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FULL TEXT OF THE CONVENTION

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

The Parties to this Convention,

Acknowledging that change in the Earth's climate and its adverse effects are a common concern of humankind,

Concerned that human activities have been substantially increasing the atmospheric concentrations of greenhouse gases, that these increases enhance the natural greenhouse effect, and that this will result on average in an additional warming of the Earth's surface and atmosphere and may adversely affect natural ecosystems and humankind,

Noting that the largest share of historical and current global emissions of greenhouse gases has originated in developed countries, that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs,

Aware of the role and importance in terrestrial and marine ecosystems of sinks and reservoirs of greenhouse gases,

Noting that there are many uncertainties in predictions of climate change, particularly with regard to the timing, magnitude and regional patterns thereof,

Acknowledging that the global nature of climate change calls for the widest possible cooperation by all countries and their participation in an effective and appropriate international response, in accordance with their common but differentiated responsibilities and respective capabilities and their social and economic conditions,

Recalling the pertinent provisions of the Declaration of the United Nations Conference on the Human Environment, adopted at Stockholm on 16 June 1972,

Recalling also that States have, in accordance with the Charter of the United Nations and the principles of international law, the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies, and the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction,

Reaffirming the principle of sovereignty of States in international cooperation to address climate change,

Recognizing that States should enact effective environmental legislation, that environmental standards, management objectives and priorities should reflect the environmental and developmental context to which they apply, and that standards applied by some countries may be inappropriate and of unwarranted economic and social cost to other countries, in particular developing countries,

Recalling the provisions of General Assembly resolution 44/228 of 22 December 1989 on the United Nations Conference on Environment and Development, and resolutions 43/53 of 6 December 1988, 44/207 of 22 December 1989, 45/212 of 21 December 1990 and 46/169 of 19 December 1991 on protection of global climate for present and future generations of mankind,

Recalling also the provisions of General Assembly resolution 44/206 of 22 December 1989 on the possible adverse effects of sea-level rise on islands and coastal areas, particularly low-lying coastal areas and the pertinent provisions of General Assembly resolution 44/172 of 19 December 1989 on the implementation of the Plan of Action to Combat Desertification,

Recalling further the Vienna Convention for the Protection of the Ozone Layer, 1985, and the Montreal Protocol on Substances that Deplete the Ozone Layer, 1987, as adjusted and amended on 29 June 1990,

Noting the Ministerial Declaration of the Second World Climate Conference adopted on 7 November 1990,

Conscious of the valuable analytical work being conducted by many States on climate change and of the important contributions of the World Meteorological Organization, the United Nations Environment Programme and other organs, organizations and bodies of the United Nations system, as well as other international and intergovernmental bodies, to the exchange of results of scientific research and the coordination of research,

Recognizing that steps required to understand and address climate change will be environmentally, socially and economically most effective if they are based on relevant scientific, technical and economic considerations and continually re-evaluated in the light of new findings in these areas,

Recognizing that various actions to address climate change can be justified economically in their own right and can also help in solving other environmental problems,

Recognizing also the need for developed countries to take immediate action in a flexible manner on the basis of clear priorities, as a first step towards comprehensive response strategies at the global, national and, where agreed, regional levels that take into account all greenhouse gases, with due consideration of their relative contributions to the enhancement of the greenhouse effect,

Recognizing further that low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems are particularly vulnerable to the adverse effects of climate change,

Recognizing the special difficulties of those countries, especially developing countries, whose economies are particularly dependent on fossil fuel production, use and exportation, as a consequence of action taken on limiting greenhouse gas emissions,

Affirming that responses to climate change should be coordinated with social and economic development in an integrated manner with a view to avoiding adverse impacts on the latter, taking into full account the legitimate priority needs of developing countries for the achievement of sustained economic growth and the eradication of poverty,

Recognizing that all countries, especially developing countries, need access to resources required to achieve sustainable social and economic development and that, in order for developing countries to progress towards that goal, their energy consumption will need to grow taking into account the possibilities for achieving greater energy efficiency and for controlling greenhouse gas emissions in general, including through the application of new technologies on terms which make such an application economically and socially beneficial,

Determined to protect the climate system for present and future generations,

Have agreed as follows:

ARTICLE 1 DEFINITIONS*

For the purposes of this Convention:

1...."Adverse effects of climate change" means changes in the physical environment or biota resulting from climate change which have significant deleterious effects on the composition, resilience or productivity of natural and managed ecosystems or on the operation of socio-economic systems or on human health and welfare.

2...."Climate change" means a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.

3...."Climate system" means the totality of the atmosphere, hydrosphere, biosphere and geosphere and their interactions.

4...."Emissions" means the release of greenhouse gases and/or their precursors into the atmosphere over a specified area and period of time.

5...."Greenhouse gases" means those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and re-emit infrared radiation.

6...."Regional economic integration organization" means an organization constituted by sovereign States of a given region which has competence in respect of matters governed by this Convention or its protocols and has been duly authorized, in accordance with its internal procedures, to sign, ratify, accept, approve or accede to the instruments concerned.

7...."Reservoir" means a component or components of the climate system where a greenhouse gas or a precursor of a greenhouse gas is stored.

8...."Sink" means any process, activity or mechanism which removes a greenhouse gas, an aerosol or a precursor of a greenhouse gas from the atmosphere.

9...."Source" means any process or activity which releases a greenhouse gas, an aerosol or a precursor of a greenhouse gas into the atmosphere.

* Titles of articles are included solely to assist the reader.

ARTICLE 2 OBJECTIVE

The ultimate objective of this Convention and any related legal instruments that the Conference of the Parties may adopt is to achieve, in accordance with the relevant provisions of the Convention, stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.

ARTICLE 3 PRINCIPLES

In their actions to achieve the objective of the Convention and to implement its provisions, the Parties shall be guided, INTER ALIA, by the following:

1....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. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof.

2....The specific needs and special circumstances of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change, and of those Parties, especially developing country Parties, that would have to bear a disproportionate or abnormal burden under the Convention, should be given full consideration.

3....The Parties should take precautionary measures to anticipate, prevent or minimize the causes of climate change and mitigate its adverse effects. Where there are threats of serious or irreversible damage, lack of full scientific certainty should not be used as a reason for postponing such measures, taking into account that policies and measures to deal with climate change should be cost-effective so as to ensure global benefits at the lowest possible cost. To achieve this, such policies and measures should take into account different socio-economic

contexts, be comprehensive, cover all relevant sources, sinks and reservoirs of greenhouse gases and adaptation, and comprise all economic sectors. Efforts to address climate change may be carried out cooperatively by interested Parties.

4....The Parties have a right to, and should, promote sustainable development. Policies and measures to protect the climate system against human-induced change should be appropriate for the specific conditions of each Party and should be integrated with national development programmes, taking into account that economic development is essential for adopting measures to address climate change.

5....The Parties should cooperate to promote a supportive and open international economic system that would lead to sustainable economic growth and development in all Parties, particularly developing country Parties, thus enabling them better to address the problems of climate change. Measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.

ARTICLE 4 COMMITMENTS

1....All Parties, taking into account their common but differentiated responsibilities and their specific national and regional development priorities, objectives and circumstances, shall:

(a)....Develop, periodically update, publish and make available to the Conference of the Parties, in accordance with Article 12, national inventories of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, using comparable methodologies to be agreed upon by the Conference of the Parties;

(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;

(c)....Promote and cooperate in the development, application and diffusion, including transfer, of technologies, practices and processes that control, reduce or prevent anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol in all relevant sectors, including the energy, transport, industry, agriculture, forestry and waste management sectors;

(d)....Promote sustainable management, and promote and cooperate in the conservation and enhancement, as appropriate, of sinks and reservoirs of all greenhouse gases not controlled by the Montreal Protocol, including biomass, forests and oceans as well as other terrestrial, coastal and marine ecosystems;

(e)....Cooperate in preparing for adaptation to the impacts of climate change; develop and elaborate appropriate and integrated plans for coastal zone management, water resources and agriculture, and for the protection and rehabilitation of areas, particularly in Africa, affected by drought and desertification, as well as floods;

(f)....Take climate change considerations into account, to the extent feasible, in their relevant social, economic and environmental policies and actions, and employ appropriate methods, for example impact assessments, formulated and determined nationally, with a view to minimizing adverse effects on the economy, on public health and on the quality of the environment, of projects or measures undertaken by them to mitigate or adapt to climate change;

(g)....Promote and cooperate in scientific, technological, technical, socio-economic and other research, systematic observation and development of data archives related to the climate system and intended to further the understanding and to reduce or eliminate the remaining uncertainties regarding the causes, effects, magnitude and timing of climate change and the economic and social consequences of various response strategies;

(h)....Promote and cooperate in the full, open and prompt exchange of relevant scientific, technological, technical, socio-economic and legal information related to the climate system and climate change, and to the economic and social consequences of various response strategies;

(i)....Promote and cooperate in education, training and public awareness related to climate change and encourage the widest participation in this process, including that of non- governmental organizations; and

(j)....Communicate to the Conference of the Parties information related to implementation, in accordance with Article 12.

2....The developed country Parties and other Parties included in Annex I commit themselves specifically as provided for in the following:

(a)....Each of these Parties shall adopt national¹ policies and take corresponding measures on the mitigation of climate change, by limiting its anthropogenic emissions of greenhouse gases and protecting and enhancing its greenhouse gas sinks and reservoirs. These policies and measures will demonstrate that developed countries are taking the lead in modifying longer-term trends in anthropogenic emissions consistent with the objective of the Convention, recognizing that the return by the end of the present decade to earlier levels of anthropogenic emissions of carbon dioxide and other greenhouse gases not controlled by the Montreal Protocol would contribute to such modification, and taking into account the differences in these Parties' starting points and approaches, economic structures and resource bases, the need to maintain strong and sustainable economic growth, available technologies and other individual circumstances, as well as the need for equitable and appropriate contributions by each of these Parties to the global effort regarding that objective. These Parties may implement such policies and measures jointly with other Parties and may assist other Parties in contributing to the achievement of the objective of the Convention and, in particular, that of this subparagraph;

(b)....In order to promote progress to this end, each of these Parties

shall communicate, within six months of the entry into force of the Convention for it and periodically thereafter, and in accordance with Article 12, detailed information on its policies and measures referred to in subparagraph (a) above, as well as on its resulting projected anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol for the period referred to in subparagraph (a), with the aim of returning individually or jointly to their 1990 levels these anthropogenic emissions of carbon dioxide and other greenhouse gases not controlled by the Montreal Protocol. This information will be reviewed by the Conference of the Parties, at its first session and periodically thereafter, in accordance with Article 7;

(c)....Calculations of emissions by sources and removals by sinks of greenhouse gases for the purposes of subparagraph (b) above should take into account the best available scientific knowledge, including of the effective capacity of sinks and the respective contributions of such gases to climate change. The Conference of the Parties shall consider and agree on methodologies for these calculations at its first session and review them regularly thereafter;

(d)....The Conference of the Parties shall, at its first session, review the adequacy of subparagraphs (a) and (b) above. Such review shall be carried out in the light of the best available scientific information and assessment on climate change and its impacts, as well as relevant technical, social and economic information. Based on this review, the Conference of the Parties shall take appropriate action, which may include the adoption of amendments to the commitments in subparagraphs (a) and (b) above. The Conference of the Parties, at its first session, shall also take decisions regarding criteria for joint implementation as indicated in subparagraph (a) above. A second review of subparagraphs (a) and (b) shall take place not later than 31 December 1998, and thereafter at regular intervals determined by the Conference of the Parties, until the objective of the Convention is met;

(e)....Each of these Parties shall :

i)....Coordinate as appropriate with other such Parties, relevant economic and administrative instruments developed to achieve the objective of the Convention; and

(ii)....Identify and periodically review its own policies and practices which encourage activities that lead to greater levels of anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol than would otherwise occur;

(f)....The Conference of the Parties shall review, not later than 31 December 1998, available information with a view to taking decisions regarding such amendments to the lists in Annexes I and II as may be appropriate, with the approval of the Party concerned;

(g)....Any Party not included in Annex I 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 subparagraphs (a) and (b) above. The Depositary shall inform the other signatories and Parties of any such notification.

3....The developed country Parties and other developed Parties included

in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12, paragraph 1. They shall also provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of implementing measures that are covered by paragraph 1 of this Article and that are agreed between a developing country Party and the international entity or entities referred to in Article 11, in accordance with that Article. The implementation of these commitments shall take into account the need for adequacy and predictability in the flow of funds and the importance of appropriate burden sharing among the developed country Parties.

4....The developed country Parties and other developed Parties included in Annex II shall also assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects.

5....The developed country Parties and other developed Parties included in Annex II shall take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other Parties, particularly developing country Parties, to enable them to implement the provisions of the Convention. In this process, the developed country Parties shall support the development and enhancement of endogenous capacities and technologies of developing country Parties. Other Parties and organizations in a position to do so may also assist in facilitating the transfer of such technologies.

6....In the implementation of their commitments under paragraph 2 above, a certain degree of flexibility shall be allowed by the Conference of the Parties to the Parties included in Annex I undergoing the process of transition to a market economy, in order to enhance the ability of these Parties to address climate change, including with regard to the historical level of anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol chosen as a reference.

7....The extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology and will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties.

8....In the implementation of the commitments in this Article, the Parties shall give full consideration to what actions are necessary under the Convention, including actions related to funding, insurance and the transfer of technology, to meet the specific needs and concerns of developing country Parties arising from the adverse effects of climate change and/or the impact of the implementation of response measures, especially on:

(a)....Small island countries;

(b)....Countries with low-lying coastal areas;

(c)....Countries with arid and semi-arid areas, forested areas and areas

liable to forest decay;

(d)....Countries with areas prone to natural disasters;

(e)....Countries with areas liable to drought and desertification;

(f)....Countries with areas of high urban atmospheric pollution;

(g)....Countries with areas with fragile ecosystems, including mountainous ecosystems;

(h)....Countries whose economies are highly dependent on income generated from the production, processing and export, and/or on consumption of fossil fuels and associated energy-intensive products; and

(i)....Land-locked and transit countries.

Further, the Conference of the Parties may take actions, as appropriate, with respect to this paragraph.

9.....The Parties shall take full account of the specific needs and special situations of the least developed countries in their actions with regard to funding and transfer of technology.

10....The Parties shall, in accordance with Article 10, take into consideration in the implementation of the commitments of the Convention the situation of Parties, particularly developing country Parties, with economies that are vulnerable to the adverse effects of the implementation of measures to respond to climate change. This applies notably to Parties with economies that are highly dependent on income generated from the production, processing and export, and/or consumption of fossil fuels and associated energy-intensive products and/or the use of fossil fuels for which such Parties have serious difficulties in switching to alternatives.

ARTICLE 5 RESEARCH AND SYSTEMATIC OBSERVATION

In carrying out their commitments under Article 4, paragraph 1(g), the Parties shall:

(a)....Support and further develop, as appropriate, international and intergovernmental programmes and networks or organizations aimed at defining, conducting, assessing and financing research, data collection and systematic observation, taking into account the need to minimize duplication of effort;

(b)....Support international and intergovernmental efforts to strengthen systematic observation and national scientific and technical research capacities and capabilities, particularly in developing countries, and to promote access to, and the exchange of, data and analyses thereof obtained from areas beyond national jurisdiction; and

(c)....Take into account the particular concerns and needs of developing

countries and cooperate in improving their endogenous capacities and capabilities to participate in the efforts referred to in subparagraphs (a) and (b) above.

ARTICLE 6 EDUCATION, TRAINING AND PUBLIC AWARENESS

In carrying out their commitments under Article 4, paragraph 1(i), the Parties shall:

(a)....Promote and facilitate at the national and, as appropriate, subregional and regional levels, and in accordance with national laws and regulations, and within their respective capacities:

(i)....The development and implementation of educational and public awareness programmes on climate change and its effects;

(ii)....Public access to information on climate change and its effects;

(iii)....Public participation in addressing climate change and its effects and developing adequate responses; and

(iv)....Training of scientific, technical and managerial personnel.

(b)....Cooperate in and promote, at the international level, and, where appropriate, using existing bodies:

(i)....The development and exchange of educational and public awareness material on climate change and its effects; and

(ii)....The development and implementation of education and training programmes, including the strengthening of national institutions and the exchange or secondment of personnel to train experts in this field, in particular for developing countries.

ARTICLE 7 CONFERENCE OF THE PARTIES

1....A Conference of the Parties is hereby established.

2....The Conference of the Parties, as the supreme body of this Convention, shall keep under regular review the implementation of the Convention and any related legal instruments that the Conference of the Parties may adopt, and shall make, within its mandate, the decisions necessary to promote the effective implementation of the Convention. To this end, it shall:

(a)....Periodically examine the obligations of the Parties and the institutional arrangements under the Convention, in the light of the objective of the Convention, the experience gained in its implementation and the evolution of scientific and technological knowledge;

- (b)....Promote and facilitate the exchange of information on measures adopted by the Parties to address climate change and its effects, taking into account the differing circumstances, responsibilities and capabilities of the Parties and their respective commitments under the Convention;
- (c)....Facilitate, at the request of two or more Parties, the coordination of measures adopted by them to address climate change and its effects, taking into account the differing circumstances, responsibilities and capabilities of the Parties and their respective commitments under the Convention;
- (d)....Promote and guide, in accordance with the objective and provisions of the Convention, the development and periodic refinement of comparable methodologies, to be agreed on by the Conference of the Parties, inter alia, for preparing inventories of greenhouse gas emissions by sources and removals by sinks, and for evaluating the effectiveness of measures to limit the emissions and enhance the removals of these gases;
- (e)....Assess, on the basis of all information made available to it in accordance with the provisions of the Convention, the implementation of the Convention by the Parties, the overall effects of the measures taken pursuant to the Convention, in particular environmental, economic and social effects as well as their cumulative impacts and the extent to which progress towards the objective of the Convention is being achieved;
- (f)....Consider and adopt regular reports on the implementation of the Convention and ensure their publication;
- (g)....Make recommendations on any matters necessary for the implementation of the Convention;
- (h)....Seek to mobilize financial resources in accordance with Article 4, paragraphs 3, 4 and 5, and Article 11;
- (i)....Establish such subsidiary bodies as are deemed necessary for the implementation of the Convention;
- (j)....Review reports submitted by its subsidiary bodies and provide guidance to them;
- (k)....Agree upon and adopt, by consensus, rules of procedure and financial rules for itself and for any subsidiary bodies;
- (l)....Seek and utilize, where appropriate, the services and cooperation of, and information provided by, competent international organizations and intergovernmental and non-governmental bodies; and
- (m)....Exercise such other functions as are required for the achievement of the objective of the Convention as well as all other functions assigned to it under the Convention.

3....The Conference of the Parties shall, at its first session, adopt its own rules of procedure as well as those of the subsidiary bodies established by the Convention, which shall include decision-making procedures for matters not already covered by decision-making procedures stipulated in the Convention. Such procedures may include specified majorities

required for the adoption of particular decisions.

4....The first session of the Conference of the Parties shall be convened by the interim secretariat referred to in Article 21 and shall take place not later than one year after the date of entry into force of the Convention. Thereafter, ordinary sessions of the Conference of the Parties shall be held every year unless otherwise decided by the Conference of the Parties.

5....Extraordinary sessions of the Conference of the Parties shall be held at such other times as may be deemed necessary by the Conference, or at the written request of any Party, provided that, within six months of the request being communicated to the Parties by the secretariat, it is supported by at least one third of the Parties.

6....The United Nations, its specialized agencies and the International Atomic Energy Agency, as well as any State member thereof or observers thereto not Party to the Convention, may be represented at sessions of the Conference of the Parties as observers. Any body or agency, whether national or international, governmental or non- governmental, which is qualified in matters covered by the Convention, and which has informed the secretariat of its wish to be represented at a session of the Conference of the Parties as an observer, may be so 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 Conference of the Parties.

ARTICLE 8 SECRETARIAT

1....A secretariat is hereby established.

2....The functions of the secretariat shall be:

(a)....To make arrangements for sessions of the Conference of the Parties and its subsidiary bodies established under the Convention and to provide them with services as required;

(b)....To compile and transmit reports submitted to it;

(c)....To facilitate assistance to the Parties, particularly developing country Parties, on request, in the compilation and communication of information required in accordance with the provisions of the Convention;

(d)....To prepare reports on its activities and present them to the Conference of the Parties;

(e)....To ensure the necessary coordination with the secretariats of other relevant international bodies;

(f)....To enter, under the overall guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions; and

(g)....To perform the other secretariat functions specified in the Convention and in any of its protocols and such other functions as may be determined by the Conference of the Parties.

3....The Conference of the Parties, at its first session, shall designate a permanent secretariat and make arrangements for its functioning.

ARTICLE 9 SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

1....A subsidiary body for scientific and technological advice is hereby established to provide the Conference of the Parties and, as appropriate, its other subsidiary bodies with timely information and advice on scientific and technological matters relating to the Convention. This body shall be open to participation by all Parties and shall be multidisciplinary. It shall comprise government representatives competent in the relevant field of expertise. It shall report regularly to the Conference of the Parties on all aspects of its work.

2.....Under the guidance of the Conference of the Parties, and drawing upon existing competent international bodies, this body shall:

(a)....Provide assessments of the state of scientific knowledge relating to climate change and its effects;

(b)....Prepare scientific assessments on the effects of measures taken in the implementation of the Convention;

(c)....Identify innovative, efficient and state-of-the-art technologies and know-how and advise on the ways and means of promoting development and/or transferring such technologies;

(d)....Provide advice on scientific programmes, international cooperation in research and development related to climate change, as well as on ways and means of supporting endogenous capacity-building in developing countries; and

(e)....Respond to scientific, technological and methodological questions that the Conference of the Parties and its subsidiary bodies may put to the body.

3....The functions and terms of reference of this body may be further elaborated by the Conference of the Parties.

ARTICLE 10 SUBSIDIARY BODY FOR IMPLEMENTATION

1....A subsidiary body for implementation is hereby established to assist the Conference of the Parties in the assessment and review of the effective implementation of the Convention. This body shall be open to participation by all Parties and comprise government representatives

who are experts on matters related to climate change. It shall report regularly to the Conference of the Parties on all aspects of its work.

2....Under the guidance of the Conference of the Parties, this body shall:

(a)....Consider the information communicated in accordance with Article 12, paragraph 1, to assess the overall aggregated effect of the steps taken by the Parties in the light of the latest scientific assessments concerning climate change;

(b)....Consider the information communicated in accordance with Article 12, paragraph 2, in order to assist the Conference of the Parties in carrying out the reviews required by Article 4, paragraph 2(d); and

(c)....Assist the Conference of the Parties, as appropriate, in the preparation and implementation of its decisions.

ARTICLE 11 FINANCIAL MECHANISM

1....A mechanism for the provision of financial resources on a grant or concessional basis, including for the transfer of technology, is hereby defined. It shall function under the guidance of and be accountable to the Conference of the Parties, which shall decide on its policies, programme priorities and eligibility criteria related to this Convention. Its operation shall be entrusted to one or more existing international entities.

2....The financial mechanism shall have an equitable and balanced representation of all Parties within a transparent system of governance.

3....The Conference of the Parties and the entity or entities entrusted with the operation of the financial mechanism shall agree upon arrangements to give effect to the above paragraphs, which shall include the following:

(a)....Modalities to ensure that the funded projects to address climate change are in conformity with the policies, programme priorities and eligibility criteria established by the Conference of the Parties;

(b)....Modalities by which a particular funding decision may be reconsidered in light of these policies, programme priorities and eligibility criteria;

(c)....Provision by the entity or entities of regular reports to the Conference of the Parties on its funding operations, which is consistent with the requirement for accountability set out in paragraph 1 above; and

(d)....Determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of this Convention and the conditions under which that amount shall be periodically reviewed.

4....The Conference of the Parties shall make arrangements to implement the above- mentioned provisions at its first session, reviewing and taking

into account the interim arrangements referred to in Article 21, paragraph 3, and shall decide whether these interim arrangements shall be maintained. Within four years thereafter, the Conference of the Parties shall review the financial mechanism and take appropriate measures.

5....The developed country Parties may also provide and developing country Parties avail themselves of, financial resources related to the implementation of the Convention through bilateral, regional and other multilateral channels.

ARTICLE 12 COMMUNICATION OF INFORMATION RELATED TO IMPLEMENTATION

1....In accordance with Article 4, paragraph 1, each Party shall communicate to the Conference of the Parties, through the secretariat, the following 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 Parties;

(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.

2....Each developed country Party and each other Party included in Annex I shall incorporate in its communication the following elements of information:

(a)....A detailed description of the policies and measures that it has adopted to implement its commitment under Article 4, paragraphs 2(a) and 2(b); and

(b)....A specific estimate of the effects that the policies and measures referred to in subparagraph (a) immediately above will have on anthropogenic emissions by its sources and removals by its sinks of greenhouse gases during the period referred to in Article 4, paragraph 2(a).

3....In addition, each developed country Party and each other developed Party included in Annex II shall incorporate details of measures taken in accordance with Article 4, paragraphs 3, 4 and 5.

4....Developing country Parties may, on a voluntary basis, propose projects for financing, including specific technologies, materials, equipment, techniques or practices that would be needed to implement such projects, 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.

5....Each developed country Party and each other Party included in Annex I shall make its initial communication within six months of the entry into force of the Convention for that Party. Each Party not so listed shall make its initial communication within three years of the entry into force of the Convention for that Party, or of the availability of financial resources in accordance with Article 4, paragraph 3. Parties that are least developed countries may make their initial communication at their discretion. The frequency of subsequent communications by all Parties shall be determined by the Conference of the Parties, taking into account the differentiated timetable set by this paragraph.

6....Information communicated by Parties under this Article shall be transmitted by the secretariat as soon as possible to the Conference of the Parties and to any subsidiary bodies concerned. If necessary, the procedures for the communication of information may be further considered by the Conference of the Parties.

7....From its first session, the Conference of the Parties shall arrange for the provision to developing country Parties of technical and financial support, on request, in compiling and communicating information under this Article, as well as in identifying the technical and financial needs associated with proposed projects and response measures under Article 4. Such support may be provided by other Parties, by competent international organizations and by the secretariat, as appropriate.

8....Any group of Parties may, subject to guidelines adopted by the Conference of the Parties, and to prior notification to the Conference of the Parties, make a joint communication in fulfilment of their obligations under this Article, provided that such a communication includes information on the fulfilment by each of these Parties of its individual obligations under the Convention.

9....Information received by the secretariat that is designated by a Party as confidential, in accordance with criteria to be established by the Conference of the Parties, shall be aggregated by the secretariat to protect its confidentiality before being made available to any of the bodies involved in the communication and review of information.

10....Subject to paragraph 9 above, and without prejudice to the ability of any Party to make public its communication at any time, the secretariat shall make communications by Parties under this Article publicly available at the time they are submitted to the Conference of the Parties.

ARTICLE 13

RESOLUTION OF QUESTIONS REGARDING IMPLEMENTATION

The Conference of the Parties shall, at its first session, consider the establishment of a multilateral consultative process, available to Parties on their request, for the resolution of questions regarding the implementation of the Convention.

ARTICLE 14 SETTLEMENT OF DISPUTES

1....In the event of a dispute between any two or more Parties concerning the interpretation or application of the Convention, the Parties concerned shall seek a settlement of the dispute through negotiation or any other peaceful means of their own choice.

2....When ratifying, accepting, approving or acceding to the Convention, or at any time thereafter, a Party which is not a regional economic integration organization may declare in a written instrument submitted to the Depositary that, in respect of any dispute concerning the interpretation or application of the Convention, it recognizes as compulsory ipso facto and without special agreement, in relation to any Party accepting the same obligation:

(a)....Submission of the dispute to the International Court of Justice, and/or

(b)....Arbitration in accordance with procedures to be adopted by the Conference of the Parties as soon as practicable, in an annex on arbitration.

A Party which is a regional economic integration organization may make a declaration with like effect in relation to arbitration in accordance with the procedures referred to in subparagraph (b) above.

3....A declaration made under paragraph 2 above shall remain in force until it expires in accordance with its terms or until three months after written notice of its revocation has been deposited with the Depositary.

4....A new declaration, a notice of revocation or the expiry of a declaration shall not in any way affect proceedings pending before the International Court of Justice or the arbitral tribunal, unless the parties to the dispute otherwise agree.

5....Subject to the operation of paragraph 2 above, if after twelve months following notification by one Party to another that a dispute exists between them, the Parties concerned have not been able to settle their dispute through the means mentioned in paragraph 1 above, the dispute shall be submitted, at the request of any of the parties to the dispute, to conciliation.

6....A conciliation commission shall be created upon the request of one of the parties to the dispute. The commission shall be composed of an equal number of members appointed by each party concerned and a chairman chosen jointly by the members appointed by each party. The commission shall render a recommendatory award, which the parties shall consider in good faith.

7....Additional procedures relating to conciliation shall be adopted by the Conference of the Parties, as soon as practicable, in an annex on conciliation.

8....The provisions of this Article shall apply to any related legal instrument which the Conference of the Parties may adopt, unless the

instrument provides otherwise.

ARTICLE 15 AMENDMENTS TO THE CONVENTION

1....Any Party may propose amendments to the Convention.

2....Amendments to the Convention shall be adopted at an ordinary session of the Conference of the Parties. The text of any proposed amendment to the Convention shall be communicated to the Parties by the secretariat at least six months before the meeting at which it is proposed for adoption. The secretariat shall also communicate proposed amendments to the signatories to the Convention and, for information, to the Depositary.

3....The Parties shall make every effort to reach agreement on any proposed amendment to the Convention by consensus. If all efforts at consensus have been exhausted, and no agreement reached, the amendment shall as a last resort be adopted by a three-fourths majority vote of the Parties present and voting at the meeting. The adopted amendment shall be communicated by the secretariat to the Depositary, who shall circulate it to all Parties for their acceptance.

4....Instruments of acceptance in respect of an amendment shall be deposited with the Depositary. An amendment adopted in accordance with paragraph 3 above shall enter into force for those Parties having accepted it on the ninetieth day after the date of receipt by the Depositary of an instrument of acceptance by at least three fourths of the Parties to the Convention.

5....The amendment shall enter into force for any other Party on the ninetieth day after the date on which that Party deposits with the Depositary its instrument of acceptance of the said amendment.

6....For the purposes of this Article, "Parties present and voting" means Parties present and casting an affirmative or negative vote.

ARTICLE 16 ADOPTION AND AMENDMENT OF ANNEXES TO THE CONVENTION

1....Annexes to the Convention shall form an integral part thereof and, unless otherwise expressly provided, a reference to the Convention constitutes at the same time a reference to any annexes thereto. Without prejudice to the provisions of Article 14, paragraphs 2(b) and 7, such annexes shall be restricted to lists, forms and any other material of a descriptive nature that is of a scientific, technical, procedural or administrative character.

2....Annexes to the Convention shall be proposed and adopted in accordance with the procedure set forth in Article 15, paragraphs 2, 3 and 4.

3....An annex that has been adopted in accordance with paragraph 2 above shall enter into force for all Parties to the Convention six months after the date of the communication by the Depositary to such Parties of the adoption of the annex, except for those Parties that have notified the Depositary, in writing, within that period of their non-acceptance of the annex. The annex shall enter into force for Parties which withdraw their notification of non-acceptance on the ninetieth day after the date on which withdrawal of such notification has been received by the Depositary.

4....The proposal, adoption and entry into force of amendments to annexes to the Convention shall be subject to the same procedure as that for the proposal, adoption and entry into force of annexes to the Convention in accordance with paragraphs 2 and 3 above.

5....If the adoption of an annex or an amendment to an annex involves an amendment to the Convention, that annex or amendment to an annex shall not enter into force until such time as the amendment to the Convention enters into force.

ARTICLE 17 PROTOCOLS

1....The Conference of the Parties may, at any ordinary session, adopt protocols to the Convention.

2....The text of any proposed protocol shall be communicated to the Parties by the secretariat at least six months before such a session.

3....The requirements for the entry into force of any protocol shall be established by that instrument.

4....Only Parties to the Convention may be Parties to a protocol.

5....Decisions under any protocol shall be taken only by the Parties to the protocol concerned.

ARTICLE 18 RIGHT TO VOTE

1....Each Party to the Convention shall have one vote, except as provided for in paragraph 2 below.

2....Regional economic integration organizations, in matters within their competence, shall exercise their right to vote with a number of votes equal to the number of their member States that are Parties to the Convention. Such an organization shall not exercise its right to vote if any of its member States exercises its right, and vice versa.

ARTICLE 19 DEPOSITARY

The Secretary-General of the United Nations shall be the Depositary of the Convention and of protocols adopted in accordance with Article 17.

ARTICLE 20 SIGNATURE

This Convention shall be open for signature by States Members of the United Nations or of any of its specialized agencies or that are Parties to the Statute of the International Court of Justice and by regional economic integration organizations at Rio de Janeiro, during the United Nations Conference on Environment and Development, and thereafter at United Nations Headquarters in New York from 20 June 1992 to 19 June 1993.

ARTICLE 21 INTERIM ARRANGEMENTS

1....The secretariat functions referred to in Article 8 will be carried out on an interim basis by the secretariat established by the General Assembly of the United Nations in its resolution 45/212 of 21 December 1990, until the completion of the first session of the Conference of the Parties.

2....The head of the interim secretariat referred to in paragraph 1 above will cooperate closely with the Intergovernmental Panel on Climate Change to ensure that the Panel can respond to the need for objective scientific and technical advice. Other relevant scientific bodies could also be consulted.

3....The Global Environment Facility of the United Nations Development Programme, the United Nations Environment Programme and the International Bank for Reconstruction and Development shall be the international entity entrusted with the operation of the financial mechanism referred to in Article 11 on an interim basis. In this connection, the Global Environment Facility should be appropriately restructured and its membership made universal to enable it to fulfil the requirements of Article 11.

ARTICLE 22 RATIFICATION, ACCEPTANCE, APPROVAL OR ACCESSION

1....The Convention shall be subject to ratification, acceptance, approval or accession by States and by regional economic integration organizations. It shall be open for accession from the day after the date

on which the Convention is closed for signature. Instruments of ratification, acceptance, approval or accession shall be deposited with the Depositary.

2....Any regional economic integration organization which becomes a Party to the Convention without any of its member States being a Party shall be bound by all the obligations under the Convention. In the case of such organizations, one or more of whose member States is a Party to the Convention, the organization and its member States shall decide on their respective responsibilities for the performance of their obligations under the Convention. In such cases, the organization and the member States shall not be entitled to exercise rights under the Convention concurrently.

3....In their instruments of ratification, acceptance, approval or accession, regional economic integration organizations shall declare the extent of their competence with respect to the matters governed by the Convention. These organizations shall also inform the Depositary, who shall in turn inform the Parties, of any substantial modification in the extent of their competence.

ARTICLE 23 ENTRY INTO FORCE

1....The Convention shall enter into force on the ninetieth day after the date of deposit of the fiftieth instrument of ratification, acceptance, approval or accession.

2....For each State or regional economic integration organization that ratifies, accepts or approves the Convention or accedes thereto after the deposit of the fiftieth instrument of ratification, acceptance, approval or accession, the Convention shall enter into force on the ninetieth day after the date of deposit by such State or regional economic integration organization of its instrument of ratification, acceptance, approval or accession.

3....For the purposes of paragraphs 1 and 2 above, any instrument deposited by a regional economic integration organization shall not be counted as additional to those deposited by States members of the organization.

ARTICLE 24 RESERVATIONS

No reservations may be made to the Convention.

ARTICLE 25 WITHDRAWAL

1....At any time after three years from the date on which the Convention has entered into force for a Party, that Party may withdraw from the Convention by giving written notification to the Depositary.

2....Any such withdrawal shall take effect upon expiry of one year from the date of receipt by the Depositary of the notification of withdrawal, or on such later date as may be specified in the notification of withdrawal.

3....Any Party that withdraws from the Convention shall be considered as also having withdrawn from any protocol to which it is a Party.

ARTICLE 26 AUTHENTIC TEXTS

The original of this Convention, of which the Arabic, Chinese, English, French, Russian and Spanish texts are equally authentic, shall be deposited with the Secretary-General of the United Nations.

IN WITNESS WHEREOF the undersigned, being duly authorized to that effect, have signed this Convention.

DONE at New York this ninth day of May one thousand nine hundred and ninety- two.

ANNEX I AND ANNEX II COUNTRIES

Annex I

Annex I

Australia
Austria
Belarus a/
Belgium
Bulgaria a/
Canada
Czechoslovakia a/
Denmark
European Economic Community
Estonia a/
Finland
France
Germany
Greece
Hungary a/
Iceland
Ireland
Italy
Japan
Latvia a/

Lithuania a/
Luxembourg
Netherlands
New Zealand
Norway
Poland a/
Portugal
Romania a/
Russian Federation a/
Spain
Sweden
Switzerland
Turkey
Ukraine a/
United Kingdom of Great Britain and Northern Ireland
United States of America

a/ Countries that are undergoing the process of transition to a market economy.

Annex II

Australia
Austria
Belgium
Canada
Denmark
European Economic Community
Finland
France
Germany
Greece
Iceland
Ireland
Italy
Japan
Luxembourg
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom of Great Britain and Northern Ireland
United States of America

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Kyoto Protocol:
Article-by-Article Review

DRAFT

Preamble

- o The preamble is self-explanatory, containing nothing of particular interpretive significance.

Article 1 (Definitions)

- o The definitions are technical and not of policy significance.

Article 2 (Policies/Measures)

- o This Article obligates Annex I Parties, in achieving their target commitments, to implement policies and measures in accordance with their national circumstances.
 - o The list of policies and measures in this Article (e.g., "enhancement of energy efficiency in relevant sectors of the national economy") is illustrative, not mandatory.
 - o In order to avoid inconsistent national approaches in two areas where international coordination is desirable, the Article obligates Annex I Parties to pursue limitation or reduction of emissions from aviation and marine bunker fuels, working through the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO). (It should be noted that, through a separate methodological decision, it is made clear that bunker fuels do not count against national emissions totals.)
 - o In lieu of the G-77's unacceptable call for a compensation fund, the Article calls upon Annex I Parties, collectively rather than individually, to "strive" to implement policies and measures in such a way as to "minimize" adverse effects (both environmental and economic) on other Parties, including developing country Parties. The Conference of the Parties serving as the meeting of the Parties (hereinafter "COP/MOP") make take further action to implement this paragraph.
- It should be noted that a similar provision appears in Article 3.14, discussed below.

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- It should be noted that COP 3 Decision L.9 requests the Subsidiary Body for Implementation, at its 8th session, to determine actions necessary to implement the corresponding provision in the Framework Convention (i.e., Article 4(8) and (9) relating to the specific needs of developing country Parties particularly affected by either climate change or by response measures to climate change) and further requests COP 4 to take a decision on actions.
- o Finally, the Article provides for the COP/MOP, if it decides it would be beneficial to coordinate any policies and measures (i.e., on a strictly voluntary basis), then it is to consider ways to elaborate such coordination.

Article 3 (Annex I Target)

- o Paragraph 1 contains two important features:
 - First, it sets forth the obligation of Annex I Parties to ensure that their emissions do not exceed their commitments, as set forth in Annex B (which contains the relevant percentage for each Party) and the rest of Article 3 (which contains time periods, base years, accounting rules, etc.). In order to make clear that the obligation, even though written in the plural ("The Parties included in Annex I shall..."), is not a collective obligation under which each Party would be responsible for another, the phrase "individually or jointly" was included.
 - Second, the end of the sentence containing the obligation states "with a view to reducing their overall emissions of such gases by at least 5 per cent below 1990 levels in the commitment period 2008 to 2012." There are three reasons why this phrase was written in non-legally binding terms:
 - o The point of the statement is more political than legal, i.e., it was considered that it more make it more palatable to have certain Annex I Parties increasing their emissions over 1990 levels (such as Australia) if it were pointed out that, as a group, the Annex I Parties will actually be reducing below 1990 levels.
 - o The figure of 5% below 1990 levels does not take account of the ability of Annex I Parties to increase their allowed emissions through the Clean Development Mechanism, described below. In other words, emissions trading and joint implementation among Annex I Parties would not change the 5% figure; however, additional emissions allowances through the CDM from outside of Annex I could theoretically even put the Annex I Parties over 1990 levels.

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- o If legally binding, the provision might imply a collective responsibility to meet the group target, which would not have been acceptable to us.
- o It should also be noted, with respect to paragraph 1, that there has been a lack of clarity under the Convention as to which emissions count against a Party. In part to address this issue, and in part to address the U.S. national security issue, COP 3 adopted Decision L.5, which provides, inter alia:
 - that emissions based upon fuel sold to ships or aircraft engaged in international transport are not included in national totals; and
 - that emissions resulting from multilateral operations pursuant to the UN Charter are not included in national totals; and
 - that other emissions related to the operations noted above (such as from training in a foreign country) are to be included in the national totals of one or more of the Parties involved, but it leaves to those Parties to figure out which. (In this way, it allows Parties to reallocate emissions without going through emissions trading.)
- o Paragraph 2, in order to respond to calls for an obligation before the 2008-2012 commitment period, calls for each Annex I Party to have made "demonstrable progress" in achieving its commitments. The U.S. took the position that, for example, having in place the necessary implementing legislation would fulfill this obligation.
- o Paragraph 3 relates to sinks, specifically their treatment during the commitment period. (One must look to paragraph 7 of this Article to see that sinks are not included in the baseline.) The significant features include:
 - that net changes in the specified categories are to be used in meeting the target commitment; in other words, a Party does not get to count only the positive.
 - that the net changes in the specified categories must be counted; in other words, counting sinks is not optional.
 - that the categories are currently limited to afforestation, reforestation, and deforestation, and, further, that these activities only count since 1990; in other words, the net changes in emissions from trees planted before 1990 would not count.

- o Paragraph 4 contains two elements:
 - First, each Annex I Party is to provide data to SBSTA to establish its level of carbon stocks in 1990.
 - Second, the COP/MOP is authorized to decide upon the rules for how sink activities are to be counted, as well as for which additional activities are to be counted. (In order to avoid a situation where the addition of a new activity would make it more difficult for a Party to reach its target, any additions apply automatically only to subsequent commitment periods; a Party may, however, take advantage of an additional activity by opting to count it for purposes of the first commitment period.)
 - o (Pursuant to COP 3 Decision L.7, this issue is on the agenda for COP 4.)
- o Paragraphs 5 and 6 deal with countries with economies in transition. They provide:
 - that the countries whose base years were decided under the Convention (e.g., 1987 for Russia) are to use those base years;
 - other countries with economies in transition may use a base year other than 1990, provided the COP/MOP approves such base year; and
 - the COP/MOP is to provide countries with economies in transition "a certain degree of flexibility" in the implementation of obligations under the Protocol other than under Article 3, i.e., such countries may not be accorded flexibility with respect to any other aspect of the target obligation other than the base year.
- o Paragraph 7 defines the initial "assigned amount" for the first commitment period of 2008-2012, i.e., the amount that may be emitted during that period.
 - It is derived from taking a Party's emissions of the six gases listed in Annex A in 1990 (except that economies in transition may be using a different base year and that Parties may elect 1995 for three of the gases, see below), multiplying that number by the percentage inscribed in Annex B (i.e., 93% for the United States), and multiplying that total by 5 (the number of years in the commitment period).

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- To accommodate Australia, this paragraph also provides that Parties for whom land use change and forestry constituted a net source of emissions in 1990 are to include the net change amount in their assigned amount.
- o Paragraph 8 allows a Party to elect to use 1995 as its base year for HFCs, PFCs, and SF6.
- o Paragraph 9 provides that commitments for subsequent commitment periods are to be established through amendment of Annex B. The amendment procedure that would apply would require affirmative ratification, approval, etc., i.e., the quicker opt-out procedure that might otherwise apply to annex amendments would not apply.
- o Paragraphs 10, 11, 12 are accounting paragraphs. They provide for assigned amounts to be increased or decreased based on amounts received or transferred under emissions trading, joint implementation, or the Clean Development Mechanism.
- o Paragraph 13 incorporates the U.S. "banking" proposal, namely it allows a Party that emits less than its assigned amount during a commitment period to add that amount to a subsequent commitment period's assigned amount.
- o As noted above, paragraph 4 is similar to paragraph 3 of Article 2, except that:
 - it applies to each Annex I Party, rather to Annex I Parties collectively; and
 - it specifically notes that the COP/MOP is to consider the establishment of funding, insurance, and transfer of technology.

Article 4 ("Bubble")

- o This Article allows Annex I Parties to prospectively reallocate their emissions targets, provided their total emissions do not exceed their combined assigned amounts.
 - If the Parties failed to achieve the total level of emissions reductions, each Party would be responsible for its own level of emissions set out in the reallocation agreement.
- o Any reallocation agreement must be notified upon ratification and remains in operation for the commitment period in question. In other words, it may not be changed for that commitment period.

- o If a regional economic integration organization (such as the EU) is involved, any change in the composition of the organization after adoption does not affect existing commitments. In other words, if an Eastern European country were to join the EU next week, it could not join the EU bubble; that country would only be part of the bubble for purposes of subsequent commitments.

Article 5 (Measurement)

- o Under this Article, each Annex I Party must have in place, no later than 2007, a national system for the estimation of anthropogenic emissions by sources and removals by sinks of greenhouse gases.
- o Guidelines for national measurement systems are to be decided by the COP/MOP and are to incorporate the IPCC methodologies, which were agreed upon at COP 3.
- o Where a Party does not use the accepted methodologies, appropriate adjustments (e.g., discounting) are to be applied according to methodologies agreed by the COP/MOP.
- o The COP/MOP is to regularly review methodologies and revise them as needed; importantly, revisions would only apply prospectively to subsequent commitments.
- o This Article also provides that the global warming potentials (GWPs) used to calculate carbon dioxide equivalence (note that the target commitment is written in terms of carbon dioxide equivalence) are those accepted by the IPCC and agreed by COP 3. As with methodologies, the COP/MOP may revise GWPs; however, any revisions would only apply to subsequent commitments.

Article 6 (JI with Annex I)

- o This Article is largely the joint implementation provision that the U.S. sought, except limited to Annex I Parties.
- o The key elements include:
 - Unlike under emissions trading (see Article 16 bis below) and the Clean Development Mechanism (see Article 12 below), the COP/MOP is not commanded to set rules; rather, it is authorized ("may") to further elaborate guidelines. This implies that JI could go forward without further COP/MOP action. (It should be noted, however, that the elaboration of guidelines is on the COP 4 agenda.)

- JI applies to emission reduction units resulting not only from mitigation projects, but also from projects "enhancing anthropogenic removals by sinks."
- Projects must have the approval of the Parties involved.
- A project must provide a reduction that is "additional" to any that would otherwise occur.
- A Party cannot acquire units if it is not in compliance with its measurement/reporting obligations; if a compliance issue is raised, units can continue to be exchanged; however, units may not be used to meet the target until any compliance issue is resolved.
- As under emissions trading (see Article 16 bis below), JI is to be "supplemental" to domestic actions for meeting the target.
- Parties may authorize legal entities (which could include the private sector) to participate.

Article 7 (Reporting)

- o Under this Article, each Annex I Party must incorporate in its annual inventory of emissions/removals and its national communication under the Convention the additional information that is necessary to ensure compliance with the target obligation.
- o The COP/MOP is to adopt guidelines for the submission of such additional information.

Article 8 (Review)

- o This Article provides that the information submitted by Annex I Parties under the previous Article is to be reviewed by expert teams, which are to be coordinated by the Secretariat and to be composed of experts selected from those nominated by Parties and, as appropriate, by intergovernmental organizations.
- o Expert teams are to prepare a report to the COP/MOP assessing implementation of all commitments (not just the target), including identifying potential problems in fulfilling commitments.

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- o The COP/MOP is to consider:
 - information submitted under Article 7;
 - the reports prepared by the expert teams; and
 - any questions of implementation raised by the reports, as well as any questions raised by Parties;
- and take decisions.

Article 9 (Review of Protocol)

- o This Article provides for the COP/MOP to review the Protocol periodically, in coordination with relevant reviews under the Convention; the first review is to take place at the second session of the COP/MOP.
- o Significantly, the review under this Article is not (as had been proposed by some) limited to reviewing the commitments of Annex I Parties

Article 10 (Advancing Implementation of Commitments)

- o Pursuant to the Berlin Mandate, this Article advances the implementation of existing commitments under Article 4.1 of the Convention.
- o It applies to all Parties.
- o With various qualifiers, it calls upon Parties to:
 - formulate cost-effective programs to improve the quality of local emission factors;
 - implement programs containing measures to mitigate climate change and facilitate adaptation to climate change;
 - cooperate in promoting effective modalities for development, application, diffusion, and transfer of environmentally sound technologies pertinent to climate change; (significantly, the provision refers to the creation of an "enabling environment for the private sector");
 - cooperate in scientific and technical research and promote systematic observation systems; and
 - cooperate in development and implementation of education and training programs.

Article 11 (Financial Resources)

- o This Article essentially restates the financial provisions of the Convention; it does not create new financial obligations.
- o First, it provides that the operating entity of the financial mechanism of the Convention (i.e., the GEF) shall apply.
- o Second, under the Convention, developed country Parties are obligated to provide new and additional financial resources to meet:
 - the agreed full costs incurred by developing country Parties in meeting certain commitments, such as reporting; and
 - the agreed full incremental costs of meeting "other commitments."

This Article makes clear which provisions of the previous Article (which advances the implementation of existing commitments under the Convention) qualify for full cost funding and which qualify for incremental cost funding.

Article 12 (Clean Development Mechanism)

- o This Article provides for the functional equivalent of joint implementation with developing countries.
- o It provides for Annex I Parties to be able to get credit towards "part" of their target (to be defined by the COP/MOP) for emissions reductions from project activities in non-Annex I countries.
- o Emission reductions are to be certified by operational entities to be designated by the COP/MOP, based on:
 - voluntary participation by each involved Party;
 - real, measurable, and long-term benefits related to mitigation of climate change (which would appear to include sink projects);
 - reductions in emissions that are "additional" to any that would occur in the absence of the activity.
- o The COP/MOP is to ensure that a share of proceeds from certified activities is used to cover administrative expenses, as well as assist developing country Parties (such as small island states) to adapt to climate change.

- o As in Article 6 on JI, it is clear that the private sector may participate; participation may involve either investing in project activities that yield emission reductions or acquiring certified emission reductions without such an investment.
- o Significantly, the Article provides for early credit in that certified reductions obtained from 2000 up to 2008 can be used to meet the target.

-- COP 3 Decision L.7 calls for COP 4 to analyze the implications of this provision.

Article 13 (COP/MOP)

- o As a compromise between those wanting the Convention's Conference of the Parties (COP) to be the institution for the Protocol and those seeking a new, separate institution, Article 13 provides that the Convention COP will serve as the "meeting of the Parties" to the Protocol. While leaving ambiguous whether the COP/MOP is a new institution, the Article does make clear that decisions under the Protocol may only be taken by those that are Parties to the Protocol.
- o The COP/MOP has basically the same functions with respect to the Protocol that the COP has with respect to the Convention.
- o Significantly, the Article provides that the Convention's rules of procedure and financial rules will apply under the Protocol, except as otherwise decided by consensus by the COP/MOP. The implications of this provision are:
 - that, in the absence of agreed rules of procedure under the Convention (the current situation), the default decision-making rule under the Protocol would be consensus; and
 - the Convention's rules of procedure now need to be approached from the point of view that, absent consensus to the contrary, they will also apply to the Protocol.

Article 14 (Secretariat)

- o This Article provides for the Convention Secretariat to serve as the Protocol Secretariat.

Article 15 (Subsidiary Bodies)

- o This Article provides for the Convention's subsidiary bodies, namely the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation, to serve as the subsidiary bodies under the Protocol.

Article 16 (Multilateral Consultative Process)

- o Article 13 of the Convention provides for the COP to
"consider the establishment of a multilateral consultative process, available to Parties on their request, for the resolution of questions regarding the implementation of the Convention."
- o The intent was to create a forum for implementation questions that, in contrast to traditional dispute-settlement, was: multilateral; friendly; and able to take up issues that were necessarily alleged treaty violations.
- o Numerous, inconclusive discussions have taken place under the Convention concerning the establishment of such a process.
- o This Article of the Protocol presupposes the existence of a process under the Convention. It provides for the COP/MOP to consider the application to the Protocol of such a process, making modifications as appropriate.

Article 16 bis (Emissions Trading)

- o This Article establishes emissions trading for purposes of meeting target commitments.
- o Its significant features include:
 - It provides for the COP (as opposed to the COP/MOP, so that decisions can be made in advance of the Protocol's entry into force) to define the relevant rules for trading. (The rules are on the agenda for COP 4.)
 - There is a free-standing sentence providing for the ability to participate in emissions trading; unlike the penultimate version of the text, it is not explicitly preconditioned on the establishment of rules.

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- In contrast to proposals to put a percentage limit on the amount of the target that Party could satisfy through trading (either through a number or by providing that domestic actions had to be the "main" means of meeting the target), the Article simply provides that trading is to be "supplemental" to domestic actions.
- Unlike other provisions in Article 3, which refer to Parties "included in Annex I," this Article provides for trading among "Parties included in Annex B." This is a result of a technical fix that was made when Article 10 (voluntary opt-in) was still in the text; that Article provided that, if a developing country took on a target, it would be inscribed in Annex B. In order to make clear that such countries could then trade, the emissions trading article then had to say that trading was possible among "Annex B" Parties. Even in the absence of Article 10, this Article can be read to allow trading among Parties, provided they are listed with a target in Annex B. As such, a developing country could presumably propose an amendment to Annex B with its target; if it were adopted and entered into force, it would seem to be able to trade.

Article 17 (Non-Compliance)

- o This Article provides for the COP/MOP to approve appropriate and effective procedures and mechanisms to determine and address cases of non-compliance. Pursuant to a U.S. proposal, the task includes development of an indicative list of consequences for non-compliance, taking into account the cause, type, degree and frequency of non-compliance.
- o It also provides that any binding consequences need to be adopted through an amendment.
- This provision was a compromise between two views. Some considered that the COP/MOP ought to be authorized to establish binding penalties through decision. Our view was that binding consequences of non-compliance should be spelled out in the Protocol itself (such as our borrowing proposal) and that it was not appropriate (or likely to be acceptable to the Senate) to establish binding penalties through decisions. The compromise provides for the option of binding penalties, but makes clear that they would need to go through the normal amendment procedure.

Article 18 (Dispute Settlement)

- o This Article incorporates by reference the Convention's provisions on dispute settlement. Technically, this Article was not necessary, given that Article 14 of the Convention provides that

"the provisions of this Article shall apply to any related legal instrument which the Conference of the Parties may adopt, unless the instrument provides otherwise."

- o Article 14 of the Convention (and this Article, by reference) provides for Parties to settle disputes through negotiation or other peaceful means. Parties may further opt to settle disputes through binding arbitration and/or the International Court of Justice. In the case of Parties that have not settled a dispute and have not opted for other settlement means, the dispute is to be submitted to non-binding conciliation.

Article 19 (Amendments)

- o Amendments may be adopted by a three-fourths majority of Parties present and voting and enter into force for those Parties having accepted it ninety days after instruments of acceptance have been received from at least three-fourths of the Parties.

Article 20 (Annexes)

- o Consistent with numerous other international agreements, this Article provides for a special, quicker procedure for adding/amending annexes. In sum, in exchange for being restricted to material that is "scientific, technical, procedural or administrative," such annexes may be added/amended without going through ratification; a Party that does not want to be bound simply "opts out."
- o The original Annexes to the Protocol (Annex A on gases and Annex B on targets) are not, however, scientific, technical, etc. They are extremely substantive. Thus, this Article makes clear that the simplified procedure does not apply to them. Any amendment to these Annexes would need to go through the normal amendment procedure under Article 19.

Article 21 (Voting)

- o This Article reflects the standard voting provision -- each Party has one vote, except that regional economic integration organizations (such as the EU) do not get an extra vote.

Article 22 (Depositary)

- o The UN Secretary-General will be the Depositary.

Article 23 (Signature)

- o The Protocol will be open for signature at UN Headquarters in New York from March 16, 1998, to March 15, 1999. It is only open for signature and ratification by States and regional economic integration organizations that are Parties to the Convention.

Article 24 (Entry into Force)

- o This Article provides that there are two requirements for entry into force:
 - at least 55 Parties to the Convention must have submitted their instruments of ratification, acceptance, etc.; and
 - those having ratified, etc., must include Annex I Parties that accounted in total for at least 55% of total CO2 emissions for 1990 of Annex I Parties (to be determined in accordance with the first national communications of such Parties submitted under the Convention).

Article 25 (Reservations)

- o This Article provides that no reservations may be made to the Protocol. The United States opposed this Article, but did not prevail.

Article 26 (Withdrawal)

- o A Party may withdraw three years after the Protocol entered into force for it; such withdrawal becomes effective one year after notification of withdrawal.

Article 27 (Languages)

- o The six official UN languages are equally authentic.

Annex A (Gases)

- o This Annex (which is referred to in Article 3 in describing the target obligation) contains the six major greenhouse gases, as well as the sectors/source categories that are covered.

Annex B (Target Commitments)

- o This Annex lists Parties with target commitments, as well as the percentage of the base year to which they have committed.
- o Initially, the list contains only Annex I Parties (minus Turkey), but could be amended to include Parties that are not Annex I Parties.

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30 November 1997

To: Please see attached listing

From: USDEL/Kyoto - Mark G. Hambley

Subject: Third Conference of the Parties to the Climate Convention, Update No. 1:
Report on the Meeting of the Ad Hoc Working Group on the Berlin Mandate,
and Related Informals, November 29-30, 1997

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cc: JAF
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This unofficial and unclassified report covers regional meeting activities on Nov 29/30 prior to the resumption of the meeting of the (suspended) Ad Hoc Working Group on the Berlin Mandate (AGBM) on November 30 in the context of the Third Conference of the Parties of the Framework Convention on Climate Change (COP-3) which is being held in Kyoto, Japan between November 30 and December 10, 1997. Although this report is unclassified, it is not intended for use or distribution outside the U.S. Government. We are also including a copy of the first edition of ECO, the highly satirical, opinionated, and usually biased periodical published by environmental groups with financial support from the governments of Denmark, the Netherlands, and Germany. Nevertheless, ECO provides a humorous, always unique, and sometimes informed rendering of events. We are also including a copy of the quadrilateral statement issued by Germany, Singapore, South Africa, and Brazil. The final paragraphs can be used as a DAR item as desired or appropriate.

COP-3 Update No. 1 (Nov 29/30): Little Flexibility but Signs of Concern Apparent from Regional and Corridor Discussions

Japan Convenes Late Night Meeting with the U.S. and the Troika

At an evening meeting on Saturday, Nov 29, with U.S. and EU Troika representatives (actually, only the Luxembourg Ambassador in Tokyo showed, given the lateness of the hour and the tardy arrival of flights in Osaka), Japan discussed AGBM Chairman Estrada's purported plans for his much anticipated report to the opening session of the Third Conference of the Parties (COP-3), as well as on comments by Prime Minister Hashimoto delivered to Amb. Tanabe and other senior officials earlier in the day. Prior to the arrival of the EU representative, the Japanese side again asked us to show flexibility on the question of the target, as well as on the developing country issue. In response, we indicated our belief that, in the end, we will be able to forge agreement on a target which will be realistic and achievable. The Japanese called on us to make a modest reduction of 2.5 percent but did not indicate with any precision what they would do in return for such a commitment.

Reiterating our Position on Developing Countries

On developing countries, we indicated that we had already shown a great deal of flexibility by foregoing our insistence on an "evolution" provision in the proposed protocol. However, we now believe it is appropriate to capture our general concept for a starting and an ending date for a negotiation which specifies quantified limitations for all Parties in a decision of the COP or some kind of Kyoto Mandate. We indicated that without appropriate provisions with regard to developing countries, the U.S. would not be able to agree on a Kyoto outcome. We later reiterated these points to our Luxembourg colleague, who expressed understanding while pointing out the obvious: that the EU will not spearhead any effort directed towards developing country participation.

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The Program of Work at the COP and the COW

Describing recent contacts with AGBM Chairman Estrada, Japanese MFA representative Akasaka indicated that Estrada will focus his report to the COP on Monday, December 1, on the following topics which still need to be resolved or postponed for future consideration: (1) methodological issues; (2) sinks; (3) "prompt start" arrangements (Estrada believes these should be considered either as part of the future discussion by the Subsidiary Body on Implementation or at least during the same time-frame for this meeting, e.g., next June); (4) the Brazilian proposal (additional aspects to be considered at a future date); and (5) developing country issues.

With regard to the latter, Estrada will indicate his view that the concept of "evolution" is outside the Berlin Mandate and will not be discussed in the Committee of the Whole (the so-called COW) which he will head. He will also state that this is an appropriate topic for consideration by the COP plenary. According to the Japanese, the designated President of the COP, Japanese Environment Agency head Ohki, will propose that evolution be discussed at the COP plenary, probably on Dec 3rd when Item 3F on "other matters" is scheduled to be raised. The Japanese expect a tumultuous reception of the idea, even if the plenary agreed that the matter can be discussed.

As to the organization of the COW where the bulk of the negotiations will take place, we understand that Estrada will probably reconvene three "non-groups" (apparently to be known as "negotiating groups") although the action will probably take place in side-bars which he or designated representatives will oversee. Estrada himself will chair the non-group on QELROS, with smaller groups being formed to handle JI, sinks, gases, Article 10, and other sensitive topics as required.

G-77 Signals its "Sensitivity" on Issues Related to Developing Country Issues

As discussed at a meeting of the extended Bureau on Nov 30, Estrada tapped Swedish Ambassador Bo Kjellen to head a new negotiating group on Art. 4.1 (Art. 12 in the text on advancing commitments), as well as on Art. 13 (the financial mechanism) and Articles 3.17 and 3.18 which deal with the compensation proposal of OPEC and Brazil's clean development fund. (At this meeting, the G-77/China intervened to suggest that one of their own - John Ashe of Antigua - be made co-chair of this group, an idea which Estrada resisted but finally indicated that the decision would be taken by the COW.)

EU Inflexibility on Policies and Measures Continues

The two additional non-groups will be on sinks (to be chaired by the Philippines) and institutions. The latter will be chaired once more by Takeo Shibata of Japan. On policies and measures (PAMs), the Chairman indicated (to the chagrin of JUSCANZ members) that he had prepared a revised draft of Art. 2 on PAMs which he had shared with the EU and Tanzania (representing the G-77). At the Bureau meeting, he said that he was calling on the EU to show flexibility and accept a listing of "such as" for policies, rather than use a mandatory list. In response, Bert Metz of the Netherlands delegation said that the EU had already displayed sufficient flexibility. He suggested that the Chair's revised draft would not be acceptable.

Germany Further Complicates Matters

A somewhat complicating element introduced in this negotiation is the joint statement issued earlier this week by the leaders of Germany, Brazil, Singapore and South Africa. Reflecting a statement issued on the margins of the UN General Assembly Special Session, the statement calls for a three gas reduction of 15 percent by 2010, 7.5 percent by 2005, consideration of a fund strikingly similar to Brazil's clean development fund; and consideration of joint implementation among "developed countries." Developing countries are merely urged to consider their long term goal to making appropriate contributions

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to the battle against global warming. Commenting on this quadrilateral statement, the Luxembourg Ambassador gingerly dismissed it as having "little significance."

ACAP Meeting: Differentiation Proposal Broached

At the morning ACAP and JUSCANZ meetings, various of the foregoing process issues, along with substance, were discussed. At ACAP (U.S., Japan, Canada, New Zealand, and Australia) on Nov 30, the focus of initial discussion was on the developing country proposed text proposed by New Zealand. We liked it (as did Canada and New Zealand, although Japan was less enthusiastic), and a group later met to discuss joint strategy. We also announced that we would consider differentiation within distinct bounds as a possible option for a Kyoto outcome. We noted that we were not making any public announcement of this shift as yet. Instead, we solicited views from our ACAP colleagues. We also worked out support for our national security provisions and on other proposals in the text. JUSCANZ was less productive, focusing more on process issues. We did not raise differentiation at this gathering.

At the extended Bureau meeting on Nov 30, only two additional items were of note. Aside from the squabbling over the Art 4.1 chairs, the group made a recommendation for a name for the proposed protocol -- the Kyoto Protocol to the UN Framework Convention on Climate Change on Greenhouse Gases. One notable wag on USDEL dubbed this action (in the absence of any significant movement on targets or any other key aspect of the agreement) as "one small step for man; one big leap for mankind."

Comment

Much of the foregoing "process issues" remains very much in the realm of "surmise" until decisions are actually taken by the COW. We will be meeting with Estrada late today (Sunday) and will ask him for a copy of the PAMs paper and seek to delay the debate on developing countries in the COP plenary until late in the week (the Japanese Chair will also be asked to take similar action.) The predicament which we face with the developing country issue is as perplexing as it is predictable. A case in point is the zeroing in of the G-77 on the chairmanship of the group handling Article 4.1 and related issues. This situation is not helped by the Quadrilateral Statement issued in Bonn earlier this week. Our first challenge will be to ensure that the issue is opened for discussion at a time of our choosing; convincing Parties to rally around our position will be trickier and remains, on this the first day of the final negotiations, quite problematic.

End Comment.

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

COP-3 Update No. 1 (Nov 29/30): Little Flexibility but Signs of Concern Apparent from Regional and Corridor Discussions

At an evening meeting on Saturday, Nov 29, with U.S. and EU Troika representatives, Japan discussed AGBM Chairman Estrada's purported plans for his much anticipated report to the opening session of the Third Conference of the Parties (COP-3), as well as on comments by Prime Minister Hashimoto delivered to Amb. Tanabe and other senior officials earlier in the day. Prior to the arrival of the EU representative, the Japanese side again asked us to show flexibility on the question of the target, as well as on the developing country issue.

Describing recent contacts with AGBM Chairman Estrada, Japanese MFA representative Akasaka indicated that Estrada will focus his report to the COP on Monday, December 1, on the following topics which still need to be resolved or postponed for future consideration: (1) methodological issues; (2) sinks; (3) "prompt start" arrangements (Estrada believes these should be considered either as part of the future discussion by the Subsidiary Body on Implementation or at least during the same time-frame for this

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meeting, e.g., next June); (4) the Brazilian proposal (additional aspects to be considered at a future date); and (5) developing country issues.

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A somewhat complicating element introduced in this negotiation is the joint statement issued earlier this week by the leaders of Germany, Brazil, Singapore and South Africa. Reflecting a statement issued on the margins of the UN General Assembly Special Session, the statement calls for a three gas reduction of 15 percent by 2010, 7.5 percent by 2005, consideration of a fund strikingly similar to Brazil's clean development fund; and consideration of joint implementation among "developed countries." Developing countries are merely urged to consider their long term goal to making appropriate contributions to the battle against global warming. Commenting on this quadrilateral statement, the Luxembourg Ambassador gingerly dismissed it as having "little significance." (Hambley)

**Joint statement by Chancellor Helmut Kohl, Federal Republic of Germany,
President Fernando Henrique Cardoso, Federative Republic of Brazil, Deputy
President Thabo M. Mbeki, Republic of South Africa, and Prime Minister Goh
Chok Tong, Republic of Singapore**

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In advance of the Climate Conference in Kyoto

The international policy on climate change has already been a central issue of the Joint Initiative that we have presented at the 18th Special Session of the United Nation's General Assembly on June 23rd 1997 in New York.

Moved by our common concern to ensure that the earth's climate receives urgently required protection and in view of the still extremely difficult state of the negotiations, we urge the Parties to the Framework Convention on Climate Change to adopt at the forthcoming Third Conference of the Parties in Kyoto a protocol or other legally binding instrument which will reflect the great importance of global climate protection to the whole of mankind.

This document must contain legally binding commitments for the developed countries to significantly reduce greenhouse gas emissions. We refer in this respect to the proposal supported by our countries, according to which the developed countries, either individually or jointly, will have to reduce emissions of the three most important greenhouse gases (carbon dioxide, methane, nitrous oxide) by at least 7,5 per cent by the year 2005 and by 15 per cent by 2010 compared with 1990.

The required reductions are to be carried out primarily at the national level. In addition, the flexible implementation of binding reductions among the developed countries could be considered. In this context, the Kyoto Conference should consider the use of joint implementation among developed countries in accordance with rules and criteria to be agreed upon.

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Binding targets in a climate protocol are especially credible if there are effective rules for verifying compliance. In this connection the proposal that proportional contributions by those developed countries failing to comply with the protocol targets be made available for climate protection measures in developing countries could be a contribution to the effectiveness of the rules.

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All nations on earth must cooperate with one another in order to safeguard our climate system for future generations. We recognise that in the longer term a truly global effort by all countries is needed, in accordance with their common but differentiated responsibilities, in order to move towards achieving the ultimate objective of the Convention. We recognise the need for sustainable economic growth in developing countries and regard technological cooperation and financial assistance to be a part of our long-term efforts. Hence the Kyoto Conference should also consider measures to advance access to or transfer of technology, as well as financial assistance in order to assist developing countries in meeting their commitments.

In Kyoto, the developed countries are called upon to demonstrate their responsibility for climate protection by committing to reduce their emissions of greenhouse gases significantly below the 1990 levels. The developing countries too should consider their longterm role in making further appropriate contributions in the future to global climate protection based on the principle of common but differentiated responsibilities and in connection with the progress made by developed countries in Kyoto.



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 Kyoto, November 1997.

Sinks Confusion Reigns

After years of talking about the net approach Parties are finally sitting down to discuss the basic issues surrounding this ultra-complex topic. Unfortunately, this discussion is occurring only hours before the beginning of COP3, when Parties are supposed to take well-analyzed, clear decisions. The net approach is being handled as a sideshow by the climate world, but is a mainstream issue for the management of the world's forests.

In an effort to consolidate the answers to the questionnaire handed out at AGBM8, Eco has summarized the responses below. A more detailed analysis of these issues can be found over leaf.

Only twelve Parties did their homework and answered the 15 question survey on the use of sinks in the QELRO. JUSSCANNZ was strongly represented with seven responses: Canada, Norway, Iceland, Australia, New Zealand, U.S., and Japan. Of this group, known as (CANI ANUS), only Japan opposed the use of sinks in the QELRO, supported by the Marshall Islands and Nauru. The EU offered a qualified "yes", with the Meeting of the Parties (MOP) to decide rules; and Denmark said yes, "but not yet."

Not surprisingly, CANI ANUS wants no limit on the use of sinks, and the EU, again, wants to leave the decision to the MOP with a: "cap or discount on the adjustment to maintain incentives for action on gross emissions mitigation."

Strong differences in views emerge also on a definition of anthropogenic and the use of IPCC 1996 guidelines, including categories in the Land Use Change and Forestry, and the issue of uncertainty.

What is anthropogenic?

The US proposed that all changes in the land use and forestry sector be included, with Parties justifying why something should be out. All other Parties provided definitions which will require considerably more work.

Parties will have to clearly define terms such as: "direct human activities", "significant human intervention", and "management". New Zealand, as the strongest proponent of the use of sinks, concedes that Parties will have to "abide by the IPCC definition of anthropogenic." This issue needs sorting.

Use of IPCC 1996 guidelines

Most Parties support the use of the guidelines, or national methods if better, although Peru feels that the option of using different methods leads to problems in comparability. The Marshall Islands, Japan and New Zealand note that the current IPCC guidelines do not define "anthropogenic", "natural", or "management", and that wood products, biomass burning and soils are not included.

IPCC guidelines, however, are not comprehensive and are not being followed by most countries in a consistent manner.

Uncertainty

CANI ANUS argues that uncertainties associated with sinks are comparable to those associated with nitrous oxide and methane emissions from some sources. They also argue that as long as the same methodology is used to establish the baseline and changes, the bias is the same. Agreed. It thus makes no sense to include those sources of N₂O and CH₄ in a basket either.

Canada proposed the development of scaling
continued on back page, col 1

NZ Changes Tack Yet Again

The NZ submission on sinks contains an interesting evolution from the proposal it submitted at AGBM 8 in Bonn. It calls for Annex I emission budgets to be reduced by the average Annex I sink in 1990. This is apparently a response to criticisms made at AGBM 8 that the NZ gross/net approach would allow emissions to actually increase.

The new NZ sinks offset proposal, however, does not solve all of the problems with the NZ gross/net approach.

The FCCC Technical paper on sinks (FCCC/1997/TP/5) shows that the average of the Annex I sink is about 9% of 1990 CO₂ emissions. It also shows (Table 1 in Technical paper) that there is a large array of sink contributions ranging from -81% for New Zealand to Australia's +25%.

With the NZ offset sinks approach, Germany would have to reduce its CO₂ emissions by 30% rather than 25%. NZ on the other hand could be allowed to increase its CO₂ emissions by a mere 72% instead of their previous 81%. You can't stop progress...

The NZ approach, whilst endeavouring to solve the problem that its proposal could lead to an increase in emissions, would create an unsolvable set of problems in negotiating each Party's obligations.

THANKS

The Climate Action Network would like to thank the Natural Environmental Trust for major funding for Eco and the Environmental Defense Fund and Greenpeace International for further financial help.

With resources contributed by APC Networks, Eurofax, Minolta mediaworks, Fuji Xerox Office Supply Co. and Horizon International.

Sinks Confusion, from front page

ers similar to global warming potentials which could be applied to the sinks. Nauru made the point that the focus should be on the ratio of uncertainty to the target. A low target requires a low level of uncertainty, or else compliance becomes difficult to determine.

While in principle this may sound good... uncertainty is the essence of this whole sinks discussion.

Points to Ponder:

Who gets the carbon credits/debits, and

when?

Climate change induced drought causes increased insect infestation in a biodiversity-rich forest. The forest is then more vulnerable, which contributes to an enhanced fire event. There is then a massive replanting of an exotic monoculture.

At harvesting, long-life forest products are exported and other material is exported to be used as a source of biomass energy.

Are you confident this problem can be technically resolved and negotiated quickly?

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AGRM 8 RESUMED KYOTO NOVEMBER '97 NGO NEWSLETTER

Why the Net Approach is Premature 10 7 77

1. Robust techniques for calculating the removal of greenhouse gases have not yet been prepared by the IPCC. Indeed serious methodological issues have yet to be resolved. Even assuming some of the scientific uncertainties can be fixed, tricky international negotiations would be necessary between potential "winners" and "losers". There should therefore be no agreement to adopt a net approach until there are agreed methodologies which are capable of underpinning legally binding targets.
 2. The In Depth Reviews of the first round of National Communications revealed that the IPCC methodologies for land use change and forestry have either not been used or not used in a consistent way. This has meant that any comparison of key data results between Parties is difficult. The review teams note that Governments have reported problems with: biomass burning methodologies (Australia); variations in original data sets which meant that the IPCC approach was not used (Japan, New Zealand); and differences between inventory categories including below-ground wood, soil carbon, forest floor, green biomass and young trees (US). The reviews are littered with comments about "concern" with the approach adopted, and the issue of major uncertainties. Countries are permanently revising their estimates of forests sinks. Canada has not even provided an inventory, claiming that the IPCC methodology is too difficult to use.
 3. In essence the issue concerning sinks is that of uncertainty. The IPCC uncertainty ("default") for the LUCF Sector (which is a net sector) is $\pm 60\%$.
 4. The IPCC has started reviewing how it might improve the Revised Guidelines but it recognizes that this would be part of a long-term strategy requiring support from the FCCC. Professor Bolin in his last address to SUBSTA pointed out that the "error margins for the determination of sources and sinks are quite large and that because of our limited understanding and lack of observations, simplified methods have been proposed by the IPCC and adopted by the FCCC for the assessment of sinks and sources by countries."
 5. On the issue of classifying forests and fires as anthropogenic or natural - we have to ask which Party would get the credit for the production of wood biomass - the harvester or the user? Countries are recognizing the uncertainties and are bending the rules yet again to accommodate their own positions. The US, for example, is proposing that some portion of fluxes are outside their responsibility, yet they would like to be able to count new growth forests for credit. There are also complications about calculating when emissions from long life wood products are generated and what happens if the biomass is burned, particularly if it is from an imported fuel.
 6. In making estimates about changes to carbon sequestration it is important that: all the pools are considered (not only the stemwood and products but also soil carbon, litter and organic matter as well as products in landfills); that base years can be identified during land use and forestry changes which take place over long periods; and that time frames are generally long enough (even up to several rotations).
 7. There have been efforts to encourage non-Annex I Parties to use consistent, or near consistent, methodologies. Any approach adopted should be capable of commanding respect from such countries and be capable of applying to both forestry and land-use issues simultaneously. Clearly recent large-scale forest fires raise major challenges for developing such methodologies.
 8. It would be vital to develop linkages with international forestry policy initiatives to ensure that encouragement of the net approach was consistent with current efforts to develop sustainable forest management and the protection of old growth forests. In order to maximize carbon sequestration, some silvicultural management practices and afforestation management might actually work against what is becoming understood as sustainable forest management and forest protection. Such policy integration will take time. The history of international negotiations on forestry has not been one of dynamic progress since Rio. At present there are major differences in approach about what institutional development should be encouraged and how sustainable management can be encouraged. It would be unwise therefore for climate protection policy to move forwards without reference to forest protection initiatives.
 9. Many of these points would be especially relevant if there were moves to include forestry projects in JI or as part of an emission trading scheme. It would also be necessary to have monitoring mechanisms which could track whether forest carbon was "permanently" sequestered or not.
 10. We just do not know how much we do not know! Even allowing for uncertainty could lead to further problems and an actual increase in emissions if a net approach were to be the base for a national forestry policy.
- This whole issue should be referred to the IPCC for further methodological work, with sinks not being permitted during the first budget period. Only those sources and sinks that can be quantified with reasonable accuracy should be included in any future targets. Indeed, if sinks are included now, it will be impossible to reliably assess compliance.

The United States of America
at the Third Conference of the Parties (COP-3)
United Nations Framework Convention
on Climate Change
December 1 - 10, 1997
Kyoto, Japan

Urgent

Priority

Normal

Date: 1 December 1997

TO: Ms. Conchita Sharo

FROM: Mark G. Hambley

U.S. Delegation Control Room (#670)
Prince Takaragaike Hotel

Phone Number - 075-711-8901
FAX Number - 075-075-711-8909

Subject: COP-3
update 1 (Annex)

Conchita: Please pass this to the
addressees on the attached list as
an annex to reporting on COP-3.

Thanks. MGD

**STATEMENT BY LUXEMBOURG
ON BEHALF OF THE EUROPEAN COMMUNITY
AND ITS MEMBER STATES**

(Kyoto, 1-10 December 1997)

LUXEMBOURG

STATEMENT FOR THE OPENING SESSION OF COP3

After over 2 years of negotiations, we may have lost sight of the reason we are here. Let's not forget it: we undertook in 1992 to modify longer term trends from increasing to decreasing greenhouse gas emissions to prevent dangerous anthropogenic interference with the climate system, and we confirmed and strengthened this commitment at the first and second Conference of the Parties.

The clear message coming from science is that this interference exists and will get considerably worse. We are already having a foretaste of what is to come; 1997 will probably be the hottest year on record in the last two centuries; regions all over the world have experienced severe droughts, floods and storms.

This is why we remain convinced that decisive action has to be taken as soon as possible and we firmly believe our proposals represent the right response to the problem.

Our position for these Kyoto negotiations is well-known to you all. I will simply recall its essential elements: significant reductions of greenhouse gas emissions by Annex I Parties, of at least 7.5% by 2005 and 15% by 2010 as compared to 1990 levels, to be achieved individually or jointly; substantial provisions for policies and measures; no new commitments at Kyoto for non-Annex I countries, in accordance with the Berlin Mandate, while a review based on Article 7.2 of the Convention would be a possible way to look to the future.

On the basis of this position, we came here with a cooperative and constructive spirit in order to achieve the best possible outcome. A good agreement will be possible only if each Party is equally prepared to cooperate and willing to show flexibility. We have shown that already, for example, on one of the essential elements I have just recalled - policies and measures.

We expect others to do the same.

**STATEMENT BY THE EXECUTIVE SECRETARY
MICHAEL ZAMMIT CUTAJAR
AT THE OPENING OF THE THIRD SESSION
OF THE CONFERENCE OF THE PARTIES TO THE UNFCCC
Kyoto, 1 December 1997**

I would like to congratulate you, Mr. President, on your election to lead and guide the work of this Conference and to assure you of my personal commitment, and that of all my colleagues in the secretariat of this Conference - from Bonn, Geneva and other United Nations centres -, to support you in carrying out your responsibilities.

Through Foreign Minister Obuchi, I would like to thank the Government of Japan, and, through the Governor and Lord Mayor of Kyoto, the authorities and people of Kyoto, for all they have done to help the Convention secretariat put the arrangements for this Conference in place. I am impressed by the efforts of the Kyoto authorities to use this occasion as an instrument of environmental education and to involve citizens in events surrounding the Conference and supporting it. I had occasion to say, at the recently concluded World Summit of "Cities for Climate Protection" in Nagoya, that this climate change conference is the one with the greatest degree of local participation so far.

In fact, COP 3 beats all records for participation in a meeting on climate change: by governments, by NGOs and by the media. We estimate that over 10,000 people will have gathered here for COP 3. I extend a warm welcome to all participants, whose presence heightens the occasion.

In my words at the start of this Conference, I would like to focus on the end product. The outcome of this Conference will be a product that has to be sold: sold to legislators and tax payers, sold to investors, producers and consumers. This product must be well designed, if its marketing is to be successful.

Each of the national delegations here is well aware of what may be needed to obtain the support of national legislators for the agreement reached in Kyoto. However, while ratification by governments is obviously essential for the results of COP 3 to take effect, it will be for non-governmental actors, and in particular for business, to deliver the investments, the programmes and the other actions that will lead to the limitation and reduction of greenhouse gas emissions.

In a recent exchange with a group of business people, it was suggested by one that the most important design feature of the Kyoto agreement is that there should be "no fudge". Business, he said, is good at planning and achieving goals, if these goals, and the rules of the game for attaining them, are clearly defined. This is a simple message and an important one. It should be kept to the fore in the negotiation. I understand it as the point of view of one who understands that the search for profit is not sustainable unless it is tempered by responsibility, by responsiveness to the social and environmental needs of the communities that business serves. This prudently rational attitude, which is surely widespread, provides a contrast to the

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propaganda that emanates from certain industrial sectors that are on the defensive, propaganda that unashamedly plays games with the science and statistics of climate change. I hope that one of the results of this Conference will be to build bridges with those elements of the business community that have the strategic vision to look far ahead and the confidence to grasp the opportunities to which a change of course can lead.

Another audience to which the Conference must direct its message are the citizens of the world, in their homes and in their communities, concerned for their own economic well-being and that of their families and friends. I am convinced that a clear and persuasive signal from Kyoto will trigger positive responses at the grass roots of civil society. It will encourage local governments to mobilize support for practical actions that will help to mitigate greenhouse gas emissions, while also responding to every citizen's desire for economic, social and environmental benefits here and now. This was a clear message from the municipal leaders in Nagoya. It needs to be reinforced in the years ahead, to ensure that climate protection takes root in consumption patterns.

The issue of patterns of consumption, of lifestyles, - of culture, as our Japanese hosts put it - is fundamental. For better or for worse, we are living in a period of "globalization", in which images of what is deemed to be "the good life" are broadcast worldwide and will be replicated as people acquire greater purchasing power, unless the models themselves are changed at their source through public information, education and persuasion.

Finally, the message from Kyoto must be that, in the present constellation of economic and political power, it is those who have already built their strength - often through unsustainable economic growth - who must lead the way towards a sustainable future. It is through the example of enlightened leadership by the presently industrialized countries, and by the major transnational corporations that are shaping the global economy, that a truly global coalition to combat climate change can be formed, in which all countries will take part and contribute according to their economic capacities.

At the start of this Conference, some negotiators are expressing pessimism about the outcome. Mr. President, you, Ambassador Estrada-Oyuela and I are the ex officio optimists of this Conference and I believe that we must consider such pessimism as a negotiating posture. There will be difficult days ahead, of course, and the result will only start to emerge in the first days of next week. However, I am convinced that there is scope for a significant result. Ministers are not coming here just to make speeches. What is more, key national leaders are engaged in this negotiation in the background and will surely be called upon to review their national positions before time is up. So, I look forward to 10 December, to a clear, binding and verifiable commitment by the industrialized countries to reduce their emissions below 1990 levels early in the next century, a commitment that will give the signals that I referred to earlier, breaking the inertia of "business as usual" and triggering the development and diffusion of new practices, standards, technologies and consumption patterns. Such a result will start to steer the world economy towards a sustainable future.

The Third Session of the Conference of the Parties
to the UN Framework Convention on Climate Change
Address of Welcome by Minister for Foreign Affairs of Japan

December 1, 1997

Mr. President, and ladies and gentlemen,

At this opening of the Third Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, I am pleased to welcome you all to our ancient capital of Kyoto. At this occasion, I would like to extend my deep gratitude to all the people including people of Kyoto Prefecture and Kyoto City who have been devoting their time and efforts to the preparation of this Conference.

Whenever I visit this beautiful old capital, I always feel grateful to our ancestors for creating magnificent history and leaving it to us. Thinking of classic poems, some of which were composed in such a remote past as 1200 years ago, I always renew my strong feeling toward the hearts of people who are affectionate to nature. Our ancestors delicately sensed changes of the seasons and lived together with nature.

In recent years, the problem of global warming has rapidly become more acute as we have inflicted various forms of burden on nature, pursuing more comfortable lives with amenities. This problem is inevitably causing severe consequences not only on our future generations but also on ecosystems which surround us. We have to give a serious consideration to the meaning of this problem and endeavor to restore the environment of this precious earth. As a matter of course, this endeavor will be beset by difficulties and pains. However, unless we start our efforts now, we cannot hand over this beautiful earth to future generations. It is our responsibility, which is of historical importance, to determine the future shape of the earth and hand it over to posterity.

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This Kyoto Conference is a crucial opportunity to make a global decision on how far the whole world can limit greenhouse gas emissions to combat global warming after the year 2000. Specifically, we have to reach an agreement on legally-binding reduction targets of greenhouse gases for developed country Parties. At the same time, developing countries, of which economies are projected to develop further, are also asked to make every effort which takes into account the future of the whole world. To this end, appropriate assistance from developed countries to developing countries is indispensable.

In retrospect, we realize that only less than ten years have passed since the world started to tackle the global warming issue. Nonetheless, we are taking a far-reaching challenge of reducing greenhouse gas emissions after the year 2000. People of all over the world are holding their breath to watch every action which we are making in this conference hall.

Given the situations of the preliminary negotiations so far, this ten-day conference will be days of difficult negotiations. However, I earnestly hope that we will have thorough discussions keeping in mind that these ten days could change the history of humankind, and that we will reach the final agreement which people of the whole world are waiting for.

In concluding my opening statement, and on behalf of the host country, I would like to express my wish for the successful conclusion of the Kyoto Conference and health of all the participants.

Thank you very much.

... from P.8
Memo.
2) For to DC Task
force

Statement by H.E. Mr. Chen Chimutengwende
Minister of Information, Posts and Telecommunications, Zimbabwe

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and

President of the Conference of the Parties to the
United Nations Framework Convention on Climate Change
at its second session

to the Conference of the Parties at its third session

Kyoto, 1 December 1997

Your Excellencies, Distinguished delegates, Ladies and gentlemen,

It gives me great pleasure to welcome you to the third session of the Conference of the Parties. I would like to take this opportunity at the outset of my remarks to thank the Government of Japan for the excellent facilities placed at the disposal of this Conference.

I recognise the presence of the Minister of Foreign Affairs of Japan, H.E. Mr. Keizo Obuchi, the Governor of the Prefecture of Kyoto, Mr. Teiichi Aramaki, and the Mayor of Kyoto, Mr. Yorikane Masumoto. I also recognise the Executive Director of the United Nations Environment Programme, Ms. Elizabeth Dowdeswell, and the Executive Secretary of the UNFCCC secretariat, Mr. Michael Zammit Cutajar.

Since we last met in July 1996, much has transpired in relation to the Convention. In broad terms, the placement of the climate change issue on the international agenda has grown more and more secure. This is evidenced by the attention paid to climate change in a number of international gatherings, including the fifth session of the Commission on Sustainable Development, the Group of Seven meeting in Denver, and the General Assembly's special session to review and appraise the implementation of Agenda 21 and in many other fora throughout the world in both developed and developing countries. Credence to the fact that the issues for which we are meeting here in Kyoto are very high on the global agenda is also lent by the increased media coverage of climate change-related issues worldwide- particularly events related to the smog in Indonesia and the El Nino phenomenon. Furthermore, here at Kyoto, there is record attendance at this current session of the Conference of the Parties.

The Convention process itself has also made considerable progress on a variety of issues, mainly through the four sessions of subsidiary bodies that have been convened since the last Conference of the Parties. The Subsidiary Body for Implementation (SBI) has guided the review

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process of first and second national communications from Annex I Parties, undertaken a review of the financial mechanism of the Convention, and agreed to recommend a programme budget for the coming biennium. The Subsidiary Body for Scientific and Technological Advice (SBSTA) has further defined its co-operation with other relevant international organizations, in particular, the important scientific assessments undertaken by the WMO/UNEP, Intergovernmental Panel on Climate Change (IPCC). SBSTA agreed upon a uniform reporting format for activities implemented jointly, and elaborated a programme of work on methodological issues. The Ad Hoc Group on Article 13 has considered proposals from several Parties on a multilateral consultative process, and has moved much closer to concluding its work. However, this Subsidiary Group requires more time to complete its work before COP 4. The Ad Hoc Group on the Berlin Mandate, facing the toughest task allocated to a subsidiary body, has moved from a series of individual Party proposals for a protocol or another legal instrument, through to a compilation text, and ultimately to a negotiating text - prepared by the Chairman. While you must give careful consideration during this session to the work and recommendations of all of these bodies, it is the product of the AGBM that will undoubtedly consume the greatest portion of your time and energy. The goal of adopting a protocol or another legal instrument during the next ten days stands before you as our greatest challenge.

I wish to take this opportunity to thank all the Chairs and Bureaus of the four Subsidiary Groups for work well done.

During the intersessional period between COP 2 and today, work has taken place in relation to a number of additional issues. One such issue is the Rules of Procedure. I have held consultations on these Rules in Nairobi during the special session of the UNEP Governing Council, during the fifth session of the Commission on Sustainable Development in New York, and, most recently, during the July-August and October sessions of the subsidiary bodies in Bonn. Document FCCC/CP/1997/5 contains the results of my consultations, along with a proposal on how the Conference may wish to proceed. The basic premise of the proposal, which came out of my Bureau, is that the Conference adopt the rules of procedure with the exception of Rule 22, paragraph 1, and Rule 42, paragraph 1, on the understanding that Rule 42, paragraph 1 will be the subject of continued consultations, and that Rule 22, paragraph 1 will continue to be applied. This proposal is reflected in the draft decision included as an annex to the document. Rather than continuing to apply the draft rules ad infinitum, -- we should move on towards adoption, and then concentrate on resolving the two outstanding issues. I hope that all of the Parties present here today will give my successor their full cooperation in resolving this situation.

Another issue which has been advanced during the inter-sessional period is the election of the next Bureau. I took advantage of my presence in Bonn during the last subsidiary body meetings to consult with regional coordinators on this matter. I am pleased to confirm that most of the positions, including the Chair of the Committee of the Whole, have been spoken for and I hope the other slots will be filled soon. Learning from past experience, the incoming President of COP3 will need the support of a Bureau as this will contribute to the smooth-running of the session, and facilitate the smooth-functioning of the entire Convention process.

World Meteorological Organization, United Nations Environmental Programme

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Distinguished delegates,

I would have erred in my duties if I fail to share with you some of my personal views on this process. The whole world is looking up to us for guidance and anxiously awaiting the outcome of this Conference.

Climate change threatens each and every individual nation in the world. Global warming is already occurring, as is evidenced by recurrent droughts, floods, pests and diseases. The El Nino of 1997 alone, being the most well monitored and severe on record, makes us wonder if there is a linkage with global warming. Our climate system may well be taking an irreversible path unless we act now.

We may not be in a position to escape from the impacts of climate change. We therefore must work together to mitigate climate change and undertake feasible response measures. However, our ability to shoulder such responsibilities differs considerably between developed and developing countries. While loss of life, destruction of property and services affects all nations, the impact is more severe in developing countries which are least able to cope. The IPCC Special Report on Regional Impacts concluded that Africa is the continent which is most vulnerable to the impacts of climate change and water is the single resource that would be most negatively affected. There is clear evidence that many regions will not stand to benefit from climate change. We therefore face an immediate political dilemma of apportioning responsibility for the historical burden that humanity has placed on itself. Industrialized nations have indirectly placed burdens on all of us and therefore must take the first bold steps to mitigate climate change. The world is calling for leadership in meeting existing obligations; leadership in reduction of emissions; and leadership in alleviating human suffering caused by climate change. This is a question of survival for small Island States and other low lying areas of the world and for vulnerable communities in other poor countries.

The proposals to limit or reduce climate change that are currently on the table fall far short of those proposals put forward by the scientific community. As a result, developing country Parties may indeed have the legitimate right to demand for other stringent measures to respond to the impacts of climate change. Indeed, there may be calls for more deliberate programmes aimed at jump starting developing country Party economies to put them on a more sustainable pathway. Parties must acknowledge what developing countries already are doing domestically, with limited resources, to attain sustainable economic development. It will not be possible for these countries to take on new commitments under the new instrument but they will continue to advance implementation of their existing commitments.

Since 1990, emissions from developed country Parties have continued to rise. Consequently, without a legally binding agreement emissions could rise to dangerous and possibly irreversible levels. On the other hand, a low target such as calling for stabilisation, for whatever consideration, could imply that use of fossil fuel by developing countries would also need to be limited. This then brings me to the issue of equity.

I urge that in your deliberations over the next ten days, inter-generational and intra-

generational equity considerations be central to these discussions. Before we even think of binding measures for Parties other than those under Annex 1, the following must be agreed upon;

- * a fair system of apportionment of emission limits,
- * a globally agreed reduction pathway and,
- * a projected sustainable future emission level on an equitable basis

Further to this, there must clear indications of a reliable and predictable financial provisions to acquire and adapt sound technologies, know-how and production systems in developing countries.

Your Excellencies, Distinguished delegates, Ladies and Gentlemen,

It remains for me to thank the members of the COP2 Bureau and in particular the Chairmen of the subsidiary bodies for their cooperation during my term of office. It has been a very pleasurable experience to work with these distinguished colleagues from different parts of the world. I would also like to express my gratitude to the Africa Group and the Government of Zimbabwe for the honour bestowed on me as the President of COP 2. We look forward to remaining an active participant in the Convention process, and to helping to advance the goals of the Convention into the 21st century. I wish also to extend my thanks and appreciation to the Executive Secretary, Michael Zammit Cutajar, and the rest of the secretariat staff for their continued support. I trust that the new President may look forward to receiving such assistance throughout the course of the coming year, and wish him the best of luck in his new position.

I trust that you will all work to make the meeting a success, and one that will go into the annals of international cooperation. Our deliberations within the next ten days are crucial to the long-term survival of humankind on the planet we all share, as well as to the promotion of sustainable development. If we fail, we would have lost precious time and golden opportunity to move further down the road to global sustainability. If we succeed in adopting a legal instrument which reflects the principles of equity, justice and fair play, the planet will be a better place for us, our children and grandchildren, and for generations to come. To achieve this, your negotiations must, of necessity, be conducted in good faith.

Finally, I would like to wish the incoming President and Bureau of COP3; the Executive Secretary; and his staff; all distinguished delegates; and representatives of NGOs here present, successful deliberations and outcome of this Conference.
I thank you.

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- 1) Note TP. 12
 - 2) JAV to DC
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 - 3) Keep a log of
official statements
in Del Room

**Statement by Mr. Hiroshi Ohki, Director General
of the Environment Agency and State Minister,
the Government of Japan, and the President of COP3**

**at the Opening of the Third Session
of the Conference of the Parties
to the United Nations Framework Convention
on Climate Change,**

**1 December 1997
Kyoto International Conference Hall**

The Honourable Minister Chimutengwende, honored guests, distinguished delegates, ladies and gentlemen,

It is a great honour for me to be elected President of this very important Conference, and I wish to express my sincere thanks to all Parties of the Conference for their support and for the awesome responsibility entrusted me.

I would like to extend my hearty welcome to those participants who have come a long way to Kyoto from various countries of the world.

As you all are aware, the Third Session of the Conference of the Parties to the UN Framework Convention on Climate Change, so called COP3, is a very important Conference to decide on the global climate change policy to lead us into the 21st Century. I assure you that I will exert my utmost efforts to discharge my duty as President, and I sincerely hope that I can rely on your support and assistance throughout the 10 days and nights to come. I will be sensitive to the concerns of all Parties and will work hard to build consensus.

I wish to take this opportunity to express my appreciation to my predecessor Minister Chimutengwende. Thanks to his skill, guidance and determination exerted during his tenure of office, we have been able to come this far. I hope Minister Chimutengwende will continue to provide us with his valuable advice.

I also wish to express my sincere gratitude to Ambassador Estrada, the Chairman of the Ad Hoc Group on Berlin Mandate for his unremitting efforts and outstanding guidance. Without him, we would not have before us the draft text for a protocol or for an amendment to the Convention be negotiated at this Conference. I would also extend my thanks to Mr. Zammit Cutajar, the Executive Secretary and the other staff of the UNFCCC Secretariat for their very hard work, in particular, during preparations for this Conference.

Ladies and gentlemen,

Climate change is one of the most serious global environmental issues that we have ever encountered. In the IPCC Second Assessment Report issued in 1995, and the Geneva Declaration adopted at COP2 in 1996, it was emphasized that:

- (i) The balance of evidence suggests a discernible human influence on global climate;
- (ii) To stabilize atmospheric greenhouse gas concentrations at twice pre-industrial levels, global greenhouse gas emissions will be required to be less than 50 per cent of current levels;

- (iii) The projected changes in climate will result in significant, often adverse, impacts on many ecological systems and socio-economic sectors. Developing countries and small island countries are especially vulnerable to climate change;
- (iv) Significant reductions in net greenhouse gas emissions are technically possible and economically feasible by utilizing technology policy measures that accelerate technology development, diffusion and transfer; and
- (v) Significant no-regrets opportunities are available in most countries to reduce net greenhouse gas emissions.

It should also be noted that greenhouse gas emissions from developing countries are projected to exceed those from developed countries during the decade after the year 2010, even though per capita emissions in developing countries will lag behind those of developed countries for many decades beyond. Only a fully worldwide strategy can effectively address the problem of climate change.

Such a strategy may be based on three principles:

- (i) Developed countries should take the lead now in committing themselves to reduce greenhouse gas emissions below 1990 levels;
- (ii) Developing countries should also take actions to address the climate change problems in promoting their sustainable development, taking into account their common but differentiated responsibilities under the Convention and their respective capabilities; and
- (iii) Developed countries should strengthen their partnership with developing countries through the provision of financial and technological support for mitigating global greenhouse gas emissions.

Ladies and gentlemen,

The most important task in this Conference is to establish a more concrete international framework for the protection of global climate, through the adoption of a protocol or another form of international agreement.

Since the adoption of the UN Framework Convention on Climate Change, we have been making efforts to address this difficult problem. Unfortunately however, only a few Annex I Parties are likely to achieve the target for the year 2000 prescribed in the Convention. Through

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the adoption of a protocol with legally binding targets, we should ensure that the targets will definitely be met in the target year or during the target period.

There remain a large number of outstanding issue to be resolved during this Conference. The key ones are: the level and timing of quantified emission limitation and reduction objectives, so called QELROs and, policies and measures to achieve QELROs. In addition, we should look ahead to advancing the implementation of Article 4.1 of the Convention by all Parties, including both developed and developing country Parties. I call on all the Parties to work together in a spirit of cooperation and friendly compromise. I particularly wish to urge the developed countries with the greatest economic capacity, including my own country to demonstrate such spirit and leadership in action.

We also have other important issues to deal with during this Conference. I particularly wish to stress the need to discuss future steps to be taken after Kyoto for the effective implementation of the protocol and offer steps towards the objective of the Convention. We cannot solve all the climate change problems here in Kyoto alone. There is still a long way to go and many more negotiations ahead. Through an international agreement to be achieved at this Conference, the international community should take a definite first step forward to promoting climate protection policies for the 21st Century.

Ladies and gentlemen,

Before I close my statement, permit me to say a few words about the City of Kyoto. Kyoto was the capital of Japan for over 1000 years starting from the 8th Century and the city is proud of maintaining many old temples and townhouses as well as traditional culture preserved in the everyday life of citizens. I hope you can spare some time to enjoy the scenery and atmosphere of this old city.

As the nation's capital for many centuries, it has been a witness to a series of Japan's most important historical events. The process of Japan's modernization towards the Meiji Era also began in Kyoto about 140 years ago.

I sincerely hope that we could make another important historical decision here in Kyoto, create a new chapter in the history of mankind, to protect the environment of our precious globe and to secure sustainable basis for the future prosperity of all humanity.

Thank you for your attention.



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The United States of America

Third Conference of the Parties (COP-3)

United Nations Framework Convention

on Climate Change

December 1-10, 1997

Kyoto, Japan

Urgent

Priority

Normal

Date: 1 December 1997TO: Ms. Conchita DesharazFROM: Mark G. HambleyU.S. Delegation Control Room (#670)
Prince Takaragaike Hotel

Phone Number - 075-711-8901

FAX Number - 075-711-8909

Message: Conchita: Please send this to
the folks listed. Thanks.Number of Pages including cover sheet 12



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P. O. Box 30552
Nairobi, Kenya

Your Reference:

Our Reference: Oz.Sec/Contr/KMS/ao

Date: 25 November 1997

Dear Mr. Traweck,

This letter is about the payment by U.S.A. to the Trust Funds of the Vienna Convention and the Montreal Protocol for the year 1997. These Funds support the Ozone Secretariat, the Meetings of the Parties, the Meetings of the Open-ended Working Group, Meetings of the Implementation Committee etc.,

I understand that about US\$500 thousand had been set aside for payment to these two Trust Funds but the payment has not yet been made.

I shall be grateful if you can pursue this and arrange to remit these amounts. Sorry to bother you but we are asking since the year end is approaching.

Accept, Sir, the assurances of our highest consideration.

Legals,

K.M. Sarma
Executive Secretary
Ozone Secretariat

Mr. Traweck
International Relations Officer
US Department of State
2201 'C' Street NW
Washington, DC 20520,
U.S.A.
Fax: 1-202-647-0217

Copy to: Mr. Paul S. Horwitz
International Advisor
Stratospheric Protection Div., USEPA
501 3rd Street, N.W.
Washington, DC, 20001, U.S.A.
Fax: 1-202-565-9577

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CLIMATE CHANGE
3rd CONFERENCE OF THE PARTIES
KYOTO, NOVEMBER 30 - DECEMBER 11, 1997

<u>NAME</u>	<u>AGENCY</u>	<u>PHONE</u>	<u>FAX</u>
Stuart Eizenstat (Peter Bass)	State/E	202-647-7575	202-647-9763
Tim Wirth (Carol Thompson)	State/G	202-647-6240	202-647-0733
Rafe Pomerance	State/OES	202-647-2333	202-647-0217
John Campbell	State/OES	202-647-1534	202-647-0217
Leslie Gerson	State/OES/SBI	202-647-2958	202-647-0773
Brooke Holmes	State/OES	202-647-4542	202-647-0191
Steve Muller	State/BB	202-647-3423	202-647-4037
Mag Donovan/Jaci Wilson	State/H	202-647-1048	202-647-2763
Todd Stern	White House	202-456-2702	202-456-2215
Steve Seidel	White House	202-343-1060	202-343-1162
David Sandalow	White House/CEQ	202-456-6543	202-456-2710
Shelley Fidler	White House/CEQ	202-456-6224	202-456-2710
John Hillay	WHLA	202-456-6620	202-456-2604
Peter Orszag	White House/NEC	202-456-5358	202-456-2223
Diana Helios	White House/NS	202-456-9494	202-456-9490
Andrew Kanders/Paul Rialley	White House	202-343-1060	202-343-1063
Jim Steinberg	NSC	202-456-9491	202-456-9490
Rosina Bierbaum	OSTP	202-456-6202	202-456-6025
Jennifer Havackamp	USTR	202-395-7320	202-395-4579
Jeffrey Frankel	CEA	202-395-5046	202-395-6958
T. J. Glauthier	OMB	202-395-4561	202-395-4639
Burgess Laird	USUN	736-7555	736-7551
Sherri Goodman	Defense	703-697-1013	703-693-7011
Linda Silverman	DOE/PO	202-586-3876	202-586-4341
John Lieber	DOT	202-366-4450	202-366-7127
Sandra Hawkins	DOC	202-482-6055	202-482-4636
Al McGardand	EPA/OPPE	202-260-3354	202-260-6405
Paul Stolpmann	EPA/OAR	202-564-9140	202-564-9598
Richard Rominger (or) Jessica Wasserman	USDA	202-720-6158	202-720-5437
Elli Kaplan	Treasury	202-622-0409	202-622-0073
David Wilcox	Treasury	202-622-1260	202-622-0073
Lois Schiffer/Jim Simon	DOJ/EURD	202-514-2701	202-514-0557
Carla Koppell/Dab Hickey	USAID/ENV	202-712-1750	202-216-3230
Barbara Scariati	USIA	202-619-6818	202-619-5646

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1 December 1997

To: Please see attached listing

From: USDEL/Kyoto - Mark G. Hamblay

Subject: Third Conference of the Parties to the Climate Convention, Update No. 2:
Report on the Meeting of the Ad Hoc Working Group on the Berlin Mandate
and the Third Conference of the Parties, November 30-December 1, 1997

This unofficial and unclassified report covers regional meeting activities, as well as the final session of the Ad Hoc Working Group on the Berlin Mandate (AGBM) and the first meeting of the Third Conference of the Parties of the Framework Convention on Climate Change (COP-3) which is being held in Kyoto, Japan between November 30 and December 10, 1997. Although this report is unclassified, it is not intended for use or distribution outside the U.S. Government. We are also including a copy of the statement made during the opening COP plenary on Dec 1, along with the latest edition of ECO, the highly satirical, opinionated, and usually biased periodical published by environmental groups with financial support from the governments of Denmark, the Netherlands, and Germany. Nevertheless, ECO provides a humorous, always unique, and sometimes informed rendering of events. We sent via an annex to Update No. 1 copies of some of the key addresses made at the opening plenary, including those by the climate convention's executive secretary, the outgoing President of the COP, and the European Union. The final paragraphs can be used as a DAR item as desired or appropriate.

**COP-3 Update No. 2 (Nov 30/Dec 1): AGBM Completes its "Final" Session with Little to Offer;
First COP Meeting Opens with Fanfare but Start-Up of the COW Delayed**

AGBM Begins Final Session

Although eight hours of translation time had been allotted to the last meeting of the Ad Hoc Group on the Berlin Mandate (AGBM), only three hours were needed to complete the agenda as identified by Chairman Raoul Estrada of Argentina. The Chair introduced several documents, including one which was described as a chairman's report on activities undertaken by non-Annex I Parties (developing countries) to combat global warming. This paper, which provided examples of activities undertaken by several specific countries, including India, China, and the Philippines, actually provided little hard information and, to our mind, provided a convincing argument as to why the U.S. approach is the best one available.

Chairman Fails to Gain Support

In addition, the Russian Federation again raised its proposal for an Annex I "Bubble" arrangement, providing textual language. The Chair then attempted to demonstrate progress by citing several areas where he had detected a growing convergence of views. In this effort, he was unfortunately unsuccessful. For example, the Chair indicated his conviction that there is a growing tendency in favor of six gas coverage. Not so said the EU, Russia, China, Switzerland, and the G-77. To varying degrees, they all supported a three gas basket or, in the case of China and the G-77, a gas by gas approach. Speaking in favor of a six gas basket were the U.S., Canada, and Norway. Australia was uncharacteristically silent.

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When the Chair indicated that the concept of a budget also appeared to have gained broad acceptance (with the agreement of the EU), the G-77, China, and Brazil all voiced their view that these discussions had to be viewed in the context of the Berlin Mandate and that budgets are not a useful way to describe the target at the present time. On Policies and Measures, the Chair stated that he had attempted to put together a compromise text between the G-77/China and EU formulations. We expressed our interest in participating in any consultations which the Chair might undertake in this regard (which had not been the case up until now). This was about the most constructive comment made on this topic. The EU once more noted the major concessions (sic) which it has made with regard to PAMs. With violins straining in the background, Bert Metz asked how any country could dare not take the policies outlined in the Article 2 as mandatory? Similar unhelpful comments were made by Hungary, Egypt with the G-77 (Tanzania) indicating that it was studying the chairman's proposal in an effort to be helpful.

EU Singularly Unhelpful -- Again

The singularly most unhelpful act of the day was the EU's introduction of a new proposed Article 10 bis which would allow non-Annex I Parties to participate through the use of policies and measures as an alternative to an emissions budget. We had told the EU during our video conferences a fortnight ago that this option was not tenable and were under the (obviously misleading) impression that this issue was dead. However, the text was circulated to each delegation prior to being raised orally by the Luxembourg delegate. We expressed our concern to the EU at the nightly troika plus the EU and U.S. on Nov 30 but were told that this was introduced merely to give developing countries an additional option and should not be viewed as counter productive.

"What's in a Name?"

Even on the question of a name for the proposed protocol, the Chairman was stymied. Despite the agreement of all concerned at a morning meeting of the expanded Bureau, the G-77 (quite possibly at the urging of Iran and other OPEC countries) called for not "putting the cart before the horse" or naming the baby before its gender is determined. After listening to several statements by countries calling for delay, the Chair retorted that, as the father of seven children, he always named them before their births. The issue was left pending but with a hint provided on Dec 1 by Tanzania at its statement to the COP that the name which it prefers refers to a protocol "on the reduction of Annex I emissions."

Estrada Insists that We Make a 5 Per Cent Cut

Our meeting with the Chairman on Nov 30 was somewhat rocky. The Chair began by noting that, to a certain extent, the COP is hostage to the U.S. with its 25% of greenhouse gas emissions. That said, he indicated that there can be no agreement on flexibility instruments, developing countries, or even to a protocol itself in the absence of at least a five percent reduction on the part of the U.S. He stated that even if a differentiation formula is agreed, this should start from a five percent reduction. Estrada added that he will help us with Art 10 on voluntary commitments, but expressed skepticism about any effort to tie our JI proposal with Brazil's clean development fund, a proposal which he clearly does not like (although he admitted its attraction to many developing countries.)

COP-3 Opens on Time but Progress is Slow

The Third Conference of the Parties opened almost on schedule but soon fell behind by over an hour. The reason was unexpected statements (at least not noted in the agenda) by four Parties, the G-77/China(Tanzania), the EU(Luxembourg), the Russian Federation, and the U.S. As Tanzania is seated next to the U.S., we had a ring side seat to the preparations for the developing countries opening shots across the bow. The delegate was variously visited by Venezuela, the Philippines, China, India, Iran, and the Marshall Islands -- sometimes individually, but occasionally collectively.

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The G-77 Makes its Usual Points, with a Twist

All of the usual themes were sounded by the G-77 and China, including a strident call for significant reductions by Annex I Parties, a reiteration that the Berlin Mandate does not include any commitments by non-Annex I states, and underscoring the importance of common but differentiated commitments. In something of a new twist, the spokesman also attempted to follow up on Chairman Estrada's report on the efforts to combat climate change being undertaken by non-Annex I Parties. The delegate noted that the first priority of all developing countries is sustainable development and noted that many of these countries – like some other unnamed Annex I countries – also have parliaments and popular opinion to take into account.

EU Calls for its Reductions; Soft Stance on Developing Countries

The European Union made a short statement which reiterated its call for a 15 percent reduction by 2010 (with a 7.5 percent reduction by 2005). It also called for substantial policies and measures, and said that there should be no new commitments for developing countries. It noted that a review mechanism under Article 7.2 of the Convention would be a possible way to the future.

The Russians and the U.S. Both Address Bubble Issues

The Russians once more called for an Annex I bubble, a point which the U.S. said should be considered, although we noted that several questions would also be needed to be answered to determine if this is workable. In addition to outlining our position once more, Melinda Kimble, speaking for the U.S., also took a serious swipe at the EU bubble, and noted our willingness to accept a limited form of differentiation in an effort to "be flexible" and to try to move Parties towards agreement. Our statement was warmly received by several JUSCANZ members and Russia. We have yet to take soundings from the G-77 or from the EU, although the latter will undoubtedly be negative. A copy of the statement is attached for reference.

No COW Formed – As Yet

Somewhat surprisingly, although a Bureau for the COP was elected, Chairman Estrada was left hanging. Whether deliberate or through oversight, the new President of the COP, Japanese Minister of State Ohki, postponed the election of Estrada as President of the Committee on the Whole (the COW) until the plenary agreed to its establishment. Unfortunately, time ran out before this issue could be raised. Hence, the afternoon session of the COW will be delayed..

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

COP-3 Update No. 2 (Nov 30/Dec 1): AGBM Completes its "Final" Session with Little to Offer; First COP Meeting Opens with Fanfare but Start-Up of the COW Delayed

Although eight hours of translation time had been allotted to the last meeting of the Ad Hoc Group on the Berlin Mandate (AGBM), only three hours were needed to complete the agenda as identified by Chairman Raoul Estrada of Argentina. The Chair introduced several documents, including one which was described as a chairman's report on activities undertaken by non-Annex I Parties (developing countries) to combat global warming. In addition, the Russian Federation again raised its proposal for an Annex I "Bubble" arrangement, providing textual language. The Chair then attempted to demonstrate progress by citing several areas where he had detected a growing convergence of views. In this effort, he was unfortunately unsuccessful.

For example, the Chair indicated his conviction that there is a growing tendency in favor of six gas coverage. Not so said the EU, Russia, China, Switzerland, and the G-77. To varying degrees, they all supported a three gas basket or, in the case of China and the G-77, a gas by gas approach. Speaking in favor of a six gas basket were the U.S., Canada, and Norway. When the Chair indicated that the concept of a budget also appeared to have gained broad acceptance (with the agreement of the EU), the G-77, China, and Brazil all voiced their view that these discussions had to be viewed in the context of the Berlin Mandate and that budgets are not a useful way to describe the target at the present time. On Policies and Measures, the Chair stated that he had attempted to put together a compromise text between the G-77/China and EU formulations. We expressed our interest in participating in any consultations which the Chair might undertake in this regard (which had not been the case up until now). This was about the most constructive comment made on this topic. The EU once more noted the major concessions (sic) which it has made with regard to PAMs. Similar unhelpful comments were made by Hungary, Egypt with the G-77 (Tanzania) indicating that it was studying the chairman's proposal in an effort to be helpful.

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Somewhat surprisingly, although a Bureau for the COP was elected, Chairman Estrada was left hanging. Whether deliberate or through oversight, the new President of the COP, Japanese Minister of State Ohki, postponed the election of Estrada as President of the Committee on the Whole (the COW) until the plenary agreed to its establishment. Unfortunately, time ran out before this issue could be raised. Hence, the afternoon session of the COW will be delayed. (Hambley)

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U.S. STATEMENT: OPENING PLENARY OF COP-3
December 1, 1997

The United States has come to Kyoto committed to working constructively to reach agreement on the many outstanding issues before us. In this context, we wish first to review some of the key elements we see as part of any agreement: it should have a realistic target based on all greenhouse gases, sources and sinks; it should allow domestic and international flexibility for all countries to meet their target in ways that fit their national circumstances; and it should include meaningful participation of key developing countries. However, in spite of our efforts to bring Parties to an agreement on this basic package, we recognize that differences remain – and there must be bridged in the 10 days before we leave Kyoto.

Obviously, the central matter before us is reaching agreement on targets and timetables. It is important to compare apples and apples – not apples and oranges. We must do our accounting on a comprehensive basis with all gases and sinks – the way the environment sees the problem. Unfortunately, in this area, proposals from Parties differ substantially: one group of countries, while arguing for a 15 percent reduction by the year 2010, actually covers only three gases, excludes sinks, and even then provides details for only 10 percent based on a complex burden-sharing regime. Similarly, another key proposal actually allows emissions to grow beyond 1990 levels if all gases and sinks are accounted for. Yet still another very large group of countries proposes reductions that are entirely unrealistic (perhaps in part explaining why no member of the group takes action under it) – and still omits greenhouse gases and sinks that account for more than 20% of net global emissions. The U.S. proposal incorporates all gases and sinks. Our target represents a decrease in U.S. emissions of approximately 30 percent below levels we would expect to see in 2010 in the absence of a protocol. A reduction of this magnitude is a significant effort – an effort that is comparable to that offered by any other Party.

As all Parties are aware, we have long advocated a flat rate target for all Annex I Parties, believing it to be both fair and much easier to negotiate than any alternative. We recognize, however, that a number of Parties continue to support differentiation of commitments, and that there continue to be divergent views on the appropriate level for a single Kyoto target.

In the interest of moving our negotiations forward, and seeking to be as flexible as possible, in the context of a comprehensive approach to the target, we are prepared to consider the possibility of limited, carefully bounded differentiation – particularly if it would help resolve our remaining differences on the appropriate target level. In this effort, we might also examine how the proposal of the Russian Federation for an Annex I target might work, although there are several questions which will have to be answered to determine if this is viable. For this purpose, we suggest that the Committee of the Whole immediately establish a working group to examine this issue more thoroughly; we would participate actively to reach agreement in such a group.

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-2-

We continue to have strong concerns about the proposed European Union "bubble." Our concerns fall in five areas. The EU has failed to explain why there should be unrestricted burden-sharing under the "bubble," while emissions trading should be subject to restrictive, anti-market rules. The EU has not adequately addressed the impact of EU enlargement on its emissions target. The EU has not explained why it should not take on a more ambitious target in light of its unique economic advantage under the bubble. The EU has not justified the breadth of differentiation implied under the bubble's burden-sharing arrangements. And the EU has not adequately addressed issues of member state accountability for noncompliance.

The United States wishes to underscore the vital importance of policy flexibility in successful implementation of a Kyoto protocol. Emissions trading and joint implementation with credit are both vital to ensuring that we meet our targets at the lowest possible cost. Without these tools, all Parties will face much higher costs, which will severely limit the strength of the targets that they can agree to. Emissions trading among Annex 1 Parties – and those who take on commitments under Article 10 – makes all participating Parties better off. It leads to substantial savings for Parties facing the highest costs, and substantial revenue flows for Parties with low cost opportunities.

Joint implementation with credit creates no obligations for developing countries – only the opportunity to acquire new investment and new technology. This is a win-win formula that has the potential to transfer more technology and resources than any other mechanism found in this Convention or in any other environmental agreement.

We want to make it clear that the United States supports strong economic growth in developing countries. As President Clinton has said, we can grow the economy and protect the environment at the same time. This is true for both developed and developing countries. Targets appropriate for developing countries need not take the same form as those under consideration for Annex 1 countries. They could take the form of emissions growth targets. Developing country Parties that take on such targets through the voluntary adoption of commitments under the proposed Article 10 – or as the result of a future negotiation – could also become participants in emissions trading, thereby gaining substantial new resources and transfers of technology. In our view, any country, large or small, has the sovereign right to choose such a commitment – particularly when it is purely voluntary in nature.

These proposals are consistent with the policies articulated by President Clinton in October. They represent a pragmatic and solid foundation for a steady, incremental approach to mitigate the threat of climate change. They encourage technology development and diffusion and one which will ensure that we pursue the most cost-effective policy options. We can succeed at this ambitious task if we do it right, do it smart, and start to do it now. We look forward to working with all of those who wish to make the Third Conference of the Parties in Kyoto a success.

CLIMATE NEGOTIATIONS KYOTO DECEMBER '97 NGO NEWSLETTER

eco



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 COP3 in Kyoto, December 1997.

Time to Move

Only ten negotiating days now remain for countries to agree to a legally binding agreement to reduce greenhouse gas emissions from industrialized countries. None of the industrialized country proposals come near the reductions which are needed to address climate change.

Yesterday's AGBM must be the last reiteration of old positions. It's time for Parties to stop their posturing for domestic constituencies and demonstrate their commitment to protect the global environment. This week must be used to close loopholes that could make any reduction target meaningless. These issues must be wrapped up before ministers arrive.

What should be in the Kyoto Protocol

- Legally Binding Target

The fact is that the voluntary aim in Rio has not worked as everyone but our friends down-under would agree.

- A Significant Reduction Target Below 1990 Levels

Current Annex I emissions are 4.6% below 1990 levels. This means the US and Japanese proposals in effect call for an increase. Amongst industrialized countries, only the EU has proposed anything that could be considered a reduction. The G77 and China seems to understand the implications of the science better than anyone else.

- Early Action - 2005 Target Must be Included

continued on page 3, col 1



Delegates have been offered a choice of free tours in their "Welcome packs". Tour X - "Men's Tour" - has proved particularly popular among industry lobbyists.

US Opinion Prods Clinton

Today, full-page advertisements are running in the Asia and US editions of *The Wall Street Journal* featuring a plea by 60 corporate leaders for "America... to get serious about global warming." In a strongly worded statement, business leaders ranging from Ted Turner to the chief executives of Mitsubishi Motor Sales of America, Nike, CalEnergy, Enron and Bechtel, urge the "United States government to exert strong leadership by promoting climate change policies that provide incentives to act quickly."

Initially signed by 13 business leaders, the last three weeks have seen more than fifty additional chief executives endorsing the "Business Climate Challenge." Many of them are already taking concrete steps to reduce greenhouse gas emissions within their own companies and plan to carry this initiative to many more companies during the coming year. The "Challenge" defies the false impression created by US fossil fuel companies that American industry as a whole is opposed to a treaty on climate change.

This coincides with a new poll that shows Americans are far more willing than their government to take early, unilateral steps to slow global warming.

The New York Times reported last week on its recent public opinion survey of nearly 1,000 US adults, in which 65% say the United States

continued on back page, col 3

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At yesterday's press briefing following the Kiko Forum symposium, a Japanese journalist said he had "heard" that environmental NGOs were lowering their expectations for the outcome of these negotiations, and would now "welcome" a 3% reduction in Annex 1 emissions of greenhouse gases.

Let us be clear: don't be ridiculous!

The fact is that even the EU proposal for a 15% reduction from 1990 levels by 2010, criticized as "unrealistic" by the US and Japan, is inadequate if we are to start to get emissions on a path that will avoid "dan-

gerous anthropogenic interference" with the climate system. The AOSIS call for a 20% reduction by 2005 is the only proposal on the table that clearly keeps us within a "safe emissions corridor."

Given that current Annex 1 emissions are some 4% below 1990 levels, the weak proposals from the US and Japan would actually allow an *increase* in emissions over the next 15 years. If ministers accept such minimalist targets as the basis for a "deal" next week, NGOs will have no choice but to proclaim the utter failure of these negotiations.

We will also expose the bankruptcy of an apparent stronger reduction target that is made possible only by inclusion of the many gaping loopholes being proposed by the US, Russia, and New Zealand, among

others. Such an agreement would not only be grossly inadequate for the environment, but would undermine the credibility of the entire UNFCCC process.

The formula for success in these negotiations is clear: adoption of real, substantial emissions reduction obligations by Annex 1 countries that put the world on a sustainable path and start to break our dangerous addiction to polluting fossil fuels. Only such an outcome will send the necessary clear signal to industry that "business as usual" is no longer a viable strategy for the future.

There is widespread public demand for meaningful targets, and growing support within the business community as well. All that is needed is the political will. This governments must now provide.

CONFERENCE REPORT

AGBM 8 resumed at 3.30 pm on Sunday. The change from Bratwurst to Sushi for lunch, however, was not reflected in any change in the attitude of delegates. Chairman Estrada's frustration was at least as deep as in Bonn, especially on the demands for developing countries participation. Estrada's paper (CRP5) on developing countries' efforts (see page opposite) is one attempt to counter this.

Although this session was supposed to deal with the unresolved sink issue, sinks got very little coverage. Group chair Lavina reported on the consultations, which identified four different options for the treatment of sinks. He was hopeful that options 3 or 4 (no sinks before MOP1/ only verifiable sinks as of a certain date to be decided) may provide opportunities for compromise. China, however, reiterated the strong opposition from the Group 77/China. Estrada demanded that the work on sinks be completed on Tuesday evening.

Estrada then decided to throw some bait at the delegates by claiming that there was consensus on a) the six gas basket, and b) budgets, both of which resulted in a number of protests. Despite various rumours, the only new supporters of the six gas approach to have emerged - so far - is Egypt (although this still requires confirmation with the G77 and China). Switzerland's suggestion that HFCs, PFCs and SF₆ should be subject to additional, more restrictive measures, was not taken up.

On the budget issue, no agreement was forthcoming either. The G77/China's view was that budgets are outside the Berlin Mandate and

fixed target years should be adhered to. Additionally, budgets should not be considered in isolation as they are so closely linked to other mechanisms such as trading, banking and borrowing. Policies and measures were mentioned briefly but again no movement was visible.

Estrada initially thought that he had at least agreement on the name of the protocol to be adopted, namely the 'Kyoto protocol to the UNFCCC on Greenhouse Gases'. He soon found, however, that naming his own brood of children was considerably easier than finding a name for this 'baby'. The somewhat bizarre discussion on whether it mattered if the 'baby' was male or female just about summed up the level of debate of this afternoon. As Estrada remarked at the end, there were no conclusions to add to his report to the COP on Monday.

Estrada's Bombshell

Yesterday, AGBM8 Chairman Estrada strongly opposed any new commitments for developing countries. He was "fed up with hearing from Congresses and parties" deliberately ignoring climate-benign measures taken by non-Annex 1 countries. He pointed to his new document (CRP5): a compilation of efforts by developing countries to lower economic carbon intensities by comparative analysis with industrialized countries between 1987 and 1993. Although not up for discussion, the document was to be borne in mind "especially when developed countries which have not fulfilled commitments from the Convention argue that developing countries should do so".

Building on earlier analysis by the World

Resources Institute, the paper notes that between 1990 and 1996 "fossil fuel subsidies in 14 large non-Annex 1 Parties decreased by 45%, from \$60 billion to \$33 billion". In OECD countries fossil fuel subsidies in the same period, however, dropped by only \$2.5 billion (\$12.5 billion to \$10 billion). China, for example, has undertaken strong measures in recent years to address its relatively low energy efficiency. Without this action China's CO₂ emissions from fossil fuels would have increased by 20%. Petroleum subsidies fell from 55% in 1990 to negligible levels by 1995 and combined heat and power generation is now mandatory for larger installations in China.

The report notes that India is rapidly installing wind turbines and solar thermal technology. Thailand, The Philippines, and Indonesia are successfully implementing Demand Side Management (DSM) practices. Such management in the Philippines, for example, is expected, by 2010, to reduce CO₂ emissions by 10% compared to 1995 levels. Similar programmes in Indonesia are estimated to avoid 1.2 million tons of CO₂ in their first year of operation.

The report also notes that climate protection is not the sole reason why energy efficiency and renewables are introduced in developing countries. Concerns over public health, air pollution, job creation, and economic effectiveness play an equally important role in this decision-making process.

NGOs would like to see exactly how "meaningfully" the US now intends to participate.

Time to Move from front page

The science demands that we act early to avoid unpleasant surprises and slow the rate of warming. The longer we wait the harder and more expensive it will be to reduce emissions. The US and Japan, however, seem to be listening more to the fossil fuel industry than to their scientists. The first budget period must include 2005. Apparently the EU and G77 and China have scientists instead of economists on their delegations.

- Strong Review and Compliance Mechanisms.

In order for the Protocol to react to new scientific findings and technological advances, a regular and timely review, in coordination with IPCC assessments, must be included in the protocol. (i.e.: at least every five years). In order to ensure the legally binding commitments are actually met, the protocol must also contain a comprehensive and dynamic compliance mechanism.

What should NOT be in the Kyoto Protocol

- New commitments for developing countries.

The US is threatening to wreck the negotiations by attempting to insert such commitments throughout the protocol. The US is apparently following the fossil industry's brief on this issue (bought to you by Exxon and other fat cats).

Loopholes threatening the Kyoto Protocol

When added together, certain loopholes

could bust the Kyoto Protocol. What would seem a reduction protocol could allow large increases in emissions up to 2010, and potentially beyond. The five main weaknesses described below could allow an increase in greenhouse gas emissions, even if a protocol implied a decrease. These loopholes must be closed this week before ministers arrive.

(1) "Hot Air" emission trading - refers to the potential for Russia and other CEE countries to sell some of their greenhouse gas emission budgets as part of an international greenhouse gas trading regime. With these Parties likely to receive an emission budget far in excess of what they need, this could lead to emissions being significantly higher than they would otherwise have been in the absence of trading. The "Hot Air" trading problem could hence be at least 2.3% of 1990 Annex I CO₂ emissions.

(2) "Super-heated" trading - refers to allowing reductions in Russian and East European (CEE) cumulative emissions since 1990 to be sold before legally binding emission targets take effect. These can then be added to the legal emission limits or budgets of Annex I Parties. If CEE countries were allowed to bank the difference between actual emissions at 1990 levels, from 1990 onward, the available Super-Heated Air would expand to 2,000 million tons CO₂/

year, or 15% of 1990 Annex I emissions.

(3) *The Net approach* - when calculating a Parties total emissions, the net approach calls for the inclusion of greenhouse gases emitted, and absorbed, through land-use change and forestry practices. There are a number of fundamental methodological problems and uncertainties with this approach, which could lead to mischief. For example, New Zealand proposed one very creative approach that would change each Annex I Party's reduction target by approximately 7%.

(4) *Powerful Greenhouse Gases* - Hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆) are powerful greenhouse gases, and most are extremely long-lived. If left out of the Protocol they could add around 5% to industrialized country emissions by 2010.

(5) *Bunker Fuels* - Exemption of fuel used in international aviation and marine transport would permit an increase in emissions by 3-10% of 1990 levels by 2010.

Put together these loopholes could allow an increase in greenhouse gas emissions equivalent to around one third of 1990 Annex I CO₂ emissions. Combine the current target proposals with these loopholes and the ability to achieve a reduction protocol is impossible. The clock is ticking - time to move.



Dealing with the problem of bunker fuels will require considerable ingenuity

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CEE NGO Resolution for Kyoto

by Zbigniew Karaczun
Coordinator CANCEE

Central and Eastern European (CEE) countries have already achieved significant reductions in CO₂ emissions. They also have an opportunity for further reductions using cost effective energy efficiency measures. A Kyoto Protocol with a strong reduction target would provide incentives for improving energy efficiency in the region, thus combining economic and environmental benefits. In such a situation, CEE countries have a unique opportunity to play an important and constructive role in the climate negotiations.

More than 100 environmental NGOs from the region, dissatisfied with their respective countries positions, supported our NGO Resolution

for Kyoto. We are calling on all CEE governments to openly voice support for the European Union proposal, and the inclusion of targets for six greenhouse gases while they are here in Kyoto. We should take full responsibility for meeting GHG reduction targets, committing to - as a minimum - the reduction target agreed for Annex I countries; without seeking different treatment as countries in transition. Countries in the region that have not yet joined Annex I should do so, and countries which are, or will be, OECD members, should join Annex 2.

CEE delegations must also oppose any protocol agreed in Kyoto that has loopholes through which GHG emissions would be allowed to rise after the year 2000.

CLIMATE NEGOTIATIONS KYOTO DECEMBER '97 NGO NEWSLETTER

Why on Earth Japan?

Some of us may be wondering why we are all sitting in Kyoto today. The real reason is that at COP1 Japan believed it might be able to become a permanent member of the UN Security Council, and thought that hosting a UN COP might improve its chances. At the time, the Japanese government had little idea as to the climate implications of its decision.

This did, however, set in motion a struggle between various arms of government, and the current official position does not reflect any consensus; rather, it shows that at present, it is MITI, the powerful Ministry of International Trade and Industry, that has the ear of Prime Minister Hashimoto.

MITI is stuck in the old-fashioned mind-set of indefinite growth of heavy industry, and believes that it is not possible for Japan to reduce its emissions in the short to medium term. For a ministry that claims to employ some of the best minds in Japan, its behaviour is incredibly dumb. It seems unable even to consider the massive potential economic benefits of green technology, and is adept at using Japan's secretive and unac-

countable policy-making system, as well as highly questionable data, to push its point of view.

This means that we are now in a situation where the COP host country's position is so weak that it is no longer in a position of leadership, to push the process forwards. This is a shame, as the government's position does not reflect either its real potential for reducing emissions nor the feelings of the Japanese people. A number of studios have been made showing that Japan could reduce easily as much as the EU is proposing – probably more. And poll after poll shows that ordinary Japanese not only want significant action taken to reduce emissions, but they are also prepared to make sacrifices to achieve this.

If Prime Minister Hashimoto really wants the result of the COP to reflect well on Japan, he is going to have to widen his circle of advisers away from the narrow clique of self-interested bureaucrats, and look instead to what really is in Japan's national interest, both for its present position on the world stage and for future generations of Japanese.

US Opinion, from front page

should take steps now to cut its greenhouse gas pollution "regardless of what other countries do." Only 15% say the US should wait for developing nations to curb emissions before the US begins.

Fully 87% of those surveyed say steps are needed right away to counter the threat of global warming while only 13% think global warming will have no serious impact.

The results clearly show public rejection of the fossil fuel industry's main arguments: that the science of global warming remains uncertain, and that reducing energy use or raising energy prices would harm the American economy. The poll also finds:

- 57% of those surveyed agree the American economy would become more competitive because reducing greenhouse gas emissions "will result in more efficient energy use, saving money in the long run."
- Just 17% believe that cutting emissions "will cost too much money and hurt the US economy."
- Only 16% blame global warming on natural swings in climate rather than burning fossil fuels.

The favoured solution, backed by 50%, is for the government to improve energy efficiency standards for cars, appliances, and other energy-using equipment. Most say they would be willing to buy efficient appliances and insulation.

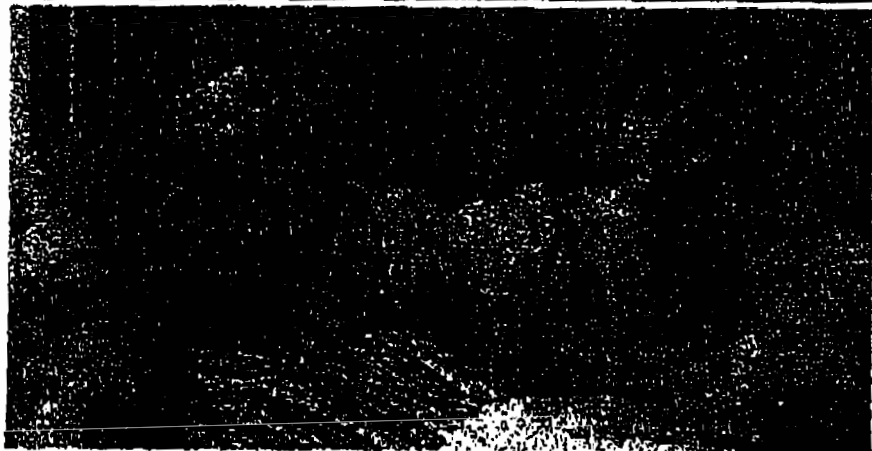
Tax breaks for solar and wind power are preferred by 20% of those surveyed. The administration's proposal of trading pollution permits to "give companies a financial reason to reduce their emissions of greenhouse gases" draws 13% support, with 49% undecided and 17% opposed. A hypothetical gas tax gets 2% support.

Vice President Gore certainly has a public, and indeed corporate, mandate to come to Kyoto and make the improvements in the US position needed to salvage these negotiations. If he does not come, questions will be asked as to who he is listening to – the electorate, or vested fossil fuel interests? As one corporate signatory to today's adverts would put it – "Mr. Gore ... Just Do It."

THANKS

The Climate Action Network would like to thank the National Environmental Trust for major funding for Eco and the Environmental Defense Fund and Greenpeace International for further financial assistance.

With resources contributed by APC Networks, Eurofax, Minolta mediaworks, Fuji Xerox Office Supply Co. and Horizon International.



Some found yesterday's lack of progress a little overwhelming

TENGU 天狗

Most distinguished delegates, Mr. Chairman. Far be it from me to infer that these proceedings are carried on at a snail's pace, with every small quantity of substance taking an aeon to deliver. However, with your permission, I would like to propose the use of a scheme of abbreviations, which might speed things up a little. For example, a number of us today may be congratulating the President on his appointment, and offering to work with him towards a successful conclusion etc. etc. Instead of this, I

would propose saying "Congrats". Likewise, it is not uncommon to agree at some length with a previous speaker, for example: "I would like to concur with the intervention of my most distinguished colleague from the Democratic Republic of Ruritania, when he said..." Instead of this, how about "Concur Ruritania"? Again, it cannot be denied that there are countries who, once in a while, re-state their point of view. For this we could have "Reiterate". In this way a speech that would otherwise take ten to fifteen minutes could be reduced to "Congrats, Concur Belgium, Re-iterate". And we could all go home on Friday...

FAX

Nov 30, 1997
486-2295 710

001 202 647-0217

From: Mark G. Nambky, USDEL/14yoto
To: Mr. Cinchita DeShazo

Subject: COP-3 - update No. 1

Please pass this report
to the individuals on the
attached list. Also prepare
the DAR and transmit to
overseas. ESOFFS if
we still do this - Thanks

WML

DEC 01 '97 02:14PM US DEL COP-3 075-711-0916

P.2

CLIMATE CHANGE
3rd CONFERENCE OF THE PARTIES
KYOTO, NOVEMBER 30 - DECEMBER 11, 1997

2

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Leslie Gerson	State/OES/SEI	202-647-2958	202-647-0773
Brooke Holmes	State/OES	202-647-4542	202-647-0191
Steve Muller	State/EB	202-647-3423	202-647-4037
Meg Donovan/Jaci Wilson	State/H	202-647-1048	202-647-2762
Todd Stern	White House	202-456-2702	202-456-2215
Steve Seidel	White House	202-343-1060	202-343-1162
David Sandalow	White House/CEQ	202-456-6543	202-456-2710
Shelley Fidler	White House/CEQ	202-456-6224	202-456-2710
John Hilley	WHLA	202-456-6620	202-456-2604
Peter Orszag	White House/NEC	202-456-5358	202-456-2223
Diana Helges	White House/NS	202-456-9494	202-456-9490
Andrew Kandors/Paul Risley	White House	202-343-1060	202-343-1063
Jim Strinberg	NSC	202-456-9491	202-456-9490
Rosina Bjarbaum	OSTP	202-456-6202	202-456-6025
Jennifer Haverkamp	USITR	202-395-7320	202-395-4579
Jeffrey Frankel	CEA	202-395-5046	202-395-6958
T. J. Glauthier	OMB	202-395-4561	202-395-4639
Burgess Laird	USUN	736-7555	736-7551
Sherri Goodman	Defense	703-697-1013	703-693-7011
Linda Silverman	DOE/PO	202-586-8876	202-586-4341
John Lieber	DOT	202-366-4450	202-366-7127
Sandra Hawkins	DOC	202-482-6055	202-482-4636
Al McGarland	EPA/OPPE	202-260-3354	202-260-6405
Paul Stolpman	EPA/OAR	202-564-9140	202-564-9598
Richard Rominger (or) Jessica Westerman	USDA	202-720-6158	202-720-5437
Elli Kaplan	Treasury	202-622-0409	202-622-0073
David Wilcox	Treasury	202-622-1260	202-622-0073
Lois Schiffer/Jim Simon	DOJ/EURD	202-514-2701	202-514-0557
Carla Koppell/Dab Hickay	USAID/ENV	202-712-1750	202-216-3230
Barbara Scarlett	USIA	202-619-6818	202-619-5646

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2 December 1997

To: Please see attached listing

From: USDEL/Kyoto - Mark G. Hambley ~~was~~

Subject: Third Conference of the Parties to the Climate Convention, Update No. 3:
Report on the Meetings/Activities for Dec 1/2,, 1997

This unofficial and unclassified report covers regional meeting activities of the Third Conference of the Parties of the Framework Convention on Climate Change (COP-3) which is being held in Kyoto, Japan between November 30 and December 10, 1997. This edition covers events from the afternoon of Dec 1 to the morning session on Dec 2. Although it is not classified, it is not intended for use or distribution outside the U.S. Government.

We are also including various reports prepared by USDEL representatives dealing with recent discussions on the national security provision, on an EEI-sponsored side event, and reports on both the AGBM Plenary and the first meeting of the COP. We are also including the latest edition of ECO, the highly satirical, opinionated, and usually biased periodical published by environmental groups with financial support from the governments of Denmark, the Netherlands, and Germany. Nevertheless, ECO provides a humorous, always unique, and sometimes informed rendering of events.

The final paragraphs can be used as a summary as desired or appropriate.

COP-3 Update No. 3 (Dec 1-2): Difficult Afternoon COP Session Over Handling of Evolution; EU "Upset" about U.S. Questioning of its "Bubble"

Evolution Blow-up Contained - For Now

The afternoon plenary of the Third Conference of the Parties (COP-3) resumed deliberations on the agenda on Monday afternoon (Dec 1). The decisions made by the two key subsidiary bodies of the Convention ((the Subsidiary Body on Implementation (SBI) and the Subsidiary Body on Technological Advice (SBSTA)) were approved, with the exception about the work plan for COP-4 and the budget.

More excitement was forthcoming when the COP President, Minister Ohki of Japan, proposed that two issues not being dealt with by the Committee of the Whole (the COW) should be dealt with under Item 3F which deals with "other matters." The two issues involved were the Brazilian Protocol proposal and the question of future commitments by all Parties (read: evolution).

After making his proposal, a somewhat confused Minister Ohki apparently did not hear the suggestion made by an experienced aide (audible to all of us in the room) in which he was advised to declare that, in the absence of any objections, he should gavel the matter into a decision. Inexplicably, the Minister called upon Tanzania, the representative of the G-77/China, and the floodgates of protests about evolution poured out.

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Tanzania essentially said that this concept was not a proper item for consideration, as the Berlin Mandate focuses on developed country obligations only. He added that this is the case even when the Chair attempts to introduce this issue through the back door while trying to sugar coat it with the Brazilian proposal. The G-77 was followed by China, India, Malaysia, and Saudi Arabia who cited similar objections. Even Indonesia, which had made positive noises about its receptivity to the idea of developing country commitments at both the Tokyo ministerial and the APEC summit last month, indicated its view that this issue should not be discussed at this meeting.

The U.S. responded with an effective presentation in which we outlined why it is indeed appropriate for this subject to be discussed in the COP, in part because the COP is the "supreme body of the convention." If not here, then where? Australia also chimed in with a useful supporting intervention. For reasons that are not clear, the President did not recognize Canada or Japan which had both raised their flags. The EU, which did not speak, told us (with a straight face) that it had not spoken, because of the absence of Luxembourg from his chair. In any case, the Chair subsequently decided that Brazil would be discussed at the Dec 3rd plenary and that he would have consultations on how best to introduce the issue of a follow-on process to Kyoto.

Institutions Group Meets with Some Progress Reported

The negotiating group on institutional issues also met for the first time on Dec 2nd. Apparently, there was progress on the issue over the relationship of the COP to the proposed Meeting of the Parties for the protocol. (There had been concern expressed about the proposal by the G-77 that would have permitted non-Parties to the protocol to vote in the Meeting of the Parties.) A new formulation is being considered which will overcome this problem.

NGO/Business Briefings

The first two of daily briefings were held with U.S. environmental NGOs and with business representatives. Questions raised at the enviro briefing included those about the differentiation concept mentioned in our morning statement at the plenary (see Update 2). (The NGOs are particularly concerned that targets be established next week and not be postponed to a future date.) Other questions concerned gas coverage (with some initial suggestion that some of our enviros were backing away from the comprehensive six gas approach! They later reaffirmed their support.) The business representatives asked questions about differentiation, gases, and sinks. They also wanted to know about our attitude towards the Russian Annex I bubble approach.

National Security Exemption Provision

Several other side groups met throughout the afternoon and night. Our DOD reps, supported by Sue Biniaz of L/OES, discussed the question of the national security provision. JUSCANZ was very supportive; the UK was not, but thanks to the timely intervention of Under Secretary Eizenstat in London, this potential problem should be reversed. We are working on a proposal which would cast this issue as one methodological in nature. Some of the results, plus a copy of our proposal, are reported in an enclosure to this report.

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17**Developing Country Issues**

Discussion among JUSCANZ members on developing country issues produced a paper which might be somewhat adequate as an end game, but not as an initial negotiating document.. We raised with Japanese Ambassador Aoki in Geneva (a distinguished Berlin Mandate veteran) at a meeting on Dec 2 the necessity for COP President Ohki to have a piece of paper outlining what we have in mind as a possible Kyoto Mandate in hand for his discussions with countries on the question of a post-Kyoto process. We described the proposed JUSCANZ text as "too weak" and a proposed EU text as even weaker. At Japanese request, we prepared a page of short comments outlining how we look at the question of developing country participation.

Sinks Issue Also Pending Resolution

Meanwhile, discussions on sinks continued with this issue scheduled for discussion at the evening COW meeting on QELROS on Dec 2. Although the chair has indicated the necessity for Parties to reach conclusions at this time, this appears most unlikely.

Israel Joining Article 10?

Reports are circulating that Israel may become the first Party to offer to join Article 10 on voluntary entry into a legally binding quantified emission limitation objective. Stay tuned!

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COP-3 Update No. 3 (Dec 1-2): Difficult Afternoon COP Session Over Handling of Evolution; EU "Upset" about U.S. Questioning of its "Bubble"

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The Minister first called upon Tanzania, the representative of the G-77/China for his reaction. Tanzania essentially said that this concept was not a proper item for consideration, as the Berlin Mandate focuses on developed country obligations only. He added that this is the case even when the Chair attempts to introduce this issue through the back door while trying to sugar coat it with the Brazilian proposal. The G-77 was followed by China, India, Malaysia, and Saudi Arabia who cited similar objections. Even Indonesia, which had made positive noises about its receptivity to the idea of developing country commitments at both the Tokyo ministerial and the APEC summit last month, indicated its view that this issue should not be discussed at this meeting.

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17**AGBM Plenary Meeting, November 30, Notes by Sharon Saile**

Chairman Estrada opened the session hoping that Parties could make progress on the few issues where some consensus had seemed to emerge, but the Parties basically went back to repeating their original positions. The issues discussed included:

1. Sinks - Tony Devina (sp?) Of the Philippines has been chairing a contact group on sinks, and reported some progress by coming to 4 options to cover the range of Parties' views:

- a. Include sinks in the QELROs on a "net,net" basis (i.e. net emissions in the baseyear and net emissions in the compliance years)
- b. Exclude from QELROs at this time, but look at including sinks later when measurement methods are improved, perhaps by the second budget period
- c. Exclude from QELROs at this time, but have a decision by the Meeting of the Parties to include them later
- d. Exclude sinks from the QELROs, but allow sink offsets to count in the compliance years

The FCCC Secretariat will prepare text to implement these options, and the contact group will meet again on Monday. Chairman Estrada gave the group until Tuesday evening to resolve the issue (urging the Parties to decide what to do about sinks to help them resolve the level of the targets).

2. Budgets - Although many Parties seem to have agreed to a budget approach, G-77 raised its objections to a budget approach (concept of "emissions allowed" and emissions trading, etc) very strenuously

3. PAMs - Chairman indicated that one extreme is for mandatory policies and measures, another extreme is no policies and measures, therefore he plans to proceed to draft a further compromise text.

4. Name of Protocol: Kyoto Protocol to the UN Framework Convention on Climate Change on Greenhouse Gases. Note - the G-77 suggested waiting to name the protocol until after the substantive provisions of the protocol would be resolved. This reservation provoked a response from Chairman Estrada indicating that he needed more cooperation from G-77.

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COP Monday Afternoon December 1, Notes by Sharon Saile

SBSTA report - decisions on, contained in FCCC doc SBSTA/14/1997

1. cooperation with IPCC and other bodies and
 2. observation of global monitoring networks
 3. development and transfer of technologies - further analysis and information
 4. jointly with SBI - AIJ - uniform reporting format, methodologies
- roster of experts
division of labor

SBI report

non-Annex I national communications
division of labor
program budget
HQ agreement, financial mechanism

AG-13 report:

Waiting to decide process or committee for MCP
answerable to COP directly, or thru SBI
consultative advice for protocol, or all Parties to FCCC
form and content are open, but consensus that MCP is needed - delayed until post-Kyoto

therefore, the papers containing these reports are adopted for consideration by the COP

IPCC Report by outgoing chairman - 4 technical papers

All decisions adopted by consensus.

AGBM report: COP shall consider:

Negotiating text based on Parties proposals; plus the Chairman's revised text

1. negotiations will have to make final decisions
2. propose that SBSTA and SBI prepare work for any protocol decisions which require decisions at subsequent meeting of parties.
3. Brazilian proposal - QELROs to be based on changes in temperature -may merit SBSTA consideration
4. Evolution - one party proposed new instrument should be binding QELROs for all soon after 2000, with automatic progression of GHG commitments based on agreed criteria, but other Parties opposed as beyond Berlin Mandate. Outside AGBM, but appropriate for COP3. (191-195.1 of negotiating text)

Only 10 days to complete negotiation - square brackets indicating problems QELROs, PAMs, etc.

Need only political will to achieve the commitment. Stabilization of concentrations to prevent dangerous anthropogenic interference with climate. Stabilization of emissions will not lead to

stabilization of concentrations, and this fact cannot be disguised. Historical contribution from developed countries - per capita from developing countries are still low, although will grow to meet social needs. Developing countries are taking actions (though haven't submitted communications)

Chairman Estrada was elected by consensus as Chairman of the Committee of the Whole, and will participate in Bureau of Conference of the Parties. COW will be convened tonight at 8 pm.

The President adopted all the Decisions. However, a long discussion erupted over the President's suggestion to discuss both the Brazilian proposal and the evolution proposal in the COP plenary sessions. All the developing countries (G-77/Tanzania, China, Malaysia, Indonesia, Brazil) objected to even discussing evolution, while the US and Australia supported the President's suggestion. The time for discussion was cut short, and will resume on Wednesday.

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1 Dec 97

Summary of Discussions of JUSCANZ Legal Working Group of 1 Dec 97, 1400-1600

Chris Weaver, Roy Salomon, and Sue Biniaz met with other members of the JUSCANZ legal working group. (Countries represented at the meeting included Japan, Canada, New Zealand, Australia, Norway, US and Switzerland.) We reviewed four items, one of which was the US proposal for a Decision of the Parties on National Security. The proposal language is quoted below:

The Conference of the Parties, at its third session,

Recalling Article 3 of the Protocol, which requires each Annex I Party to limit "its" emissions, as set forth in that article,

Recalling Article 5 of the Protocol, which calls for further work on methodologies for estimating anthropogenic emissions by sources and removals by sinks of greenhouse gases,

1. recognizes the need to address, through work on methodologies, the appropriate treatment of bunker fuels,
2. recognizes the ability of two or more Annex I Parties to arrange for emissions in the territory of one such Party that are attributable to activities of another such Party to be counted against the emission budget of the latter Party; and,
3. decides that emissions related to multilateral operations conducted by militaries pursuant to the UN Charter, such as peacekeeping and humanitarian assistance, shall not count against the emission budgets of individual Annex I Parties.

The legal group's analysis states that decisions of the parties may form part of the negotiating history of a treaty provision with relevance to interpretation of the treaty, in accordance with international law. The group also noted that a decision of the parties is not as desirable as protocol language.

On the merits of the proposal, the lawyers were supportive. During the discussion, Japan and New Zealand expressed concern over bullets 1 and 2. First, they were confused that these bullets did not directly discuss military emissions. After the US explanation of the tactical reasons for the drafting, they were satisfied that all three items were concerns over the definition of "its" in Article 3. Japan expressed a second concern that the proposal might be viewed as an attempt to add a different type of trading provision. The US explained that this was not our intent. Australia expressed support for the proposal as written.

The group produced a short analysis that will be presented to the entire JUSCANZ group tomorrow at the 0900 regular meeting.

Summary of Discussions with EU Representatives, Dr. Wolfhart Dürschmidt (GE) and Dr. Jim Penman (UK) of 1 Dec 97, 1700-1745

At the request of Dr. Penman via Dr. Jonathan Pershing of the US delegation, Capt Weaver and Lt Col Salomon met informally with Drs. Dürschmidt and Penman on the afternoon of 1 Dec. The purpose was to provide background information and explanation of the US position on the National Security Provision.

Dr. Penman conveyed that it was unclear to the EU why this issue is so important to the US. He indicated that he didn't think military emissions amounted to a great deal and that it seemed a relatively small issue to raise to such a high level. Capt Weaver and Lt Col Salomon responded that what may seem to be a small emissions slice when viewed in the context of an individual nation's military forces can be significant when viewed in the context of another nation's territory or in the context of a large scale

multinational military operation. Dr. Penman recommended that the issue be referred to a methodological determination by the FCCC's Subsidiary Body on Science and Technical Advice (SBSTA) or the Subsidiary Body on Implementation (SBI) in a post-Kyoto process.

Capt Weaver and Lt Col Salomon responded that a determination of how national security emissions are to be treated by the protocol is an extremely important aspect of the US position. We feel it is not appropriate to leave the issue for ultimate resolution by lower level bodies in the wake of the Kyoto Conference. It is not the amount of emissions that relate to military operations that is key, it is the principal of how military emissions in the multilateral environment are to be accounted for. The US is concerned that training, operations and thus readiness of forces may be inadvertently harmed by failing to address head on the issue of national security emissions accounting, regardless of their overall size. This is true not only for US forces, but equally importantly, for allied military forces as well. We offered the example of the "allied nation" that supported US airlift during the buildup for the Gulf War and how daily US aircraft refueling represented a substantial part of that nation's overall fuel consumption.

At one point, Dr. Durrschmidt observed that the EU has a number of significant issues between their position and the US position on the overall protocol. The EU wants to avoid another issue, such as NSP, arising to further complicate negotiations. Capt Weaver and Lt Col Salomon asked for additional feedback on how the current "DOP" language proposal could be better crafted to accommodate EU concerns. Drs. Penman and Durrschmidt indicated they would consult with the other EU members in their morning meeting and would get back for more discussions.

Capt Weaver summarized the differing perspectives developed during the discussion: The EU representatives feel that the absolute levels of emissions relating to national security are low and amenable to addressing in a post-Kyoto methodological determination process. The US position, on the other hand, desires that the NSP issue be included, albeit in as least intrusive a manner as possible, in the ongoing Protocol process. The US desires the support of our European allies (NATO) in this initiative and we look forward to working through the issue with the EU. Dr. Penman indicated that he "recognized the importance of this issue" to us and wanted to work with us as well. We expect to meet again on 2 Dec.

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1 Dec 97

Memorandum for Amb Hambley

Subj: Summary of Discussion Between Capt Weaver and Mr. Lyscom of the UK Delegation

I was engaged at the delegates' reception this evening by Mr. David Lyscom of the UK delegation. I had previously met Mr. Lyscom in Bonn and gave him some initial info on the National Security Provision (NSP) issue.

Mr. Lyscom greeted me by hailing me as "Mr. National Security," followed by a friendly proclamation that I was "causing a lot of trouble." He was aware of Lt Col Salomon's and my previous meeting this evening with Dr. Penman of his delegation and appeared to have been briefed on the substance of that conversation. He asked for additional clarification on what we were "asking for" in our initiative. He expressed concern that we were seeking exclusion for domestic operations and training in support of international operations. He continued that that would leave the British Army able to seek exemption for training they were doing at home in preparation for multilateral operations and that the UK government "wasn't going to play that game." I responded to Mr. Lyscom that I certainly hoped that he didn't think that what militaries do is a game to which he quickly backed away verbally. I continued that it was not our intention to subsume domestic military training and operations in an exemption. I further expressed that an important aspect of our initiative was to ensure allies are as prepared as we are to conduct multilateral operations and that I was concerned that the EU/NATO somehow felt they were accommodating the US instead of embracing an issue relating to their own military readiness.

Mr. Lyscom somewhat acidly added that this seemed to be yet another US demand for flexibility on the Protocol, with which the EU was becoming rather "fatigued." I answered that I can understand the perception but that the military issue should be viewed as something separate that all militaries interested in their readiness should be concerned about. He didn't seem convinced. He added that they had "been in touch" with their MOD and felt that their military was on board with the UK government's policy on this issue. (I am practically certain of a link between this evening's encounter and my conversations last Weds with the UK LNO in the Pentagon and then CDR Whitaker of the UK embassy on this topic. My previous e-mail written immediately after the conversations last Weds details their substance.)

We parted in good spirits with my thanking Mr. Lyscom for his interest and expressing hope that the EU will remain engaged in working toward a mutually beneficial resolution of the initiative. He responded that they would stay engaged but that he wasn't sure they could give us what we're asking for.

Lt Col Salomon and I have an appointment to meet again with Drs. Durrschmidt and Penman later today (2 Dec).

V/r Chris Weaver

**Presentation of EEI, UNIPED, and FEPC
December 1, 1997**

On Monday, December 1, 1997, three organizations representing electric utilities in the U.S., Japan, and internationally presented the findings of an International Energy Agency study on technology development and diffusion for electric power generation. Dr. Koch from the IEA spoke to the study funded by these organizations. In addition, representatives from the three sponsors outlined their climate change mitigation activities. Bob Beck of the Edison Electric Institute (EEI) read from a prepared statement, discussing the role of U.S. electric utilities in the Climate Challenge program, a voluntary effort to reduce greenhouse gas emissions. He also outlined EEI's position in the international negotiations, namely that its member utilities do not support legally binding emissions targets. However, if an agreement does come out of Kyoto, they favor full credit for early actions, provisions for flexibility in implementation, and meaningful participation of developing countries in future commitments. Although Beck did not read all of the statement, one section was particularly critical of the Administration's position - it stated that the "approach ... threatens to do great damage to the economy;" that an auction permit fee is another form of a \$100/ton carbon tax; and that based on an Australian economic study, the U.S. would experience a greater economic loss under a grandfathered tradable quota approach than under a uniform targets approach.

A representative from the Japanese electric utility trade association, the Federation of Electric Power Companies of Japan (FEPC), also made a presentation which focused on the significant role of nuclear power, both past and envisioned for the future, in mitigating greenhouse gas emissions. Liquefied Natural Gas (LNG) will also play a major role. A short statement from the International Union of Producers and Distributors of Electrical Energy (UNIPED) was followed by a description of a joint statement from all three organizations which came out of an October summit held in Boston. Their recommendations to the COP emphasized the need to increase global use of electric energy and the use energy-efficient electrotechnologies as no regrets option. Furthermore, electric utilities can limit emissions from electricity production through efficiency improvements and energy consumers can reduce their total energy requirements.

14. 17

CLIMATE NEGOTIATIONS KYOTO DECEMBER '97 NGO NEWSLETTER

eeco



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 COP3 in Kyoto, December 1997.

I'm a Lumberjack and I'm OK?

Canada has finally announced its position on targets and timetables: three per cent reductions in greenhouse gas emissions from 1990 levels by 2010; and a further five per cent cut by 2015.

It has also announced an indicative domestic milestone of stabilization by 2007. Canada's unwillingness to propose this as a legally binding target in Kyoto, appears to be more public relations than a willingness to seriously contemplate early action to reduce greenhouse gas emissions.

In the weeks leading up to the announcement, Canada has attempted to position itself as a possible bridge between the US and the European Union. Indeed, in his announcement Natural Resources Minister Ralph Goodale

said: "We believe our proposal can be a catalyst to help build a bridge toward consensus in Kyoto - a consensus that will work for Canada and work for the world."

While the proposals do build modestly on the US and Japanese proposals, (and demonstrate a willingness to go beyond the weak US position supported by most of Canada's provincial governments), it is not adequate to bridge the gap between the EU and the US. To do so, Canada would have to commit to a legally binding first budget period of 2003-2007, and to much deeper reductions.

Canada has promised that "this is no smoke
continued back page, col 1

Those F Gases!

All Parties claim that they intend to control emissions of HFCs, PFCs, and SF₆ - differences are just over how and when. But a promise to control these powerful greenhouse gases later is not acceptable. Emissions of the F gases, particularly HFCs, are growing rapidly as they replace CFCs in applications such as air conditioning, refrigeration, blowing foam, and cleaning circuit boards. In each case substitutes exist, but there is little or no incentive to develop and apply these alternatives if F gases can be used freely.

Arguments advanced for delaying the inclusion of these gases are disingenuous. Emissions of the F gases - based on production data - are far more easily monitored than emissions of either methane or nitrous oxide. Baseline data for 1990 may be difficult to reconstruct, but errors made will not be significant - everyone agrees that 1990 emission levels were very low. If no other data are available, zero would be a reasonable approximation.

Clearly arguments for delaying a decision on the F gases have been advanced by special interests that hope to wriggle off the hook by promising to cooperate with some future control

continued on back page, col 1

Gore to Go...

US Vice President Al Gore is to fly in to Kyoto Sunday, Eco learned last night. Gore's decision to come indicates that the US Administration is confident that the result of the COP can be portrayed as a success.

The presence of such a senior politician should enable the US delegation to be flexible

and bold when it comes to negotiating the final agreement.

Gore's involvement will dramatically increase the media profile of the event in the US, and raises expectations for a Kyoto Protocol that will genuinely reduce greenhouse gas emissions. Let us hope these expectations are justified.



Gore fans gasp at the Veep's credentials

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ISSUE NO2

VOLUME XCVIII

FREE OF CHARGE

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CONFERENCE REPORT

Ceremonial Session COP 3 Cutajar Blasts US Fuel Interests

COP3 began with predictable opening speeches of hope, politeness, inspiration, etc., all ignoring the mountain of difficulties ahead – as exemplified by the lack of process in AQBM8 Sunday.

UNFCCC Executive Secretary head Michael Zammit Cutajar, however, brought delegates back to earth. Acknowledging the signs of pessimism in the hall, he set out the prospects of success, highlighting the key role of the business community in delivering reduction targets. Without mincing words, however, he went on to blast the massive propaganda campaign launched by certain industrial sectors in the US, claiming they were defensive and unashamedly playing statistical games with the science of climate change. He then went on to reiterate the merits of setting an example: a comment clearly aimed at Annex-I countries. He concluded: "I look forward to a clear, binding and verifiable commitment by the industrialized countries to reduce their emissions below 1990 levels early in the next century"

The afternoon session started with reports from SBSTA, SBI and AG13 (compliance group) and a speech by former IPCC chairman Bert Bolin (see Bolin Spells It Out).

AQBM Chairman Estrada focused on three issues: sinks; Brazil's proposal for a Clean Development Fund; and the so-called "evolution" issue. On evolution he spent some time recalling the terms of the Berlin Mandate – i.e. that it was intended to strengthen the commitments of Annex 1 countries rather than impose reduction targets on developing countries.

He also reported on improvements in energy efficiency in developing countries, commending that industrial countries since 1992 have done little or nothing to reduce GHG emissions.

He ended with thinly disguised criticisms of the OPEC countries, who have consistently opposed the goals and objectives of the Convention, from its first adoption to the completion of the Berlin Mandate.

AQBM Chairman Estrada was then voted in as Chair of the Committee of the Whole (COW). Once again the evolution issue emerged. Characterized by the President of the CoP as part of

the "future developments of all Parties", it met with outright opposition from numerous members of the G77+China. The US steamed in with the argument that as the Convention's Supreme Body, the CoP clearly has the authority to deal with this issue. Wisely, the President proposed continuing consultations on this issue.

The Convention has yet to adopt the rules of procedure despite the best efforts of outgoing President Chemtengenda. President Ohdi will probably waste his and others time trying to forge consensus on Rule 22 (bureau membership) and Rule 42 (voting). These two rules, designed to promote equitable and effective representation and decision making under the Convention, continue to run afoul of OPEC countries and their obstructionist industry toadies. With his characteristic flair for irony, the Saudi delegate blocked the President's compromise text. The outcome of the discussion was that, once again, the draft rules of procedures (including Rule 22) will be applied, with the exception of Rule 42, which remains in brackets as an OPEC legacy for future generations of Presidents.

Bolin Spells It Out

Bert Bolin, Chairman of the IPCC from its inception in 1988, gave his final report to COP 3 Monday. As with his presentations in previous INCs, COPs, and Subsidiary meetings, his direct and hard-hitting speech drew loud applause from delegates.

The true measure of his reach, as Professor Bolin realizes, is the ability of participants to respond to the challenge the scientific community has put before the political community.

Professor Bolin extends his challenge to all Parties.

Annex 1 proposals to stabilize at 1990 lev-

els would only lower concentrations by 2 ppm; a 15% reduction only lowers concentrations 5 ppm. While acknowledging that these modest achievements represent important first steps, Professor Bolin reminded delegates that the business as usual scenario to 2100 will increase concentrations by 20 ppm. Clearly, much, much more is required.

He then reminded delegates that if the objective of the Convention is to be achieved, non Annex-I countries will not be able to base their development on the same path as the industrialized countries. The reality of climate change

requires all Parties do more than pursue an energy efficiency strategy. Ultimately the goal must be to move to non-carbon energy sources.

If there are any fears that the world community might lose the wisdom of the straight-talking Professor Bolin, he assured delegates that he will be watching and speaking his mind. The IPCC clearly recognizes the value of his continued involvement and has asked him to continue as the Chairman Emeritus of IPCC.

The world community owes Professor Bolin a great debt of gratitude and will benefit from his continued guidance.

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"In regards to greenhouse gas emissions, it would seem that the Americans are behaving idiotically, when they say they will not reduce their CO₂ emissions. I feel that the Japanese are also acting idiotically, but the Americans seem to only think of whether their present economic picture will be better or worse. Their present economic situation seems to be the only standard for judging things. However, if you look at their view from the perspective of the future humanity and indeed all life forms it is really a useless and foolish perspective."

—Hon. Kajita Shinsho,
Head priest of Honen-in Temple, as quoted
in this month's Kyoto Visitor's Guide.

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Sinks Hit Bottom Line

an apparent attempt to give legal obscurity no meaning, the sinks contact group has come up with some text on the treatment of sinks. Robert A. Reinstein would be proud of this text.

The text provides for the Parties to use emissions and removals from "new direct human induced land-use change activities since 1990" to meet quantitative emission commitments. The idea appears to be to limit the New Zealand Gross/Net loophole by limiting the sinks that can be used during a budget period. However, the key question is "what constitutes 'new'?" In this context "new" is almost as deeply an ambiguous concept as the new US position on differentiation.

"New" activities could be anything, including activities that existed before 1990 but for which some minor action had been taken that defines the activities as "new" for the purposes of meeting the protocol. New Zealand, for example, could build one of the famous Brazilian

'picket' fences around its equally famous sinks, declares that this is a new initiative, and safely increase its emissions by 30%.

In other words, the text clearly opens up the way for the NZ Gross/Net approach and hence for an increase in emissions into the atmosphere.

Is there an easy way out of this? No.

It is about time that Parties stopped ignoring the advice that the IPCC has been giving on the use of sinks. There are so many scientific uncertainties and unresolved issues surrounding the use of sinks for quantitative emissions targets that it is ecologically irresponsible to allow the use of the net approach at this stage. Instead of incorporating sinks into the Kyoto protocol, Parties should mandate the IPCC to thoroughly review all of the scientific and technical issues surrounding the sinks issue. This IPCC assessment could then be used by the Parties as basis for decision making rather than the political expediency which is dominating current debates.

Fossil Fuel Industry Split

by Tony Juniper, Friends of the Earth

Eco reveals today evidence of unexpected support by the Exxon Corporation and Shell for the AOSIS protocol (20% cut by Annex I countries by 2005). The change of policy will undoubtedly cause confusion, especially among G77 countries who were told only last month by Exxon boss Lee (Drill 'em Deep) Raymond to increase oil use to promote their economies. What has most shocked the NGO community is that this laudable target will actually apply to the companies themselves, and not as they had previously advocated, to developing countries.

The commitment to make the cuts in emissions was made last week in London by the UK based Chemicals Industry Association. Many Association members are also members of the Global Climate Coalition (GCC). But whilst

the American counterparts of Shell and Exxon fund dimwitted GCC mischief, the chiefs of Shell and Exxon in Europe claim to be going beyond the current UK line of 20% CO₂ cuts by 2010 by claiming they can reach that by 2005.

Is the old order of Transnational versus green activist to be swept away amid a new era of ecological enlightenment championed by Lee Raymond? Or is it that these mighty corporations really don't know what they're talking about and have got their knickers in a twist? If you know the answer, go right now to the Friends of the Earth International table at the conference center where you can vote in a ballot to find the greenest, and grayest, companies in the battle for the global climate. Could Exxon be the winner? It's up to you. Results to be published on Thursday.

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DEALERSHIP ENQUIRIES INVITED

Aussies give Government the Finger on Warming

The Australian people, and even the majority of Australian business leaders, consistently reject the Australian Government's stance of resisting legally binding cuts to its greenhouse pollution levels. This is the overwhelming conclusion of three recent opinion surveys by independent polling companies in Australia.

The latest poll of 1000 voting age residents nationwide, conducted on 22-23 November by ACNielsen-McNair for Greenpeace Australia, found that:

- 76% of respondents disagree with the Australian government's belief that Australia should be allowed to increase its greenhouse gas emissions while other developed coun-

tries decrease theirs. Even among Government voters, 67% disagreed with this stance.

- 71% believe that cuts to greenhouse gas emissions should be legally binding, with only 23% believing they should be voluntary.
- 67% believe that the Australian government should be taking more action on global warming. This last result was taken just days after the Australian government released its domestic greenhouse policy package in which it announced that emissions would rise by 18% by 2010. The poll shows that the policy package did little to convince Australians of the merits

of the government's position for the Kyoto COP.

A separate survey of Australian company directors by accounting firm KPMG and the Australian Institute of Company Directors found that 69% of those polled were in favour of the establishment of greenhouse gas emission reduction targets for Australia, with 70% of these thinking that the targets should be legally binding.

So when you hear yet again the Australian delegation's special pleading, just remind yourself that, on this issue, the government (like one or two others) is clearly out of step with its voters.

CLIMATE NEGOTIATIONS KYOTO DECEMBER '97 NGO NEWSLETTER

US Makes Fruit Salad

The US's latest attempt to compare apples and 'awrrrrges', and make its own ridiculously inadequate target look good by comparison to the EU's makes an Eco response irresistible.

USA: "The EU has yet to explain why there should be unrestricted burden sharing under the bubble, while emissions trading should be subject to restrictive, anti-market rules."

Come on, US. The EU burden share is the opposite of trading. With emissions trading, filthy rich countries like the US buy up paper emissions from poorer countries so they can increase their own. In the EU burden share arrangement, it is the rich wholesome EU countries which are reducing their actual emissions so that the poorer countries can develop.

USA: "The EU must explain why it should not take on a more ambitious target in light of its unique economic advantage under the bubble."

What "unique economic advantage"? We had no idea that the US considered Portugal, Spain and Greece such threats to its booming economy. Is the US expecting a buck door challenge to its infant olive oil industry?

USA: "The EU also needs to adequately

address the impact of EU enlargement on its emissions targets."

The countries which will join the EU on enlargement are all Annex 1 Parties. In other words, they will agree targets at Kyoto like any other Annex 1 Party. The EU has already said that these targets will be incorporated into the bubble, meaning there would be no net change when a country joins. Don't worry, US, the EU bubble will shield you from those other economic powerhouses, Slovenia, Estonia etc.

USA: "The EU has not justified the breadth of differentiation implied under the bubble's burden-sharing arrangements."

See above. Furthermore, the US has failed to justify the lack of depth in its stabilisation target. Anyway, perhaps we should just point out that some of the EU countries being allowed to increase, actually have per capita GDPs less than those of some developing countries.

USA: "The EU needs to adequately address issues of member state accountability for non-compliance."

Hang on, isn't that what the EU tabled at Bonn?

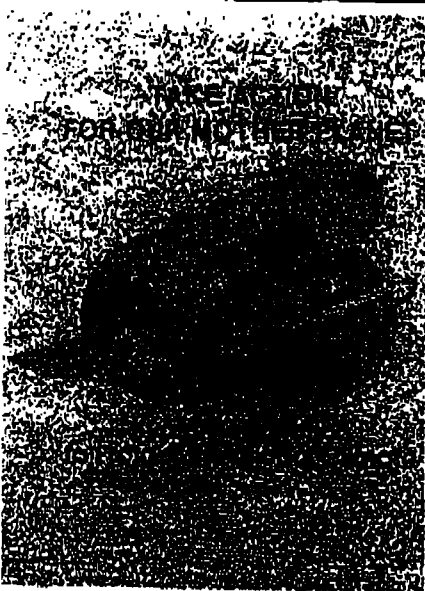
I'm a Lumberjack, from front page and mirths exercise." yet says it will "strongly pursue all the flexibility provisions that may be contained in any Kyoto agreement to achieve cost-effectiveness, domestically and internationally." Canada must clarify its position on loopholes: are its targets real or imagined?

To fulfil the promise Prime Minister Chretien made to President Clinton, to be "greener" than the US, Canada must truly be GREEN!! Greater Reductions in Emissions to the Environment Now!

Those F Gases! from front page plan. But this approach is short-sighted. Any delay in agreeing a comprehensive set of emission limits will only increase the pressure for immediate outright bans on specific applications.

Similarly, dropping controls on the F gases would not be effective in greening anyone's image. Real reductions, not numbers games, are needed to prevent dangerous climate change.

This distracting issue should be taken off the table by agreeing immediately that the targets and timetables established in Kyoto will include HFCs, PFCs and SF₆ using a 1990 baseline. Negotiators (and NGOs) can then get back to concentrating on the real issue - getting agreement on substantial emission reduction targets.



Question of the day:

When the designers were commissioned to produce a logo for the conference, one cannot help but wonder if any consideration was given to the symbolic significance of balls in the English language?

What a difference a day makes!

Nearly seven years after INC-1, and not a moment too soon, the US delegation announced a significant, if enigmatic, shift in its position: it is willing to accept, under as yet undisclosed conditions, a differentiated approach to commitments. Left in the dark, and aware that there are fewer days left at COP-3 than there are shopping days before Christmas, we can only speculate helpfully on what the US might have meant by this. Could this sudden shift in the US mean that:

1. It is prepared to accept that other countries should be allowed to undertake higher targets than itself?
2. It has discovered an equitable and effective formula for differentiation that rewards Parties with bloated per capita consumption patterns with more lenient targets?
3. It is very sorry but it had picked up the wrong briefing document?

TENGU 天狗

How to save the world:
Delegates' Agenda in full.

1. Fly across globe in half-empty jumbo jet.
2. Take large limousine from airport to hotel.
3. Turn on in-car air conditioning during six hour traffic jam.
4. Fill up 30 gallon tank with petrol every five miles.
5. Arrive at conference centre/hotel complex built on former natural beauty spot.
6. Open all windows to cool down permanently heated room.
7. Issue 19 million communiqués on protecting forests.
8. Hold enormous press conference under hundreds of TV lights for thousands of journalists who have flown in from all over the world.
9. Fly home again via exotic holiday location.
10. Er... that's it

THANKS

The Climate Action Network would like to thank the National Environmental Trust, and Onkyu Kankyo Kikin for major funding for Eco and the Alton Jones Foundation, the Environmental Defense Fund and Greenpeace International for further financial assistance.

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**CLIMATE CHANGE
3rd CONFERENCE OF THE PARTIES
KYOTO, NOVEMBER 30 - DECEMBER 11, 1997**

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Tim Wirth (Carol Thompson)	State/G	202-647-6240	202-647-0753
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John Campbell	State/OES	202-647-1554	202-647-0217
Leslie Gerson	State/OES/SEI	202-647-2958	202-647-0773
Brooke Holmes	State/OES	202-647-4542	202-647-0191
Steve Muller	State/BB	202-647-3423	202-647-4037
Meg Donovan/Jaci Wilson	State/H	202-647-1048	202-647-2762
Todd Stern	White House	202-456-2702	202-456-2215
Steve Seidel	White House	202-343-1060	202-343-1162
David Sandalow	White House/CEQ	202-456-6543	202-456-2710
Shelley Fidler	White House/CEQ	202-456-6224	202-456-2710
John Hille	WHLA	202-456-6620	202-456-2604
Peter Orszag	White House/NEC	202-456-5358	202-456-2223
Diana Helios	White House/NS	202-456-9494	202-456-9490
Andrew Kander/Paul Risley	White House	202-343-1060	202-343-1063
Jim Steinberg	NSC	202-456-9491	202-456-9490
Rosina Bierbaum	OSTP	202-456-6202	202-456-6025
Jennifer Haverkamp	USTR	202-395-7320	202-395-4579
Jeffrey Frankel	CEA	202-395-5046	202-395-6958
T. J. Glauthier	OMB	202-395-4561	202-395-4639
Burgess Laird	USUN	736-7555	736-7551
Sherri Goodman	Defense	703-697-1013	703-693-7011
Jerry Stephens	DoD/JCS	703-697-5738	703-614-0905
Linda Silverman	DOE/PO	202-586-3876	202-586-4341
John Lieber	DOT	202-366-4450	202-366-7127
Sandra Hawkins	DOC	202-482-6055	202-482-4636
Al McGartland	EPA/OPPE	202-260-3354	202-260-6405
Paul Stolpmann	EPA/OAR	202-564-9140	202-564-9598
Richard Rominger (or) Jessica Wasserman	USDA	202-720-6158	202-720-5437
Elli Kaplan	Treasury	202-622-0409	202-622-0073
David Wilcox	Treasury	202-622-1260	202-622-0073
Lois Schiffer/Jim Simon	DOJ/EURD	202-514-2701	202-514-0557
Carla Koppell/Deb Hickey	USAID/ENV	202-712-1750	202-216-3230

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Barbara Scarlett

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3 December 1997

To: Please see attached listing

From: USDEL, Kyoto - Mark G. Hambley ~~WVA~~

Subject: Third Conference of the Parties to the Climate Convention, Update No. 4:
Report on Activities/Meetings on December 2/3, 1997

This unofficial and uncleared report covers various activities and meetings at the Third Conference of the Parties (COP-3) which is being held in Kyoto between November 30 and December 11, 1997. This edition covers events from the afternoon of December 2nd through the evening of December 3rd. Although it is not classified, this report is intended for the use or distribution outside of the U.S. Government.

This report also contains details about the meetings held by the Committee of the Whole on QELROS during the closed sessions on December 2nd prepared by EPA's Sharon Saile. In addition, I am forwarding a copy of the language being discussed in the corridors on a draft national security provision which had been promised in Update No. 3 but which was not included. Also noteworthy is a report on CODEL Hagel's meeting with Chinese representatives on December 2 which was prepared by Embassy Beijing Emboff Robert Boynton. The ECO for December 3rd is being sent as part of a supplement to this update, although I am including a copy of the more respected EARTH NEGOTIATIONS BULLETIN for Dec 2.

The final paragraphs of this report may be used as a summary as appropriate or desired.

COP-3 Update No. 4 (Dec 2/3): Canada and New Zealand Announce Their "Reduction" Targets; Six Gas Basket Endangered

"Love Thy Neighbor": Canada Displays its Green Target; the Kiwis also Propose to Reduce

An important highlight of Dec 2nd was the announcement of a target by both Canada and New Zealand. Canada indicated its support for a reduction of three percent by 2010, with an additional five percent cut by 2015. In JUSCANZ on Dec 2, the Canadians indicated that these reductions would take place in budget periods corresponding to the U.S. formulations. The Canadians also endorsed joint implementation with credit and our other flexibility mechanisms and came out in favor of developing country commitments. Still, we were somewhat perplexed by the Canadian announcement. After asserting strongly to the Canadians the importance of marching in lock step with regard to a target, this announcement appears to us merely a reflection of the sometimes "knee-jerk" reaction of the Canadians to putting some distance between themselves and the U.S. on many multilateral issues. In this case, Prime Minister Chretien's desire to have a "greener target" than us.

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New Zealand's announcement of a five percent reduction by 2010 should have been accorded greater accolades than it received. Instead, because of the small print which outlined the conditions for this reduction, the announcement was savaged in ECO and by the usual gaggle of pro-European NGOs generally. Indeed, Simon Upton, the Kiwi Environment Minister, indicated that this proposal was conditioned on the inclusion of at least three greenhouse gases (GHG); provision for international emissions trading ((no mention of Joint Implementation (JI)); the appropriate inclusion of carbon sinks; flexibility with regard to the choice of policies and measures; and provision for developing countries to accept emission reduction commitments in the future.

Much Activity in the Negotiating Bodies and Contact Groups

Throughout Dec 2nd and 3rd, there was much activity and possible movement in a number of areas. In addition to a COP plenary meeting on Dec 3rd, the negotiating body chaired by Ambassador Estrada met three times, while the groups on Article 4.1 (dealing with Article 12 and 13 of the text) and the one on institutions met twice. Moreover, various contact groups met on national security exemption (a JUSCANZ group), emissions trading, JI, and sinks. The developments in each of these groups or by topics of interest are as follows:

COP Plenary: Both the EU amendment on changing the rules for approval of protocols by a three quarters vote and a Kuwaiti proposal to expand Annex I financial obligations under the Convention were discussed at the plenary on Dec 3rd. Informal consultations on both items are to be held by Hungary and Senegal, respectively. In addition, proposals to change or alter the status of the Czech and Slovak Republics, plus Turkey were also debated. We were something of the skunks at the party concerning Turkey's application to be removed from the lists of Parties in Annex I and Annex II (essentially making Turkey an OECD member). We suggested that the matter be postponed for additional consideration, the question being one (in our view) of ensuring that Turkey opt to join Article 10 (for countries which would voluntarily take on an emissions cap) prior to being excused from the obligations of Annex I should Turkey decide to ratify the protocol.

Another plenary issue which we spoke rather vehemently about was the seating of the Federal Republic of Yugoslavia. As FRY does not qualify for membership in the Convention because it is not a member of the UN, one of its affiliated bodies, or a signatory on the International Court of Justice, FRY should not have been accredited to the Convention. We are soliciting additional advice from L as to how to proceed. Meanwhile, the Secretariat is seeking guidance from the Legal Advisor at the United Nations prior to the next COP Plenary on Dec 5.

Budget Issue: The budget concept, while still opposed by some countries, appeared to gain ground on Dec 2. It appears that the G-77's opposition is based largely on tactical considerations. In any case, the term has come to be identified too closely with the U.S. Accordingly, Estrada asked the Brazilian delegate, Gylvan Meira, to propose a new name for this concept, which Gylvan undertook to do.

Differentiation: In the first discussion of this topic since the U.S. statement on Dec 1st, most proponents merely restated their well-known positions. The U.S. offered that it was not bringing forth a specific proposal at this time. We said that in our view, a differentiated outcome needed to principles to work: it would have to have set limits and the targets would have to be decided at Kyoto. No loopholes! In addition, we wanted to listen to the views of other Parties and to solicit some suggestions from them. Switzerland's Romera was given the task of consulting with other Parties on this topic, and Romera circulated a questionnaire which has now been collected, with the various answer being collated.

Military Exemption Provision: As indicated in Update No. 3, our two DOD reps have carefully orchestrated this issue which, in any case, looks very problematic. We are currently seeking views on some proposed language which would treat this potentially volatile issue as a methodologies question.

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Greenhouse Gas Coverage: It looked like we would lose our proposal for a GHG based on six gases at the QELROS discussion last night. So strenuous were the voices in favor of a three basket approach (especially from the EU and Japan) against only two in favor of a six gas basket (the U.S. and Norway) that Estrada indicated that the tendency had now shifted strongly in favor of three gases for this protocol. On Dec 3rd, following a pilot but stern appeal from Dr. Pershing before JUSCANZ, the issue was kept alive for additional discussion on the following day. And it was. All of JUSCANZ with the exception of Japan and Switzerland (the Queen of the EU "wannabees") spoke up in favor of 6 GHG coverage when the matter returned for discussion on Dec 3rd.

Sinks: In what has been, to date, the most intensively discussed issue (it was, after all, the reason why the AGBM was suspended on October), there were potentially significant developments on Dec 3rd. A report is due to be issued tonight with the apparent recommendation to the chair endorsing a concept which we had decided not to pursue earlier because of the bad message it would send. According to a key USDEL member attending the talks, if the recommendation is endorsed by the Chair and then by the COP, the U.S. could have a reduction of over two percent. It is the fact that this would be a reduction which is apparently keeping AOSIS supporting this concept in contrast to its earlier opposition (or perhaps it was the lunch we hosted for six leading AOSIS members today!)

Compensation: The Saudi/OPEC poison pill called compensation was addressed at the night meeting on Dec 2 with the expected countries both for and against. The most compelling argument made against this proposal came from Poland. The Polish delegate indicated that his parliament would not approve an agreement that contained a provision in which Poland might have to compensate Saudi Arabia - a country with five times the per capita income of Poland.

Clean Development Fund and Joint Implementation: The biggest surprise of Tuesday night was the discussion involved in taking up what the G-77 called its own idea called the clean development fund, although the idea actually comes from the Brazilian proposal. The G-77 extolled its virtues, while the U.S. indicated we could not accept this fund in the context of the G-77 proposal. Then Brazil got up and stated that the concept could be adjusted and might be better-suited as an incentive mechanism rather than one drawing funds from non-compliance. Brazil conducted consultations on this matter on Dec 3rd. Although Brazil has changed some of its initial views, progress was made in working this concept into the article on JI. Among the loudest critics among Annex I are Germany and Japan, while India and China are among those non-Annex I countries who find aspects of the concept troubling.

Institutional Issues: The G-77 and China continue to try to insert the Berlin Mandate mantra into whatever places they can in the various articles being discussed in this negotiating group under the Chair of Takao Shibata. Among the issues tackled on Dec 2/3 was that dealing with entry into force provision. At the moment, the debate is over the number of countries which might be required and the percentage of emissions which should be required for the protocol to come into force. The numbers 50 and three gigatons are the proposals that are currently tabled.

Article 4.1: Although a few minor paragraphs were approved, this remains an heatedly debated issue. We are working on the paragraphs on technological transfer and may find an early fix. The G-77 still wants all references to policies removed.

Policies and Measures (PAMs): No formal group has addressed this issue, although in two bilaterals with the EU troika, its pit ball (Bert Metz of the Netherlands) has not budged an inch. Although he continues to assert that we (the U.S. and the EU) are not far apart on this issue, we have clarified that there are serious differences on this question which remain to be settled.

Emissions Trading: A USDEL team met with the Germans on Dec 3rd to try to soften their criticism of this important flexibility instrument. However, at a long meeting on this topic, both France and Japan

attempted to introduce proposals for a rigorous and bureaucratic system of investigation, monitoring, and compliance into the discussion. In addition, both countries appeared to favor trading based only on an auction basis.

Base Year: In part because they are now feeling pressure on their target, the Japanese asked for our views on changing the base year from 1990 to 1995. This would give them more flexibility to meet their target. We indicated that the only possible flexibility in this regard that we are considering is with a multiyear context (such as 1990-95). We had not addressed the issue of actually changing the baseline at the present time.

Developing Country Issues (Evolution): The Japanese tell us that Minister Ohki's consultations with several developing countries leaves him with the distinct impression that evolution even if encapsulated in a Mandate formulation is impossible with most developing countries. This view comes from his discussions with China, India, Indonesia, and Malaysia on Dec 3rd. Of those countries, the hardest line was taken by China and Malaysia, with Indonesia actually speaking out in favor of some kind of review mechanism. We will try to meet with both India and Indonesia tomorrow, Dec 4th.

Comment

It is clear that Japan is feeling pressure from its weak target which, if all six principal greenhouse gases are used, would by our calculations result in a growth target, rather than the current 2.5 percent reduction effort. The Japanese asked us to reconsider their proposal for handling the three additional gases with specialized criteria. We had looked at this idea briefly and were not impressed. However, we have established a contact group between our two delegations to examine the issue more carefully. Similarly, we have established contact groups with Japan to discuss both our differing views on emissions carrots and one on the Japanese proposal to offer some incentives or carrots to developing countries in an effort to buy their acceptance of other aspects of the agreement.

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

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Throughout Dec 2nd and 3rd, there was much activity and possible movement in a number of areas:

Budget Issue: The budget concept, while still opposed by some countries, appeared to gain ground on Dec 2. It appears that the G-77's opposition is based largely on tactical considerations. In any case, the term has come to be identified too closely with the U.S. Accordingly, Estrada asked the Brazilian delegate, Gylvan Mcira, to propose a new name for this concept, which Gylvan undertook to do.

Differentiation: In the first discussion of this topic since the U.S. statement on Dec 1st, most proponents merely restated their well-known positions. The U.S. offered that it was not bringing forth a specific proposal at this time. We said that in our view, a differentiated outcome needed to principles to work: it would have to have set limits and the targets would have to be decided at Kyoto.

Military Exemption Provision: Our two DOD reps have carefully orchestrated this issue which, in any case, looks very problematic. We are currently seeking views on some proposed language which would treat this potentially volatile issue as a methodologies question.

Greenhouse Gas Coverage: It looked like we would lose our proposal for a GHG based on six gases at the QELROS discussion last night. So strenuous were the voices in favor of a three basket approach (especially from the EU and Japan) against only two in favor of a six gas basket (the U.S. and Norway) that Estrada indicated that the tendency had now shifted strongly in favor of three gases for this protocol. On Dec 3rd, following a pilot but stern appeal from Dr. Pershing before JUSCANZ, the issue was kept alive for additional discussion on the following day. Stay tuned!

8 9/16

Compensation: The Saudi/OPEC poison pill called compensation was addressed at the night meeting on Dec 2 with the expected countries both for and against. The most compelling argument made against this proposal came from Poland. The Polish delegate indicated that his parliament would not approve an agreement that contained a provision in which Poland might have to compensate Saudi Arabia -- a country with five times the per capita income of Poland.

Clean Development Fund and Joint Implementation: The biggest surprise of Tuesday night was the discussion involved in taking up what the G-77 called its own idea called the clean development fund, although the idea actually comes from the Brazilian proposal. The G-77 extolled its virtues, while the U.S. indicated we could not accept this fund in the context of the G-77 proposal. Then Brazil got up and stated that the concept could be adjusted and might be better-suited as an incentive mechanism rather than one drawing funds from non-compliance. Brazil conducted consultations on this matter on Dec 3rd.

Article 4.1: Although a few minor paragraphs were approved, this remains an heatedly debated issue. We are working on the paragraphs on technological transfer and may find an early fix. The G-77 still wants all references to policies removed.

Emissions Trading: A USDEL team met with the Germans on Dec 3rd to try to soften their criticism of this important flexibility instrument. However, at a long meeting on this topic, both France and Japan attempted to introduce proposals for a rigorous and bureaucratic system of investigation, monitoring, and compliance into the discussion. In addition, both countries appeared to favor trading based only on an auction basis. (Hambley)

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*notes by Sharon Saile*COW OELROs Negotiations. Tuesday December 2. morning session 10am-1pm

At the beginning of the session, Canada announced its target for a 3% reduction in a first budget period and an 8% reduction in the second budget period (Unfortunately, I was not in the room due to work on another assignment. Since I didn't hear the Canadian proposal first hand, I didn't catch the details on the timing of the budget periods nor on the scope of the coverage.)

The morning session covered 2 agenda items: discussion of emissions budgets and differentiation.

On emission budgets, Annex I Parties supported 5-year budget periods while developing countries restated their support for single year targets. Two interesting interventions to note. First, I would note that Norway gave a very heartfelt example of their dependence on hydropower, and how the natural variability of annual precipitation drives their support for a multiyear approach to a legally binding target. Second, I would note that the EU indicated that their change in a position from a single year target to a multi-year approach was purely support for the mechanical aspects of facilitating compliance with the legally binding target, and in no way changes their position on the substantive concerns about the level and timing of the target, their concerns about trading, or their objections to borrowing. Chairman Estrada tasked Gylvan Meira to come up with some new wording for the multi-year compliance timeframe concept because so many developing countries would not be able to agree to the terms "emission budgets", "emission credits", or "emissions allowed".

On differentiation, Parties again restated their views. The US re-explained its offer of flexibility to consider differentiation in targets if 1) it is not openended, but has reasonable bounds (i.e. a floor and ceiling), and 2) that differentiation would not result in a delay - the differentiated targets would be decided upon in the Kyoto agreement. Interventions to support differentiation were made by Australia, Japan, and Brazil. Iran stated that it was neutral on flat versus differentiated, but still objected to the EU bubble approach. The UK intervention was that while not opposed to differentiation, they signaled that they would not be willing to take on a more ambitious target than the U.S. or Japan. Chairman Estrada picked up on this point and noted that the "progress" on differentiation might eventually lead to agreement on the lowest common denominator (in other words, a flat rate target). Nevertheless, he asked the Swiss delegation to continue its consultations on differentiation.

*notes by Sharon Saile*COW OELROs Negotiations. Tuesday December 2. night session 8pm-11pm

The night session covered 3 topics: the coverage of gases, treatment of sinks, and the proposals for a compensation fund for developing countries. New Zealand announced its package for a uniform reduction target of 5% below 1990 levels in a 5-year budget period to start no sooner than 2005. They stressed that this reduction was conditional on least cost mechanisms, that it was based on all 6 gases, that they preferred flexible Policies and Measures which would allow countries to set their own domestic policies which would be by definition quite significant to achieve their proposed target.

The coverage of gases started on a somewhat positive note, as Chairman Estrada asked the Secretariat to hand out its analysis to compare 4 different proposals. The Secretariat indicated that it had received some information from EU and US experts (their table looks a lot like the US table, where the range of values has been adjusted to compensate for the EU analysis - see table). The Secretariat's bottom line analysis comparing the 3 gas approaches to US stabilization on 6 gases: the EU/G-77 proposal would be a 12.7% reduction below 1990 levels, and the Japan 2.5% proposal would result in a .4% increase above 1990 levels. Jonathan made a strong intervention which noted that the Secretariat's analysis was based on an underestimate of the growth in the long lived gases, and taking that into account, the EU proposal was really only a 10% reduction below 1990 levels. JP noted that the point is that it would be better to include the 6 gases and find some other way to accommodate other Parties' concerns about the uncertainty in the growth of overall emissions. The UK intervention basically pointed out that if the analysis showed that the US proposal really calls for a more stringent reduction in the 3 gases in order to accommodate the expected growth in the long-lived three gases. Japan intervened to object to the inclusion of the long lived gases because 1) there was no consensus on methods because of issue between potential versus actual emissions, noting that some Parties report potential, others report actual, and yet others aren't clear; 2) in 1990, these gases were essentially not counted in the baseline because of the timing of the Montreal Protocol, and 3) an unclear argument that the Annex I Parties are not equally covered under the Montreal Protocol (that 12 countries, (sharon's note: presumably EITs) have a different treatment than the rest of Annex I under the MP, which would cause unfair and perverse incentives (sharon's note: I believe they were implying that this would allow these Parties to continue to produce CFCs rather than appropriate substitutes because the CFCs wouldn't be limited by this Kyoto agreement.)

Chairman Estrada at this point proposed that he believed the COW could make progress because all Parties agreed that all 6 gases needed to be addressed: on a three basket approach which would then allow the long-lived 3 gases to be treated separately. Hungary suggested that there might be two separate 3-gas baskets. The Russian Federation suggested that there might be a 3-basket approach for the first budget period with a full 6-gas approach by the second budget period. Norway indicated its overall support for the 6 gas basket, but indicated that the only gas it could see treating differently might be the HFCs, because PFCs are produced industrially just like N2O and therefore one would need at least a 5-gas basket. Iran made an interesting

* Hungary's proposal is to leave options for 1) separate target for separate 3 gas basket, 2) merger of target for eventual 6-gas basket, or 3) separate Policies + Measures (ie phase out) for separate 3 gases to be concluded by COP 4.

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intervention to acknowledge that the other 3 gases are significantly longer-lived than CO2 and that it would be more realistic to account for sinks (it was totally not clear what the policy point of these observations would be.)

On the sink issue, the informal contact group felt it needed more time to consider the options they had discussed. I had to leave the room, so I think Estrada may have indicated that he would proceed on the 2 options which reflect the widest range of views, but would still encourage further contact over the next day to try to come to further consensus views.

On compensation, the two G-77 proposals were discussed - for sake of clarity, the first G-77 proposal in paragraph 3.17 is the OPEC compensation fund where the compensation is provided for the actions Annex I Parties would undertake to fulfill their commitments while the second G-77 proposal in paragraph 3.18 is the Brazil "clean development fund" where the compensation is provided as a non-compliance penalty for failure to take action. All Annex I Parties objected to the para 3.17 OPEC proposal, including Canada, US, EU/Luxemborg, Japan, New Zealand, and Poland (Poland stressed their objection by pointing out that they as an Annex I Party would be expected to compensated Saudi Arabia which has 5-6 times the level of GDP per capita).

On the clean development "fund", Brazil pointed out its suggestions that there might be some room to explore consensus on joint text on the proposal if the non-compliance aspect were removed but the centralized authority were retained, perhaps coordinated through the FCCC Secretariat. Costa Rica and Columbia both intervened to offer support to the Brazilian suggestion, as did the US, New Zealand, and Canada, with interest in participating in any drafting/discussions offered by Japan and the EU. Chairman Estrada tasked Gylvan Meira with exploring joint text on this issue.

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MEMORANDUM

December 2, 1997

From: Bob Boynton *Bob Boynton*To: Melinda Kimble
Mark Hambley

Subj: Senators Lieberman, Hagel, Chafee and Enzi Meeting with Chinese Delegation

The four senators met with Liu Zhenmin, deputy head of the Chinese delegation, and two members of his delegation on Tuesday morning, December 2. Liu basically stated the standard Chinese/G-77 line, i.e. the developed nations have to set limits first and China can not commit to binding limits at this time.

Senator Hagel opened the discussion by explaining that, from the U.S. perspective, addressing an environmental problem such as climate change would require participation by all nations. He added that, even accounting for differences among countries, it would be difficult for Americans to understand placing limits on ourselves if other large countries did not also accept limits. Hagel said this was especially true for a country such as China, which would surpass the United States in GHG emissions by 2020.

Liu responded by emphasizing the backward state of development in China: 100 million people without electricity; many more with inadequate electricity; 70 million below the poverty line by Chinese standards and 300 million below by World Bank standards; per capita GDP of \$600. Liu said the developed countries can not expect China to leave its people in this condition; continued economic development is necessary to bring the population out of poverty. He characterized this as a human rights problem, and said that the people would not stand for the Chinese government giving environmental remediation a higher priority than basic human subsistence. Liu buttressed his argument with statistics comparing Chinese and American energy consumption and GHG emissions.

Senator Lieberman reiterated the difficulty in selling his Senate colleagues on unilateral binding limits, and asked Liu if there was any way the Chinese side could make some type of commitment to limits. Lieberman also asked Liu if endorsing JI was feasible. Liu did not offer even a hint of Chinese willingness to consider limits, and said that they preferred AIJ for now - JI was a future prospect.

In summary, there was no indication of any flexibility on the Chinese side, and the meeting did not give the senators anything to work with in the domestic political context. The only value of the discussion was to give the senators an understanding of the problems underlying formulation of the Chinese position. This may be of some help to Hagel and Chafee in preparation for their meetings in Beijing this week.

cc: David Hales

WAS/KOL

DRAFT

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The Conference of the Parties, at its third session,

Recalling Articles 3 of the Protocol, which requires each Annex I Party to limit "its" emissions, as set forth in that Article,

Recalling Article 5 of the Protocol, which calls for further work on methodologies for estimating anthropogenic emissions by sources and removals by sinks of greenhouse gases,

1. recognizes the need to address, through work on methodologies, the appropriate treatment of bunker fuels;
2. recognizes the ability of two or more Annex I Parties to arrange for emissions in the territory of one such Party that are attributable to activities of another such Party to be counted against the emission budget of the latter Party; and
3. decides that emissions related to multilateral operations conducted by militaries pursuant to the UN Charter, such as peacekeeping and humanitarian assistance, shall not count against the emission budgets of individual Annex I Parties.



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MINISTER FOR THE ENVIRONMENT

Media Release
Hon Simon Upton.

2 December 1997

UPTON ANNOUNCES CLIMATE CHANGE POSITION

New Zealand will be advocating a uniform greenhouse gas reduction target of up to 5% below 1990 levels, the Minister for the Environment, Hon Simon Upton, said today.

This reduction will take place within a five year budget period beginning no sooner than 2005 and is conditional upon the following requirements:

- inclusion of at least the three main greenhouse gases (CO₂, methane and nitrous oxide);
- provision for international emissions trading;
- the appropriate inclusion of carbon 'sinks';
- flexibility in the choice of policies and measures to achieve reduction targets; and
- provision for developing countries to accept emission reduction commitments in the future.

Mr Upton said, "whether or not these conditions are accepted will greatly affect the costs faced by all parties. The non inclusion of any of these items would affect the ambitiousness of any target we could sign up to at Kyoto".

"The policy announced today is consistent with the line New Zealand has been promoting for some months. The target, I believe, places New Zealand amongst those countries seeking to promote an outcome from Kyoto that is both realistic and achievable.

"Given the ongoing growth of emissions in most developed countries since 1990, achieving a 5% reduction target would represent very significant progress by the Annex I countries," concluded Mr Upton.

ENDS

Contact: Paul Goldsmith, 04 471 9794 or 04 476 0392

HIGHLIGHTS FROM THE THIRD CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 2 DECEMBER 1997

Delegates to the Third Conference of the Parties (COP-3) to the UN Framework Convention on Climate Change (FCCC) met in negotiating groups under the Committee of Whole (COW). Delegates discussed quantified emission limitation and reduction objectives (QELROs), institutions and mechanisms and Article 4.1. Informal consultations were held on the treatment of carbon sinks. A number of delegations, as well as the Chair of the COW, held press briefings.

QELROs

The negotiating group on QELROs, chaired by Raúl Estrada Oyuela (Argentina), met for the first time in the morning. Discussion focused mainly on budgets and differentiation. On budgets, one delegation explained once again its preference for the concept of the budget approach. A group of countries opposed the concept, saying that there was confusion between the terms "budget periods" and "emission budgets." As a way to alleviate confusion, one delegation proposed using the term "compliance period" within a paragraph on timing for QELROs. A contact group was formed to consider language to describe the "budget/compliance" period. There seemed to be increasing agreement that the range for the initial "budget period" should be five years. However, further negotiation will be needed to determine when it should begin.

The group also discussed possible parameters for differentiation on the basis of a recent offer by one delegation to be flexible on acceptance of the concept. A country indicated that differentiation might be appropriate if limited, and suggested a range of 0-5% as an example. A regional group indicated that differentiation should not be allowed to become a loophole. Concern was expressed that differentiation might result in an excuse for inaction.

Canada submitted a proposal on QELROs consisting of a 3% reduction of GHGs below 1990 levels by the year 2010. It also provides for an additional reduction of 5% by 2015, and indicates that the years 2010 and 2015 refer to the mid-point years of budget periods. Canada's objective is a protocol that provides for comprehensive coverage, including sinks and six greenhouse gases, and maximum flexibility in its implementation. Flexibility would entail measures such as emissions trading and the banking and borrowing of emissions budgets. Canada said joint implementation with credits offers the best combination of technology and financial transfer to developing countries and expressed the hope that developing countries would see its potential value. He also called for recognition of the potential contribution of other measures, including the export of energy with low carbon content.

Canada said that delegates must come away from Kyoto confident that key developing countries, especially those whose emissions are large and growing, will ultimately be part of a process leading to a solution. Developing countries should take care not to feed ammunition to those people who would cite their arguments as an excuse for doing nothing. Canada stated that equivalency of effort is an important objective if their target must be "sold" domestically. An acceptable way to appropriately recognize national circumstances must be found, and differentiated targets could be included. He said that while the EU's wish to act jointly is understandable, he remains unpersuaded that this approach would be equitable. A major problem inherent in the EU "bubble" approach is its allowance for wide differentiation of targets within the EU, while denying differentiation to others. The effect of future additions of EU member states also presents a problem.

Contact groups were formed to discuss differentiation and the number of gases to be covered by the legal instrument (coverage). The QELROs group continued its deliberations on gas coverage and sinks in an evening session.

INSTITUTIONS AND MECHANISMS

The working group on institutions and mechanisms convened in the morning and early evening. The Chair, Takao Shibata (Japan), identified a number of items in need of further consideration: the Meeting of the Parties, entry into force, and compliance. Having identified the key outstanding issues, Chair Shibata set up an informal contact group that will be chaired by Patrick Szell (UK). After its first meeting in the afternoon, the contact group reported some progress on the article dealing with the Meeting of the Parties and was expected to reconvene for further deliberation. Discussion was based on G-77/China proposals tabled at AGBM-8 in Bonn. The contact group discussed the inter-relationship between the Meeting of the Parties (MOP) and the Conference of the Parties, the way in which the article on the MOP should refer to the review of the adequacy of commitments under the FCCC, and other outstanding issues.

ARTICLE 4.1

Participants reported little movement in the negotiating group on advancing the implementation of FCCC Article 4.1 (Article 12 in the negotiating text), which is being co-chaired by John Ashe (Antigua and Barbuda) and Bo Skjellén (Sweden). Industrialized nations favored alternative text under which all Parties would, *inter alia*, implement national and regional programmes containing measures to mitigate climate change and facilitate adequate adaptation. Developing countries preferred an alternative stating that developed countries shall incorporate QELROs and P&Ms into their national programmes. Developed countries would also specify measure taken to finance technology transfer, provide financial resources and assist in meeting the costs of adaptation.

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Some delegates expressed concern over who would bear the costs of proposals to, *inter alia*, formulate programmes to improve protection measures for infrastructure and deploy adaptation technologies. On Article 13 (financial resources), some developing countries objected to bracketed language that would have financial resources to meet their full agreed costs provided [through the mechanism defined by the Convention].

CONSULTATIONS ON SINKS

The contact group on sinks chaired by Antonio la Vía (Philippines) met in the morning to discuss a Chair's draft on sinks. The draft would set QELROs on gross emissions and measure compliance with net emissions. It refers to "verifiable changes... resulting from direct human induced land-use change and forestry activities since 1990" to achieve compliance. The sinks would be limited to a verifiable change in stocks covered in the land-use change and forestry sector of the IPCC guidelines.

Delegates reiterated divergent, previously stated positions about whether or how to include sinks in QELROs. They debated the meaning of a number of terms included in the Chair's draft, with some noting that "new" and "direct" appeared vague. Concern was also raised with the reference to 1990 as a base year. No agreement was reached, and the contact group resumed an evening session to develop recommendations to the QELROs negotiating group.

PRESS BRIEFINGS

CHAIR OF THE COW: COW Chair Raúl Estrada Oyuela reported there had been some progress in the discussions and noted Canada's official presentation of its targets. He also noted discussions on target years versus budget periods, whereby targets are established either as a percentage of reduction for specific years or for a number of years. He said problems with transparency and flexibility will need further consideration.

On differentiation, he recalled that there has been a long-standing discussion of flat rate versus differentiated reductions among countries and noted that the difficulty arises in deciding what criteria to use for differentiation. He said Parties have been choosing targets that best suit their needs and much work is needed to make them compatible. He expressed concern that when differentiation is discussed, proposed reduction goals "will go to the floor, not the ceiling." He noted that no Party has yet said it would reduce more than the others.

When asked if delegates had discussed the "evolution" of the Convention, Estrada said the item has not been assigned to the COW. He cautioned that FCCC Article 4.1 contains commitments for all Parties, and the question refers to quantified commitments with regard to emissions. He said quantitative commitments will come in due time for developing countries. When asked if differentiation could be settled in the short time remaining, Estrada noted that many Parties already have a clear position on what they intend to do. He also noted that there was a tendency toward multiple year targets.

OTHER PRESS BRIEFINGS: The G-77/China, the European Community (EC), Japan, the US and Canada were among those giving press briefings. The G-77/China reiterated the need to preserve the principle of common but differentiated responsibilities as defined in the FCCC and indicated that the US proposal on "voluntary but binding" commitments for developing countries counter to this principle.

The EC said that there was growing consensus regarding a 5-year time frame for "budget periods," but indicated that further consultations were needed to determine when the first budget period would begin. He spoke of differentiation based on a 0-5% range of reductions of emissions. However, he indicated that the EU was not in a position to accept this range because a ministerial decision would be needed to change the QELROs target it had set itself.

The Japanese briefing emphasized that differentiation should acknowledge equivalence of efforts by different countries, and that additional criteria could be discussed within that framework. He pointed out that the "floor to ceiling" differentiation of 0-5% that had been discussed reflected the Japanese proposal. The US indicated that joint implementation with credits is a least-cost win-win solution.

IN THE CORRIDORS

Observers noted increasing efforts by the United States and others to attack the European Union's positions, particularly on QELROs and the "bubble." The aggressive tone was joined in the corridors by comments that the EU could not sustain a 15 percent target were it not for large emissions reductions unmotivated by climate change concerns and its refusal so far to address all gases. EU representatives called the critique of the bubble "a tactic," but some NGOs said the vehemence of the criticisms compelled them to come to the EU's defense because, they said, the EU wasn't defending itself. Some observers suggested that a greater threat to the EU's coordination of a group position may be ongoing informal courtship of some EU members by proponents of competing QELROs proposals.

IN THE CORRIDORS II

A day after the US' expression of interest in differentiation, this hurdle to an agreement may be receding in discussions within the QELROs group. Some participants say that a narrow band of differentiation could make deeper cuts palatable for some countries, resulting in a greater aggregate reduction in global emissions than otherwise possible. Others would be satisfied if it at least makes it possible to reach an agreement that all countries can live with. Some participants worried, however, about the impact of an agreement based on differentiated targets. Pleas were heard that differentiation not become a loophole, as was the fear that providing a "floor to ceiling" range would encourage countries to head for the floor.

IN THE CORRIDORS III

News that Al Gore is to fly into Kyoto Sunday was greeted with speculation about the significance of the Vice President's attendance for the US negotiating position. Optimists were quick to suggest that Gore would be unlikely to attend the COP only to defend the current US target for stabilisation. Instead, they argued, the visit suggested he might preside over an improved offer on GHG reduction targets. Noting that Gore would spend only eight hours in Kyoto, an NGO observer said she did not believe the Vice President would negotiate.

THINGS TO LOOK FOR TODAY

Plenary: Plenary will meet at 10:00 am and is expected to meet in the afternoon.

Voluntary Initiatives Symposium: A Symposium on Voluntary Business Initiatives for Mitigating Climate Change will be held from 10:00 am - 6:30 pm at the Hotel Genvia Kyoto, Kyoto Station Building. The Symposium is sponsored by Keidanren (Japan Federation of Economic Organizations), the International Chamber of Commerce and the World Business Council for Sustainable Development.

(4) b

3 December 1997

cc: JAF
SY
MJ
Hm
RL
JH**FAX to:** 202 647-0217**To:** Ms. Conchita De Shazo**From:** USDEL/Kyoto, Mark G. Hambley**Subject:** COP-3 Supplement for Update 4: December 2/3, 1997

This supplement contains some additional reports prepared by the USDEL personnel on activities and events at the on-going Third Conference of the Parties in Kyoto, along with the December 3rd edition of ECO, the environmentalist rag paid for in part by the environment ministries of several EU member states. This report should be read in connection with the regular daily Update No. 4 for December 2/3, 1997.

Climate Technology Initiative (CTI) Ad Hoc Group

The CTI Group met briefly on December 1 to deal with issues related to CTI events and statements during the COP and a few urgent decisions for next steps. The US participants were Abe Haspel, Rick Bradley, Jonathon Pershing, Paul Schwengels and Bob Dixon. The group discussed a possible Ministerial statement on CTI and a proposal from Japan to include a "new initiative" to strengthen technology cooperation in the statement. Several delegations including the US were concerned about generating possible confusion and unrealistic expectations with another "new initiative" coming so late in the process. A drafting group was formed to craft a statement should be prepared based on CTI experience to date and would include some general discussion of plans for the future and the interest in enhancing the initiative. It was also agreed this group would prepare a press release on the CTI event on Thursday. The Group then elected Abe Haspel of the US to become the new Chairman of CTI after Kyoto, and tentatively agreed to have the next meeting for two days in mid-January at Sandia National Laboratory in New Mexico.

US Initiative on Joint Implementation and Country Studies Program Information

The ISIJI and CSP staff (Dixon/Schwengels) have set up a distribution table for USIJI and Country Studies publications providing copies of over 30 separate publications documenting results of Country Studies, Support for National Action Plans and USIJI programs. These include several major substantive reports as well as newsletters, flyers and project summaries. Packages of selected short reports have been provided as background for Congressional delegations attending the COP. In addition, selected documents have been provided to the USIS staff dealing with press coverage in Kyoto.

*Prepared by
USIJI: Paul Schwengels*

Prepared by Paul Schwengels

CC:FORUM Seminar on Country Studies and Enabling Activities

The UNFCCC Secretariat organized and hosted a seminar on Tuesday evening, December 2 to present results of and perspectives on country studies and enabling activities by multilateral and bilateral sponsors and developing country participants. US participants were Paul Schwengels and Bob Dixon, who made a brief but substantive presentation on the US experience and results from 55 country studies and 18 ongoing Support for National Action Plan (SNAP) projects. He highlighted the large number of substantive reports and peer reviewed journal articles produced, and the national, regional and global workshops, conferences and training sessions organized. He also stressed the value of past and ongoing cooperation with other sponsoring organizations and the constructive role of the Secretariat's CC:FORUM as a mechanism for this. Other sponsors presenting included the CC:TRAIN project, the IPCC/OECD/IEA Inventory Methodology programme, UNEP, UNDP, the German GTZ country studies program and the Swiss government. Perspectives from developing countries were provided by representatives of Brazil, Egypt and Thailand – all of which made positive remarks about the valuable support provided by the US Country Studies Program.

*Prepared by
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Representing over 300 churches in 100 countries, the World Council of Churches regards the US demand for the developing countries to take on new commitments as unjust and unacceptable. This demand for poor developing countries to take on binding commitments at the same time as the rich countries clashes with the Berlin Mandate and hence with the promise made by the Annex 1 countries at COP 1 to take the first step. The WCC believes that Annex 1 countries must prove their seriousness by implementing

developing countries already work on a voluntary basis on energy efficiency programs and other strategies to limit greenhouse gases.

To conclude, there should be no new binding commitments for developing countries in the Kyoto protocol. In addition, if there is a Kyoto Mandate, any negotiations of commitments of the non-Annex countries must be tied to an evaluation of the activities done by the Annex 1 countries in implementing their commitments in the Kyoto protocol.

eco

Members of JUSSCANNZ may think no-one has noticed what they are up to. Well we have. With the latest proposal from New Zealand there is now a convergence on a very weak target that is completely unacceptable. Japan paved the way by proposing the differentiation approach, which results in an approximate Annex I reduction target of 3.2 % (plus major flexibility). Then, on Monday, the US announced it would be willing to consider differentiation, which indicates potential movement on their target. Long supporters of differentiation, Canada then came in late Tuesday with its 3 % reduction by 2010 proposal.

Is a 3 % club being formed? Quite possibly. Canada, Japan, New Zealand and even the US could move to a 3% target without a major shift in their current positions.

But a 3% target throws the science out of the window. Annex I countries are currently 4.6% below 1990 levels, so a 3% reduction actually allows for an increase from where we are today. This is nowhere near what is needed to protect the world from "dangerous" climate change.

The EU and G77 & China need to stand up to this disturbing trend and insist on significant reductions. JUSSCANNZ, 3% is completely unacceptable - you have been warned.

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Don't Trip on the Threshold

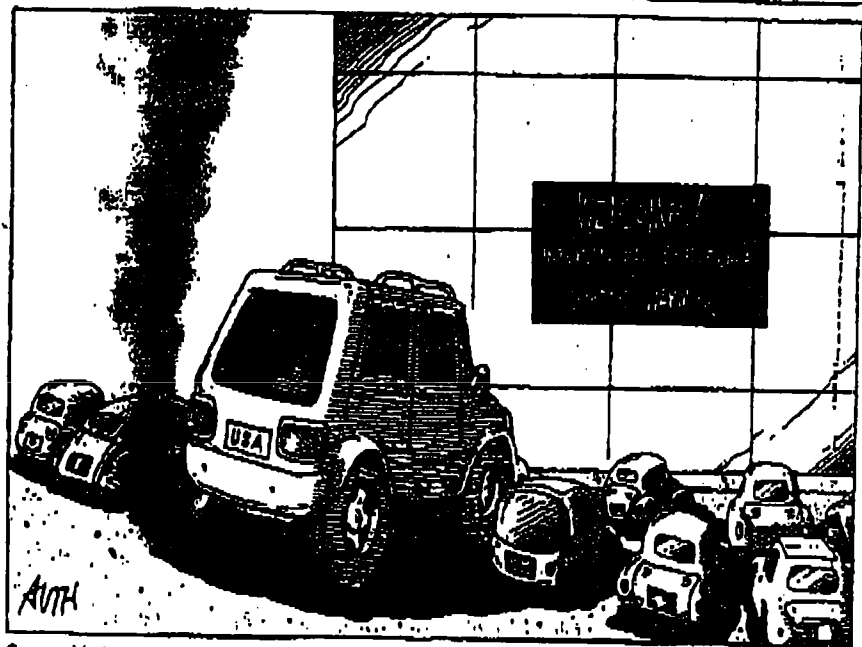
by Hermann Ott, Wuppertal Institute

It appears that actions by some Parties could have the undesired effect of preventing the Kyoto Protocol from entering into force. This could thwart any agreement coming out of COP 3 - whatever its content. In question is a rather obscure paragraph at the end of the Chairman's draft.

Article 27, in its present form, requires a so-called "double-trigger" for entry into force: not only must 50 states ratify the protocol (as in the PCCC), but these states must represent no less than three gigatonnes of carbon according to their most recent national communication. As it stands, this represents a serious threat to the agreement, since this figure is roughly half

of total 1990 carbon emissions. In effect, it would amount to a "veto" by the US and China, who together account for one third of the world's carbon emissions. Effectively, the veto would lie with the US, as China will not ratify first.

There is worse, though: Canada and at least one other have made an outrageous proposal for a threshold of five gigatonnes. If this succeeds, delegates might as well go home: the Protocol would *never become effective*, as this would require almost all states to ratify. Or is the intention that the adoption of a Kyoto Protocol be nothing more than a staged event, without governments ever being obliged to do anything so firestorm as to take any action...?



Same old story

Churches Back South

The World Council of Churches (WCC) delegation to COP3 calls for a change in the US position on commitments of developing countries.

Representing over 300 churches in 100 countries, the World Council of Churches regards the US demand for the developing countries to take

their existing stabilisation commitments and adopting real reduction targets before developing countries should be expected to accept binding emission limitation commitments. Many developing countries already work on a voluntary basis on energy efficiency programs and other strategies to limit greenhouse gases.

CLIMATE NEGOTIATIONS KYOTO DECEMBER '97 NGO NEWSLETTER

eco



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 COP3 in Kyoto, December 1997.

AGRN! – All Gases Right Now

Last night the QELROs group debated gas coverage. As a result, the danger is imminent that three very potent greenhouse gases might be left out of the agreement. It has always been the position of the US, and one that environmental NGOs emphatically support, that the main six greenhouse gases (CO₂, CH₄, N₂O, HFC, PFC, SF₆) must be covered by the terms of the Kyoto Protocol. Despite strong official positions, the US and Canada showed little resistance to a compromise proposal: to agree on a three gas basket here in Kyoto and to defer a decision on the other three gases to COP4, or later.

To defer HFCs, PFCs, and SF₆ seriously risks them not being covered at all in the foreseeable future. It is absolutely critical that

these "trace" gases be regulated in the Kyoto Protocol because their growth projections are set to go through the roof, and they have massive global warming potentials.

These trace gases could add as much as 10% to industrialized country emissions by 2010 (from a 1990 baseline). If they are left out of the Protocol, the increase in overall emissions might outweigh the benefits of reductions in the other greenhouse gases.

It is therefore paramount to have all gases covered right here in Kyoto, Japan, at COP3. Significant reduction targets must be set for all gases using the 1990 baseline. To miss this opportunity is unforgivable and would undermine the entire credibility of the Protocol.

Kiwis Aim Low

After months of fevered speculation, New Zealand yesterday finally announced its QELROs proposal to the massed ranks of waiting journalists. Stunned, the world's press corps heard the New Zealand Minister for the Environment, the Hon. Simon Upton, announce New Zealand's support for a uniform reduction target for "at least" CO₂, CH₄ and N₂O of 'up to 5% below 1990 levels'. The reduction would be achieved within a five year budget period starting no earlier than 2005. New Zealand has apparently clarified that the 5% is a flat rate, not differentiated, target.

The media release announcing the New Zealand position states that the target is conditional on the inclusion of emissions trading, the "appropriate" inclusion of sinks (oh, gross, guys) and flexibility as to which policies and measures to choose to achieve the target. New Zealand then jumps on the 'evolution' bandwagon by making its target proposal conditional on developing countries accepting emission reduction commitments in the future.

Hopes of a really radical reduction proposal without loopholes were dashed once more. Come on Norway, surprise us!



Fossil fuel lobbyists in search of a snack.

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ISSUE NO 3

VOLUME XCVIII

FREE OF CHARGE

The Really Gross Approach

Last night the now exhausted group on sinks failed to reach agreement despite of Estrada's strictures. Much of this failure can be laid squarely at the door of proponents of the so-called gross-net approach – that owes nothing to science and everything to the national interest of a few parties.

Nevertheless, Eco is impressed by an approach that can magically and effortlessly transform emission increases into emission reductions. But the magic does not work for some parties, such as Australia. This is unfair.

Eco alchemists have thus been working on a logical extension of the gross-net approach, known as the disgustingly-gross approach. It too follows the general New Zealand guide-

lines of parochial self-interest, combined with sleight of hand, but it benefits all parties. What you do is allocate all emissions, but not sinks, to the baseline year, and to exclude all emissions from the future target year, but including sinks.

This guarantees that all parties will be able to achieve an emission reduction target of at least 100%, more if sinks are included in the target year!

Alternatively, parties should today try to logically address the sinks issue in the light of science and completely ignore paragraph 2 (gross-net approach) of last night's newly named "forests non-paper" (*was is a non-paper?* ed.).

New science shows that the impact of climate change on forests and the terrestrial carbon sink undermines the current confidence in the net approach. This is revealed in a new report from the Hadley Centre Climate Change and its Impacts a global perspective, which uses a number of impact studies which have directly drawn on the output of the Hadley Centre model. Whilst the current ability of vegetation to absorb 20-30% of human-made CO₂ emissions (the terrestrial sink) will be maintained initially, after about 2050 the terrestrial carbon sink dramatically decreases and disappears by about 2080. This is due to the impacts of climate change and a weakening of the CO₂ and nitrogen fertilisation of photosynthesis and growth.

The Hidden Stake Holders

by Gerardo Alatorre, CAN-LA, Mexico

The climate change negotiations involve many actors, from governments to NGOs to the fossil fuel lobby. But we are not the only stake holders in this issue – every person on the planet will be affected by what happens within these halls.

As negotiations grind on at a snail's pace, and oil-dependent countries continue to block progress by distracting us with procedural matters and irrelevant small print, it is easy to forget why we are here. For the tens of thousands made homeless by the recent hurricane Pauline in southern Mexico, however, the climate is not some remote concept where we may wear a t-shirt instead of a thick jumper. The weather is a matter of life and death.

Hurricane Pauline may not have been caused by climate change directly, but the IPCC say that extreme weather events, such as

hurricanes, will increase in intensity and frequency.

The weather is also a life and death issue for peasants living in arid or semi-arid regions throughout the world, whose very survival is threatened by more frequent and severe droughts. Meanwhile, those living near coasts face a rising sea level.

If the voice of those who are living on the front line of climate change was heard in the UN plenaries, and if that voice was broadcast to the world, negotiators might get more of a sense of urgency in their deliberations. The science urges us to move beyond even the AOSIS proposal, but even this line of action is hardly mentioned in Kyoto.

Unless scientifically based timetables and targets (now called QELROS for some reason) are agreed in Kyoto, COP3 will quickly be forgotten as a non-event.

Indonesia's Future Riches?

by Surya Mulandar,

Indonesian Climate Action Network

Indonesia may see the sink issue as an opportunity to highlight itself as a major player at COP3, having the world's second largest area of tropical forest after Brazil. This position may prompt it to use sinks both as a negotiating chip and a profitable source of JI and AJJ (pilot stage JI projects) funds, which can be used for development projects.

This would be a fatal mistake as such JI/AJJ funds would be tiny compared to the funds Indonesia could receive for forest rehabilitation and reforestation. What may initially look like an opportunity may become a time-bomb. Should the day arrive when Indonesia does have to make GHG reductions, losing such sinks (through fires or bad forest management) could make Indonesia a major emitter almost overnight.

Panel Discussion – HFCs and Climate Change

Why HFC Emissions Must Be Regulated Through the Kyoto Protocol

Wednesday, December 3, 12:30 – 2:00 P.M. • Environmental NGO Meeting Room • Events Hall

Unregulated growth in HFC emissions could undermine the intended effects of greenhouse gas emission controls adopted in the Kyoto Protocol. The panel discussion, with industry and Greenpeace representatives, will explore the importance of HFCs within the context of global warming and the Climate Convention. Delegates, observers and media are invited to attend:

Program

Chair: Tessa Robertson

• "The Environmental Impacts of HFCs"

–John Maté, Greenpeace International, Greenfreeze Project

• "Global Warming Impact of HFC-134a in Auto Air Conditioning"

–Eric Johnson, Atlantic Consulting

• "Natural Alternatives to HFCs in Refrigeration"

–Joachim Paul, Integral

• "Field Experience with Hydrocarbon Refrigerants"

–Lorena Powell

• "HFCs – Why Should We Bother?"

–Paul Blacklock, Calor Gas

• "HFCs and the Kyoto Protocol"

–Bill Hare, Climate Policy Director, Greenpeace International

• Questions & Answers: General Discussion

CLIMATE NEGOTIATIONS KYCT3 DECEMBER '97 NGO NEWSLETTER

Learning to Comply

In the middle of gases, sinks, superheating and targets, Parties have overlooked one of the most central elements of the Kyoto Protocol – a tight, credible compliance procedure. The Kyoto Protocol must put in place a solid reporting, verifying, monitoring and enforcement structure. Where agreement on the specifics is not yet possible, strong markers for a clear process after Kyoto are essential. There are a number of opportunities to strengthen the current protocol text:

1. Review teams should be authorized to review all aspects of a Party's implementation of the Protocol, including the likelihood that a Party will achieve its emissions budgets obligations. Teams should review information, consult with a Party and prepare an assessment report identifying any areas of non-compliance. (Insert into Article 9)

2. Each Party should be required to establish a national monitoring, compliance and enforcement program to ensure domestic implementation. A description of these systems should be included in national communications. (Insert into Article 3 and 8)

3. In-depth review teams have been effective under the Convention. The guidelines should be strengthened by defining how information will be made available to the public and the mechanisms by which the public may provide comments, supplemental data, or other in-

formation to facilitate and improve reviews. (Insert into Article 9)

4. An Implementation Committee should be established to review compliance with obligations under the Protocol. Creating a separate body for this function is a priority. Implementation Committees have worked well in both the Montreal Protocol and the Second Sulphur Protocol. (Insert into Article 18)

5. The Secretariat should be given the mandate to identify for the Parties questions of implementation, including whether individual reports are consistent with reporting criteria; and to prepare an annual compilation and synthesis report that contains inventory and budget information, and notes any discrepancies in accounting. (Insert into Article 15)

6. A list of potential consequences for cases of non-compliance should be identified, including: devaluation of allowances, trade sanctions, financial penalties, and the denial of the opportunity to sell emissions credits if trading is part of the Protocol. If it is not possible to establish this list in Kyoto, an ad hoc legal group should be created to identify options by the first Meeting of the Parties. (Insert into Article 18)

Each of these points could easily be added into the current protocol text. Parties should not let this aspect of the protocol pass them by, leaving a loose, undefined mechanism which could be damaging in the future.

Cities Lead Way

Elected officials from cities around the world active in reducing local greenhouse gas emissions held a meeting in Kyoto yesterday, and called on national governments to adopt a 20% reduction target for 2010 and an interim target in 2005. Over 200 local governments from 29 countries are part of the Cities for Climate Protection campaign, representing over 100 million people and fully 5% of global greenhouse emissions. The city leaders, operating at the level of government most responsive to their constituents, emphasized that they have reduced greenhouse gas emissions in ways that reduced the costs of municipal operations, improved air quality, and created local jobs. National governments would do well to listen to them – they stand to gain the same benefits on a larger scale. And who knows? they might make themselves more popular...

TENGU 天狗

Well we've had virtual brackets, now it seems Japan is proposing virtual emissions: HFCs which would have been emitted in 1990 had they replaced CFCs at an earlier date. This opens up a whole realm of possibilities. How about the CO₂ that would have been emitted if Southern countries had had their industrial revolutions earlier, unchecked by colonial economic practices? Or Europe's enormous virtual sink, supposing the natural forest cover hadn't been removed over the last 3000 years? Then of course you get to the question of virtual reductions... or have we got those already?

Tengu is also quite taken by this idea of a compensation fund, and thinks this one could run and run. For example if, as some in the US claim, reducing emissions is bad for your economy, and unchecked pollution makes you rich, why doesn't the US let rip, unregulated. Everyone else can then reduce as much as they think prudent; on their own, and America pay them enormous sums in compensation out of the billions they're making. (NB, let no-one confuse this with emissions trading, which is of course an entirely different concept.)

THANKS

The Climate Action Network would like to thank the National Environmental Trust and Chikyu Kankyo Kikin for major funding for Eco and the Alton Jones Foundation, the Environmental Defense Fund and Greenpeace International for further financial assistance.

With resources contributed by APC Networks, Eurofax, Minolta mediaworks, Fuji Xerox Office Supply Co. and Horizon International.

**CLIMATE CHANGE
3rd CONFERENCE OF THE PARTIES
KYOTO, NOVEMBER 30 - DECEMBER 11, 1997**

<u>NAME</u>	<u>AGENCY</u>	<u>PHONE</u>	<u>FAX</u>
Stuart Eizenstat (Peter Bass)	State/E	202-647-7575	202-647-9763
Tim Wirth (Carol Thompson)	State/G	202-647-6240	202-647-0753
Rafe Pomerance	State/OES	202-647-2232	202-647-0217
John Campbell	State/OES	202- 647-1554	202-647-0217
Leslie Gerson	State/OES/SEI	202-647-2958	202-647-0773
Brooke Holmes	State/OES	202-647-4542	202-647-0191
Steve Muller	State/EB	202-647-3423	202-647-4037
Meg Donovan/Jaci Wilson	State/H	202-647-1048	202-647-2762
Todd Stern	White House	202-456-2702	202-456-2215
Steve Seidel	White House	202- 343-1060	202-343-1162
David Sandalow	White House/CEQ	202-456-6543	202-456-2710
Shelley Fidler	White House/CEQ	202-456-6224	202-456-2710
John Hilley	WHLA	202-456-6620	202-456-2604
Peter Orszag	White House/NEC	202-456-5358	202-456-2223
Diana Helios	White House/NS	202-456-9494	202-456-9490
Jim Steinberg	NSC	202-456-9491	202-456-9490
Andrew Kanders/Paul Risley	White House	202-343-1060	202-343-1162
Rosina Bierbaum	OSTP	202-456-6202	202-456-6025
Jennifer Haverkamp	USTR	202-395-7320	202-395-4579
Jeffrey Frankel	CEA	202-395-5046	202-395-6958
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Burgess Laird	USUN	736-7555	736-7551
Sherri Goodman	Defense	703-697-1013	703-693-7011
Jerry Stephens	DoD/JCS	703-697-5738	703-614-0905
Linda Silverman	DOE/PO	202-586-3896	202-586-4341
John Lieber	DOT	202-366-4450	202-366-7127
Sandra Hawkins	DOC	202-482-6055	202-482-4636
Laurence Campbell	DOC	202-482-3038	202-482-0325
Al McCartland	EPA/OPPE	202-260-3354	202-260-6405
Paul Stolpman	EPA/OAR	202-564-9140	202-564-9598
Richard Rominger (or) Jessica Wasserman	USDA	202-720-6158	202-720-5437
Elli Kaplan	Treasury	202-622-0409	202-622-0073
David Wilcox	Treasury	202-622-1260	202-622-0073
Lois Schiffer/Jim Simon	DOJ/EURD	202-514-2701	202-514-0557

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CLIMATE CHANGE
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KYOTO, NOVEMBER 30 - DECEMBER 11, 1997

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3711

4 December 1997

To: Please see attached listing

From: USDEL, Kyoto - Mark G. Hambley

Subject: Third Conference of the Parties to the Climate Convention, Update No. 5:
Report on Activities/Meetings on December 3/4, 1997

This unofficial and unclassified report covers various activities and meetings at the Third Conference of the Parties (COP-3) which is being held in Kyoto between November 30 and December 11, 1997. This edition covers events from the evening of December 3rd to the afternoon of December 4th. Although it is not classified, this report is intended for the use or distribution outside of the U.S. Government. This report contains details about the Dec 3rd and 4th meetings of the Committee of the Whole prepared by DOE's Debbie Stowell, plus a report on the Dec 4 meetings of the institutions negotiating group prepared by EPA's Clare Breidenich. The ECO for December 4th is being sent as part of a supplement to this update, as is the report prepared by the more respected EARTH NEGOTIATIONS BULLETIN for the same date, along with other reports prepared by USDEL members..

The final paragraphs of this report may be used as a summary as appropriate or desired.

COP-3 Update No. 5 (Dec 3/4): Government's Being Pressed on Gases and Sinks as Rumors about Various "Deals" Circulate in the Corridors; Late Night Sessions Begin

With the pressure of next week's deadline for a result now hitting home, delegates are meeting in multiple fora (scheduled to continue until 2 AM this morning but, in fact, lasting only until midnight) in order to try to sort out the remaining issues standing in the way of an outcome. In short, with the exception of the actual target, delegates are meeting to try to come to conclusion on everything from technical issues such as gases and sinks to broader issues, such as policies and measures, and how to handle the post Kyoto process. Thus far, with the exception of several articles dealing with non-controversial topics, most matters in the text remain unresolved.

As for the target question, the only "work" being done on the "numbers" issue is the recurrent speculation by various rumor-mongers, journalists and others at some distance from the actual negotiations (with the exception of the Japanese who, for reasons of wishful thinking, one must surmise, have been promoting the view that the U.S. is considering some kind of differentiation formula between zero and five percent reduction). Other theories being promoted in the corridors have a three-tier solution with some countries (the EU) adopting a 7.5 percent reduction, the U.S., a 5 percent reduction; with Japan (in view of its earlier efforts) taking on a 2.5 percent reduction. We have used our regular news conferences to refute these stories, but they continue to surface on a daily basis (such as the most recent one stating that the U.S. will agree to a five percent reduction in exchange for one of ten percent for the EU).

In reality, governments are being pressed by the chairman of the Committee of the Whole (COW), Raoul Estrada, to come to a rapid conclusion on the dual questions of gases and sinks. Both are

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complicated and have potentially significant implications for the reduction or limitation levels of Annex I countries. Not surprisingly, consensus on these two questions has been fleeting, although the ground separating competing factions has narrowed somewhat. Following is an update of where these and various other issues stand as of this writing late on Dec 4 (local time):

Gases: As reported in Update 4, this remains a matter of keen interest and a focus of considerable activity. With both the EU and Japan maintaining their respective positions, and with the near decision by Chairman Estrada to promote a three gas solution stopped for the moment, Japan is trying to gain concessions on its handling of HFCs in order to permit it to agree on a six gas formulation without going into the "plus" range in terms of overall emissions. This is a political imperative for Japan, and we are endeavoring to help them, but we are not thus far impressed with their proposed fix.

Sinks: The Philippino chair of this contact group reported on Dec 4 to the QELROS negotiating group that consensus had not been reached. At the moment, there is considerable support for a gross/net approach, but all bets are off as to the final outcome. The Philippino delegate will submit his "final" report to the COW at its late night session Dec 4. It is anticipated that Estrada will take his recommendation to put in some formulation on sinks into the final equation. New Zealand approached us this morning with an urgent appeal to support the gross/net approach, indicating that, without it, New Zealand will not be able to sustain the five percent reduction announced by Minister Upton earlier this week (see Update 4 for details).

Budgets: As indicated in Update 4, this concept has been accepted by the group. However, the term will be replaced by another moniker which will be recommended to us by Brazil's Gylvan Meira. It could be a long wait (although an impatient Estrada has suggested that he expects a recommendation on Dec 4).

Article 10: This provision of the current text, with its voluntary mechanism for legally binding commitments by non-Annex I Parties, is critical for us. It is currently has some critical brackets which have to be removed. The cause was helped along considerably on Dec 3rd by Chile's public endorsement of the concept, an action which provoked an outburst from the G-77/China rep who chided Chile for "breaking G-77" solidarity on this issue. Korea also spoke up in a positive vein about this concept, with Mexico being uncharacteristically mixed. At a Dec 4 meeting, Mexico sounded considerably more positive, however. The fate of this article will undoubtedly await next week's high level segment for final resolution. As it is, the G-77 (in this case, Mexico (the chair), India, Brazil, China, Indonesia, and South Africa) is known to be drafting amendments to this article, including, we understand, the EU's proposed new Article 10 bis, under which countries could adopt policies and measures in lieu of a firm QELROS commitment.

Joint Implementation with Credit: Although this concept was given a boost by Brazil's suggestion that it could be married with its Clean Development Fund, the actual wording is tricky and currently undergoing considerable scrutiny. Although initial reaction to the article has been heartening, several countries have expressed misgivings about the concept, including Japan and Germany. This is another issue whose fate will probably have to wait resolution until next week, although Estrada is pushing Brazil to finish its consultations on this issue. If Brazil is successful, it is probable that the name "joint implementation" will disappear with a new formulation, based on a "clean development funding mechanism," being substituted in its stead.

Emissions Trading (ET): Both the EU and Japan have stymied closure of this important flexibility mechanism by insisting on restricting trading to an auctioning system only, by establishing a highly bureaucratic morass for handling the trades which would be neither efficient nor cost effective, or by capping the number of emissions allowed. The EU was quite blunt at the Dec 4 troika plus Japan meeting by "suggesting" that its approval of ET and its help on developing countries was linked to

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approval of the EU bubble. Meanwhile, the Japanese have linked this issue to our support for them on the gas issue, and interventions have been made in both Washington and here.

In a meeting on Dec 4 between U.S. and Japanese negotiators, the latter expressed appreciation for the explanations of our thinking about emissions trading. However, we are unlikely to get much from our Japanese colleagues, until the gas issue is sorted out. The EU is even more problematic. In this instance, it is France, especially, which is balking at our views. We are told that this is in part a reflection over France's perception that we are unfairly attacking (sic) the EU bubble.

The EU Bubble: This concept was again roundly attacked/questioned by the U.S., Canada, New Zealand, Australia, and the Russian Federation on now familiar grounds on Dec 4. The UK, speaking for the EU, took to the floor on several occasions outlining the view that this is critical to the EU, attacking the linkage which he perceived in some of the comments, and giving no indication that either the EU delegations or their ministers intend to provide any additional answers to the questions raised. At one point, an apparently desperate (and usually unflappable) Peter Unwin resorted to a now dated article entitled "a basket of fruit" which appeared in the NGO rag, ECO, which had defended the EU against American charges about its transparency and equity. The bubble issue was turned over to a contact group by Estrada under the chair of Norway.

Borrowing: This article has now been deleted. We will bill this as a major concession on part of the U.S. which had pushed strongly for its inclusion.

Compensation: At Iran's insistence, the Chair authorized the Iranian delegate to conduct consultations and to form a contact group, as necessary, on this OPEC-originated concept. It will be around to haunt us for a while yet.

Status of Economies in Transition (EITs): The QELROS negotiating body agreed on the flexible baseline issue for EIT countries on Dec 3rd.

Article 12 and Article 13 (which deal with advancing commitments under Article 4.1 of the convention) and with the financial mechanism: It is quite clear that the G-77/China is using these articles as negotiating chips. As a result, discussion has been particularly unpalatable in both areas. Treasury's Mark Rentschler is now assisting us in handling Article 13 on the financial mechanism.

Differentiation: Our Swiss colleague completed his consultations on this topic on Dec 4. The Chair indicated that he does not want a written report, although the Swiss promised to get us a copy of the results of the survey he conducted among various Annex I Parties and Brazil. The only surprising aspect of the results was the indication on the part of most of the participants that they would be willing to accept a differentiated outcome in which other countries had weaker targets than their own. We will await the results until we hear more. In any case, differentiation appears now in three aspects of the proposed agreement: (a) in the context of the EU bubble; (b) in the context of the EIT baselines; and c) in the context of Article 10.

Developing Countries: This issue will face us again at the Friday plenary. Tactics among JUSCANZ are currently being considered. New Zealand will table (or, at least, discuss) a proposal which is broadly acceptable to us although we will probably call for something more stringent. The EU has also prepared a draft text along the lines that they intimated to us earlier which is focused on a review under Article 7.2 (a) and which contains obnoxious suggestions about the need for mandatory coordinated policies and measures. At the evening troika meeting, they said that they will hold their draft in abeyance for the time being. (This is probably a wise suggestion; now, we'll have to see if the EU holds to it!)

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Policies and Measures: A negotiating body met for the first time on this topic on Dec 4 with predictable results. The only difference on this occasion is that the U.S., JUSCANZ and the G-77/China are on the same side on this occasion.

"Yugoslavia" May Cause More Trouble

Aside from these key substantive issues, an important procedural question arose on Dec 3rd involving the seating of the Federal Republic of Yugoslavia. Joined by Croatia, Pakistan, Morocco, Egypt, Iran and other countries, the U.S. insisted that Yugoslavia not be allowed to participate in this or any meeting, until such time as it rejoins the UN and implements the Dayton Accords. Yugoslavia took its seat for the first time since it deposited its instrument of ratification. According to a purloined UN advisory paper from the COP President on this matter, Yugoslavia can sit in Plenary as a full-fledged Party following Dec 2nd because it signed when it was a member in good standing. According to this UN paper, Yugoslavia can be removed only by a majority vote, but only if rules of procedure are "adopted." Unfortunately, the rules are only being applied, which means that they must be adopted by consensus - something which is not currently possible both due to presence of the Russian Federation and due to the fact that OPEC is currently blocking the adoption of the rules.

Some Good, but Barely Related, News

It was announced at the morning JUSCANZ meeting by our Bureau representative, Tony Clarke of Canada, that Argentina has offered to host COP-4 after all, supplanting Bonn. The dates are not yet known, but this report is good news, indeed, for those of us who want to trade in schnitzel for tapas!

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

COP-3 Update No. 5 (Dec 3/4): Government s Being Pressed on Gases and Sinks as Rumors about Various "Deals" Circulate in the Corridors; Late Night Sessions Begin

With the pressure of next week's deadline for a result now hitting home, delegates are meeting in multiple fora in order to try to sort out the remaining issues standing in the way of an outcome. In short, with the exception of the actual target, delegates are meeting to try to come to conclusion on everything from technical issues such as gases and sinks to broader issues, such as policies and measures, and how to handle the post Kyoto process. Thus far, with the exception of several articles dealing with non-controversial topics, most matters in the text remain unresolved. As for the target question, the only "work" being done on the "numbers" issue is the recurrent speculation by various rumor-mongers, journalists and others at some distance from the actual negotiations. We have used our regular news conferences to refute these stories, but they continue to surface on a daily basis (such as the most recent one stating that the U.S. will agree to a five percent reduction in exchange for one of ten percent for the EU).

In reality, governments are being pressed by the chairman of the Committee of the Whole (COW), Raoul Estrada, to come to a rapid conclusion on the dual questions of gases and sinks. Both are complicated and have potentially significant implications for the reduction or limitation levels of Annex I countries. Not surprisingly, consensus on these two questions has been fleeting, although the ground separating competing factions has narrowed somewhat. Following is an update of where these and various other issues stand as of this writing late on Dec 4 (local time):

Gases: As reported in Update 4, this remains a matter of keen interest and a focus of considerable activity. With both the EU and Japan maintaining their respective positions, and with the near decision by Chairman Estrada to promote a three gas solution stopped for the moment, Japan is trying to gain concessions on its handling of HFCs in order to permit it to agree on a six gas formulation without going into the "plus" range in terms of overall emissions.

Sinks: The Philippino chair of this contact group reported on Dec 4 to the QELROS negotiating group that consensus had not been reached. At the moment, there is considerable support for a gross/net approach, but all bets are off as to the final outcome. The Philippino delegate will submit his "final" report to the COW at its late night session Dec 4. It is anticipated that Estrada will take his recommendation to put in some formulation on sinks into the final equation.

Budgets: As indicated in Update 4, this concept has been accepted by the group. However, the term will be replaced by a new name which will be recommended to us by Brazil's Gylvan Meira.

Article 10: This provision of the current text, with its voluntary mechanism for legally binding commitments by non-Annex I Parties, is critical for us. It is currently has some critical brackets which have to be removed. The cause was helped along considerably on Dec 3rd by Chile's public endorsement of the concept, an action which provoked an outburst from the G-77/China rep who chided Chile for "breaking G-77" solidarity on this issue.

Joint Implementation with Credit: Although this concept was given a boost by Brazil's suggestion that it could be married with its Clean Development Fund, the actual wording is tricky and currently undergoing considerable scrutiny. Although initial reaction to the article has been heartening, several countries have expressed misgivings about the concept, including Japan and Germany. This is another issue whose fate will probably have to wait resolution until next week, although Estrada is pushing Brazil

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to finish its consultations on this issue. If Brazil is successful, it is probable that the name "joint implementation" will disappear with a new formulation, based on a "clean development funding mechanism," being substituted in its stead.

Emissions Trading (ET): Both the EU and Japan have stymied closure of this important flexibility mechanism by insisting on restricting trading to an auctioning system only, by establishing a highly bureaucratic morass for handling the trades which would be neither efficient nor cost effective, or by capping the number of emissions allowed.

The EU Bubble: This concept was again roundly attacked/questioned by the U.S., Canada, New Zealand, Australia, and the Russian Federation on now familiar grounds on Dec 4. The UK, speaking for the EU, took to the floor on several occasions outlining the view that this is critical to the EU, attacking the linkage which he perceived in some of the comments, and giving no indication that either the EU delegations or their ministers intend to provide any additional answers to the questions raised.

Borrowing: This article has now been deleted. We will bill this as a major concession on part of the U.S. which had pushed strongly for its inclusion.

Compensation: At Iran's insistence, the Chair authorized the Iranian delegate to conduct consultations and to form a contact group, as necessary, on this OPEC-originated concept. It will be around to haunt us for a while yet.

Status of Economies in Transition (EITs): The QELROS negotiating body agreed on the flexible baseline issue for EIT countries on Dec 3rd.

Article 12 and Article 13 (which deal with advancing commitments under Article 4.1 of the convention) and with the financial mechanism: It is quite clear that the G-77/China is using these articles as negotiating chits. As a result, discussion has been particularly unpalatable in both areas.

Differentiation: Our Swiss colleague completed his consultations on this topic on Dec 4. The one surprising aspect of the conclusions was the extent to which those queried indicated that they have no objections to other countries taking on lesser commitments than their own.

Developing Countries: This issue will face us again at the Friday plenary. Tactics among JUSCANZ are currently being considered. New Zealand will table (or, at least, discuss) a proposal which is broadly acceptable to us although we will probably call for something more stringent. The EU has also prepared a draft text along the lines that they intimated to us earlier which is focused on a review under Article 7.2 (a) and which contains suggestions about the need for mandatory coordinated policies and measures.

Policies and Measures: A negotiating body met for the first time on this topic on Dec 4 with predictable results. The only difference on this occasion is that the U.S., JUSCANZ and the G-77/China are on the same side on this occasion.

Some Good, but Barely Related, News: It was announced at the morning JUSCANZ meeting by our Bureau representative, Tony Clarke of Canada, that Argentina has offered to host COP-4 after all, supplanting Bonn. The dates are not yet known, but this report is good news, indeed, for those of us who want to trade in schnitzel for tapas!

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COW: QELROs 12/3

D. Stowell

The informal session of the COW on QELROs took up several Articles. Overall, progress was made on. Topics that were taken up included gases, flexibility for economies in transition, emissions trading, joint implementation, sinks, Article 10, and adequacy of commitments. Emissions trading and joint implementation were glossed over, with the Chair noting that informal consultations were under way on these Articles. Language presented by the chair on flexibility for economies in transition was also introduced.

Article 10—

Discussions on Article 10 were decidedly negative. The UK set the tone by introducing language (and additional reporting requirements) which the Chair felt would be a "nice way to kill the Article." Most developing countries spoke out against this Article, stating that they thought it circumvented the Convention. One pleasant surprise was the intervention by Chile, who spoke out in favor of maintaining the Article. Chairman Estrada also went to great length to explain that Article 10 was in accordance with the original AOSIS proposal, and he did not understand why they had changed their position. After Chile's intervention, Tanzania felt it necessary to explain why (and admonish) Chile for speaking outside the G-77 position. There was some expectation that Mexico and Korea would speak out for retention of this Article. However, Mexico much more so than Korea, was negative. Mexico stated that Article 10 must be completely voluntary from when they would begin, to reporting and compliance. Brazil and the Chair also had a heated exchange over whether it was appropriate to discuss the Article.

Article 11—

Several textual changes were proposed during the course of this discussion. There was quite a bit of debate over whether the adequacy of commitments should include specific reference to Article 2 (policies and measures) and over the necessity of including the word adequacy. The US, supported by Tanzania and several other developing countries, suggested language which satisfied some of the Parties by eliminating the focus on the adequacy of commitments within any particular Article. Paragraph 1 no refers to the periodic review "of this Protocol, in light of the best available scientific information..." This language was adopted.

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COW – Morning session, 4 DEC 97 OELROS under Pres. Estrada: The EU bubble

Discussion began with a text submitted by Japan, presenting amendments and modifications to the EU text (Article 4). Japan then gave an intervention discussing their concerns and reasoning behind the offered amendments. The main concerns are for legal responsibility, equity and transparency. Japan noted that differentiation was a better approach for promoting our common endeavor. Amendments: specified individual responsibility of each member; required approval by the MOP for bubble arrangements; required notification for changes in burden sharing and membership.

The UK (for EU) then responded that the bubble was essential for their participation in the protocol; that it was not new; that it had no inherent advantage; that it was transparent (despite only having provisional numbers presented so far – his words); that the concept was open to any group of parties; the legal responsibility was only on the Party who did not meet the commitment and the EU (not all of the members); rejected the approval and notification ideas, and stated that the EU was not competent to meet the commitment by itself (his words). UK stated that the bubble did not impart any advantage.

The US spoke briefly (as requested by the Chair), that para 1 did not indicate the advantages of the bubble and disadvantage to others, and that perhaps in recognition they should perhaps have a different obligations & a maximum allowable exchange between Parties (similar to the limits they are requesting on emissions trading). The US also questioned the timing of changes to the commitments and equity. The US indicated it would seek additional text to clarify the advantages and calling for review of the function of the bubble.

The Russian Federation then spoke in criticism of the bubble, based on the principles that in the FCCC jointly implied equal commitments, and that the BM called for reductions, not the growth allowed in the bubble.

Hungary spoke in favor of the bubble, with its intention to join.

UK for EU then offered an article from ECO (the authoritative source) in response to the US, saying that he rejected the US call for tougher quelros; that the bubble was not trading; that limits had to be placed on trading due to the low targets; that the Eu reserves the right to change the burden sharing after the agreement.

New Zealand argued that the bubble offered economic advantages, and that they wanted equal access to trading in the EU, same as a member. Iran questioned if COP was the supreme body of the FCCC, or the EU "MOP"?? and that the issue was not likely to be resolved in the contact group.

The President of the COW warned EU about further delay, saying that eventually everyone would have to compromise, and that if they could do nothing until after the ministerial on Sunday it would be "too late." Chair then began process of calling in other contacts groups, such as sinks.

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Status Report on Informal Group on Institutions and Mechanisms

December 4, 1997 11:00 pm

The group has discussed the Preamble and Articles 1,8,9, and 14-29. Substantive discussion has focused on Articles 8,9, 14, 18, 20 and 27.

On Articles 8 and 9, the US proposed additional language which was accepted by the group with slight modifications. The new language specifies a time frame by which Parties will begin to incorporate budget and trading information into national inventories, and calls upon the Secretariat to compile, and review this information.

On Article 14, the group has reached agreement on all paragraphs except 14.4(i), which covers rules of procedure for the Meeting of Parties to the Protocol. The US favors an option which would require the Meeting of Parties to adopt rules of procedure for itself, based on the rules of procedure of the Convention. The Chair has requested that the G-77, US and the EU engage in private consultations in the hope of reaching agreement on acceptable text. With respect to Article 20, the question of adoption of amendments remains open. Switzerland has proposed a 2/3 double majority of Annex I and non-Annex I Parties which the US supports.

On Article 18(Non-compliance process), there is broad support for a first sentence which provides that the Parties establish procedures and mechanisms to address cases of non-compliance, including through the development of an indicative list of consequences. However, the G-77 want to limit the coverage of this Article to Article 3 commitments (QELROS). This is strongly opposed by the US, the EU and some others. Debate continues on the final sentence which covers the issue of binding sanctions and penalties. The G-77 want to link this Article to their proposal for a clean development fund. Niue has proposed language on financial penalties which would make this link. The EU continues to demand that the Meeting of the Party be given authority to establish binding penalties for non-compliance. The US insisted that the Protocol could permit only those binding penalties which were specifically agreed to in the text of the Protocol (so far none of have been proposed or agreed), and that in the absence of general agreement to specific penalties, there could be no provision for binding penalties.

On Article 27 (entry into force), two alternative formulations remain. One, proposed by the EU, establishes entry into force after a specified number of ratifications, provided that combined total emissions of Annex I Parties which have ratified meets a certain percentage of Annex I emissions. A variant whereby the second trigger would be calculated on the basis of global emissions was supported only the US and Canada, and is not currently reflected in the text. The second formulation, supported by the US and the G-77, establishes entry into force after a specified number of ratifications, provided that the Annex I Parties which have ratified represent a specified percentage of Annex I Parties. (Note that this group has not discussed the specific numbers to operationalize these alternatives.) The US has indicated that it could support ratification by 75 states including one-half of Annex I parties; the G-77 proposal is for 50 parties including three-quarters of Annex I parties.

With respect to the remaining Articles under this group's mandate, the group has decided to wait until the final stages of negotiations to address the preamble and Article 1 (Definitions). The other Articles are non-controversial as currently reflected in the negotiating text. The Secretariat will provide a revised text on Friday morning for further discussion of outstanding issues in the informal group.

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4 December 1997

FAX to: 202 647-0217

To: Ms. Conchita Da Shazo

From: USDEL/Kyoto, Mark G. Hambley

Subject: COP-3 Supplement for Update 5: December 3/4, 1997

This supplement contains some additional reports prepared by the USDEL personnel on activities and events at the on-going Third Conference of the Parties in Kyoto, along with the December 4th edition of ECO, the environmentalist rag paid for in part by the environment ministries of several EU member states, as well as a copy of the Dec 4 EARTH NEGOTIATIONS BULLETIN. This report should be read in connection with the regular daily Update No. 5 for December 3/4 1997.

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CLIMATE CHANGE
3rd CONFERENCE OF THE PARTIES
KYOTO, NOVEMBER 10 - DECEMBER 11, 1997

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Brooke Holmes	State/OES	202-647-4542	202-647-0191
Steve Muller	State/EB	202-647-3423	202-647-4037
Meg Donovan/Jaci Wilson	State/H	202-647-1048	202-647-2762
Todd Stern	White House	202-456-2702	202-456-2215
Steve Seidel	White House	202-343-1060	202-343-1162
David Sandalow	White House/CEQ	202-456-6543	202-456-2710
Shelley Fidler	White House/CEQ	202-456-6224	202-456-2710
John Hilley	WHLA	202-456-6620	202-456-2604
Peter Orszag	White House/NBC	202-456-5358	202-456-2223
Diana Helios	White House/NS	202-456-9494	202-456-9490
Andrew Kanders/Paul Risley	White House	202-343-1060	202-343-1063
Jim Steinberg	NSC	202-456-9491	202-456-9490
Rosina Bierbaum	OSTP	202-456-6202	202-456-6025
Jennifer Everskamp	USITR	202-395-7320	202-395-4579
Jeffrey Frankel	CEA	202-395-1046	202-395-6958
T. J. Glanville	OMB	202-395-4561	202-395-4639
Burgess Leird	USUN	736-7551	736-7551
Sherri Goodman	Defense	703-697-1013	703-693-7011
Linda Silverman	DOE/PO	202-586-3876	202-586-4341
John Lieber	DOT	202-366-4450	202-366-7127
Sandra Hawkins	DOC	202-482-6055	202-482-4636
Al McGastland	EPA/OPPE	202-260-3354	202-260-6405
Paul Stolpman	EPA/OAR	202-564-9140	202-564-9598
Richard Rominger (or) Jessica Wasserman	USDA	202-720-6158	202-720-5437
Elli Kaplan	Treasury	202-622-0409	202-622-0073
David Wilcox	Treasury	202-622-1260	202-622-0073
Leis Schiffrer/Rim Simon	DOJ/EURD	202-514-2701	202-514-0557
Carla Koppell/Dob Hickey	USAID/ENV	202-712-1750	202-216-3230
Barbara Searlett	USIA	202-619-6813	202-619-5646

Prepared by Paul Schwengels

Seminar on a North-South Technology Cooperation Dialogue

A consortium of NGOs has organized a series of regional workshops and seminars to engage government, industry and other non-governmental stakeholders from developing and industrialized countries, to discuss opportunities to promote effective technology cooperation in the context of the UNFCCC. This project has been co-sponsored by the US EPA and State Department, the Climate Technology Initiative (CTI) and several other donors. A seminar on December 3, 1997, presented results of three regional workshops in Africa, Latin America and Asia, and also a roundtable discussion of donor and developing country representatives. Jeff Seabright of USAID participated in the roundtable and presented some highlights of USAID's extensive ongoing and planned technology cooperation activities. He presented a strong case for actively engaging the private sectors (which is by far the largest source of capital for energy and other technology investments in developing countries) actively in this process. Finally he suggested the concept of technology cooperation frameworks as a way of organizing these activities at the country and sector level to create effective markets for climate technology. Other speakers included Bert Bolin of the IPCC, Thomas Johannsen, UNDP, Ambassador Slade of Samoa, and Bakery Kante, head of delegation from Senegal. In general, the discussion was constructive and supportive of the CTI efforts, and provided recommendations for improving technology cooperation and for future dialogue activities. With many developing country representatives, NGOs and stakeholders in the seminar, a strong consensus emerged from the discussions concerning the importance of private industry and private finance as a critical mechanism for deploying clean energy technology.

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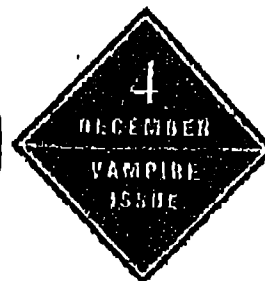
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Meeting Notes from Article 4.1
December 3, 1997
Leslie Cordes

In an attempt to broker a compromise on some of the outstanding issues from the previous day's session on Article 4.1, the Chairman, Bo Kjellen, introduced draft text for Article 12. There was a brief exchange of views on this text, as well as on a UK proposal on Article 13. Discussion then turned to the technology transfer provisions of the text where sharp divisions between the G77 (primarily Saudi Arabia, Philippines, and China) and the EU/US delegates regarding the obligations of developed countries were highlighted. The Chairman assigned a small breakout group (Netherlands, Philippines, the US) to work out language on the tech transfer language and report back to the larger group at Thursday's afternoon session. After further interventions on the indicators and science provisions of the text, the group adjourned for dinner. Co-chairman Ashe circulated draft language on Article 13 during the break.

When the session resumed, the G77 requested that the group return to the original Estrada text and the Chairman's compromise was laid aside. In addition, the G77 stated their inability to continue negotiations on the policies and measures language in Article 12(b)(ii) until parallel negotiations on Article 2 in the Policies and Measures Group were completed. After several hours of fairly unproductive discussions, the group adjourned for the night with assignments given to key delegates to continue discussions on Article 13, the technology transfer and other components of the text.

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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 COP3 in Kyoto, December 1997.

The Lack of a Kyoto Initiative

Japan yesterday unveiled its 'Kyoto Initiative'. This aims to provide "strengthened environmental support that focuses on assisting developing countries to combat global warming" through Japan's Official Development Assistance (ODA) programme.

Initial signs of leadership from the host nation, however, are quickly dispelled by a new report from the Japan Center for a Sustainable Society and Environment and Friends of the Earth - Japan. The report, 'Heat From Japan's ODA', shows that Japan's ODA is actually moving in the opposite direction to the aims of the climate convention by committing developing countries to more fossil fuel dependency.

Japan is the world's top provider of ODA, about \$10 billion per year to 160 developing countries, and a major contributor to the World Bank and other development banks. Japan's ODA aggressively supports infrastructure projects most of which increase electrical supply. The Ampara 1000 megawatt coal fired power plant in India,

for example, was ODA funded. In 1995 Japan's ODA funded six separate 600 megawatt plants in China, Vietnam and India. The Overseas Economic Cooperation Fund - an implementing body of the ODA - has loaned \$1.3 billion to developing countries for energy sector projects in the five years since Japan signed the UNFCCC, committing these countries to increased CO₂ emissions for the 20 year life of the plants. Nowhere is there consideration of the global warming impact of projects funded, or of better alternative projects. The report estimates that the fossil fuel burning power plants funded by the OECF in the five years since 1992 will emit 1.3 gigatons of CO₂ during their 20 year operating lifetimes. These projects alone equal around 5% of Japan's 1995 emissions.

At COP3 the Kyoto Initiative offers 'nice' activities like holding workshops, training people in energy efficiency, and alludes to loans for energy efficiency. But behind the facade is

continued back page, col 3

Seeing Double

by Bill Hare, Greenpeace

Japan's informal proposal on coverage of gases circulating around the Main Hall calls for the inclusion of Parties' baseline emissions, with "virtual" HFC emissions. The proposal argues that because HFC emissions in 1990 were so low, the 1990 baseline should be adjusted to incorporate a proportion of the emissions of CFCs and HCFCs in that year. The proportion of CFCs and HCFCs to be counted in this baseline adjustment are those for which applications have not been converted to non-fluorocarbon technologies.

The proposal argues that HFCs and PFCs are needed to ensure protection of the ozone layer and in particular the early phase out of HCFCs. These gases are to be included as a second basket of gases from the year 2000, and presumably for the second budget period.

There are major problems with this proposal:

- It involves an ad hoc adjustment to the baseline which inflates emissions in 1990, making the allowed emissions budget higher

continued on page 3, col 3



Sinks contact group establishes definitive method for calculating uncertainties

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The last few days have seen the emergence, and submergence, of several ideas on 'baskets' of greenhouse gases. Much time has been wasted on discussing outcomes, none of which are ideal in environmental terms.

Yesterday's draft text on gas coverage

confirms concerns environmental NGOs have expressed since this issue first came up. Time to get back to basics. A gas-by-gas approach is needed now.

Eco would have liked to quote yesterday's Alternative B, Article 3 in order to share with delegates the "full splendour of the text's impenetrability". This, however, would have been an unnecessary waste of delegates' brain power which should be focusing on more important matters.

Effectively, the text implies that inaction on one set of gases can simply be

offset by doing a little more on the other. Or something like that ... confusion reigns. No one seems too sure any more.

Gas-by-gas is simple, clear and scientifically sound. It avoids the uncertainty of the basket approach and makes monitoring easier.

If delegates really are attached to baskets, why not have six baskets, one each for CO₂, CH₄, N₂O, HFCs, PFCs and SF₆. But control them all, now. And don't compromise on a tough target. Simple.

CONFERENCE REPORTS

Conference Report

3rd meeting COP in Plenary (December 3rd)
Discussions began yesterday morning with the financial mechanism... Surprisingly enough, members of the G77 and China reiterated their concerns and called for more guidance and increased financial contributions from developed countries (i.e. replenishment of the GEF up to \$2.75 Billion) to better support the preparation of their inventories.

Next followed the traditional discussion on technology transfer. This went on much longer than Ohki-san, as an FCCC-newcomer, expected: he tried to carry on to the next item, claiming that the COP had already made its decision. However, as we know this topic can never be dealt with quite so easily and after some tough debate (eight seemingly never-ending interventions!), the item was once again left open.

Discussion then proceeded to the highly sensitive issue of the second review of the adequacy of Annex I commitments (under Article 4.2 (a) and (b)). China helpfully reminded us of the slow progress in delivering second Annex I National Communications and, worse, the disappointing emissions reductions reported therein. Citing Eco, China also explicitly mentioned the bunch of innovative devices Annex I countries were attempting to use to avoid having to make reductions. China eventually asked the secretariat to prepare carefully for the second review. Although the USA, the EU and Canada did not like the idea of having the Review by COP4 they had no chance to avoid this as the formulation of the Convention is unfortunately (for them) far too clear.

The COP's last task for the morning was to amend Annexes. Czechoslovakia will be deleted and replaced by Czech Republic and Slovakia for Annex I. Turkey would like to leave Annexes I and II, but the EU (who refused Turkey's entry to the Union last time

they applied) vetoed them here because they did not want to let them avoid their commitments... This has been left to Vice President Herrera to sort out in a contact group.

Finally, one agenda item - on the venue of COP4 - was unexpectedly postponed. Rumours consequently arose that it may not be in Bonn. We will undoubtedly learn more on Friday.

The afternoon began, as on Monday morning, with a lot of wasted time: the new Chair was Cornelia Quennet-Thielen, Vice-President of the COP3, and every intervention was prefaced with two minutes of congratulations.

Much of the first part of the afternoon was taken up by a resumption of the Quennet/Al-Saban show, which old hands will remember from the INC sessions pre-COP1. To start with, there was the proposed EU amendment, whereby a Protocol could be adopted by a three-fourths majority. This amendment would however have to be adopted by the "fragile instrument of consensus", and as Dr Al-Saban (Saudi Arabia) made clear, this is not yet available. Quite coincidentally of course, another OPEC country, Kuwait, has also proposed an amendment, this time on financial resources for technology transfer, and on which there is also no consensus, objections this time coming from those who would have to pay. Nigeria (also in OPEC, lest we forget) and Saudi Arabia proposed they should be dealt with together (i.e. a threat of both or nothing!). There will be parallel, but linked, informal consultations, reporting back on Friday.

At this point the debate took one of its bizarre side-turnings. Following a formal statement from Croatia, the session spent the next hour discussing whether the Federal Republic of Yugoslavia is technically a Party to the Convention or not, most of the time being taken up by political rants from those who believe they have "interests" in the Balkans. Eventually, discussion was postponed pending information

from New York as to why the UN accepted Convention ratification from a non-member. Come off it chaps: what has this got to do with climate change?

● In a disturbing development late last night, Chairman Estrada overrode the objections of the European Union, AOSIS and Switzerland, and removed text from draft Article 11 that may well prove critical to the future development of the Protocol. The text no longer makes express reference to the procedural obligation of the Parties to review the adequacy of the Protocol's commitments. While the vague text that remains will not preclude such a review, Convention veterans will recall that precise references to adequacy were essential to exposing the flaws of Articles 4.2 (a) and (b) and to forcing the Berlin Mandate. As with the Convention, there is little doubt that any commitments adopted in Kyoto will prove inadequate to the Convention's Objective. Eco can only hope that when the Chair's gavel is wielded again its weight will be felt with a more progressive force.

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Big Banks Get it Wrong

The US remains resolute in its insistence on developing country commitments at COP3, and continues to loud joint implementation as the ultimate 'win-win' option for both Annex I and developing countries.

Yet, while this debate continues in plenary sessions of the COP, multi-lateral development banks (MDBs), such as the World Bank, (which are controlled by G7 countries), continue to finance innumerable fossil-fuel projects in the developing world. Not surprisingly, the principle beneficiaries of these loans are many of the same US fossil fuel corporations hell bent on ensuring that Kyoto ends without a legally binding Protocol. Worse still, developing countries are being locked into the same downward spiral of

fossil fuel addiction that plagues the US.

The World Bank is spending 100 times more on projects that adversely affect the world's climate than on projects that help prevent it. Since 1992, the World Bank has funded \$9.4 billion in coal, oil and gas projects which, over their lifetimes, will release at least 9.5 billion tons of carbon.

If the United States is concerned about sky-rocketing emissions in China, India and other developing countries, then it is imperative that reform of MDB's becomes an absolute priority for countries supplying the funds to these banks. Given that the US is a principle contributor to World Bank finances, it makes a mockery of their insistence on developing country commitments at COP 3.

Seeing Double, from front page
than it would otherwise have been. Assuming some reasonable substitution rates for HFCs into the old CFC and HCFC markets this would be equivalent to around 5% of 1990 CO₂ emissions.

- Ad hoc baseline adjustments create a bad precedent which should not be accepted.
- Assumes that alternatives to HFCs and PFCs are not available when they are.
- It attempts to double count actions under the Montreal Protocol that have phased out CFCs and will phase out HCFCs.
- It punishes countries which reduced CFCs use early.
- It attempts to make a false trade-off between ozone layer and climate protection. The Japanese paper argues that HFCs and PFCs are needed to accelerate the phase out of HCFCs, however the Japanese government has been opposing the more rapid phase out of these chemicals.

TENGU 天狗

The Eco Kyoto Scorecard

Mentions of the following words in the chairman's text:

Environmental objectives	0
Sea level rise	0
Temperature rise	1 (in annex)
Economic/economy	19

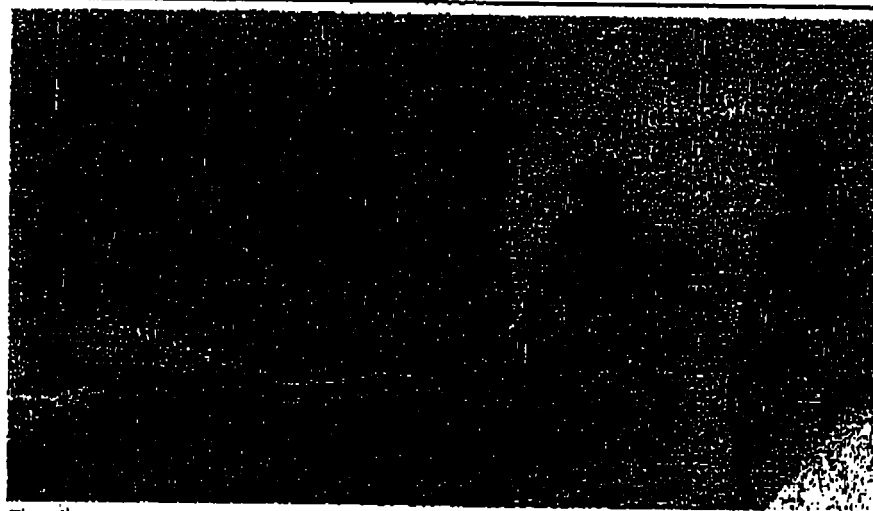
The Price of Hot Air

by Petr Hlobil, CANCEE

At one time it appeared that Russia was alone in wanting to sell superheated air - probably at too low a price. Now however it seems that the Polish delegation is discreetly expressing an interest in doing the same.

It appears that Central and Eastern European countries are becoming nostalgic for a "golden" communist era, when they took instructions from Russia. Despite their desire for a seat at the EU table, some CEE countries are starting to renew their links with their large neighbour. However, the Polish Government's recently-sharpened negotiating skills, for hot air and other things, is no legacy for their "children and grandchildren".

It is true that the CEE countries have reduced their emissions, but they could reduce them much further. The Polish delegation should recall last year's floods, which could re-occur ever more frequently, costing far more than the few millions available from the US paper tons.



The other contact group considers hot air

EU Targets Inadequate

by Ursula Fuentes, WBGU and
Duerte Bernhardt, Germanwatch

The German Government's Advisory Council on Global Change yesterday recommended the following reduction quotas for Annex I countries: 11% by 2005; 23% by 2010; and 43% by 2020 (relative to 1990). By 2050 industrialized countries should reduce their emissions by 77%. These targets relate to CO₂, CH₄ and N₂O.

Leading German scientists on global change consider a warming of more than 2°C (relative to the pre-industrial value), and a warming rate of more than 0.2°C per decade, as climate changes that cannot be tolerated.

The reduction targets assume that developing countries will not reduce their greenhouse gas emissions until per capita emissions in all

countries converge. Even with their conservative assumptions, the Council concludes that the EU reduction proposal of 7.5% by 2005 and 15% by 2010 is inadequate for climate protection.

These findings are in line with the recommendations of a commission of the German Parliament, which called for a reduction in global CO₂ emissions of 50% by 2050. On the occasion of COP3, the German Physical Society reiterates this demand and emphasizes that science and technology have provided the means for reducing emissions. An economic and structural framework needs to be created in order to give industry a basis for further planning.

(See WBGU Website at -
<http://www.awi-brunnenhaven.de/WBGU>)

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Who is the Worst of the 'Dirty Dozen'?

Friends of the Earth and other NGOs have nominated a 'dirty dozen' companies and industry associations who have either played an obstructive role in the climate change negotiations, or made the least progress in taking action to combat climate change. The burning question is who among these select few will win the 'Scorched Earth Award' for exerting the greatest influence in preventing global action to protect the climate?

With plenty of qualified candidates renowned for their well-financed attempts to wreck the climate change negotiations, there was stiff competition for making the "dirty dozen" list. The companies and industry associations who have been bestowed with this dubious honour are: Tokyo Electric Power Corporation, Exxon, Global Climate Coalition, Uranium Institute and Forum, Atomique European, Shell Oil, British Petroleum, ABB, Mitsubishi,

Mobil, Ford General Motors, Chrysler, Elf Aquitaine, and the World Business Council for Sustainable Development.

Friends of the Earth encourages all participants of COP3 to vote for one of the 'Dirty Dozen' companies/industry associations who is most worthy of receiving the award for being the worst of the worst. Those who wish to cast a vote should visit the Friends of the Earth table (located in the corridor leading to the Events Hall) until noon on Thursday or look out for the FoE delegation handing out ballots at the main hall on Thursday morning.

Stay tuned for the results and to see if the winner shows up to accept the award! John Gummer, former Environment Minister for the United Kingdom, will announce the winner of the "Scorched Earth" Award at a Friends of the Earth press conference that will be held on Thursday at 4:00 pm in the environmental NGO room.

More Dirt on the Filthy Few

The combined wealth of the top 12 oil and car companies, including Exxon, GM, Mobil, Ford, Shell Oil, amounts to a sum greater than the GNP of China, currently ranked no.7 in the world. General Motors alone earns more than AOSIS, comparing revenue and combined GNP.

These companies - here in force as lead members of the Global Climate Coalition - are currently using this enormous wealth to fund aggressive advertising campaigns in the US, designed to play North South politics. High profile advertisements alleged that developing countries such as China, India and Brazil are getting 'let off the hook' in the 'treaty', while falsely stating that the US must 'sovereignly re-

strict' energy use. At exactly the same time Exxon is urging developing country governments to resist environmental controls.

This aggressively pushed campaign has clearly influenced the US position which continues to echo the fossil fuel industry line on the need for developing country commitments. Despite non-specific language, the implications of going beyond the Berlin Mandate mean that this could seriously damage the chance of a successful outcome next week. This is exactly what the fossil fuel industry wants to happen in Kyoto: leaving developing countries to take the blame rather than the vested interests of Big Oil and Big Car companies.

Glow Suits Hit Kyoto

A few old men in suits have arrived at the Climate Summit to peddle the myth that nuclear power is the answer to climate change. Delegates are advised they aren't very good at economics, have significant problems with science and can't cope with reality. In fact, they talk unmitigated rubbish. Discredited in the West these pro-nuclear die-hards desperately hope that the planet's climatic crisis will give their industry one last final boost.

Delegates would be advised to ask a single searching question: does building a nuclear power station to cut CO₂ emissions make economic sense? The answer is no. In 1995, after a year long exhaustive review the then Conservative pro-nuclear UK Government, concluded that nuclear power was the single least cost effective way of cutting CO₂ emissions. Pound for pound, dollar for dollar or yen for yen, greater CO₂ reduction will be achieved by doing just about anything else than building a new nuclear power station.

Nuclear power isn't just a waste of money. It causes a ridiculously long lived radioactive waste legacy and decommissioning headache that can't be cured by a trip to the chemist. It's not a problem of public perception as the industry would have you believe, but one of science and safety. Earlier this year, the UK Government cancelled the industry's plans for a deep underground nuclear waste dump because the industry couldn't prove that its plans were safe.

This industry, however, does still have powerful friends and delegates should beware of any future offer of a brand spanking new nuclear power station as part of some joint implementation deal. This is rather like trying to cure malaria by giving the patient typhoid. Accept this, and you will end up regretting it for a very long time.

While Australia Burns...

by James Slezak,

Sydney University Student Council

Finally some believable figures from the Australian Bureau of Agricultural and Resource Economics (ABARE): a writing down of the country's forecast wheat exports by 1.5 billion tonnes, due to some strangely unusual weather patterns plaguing the region.

The El Niño Southern Oscillation, increasingly erratic in recent decades, has been implicated in the unusually hot, dry weather that has sent bush fires raging throughout the eastern states this week.

The World Meteorological Organization yesterday declared that El Niño's misbehavior

is consistent with recent studies into global warming, although a causal link is not yet established.

Speaking for the WMO, Dr Holmut Grassel called for urgent action to address global warming with stronger emission reduction targets than those currently on the table.

With four Australians dead, 100 homes in clinders and Sydney harbor choked with smoke, the cost of not controlling global warming threatens to approach the mythical ABARE cost estimates for reducing GHG emissions.

The Australian delegation might really assist emission reduction efforts by returning home to join the fire fighting.

Seeing Double, from front page
a very different development policy. Can Japan be trusted to ensure its ODA projects move away from massive funding of fossil fuel exploration, exploitation, transport and power production?

The report is available at the Website at -
<http://www.vcon.or.jp/~fne-j>

THANKS

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HIGHLIGHTS FROM THE THIRD CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 3 DECEMBER 1997

Delegates to the Third Conference of the Parties (COP-3) to the UN Framework Convention on Climate Change (FCCC) met in morning and afternoon Plenary sessions to consider the report of the Global Environment Facility (GEF), technology transfer, review of the implementation of the Convention, and amendments to the Convention. Negotiating groups on quantified emission limitation and reduction objectives (QELROs) and FCCC Article 4.1 (commitments) continued their discussions.

PLENARY

GEF Chair Mohamed El-Ashry introduced the GEF report, which updates previous information on efforts to implement the guidance provided by previous COP meetings and includes a complete listing of GEF-financed climate change projects. He recalled that some Parties had said the GEF procedures were not "user friendly," and noted the adoption of further streamlined procedures for the preparation of projects for enabling activities. GEF has provided support to 85 climate change projects addressing the needs of 114 countries at a cost of US\$63 million. He highlighted Annex A of the report, which describes problems encountered in applying the concept of agreed full incremental costs. He also noted consensus among donors on a replenishment target of US\$2.75 billion.

The EU expressed disappointment that delegates had not agreed to establish GEF as the permanent financial mechanism this year. He commended the agreed level of financial support for climate change activities. CHINA noted that efforts to advance existing commitments are handicapped by a lack of resources and called for a substantial increase in the GEF replenishment. He called for an expeditious approval process for funding and noted that developing countries face enormous difficulties in undertaking GHG inventories.

URUGUAY indicated that it had been able to submit its first national communication on GHG sources and sinks because of GEF financing. The CENTRAL AFRICAN REPUBLIC said that the report should be more detailed and include difficulties encountered by Parties in obtaining GEF resources to prepare national communications. SWITZERLAND, supported by the US, said that GEF should be established as the permanent FCCC financial mechanism. The G-77/CHINA referred to the provision of financial resources and the transfer of technology as fundamental to implementation of the Convention by non-Annex I Parties. He pointed out that both were developed countries' obligations under the Convention and should not be used to push developing countries to accept new commitments or to accept a market-based approach under the

protocol. The PHILIPPINES mentioned experiencing problems with implementing agencies and said that they should be more aware of decisions taken by the GEF Council. INDIA, BHUTAN, BANGLADESH and KIRIBATI highlighted the importance of obtaining GEF financing for national communications. The US said GEF had made an effort to meet the needs of FCCC Parties and expressed disappointment at the fact that the review of the financial mechanism had not concluded. He also pointed to the need for finding innovative sources of financing involving the private sector.

The COP President introduced a discussion on the development and transfer of technologies. CHINA, supported by INDIA and IRAN, observed two tendencies: developed countries are only interested in transfer of technical information, while developing countries deem technology transfer on non-commercial and preferential terms most important; and some countries emphasize market mechanisms. She called for action from developed countries consistent with Agenda 21, the FCCC and previous COP resolutions, and recommended that that the issue be taken up as a separate item at COP-4. SOUTH AFRICA said access to technology and transfer of technical know-how would play a crucial role in meeting the energy implications of moving towards sustainable development. JAPAN outlined the Kyoto Initiative to strengthen assistance for developing countries in their efforts to combat global warming, to be operated through the national Official Development Assistance program. The program will offer concessional loans to promote training, cooperation on energy-saving technology, new and renewable energy sources, forest conservation and afforestation, and will establish information networks and workshops. INDIA, supported by IRAN, called for the operationalization of the FCCC provisions relating to state-of-the-art environmentally sound technologies (EST), with supporting provisions in the new legal instrument. He also called for a streamlining of the activities of the SBI and SBSTA.

AUSTRALIA said the bulk of ESTs are privately developed and owned. Governments can create enabling conditions for technology development and recipient countries must have appropriate policies for successful transfers. The REPUBLIC OF KOREA said his country was in consultation with the UNEP, UNDP and the Commission on Sustainable Development with a view to scheduling an expert group meeting on technology transfer in Seoul in February 1998. The outcome will be reported to the 1998 session of the CSD. ZIMBABWE outlined her country's difficulties with basic economic development and the financial impact of El Niño. She said technology transfer had become a critical issue. IRAN identified obstacles facing developing countries seeking transfers of technology at their own expense due to restrictions imposed by developed countries. He said developed country governments who shift responsibilities for transfers to the private sector are contradicting the spirit of Agenda 21.

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The Chair introduced discussion of Agenda Sub-Item 3(d), Second review of the adequacy of Article 4.2(a) and (b). The first review was undertaken at COP-1. After judging these commitments inadequate COP-1 undertook the Berlin Mandate process. Article 4.2(d) calls for a second review before 1999. SBI-6 requested the Secretariat to make preparations for COP-3 to include the review in the agenda for COP-4. AOSIS, with CHINA and ZIMBABWE, stated that deliberation of this item is premature given that it is unclear what the actions taken under the Berlin Mandate process will accomplish. He predicted that the visible effects of climate change will have to become devastating before the Annex I countries pushing mediocre proposals take real action.

CHINA said the lack of national communications also makes it premature to review adequacy of commitments. The US pointed out that the review must take account of the Kyoto outcome, and asked that the nature of the review be clarified. He objected to a *de novo* review process if the outcome of Kyoto is successful. CHINA disagreed, saying that the review is independent of the outcome in Kyoto and noting the Article 4.2(d) deadline of December 1998. CANADA expressed uncertainty as to what the review would accomplish. Delegates decided that necessary preparations should be made to place the review of Articles 4.2(a) and (b) on the Agenda of COP-4.

On Item 3(e), Review of information and possible decisions under Article 4.2(f), delegates agreed on the proposal that Croatia, the Czech Republic and Slovakia replace Czechoslovakia in Annex I. Delegates debated at length a proposal by Azerbaijan and Pakistan to delete Turkey from Annex I and Annex II. IRAN, TURKEY and KUWAIT supported the proposal. The EU and AUSTRALIA maintained that Turkey should indicate willingness to undertake Protocol obligations under Article 10 before its deletion from the Annexes. The US suggested continuing consideration of this proposal and other OECD members' relationship to Annex I at COP-4. TURKEY noted that questions remain unanswered on the protocol's proposed Article 10 and requested that ministers discuss the matter on 10 December. The Chair proposed that Luis Herrera (Venezuela) undertake consultations on these amendments.

Delegates considered proposed amendments to the Convention and its Annexes (FCCC/SBI/1997/15). The EU presented a proposal to amend Article 17 to state that Parties shall make every effort to agree on any proposed protocol by consensus and if no agreement is reached, the protocol shall be adopted by a 3/4 majority. This amendment would be applied provisionally, pending its entry into force in accordance with Article 15.

The EU said objections to the protocol may remain at the end of COP-3 and a decision-making procedure would be needed. The RUSSIAN FEDERATION emphasized that voting is not the way to adopt an important international instrument. VENEZUELA said the amendment and its provisional application must be considered separately. Sergio Alejandro Zelaya Bonilla (Honduras) will conduct informal consultations.

Under Kuwait's proposed amendment, Parties shall provide financial resources, including the transfer of technology, as the COP may decide they are needed by the developing country Parties. Kuwait said the developing countries can only lower emissions through technology, but resources made available to date have been inadequate. The EU, supported by the US and JAPAN, said donors should not place their resources in the hands of the COP. SAUDI ARABIA said the amendment came in reaction to the EU proposal, which upsets the Convention's "delicate balance." NIGERIA said linkages between the two proposals must be considered. Bakary Kante (Senegal) will conduct informal consultations.

Following a proposal by CROATIA, delegates discussed the status of Yugoslavia in relation to the Convention.

COMMITTEE OF THE WHOLE

QELROs: The negotiating group on QELROs met in the morning and briefly discussed articles on economies in transition, joint implementation and emissions trading. The debate focused on voluntary commitments for non-Annex I Parties, where a divergence of views persisted. The Chair alluded to the fact that the text of the Articles on voluntary commitments had originally been submitted by AOSIS countries, and therefore, by members of the G-77/China. A representative of AOSIS clarified that the proposal had been made at an early stage of negotiations when the scenario was different, and stated its support for the G-77/China position. The developing countries reiterated their opposition to new commitments for non-Annex I Parties. The informal group on sinks continued its consultations on the Chair's draft text and was to report to the QELROs group in the evening. A Japanese proposal establishing three different categories of Annex I countries was considered in informal consultations on differentiation. There were also informal discussions on a "three-plus-three" gas coverage proposal, which would divide six gases into two baskets. The first basket (CO₂, CH₄ and N₂O) would be subject to QELROs immediately, while proposals for formulating QELROs for the second basket (HFCs, PFCs and SF₆) would be debated at COP-4.

ARTICLE 4.1: The negotiating group on commitments under Article 4.1 met in the afternoon to discuss a Chair's draft text. Delegates agreed not to discuss three reformulated paragraphs in the draft, covering national and regional programmes for GHG inventories and mitigation and adaptation measures, actions to address climate change, and reporting, after a group of countries said it preferred to base discussions on the prior version of those paragraphs.

A developed country called for deletion of bracketed text on [financial and fiscal] incentives for technology transfer. A regional group suggested combining the first two sentences of separate options on technology transfer and deleting the remaining text of both. Some Parties expressed concern over text on removing barriers to investment in technology transfer. A group of countries suggested adding the phrase "developed country Parties shall" to paragraphs regarding technology transfer, but some developed countries objected.

In a paragraph on procedures through which governments could take climate change considerations into account in relevant decisions, a group of countries objected to a phrase extending the recommendation to multilateral development banks. A group of countries suggested deleting a paragraph on indicators for assessment of climate change impacts and responses, but a developed country wanted to retain the paragraph.

IN THE CORRIDORS

Formulae for differentiation have begun to proliferate, with at least two suggestions that would form a number of groups or categories among Annex I parties. A Japanese delegate said Japan's proposal for three categories is under active consideration. The proposers have, however, distanced themselves from suggestions that their proposal would set a reduction target for the US at 3.5 % and for the EU at 7.5 %. The EU has indicated that it will not settle for a higher target than the US. The EU's position on differentiation is that Parties should follow the EU "bubble" example and form burden sharing groups. For example, a number of EU spokespersons have suggested that the US could join its NAFTA partners. The US has not yet detailed its preferred approach to differentiation.

THINGS TO LOOK FOR TODAY

COW: Delegates will meet in negotiating groups. Consult the journal for rooms and times.

5 December 1997

To: Please see attached listing

From: USDEL, Kyoto - Mark G. Hambley

Subject: Third Conference of the Parties to the Climate Convention, Update No. 6:
Report on Activities/Meetings on December 4/5, 1997

This unofficial and unclassified report covers various activities and meetings at the Third Conference of the Parties (COP-3) which is being held in Kyoto between November 30 and December 11, 1997. This edition covers events from the evening of December 4th through December 5th. Although it is not classified, this report is not intended for the use or distribution outside of the U.S. Government. This report contains a copy of the Earth Negotiations Report for Dec 4, plus report on the meeting of Senator Baucus with the head of the Chinese delegation. Other USDEL reporting, plus the Dec 4th edition of ECO is being sent as part of a supplement to this update. Some pertinent papers, including New Zealand's proposed language for a follow-on process beyond Kyoto, are also included.

The final paragraphs of this report may be used as a summary as appropriate or desired.

COP-3 Update No. 6 (Dec 4/5): "Just Say No!" Becomes G-77 Mantra in Post-Kyoto Process Debate; Outlook on this Front is Grim

Negotiations continued during the afternoon and evening of Dec 4th with discussions on quantified limitations reduction objectives (QELROS), sinks, policies and measures, institutions and continuing to advance commitments under Article 4.1 all getting their time at bat. The Committee of the Whole (the COW) met in the evening for a stocktaking session, with the aim of polishing the results of several outstanding contact groups. Details of these meetings are adequately covered in the attached "Earth Negotiations Bulletin," a copy of which is attached for reference. What this paper details is why progress is so very slow.

Outlook Looking Somewhat Bleak

Melinda Kimble led senior USDEL members (Gardiner, Hales, & Hambley) to a meeting with a large group of G-77/China representatives on Dec 5. They politely listened to measured and informed statements about U.S. policy objectives with regard to developing countries. We were purposely careful not to sound either intimidating and were excruciatingly polite. The comments we received after the discussion all dealt with general issues, such as the need to build confidence and to transfer technology. No one raised any question to us about either our views on various flexibility mechanisms Article 10, or on the post-Kyoto process.

New Zealand Bravely Opens a Hornets' Nest

At the COP plenary - which was, in the view of many, the last time available to introduce our ideas on a follow-on process to Kyoto - finally arose on Dec 5th. In working out our joint approach with the EU, it was decided that we would request New Zealand to introduce its proposal for a follow-on process which largely encapsulates the kind of evolutionary thinking which we found attractive. Key JUSCANZ countries (including the U.S., Canada, Norway, Japan and even Switzerland all indicated they would support - if not the Kiwi proposal directly - then the concept of a follow-on process - more

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generally. The EU promised to do likewise. The EU also had a text which, given its much milder stance, was to be held in abeyance in the hopes that it might be introduced at a later date, if warranted. After accepting this "honor," the New Zealand delegate, Daryl Dunn, said he was reminded of an episode from the British TV series, "Yes, Minister," in which the Minister, who routinely proposed to undertake risky or merely stupid endeavors, was encouraged to do so by his senior advisors only to return from the battle in bloodied form. Dunn said he was concerned about becoming the Minister.

"Just Say No!"

In the event, Dunn was almost right on the mark. His long, carefully crafted intervention, which calls for a negotiating process with a set time-limit for crafting quantified emissions limitations for all Parties by a certain date, was well-drafted, albeit on the long side. Dunn emphasized that the targets for developing countries (with the exception of the LDCs) were probably growth targets which took into account the development needs of the non-Annex I countries.

This intervention drew an expected, virulently critical response from the G-77 and China. The only unusual aspect was the breath of the response (from some 40 countries) and the unusually bitter attacks by some Parties (and especially from Argentina, Brazil, India, and China). Opening the three hour debate was Tanzania, speaking for the G-77/China. Tanzania began by stating that the Convention had been built with a great balance in mind. The delegate mentioned that eradicating poverty is the leading issue which the G-77 would like to address. He lamented the inability of the Annex I Parties to live up to their commitments under the Convention. In a line which caused the audience to roar with applause, the Tanzanian said that his response to the New Zealand proposal is a simple one: "We say know."

Help Thy Neighbor; Help Thy Friend

Supporting the New Zealand proposal or, in some cases, only a more general follow-on process were the U.S., Canada, Australia, and Japan. The EU also provided a useful statement which emphasized the importance of adhering to the Berlin Mandate but which, nonetheless, calls for a follow-on process. Switzerland did likewise, but Norway - fellow JUSCANZ member - failed to raise its flag despite a promise to do so.

Slovenia also made a very weak endorsement of a follow-on process, but it was Hungary and Poland that deserve gold stars. Both of these countries indicated that -- even though they, as economies in transition, are among the least prosperous members of Europe -- they also recognize the value of actively considering taking on Annex I commitments.

"Until You Deliver," We Won't Discuss!"

Fully 37 countries then took to the floor either to criticize any kind of follow-on process or to chastise New Zealand by name. These included China, Colombia, Iran, Thailand, India, Brazil, Malaysia, Saudi Arabia, Uruguay, Slovakia, Central African Republic, Chile, the Philippines, Morocco, Kenya, Peru, Venezuela, Bangladesh, Costa Rica, Honduras, Nigeria, Trinidad/Tobago, Zimbabwe, South Africa, Saudi Arabia, Nicaragua, Grenada, Syria, Bahrain, Mali, Botswana, Laos, Kuwait, and Mali. Despite their critical nature, several of these addresses stood out either for their overly critical or personalized nature.

For example, Brazil claimed that this idea had crept in through the back door and ended his appeal by stating: "Until you deliver, we won't discuss." Malaysia and Philippines both lamented that they now no longer have any enthusiasm for the proposed protocol, while China claimed that New Zealand was trying to limit "survival emissions" while the West maintains "glutton emissions." Instead of just one "no," China added three: (1) no to the proposal; (2) no to launching a proposal, and (3) no to setting up any contact group to study the idea. Almost all of the Latin American Parties spoke out

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against the New Zealand proposal, including Costa Rica, Chile, and Argentina. Speaking for the latter, Ambassador Patricia Kelly, emphasized two points: (1) no consultations on this matter and (2) she asked New Zealand to withdraw its proposal. Argentina was, surprisingly, the only country to call for this latter action.

Extended Bureau Planned

To take this process to its next step (or, more likely to attempt to quash it once and for all, the President of the COP, Minister Ohki, indicated that he would consult his Bureau. We urged Ohki to expand this bureau to include other friends of the chair and, thereby help to guide this meeting more effectively. The Japanese delegation promised to do so. The first meeting is tentatively scheduled to meet on Monday, Dec 8. A copy of the bureau plan is attached to this report.

Yugoslavia Put to Bed - For Now

The Secretariat read out a report from UN Headquarters which basically says that Yugoslavia is entitled to take its seat because it has deposited its letters of ratification to the UN. Yugoslavia, which was not in the room during this meeting, could be kept from being seated only if an unanimous decision were taken by the COP. In the event, Ohki called upon the body to ask Yugoslavia to be barred from participation from the meeting until its status is rectified. The motion passed. (Comment: This was only possible due to instructions from the UK Foreign and Commonwealth Office to its delegation and to the active support of both Japan and the Russian Federation who worked out a solution based on the NPT experience. End Comment.)

Military Provision Also Suffers Serious Setback

We also had our last opportunity to insert our desired military provision language into the protocol when the methodologies paragraph came up for approval on Friday morning. Following a careful rehearsal of who would do what when with COW Chairman, Ambassador Raoul Estrada, we presented our proposal. Although the reaction was hardly an uproar, both China and Russia objected (Iran, curiously, did not). The proposed decision failed to pass. The Chair called for additional consultations. We have had them with the Chinese who, quite expectedly, agreed to the concept with a some word additions and changes. The Russians may be another matter, but we will have a better picture of the situation tomorrow. For the record, it should be noted that the EU was not particularly helpful. We were told this is because of Swedish (Ambassador Bo Kjellen) and German misgivings.

Argentina and New Dates Locked In

Buenos Aires was confirmed as the next site for COP-4. The conference will be held from Nov 2-13, 1998 - thereby avoiding an overlap with Thanksgiving - a distinct probability if the COP had to be held in Germany

Comment

The outlook for any kind of immediate follow-on process at next week's high level segment looks very bleak. While some G-77 countries were undoubtedly using the issue as a tactic for leverage, others appeared to have drawn a line of their own in the proverbial sand. These countries include China, India, Brazil, and Malaysia. Without their active support (or, minimally, quiet acquiescence), there can be no follow-on decision or mandate on developing country issued at COP-3. End Comment.

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The following paragraphs can be used as a summary as desired or appropriate.

COP-3 Update No. 6 (Dec 4/5): "Just Say No!" Becomes G-77 Mantra in Post-Kyoto Process Debate; Outlook on this Front is Grim

Negotiations continued during the afternoon and evening of Dec 4th with discussions on quantified limitations reduction objectives (QELROS), sinks, policies and measures, institutions and continuing to advance commitments under Article 4.1 all getting their time at bat. The Committee of the Whole (the COW) met in the evening for a stocktaking session, with the aim of polishing the results of several outstanding contact groups.

Melinda Kimble led senior USDEL members (Gardiner, Hales, & Harnbley) to a meeting with a large group of G-77/China representatives on Dec 5. They politely listened to measured and informed statements about U.S. policy objectives with regard to developing countries. We were purposely careful not to sound either intimidating and were excruciatingly polite. The comments we received after the discussion all dealt with general issues, such as the need to build confidence and to transfer technology. No one raised any question to us about either our views on various flexibility mechanisms Article 10, or on the post-Kyoto process.

At the COP plenary -- which was, in the view of many, the last time available to introduce our ideas on a follow-on process to Kyoto -- finally arose on Dec 5th. In working out our joint approach with the EU, it was decided that we would request New Zealand to introduce its proposal for a follow-on process which largely encapsulates the kind of evolutionary thinking which we found attractive. Key JUSCANZ countries (including the U.S., Canada, Norway, Japan and even Switzerland all indicated they would support -- if not the Kiwi proposal directly -- then the concept of a follow-on process -- more generally. The EU promised to do likewise. The EU also had a text which, given its much milder stance, was to be held in abeyance in the hopes that it might be introduced at a later date, if warranted.

New Zealand's long, carefully crafted intervention, which calls for a negotiating process with a set time-limit for crafting quantified emissions limitations for all Parties by a certain date, was well-drafted. It emphasizes that the targets for developing countries (with the exception of the LDCs) were probably growth targets which took into account the development needs of the non-Annex I countries.

This intervention drew an expected, virulently critical response from the G-77 and China. The only unusual aspect was the breath of the response (from some 40 countries) and the unusually bitter attacks by some Parties (and especially from Argentina, Brazil, India, and China). Opening the three hour debate was Tanzania, speaking for the G-77/China. Tanzania began by stating that the Convention had been built with a great balance in mind. The delegate mentioned that eradicating poverty is the leading issue which the G-77 would like to address. He lamented the inability of the Annex I Parties to live up to their commitments under the Convention. In a line which caused the audience to roar with applause, the Tanzanian said that his response to the New Zealand proposal is a simple one: "We say know."

Supporting the New Zealand proposal or, in some cases, only a more general follow-on process were the U.S., Canada, Australia, and Japan. The EU also provided a useful statement which emphasized the importance of adhering to the Berlin Mandate but which, nonetheless, calls for a follow-on process. Switzerland did likewise, but Norway never raised its placard. Slovenia also made a very weak endorsement of a follow-on process, but it was Hungary and Poland that deserve gold stars. Both of these countries indicated that -- even though they, as economies in transition, are among the least prosperous members of Europe -- they also recognized the value of actively considering taking on Annex I commitments.

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Fully 37 countries then took to the floor either to criticize any kind of follow-on process or to chastise New Zealand by name. These included China, Colombia, Iran, Thailand, India, Brazil, Malaysia, Saudi Arabia, Uruguay, Slovakia, Central African Republic, Chile, the Philippines, Morocco, Kenya, Peru, Venezuela, Bangladesh, Costa Rica, Honduras, Nigeria, Trinidad/Tabago, Zimbabwe, South Africa, Saudi Arabia, Nicaragua, Grenada, Syria, Bahrain, Mali, Botswana, Laos, Kuwait, and Mali. Despite their critical nature, several of these addresses stood out either for their overly critical or personalized nature.

For example, Brazil claimed that this idea had crept in through the back door and ended his appeal by stating: "Until you deliver, we won't discuss." Malaysia and Philippines both lamented that they now no longer have any enthusiasm for the proposed protocol, while China claimed that New Zealand was trying to limit "survival emissions" while the West maintains "glutton emissions." Instead of just one "no," China added three: (1) no to the proposal; (2) no to launching a proposal, and (3) no to setting up any contact group to study the idea. Almost all of the Latin American Parties spoke out against the New Zealand proposal, including Costa Rica, Chile, and Argentina. Speaking for the latter, Ambassador Patricia Kelly, emphasized two points: (1) no consultations on this matter and (2) she asked New Zealand to withdraw its proposal. Argentina was, surprisingly, the only country to call for this latter action. (Hambley)

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Statement of the United States of America
December 5, 1997

We wish to support the statement made by the New Zealand delegation. We firmly believe that all Parties have a responsibility to fulfill the ultimate objective of the Convention and this proposal could provide a way forward.

We intend to demonstrate our seriousness by agreeing to a legally binding emissions target at this Conference. Such a first step by us and others will enable developed countries to divorce growth in their economies from growth in greenhouse gas emissions. We encourage developing countries to join us.

The New Zealand proposal, recalling the preamble to the Convention, calls on all Parties to participate in an effective and appropriate international response, in accordance with their common but differentiated responsibilities and capabilities. It also suggests that there should be further legally binding commitments for all Parties within the coming years.

As we made clear in our statement on Monday, the United States supports strong economic growth in developing countries. I want to reiterate that the commitments that we foresee for all Parties, other than the least developed, must allow for economic growth while simultaneously protecting the environment. The United States has pledged to reduce its emissions in the second budget period, and we want developing countries to adopt emissions targets which seek to abate the increase in their emissions. In the context of Article 10 and/or as a result of the negotiation proposed by the New Zealand delegation, we also envision that commitments by developing countries could be differentiated, in light of respective responsibilities and capabilities.

We look forward to working with other Parties in this regard. We have an historic opportunity here to start on the path toward a more climate-friendly future. Kyoto may be a small step for us but will be giant step for generations to come.

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MEMORANDUM

December 4, 1997

From: Bob Boynton *Bob Boynton*To: Melinda Kimble
Mark Hambley

Subj: Senator Baucus's Meeting with Liu Zhenmin

On December 4, Senator Max Baucus met with Liu Zhenmin, acting head of the Chinese delegation. The meeting had a substantially different tone than Liu's meeting with Senator Hagel's delegation, largely because Baucus quickly steered the conversation toward China's energy situation. He noted that the efficiency of many of China's power plants was only about 16% (compared to developing country plants at 33%) and that China would still be 60-80% coal fired well into the future. He asked if we might cooperate in the clean coal technology area to help solve China's problem.

This approach moved Liu away from his standard opening dissertation on Chinese poverty and into a discussion of China's energy structure, which he termed "not so good." He said that China was trying to diversify into other technologies such as nuclear, but that technology and money were a problem. He promised to send Baucus a list of the key technologies that China believed it needs to develop, either domestically or with foreign assistance.

Liu said that China could slow its rate of emissions increase, but that an increase was inevitable as China developed and tried to bring a measure of prosperity to its poor population. Liu added that China's annual per capita electricity consumption was only 700Kwh, and that over 100 million people had no electricity. While acknowledging that China was a large GHG emitter, Liu pointed out that its per capita emissions were quite low.

Baucus acknowledged that this was true, but also was irrelevant since GHGs are a global problem and had to be addressed by all. He stressed that this element of fairness, i.e. all countries sharing the burden of a global problem, would drive the Senate's decision on whether or not to approve a climate change treaty. Baucus said that he had sensed some flexibility in this regard with some of the G-77 countries with which he had spoken. At the same time, Baucus assured Liu that there was no intention on the United States' part to slow Chinese economic growth.

Liu said that the climate change issue was also a sensitive domestic issue for Chinese leaders, since China was only at the beginning stages of development and the leadership must deliver a higher living standard to the people. Liu expressed the opinion that it was more difficult to be a Chinese leader than to be an American leader.

Note: This meeting obviously produced nothing that will advance our agenda at COP-3. It may have a long term benefit, however. The day before the meeting with Liu, I talked to the senator about potential USG-sponsored clean coal projects in China. He was receptive to the idea and made it the starting point of his discussion with Liu. If Congress ever entertains the notion of putting some money into environmental projects in China, under JI or some other rubric, Baucus will probably support it. End note.

*(Proposed)*10 7
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Bureau		Extended Bureau (additional)
Africa	Ghana	Tanzania
	Senegal	Mauritania
Eastern Europe	Georgia	Russia
	Poland	
WEOG	Canada	USA
	Germany	EU Troika (U.K. Netherl. Lux.)
		Italy
		Norway
		Australia
Asia	Japan	China
	Malaysia	India
		Saudi Arabia
Latin America	Honduras	Brazil
	Venezuela	Mexico
		Argentina
AOSIS	Marshall Is.	
Ex-officio	COW Chairman	

NEXT STEPS

New Zealand
Proposal

11 7 13

The Conference of Parties, at its third session,

Recognising the need for Annex 1 Parties to take the lead in combatting climate change,

Having adopted the Kyoto Protocol,

Acknowledging that the global nature of climate change calls for the widest possible cooperation by all Parties and their participation in an effective and appropriate international response, in accordance with their common but differentiated responsibilities and respective capabilities and their social and economic conditions,

Recognising the efforts being made by non-Annex 1 Parties to combat climate change, and their absolute need to raise the living standards of their peoples,

Noting that the commitments of Annex 1 Parties under Article 3 of the Protocol cover the period up to (2014),

Considering that future commitments by Annex 1 Parties beyond this date should be in the context of the widest possible participation in binding action to restrain and control global emissions,

Recognising that the inception of legally binding emission limitation commitments for non-Annex 1 Parties depends upon the implementation by Annex 1 Parties of their commitments, in particular their QELROs commitments, under the Kyoto Protocol,

Recognising the wide divergence between non-Annex 1 Parties, and the need for their progressive engagement over time in legally binding emission limitation commitments,

Taking into account Articles 4.3, 4.5 and 4.7 of the Convention,

In accordance with the provisions of Article 7.2 (a) of the Convention and Article 14 of the Protocol and in expectation of the third IPCC assessment report and other relevant information, especially further national communications:

Agrees that there should be further legally binding commitments for all Parties for the period beyond (2014), including QELROs for Annex 1 Parties and quantified emission limitation objectives for all other Parties, other than the least developed countries,

Decides to begin a review process in 1998, to be concluded by 2002, to set these commitments and decide on matters relevant to their implementation, including financial and technical aspects.

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HIGHLIGHTS FROM THE THIRD CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 4 DECEMBER 1997

Delegates to the Third Conference of the Parties (COP-3) to the UN Framework Convention on Climate Change (FCCC) met in negotiating groups in the morning and afternoon. The groups continued their discussions on quantified emission limitation and reduction objectives (QELROs), sinks, policies and measures (P&Ms), advancing the implementation of Article 4.1 (commitments) and institutions and mechanisms. The Committee of the Whole (COW) met in an evening "stock-taking" Plenary session.

COMMITTEE OF THE WHOLE

Chair Raúl Estrada Oyuela (Argentina) indicated that considerable progress had been made on some elements of QELROs, while the more difficult ones remain to be solved during the high-level segment. He reported agreement on text for Articles 3.3 and 3.4 on commitments for countries with economies in transition and for Article 11 on periodic review of the implementation of the Protocol. He informed delegates that a paragraph on emissions borrowing (Article 3.14) was eliminated, and that a draft decision on methodologies for estimation of GHGs is to be recommended for adoption by the COP. On outstanding issues, he indicated that informal consultations had served to identify options on coverage of gases and on baskets. He said that an option listing gases separately was still open, and added that he would prepare a text on coverage of gases based on the discussions.

Luiz Gylvan Meira Filho (Brazil) reported on the informal consultations he had conducted on "multi-year targets," formerly known as "budgets." He stated that problems during the discussion arose from the meaning of the word "budget." Some delegations indicated confusion between the terms "emission budgets" and "budget periods." To solve the problem, these were replaced with "total emissions" and "commitment periods" respectively. He indicated that a text on QELROs reflecting these changes was available. He said there was increasing agreement that the range for "commitment periods" should be five years. Chair Estrada added that using the term "multi-year targets" had no implications for Parties' obligation to submit national communications on an annual basis. The US, supported by NEW ZEALAND, said that the term "total emissions" does not fully encompass the meaning of the word "budget," and noted the need to further reflect on the meaning of the term where it appeared in other parts of the text.

The Chair of the negotiating group on the proposed compensation fund (Iran) reported that there were still divergent views on the issue and that further consultations were needed.

Harald Dovaland (Norway) reported on informal consultations conducted on the European "bubble" contained in Article 4 and said that further clarifications were needed on the meaning of terms within the article. He said that the EU was trying to find ways to accommodate delegations' concerns. Chair Estrada urged the group to continue its consultations in order to report on progress to the COP as soon as possible. The EU stated that it would not be in a position to continue consultations until the Ministers arrived, given the significance of the issue for the EU. Chair Estrada ruled that he would not wait for the high-level segment and would proceed to submit existing proposals for decision by the COP. The Russian Federation supported the Chair's ruling.

Dámaso Luna (México), reported that further consultations were needed on voluntary commitments for non-Annex I Parties (Article 10).

Luiz Gylvan Meira Filho (Brazil) reported on consultations held on a proposed clean development fund (Article 18) and said that there was verbal consensus to include it in the text of the Protocol, but drafting to that effect was pending.

The Chair of the negotiating group on sinks, Antonio La Vida (Philippines) said that full agreement had not been possible and introduced a draft document containing three bracketed paragraphs. The first paragraph states that Annex I Parties shall ensure that their [gross] aggregate anthropogenic carbon dioxide equivalent emissions do not exceed their commitments. The second bracketed paragraph discusses net [changes in] GHG emissions from sources and removals by sinks resulting from direct human induced land-use change and forestry activities. It lists three options. Option A refers to variable changes in stocks. Option B refers to verifiable changes in stocks [up to 100 per cent] of the QELROs. Option C is limited to afforestation, reforestation, deforestation, and harvesting since 1990 measured as verifiable changes in stocks used to meet QELROs. A third paragraph states that the MOP shall determine how and which human induced activities related to GHG emissions and removals in the land-use change and forestry activities category shall contribute to meeting QELROs commitments.

Chair Estrada observed that other issues are pending decision on QELROs and that definitions were needed. He said that not everyone would be happy but it is time to decide. AUSTRALIA proposed a new option for a fully comprehensive approach. She advocated a net approach and suggested that the other options would introduce inequities between countries, along with uncertainty. The new Australian text, with support from the RUSSIAN FEDERATION, provides for Annex I Parties to ensure that their net anthropogenic carbon dioxide equivalent emissions as listed in Annex A do not exceed their commitments in terms of emission budgets/target year, inscribed in Attachment I. It further states that the verifiable net GHG emissions from sources and removals by sinks in terms of carbon dioxide equivalents resulting from direct

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human-induced activities shall be used to meet the QELROs commitments of each Party in Annex I, and provides for reporting in a transparent and verifiable manner.

NEW ZEALAND described Option C as very limited and noted his support for including all verifiable categories. JAPAN said his basic approach continues to be the gross approach. He recalled that the IPCC Chair *Emertius*, Bert Bolin, had raised problems concerning sinks. If Parties deny uncertainties, their entire effort to work out appropriate targets would lose its justification. He supported Option C. CANADA said Option C does not cover conservation of currently managed forests or agrarian practices and provides no incentive for biodiversity. BARBADOS supported Option C. The US said his own preference would be similar to the Australian proposal. He said Option C was limited, and "forest management and forest conservation" should be added. The UK commented on the complex mathematical issues raised by choosing either a gross or net approach and their implications. He suggested that it was going to be extremely problematic to negotiate the question, and the issue may have to be resolved politically.

The MARSHALL ISLANDS, supported by GRENADA, cautioned against the uncertainties connected with measuring other activities and preferred putting them in Paragraph 3. CANADA and NORWAY noted their preference for Option A, saying the uncertainties are overdrawn. BRAZIL, supported by COSTA RICA, favored Option C as in the original Chair's text, or dropping the whole Article. ICELAND, URUGUAY, CANADA, MEXICO, COSTA RICA and NEW ZEALAND supported the US's concern that Option C refers to only a limited number of activities that can contribute to sinks. URUGUAY proposed adding "forest management, reforestation and any other forestry activity." MEXICO suggested "forest management and forest conservation" and COSTA RICA proposed "natural forest regeneration" and cautioned against allowing sink activities to disappear during the review discussed in Paragraph 3. ICELAND called for giving Parties credit for the changes occurring during a target year or budget period. NORWAY, supported by NEW ZEALAND, added brackets around "since 1990" in Option C, as in Options A and B. GRENADA queried how to measure 1990 sinks now if not already done and suggested giving a negative credit to countries when sinks are destroyed. ARGENTINA supported Option C, noting its relationship to forest conservation, the Convention to Combat Desertification and recovery of soils.

The Chair suggested that Option C appeared ready for consensus, evoking neither passionate support nor strong opposition. It is clearly a text to limit or set parameters to sinks. He said delegates would have to take US comments and their support into account, although definitions related to "forest management" could be a task for SBSTA. There was clear resistance to this option, but he felt the COW was ready to accept Option C, adding "forest management and forest conservation."

AUSTRALIA said she could accept the amended Option C, but that this depended on inclusion of a "net" approach and removal of an exclusion of land-use change and forestry in the article's first paragraph. VENEZUELA said the US amendments would reduce its reluctance regarding Option C. URUGUAY said the US amendments sought sustainable development. CANADA supported the modified Option C, as did HONDURAS, who supported Iceland on including soil productivity. BRAZIL and SAMOA expressed strong disagreement, SAMOA preferring to bracket "deforestation or harvesting." JAPAN supported the original Option C, but not with the US amendments, which tremendously increased ambiguities and uncertainties.

The Chair noted clear reaction against "forest management and forest conservation." He asked whether the US could support only "management." The US said the choice on sinks will have an enormous impact on a number. He said it was also necessary to ensure the numbers for sinks were transparent and verifiable.

The MARSHALL ISLANDS said he was not prepared to let Annex I Parties take credit for what nature is doing. He said he could not accept Option C without further consultations. The EU said the paragraph should remain bracketed for ministers. BARBADOS did not support Option C. PERU supported Option C but expressed doubts regarding methodology for forest management. GRENADA did not understand how conservation of forests improves the uptake of a sink. Management would maintain the sink but not increase its effectiveness.

NORWAY said limiting a comprehensive use of sinks limits a comprehensive policy approach and creates uncertainties to countries willing to undertake ambitious commitments. He called for inclusion of forest management and supported Iceland's call to include other land use sinks. BRAZIL said the question is: what are man-made activities for which credits should be given to increase emissions? He compared the 6 gigatonnes (Gt) of carbon emitted from fossil fuel and 1 Gt from land use change to natural uptake of 2 Gt by oceans and 2 Gt on continental surfaces. Given deep economic limitations and the inclusion of all countries, if all forests are considered managed this would grant a license for 30 percent more emissions. Because the FCCC includes an obligation to conserve and maintain sinks and reservoirs, he suggested a separate article to restate the obligation for all Parties to sustainably manage their sinks.

NEGOTIATING GROUPS

The negotiating group on policies and measures discussed a revised draft text prepared by Chair Mohamed Ould El Ghassouh (Mauritania). There has been some agreement on the kind of policies and measures to be considered and on their inclusion in the protocol. There are differences over whether policies and measures should apply to non-Annex I countries and whether their application should be adjusted according to national circumstances. A related discussion concerns the issue of "comparability." The options for coordination were also discussed.

A contact group on institutions and mechanisms, chaired by Patrick Szell (UK), reported progress on a number of Articles including those dealing with national communications, non-compliance, the Meeting/Conference of the Parties and amendments.

A participant in the negotiating group on Article 4.1 reported "slow but steady" progress. He said a revised text has been prepared, but delegates will continue their discussions Friday morning.

IN THE CORRIDORS

A number of the key elements in a final agreement are the subject of bilateral and multilateral contacts on the fringes of the negotiation. One important example is the bilateral contact between the US and Brazil to discuss the fate of the proposed clean development fund. Observers believe that the US has come to view the initiative as the key to a neat fix, linking a number of their interests, including emissions trading, and engaging some developing countries in meaningful participation with the promise of generating funds for technology. Asked about the US interest in the clean development fund, an EU representative warned that multiple loopholes would render targets meaningless.

THINGS TO LOOK FOR TODAY

COW: The COW is expected to meet in Plenary at 10:00 am to continue discussing sinks and other issues.

PLENARY: The COP is expected to meet in Plenary at 3:00pm.

**CLIMATE CHANGE
3rd CONFERENCE OF THE PARTIES
KYOTO, NOVEMBER 30 - DECEMBER 11, 1997**

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John Campbell	State/OES	202- 647-1554	202-647-0217
Leslie Gerson	State/OES/SEI	202-647-2958	202-647-0773
Brooke Holmes	State/OES	202-647-4542	202-647-0191
Steve Muller	State/EB	202-647-3423	202-647-4037
Meg Donovan/Jaci Wilson	State/H	202-647-1048	202-647-2762
Todd Stern	White House	202-456-2702	202-456-2215
Steve Seidel	White House	202- 343-1060	202-343-1162
Andrew Kanders/Paul Risley	White House	202-343-1060	202-343-1162
David Sandalow	White House/CEQ	202-456-6543	202-456-2710
Shelley Fidler	White House/CEQ	202-456-6224	202-456-2710
John Hilley	WHLA	202-456-6620	202-456-2604
Peter Orszag	White House/NEC	202-456-5358	202-456-2223
Diana Helioes	White House/NS	202-456-9494	202-456-9490
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Rosina Bierbaum	OSTP	202-456-6202	202-456-6025
Jennifer Haverkamp	USTR	202-395-7320	202-395-4579
Jeffrey Frankel	CEA	202-395-5046	202-395-6958
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Burgess Laird	USUN	736-7555	736-7551
Sherri Goodman	Defense	703-697-1013	703-693-7011
Jerry Stephens	DoD/JCS	703-697-5738	703-614-0905
Linda Silverman	DOE/PO	202-586-3896	202-586-4341
John Lieber	DOT	202-366-4450	202-366-7127
Sandra Hawkins	DOC	202-482-6055	202-482-4636
Laurence Campbell	DOC	202-482-3038	202-482-0325
Al McGartland	EPA/OPPE	202-260-3354	202-260-6405
Paul Stolpman	EPA/OAR	202-564-9140	202-565-2149
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Elli Kaplan	Treasury	202-622-0409	202-622-0073
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(6)

5 December 1997

FAX to: 202 647-0217

To: Ms. Conchita De Shazo

From: USDEL/Kyoto, Mark G. Hambley

Subject: COP-3 Supplement for Update 6: December 4/5, 1997

cc: JAF
SY
mt
AW
RL
JA

This supplement contains some additional reports prepared by the USDEL personnel on activities and events at the on-going Third Conference of the Parties in Kyoto, along with the December 5th edition of ECO, the environmentalist rag paid for in part by the environment ministries of several EU member states. This report should be read in connection with the regular daily Update No. 5 for December 4/5, 1997.

*notes by Sharon Saile*COW OELROs Negotiations, Wednesday December 3, evening session 8pm-11pm

On Wednesday night, the group discussed 4 issues: 1) coverage, 2) methods, 3) Article 11 review of commitments, and 4) an opening discussion of the EU Bubble.

Chairman Estrada had prepared text for the coverage discussion which provided for two separate 3 gas baskets: the first 3-gas basket (CO₂, CH₄, and N₂O to be agreed upon here in the Kyoto Protocol, and the second 3 gas basket (HFCs, PFCs, and SF₆) to be covered in an Annex to the Protocol to be adopted next year at COP4. In the Chairman's proposal, the 2 baskets would be "linked", where emission reductions would be fungible across the 2 baskets (extra reductions in the CO₂-basket could be applied for commitments in the HFC-basket, and extra reductions achieved in the HFC-basket could be applied for commitments to the CO₂-basket.) However, when it was suggested that many Parties had been expecting a 6-gas basket in the Kyoto Protocol, Chairman Estrada indicated that the Parties who favored the comprehensive approach would have to ensure that all Annex I Parties (i.e. Japan and EU) could be accommodated.

On the methods, all the Parties who spoke favored retaining the basic text currently in Chairman Estrada's proposal to require the use of the existing IPCC guidelines, and to adopt a decision to that effect at this meeting. Estrada then explained the bracketed proposal in his text which would allow any revised IPCC guidelines could be adopted at any time by a Meeting of the Parties. The US, supported by other JUSCANZ countries, intervened to ensure that any such revisions would not be required until a subsequent budget period. Estrada ultimately assigned Jonathan and Peter Unwin of the UK to draft mutually acceptable text to address the issue of allowing improved methods to be adopted for use in the Protocol on a reasonable schedule.

On Article 11, some Parties favored keeping explicit text to ensure a review of the adequacy of commitments in Article 3 (Samoa/AOSIS, UK/EU, who wanted to add PAMs to the review), while the US and Canada favored simplifying the text to remove this explicit reference which could be used by the G-77 to perpetuate the policy that Annex I Parties take action while developing country Parties would have "no new commitments". After an extensive debate (where Dr. Mark Mendoza indicated that he was more able to compromise when he moved his seat further away from JP: the G-77 did not have an official position on this issue), Chairman Estrada overruled the objections of the UK and Samoa and took the proposed revisions.

On the EU Bubble, Australia made a long intervention indicating continued critical problems and questions about the EU bubble, and the US supported their concerns. Chairman Estrada ended the session by offering to continue the discussion at the next morning's session.

NOTE: A one page handout giving a basic description of the 6 greenhouse gases was developed as a handout for the press so that we might get more accurate characterization of the environmental benefits of the comprehensive approach favored by the US.

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Notes from Article 4.1 Session
December 4, 1997
Leslie Cordes - USAID

Chairman Kjellen and Co-Chairman Ashe held a small side meeting with the U.S., the Netherlands, Colombia, Trinidad and Tobago, and the Philippines to work through outstanding issues on Articles 12 and 13 of the Protocol. Language was resolved *ad referendum* regarding Article 12(1)(a) on national and regional factors, (e) on development of indicators, and (f) regarding observation systems. In addition, after a lengthy discussion among the group, language was proposed by the U.S./EU in an attempt to meld the two alternatives on the technology transfer provisions of paragraph (c). The G-77 strongly opposed any formulation of paragraph (d) which directs governments to address climate change in their decision making processes. They stated that such language in the Protocol would constitute a new and additional commitment and impinge on the national sovereignty of developing countries. Discussion of paragraph (g) on national institutions was postponed pending further consultations among the G-77. The group then took their language back to the larger session where the text of paragraph (a) was approved and the meeting was adjourned. Both co-chairman Ashe and the G-77 circulated draft text later in the evening for discussion Friday morning in the small contact group.

MEMORANDUM

December 5, 1997

From: Bob Boynton *Bob Boynton*To: Melinda Kimble
Mark Hambley

Subj: December 4 Policies and Measures Meetings

The Policies and Measures (P&M) meeting resulted in a lot of bracketed text, with the United States objecting to unfavorable language but not actively pushing language of interest to us. Three major issues were:

1. P&Ms for Annex I countries voluntary or mandatory (para 1(a)) - the text contains two bracketed choices [such as, inter alia,] [in particular]. We said that we would object to the second formulation because it makes the list of P&Ms that follows mandatory.
2. Minimizing Impact on Developing Countries (para 1(b)) - we showed some flexibility on this issue by offering to agree to a formulation that said we would "strive to implement" P&Ms that would minimize impact. This was not satisfactory to OPEC and the G-77. para 1(b) remains bracketed.
3. Coordination of P&Ms (para 2) - the EU wants language making coordination mandatory. They also added a laundry list of specific P&Ms to the more general ones in para 1(a). We objected to the coordination paragraph and to most of the specific measures. Para 2 and the specific measures remain bracketed.

DRAFT REVISED TEXT BY AMBASSADOR ESTRADA

6712

Article 2

1. Each of the Parties included in Annex I [or acting under Article 10] in achieving its commitments regarding quantified emission limitation and reduction objectives under Article 3, shall:

(a) Adopt and implement policies and measures in accordance with its national circumstances and in order to promote sustainable development, such as the following:

- (i) Enhancement of energy efficiency of the national economy ; and encourage appropriate reforms in the energy sector and regulatory regimes aimed at promoting policies and practices which limit or reduce emissions of greenhouse gases not controlled by the Montreal Protocol;
- (ii) Protection and enhancement of sinks and reservoirs of greenhouse gases not controlled by the Montreal Protocol; and promote sustainable forest management practices, afforestation and reforestation;
- (iii) Promotion, development and increased use of renewable forms of energy and research and development of innovative environmentally sound technologies;
- (iv) Phasing out of market imperfections, fiscal incentives, tax exemptions and subsidies in all greenhouse gas emitting sectors that run counter to the objective of the Convention; and
- (v) Providing a continuous balance between those policies and measures aimed at reducing emissions of greenhouse gases in emitting sectors and those aimed at reducing consumption of their products.

The Meeting of the Parties shall assess the application of these policies and measures;

[(b) Implement policies and measures under this Article in such a way as to minimize adverse effects, including the adverse effects of climate change, effects on international trade, and social, environmental and economic impacts on other Parties, especially developing country Parties and in particular those identified in Article 4.8 and 4.9 of the Convention, taking into account Article 3.5 of the Convention. The Meeting of the Parties may take further action, as appropriate, to promote the implementation of the provisions of this subparagraph;]

(c) Co-operate with other such Parties to enhance the individual and combined effectiveness of their policies and measures adopted and implemented under this Article, in accordance with Article 4.2(e)(i) of the Convention. To this end, these Parties shall take steps to share their experience and exchange information on these policies and measures, including developing ways of improving their comparability, transparency and effectiveness. The Meeting of the Parties shall, at its first session or as soon as practicable thereafter, consider ways to facilitate such co-operation, taking into account all relevant information.

[2. The Parties included in Annex I [or acting under Article 10] shall co-ordinate the

implementation of those policies and measures identified in paragraph 1(a) above and the development of methodologies to assess their effectiveness. The Meeting of the Parties shall, at its first session or as soon as practicable thereafter, consider ways and means to facilitate such co-ordination, including by instituting a process to develop recommendations to Parties in the form of guidelines, taking into account national circumstances and relevant work being done by other bodies.]

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CLIMATE NEGOTIATIONS KYOTO DECEMBER '97 NGO NEWSLETTER

eeco



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 COP3 in Kyoto, December 1997.

Unlimited Interest-free Carbon Credits

Prospects for a credible compliance procedure within the convention veered severely off track last night when negotiators opted for unlimited borrowing of greenhouse gases from the future!

Negotiators struck off a key provision from Article 3. That provision would have required any country that exceeded its greenhouse gas budget to deduct the amount of excess emissions from its next period's budget, but at a lesser than one-to-one ratio. Had the above provision survived the atmosphere would still have eventually been "made whole" again. Countries that exceeded their emissions budgets would have been required to make up the difference. More importantly, the greenhouse gas "penalty" would have discouraged unlimited borrowing from future budgets.

Now, with the provision gone, it seems that Kyoto Protocol gas budget-busters will get away scot-free; in the same way that those failing to meet their FCCC commitments face no penalties for non-compliance.

Just how do negotiators propose to deal

with the fact that, if nations exceed their budgets the atmosphere will continue to be subject to unacceptable levels of emissions?

They must start with the obvious by putting teeth into Article 18 on compliance. A mandatory atmospheric pay-back with greenhouse gas penalties would be a good place to start. Parties that exceed their budgets should also be barred from selling emissions reductions until they make up the difference. Transparent and rigorous reporting provide the essential fabric for this system. That's why reporting should be reviewed by expert atmospheric auditors who – like financial auditors – are subject to penalties if they commit fraud in the conduct of reviews.

While some Parties will meet their 1990-by-2000 targets, many, most notably the US, will miss by a wide margin. Will the first "budget" end in the same way? Maybe...unless the nations in Kyoto deal with this compliance issue. It would be unthinkable if in the end the "legally binding obligations" of the Kyoto Protocol had no more teeth than the Rio "commitments".

From Cold War to Hot Air

"Hot air" trading between JUSCANZ (Japan, the US, Canada, Australia and New Zealand) and Russia, Ukraine and Eastern Europe would add nearly 10% to the JUSCANZ countries' annual emissions. This means that if a weak reductions agreement of, say, a flat rate of 5% were agreed in Kyoto, these countries could actually increase their emissions by 4.1% – using just hot air (see table back page).

It seems likely that the chronic shortage of cash in CEE economies would mean that the cost of CO₂ in such trades would be low. The morality of using the crash in these countries to obtain low-cost credits for some of the richest nations, is dubious, to say the least.

In addition, the energy sector in the JUSCANZ countries would not be obliged to begin sustained emissions reductions. They could continue to build long-life fossil fuel infrastructure, committing the atmosphere to still further long term rises in concentrations. This is obviously irresponsible.

It must be remembered that there are other loopholes, which would further exacerbate the problem of escaping domestic action on energy policy.

continued on back page, col 1

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Notorious fossil fuel lobbyist and fixer Den "Deputy Dawg" Perkins hates to be photographed

ISSUE NO 5 VOLUME XCVIII FREE OF CHARGE

Thoroughly Inadequate

During the early morning hours of Thursday in the QELROs working group, the US and Tanzania guided one of the most fundamental elements of the Protocol – the mechanism to review the adequacy of commitments. Of critical importance to the long term success of the Protocol is the establishment of a mechanism that requires, and facilitates, in accordance with the precautionary principle, the continued strengthening of Parties' commitments towards preventing dangerous climate change and, in particular, the regular review of binding emission reduction commitments. As none of the proposals currently being put forth by Annex I parties are adequate to avoid dangerous climate change, it is absolutely essential that a proper review procedure be enshrined as a central element of the

Protocol so that commitments can be appropriately strengthened.

Article 11 of the Chairman's draft text was intended to create exactly this mechanism. However, with the late-night handiwork of the US and Tanzania, it now simply calls for a review of the Protocol. The "adequacy of commitments" is not even mentioned anywhere in the Article anymore. Even worse, there is no defined schedule for review, i.e. no less than every five years.

One of the strongest features and reasons for the success of the Montreal Protocol (ozone layer) was the robust review mechanism that institutionalized a review at least every four years. It is essential that reviews be conducted on a scheduled basis, directly tied to "compliance periods" in the Protocol, so as to be completed in time to

allow for adjustments in the next "compliance period".

Another result of the late night remodelling is that the first review is now delayed to the 2nd MOP. The review should be held as soon as possible – the first MOP. The current approach would result in a large gap between reviews, as it will likely be some time before the Protocol will enter into force. Also, because significant new scientific and technological information will emerge during the next several years, a review will be necessary as soon as realistically possible.

If Article 11 lacks a real mechanism to review the adequacy of commitments, the credibility and effectiveness of the Protocol will be put in jeopardy. If this is not changed, you will rue this day for years to come.

Sinks Destroy Natural Forest Systems

by Stephan Singer, WWF

Delegates should be warned that an agreement to protect the world's primary forests from deforestation is a completely different issue from trading sinks against QELROS. It is naive in the extreme to assume that the parties can reach agreement on the issue of forest protection while being unable to fulfil the mandate on achieving global emissions cuts. Other much more sophisticated fora such as the IPF (Intergovernmental Panel on Forests) has struggled to achieve this result.

Only if parties agree to early and substantial cuts in fossil carbon emissions will NGOs trust these delegations supporting the net approach. To date, this approach appears to allow such emissions to increase. In addition, recent (bracketed) text on sinks is too complicated and filled with too many loopholes to be seriously discussed.

The message is simple – Keep sinks out of any agreement. Consider yesterday evening's statement from the representative of richly forested Brazil, Gylvain Filho Meiro: "We are discussing credits that will allow emissions to increase. We must remember the FCCC says it is an obligation to conserve and maintain sinks and reservoirs. Since there are sincere intentions to conserve forests, I would suggest a separate paragraph from Article 3 that restates the overall obligation. Do not put here a license to increase emissions. Let us not fool ourselves. In comparison to 6 GtC of fossil fuel emissions and 1 GtC of land use emissions = 7 GtC, we know that the natural uptake of the oceans is 2 GtC. I am glad that at least we are not trying to take credit for that. There are about 2 GtC uptake by the surface. The implications of taking credit for all of that is a licence to increase emissions 30 per cent more. This is not in the spirit of the Convention."

There are a few serious reasons to rule out the net approach:

- Inclusion of a net approach will allow fossil-fuel emissions to increase while, at the same time, enlarging the biospheric pool of carbon which ultimately will reach the atmosphere.
- Forest plantations can be destroyed in forest fires. Who will compensate the plantation owner for the lost emissions reduction?
- Ecologically destructive tree species and monocultures which are potentially larger carbon sinks may be substituted for more biodiverse secondary forests
- Increased use of biomass for renewable energy and increased agriculture acreage due to increasing population will yield shortages on available land for afforestation. Already, land available for offsetting emissions is

limited. For example, compensation for total annual German CO₂ emissions would require an area three times the size of Germany (a sequestration of about 3t C/ha /year)

- Global monitoring is very difficult if not impossible! Carbon uptake and release of forests can differ by 100% and more over similar climatic ecoregions and over short distances depending upon soil fertility, light exposure, tree species, insects and pests – occurrences as well as forest management.
- Agreement on inclusion of sinks into the greenhouse gas inventories opens up another disastrous loophole. Representatives of certain countries have already indicated, that injection of industrial carbon dioxide emissions into the sea surface layers may be an option to mitigate climate change.

CLIMATE CHANGE ADAPTATION



Build them sea walls higher!



Vladimir 99

South Takes Lead

Southern countries are already taking steps to reduce their greenhouse gas emissions. "Good practices, technology innovation and new partnership" launched at COP3 on Wednesday by the Bangladesh Centre for Advanced Studies, and others, lays out examples from Africa, Latin America and Asia. "The South didn't create the problem but is responding to the challenge", said the report's editor Atiq Rahman.

At the launching ceremony, Bert Bolin of IPCC said that this initiative has implications beyond their country of origin and particularly at the ongoing negotiations at COP3.

In South Africa, for example, local construction programs in the Western Cape Province are ensuring that self build schemes for peoples homes meet energy efficiency standards as well as providing jobs. In the Cameroon, a controlled garbage disposal scheme, where rubbish was previously left to rot on open spaces but is now composted centrally, has reduced methane emissions by 7,000 tons per year while at the same time increasing local agricultural yields significantly with the compost produced.

In India, low energy, low cost, and reduced non emitting technology using rammed bricks has been used in Delhi to construct energy efficient office complexes. The entire electrical requirements of project villages in Bangladesh have been met by solar power.

Meanwhile, afforestation programs in Mexico, energy conservation programs in Brazil, and capacity building projects in Central America all assist to reduce carbon emissions. Brazilian PROCEL works with private enterprises to identify and implement options for reducing waste and saving power through efficient end-use technology.

At the report's launch Chairman of AOSIS, T.N. Slade, illustrated a series of examples from the Pacific and small island Caribbean States that have negative carbon emissions due to measures undertaken in meeting their economic development needs. He stressed the importance of initiatives such as these to enhance North-South collaboration and technology co-operation. The newly elected SBI Chair, Bakary Kanti, highlighted the need to overcome barriers to technology cooperation and empowerment, and emphasized the need for adequate financial resources.

This well attended meeting urged the sponsors of the initiative to engage the private sector in the North and the South to further technology empowerment and to reduce greenhouse gas emissions. Multiple-benefit initiatives undertaken by developing countries to advance national development priorities, which also reduce net emissions of greenhouse gases, should be formally recognized at COP3 and encouraged by all Parties, said Irving Minczer, one of the principals of the initiative.

Business Calls for Early Reduction Targets

by Christoph Bals

The European and US-Business Council for Sustainable Energy will today take the first step to establish a Japanese equivalent council. The launch of the initiative also involves WWF Japan, the World Resources Institute and about 10 Japanese businesses.

The European and US-business groups are calling for early legally binding targets. Since COP 1 in Berlin, these two groups have supported a protocol with reduction targets. They cooperate closely with the International Cogeneration Alliance. On a similar theme the UNEP Insurance Initiative will, at their briefing session today, call for negotiators to take the necessary steps to reduce the risks of climate change. Some insurers have already begun to shift their investments increasingly to the sustainable business sector.

These groups are at the forefront of a dynamic wave in the business community which has the potential to make climate protection much more profitable than most of today's economic studies show. In Germany eight Busi-

ness Associations support the EU target. A poll conducted by the Confederation of British Industry shows that 83% of the organizations members support the EU-target. A survey of the Australian Institute of Company Directors shows 69% of businesses representing the entire business spectrum are "in favor of global greenhouse gas reduction targets for Australia".

On the fossil side, not only the gas but also the oil industry shows more and more support for the climate protection process. BP Chief Browne wants to see "constructive action now". In a similar vein, Shell UK Chief Executive Chris Fay says that it is time to stop this "risky experiment" with the atmosphere.

Even the official European Industry Association, UNICE calls now for "legally binding targets".

It is in your hands, delegates, to create the right environment for sustainable business to flourish. Giving this kick start will quickly build up the momentum for a thriving economy. This needs early and legally binding reduction targets, and a strict non-compliance mechanism.

El Niño Back Again

by Alma Ancheta, Sam Ferrer, Helen Mendoza, and Leonard Simanjuntak, Climate Action Network - South East Asia

Once again the Philippines is reeling from the onslaught of the El Niño. Rivers are drying up, dams are reaching critical levels, and water is being rationed in major towns and cities all over the country. Food security is threatened, diseases are on the rise and, as in any disaster, the first to suffer are the poor.

In Indonesia the rainy season has been delayed by almost three months due to El Niño. From the rich wetland paddy system in Java to the dry rice agriculture in Kalimantan, the planting patterns have had to change. In Irian Jaya, one of the worst affected area, famine and water shortages have already claimed hundreds of lives.

While the El Niño is observed to go through a regular cycle, recent studies show that this phenomenon may increase in occurrence and intensity as GHGs build up in the atmosphere. The 1982-83 El Niño episode claimed around 2,000 lives and wreaked havoc upon the economies of many nations. This year's El Niño may yet be the worst in recorded history.

As governments scramble to cushion the effects of the El Niño in their own countries, they can only take "short-term" measures until everything tides over. But El Niño will be back sooner and more intense than expected if a binding protocol to reduce greenhouse gases is not reached. If things aren't done soon, El Niño may be here to stay.

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CLIMATE NEGOTIATIONS KYOTO DECEMBER '97 NGO NEWSLETTER

Uncle Sam to World: Drop Dead

While claiming to be the victims of the international negotiators from nations as unthreatening as Granada, US representatives have held fast to loopholes that the entire fossil fuel industry could pass through, ample girths notwithstanding. When it comes to trade policy, nuclear arms negotiations or making its allies buy cars and semiconductors, the US is truly a 1,000 pound gorilla. But when it comes to averting sea level rise that threatens scores of island nations or preventing 50 million new cases of malaria a year, the US is as intimidated as a fawn in rapidly approaching headlights.

Take for example the US's feigned inability to keep the Russians from counting the carbon emissions saved as its economy has col-

lapsed, or worse, counting this over and over for the next dozen years. Feigned, to be sure, as the US salivates over the opportunity to buy these "credits" from Russia, thus averting any real emission reductions. Cadillacs fuelled by Russia's depression.

Consider too the various proposals on sinks, counting forests and anything else against profligate US emissions. Combine this with weak targets and timetables, a vague and vaguer regime for compliance and a foggy proposal for review of adequacy, and you've got the US position. A position designed to fail backed up by Al Gore, who like the schoolyard bully, keeps threatening to pick up his toys and go home. With leaders like these, who needs followers.

GCC Wins Award Shock!

The Friends of the Earth Dirty Dozen competition has been won by the Global Climate Coalition, with Exxon coming a close second. Voters seem to regard Exxon as the finest individual company and the result lights the oil giant's special efforts to delay the climate talks.

John Gummer, former Environment Minister with the UK government, will present a probably ashen faced representative of the coalition with the "Scorched Earth" award Friday morning. A strong supporter of the free market economic system, John Gummer commented last night, "the market ought to be a powerful force for environmental improvement, not

twisted to provide short term profits for Exxon."

The GCC has spent more than US\$ 14 million on advertising in the US over the last three months leading up to COP3. One of the keys to their campaign is the argument that action on cutting greenhouse gases will cost US jobs - a claim consistently rebuffed by US research institutions and NGOs. Between 1992 and 1996, however, GCC member companies have shed more than 84,000 jobs while their profits have increased by 117%. Measures designed to combat climate change, however, have clearly been demonstrated to improve job opportunities.

Hot Air from front page

A Protocol must not allow hot air - which consists, after all, of emissions that would never have occurred in the first place - to take the place of genuine domestic reductions in

greenhouse gases.

Table: Estimated emission credits for Russia, Ukraine and non-OECD Europe. Million tonnes of Emissions of CO₂ from fossil fuel combustion. (Based on IEA figures.)

Country	1990 emissions	1995 emissions	2010 target (0.95 x 1990)	2010 estimate of actual emissions	Credit available	% of JUSCANZ 1990 emissions (d)
Russia	2263 (a)	1548	2150	1703 (b)	447	6.6%
Ukraine	629 (a)	430	598	473 (b)	125	1.9%
Non-OECD Europe	796	652	756	716 (c)	40	0.6%
Total					612	9.1%

(a) estimated from former Soviet Union.

(c) assumes rise to 10% below 1990 levels.

(d) Total JUSCANZ emissions in 1990 = 6693 million tonnes of CO₂.

Kiko Rally for Action on Climate Change

Sunday, 2pm at Heian Shrine, Kyoto
Dress in Blue please - and help us deliver 10,000 paper cranes to government delegations.

TENGU 天狗

Tengu was delighted to hear that some delegates took up his suggestions for abbreviated comments during negotiation sessions, at a side meeting this week. Following the last few days' meetings, he would like to humbly propose the following additions to the abbreviations budget. First, instead of "I would like to make an irrelevant but detailed suggestion, whose intention is just to slow things down but you'll all have to consider it anyway", Tengu proposes that the speaker merely stand, with the middle finger pointing skywards, for the length of his proposed delay. And for "I'm pretending to negotiate but it's more than my job's worth to concede anything until my Minister gets here, so I'm going to go round and around the agenda without budging an inch", the speaker should use the middle fingers of both hands, jerking them up and down vigorously as he turns from side to side facing the room.

NGO Party Party ... Party ...

Be there or be a gross emitter

at Heaton Hotel near Karasuma Oike
Subway Station, Exit 3-1
Oike Agaru Higashinotoin, Nakagyo

9pm Tonight

THANKS

The Climate Action Network would like to thank the National Environmental Trust and Chikyu Kenkyo Kikan for major funding for Eco and the Alton Jones Foundation, the Environmental Defense Fund and Greenpeace International for further financial assistance.

With resources contributed by APC Networks, Eurofax, Minolta mediaworks, Fuji Xerox Office Supply Co. and Horizon International.

ISSUE NOS VOLUME XCVIII FREE OF CHARGE

**CLIMATE CHANGE
3rd CONFERENCE OF THE PARTIES
KYOTO, NOVEMBER 30 - DECEMBER 11, 1997**

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John Campbell	State/OES	202- 647-1554	202-647-0217
Leslie Gerson	State/OES/SEI	202-647-2958	202-647-0773
Brooke Holmes	State/OES	202-647-4542	202-647-0191
Steve Muller	State/EB	202-647-3423	202-647-4037
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Steve Seidel	White House	202- 343-1060	202-343-1162
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David Sandalow	White House/CEQ	202-456-6543	202-456-2710
Shelley Fidler	White House/CEQ	202-456-6224	202-456-2710
John Hilley	WHLA	202-456-6620	202-456-2604
Peter Orszag	White House/NEC	202-456-5358	202-456-2223
Diana Helios	White House/NS	202-456-9494	202-456-9490
Jim Steinberg	NSC	202-456-9491	202-456-9490
Rosina Bierbaum	OSTP	202-456-6202	202-456-6025
Jennifer Haverkamp	USTR	202-395-7320	202-395-4579
Jeffrey Frankel	CEA	202-395-5046	202-395-6958
T. J. Glauthier	OMB	202-395-4561	202-395-4639
Burgess Laird	USUN	736-7555	736-7551
Sherri Goodman	Defense	703-697-1013	703-693-7011
Jerry Stephens	DoD/JCS	703-697-5738	703-614-0905
Linda Silverman	DOE/PO	202-586-3896	202-586-4341
John Lieber	DOT	202-366-4450	202-366-7127
Sandra Hawkins	DOC	202-482-6055	202-482-4636
Laurence Campbell	DOC	202-482-3038	202-482-0325
Al McGartland	EPA/OPPE	202-260-3354	202-260-6405
Paul Stolpman	EPA/OAR	202-564-9140	202-563-2149
Richard Rominger (or) Jessica Wasserman	USDA	202-720-6158	202-720-5437
Elli Kaplan	Treasury	202-622-0409	202-622-0073
David Wilcox/John Gruber	Treasury	202-622-1260	202-622-0073
Lois Schiffer/Jim Simon	DOJ/EURD	202-514-2701	202-514-0557

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3rd CONFERENCE OF THE PARTIES
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3 0714

6 December 1997

To: Please see attached listing

From: USDEL, Kyoto - Mark G. Hambley *Hambley*

Subject: Third Conference of the Parties to the Climate Convention, Update No. 7:
Report on Activities/Meetings on December 5/6, 1997

This unofficial and unclassified report covers various activities and meetings at the Third Conference of the Parties (COP-3) which is being held in Kyoto between November 30 and December 11, 1997. This edition covers events from the evening of December 5th through December 6th. Although it is not classified, this report is not intended for the use or distribution outside of the U.S. Government. This report contains a copy of the Earth Negotiations Report for Dec 5, plus an account of Dec 5/6 meetings with Korea, Israel and China. Other USDEL reporting, plus the Dec 5th edition of ECO is being sent as part of a supplement to this update. The final paragraphs of this report may be used as a summary as appropriate or desired. The next report in this series will be for Sunday/Monday, Dec 7/8.

**COP-3 Update No. 7 (Dec 5/6): Testing the Waters: Work Shifts Towards Contact Groups;
Resolution of Sinks and Gases Issues Viewed as Critical**

As a busy weekend nears its mid-point, we thought it might be useful to provide an update on some of the key issues and where they stand. As this is written, the Committee on the Whole is in session and various deals are being cut on various pieces of the text. Here is our latest status report, with the caveat that much that follows is expected to change considerably by the time of our next update on Dec 7/8:

The Target

There has been no change in anyone's target. Suffice it to note that the rumors of changes in U.S. numbers have been stifled for the moment (although several journalists in the corridors have raised the question of a purported U.S. five percent cut in emissions!). Attention is now shifting to the EU whose ministers arrive today for their formal ministerial tomorrow afternoon. In any case, this issue is rather closely linked to the outstanding issues of gases and sinks (see below).

The Public Relations Game

Huge plaudits are owed to the USIS/White House/State team handling press relations in Kyoto. We have been told by several journalists and delegates alike who have told us that they have altered the attitude towards the U.S. and its status in these negotiations. Through press briefings and carefully orchestrated back grounders and informative handouts, the U.S. has been able to explain its policy in ways which have greatly disadvantaged the Europeans who have been described as being far too introspective and burdened by an awkward decision-making structure which makes it difficult for them to make decisions on a timely fashion.

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Developing Countries: Where Do We Go From Here?

The debate on Friday on this issue was quite clear. Not only will no Kyoto Mandate be tolerated, but – if the denouncing delegates are to be believed – even mention of a review of commitments by all Parties is problematical. This issue will now await further guidance from the expanded Bureau which COP President Ohki is expected to convene starting on the afternoon of Dec 8.

Article 10: In Greater Trouble?

Different interpretations are emerging as to the significance of Friday's (Dec 5) plenary meeting in which developing countries roundly attacked New Zealand's proposal for a follow-on Kyoto process. One camp (shared broadly by NGOs here) is that the speech puts a death nail in Article 10 discussions with regard to a voluntary mechanism for non-Annex I Parties to adopt binding emissions budgets. Another group (including key negotiators) feel that now that this issue is on the table, it can be used as a bargaining chip to ensure that there is an Article 10.

Our own assessment falls somewhere in between the two viewpoints. Article 10 is currently under close scrutiny by the G-77/China. Estrada appointed Mexico to lead the contacts on this article. We understand that India (which is apparently in charge of the G-77 position) is proposing amendments which would possibly kill the idea as we know it. It should be emphasized, however, that all of this is speculative, and we will have to see what emerges from the consultations. We believe that, in the end, an Article 10 will be preserved. The challenge will be to ensure that it is an Article which is responsive to our position.

Gases: The Need to Accommodate Japan

From a dismal outlook for our six gas basket approach of a few days ago, we have been able to mobilize some support for a rethinking of this issue. For once, we have the NGOs behind us on an issue and they are working on the EU. For our part, we are currently trying to find an arrangement wherein we can obtain Japanese buy-in to the concept. This will depend on our ability to accommodate specific Japanese concerns about HFCs.

Sinks: U.S. Trying to Broker the Issue

We (and all other Parties) have swung back and forth on this issue. At a long contact group convened by Estrada in the context of a small, tightly knit negotiating body which he has established, Melinda Kimble and Jane Leggett of EPA have served as brokers on a very complicated paper on the sinks question. Dennis Turpak, an EPA secondee for the climate change secretariat, helped prepare a new draft decision which was submitted for consideration at the evening COW which Estrada chairs. Unfortunately, we do not like the new proposal which could actually turn our target into a plus number – although we have not as yet had time to make any calculations. In any case, this item was sent off to a contact group with instructions to return with some definitive recommendations later in the evening.

The reason for the emphasis on gases and sinks is simple: without having details about how (or if) both will be included in the QELROS, it is impossible of governments to accurately forge a position on their numbers. Suffice it to say that, for the moment, both issues remain very fluid. As indicated, some of the compromises being discussed would not, in our view, be particularly palatable as their downsides outweigh positive aspects. However, the truth will be in the pudding, so we will have to await the next round of debate in the Committee on the Whole before making any lasting assessment.

5 7 14

Brazil's Proposal for a Green Fund

Brazil is continuing its discussions for a "clean development funding mechanism" which would in the best of worlds - merge smoothly with our joint implementation concept. Ideally, this would become a fix for a major component of the U.S. proposal -- joint implementation with credit. There is some concern about the seriousness of purpose of the Brazilians and whether their publicly harsh statements against any form of JI is reflective of mere posturing or of a deeper seeded effort to use this proposal as a way to eventually drop JI, while leaving the funding mechanism with some kind of status. For the moment, we are proceeding to work on the basis of professed Brazilian good faith. Suffice it to note that several countries have expressed similar concerns to us about Brazilian motivations.

Joint Implementation with Credit

This remains an idea which is still alive but under continuing assault. At the Dec 5 Bureau meeting, the G-77/China representative (Tanzania) indicated that his group is strongly against the idea of Joint Implementation and will not support any concept worked out as a cover for the concept.

Compensation Discussions: "Putting the Genie back into the Bottle is Difficult"

Another issue which we are having to spend more time on than should be the case is the OPEC-inspired compensation fund. Along with the EU, most of JUSCANZ has basically told the Iranian chair of the contact group working this issue not just no, but "hell no!" Unfortunately, the Canadian rep, Tony Clarke, was assigned the responsibility by the chair of coming up with some language for the proposed decision. Despite our efforts to dissuade him, Clarke did compile a few innocuous phrases which while innocuous on the surface, would require us to negotiate language. Far more reasonable was the approach taken by the Zimbabwean rep who proposed that this issue be taken out of the context of the proposed protocol. In exchange, she proposed that a decision be taken by the COP itself to request an in depth study of the various impacts of measures being taken by Annex I Parties. In the end, the Chair proposed both a paragraph on compensation as text for Article 3.17, plus a proposed decision of the COP which reflects the suggestion of the Zimbabwean delegate.

Institutions: Slow Moving as Linkages with Other Aspects are Emphasized

According to our lead negotiator, Evan Bloom from State/L/OES, progress here is very slow moving. In part, this is because several aspects of the final clauses are being held hostage of the outcomes produced on Article 10. Entry into Force provisions are also being debated, with resolution probably awaiting a decision by the ministers and other senior officials next week.

Policies and Measures

Sue Biniarz has worked steadfastly to prevent the EU and its wannabee allies from ramming home their concept of a mandatory list of coordinated policies and measures. We have been joined in this effort by the G-77/China. Some ground may eventually have to be given, but the time is not now.

Borrowing: Trying to Resuscitate an Unpopular Idea

Evan Bloom and the Justice Department's Jim Rubin have apparently been able to restore the essence of a borrowing provision which was dropped earlier this week. There are strong objections to this idea from both the G-77 and (to a somewhat milder degree) the EU which view the concept as an unacceptable loophole.

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Vice President's Visit: Unrealistic Expectations?

Both delegates and NGOs alike have concluded that Vice President Gore is coming to Kyoto with one of four purposes in mind. One current would have the Vice President coming to present a new reductions target which will propel the Conference towards a "satisfactory" solution. A second group believes that the Vice President will come bearing gifts - in the form a new promise for significant funding for mitigating the effects of climate change. Meanwhile, a third group says that Vice President Gore is coming to take hold of the delegation and to negotiate. Finally, a fourth variant on this theme indicates that if he is not coming over here with any of the three forgoing reasons, then he is coming because the U.S. has decided that there will be no agreement and that he is merely coming to Kyoto to demonstrate to U.S. public opinion that "we gave it our best shot" (sic).

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

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Our own assessment falls somewhere in between the two viewpoints. Article 10 is currently under close scrutiny by the G-77/China. Estrada appointed Mexico to lead the contacts on this article. We understand that India (which is apparently in charge of the G-77 position) is proposing amendments which would possibly kill the idea as we know it. It should be emphasized, however, that all of this is speculative, and we will have to see what emerges from the consultations. We believe that, in the end, an Article 10 will be preserved. The challenge will be to ensure that it is an Article which is responsive to our position.

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We (and all other Parties) have swung back and forth on the issue of sinks. Our preferred position is in favor of a gross/net approach with discounts. However, the current proposal being circulated by the Chair could actually turn our target into a plus number - although we have not as yet had time to make any calculations. In any case, this item was sent off to a contact group with instructions to return with some definitive recommendations later in the evening.

Brazil is continuing its discussions for a "clean development funding mechanism" which would in the best of worlds - merge smoothly with our joint implementation concept. Ideally, this would become a fix for a major component of the U.S. proposal -- joint implementation with credit. There is some concern about the seriousness of purpose of the Brazilians and whether their publicly harsh statements against any form of JI is reflective of mere posturing or of a deeper seeded effort to use this proposal as a way to eventually drop JI, while leaving the funding mechanism with some kind of status.

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Another issue which we are having to spend more time on than should be the case is the OPEC-inspired compensation fund. Along with the EU, most of JUSCANZ has basically told the Iranian chair of the contact group working this issue not just no, but "hell no!" In the end, the Chair proposed both a paragraph on compensation as text for Article 3.17, plus a proposed decision of the COP which reflects the suggestion of the Zimbabwean delegate to have a study of the impacts of climate change on developing countries.

Similarly, progress on institutions is proceeding very slowly, as well. In part, this is because several aspects of the final clauses are being held hostage of the outcomes produced on Article 10. Entry into Force provisions are also being debated, with resolution probably awaiting a decision by the ministers and other senior officials next week. Meanwhile, USDEL representatives have apparently been able to restore the essence of a borrowing provision which was dropped earlier this week. There are strong objections to this idea from both the G-77 and (to a somewhat milder degree) the EU which view the concept as an unacceptable loophole.

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Bilateral discussion: Korea and U.S., 12/5/97**Participants****Korea**

Seouk-Young CHOI, MOFA
Min Yung JUN, Min Trade, Indust.
Sung-Chul SHIN, Min Trade, Indust.

United States

Melinda Kimble
David Hales, AID
Mario Merida (Note taker)

Article 10 and the US Position:

Aoting A/S Kimble began the meeting outlining the concept of Article 10, noting U.S. hope for Korean support for inclusion of the article in a Kyoto agreement. She stressed that without the Article 10 provision, the U.S.' "ability to join (an agreement) is damaged."

Benefits of Article 10 "cap":

By allowing a country to participate in emissions trading, she commented that the Article will look more attractive, particularly after current financial crisis passes. In a first and second budget period, Korea could, for instance, offer growth budgets, taking advantage of JI and emissions trading to forward modern investment opportunities. Reiterating a point from the previous day's discussion with Mexico, Kimble noted that Korean firms could, under a "capped" scenario, buy cheap JI reductions like US firms, and sell these and other emissions credits/allowances on the international market.

Article 10 Target options:

Korea would not, necessarily, need to initially offer an emissions reduction/limitation objective, but should keep this option open in order to take advantage of "trading" opportunities which will likely be preferred over high-transaction-cost JI programs. She hoped to explore such opportunities for international cooperation with the Korean delegation.

Korea and Article 10: "Frankly, No.":

Korean head, Choi, explained that Korea does not "want to see" Art. 10 as part of the protocol. Furthermore, should the article survive, Korea would not be in a position to consider opting-in, i.e. offering an emissions reduction/limitation target. "Korea will be unable to decrease its energy consumption for the next 20-30 years! (Even these projections are very uncertain.) We will not make that kind of a 'stupid' decision." Our Korean interlocutors did not directly respond to Kimble's query on an "energy efficiency provision" versus a QELROS goal.

For Korea, the issue of Art. 10 is not an environmental consideration, but a political/economic one, Choi explained. "At this juncture, Korea cannot support Art. 10." Although Korea offered suggestions to "improve" the Art., the delegates admitted that even with these fixes, Korea would still be unable to support the initiative, although could refrain from "speaking out against it." Fixes include:

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- "strengthening voluntary provisions" of the Art., (i.e. voluntary, not legally binding commitments)
- explicit reflection of the possibility for "growth" targets.
- Provide for review of commitments of Art. 10 signatories by other than the "Meeting of the Parties," i.e., by Annex I parties only.

Kimble thanked the Koreans for the opportunity to discuss the Art. 10 issue, and for the frank dialogue offered. She expressed confidence that through our joint "confidence building efforts", Art. will become acceptable to all.

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MEMORANDUM

December 6, 1997

From: Bob Boynton *Bob Boynton*To: Melinda Kimble
Mark Hambley

Subj: Meeting with Liu Zhenmin

I met with Liu Zhenmin for about fifteen minutes this evening to try to ascertain whether there was any, even minimal, flexibility on their part with regard to developing country commitments. I explained that it would be near impossible to take a protocol home if there was absolutely no give on the part of the developing nations.

Liu at first said that it was not possible now to take on binding commitments, and that the New Zealand proposal just would not work (Note: he said there were rumors floating around the halls that the proposal was really the U.S.'s, and that New Zealand had been selected by JUSCANNZ to float "a trial balloon." I told him that it was New Zealand's proposal. End note). He also said that the G-77 and China was bothered by any linkage between developed and developing country commitments, which he said was included in the New Zealand proposal.

I encouraged him to come up with an alternative if he did not like the proposal, and said that even a minimal statement acknowledging developing countries responsibility to undertake commitments would help make the ministerial portion of the COP more productive. I again stressed that it would be very hard to bring this process to a successful conclusion if they gave us nothing — especially since we were now talking about timeframes of 2014 and beyond, which would make it even more difficult to take on developed country binding limits if it appeared that the developing countries had a free ride for 17 or more years.

Liu said that he understood the point, and implied that they would take it into consideration. Given Liu's lack of maneuvering room this was about as good as we were likely to get. While not wanting to grasp at straws, I would say that this is somewhat hopeful. Liu is fairly frank in informal discussions and in the past has not hesitated to say NO when a proposal was outside the realm of possibility for the Chinese.

Liu made two additional points:

1) We should try to understand that this was a multilateral issue, and that China had some obligation to take the G-77 and China group view. I told him that we were seeing some flexibility among some G-77 members, and hoped that China would do likewise.

2) He hoped that Vice President Gore would not mention China by name in his speech. I said that sometimes a country was mentioned as an example in a positive sense. Liu reiterated that he hoped the vice president would not mention China, and that they would be upset if they were mentioned.

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Informal Bilateral meeting with Israel - 5 December 1997

U.S. - Ambassador Hambley, Lt. Col. Solomon, Ms. Gordon and Ms. De Rosa-Joynt, notetaker.
Israel - Mr. Yitzhak Goren, Deputy Director General of Hazardous Substances and Air Quality, Ministry of the Environment.

Ambassador Hambley reviewed the U.S. position on stabilization, flexibility, and developing countries. He explored the possibility for Israeli participation in Article 10. Mr. Goren noted Israeli concerns regarding competitiveness, but when asked if Israel would consider Article 10, stated that he advised Senator Lieberman earlier in the week that Israel would agree to participate in Article 10. He noted that Israel has decided to stay with the developing countries for now, but to act as a developed country. He added that he believed that in the years to come there would be a number of countries that would join Article 10. In this context, Singapore, Turkey, Mexico, Korea, and Costa Rica were briefly discussed, with the U.S. expressing its preference for Turkey to remain in Annex I for now.

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Bilateral Discussion, Chile-U.S., 12/5/97**Participants****Chile**

Sergio Vives, MOFA

Other, Nat. Env. Commission

United States

Todd Stern, WH

Dirk Forrister, WH

Melinda Kimble

Mario Merida (Note taker)

In a meeting over lunch, Stern et al discussed the ongoing negotiations, JI, and Article 10 with the coordinator of the Chilean delegation. Forrister expressed appreciation for Chile's positive statements on Article 10 and their leadership in Berlin in helping assure the initial approval of AIJ. Noting Chile's "moderate position" in the negotiations, and the similarities in our views, Forrister and Kimble sought assistance from Chile in "moving forward both diplomatically and environmentally."

Chilean Frustration with G77/China:

On the negotiations, Vives commented on difficulties in working within the G77/China for countries like Chile, Argentina, AOSIS, etc., that have different positions than the whole. He noted Chile's surprise about the AOSIS/OPEC "compensation fund/AOSIS target" compromise, arranged for the last Bonn session and in Chile's absence, which helped stalemate those talks.

On the Clean Development Fund/Funding Mechanism (CDF):

Chile noted that it has never been fully in support of this concept, which initially would have rewarded large, polluting LDC's like Brazil, China, India, etc., to get financial rewards from penalty contributions to the fund. Chile had also been concerned about the incentive to pollute (and disincentives for emissions trading and JI) created by the non-compliance/penalty aspect of the initial fund idea, as many countries would chose to simply pay a penalty for non-compliance rather than act. Vives noted, however, that as the CDF concept is evolving, it could help organize capital flows to climate friendly projects and allow for the private sector involvement favored by Chile, with some amount of governmental oversight. Support for the concept, and JI in general, within G77/China, was still "somewhat confused." Discussing its views of the CDF, the US team indicated that the CDF's financial channeling mechanism, if preserving important elements of JI (notably a private sector avenue for participation) could serve as an important technology transfer mechanism.

Kimble noted that if, however, Brazil's views of a CDF as a "central/supplemental permit issuer" took hold, we would be hard-pressed to support the idea. In our view, the CDF should be a clearinghouse, not a "bank". (Note: Later in the conversation, Stern/Kimble commented to Chile that we had hoped to "merge" JI with the CDF, but are not encouraged by the way it seems to be evolving. Should the CDF continue to digress, it would become difficult for us to support for the proposal. End note.)

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Specifics on the JI in the Negotiations:

Chile queried the US on the importance of JI in the US position. Stern explained that a mechanism that allows for project-by-project emissions reductions in cooperation with developing countries, private sector involvement, and equitable sharing of resulting credits is "very important to the US." Furthermore, he noted, without "JI", capital flows for climate friendly technology transfers will turn to a trickle.

In Chile's view, the best that can be hoped for JI in the ongoing Kyoto talks is continuation of the pilot phase through 2000. Ideally, we will be able to get a reference to JI in the protocol, but the pilot phase will have to run its course (i.e., we will not get JI with credit.) The limited experience of many parties with JI projects is a principle culprit of this resistance to JI with credit. On the US/JI, Forrister noted our positive experience, but the need for incentives which would allow "projects to bloom."

Chile "Hot" on (support for) Article 10:

Vives noted the opportunities for JI w/credit and emissions trading offered to some countries opting-into an Article 10 status. Gaining support for the Article, however, "is not an easy task within G77/China." As such, Chile will continue to support the existence of this option for enhanced climate change responsibilities, an option which it anticipates considering in the future. (Note: In a COW "QELROS" session o/a 12/3, Chile made a positive statement on Article 10 - and was publicly chastised by the president of G77 in a subsequent intervention. End note.)

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HIGHLIGHTS FROM THE THIRD CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 5 DECEMBER 1997

The Committee of the Whole (COW) of the Third Conference of the Parties (COP-3) to the UN Framework Convention on Climate Change (FCCC) continued its "stock-taking" Plenary in the morning. In the afternoon, the COP met in Plenary and discussed outstanding organizational and procedural issues. The COW's "stock-taking" Plenary reconvened in the evening.

COMMITTEE OF THE WHOLE (COW)

On Article 4 (the EU "bubble"), NORWAY reported consultations had made progress by clarification and concession from the EU and the proposal would be amended. He said important issues are still outstanding. On Article 10 (voluntary commitments), MEXICO reported that delegates had expressed an interest in cooperating on this issue, but there were no indications that all regional groups are interested in contact group discussions.

Delegates considered a draft decision on methodological issues related to a protocol, under which the COP would reaffirm that Parties should use the Revised 1996 IPCC guidelines for GHG inventories.

In a bracketed paragraph, the COP would also reaffirm that global warming potential (GWPs) used by Parties should be those provided by the IPCC based on the effects of the GHGs over a 100-year time horizon. For information only, Parties may use another time horizon. CHINA proposed that GWP should take into account the inherent and complicated uncertainties involved in GWP estimation.

SWITZERLAND, supported by HUNGARY, urged SBSTA to further elaborate on the inclusion of bunker fuel emissions in overall GHG inventories.

JAPAN, opposed by the UK, said there were "actual" and "potential" methods of estimating emissions and proposed a new paragraph under which the COP would affirm the "actual" method for including HFC, PFC and SF₆ emissions in QELROs. The US, supported by NORWAY, called for using actual methodology where data is available. Consultations will continue on this draft decision.

Chair Mahmoud Ould El-Ghaouth reported that the negotiating group on policies and measures (P&Ms) had produced a draft document, although divergence of views persisted on whether P&Ms should be compulsory or not. The draft text contains three paragraphs. The first lists a number of policies and measures and includes bracketed references to: certain kinds of P&Ms; voluntary commitments by non-Annex I Parties; implementation in accordance with national circumstances; and assessment of P&Ms' application by the MOP. Bracketed paragraph 2 refers to whether

Annex I Parties "shall implement" or "strive to implement" P&Ms in ways to minimize the adverse effects of climate change and adverse effects of P&Ms on other Parties. Bracketed paragraph 3 addresses the coordination of P&Ms.

On QELROs, Chair Raúl Estrada Oyuela recalled that emissions trading and joint implementation (JI) had not been discussed by the COW. CANADA underscored the importance of national circumstances and highlighted its development of renewable energy sources.

The Chair of the working group on L&Ms, Takao Shibata (Japan), reported progress in discussions on Articles on the MOP/COP, compliance mechanisms, and entry into force. Patrick Szell (UK) is continuing work in a contact group. He said the resolution of some issues would depend on negotiations in other areas. Parties have requested: a reference to Article 4.1 of the FCCC in the Preamble; that negotiators revisit Article 14 on the MOP after discussion on relevant sections of the text; and the inclusion of a reference to the proposed clean development fund in Article 18. He said Parties have agreed that the FCCC COP shall serve as the meeting of the parties to the protocol, having agreed the principle of functional integration but legal distinction between the bodies. Negotiations are continuing on whether to adopt new rules of procedure. On the compliance mechanism, the Parties are considering whether: to adopt binding penalties; the nature of such penalties; and whether the mechanism should extend to all Parties.

Bo Kjellén, (Sweden), Chair of the working group on Articles 12 and 13 on commitments and finance, reported continuing discussion on a reference to FCCC Article 4.1 and a number of sub-paragraphs.

Estrada said some delegations were seemingly unwilling to compromise on other matters until negotiations on QELROs were completed. Parties delaying agreement need to be aware of their responsibility in the whole process.

In the evening, IRAN reported on consultations regarding the proposed compensation fund.

CONFERENCE OF THE PARTIES

The COP Plenary convened in the afternoon. Delegates accepted an offer by ARGENTINA to host COP-4 and subsidiary body meetings, 2-13 November 1998, in Buenos Aires. COW Chair Estrada (Argentina) reported on the Committee's work. The COW met eight times for final negotiations on a protocol or other legal instrument. On Article 3, Estrada noted that negotiations on other points are awaiting agreement on a QELROs figure. Two alternatives regarding coverage are being discussed: immediate regulation of six gases versus regulation of three gases now and adoption of an annex regulating the other three at COP-4. On sinks, Antonio la Viña (Philippines) undertook consultations on a definition. Agreements must be reached on sinks and coverage before QELROs can be defined. Discussion continues on multiple- versus single-year

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objectives and their timeframe. Text on "borrowing" emissions credits was deleted. A compensation fund and a clean development fund were discussed informally. Decisions were taken on paragraphs referring to countries with economies in transition. Discussions continue on the EU "bubble." Decisions were taken on methodologies and commitments.

Other subjects still under discussion include: voluntary commitments; joint compliance; L&Ms; and a protocol body. Application of Article 18 and penalties for non-compliance must also be decided. A definition of GHG quantities is needed for Article 2. Lack of agreement on Articles 2 and 3 hinders negotiation of Article 12. On P&Ms there are three positions favoring, respectively: obligatory P&Ms; no P&Ms; and some non-obligatory P&Ms.

On Review of information and possible decisions under Article 4.2(f), Pres. Oki (Japan) noted informal consultations on amendments to the Convention and its Annexes. Luis Herrera (Venezuela) reported consensus on replacing Czechoslovakia in Annex I with Slovakia and the Czech Republic and adding Croatia and Slovenia. He submitted a draft decision (FCCC/CP/1997/L.3), which was adopted. On deletion of Turkey from Annexes I and II, Herrera reported continuing consultations.

Sergio Selaya Bonilla (Honduras) reported no consensus on a proposed EU amendment for majority voting. It was withdrawn. Bakary Kante (Senegal) reported no consensus on Kuwait's proposal for a compensation fund. The President reported continuing consultations on rules of procedure.

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IN THE CORRIDORS

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THINGS TO LOOK FOR ON MONDAY

High-Level Segment: The High-Level Segment will begin at 10:00 am in the Main Hall.

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Earth Negotiations Bulletin

A Reporting Service for the Environment and Development Negotiations

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Saturday, 8 December 1997

HIGHLIGHTS FROM THE THIRD CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 5 DECEMBER 1997

The Committee of the Whole (COW) of the Third Conference of the Parties (COP-3) to the UN Framework Convention on Climate Change (FCCC) continued its "stock-taking" Plenary in the morning. In the afternoon, the COP met in Plenary and discussed outstanding organizational and procedural issues. The COW's "stock-taking" Plenary reconvened in the evening.

COMMITTEE OF THE WHOLE (COW)

On Article 4 (the EU "bubble"), NORWAY reported consultations had made progress by clarification and concession from the EU and the proposal would be amended. He said important issues are still outstanding. On Article 10 (voluntary commitments), MEXICO reported that delegates had expressed an interest in cooperating on the issue, but there were no indications that all regional groups are interested in contact group discussions.

Delegates considered a draft decision on methodological issues related to a protocol, under which the COP would reaffirm that Parties should use the Revised 1996 IPCC guidelines for GHG inventories.

In a bracketed paragraph, the COP would also reaffirm that global warming potential (GWPs) used by Parties should be those provided by the IPCC based on the effects of the GHGs over a 100-year time horizon. For information only, Parties may use another time horizon. CHINA proposed that GWP should take into account the inherent and complicated uncertainties involved in GWP estimation.

SWITZERLAND, supported by HUNGARY, urged SBSTA to further elaborate on the inclusion of bunker fuel emissions in overall GHG inventories.

JAPAN, opposed by the UK, said there were "actual" and "potential" methods of estimating emissions and proposed a new paragraph under which the COP would affirm the "actual" method for including HFC, PFC and SF₆ emissions in QELROs. The US, supported by NORWAY, called for using actual methodology where data is available. Consultations will continue on this draft decision.

Chair Mahmoud Ould El-Ghaouth reported that the negotiating group on policies and measures (P&Ms) had produced a draft document, although divergence of views persisted on whether P&Ms should be compulsory or not. The draft text contains three paragraphs. The first lists a number of policies and measures and includes bracketed references to: certain kinds of P&Ms; voluntary commitments by non-Annex I Parties; implementation in accordance with national circumstances; and assessment of P&Ms' application by the MOP. Bracketed paragraph 2 refers to whether

Annex I Parties "shall implement" or "strive to implement" P&Ms in ways to minimize the adverse effects of climate change and adverse effects of P&Ms on other Parties. Bracketed paragraph 3 addresses the coordination of P&Ms.

On QELROs, Chair Raúl Estrada Oyuela recalled that emissions trading and joint implementation (JI) had not been discussed by the COW. CANADA underscored the importance of national circumstances and highlighted its development of renewable energy sources.

The Chair of the working group on L&Ms, Takao Shibata (Japan), reported progress in discussions on Articles on the MOP/COP, compliance mechanisms, and entry into force. Patrick Szell (UK) is continuing work in a contact group. He said the resolution of some issues would depend on negotiations in other areas. Parties have requested: a reference to Article 4.1 of the FCCC in the Preamble; that negotiators revisit Article 14 on the MOP after discussion on relevant sections of the text; and the inclusion of a reference to the proposed clean development fund in Article 18. He said Parties have agreed that the FCCC COP shall serve as the meeting of the parties to the protocol, having agreed the principle of functional integration but legal distinction between the bodies. Negotiations are continuing on whether to adopt new rules of procedure. On the compliance mechanism, the Parties are considering whether: to adopt binding penalties; the nature of such penalties; and whether the mechanism should extend to all Parties.

Bo Kjellén, (Sweden), Chair of the working group on Articles 12 and 13 on commitments and finance, reported continuing discussion on a reference to FCCC Article 4.1 and a number of sub-paragraphs.

Estrada said some delegations were seemingly unwilling to compromise on other matters until negotiations on QELROs were completed. Parties delaying agreement need to be aware of their responsibility in the whole process.

In the evening, IRAN reported on consultations regarding the proposed compensation fund.

CONFERENCE OF THE PARTIES

The COP Plenary convened in the afternoon. Delegates accepted an offer by ARGENTINA to host COP-4 and subsidiary body meetings, 2-13 November 1998, in Buenos Aires. COW Chair Estrada (Argentina) reported on the Committee's work. The COW met eight times for final negotiations on a protocol or other legal instrument. On Article 3, Estrada noted that negotiations on other points are awaiting agreement on a QELROs figure. Two alternatives regarding coverage are being discussed: immediate regulation of six gases versus regulation of three gases now and adoption of an annex regulating the other three at COP-4. On sinks, Antonio la Viña (Philippines) undertook consultations on a definition. Agreements must be reached on sinks and coverage before QELROs can be defined. Discussion continues on multiple- versus single-year

This issue of the *Earth Negotiations Bulletin* (enb.iisd.org) is written and edited by Paola Benelli (paobe@ex.netcom.com), Chad Carpenter, LL.M. (chadco@iisd.org), Deborah Davenport (ddavenport@emory.edu), Peter Doran (pdoran@ecology.w-net.edu) and Steve Wise (swise@igc.sps.org). Webmistress Stephanie Sim (stephsim@pacific.net.sg). The Editor is Pamela Chazak, Ph.D. (pamc@iisd.org) and the Managing Editor is Laegston James "Kimo" Gorea VI (kimo@iisd.org). The *Bulletin* is the Netherlands Ministry for Development Cooperation, the Government of Canada and the United States of America (through USAID). Support for coverage of this meeting was provided by the UNFCCC Secretariat, the Ministry of Foreign Affairs of Norway, the Canadian Pulp and Paper Association and the United Kingdom, the Ministry of Foreign Affairs of Denmark, the European Community (DG-XI), the German Ministry of Environment, Nature Conservation and Nuclear Safety, the Ministries of Environment and Foreign Affairs of Austria, the Ministry of Environment of Sweden, the Swiss Federal Office of the Environment, the Ministry of Environment of Finland and UNDP. During COP-3 the authors can be contacted at +31 (0)75 705 1234 Ext. 2618. IISD can be contacted at 161 Portage Avenue East, 6th Floor, Winnipeg, Manitoba R3B 0Y4, Canada; tel: +1-204-958-7700; fax: +1-204-958-7710. The opinions expressed in the *Earth Negotiations Bulletin* are those of the authors and do not necessarily reflect the views of IISD and other funders. Excerpts from the *Earth Negotiations Bulletin* may be used in non-commercial publications only and only with appropriate citation. Electronic versions of the *Bulletin* are sent to e-mail distribution lists and can be found on the Linkages WWW server at <http://www.iisd.org>. The satellite image was taken from 100,000 km above Kyoto, Copyright (c) 1997 The Living Earth, Inc. (<http://livingearth.com>). For further information on ways to access, support or contact the *Earth Negotiations Bulletin*, send e-mail to enb@iisd.org.

objectives and their timeframe. Text on "borrowing" emissions credits was deleted. A compensation fund and a clean development fund were discussed informally. Decisions were taken on paragraphs referring to countries with economies in transition. Discussions continue on the EU "bubble." Decisions were taken on methodologies and commitments.

Other subjects still under discussion include: voluntary commitments; joint compliance; I&Ms; and a protocol body. Application of Article 18 and penalties for non-compliance must also be decided. A definition of GHG quantities is needed for Article 2. Lack of agreement on Articles 2 and 3 hinders negotiation of Article 12. On P&Ms there are three positions favoring, respectively: obligatory P&Ms; no P&Ms; and some non-obligatory P&Ms.

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16 07 12

6 December 1997

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FAX to: 202 647-0217**To:** Ms. Conchita Da Shazo**From:** USDEL/Kyoto, Mark G. Hambley **Subject:** COP-3 Supplement for Update 7: December 5/6, 1997

This supplement contains some additional reports prepared by the USDEL personnel on activities and events at the on-going Third Conference of the Parties in Kyoto, along with the December 6th edition of ECO, the environmentalist rag paid for in part by the environment ministries of several EU member states. This report should be read in connection with the regular daily Update No. 6 for December 5/6, 1997.

*notes by Sharon Saile*COW QELROs Negotiations. Thursday December 4. evening session 8pm-11pm

On Thursday night, during the QELROs discussion, we covered 1) methods, 2) banking and borrowing, 3) the paragraph requiring "demonstrable progress" by 2005, and 4) sinks.

The methods section (Article 5) in Estrada's text was adopted, by removing the brackets on two issues: 1) the text will now require national monitoring systems to be in place at least 1 year before the start of the first budget period, and 2) IPCC revisions to the methodologies can now be adopted by a Meeting of the Parties, (Jonathan raised the issue that any methods revisions should be adopted on a regular schedule for subsequent budget periods - it wasn't clear to me if Estrada was taking this suggestion)

Banking was retained, but the borrowing paragraph will be deleted from Article 3. In response to an intervention, Estrada indicated that it might be possible to bring the idea back as a penalty for noncompliance, but also indicated that Parties had not made any progress on the penalty suggestion.

Although several Parties (US, Russian Federation, and UK/EU albeit because they expect an earlier target) suggested deleting the paragraph requiring demonstrable progress, Uruguay suggested retaining the paragraph.

On sinks, although the contact group had been working on two alternative options which were thus heavily bracketed, the Chair of the sink contact group, Tony LaVina of the Philippines developed a compromise Option C, which limited the creditable activities to 4 categories. The US intervened to require addition of forestry management and forestry conservation to the list, and was supported by a few others on these particular additions. Other Parties had particular suggestions for other additions. The Marshall Islands and several other Parties objected to the addition of any items to the approved list. No resolution was reached.

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*notes by Sharon Saile*COW OELROs Negotiations, Friday December 5, morning session 10pm-1pm

We discussed the SBSTA decision which included recommendations on measurement methods, a paragraph on bunker fuels, and the paragraph for the military exemption for UN international peacekeeping activities. This discussion did not go smoothly - on the military exemption, although support was expressed by several Parties, the UK intervened to indicate that it had a problem with the language, which required the US and UK to work together on a language fix. Japan offered an additional paragraph to require all Parties to use their preferred approach for measuring HFCs, PFCs, and SF6, which we would normally have objected except for the importance of the military exemption. The UK intervened, and so the UK, US, and Japan were asked to develop language. This suggestion from Japan spawned another suggestion from New Zealand to develop decisions on the sink methodologies. Basically, the whole decision was bogged down by unresolved issues, and Estrada agreed to allow Parties more time to work out text.

Bo Jellen indicated "progress" but no real conclusion on his consultations (on Article 13?) Chair of Policies and measures also indicated "progress" but no real conclusion either. Canada read a general statement asking for special consideration due to its high exports of clean power. Tanzania concluded with a statement berating the Parties for not making enough progress on the core OELROs issues of targets and timetables.

Prepared by Paul Schwengels

Technology Cooperation Pilot Project Seminar

The National Renewable Energy Laboratory is carrying out a pilot effort to develop and discuss concepts for organizing technology cooperation framework agreements on a country or sector basis. This project is sponsored by USAID, DOE, EPA and the US Country Studies Program. A seminar was organized on December 4, to present early results and initial concepts and to solicit feedback and discussion. Speakers included Jeff Seabright of AID, Pat Keegan of NREL, Hans Jergen Koch of the International Energy Agency, two developing country participants from Brazil and the Philippines, and a number of private sector representatives from the Export Council for Renewable Energy, the US Business Council for Sustainable Energy, the International Cogeneration Association and the European Wind Energy Association. Ken Locklin of E and CO., discussed financing issues on behalf of the International Finance Corporation's (IFC) Renewable energy and Energy Efficiency Fund (REEF). In general, though this process is in very early stages, there is great interest from all parties in a process which facilitates systematic and concentrated interaction of developing countries, technical assistance organizations, private industry and financing institutions. The US project will continue to work with pilot project teams in seven countries and with the private sector. IEA plans to convene a meeting of donor and technical assistance organizations early in 1998, to discuss options for international coordination.

The Climate Technology Initiative (CTI) Ceremony

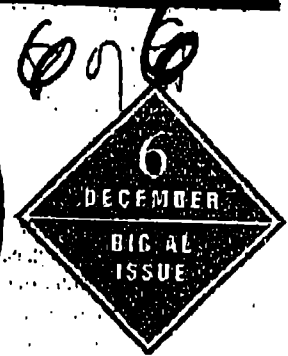
On December 4, the Climate Technology Initiative organized a ceremony to present its results to date, and to sign a number of agreements -- 3 cooperative research agreements on CO2 ocean sequestration, CO2 geological sequestration, and large scale photovoltaic power generation, and letters of cooperation with the World Business Council for Sustainable Development, the E-7 Consortium of Electric Utilities, the United Nations Environment Programme, the International Organization for Standardization (ISO) and the Versailles Project on Advanced Materials And Standards. Dr. Ogunlade Davidson of Sierra Leone made a brief presentation on the North South Dialogue Project which has been supported by US EPA, State, and CTI among other sponsors. This project has provided an opportunity for developing country experts and other stakeholders to advise the CTI on technology cooperation issues and needs. Dr. Abe Haspel of the US was introduced as the new chairman elect of the CTI group. In general the ceremony presented a number of accomplishments and opportunities for CTI to contribute technology cooperation aspects of the FCCC process in the future.

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Seminar on National Communications from Non-Annex 1 Countries

On December 5, the UNFCCC secretariat organized a seminar for national experts from non-annex 1 countries which have completed or nearly completed national communications to present their results. Nine presentations were made. Five of these reported completed communications which have been submitted to the secretariat -- Argentina, Jordan, Mexico, Senegal and Uruguay. All of these countries have provided relatively complete and high quality communications which include reasonably complete GHG inventories, and at least partial assessments of vulnerabilities and adaptation options, and mitigation options. Four other countries -- Mauritius, Peru, Seychelles and Zimbabwe -- provided updates indicating significant progress toward completion of a national communication. These countries have completed all or part of their national inventories and are working on other elements (V&A, mitigation).

ecoo



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 COP3 in Kyoto, December 1997.

Gore to the Rescue?

Vice President Gore will arrive in Kyoto on Monday to find a set of negotiations in deep trouble. On the one hand, there are sharp disagreements between the United States and Europe on whether the Kyoto treaty should seek to achieve reductions in emissions below current levels. On the other hand, developing countries are angry that the United States and other JUSCANNZ countries want to force development on "meaningful participation" by developing countries in limiting their emissions before clear whether the industrialized countries will commit to do anything themselves.

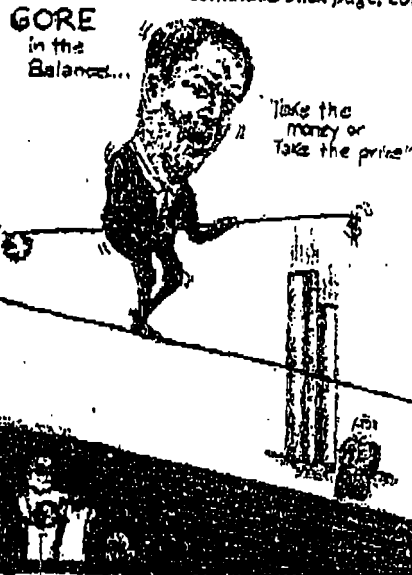
In both cases, it is the Clinton-Gore administration negotiating stance that has fueled the fire. Five years ago, at the Rio Earth Summit, then-Senator Gore sharply criticized President George Bush for pledging only to return US emissions to 1990 levels by 2000. Now, Clinton and Gore have tabled a proposal that seeks to go no farther, and ten years late at that. The administration has been stampeded by a cynical fossil fuel industry disinformation campaign into linking binding obligations for the US to developing country commitments. This repudiates the clear Rio treaty obligation that the US and other industrialized nations must go first.

The good news is that, since the current impasse has largely been created by the United States, Vice President Gore could salvage these negotiations by launching a more responsible US position when he arrives in Kyoto. At the moment however, it appears that he intends to do no such thing. On Thursday, White House environmental director Katie McGinty told the press that "it is inaccurate that we are moving at all from the undiminished that the President proposed." is is an issue that the Vice President, per-

haps more than any world leader, has worked to put on the international agenda. Here is what he must do to assure a successful outcome next week:

- Publicly announce that the US is willing to negotiate a binding target that goes beyond stabilisation and substantially reduces emissions below 1990 levels, starting no later than 2005.
- Renounce reliance on scientifically uncertain sink provisions, buying of "reductions" that have already occurred in other countries, and other loopholes that threaten to render any targets meaningless.
- Instruct US negotiators to halt their all-out assault on the European Union and its proposals. Instead they should cooperate with the EU to draft an agreement that includes

continued back page, col 1



Diversionary Tactics

Strong words flew last night as New Zealand tabled a draft decision that has brought the negotiations on to a dangerous precipice. The President of the COP, going against the desires of the Bureau, allowed New Zealand to make an intervention which moves beyond the Berlin Mandate. The text "Agrees that there should be further legally binding commitments for all Parties for the period beyond 2014." This would include legally binding emission limitation commitments and is contingent upon implementation by Annex I Parties of their commitments, in particular their QELROs commitments in the Kyoto Protocol. After opening the debate, the President tried to squelch any debate to the utter outrage of China.

This throws into question the President's intentions, in introducing this debate at a time when there are so many Annex I QELROs issues to deal with, and only five negotiating days left.

The proposal sparked a strong reaction from developing country Parties, many of whom are key players, chairing and coordinating various groups. These are the ones who have been helping the negotiations move forward. Anger from allies has never been so clear. Tanzania on behalf of the G77 and China, along with every developing country intervention thereafter, said "NO" in every possible manner. As China stated so forcefully, "In the developed world only two people ride in a car, and yet you want us to give up riding on a bus."

The European Union's reaction was surprising, considering that, in a previous press briefing, they had strongly endorsed the position of developing countries against new commitments. Its statement last night, however,

continued on back page, col 1

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8 December 1997

To: Please See Attached List

From: USDEL/Bonn, Mark G. Hambley

Subject: Third Conference of the Parties to the Climate Convention:
Update No. 8 for December 7/8, 1997

The following is an informal and unclassified report on activities and events associated with the Third Conference of the Parties (COP-3) which is meeting in Kyoto between November 30 and December 10, 1997. This report comments on activities on December 7 through the afternoon of December 8. Although unclassified, it is not intended for distribution outside of the U.S. Government. Also included with this report is the Dec 6-7 edition of the "Earth Negotiations Bulletin."

COP-3 Update No. 8 (Dec 7/8): Gore Signals U.S. Willingness to Show Flexibility if Certain Conditions Met; Europeans Also Reported Ready to Move; G-77 More Problematic

Negotiations Begin In Earnest

With the last three days of COP-3 now launched in earnest, summaries of progress are almost impossible given the range of meetings and the rapid flow of the action. U.S. Chief Negotiator, Under Secretary Stuart E. Eizenstat arrived on December 7 and proceeded immediately (following a briefing of the large Senate/House CODEL) to meet with the EU Troika Ministers (UK, Luxembourg, the Netherlands plus the EC) and Japan in a joint session.

Noting our interest in coming to an "early" agreement on the outstanding gases and sinks issues in order to define more clearly our various target proposals, the discussants looked at a range of possibilities in both categories. On gases, we stressed the necessity of holding onto a six gas basket, even if this has to be torqued in some way to bring in the Japanese. On sinks, we were somewhat disconcerted by the UK's apparent reversal of its position earlier in the day in support of some kind of a gross/net approach. It was decided to set up a meeting of key negotiators (plus an expert) to meet on Monday (Dec 8) to try to sort out the current imbroglio on sinks. The bottom line for us is that the Chairman's current net/net approach is unacceptable.

Meetings and More Meetings

Monday was filled with a series of meetings to try to gather support among JUSCANZ members for issues related to gas coverage, sinks, and to explore with the Russians the possibility of closer cooperation on some of their ideas. All of these balls remain in play. Meanwhile, we have met with the Japanese and ACAP countries separately in order to float some new ideas and to prepare for the late evening EU Troika plus Japan meeting.

UK Reportedly Takes Charge within the EU

We have received some reports about the EU Ministerial on Dec 7th. Although both Germany and the EC are somewhat miffed, we understand that UK's Deputy Prime Minister Prescott has moved into the position of arbiter within the Union's coordination meetings. He is apparently strong-arming them, with some success, to find common cause with the U.S. (Although we have seen little evidence of

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this thus far as witnessed by UK Environment Minister Meacher's somewhat obstreperous performance Sunday night; we have encouraged Prescott to join the Monday night gathering).

Luxembourg told us that the EU would like very much to form in common cause to put the Japanese off balance. We responded that we must avoid feeding the paranoia which is rampant at the conference hall. Instead, we should continue to work closely together and – through continuing close consultations – work together towards a conclusion on Wednesday which is acceptable to all Parties.

G-77/China: "Waiting for Godot?"

Unfortunately, we have yet to receive any good readout on the attitude of G-77 countries. We are awaiting for the various Presidential phone calls to have their desired and anticipated effect. It appears likely that, with a few noted exceptions, we will probably be able to bring the developing world around to an acceptable version of Article 10 and joint implementation with credit (albeit in some kind of version worked out with the Brazilian clean development fund in mind). The key holdouts on various issues appear to be China, India, and Saudi Arabia. The EU tells us that they are meeting with "25" developing countries today to discuss the possibilities for a follow-on process. We hope to obtain a readout later tonight.

The Vice President's "Surprise"

At the opening high level plenary on Dec 8, there is no doubt that Vice President Gore's speech raised the greatest interest and, especially, his small "surprise." His phrase: "after talking with our negotiators this morning, and after speaking on the telephone with President Clinton, I am instructing our delegation right now to show increased negotiating flexibility if a comprehensive plan can be put in place, one with realistic targets and timetables, market mechanisms, and the meaningful participation of key developing countries....." raised an audible ripple around the room. It has additional credibility when it was noted that this sentence was not in the original text circulated prior to the address. A copy of this speech is attached to this report.

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USIS transcription as prepared by USIS transcriber.
December 8, 1997, 11:10

Remarks By Vice President Al Gore
The United Nations Committee on Climate Change
Conference of the Parties
December 8, 1997
Kyoto, Japan

Thank you. Prime Minister Hashimoto and President Figueres, President Kinza Clodumar, other distinguished heads of state, distinguished delegates, ladies and gentlemen.

It is an honor to be here at this historic gathering, in this ancient capital of such beauty and grace. On behalf of President Clinton and the American people, and our U.S. negotiator, Ambassador Stu Eizenstat, I salute our Japanese hosts for their gracious hospitality, and offer a special thank you to Prime Minister Hashimoto, and to our chairs, Minister Ohki, and Ambassador Estrada, for their hard work and leadership.

Since we gathered at the Rio Conference in 1992, both scientific consensus and political will have come a long way. If we pause for a moment and look around us, we can see how extraordinary this gathering really is.

We have reached a fundamentally new stage in the development of human civilization, in which it is necessary to take responsibility for a recent but profound alteration in the relationship between our species and our planet. Because of our new technological power and our growing numbers, we now must pay careful attention to the consequences of what we are doing to the Earth -- especially to the atmosphere.

There are other parts of the Earth's ecological system that are also threatened by the increasingly harsh impact of thoughtless behavior:

- * The poisoning of too many places where people -- especially poor people -- live, and the deaths of too many children -- especially poor children -- from polluted water and dirty air.
- * The dangerous and unsustainable depletion of ocean fisheries. And
- * The rapid destruction of critical habitats -- rain forests, temperate forests, boreal forests, wetlands, coral reefs, and other precious wellsprings of genetic variety upon which the future of humankind depends.

But the most vulnerable part of the Earth's environment is the very thin layer of air clinging near to the surface of the planet, that we are now so carelessly filling with gaseous wastes that we are actually altering the relationship between the Earth and the Sun -- by trapping more solar radiation under this growing blanket of pollution that envelops the entire world.

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The extra heat which cannot escape is beginning to change the global patterns of climate to which we are accustomed, and to which we have adapted over the last 10,000 years.

Last week we learned from scientists that this year, 1997, with only three weeks remaining, will be the hottest year since records have been kept. Indeed, nine of the ten hottest years since the measurements began have come in the last ten years. The trend is clear. The human consequences -- and the economic costs -- of failing to act are unthinkable. More record floods and droughts. Diseases and pests spreading to new areas. Crop failures and famines. Melting glaciers, stronger storms, and rising seas.

Our fundamental challenge now is to find out whether and how we can change the behaviors that are causing the problem.

To do so requires humility, because the spiritual roots of our crisis are pridefulness and a failure to understand and respect our connections to God's Earth and to each other.

Each of the 160 nations here has brought unique perspectives to the table, but we all understand that our work in Kyoto is only a beginning. None of the proposals being debated here will solve the problem completely by itself. But if we get off to the right start here, we can quickly build momentum as we learn together how to meet this challenge. Our first step should be to set realistic and achievable, binding emissions limits, which will create new markets for new technologies and new ideas that will, in turn, expand the boundaries of the possible and create new hope. Other steps will then follow. And then, ultimately, we will achieve a safe overall concentration level for greenhouse gases in the Earth's atmosphere.

This is the step-by-step approach we took in Montreal ten years ago to address the problem of ozone depletion. And it is working.

This time, success will require first and foremost that we heal the divisions among us.

The first and most important task for developed countries is to hear the immediate needs of the developing world. And let me say, the United States has listened and we have learned.

We understand that your first priority is to lift your citizens from the poverty so many endure and build strong economies that will assure a better future. This is your right: it will not be denied.

And let me be clear in our answer to you: we do not want to founder on a false divide. Reducing poverty and protecting the Earth's environment are both critical components of truly sustainable development. We want to forge a lasting partnership to achieve a better future. One key is mobilizing new investment in your countries to ensure that you have higher standards of living, with modern, clean and efficient technologies.

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That is what our proposals for emissions trading and joint implementation strive to do.

To our partners in the developed world, let me say we have listened and learned from you as well. We understand that while we share a common goal, each of us faces unique challenges.

You have shown leadership here, and for that we are grateful. We came to Kyoto to find new ways to bridge our differences. In doing so, however, we must not waiver in our resolve. For our part, the United States remains firmly committed to a strong, binding target that will reduce our own emissions by nearly 30 percent from what they would otherwise be -- a commitment as strong, or stronger, than any we have heard here from any country. The imperative here is to do what we promise, rather than to promise what we cannot do.

All of us, of course, must reject the advice of those who ask us to believe there really is no problem at all. We know their arguments; we have heard others like them throughout history. For example, in my country, we remember the tobacco company spokesmen who insisted for so long that smoking did no harm. To those who seek to obfuscate and obstruct, we say: we will not allow you to put narrow special interests above the interests of all humankind.

So what does the United States propose that we do?

The first measure of any proposal must be its environmental merit, and ours is environmentally solid and sound.

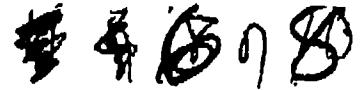
It is strong and comprehensive, covering all six significant greenhouse gases. It recognizes the link between the air and the land, including both sources and sinks. It provides the tools to ensure that targets can be met -- offering emissions trading, joint implementation and research as powerful engines of technology development and transfer. It further reduces emissions -- below 1990 levels -- in the years 2012 and beyond. It provides the means to ensure that all nations can join us on their own terms in meeting this common challenge.

It is also economically sound. And, with strict monitoring and accountability, it ensures that we will keep our bond with one another.

Whether or not agreement is reached here, we will take concrete steps to help meet this challenge. President Clinton and I understand that our first obligation is to address this issue at home. I commit to you today that the United States is prepared to act -- and will act.

For my part, I have come here to Kyoto because I am both determined and optimistic that we can succeed. I believe that by our coming together in Kyoto we have already achieved a major victory, one of both of substance and of spirit. I have no doubt that the process we have started here inevitably will lead to a solution in the days or years ahead.

Some of you here have, perhaps, heard from your home capitals that President Clinton



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and I have been burning up the phone lines, consulting and sharing new ideas. Today let me add this. After talking with our negotiators this morning and after speaking on the telephone from here a short time ago with President Clinton, I am instructing our delegation right now to show increased negotiating flexibility if a comprehensive plan can be put in place, one with realistic targets and timetables, market mechanisms, and the meaningful participation of key developing countries.

Earlier this century, the Scottish mountain climber, W.H. Murray, wrote:

"Until one is committed there is hesitancy, the chance to draw back, always ineffectiveness. Concerning all acts of initiative...there is one elementary truth, the ignorance of which kills countless ideas and splendid plans: that the moment one definitely commits oneself, providence moves, too."

So let us press forward. Let us resolve to conduct ourselves in such a way that our children's children will read about the "Spirit of Kyoto," and remember well the place and the time where humankind first chose to embark together on a long-term sustainable relationship between our civilization and the Earth's environment.

In that spirit, let us transcend our differences and commit to secure our common destiny: a planet whole and healthy, whose nations are at peace, prosperous and free; and whose people everywhere are able to reach for their God-given potential.

Thank you.

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HIGHLIGHTS FROM THE THIRD CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 6 - 7 DECEMBER 1997

The Committee of the Whole (COW) of the Third Conference of the Parties (COP-3) to the Framework Convention on Climate Change (FCCC) met in afternoon and evening sessions on Saturday. Delegates reviewed the revised text produced by informal negotiating groups and discussed outstanding issues. The Chair of the COW issued a non-paper (FCCC/CP/1997/CRP.2) on Sunday that reflected the current status of the negotiating text and set out the options for high-level input.

COMMITTEE OF THE WHOLE

Delegates considered a revised text on institutions and mechanisms. The document contains the Preamble, which addresses the ultimate objective of the Convention, Article 3 of the Convention and the Berlin Mandate. The proposed Preamble does not specifically mention Article 4.2(a) and (b). The G-77/CHINA said there is no agreement.

Takao Shibata (Japan) reported that his negotiating group had agreement on Articles 8 (submissions by Parties), 9 (review of submissions), 15 (secretariat), 16 (subsidiary bodies), 17 (multilateral consultative process), 19 (application), 21 (annexes), 22 (voting), 23 (depository), 24 (signature), 25 (reservations), 26 (entry into force), and 28-29 (original texts), including alternatives and reservations.

Article 14(i) contained two alternatives on the rules of procedure and the financial rules. The US supported Alternative B, under which the MOP would adopt rules of procedure and financial rules by consensus. The G-77/CHINA said that during informal consultations, it had combined its proposal with the EU's and produced Alternative A, under which the rules of the Convention apply to the protocol *mutatis mutandis* except as may otherwise be decided by consensus by the COP. Following a proposal by the Chair, delegates adopted Alternative A.

Article 18 contains two alternatives on procedures and mechanisms related to non-compliance. Alternative A would apply to Annex I Parties and penalties would operate through a clean development fund. Alternative B would apply to all Parties and any procedures adopted that entail binding consequences shall be adopted by amending the protocol. The Chair proposed continuing informal consultations. The US proposed new text that would, *inter alia*, require Parties exceeding their emissions budget for a given period to reduce the excess amount from subsequent periods.

Article 26 contains two alternatives on entry into force. Alternative A uses triggers related to number of ratifications and a percentage of CO₂ emissions. Alternative B would require [75] or [50] ratifications and [50%] or [75%] of Annex I Parties.

Chair Estrada proposed specifying 50 Parties and 60% of total emissions. Chair Shibata reported that most Parties preferred Alternative A, but suggested requiring 75% of emissions. The Chair suggested a footnote stating that this percentage gives veto power for entry into force to one particular Party. The G-77/CHINA said any figure in excess of 50% is unacceptable. He could support Article B if it required 50 ratifications and 60% of Annex I Parties.

Luis Gylvan Meira Filho (Brazil) introduced a revised draft text relating to multi-year targets. The text provides an additional definition to be added to Article 1, stating that a "defined amount" means the amount of net aggregate emissions a Party may not exceed in a given commitment period in order to meet its QELROs. The revised text also contains three alternatives for the first paragraph of Article 3 (commitments).

The G-77/CHINA objected to the definition of "defined amount" and supported Alternative C, which calls for QELROs within time frames such as 2005, 2010 and 2020. He proposed references requiring a Party to implement its commitments to achieve QELROs, rather than have its "defined amounts" of emissions be equal to the percentage assigned to it in Attachment I.

The US said this had been agreed in the negotiating group. The Chair proposed using the original text pending consultations. CHINA objected to the omission of crucial elements of targets and timetables. Informal consultations will continue.

On Article 2 on policies and measures (P&Ms), Chair Mahmoud Ould El Ghaouth requested more time for consultations. The Article remains bracketed. There was no progress on Article 10 on voluntary commitments, which remains bracketed.

NORWAY summarized the draft on Article 4, the EU "bubble." He noted an impasse on two alternatives, one from the EU and one from other contact group members. The second alternative emphasizes that allocation of emissions under the "bubble" would be legally binding. Another section would cap rearrangements of allocations, and text is included to take account of changes in or enlargement of regional economic integration organizations.

IRAN reported on negotiations on minimizing the adverse effects of climate change through policies and measures. He proposed alternative text based on a draft decision by Zimbabwe and Uganda calling for an SBI review of actions to meet developing country needs-related adverse effects. Both contain a bracketed reference to [establishment of measurements of compensation]. The US, the EU, POLAND, AUSTRALIA, and CANADA said

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compensation was unacceptable and the paragraph should be deleted. SAUDI ARABIA, the G-77/CHINA, INDONESIA, UGANDA, URUGUAY, KUWAIT, NIGERIA, the UNITED ARAB EMIRATES, CHINA, VENEZUELA, BAHRAIN and EGYPT supported removing the brackets. ZIMBABWE suggested ministerial consideration of the proposal under FCCC Article 4.8. NEW ZEALAND objected to compensation, but supported Uganda's proposal to replace "compensation" with "impacts." The Chair suggested replacing the existing paragraph with Iran's text, with the entire text bracketed.

Bo Kjellén (Sweden), Chair of the working group on Article 12, reported that numerous alternative texts remained to be decided. A document was distributed outlining the status of negotiation, including alternative texts and some new proposals. Chair Estrada invited Parties to negotiate on the basis of Kjellén's alternatives. The US introduced a new proposal on the transfer of environmentally sound technologies (BSTs).

John Ashe (Antigua and Barbuda), Chair of the working group on Article 13 on finance reported disagreement over bracketed references to provision of financial resources "through the financial mechanism" defined by Article 11 and over guidance to the mechanism. The PHILIPPINES, for the G-77/CHINA, proposed deletion of the text in brackets. The UK, for the EU, and supported by the US, CANADA and JAPAN, said it was necessary to specify the financial mechanism to avoid any ambiguity. Chair Estrada, supported by NIGERIA, suggested deletion.

On a paragraph concerning guidance to the COP on the financial mechanism from the Meeting of the Parties to the protocol, he reported the G-77/CHINA's view that the paragraph does not legally belong in the Protocol. Chair Estrada suggested deleting the paragraph. The PHILIPPINES, for the G-77/CHINA, said there should not be two sets of guidelines to the financial mechanism. CHINA rejected any attempt to rewrite FCCC Article 4.1. The US and the UK asked for more time.

Chair Ashe introduced a revised draft text for Article 13. The first paragraph indicates that the implementation of Article 12 shall take into account FCCC provisions on financial resources and the vulnerability of developing countries to climate change. The second paragraph states that developed country Parties to the Convention, "in accordance with Articles 4.3 and 11 of the Convention" shall provide financial resources to meet agreed full costs incurred by developing country Parties in formulating national communications, and to meet the agreed full incremental costs of implementing measures such as national communications, inventories of GHGs, collection of data and adaptation of new technologies. A third paragraph states that previous decisions by the COP on the financial mechanism, shall apply *mutatis mutandis* to this article. A fourth paragraph indicates that developing country Parties can avail themselves of financial resources for the implementation of Article 12, through bilateral, regional or other multilateral channels. The PHILIPPINES, supported by SAUDI ARABIA, CHINA and PERU requested more time for the G-77/China to consult on the text because of the links between this paragraph and other outstanding issues, particularly those referring to the advancement of commitments under Article 4.1.

Chair Estrada reported that no agreement had been reached on alternative text for articles on emissions trading and joint implementation (Articles 6 and 7 respectively), so they would remain as they appeared in the negotiating document produced by AGBM-8 (FCCC/CP/1997/2).

CANADA introduced text containing seven paragraphs. In the first paragraph, language stating that commitments under Article 3 will be met by Annex I Parties in a "cost effective manner" and "in

accordance with international rules" was introduced. A paragraph setting a cap on the emissions trading regime was introduced. A paragraph states that reporting on emissions trading should be conducted annually and there are three alternative paragraphs on guidelines for the structure and timing of an emissions trading mechanism.

INDIA, on behalf of the G-77/CHINA and supported by CHINA and INDONESIA, reiterated its objection to the concept of emissions trading, stating that it is extraneous to the Berlin Mandate and would not lead to GHG emissions limitation and reduction.

On sinks, Chair Estrada asked for informal consultations to consider several questions including, *inter alia*, a proposal that a subsidiary body could work on sinks in June 1998, and report to COP-4 prior to entry into force of the protocol. The RUSSIAN FEDERATION said the nature of the issue's resolution would determine his view of the protocol. The MARSHALL ISLANDS, COSTA RICA and URUGUAY said they were ready to adopt the existing draft text. CANADA said there is an inconsistency in the proposal's treatment of harvesting, which would cause Canada "enormous pain," and reforestation, which would not offset the penalty from harvesting. MEXICO asked the Chair to include conservation activities in the consideration of a definition of sinks. Chair Estrada said that the necessary analysis and definitions were not yet available. The US said the text might not be resolved until calculations regarding targets had been completed. Chair Estrada said his suggested definitions would point to lower numbers. It was best to be clear and transparent on what Parties were planning to do and adopt common standards. The EU urged caution to avoid perverse incentives.

Antonio La Vía (Philippines) introduced a revised non-paper on sinks, containing only text relating to Option C of previous non-papers (accounting for limited sink activities to offset emissions). JAPAN, BARBADOS, RUSSIA, the US, CANADA, CUBA and JAMAICA supported the text. NEW ZEALAND, supported by AUSTRALIA, the US and NORWAY, called for an earlier text to be kept as an option for ministers. The Chair noted that the text had not been formally introduced, but agreed to keep it as a source. The MARSHALL ISLANDS, SWITZERLAND, BARBADOS and MALAYSIA objected. The US proposed adding "for the first commitment period" to a paragraph on when sink activities would be allowed. The EU put the whole paragraph in brackets. SAMOA, with TUVALU, signaled a possible reservation on the paragraph if other texts are left as options.

The latest text on 7 December, which is all bracketed, incorporates sinks into Article 3, calling on Annex I Parties to achieve QELROs for sources and sinks within suggested time frames as one alternative. It also states that the net changes in GHG emissions from sources and removals by sinks resulting from direct human-induced land-use change and forestry activities, limited to afforestation, reforestation, and deforestation since 1990, measured as verifiable changes in stocks in each commitment period, shall be used to meet Parties' commitments in Article 3. It also calls for Parties to provide data for SBSTA to establish their levels of carbon stocks in 1990 and enable an estimate of changes in subsequent years. The MOP shall review and determine modalities, rules and guidelines as to how and which additional human-induced activities shall be added to or subtracted from the defined amount for Annex I Parties at its first meeting or as soon as practicable.

THINGS TO LOOK FOR TODAY

COP: Plenary will convene at 10:00 am in the Main Hall.

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**CLIMATE CHANGE
3rd CONFERENCE OF THE PARTIES
KYOTO, NOVEMBER 30 - DECEMBER 11, 1997**

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John Campbell	State/OES	202-647-1554	202-647-0217
Leslie Gerson	State/OES/SEI	202-647-2958	202-647-0773
Brooke Holmes	State/OES	202-647-4542	202-647-0191
Steve Muller	State/EB	202-647-3423	202-647-4037
Meg Donovan/Jaci Wilson	State/H	202-647-1048	202-647-2762
Todd Stern	White House	202-456-2702	202-456-2215
Steve Seidel	White House	202-343-1060	202-343-1162
Andrew Kanders/Paul Risley	White House	202-343-1060	202-343-1162
David Sandalow	White House/CEQ	202-456-6543	202-456-2710
Shelley Fidler	White House/CEQ	202-456-6224	202-456-2710
John Hilley	WHLA	202-456-6620	202-456-2604
Peter Orszag	White House/NEC	202-456-5358	202-456-2223
Diana Helios	White House/NS	202-456-9494	202-456-9490
Jim Steinberg	NSC	202-456-9491	202-456-9490
Rosina Blerbaum	OSTP	202-456-6202	202-456-6025
Jennifer Haverkamp	USTR	202-395-7320	202-395-4579
Jeffrey Frankel	CEA	202-395-5046	202-395-6958
T. J. Glauthier	OMB	202-395-4561	202-395-4639
Burgess Laird	USUN	736-7555	736-7551
Sherri Goodman	Defense	703-697-1013	703-693-7011
Jerry Stephens	DoD/ICS	703-697-5738	703-614-0905
Linda Silverman	DOE/PO	202-586-3896	202-586-4341
John Lieber	DOT	202-366-4450	202-366-7127
Sandra Hawkins	DOC	202-482-6055	202-482-4636
Laurence Campbell	DOC	202-482-3038	202-482-0325
Al McGartland	EPA/OPPE	202-260-3354	202-260-6405
Paul Stolpman	EPA/OAR	202-564-9140	202-565-2149
Richard Rominger (or) Jessica Wasserman	USDA	202-720-6158	202-720-5437
Elli Kaplan	Treasury	202-622-0409	202-622-0073
David Wilcox/John Gruber	Treasury	202-622-1260	202-622-0073
Lois Schiffer/Jim Simon	DOJ/EURD	202-514-2701	202-514-0557

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**STATEMENT BY LUXEMBOURG
ON BEHALF OF THE EUROPEAN COMMUNITY
AND ITS MEMBER STATES**

(CoP3, Kyoto, 1-10 December 1997)

Supplement to Update No.8



Mr President, Excellencies, distinguished delegates,

It is my privilege to address this historic Conference as Minister of the Environment of Luxembourg on behalf of the European Community and its Member States.

May I first congratulate the Government of Japan, represented here by Prime Minister Hashimoto, on hosting the Third Conference of the Parties to the United Nations Framework Convention on Climate Change in this beautiful city of Kyoto, and thank the Japanese people for their very warm welcome. I would also like to express my appreciation of the hard work and leadership shown by the Chairman, Director General Oki, and Ambassador Estrada.

Never has the issue of climate change been in the forefront as it is today. Scientists have confirmed that the planet is becoming warmer, precipitation patterns are changing and sea-levels are rising, and that this change is influenced by human activity. This is why we are gathered here to negotiate and adopt a protocol that will be a milestone in addressing climate change, and will allow us to ward off the potential significant economic and social damage, which could be particularly acute in developing countries.

The eyes of the planet are turned towards Kyoto. Climate change is a truly global issue, not only because it involves all the countries of this globe, but because it pervades our daily behaviour and economic thinking. Public opinion, governments, non-governmental organisations and industry have recognised that action has to be taken to reduce greenhouse gas emissions, to protect the environment and to create opportunities for the economy.

Based on the principle of common but differentiated responsibility and of the historical responsibilities of developed countries in the emission of greenhouse gases, Annex I Parties must take the lead in modifying the trends of those emissions.

Mr President, the first week of negotiation has allowed some progress but major concerns remain.

The EU has made public its proposals for targets of greenhouse gas reductions very early in the process and these have become well-known benchmarks - at least minus 7.5% by 2005 and minus 15% by 2010 compared to 1990 for all industrialised countries. Other Annex I countries have tabled disappointingly low proposals rather late in the process. We hope that these last days of negotiation will help us agree on legally binding and ambitious targets.

The EU continues to be an advocate of a strong flat-rate target. We firmly reject a philosophy of differentiation aimed only at making targets weaker. Our view is that any differentiation must guarantee that at least major economies should take up comparable commitments.

Progress has been made towards conciliating the different positions on the issue of gases. The EU supports the so-called 3+3 approach by which a target for carbon dioxide, nitrous oxide and methane would be in the Kyoto Protocol, while a target for the other three gases (SF₆, PF₆ and HFC) would be agreed no later than next year at the Conference of the Parties. The issue of sinks, given the great scientific uncertainty as regards calculation methods, needs to be very carefully considered before a decision is taken at the first Meeting of the Parties to the Protocol.

Attempts to introduce excessive and inappropriate flexibility in the fulfilment of the Kyoto targets could result in loopholes to the detriment of the environment, and significantly undermine the value of the Kyoto commitments. This is not acceptable.

It has been argued that trading of emissions can contribute to the acceptance and fulfilment of reduction commitments. In our view, trading can only be acceptable if linked to strong targets and when supplemental to strong domestic action. Before a trading system can become operational, we need to agree on guidelines including monitoring and sanctions, and on safeguards for a fair and competitive market. We also continue to advocate rules and safeguards as regards joint implementation.

competition, we believe mandatory internationally coordinated policies and measures are indispensable. This remains our view and we urge other Parties to review and reconsider their positions.

The suggestions that developing countries should take up new commitments were not helpful to the progress of negotiations and contrary to the Berlin Mandate. Developed countries have to take the lead on reductions of greenhouse gas emissions. That is precisely why we are advocating strong legally binding targets for Annex I countries in Kyoto.

To foster sustainable development and voluntary limitation of greenhouse gas emissions by developing countries, new and additional resources should be mobilised through the financial mechanism defined by the Convention in order to cover the incremental costs of actions developing countries have to undertake to deal with global environmental problems and accelerate sustainable development. We believe it useful that this Conference of the Parties consider ways in which action to combat climate change could be strengthened with the participation by all countries in accordance with their common but differentiated responsibilities and respective capabilities, and their social and economic conditions. We consider in this respect that the process of a review of commitments under Article 7.2 of the Convention could be started as an appropriate means to this end.

Let me now address the so-called EU bubble. It is nothing new, it contributes to the ultimate objective of the Framework Convention and the principle is firmly enshrined therein. With the EU bubble, the European Community and its Member States guarantee that the aggregate Community target - that is the total of all 15 Member States - can and will be met, not because the bubble gives us an advantage, as some countries have argued, but because our constitution - the EC Treaty - requires us to do so. The EU bubble is the way in which the European Community and its Member States, with a burden-sharing agreement, will jointly fulfil their obligations under the Protocol that we intend to adopt here in Kyoto, in just the same way that we are fulfilling the stabilisation commitment under the Framework Convention.

In conclusion, Mr President, the EU reaffirms its readiness to cooperate constructively with the other Parties and repeats its plea. We must act ambitiously, and we must act now.



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Speech by Ms. Ritt Bjerregaard

**European Commissioner for the Environment, Nuclear Safety
and Civil Protection**

**to the Third Conference of the Parties
of the United Nations Framework Convention on Climate
Change**

Kyoto, Japan - 8 December 1997

Check against Delivery

Mr Chairman, Ministers, distinguished delegates,

We are here to protect the climate. The potential impacts of climate change do not provide us with time for complacency. We are working against the clock. Clearly, industrialised countries must commit themselves now!

Time is running out for our climate.

Instead of inventing loopholes, we should now concentrate on really reducing greenhouse gas emissions.

Mr Chairman,

Our first task is obviously to set legally binding targets for industrialised countries. These targets should correspond to a significant and early overall reduction of greenhouse gases. The first commitment period should start in 2003. And, as Luxembourg has already confirmed on behalf of the European Union, we maintain our proposal on targets. Annex 1 countries should reduce greenhouse gases by at least 7.5% by 2005 and 15% by 2010 compared to the 1990 levels.

These targets are both realistic, technically feasible and economically manageable. But, is not just the European Union that can and should make significant reductions. All industrialised countries, like the EU, have the same or greater potential to cut their emissions. It is therefore time for our industrialised partners to come up with more ambitious targets.

But let's be clear. Target figures have to result in real reductions in overall emissions by industrialised countries.

I am deeply concerned, therefore, to see that the current draft of the protocol contains dangerous loopholes. We want a protocol with real effect NOT a "virtual reality" Protocol.

Mr Chairman,

I am referring in particular to emission trading. This should only take place in the context of strong targets. Domestic action should provide the main means for meeting the commitments. We cannot afford hot air.

Also, before a trading system can become operational, we need to agree on guidelines including monitoring and sanctions. It has to be organised in an open, fair, transparent and competitive market.

Mr Chairman,

Our position on developing countries is clear. As agreed in the Berlin mandate there should be no new commitments for them.

Finally, we are ready to study new approaches for cooperation, such as the proposed clean development mechanism. However, it must not be used by industrialised countries to escape domestic action. Nor should it be possible to bank credits accruing before the start of the first commitment period. This would be another major loophole in the protocol.

Mr Chairman,

We are here to achieve a successful Protocol. We should all be proud of it. Our children should be proud of it. We only have one chance: we must agree now - before it is too late - on early and real significant reductions of emissions or face the disastrous consequences of global warming.

Thank you.

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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 COP3 in Kyoto, December 1997.

A Message from the Gallery

Ministers today begin the final round of meetings to negotiate the Kyoto Protocol, the most important environmental agreement since Rio. The results will have profound effects on the planet's health for generations to come. NGOs believe there are some areas that are crucial if the Protocol is to fulfill its aim - protecting the world from the disastrous impacts of global warming. We ask Ministers to concentrate on the following issues, and ignore the diversionary and divisive appeals on new developing country commitments, which are, in any case, outside the Berlin Mandate under which this Protocol is being negotiated.

Targets

The science demands strong action. In the

form of legally binding cuts in greenhouse emissions by the biggest polluters, the developed countries.

Real and significant cuts on 1990 levels by the year 2005 is needed if we are to bring the climate back from the brink of rapid and uncontrollable change.

All developed countries have an obligation - and plenty of opportunities - to cut emissions. No exceptions, no excuses, no special pleading. Such cuts, however, must be real, not just a headline number for the media. Unless the loopholes are closed any cuts likely to be agreed in Kyoto will translate into actual emissions increases. The loopholes to be closed include:

- the trading of so-called "hot air" and "super-heated air" from countries where emission levels are already below the emission limits to be set in the Kyoto Protocol (Russia, Ukraine, Eastern European countries);
- the use of forests as sinks to offset emissions from fossil fuels;
- the exclusion of hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆) powerful greenhouse gases which are extremely long-lived;
- the exclusion of emissions from international aviation and shipping.

Sinks

Uncertainty still reigns on sinks. All parties agree, in principle, on the need to include sinks in the emissions reduction strategy. The unresolved problem is how to account for the uncertainty of the uptake of CO₂ by sinks.

The downright dishonest gross-net approach, originally proposed by New Zealand, may have been ditched, but the more refined versions offered recently still fail to unambigu-

ously and verifiably promote good forestry practices.

This week, Ministers should therefore defer making a decision on sinks and hand the entire subject over to the IPCC.

Review of adequacy of commitments

It is becoming clear that, to meet the Convention's overall goal of preventing dangerous climate change, the commitments in the Kyoto protocol will need to be progressively strengthened. It is therefore important for Ministers to ensure that there is a mechanism for regular reviews of the adequacy of commitments, at Meetings of the Parties (MOP).

Last week, an unlikely combination of the USA and Tanzania (for different reasons!) led to the deletion from the chair's negotiating text of any specific commitment to regular reviews. These should be re-inserted, with reviews at least every five years, beginning no later than MOP1. Failing this, words to the same effect should be introduced into the COP Decision.

continued on page 3, col 1



INTON's "Bridge to the 21st Century"

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Global Warmers out in the Cold

support for meaningful reductions targets at Kyoto is now coming from a wide variety of organisations, not just environmental NGOs.

More Scientists: A world scientists statement signed by over 1500 scientists from 65 countries, including 109 Nobel Laureates, stated that in Kyoto the world needs "legally binding commitments to reduce industrialised nations' emissions of heat-trapping gases significantly below 1990 levels in accordance with a near-term timetable". An additional 600 European scientists recently called on nations to agree on a climate treaty calling for "substantive action", emphasizing that such "action is needed now".

Economists: Over 2500 economists, including 8 Nobel laureates, recently stated: "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 run". Similar statements have been signed by Australian, Canadian, French and Belgian economists.

Women: The Women's Witness at COP3 support the AOSIS protocol as well as strong

specific action to combat climate change.

Churches: the World Council of Churches in its position statement of yesterday transcended religious differences by calling for world leaders to support the AOSIS position.

Business: The Confederation of British Industry in a recent poll revealed that over 80% of its members support the EU target and over 60% would also support unilateral EU action.

More than 60 major US chiefs have called on the US government to exert strong leadership by promoting CC policies that provide incentives to act quickly.

The insurance sector has signed strong statements including the UNEP declaration promoting action to combat CC.

Local Communities: 182 local governments have joined ICLET's (International Council of Local Environment Initiatives) climate initiative, accounting for 100 million residents and close to 5% of total global CO₂ emissions. Many of these not only support the Toronto target, pledging to reduce CO₂ emissions by 20% by 2005, but have already started implementing measures.

Unions: ETUC (European Trade Union Confederation) supports the EU 15% target, affirming that climate change will "destroy a large number of jobs", whereas climate protection measures "will have positive consequences for employment".

Parliamentarians: The COP3 project team of the ruling Japanese coalition put forward last Friday an urgent 13-point proposal to the Prime Minister outlining substantial CO₂ reduction opportunities and demanded that government further increase its baseline target above the present 5% level.

Finally 37 members of the President's Council on Sustainable Development agreed there needs to be international commitments, national accountability, incentives for early action, and strong measures to stimulate and deploy technology. Members include General Motors, Dow Chemical, BP, Barron and Interface Inc. and several government agencies including the Departments of Energy and Defense.

Business, Environment, and Government leaders all agree action is needed now! How many more, Vice President Gore?

Australia Off-Target

James Slezak,

Key University Student Council

Emission increases have no place in the Kyoto protocol. Even just considering a target for increasing emissions for Australia — the third highest per capita emitter of CO₂ — sets a dangerous precedent for horse-trading on climate change.

Australia's special-case pleading remains based on long-discredited economic modeling. Nothing need be added to the words of Dr Clive Hamilton at AGBM7 when he lambasted the Australian government's methods of assessing emissions projections.

What must now be considered is the wider effect of rewarding a country for coming to Kyoto with no proposal other than to pollute as much as they can get away with and threatening to walk out if they don't get their way:

- Allowing one country to increase its emissions would undermine the principle that this is an emission reduction protocol.
- Negotiators at future conferences will know that baseless exaggerations can get them a better deal — an incentive is created to negotiate in bad faith.
- The public and parliaments of other developed

countries will want to know why they must reduce while one country is let off the hook.

- Asking poorer countries to talk about new commitments while considering increases for a rich, industrialized country is offensive to the developing world.

Australia is easily capable of substantial reductions. A license to increase would be the result of illegitimate ambit claims and would have nothing to do with sound economics or the abatement of dangerous climate change.

Statesmen can be negotiated with, horse-traders must be whipped into line.

How to Solve the Hot Air Problem

by Sibla Schone, WWF and Alden Meyer,
Union of Concerned Scientists

One issue ministers will be grappling with this week is what price must be paid to get Russia to sign onto the Kyoto Protocol. The current horsetrading centers around "hot" and "super-heated" air — i.e. allowing Russia and other CEE countries whose emissions are sharply below 1990 levels as a result of economic restructuring to sell those "reductions" to countries like

US who don't want to reduce their emissions me. This attempt to buy off Russia, Ukraine and other CEE countries would result in transfer

of billions of dollars per year to these countries, and could offset the effectiveness of any Annex 1 reduction target agreed in Kyoto.

Let's instead look for a way to provide financial incentives for these countries to sign off on a meaningful Kyoto Protocol while benefitting — rather than harming — the environment. One such mechanism could be a substantial clean technology fund to finance energy efficiency and renewable energy projects in these countries. (This could be either a separate fund than that now under discussion for developing countries, or a separate tranche within that fund.) In exchange,

their emissions budget would be set at least 15 percent below 1990 levels (current emissions in Russia and Ukraine are some 30 percent below 1990 levels).

This would eliminate most of the "hot air" problem, and the investment in clean technologies would lead to additional real reductions in CEE emissions. It could result in the Annex 1 emissions target being effectively strengthened by 2.5% or more. Perhaps this modest proposal could be added to the agenda for today's bilateral meetings between Vice President Gore and various EU ministers?

A Message from the Gallery, from front page Compliance

An effective compliance procedure is as important as having legally binding targets. The public is already asking what "legally binding" means.

A key first step is to make targets as clear and verifiable as possible. Second, early warning systems are needed, so that implementation problems are identified and responded to as they emerge. Third, in case of non-compliance, there need to be penalties and procedures to impose them.

Both current alternatives (Article 18) contain some good language on a "non-compliance" procedure to be elaborated after Kyoto. Differences of opinion concern the scope of the non compliance procedure, whether it refers to industrialized countries only, and the question of financial penalties being paid into a "clean development fund".

The enforcement of the protocol's reduction obligations is crucial to the credibility of the Kyoto Protocol. Ministers should not allow these relatively minor differences to prevent the adoption of a strong mandate after Kyoto.

Technology Transfer

Technology transfer is a key issue for developing countries. Without it, they cannot be expected, nor will they be able, to embark on a development path.

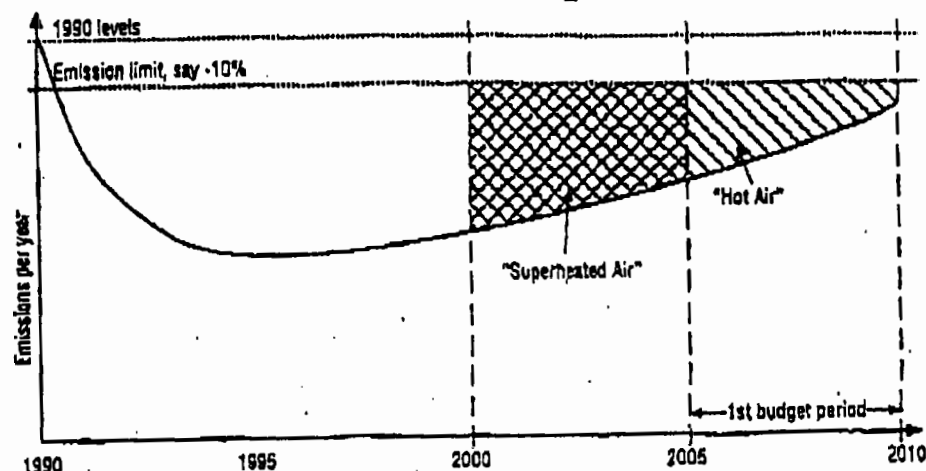
The implementation of the provisions contained in the Convention has been woefully inadequate. For this reason, the Protocol needs to go further than mere reference back to the Convention's provisions on this: it must introduce concrete steps that will actually implement them. Further, it is vital that the Ministers consider: the revision of the priorities of Multilateral Development Banks; the appointment of an effective institutional body that operates as a global energy agency; promotion of initiatives such as the development of covenants with key business sectors; and support for coherent energy and greenhouse gas reduction strategies throughout the world.

Entry Into Force

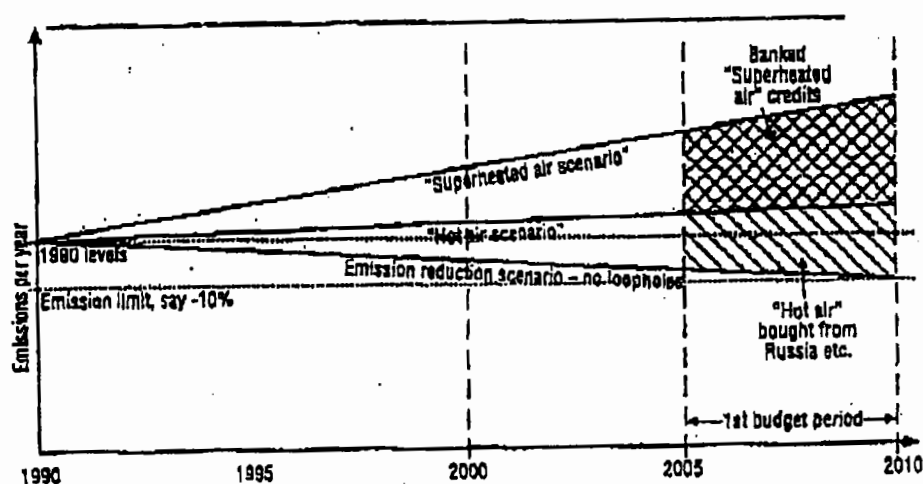
Article 26 will determine when and if the protocol enters into force. It requires a specified number of parties representing a minimum level of Annex 1 emissions. Setting the threshold too high for either of these requirements could delay action for many years.

The text contains several options; in every the lowest option offered should be selected. The sooner the protocol enters into force the better.

What are "Hot Air" and "Superheated Air"?



Russia, Ukraine and Eastern Europe



USA

In Russia and Ukraine, emission levels in 1995 are already 32% lower than in 1990. Other Eastern European countries also have emission levels that are lower than 1990 levels.

They may rise again, but are projected to be still below 1990 levels by 2010.

"Hot air" is the difference between actual emission levels in the target period (say, 2005-2010) and the emission limit (say, 10% below

1990 levels).

"Superheated air" is the difference between actual emission levels in the period from ratification to the beginning of the target period (say 2000-2005), and the emission limit. This becomes a problem if some, or all of, the difference between actual and target emissions can be traded or banked until the target period and then be traded.

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US no Lone Ranger

The U.S. delegation has spoken with several interesting accents in recent weeks.

The onset of this strange affliction seems to have begun several months ago after top secret liaisons in Honolulu with friends from Japan, New Zealand, Australia and Canada.

First, the U.S. spoke in Japanese on differentiated targets of zero to 5% to be achieved between 2008 and 2012. Our Yankee friends then tried to throw us off the trail by announcing they would commit to stabilization at 1990 levels by 2012, with a promise of undefined reductions for a second budget period.

Surprise, surprise, a strange Canadian accent then developed with an offering of 3% reductions by 2010 and a further 5% reduction by 2015.

The Kiwi accent started, and ended, last week

with a commitment of up to 5% reductions not to start before 2005, and the introduction of text on evolution for developing countries. The surprise "New Zealand" proposal on developing country evolution was, in fact, agreed in Tokyo two weeks before the start of COP 3.

Make no mistake: Australia, Canada, the U.S., Japan, and New Zealand - known among friends as the Asia-Pacific core of JUSSCANZ, are negotiating as a team in Kyoto.

Any one of these countries is willing to front for the US, but one doesn't have to dig deep to see that they are really a front for the US fossil fuel industry.

Responsibility for the success or failure of these negotiations rests not only with the U.S., but also with its friends.

EU - An Apology

Whilst NGOs have supported many aspects of the EU's line in these negotiations, it has to be said that some of their recent behaviour towards the G77 has been at least clumsy, having the effect of alienating those who would seem to be natural allies.

Firstly, there was the EU's response to the New Zealand proposal on developing country participation and commitments, which was weak enough to sound as if it contradicted its own policy of no new commitments for developing country parties. The next day, the Union failed to make clear its intentions on sinks to

AOSIS and like-minded developing countries.

If the EU and the G77 act together, they have a much better chance of seeing the more progressive elements that they both support included in a protocol. On most issues their viewpoints are actually very close.

The EU must act to regain its lost trust. Not only should it talk to key developing countries but it must listen too. It might start by asking them what they want from the protocol, for example on assistance for climate friendly development and the emerging proposal for a clean development fund.

Kyoto Stirs

20,000 citizens and NGOs from all over the world got together to call for an urgent action to stop climate change at Hieizan shrine on Sunday. People were wearing something blue which symbolized the blue planet, the earth. Although the weather forecast predicted 80% chance of rain, it was a lovely day, rather hot for December. It seemed that the climate was on our side.

After a minute of the silent prayer for the future of the children, more than 10,000 people, including youth groups, air pollution victims, and parliamentarians, paraded in Kyoto city.

The strong wish to adopt a legally-binding reduction protocol at COP3 was also included in the origami (paper craft) cranes which are traditionally believed a cure for sickness in Japan. The paper cranes were presented to representatives from foreign delegations at the Conference Centre itself. Hopefully, the cranes could heal our climate.

TENGU 天狗

How unkind of those who have suggested that New Zealand's proposal on Saturday was a cynical plot by the fossil fuel industry and its country stooges, with the intention of wrecking the Protocol process and putting the blame on developing countries. While it is true that ten minutes before the intervention was delivered, Tengu overheard Don Pearlman asking if "the bomb had dropped yet", he is sure that the "Mad Bomber" must have been referring to something else.

Solutions for a Serious Protocol

Today at 3pm, WWF will present three studies, on the EU, the US and Japan. These show that the EU 15% target can be achieved by all major OECD countries using proven policies and measures. Room C-1

G77 Don't be Bribed

by Sam Ferrer, Leonard Simanjuntak and Anung Karyadi, CAN SE Asia

It is unfortunate if G77 and China fall for the US ploy to subvert the negotiation on a legally-binding protocol. Recent incidents reek of bribery. Tempting offers to finance projects have been made by some US officials to several developing country representatives of G77 in exchange for softening of the G77 position on key issues but any acceptance would eventually lay countries open to peripheral instruments like JI, emission trading, and voluntary proposals; strategies being aggressively pursued by the US in an attempt to cover up inaction on cuts in domestic emissions.

In accordance with the principle of common but differentiated responsibilities, Annex I countries, particularly the US, should commit to emissions reductions based on the IPCC indicative figure of a 60% global cut to avoid dangerous climate change.

We remind G77 and China not to be sidetracked by questionable, doubtful, and dilatory schemes such as emission trading, and budget period borrowing. Joint Implementation and Activities Implemented Jointly must be treated as supplemental and peripheral instruments in pursuance of the aims of FCCC.

There is a tendency amongst those in COP3 to regard economic superiority as right, and political expediency as just. Economics without the guidance of conscience is unjust, politics without the discipline of science is blind.

We feel at this juncture the US will not measure up to the expectation of the world. We call on the G77 to hold on to its proposal and not to give in to the US. Be the conscience of this conference.

Sierra Club and Kiko Forum

In order to ensure that Vice President Gore's press conference is well attended Sierra Club/Kiko Forum are rescheduling their reception which will now begin tonight at 8-30.

THANKS

The Climate Action Network would like to thank the National Environmental Trust and Chikyu Kankyo Kikin for major funding for Eco and the Alton Jones Foundation, the Environmental Defense Fund and Greenpeace International for further financial assistance.

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9 December 1997

To: Please See the Attached List

From: USDEL/Kyoto - Mark G. Hamblin

Subject: The Third Conference of the Parties, Update No. 9: December 8/9, 1997

This is an informal and unclassified account of key events and activities which occurred at the meetings of the Third Conference of the Parties (COP-3) to the Climate Convention which is being held in Kyoto, Japan, between November 30 and December 10, 1997. This report covers events from the afternoon of December 8 through the morning sessions on December 9. Although unclassified, it is not intended for use outside the U.S. Government. Included with this report is a copy of the December 8 edition of the "Earth Negotiations Bulletin." Other USDEL reporting is being sent in a supplement to Update No. 9. A summary may be extracted from this report as necessary or desired.

COP-3 Update No. 9: Attention is Focused on the U.S., as Talks with the EU, Japan and other Countries Continues; Developing Country Issues Remain Very Problematic

In the aftermath of Vice President Gore's successful and productive visit to Kyoto (he held almost a dozen bilaterals with various countries, stakeholders and the media), all eyes have turned to the U.S. and to the widespread expectation of new U.S. flexibility. Indeed, following up on this instruction from the Vice President, Chief Negotiator, Under Secretary Eizenstat, held a marathon meeting until 3 AM on Dec 9 with the EU and Japan in an effort to reach common ground on a range of issues including the target, gases, sinks, flexibility measures, Art. 10 (a voluntary graduation mechanism), the clean development fund proposal of Brazil (being married to a Joint Implementation concept), and on developing countries.

Meeting separately with Japan, the two countries largely hammered out a joint strategy on most of these issues (with our understandings on sinks and developing countries being somewhat soft). The EU reaction was, first and foremost, one of surprise. They left the room for one hour, only to return with a counter offer which offered very little flexibility. Angering the Japanese, they would not move to differentiate the three additional gases (CFCs, HFCs, and SF6), although they did agree to move from a three gas basket to six. They accepted our differentiated proposal regarding sinks (an innovative Kimble idea), but only for the second budget period. They agreed to change their number to an eight percent reduction by the budget period of 2005 to 2009, and agreed to permit trading with limits on the amount which can be used to support a reduction program (two thirds was mentioned).

Following an expression of our mutual disappointment, the EU Ministers present (Prescott and Meacher from the UK, De Boer from the Netherlands, LaHure from Luxembourg and Ritt Bjerregaard from the EC's DG-XI) said they would take the proposal to their colleagues on December 9 and return with a more definitive rethink later in the day. They did so, only to tell their disbelieving American and Japanese colleagues that they wanted an experts group to meet to discuss our proposal on its technical merits before coming forward with a decision later in the afternoon.

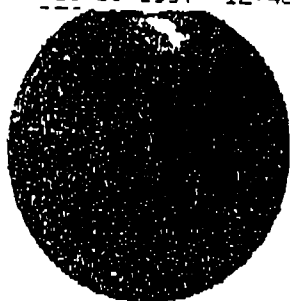
Meanwhile, the U.S. and Japan are busily working the plenary to seek support for a new arrangement in case negotiations with the EU fail which now appears increasingly likely. More on this in Update No. 10.

It is our understanding that the situation within the EU is more confused than ever. The bubble is ready to burst over pressure being exerted on it to support a six gas basket, among other things. For example, France and Germany both want to resist the U.S. approach, supported by Portugal (the leading beneficiary of the bubble's burden sharing arrangements.) and Austria. The UK, Netherlands, and Luxembourg all want to promote a deal with the U.S. as does Denmark (despite the fact that their notorious Energy/Environment Minister, Sven Auken, broke press silence about this reported deal and detailed much of the purported U.S. proposal).

All of this action is confined among Annex I Parties. We need further engagement by non-Annex I in order to secure Article 10, the clean development fund (with JI) (the so-called CDF), and a post-Kyoto process. With strong resistance to Article 10 coming from China, India, Brazil, and OPEC, the prognosis for this facility does not look promising, despite a surprisingly warm endorsement by AOSIS on Dec 8.

As for the CDF, we find ourselves in the highly unusual position of being supported in our efforts by the G-77 - with the exception of Saudi Arabia and Nigeria, who are doing their utmost to prevent the birth of this new mechanism. Unfortunately - but quite tellingly - these pariahs of the climate process are aided and abetted by the EU which is questioning the institutional arrangements being proposed and trying to prevent early crediting, among other nuisances.

The Committee on the Whole will meet again later today to respond to Chairman Estrada's ultimatum to Annex I to provide a uniform QELROS target. In the absence of one, the Chair is widely believed to be prepared to circulate his own differentiated formula which will please few, if any, in the room. The afternoon and evening promise to be equally eventful.



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HIGHLIGHTS FROM THE THIRD CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 8 DECEMBER 1997

Delegates to the Third Conference of the Parties (COP-3) to the UN Framework Convention on Climate Change (FCCC) met in a high-level segment attended by ministers and other heads of delegation. The Committee of the Whole (COW) met in the afternoon to continue discussions on the negotiating text.

HIGH-LEVEL SEGMENT

Ryutaro Hashimoto, Prime Minister of Japan, urged developed countries to agree on meaningful, realistic and equitable emissions reduction targets that are legally binding. He called on all Parties, including developing countries, to voluntarily enhance their measures. He disagreed with the idea that strict rules adversely affect the economy, and noted they could trigger innovation, promote capital investment and give rise to new industry.

José María Figueras Olsen, President of Costa Rica, said the Kyoto agreement must include significant cuts in emissions by the industrialized countries, a financial mechanism bridging developed and developing countries, and active voluntary participation by the developing nations. He noted that Costa Rica has developed a marketable instrument that will value emission reductions. He also called on developing countries to do their part.

Kinza Clodumar, President of Nauru, called the willful destruction of small island states with foreknowledge an "unspeakable crime against humanity." He said solving this problem requires more than stabilization of GHGs. He noted US President Clinton's pledge for significant future reductions and called for an announcement on this from Vice President Gore.

Albert Gore Jr., US Vice President, said realistic binding emissions limits would create new markets for technologies to ameliorate the problem. He reiterated the US commitment to reduce emissions by 30% of projected levels by 2010 and key elements of the US proposal. He announced increased US flexibility for working towards a commitment with realistic targets and timetables, market mechanisms, and participation of key developing countries.

Maurice Strong, Under-Secretary General and Executive Coordinator for UN Reform, delivered a statement for UN Secretary-General Kofi Annan. He said many would be disappointed that the Kyoto agreement would be a modest step. But the very fact that legally binding targets and timetables were in prospect showed how far the community of nations had come in taking responsibility.

COP President Hiroshi Ohki (Japan) reported substantial progress at the intensive discussions in Kyoto and expressed confidence about a breakthrough for final agreement. He called on ministers to bring political will to the objective of getting developed countries to take the lead.

FCCC Executive Secretary Michael Zammit Cusaj commented on the remarkable nature of the Conference given the media interest and the scale of the UN Internet broadcast, which have focused world attention on Kyoto. He said the zen practice of breaking through mental boundaries provided a good theme for the days ahead when negotiators would have to break through the tendency to consider the short-term costs while neglecting the long-term economic opportunities.

For the G-77/CHINA, Bakari Mbonde (Tanzania) said decisive action would be needed to strengthen developed country obligations. He underlined the Berlin Mandate to achieve QELROs and advance implementation of commitments under Article 4.1 without new commitments for developing country parties. Developing countries had undertaken their own measures and the success of these was predicated on Annex I country fulfillment of their commitments including transfer of technology. He rejected offshore extra-territorial implementation of targets and welcomed the clean development fund initiative.

The EU rejected differentiation that makes targets weaker. Instead, it must guarantee comparable commitments for major economies at least. Flexibility resulting in environmentally detrimental loopholes is unacceptable. He supported: the "three plus three" gas proposal; trading only with strong targets and domestic action, monitoring, sanctions and market safeguards; and JI with rules and safeguards. He said mandatory internationally coordinated P&Ms are indispensable. Suggestions that developing countries should take up new commitments are not helpful to negotiations and are contrary to the Berlin Mandate. Mobilizing new and additional resources through the financial mechanism could foster voluntary limitation of developing country GHG emissions.

Many speakers focused on elements necessary for a Kyoto agreement. SAMOA, for AOSIS and supported by NIUE, stated that a Kyoto agreement must contain strong, short- and medium-term targets for Annex I Parties and a mechanism for early review of their adequacy. NORWAY said developed countries must agree on an overall reduction target for the emission of all GHGs of 10 to 15% by 2010. A flat rate approach fails in fairness and effectiveness, and renders an ambitious agreement impossible. SOUTH AFRICA supported the EU-proposed targets.

Many speakers, such as IRAN, INDIA, BANGLADESH, VENEZUELA, KOREA, INDONESIA, MALAYSIA, MALDIVES, CHINA, PARAGUAY, SEYCHELLES and BARBADOS on behalf of Caribbean Community, opposed any new commitments for developing countries since developed nations had not met their existing commitments. Many described national actions already underway. CHINA said it could not undertake reduction commitments because its main priority is development. MEXICO is taking on responsibilities and will continue to do so regardless of the outcome in Kyoto.

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JAPAN sought voluntary commitments for more advanced developing countries and a process to review commitments by all Parties. ARGENTINA called for binding commitments for Annex I Parties and differentiated targets. RUSSIA declared its intention to turn quantitative commitments into practice jointly with all other countries whose interests are restrained by the concept of partial differentiation.

AUSTRALIA said the agreement must include sources, sinks and criteria for differentiation. CANADA proposed reductions of 3% for the period 2003 - 2012 and 5% by 2013 - 2017. She noted that developing countries' emissions are growing and supported the sequencing of obligations of developing countries. NEW ZEALAND stated that a target for Annex I Parties of 5% below 1990 levels is achievable within a decade and that many reduction measures are not available to less heavily industrialized countries.

Some delegations, such as INDIA, SYRIA, MOLDOVA, BOLIVIA, PAPUA NEW GUINEA, HONDURAS, NIGERIA, PAKISTAN and BOTSWANA stressed that developing countries' capacities have to be enhanced through the transfer of technology and financial resources. The UK noted the possible economic benefits of measures such as improved transport, housing, energy efficiency and environmental technology. AUSTRALIA highlighted the need to develop and market energy-efficient technologies. MOZAMBIQUE said pollution permit trading could help technology transfer.

Other speakers offered differing views on flexibility mechanisms. SWITZERLAND and NORWAY supported joint implementation (JI) once modalities are agreed, but developed countries should not circumvent reduction objectives. RUSSIA said JI and emissions trading could foster partnership between developed and developing nations. CANADA said flexibility is needed to adjust to changes required for implementation and cost-effective reductions.

VENEZUELA, CHINA and INDONESIA objected to emissions trading. FRANCE said flexibility alternatives should not be used until quantifiable reductions have been achieved. ARGENTINA, UZBEKISTAN and LITHUANIA supported JI as useful to access environmentally sound technologies. DENMARK said trading offers no end of possibilities for fraud and "hot air" trading should not be allowed. BRAZIL called for further consideration of emission trading permits between developed countries.

Ministers highlighted a number of other issues. AOSIS, BRAZIL, NIGERIA and DENMARK supported a clean development fund, funded by developed countries in proportion to their degree of non-compliance with targets. ARGENTINA sought common definitions of sinks, including restoring degraded soils. HUNGARY recalled its agreement to join Annex I and noted its changes toward sustainable development.

VENEZUELA, QATAR, KUWAIT, NIGERIA and SAUDI ARABIA called for a mechanism to compensate fossil fuel exporting countries for the economic losses resulting from the full implementation. SPAIN, PORTUGAL, GERMANY, GREECE and DENMARK noted their plans to cut emissions within the EU's overall plan. ICELAND said that renewable energy would have to play an increasing role.

COMMITTEE OF THE WHOLE

Delegates discussed the protocol draft contained in the COW Chair's non-paper of 7 December. RUSSIA, supported by NORWAY, UKRAINE, AUSTRALIA and ICELAND, proposed text setting a collective Annex I net aggregate CO₂ equivalent emissions objective, with annexes for individual Parties' objectives. The US expressed interest. Chair Estrada said he would not discuss proposals without numbers. The G-77/CHINA said the proposal delayed the discussion of numbers. TRINIDAD and TOBAGO, with TUVALU, said the annexes would be problematic. The UK did not support the proposal without numbers.

Several delegations suggested changes to the draft article on sinks. The US proposed counting emissions on a net basis but discounting 75% of emissions from sinks in the first commitment period. Chair Estrada said sources and sinks should not be selected to disguise what is being decided. He asked delegates to be sincere for 48 hours.

Chair Estrada introduced a discussion on gas coverage. Recalling his "three plus three" proposal, he suggested a different base year for the second basket. The US, supported by NEW ZEALAND, proposed 1995. RUSSIA suggested dealing with the six gases basket in the second commitment period. ICELAND, supported by NORWAY and the EU, objected to the US proposal because some countries had already made efforts to reduce their emission of gases in the second basket. NORWAY asked whether those Parties with sufficient 1990 data on the gases in the proposed second basket could proceed with a full basket approach. INDIA said the G-77/CHINA wished to revisit the issue after announcements on QELROs numbers.

CANADA, supported by NEW ZEALAND, RUSSIA and the US, asked that its emissions trading text be substituted for Article 6, noting its guidelines and a section assigning responsibility to Parties for all transactions, including those by intermediaries. The G-77/CHINA and URUGUAY requested deletion of the article, but said the text could remain under consideration. He said the core issue is the numbers. Chair Estrada said he failed to see how the proposal reduces emissions. TOGO, supported by MALAYSIA, proposed adjourning until numbers were proposed. NEW ZEALAND said resolving trading would allow progress on commitments. CHINA replied that until QELROs are resolved, the protocol is meaningless.

The US said its number is a package, depending on what gases are included, how sinks count, and what kinds of flexibility are available. If there is no trading, the number changes. He proposed an additional paragraph extracted from Article 7 (Joint Implementation) permitting projects between Annex I parties. The EU said the scope of flexibility, including emissions trading, was contingent upon QELROs numbers. COLOMBIA said the ability to display flexibility had just about run out among non-Annex I countries. SAMOA suggested that the provision of a range of numbers would assist the debate on emissions trading. UKRAINE defended retaining Articles 6, 7 and 8 because they define the mechanisms for implementation. RUSSIA supported a proposal from the Chair to close discussion, and suggested a protocol between the EU and G-77/CHINA. UGANDA said there would be no "free" trading of emissions. Chair Estrada announced his intention to produce a paper with a proposed final approach, with QELROs numbers and positions. The deadline for Parties to deliver their own numbers would be 3:00 pm Tuesday.

IN THE CORRIDORS

Pressure is building on Annex I countries to deliver their target numbers for QELROs as negotiations go to the wire. Tensions emerged at a meeting of the newly formed extended Bureau Monday - a meeting of delegates and ministers described by one participant as a "poker game" where only half the players are in on the final deal. Developing country Parties had reportedly lost patience with industrialized countries determined to bring home a final package without consulting their "significant others" from the G-77/CHINA, now represented on the extended Bureau. This despite the expectation that after this complex endgame a number of key G-77 players are expected to participate meaningfully, having calculated their potential gains from incentives offered. So far, though, the only number coming out of the negotiations is Chair Estrada's 3 o'clock QELROs deadline.

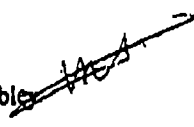
THINGS TO LOOK FOR TODAY

COP: COP Plenary will meet at 10:00 am.

COW: COW Plenary will meet at 3:00 pm.

9 December 1997

To: Please Sec the Attached List

From: USDEL/Kyoto - Mark G. Hamblin 

Subject: The Third Conference of the Parties,
Supplement to Update No. 9: December 8/9, 1997

Attached are additional reports prepared by USDEL Kyoto representatives, along with a copy of the environmental rag, ECO, for December 9. This report should be read in conjunction with our regular report, Update 9.

Committee of the Whole, December 6, 1997, night session

D. Stowell

Several issues were covered in the night session of the COW. They included Sinks, terminology for the term "targets and timetables,"

Sinks

Once again, the Chair attempted to discuss the difficulties with sinks. He opened the discussion with a brief summary of the most recently tabled non-paper by the chair of the contact group. He also explained the SBSTA process for determining the modalities, rules and guidelines for sinks. Following a brief explanation by Parties about the willingness to continue trying to reach compromise on text, as well as the possibility that numbers will likely change depending on the outcome of this discussion. The sinks group was reconvened for one hour in order to conclude discussion on text. Estrada also noted that the reality of the sinks discussion is that some countries are likely to change the level of their target.

Text relating to multi-year targets

The G-77 and China opened this discussion with a proposal for the addition of language on multi-year targets. The US proposed alternative language, in order to address some of the concerns of the G-77. This, in turn, resulted in a back and forth on whether the US was shying away from using the phrase quantified emissions limitation and reduction objectives and implementing its commitments. The G-77 will consult further on this tomorrow morning.

Clean Development Fund--Article 3.18

There was no report from this contact group. They are expected to meet tomorrow.

P&M

The chair of the contact group provided a quick summary asking that the report and text not be submitted to Parties until tomorrow.

Article 10

There was no progress on Article 10.

Methodological issues

On a very positive note, language on methodological issues, including a paragraph relating to emissions resulting from multilateral operations was adopted with very little discussion.

Article 13

The chair of the contact group discussed the agreement that was reached on paragraph 2 of the Article on the financial mechanism. Once the floor was open for discussion, however, the Philippeans stated that it would need to consult further with the G-77. This delay was based on the rationale that some commitments will now be reflected in the Protocol and that not all Parties to the Convention will be in the Protocol. The link between Articles 12 and 13 were also stated as a reason to delay discussion--the Philippeans felt that discussions could not proceed on Article 13 until Article 12 was completed.

Article 7

The text remains the same.

Article 6

Canada, the chair of an informal group working on text for emissions trading presented their work, explaining where the text diverges from the Chair's negotiating text. India and China intervened to say that they felt the issue was far too complex and outside the scope of the Berlin Mandate. The Chair stated that no one had as yet had time to review the text; therefore no discussion would be held.