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SUBJECT: UK Climate Change Draft for Leeds Castle Environmental
MESSAGE: Fiji. Ministerial

CLIMATE CHANGE

The Kyoto Protocol was a major step forward in the fight against climate change. For the first time the developed world has agreed legally-binding targets to reduce its total emissions of greenhouse gases below 1990 levels by the period 2008-2012. This can only be a first step towards the eventual stabilisation of greenhouse gas concentrations, but it is an important signal that we are on course to tackle this problem. The targets are challenging and they will be reflected in major changes in lifestyle and technology.

G8 Environment Ministers will have a major role to play in bringing about these changes. They may wish to commit themselves to share their experiences and take appropriate co-operative action wherever possible to ensure that these targets are met in a way that will not seriously damage their economies and which will maximise the environmental effect of their actions. In some cases policies that lead to reductions in greenhouse gas emissions also lead to other environmental benefits such as cleaner air or less waste. G8 Environment Ministers could undertake to ensure that these additional advantages are clearly recognised in their national debates on how best to meet national commitments under the Protocol.

An important innovation in the Kyoto agreement was the introduction of a number of new flexible ways in which countries can meet their targets. Whilst Kyoto agreed the principle of these flexible mechanisms, the details of how they will operate must be elaborated and refined in the period before ratification and entry into force. It is essential that we use this 'window of credibility' to ensure that the Protocol in operation lives up to the promise of Kyoto. G8 Environment Ministers will have a crucial role to play in ensuring that successful progress is made at the fourth Conference of the Parties in Buenos Aires in November this year. To maintain the momentum of Kyoto, rapid but satisfactory progress must be made with regard to the operation of flexible mechanisms, such as emissions trading and the clean development mechanism, to allow for wide ratification and entry into force of the Protocol as soon as possible. G8 Environment Ministers can usefully help to identify priority concerns and appropriate ways to deal with them. It is also important to consider the future involvement of developing countries in the fight against climate change. G8 Environment Ministers deliberations could also look forward to the G8 Heads' discussion of this issue.

On emissions trading, rules need to be developed which address in particular the questions of verification, reporting and accountability and which ensure that the mechanism delivers real reductions at lower cost without undermining the objectives of the Protocol. The issue of so-called international trading in 'hot air' will also need careful consideration. Trading should not lead to an overall impact on the environment less than would otherwise be the case. A number of ways have been suggested in which hot air might be addressed in the Protocol negotiations: these include a quantitative limit on the maximum proportion of a target which can be traded; an agreement by Parties not to sell more than their emission reductions from Business-as-usual; and recognition that the first review of the Protocol allows targets to be revisited in about 2002/2003. G8 Environment Ministers should urge the analytical work being undertaken in fora such as the OECD/IEA Annex I Experts Group and UNCTAD to be advanced in time to feed into discussions at COP4 and preparatory meetings in Bonn in June.

G8 Environment Ministers will wish to look forward to the future greater participation of developing countries in the Protocol process. In this regard they could welcome the inclusion in the Kyoto Protocol of the clean development mechanism. This new mechanism offers the potential both to assist developing countries to achieve sustainable development and to contribute to the ultimate objective of the Convention, by encouraging action by both the private and public sectors to combat climate change and by accelerating the transfer and diffusion of technology. But it is vital that projects lead to genuine additional reductions or limitations of emissions. development of adequate monitoring, verification and reporting procedures will be essential to meet these concerns. In developing the clean development mechanism, the role and experience of the GEF and other existing institutions needs to be drawn upon fully and consideration of a number of other key aspects of the way in which it will operate needs to be begun as soon as possible. G8 Environment Ministers could underline the importance of making substantive progress on these issues at COP4 (and the preparatory meetings leading up to it), particularly in view of the early crediting from 2000 onwards for cdm projects. Ministers could commit themselves to work towards greater involvement by developing countries, both by encouraging them to participate in the clean development mechanism, and by underlining the message that abating greenhouse gas emissions does not mean that a country need forfeit economic development.

On the question of developing country involvement in the future, Environment Ministers could consider a strategy for bilateral contacts and in the wider international arena in the run-up to COP4 and beyond. They could identify options for taking the issue forward, such as the proposal

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recently announced by the hosts, Argentina, that COP4 should re-consider allowing developing countries to adopt targets voluntarily, or the idea of a review of the commitments of all Parties.

Recognising the need for realistic expectations of progress at COP4, G8 Environment Ministers should seek to confirm their countries' commitment to the fight against climate change. They should aim to provide G8 Heads with a practical basis for programs which can demonstrate the necessary continued commitment of the G8 on this issue.

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Potential language for the Communiqué

"We affirm that Kyoto was a historic agreement, but recognise however that it is only a first step in the fight to combat climate change. We therefore underline the importance of maintaining the momentum of Kyoto and making progress at COP4. Domestically we resolve to involve all sectors of society in working together to achieve these ambitious targets. We are convinced that, with appropriate use of the flexibilities within the Protocol these targets can be achieved without serious damage to our economies, and with substantial gains from new technologies and greater efficiency of resource use.

In particular, we affirm that rules and guidelines must be developed to ensure that flexible mechanisms such as emissions trading, joint implementation and the clean development mechanism provide real, cost-effective and verifiable environmental benefits and which are seen to strengthen not weaken the environmental impact of the Protocol.

(Other elements to be inserted to reflect discussion by Environment Ministers.)

In relation to the involvement of developing countries, we recognise that increasing global participation over time in the process of establishing quantitative objectives to limit or reduce greenhouse gas emissions is necessary. This however must be in accordance with common but differentiated responsibilities and must take into full account the legitimate priority needs of developing countries for the achievement of sustainable economic and social development and the elimination of poverty. In this context, we note the Argentinian proposal that COP4 should reconsider the idea of voluntary targets and undertake to consider this and other options, in partnership with developing countries."



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7/27/97

Roger Beale, Austria.

Preconditions

1. Among Annex 1 equitable treatment
proport. pain in loss of GDP
2. Early partic. by LDCs
3. Efficiently, i.e., at lowest global cost.

○

Implementn.

12-20% of saved carbon emissions would leak

Leakage E.g. smelting move to Indonesia (still using dirty. bauxite)
Have been beneficiary of leakage up to now, from Japan esp.
would lose 3-4% of GDP on EU proposals
1 1/2% on stabilizing at 1990 by 2010.

SGM

our models

tax

Propose for LDCs

Not useful : uniform abatement. Can't keep Korea fixed
to 1990, or even 2000 levels.

THE WHITE HOUSE
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from JF

Japanese
proposal.

(do not circulate)
It's too complicated.
But factoring
in past emissions
and GDP and pop.
is what I have
been thinking
about re long-term
formula (for LOGS).

JF

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Proposal on QELROs
by the Government of Japan
September 29, 1997

1. As the president-designate of the COP3, the Government of Japan proposes 5% as a base reduction rate for deciding a reduction target for each country on the premise that the following conditions from (1) to (3) are accepted. The base year of this reduction is 1990. The target period for the reduction is five years from 2008 to 2012 (the first budget period).

(1) Green house gasses covered by this proposal include carbon dioxide, methane and nitrous oxide.

(2) As the quantified target includes a portion prescribed by future technological development and changes of energy situation and industrial structure, etc. which are uncertain factors not foreseen at present, compliance clauses in regard to this portion should have certain flexibility. Formulation of this flexibility has to be stipulated in a protocol or another legal instrument. In any case, the emissions of any country shall not exceed its emissions in 1990.

(3) The target for an individual country is differentiated by emission per GDP, emission per capita and population growth:

Countries with the following conditions may apply any one of the following Alternative Reduction Rates:

(a) For a country of which emissions per GDP in 1990 (A) are less than the emission per GDP of all Annex I countries in 1990 (B):

$$\text{Alternative Reduction Rate (\%)} = 5\% \times (A/B)$$

(b) For a country of which emissions per capita in 1990 (C) are less than the emission per capita of all Annex I countries in 1990 (D):

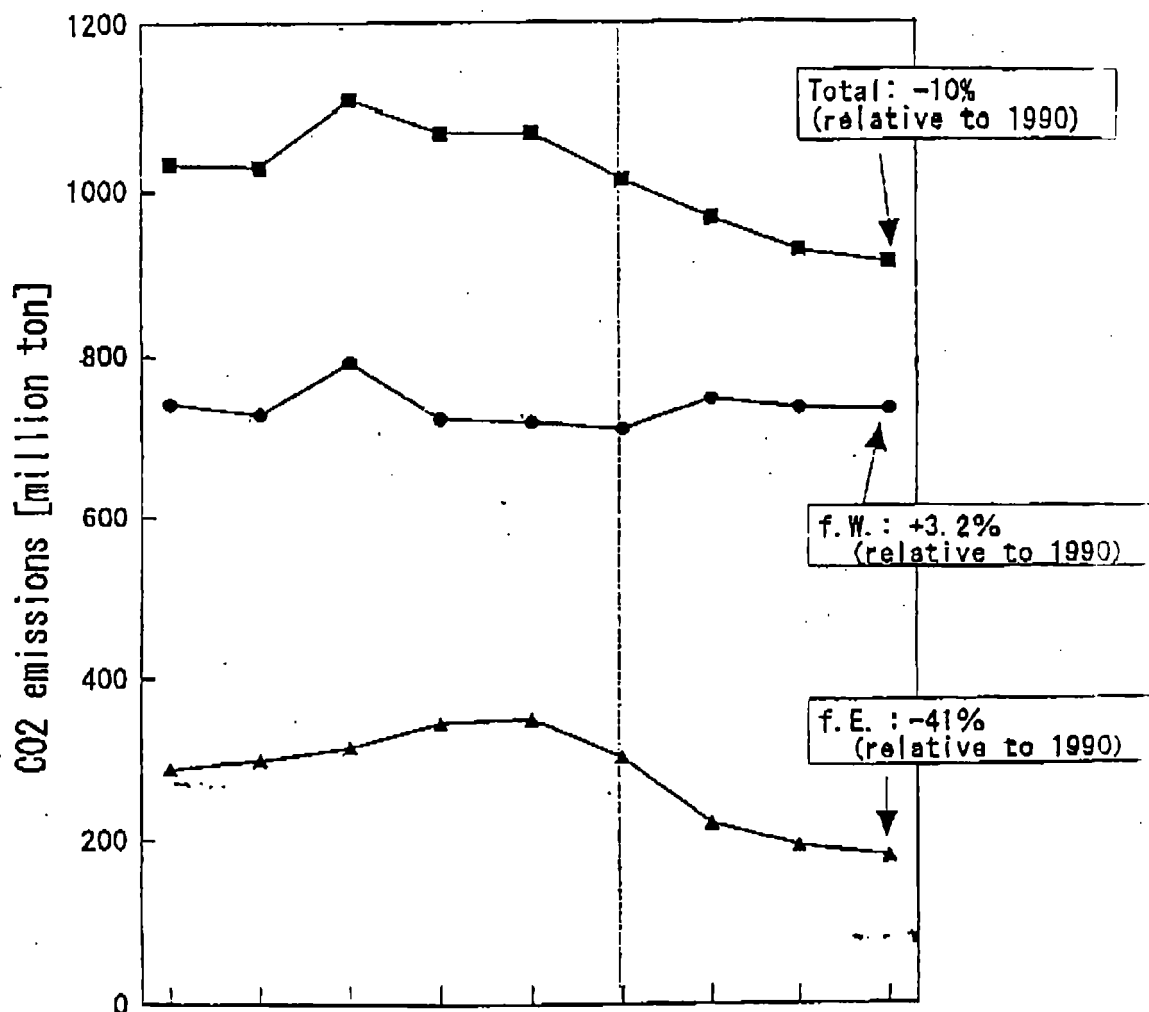
$$\text{Alternative Reduction Rate (\%)} = 5\% \times (C/D)$$

(c) For a country of which population growth from 1990 to 1995 exceeds the population growth of all Annex I countries for the same period, the higher growth of population should be considered in deciding the target of the country. Concrete formulation of this alternative reduction rate is to be developed.

2. Banking, borrowing, emissions trading and joint implementation should be adopted under certain conditions.

3. Emissions for the second budget period shall not exceed those for the first budget period. More sophisticated method of differentiation should be applied for the second budget period.

Change for CO2 emissions in Germany



	1970	1975	1980	1985	1987	1990	1991	1992	1993
f.W.	741	728	792	723	718	709	745	734	732
f.E.	291	301	316	345	350	303	220	192	179
Total	1032	1029	1108	1068	1068	1012	965	926	911

Forecast of Future Greenhouse Gas Emissions Levels of Developed Countries

	1995 CO2 Emissions <Rate of increase relative to 1990>	Forecast of CO2 emissions in 2010 according to N.C. <Rate of increase relative to 1990>	QERLOs proposal	GHG emissions per Capita (1990) <ratio of Japan's 2.6t as 1>
Australia	(+5)	+20 ~ +6	Not proposed	2.55
U.S.	(+3)	+23	Not proposed	2.34
New Zealand	+7	+43	Not proposed	2.35
Canada	+8	+19	Not proposed	2.08
Iceland	+6	Not yielded	Not proposed	1.13
Norway	+7	+33	Not proposed	1.20
Switzerland	▲2	▲3	Not proposed	0.82
Luxembourg	Not yielded	Not yielded	(▲30)	3.28
Germany	▲12	▲1.6	(▲25)	1.57
Denmark	(+21)	Not yielded	(▲25)	1.29
Austria	Not yielded	Not yielded	(▲25)	0.98
Netherlands	+9	▲2	(▲10)	1.43
Belgium	(+6)	Not yielded	(▲10)	1.42
U.K.	..(▲5)	+3	(▲10)	1.28
Italy	+8	Not yielded	(▲7)	1.00
Finland	+4	+4 ~ +31	(0)	1.34
France	+2	Not yielded	(0)	0.91
Sweden	+5	+12	(+5)	0.79
Ireland	+10	+33	(+15)	1.68
Spain	Not yielded	Not yielded	(+17)	0.80
Greece	Not yielded	Not yielded	(+30)	0.95
Portugal	(+10)	Not yielded	(+40)	0.53
EU		Not yielded	(▲15)	1.16
Japan	+8.3	Not yielded	Not proposed	1.00

[Note] EU's position in the negotiations is that the 2010 targets for each EU nation are based on the premise that each non-EU nation's target is -15%