable Development: Agenda 21 Meeting, New York.
June 23-27	PAHO Executive Committee Meeting, Washington.
June 24-27	Multilateral Conference on South Pacific Fisheries, Majuro, Marshall Islands.
June 25-27	NATO Science Committee, Lisbon.
Before June 30	U.S.-Egypt Joint Board, Cairo, Egypt.
July TBD	Sea Turtle Implementation Treaty, Caracas.
July TBD	Queen Conch Annual Conference, San Juan.
July TBD	U.S.-Japan Cooperative Medical Sciences Program, Japan.
July TBD	U.S.-EU Fisheries Consultations, Washington.
July 1-17	Intergovernmental Oceanographic Commission Assembly, Paris.
July 7-11	Sustainable Forest Management, Seoul.

July 9-11	Intergovernmental Panel on Climate Change Bureau 12th Session, Geneva.
July 14-18	International Maritime Organization, London.
July 28-Aug 8	Framework Convention on Climate Change: Subsidiary Bodies on Scientific and Technical Advice, Implementation, AGBM 7th Session, Bonn.
Aug TBD	Latin American Organization for Fisheries Development (OLDEPESCA) Meeting, Peru.
Aug 8-12	International Conference "Order for the Oceans at the Turn of the Century", Oslo, Norway.
Aug 18-22	Convention to Combat Desertification, New York.
Aug 18-29	International Seabed Authority, Kingston, Jamaica.
Sept TBD	US - Argentina Space Conference, Buenos Aires.
Sept TBD	Maritime Powers Meeting, Tokyo.
Sept TBD	Prior Informed Consent on Trade in Toxic Chemicals, Session 4, Brussels.
Sept 1-5	Convention on Biodiversity SBSTTA 3, Montreal.
Sept 1-5	Meeting of the Scientific / Technical Subsidiary Body Under the Biodiversity Convention (SBSTTA), 3rd Session, Montreal.
Sept 3-5	Scientific Committee of the Convention for the Conservation and Management of Pollock Resources in the Central Bering Sea, Gdynia, Poland.
Sept 9-17	Ninth Conference of Parties to the Montreal Protocol, Montreal.
Sept 14-18	1997 International Health Congress, State of Maryland and WHO Baltimore, TBD.

Sept 15-19	Northwest Atlantic Fisheries Organization Annual Meeting, St. Johns, New Foundland.
Sept 15-19	19th Annual Meeting of NAFO, St. John's New Foundland.
Sept 15-19	Economic Commission for Europe Long Range Transboundary Air Pollution (ECE LRTAP)Working Group on POPs, Geneva.
Sept 15-27	International Maritime Organization/ Diplomatic Conference for Annex VI of International Convention for the Prevention of Pollution from Ships (MARPOL), Marine Environment Protection Committee 4, London.
Sept 16-22	VI EuroMAB Congress, Belarus.
Sept 25-29	Intergovernmental Panel on Climate Change 13th Plenary, Male, Maldives.
Sept 25-Oct 3	International Council for Exploration of the Seas (ICES), Baltimore.
Sept 28-30	North Pacific Anadromoces Fisheries Commission, Victoria, British Columbia.
Sept 29 - Oct 1	First Conference of Parties to the Desertification Convention, Rome.
Oct TBD	OECD Committee on Scientific and Technological Policy, Paris.
Oct TBD	Basel Convention COP - 4, Kuala Lumpur.
Oct TBD	North Pacific Marine Science Organization (PICES), Korea.
Oct TBD	London Convention Meeting, London.
Oct TBD	NATO Committee on Challenges to Modern Society Fall Plenary, Madrid.

Oct 4-5	U.S.-EU Task Force Meeting on Communicable Diseases, London.
Oct 13-17	Biodiversity Convention - Ad Hoc Working Group on Biosafety, Montreal.
Oct 13-22	Eleventh World Forestry Congress, Antalya, Turkey.
Oct 15-16	Fish Expo, '97, Boston.
Oct 20-31	UN Framework Convention on Climate Change: Subsidiary Bodies on Scientific and Technical Advice, Implementation, AGBM 8th Session, Bonn or Geneva.
Oct 27-31	Annual North Pacific Anadrymous Fish Commission Meeting, Victoria, Canada.
Nov TBD	Cartagena Protocol on Land-based Activities, Kingston, Jamaica.
Nov TBD	5th Meeting of the Yukon River Panel, Anchorage.
Nov TBD	International Maritime Organization 20th Assembly, London.
Nov TBD	University of North Carolina - Speaking on Infectious Diseases.
Nov 3-6	Second Annual Conference of Parties, Convention for the Conservation and Management of Pollock Resources in the Central Bering Sea, Seattle.
Nov 4-6	Global Environment Facility Council Meeting, Washington.
Nov 14-16	Annual Meeting of the International Commission for the Conservation of Atlantic Tunas, Madrid, Spain.
Dec 1-12	Framework Convention on Climate Change Conference of Parties 3, Kyoto, Japan.
Dec 2-4	Pacific Salmon Commission - Bilateral, Vancouver.

Dec 6-11	American Society of Tropical Medicine and Hygiene.

1998 Calendar Events

Jan 4-15	Conference of Parties to the Convention on Biodiversity, COP-4, Bratislava, Slovakia.
March TBD	Summit of the Americas, Santiago, Chile.

United States Department of State

Bureau of Oceans and International Environmental and Scientific Affairs

Washington, D.C. 20520

Date: 3/9/97

Time:

FAX Cover Sheet

To: OES Calendar Subscribers - government agencies
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Number of pages to follow: 14

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Memo: Enclosed OES Calendar of International Events. Please contact me if you have any questions.

Thanks,

Franz W.

cc AW
JHF
JS
TR

6 March 1997

Memorandum

To: Please See Attached List

From: USDEL/Geneva, Mark G. Hambley

Subject: Negotiations under the Framework Convention on Climate Change Periodic Update No. 9 for March 5/6, 1997

This message transmits unofficial reflections on activities and developments during the climate negotiations which are being held in Bonn between February 24 and March 7, 1997. While the contents are unclassified, this report is intended for use by officials of the U.S. Government, only. This report covers activities from the afternoon of March 5th through the morning session on Thursday, March 6. Also included are more detailed reports on meetings held on March 5, including summaries of the March 5 discussions on QELROS and on the "non-groups" on Article 4.1 and on institutions and mechanisms. These summaries were prepared by Jane Leggett-Emil, Clare Breidenich, and Debby Stowell respectively. Also included is a selective sampling of the latest "ECO's" pearls of wisdom (drawn from the enviro rag financed largely by the Danish/German Environment Ministrics -- hence its perpetual anti-U.S. slant.) The final paragraphs can be used as a DAR item as desired and appropriate. This will be our penultimate report..

Climate Talks, Update No. 9 (March 5/6:) Process Issues Now Clarified as AGBM Appears to be Barreling Towards an Early End

"Negotiating" Text Near Completion, and the AGBM Appears Anxious to Adjourn

The key process issue facing the AGBM -- what kind of text will emerge by the April 15 deadline -- has been resolved. According to Chairman Estrada, the "simplified" compilation text will serve as the formal negotiating text for the July/August meetings. China attempted to question this decision, but the Chairman ignored the issue and restated this view on March 6. All substantive proposals will be included, despite the Chair's continuing misgivings about the validity of some concepts in terms of the Berlin Mandate. In this regard, our paragraphs on joint implementation, Annex B, and evolution remain in the final document. So do the differentiation concepts and OPEC's compensation proposal. Additional proposals will apparently be accepted for inclusion in the document if they are received by the end of the month. (This point still needs to be clarified, but this was the intent of the Chair last night.) The AGBM is now expected to end its meetings by mid-day tomorrow, Friday, March 7. The Subsidiary Body on Implementation will convene on the afternoon of March 6 to finalize its report.

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"Level" Issue Finessed

Prior to the AGBM meeting on March 6, we raised with Estrada our concern about the need not to limit us to the numbers currently put forward in the compilation text. Estrada took our point and, at the beginning of the meeting, indicated that the values of 'x,' 'y,' or 'r' (reflecting a final EU formulation for its remaining five percent) remain open and subject to additional interpretation or amplification throughout the negotiating process. Estrada had initially queried us as to why this point was necessary. We expressed our concern that the Saudis, Kuwaitis, Nigerians or others keen to disrupt the process ((and guided by guiley American (non-USG) legal advice)) might use the absence of such a clarification as a pretext to challenge the inclusion of any additional numbers. The Chair insisted that he would rule such an attempt as being out of order. However, he relented and agreed to make his point in as subtle a way as possible so as to keep the issue from becoming a floor fight. He also told us that he would be handling the evolution question similarly. Thus, we did not have to rely on our strategy of having multiple parties introduce or refine proposals of their own. (The countries in question are New Zealand, Russia, and Canada.) The Russians did, however, move their paragraph on evolution into this place in the text (it had been in the part on 4.1.)

EU Still Sputtering about their Bubble

As reported in Update No. 8, the EU was not enamoured by our effort to use the range of commitments allegedly agreed upon in their recent communique for the purposes of this text. At a bilateral with with the EC and EU Presidency on March 5, we again pointed out that we do not accept an EU bubble concept for the post-2000 period. With much self-righteous indignation (but without the caustic emotion evidenced by DG-XI's Jorgen Henningsen earlier in the day, the EU flatly insisted that they are entitled to bubble. Full stop. We understand they are asking their resident lawyer (poor Patrick Szell has been given the task) of drafting a defense/justification of the bubble concept.

At two social events later in the evening, EU representatives also pushed their bubble concept. Henningson sputtered about how the U.S. delegation "is out of control" on this issue, but picked a wrong target for his ire when he raised the issue with L/OES's Sue Biniaz. At a small dinner hosted by the British, we felt compelled to tell those present (including Chairman Estrada and the chief Dutch and German delegates who were waxing eloquently about the beauty of the EU process and the grand progress achieved by their announced 15 percent commitment) that the U.S. does not recognize the bubble. Estrada, who had questioned the EU's numbers, nonetheless, asked if the U.S. intends to block agreement at Kyoto because of the bubble issue. We responded merely that this is one of many issues which must be decided by Kyoto. The Canadian present (Tony Clarke) and our Japanese colleague (Takeo Shibata) provided little assistance in this regard, but the mood remained cordial with the molllifying influence of our British host (Peter Unwin).

Other Issues Raised with the EU

At the hour long March 5 meeting with the EU (present were reps from the Netherlands, Germany, the UK, Sweden (the venerable Bo Kjellen) and a note-taken from the EC (the EC's Jorgen Henningsen did not show, undoubtedly out of picque over his earlier run-in with us.), we discussed the following topics: (a) process issues (we all agreed that all substantive items should be retained); (b) evolution (the EU claims that their protocol framework's mention of a review in 2002 constitutes a satisfactory evolution concept); (c) annexes and 4.1 obligations (the EU strongly favors the holding of an intersessional devoted to these issues, including technological matters; (d) the level (the EU believes that its distribution of emissions targets among its members is an internal matter, although it was conceded that transparancy is important; and (e) policies and measures (Bert Metz stressed that the EU supports flexibility and reiterated concern that there is not enough time to work out emissions trading by December.

The Japanese Still Need a Boarding Pass

We also met on March 5, for nearly 90 minutes, with most of the Japanese delegation (including Ambasador Tanabe, MITI's Ishiumi, the MFA's Furaya, and the Environment Agency's Hamanaka. It was clear from this discussion that the Japanese are as far apart from us as ever on key aspects of our proposal. Under Ishiumi's apparent guidance, Japan remains opposed to emissions trading. Ambassador Tanabe made it sound as though he did us a big favor by not expressing his misgivings publicly. (He probably did.) The Japanese also appear increasingly wed to an as yet ill-defined differentiation concept, and they remain very uncomfortable with our "evolution" article. They pressed us as to why we cannot support their menu approach on policies and measures. We asked key USDEL members on March 6 to target various of our Japanese colleagues especially on questions they raised about emissions trading. However, we will need to take advantage of other bilateral discussions with Amb. Tanabe (during his forthcoming Washington visit, perhaps?) and his superiors if we are to turn the Japanese around on any of these important matters.

NGOs Not Sure What to Make of it All

Our impression is that NGOs -- both business and the environmental representatives -- are unsure about what this meeting has been all about. While we are pleased by the opportunity it has given us to amplify on our proposal and to come up with a text which includes our points, the NGOs remain critical of us because we have not introduced any numbers. At the same time, they are also quietly disappointed, one senses, that the EU's proposal has not had a greater visible impact. Business types expressed concern to one of our Congressional staffers that the U.S. might be in cahoots with Australia and would push a range of numbers, including plus 30 percent as part of a possible range. We told the staffer that we were not in discussion with the Australians about this, although Australia did in fact try to amend its submission with a range reflective of the EU numbers. In any case, we are slated to meet with the NGOs and business representatives after this afternoon's SBI session. At the request of one key U.S. NGO, at least a portion of their session will be given over to a group of "international" NGOs who will, if past pracitice is any guide, lament the U.S. position.

4

The following paragraphs can be used as a DAR item as desired or appropriate:

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We also met on March 5, for nearly 90 minutes, with most of the Japanese delegation (including Ambasador Tanabe, MITI's Ishiumi, the MFA's Furaya, and the Environment Ageney's Hamanaka. It was clear from this discussion that the Japanese are as far apart from us as ever on key aspects of our proposal. For example, Japan remains opposed to emissions trading. In addition, the Japanese also appear increasingly wed to an as yet ill-defined differentiation concept, and they are very uncomfortable with our "evolution" article. They pressed us as to why we cannot support their menu approach on policies and measures

Our impression is that NGOs -- both business and the environmental representatives -- are unsure about what this meeting has been all about. While we are pleased by the opportunity it has given us to amplify on our proposal and to come up with a text which includes our points, the NGOs remain critical of us because we have not introduced any numbers. At the same time, they are also quietly disappointed, one senses, that the EU's proposal has not had a greater visible impact.. We are slated to meet with the NGOs and business representatives after this afternoon's SBI session. At the request of one key U.S. NGO, at least a portion of their session will be given over to a group of "international" NGOs who will, if past pracitice is any guide, lament the U.S. position. (Hambley)

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SUMMARY OF AGBM 6 DISCUSSION OF QELROS (3/5/97)

The AGBM session discussing Quantified Emission Limitation and Reduction Obligations (QELROS) managed to streamline much of the text in the framework compilation document, and to clarify a number of Parties' positions on specific topics. It also included expected opposition by developing countries to flexibility mechanisms and voluntary commitments by non-Annex 1 Parties. The question of the session (and week) was 'when will the blanks on targets and timetables be filled in?' The EU has proposed 15% below 1990 levels in 2010 (CO2+CH4+N2O) as a negotiating position (not a unilateral commitment), with an agreed reallocation of that within the EU ranging from -30% (Luxembourg) to +40% (Portugal). When the EU refused to submit these specific allocations to EU Members as proposed negotiating text, the US offered the EU's range of allocations as its own proposal for a negotiating range for QELROS. Norway proposed a "common target" of -10% to -15% in 2010 for all GHG, to be allocated differentially among Parties. A number of Parties indicated their wish to see an emission reduction obligation for 2005 (although no specific target for that year is now contained in the EU proposal). Russia stated that it believed a target for 2005 would be unrealistic. AOSIS retains its target of -20% in 2005 for CO2. Zaire emphasized its proposal for stricter targets for Parties that have not met the aims for the year 2000 in FCCC Article 4.2 than for Parties that do. Many redundancies on coverage of gases by QELROS were removed, with the remaining text proposing the full range from a fully comprehensive approach (using GWPs) to explicit targets for each gas, including CO2.

A number of Parties expressed support for additional flexibility for EITs, particularly by allowing them to use a base year other than 1990. On other aspects of differentiation, only the US, with Russia and the EU have opposed it in the Kyoto timeframe, while Australia and others are almost monotone in their insistence on it. The EU also stated that in the "longer term" they would support a "more sophisticated" method for allocating emission reductions among Parties. Chow, as chair of the session on Tuesday afternoon, noted a seeming consensus in favor of differention as more fair and equitable, but that an effort in that regard may be complicated and difficult prior to Kyoto. He also noted that presentation of quantitative examples of the outcomes of proposed indicator-based allocations might be necessary to move discussion forward.

The Netherlands, on behalf of the EU, noted interest in the US proposal for budget periods, but stated its unwillingness to discuss that option until the USG becomes more specific about its intended level and timing of budgets. They further stated that emission budgets should not postpone when emission reductions become legally binding and compliance with them can be monitored. China suggested that "emission budgets" (along with many other aspects of the US proposal) are not mentioned in the Berlin Mandate and are therefore outside its scope. Canada, Australia and New Zealand indicated their support for multi-year or cumulative targets. Canada also suggested that it would provide text for multi-year averaging of the base year as well. Besides the US, interest in trading was apparent from Australia, New Zealand, Russia, Norway and others. The EU stated its doubt, due especially to questions regarding monitoring and verification, that trading (or JI) could be negotiated by Kyoto. The G-77 and China clearly opposed trading and JI, although a schism is becoming more apparent on this topic. Peru broke ranks and spoke in favor of retaining the JI option. The opposition of many Parties to borrowing was clearly stated.

All Parties agreed that the QELROS should be legally binding, and EU indicated its intention that the Policies and Measures obligations also be legally binding. France and Switzerland also underscored that QELROS should be legally binding for *each* Annex 1 Party. The EU reiterated their position favoring an explicit long-term concentration target of 550 ppm, to limit temperature increase to 2°C above pre-industrial levels.

Leggett:3/6/97

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Non-Group on Advancing the Implementation of Article 4.1 Commitments

The non-group on advancing the implementation of 4.1 commitments met for the second time on Wednesday afternoon under the chairmanship of Evans King of Trinidad and Tobago. The Chair opened the session by providing a compilation text, which was essentially identical to the 4.1 section in the compilation document prepared by the Secretariat. King proposed that the group use the text as a basis for grouping similar concepts and features under sections corresponding to the elements of Article 4.1 (a - j). The United States noted that while it supported the approach, that it was concerned about the possibility of adding permanent headings to the text. After some discussion, it was agreed that any headings were to be used for discussion perhaps only, and would not be featured in a revised compilation.

The group spent the next two hours debating the desirability of moving text around. While the G-77 had originally supported the idea, the Phillipines, supported by China, Iran and Nigeria, soon argued that any changes to the G-77 proposed text would be completely unacceptable. The United States attempted to move discussions forward by identifying the correlation of each element in the US proposal with specific provisions of Article 4.1. The G-77 stated that, while it was perfectly acceptable for the US to move its own text around, any revisions would not and could not be made to the G-77 text. To the consternation of the Chair, the only approved change was elimination of a paragraph of text proposed by the Russian delegation. The compilation text will return intact to the AGBM.

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Non-Group on Institutional and Mechanisms

The non-mandate for this non-group was to look at Chapter 1, preamble and definitions, and Chapters 6 & 7. The session began with the Tanzania for the G-77 and China calling for Parties to use current mechanisms instead of creating new ones. This was preceded by an overly long discussion of where the non-group should start, Chapter 1 or Chapter 6. China also intervened to say that it was premature to look at any of this, that "substance determines form" therefore this could wait. And as China has stated many times during the course of this week, not to mention whenever the non-group looked at a new section, everything must comply with the Convention and the Berlin Mandate.

Despite the less than promising beginning, the non-group trudged through most of the sections it was asked to look at. However, time ran out before the non-group was able to look at Chapter 7. This chapter as well as Chapter 1-B. Definitions, Chapter 6-B. Secretariat will be handled by the Secretariat for a technical streamlining. The Chair made it clear that nothing would be taken away, that where possible, the Secretariat would group similar items together.

Before the meeting closed, Norway intervened to introduce entry-into-force language which was submitted to the Chair. It basically calls for entry-into-force to occur 90 days after 15(?) countries (accounting for 75% of Annex I emissions) have ratified the protocol or other legal instrument.

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CLIMATE NEGOTIATIONS BONN MARCH '97 NGO NEWSLETTER

eco

6 MARCH
ELIMINATION ISSUE

Eco has been published by Non-Governmental Environmental Groups at major international conferences since the Stockholm Environment Conference in 1972. This issue is produced co-operatively by CAN groups attending the Climate Negotiations in Bonn, February-March 1997.

US Proposal: Uncertainty Reigns

There is controversy about many of the central elements of the US proposal in these negotiations: emissions trading, multiyear budgets, "borrowing" of emissions from future budget periods, and joint implementation for credit with developing countries. NGOs and other governments are weighing these elements with varying degrees of skepticism.

But there are aspects of the US proposal around which there is no uncertainty: it has no reduction targets, and it has no timelines. The absence of these central features casts doubt on the whole framework the US is trying to market at this session.

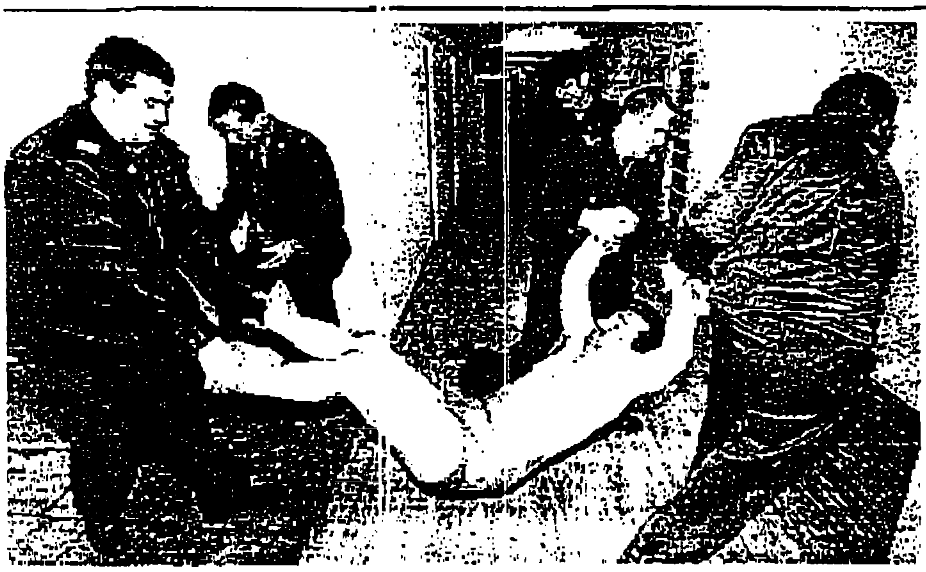
As the US itself admitted in its December "non-paper," emissions trading and joint implementation for credit will require detailed elaboration of a host of monitoring and verification safeguards. Given this, and the strong opposition of the G77 and China, it's difficult to see how these elements can be negotiated by Kyoto. JI for credit with developing countries is especially problematic since both the donor and host countries would have a clear incentive to inflate the project baselines, and hence the credits earned.

With sufficient time and effort, these problems might well be overcome. But the question remains, to what end? If this much-touted "flexibility" allows the US and other industrial countries to commit to early, substantial emissions reductions, then these mechanisms could be well worth pursuing. But if, as many fear, they are designed to allow the US to avoid domestic action to cut its excessive GHG emissions, they should be rejected outright.

The key to solving the global warming prob lem long-term is the continued development an accelerated deployment of clean energy and tran portation technologies. This will only happen the US and other industrialized countries ado policies and measures – many of them politicall sensitive – to overcome existing market barrie to these technologies. Strong QELROs, startin no later than 2005, are essential to drive the changes in domestic policies and measures.

Which brings us back to the missing el ments of the US proposal. Without the targe and timetables that other parties, such as th EU, are at last starting to provide, it is imposs ble to judge whether the US is acting in goo faith to facilitate the substantial early emissio reductions required, or merely promoting a pr scription for delay and inaction at home.

If the US wants its proposals to be give serious consideration, it must fill in these detai and soon. It should also drop the indefinite "bo rowing" provisions that have been the focus widespread criticism from governments a NGOs alike. Even assuming emissions budge and a trading regime, there are other complian mechanisms – such as automatic discounting noncompliers' credits and a halt on additio credit sales – that are at least as effective a avoid the taint of "permissible noncomplianc associated with indefinite borrowing.



Yesterday the chairman took a stricter line

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CLIMATE NEGOTIATIONS BONN MARCH '97 NGO NEWSLETTER

Stop Idling Japan!

by Kyoko Kawasaka, CASA

The EU seized the initiative by proposing a 15% emissions cut by 2010. As host for COP3 we keep looking to Japan for some sign of leadership in the negotiations, but all we have seen so far is a tourist presentation on the historic city of Kyoto. The Japanese delegation has gained most attention for its criticism of EU proposals, but we would like some sign that they are doing something positive to make the negotiations work.

We have just eight months to Kyoto. To gain some credibility in such a short time Japan needs to get a protocol that will send credible signals to change to sustainable energy industry. Here are three suggestions…

First, significant overall reductions in GHGs, at least as progressive as the EU. Second, introduce a legally binding reduction target for 2005. Third, take notices of other countries' proposals.

Fortunately the Japanese delegates announced openly to a meeting with NGOs that the Japan will stand by its support for the Geneva declaration and will negotiate a legally binding target.

However, the concrete target is still a non-number. Because Japan is trapped between MITI, which wants business as usual, and its role as host of COP-3, it seems to be unable to give the leadership we need. This is why Japan needs to bring its industrial policy in line with the FCCC. Unfortunately, the great engine of Japanese technology and innovation continues to idle when it should be accelerating.

Norway Reveals Itself

by Tessa Robertson, Greenpeace

Yesterday Norway became the third Annex I Party after Switzerland and the EU to put a target on the table. Like the EU, Norway is proposing a 10-15% reduction in greenhouse gases from 1990 levels by 2010 for Annex I Parties as a group, and its target is for a basket of gases. However, the target includes removal of emissions by sinks – the so-called net approach – which is not supported by the EU as a group. The target is to be achieved through "equitable burden sharing" within Annex I Parties. The EU, of course, agreed a burden sharing allocation among the member states on Monday, although with the exception of France it does not support differentiation across the whole of Annex I for Kyoto.

So why is Norway's proposal different from the EU's? At Tuesday's differentiation workshop, Jorgen Henningsen from the European Commission tried to answer this question by explaining the unique situation of the Community and its member states, a situation which Jonathan Pershing of the USA seemed to recognise during his presentation on the US proposal.

This answer did not seem adequate to countries such as Japan and Australia. Their concern seems to be more the moral question – why is it all right for the EU to differentiate a target amongst itself when it opposes differentiation for the whole of Annex I?

The difference between the EU "bubble" and the proposals made by Norway and Australia is obvious. Within the EU, a number of countries are prepared to accept significant cuts in their own emissions in order to allow others' emissions to increase. This is not true of Norway. Australia, which support differentiation so that their own emissions can rise by significant amounts. Outside the EU, which Annex I countries are prepared to reduce their emissions so that Australia et al can increase?

On Tuesday, Germany's Cornelia Quennet challenged those countries proposing complex schemes for differentiation to tell us what targets they are prepared to take on for their own national emissions. So far, none of them has taken up this challenge. And yet this information is essential for us to test Norway's and Australia's assertions that differentiation would bring about greater reductions – and thus a greater environmental benefit – than the kind of low flat rate target which countries would be prepared to accept for Kyoto.

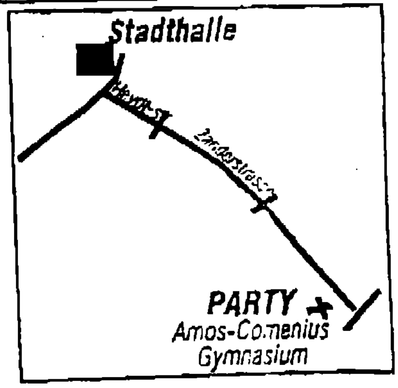
Whose Compensation?

Some OPEC governments have raised the issue of compensation for revenues lost as a result of Annex I commitments to reduce emissions. These countries should perhaps be cautious in raising the subject. From whom, after all, would developing countries seek compensation for the devastation of climate change impacts? Eco cannot help but wonder how oil exporting nations would respond to such compensation demands for losses suffered as a result of insufficient action to slow climate change. It almost makes one think of each barrel of oil exported in terms of increased future liability.

Ludwig

Ludwig is delighted to see how keen China is on recycling. In fact, his old friend Mr Zhong is so taken with the idea that he felt obliged to offer a practical demonstration to delegates yesterday, by offering us a repeat of his famous story about the sign in the park he used to visit as a boy ("no dogs or Chinese"). Perhaps before we leave he may also choose to demonstrate some economy measures, particularly ones that could save time.

The names of industry groups are getting distinctly far-fetched. Yesterday Ludwig spotted a badge labelled "International Petroleum Industry Environmental Conservation Organisation". At the moment he is torn between two explanations: is this a group which wishes to conserve the environment of the petroleum industry, or is this a joke by the Secretariat staff who produce the badges?



NGO Party!

Tonight at 9pm in the Amos-Comenius Gy nasium (a school not a gym). 10 minutes fr Stadthalle (see map). Turn right down walkway opposite new church tower. By two minutes walk from "Hans Böckler Alle school entrance in Zanderstrasse.

Help Wanted

Any corrections to the industry lobby group positions, as presented in that "Green Report" on puppets, will be welcomed. Please submit in writing and errata will be published on Friday.

We especially look forward to revisions to be submitted by the Global Climate Coalition who feel they were misrepresented.

NGO Update

Manfred Treber, Klaus Milke, Christoph Bals – *Germanwatch;* Ayako Ohkubo – *People's Forum 2001;* Kilaparti Ramakrishna – *Woods Hole Research Center*

THANKS

The Climate Action Network would like to thank Environment Ministries of Germany and Netherlands, who have provided funding for Eco.

With resources contributed by: APC Netwo and EuroFax.

B

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Bonn, Germany, March 2-7, 1997

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	Jim Rubin		FAX:514-4231
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AID	David Hales	875-4205	FAX: (703) 875-4639

Cc: Am
JAA
JS
TR

4 March 1997

Memorandum

To: Please See Attached List

From: USDEL/Geneva, Mark G. Hambley

Subject: Negotiations under the Framework Convention on Climate Change Periodic Update No. 7 for March 3/4, 1997

This message transmits unofficial reflections on activities and developments during the climate negotiations which are being held in Bonn between February 24 and March 7, 1997. While the contents are unclassified, this report is intended for use by officials of the U.S. Government, only. This report covers activities from the afternoon of March 3rd through the morning session on Tuesday, March 4. Also included are more detailed reports on meetings held earlier this week prepared by USDA's Whitman and State's Wickwire; two pages from the latest edition of "ECO", the rag published by environmental NGOs, which includes NGO reaction to the EU "numbers" and a criticism of U.S. proposals, as well as the report of the "Earth Negotiations Bulletin" covering all plenary activities for Monday, March 3. The final paragraphs can be used as a DAR item as desired and appropriate..

Climate Talks, Update No. 7 (March 3/4): "Simplifying" Gets Complicated as AGBM Plenary Plans to Break Off into "Non-Groups"

AGBM Begins to "Simplify" Policies and Measures Aspects of it Proposed Text

With Chairman Estrada of the Ad Hoc Working Group on the Berlin Mandate (AGBM) insisting that the task before the body is to "simplify" the compilation document, rather than to negotiate its elements, the plenary opened on March 4 with a discussion of the policies and measures (PAMs) portion of the document. Few concessions were made by those Parties which submitted items for inclusion in this section, but the Chair indicated that he had enough imput to produce a revised document, at least for a part of this section. The U.S. made the point that its view that nothing need to be specified in the PAMs had not been included, and we suggested that this oversight be corrected in the revised version.

The EU's lengthy list of PAMs was criticized for its specificity by China and by ourselves, although the EU emphasized, in repeat interventions, the importance which its attaches to PAMs. The Iranians and the Saudis both chimed in with critical comments, and both emphasized that they did not want to see any part of their proposals removed. The Saudis took this view one step further by insisting that countries be given the opportunity to retain aspects of proposals which may be ultimately withdrawn by the Party initially proposing them.

What was more noteworthy than what was said in this plenary meeting was what was excluded or postponed by the Chair. China and Tanzania (speaking for the G-77) both called on the Chair, for the sake of "clarity", to remove the EU's Annex X and the U.S. Annex B from the proposed negotiating text, because these are not within the Berlin Mandate (sic). Reflecting remarks he had made to us prior to this meeting (pls see below), Estrada noted that Annexes will be discussed later and mentioned (somewhat inaccurately) that for now they did not involve G-77 countries and should not be a cause for concern.

2

More Action in the Side Meetings

The more interesting action for the moment is taking place outside of the main halls in the various consultations which the Chair is holding with Parties. At a late evening dinner on March 3, Estrada essentially said that he wants to try to find a way to sort out the problem of Annexes "outside of the protocol process if necessary." He voiced his opposition to joint implementatiion with credit for non-Annex I Parties (although he sounded supportive of JI within Annex I); sounded sympathetic about emissions trading and emissions budgets and did not mention Article 16 on 'evolution.' (We know that he opposes its inclusion in the negotiating text being prepared for June 1.)

Prior to the March 4 plenary, we met with Estrada along with Mexico, Korea, and the EU to discuss the EU and US respective graduation annexes. Here, Estrada expressed concern about the pressure he is feeling from the G-77 and China to remove these from the negotiating mandate. Estrada said that he wants to "encapsulate" the concept and remove it as a point of open contention during this session. He asked the Parties present to get together to try to find a way of defining a graduation paragraph in a manner which might make it more palatable. Korea was quite forthcoming in indicating that it prefers our Annex B to the EU's fuzzier formulation. Mexico also indicated a similar sympathy, although it is clear that they would prefer to cut a deal with the EU rather than with their North American neighbor.

We agreed to discuss our Annex B concept further on a bilateral basis with concerned countries. However, we pointed out on three occasions during this conversation (as bluntly as we could) that any suggestioin that our Annex B should be removed from the text was not acceptable. We are prepared to flesh out our concept more after we have additional discussions, but we might not be able to meet the April 15 deadline. Estrada said he would try to hold back the floodgates on this matter, but he said he would need our assistance. We promised him some written points he could use to counter the argument being advanced that Annex B is not within the scope of the Berlin Mandate.

EU Supporting a "Kyoto Mandate"?

One surprising disclosure included an EU remark that, while they will oppose the inclusion of our Article 16 on "evolution" in the proposed legal instrument, they will in fact support a Kyoto Mandate which covers the next steps expected in the climate change talks. This statement was made to us privately, and following inquiries, it was indicated that the EU might even be willing to make conclusion of a protocol or other legal instrument contingent on the approval of an appropriate Mandate on follow-on steps.

EU's Numbers Arrive — More with an Interested Whimper than a Registered Bang

As reported in Update No. 6, the EU ministers decided on a fixed target of 15 percent for the year 2010. Only ten percent of this was differentiated at the present time. If Parties agree to a 15 percent reduction, additional allocations will be made. The reaction around the room has been quiet. The EU decided not to make a statement on this at the morning plenary, deferring a statement until later. The NGOs routinely applauded the announcement as hopefully putting more breath into the negotiations, they however criticized the lack of any mention about 2005,and indicated that this omission must be taken care of by Kyoto.

It is clear from discussions with various EU reps that this decision was taken on a purely political basis. It does not appear to be backed up by any degree of analysis. Agreement on a level and certain already harmonized PAMs was the thrust of the decision. It was also suggested that the EU expects the U.S. to back them away from the 15 percent target. The EU is confident that it can make the 10 percent target which they have already distributed among the member countries.

3

U.S. "Dog and Pony" Show a Success

To a packed audience, Messr. Pershing, Forrister, and Doniger responded to questions posed about our propopsed protocol framework at a lunch-time gathering on March 4. Among the concerns raised were ones dealing with our annexes, Article 16, JI, and emissions trading. Perhaps the bluntest question came from the head of the Japanese delegation, Ambassador Tanabe, who asked if the U.S. Congress will approve anything agreed to at Kyoto (perhaps Tanabe has been talking to members of the staffdel in attendance at this conference.)

Together with the round table discussion of March 3rd, our proposal has now had a full public airing. Dr. Pershing exceeded even our boldest expectations with his fluent presentation of our proposal, and his adept handling of questions at the March 3rd round-table. Even delegates who do not agree with us ((including Malaysia and Iran (whose delegate commented: "You've got quite a team!")) stated that our proposal is the most concrete one presented to date. (A contrary view is contained in the accompanying ECO submission.)

Afternoon Activities: The First "Non-Group" Meets; NGOs, and Labor Concerns

The Chair announced that the "non-group" on Article 4.1 -- advancing the implementation of commitments -- will start on the afternoon of March 4. There will also be the roundtable on differentiation which was discussed in Update No. 5. We were asked by the Australians to sit on the panel as "critical observers" but declined, offering instead to pepper the panel with appropriately provocative questions.

We will be meeting with environmental and business NGOs after this afternoon sessions, as well. One issue which will undoubtedly arise is their exclusion from the "non-group" meetings (decided by the chair with a bang of his gavel yesterday). NGOs complain that this sets an unfortunate precedent. The Chair argues that these are not formal negotiating sessions and involve only submissions mad eby Parties. Hence, in his view, only Parties should be included.

We are attempting to intercede with the Secretariat to allow an AFL/CIO representative address the plenary tomorrow when other NGOs will be speaking. If the Secretariat balks (and we see no reason why it should), we will not press the point. In any case, one hopes that the statement, if made, is more accurate than the recent (Feb 20) AFL-CIO Executive Council press release which wrongly states that the Berlin Mandate "specifically excludes developing nations from emission reduction requirements." This will be music to the ears of China and the Philippines, and will not help make organized labors' case any more effective.

4

The following paragraphs can be used as a DAR items as desired or appropriate:

Climate Talks, Update No. 7 (March 3/4): "Simplifying" Gets Complicated as AGBM Plenary Plans to Break Off into "Non-Groups"

With Chairman Estrada of the Ad Hoc Working Group on the Berlin Mandate (AGBM) insisting that the task before the body is to "simplify" the compilation document, rather than negotiate its elements, the plenary opened on March 4 with a discussion of the policies and measures (PAMs) portion of the document. Few concessions were made by those Parties which submitted items for inclusion in this section, but the Chair indicated that he had enough imput to produce a revised document, at least for a part of this section. What was more noteworthy than what was said in this plenary meeting was what was excluded or postponed by the Chair. China and Tanzania (speaking for the G-77) both called on the Chair, for the sake of "clarity", to remove the EU's Annex X and the U.S. Annex B from the proposed negotiating text, because these are not within the Berlin Mandate. Reflecting remarks he had made to us prior to this meeting (pls see below), Estrada noted that annexes will be discussed later.

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March 3, 1997
AGBM, Session 6, 1st meeting
Carol Whitman

Chairman Estrada opened the sixth session of the AGBM, held 3-7 March 1997 at the Stadthalle in Bad Godesburg, Bonn, Germany. He noted that since the last meeting Parties had added a significant number of proposals and he was concerned with the lack of agreement between developed country Parties on substantive issues. He underscored the imperative for developed countries to take the lead in reducing emissions, noting the difference between developed countries' wasteful consumption and developing countries' poverty. He bemoaned the lack of percent reduction numbers in submitted proposals. Michael Cutajar, Executive Secretary, mentioned that this was the last meeting before the 1 June 1997 deadline for circulation of a protocol text 6 months prior to its consideration by COP-3 in Kyoto. Proposals are still arriving. Tanzania stated the G77/China expected strict adherence to the UNFCCC, Decision 1/CP.1, and the Berlin Mandate on guidelines, scope, policies and measures (P&Ms), quantified emission limits and reduction objectives (QELROs), Article 4.1, etc. The provisional agenda was adopted. Routine administrative business was conducted. The Chair proposed forming two non-groups to exchange ideas and simplify proposals: (a) one on introductory elements, institutions and processes, and final elements to be chaired by Mr. Takao Shibata of Japan; and (b) a second on continuing to advance the implementation of Article 4.1 to be chaired by Mr. Evans King of Trinidad and Tobago. The Plenary, under the AGBM Chair's leadership, would deal with P&Ms and QELROs. Several developing country Parties expressed concern with their delegations being too small to attend all the meetings. Several Parties expressed concern with how the process would select some proposals for inclusion, and exclude others. The proposed organization was adopted. The Chairman ruled that participation in non-groups would be limited to Parties (closed sessions). The session was adjourned to begin the Roundtable on New Proposals.

6

Report on the Informal Roundtable on Parties' Proposals
AGBM-6
March 3, 1997

On Monday morning, the formal meeting of the AGBM adjourned to allow time for informal presentations on Parties' proposals included in the compilation document. Other Parties were also permitted to ask questions. Poland spoke on behalf of several other Central European countries, emphasizing legally binding policies and measures, and differentiation based on GDP per capita and a Party's share of global emissions while dismissing formulas which should not serve as substitutes for political decisions. On behalf of the EU, the Netherlands made a brief presentation on their proposal which clarified previous points but provided no new information (Annex X = OECD + CWEITs; Joint Implementation, for now, means jointly implementing policies and measures (PAMs); and PAMs in their Annexes A&B should apply to Parties in Annex X and to any Parties which voluntarily sign on to them). Tanzania followed with the developing country mantra: the AGBM process should strictly adhere to the Berlin Mandate, no new commitments for developing countries, etc., but added that G-77/China members are not calling for specific PAMs for Annex I Parties. France and Iceland also made predictable presentations on their differentiation schemes; however France added that non-Annex I countries should "progressively implement" policies in their economic development. Questions from Malaysia, Venezuela, Mauritius and Switzerland touched upon differentiation criteria in the Icelandic proposal and whether one could develop a variable to take into account historic responsibility for emissions. The U.S. also posed questions on graduation modalities for Annex X in the EU proposal and how to consider the impact of Annex I response measures on non-Annex I Parties. In its comment, China expressed a concern that Parties "misunderstood" the Berlin Mandate in their attempts to pick and choose among its elements. Iran's presentation on the need for compensation for the potential losses by oil-producing states resulting from Annex I response measures ended the morning session, but not before the U.S. asked whether Iran had data for determining the level of compensation (answer was basically no).

In the afternoon, Australia began with its version of differentiation which prompted questions from Malaysia on emissions trading and from China reiterating the necessity of staying within the Berlin Mandate. Saudi Arabia and Kuwait picked up where Iran left off on the whole compensation issue. The U.S. and others came back with queries on whether developed countries, which are dependent on fossil fuel exports, would also be eligible for compensation; whether solar power producers would be liable for damages for cutting into the fossil fuel market; and whether countries that may have to pay higher prices for oil would also receive funds. Italy called into question whether the compensation fund, itself, would be legal since the GEF is the only funding mechanism for the Convention. After considerable discussion, the Canadian representative opined that change in energy sources was inevitable and who's to say that a shift from fossil fuel sources wouldn't happen anyway. In a presentation along our lines of thinking, New Zealand stressed flexibility in terms of timing (cumulative budgets), location (emissions trading), and coverage (all GHGs and sinks). Dr. Jonathan Pershing then made a detailed presentation on our proposal. Questions came on trading (Malaysia), criteria for Annex B (Thailand), the level and distribution of commitments (EU), and the legitimization of pollution and the spurious creation of a market through trading (Iran). Uzbekistan, on behalf of several like-minded states, closed out the day with a call for studying the ways and means to reduce the economic consequences of response measures and for differentiation, GDP per capita should be the main criterion.

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27 February 1997
SBSTA, Fifth Session, 3rd meeting
Carol Whitman

At the invitation of the Chair, WMO gave a short presentation on the WHO/WMO/UNEP report on *Climate Change and Human Health*. The Secretariat then introduced its report on progress in the development and transfer of technologies and workplans. Venezuela and Japan discussed the Climate Technology Initiative and workshop, emphasizing needs for capacity building, training, cooperation with host country governments, technology transfer, and technology information centers. Tanzania, on behalf of the G77/China, noted in its remarks that in Article 4.7 of the Convention, effective implementation of commitments by developing countries was dependent on technology transfer by Annex I Parties. AIJ must be considered supplemental, not conditional. AOSIS Parties and India placed particular emphasis on adaptation technologies. Malaysia, Nigeria, Marshall Islands, China, Saudi Arabia, Thailand, India, and Mauritius specifically supported one-stop technology shopping centers and regional technology centers, and the need to expand the University of Amsterdam survey on technology needs to all developing country Parties. Developing country Parties requested preferential and concessional terms of transfer. The USA and Japan emphasized the role of the private sector, while China took exception to this, indicating that the private sector was responsible for much pollution in developing countries. Many G77 Parties brought up the issue of Intergovernmental Technology Assessment Panels (ITAPs) and the Chair suggested considering the establishment of two ITAPs: one on technology and another on methodologies. Australia said that it was important to look at how the governmental/institutional/policy environment within the host country can encourage investment. Finally, the GEF gave a short report on its Science and Technology Advisory Panel's activities in technology transfer.

The Chairman indicated that the contact group on AIJ was making good progress and invited Parties to remark. Tanzania, for the G77/China, noted that credit for AIJ should not be considered until the end of the pilot phase (end of 1999). Zimbabwe commented that AIJ is currently very limited in its geographic distribution and sectors. The Netherlands, for the EU, supported the G77 position of no credit for AIJ. The USA deferred comments until the report of the AIJ Contact Group was submitted.

There was an informal session (no translation) in the evening to discuss SBSTA's conclusions. Areas of contention included: (1) national communications for non-Annex I Parties; (2) the development and transfer of technology; and (3) cooperation with relevant international organizations. The Philippines and Malaysia didn't like a draft recommendation for non-Annex I Parties to voluntarily submit greenhouse gas inventories. The Philippines insisted on language from Article 4.3 that the agreed full costs of the inventory be provided by the operating entity of the financial mechanism. The USA insisted that this language would limit funding by other sources provided for under Article 12.5. Malaysia supported a conclusion that the Secretariat should set up one-stop specialized information centers and regional information centers for technology transfer. The USA felt this was premature since there had been no review of existing facilities. A compromise was reached to request the Secretariat to report on existing networks and regional centers, modalities and financial implications regarding the possible establishment

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of one-stop information centers and regional technical centers. Kuwait submitted alternative language for conclusions on cooperation with relevant international organizations, reflecting their continuing concerns over the Technical Paper on *The Implications of Emissions Limitations and Reduction Proposals* (TP4). A compromise was reached.

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28 February 1997
SBSTA, Fifth Session, Report of the Session
Carol Whitman

In its fifth session, SBSTA took up a series of issues ranging from its cooperation with other international organizations, to methodologies, to the development and transfer of technologies and the uniform reporting format for the pilot phase of AIJ. At the conclusion of the session, SBSTA had not agreed on the election of its officers. But the Chair reported progress and hoped discussions would conclude the following week during AGBM 6.

The SBSTA received reports on the Climate Agenda's research and observational systems, prompting less developed country Parties to request a greater role. Tensions in the relationship between SBSTA and the IPCC were apparent. Developing country Parties complained of inadequate scientific representation in IPCC activities and an inability to control IPCC's agenda. IPCC released two more technical papers: *Simple Climate Models* and *Global Stabilization of Atmospheric Greenhouse Gas Concentrations*. The IPCC's technical paper *The Implications of Emissions Limitations and Reduction Proposals*, which will consider emissions profiles proposed by countries to be included in protocols, generated much consternation within the Kuwaiti delegation. Kuwait felt that the paper should be turned into a special report and consider the socioeconomic implications of emission limitations by Annex I Parties in addition to the physical implications of temperature and sea level rise.

The issue of national communications from Annex I Parties was noncontroversial. Many Parties are anxious to see reports on technology transfer activities in the second national communications, due April 15, 1997. The UK has already submitted its report. The attempt of some Parties to get SBSTA to invite non-Annex I Parties to voluntarily submit greenhouse gas emission inventories was rebuffed by the G77/China after several contentious debates. The G77 were suspicious of Annex I motives and demanded that the agreed full costs of preparation be provided by the operating entity of the UNFCCC financial mechanism. Reference to this was deleted from the final conclusions.

The SBSTA adopted the recommendation of the methodologies contact group to request the Secretariat to develop scoping papers on eight methodological tasks, in consultation with the IPCC. No decisions were reached on a division of labor between the IPCC and bodies of the Convention, although the SBSTA noted the view of the JWG that the IPCC should take the lead for methods related to GHG inventories, climate change impacts, and socioeconomic cost-benefit analyses. SBSTA requested proposals to reduce the cost of publication, translation, and dissemination of reports by April 15, 1997.

Since the Secretariat was unable to finish its report on mechanisms for consultations with non-governmental organizations, discussion was delayed until SBSTA 6. The EU was particularly dismayed. The SBSTA invited SBI to consider this issue also.

The development and transfer of technologies received more attention at SBSTA 5 than any other issue. There were many meetings on the Climate Technology Initiative and a long list of

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conclusions, such as: (1) request the secretariat to expand the technology needs survey to include all developing country Parties; (2) evaluate and assess technology information centers and networks, and consider the value-added of one-stop specialized technology information centers and regional technical centers; and (3) consider the establishment of intergovernmental technology assessment panels on methodologies and technologies at SBSTA's next session.

The SBSTA adopted a uniform reporting format for activities implemented jointly (AIJ) under the pilot phase. The G77/China, with support from the EU, maintained there should be no credit for AIJ during the pilot phase. The USA urged Parties to have SBSTA evaluate the issue of credit during the pilot phase.

Conclusions were adopted and SBSTA completed its work on time.

CLIMATE NEGOTIATIONS BONN MARCH '97 NGO NEWSLETTE

eco

4 MARCH NON-SENSE ISSUE

Eco has been published by Non-Governmental Environmental Groups at major international conferences since the Stockholm Environment Conference in 1972. This issue is produced co-operatively by CAN groups attending the Climate Negotiations in Bonn, February-March 1997.

European Union Moves – Finally!

The best news of the day came Monday late afternoon from Brussels. There, EU Environmental Ministers finally agreed on a joint proposal to put forward to the climate negotiations in Bonn. The core of this proposal is a binding emissions reductions commitment for a 15% cut in greenhouse gases by 2010. Missing from the proposal, however, is the most essential 2005 target year, with the AOSIS Protocol's 20% reduction in CO_2 emissions remaining the only specific proposal for that year.

To quote from the Council Conclusions: "The Council regrets the lack of firm commitments so far from other Annex X *[do they mean "I"?]* Parties. It agrees that the Community should propose that Annex X Parties, individually or jointly, in accordance with the Berlin Mandate, shall reduce emission levels for CO_2, CH_4, and N_2O together (weighted total, using GWP <Global Warming Potential> with a 100 year time-horizon) by 15% by 2010 (reference year 1990)". This EU-decision is the first essential one on climate change mitigation since its promise in 1991, prior to the signature of the Convention in Rio, to stabilize CO_2 emissions based on 1990 levels by the year 2000.

Thus, after so many failures of the EU to maintain, or even actively show, leadership within Annex I countries, this recent decision will hopefully breathe some fresh air into the currently deadlocked negotiations of this week.

Despite NGO acknowledgment of its positive character, the EU proposal has serious shortcomings which need to be improved on the road to Kyoto:

- the critical target year of *2005 is still missing*, though the EU promises to deliver on that one at its next Council meeting. We hear that the EUs biggest island nation and its Chunnel partner (UK and France) prevented the 2005 agreement which the Dutch presidency had tabled. We hope that these nations will improve their performance ASAP, as the 2005 goal is essential to getting which is needed to ensure the early action necessary to prevent a dangerously high rate of climate change. Due to these delay tactics, the EU will be unable to formally table a 2005 target, as the next EU Environment Council is after June 1st. This is the deadline for a protocol proposal to be formally tabled for Kyoto.
- *basket approach*: The originally proposed target of the Dutch presidency contained a basket-approach of greenhouse gases. A basket approach is unacceptable from the scientific point of view. However the Dutch proposal contained explicitly a cut of CO_2

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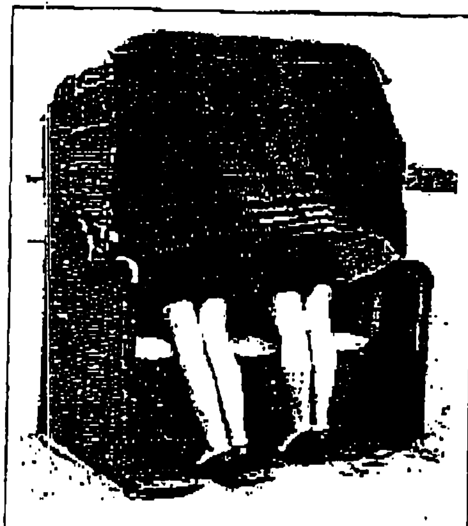

Closed informal non-group in session yesterday

The Access Questio

NGOs are very disappointed by the Chairm decision to exclude us from important nego ing sessions. Simply through the establishn of a new category – "non-groups" – at ye day's meeting, the rules of transparency public participation no longer apply. We concerned that important decisions relatin the operation of the instrument being neg ated no longer have our input.

The longstanding rule has been that obs ers may attend *all* subsidiary body meeti As the AGBM is a subsidiary body, the applies to the present negotiations. We do think this rule should be circumvented.

One of the major diplomatic achievemen recent years has been the democratization international environmental governance. Pu participation and transparency have beco hallmarks of international environmental regim NGOs contribute to the success of these regin at every level by developing the science, inform the public, marshalling political support, prodd recalcitrant negotiators, and providing front l troops to implement and monitor these regim

The principles of transparency and full p ticipation apply for all accredited NGOs. T process is not served by excluding any group w a legitimate interest in the outcome. We appeal members of every delegation who support NC participation to reconsider yesterday's decisic

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The proposal by the Council of the European Union that industrialized countries should reduce their GHG emissions by 15% by 2010 from 1990 levels is at once welcome, overdue and flawed.

Failing to set a year 2005 target at this stage fundamentally weakens the EU's position. AOSIS, whom the EU has been keen to support in the past is entitled to feel betrayed by the omission of this year and the 20% CO_2 reduction. The EU Ministers have promised in their Council Decision that there "should" be a target for 2005 – and they *should* adopt one at their June Council.

Whatever the faults, however, of the EU Council Decision, it is far ahead of the US and Japanese non positions.

The dismal, cynical and repetitive carping of members of the US delegation about the European Union and its credibility is at best a rhetorical smokescreen to cover the embarassment of its own lack of action. The US projections for 2010 are for an *increase* of 15-20% above 1990 levels and it has nothing like the analysis of the measures required to *reduce* its emissions by 15% which the EU has actually conducted.

The favourite US line is that the Europeans talk big and act little. One has only to reflect, however on the Montreal Protocol meeting in 1990 that agreed to phase out CFCs by 2000. The US initially opposed this and one of the key arguments used was just that. In the end the Europeans were right, the USA (and it should be noted, one former head of Delegation Robert Reinstein) were dead wrong.

The US should just face the fact that action is needed, the EU is taking this seriously and bring forward its own emission reduction target at the earliest opportunity.

South Counters US Proposals

Peter Otinda, CNA; Bamba Ibrahima, CONGACI and Ramon Sales Jr., CANSEA

The US attempt to hoodwink other Parties into accepting their draft protocol just may fail, as it has been greeted with resistance by members of the G77 and China. They perceive the US's failure to attach specific numbers to its proposal as a demonstration of America's lack of commitment to push the negotiations forward. The US introduction of a new category, Annex B – countries with no legally-binding obligations that would voluntarily adopt an emissions budget – is seen by a number of developing countries as a way of smuggling in new commitments, contrary to the Berlin Mandate and the Convention text, and as a possible attempt to introduce division among the G77. One developing country characterised the US proposal for multi-year greenhouse gas budgets, emissions trading, banking and borrowing as a way of legitimizing environmental pollution, as well as a lack of acceptance of responsibility for the historical build-up of GHGs.

The message of the G77 is clear – they are not ready to accept any new commitments, and the negotiation process must not deviate from the Berlin Mandate and the Convention text.

It remains to be seen how this proposal, described by many countries as too complicated to be adopted in time for Kyoto, will be simplified. There are clearly many questions which need to be directed to the US delegates in today's briefing on their proposal. These relate to the practical implementation of the proposal; the ability of the Parties to monitor the process; the resources for monitoring; and exactly how developing countries that do voluntarily choose to endorse the proposal and adopt emission budgets will benefit.

Zero Points for French Officials

By Antoine Bonduelle, RAC France

The fact that the EU figures released yesterday showed zero commitments from France is a national disgrace, but by no means surprising. France's Industry Ministry representative spent much of yesterday morning in animated discussions with well known fossil fuel lobbyist Don Pearlman. This is likewise unsurprising. After all, the French Industry Ministry is home to the infamous M. Leteurtrois of the Energy Department (DGEMP). This high level civil dis-servant was recently quoted as saying that his department might have to give way on the 15% target, but that he personally would make sure that it is not implemented. For those in the present negotiations who favour renewables as a climate friendly solution, Leteurtrois will also be familiar as the man who publicly said (at the Metz hearings during the National energy and environment debate) that the question is n[ot] "whether we should encourage renewable ene[r]gies", but "should the state allow them [to] grow" (with an implied "no").

While considering misdeeds by French o[f]ficials, we should not forget the current Hou[s]ing Minister, the right honourable M. Periss[ol]. When questioned on commitments for ne[w] building codes, as explicitly included [in] France's proposal for Berlin (COP 1), the m[ost] distinguished gentleman replied that as a jun[ior] minister in the Chirac government, he did [not] feel obliged to fulfil commitments made un[der] Balladur, the previous Prime Minister. Keep [up] the good work!

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Published by: *The Climate Action Network.*

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A DAILY REPORT FROM THE SIXTH SESSION OF THE AD HOC GROUP ON THE BERLIN MANDATE

Earth Negotiations Bulletin

A Reporting Service for Environment and Development Negotiations

Vol. 12 No. 41 Published by the International Institute for Sustainable Development (IISD) Tuesday, 4 March 1997

HIGHLIGHTS FROM THE SIXTH SESSION OF THE AD HOC GROUP ON THE BERLIN MANDATE MONDAY, 3 MARCH 1997

The sixth session of the Ad Hoc Group on the Berlin Mandate (AGBM-6) of the UN Framework Convention on Climate Change opened on Monday, 3 March 1997 in Bonn, Germany. Following opening statements, delegates adjourned the formal session and convened an informal round table on new proposals from Parties. Parties elaborated on their proposals and responded to questions. Delegates also agreed to convene "non-groups" to exchange views and merge different proposals.

OPENING SESSION

AGBM Chair Raúl Estrada-Oyuela (Argentina) noted the considerable number of new proposals and called for long-term sustained efforts from industrialized countries. He said changes would be neither easy nor inexpensive, but added that the costs resulting from inaction far outweigh the costs of preventative measures. He welcomed Dan Reifsnyder (US) as rapporteur.

FCCC Executive Secretary Michael Zammit-Cutajar noted that AGBM-6 marks the last session prior to the six-month deadline for circulating a draft protocol. The negotiating text must "contain the seeds" of the final outcome and there should be no surprises after 1 June 1997.

The WORLD COUNCIL OF CHURCHES appealed to delegates to act now and noted that delayed action will involve even higher demands. He said climate change is an issue of global justice and called on AGBM to promote lifestyle changes in developed countries.

The secretariat introduced the "Framework Compilation of Proposals" (FCCC/AGBM/1997/2 and Add. 1); "Implementation of the Berlin Mandate: proposal from Parties" (FCCC/AGBM/1997/Misc.1) and "Comments from Parties" (FCCC/AGBM/1997/Misc.2). Regarding the organization of work, the Chair urged AGBM to produce, elaborate on and streamline a negotiating text to be ready by 1 June. He proposed establishing two "non-groups": one non-group to focus on institutions and processes, final elements, definitions and the preamble, and one non-group to work on continuing to advance commitments in Article 4.1. He said the main purpose of the non-groups is to exchange views, rather than to negotiate, and to merge different proposals into one text in order to facilitate adoption of a negotiating text.

CHINA, IRAN and MOROCCO, on behalf of the African Group, requested clarification on the division of tasks between non-groups and asked whether the non-groups would address P&Ms and QELROs. The G-77/CHINA, supported by the EU, MALAYSIA and the AFRICAN GROUP urged for a limited number of additional groups, given the constraints facing small delegations. CHINA also cautioned AGBM not to "waste time" on issues related to institutions and definitions. The Chair said P&Ms and QELROs would be addressed in Plenary and noted the value of institutions and legal systems.

The EU urged countries to provide input in legal language and streamline the Framework Compilation text by focusing on achievable options. The EU also suggested that the Chair develop a protocol or another legal instrument by 1 June, if AGBM does not complete this work by the end of the week. IRAN said the EU proposal was premature and SAUDI ARABIA urged that AGBM complete a negotiating text and not leave work for the Chair. The Chair noted that non-groups will be open only to Parties and will not involve negotiation.

ROUND TABLE ON NEW PROPOSALS FROM PARTIES

AGBM Vice-Chair Suphavit Piamphongsant (Thailand) opened the round table and noted that 18 new proposals have been submitted. The proposal by POLAND, BULGARIA, ESTONIA, LATVIA and SLOVENIA, stated that QELROs should be legally binding. Proposed criteria for QELROs include: GDP per capita; each Party's contribution to global emissions; emissions per capita and/or emissions intensity of GDP. He also preferred the "menu approach" for establishing measures to be adopted by Parties.

The EU proposal includes a general commitment for Parties listed in "Annex X," which would consist of OECD members and countries with economies in transition. It groups P&Ms into Annex A (mandatory), Annex B (high priority) and Annex C (priority). The proposal allows for joint implementation and voluntary application by non-Annex X Parties.

The G-77/CHINA urged AGBM to adhere to the Convention and the Berlin Mandate and refrain from developing new commitments for non-Annex I Parties. The G-77/CHINA proposal calls for: ensuring that P&Ms have no adverse socio-economic impacts on developing countries; establishing a concrete compensation mechanism for damage in developing countries arising from implementation of response measures; and setting QELROS within specified time frames, such as 2005, 2010 and 2020.

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FRANCE proposed differentiating the commitments of Annex I Parties according to present emission levels of greenhouse gases per inhabitant and per GDP. He proposed coordinating P&Ms at an international level and considering joint measures between Annex I and non-Annex I Parties.

ICELAND proposed differentiation and the following parameters for identifying differences in national circumstances: GHG emission intensity and level, share of renewable energy sources and GDP per capita. He supported the formula Norway presented at AGBM-5, amended to account for the share of renewable energy. MALAYSIA commented that parameters are changing regularly. MAURITIUS inquired about a supervisory mechanism for this formula. VENEZUELA, supported by COSTA RICA, suggested "historical responsibility" as an additional criterion for differentiation. SWITZERLAND added "past efforts" by countries to reduce greenhouse gas emissions as another criterion.

IRAN's proposal opposes CO2 taxes, energy taxes and new commitments for non-Annex I countries. His suggestions for reducing GHG emissions include: a focus on all GHGs, market-determined energy prices, removal of subsidies on coal and polluting energy sources, development of renewable energy sources, enhancement of sinks and attention to production and consumption sector activities and industrial processes. IRAN also proposes a compensation mechanism for adverse impacts of response measures. Responding to ZIMBABWE, IRAN noted that its proposed compensation mechanism is designed to compensate countries that incur losses due to policies and measures stipulated by the AGBM legal instrument and does not provide funds for countries that incur damages resulting directly from climate change. The US suggested that the proposal requires AGBM to project the consequences of non-action and asked what methodology would be used to make such a projection. IRAN replied that further details would be supplied at a later date.

AUSTRALIA proposed: a collective reduction objective for "Annex A" Parties, which are those listed in Annex I of the FCCC; mitigation activities that result in equal percentage changes in per capita economic welfare among "Annex A" Parties; differentiated commitments; use of indicators in the negotiation process; and further consideration of market-based approaches such as emissions trading and joint implementation. The proposal also supports a regular review process that Parties may activate in regard to their own commitments. Responding to MALAYSIA, AUSTRALIA said formula approaches are too simplistic to account for wide variations among countries' circumstances and emphasized that differentiation is not a means to delay action, but to achieve fairness. AOSIS asked why supporters of differentiation had not pooled their proposals and requested information on how differentiation would work in practice. CHINA expressed concern that emissions trading would replace government commitments with activities of firms and individuals.

KUWAIT, NIGERIA and SAUDI ARABIA supported the proposal by the G-77/China. They expressed concern about economic and social consequences of developed country Parties' policies and measures and requested adequate compensation for developing countries. They recalled Article 4.8(h), which refers to countries whose economies are highly dependent on income generated from fossil fuels, and 4.10, which states that Parties shall take into consideration the specific needs and concerns of fossil fuel producing countries and adverse effects resulting from the implementation of commitments. They noted that developed country Parties should take the lead in combating climate change.

The US asked: whether developed countries that export fossil fuel or suffer from increased oil prices are eligible for compensation; whether developers of solar power are liable for injury; and whether developed countries that take action to prevent damage in developing countries are also liable under this proposal. SAUDI ARABIA reiterated that developed country Parties should bear more of the burden and accommodate such effects through measures like differentiation. ITALY pointed out that the Convention does not include a compensation mechanism. SAUDI ARABIA, supported by IRAN, noted Article 4.8, stating that funding action be considered in regard to the specific needs of developing countries. KUWAIT noted his disappointment that the developed countries' proposals do not mention any provision for developing countries' compensation.

CANADA noted that economic change in energy sources has occurred over the past century and will continue regardless of a protocol. SAUDI ARABIA emphasized that it is the right of every Party to try to minimize the adverse impacts of an international binding agreement according to provisions given in the Convention.

NEW ZEALAND emphasized the importance of flexibility with respect to time (multi-year average emission limitations); place (emission trading); and coverage (all GHGs and sinks).

The US proposal contains: emissions budgets (banking and borrowing emissions); annual reports on measurement, reporting and compliance by "Annex A" and "Annex B" countries. Annex B would contain countries that have voluntarily entered before protocol adoption; non-compliance measures (e.g. denial of opportunity to engage in emission trading or loss of voting rights); continuing to advance implementation of Article 4.1, particularly "no regrets" measures; emission trading between Parties with budgets, and joint implementation between all Parties. Several countries noted the complexity of the US proposal. In response to the EU, the US highlighted the ability of countries to determine their own budgets and the penalty for emission borrowing. THAILAND suggested that AGBM not spend time discussing emissions trading.

UZBEKISTAN proposed differentiation for Annex I Parties, according to the level of economic development and GDP per capita. He urged for flexibility regarding obligations of countries with economies in transition, and developed-country support for non-Annex I country activities.

IN THE CORRIDORS

Several AGBM participants commented on developments towards a common position regarding QELROs within one regional economic integration organization. Despite its internal debate on burden sharing, agreement was reached on a common target. Some delegates suggested that this common position could advance the entire AGBM process by sparking a transatlantic debate. In contrast, others characterized the proposed target as "unrealistic" and doubted it would be taken seriously. One developing country delegate said the proposal could sharpen AGBM's focus on strengthening developed country commitments, while others noted that the target's timeframe greatly lessens its impact.

THINGS TO LOOK FOR TODAY

AGBM: Plenary will convene at 10:00 am in the Plenary I Hall and begin consideration of the preparation of a protocol or another legal instrument. Following Plenary, AGBM will divide into two "non-groups."

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Bonn, Germany, March 2-7, 1997

15 pages

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2 March 1997

Memorandum

To: Please See Attached List

From: USDEL/Geneva, Mark G. Hambley

Subject: Negotiations under the Framework Convention on Climate Change
Periodic Update No. 5 for February 28 thru March 2, 1997

This message transmits unofficial reflections on activities and developments during the climate negotiations which are being held in Bonn between February 24 and March 7, 1997. While the contents are unclassified, this report is intended for use by officials of the U.S. Government, only. This report covers activities from the afternoon session on Friday, March 28 through Sunday, March 2. The next update covering Monday, March 3, will be delayed because of the need to participate in multiple events concerned with the negotiations. The final paragraphs can be used as a DAR item as desired and appropriate..

Climate Talks, Update No. 5 (Feb 28-Mar 2): Both the COP President and the AGBM Chair Struggling with Best Way to Obtain Results by December Meeting in Kyoto

SBI and AG-13 Wrap Up Their Work. (Well, Almost)

In afternoon sessions on Friday, Feb 28, two of the three subsidiary bodies (the Subsidiary Body on Implementation (SBI) and the working group on a possible consultative mechanism (AG-13) wrapped up most of their work. (The SBI still has one item left undecided). The Subsidiary Body on Scientific and Technological Advice (SBSTA) finished its work that morning, as reported in Update 4..

The AG-13, as reported earlier, completed discussions on a very preliminary (and totally bracketed) text which will be the focus for the next meeting of the group in July. The text (based on a China-EU composite) talks about the establishment, objective, mandate, nature, functions, size, and expertise for a possible multilateral consultative process.

The SBI completed discussion on the budget (details --- especially concerning proposed increases — are to be provided to the Parties "well before" the July meeting); the calendar (two blocks of two week sessions proposed for both 1998 and 1999); and arrangements for intergovernmental meetings. A decision on the timing for COP-4 will be left until July. As reported in Update No. 4, the timing and venue for this decision may well be driven by offers of countries to host the meeting.

Chinese and Others in the G-77 Voice "Discontent" with the "Geneva Declaration"

Over 90 minutes of the afternoon session was consumed by a tug-of-war between ourselves (with an assist from the EU) and China over a phrase which China wanted included in the section of the report dealing with arrangements for COP-3. Dr. Zhong, at his feisty best, complained that the Geneva Declaration had come as a "big surprise" to his delegation ((a complaint echoed by other G-77 members in the room, including Malaysia, Tanzania (speaking for the G-77), the Central African Republic (unusually vocal at this meeting) and Niger)). Thus, China wanted to be forewarned -- by six months initially -- if any "new or substantive proposal," such as a ministerial declaration is planned at Kyoto.

AGBM Chairman, Amb. Estrada, sitting in as Argentina's representative, reminded delegates that the COP is free to do as it pleases. The SBI could "recommend" but it could not direct. Finally, a text submitted by the Executive Secretary was accepted noting that the SBI "recommends" that "......any new, substantive proposal, including proposals affecting the purpose and organization of the ministerial segment, should be communicated to all Parties well in advance of the Conference in acccordance with normal UN practice."

SBI Contact Groups: "One Down; One to Go"

Of the two SBI contact groups handling outstanding issues, only the one dealing with the statement to the UN Special Session was able to conclude its business by evening's end. The SBI will have to convene for a brief meeting sometime over the next week to finalize its report. Hopefully, by that time the usually effective Chair of the group, Mahmoud Al-Ghaouth of Mauritania, will have rejoined the body. He disappeared on Thursday afternoon into the dark depths of a Bonn ICU hospital facility. Despite rumors about some strange, tropical bug which had laid him low (to visit, one had to don plastic gloves and face face masks as Al-Ghaouth was allegedly in "quarantine"), it appears that he was only ailing from food poisoning which was uncharitbly attributed to Air France by one German official. In any case, he is now out of hospital and is expected to be once more in attendance on March 3rd.

In any case, the text on the input from the FCCC to the UN General Asssembly's Special Session next June is quite acceptable to us. We were able to remove potentially troubling paragraphs calling on the UNGA to focus on priorities "including the issues of how developing countries can acquire the levels of energy needed for their development" and on the need for "increased research by Governments and the private sector into energy and material efficiency and more environmentally sound energy production and consumption strategies.. .." We also eliminated suggestions that a number of initiatives of the Commission on Sustainable Development "are relevant for promoting UN system wide support for the protection of the global climate." This may be true, but we do not believe that it is appropriate for this Convention to be drawing these conclusions at this particular time.

Contretemps Over the GEF Continues Unabated

The second contact group, dealing with the Convention's relationship with the GEF, worked throughout Friday and into the late evening. At issue is when the COP will reach a decision regarding the definitive status of the GEF as the operating entity of the Convention's financial mechanism (it is now the "interim" operating entity). Despite a clear decision at COP-2 last July asking the SBI to to conduct a review process at this meeting, includng on the definitive status of the GEF and to report the outcome to COP-3, the G-77/China balked. Citing the decision at the December 1996 COP under the Convention on Biological Diversity, the G-77/China affirmed that it would be necessary to draw up guidelines for the review process, and urged that these guidelines be sent to COP-3 for adoption as the basis for this and subsequent reviews, while work progressed on the review. Citing an earlier COP-1 decision, the G-77/China opined that the review itself need not be completed until March /April 1999 (four years after COP-1).

Faced with G-77/China obstinence (and with no way to compell a decision at COP-3 over their objectioins) OECD countries led by the U.S. proposed: (1) to adopt SBI guidelines for this review (without referring them to COP-3 and without suggesting that they will be enshrined for all time) at this session; (2) request countries to submit views on their experience with the financial mechanism by May 15; (3) request the Secretariat to praepare a sythesis report based on these submissions; and (4) take the issue up again at the SBI's July meeting.

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The G-77/China reluctantly agreed at 9PM on Friday night. The Secretariat will finalize the elements of thch SBI's conclusions and circulate them on March 3rd, whereupon the SBI will meet in a brief session, as mentioned, to complete its report. (Note: In taking its position, the G-77/China seemed perfectly willing to abandon any effort to use this review to incfluence te next GEF replenishment, the first meeting toward which donors will meet in Paris on March 12.)

COP President Sees Need for "Ministerial Intervention" in the Negotiating Process

The President of the Conference of the Parties (COP), Zimbabwe's Environment Minister Chimutengwende, arrived in Bonn on Thursday and held discussion with various Parties on Friday afternoon, Feb 28. During our meeting, three matters/concerns were raised.

First, on the rules of procedure, it was agreed that the OPEC countries (led by Saudi Arabia) posed the greatest obstacle to reaching agreement. Bilateral contacts with the Saudis, Nigeria, Kuwait and Iran would be important. It was suggested that this problem might be raised in the context of German Minister Merkle's forthcoming meeting in Dresden in late March in order to galvanize action on the part of appropriate countries to raise this issue with various OPEC members.

A second point raised by the COP President concerned our proposal. He suggested (echoing a common theme around here) that several elements were "beyond the Berlin Mandate" and could we not, for the purposes of these negotiations, agree to remove some of the more contentious ones? We told the President, with diplomatic bluntness, that we do not believe our proposal contravenes the Berlin Mandate. We believe that it offers us the best chance for reaching a conclusion in Kyoto which meets the ultimate objectives of the Convention. Any attempt, at this point, to remove any portion of the text as included in the Chairman's synthesis document would be unacceptable to the United States.

The third point raised by the Minister was how he and other Ministers might be helpful in the negotiations. He said that he will be at Dresden and at the April 8-11 CSD high level. He suggested (and we did not disagree) that these meetings might offer ministers from key countries an opportunity to discuss outstanding issues and, hopefully, to give some direction to delegations attending the talks in July and October.

AGBM Estrada Also Looking at Process Issues

The Chairman of the Ad Hoc Working Group on the Berlin Mandate (AGBM), Argentinian Ambassador Raoul Estrada, also voiced his (alleged) nervousness at the product which the AGBM must produce by April 15 in order to meet the six month UN deadline. At a small dinner on Feb 28, he forecast three problems with the U.S. submission: the annexes, our Article 16 on "evolution", and joint implementation. He said that he fears the diatribe, which he fully expects from the G-77/China on these points, will distract the body from its real work, which he described as coming up with a shorter text which can be used both to satisfy the six month rule and to serve as the basis for negotiation. He indicated that he may have to use his prerogative as the Chair to delete items which are "inconsistent" with the Berlin Mandate. He said he wants to help the U.S. but has difficulty -- even as the Argentinian head of delegation -- with aspects of our proposal. We told Estrada that the removal of any aspect of our proposal at this meeting is not warranted and is not acceptable to us.

The Chairman's 'Food for Thought'

After much discussion, Estrada intimated that he would not cut off any piece of our proposal now. However, he opined that it might be useful to consider taking those aspects that (in his view) fall outside the Berlin Mandate -- such as our article on "evolution" and considering them in a parallel negotiation which would be decided at COP-3, as well. He added that a successful outcome on the protocol process could be made contingent on a postive outcome to the discussions on this parallel process.

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as well. Estrada did not pursue this point, making it clear that he was proposing it more as "food for thought" at this juncture.

Early Break-down into Contact Groups Possible

Estrada clearly wants to see one document emerge from this meeting. He said that he is considering organizing three large contact groups to attempt to come to some conclusions regarding which text should be retained and which deleted. One of these (under the proposed chairmanship of Japan's Takeo Shibata) would be asked to look into the question of the preamble, definitions, and principles (Note: we cautioned the Chair not to engage on the preamble at the present time given the controversy this was sure to raise. End Note.) A second group (under Trinidad/Tobago's Evan-King) would address Article 4.1 issues, while the third (probably under his chair) would address policies and measures (PAMs) and Quantified Emissions Limitation and Reduction Objectives (QERLOS or "targets and timetables.").

Not Enamoured with Our Process Suggestion -- At Least Not Yet

Estrada was not taken by our suggestion that, for purposes of meeting the six month rule, the framework compilation could be used as the document submitted to the UN by April 15. This text might have its paragraphs on definitions and principles modified as agreed to at this meeting. However, none of the substantive ideas or recommendations would be deleted. The Chair and the Secretariat might also be asked to prepare a document which would reoganize the content of the synthesis in a more user-friendly manner. ((Comment: We also ran this idea past a key Secretariat member and a leading EU negotiator. Neither was enthusiastic, either, but one suspects that both individuals may reconsider in the absence of other palatable alternatives later next week. A key will be Germany, with whom Estrada has forged his closer working relationship. The Germans (and the Dutch) would be happy at this point if Estrada uses his prerogative to eliminate those aspects of the text which they do not like (including joint implementation and Article 16 from our proposal and the compensation proposals suggested by the Kuwaitis and other OPEC countries.) The Chair may have a harder time eliminating the differentiation issue. End Comment.))

Handling Differentiation

On March 1, Estrada chaired a meeting with those countries which had indicated either sympathy for, or are actively advocating, various differentiation concepts. These included Australia, Norway, France, Iceland, Switzerland, and Japan. In addition, he invited the EU (Bert Metz) and the U.S. Also invited but not attending were Tanzania (representing the G-77), China, India (and, we understand) Brazil. Estrada said that he hoped that the proponents of differentiation had used the intersessional period since December to come up with one or two concrete proposals. He stated that he only wanted to hold a round table discussion on differentiation if there are one or two concrete proposals. He said that having five or six countries express different views would not work and would not advance the process.

It was clear from the discussioin which ensued that, although there had been considerable bilateral discussion , no concerted differentiation option has been prepared. When it appeared that Estrada might be demurring on whether to hold a roundtable on this topic, we added our two cents that, while we have strong misgivings about the utility of the differentiation concept, this point of view, nonetheless, deserves a public hearing. As our G-77 colleagues had not accepted this invitation, we also suggested that this discussion should be held when translation is available. Subsequently, Estrada agreed to hold a round table on differentiation on the afternoon of March 4. At his suggestion, France and Switerland and Norway and Iceland are huddling to try to identify common ground, which they may bring to the round table. (Note: The French/Swiss proposals, with their emphasis on per capita emissions are particularly odious). Australia indicated that it will use its presentation to emphasize common features and will not attempt to replay its differentiation proposal per se.

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Comment: The dynamics of this meeting were interesting. Everyone seemed to be waiting for an opportunity to direct their fire at the U.S. The Australians, for example, expressed the hope that other controversial ideas (read those of the U.S.) also be subjected to as careful scrutiny as differentiation is being given. However, we gave them no opportunity to shift the discussion away from differentiation, and in the end, skated free. At one point, when the Swiss mentioned that they had exported some of their emission-producing industries abroad (which is why Switzerland is confident of its ability to comply with a legally binding reduction of 10 percent of CO2 by 2010 which is before its parliament, Iceland responded that one reason it was having difficulty meeting its emissions targets was because Iceland is now the host to several of these Swiss industries. The Icelander told us privately, after the meeting, that he could easily have singled out the U.S., as well, but was irritated by the Swiss attitude, so he picked on them, instead. Citing one example, he mentioned the repositioning of a U.S. aluminum smelter in Iceland, a move which is welcomed by the Iceland trade and economic ministries. Nevertheless, this one factory alone, while it will rely on renewable energy, nevertheless is expected to raise Iceland's emissions by 5 to 7 percent. End Comment.

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3 March 1997

Memorandum

To: Please See Attached List

From: USDEL/Geneva, Mark G. Hambley

Subject: Negotiations under the Framework Convention on Climate Change Periodic Update No. 6 for March 2/3, 1997

This message transmits unofficial reflections on activities and developments during the climate negotiations which are being held in Bonn between February 24 and March 7, 1997. While the contents are unclassified, this report is intended for use by officials of the U.S. Government, only. This report covers activities from the evening of March 2nd through the morning plenary and roundtable on the morning of March 3rd. We are also including the latest edition of "ECO", the rag published by environmental NGOs attending this meeting which provides one with the flavor of the proceedings, albeit from a highly biased and unforgiving source! The final paragraphs can be used as a DAR item as desired and appropriate..

Climate Talks, Update No. 6 (March 2-3): "Simplify" -- Not "Negotiate" -- Deemed the Fundamental Watchword as this Session of the Ad Hoc Working Group on the Berlin Mandate (AGBM) Opens

ABGM Chair Adopts Cautious Approach During Opening Plenary

Despite the certain foreboding air which underlies this AGBM meeting, Chairman Ambassador Raoul Estrada opened the plenary on Monday morning, March 3rd, with a calm and patently unthreatening demeanor. As anticipated in earlier updates, he organized two what he called "non-groups;" the first to handle principles, definitions, and issues related to the preamble and a second group to deal with the advancing of commitments under Article 4.1 of the convention. Trinidad/Tobago's Evans King will chair the latter group, while Japan's Shibata will chair the former. Estrada himself will chair the plenary which will address policies and measures and QELROS. In response to requests from the G-77/China, Malaysia, and others, only two of the three groups will meet at any given time.

Estrada clarified that the task of these groups is to "simplify" the portions of the comprehensive compilation which has been prepared -- not to "negotiate" it. He stressed repeatedly that he wants Parties to find areas of similarity and -- showing flexibility and good grace -- agree to shorten or compress those areas where it is possible to do so.

Both Malaysia and China tried to get Estrada to clarify the "mandate" of these non-groups and, more specifically, to authorize them to remove items which are seen to be outside the Berlin Mandate. Estrada declined to rise to this undoubtedly attractive bait: Instead, he said that, as "non-groups," they can have no mandate. He reiterated that their task is to simplify, not negotiate text.

The EU, China and Malaysia all voiced support for having the Chair compile a text if the AGBM fails to complete its work by March 7. Iran, Kuwait, and Saudi Arabia all indicated that this action would not be acceptable. They indicated that "all points" must be included in the text prepared by the six month

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deadline. Concluding this portion of the debate, Chairman Estrada indicated that he wants to receive proposals from Parties on how to compress the text. By June, a text containing "all of the seeds" of the agreement will be needed. It will not be possible to introduce new ideas after that date, although he left open the possibility that additional amplification of existing proposals would be possible. He also said that he is not necessarily wed to the concept of the two non-groups which he had established. Others might be created to replace or supplement these as required. In this context, China expressed concern that the group would "waste its time" with these issues when the key ones are QELROs and policies and measures.

Roundtable Enlivened with U.S. Questions

The roundtable on the new proposals was begun after the adoption of the agenda and establishment of the non-groups. Among those speaking were Poland, the G-77/China, France, Iceland, and Iran. The Thai chair of the proceedings held all questions until Iceland which was then inundated with unsympathetic inquiries on its differentiation proposal. We then intervened with questions for the EU (on its Annex X), for Poland (how its proposal meshed with Iceland's), for the G-77/ China (what exactly are they doing to advance 4.1 commitments?) and for Iran (regarding how a compensation mechanism would be implemented). None of the answers were particularly illuminating, although the EU stated that it would be providing names of countries it believes are prospective candidates for Annex X (implying that these might be more than just Mexico and Korea).

Rumors About the EU Numbers

Rumors about the results of the EU ministerial in Brussels are flowing around the room. We have seen one news report which states that the EU has agreed to a cut of 15 percent by the year 2010, with only 10 percent being differentiated among the EU members at present. The remaining five percent will be distributed in the future. The EU delegates are meeting this afternoon, so we should be able to confirm this news report later in the day.

The Press has Arrived

Sarah Silver arrived and talked with us for 45 minutes on the night of March 2. We are cooperating as appropriate, and she appears content with our efforts. Another reporter from INSIDE EPA (Tony Kreindler) has also made his presence known.

Comment:

Thus far, the AGBM has proceeded quietly. At a dinner on March 2nd, Chairman Estrada indicated somewhat more forcefully than he had last Friday that he may have to use his prerogative as chair to remove from the text various items which he sees as outside the Berlin Mandate. Included in this category, he sees our concepts of Annex B and our Article 16 on evolution. He also has in mind the EU's Annex X and OPEC's compensation mechanism. Estrada gave no hint publicly that he is actively pursuing this idea. At both the COP Bureau meeting on Saturday, March 1 and at the March 3 AGBM Bureau meeting he emphasized the theme he later publicized at the AGBM plenary: namely, that the name of the game is to "simplify, not negotiate." Whether in the end he will decide that "simplification" means that he can lop off large and small chunks of various proposals, with the caveat that they can be addressed as side-negotiations in time for final resolution in Kyoto, remains to be seen. End Comment.

CLIMATE NEGOTIATIONS BONN MARCH '97 NGO NEWSLETTER

eco

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3 MARCH ILLUSTRATED ISSUE

Eco has been published by Non-Governmental Environmental Groups at major international conferences since the Stockholm Environment Conference in 1972. This issue is produced co-operatively by CAN groups attending the Climate Negotiations in Bonn, February-March 1997

Compilation Comprehension

By Tessa Robertson, Greenpeace; Kelly Sims, Ozone Action and Merylyn McKenzie Hedger, WWF

One of the most important tasks for Parties at AGBM 6 must be to slim down the 111 pages of the Framework Compilation and its addendum into a sensible negotiating text. While amalgamating similar ideas may prove relatively uncontroversial, countries will undoubtedly resist losing any part of their own proposals, even those which patently have little chance of being agreed in Kyoto.

The Kyoto Protocol must include certain elements if we are to move towards the achievement of the Convention's objective. In addition, there are clearly a raft of self-serving proposals which must be deleted from the Compilation.

We thought it would be helpful to delegates not only to produce a checklist of what we think must be in the Protocol, but also what must come out. Since our goal is to make the Compilation less weighty, we have done your work for you, and counted the number of paragraphs we think you don't need.

What *should* be in the Kyoto Protocol:

- Legally binding emission reduction obligations for all greenhouse gases (CO_2, methane, N_2O, HFCs, PFCs and SF_6)
- Emission controls set on a gas-by-gas basis
- A 20% cut in CO_2 emissions
- 1990 baseline
- 2005 as the first year for emission reduction targets
- A flat rate target
- If emission budgets are used then periods should be no longer than five years
- Reviews of emission reduction commitments at least every five years
- Policies and measures identified by the AGBM as requiring agreement and international co-ordination in order for Parties to meet the emission reduction target
- An effective compliance and monitoring regime

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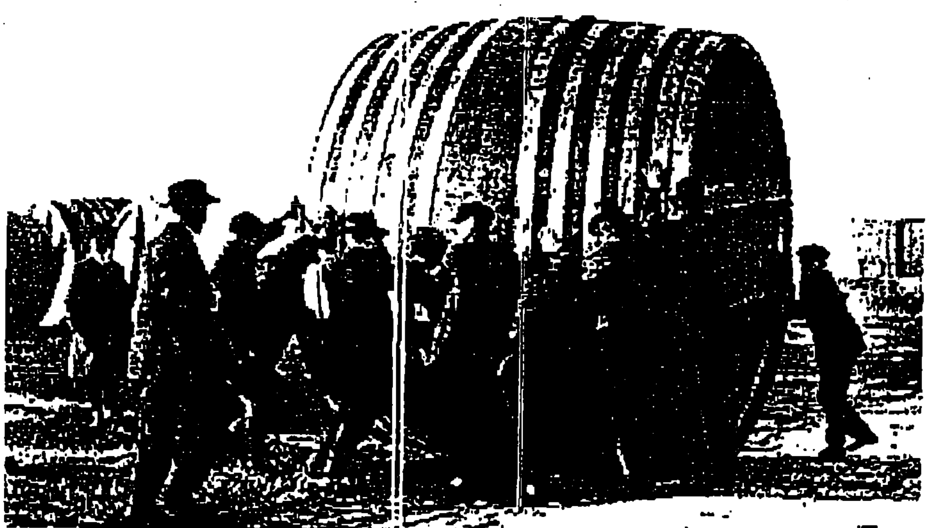

The Secretariat has developed innovative technologies in synthesising the various Parties' proposals into the compilation document

Exclusion Zone

There have been rumours that this week could involve closed sessions, with access denied to NGOs, and distinguished representatives should perhaps know that this has led to a number of contingency plans. Instead of attending negotiations, NGOs would end up having to spend 8-12 hours a day briefing the press, informing their members worldwide as to what negotiators here are up to, and buttonholing delegates wherever they can find them outside: in restrooms, corridors and hotel lobbies.

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CONFERENCE REPORTS

The Sorry State of Play

It's hard to imagine how these negotiations could get more sidetracked from their central purpose of agreeing on a substantial reduction in industrialized country emissions, as a first step towards achieving the treaty's ultimate objective.

The world's largest emitter has come to Bonn with a full complement of positions on controversial issues ranging from emissions trading and joint implementation to requiring negotiation by 2005 of binding developing country commitments. This has had the predictable effect of polarizing the debate. Conspicuously missing is any constructive contribution to progress on QELROs.

The 15 members of a prominent regional economic coordination group, meanwhile, are bogged down in internal squabbling which has prevented them from providing much-needed leadership in these negotiations. They are dangerously close to substantiating the charge from the other side of the Atlantic that they are all talk and no action.

Other industrialized countries occupy their time by putting forward either self-serving differentiation schemes or hopelessly vague constructs of p's and q's. And developing countries seem to be rising to the US bait, focussing their energies on resisting efforts to renegotiate the Berlin Mandate, rather than effectuating it.

Last year, 2,500 scientists provided what ministers acknowledged to be a compelling basis for action to reduce emissions. Last month, some 2,300 economists stated it is possible to reduce emissions without harming living standards. This week, several hundred delegates seem to be suffering a collective failure of will, no doubt aided and abetted by what the authors of the economists' statement termed "the misleading claims put forward by special interest groups."

The elements of an acceptable agreement are in the Chairman's framework compilation, albeit surrounded by mounds of diversionary or downright harmful text. This AGBM session must start sorting the wheat from the chaff.

SBSTA Friday AM

SBSTA came to many conclusions at its final session. The NGO Consultative Mechanism was essentially postponed until the next session. The only addition was Venezuela's "deep" regret about the delay in the Secretariat's report. After the long hours Thursday night, there was relatively little controversy about cooperation with relevant international organizations. Kuwait seemed to be overruled because SBSTA formally "thanked the Chairman of the IPCC for his informative report" and noted the new technical papers. With regards to the Technical Paper on the environmental implications of protocol proposals, SBSTA requested the IPCC to take into account the seven country submissions on this topic and "reflect these contributions, where appropriate, in the development" of the report. "National Communications from parties included in Annex I to the Convention" was adopted despite an intense discussion about a "full stop." "Non-Annex I Parties" was much more difficult. The delegate from the Philippines felt that paragraph 3 was not in the spirit of the Convention. The G77 stated that the GEF should fund the preparation of national inventories but the US and EU disagreed so this paragraph was ultimately deleted due to the impasse. "Methodological issues" was adopted with no discussion but most of these issues were deferred until Parties made submissions (by 15 April 1997!) on the content, priorities and timing of methodological activities. "Development and transfer of technologies" spurred quite a debate about Intergovernmental Technical Advisory Panels (ITAPs). The G77 urged SBSTA to set up ITAPs without delay while the EU "urged SBSTA not to do so." Ha Ha. The final result was inspired by Tanzania, with EU and US compromises. Basically, SBSTA will take up the issue at the next session. We were particularly pleased with Iran, for once, because it really insisted that transfer should be absolutely "clean" technologies, not just "cleaner." His logic was lost on us, but it *is* better grammar. On AIJ, the uniform reporting format was adopted with minor changes. The US weighed in with a rather political statement on AIJ. Apparently, since we've now got a uniform reporting format and "over 40 successful projects" we may not need to wait until 1999 to assess the pilot phase. Not surprisingly, the US intervention ended by putting "crediting" on SBSTA's agenda for next time. It selectively interpreted certain parts of the recent US economists' statement on market-based mechanisms to support the US enthusiasm for JI.

SBI Friday

The SBI went painfully through the draft conclusions submitted by the chairman. Text on communications from Annex I and non-Annex I Parties was agreed easily, with the SBI encouraging Annex I Parties to submit their second national communications on time, and requesting the secretariat to keep it informed of progress on non-Annex I Party communications.

Very painful for your long suffering Eco reporter was the interminable discussion on the conclusions on the programme budget. First the Netherlands proposed additional text expressing concern over the increase in the budget, then China added a paragraph on the need for the budget to be in line with the Convention and COP decisions. The USA then dug in its heels, saying the existing text was perfectly adequate, and that if the others insisted, they too would suggest new text. And so it went on, until they all agreed to withdraw, and we were back pretty much where we started. That's international negotiation for you.

The contact group report on the UNGA special session on agenda 21 went through unchallenged, but the contact group on financial and technical cooperation had not yet provided text. A special meeting of the SBI will be held this week to agree conclusions on this issue.

Finally, there was another endless debate on the section on arrangements for COP 3. China and other developing countries were concerned that they weren't ambushed by another surprise like the COP 2 ministerial declaration, and supported language which would require substantive proposals to be submitted to parties well in advance. This was opposed by the USA and the EU, and the deadlock was only reconciled by compromise text drafted by the Executive Secretary for the Chair.

[[AG13 Friday]

[On Friday [AG13]][the Group] sputtered to a close with some reflex bracketing of Annex II to [its][their] Report[:][-] the [substantive][main] [part][portion] of the document[.][...]]]]]]]]]]

More significantly, China suggested that the main body of the report might be altered to reflect the fact that there was rather more consensus in the Group than was indicated by the text. The Netherlands (EU) agreed and the now familiar Euro-Chinese drafting group set to work again, this time unsuccessfully – probably owing to the rival attractions of a sunny afternoon and the imminent NGO party.

As a coda, Chile suggested that the Group tell the rest of the Convention process that AG13 may not finish its work until COP4, whenever that is. After some discussion it was tacitly agreed that Eco should undertake this task.

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At the end of last week's sessions delegates rushed to inform their government's of the exciting conclusions reached

Swedish Nuclear Decision Welcomed

The Swedish government's decision to shut down the country's large nuclear power plant, starting in 1998, has been welcomed by many people in Europe interested in environmental protection. Last year the Swedish Prime Minister declared that Sweden would become a world leader in creating an ecologically sustainable society; the decision on nuclear power is seen as the first important step in creating a sustainable energy system. This is also the reason that those interested in climate protection are congratulating the Swedish government even though there are fears that nuclear power would have to be replaced by imported electricity from coal-fired Danish plants or by natural gas. However, the government has declared that energy saving and increased development of renewable energy will replace the electricity from the first nuclear reactor. Increased CO_2 emissions from the transport sector will be replaced by a rapid introduction of alternative fuels.

Environmental organizations in Sweden have long argued that nuclear power could be phased out and CO_2 emissions reduced at the same time. At present nuclear power plants supply half of Sweden's electricity, most of the rest being hydroelectric. Even with nuclear power out of the picture, CO_2 emissions could be reduced by a third through increased efficiency, greater use of biofuels, and taxation adjustments.

Swedish per capita electricity consumption is three times higher than in the EU at large. Industry, including the power-intensive sector, figures relatively low in this total. A great deal of electricity is on the other hand used for space heating and in wasteful ventilation and lighting systems. The potential for increased efficiency is enormous.

Sweden is about equal in area to France and Spain combined, and is mostly covered in forest. Even allowing for nature protection and the needs of the timber and pulp industries, considerable quantities of biomass could be burnt for heat and power.

Biofuels and combined heat and power will be paramount in a sustainable energy system for Sweden. Combined-cycle units, with gasification of wood and the black liquor from pulpmaking, are to be built.

Taxes will need further adjustment. At current tax rates, biofuels are already competitive in many areas. Following the 1991 introduction of a general CO_2 emissions tax (equivalent to about 4 US cents per kg), they have already replaced coal to a very considerable extent in district heating. However, the tax shows many discrepancies: for example fossil fuels for electricity generation are exempt, even for combined heat and power, which gives opportunities for juggling the accounts.

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CLIMATE NEGOTIATIONS BONN MARCH '97 NGO NEWSLETTER

2000 Economists:

What they said…

by Annie Petsonk, EDF

More than 2,300 leading economists, including 8 Nobel laureates, have announced in a statement that "global climate change carries with it significant environmental, economic, social, and geopolitical risks," and that "preventive steps are justified."

Further: "sound economic analysis shows that there are policy options that would slow climate change without harming American living standards, and these measures may in fact improve US productivity in the long term."

The statement also says that market-based policies are the most efficient approach, and that an international emissions trading agreement is required. They point to two market mechanisms, carbon taxes and the auction of emissions permits, that can implement climate policies efficiently at the domestic level.

This statement has been widely reported in the US and UK press – an unusual experience for most practitioners of that otherwise dismal science. It has been compiled because, in their words, "As the climate debate unfolds, it is imperative that public policy be guided by sound economics rather than misleading claims put forward by special interest groups." Take that, GCC!

…And What they Didn't Say

by Clive Bates, IIEC Europe

In Friday's SBSTA meeting, the US tried to add some academic weight to its arguments for Joint Implementation, claiming: "As more than 2,000 economists recently noted in a formal statement (copies of which are at the back of the room), JI efforts will substantially reduce the costs of any effort to address the problem". This had NGOs scurrying to the back of the room to see what the economists had really said.

Well, nothing about JI actually. The economists had actually said: "…for the world to achieve its climate objectives at minimum cost, a co-operative approach among nations is required – such as an international emissions trading agreement". One crucial difference between such emissions trading and Annex I to non-Annex I JI advocated by the US is that *all participants* must have some kind of quantified limit to their emissions.

Without a limit there is no baseline against which emissions rights can be bought and sold. In contrast, where JI would allow crediting where the host has no emissions limitations, it is difficult to see how this can make a viable market mechanism. The normal negotiating tension between buyer and seller would be absent and the host has little incentive to drive a hard bargain over the carbon credited to the investor.

Both parties to the JI have an incentive to exaggerate the emissions savings and to credit all the savings to the investor, no matter how trivial its contribution. The net global result? More CO_2 could be released.

With JI between parties which both have accepted emissions limitations, the situation is different. The host would have a clear incentive to ensure that it attained genuine emissions reductions and would only offer carbon credits in proportion to the value added by the donor/investor. In this case, JI could become a viable market mechanism.

– Compilation Comprehension, from p. 1

What should *not* be in the Kyoto Protocol:

- The net approach (18 paragraphs)
- The multigas, or basket approach (25 paragraphs)
- Relative emissions targets e.g. per capita targets (10 paragraphs)
- A detailed emissions trading regime (11 paragraphs)
- Differentiation of emission commitments (33 paragraphs)
- A late start e.g. 2010 as the first year for emission target reductions (12 paragraphs)
- Emission budget periods longer than five years (11 paragraphs with unspecified time periods)
- Joint implementation with Parties which do not have binding emission reduction targets (14 paragraphs)
- "Borrowing" of emissions from future budget periods (3 paragraphs)
- The carrying over of unused emissions to the next budget period ("banking") (8 paragraphs)
- Compensation mechanisms for oil exporting countries (12 paragraphs)
- New commitments for non-Annex 1 Parties masquerading under benign phrases like "evolution" and "no-regrets" (6 paragraphs)

Total: 163 paragraphs

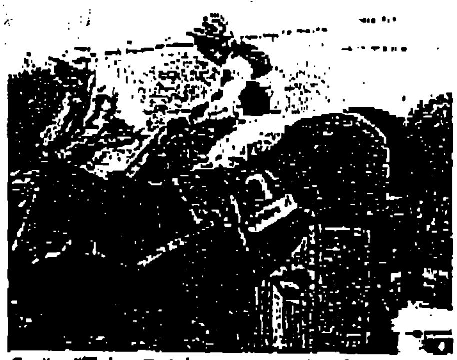
163 paragraphs is more than half of the Compilation deleted. A good start.

Psssst! NGO Party. Wednesday evening. After the Mayor of Bonn's reception. We know we can't compete but come along all the same. Watch this space for details.

With Regret…

Eco received the following intervention on Friday: "The Netherlands (not on behalf of the European Community and its Member States) wishes to file a complaint on the absence of illustration in this week's Eco. It feels that insufficient account has been taken of illiterate members of the delegation and requests part of its money back."

Killing two birds with one stone, so to speak, Eco's own intervention in reply to our most distinguished colleagues from the Netherlands takes the form of a picture explaining why we are unable to return any cash.



Sadly, "Flying Dutchman" came last in the 12:15.

Ludwig

Rumours have reached Ludwig concerning the wonderful loyalty of the representative at the negotiations of a certain large international automobile company, noted for the consistency of its products and advertising message throughout the world. Apparently, likewise, this gentleman is in the habit of approaching the ladies here with his own universal message, which he obviously believes will attract them to his, er, product. Ludwig understands that, as with the company, the level of market penetration is lower than desired.

By the way, Ludwig was impressed by the tact shown by the Australian diplomats staffing the embassy's Boomerang Bar, scene of Friday night's party. All of them professed to know nothing at all about the climate convention, even though they are attending the AGBM. Good on you, sports!

THANKS

The Climate Action Network would like to thank the Environment Ministries of Germany and the Netherlands, who have provided funding for Eco.

With resources contributed by: APC Networks and EuroFax.

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Bonn, Germany, March 2-7, 1997

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Bonn, Germany, 24 Feb to 7 March 1997

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Jack Shick	State	202 647-0191
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Alicia Munnell	CEA	202 395-6947
Abraham Haspel	DOE	202 586-3047
Dirk Forrister	DOE	202 586-9987
Marc Chupka	DOE	202 586-0861
Mary Nichols/David Doniger	EPA	202 260-5155
David Gardiner	EPA	202 260-0275
Elaine Haemisegger	EPA	202 260-0290
Nancy Kete	EPA	202 233-9598
Charles Rawls	USDA	202 720-5437
Rosina Birbaum	OSTP	202 456-6025
Steve Seidel	CEQ	202 456-6546
David Sandalow	NSC	202 456-2710
Sally Kane	NOAA	301 427-2073
Jim Rubin	DOJ	202 514-4231

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26 February 1997

Memorandum

To: Please See Attached List

From: USDEL/Geneva, Mark G. Hambley

Subject: Negotiations under the Framework Convention on Climate Change Periodic Update No. 2 for February 25/26, 1997

This message transmits unofficial reflections on activities and developments during the climate negotiations which are being held in Bonn between February 24 and March 7, 1997. While the contents are unclassified, this report is intended for use by officials of the the U.S. Government, only. This report covers activities from the afternoon session on Tuesday, Feb 25, through the morning sessions on Feb 26. We are also including a report on the Feb 25 SBI meetings prepared by DOE's Linda Silverman, and a copy of "ECO", the NGO rag published with funding from the German and Danish Environment Ministries. The final paragraphs can be used as a DAR item as desired and appropriate..

Climate Talks, Update No. 2: "The Cauldron Heats Up as Subsidiary Bodies Attack Their Respective Issues

A Question of Dates

The good news is that all three subsidiary bodies are reporting progress in getting through their respective agendas. The bad news is that the cauldron is heating up with regard to certain decisive issues which will dictate the manner in which these negotiations are brought to finalization. Indicative of this latter point was the (at first glance) innocuous request made by both Tanzania (speaking for the G-77/China) and by China requesting that COP-4 be held in 1998 rather than in 1999 as had been recommended by the Bureau. The G-77 argued that this date is in conformance with the Convention which states that COPs will be held annually unless decided otherwise. We see ulterior motives (related to the review of annexs and of Annex I commitments -- both of which must be carried out "no later than" Dec 31, 1998), and are striving to find a compromise. Also indicative of the rough passage that our protocol framework faces were comments made by China's delegation indicating his strong misgivings with aspects of our proposal. ((I will leave it to our readers' intuitive sense to determine which ones (which he did not specify in any case.))

SBSTA and SBI Make Progress

Both the Subsidiary Body on Scientific and Technological Advice (SBSTA) and the Subsidiary Body on Implementation (SBI) reported forward movement on Feb 25 and 26. The SBSTA contact group on AIJ reports that good progress was achieved and that, despite some complicating maneuvers on the part of the Philippines, a reporting format had almost been agreed. National communications issues were disposed of smoothly on Feb 25, while a contact group on methodological issues continued to meet on Feb 26. The question of a new NGO consultative mechanism was passed from SBSTA to the SBI for consideration -- despite criticism from the EU that nothing tangible has been forthcoming on this matter and urging that the Secretariat undertake consultations with NGOs in the near future.

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At the discussion of Annex I communications in the SBI on Feb 25, the British announced that they have completed their Second National Communications (the first Annex I Party to do so) and bragged about how they would continue to be below projected targets for the foreseeable future. Financial and technical cooperation and issues related to the Global Environment Facility provided for some tumultuous discussion during the Feb 26 debate A paper is to be drafted by a contact group to evaluate the interim financial mechanism.

More vexing debate is expected in the SBI on Feb 27 when various budgetary issues are raised. The budget for 1998/99 is projected to increase substantially over the current one. We have asked the Secretariat to provide us with the details for the anticipated increase. Among the points of contention is a proposal to establish FCCC liaison offices in both New York and Geneva to assist in communicating with G-77 representatives. While symathetic to their inability to remain as informed as we are in this process, we believe that a Canadian suggestion to ask Secretariat personnel to brief Missions in New York and Geneva on a periodic basis (as is done by the Biodiversity Secretariat) has some merit and would be much more cost-effective.

AG-13: Moving Towards a Paper

Meanwhile, Britain's Patrick Szell is moving his AG-13 working group towards consideration of a an informal chairman's text outlining some tentative ideas concerning a multilateral consultative process (MCP). In both sessions of the group on Feb 25 and 26, discussion focused on the possible elements of a MCP. These include such matters as characteristics, objectives, institutional arrangements, and procedures. Szell indicated that he will have a paper available no later than Thursday, Feb 27.

More NGOs and Staffdc. Due to Arrive

As noted in Update No. 1, the current contingent of U.S. environmental NGOs is quite small. We understand that reinforcements will begin to arrive tomorrow. Business is already here in fairly substantial numbers and have come to us with a complaint or two or for general comments (for example, EEI has presented us with a detailed exposition on changes they would like to see in both the U.S. protocol proposal and in Chairman Estrada's "compilation" document.) Relations remain amicable, however. The scene will liven up by the arrival at the weekend by two Congressional staffer from the House energy subcommittee, Cathy Van Way from the majority and Sue Sheridan from the minority. A staffer from Senator Lieberman's office is also scheduled to attend next week's AGBM sessions, as well.

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The following paragraphs can be used as a DAR item as desired or appropriate:

Climate Talks, Update No. 2: "The Cauldron Heats Up as Subsidiary Bodies Attack Their Respective Issues

The good news is that all three subsidiary bodies are reporting progress in getting through their respective agendas. The bad news is that the cauldron is heating up with regard to certain decisive issues which will dictate the manner in which these negotiations are brought to finalization. Indicative of this latter point was the (at first glance) innocuous request made by both Tanzania (speaking for the G-77/China) and by China requesting that COP-4 be held in 1998 rather than in 1999 as had been recommended by the Bureau. The G-77 argued that this date is in conformance with the Convention which states that COPs will be held annually unless decided otherwise. We see ulterior motives (related to the review of annexs and of Annex I commitments -- both of which must be carried out "no later than" Dec 31, 1998), and are striving to find a compromise. Also indicative of the rough passage that our protocol framework faces were comments made by China's delegation indicating his strong misgivings with aspects of our proposal. ((I will leave it to our readers' intuitive sense to determine which ones (which he did not specify in any case.))

Both the Subsidiary Body on Scientific and Technological Advice (SBSTA) and the Subsidiary Body on Implementation (SBI) reported forward movement on Feb 25 and 26. The SBSTA contact group on AIJ reports that good progress was achieved and that, despite some complicating maneuvers on the part of the Philippines, a reporting format had almost been agreed. National communications issues were disposed of smoothly on Feb 25, while a contact group on methodological issues continued to meet on Feb 26. The question of a new NGO consultative mechanism was passed from SBSTA to the SBI for consideration -- despite criticism from the EU that nothing tangible has been forthcoming on this matter and urging that the Secretariat undertake consultations with NGOs in the near future. At the discussion of Annex I communications in the SBI on Feb 25, the British announced that they have completed their Second National Communications (the first Annex I Party to do so). Financial and technical cooperation and issues related to the Global Environment Facility provided for some tumultuous discussion during the Feb 26 debate. A paper is to be drafted by a contact group to evaluate the interim financial mechanism.

Meanwhile, Britain's Patrick Szell is moving his AG-13 working group towards consideration of a an informal chairman's text outlining some tentative ideas concerning a multilateral consultative process (MCP). In both sessions of the group on Feb 25 and 26, discussion focused on the possible elements of a MCP. These include such matters as characteristics, objectives, institutional arrangements, and procedures. Szell indicated that he will have a paper available no later than Thursday, Feb 27. (Hambley)

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SBI 2/25/97

The first session of the SBI dealt primarily with administrative and financial issues; substantive issues were pushed to later in the week in order to give delegates time to read the just-received documents. The session began with adoption of the report of the 4th session of the SBI, which was held in December 1996. The Chair then explained that the election of vice-chairs would be delayed because the Latin Americans were still deciding who their candidate would be. National communications from Annex I parties were discussed; of the 34 submitted (only Belgium and Lithuania have not completed their first communications), 31 visits for in-depth reviews have taken place and 20 reports have been issued (and are available on the web). The UK proudly announced that it has submitted its 2nd national communication, and that it will be 4-8% below 1990 by 2000 (22% below for methane and 62% below for N20).

The Executive Director of the FCCC, Michael Zammit Cutajar, provided a broad explanation of various financial and administrative matters. First, he indicated the need for predictability in the GEF replenishment process -- the GEF needs to receive a clear signal from the FCCC regarding what activities it should fund and there needs to be certainty with regard to the level of contributions to the GEF. He then explained that the FCCC has received 85% of its approved budget for 1996, with full contributions from only 61 countries out of more than 150 countries, including some Annex II countries (the US is fully paid up). On the program budget for 1998-99, the Secretariat has reconstructed a new work program, based on 2 major programs (science & technology and implementation), with subprograms below each -- the budget would be between 5-10 million DM, depending on how much UN conference services are used. He also explained that any new post-Kyoto ad hoc process would need a separate budget.

The only contentious issue raised came up at the end of the session regarding the date and venue of COP4. The G-77/China were insistent that COP4 be held in 1998, as explicitly stated in the Convention. It appears that for the G-77/China, this is related to the graduation issue, which must be settled before December 1998; delaying COP4 until 1999 would result in the graduation issue being put on the agenda for COP3. The second review of adequacy, which also must be addressed before December 31, 1998, would be treated similarly. The Secretariat requested that Parties interested in hosting COP4 indicate their interest at the July meeting. On future meetings, the Secretariat gave the Parties the choice of having 2 two-week blocks of meetings each year with the COP running concurrently or 2 two-week blocks of meetings with an additional one-week COP.

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MIND-NUMBING ISSUE

Eco has been published by Non-Governmental Environmental Groups at major international conferences since the Stockholm Environment Conference in 1972. This issue is produced cooperatively by CAN groups attending the Climate Negotiations in Bonn, February-March 1997

Canapé Crisis!

Eco has learned the truth about the apparent staleness of the canapés served at last night's reception. Sources deep within the Secretariat, who do not wish to be identified for fear of persecution, have exclusively revealed that the food for the event was in fact left over from previous receptions in Geneva – some of it even going back as far as COP2. Apparently, during the move to Bonn it was loaded into unmarked filing cabinets, disguised as surplus copies of national communications. The ruse was only spotted by our contact when he saw that, in an oversight, one of them had been labelled as emanating from Belgium, which he

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CONFERENCE REPORTS

Owing to lack of interest, the rest of today's Eco consists entirely of conference reports and comment.

SBSTA Tuesday Morning

SBSTA's first session began with the usual and unfortunately quite laborious task of getting through the organisational aspects. One particular concern expressed by delegates was the lack of effective distribution of relevant documentation in good time for the sessions. Following accreditation of 13 new NGOs, two contact groups were created: one on AIJ, and another on methodological issues. On substantive issues, discussion focused on cooperation with relevant international organisations. WMO presented its summary report, on international coordinated research and systematic observations programmes. Included in the "possible actions" requested from SBSTA was to consider inviting the GEF to support the efforts of developing country parties to improve their systems for research and systematic observation of climate change. This caused some controversy. While some welcomed the suggestion, others expressed concern that GEF funds should not be used for "not such a high priority" issue. The SBSTA session closed with four delegations (Malaysia, Zimbabwe, Canada and Switzerland) asked to prepare draft recommendations.

SBSTA Tuesday Afternoon

SBSTA took up several agenda items in the afternoon but emphasized cooperation with relevant international organizations. Prof. Bert Bolin, Chairman of the IPCC, delivered an oral report about the status of forthcoming IPCC reports. Two more technical papers have been completed on simple climate models, and on the stabilization of atmospheric greenhouse gas concentrations. It should be noted that SBSTA does not seem to intend to reflect on these significant reports – perhaps they will be considered by the AGBM next week. At the least, it is to be hoped that the distinguished delegates of these bodies will try to educate themselves from these important scientific documents before undertaking further political negotiations. Stay tuned for highlights.

Prof. Bolin urged Parties wishing to submit further comments regarding the planned structure and content of the Third Assessment Report of the IPCC to contact the Chairman-Elect or Secretariat as soon as possible. He also notified Parties that the special report on regional impacts will be available in September 1997.

Sparking yet another intense debate, Prof. Bolin reviewed the status of the fourth technical paper on the environmental implications (i.e. sea-level rise) of various emission limitation and reduction proposals. He stated that, taking into account the recent country submissions, the IPCC will complete this technical paper by September 1997 as directed by SBSTA in its last session. The IPCC will not conduct any new research for this paper, but merely synthesize existing data as required for any technical paper.

Kuwait, Nigeria, Venezuela and Saudi Arabia all insisted that this technical paper should be turned into a special report, but Prof. Bolin reminded them that the IPCC Plenary already decided that it would be a Technical Paper in Mexico City.

The Netherlands, USA, Australia and AOSIS all urged for the completion of the technical paper, using the country submissions as guidance. The Marshall Islands contended that "[further] delay is political interference in scientific discourse."

Kuwait, using an unwieldy analogy from an Arabic phrase that apparently reads, "Don't go to prayers while you are drunk" accused Prof. Bolin's oral report to SBSTA of being "biased, partial and misleading."

The Chairman chided Kuwait for not being polite. He also proposed that SBSTA should make a recommendation to the IPCC that authors take into account the country submissions, as Prof. Bolin promised to do. Kuwait suggested that debate be continued after they consult with their "colleagues."

On national communications, the Secretariat made a presentation on country submis-

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sions, noting that the UK had already submitted their second communication. Then, the UK made an intervention confirming that they will meet their stabilization goal of 1990 levels by the year 2000.

Next came methodological issues, which the Secretariat suggested be dealt with in a smaller group. SBSTA then moved on to discover that the report on "Mechanisms for Consultation with NGOs" was not ready, so agenda item was deferred to a later session.

In the most surprising development of the day SBSTA ended twenty minutes early. The next session will be Thursday morning.

AG13

The theme of Tuesday's AG13 meeting was office furniture. Building on the December meeting's discussion of rotating seats, yesterday's debate focused on desks.

At the outset of the meeting, the Chair shocked the meeting by radically proposing that the Group try to decide something this time. He further recommended that this "something" might be the "character" of a multilateral consultative process. Should it be advisory or supervisory or, for that matter, good or bad? Chile, compounding the complexities faced by delegates, then made the revolutionary proposal that the Group might consider what an MCP should actually do.

Entering into the free and easy atmosphere encouraged by the Chair, China and the EU launched a joint initiative on help desks. Given tacit approval by the meeting on the concept of desks, this Sino-European alliance began a debate on the nature of the help that desks might give, whom they might give help to, and under what circumstances.

It is anticipated that the furniture theme will continue tomorrow, stimulated by today's discussion between the Chair and the USA on telephones and how they might be allocated to desks, how they might be used etc.

SBI Report

Mr Zammit Cutajar discussed the review of the financial mechanism of the Convention, which he described as the "most important policy issue on the SBI agenda." He stressed the need for both the flow of funds from the GEF and the demand for funds to the GEF to be predictable if replenishment is to be successful (see article below). He went on to discuss communications from non-Annex I countries, and described a suggested support arrangement which the Secretariat had been discussing with the GEF secretariat.

Finally, Mr Zammit Cutajar urged countries to pay their contributions to the core budget of the Convention, pointing out that only 61 out of 150 plus countries paid up in 1996. Shockingly, contributions are still awaited from some Annex II countries - the richest countries in the world. Go on, pay up or we'll name names (we only have to look in SBI/1997/CRP.1...).

After a brief statement by the Executive Secretary on Annex I communications (34 received so far, but Belgium (!) and Lithuania still pending), the UK took the floor to say that it had already submitted its second national communication to the Secretariat (where is my personalised copy? *Eco Reporter*), and that its CO_2 emissions would be 4-8% below 1990 levels in 2000. Well done, well done, well done, well done, well done...

The secretariat is looking at ways to cut the volume of documentation, and was given a mandate to explore with the UN Office in Geneva whether time sensitive documents could be distributed before they were available in all six languages without contravening the 1981 General Assembly decision.

The most lengthy item discussed was the programme budget for 1998/9. As the budget depends notably on the schedule of sessions, Parties were asked to provide a schedule for 1998/99 ASAP. No decision was taken on the budget, as Parties wanted to consider the document at more length. A debate ensued over the question whether COP4 should be in 1998 or 1999, the G77 and China requesting 1998 to allow the reviews specified the Convention to take place; the Secretariat, for cost reasons, preferring 1999. An interesting presentation was the one on the Agenda for COP3. The Secretariat proposes to have the meeting from 1-10 December, with the ministerial segment from 3-5 December. There would be no general statements, to streamline negotiations.

Remember the Memorandum

With little fanfare, Parties at the last meeting of the Subsidiary Body on Implementation (SBI 3) adopted an Annex to the Memorandum of Understanding between the COP and the GEF Council, that significantly develops a critical part of the relationship between the Convention and the interim operator of its Financial Mechanism.

The Annex spells out a process by which the COP and the Council will jointly determine the amount of GEF funding that will be required by developing country Parties to implement the Convention. A unique opportunity for the Parties to test the GEF's responsiveness to its needs but an opportunity that may be missed. Delays in the conclusion of MOU may allow the GEF replenishment negotiations to move towards a conclusion before the COP and its subsidiary bodies can make an assessment of the amount of funds necessary to assist developing countries. In the absence of such an assessment, GEF replenishment negotiations will be based, as they were in the first GEF cycle, on how much the Annex II Parties care to contribute, rather than the level of funding the Convention needs. Under these circumstances the commitment to meet the agreed full incremental costs of implementing measures undertaken by developing countries is greatly undermined.

This is not to suggest that the assessment of developing country needs will be an easy task. Some inspiration could be taken from the Multilateral Fund for the Montreal Protocol, which was recently replenished on the basis of work undertaken by a Technical and Economic Advisory Panel (TEAP), which estimated developing country demand for relevant investment and technology transfer over coming years. Clearly climate change offers an unlimited range of investment opportunities considerably more challenging to calculate than in the ozone context. But the process of estimating developing country needs over a specific period of time could help to focus the work of the SBI in determining programme priorities and eligibility criteria for Convention funding, and might encourage developing countries to develop more concrete measures for their national programmes.

Despite the adoption of the Annex, and the rapid approach of GEF replenishment negotiations, there is little sign of the subsidiary bodies or the secretariat, preparing an assessment of needs. Thus far the snail's pace of the GEF project cycle has maintained a healthy balance in the GEF's accounts. However, as the GEF's operations begin to operate more smoothly and to process the project proposals in its pipeline, the Parties may have no one to blame but themselves if funds are exhausted before legitimate needs are met.

THANKS

The Climate Action Network would like to thank the Environment Ministries of Germany and the Netherlands, who have provided funds and facilities for Eco.

With resources contributed by: APC Networks and EuroFax.