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## M E M O R A N D U M

December 8, 1997

To: Stuart Eizenstat  
Melinda Kimble  
Mark Hambley

From: Bob Boynton *Bob Boynton*

Subj: Sensenbrenner Delegation Meeting with Liu Zhenmin

On Monday afternoon, December 8, the Sensenbrenner delegation met with Liu Zhenmin, deputy head of the Chinese delegation. The congressmen told Liu that it would be difficult to endorse a treaty that did not include some agreement on the part of developing countries. Liu predictably replied that it would be very difficult at this point for China to adhere to a treaty imposing limits on GHG emissions. Nor could he say, when questioned by Rep Dingell, when China might be able to consider taking on such limits. Liu stated that China would need a period of economic development to raise the living standards of its people, then consideration of limits would follow.

Liu also stressed that China was trying to make its energy sector more efficient, and to diversify from a largely coal-fired electrical generation base. This prompted several congressmen to ask him whether China could commit to something along the lines of improved energy sector efficiency, as opposed to emissions limits. Liu, probably as much from the lack of an economic background as from the lack of flexibility in his instructions, did not seem to grasp their meaning and did not capitalize on the opening that was being handed him. Since China has stated that it is embarking on an energy efficiency improvement program, Liu might have been able to explore the approach that the congressmen were offering and craft an answer that would have left them something to work with.

In my opinion we are suffering somewhat by the lack of involvement of someone from the State Planning Commission (SPC) in the bilaterals with U.S. legislators and officials. U/S Eizenstat's Tuesday morning bilateral with Chen Yaobang, an SPC vice chairman as well as Minister of Forestry, may be a more productive venue in which to explore Chinese commitments structured in terms of improved industrial efficiency, or some other economic measure, as opposed to straight emissions limits.

## Compensation Contact Group

D. Stowell

The contact group on compensation met for five sessions to discuss paragraph 17 of Article 3. Countries participating in the group included: Iran (who also served as chair), Kuwait, Nigeria, Uganda, Saudi Arabia, Tanzania, Zimbabwe, United Arab Emirates, Venezuela, US, Japan, Canada, Australia, the EU, Switzerland, and New Zealand. Discussions centered around the entrenched positions of the G-77 and China versus Annex I countries. Although every Annex I country stated that the concept of compensation was unacceptable, discussions dragged on over the course of three days. An attempt at compromise was made by the delegate of Zimbabwe, who sought to remove the concept of a fund and insert a process by which an assessment of the impacts on developing countries would be undertaken. From the assessment, "appropriate actions" (read compensation fund) would be undertaken. This text was modified by the G-77 to make it clear that one outcome to be undertaken taken would be the establishment of a compensation fund. The chair urged Annex I countries to enter into a discussion/negotiation on the text. After every Annex I country stated that it would be necessary to consult further with their respective delegations, the contact group was finally adjourned.

The Chair, for the second time, provided a summary to the Chair of the Committee of the Whole.

NOTE: During the course of the discussions, it became clear that some Annex I countries were interested in providing some sort of compromise to the G-77 and China. Early on, Canada had introduced the idea of a process that would build on the assessments that are already underway in various fora. This is probably the basis for the original Zimbabwe proposal. The JUSCANZ countries, along with the EU have held informal informal's on this issue. Although it was agreed that no compromise language would be tabled during the contact group, it seemed likely that Japan would introduce language introducing a process for assessment of impacts. Switzerland also discussed wanting ways to accommodate the less developing country concerns under other Articles.

# 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.*

## Gore's Climate Fraud

Yesterday's speech by US Vice President Al Gore was a blow to hopes for a meaningful protocol in Kyoto.

Gore made it very clear that he continues to insist on many key elements of the US position that have gridlocked negotiations for many months now.

According to Gore, the US stabilisation target

is a commitment "as strong, or stronger, than any we have heard here from any country." (Flat your heart out AOSIS). Gore, venerated author of "Earth in the Balance", now finds himself teetering on the brink of environmental force. John Gummer, the former UK environment minister, was outraged by Gore's dubious calculations, which suggested that the US proposal would

actually reduce US emissions by 30% (based on its energy agency's latest business as usual emission projection scenario for 2010). According to Gummer, using this formula currently commits the UK to a 50% reduction target.

The majority of the planet is in fact demanding substantial emissions reductions by no later than 2005. The US proposal would allow Annex 1 emissions to increase more than 4% from current levels.

The existing goal of returning ghg emissions to 1990 levels by the year 2000 was deemed inadequate at the 1995 Berlin Climate Summit by all Parties to the Convention - including the US. This decision on inadequacy of commitments led to the Berlin Mandate which calls for reduction of greenhouse gases.

But Gore does not intend to commit the US to even stabilise its domestic emissions. It still pursues its not-so-hidden agenda of demanding a license to continue to increase emissions at home, through use of unlimited emissions trading and Joint Implementation. This has led to concern over the now well-known 'Superheated' and 'Hot Air' loopholes. In addition, the US seeks inclusion of sinks in the Kyoto Protocol, despite the acknowledged scientific uncertainties about their

*continued on back page, col 2*



*In conclusion, Mr President, we at Exxon feel that human survival may simply not be economic.*

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# eco

Late last night, Japan, the EU troika ministers (Luxembourg, UK and Netherlands) and the US were locked in negotiations, apparently on the "package" for the eventual Kyoto Protocol. We understand that this might be put to the Committee of the Whole on a "take it or leave it" basis.

Whichever figure is agreed for the Annex I reduction target itself is likely to be depressingly low, perhaps as low as 5%. But as Eco has been warning all week, the real danger is in the size of the loopholes the package could open up. Superheated, hot or tropical air, pre-budget credit for joint implementation projects, sinks and the failure to include HFCs, PFCs and SF<sub>6</sub> in the controls agreed here at Kyoto, could all gut the target and result in significant increases of carbon to the atmosphere.

During his less-than-impressive flying visit, even in bilateral meetings US Vice President Al Gore refused to be specific on what his much-vaunted "flexibility" might involve. However, the pressure is on the EU to weaken its stance aimed at opposing completely or limiting the worst loopholes in the various elements of the package.

Delegates not privy to the late night talks should be on the alert.

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## CONFERENCE REPORT

*Committee of the Whole, Monday afternoon*  
The COW went through the new Chairman's text article by article but there was little progress. Discussion on Article 3 led us back into the sinks bog. The US said that the current text was inappropriate for a legally binding text, proposing instead that Parties should only be allowed to count 75% of the reductions achieved by sinks. After a complicated discussion, Chairman Estrada told countries that it was time for them to stop twisting the text and be straight for 48 hours.

On Annex A, Chairman Estrada asked countries not to repeat their positions on 3 gas vs 6 gas. This led to the US proposing that the HFCs, PFCs and SF<sub>6</sub> be kept in the basket but have a 1995 baseline. This was opposed by Norway and Iceland on the basis that it would penalise countries which had already taken action to reduce these gases. The UK for the EU agreed, professing reluctance to change the baseline, as this would create a precedent. New Zealand wanted the gases to be controlled now, since as they said, they would rather be having a good time in Argentina this time next year than negotiating controls on the second three gases.

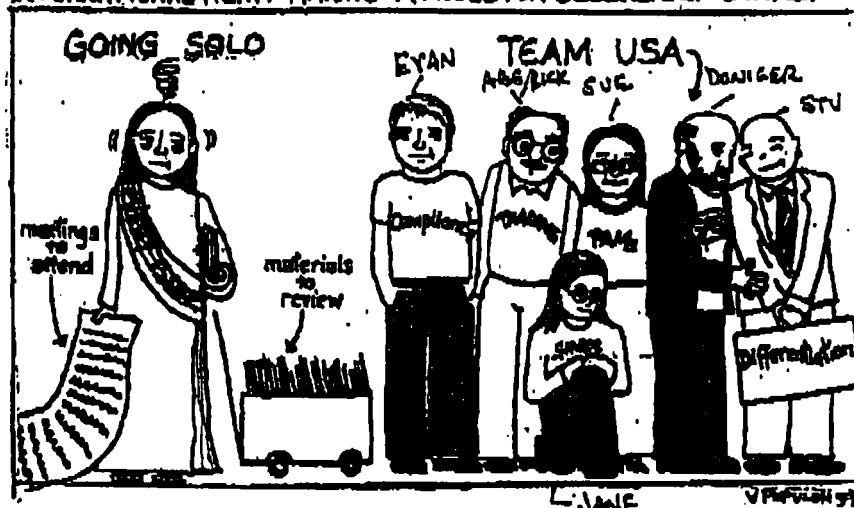
The Secretariat explained in response to Trinidad and Tobago that Annex B was inaccurate because it was done at 3.30am. (so what?)

and that it should include the Czech Republic, Slovakia, Croatia, and Slovenia. Ireland pointed out that it was also missing from the list.

The entire late night session of the COW was taken up by a totally inconclusive discussion on emissions trading. Canada proposed that its new text, drafted after consultations with the other JUSCANNZ countries, Russia, Poland and the EU, should replace the existing Article 6 in the chairman's text. This was resisted by the Chairman, who repeated his request for figures from the Annex I Parties of the effect of the trading proposals. When Russia intervened to support the text, Chairman Estrada asked the delegate to say whether Russia would be on the buying or selling side. This led to Russia stating angrily that it would be nowhere, since the EU was blocking by saying that trading could only happen in the second budget period. Eco sees this as a crude but effective way of eliminating hot air trading. Good on you the EU!

The session was eventually adjourned with no conclusion. Chairman Estrada then warned delegates that as chairman he was in a position to put forward a new text on the outstanding articles, and that he would be doing this by 3pm Tuesday.

### INTERNATIONAL TREATY-MAKING: A MODEL FOR GLOBAL DEMOCRACY



Scorched Economy or Scorched Earth  
Contrarians vs The Greens

All Welcome

Today 10-11am

Environmental NGO Meeting Room  
(In Events Hall)

Climate Action Network  
Intervention

Main Hall

Tonight • 10.00pm

## Trading Places

Nick Mabey, WWF, Tessa Robertson and Gary Cook, Greenpeace and Liam Salter, CNE

Yesterday in his speech VP Gore was keen to suggest that trading would be an effective vehicle for raising living standards in developing countries. What he conveniently neglected to mention was that the proposed Canadian text produced after consultation with JUSSCANNZ, the EU, Poland and Russia, potentially provides plenty of incentives for the US to avoid action at home. It contains some new innovative loopholes, as well as other old favorites that we thought were dead and buried. Before delegates agree on replacing the Chairman's text, they should be aware of the pitfalls. Here are the main highlights:

- **Trading Rules:** It is crucial that any agreed trading regime is subject to stringent rules, modalities (such as limiting trading amounts or budget periods when trading is allowed) and guidelines if loopholes like hot air are to be effectively tackled by the MOP. The Canadian text allows three options, all of which are bracketed, on creating trading rules: no initial rules and no requirement to establish them; rules on competitiveness established at the first MOP; trading conditional on establishing a transparent, accessible and competitive central trading body at the first MOP. However, none of these are broad enough. The best solution would be to insert paragraph 4 from the current chairman's text.
- **Superheated Air:** Paragraph 2 of the text,

which is bracketed, allows two flavours of pre-budget trading, either crediting reductions from 1990 or - if the bracketed "hot" is inserted - only from the start of the trading system, which at the latest is by the first MOP.

- **Tropical Air:** This would balloon from surplus permits obtained by Article 10 countries, through inflation of their business-as-usual emissions above what they would achieve with no additional measures. It could lead to a dramatic increase in global emissions due to Article 10 accessions.

Tropical air is a potentially huge loophole, and it is difficult to see how it can be removed without excluding trade with Article 10 countries which have growth budgets.

- **Trading cap:** Paragraph 3, which is in square brackets, provides the option for a cap on the percentage of emissions that can be traded. A strong figure and the removal of the brackets is essential to ensure that trading stays place a priority on domestic action.

The US is apparently objecting to the definition of joint buyer/seller liability for fraudulent trades, and as a result one Party will have a strong incentive to deceive the other when trading. When taken together with the US's resistance to a strong compliance regime in Article 18, the result could be that non-compliance resulting from trading emissions could take years to deal with.

A weak article on trading reduces the potential for meaningful emissions reductions and effective compliance, and is wasting valuable negotiating time.

## France Shifts on Sinks

French Minister for Territorial Planning and the Environment, Dominique Voynet, announced a significant shift in the French position on sinks yesterday. Previous policy was based on a net approach as France has significant forests, but current QELROS calculations for France are based on gross emissions. This shift, however, has the provision that in the longer term, a net approach will be developed but "we must take more time for the debate and to reduce uncertainties".

Voynet acknowledged the role of environmental NGOs in shifting the French position, before going on to outline the solidarity needed on climate change between the industrialized North and the developing South. The problems reaching agreement here in Kyoto, she said, are "the price of the inability of industrialized countries to respect their Rio commitments, in reducing their emissions and helping the development of the South."

Poorer countries "will suffer most from climate change", and she reiterated the "logic of the Berlin Mandate". "Most of the population of our planet has not yet been invited to the banquet of development. We want to prepare the room which is yours in two ways: reducing the pressure on the environment, and help you avoid errors we could commit. This should be done without imposing on you cynical constraints that no industrialized country imposed itself at the same stage of development."

To build the "bridge" between the developed and industrialized world she then proposed replenishing the GEF by \$2.7 billion combined with a wish to reform it. She also reiterated her strong suspicion of JI mechanisms.

Voynet concluded that NGO input was vital to the COP process so that "the voice and the conscience of the people be heard as this frequently precedes the courage of governments..."

## The 'Clean Development Mechanism'

by Mike Grubb, Royal Institute for International Affairs, UK

As ECO went to press, negotiators were still discussing the proposed 'Clean Development Mechanism'. This late arrival has emerged as one of the most critical elements of the COP-3 negotiations. Handled well, it could provide substantial new financial resources to assist developing countries to develop along cleaner paths. It may also help them adapt to the effects of climate change, and bring local as well as global environmental and social benefits in accordance with their development needs. Handled badly, it could dump an ever-lasting supply of "hot tropical air" into the trading mechanism proposed for implementing Annex I commitments, just as negotiators are struggling to remove the threat of Russian "hot air".

The basic idea is that a mechanism could be established to help provide serious funds to finance cleaner investments in developing countries. User fees on projects would be included to collect revenues to help countries adapt to the effects of climate change. If emission targets are strong enough, and if there are rigorous procedures for assessing and ensuring real, additional emission savings arising from real, additional investment (over and above things that would have happened anyway), this may indeed help get global greenhouse gas emissions under control, as well as provide a valuable source of additional finance for developing countries.

But these are critical 'ifs'. A system that is weak in targets and loose in controls will generate spurious emission savings and allow industrialized countries to escape from meaningful commitments. Furthermore, it will let them do so at low cost, with firms investing in dodgy projects, with little in the way of real additional transfers to developing countries, and little in the way of user fees to help adaptation.

The only way to prevent this is to have strong targets, a strong procedure for assessing that projects are legitimate and secure, and a clear system of liability, which establishes that the investor carries the risk if projects subsequently collapse or are proven to be illegitimate or fraudulent. These are the absolute minimum requirements to which negotiators must stick, if the mechanism is to be the key to success, rather than COP-3's biggest failure.

## At Least Someone's Saying it!

President Kinza Clodumar of Nauru reminded us all why we're here yesterday when he delivered a strong and moving speech to the Plenary. In front of Prime Minister Hashimoto and Vice President Gore, the President described the plight of the people of Nauru as "trapped, a wasteland at our back, and to our front, a terrifying, rising flood of biblical proportions."

The threat to Nauru and other island countries and low-lying states was due to "the emission of greenhouse gases in distant lands...warming the earth and causing sea level to rise", he said.

The President went on to say "respectfully, that the willful destruction of entire countries and cultures with foreknowledge would represent an unspeakable crime against humanity. No nation has the right to place its own, misconstrued national interest before the physical and cultural survival of whole countries. The crime is cultural genocide; it must not be tolerated by the family of nations."

President Clodumar reminded the Plenary that "President Clinton promised that the US would bring to Kyoto a pledge for significant future reductions." To loud applause he added, "Vice President Gore, we await your announcement with bated breath."

The President ended with a plea to the negotiators: "Let us create a Kyoto Protocol that we can show proudly to our children. Let us take action, effective action, prompt action, here in Kyoto, without reservation, without delay, for now and forever."

*Gore's Climate Fraud, from front page measurement and verification. Thus, despite almost 'saint like' rhetoric, Gore is unwilling to reduce a single gram below 1990 levels of CO<sub>2</sub> from burning fossil fuels domestically.*

On top of this, Gore repeated his insistence on "meaningful participation of key developing countries".

The last-minute addition to the Vice President's speech of the phrase "I am instructing our delegation right now to show increased negotiating flexibility if a comprehensive plan can be put into place" raised hopes among some observers that the US would finally acknowledge the inadequacy of its stabilization target. But in numerous bilaterals with key delegations yesterday, the Vice President failed to make clear any such intention, much less unveil a specific reduction number.

The US remains unwilling to provide the leadership needed to negotiate a Kyoto Protocol that will truly protect the climate. Gore's target

is not only too low, it is riddled with loopholes.

Phrases such as "heal the divisions among us" and "achieve a safe overall concentration level for greenhouse gases in the Earth's atmosphere" ring hollow in the corridors of the Kyoto International Conference Hall.

Gore's "Spirit of Kyoto" is, to borrow the words of Danish minister Auker, nothing more than "diplomatic climate fraud".



## Hashimoto Disappoints

What was Prime Minister Hashimoto in Kyoto for? His speech showed (again) neither leadership nor a strong political will for an early reduction targets. This was very disappointing. His only new proposal involved buying developing country commitments with financial and technological support through ODA. In this way, in his one-hour stop in Kyoto, all he managed to do was to upset the developing world.

One has to ask if he really wants an agreement in Kyoto. In his speech he stated that "only high-level political decisiveness will produce concrete results." Prime Minister, we need your political decisiveness, not the political performance of chats with US Vice Presidents.

## TENGU 天狗

What is it about Vice Presidents? First there was Dan Quayle's "potato". Now we have Al Gore's mathematics. He said that the US would reduce 30% from 130%, describing this as stabilisation. But 30% of 130 is not 30 - in fact it's 39. Tengu asks: does this mean that in fact the US will be reducing by 9%? We deserve to be told.

While we're on the subject, some delegates may be wondering what is going to be done with the newly-available "flexibility". Tengu is of the mind that, in time-honoured tradition, it will be used for the creative rebranding of key issues. In the past, for example, targets and timetables were translated into QELROs, and only last week "budget period" was changed to "commitment period". Tengu was wondering about calling "increases" "reductions", but realised this was already happening, so he settled on renaming "Protocol" to "fudge".

## THANKS

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

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10 December 1997

To: Please See the Attached List

From: USDEL/Kyoto - Mark G. Hambley *MGH*

Subject: The Third Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC), Update No. 10: December 9/10, 1997

This is an informal and uncleared 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 9 through the morning sessions on December 10. Although unclassified, it is not intended for use outside of the U.S. Government. Included with this report is a copy of the December 9 edition of the "Earth Negotiations Bulletin." A summary may be extracted from this report as necessary or desired. This will be the last update in this series.

**COP-3 Update No. 10: "A Deal in the Offing" as the U.S., Japan and the European Union come to an Agreement; Formal Unveiling of the Kyoto Trading Umbrella" also Expected to Create Headlines**

#### **A Deal is Struck?**

After long hours until the early dawn of sometimes intensive negotiations with European Union (EU) Ministers (headed by UK Deputy Prime Minister Prescott) and Japan (effectively headed by Japanese Ambassador Tanabe), Under Secretary of State Stuart E. Eizenstat, ably assisted by OES Acting A/S Melinda Kimble and a capable team of advisors and experts, finally hammered out an agreement on a package of measures to form the basis for a Kyoto Protocol on Dec 10. The package was sent to the EU Council of Environment Ministers for its assent early this afternoon. Barring some unforeseen issue, it is expected to be approved, following which the EU is supposed to "actively" engage in promoting Article 10 and other aspects of the package.

#### **Sorry, No Numbers for Public Vetting - Yet**

At the core of the agreement were the numbers for a reduction which are embargoed for this publication (sorry about that) but which demonstrate significant flexibility on the part of all three delegations. The numbers for both Japan and the U.S. are somewhat higher than those proposed by Chairman Estrada in his draft text which gives the U.S. a five percent reduction and Japan one of 2.5 percent.

#### **Budget Period Preserved**

Key to the understandings reached is our preferred first budget period of 2008 to 2012 versus the 2006-2010 which appears in the current final draft text for the agreement and which will have to be changed during the plenary of the Committee of the Whole. In addition, it was decided to use the date 2005 as a kind of bench mark to judge how implementation of the agreement is taking place.

### **Clean Development Fund Nears Approval (the "new" JI with credit)**

Joint Implementation (JI) with credit has been subsumed under a new device called a "clean development funding mechanism." After its somewhat lukewarm support for this Brazilian-inspired concept, the EU has now agreed to give it its full backing and support. Similar support from other Parties is also expected and while not completely assured of passage, we would give it more than a 60/40 prospect. These have increased enormously due to the support received from China -- probably because many developing countries see this new mechanism as one providing "free or at least easy" money.

### **The Future of Developing Country Mechanisms Less Robust**

Remaining quite problematic is the question of Article 10, the voluntary graduation mechanism for key developing countries. We met with the Indonesia delegation on Dec 10 and received assurances from them of their active support of this concept. Similar meetings are also planned for other delegations, including those of Egypt, Argentina, and South Africa. However, from a Dec 9 meeting with Latin American and Caribbean delegations as a whole -- and from our frequent contacts with the Chinese, Indians, and Brazilians on this point (all are strident critics, as is OPEC) -- it is distinctly an uphill fight to get this concept on board.

Similarly, it is not known what kind of follow-on process -- if any -- may be feasible. Suffice it to note that New Zealand has prepared another proposed COP decision which would encapsulate a review process along the lines of the "contraction" theories of South African-born NGO Aubrey Meyer. This version is unlikely to go anywhere.

Corridor gossip continues to maintain that India has drafted a text which would be used both as a substitute for Article 10 and as a propellant for some kind of post-Kyoto follow-on process. However, this proposal, if it exists, has not as yet surfaced. When and if it does, it will undoubtedly have to be edited extensively to give it any chance of acceptability with Annex I Parties, generally, and with the U.S., specifically.

### **Opening a Kyoto Umbrella: "Double Bubble; Double Trouble?"**

Another interesting twist to the conference was added on Dec 9 with the informal establishment of a Kyoto Umbrella Initiative. Designed as a purely emissions trading regime, this "umbrella" will operate, in effect, as a second bubble under the terms of the Convention. Initially conceived by the Russians in response to the EU "Bubble", the concept was subsequently endorsed and essentially organized by the U.S. because of the significant benefits which could accrue to us, and to other umbrella partners, through cost-reductions achieved under the umbrella's trading arrangements. These arrangements and allocations will all have to be worked out sometime in 1998.

Among the countries actively participating in the umbrella discussions or who have indicated an interest in doing so are Russia, the U.S., Canada, New Zealand, Ukraine, Australia, Iceland, and Norway. There are plans at the time of this writing (1500 hours local) to announce this arrangement at a press conference tonight after the meeting ends. However, given the expected lateness of that hour and the groundwork which would have to be laid to get an appropriate declaration prepared, it is unclear whether or not such an event will be practical.

**Final Comment**

In the final analysis, it appears likely that there will be broad agreement that a new protocol document will be prepared for signature beginning next March. It will not contain everything that the U.S. wanted. Whether it will contain sufficient material for us to move ahead on it remains to be seen. Compliance will be somewhat weak, but there will be opportunities to improve upon methodologies next year. Similarly, although the sinks outcome is hardly spectacular, there will be an opportunity to review sinks and their accounting for use during future budget periods starting next year, as well.

Developing country issues will be the most unsatisfactory from our point of view. Even if Article 10 in some form survives, any follow-on process agreed to at Kyoto is likely to be very weak. There will be several years in which we can encourage more visible and pertinent participation by developing countries under the Convention which might be tied to our submission of the agreement to Senate for its advice and consent. But there is one factor that negotiators in this process over the past 29 months is the somewhat tarnished Berlin Mandate, for this mandate will be dead.

An additional update on this negotiation will be sent from Washington late next week if events warrant and time is available. In the meantime, "sayonara" from historic Kyoto!"

# Earth Negotiations Bulletin

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## HIGHLIGHTS FROM THE THIRD CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 9 DECEMBER 1997

Delegates to the Third Conference of the Parties (COP-3) to the UN Framework Convention on Climate Change (FCCC) continued the high-level segment throughout the day. The Committee of the Whole (COW) met in the evening and early morning to consider a revised Chair's negotiating text.

### HIGH-LEVEL SEGMENT

Many developing country speakers, including EGYPT, ZAMBIA, the PHILIPPINES, TOGO, MICRONESIA, ZIMBABWE, GAMBIA, SWAZILAND, LESOTHO, GHANA, MYANMAR, SENEGAL, MAURITIUS, MALAWI, CAMBODIA, ERITREA, SOLOMON ISLANDS, SUDAN, KENYA, UGANDA, LAOS, MALTA, BHUTAN, PERU, VIET NAM, COTE D'IVOIRE, KIRIBATI, ETHIOPIA and TUNISIA called on Annex I Parties to commit to meaningful and prompt reduction targets. They also, *inter alia*, highlighted the principle of common but differentiated responsibilities; objected to commitments for developing countries; and stressed that industrialized countries have a moral obligation to take responsibility for their historic emissions. Many noted that developing countries are already implementing sustainable development policies and noted to being labeled "free riders." ETHIOPIA and SWAZILAND noted poverty eradication as a developing country priority. SINGAPORE noted its emissions will increase as its economy and population grows.

Other speakers, such as KAZAKHSTAN, NIGER, VIET NAM, KIRIBATI, EGYPT, JORDAN, LEBANON, ECUADOR, URUGUAY, LESOTHO, KENYA, SAUDI ARABIA, TURKMENISTAN and SLOVENIA recounted the effects of climate change and national efforts to address these problems and lower GHG emissions. BHUTAN noted its effort to maintain its forests as carbon sinks. FIJI stated that island states would experience the worse effects of climate change. CUBA noted that even under an unfair economic blockade it has taken action on climate change as a small island developing country.

Many countries, including KAZAKHSTAN, EGYPT, ZIMBABWE, ZAMBIA, MALAWI, CAMBODIA, SOLOMON ISLANDS, LAOS, URUGUAY, VIET NAM, GAMBIA, KENYA, TUNISIA, MYANMAR, NIGER, UGANDA, MOROCCO, LESOTHO, SWAZILAND emphasized the need for technology transfer, financial resources and capacity building to address climate change. Some countries, such as PERU, CHILE and COLOMBIA, supported a clean development fund. BELGIUM called for a more equitable way of sharing technologies between North and South.

LATVIA said Annex I countries should lead the process of GHG reduction, but developing countries should demonstrate the political will to follow. SLOVAKIA agreed to commit to reductions even if its economy is not highly developed. ESTONIA said advanced developing countries should begin adopting some commitments. THAILAND supported dividing developing countries into two groups with different timeframes for reaching targets while calling for support and leadership from developed countries. AZERBAIJAN, ARMENIA and CROATIA said difficulties in the transition to a market economy should be taken into account.

AUSTRIA and ITALY described their target within the EU proposal. AUSTRIA said the number of outstanding issues underscores the need for a follow-up process. ITALY highlighted domestic increases in renewable energy investments. FINLAND highlighted its actions on climate change and called national actions the most critical. IRELAND noted that its indicative emissions target for 2010 represents a 15% increase over 1990 levels rather than the 55% increase that would be realized otherwise. The CZECH REPUBLIC and MONACO supported the EU's targets and policies and measures for achieving them.

KAZAKHSTAN, SLOVENIA, LATVIA and ESTONIA supported emissions trading but emphasized strong monitoring and compliance mechanisms. POLAND called for a budget approach to allow countries that reduce emissions before 2000 to bank those credits against later emissions. MALAWI, URUGUAY, ETHIOPIA, COLOMBIA and ROMANIA welcomed activities implemented jointly (AIJ). CAMBODIA said emissions trading and joint implementation (JI) could be useful if focused on clean technology dissemination. The PHILIPPINES cautioned against using sinks, emissions trading and JI.

TURKEY said it is not able to be a Party to the FCCC, due to unfair social and economic burdens stemming from being included in both annexes.

The UNITED ARAB EMIRATES, YEMEN and GAMBIA supported a compensation mechanism for countries that suffer economic losses under the Convention. GAMBIA and YEMEN called for more enhanced and effective support from the GEF. ALGERIA called for simplified procedures for disbursing assets for priority needs of developing countries.

Delegates also heard statements from the IPCC, GEF, IEA, GLOBE International, World Business Council for Sustainable Development, Climate Action Network-South East Asia, OFEC, UNDP, US Climate Action Network, Japan Federation of Economic Organizations International (Keidanren), Business Council for Sustainable Energy, International Youth Movement for the UN, IOC, International Confederation of Free Trade Unions, the Climate Train, World Council of Churches, International Federation of Chemical, Energy, Mine and General Workers' Unions, the World Food Programme, Asian Development Bank, European Bank for Reconstruction and Development, the Permanent Commission of the South Pacific, SPREP and the UN Economic and Social Commission for Asia and the Pacific.

This issue of the *Earth Negotiations Bulletin* ([enb@iisd.org](mailto:enb@iisd.org)) is written and edited by Paola Buitelli ([pbuitelli@ix.netcom.com](mailto:pbuitelli@ix.netcom.com)), Chad Carpenter, LL.M. ([chadcarp@iisd.org](mailto:chadcarp@iisd.org)), Deborah Davenport ([ddavenport@emory.edu](mailto:ddavenport@emory.edu)), Peter Doran ([pdoran@ecology.u-net.com](mailto:pdoran@ecology.u-net.com)) and Steve Wise ([swise@igc.apc.org](mailto:swise@igc.apc.org)). Webmistress Stephanie Sim ([stephsim@pacific.net.sg](mailto:stephsim@pacific.net.sg)). The Editor is Pamela Chasek, Ph.D. ([pam@iisd.org](mailto:pam@iisd.org)) and the Managing Editor is Langston James "Kimo" Goreau VI ([kimo@iisd.org](mailto:kimo@iisd.org)). The sustaining donors of the *Bulletin* are 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 Japan Federation of Economic Organizations. General support for the *Bulletin* during 1997 is provided by the Department for International Development (DfID) United Kingdom, the Ministry of Foreign Affairs of Denmark, the European Community (DG-XI), the German Ministry of Environment, Nature Conservation and 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 +1 (877) 703 1234 Ext. 2618. ISD 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 ISD 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.ca>. 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](mailto:enb@iisd.org).

**COMMITTEE OF THE WHOLE**

Chair Raul Estrada introduced a new draft text (FCCC/CP/1997/CRP.4) at an early evening session of the COW, with recommendations from a number of negotiations including those on Article 3 (QELROs).

He indicated that the proposed text on Article 3 would be treated as a take it or leave it "kind of offer" and he would allow time for delegations to acquaint themselves with the content and consult. The QELROs proposal was the global bubble as suggested at different moments during the negotiations, in particular by Russia. The Chair's text contains a proposal amounting to a global reduction of 5 per cent in emissions of CO<sub>2</sub>, CH<sub>4</sub>, NO<sub>2</sub> from 1990 levels, for the commitment period between 2006 and 2010, with the possibility that Parties fulfil the commitment individually or jointly. It is expected that COP-4 will adopt an annex to the Protocol establishing reduction commitments covering HFCs, PFCs, and SF<sub>6</sub> with commitment linkage between the two baskets. He said the global reduction commitment had been distributed in a differentiated way, with some countries possibly increasing emissions, others keeping their current levels, and most reducing. Afforestation, reforestation and deforestation had been included as sinks, with provision for further analysis. The text for draft Article 6 on emissions trading was negotiated at AGBM-8 in Bonn. On Article 7, Chair Estrada said joint implementation between Annex I and non-Annex I Parties had been dropped. Draft Article 10 on voluntary commitments by non-Annex I Parties remains by default as presented after AGBM-8.

Chair Estrada said the proposed Clean Development Mechanism (CDM) had evolved in such a way that it now deserved separate treatment in the new Article 14. He invited Parties to read the text with care. The Chair of a working group on Article 12 dealing with the relationship between the protocol and FCCC Article 4.1, Bo Kjellen (Sweden), said he was prepared to recommence negotiations on outstanding issues, hopeful that resolution of related text on policies and measures and on finance would help.

The Chair of the working group on Article 14, Luis Gylvan a Filho, said he had introduced a bracket free text as time constraints had not allowed his group to complete its work. Chair Estrada suggested consultation with the legal drafting group. URUGUAY sought clarification on provision in Article 14 for Annex I Parties to use certificates of reductions accruing from CDM projects to contribute to compliance "with part of their" QELROs commitments. Meira Filho said there had been no full agreement on the text because a number of delegations thought that either a number should be specified in the text as a percentage of commitments or that the COP should determine a percentage representing a maximum of commitments that could be met using the CDM. Others preferred a more general restriction. SAUDI ARABIA objected that an alternative text from Chair Estrada's negotiating text had been dropped. Chair Estrada said it was clear that the draft Article 14 did not reflect a consensus.

Chair Estrada said the article on compliance is the softer of the two available options. On entry into force, he chose the threshold of 60 ratifications, incorporating Annex I Parties which account in total for at least 60% of the total carbon dioxide emissions for 1990 of Annex Parties. He explained that 60 percent was just outside the limit of giving a veto to one Party. The biggest emitter within the group is responsible for 34 percent.

BURKINA FASO, supported by BANGLADESH and UGANDA, called for a reference to an FCCC provision on taking full account of the situations of the least developed countries in Article 3. MAURITANIA said the Burkina Faso concern had been addressed in draft Article 2. IRAN said Parties should not make Chair Estrada's job more difficult by making issues complicated. Chair Estrada said it was clear that one group wanted a reference to FCCC Article 4.9 and another did not. He invited Iran to consult Burkina Faso. KUWAIT suggested adjourning the meeting.

RIITANIA said he would assume that OPEC countries were used to their inclusion among the least developed countries. He

asked if that was the position indicated by Iran, Kuwait and Nigeria in their interventions. NIGERIA described Mauritania's intervention as undiplomatic. He invited Mauritania to submit a fresh proposal on incorporating a reference to FCCC Article 4.9. The G-77/CHINA said delegations had just heard a display of the group's unity in diversity and the transparent way in which the group conducted its business. He offered to take up the question within the group. MAURITANIA apologized and welcomed Nigerian support for including a reference to least developed countries. Chair Estrada said he saw no objection. The meeting was suspended.

The COW resumed at 3:20 am Wednesday. Chair Estrada said intense negotiations and consultations had been conducted within and between groups since the draft protocol text had been circulated earlier. He said he expected a positive end to negotiations, but there were still some points to settle.

He highlighted areas needing discussion in Article 3 on QELROs. He said questions had been raised whether the global five percent reduction commitment could be understood as the responsibility of each Annex I Party. He said the text needed refinement to indicate that each Party would be responsible for its respective number in Annex A.

He noted a real possibility to reach agreement on covering six gases from the beginning, rather than the "three plus three" approach. Different wording would be needed, particularly regarding base years for each group of gases: 1990 for CO<sub>2</sub>, CH<sub>4</sub>, and NO<sub>2</sub>; and 1995 in some cases for other gases. He said this required careful drafting to provide the necessary transparency.

He said there were some proposals to change the commitment period, 2006-2010, in the draft. The G-77/CHINA and other countries prefer to begin as soon as possible. Others are reluctant to start before 2008.

He said everybody agrees that the questions on Article 3 need to be solved to solve the rest. He noted ongoing negotiations and telephone calls to capitols, and proposed delaying discussion until later in the day. He also asked delegates to devote some thinking to Article 12 on existing commitments under Article 4.1.

BRAZIL said he hoped a reopened discussion on sinks would only address baselines, and that he would not agree to including all managed sinks in QELROs. Chair Estrada said sinks are not a matter to be discussed.

**IN THE CORRIDORS**

Delegates indicated that a number of major issues were still in play after the adjournment of the COW early Wednesday. A revised sinks text was reportedly circulating. Several delegations suggested they were not yet ready to accept the quantified emission limitation and reduction commitment in the Chair's draft Annex A, which put the EU at -8 percent, the US, Russia, Canada and Ukraine at -5 percent, Japan at -4.5 percent, New Zealand even, Australia and Norway at +5 percent, and Iceland +10 percent compared to 1990 levels. Delegates are also thought to be re-crafting the proposal on evolution, a follow-up to New Zealand's bid to get developing countries on board.

**THINGS TO LOOK FOR TODAY**

COW: Plenary is expected to meet at 11:00 am.

COP: Plenary will convene at 3:00 pm in the Main Hall.

10 December 1997

To: Please see attached list

From: USDEL/Kyoto - Mark G. Hambrey

Subject: Third Conference of the Parties to the UN Framework Convention on Climate Change, Supplement to Update No. 10 for December 10

This unclassified and informal report provides a supplement to the daily reporting summarizing Update No. 10 for December 9/10. The Third Conference of the Parties (COP-3) to the UN Framework Convention on Climate Change, which began on November 30, is scheduled to end late today or early tomorrow morning. This report should be read in conjunction with Update No. 10. It is not intended for distribution outside of the U.S. Government.

**COP-3: Supplement to Update No. 10 (for Dec 10<sup>th</sup>): G-77 Recalcitrance Threatens Momentum During Climate Conference's Final Hours; Deadlock Possible, although Hope Still Pervades the Corridors**

#### **G-77 Objections to Emissions Trading Threatening Final Agreement**

From the rather robustly optimistic appraisal of the prospects for some kind of agreement at COP-3 earlier today comes a more sobering assessment taken from participants in Chairman Estrada's core group of country's who are now negotiating the text in a smallish chamber in the Kyoto International Conference Hall. Among the countries represented are the U.S., Canada, Japan, Germany, the Netherlands, China and Tanzania. There have been some major tussles on articles critical to the U.S. Not unexpectedly, the attitude of developing countries towards Art 10 on a voluntary "graduation" mechanism remains highly critical. Reportedly, this article is being redrafted and will be placed elsewhere in the text.

More unexpected was an assault on Article 6 which deals with emissions trading among Annex I countries. This attack was unexpected in its intensity. Led by China, emissions trading was attacked by the G-77 generally to the extent that it is not clear if it can remain in the text in a manner palatable to the U.S., New Zealand, Russia, or Australia. In particular, the G-77 is arguing that trading can only begin after various regulations and modalities have been worked out at one point in the future. To counter this effort, and as an attempt to obtain some insurance, the U.S. has worked closely with the Secretariat to draft language for Article 3 on the target which could suffice for the damage being done to trading in Article 6 - if it is permitted to remain in the revised text.

#### **Vigorous U.S. Number Reported to the Media**

Meanwhile, reports of the deal struck by the U.S., the EU and Japan has reached the press via a press interview given by UK Deputy Prime Minister Prescott to the Japanese media. Prescott claimed that the target undertaken by the three parties involve emissions cuts of 8 percent for the EU, 7 percent for the U.S., and 6 percent for Japan. All figures are reported to be for reductions from 1990 levels within a budget period of 2008 to 2012.

**Next Steps: The Committee on the Whole Briefly Resumes; Final Text Being Prepared**

At about 1830 hrs on Dec 10, Chairman Estrada reconvened the Committee of the Whole (the so-called COW) and informed it that he is now going to prepare a final draft for presentation to the COW later tonight. Meanwhile, it is expected that consultations will continue to try to overcome some of the major blocks impeding final agreement and especially those regarding emissions trading.

**Waiting Game: Estrada versus the G-77/China: Will the Climate be the Loser?**

Thus, we are now in a waiting game in Kyoto. It may be several hours before we know if a determined Chairman Estrada has prevailed upon recalcitrant Parties (and especially those from the G-77/China) to make the compromises necessary to arrive at an acceptable agreement. We are somewhat concerned that the EU will, in the end, concede to G-77 demands for severe restrictions on trading. We will work to avoid this. We are also looking at various fall back strategies in the event that we are unable to reach a final agreement by the forthcoming deadline. One thing is clear: Kyoto will, in any case, be considered a success because of the broad agreement achieved among Annex I developed country Parties to reduce emissions to degree completely unanticipated as recently as three days ago.

This will (probably) be the last supplement to Update No. 10 for December 10, 1997 - the final day of COP-3.



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**AD HOC GROUP ON THE BERLIN MANDATE**

Eighth session

Bonn, 22-31 October 1997

Item 2 (a) of the provisional agenda

**PROVISIONAL AGENDA AND ANNOTATIONS**

**Note by the Executive Secretary**

**I. INTRODUCTION**

1. Arrangements have been made for the eighth session of the Ad Hoc Group on the Berlin Mandate (AGBM) to be held at the Beethovenhalle, Bonn, from 22 to 31 October 1997. The session will be opened by the Chairman at 10.00 a.m. on Wednesday, 22 October 1997.

**II. PROVISIONAL AGENDA**

2. The provisional agenda for the eighth session of the AGBM, proposed after consultation with the Chairman, is as follows:
  1. Opening of the session.
  2. Organizational matters:
    - (a) Adoption of the agenda;
    - (b) Organization of the work of the session.
  3. Completion of a protocol or another legal instrument.
  4. Report to the third session of the Conference of the Parties and related matters.
  5. Report on the session.

### **III. ANNOTATIONS TO THE PROVISIONAL AGENDA**

#### **1. Opening of the session**

3. The eighth session of the Ad Hoc Group on the Berlin Mandate (AGBM) will be opened by the Chairman at 10.00 a.m. on Wednesday, 22 October 1997.

#### **2. Organizational matters**

##### **(a) Adoption of the agenda**

4. The provisional agenda for the eighth session of the AGBM is presented for adoption (see paragraph 2 above). The provisional agenda is focussed on the need to move the negotiations forward so that the terms of the Berlin Mandate can be successfully completed by the third session of the Conference of the Parties (COP 3).

##### **(b) Organization of the work of the session**

###### **(i) Documentation**

5. A list of documents relating to the provisional agenda, as well as other documents available at the session, is contained in annex I to this document.

6. The main document for the eighth session will be the consolidated negotiating text by the Chairman (FCCC/AGBM/1997/7). It will be supplemented by the reports by the Chairmen of the informal consultations held at the seventh session (FCCC/AGBM/1997/INF.1), and the negotiating text by the Chairman (FCCC/AGBM/1997/3/Add.1). The proposals on which these documents are based are contained in documents FCCC/AGBM/1996/MISC.2 and Add.1-4 and FCCC/AGBM/1997/MISC.1 and Add.1-5. Additional proposals received after the seventh session will be issued in a miscellaneous document.

###### **(ii) Schedule**

7. The scheduling of meetings for the session will be based on the availability of facilities during normal working hours, when services are available for two meetings with interpretation from 10 a.m. to 1 p.m. and from 3 p.m. to 6 p.m. There will also be some facilities for informal meetings without interpretation. Delegations are urged to use these facilities fully by starting all meetings promptly at the scheduled time. A suggested approach to the organization of work is contained in annex II below. Delegations may wish to note that meetings with interpretation have been scheduled for Saturday, 25 October 1997.

8. As has been the practice in the two previous sessions, the Chairman will continue to use informal consultations ("non-groups") as vehicles to advance negotiations on the various elements of the text.

### **3. Completion of a protocol or another legal instrument**

9. The consolidated negotiating text prepared by the Chairman and contained in document FCCC/AGBM/1997/7 will help focus the work of the eighth session and provide the basis for the completion of the protocol or another legal instrument. The consolidated negotiating text is derived from the work of the AGBM at its seventh session and from informal consultations held during the inter-sessional period. Parties are invited to continue negotiations on the consolidated negotiating text with the view to reaching agreement on all issues.

10. The reports by the Chairmen of the informal consultations presented to the AGBM at the end of the seventh session are available in document FCCC/AGBM/1997/INF.1. These reports contain texts which are indicative of the status of negotiations in the informal consultations. In addition, the negotiating text by the Chairman and relevant proposals are still before the Group.

### **4. Report to the third session of the Conference of the Parties and related matters**

11. In accordance with decision 1/CP.1 of the first session of the Conference of the Parties (COP 1) on the Berlin Mandate, the AGBM will complete its work on a protocol or another legal instrument at the eighth session and transmit the results to the COP at its third session for finalization and subsequent adoption. The AGBM may also wish to consider the contents of the report which the Chairman of the AGBM will give to the COP at its third session, and any related matters.

### **5. Report on the session**

12. The main result of the session must be agreement on the final text of a protocol or another legal instrument. This text will be transmitted to the COP at its third session.

13. A draft report on the work of the session will be prepared for consideration by the AGBM at the session. The AGBM is invited to authorize the Rapporteur to complete the report after the session, under the guidance of the Chairman and with the assistance of the secretariat.

Annex I

**DOCUMENTS BEFORE THE AD HOC GROUP ON THE  
BERLIN MANDATE AT ITS SEVENTH SESSION**

**Documents prepared for the session**

|                      |                                                                                                                                  |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------|
| FCCC/AGBM/1997/5     | Report of the Ad Hoc Group on the Berlin Mandate on the work of its seventh session, Bonn, 31 July - 7 August 1997               |
| FCCC/AGBM/1997/6     | Provisional agenda and annotations                                                                                               |
| FCCC/AGBM/1997/7     | Consolidated negotiating text by the Chairman                                                                                    |
| FCCC/AGBM/1997/INF.1 | Reports by the Chairmen of the informal consultations conducted at the seventh session of the Ad Hoc Group on the Berlin Mandate |

**Other documents for the session**

|                                                                            |                                                                                       |
|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| FCCC/AGBM/1997/MISC.1<br>and Add.1-5<br>(and further addenda as necessary) | Implementation of the Berlin Mandate:<br>Proposals from Parties                       |
| FCCC/AGBM/1997/MISC.2<br>and Add.1-2                                       | Implementation of the Berlin Mandate:<br>Comments from Parties                        |
| FCCC/AGBM/1996/MISC.2<br>and Add.1-4                                       | Implementation of the Berlin Mandate:<br>Proposals from Parties                       |
| FCCC/CP/1996/15<br>and Add.1                                               | Report of the Conference of the Parties on its second session, Geneva, 8-19 July 1996 |

**Documents available at the session for reference purposes**

All AGBM documents as well as the Report of the Conference of the Parties on its first session, the Second Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) and the second compilation and synthesis of national communications from Annex I Parties will be available for reference purposes.

Annex II**PROPOSED SCHEDULE OF WORK FOR THE EIGHTH SESSION  
OF THE AD HOC GROUP ON THE BERLIN MANDATE**

|                         | Wednesday<br>22 October | Thursday<br>23 October | Friday<br>24 October | Saturday<br>25 October | Sunday<br>26 October |
|-------------------------|-------------------------|------------------------|----------------------|------------------------|----------------------|
| 10 a.m.<br>to<br>1 p.m. | Items 1, 2 &<br>3       | Item 3                 | SBSTA                | (Item 3)               | —                    |
|                         | SBI                     |                        | Item 3               |                        | —                    |
| 3 p.m.<br>to<br>6 p.m.  | Item 3                  | Item 3                 | (Item 3)             | (Item 3)               | --                   |
|                         | SBSTA                   | SBSTA                  | (Item 3)             |                        | --                   |

|                         | Monday<br>27 October | Tuesday<br>28 October | Wednesday<br>29 October | Thursday<br>30 October | Friday<br>31 October |
|-------------------------|----------------------|-----------------------|-------------------------|------------------------|----------------------|
| 10 a.m.<br>to<br>1 p.m. | Item 3               | Item 3                | Item 3                  | Item 3                 | Item 3               |
|                         |                      |                       | SBI                     |                        |                      |
| 3 p.m.<br>to<br>6 p.m.  | Item 3               | Item 3                | Item 3                  | Item 3                 | Items 4 & 5          |
|                         |                      | SBSTA                 | SBSTA                   |                        |                      |

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## United States Department of State

*Bureau of Oceans and International  
Environmental and Scientific Affairs*

Washington, D.C. 20520

October 17, 1997

TO: \*Distribution

FROM: OES - Melinda L. Kimble *Melinda*

SUBJECT: Draft U.S. Position Summary for AGBM 8

12 pages  
cc: JY  
Am  
SRC  
JH  
JA  
MTH  
MS

Attached for your review and clearance by noon, Monday, October 20, is a draft summary of the U.S. position for the 8<sup>th</sup> Meeting of the Ad Hoc Group on the Berlin Mandate that will begin in Bonn on October 22. This draft summary should be treated as close-hold. Since the U.S. delegation departs for Bonn over the weekend, it is vital that we move quickly on this.

For the most part, the draft summary reiterates the U.S. position as it has been publicly presented both in January and June 1997. However, a few key points bear close scrutiny:

- 1) Evolution -- the AGBM Chairman has deleted our proposed Article from the text -- we are instructing the U.S. del to propose that it be reinserted
- 2) New Zealand proposal -- the draft position instructs the U.S. del to support the New Zealand approach to accounting for sinks (Article 3, para. 1)
- 3) Continuing to Advance the Implementation of Existing Commitments -- the AGBM Chairman has deleted from the text the proposed requirement that developing countries submit annual emissions inventories and undergo individual review of their national communications; we are proposing that the U.S. del not seek to reinsert these provisions for several reasons, including: handling these issues instead as decisions of the Conference of the Parties will have them apply to all Parties (not just those that may ratify the Protocol), it will help avoid calls from developing countries for additional financing, and it will enable us to concentrate on the key issues involving developing countries -- graduation and evolution.

Please call or fax your comments/clearance to Barbara DeRosa-Joynt in the Office of Global Change NL! Noon, Monday, October 20. Her telephone is: (202) 647-4069; the fax is: (202) 647-0191.

DISTRIBUTION:

| Organization | Name                | Fax          | Phone        |
|--------------|---------------------|--------------|--------------|
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|              | Joe Romm            | 586-9260     | 586-9220     |
|              | Mark Mazur          | 586-9626     | 586-7700     |
| EPA          | David Doniger       |              | 260-2865     |
|              | David Gardiner      | 260-0275     | 260-4332     |
| DOT          | John Lieber         | 366-7127     | 366-4544     |
| OVP          | Pete Jordan         | 456-9500     | 456-9513     |
| PCSD         | Marty Spitzer       | 408-1655     | 408-5296     |
| CCTF         | Dirk Forrister      | 343-1162     | 343-1060     |
|              | Steve Seidel        |              |              |
| USAID        | Sally Shelton-Colby | 216-3235     | 712-1479     |
|              | David Hales         | 216-3174     | 712-1750     |
| DOL          | Ed Montgomery       | 219-4902     | 219-5108     |
| DOD          | Sherri Goodman      | 703-693-7011 | 703-695-6639 |
| NEC          | Peter Orszag        | 456-2223     | 456-5358     |
|              | Bill Antholis       | 456-5334     | 456-2198     |
| CEQ/NSC      | David Sandalow      | 456-2710     | 456-6224     |

**DRAFT**  
**AGBM 8: U.S. Position Summary**  
**(10/17/97)**

**Missing Link:**      **The Revised Chairman's text does not include the U.S. article on "Evolution" -- U.S. Del should note this omission and propose to reinsert it.**

**Preamble**

- Support as drafted

**Definitions (Article 1)**

- Note that more definitions may be required after agreement on text of the Protocol

**Policies and Measures (Article 2)**

- Weaken para. 1(b)'s call to implement policies and measures to as to minimize adverse effects on other Parties; delete or limit para. 1(b)'s authorization for MOP to take further action to promote implementation of its provisions
- Delete para. 1(c), as well as Annex A
- Delete para. 1(d)'s requirement that the MOP consider modalities to facilitate policy cooperation; delete reference to Annex A
- Delete para. 1(e), seeking first to clarify what is meant by performance indicators and how they would be developed and then questioning the need for/desirability of such indicators.
- Oppose any effort to "improve" or add to Article 2.

**Quantified Emissions Limits (Article 3)**

U.S. position should be tailored for consistency with President's announcement on or about October 21-22; otherwise, in absence of instructions to the contrary, U.S. del should:

- Insist that emission limit obligations apply to “each Party” (para. 1)
- Oppose the E.U. bubble (“individually or jointly”) (para. 1)
- Concerning Annex B, support the inclusion of the six listed gases and the use of IPCC methodologies
- **Support the inclusion of sinks in determining emissions limits (i.e., the “net approach”), in particular, the New Zealand approach to accounting for sinks (para. 1)**
- Do not oppose concept of multi-year base period (para. 1)
- Seek to preserve flexibility for the first budget period to start in 2010 or afterward (para. 1)
- Oppose a process for establishing emission limitation commitments (para. 3)
- Urge that economies in transition, as listed in the Convention’s Annex I, have base years identical to those of other Annex I Parties (para. 4)
- Oppose requiring Annex I Parties to have made “demonstrable progress in achieving their commitments by 2005 (i.e., seek to delete para. 5)
- Support emissions budgets, as opposed to single-year targets (para. 7)
- Do not support differentiation (para. 7); make sure sentence does not imply that Annex I Parties will have only 5 percent of their 1990 emissions as an allocation!!
- Seek to preserve flexibility for the first budget period to start in 2010 or afterward (para. 7)
- Support references to budget periods for Parties “acting under Article 10” (i.e., newly industrialized/advanced developing countries) as well as “net” emissions approach (para. 8)
- Support emissions trading and joint implementation for credit among Annex I Parties and Parties acting under Article 10 (paras. 9-10)
- Oppose para. 11 – (e.g., USG cannot accept having MOP deciding on second budget period versus ratification)

- Question requirement to decide on modalities for the accounting of emissions budgets (para. 12) (e.g., timing is too late)
- Support banking (para. 13)
- Support legal borrowing: keep open the percentage that could be borrowed; support a repayment ratio of 1.2:1 (para. 14)
- Call for the use of a list of gases (and support beginning with six gases: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, SF<sub>6</sub>, and PFCs). Seek to create a process whereby new gases (or revisions to the methodologies for accounting for existing gases) may be accommodated in the agreement. Once agreed by a decision of the Parties, revisions may be used by Parties on a voluntary basis during the existing budget period; it would be obligatory to use the revised procedures during subsequent budget periods provided that the revisions were adopted prior to the adoption of the subsequent target levels. (applies to paragraph 1 and paragraph 15)
- Weaken requirement that Annex I Parties or Parties acting under Article 10 "shall make every effort" to control their anthropogenic emissions by sources and enhance their removals by sinks of gases not included in Annex B – e.g., "shall take appropriate steps" (para. 16)

#### Estimating Net Emissions/Methodologies/Global Warming Potentials (Article 4)

- Call for the national system of estimating emissions and sinks to be established no later than the first year of the budget period. At a minimum, continue to reserve on the timing for determining the deadline for establishing a national system for accurately estimating emissions and sinks. (paragraph 1).
- Revise paragraph 2 to allow for use of best available methods, and to allow for adjustments if best methods are not used. Revised paragraph should read as follows:

"Methodologies for estimating anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol shall be those accepted by the Intergovernmental Panel on Climate Change and agreed upon by the Conference of the Parties at its third session. The Parties shall decide on agreed best available methods for the measurement of emissions by sources, and removals by sinks, taking into account the best available methods determined by the IPCC and other expert bodies. They

shall also decide on appropriate adjustments to measurements of emissions and removals where agreed best available methods have not been used. Based on the work of, *inter alia*, the Intergovernmental Panel on Climate Change and advice provided by the Subsidiary Body for Scientific and Technological Advice, the Meeting of the Parties shall periodically update such methodologies and adjustments.”

#### **Emissions Trading (Article 5)**

- Seek to change para. 1 to make consistent with U.S. proposal, i.e., to read as follows:

“A Party included in Annex I of the Convention or acting under Article 10 may not transfer or acquire any of its emissions allowed if it is not in compliance with its obligations under Article 7 or it does not have in place a national mechanism for certification and verification of trades.”

- Oppose restricting emissions trading to emissions levels achieved after the start of the trading system (para. 2(a))
- Oppose the requirement that domestic policies and measures should provide the main means of meeting commitments under Article 3 (para. 2(b))
- Support the prohibition on transferring, in a given budget period, emissions allowed if a Party has exceeded its emissions budget for that period  
— (para. 2 (c))
- Insist that modalities, rules and guidelines for emissions trading be agreed by the MOP at its first session (oppose “or as soon as practicable thereafter”); in addition, ensure that only Annex I Parties and Parties acting under Article 10 may decide on these issues (i.e., not all Parties to the Protocol) (para. 3)
- Delete para. 4
- Insist on the inclusion in Article 5 of a para. along the lines of Article 6, para. 4, of the revised Chairman’s text specifying that:

“A Party included in Annex I of the Convention or acting under Article 10 may authorize government agencies, private sector entities, non-governmental organizations or individuals to participate, under the responsibility of that Party, in actions leading to the transfer or acquisition of emissions allowed.”

### **Joint Implementation (Article 6)**

- Oppose any quantification of “part of” in this Article, or any effort to give the MOP the authority to quantify what is meant by “part of” (para. 1, line 1)
- Delete “included in the same Annex or acting under that Article”; insert instead “to the Convention” (para. 1, lines 2-3)
- Delete “the” before regulations; insert instead “any additional” (para. 1, line 3)
- Oppose the requirement that Parties share joint implementation credits in accordance with their contribution to a project (i.e., the allocation of credits should be left to the participants themselves) (para. 2)
- Delete para. 3(a); insert instead U.S. proposal:  
  

“Any Party included in Annex I of the Convention or acting under Article 10 may acquire carbon dioxide equivalent emission reductions under this Article for the purpose of meeting its obligations under Article 3, provided it is in compliance with its obligations under Article 7.”
- Oppose the requirement that domestic policies and measures provide the main means of meeting commitments under Article 3 (para. 3(f))
- Support reporting on joint implementation projects annually (i.e., oppose reporting on projects only in national communications) (para. 3(h))
- Oppose the requirement that the Parties adopt criteria and guidelines for the allocation of credits (this should be left to the participants themselves) (para. 5(a))
- Delete para. 6 – see U.S. proposal for amending para. 1 of this Article to allow joint implementation for credit among all Parties to the Convention in the Protocol itself

### **Reporting (Article 7)**

- Oppose the requirement that Parties report on performance indicators for policies and measures (i.e., “and its performance indicators) (para. 2 (c))
- Oppose the requirement that Parties incorporate in national communications an assessment of the estimated impacts on other Parties, especially developing country Parties and in particular those listed in the Convention’s Article 4.8, of policies and measures adopted and implemented under Article 2 (para. 2(f))

### **Review Process (Article 8)**

- Delete para. 6 – duplicates Article 14 (Alternative A), para. 2(b)

### **Non-Compliance (Article 9)**

- Could support this article as drafted, provided relationship to Article 17 (Multilateral Consultative Process) is clarified

### **Graduation (Article 10)**

- Oppose having all Parties to the Protocol decide whether to accept the notification by a Party of its intent to be bound by Article 10 – support having this decision made only by Annex I Parties and Parties already “acting under Article 10” (para. 3)

### **Adequacy (Article 11)**

- Seek deletion of this article; any such review should take place pursuant to the relevant (existing) Convention articles (e.g., Article 7.2(a))

### **Advancing Implementation of Existing Commitments (Article 12)**

- **U.S. Del should accept this Article as drafted, i.e., do not seek to reinsert previous U.S. proposals calling for each Party to submit an annual emissions inventory and for non-Annex I Parties to undergo individual review of their national communications – instead, deal with these issues in the Subsidiary Body on Implementation, where decisions will apply to all Parties, not just those that ratify the Protocol**
- Modify chapeau to read as follows:
 

“Without introducing new commitments for Parties not included in Annex I, and in accordance with Article 4.3, 4.5 and 4.7 of the Convention, the implementation of existing commitments in Article 4.1 of the Convention shall be advanced as follows:”
- Seek deletion of “at the national level” (para. 2(a))
- Seek deletion of “To the extent possible, move towards using” methodologies fully compatible with those developed by the IPCC and approved by the COP for preparing emissions inventories; propose “Use” instead (para. 2(b))
- Seek deletion of para. 2 (c )

- In para. 3(a), insert “promoting voluntary arrangements with industry,” after “improving the integration of climate change concerns into agriculture” and before “and generally taking actions to address climate change....”
- In para. 3(b), delete “giving special consideration to supporting measures which favor the economic development of developing country Parties and minimizing adverse effects on other Parties, especially developing country Parties and in particular those identified in Article 4.8 of the Convention.”
- Insert new para. 3(c) to read as follows (moving the “and” at the end of para. 3(a) to the end of para. 3(b)): (c) Quantify the effects of the measures implemented, evaluate barriers to the adoption of potential measures, and report to the Secretariat as part of its communication on the measures it has implemented, measures it plans to implement and barriers to the adoption of potential measures.
- Seek to modify para. 4(a) as follows: “Promote effective modalities for removing barriers to the investment in and the development, application and diffusion, including transfer, of environmentally sound technologies, know-how, practices and processes pertinent to the mitigation of, and adaptation to, climate change, and consider policies and programmes for the effective transfer of environmentally sound technologies that are publicly owned or in the public domain, and encourage the private sector to promote and enhance access to and transfer of patent-protected environmentally sound technologies.”
- Delete para. 4(b) – duplicates Convention Article 12.4
- Delete para. 4(c) – duplicates Convention Article 4.1(c) and para. 3(b) of draft Protocol text
- Delete para. 5
- Delete para. 6 – duplicates Convention Article 4.1(e) and is already being undertaken by the IPCC in its Third Assessment Report
- In para. 7(a), delete “Take steps towards identifying and implementing”; instead insert “Identify and implement; insert “including through strengthening legal and institutional frameworks” after “procedures” and before “to ensure” – para. 7(a) would thus read: “Identify and implement procedures, including through strengthening legal and institutional frameworks, to ensure that climate change considerations are taken into account in relevant government decisions, including those of intergovernmental organizations and in particular multilateral development banks; and”

- In para. 8, insert “maintaining and strengthening” after “Cooperate in developing,” and before “at the national and, where appropriate, regional level....”; delete “obtained from areas beyond national jurisdiction, taking into account the particular concerns and needs of developing country Parties in implementing Article 5 of the Convention.”
- Delete para 9
- In para. 10, delete “and” after “develop”; insert “and report on” after “implement” – Revised para. would read: “In accordance with Article 6 of the Convention, develop, implement and report on education and training programmes and strengthen national institutions, including through the exchange or secondment of personnel to train experts, and develop guidelines and relevant methodologies for this purpose.”
- In para. 11, delete “in accordance with Article 7 and Article 10.2(a) and (b) and Article 12 of the Convention”

#### **Financial Mechanism (Article 13)**

- Delete para. 2 – with no new commitments for Parties not included in Annex I of the Convention, there should be no new financial obligation for Parties included in Annex II of the Convention; existing financial obligations already apply
- Delete para. 3
- Delete para. 4

#### **Meeting of the Parties (Article 14)**

- Could accept Alternative A.
- The text's call for rules of procedure to be adopted by 2/3 majority, while avoiding the type of impasse we have under the Convention, is too loose. We could accept a 3/4 majority requirement, unless otherwise provided in the Protocol (e.g., with respect to decisions on trading, which should be taken only by Annex I and Article 10 parties).

#### **Secretariat (Article 15)**

- Support as drafted, provided that, if the proper secretariat functions do not appear elsewhere in the protocol, they appear in this article (e.g., to maintain and administer records relating to the accounting of emissions budgets).

#### **Subsidiary Bodies (Article 16)**

- Support as drafted.

#### **Multilateral Consultative Process (Article 17)**

- Clarify the relationship between this article and Article 9 which, as proposed by us, calls for the Parties to develop non-compliance procedures; if it remains, modify the ensure that Parties could modify the Convention process, as appropriate, to fit the Protocol.

#### **Amendments (Article 18)**

- Support as drafted, provided there is an acceptable clarification of the status/process for amending "attachments," which would contain the target obligations.

#### **Annexes (Article 19)**

- Support as drafted, provided it is clear that "attachments" are not considered "annexes" and are not governed by this article.

#### **New Parties (Article 20)**

- Seek to clarify. The notion of inscribing new commitments undertaken pursuant to Article 10 into an attachment may be acceptable. This would not make sense for new Annex I parties, however, assuming a uniform Annex I target. The acceptability of allowing the Parties to adopt "additional attachments" by approval (presumably not ratification) would depend upon what subject matter could be included in additional attachments, as well as their legal status.

#### **Voting (Article 21)**

- Support as drafted (standard).

#### **Signature (Article 22)**

- Support paragraphs 1 and 2. Paragraphs 3 and 4 appear to be an alternative means of introducing the "EU bubble," and are not acceptable.

#### **Reservations (Article 23)**

- Seek to delete, as such a clause creates separation of powers problems with the Senate.

**Entry into Force (Article 24)**

- Support the concept of a weighted entry into force clause, while reserving on the proposed formulation.

**Withdrawal (Article 25)**

- Reserve on the three year notice requirement, in case we need to return to this in December.

**Languages (Article 26)**

- Support as drafted.

**Annex on Policies/Measures (Annex A)**

- Oppose (see position on Article 2).

**Gases (Annex B)**

- Support list of six gases (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, SF<sub>6</sub> and PFCs), noting relationship to U.S comments on Article 3 paragraphs 1 and 15. Oppose inclusion of sectors. If this alternative is not accepted, must insist that all sinks be included and that all IPCC sectors as currently proposed also be included.

**Process (Annex C)**

- Oppose (see position on Article 3).

**Emissions Commitments (Attachment 1)**

- Unnecessary under uniform target approach. See above for problems concerning legal status/process for amending.

20 October 1997

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JAF  
cc: Amr  
JA  
SY  
mH

**Memorandum**

**To:** Please See the Attached List

**From:** USDEL/Bonn -- Mark G. Hambley *MB*

**Subject:** Climate Change Talks, Update No. 1: Activities for October 19/20, 1997

This is the first of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-8), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities over the October 18/19 weekend through the morning session of the SBI on Oct 20. Although the contents are unclassified, they are not intended for attribution or for use outside the U.S. Government. The final paragraphs can be used as a submission to the Daily Activities Report (DAR) as desired or appropriate.

**Climate Changes Talks, Update No. 1: Europeans Wake Up to Evolution; First Confrontation on Joint Implementation with Credit**

**SBI Forms Numerous Contact Groups**

The Subsidiary Body on Implementation (SBI) began its deliberations in a flurry of activity which immediately bred additional activity with the establishment of contact groups to prepare or to discuss consideration of decisions on issues related to finance; Article 4.1 (advancing commitments); Activities Implemented Jointly (AIJ); and technology transfer. Some of these will report jointly to both the SBI and to the Subsidiary Body on Scientific and Technological Advice (SBSTA). A decision on whether or not to form yet another contact group on matters related to the consultative mechanism for NGOs was postponed (at U.S./Hungary's suggestion) until the issue is discussed in plenary (we do not see any reason to rush this complicated issue to conclusion by the Third Conference of the Parties (COP-3) in December.

**Contratemps over JI with Credit and Tech Transfer: A Harbinger of Things to Come?**

A minor contretemps followed our suggestion during the discussion of AIJ that a decision be taken at COP-3 which would lead to the progression of AIJ to joint implementation with credit. Our introduction of a draft resolution to that effect produced a range of somewhat vitriolic criticism from Brazil, Malaysia, China, Zimbabwe, and Saudi Arabia. Canada supported us, as probably would have Costa Rica, Norway, and Australia had there been adequate time to do so. However, none of these countries nor the G-77, Egypt, Venezuela, India, or Sri Lanka (all of which would probably have raised strident objections) had an opportunity to address the plenary during the morning session. Their remarks will probably now be reserved for the meeting of the contact group which will be chaired by Argentina.

LDCs against  
JI

There was another small dust-up when we prepared to introduce a draft decision on technology transfer. China (represented by our ever loquacious and 'personable' Prof Zhong) objected vociferously, stating that this should be saved for discussion at the working group which will be jointly chaired by a representative of Annex I and non-Annex I Parties. Zhong's criticism was stifled, and the U.S.

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summarized its draft for the Plenary. This afternoon (Oct 20), the SBSTA will open its deliberations, while one or more contact groups on Article 4.1 and other topics are also scheduled to begin their deliberations, as well.

### Europeans Discover Evolution

Although they have maintained for several months their interest in some kind of evolution formula for developing countries, it has only been over the past week that the Europeans have appeared to become somewhat galvanized on issue. In part, this is because they realize that this is a global problem which will require a global solution. In part, as well, it is because of a growing recognition that without a satisfactory resolution to the evolution issue, it may be unlikely that the U.S. will initial the proposed protocol in Kyoto. How serious-minded the Europeans will be on this issue once they confront some of the more strident G-77 critics remains to be seen.

### Mainz Meeting: A Long Road to Consensus

At the Oct 17-19 meeting in Mainz organized by Larry Susskind's "Consensus Building Institute" ((and attended by leading negotiators (including Rafic Pomcrance) and NGO representatives)), several EU delegates indicated their interest in either a Kyoto Mandate or a decision by the COP on the issue of evolution. They were particularly interested in finding a way in which the Climate Convention's Article 7.2, which addresses the ability of the COP to review the implementation of the Convention and any related legal instruments, might be brought into play.

### Common Interest Group Discusses Evolution and the Chairman's Revised Text

At the late Oct 19 evening meeting of the Common Interest Group (the so-called CIG - a grouping of OECD countries plus Russia and the other economies in transition) the EU asked us if we planned to introduce the text to a Kyoto Mandate on evolution in that this concept no longer exists in the Chairman's text. We indicated that, although we remain open to other suggestions, our focus for the time-being remains on keeping evolution as part of the proposed protocol or other legal instrument.

Discussion of the need for a Kyoto Mandate, or a decision by the COP in this regard, flowed around the room for over 45 minutes. It was decided that a contact group on this issue would be established. It was scheduled to meet over lunch on Oct 20. A second contact group organized by the CIG to attempt to coordinate, or at least vet, positions on SBI and SBSTA issues generally was also scheduled to meet over lunch.

The CIG also discussed positions with regard to the Chair's revised negotiating text. The EU divulged that it will attempt to put back into the text its proposed concentration ceiling of 550 ppm, along with a cautionary note about a two degrees centigrade change in temperature. Less suprisingly, the EU also expressed the importance it attaches to the policies and measures (PAMs) portion of the revised AGBM text and indicated that it will endeavor to include some mandatory or harmonized (PAMs) during the forthcoming AGBM session. On a more positive note, the EU indicated its agreement with us about the inappropriateness of G-77/China attempts to infuse the Article 4.1 text with references to additional financial mechanisms and other financial obligations listed in Article 4.3, 4.5, and 4.7 of the Convention.

EU:  
[GAG] cat.

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**A Relaxed Chair Asks Us About Our "Number"**

In a brief discussion, AGBM Chairman, Ambassador Estrada, asked us if the "rumors" about a Wednesday (Oct 22) announcement about the U.S. "number" from the White House are accurate. We told him that this is the expectation, although there are no guarantees. In any case, we would not expect to have anything until Thursday. Estrada responded, at least partly in jest, that in the absence of anything by the time of the AGBM's opening session on Wednesday morning, he will "have to attack us." We remarked that it was our understanding that he had already done a pretty good job of that at the weekend meeting in Mainz. Estrada also claimed that his revised draft has broad support among other delegations. He was somewhat miffed by our suggestions of unhappiness with portions of his text but appeared, in the end, to take this criticism as merely another example of U.S. dilettantism.

**Comment**

This was always going to be hard meeting because of the nature of the subject matter. It will be made even harder by the delivery of our message (or not, as the case may be) and by the huge influx of expected Congressional visitors (about 17 staff we are told) later in the week. Logistics are already quite tight and our numerous business and environmental NGOs will be hardpressed to find a comfortable setting in which to ruminate once the action moves into closed "non-groups." In any case, as the slurry of anti-JI with credit flags suggested this morning, we will have difficulty in getting some of the flexibility instruments which we believe are desirable in any proposed Kyoto outcome — not to mention a satisfactory outcome on evolution. End Comment.

List of Recipients for  
Periodic Updates from the Climate Talks  
Bonn, Germany ;  
October 20-31, 1997

Revised 10/20/97

| Agency      | Name                  | Telephone      | Fax                     |
|-------------|-----------------------|----------------|-------------------------|
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| State       | Rafe Pomerance        | (202) 647-2232 | (202) 647-0217          |
| State       | OES/EGC               | (202) 647-4069 | (202) 647-0191          |
| State       | Rodrigo Prudencio     | (202) 647-8745 | (202) 647-0753          |
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| NOAA        | Terry Garcia          | (202) 482-3567 | (202) 482-6318          |
| Treasury    | David Wilcox          | (202) 622-2200 | (202) 622-2633          |
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| USTR        | Jennifer Haverkamp    | (202) 395-7320 | (202) 395-4579          |
| Agriculture | Charlie Rawls         | (202) 720-6158 | (202) 720-5437          |
| WHTFCC      | Dirk Forrister        | (202) 343-1060 | (202) 343-1162          |
| EPA         | William A. Nitze      | (202) 564-6600 | (202) 565-2407          |
| EPA         | Richard D. Wilson     | (202) 260-7400 | (202) 260-5155          |
| EPA         | David Gardiner        | (202) 260-4332 | (202) 260-0275          |
| EPA         | Avis Robinson         | (202) 260-3354 | (202) 260-6405          |
| EPA         | Paul Stolpman         | (202) 233-9140 | (202) 233-9598          |
| DOE         | Abraham Haspel        | (202) 586-5316 | (202) 586-3047          |
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| AID         | David Hales           | (202) 712-5552 | (202) 712-1709          |
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| L/OES       | Evan Bloom            | (202) 647-1370 | (202) 736-7115          |
| NEC         | Gene Sperling         | (202) 456-2807 | (202) 456-2878          |
| CEQ         | Katie McGinty         | (202) 456-6224 | (202) 456-2710          |
| NEC         | Dan Tarullo           | (202) 456-5353 | (202) 456-1605          |
| Treasury    | Larry Summers         | (202) 622-1080 | (202) 622-0081          |
| NSC         | Jim Steinberg         | (202) 456-9491 | (202) 456-9490          |
| Treasury    | Bob Boorstein         | (202) 622-0486 | (202) 622-0073          |
| NOAA        | Sally Kane/Jim Buizer | (301) 427-2089 | Ext. 516 (301) 427-2073 |
| NEC         | Peter Orzag           | (202) 456-5358 | (202) 456-2223          |
| USAID       | Leslie Cordes         | (202) 712-5304 | (202) 216-3230          |
| Commerce    | Laurence S. Campbell  | (202) 482-3038 | (202) 482-0325          |
| USUN        | Burgess Laird         | 6-7583         | 6-7551                  |

21 October 1997

cc: JAF  
JW  
JAH  
MAH  
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## Memorandum

To: Please See the Attached List

From: USDEL/Bonn -- Mark G. Hambley

Subject: Climate Change Talks, Update No. 2: Activities for October 20/21, 1997

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-8), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon sessions on Oct 20 through the morning meetings on Oct 21. Although the contents are unclassified, they are not intended for attribution or for use outside the U.S. Government. I am also including the first issue of ECO, the periodic rag published by environmental groups, along with the account of October 20's proceedings as recorded by the respected EARTH NEGOTIATIONS BULLETIN. The final paragraphs can be used as a submission to the Daily Activities Report (DAR) as desired or appropriate.

**Climate Changes Talks, Update No. 2: Speculation About Pending U.S. Moves Dominate Proceedings as Discussions in SBI and SBSTA Continue**

**More Nails in the Coffin of JI with Credit at COP-3?**

The Subsidiary Body on Scientific and Technological Advice (SBSTA) began its work on the afternoon of October 20 with a discussion of methodological issues related to inventories of Annex I countries. The discussion was viewed by our team as a useful one, with some 15 countries participating. Issues related to gas coverage and how to improve methods of calculation were among the topics addressed.

Activities Implemented Jointly (AIJ) was also addressed. Similar to the debate earlier in the day in the Subsidiary Body on Implementation (SBI), which had followed our proposal for a draft decision in which AIJ would progress to providing credit, the G-77 (Tanzania), India, Malaysia all indicated that the limited spread of projects precludes any decision on AIJ at COP-3. Both the Central African Republic and Burkino Faso suggested that the pilot phase should be extended. Both countries, along with Uzbekistan and Sri Lanka complained about the lack of AIJ activity in their countries.

On a more positive note, Nepal said that AIJ could be a small but indispensable tool for developing countries' technical assistance training program. Costa Rica, somewhat mockingly, commented that the possibility of credits could bring about a larger number of good projects. The U.S. indicated that the COP should endorse and acknowledge the progress made by AIJ and urged SBSTA to address the complexity of the guidelines and prioritize requirements, rather than wait until all complexities are resolved. Canada and the Russian Federation all spoke favorably on COP-3 taking action on AIJ. However, the general tone of the discussion clearly demonstrated that consensus on this issue will not be achieved at this session.

JI

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Meanwhile, the joint SBSTA/SBI contact group on technology mentioned in Update No. 1 has been formed under the co-chairmanship of Nepal and Australia.

#### **SBI Makes Progress on National Communications**

The SBI held its second formal session on Tuesday morning (Oct 21). Communications from Parties included in Annex I was the lead-off topic. We delivered an intervention which appeared to be well-received. The financial mechanism issue was also raised. This was the topic of a contact group which met on Monday afternoon under the chair of Antigua/Barbuda's Ambassador John Ashe. It is quite clear that the emphasis of this group will be to recommend that the review of the Global Environment Facility (the GEF) be concluded at COP-3, with consideration of the final status of the GEF as the financial mechanism for the climate convention left for COP-4 in November 1998.

#### **NGO Desires Regarding an EU Amendment and NGO Consultation Mechanism**

Other topics scheduled for discussion included two proposed amendments (one by Kuwait) and a second by the EU (which essentially proposes a way to get around the need for consensus approval of the proposed protocol). U.S. NGOs have urged us to support the EU effort (which was drafted, we understand, at strong NGO behest). While we may be somewhat sympathetic with the intent, we will not do so for both procedural and legal reasons, although it is unclear the extent to which we will have to pronounce on this issue in the Plenary.

Another topic of some sensitivity to the environmental NGOs concerns mechanisms for consultation with non-governmental organizations. As reported in Update No. 1, we resisted an effort by the acting chair of SBI to establish a contact group on this issue. Our NGOs expressed disappointment at our move. We indicated that they did not respond to our request for inputs on how they would like to see this process evolve. In the absence of this guidance, it does not seem to us to be useful to expend scarce time or personnel resources on this issue at the present time, given the priority of other issues related directly to the negotiations. We will receive a readout on this matter from both environmental and business NGOs at our scheduled briefing for them later this evening.

#### **Evolution the Topic of a CIG Contact Group**

Other contact groups met yesterday afternoon and this morning, including those dealing with AIJ, national communications, and one from the Common Interest Group (the so-called "CIG", OECD plus the economies in transition) which looked at the issue of evolution. On the latter, we indicated (to near universal questioning, if not derision) our interest in having evolution reinserted into the Chair's proposed protocol text. Much more support for its inclusion (or a variant thereof) as part of a Kyoto Mandate or a decision of the COP was evinced.

On the question of a Kyoto Mandate, we indicated that if one is proposed, it should include a starting point, a finishing point, with a middle consisting of quantified limitation objectives for key developing countries. Japan suggested language in this regard, noting the year 2005 as the end point. The EU raised, as it had at the CIG meeting on Oct 19 and at an earlier meeting on Oct 20, that evolution should be tied to Article 7.2(a) of the convention which calls for the periodic review of commitments by all countries. We strongly suspect ulterior motives on the part of our EU colleagues in making this proposal which might be interpreted as requiring either the ratification of the protocol prior to this review and/or the completion of a first budget period by Annex I Parties (the presumption being that this budget period would come much earlier than we are likely to propose).

### **Estrada's Concerns and Anticipations in Advance of the AGBM Session**

Chairman Estrada, in advance of the opening of the first meeting of the Ad Hoc Group on the Berlin Mandate (AGBM) tomorrow (Oct 22), is making the rounds of various consultative groups for discussion of his text and the process he sees leading us to Kyoto. He met with JUSCANZ for nearly two hours on Tuesday morning (Oct 21). The Chair made several interesting observations and comments:

- First, he said that his text, as recently revised just prior to this session, is balanced. He said that while he will entertain improvements and clarifications, he does not foresee including and new bracketed additions that are not supported by "consensus." (We told him about our strong misgivings about this practice, especially in view of our probable interest in reinserting our evolution proposal.)
- Second, he admitted that he had allowed inclusion of the EU "bubble" concept because of the need to "reflect reality." He listened patiently to strong interventions questioning the bubble concept by Australia, the U.S. and Japan, but indicated that he believes some countries are playing with the concept in the way that some other countries are playing with differentiation. We told the Chair that we would be interested in the EU's forthcoming "clarifications" on the bubble which are promised during this meeting.
- Third, Estrada essentially said that II with credit is a dead-letter issue as far as COP-3 is concerned. He expressed concern that this some (read: "in the U.S. particularly) may be deluding themselves into believing that this concept is ready for prime time when it is clearly not, as the discussions of AIJ in both SBSTA and the SBI clearly indicate.
- Fourth, the Chair repeated his observation (first made at Japan's consultations in September) that in the end, differentiation of some kind will be adopted as the target and timetable outcome. He did not elaborate.
- And fifth, the Chair took a blatantly gratuitous slap at the Japanese. In reacting to a proposal about the desirability of finding a way to highlight financial contributions by developed countries to the developing world, Estrada remarked that Japan is making it very difficult to bring about a successful outcome in Kyoto. He said: "You complain about the bubble, you have a low rate for QJEROS, and you offer no help for developing countries." (Comment: Of course, the Chair's remarks were directed at Japan alone! End Comment.)

In another interesting point which emerged from this exchange, Mexico and Korea both questioned why Parties (whether Annex I or the Conference of the Parties) should have to "approve" any "cap" which they might eventually propose. They both implied that they merely want to "inform" the Parties of their proposed limits, if and when they decide upon them. The Chair disagreed.

### **Speculation About Pending U.S. Announcement Rife**

Despite the multiple activities engaging delegates and observers alike, the one question on everyone's mind is the pending White House announcement with regard to a U.S. target and timetable. It is quite clear that this announcement will not play well in this international context, if it does not involve a "significant reduction." In the event that it does not, we can expect further erosion of our position on various flexibility mechanisms, and our approach on "evolution" will become untenable. The inclusion of anything like a safety valve which might be viewed as undermining the "legally binding" concept enshrined (by us) at COP-2, would have an especially devastating impact. The negative reaction from both the

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plenary floor and the Chairman about the prospects for joint implementation with credit by COP-3 are one clear signal about the mood of delegates at this juncture in the debate.

Many of the attacks on Japan at this and at earlier meetings this month were conducted with the U.S. clearly the surrogate target. Some in the EU are smacking their chops at the prospective feasting on what they clearly see as the carcass of the U.S. proposal if our position does not signify clear reductions from a 1990 baseline. This attitude does not bode well for a positive Kyoto outcome. Indeed, EU attitudes — plus hardline G-77/China views on both the need for "significant reductions" by Annex I; adherence to their narrow interpretation of the spirit and letter of the Berlin Mandate with regard to commitments by developing countries; and their insistence on increased financial assistance and technology transfer arrangements combine to render a satisfactory outcome in Kyoto all the more difficult, given the short amount of time available in these negotiations.

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

**Climate Changes Talks, Update No. 2: Speculation About Pending U.S. Moves Dominate Proceedings as Discussions in SBI and SBSTA Continue**

The Subsidiary Body on Scientific and Technological Advice (SBSTA) began its work on the afternoon of October 20 with a discussion of methodological issues related to inventories of Annex I countries. The discussion was viewed by our team as a useful one, with some 15 countries participating. Issues related to gas coverage and how to improve methods of calculation were among the topics addressed. Activities Implemented Jointly (AIJ) was also addressed. Similar to the debate earlier in the day in the Subsidiary Body on Implementation (SBI), the G-77 (Tanzania), India, Malaysia all indicated that the limited spread of projects precludes any decision on AIJ at COP-3. Both the Central African Republic and Burkina Faso suggested that the pilot phase should be extended. Both countries, along with Uzbekistan and Sri Lanka complained about the lack of AIJ activity in their countries. On a more positive note, Nepal said that AIJ could be a small but indispensable tool for developing countries' technical assistance training program. Costa Rica, somewhat meekly, commented that the possibility of credits could bring about a larger number of good projects. The U.S. indicated that the COP should endorse and acknowledge the progress made by AIJ and urged SBSTA. Canada and the Russian Federation all spoke favorably on COP-3 taking action on AIJ. However, the general tone of the discussion clearly demonstrated that consensus on this issue will not be achieved at this session.

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## CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

## ECCO



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

## Speak Now!

US President Bill Clinton is expected to table his proposal for targets and timetables at noon Washington time, (six p.m. Bonn time) Wednesday. As the US finalises its position, developing countries – who will bear the brunt of the impacts of climate change – need to let the US know that its proposal will be unacceptable unless it dramatically exceeds Japan's ridiculously weak proposal of up to five% reductions by 2010.

We urge developing countries – and others who share their views – to express them in the strongest possible terms, including in the opening plenary of the AGBM Wednesday.

As the world's largest absolute emitter of greenhouse gas emissions, it is no exaggeration that a failure on the part of the US to take a strong leadership position will directly affect developing countries with respect to climate change impacts.

The US proposal has to offer more than

Japan's, as the latter – widely seen as a 'tester' for a potentially weak US position – fails to meet the test of climate protection.

For comparison, details of the Japanese proposal include:

A proposal that each country reduce its emissions of carbon dioxide, methane and nitrous oxide by 5% from 1990 levels, in the period 2008 to 2012. However, the real 'bottom line' of the Japanese proposal is stabilisation at 1990 levels in 2012.

A 5% reduction compares poorly with the EU proposal for 15% by 2010, and even more poorly with the AOSIS proposal. By proposing such a low figure and such a late start for reductions, the Japanese are ignoring the scientific consensus on the need for significant early reductions. Even worse, the proposal is riddled with conditions and let-out clauses which allow

*continued on back page, col. 1*

## MITI wanted Japan gas cut plan cleared with US

Tokyo, Oct. 19: The Minister of International Trade and Industry (MITI) had wanted to unveil Japan's greenhouse gas emissions reduction plan only after completing coordination with the United States, an internal MITI document and sources in the ruling parties suggested Sunday.

MITI failed to persuade other ministries and the government announced Japan's proposal Oct. 6, they said.

The US has yet to unveil its own proposal.

The MITI document, which was presented at a meeting Sept. 24 of the ministries and agencies concerned to discuss what plan Japan should offer, calls on Japan to show the US its draft plan before making it public, coordinate ideas with the US and announce the plan simultaneously with the US.

Even after working out a rough plan, Japan should not make it public until the US agrees with it, and if the ruling parties, the industry or the press ask about the plan, the government should answer that it has not finished fine-tuning it, the document says.

Coordination with the US can help Japan avoid criticism from the European Union (EU) for reluctance to commit to cutting greenhouse gas emissions, MITI says in the paper.

The US has strongly objected to an EU proposal that industrialized countries reduce their emissions of CO<sub>2</sub> and other global warming gases by 15% by 2010 from the 1990 levels.

*continued on back page, col. 3*



*Debate rages on at the White House*

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ISSUE NO1

VOLUME XCVII

FREE OF CHARGE

# CONFERENCE REPORTS

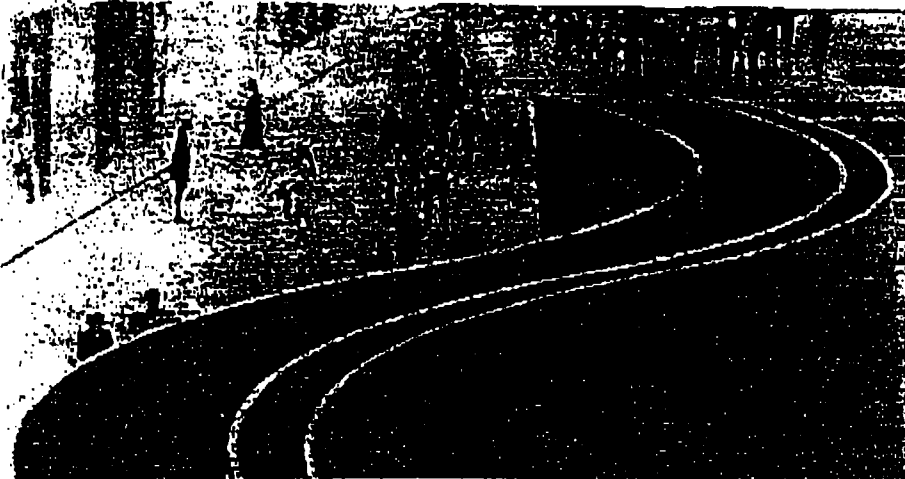
## SBI Monday a.m.

After the usual administrative arrangement SBI7 started with agenda item 3b and a report by Brazil on the workshop held in Itaipu where Latin American countries discussed their National Communications, half of which are still in the preparatory stages, but Mexico and Uruguay will present theirs before Kyoto. The main reason for delay in the submission of national communications was lack of funding. Brazil called on the GEF and the US to remedy that situation. More public as well as governmental awareness is needed to solve the issue

of reporting satisfactorily, especially as climate change is perceived as a long-term problem difficult to "sell" in view of the region's present problems. The new inventories methodology furthermore requires more work, which again necessitates more funding. Land and forest use are considerable parts of the inventory, but as their measurability remains beyond developing countries' means, unacceptable inaccuracies are likely to occur. Help is needed on research as well as training of personnel and technical capacity, and better coordination in the region is necessary. After a short description of the Sec-

retariat's activities on helping with non Annex 1 countries national communications, it was mentioned that Argentina and Jordan had done their reports. The possibility of a clearinghouse like the one for Biodiversity convention was mentioned. Several countries announced when they propose to submit their Communications.

The SBI then started on the issue of AIJ, agenda item 5. The Chairman proposed a informal contact group consisting of SBI and SBSTA to advance this issue, to be chaired by Diego Malapedes of Argentina. The US immediately launched into a speech on the possible progress and decisions achievable on this issue before and at COP3, wanting to adopt the uniform reporting format, outlining a time plan on methods of monitoring and verification, categories of projects (by June '98), on financing and additionality of financial means (by Nov. '98), additional methodologies (by Feb. '99). However, the most outrageous part of the US statement was their demand that the issue of credits "must be addressed head on", and decided now, as the issue was not whether we have credits, but how to do them. The EU then made a more balanced statement about the need of a comprehensive review of the pilot phase, and that a decision should only be taken at the end of the decade. They mentioned the



**United States Department of State*****Bureau of Oceans and International  
Environmental and Scientific Affairs******Washington, D.C. 20520***

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MESSAGE:

Climate Talks, Bonn, Germany  
October 20-31, 1997

Revised 10/21/97

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| USUN        | Burgess Laird         | 6-7583                  | 6-7551         |

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21-October 1997

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cc: JMF  
JY  
Haw  
JA  
MJ

# Memorandum

To: Please See the Attached List

From: USDEL/Bonn -- Mark G. Hambly *MS*

Subject: Climate Change Talks, Update No. 3: Activities for October 21/22, 1997

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-S), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon sessions on Oct 21 through the morning meetings on Oct 22. Additional, more detailed reports prepared by USDEL members on various SBSTA and SBI activities are also included. Although the contents are unclassified, they are not intended for attribution or for use outside the U.S. Government.

I am also including a copy of our intervention on "evolution" made at the opening plenary of the AGBM, plus those of the EU and the G-77/China. As a separate addendum to Update No. 3, I will transmit the latest issue of ECO, the periodic rag published by environmental groups, along with the account of October 21's proceeding as recorded by the respected EARTH NEGOTIATIONS BULLETIN.

The final paragraphs of this report can be used as a submission to the Daily Activities Report (DAR) as desired or appropriate.

## Climate Changes Talks, Update No. 3: G-77 Drops Bombshell as Speculation/Concern About Pending U.S. Announcement Dominates AGBM

### AGBM Opens with Digs at Japan's Lack of Leadership; Hope that the U.S. Will Come Through

The final meeting of the Ad Hoc Group of the Berlin Mandate (AGBM) was opened by its Chairman, Ambassador Raoul Estrada, on Wednesday morning (Oct 22) stating his hope that the U.S. proposal on the target will contribute to the current negotiations and will show the "significant reductions" required by this process. Following a less blunt suggestion in the same vein from the Climate Secretariat's Executive Director, Michael Cutajar, Tanzania -- speaking for the G-77/China -- took to the floor. Following his recitation about the need to follow the specific provisions of the Berlin Mandate, with a focus on Annex I commitments (with, of course, no new commitments for non-Annex I), Tanzania applauded some countries for taking the lead, while criticizing others (read USA) for staying "behind a plethora of rhetoric."

### G-77/China Complicate Proceedings with a Tough QELROS Proposal

Noting that QELROS (or targets and timetables) are at the core of these negotiations, the Tanzanian said that the G-77/China had waited for others to take the lead, but now will "wait no more." He then outlined a proposal which is unrealistic (if not radical) in its conception. Among its points are: (a) a requirement that each Annex I country return its anthropogenic emissions of greenhouse gases

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(GHGs) to 1990 levels by the year 2000; (b) reduce CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O emissions each by 7.5 percent of 1990 levels by 2005; (c) reduce these same three gases by 15 percent by 2010 and (d) reduce them to 20 percent by 2020 -- for a total of 35 percent reductions from 1990 levels by the year 2020.

The G-77/China also calls on Annex I countries to control HFCs, PFCs, and SF<sub>6</sub>, as well. These reductions are to be made primarily through domestic action in each individual country. ((Early in his intervention, he attacked calls for flexibility (and for differentiation, for that matter.)) The delegate endorsed the compensation formulation advocated by Saudi Arabia and OPEC, particularly for those countries listed in Article 4.8 of the Convention, and in a sop to Brazil, called for the establishment of a Clean Development Fund which will be financed by penalties assessed on Annex I countries found to be in non-compliance with the QELROS provisions, as well as by any "voluntary" contributions which might be forthcoming from Annex I Parties. A copy of the G-77/China intervention is included with this report.

(Comment: To say that the G-77 proposals complicate matters is an understatement. Saudi Arabia and OPEC joined in calls for targets which they fear greatly in exchange for support for their compensation proposal. Brazil and several other countries joined because they like the idea of a clean development fund, while Africa is miffed at the West in general with its emphasis on the need for flexibility mechanisms which, up to now, do not benefit many African countries. Even given the fact that this position was first day posturing, when our number is revealed, we can expect much of the ire currently being directed towards Japan to be sent in our direction. Nevertheless, we suspect that Japan will continue to me the favored tar-baby because it is viewed as more susceptible to badgering than we are. End Comment.)

#### EU Defends its Bubble

The European Union, obviously pleased that the Chairman's text includes provision for achieving any emission reduction targets individually or jointly, indicated that it will choose the latter route. Explaining, the UK's Peter Unwin explained that a burden sharing arrangement will be forwarded to the Secretariat. If the total target is met, then all Parties in the bubble would be in compliance. Unwin argued that his explanation (a copy of which is also attached) provides rules which would apply generally to "bubbles" between Parties with QELROS, while in the EU instance, it also reflects the shared competence between the member states and the European Community on QELROS (which is not, as yet, reflected in the Chairman's text).

#### Other Speakers Slam Japan

Other speakers included Iceland (commenting on its differentiation proposal), Russia, Japan (reviewing its proposal), Samoa, Zimbabwe, the USA, and -- representing the NGOs, Greenpeace Japan. Business points of view were presented by Kcidaren (representing the U.S. GCC and likeminded companies) and a European Sustainable Development Council which supported the EU's targets. ICLEI spoke on behalf of cities and local communities.

Ambassador Slade, speaking for the Alliance of Small Island States (AOSIS) expressed his "deep disappointment" at Japan's proposal, describing it as a failure to demonstrate the leadership required. Continuing, Slade said that the flexibility proposals undermine even "this weak commitment." Zimbabwe echoed these sentiments. The representative of Greenpeace Japan (facing a large battery of TV cameras) was even more caustic in her criticism, stating that the Japanese proposal was "embarrassingly weak." She also castigated those countries who are not including HFCs, PFCs, and SO<sub>6</sub> in their calculations, claiming that these gases will account for 10 percent of GHG emissions by 2010.

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### U.S. Laments Exclusion of Evolution from the Chair's Text

For our part, we lamented in strong terms the exclusion of our article on "evolution" from the Chairman's revised draft text, emphasizing the importance of using the Kyoto outcome as the first, critical part of a rolling negotiation under which all countries would participate in the global solution to climate change problem. A copy of our intervention is attached. No other country spoke to this issue. As expected, the Chair indicated that he will not introduce new paragraphs into his text unless there is consensus support for their inclusion -- which is clearly not the case in this instance.

((Comment: This said, Chairman Estrada passed a note to Dan Reifsnyder (who was seated at the dais in his capacity as rapporteur) asking us to take a crack at drafting one or two paragraphs on evolution as part of his report to the Conference of the Parties (COP). It is known that the Chair believes that evolution as part of a protocol is a non-starter. He believes it has a better chance if crafted as either a decision of the COP or as part of a Kyoto Mandate. End Comment.))

### SBI Deals with Amendments

At its Oct 21 meeting, the Subsidiary Body on Implementation (SBI) dealt with the delicate question of Turkey's application to be removed from Annex I. Turkey is currently a non-Party. Ratification rests on a satisfactory (from Ankara's perspective) resolution of this matter. The EU said that Turkey should not be deleted from Annex I unless it undertakes the voluntary commitments now outlined in the Chair's Article 10 (drawn, in part, from our Annex B concept). The EU also said that Mexico and Korea should also join this voluntary group. We (Reifsnyder) commended the Turks for their efforts since the Convention came into force and suggested that this issue should be considered after COP-3 when the situation might be clarified. Both the EU and Kuwaiti amendment proposals will be forwarded to COP-3 for additional consideration.

### Other Contact Groups Meet: Trying to Save JI with Credit

Several contact groups met in the afternoon/evening of Oct 21 and during the morning and noon of Oct 22. The group under the financial mechanism played out as predicted, with a recommendation on how to handle the review of the GEF and the proposed timing for its consideration as the financial mechanism for the Convention. (No decision until COP-4, although one suspects continued G-77 shenanigans on this point.)

Another contact group on Activities Implemented Jointly faced rough passage on Oct 22, but Susan Wickwire and Maurice LeFranc performed yeoman's (and yeowoman's) service by holding some of the heavyweights from the G-77 and China at bay, despite repeated efforts to bracket, individually, all references to credit. In view of the importance attached to this issue in Washington, we are convening a group of countries (about 20 in number) who either have AII projects or have expressed interest in them in order to encourage them to help us save this concept which, as our earlier reports have suggested, are in grave danger at the present time.

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**Rosters "1"; TAPS "0"**

Other contact groups on methodologies, Article 4.1 (among Annex I countries only), and another one on the SBSTA rosters also met. The roster group, which was composed of three developed (Canada, Netherlands, USA) and three developing countries (Zimbabwe, Malaysia, and India) made a recommendation which, if adopted, should put the controversial issue of technical advisory panels (TAPs) in abeyance for another year or two. The roster concept was endorsed, although it was clarified that more efforts must be entertained to increase the number of non-Annex I experts.

**Preparations for Sandalow/Holstein Visit: Request for Press Guidance on President's Statement**

Preparations are well advanced for the visit on Thursday and Friday by David Sandalow and Elgie Holstein. We hope they are well-rested. Most observers believe our number will be stabilization (the first budget period is on every knowledgeable observer's lips, although members of USDEL are declining all comment and speculation).

Press guidance on the President's decision/announcement will be needed soonest. The first event we have planned, in conjunction with USIS/Bonn, is a press event that will be the first public explanation and exhortation of the U.S. position. (We will be making our official presentation of the position in the QELROS non-group under the AGBM which meets for the first time tomorrow morning (Thursday, Oct 23).

Both the press and many of the delegations with whom this team will meet will be either hostile or express deep disappointment over the probable U.S. number. We must be fully prepared to take the offensive to combat these assertions and to nip them in the bud, where possible. This can be done, in part, by demonstrating the huge impact which this decision will have on the U.S., the way in which our number is far more realistic and achievable than either the EU, AOSIS, or G-77 proposals, and urge all Parties to look beyond the narrow confines of the Kyoto Mandate to the longer range potential for combating global warming.

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

**Climate Changes Talks, Update No. 3: G-77 Drops Bombshell as Speculation/Concern About Pending U.S. Announcement Dominates AGBM**

The final meeting of the Ad Hoc Group of the Berlin Mandate (AGBM) was opened by its Chairman, Ambassador Raoul Estrada, on Wednesday morning (Oct 22) stating his hope that the U.S. proposal on the target will contribute to the current negotiations and will show the "significant reductions" required by this process. Tanzania -- speaking for the G-77/China -- then took to the floor. Noting that QELROS (or targets and timetables) are at the core of these negotiations, the Tanzanian said that the G-77/China had waited for others to take the lead, but now will "wait no more." He then outlined a proposal which is unrealistic (if not radical) in its conception. Among its points are: (a) a requirement that each Annex I country return its anthropogenic emissions of greenhouse gases (GHGs) to 1990 levels by the year 2000; (b) reduce CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O emissions each by 7.5 percent of 1990 levels by 2005; (c) reduce these same three gases by 15 percent by 2010 and (d) reduce them to 20 percent by 2020 -- for a total of 35 percent reductions from 1990 levels by the year 2020.

The G-77/China also endorsed the compensation formulation advocated by Saudi Arabia and OPEC, and in a sop to Brazil, called for the establishment of a Clean Development Fund which will be financed by penalties assessed on Annex I countries found to be in non-compliance with the QELROS provisions, as well as by any "voluntary" contributions which might be forthcoming from Annex I Parties.

The European Union, obviously pleased that the Chairman's text includes provision for achieving any emission reduction targets individually or jointly, indicated that it will choose the latter route. Explaining, the UK's Peter Unwin explained that a burden sharing arrangement will be forwarded to the Secretariat. If the total target is met, then all Parties in the bubble would be in compliance. Unwin argued that his explanation (a copy of which is also attached) provides rules which would apply generally to "bubbles" between Parties with QELROS, while in the EU instance, it also reflects the shared competence between the member states and the European Community on QELROS.

Other speakers included Iceland (commenting on its differentiation proposal), Russia, Japan (reviewing its proposal), Samoa, Zimbabwe, the USA, and -- representing the NGOs, Greenpeace Japan. Business points of view were presented by Keidaren (representing the U.S. GCC and likeminded companies) and a European Sustainable Development Council which supported the EU's targets. ICLEI spoke on behalf of cities and local communities.

Ambassador Slade, speaking for the Alliance of Small Island States (AOSIS) expressed his "deep disappointment" at Japan's proposal, describing it as a failure to demonstrate the leadership required. Continuing, Slade said that the flexibility proposals undermine even "this weak commitment." Zimbabwe echoed these sentiments. The representative of Greenpeace Japan (facing a large battery of TV cameras) was even more caustic in her criticism, stating that the Japanese proposal was "embarrassingly weak."

For our part, we lamented in strong terms the exclusion of our article on "evolution" from the Chairman's revised draft text, emphasizing the importance of using the Kyoto outcome as the first, critical part of a rolling negotiation under which all countries would participate in the global solution to climate change problem. As expected, the Chair indicated that he will not introduce new paragraphs into his text unless there is consensus support for their inclusion -- which is clearly not the case in this instance. (Humbley)

8

**Meeting Notes for the Contact Group on Financial Mechanisms  
October 20 & 21, 1997  
Prepared by Leslie Cordes**

The session began with the introduction of the heavily bracketed Chairman's text laying out both the U.K. and G-77 options as discussed at the July session of the SBI. Recall that at the last session of the SBI contact group, the UK had proposed language calling for the appointment of the GEF on a continuing basis subject to periodic reviews while the G-77 called for the appointment of the GEF as the financial mechanism of the Convention on an interim basis pending the outcome of reviews at COP4. After a lengthy, but ultimately unproductive, discussion on various minor issues in the preamble, and with major issues yet to be addressed, Chairman Ashe adjourned the session with a pledge to bring back another Chairman's draft the following day.

The second session began with the introduction of a new Chairman's text which proposed continuing the GEF on an interim basis and postponed determination of the GEF's status as the financial mechanism for the Convention to COP4. Initially the text received little support from either the G-77 or the U.S./U.K. -- the G-77 did not want to preclude the appointment of a new financial entity by making a final determination at COP4 and the U.S./U.K. was not prepared to continue the GEF on an interim basis. The impasse was brought to a head when the Saudis offered a suggestion to postpone determination of the financial mechanism until COP6. At this point, the Chairman requested a sidebar with representatives of the three delegations. Language was agreed to which struck the problematic preamble, continued the GEF review process currently being conducted under the SBI, and reaffirmed decision 9/CP1 to continue the GEF as the operating entity on an interim basis until COP4 and proceed with a four year review of the GEF's status.

9

Notes on National Communications in SBI on Tuesday -- Agenda Item 3a  
drafted by Bill Breed, USDOE

The session provided comments on the First Compilation and synthesis of the second national communications by the Secretariat.

9 Parties, including the US, made interventions, most noted the missing/overdue communications, and the shortened format of the C+S report (which only covered inventories, policies and measures, and the projections, and omitted other sections). Parties also called attention to the growth in GHG emissions in the 1990 - 1995 period, and the continued growth in emissions in the projections.

Parties identified areas for improvement, including: revisions to the guidelines for presentation of policies and measures; better presentation by Parties of information on projections; better attention by Parties to inventories for high GWP gases, and inventories for land use change and forestry sectors.

Parties also supported the In Depth Review process and its value for improvement to the communications and to the process; and called for support for speeding up the completion and publication of the reports.

The Netherlands announced a new environmental policy plan and JI efforts, with the possibility of new energy taxes following Kyoto.

Notes on Methodological Issues in SBSTA on Tues -- Agenda item 5  
drafted by Bill Breed

The session offered opportunities for parties to comment on a short paper by the Secretariat on application of temperature adjustments to the inventories. Only 3 parties offered interventions before the Chair cut off the discussion. The EU recognized the value of the adjustments in evaluation of short term fluctuations in emissions levels, effects of measures, and projections, and use for assessing progress. The US agreed with the use in evaluations, but said that use of a budget would preserve the physical integrity of the data and facilitate compliance assessment.

The G-77 offered a draft decision on Methodological issues, calling for the Secretariat to identify gaps and opportunities for increasing the technical and scientific capabilities in developing countries for inventories and monitoring work, and for the SBI to develop modalities and to provide the financial and technical support for these activities.

10

## SBSTA on Annex I National Communications (agenda item 4)

The focus of the discussion was on the Annex on methodological issues in the First Compilation and Synthesis of the Second National Communications from Annex I Parties (SBSTA/1997/19). The report from the Secretariat covered 18 submissions; many interventions noted the missing/overdue communications. Interventions from 9 Parties addressed issues solely related to methods and guidelines as evidenced in the communications. Areas that were identified to be further addressed in the next revision of the guidelines included: criteria for presentation of information on policies and measures, which are still not presented in a systematic or comparable manner; further effort is needed on inventories and projections of HFCs, PFCs, and SF6; further efforts are needed in the land use change and forestry sector, in particular associated with anthropogenic effects and agriculture; concern was expressed about the future changes in GWPs and their use; and a request was made to better assess uncertainties. The US intervention addressed most of these concerns, and called for the Secretariat to prepare a paper that develops the needs for rule-type decisions such as for recalculation of baselines or revisions of emissions estimates. A pair of countries requested that particulates be added to the inventories.

11

Statement by the United States of America  
on the Follow-on Process to Kyoto  
AGBM Session  
22 October 1997

Mr. Chairman: We appreciate very much the time and effort that has gone into producing the draft negotiating text before us, and the extensive consultations which you have conducted in seeking to move the negotiating process forward toward agreement in Kyoto. We are prepared to work with your text in our discussions here in Bonn, recognizing, however, that there is as yet no consensus on the elements of this text, and that it will be necessary to work diligently with all of our colleagues to craft provisions that can gain the broadest possible support. To this end, we anticipate announcing our own proposal for emissions budgets of Annex I countries shortly.

At the same time, Mr. Chairman, we are extremely disappointed that the text you have produced omits a fundamental provision of the proposal we made last January. As you will recall, the United States proposed that we adopt by 2005 binding provisions so that all Parties have quantified greenhouse gas emissions obligations and so that there is a mechanism for automatic application of progressive greenhouse gas emissions obligations to Parties, based on agreed criteria. We made this proposal for a specific article in the protocol in light of the reality that climate change is a global problem that can only be solved by a truly global response, recognizing our common but differentiated responsibilities and respective capabilities.

In our view, this proposal is fully consistent with the Berlin Mandate -- it imposes no new substantive commitments on developing countries now. Instead, it calls for such obligations to be developed following the Third Conference of the Parties.

Mr. Chairman, we believe that the negotiations, which we earnestly hope will culminate in the conclusion of a protocol or another legal instrument in Kyoto in December, will be a critical part of a rolling series of negotiations that will be needed in the coming years to accommodate increased scientific knowledge and understanding of the problems associated with global warming. Our proposed text should be viewed in this light. In our view, the outcome in Kyoto will be unacceptable if we, as concerned nations of the world, fail to set in motion a process which recognizes the very real, global nature of the problem before us.

In paragraph three of the introduction to your revised draft, you indicate that the consolidated negotiating text will be presented to the AGBM for its consideration without prejudice to the earlier negotiating text and the original proposals from Parties contained in the relevant miscellaneous documents.

Accordingly, Mr. Chairman, we urge in the strongest possible terms that an article on this matter, such as the one contained in the U.S. proposal, be reinserted into the text in brackets and forwarded to the Third Conference of the Parties for its full consideration -- and, we expect, adoption -- in Kyoto.

Thank you, Mr. Chairman.

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

**(Bonn, 20-29 October 1997)**

As we have always made clear, the bubble concept is based on the fact that Article 4.2 of the Convention allows Parties to choose to achieve their emission obligations either individually or jointly. Article 3.1 of the Chairman's draft text would provide the same choice for QELROs under the Protocol.

The European Union has chosen to achieve its 2000 target under the Convention jointly. We will make the same choice under the Protocol. We have agreed that, in view of the legally binding nature of QELROs under the Protocol, additional legal language is necessary to cover the case where Parties choose to achieve targets jointly. Other Parties pressed for this clarification and we promised at AGBM-7 that we would bring forward draft text at this AGBM to cover that.

I am glad to say that in Luxembourg last week the EU Council of Ministers agreed a draft text to forward to the AGBM and this has now been circulated. This text refers to texts prior to the latest Chairman's draft, but would be inserted in that draft, *mutatis mutandis*, as paragraph 3bis.

Let me explain how the bubble would work. Under Article 3.1 of the Chairman's draft, all Annex I Parties would be committed in the Protocol to achieving, individually or jointly, emission reduction targets such as the proposed reduction by the EU for at least 7½% and 15% below 1990 levels by 2005 and 2010 respectively. The EU Member States and the European Community would make clear in Kyoto, and later at ratification, that they would be choosing the option to attain the reduction targets jointly.

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Turning to the text, the first paragraph simply confirms that Parties can choose the option of joint attainment and says that, if the target is met in total, then all Parties involved are in compliance. In other words, if the European Union e.g. reduced by 15%, then the Member States and the European Community would all be in compliance as regards QELROs.

It is easier to move to paragraph (iii) next, before returning to paragraph (ii). This states that Parties choosing to achieve their target jointly must inform the secretariat of the terms of the agreement in any event 5 years before the expiry of the target period. Under this arrangement, the secretariat would be informed of what share each Member State would contribute under the EU burden-sharing arrangement. The secretariat would in turn inform all other Parties of the agreement.

Paragraph (li) of the text allows a burden-sharing agreement to be amended or rescinded if all Parties to it agree and notify the secretariat. The secretariat would again inform all other Parties.

As I explained above, if the total target is met, then all the Parties in the bubble are in compliance. Paragraph (iv) deals with the case where the total target is not met.

The first sub-paragraph deals with the general case where an REIO is not involved. In the case of failure to meet the total target, the Parties would be responsible for their levels of emissions as notified to the secretariat.

The second sub-paragraphs deals with the case where Parties are acting jointly in the framework of and together with an REIO, as will be the case for the EU bubble. This reflects the shared competence between Member States and the Community for achieving QELROs, which means that authority to take certain decisions on matters covered by the Convention and the Protocol has been formally transferred from the national to the Community level. In the case of failure to reach the total EU target, then each Member State individually and together with the European Community acting in accordance with the equivalent of Article 22 of the Convention, will be responsible for its share as notified to the secretariat in the burden-sharing agreement. Article 22 relates to the respective competences of Member States and the Community.

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Mr Chairman, the clear request we have heard from other Parties is for clarity about the responsibility of Parties acting under a bubble. We believe that the text our Ministers have now agreed meets this and:

- fills a gap in Article 3 by setting out the responsibility for legally binding targets when Parties opt to achieve them jointly;
  - in doing so, provides rules which would apply generally to "bubbles" between Parties with QELROs; and
  - in the case of the EU bubble, reflects the shared competence between Member States and the European Community on QELROs (in a way, I am afraid to say, Article 22.3 in the Chairman text does not, at present).
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DRAFT STATEMENT BY THE UNITED REPUBLIC OF  
TANZANIA FOR THE GROUP OF 77 AND CHINA MADE  
AT THE THE OPENING OF AGBM8 , 22 OCTOBER  
1997

MR. CHAIRMAN, SIR

AS WE COME TO THE END OF THE MANDATE GIVEN  
TO US IN BERLIN IN 1995, THE UNITED  
REPUBLIC OF TANZANIA WISHES TO RECORD THE  
SINCERE APPRECIATION OF THE GROUP OF 77 AND  
CHINA FOR THE MANNER IN WHICH YOU HAVE  
STEERED OUR PROCEEDINGS. IN SAYING SO, I  
AM NOT ENGAGED IN MERE EXCHANGE OF PIOUS  
PLATITUDES. FOR THE RESULT OF YOUR WORK IS  
HERE BEFORE US. YOU HAVE BEEN ABLE TO  
REDUCE A 200 PLUS OAGE COMPILATION OF  
PROPOSALS SHROUDED IN A MAZE OF BRACKETS  
INTO A 25-PAGE STREAMLINED AND CONSOLIDATED  
TEXT OF A PROTOCOL OR ANOTHER LEGAL  
INSTRUMENT WHICH PAVES A WAY TOWARDS THE  
FULFILMENT OF OUR MANDATE.

TODAY, AS WE BEGIN THE LAST SERIES OF  
NEGOTIATING SESSIONS LEADING TO KYOTO, WE  
STAND AT A DEFINING MOMENT OF THE PROCESS  
WE UNDERTOOK TWO YEARS AGO.

ARE WE, PARTIES TO A CONVENTION SIGNED 5  
YEARS AGO, NOW ALL OF US, READY TO ASSUME  
OUR DIFFERENTIATED RESPONSIBILITIES FULLY?

TIME AND AGAIN DURING THESE NEGOTIATIONS, THE  
GROUP OF 77 AND CHINA HAVE ASSURED YOU, MR.  
CHAIRMAN, ON OUR FULL SUPPORT AND

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COOPERATION; OF ACTING, AS PRESCRIBED IN THE BERLIN MANDATE, IN "GOOD FAITH". THROUGHOUT THE PROCESS, WE HAVE FULLY PARTICIPATED AND GIVEN OUR POSITIONS: FIRST OF ALL ON OUR RESPONSIBILITIES, ALL OF US AS PARTIES, IN THE CALL OF THE BERLIN MANDATE FOR US, ALL OF US, TO ADVANCE IN THE IMPLEMENTATION OF EXSITING COMMITMENTS UNDER ARTICLE 4.1, BASED ON THE PRINCIPLE OF COMMON BUT DIFFERENTIATED RESPONSIBILITIES AND GIVEN THE THRUST OF THE PROTOCOL, WHICH IS, ALLOW ME TO RECALL, MR. CHAIRMAN, STRENGTHENING THE ADEQUACY OF COMMITMENTS OF ANNEX I PARTIES UNDER ARTICLE 4.2 (A) AND (B) OF THE CONVENTION, THERE ARE TO BE NO NEW COMMITMENTS FOR NON-ANNEX I PARTIES.

WE WAITED FOR THOSE COMMITTED TO TAKE THE LEAD, BY VIRTUE OF THE FOCUS OF THE BERLIN MANDATE. SOME OF THEM, TO THEIR CREDIT, DID SO. OTHERS STAYED BEHIND A PLETHORA OF RHETORIC.

WITHOUT SPECIFIC TARGETS, MR. CHAIRMAN, THEY TALK OF "FLEXIBILITY" FOR WHAT? "DIFFERENTIATION" IN WHAT?

IN THE MEANWHILE, THE GROUP OF 77 AND CHINA PUT ON THE TABLE THEIR CONCERNS, AGAIN UNDER THE PRINCIPLE OF COMMON BUT DIFFERENTIATED RESPONSIBILITIES, THAT IN ADOPTING POLICIES AND MEASURES, THE IMPACTS ON DEVELOPING COUNTRIES BE TAKEN INTO ACCOUNT, AS STATED IN ARTICLES 4.8, 4.9 AND 4.10, AGAIN AS PROVIDED FOR IN THE BERLIN MANDATE. DEVELOPING

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COUNTRIES ARE MOST VULNERABLE TO THE ADVERSE IMPACTS OF CLIMATE CHANGE, AND HAVE TO BE READY MEET POSSIBLE IMPACTS TO THEM OF THESE POLICIES AND MEASURES. THAT THESE WOULD ALLOW THEM TO PURSUE THEIR PRIMARY COMMITMENT UNDER THIS CONVENTION, THAT OF SUSTAINABLE DEVELOPMENT. THIS TOO, IS IN THE BERLIN MANDATE.

THE G-77 AND CHINA IDENTIFIED THE STUMBLING BLOCKS TO THEIR ADVANCING IN THEIR DIFFERENTIATED COMMITMENTS UNDER ARTICLE 4.1, AND FOUND THESE TO BE UNFULFILLED COMMITMENTS UNDER ARTICLES 4.3, 4.4, 4.5 AND 4.7, THE ARTICLE DEALING WITH FINANCIAL NEEDS AND RESOURCES AND TRANSFER OF TECHNOLOGY.

MR CHAIRMAN

WE NOW COME TO THE HEART OF THESE NEGOTIATIONS, MR. CHAIRMAN, THE QUANTIFIED EMISSION LIMITATION REDUCTION OBJECTIVES, THE QUELROS. EARLY ON, A GROUP OF COUNTRIES AMONG ~~US~~ WHICH FELT AND WHICH ARE, THE MOST VULNERABLE TO THE ADVERSE EFFECTS OF CLIMATE CHANGE, THE AOSIS, CAME UP WITH THEIR DRAFT PROTOCOL, TRIGGERING THE DEBATE WHICH LED TO THE BERLIN MANDATE. RECENTLY, ANOTHER PROPOSAL CAME FROM AMONG US, AND AGAIN SHOWED THE WAY TO ACHIEVE QUELROS, BASING ITSELF ON THE PRINCIPLES OF COMMON BUT DIFFERENTIATED RESPONSIBILITIES.

WE WAITED FOR THOSE WHO MUST TAKE THE LEAD TO DO SO. BUT NOW WE WAIT NO MORE.

(3)

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THE GROUP OF 77 AND CHINA, THE WHOLE GROUP, MR. CHAIRMAN, WOULD LIKE TO TABLE ITS POSITION ON THE CORE ISSUE OF THESE NEGOTIATING PROCESS, THE QELROS. THE POSITION, WE FEEL, IS ACHIEVABLE, BASED ON SCIENTIFIC EVIDENCE, REALISTIC, AND ABOVE ALL, EQUITABLE. THE POSITION REFLECTS THE URGENCY OF THE SITUATION, THE URGENCY FOR ACTION.

(OUR PROPOSAL READS AS FOLLOWS: THE PROPOSAL)

AT THE START OF AGBM 7 HERE IN BONN LAST JULY, WE COMPARED THE PROCESS WE ARE ENGAGED IN TO TRAIN JOURNEY. I AM HOWEVER INFORMED THAT THERE IS NO RAIL CROSSING LINKING CONTINENTAL ASIA AND JAPAN. WE ARE THEREFORE IN A SAILING SHIP, THE M.V. KYOTO COMING IN THE SEA OF JAPAN WITH YOU AS HELMSMAN. THE GROUP OF 77 AND CHINA PROMISES TO BE ECONOMIC IN ITS USE OF BRACKETS AND YOU WILL NO DOUBT FIND OUR USE OF ALTERNATIVE LANGUAGE HELPFUL TO SOME OF YOUR TEXT. WE WILL BE GUIDED BY THE NEED TO FULFIL THE BERLIN MANDATE AND THEREFORE BRING M.V.KYOTO TO ANCHOR AT PORT, SAFELY

MR. CHAIRMAN, THE G-77 AND CHINA STAND READY, IN GOOD FAITH, LEAD BY THE GUIDING PRINCIPLES OF THIS CONVENTION, TO START NEGOTIATIONS.

THANK YOU, MR. CHAIRMAN

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21 October, 1997.

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C O C  
Z T

## DRAFT G77 TEXT ON QELROS Rev. 1

1. Each Party included in Annex 1 shall achieve the quantified emission limitation and reduction objectives (QELROS) within the time frames such as 2005, 2010 and 2020 for its anthropogenic emissions by sources and removals by sinks of CO<sub>2</sub> and other greenhouse gases not controlled by the Montreal Protocol. (based on subparagraph II.2(a) of Decision 1/CP.1)
2. The QELROS shall be adopted and reviewed periodically by the COP to the Convention, as the supreme body of the Convention, in the light of the best available scientific information and assessment on climate change and its impacts, as well as relevant technical, social, environmental and economic information.
3. Each Party included in Annex 1 shall:
  - I <sup>its</sup> return anthropogenic emissions of all GHGs not controlled by the Montreal Protocol to its 1990 levels by the year 2000;
  - II <sup>its</sup> reduce anthropogenic emissions of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O each by at least 7.5% of its 1990 levels by the year 2005;
  - III reduce its anthropogenic emissions of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O each by at least 15% of its 1990 levels by the year 2010;
  - IV further reduce its anthropogenic emissions of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O each by at least an additional 20% of its 1990 levels by the year 2020, thus leading to a total reduction of 35% of 1990 levels by the year 2020;  
*each of these 3 ghgs from*
  - V make efforts to control and phase out other greenhouse gases, including HFCs, PFCs and SF<sub>6</sub> etc.;
  - VI achieve its QELROS primarily through domestic action in its own country;

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- 2.
4. Each of the Annex 1 Parties shall fulfil the above commitments mentioned in paragraph 3 in such a way as to minimise adverse ~~effects on the~~ social, environmental and economic impacts on developing country Parties, particularly those included in Art 4.8 of the Convention. A Compensation Fund shall be established by the Conference of Parties to compensate the developing country Parties which may suffer social, environmental and/or economic loss as a result of actions taken to meet the QELROS.
  5. A Clean Development Fund shall be established by the Conference of Parties to assist the developing country Parties to achieve sustainable development and contribute to the ultimate objective of the Convention. The Clean Development Fund will receive contributions from those Annex 1 Parties found to be in non-compliance with its ~~commitments~~ <sup>QELROS</sup> under the Protocol. The Clean Development Fund will also be open for voluntary contributions from Annex 1 Parties.

Climato Talks, Bonn, GermanyOctober 20-31, 1997

Revised 10/21/97

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| CEQ         | Steve Seidel          | (202) 343-1092 | (202) 343-1163          |
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2

<sup>22</sup>  
~~21~~ October 1997cc: JHF  
JY  
AM  
JA  
WJ**Memorandum**

**To:** Please See the Attached List

**From:** USDEL/Bonn - Mark G. Hambley ~~LA~~

**Subject:** Climate Change Talks, Addendum to Update No. 3: ECO and the Earth Negotiations Bulletin for October 21/22, 1997

Included with this report are the latest issues of ECO and the Earth Negotiations Bulletin covering the on-going climate change talks in Bonn.



# Earth Negotiations Bulletin

*A Reporting Service for Environment and Development Negotiations*

Vol. 12 No. 58

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22 October 1997

## HIGHLIGHTS FROM THE MEETINGS OF THE FCCC SUBSIDIARY BODIES 21 OCTOBER 1997

Delegates to the seventh session of the Subsidiary Body for Implementation (SBI-7) discussed communications from Parties included in Annex I, the review process for the financial mechanism, proposed amendments to the Convention and mechanisms for consultations with NGOs. Discussions in the seventh session of the Subsidiary Body for Scientific and Technical Advice (SBSTA-7) centered on the roster of experts, the development and transfer of technologies and methodological issues.

### SUBSIDIARY BODY FOR IMPLEMENTATION

SBI Vice-Chair José Romero (Switzerland) invited Parties to continue discussion on the pilot phase of activities implemented jointly (AIJ) and recalled that a joint SBSTA/SBI contact group would begin work on this item. SRI LANKA noted the obstacles posed by the additionality principle in the AIJ criteria and welcomed a decision by France to delete the additionality condition from its AIJ guidelines. He called on other Annex I Parties to do likewise. INDIA, supported by VENEZUELA, highlighted the limited scope and geographical distribution of current projects and the narrow information base available for assessment. He said a comprehensive review of the pilot phase would not be possible as envisaged by the COP. He called for more projects utilizing front-line technologies and clear data on GHG reductions, cost effectiveness and contribution to capacity building. AUSTRALIA said Parties must capture the advantages in cost effectiveness and environmental gains. He noted the importance of flexibility in financing AIJ and announced an Australian AIJ initiative with three developing countries.

On national communications from Parties included in Annex I, the Secretariat introduced the first compilation and synthesis (FCCC/SBI/1997/19), an addendum containing tables of inventories of anthropogenic emissions and removals (Add.1); and updated information on GHG emissions and projections (INF.4). The US supported the development of an electronic reporting program, and requested a report based on Parties' suggestions for improvements. He noted that many Parties did not follow the guidelines for reporting for policies and measures. The EU noted that some Parties have had difficulty complying with guidelines; non-Annex I experts should participate in the review process; and its communication "is being finalized. The US and the EU noted the inadequacy of reporting measures for HFCs, SFCs and SF<sub>6</sub>.

CHINA said that reporting should focus on CO<sub>2</sub> policies and measures should take into account different country situations, and that the report does not adequately address technology transfer. NEW ZEALAND said Parties should nominate a range of experts

for reviewing reports. With the EU, she did not support the Secretariat's proposal to discontinue the distribution of executive summaries drawn from the communications. UZBEKISTAN said the participation of national experts from countries with economies in transition and developing countries could provide good training. URUGUAY said it had just presented its first national communication and called for broad FCCC implementation by Parties that bear the greatest responsibilities.

On the review of the financial mechanism, the Vice-Chair informed delegations that a proposed Chair's draft decision had been prepared and appeared as Appendix III to document FCCC/SBI/1997/16. The GEF introduced its report to COP-3, which addressed how it had implemented the guidance provided by previous COPs. She noted that during the 13 month reporting period, total project funding for climate change activities exceeded US\$570 million, of which the GEF provided approximately US\$155 million in grant financing. She said the report described activities undertaken by GEF to improve its performance, including a report on the application of the concept of full incremental costs.

The EU said that the review of the financial mechanism should be seen as an ongoing activity of the COP, that EU members had already pressed for replenishment of GEF and that it hoped that this meeting would agree to the designation of GEF as the financial mechanism. TANZANIA, on behalf of the G-77/CHINA, reiterated its position on the need to continue dialogue on the designation of GEF as the FCCC financial mechanism. INDIA pointed to the need to expand the parameters that are used on the ground by GEF for the preparation of initial communications. A drafting group was established to consider the issue further.

Delegates also considered proposed amendments. The Vice-Chair said the question is whether SBI should make recommendations to the COP regarding the amendments. One submitted by Pakistan and Azerbaijan would remove Turkey from Annexes I and II. Pakistan noted Turkey's status as a medium developed country and its fractional emissions compared to the Annex I average. TURKEY said it intends to become a Party, but its burden would be disproportionate given its economic circumstances.

The EU said all OECD members should adopt commitments under a protocol. He opposed the amendment, pending a possible special regime for Turkey, Mexico and Korea or Turkey's indication of a target it would assume. KOREA distinguished between the status it shares with Mexico as a non-Annex I Party and that of Turkey. He said it was another matter whether Korea would voluntarily assume emissions reductions. MEXICO said there was no grounds to include Mexico and Korea in possible protocol annexes. He rejected attempts to link membership in any organization with Convention obligations.

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**JAPAN and CANADA** said all cases including Turkey's should fall within an overall review of Annexes required by December 1998. The US said a recommendation would be easier to develop when the post-2000 regime and various national roles are clear.

An amendment proposed by the EU would permit adoption of a protocol by 3/4 majority if consensus is absent, and would apply the protocol provisionally pending its entry into force. The EU said the amendment allows the majority's desire for urgent action to be met. He recommended leaving the amendment on the table for COP-3.

**SAUDI ARABIA** said the amendment opened the door for many more and that provisional application violated the Convention. **VENEZUELA** said provisional application was "absurd" and not a proper amendment. The US and **CHINA** expressed reservations about provisional application. **AUSTRALIA** said he cannot accept a protocol with economic implications adopted by majority voting. **KOREA** opposed the amendment.

An amendment proposed by **KUWAIT** calls on Annex I Parties to provide financial resources, including technology transfer, determined by the COP to meet the full incremental costs of developing countries' obligations. **SAUDI ARABIA** said the amendment is the only way to ensure necessary funds are forthcoming. The UK, the US, **AUSTRALIA**, **JAPAN** and **SWITZERLAND** did not accept the amendment. The Vice-Chair suggested a conclusion noting that proposed amendments be forwarded to COP-3, recommending that the COP take account of views expressed during SBI.

#### **SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNICAL ADVICE**

On the roster of experts, the EU noted that Parties should be requested to review the information on the current roster and submit additional nominations to the Secretariat, particularly of experts with backgrounds related to the economic and financial aspects of transfer of technology and know-how. With regard to the issue of Intergovernmental Technical Advisory Panels (ITAPs), she pointed out that until now SBSTA had not been able to establish the panels, mainly because of difficulties in agreeing on a structure. She said the structure should facilitate a flexible and effective approach and indicated that a number of small working groups could be established to deal with SBSTA's scientific and methodological issues. The G-77/**CHINA** reiterated that the establishment of ITAPs is central to SBSTA's work, particularly on technology transfer and know-how.

Regarding procedural problems encountered in using the roster, the US stated that they would not be solved by establishing permanent standing bodies. He said it was premature to take a decision on ITAPs and encouraged better use of the roster through increased participation by experts. On the EU proposal, the US said nothing precluded putting it into effect right away.

**JAPAN** and **ZIMBABWE** agreed that although a useful tool, the roster lacked geographical balance, perhaps due to inadequate dissemination of information on the roster in certain regions. **MALAYSIA** and **INDIA** noted an emerging consensus that some of the issues needed to be studied by groups of experts.

Delegates considered the activities of Parties included in Annex II related to transfer of technology (FCCC/SBSTA/1997/13) and the report on technology information centers (CRP.3). The US said the report demonstrates the extensive amount of work underway, but noted that many countries cannot provide the information required by the guidelines. The EU called upon non-Annex I countries to report on their technology needs and, with **MALAYSIA**, supported the Secretariat's proposal to revise the guidelines. **SRI LANKA** said that SBSTA's actions should reflect the spirit of language adopted at UNGASS on transfer of environmentally sound technology.

Delegates also discussed a progress report on the development and transfer of technologies (FCCC/SBSTA/1997/10), a technical paper on adaptation technologies (FCCC/TP/1997/3) and a Climate Technology Initiative (CTI) survey of information centers.

**JAPAN** highlighted recent CTI national and regional workshops and, with the EU, noted the need to make the best use of existing institutions and programmes. The EU also stressed the importance of the technological needs survey for non-Annex I Parties and urged Annex I Parties to provide information on any related surveys.

Some developing countries described difficulties in identifying adaptation technology and responding to questionnaires and surveys. They said it was difficult to identify their own technological needs and suggested a study. **INDIA** described its recent technological advances, including electronic networking systems and regional research centers. **MALAYSIA** said the Secretariat should promote decision-making tools and develop a technology information center. The US said technology is key to solving the climate change threat and creating the right investment climate to attract financing is critical to resolving the technology transfer issue.

On methodologies, the Chair noted that the AGBM had requested recommendations for estimating emissions and sinks and using Greenhouse Warming Potentials (GWPs). He suggested that the Secretariat draft a text based on previous SBSTA decisions and conclusions. The US proposed focusing on uncertainties in sources and sinks. He said the consideration of GWPs should include their technical and legal legitimacy and which time horizon to use.

The Secretariat introduced the document on methodological issues (FCCC/SBSTA/1997/9) and a technical paper on temperature adjustments and Parties' actions (FCCC/TP/1997/2). The EU said individual Parties should choose whether and how to apply adjustments, but should describe their approaches in detail. Parties should report inventories without adjustments. The US said careful construction of baselines and targets compensates for temperature and other fluctuations. Multi-year averaging compensates for short-term fluctuations and requires no adjustments.

**TANZANIA** presented a draft decision that calls on SBSTA to identify gaps developing countries face in research and development of methodologies, monitoring and assessment capacity, and observational networks. It calls on SBI to eliminate the gaps and provide financial and technical support.

#### **IN THE CORRIDORS**

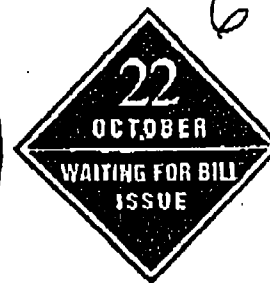
Great expectations filled the corridors as participants in Bonn looked forward to an announcement Wednesday by US President Bill Clinton, signaling his administration's opening bid in the negotiation of a binding target for the AGBM. There was some agreement that President Clinton has already succeeded in installing a significant amount of political insulation to protect himself from detractors - whether from the environmental or industry lobbies. The President has worked hard and fast to create a climate of opinion in which both the press and the public in the US have warmed to the idea of an international agreement. At the same time his administration has successfully dampened expectations among environmentalists by circulating memos and options which suggest that anything beyond stabilization targets will represent a gain - not least by the President himself. Meanwhile, the G-77/**CHINA** reached agreement on its counterbid. The Group is expected to propose gas-by-gas reduction targets for three periods beginning in 2010.

#### **THINGS TO LOOK FOR TODAY**

**AGBM:** AGBM will meet at 10:00 am in the Grosser Saal

**BRIEFING:** The Chair of the AGBM will give a briefing on the work of AGBM at 2:30 pm in the Grosser Saal.

# 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 the Climate Negotiations in Bonn, October 1997.*

## All Eyes on Clinton

Six months ago, President Clinton told delegates at the Earth Summit meeting in Rio that he would work to educate the American public about global warming to obtain sufficient support for a strong treaty. The President has been busy for the last several months hosting Nobel Laureate scientists at the White House, touring the country and enlisting his Cabinet in convincing the public that global warming is a serious threat for Americans and that concrete solutions exist to cut emissions now. The President's words on this subject have been inspiring as he has outlined the potential catastrophes for future generations and committed himself to US leadership in the fight against the threat of climatic destabilization. It remains to be seen if his courage and leadership matches up to his rhetoric. The fossil fuel industry's paid and very vocal advertising campaign has been heard loud and clear by the Administration.

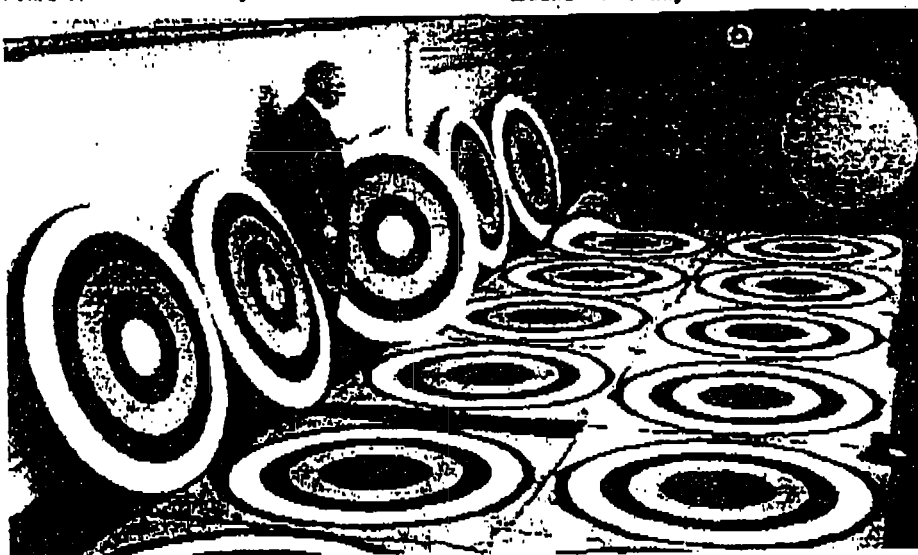
Perhaps less hysterical but more fundamental has been the response of the American public which is awakening to this problem. Here are a few examples:

- A recent national survey conducted by WWF US indicated that 72% of the American public supports an international agreement to reduce CO<sub>2</sub> emissions by 20% by the year 2005. Americans believe that politicians who speak out on this issue are forward thinking. In a second survey released today in Washington, 71% of Americans believe that the United States and other industrialized countries of the world should agree to reduce CO<sub>2</sub> emissions irrespective of what the developing countries do. A mere 6% believe the US should do nothing to curb its carbon emissions.
- There have been eight town meetings around the country where voters have come

to learn more about the science of climate change and possible policies that could prevent this threat. Approximately 1600 citizens attended these events.

- In June 1997, 2,700 scientists issued the Scientists' Statement on Global Climatic Disruption which calls for immediate reductions in greenhouse gas emissions. In September, another group of scientists issued a Call To Action which urged all government leaders to demonstrate a new commitment to protecting the global environment for future generations. Signatories included 92 Nobel Laureates from around the world.
- In March 1997, 2,500 economists issued the Economists' Statement on Climate Change which states that market-based mechanisms can be used to reduce emissions without harming the US economy.
- 20,000 Methodists from across the US signed a petition urging President Clinton to take leadership in the world community and cut emissions substantially in an early timeframe.
- Two representatives from the Alliance for Small Island States (AOSIS) toured all the way down the East Coast of the United States to educate US coastal communities about the risks of sea-level rise. They spoke in many communities ranging from Boston to Fort Lauderdale and met with every editorial board in the region.

*continued on back page, col. 1*



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# CONFERENCE REPORTS

## SBT Tuesday morning

Tuesday's session picked up on the previous day's discussion on AU. Once again, developing countries like Sri Lanka and India opposed the use of AU at this stage, arguing for a comprehensive assessment after the completion of the pilot phase. India mentioned that AU should "mature" before being fully implemented — a wise idea that should perhaps apply to other features of the Chairman's negotiating text... In addition, Sri Lanka specifically opposed the inclusion of additionality as an element of AU.

The discussion then proceeded to the paramount and yet "uncontroversial" issue of Annex 1 second national communications. After a self-congratulatory note on the quality improvements of the communications thus far submitted — barely half of those due, as if this didn't matter, Annex 1 parties did express some, diplomatic-style, going nowhere concern with delays in submissions and reporting "gaps". Of course several non-Annex 1 countries took the opportunity of highlighting Annex 1 countries' poor record regarding the overall quantity and quality of the communications. On a positive note, the discussion on this item ended with Uruguay reporting that it had just submitted its first national communication.

The Chairman then took the parties on a financial ride, only for a general conclusion that it was too soon for any decision on GEF's permanent status as the financial mechanism of the FCCC.

Controversy was yet to come to the floor. In fact, the discussion of proposed amendments to the Convention got most Parties to, once again, voice their disapproval of Turkey's pledge — via Pakistan — to be withdrawn from Annexes 1 and 2 of the Convention. The morning drew to a close with an unproductive discussion on an EU proposal that a Protocol be adopted by 3/4 of the parties.

## SBSTA Tuesday p.m.

The second gathering of SBSTA-7 ended with a flurry of excitement yesterday afternoon, when AGBM Chair Esirada issued a last minute plea when he realized that the AGBM needed SBSTA's guidance on two methodological issues critical to the protocol negotiations: (1) Methodology for estimating sources and sinks; (2) Methodology for estimating the Global Warming Potential (GWPs) of greenhouse gases. SBSTA's Chair directed the Secretariat to provide a draft discussion paper on these two issues by the close of the day on Thursday, with SBSTA delegates to undertake this assignment at its meeting on Friday, with

the potential for additional discussions early next week as well.

Prior to this bit of pre-AGBM excitement, SBSTA had been plodding along through its difficult afternoon agenda, including another installment in the continuing saga of how to make better use of its ever increasing Roster of Experts, its program of work on Technology Transfer, along with methodological issues related to the issue of GHG inventories and temperature fluctuations.

To begin the latest discussion of the Roster of Experts, the Secretariat presented a report on the current composition of the Roster, its use thus far, and problems that have been encountered. The present Roster is composed of 312 nominees from 44 Parties, who have been used only sparingly thus far, including the production of three reports, review of technical papers, and as advisors to the Secretariat. The Secretariat gave high marks to the Roster as a whole, particularly with the quality of its assistance, but noted several procedural shortcomings, principally centering around securing participation from Roster members and the problems that created in maintaining balance within specific meetings. The Secretariat also noted that many parties had failed to submit nominations for the Roster, and there was a lack of balance in several disciplines as a result.

Several parties bemoaned the lack of progress being made by SBSTA, and pointed to the failure to make proper use of the ITAP as the reason. The EU put forth a proposal that called for a more structured approach in the use of the Roster, including the establishing of small working groups to prepare technical documents for SBSTA and annual reporting of such groups back to SBSTA. While the EU was favorably received in principle by most parties, but the US discounted the notion that the Roster was a significant source of SBSTA's ills, and asserted that SBSTA has insufficient experience with the Roster to issue a decision at this time. The developing countries repeatedly pointed to the lack of Roster members from developing countries for many disciplines, and demanded that the Roster remain a dynamic body and should remain open for additional nominations. After considerable discussion on the issue, the Chair suggested that a "friendly" non-group of the parties who had expressed the most interest (Zimbabwe, Malaysia, India, US, Canada, and the Netherlands) be convened to discuss the issue further, and to report back to the plenary during its Friday session.

Moving on to technology transfer, the Sec-

retariat presented a report outlining the reporting of the sharing of adaptation technology, the establishment of technology information centers, and a survey of technology needs. With regard to the survey, several countries, including the EU, US, and Malaysia noted that the reporting format and guidelines were confusing and in need of review. In the discussion of adaptation technology and information centers, many developing country parties repeatedly noted the difficulty in obtaining information from a myriad of sources, calling for the creation of new mechanisms for disseminating technological information, either through the creation of international information centers specialized in a particular technological area, or through the creation of an information clearinghouse, patterned on the Global Clearinghouse mechanisms of the Convention on Biological Diversity.

Turning back to methodological issues, the Secretariat presented a technical paper on GHG inventories and temperature adjustments. In discussion truncated by the request by AGBM, the EU and the US took opposite approaches to the issue, with the EU stating that it should be left up to individual parties to make appropriate adjustment, provided a detailed description of the basis for such an adjustment, while the US contended that, that the only appropriate way to deal with such fluctuations would be through a careful construction of the baseline, allowing for multi-year (3 or 5) averaging of the baseline to eliminate the effect of such fluctuations. In a broader methodological discussion, the G-77 and China, expressing concern over the lack of progress in the implementation of Articles 5 & 6, tabled a draft decision calling for SBSTA to identify gaps developing countries face both in the preparation of GHG inventories and the assessment of climate change impacts, and to develop modalities for addressing these gaps

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## The South is Acting

by Atiq Rahman, ICAS and Francis Yumbu, CNA

The Third Conference of the Parties of the UNFCCC to be held in Kyoto in December 1997 offers one of the greatest challenges and also an enormous opportunity to take some necessary, practical and tangible steps to reduce the threat of global climate change. Leading participants in the global negotiations have described COP3 as the most important environmental meeting since UNCED in Rio in 1992. Global scientists and the expert community have called for a 20% cut in GHG emissions by 2010 from 1990 levels, the reality is that over the five years since Rio there has been over 12% increase.

One of the crucial issues stalling progress of the climate change negotiations is the perception that developing countries will become the major contributor of GHG emissions in the future, sometime during the period 2020-2050. "So they must undertake commitments" cry some of the obstructionists to the Kyoto negotiations.

While most others demand that those who committed themselves under UNFCCC and are mainly responsible (i.e. Annex 1 or industrialised countries) must commit themselves to sig-

nificant voluntary steps to integrate climate change and GHG reduction first. "Most developing countries are already taking significant voluntary steps to integrate climate change and a GHG reduction" said the leader of a key developing country delegation recently. "Such a call (for developing countries to undertake commitment) at this point is a deviation tactic. It is also a violation of both the UNFCCC and the COP1 decision, i.e. AGBM. This not helpful at all."

Further, the fear for jobs is not an issue, as many new jobs will be created from opportunities arising from a decarbonised economy. For example, the work force at Solarex, a solar energy related company in Maryland, USA, has doubled.

There are thousands of examples in developing countries that demonstrate carbon reduction achieved as a consequence of well thought activities having both developmental and global environmental benefits. Three recent initiatives testify to the fact that most developing countries are undertaking actions which show their serious commitment to reducing GHGs under different development and market reform programmes.

The first initiative is the case of China which accounts for 12% of total world energy related

CO<sub>2</sub> emissions, second only to the USA. It is reported that the most important significant carbon savings occurred over the past decade. Although annual carbon emissions grew by 228MtC between 1980 and 1990, emissions would have been 155MtC higher in 1990 without the energy efficiency gains achieved over this period.

It has also been reported that India, Mexico, South Africa, Saudi Arabia and Brazil, all of which also rank among the top 25 countries for industrial CO<sub>2</sub> emissions, have cut fossil fuel subsidies significantly. An additional 19.5 MtC in savings should result from fuel price reforms on petroleum products in China over the same period time period.

Equally, Africa is addressing the issues of deforestation through adoption of various measures which include household energy fuel switching, from traditional stoves using charcoal and woodfuel to more efficient stoves using electricity and biomass based fuels. This is important as it contributes to carbon sequestration by preserving more trees. At the same time industries are embarking on energy efficiency and conservation measures to attain competitiveness in view of liberalised and globalised trade.

## Sinks, the net and basket approaches

John Lanchbery, VERTIC and Bill Hare, Greenpeace International

Embedded in the Chair's text for the AGBM are the twin assumptions that it will be possible to monitor and verify compliance with commitments based on a basket of gases and on the uptake of carbon dioxide by sinks. These assumptions are wrong.

The accuracy with which emissions can be estimated depends not upon the type of gas but upon its source or, more precisely, upon the activity associated with the source. Some sources of emissions can be monitored fairly accurately.

Others cannot. Emissions of carbon dioxide from fossil fuel burning can, for example, be measured far more accurately than carbon dioxide emissions from almost all sources (and sinks) in the agriculture and forestry sectors. (All carbon dioxide sinks are in the IPCC land use change and forestry sector).

Logically it makes no sense to have a basket of gases. Far better to have a basket of sources that are measurable with reasonable accuracy. It makes no sense whatsoever to include sinks. None can be estimated with anywhere near reasonable accuracy.

The IPCC methodology for sinks is still developing, as they tell everyone in their reporting guidelines. It is likely to be a very long

time before the guidelines are well developed. (The New Zealand approach is little better in terms of accuracy, if at all, although it is peculiarly well suited to the national circumstances of New Zealand and some other states but, alas, not to Australia.)

All Parties want a protocol with which compliance can be assessed. Some also want a protocol with emissions trading, JI, banking and borrowing.

The success of all of these depends on the accurate estimation of emissions. All will be ruled out by the ill-considered pursuit of the net approach and an indiscriminate basket of gases, rather than a well thought-out basket of emission sources.

## The right signal

Della Villagrasa, CNE

A conference was held last week in Bonn, organised by Climate Network Europe, Germanwatch and Globe, at which European ministers present strongly re-endorsed the EU protocol targets and confirmed their commitment to the Berlin Mandate, outlining the careful research and evaluation which had gone into the elaboration of the target to ensure its feasibility and reality. The audience of 350 (parliamentarians from thirty countries, NGOs, scientists, media, academia and industry) greeted the strong ministerial statements with sustained applause. This provides a strong signal to Japan for a stronger proposal than the preliminary one voiced last week, as well as to the US, which will announce its target today.



Trainee diplomats try their hand at changing the world

# CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

## All Eyes on Clinton, from front page

- On October 6, 1997, President Clinton hosted a White House Conference on Climate Change in Washington, DC which was broadcast by satellite to 30 cities across the country. Approximately 4,500 Americans attended local events and discussed their response to the President's remarks with experts.
- Hundreds of physicians signed a statement of social responsibility that highlighted the health risks associated with global climate change.
- Over 200 public interest organizations from Texas to New Jersey have sent the President letters urging him to take action in response to the problems presented by scientific experts.
- Every major student environmental coalition in the country sent a letter to the President requesting immediate reductions in the emissions of greenhouse gases. They also requested that he adopt binding emissions reductions by 2005.
- 250 business, environmental, consumer and energy policy organizations organized by the Sustainable Energy Coalition sent a letter to the President stating that the US must assume a leadership role in negotiating an international agreement to set legally binding targets for substantial reductions of greenhouse gases by early in the next century.
- Over 40 Members of the House of Representatives have co-sponsored a resolution calling for significant cuts in emissions by 2005 below 1990 levels.
- Five non-profit research organizations published "Energy Innovations" which demonstrated how the US can substantially reduce greenhouse gas emissions by 10% by 2010 and create 800,000 new jobs.
- Study released by the Tellus Institute today which demonstrates how the US can achieve reductions of 10% by 2005 and 21% by 2010 again with net benefits to the economy.
- Hundreds of meteorologists from TV stations around the country attended a White House briefing on global climate change and reported the latest science on their stations.
- Thousands of scientists are actively educating the media in their home towns to better inform the public about the state of science.
- Dozens of American cities and counties are participating in the ICLEI initiative on Cities for Climate Protection, including Chicago, Los Angeles and Denver.
- The State of Oregon has adopted the first state-based legislation to reduce their emissions of carbon dioxide.
- Major US businesses are expected to release a Business Climate Challenge this week.

As a result, editorial boards of most US newspapers have spoken. Following is some of their commentary:

"Stronger leadership is warranted." — Miami Herald, October 9, 1997

"President Clinton must take a leadership role in what should be a world-wide effort to reduce harmful gas emissions into the atmosphere." — Orlando Sentinel, September 30, 1997

"Far more dramatic steps are needed to turn down the heat, but Clinton and Co. can't seem to cobble up the courage." — Minneapolis Star Tribune, October 18, 1997

"Developing nations are already making anti-pollution efforts, according to their needs, and would be prompted to do more if the industrialized nations set an example." — Keene New Hampshire Sentinel, September 26, 1997

"Good intentions are not enough. . . Other industrialized nations are owning up." — San Francisco Chronicle, October 17, 1997

"The Administration needs to resist forces in industry that want to make reductions voluntary." — Boston Globe, October 5, 1997

"This country, which produces 19% of global emissions with just 5% of the world's population has an obligation to lead, if not to the rest of the world, than to future generations of Americans." — The Times Record, Brunswick, Maine, September 11, 1997

And, that's just the beginning.

## 2005 – The Case for Early Action

Kelly Sims, Ozone Action, Delia Villagrosa, Climate Network Europe

Reading the Chairman's document carefully, one fails to find the target year, 2005, as a first legally binding stepping stone to protect us from the threat of climatic disruption. Of course, early reductions must be substantial in order to be effective, i.e. the AOSIS proposal of 20% below 1990 levels by 2005. All countries will be judged upon whether they set an early and strong target for emissions reductions.

Economically, postponing emissions reductions is an investment in yesterday's fossil fuel dependent technology. Conversely, an early target spurs significant investment in less carbon-intensive technologies and prohibits investment in capital stock that might have to be retired prematurely. Energy consumption will be 61% higher in the developing world in 2010 than today. With a booming world market for energy efficient technologies, early and substantial investment will almost certainly provide sound returns for those countries who make the right investments. Early action also

provides a culture of solutions. Once experience has been gained, lessons can be learned about what works.

Of course, climate change itself could be very expensive. For example, the cost of defending the present coastline of the United States against a one meter sea-level rise would be at least \$500 billion. Without early action, sudden and stringent emissions reductions in the future would harm the economy.

Early reductions help to minimize the impacts of climatic disruption. An early target is much like an insurance policy: early reductions will maximize future generations' flexibility to avert climate change.

It is the rate of climate change that will have the most impact on ecological systems. For example, the IPCC stated that with an expected warming of between 0.1-0.35 C, most forest species would have to migrate 1.5-5.5 km towards the poles each year in order to remain within similar climatic conditions. Another reason for precaution is that the climate system does not behave in a linear fashion. As

with all complex natural systems, the climate appears to have certain thresholds before it makes a drastic change. These thresholds may be unpleasant "surprises", much like the ozone hole was back in 1985.

This is at heart a moral question because these changes will be felt in the future and by those least able to adapt to global warming. The Intergovernmental Panel on Climate Change (IPCC) states that to stabilize the climate at current concentrations of greenhouse gases, emissions would have to be reduced by 50-70%. We must get down to business. Once we reach the point of major climatic disruption and its consequent impacts, it will be too late to reverse the damages.

## THANKS

The Climate Action Network would like to thank the Environment Ministries of Germany, Denmark and the Netherlands, who have provided funding for Eco. With resources contributed by: APC Networks and EuroFax.

Climate Talks, Bonn, GermanyOctober 20-31, 1997

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Revised 10/21/97

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23 October 1997

cc: JAF 2  
 JH  
 mJ  
 Hm  
 JH

**Memorandum**

**To:** Please See the Attached List

**From:** USDEL/Bonn - Mark G. Hambley

**Subject:** Climate Change Talks, Update No. 4: Activities for October 22/23, 1997

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-8), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon sessions on Oct 22 through the morning meetings on Oct 23. An additional report on the first meeting of the SBI prepared by USDA's Carol Whitman is also included, as are the latest issues of ECO and the "Earth Negotiations Bulletin." Although the contents are unclassified, they are not intended for attribution or for use outside the U.S. Government. The final paragraphs of this report can be used as a submission to the Daily Activities Report (DAR) as desired or appropriate.

**Climate Changes Talks, Update No. 4: U.S. Position Criticized as QELROS Discussion Starts****U.S. Position on Targets and Timetables "the Talk of the Town"**

We loved the President's speech which struck us as an incredibly bold initiative. Our congratulations to all those involved. The event was carried here live on CNN, along with the hour long analysis and "Q & A" program which followed it.

Not surprisingly, the reaction among many negotiators in Bonn has been somber, bordering on hostile in certain quarters. In our formal presentation of our position at the QELROS non-group this morning, we attempted to mute the criticisms we are hearing and to refocus attention on the key issues involved. It will be some time before these points are digested, however, with concern that they may not be.

Although the Chair would not permit any overt reaction to our proposal at this meeting (a position we agreed with), India did manage to question why we should even be discussing a protocol in view of the low targets suggested by "some Parties." Zimbabwe was prevented from making its views public, but in private Mrs. Karamandira expressed deep disappointment at both our starting date (2008 to 2012) and what she views as the weakness of our commitment (stabilization).

CDLs  
 opposed  
 to US  
 position

These views are currently making the rounds of the various coffee klatches and regional group meetings. We do not as yet have an official EU reaction (they will have to "coordinate" a common or joint position), but the individual comments we have received have been anything but encouraging. One mid-level German delegate who listened to the President's announcement with a USDEL member was reported to have turned ashen, and almost coming down with a classic case of vapors, muttered that the U.S. has "just destroyed this negotiation."

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Other EU members have been more temperate in their initial remarks. Reflecting PM Blair's good conversation with the President on this topic, the head of the UK delegation indicated that Blair wants to be helpful. However, this seasoned negotiator indicated that we all face a stiff uphill climb — both because of the differing U.S. and EU positions and the latest onslaught by the G-77/China with their extravagant proposal announced yesterday (Update 3).

Thus far, the reaction among JUSCANZ members has also been somewhat muted. During a Q & A session following our summary of the proposal on October 23rd, hostile or negative questions were raised by Switzerland (naturally) and Norway. Only Australia (which also had some pointed observations to make) spoke favorably about the proposal, noting that it introduces a sense of reality into these negotiations. Canada remained silent. New Zealand told us they liked the statement but have not yet received any reaction from Wellington. And Japan. Yes, Japan. In the pugnacious manner which is his preferred style, Ambassador Tanabe asked if our position is one of flexibility or if it is a "take it or leave it proposition? If it is the latter, he continued, then we all might as well pack our tents and return home, for we will be in the "OK Corral." We turned his question aside with aplomb.

Reactions among NGOs has been predictably sharply critical. Although the main article in ECO on this topic is somewhat small in scale (considering the truly banner headlines which in the past have accompanied attacks on Japan), the tone was anything but muted. ECO described the President's statement as a "floundering announcement of a weak stabilization target, conditional on meaningful participation by key developing countries. ECO concludes that the U.S. has abdicated its position of leadership on this topic. At a press conference this morning, held by the Climate Action Network, criticism was even more caustic. Among the critics were Jennifer Morgan from CAN/USA and Bill Hare from Greenpeace.

Over the next two days, we will be receiving far more detailed reactions and readouts as Messrs. Sandalow and Forrister enter the fray and meet with Chairman Estrada, leading delegations, and our business and environmental NGOs.

#### **QELROS and Article 4.1 Non-Groups Meet: Procedural Controversy Arises**

Following our presentation at the morning QELROS session, both this non-group and the non-group on Article 4.1 began their deliberations. Prospects are not good for much rapid movement in the former due to a spat between the Chair and the G-77 over a procedural issue. Chairman Estrada, in an attempt to ease the workload on QELROS Chairman, Gylvan Meira, announced at a meeting of his consultative council (both the COP and AGHM Bureaus plus a few outsiders such as the reporting officer) that he was dividing the QELROS portions of the text into two portions. One, dealing with technical issues will be chaired by Gylvan. The second, dealing with more "policy oriented" areas (such as trading) will be chaired by Swedish Ambassador Bo Kjellen. Although they said nothing at this meeting, at the opening of the Oct 23 session, India, Saudi Arabia, China, and the G-77 all condemned this manner of proceeding and made strong hints that their cooperation will be limited.

Meanwhile, Article 4.1 discussions proceeded quite slowly. Evans-King of Trinidad/Tobago, who is chairing this group, suggested that the US, EU, and G-77 meet for four hours late tonight to try to sort out an agreed text. We think such an arrangement, done so much in private at this early stage of the proceedings may be a tactical error and are endeavoring to convince Evans-King to postpone until the weekend.

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

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Dr. Carol Whitman  
SBI-7, 1<sup>st</sup> Meeting, October 20, 1997, 10:00-1300  
Beethoven Halle, Bonn

Jose Romero, SBI Vice-Chair (Switzerland), opened the session with a report from Executive Secretary Michael Zammit-Cutajar. Mr. Cutajar reminded the SBI of its task of drafting decisions for adoption by COP-3. He flagged three items of concern: (1) the need of developing countries for support in developing their initial national communications; (2) late payment to the secretariat by Parties (23 percent of contributions for 1996 and 1997 remain outstanding); and (3) the trust fund for participation is \$550,000 is short for Kyoto. He also noted the planned co-location of the secretariat of the Convention to Combat Desertification with the Climate Change secretariat. The USA asked for a list of the contributions that remain outstanding for consideration by the SBI. The agenda was adopted and several IOs and NGOs were granted provisional observer status.

The Chair indicated his intention of establishing contact groups on the financial mechanism (to be chaired by John Ashe, Antigua-Barbados), non-Annex I national communications (to be chaired by Mr. Dan Reifsnnyder, USA, and Mr. Kok Kee Chow, Malaysia), JI/AIJ, and technology transfer. The secretariat presented its progress report on communications by non-Annex I Parties (FCCC/SBI/1997/INF.3). He began the discussion of communications from Parties not included in Annex I by inviting Brazil to report the conclusions of the September workshop on the preparation of national communications in the Latin American region, including the need for institutional capacity building and inventory methodologies specific to Latin American circumstances. The Chair then indicated that 2/3 of non-Annex I Parties are working on GHG inventories, with 1/3 ready to prepare project documents. The EU noted its proposal for a review process. Senegal, Zimbabwe, Chile, Nigeria, Mauritius, and the Congo indicated their communications were in preparation and would be submitted within the next year. Zimbabwe remarked on the African region's difficulty in accessing the world wide web, and the continued need for written material.

The Chair went on to consider Activities Implemented Jointly (AIJ), establishing a contact group to be chaired by Mr. Diego Malpede (Argentina) that would prepare recommendations for both SBI and SBSTA. The USA stated its views on AIJ, proposing that the SBI recommend to COP-3 that Parties should be able to take credit for AIJ in the post 2000 period, consistent with methodologies to be agreed upon. Luxembourg (EU), Brazil, Malaysia, China, Saudi Arabia and Zimbabwe cautioned that the pilot phase must be completed prior to a decision on credit, complained of the dearth of projects and their inequitable geographic distribution. Canada pointed out that AIJ activities increase technology transfer and benefit host countries. They noted that the lack of projects and methodologies were due to a lack of incentives to the private sector (e.g., credit). Last, the Chair took up technology transfer. The USA read a draft decision requesting the secretariat continue acquiring and disseminating information on technology and needs, and government and private sector activities, and urge Parties to promote market-based policies.

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**The U.S. Position on Targets and Timetables  
The U.S. Intervention to the Non-Group  
on Quantified Emissions Limitation and Reduction Objectives  
October 23, 1997**

Thank you Mr. Chairman.

On June 26 of this year, at the Special Session of the United Nations General Assembly in New York, President Clinton outlined the importance which the United States attaches to the problem of global warming, calling it one of the greatest challenges facing the globe in coming decades. Acknowledging the compelling importance of the science, the President also noted the significant contribution made by the United States to this problem. He undertook to personally engage the American public on this issue and to pronounce an aggressive program to reach an outcome in Kyoto based on objectives which are realistic and achievable. This is what the President promised in June. And he has delivered on that promise.

In terms of public education, the President took the lead to hold a series of meetings and symposia at the White House or under White House auspices which brought together renowned scientists, meteorologists, economists, academics, NGOs, and leaders of commerce, industry and labor in a nearly unprecedented effort to inform, listen, and urge a vast sampling of U.S. public opinion on the threats of global warming and of the opportunities and challenges which this critical problem provides. There is little doubt that, although some television announcers may still have trouble pronouncing global warming, this is a problem whose seriousness has been awakened anew in much of the American public.

This is no trivial matter. As the President has repeatedly reported, the United States -- while producing over 22 percent of the world's wealth, also produces about a quarter of its greenhouse gas emissions. This is a trend which must be stopped, but stopped in a way in which economic considerations are balanced with environmental priorities.

I am sure that many of you are aware that last night, local time, the President of the United States made one of the most significant speeches on the climate change issue -- and perhaps on any issue in the pantheon of international affairs -- of our era. President Clinton's speech marked the beginning of a globally more aggressive effort to combat the threat of climate change. His speech also marked the beginning of a new effort to undertake realistic and achievable -- yet aggressive -- efforts to reduce greenhouse gas emissions. Make no mistake about it: the enormous capacity of the United States has, with this extraordinary commitment, been channeled to combating the threat of climate change.

Let me review for you some of the specifics of our proposal. Through a flexible, market based and cost-effective approach, we are committed to an agreement which includes three elements:

- First: we commit to a binding and realistic target of returning emissions to 1990 levels in a budget period between 2008 and 2012. We will commit to reducing net emissions of all GHG below 1990 levels in the five year period thereafter (between 2013 and 2018) -- and will work for further reductions in the years beyond that. Let me set this in context: in absolute levels of emissions reductions, this commitment is the equivalent of cutting almost 30 percent from our baseline -- in relative terms, a reduction greater than that proposed by the European Union. With our proposal to include all gases, including HFCs, PFCs and SF6, it becomes even larger and further highlights the aggressiveness of our approach compared to others. In actual tons of emissions reduced, we are proposing to cut more than 400 million metric tons annually from our budget -- more than the total emissions of most countries in the world. Historically, it will reverse an emissions growth trend that has been part of the U.S. economic and development pattern since the industrial revolution. Even during the oil shocks of the 1970's, our emissions did not stabilize -- yet in a period of less than a decade, we are proposing to restructure our concept of how to consider economic growth. We are proposing to redevelop our world around a new vision of sustainable development -- one that would

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delink the economy from greenhouse gas emissions, allowing the former to grow, while the latter shrinks.

- Second, the President proposed a series of flexible mechanisms for achieving legally binding limits. He called upon the world to recognize the enormous potential provided through such market mechanisms as emissions trading and joint implementation. As he made plain, these innovations will cut world-wide pollution and help developing countries protect their own environments without sacrifice to economic growth. The advantages of these mechanisms are patently obvious: economic analysis supports them, practical experience supports them, and to ensure that we hand a climate-friendly world to our children and grandchildren, we too should support them.
- Third, the President reiterated a call for both industrialized and developing countries to participate in meeting the challenge of climate change. He recognized that developed countries must lead -- but insisted that developing countries also be engaged. Let me reiterate his view: "The United States will not assume binding obligations unless key developing nations meaningfully participate in this effort...a global problem such as climate change requires a global answer." His comments reflect the facts: if the entire industrialized world reduces emissions over the next several decades but emissions from developing countries continue to grow at their current pace, concentrations of greenhouse gases in the atmosphere will continue to climb. Developing countries have an opportunity to chart a different energy future -- consistent with their growth potential and their legitimate economic aspirations. We must see to it this alternative road is traveled; the present course surely leads to a climate disaster.

Unlike many other governments which announced emissions goals, President Clinton simultaneously announced a domestic program to meet this ambitious target. He proposed an unprecedented \$5 billion series of tax incentives and research and development investments to encourage energy efficiency and the use of cleaner energy. He proposed providing incentives for early action by the private sector, with credit for companies which show the way to a lower greenhouse gas future. He proposed the creation of a domestic market-based system for reducing emissions -- a system that will tie both our national efforts and the international program into a cost-effective global emissions market. He proposed "reinventing" the way the U.S. federal government (our nation's largest energy consumer) buys and uses energy. And, he proposed a bold new plan for electricity restructuring, which is anticipated both to reduce emissions and save on consumer energy costs.

Many here will undoubtedly criticize this plan as being insufficient. Last night, for example, I heard someone who sounded remarkably like a distinguished colleague in this room articulate his concerns on the CNN "Q & A" ("questions and answers") program that the U.S., with the great capacities acknowledged by the President, could not immediately move to reduce emissions in line with some of the other proposals currently before us. In fact, Mr. Chairman, as I have briefly outlined to our "non-group" this morning, we are moving in a way in which the capacities of the American people for technological innovation and economic enterprise will be immediately and intensively engaged to respond to the climate change challenge. The Berlin Mandate called upon nations to begin a process to enable appropriate action for the period beyond 2000. Our proposal not only begins the process -- it sets in motion a whole new paradigm through which the nations of the world can ultimately anticipate relief from the potential catastrophe of unchecked global warming. It is a first step -- but a first step which establishes a structure for additional steps to follow. We anticipate that the governments represented in this room will recognize this initiative for what it is: an extraordinary and constructive proposal that points the way to a success in Kyoto in December. We look forward to working with you all to make this vision a reality.

Mr. Chairman, it is clear that in light of the President's statement, we will have a number of changes to propose to the texts of the various articles to be considered in this non-group. We will address those during the course of our review of individual articles and paragraphs. Thank you, Mr. Chairman.

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**AIJ Informal Contact Group**

The U.S. proposed in its intervention in Monday's SBI that the Conference of Parties should: 1) decide that parties may take credits toward post-2000 emission limitations and reduction obligations, 2) adopt the Uniform Reporting Format, and 3) to continue methodological work through the SBSTA according to a work plan and timeline. A joint Informal Contact Group on Activities Implemented Jointly was convened by the chairs of SBSTA and SBI to consider proposals for COP3 on AIJ. The AIJ contact group is being co-chaired by Diego Malpede, Argentina and Yvo De Boer, Netherlands.

There were extended deliberations in three sessions (attended by more than 50 representatives of developed and developing countries) concerning the proposed contents of the *Draft Conclusions by SBI/SBSTA* and the *Recommended Draft Decisions for COP3* (to be included in a SBSTA/SBI document). As an outcome of the second session, several Parties were asked to draft text to be included in a revised decision, specifically on credits (U.S., Canada and Costa Rica) and a workplan and terms of reference for conducting a review of the pilot phase (Switzerland). The co-chairs and the Secretariat prepared a revised text for consideration at a session on Wednesday, October 22, which included the key points raised by the U.S.

Support for the U.S. position, and the co-chairs' revisions, came from Canada, Norway, Switzerland, and Japan. Vocal opposition to advancing the pilot phase, credits, developing a work plan on methodological issues, and establishing terms of reference came from China, Malaysia, Saudi Arabia, Philippines, Antigua and Barbuda, the EU, and Brazil (which was in support of credits after the pilot phase). Most of the comments in opposition to the text advanced were based on the view that not enough progress has been made in the pilot phase, that more experience is necessary, and that there is not enough diversity in the projects that have been reported to the Secretariat, although recent Secretariat reports do not support this perception.

When it became apparent that there was not going to be agreement on components of the Recommended Draft Decision for COP3, the co-chairs bracketed the entire text of the Draft Decision for COP3, and asked representatives to discuss the bracketed text within their respective delegations for further consideration at an as yet unscheduled session of the contact group.



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## HIGHLIGHTS FROM THE MEETINGS OF THE FCCC SUBSIDIARY BODIES 22 OCTOBER 1997

The *Ad Hoc* Group on the Berlin Mandate opened its eighth session (AGBM-8) on 22 October 1997. Delegates gave opening statements in a morning Plenary session. In the afternoon, a "non-group" meeting discussed policies and measures. The Chair of the AGBM held a briefing for observers. The Subsidiary Body for Implementation (SBI) discussed arrangements for intergovernmental meetings, administrative and financial matters, mechanisms for NGO consultations and legal matters.

### AD HOC GROUP ON THE BERLIN MANDATE

AGBM Chair Raúl Estrada-Oyuela (Argentina) reminded delegates that only ten days remained for AGBM to complete its work. He said a "good dose" of willingness to enter into commitments is required, but noted he was not convinced that it is there in all sectors. He said it is not easy to understand statements that ignore the leadership commitment and real contributions made by developing countries. He noted that the proposals forming the basis for AGBM's work are well known. This last session should not repeat them, but make progress in the negotiations.

FCCC Executive Secretary Michael Zammit-Cutajar stated that equity should remain central to the Kyoto result. The globalizing world economy produces not only wealth but also inequality and social stress. Climate change adds a new factor, weighing most heavily on the poor and vulnerable that are least able to adapt. He noted that technological responses are emerging, but asked whether they would be available to developing countries without deliberate measures to stimulate technology transfer. He said leadership does not mean sacrifice but making the effort to change direction and take advantage of new opportunities.

TANZANIA, on behalf of the G-77/CHINA, said Parties stood at a defining moment and members of his group were ready to assume their differentiated responsibilities, in particular the existing commitments as set out in Article 4.1. He noted that there are to be no new commitments for non-Annex I countries and recalled his group's concerns about adoption of policies and measures that take into account impacts on developing countries. He identified unfulfilled commitments under Articles 4.3, 4.4, 4.5 and 4.7 as the stumbling blocks to advancement of existing developing country commitments. He tabled the G-77/CHINA position on QELROS, which proposes: time frames of 2005, 2010 and 2020; periodic review by the COP; return to 1990 emission levels by 2000; reductions in CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O by at least 7.5% of 1990 levels by 2005, by 15% by 2010, and by an additional 20% by 2020, thus leading to a total reduction of 35%; efforts to phase-out other GHGs including HFCs, PFCs and SF<sub>6</sub>; achievement of

QELROs by domestic measures; minimizing adverse impacts on developing country Parties and a Compensation Fund; and a Clean Development Fund to assist developing country Parties, funded by contributions from Annex I Parties found to be in non-compliance with their QELROs.

JAPAN called on all Parties to exercise flexibility in their QELROs proposals and elaborated on the Japanese proposal intended to accommodate divergent views. The proposal is for a 5% base reduction rate for deciding a target for each Annex I country, with target periods of 2008 and 2012. It covers CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O. Individual country targets are differentiated by emissions per GDP, emissions per capita and population growth. It also provides for emissions trading and joint implementation. On developing countries, the proposal provides for enhanced efforts through the elaboration of existing commitments and urges more advanced developing countries to assume voluntary commitments. A new process to further discuss commitments by all Parties is proposed for after Kyoto.

LUXEMBOURG, on behalf of the EU, indicated concerns about references in the Chair's negotiating text to policies and measures and to advancing the implementation of Article 4.1 and associated financial provisions. He called for the inclusion of a Convention objective expressed in quantitative terms and a well-defined compliance regime. He noted that the European Commission had produced a document to demonstrate the feasibility of the EU reduction targets of at least 7.5% and 15% below 1990 levels by 2005 and 2010 respectively. The UK, also on behalf of the EU, outlined an explanation of the EU's joint or "bubble" approach to emissions obligations and offered text for insertion into the Chair's negotiating draft. He explained that, for example, the EU-proposed target of 15% reductions would be met jointly, with member states opting for joint implementation. These states would inform the Secretariat of the terms of the agreement for joint implementation five years before the expiry of the target period, with each declaring its share of the overall contribution to reductions. There would also be provision for amending or rescinding a burden-sharing agreement and for dealing with any failure to meet the total target.

SAMOA, for AOSIS, supported the G77/China statement and said all proposals remain on the table, including that of AOSIS. He expressed deep disappointment with Japan's proposals, whose flexibility would render the small effort non-legally binding. He supported the draft article that would permit Parties to assume commitments voluntarily.

ZIMBABWE, for the African group, emphasized per capita emissions as a basis of attaining equity. She called a 15% target by 2010 a minimum and demanded leadership from Annex I Parties, especially Japan and the US. She said a penalty clause for failure to

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meet targets is a necessary incentive. Reliable, predictable means are necessary to advance implementation of existing commitments under Article 4.1.

The US was extremely disappointed that the Chair's text omits its proposal that all Parties adopt quantified GHG emissions obligations by 2005. Kyoto should be part of a rolling series of negotiations and will be unacceptable if it fails to initiate a process that recognizes the global nature of the problem.

The RUSSIAN FEDERATION stressed maintaining the balance of interests, including those of countries with economies in transition. ICELAND pointed to differentiated emission objectives and the need to take account of differences in starting points, economies and resource bases.

Chair Estrada introduced a consolidated negotiating text (FCCC/AGBM/1997/7) that he hoped would serve as a basis for the completion of a protocol or another legal instrument. He said he had prepared the document based on proposals that had been submitted, AGBM-7 outcomes and informal consultations with Parties. He indicated that he had sought to streamline and address key aspects of current proposals. He noted that very few brackets appeared in the text, mainly on single-year targets or budget periods, flat rates, emissions credits and two alternatives on the governing body of the Protocol. He said Annexes I and II had been used as categories for countries.

The Business and Industry NGOs said that business and industry play a unique role in the implementation of FCCC. He said many business and industry members supported a variety of voluntary national and international initiatives that play a key role in limiting GHG emissions.

The US and European Business Councils for a Sustainable Energy Future said that the benefits of sustainable energy innovation are not only relevant to climate protection but also to employment, environmental and social policies, geopolitical stability and the national interest of fuel importing countries.

The Climate Action Network said that Japan, and possibly the US, were making proposals for targets and timetables that were ten-year extensions of existing commitments. She indicated that Japan's proposal only succeeds in lowering the overall level of negotiations by shifting the balance in favor of the weakest positions. The International Council for Local Environmental Initiatives (ICLEI) reported on examples of four successful local action plans to reduce GHG emissions and said participating cities were proceeding at a more rapid rate than their national governments.

#### NON-GROUP ON POLICIES AND MEASURES

The non-group on policies and measures (P&Ms) met in the afternoon and discussed the article on P&Ms contained in the consolidated negotiating text (FCCC/AGBM/1997/7). Proposed amendments put forth by two groups of countries met objection. One group proposed deleting a reference to an article on voluntary commitments by non-Annex I countries and suggested that P&Ms be adopted and implemented by Parties to achieve their QELROs. The other group, *inter alia*, proposed that a process be instituted to develop guidelines for modalities of coordination and cooperation for the implementation of P&Ms. It also proposed developing common performance indicators for P&Ms.

There was a discussion on whether the implementation of P&Ms should take into account, mitigate or avoid adverse effects, as well as on the types of effects and who is affected. A contact group was established to discuss the aim of implementing policies and measures: whether to "assist" or to "achieve" fulfillment of commitments.

#### OBSERVER BRIEFING

Chair Estrada briefed AGBM observers on his efforts to produce a negotiating text and highlighted difficult areas. He said

article on P&Ms presents a middle ground. He said the EU sought to include P&Ms, but JUSCANZ countries resisted. He noted that the article that includes QELROs still lacks definitions and that he tried to leave all options open. He highlighted other topics, such as emissions trading, joint implementation, and the Meeting of the Parties.

One article, developed from AOSIS and Swiss proposals, would allow non-Annex I countries to assume commitments voluntarily. In the article on continuing to advance the implementation of FCCC Article 4.1 (existing commitments), Estrada underscored language stating that no new commitments shall be introduced for non-Annex I countries. In addition to Annexes, the protocol foresees an attachment, which would allow flexibility in case of differentiated commitments. On entry into force, his text requires combined criteria: both the number of Parties and the amount of carbon emissions.

#### SUBSIDIARY BODY FOR IMPLEMENTATION

On arrangements for meetings, FCCC Executive Secretary Michael Zammit-Cutajar said details were still pending for COP-3. Noting the organization of COP-3 (FCCC/CP/1997/1), he said a general debate had been added to the proposed agenda. With no offers to host COP-4 the meeting will be in Bonn in November 1998. CHINA and the G-77/CHINA objected to consideration of the review of adequacy of Articles 4.2(a) and (b) on the COP-3 agenda, recommending that the review occur at COP-4. The EU and US said it was appropriate that COP-3 consider the review. The G-77/CHINA proposed an agenda for the high-level segment and objected to a reference to the "so-called post-Kyoto process" with the aim of including non-Annex I Parties in commitments. The PHILIPPINES asked for clarification of the post-Kyoto process in the SBI report. Zammit-Cutajar said that the post-Kyoto process also denoted implementation of any protocol. The Vice-Chair suggested raising the issues at Sunday's Bureau meeting.

On administrative and financial matters (FCCC/SBI/1997/18, /INF.2 and /INF.7), the Secretariat noted cash flow problems arising from late contributions and a US\$500,000 shortfall in the COP-3 participation fund. The Vice-Chair will prepare a draft decision urging contributions and covering other matters.

Delegates agreed to continue discussing mechanisms for consultation with NGOs after the Vice-Chair said a decision was not possible. The EU proposed giving NGOs seats and speaking opportunities as in SBSTA. MALAYSIA said delegations did not have time for multiple forums. SWITZERLAND suggested expanding the list of constituencies in line with Agenda 21's major groups, and did not support a business consultative mechanism. CANADA proposed permitting more than one NGO intervention when appropriate.

#### IN THE CORRIDORS

Suspense over the long-awaited position of the US ended with President Clinton's announcement a few hours after Wednesday's meeting. He called for stabilization of GHG emissions at 1990 levels by 2008-2012 and reducing emissions after that. He also called upon developing countries to participate in a meaningful way. Even prior to the announcement, delegates could be heard criticizing elements of the proposal in the corridors. Some were later heard criticizing it on the air on CNN.

#### THINGS TO LOOK FOR TODAY

Non-groups: Non-groups on QELROs and Article 4.1 will meet at 10:00 am. The non-group on institutions and mechanisms is expected to meet at 3:00 pm.

SBSTA: SBSTA is scheduled to hold a joint meeting with the IPCC at 3:00 pm.

## CLIMATE NEGOTIATIONS BONN OCTOBER '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 the Climate Negotiations in Bonn, October 1997.*

## US Cedes Leadership Role

There were high hopes that President Clinton was finally going to take up the mantle of leadership to prevent global climate change and provide a lasting legacy. All hopes were dashed with his floundering announcement of a weak stabilization target conditional on "meaningful" participation by key developing countries.

These negotiations began because of the Berlin Mandate, which stated that stabilization at 1990 levels was inadequate to prevent dangerous climatic change. In refusing to go beyond stabilization, Clinton's proposal violates the spirit and intent of the Berlin Mandate.

President Clinton stated that the risks posed by climate change were "unacceptable", yet the US proposal is completely inadequate to stabilize the climate at "acceptable" levels of greenhouse gases in the atmosphere. He outlined a remarkable number of technological options to reduce emissions that are readily available in the US, but must not have reflected on this potential for reductions in calculating his target.

Yesterday, over 150 countries rallied together to take a constructive and bold step forward in addressing this problem. This essential momentum risks being derailed by a thoroughly disappointing proposal. It also ignores the ever increasing groundswell of support displayed by the American public. Parties need to apply relentless pressure on the United States to improve its proposed negotiating position.

There are five basic elements to the President's vague proposal:

**Target and Timetable:** Return emissions to 1990 levels within the budget period 2008-2012, with no specific reductions planned thereafter.

**Joint Implementation:** No elaboration of this system.

**Emissions trading:** No elaboration of this system.

**Developing Country Participation:** Placed US acceptance of a legally binding target on "meaningful" participation of "key" developing countries.

**Domestic Package To Curb Emissions Growth:** intended to reduce emissions before 2008 through: tax cuts and R&D spending amounting to \$5 billion over the next five years; credit to industry who voluntarily act early; a domestic permit system; 20,000 solar panels on federal buildings; increased efficiency through liberalisation in the electric utility sector; expansion of existing energy savings technologies; and regular review of data and progress.

Unfortunately the largest polluter in the world has positioned itself as a recalcitrant Party in these negotiations.



Clinton caves in to cheese lobby

## South Scoops US and Japan

In the early minutes of AGBM 8, while thoughts were focused on what President Clinton might announce for the United States, the G-77 and China presented a proposal for emissions cuts which may yet save the day for Kyoto. The core of the proposal must now form the basis of negotiations if Kyoto is to result in success.

G-77 and China are proposing the following for Annex I Parties:

- returning emissions of all greenhouse gases to 1990 levels by 2000;
- cuts in emissions of carbon dioxide, methane and nitrous oxide of at least 7.5% from 1990 levels by 2005;
- cuts of at least 15% in these gases by 2010;
- 35% reductions in emissions by 2020.

The G-77 and China are motivated by the fact that there are worrying signs that Annex I Parties are prepared to agree a weak Protocol with flexible mechanisms for low QELROs. In response, AOSIS and OPEC appear to have buried their differences with the result that nearly 150 countries effectively stand behind the EU proposal.

Environmental NGOs are united in applauding Tanzania for presenting a realistic and progressive plan for emission reductions which paves the way for combating climate change

*continued on back page, col. 1*

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## CONFERENCE REPORTS

### AGBM Plenary, Wednesday a.m.

The Plenary opened with remarks from Chairman Estrada, who said that he hoped when the US proposal was announced last night that it would be for the reductions the international community was demanding. He made a plea for countries to broaden their vision and not simply defend positions they have already defended for two years.

Michael Zammit Cutajar, the Convention's Executive Secretary, called for a ratcheting of the Kyoto agreement to the highest feasible, and not to reduce it to the lowest common denominator. He stressed concern over vulnerable developing countries and pointed out that the will to transfer clean technologies to developing countries was needed. He said that developed countries should consign business-as-usual to the dustbin and called for significant action now.

Tanzania, on behalf of the G77 and China, announced their new proposal on QELROs, which mirrors the EU proposal, but calls for the percentage reductions to be for each of the three gases (CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O), rather than for the three gases measured as a basket (see front page for more details on this proposal).

Ambassador Tenabe of Japan said that time was not on our side and that all sides must exercise flexibility if we were to get a compromise in Kyoto. He then read out the Japanese proposal for QELROs.

Luxembourg, on behalf of the EU, pointed to a number of omissions from the draft negotiating text (DNT), particularly on PAMs, and the loss of the paragraphs on a long term objective, which was needed to reflect advances in the science. It also expressed concern over the text's lack of definition of the compliance regime, and the need to respect the Berlin Mandate. The UK took the floor to explain the new EU text on the legal nature and compliance regime of the EU bubble.

Samoa on behalf of AOSIS expressed deep disappointment with the Japanese proposal. So did Zimbabwe on behalf of the African group, reminding Parties that the biggest GHG polluters should also take the lead for reductions, warning about the loopholes the DNT contains.

The USA did not jump the gun and make the announcement for which we were all waiting, but instead strongly urged the Chairman to re-insure in square brackets the US text requiring all countries to take on commitments by 2005. Chairman Estrada seemed to have little sympathy with this, saying that he was not interested in putting in more text in square brackets.

Russia wanted banking of pre-2000 emission reductions back in the DNT, Iceland dif-

ferentiation.

The Plenary then heard statements from the NGOs. Chairman Estrada made some pointed remarks after the brown industry intervention, saying that it was unhelpful that members of the WBCSD are supporting propaganda against the AGBM process (a clear reference to the US fossil fuel industry publicity campaign).

Yasuko Matsumoto of Greenpeace Japan, on behalf of the NGOs in the Climate Action Network, called on the Japanese to take a true leadership role and make her proud of her country by making a new and much stronger reduction proposal (full text on back page).

ICLEI reminded us of all the positive action being taken by cities and local authorities worldwide, while clean industry stressed the benefits of moving towards an economy based on energy efficiency and renewables.

### SBI Wednesday p.m.

The third session of the SBI passed rapidly, as the entire agenda was covered in only two hours. Discussions began with arrangements for intergovernmental meetings, i.e. the organisation and provisional agenda of COP3; disagreement seemed to arise on article 3(d) of the provisional agenda for COP3 concerning the second review of article 4.2 of the convention, as well as on article 2(b) of the agenda concerning the adoption of rules of procedure for COP3. On that point, the Korean delegate waxed a little cynical, asking the chairman what would happen if the parties failed to agree on rules of procedures, as they did both at COP1 and COP2. There was no answer to that question... Debate also arose on what "post-Kyoto activities" exactly referred to.

On administration and financial matters, only the latter seemed to be of any interest to delegates. The secretariat in particular urged Parties to pay their contributions to the core Trust Fund, as 87 of them still have not paid their contribution for 1996, and 110 have failed to deliver for 1997!

The SBI also agreed to recommend to the COP that a new fund, namely the German Trust Fund, be created. This fund would receive DM 3.5 million annually from the German government to finance events in Germany.

No new resources were requested for the biennium. A decision for the SBI to recommend to COP3 will be drafted and circulated.

The final subject was possible mechanisms for consultation with NGOs: having heard various proposals from parties, the chairman concluded that it was too early to make recommendations to COP3. He took note of the interventions and SBI will continue with the issue after COP3.

## US Could Gain without Pain

by Stephan Singer and Peter Debrine, WWF  
Yesterday in Washington, and just in time to challenge the US government, WWF released a study showing how the United States could reduce its CO<sub>2</sub> emissions by 10% below 1990 levels by 2005, and 22% by 2010.

The analysis by the Tellus Institute, Boston, includes cost-effective measures which could save the US economy around US\$46 billion by 2005 and US\$136 billion by 2010.

This study, expanding on the earlier *Energy Innovations* analysis by five non-profit research and environmental organisations, complements studies of policies and measures in the EU and Japan for the essential step of cutting CO<sub>2</sub> emissions by 2005.

Among measures which could readily be implemented in the USA are: improved energy performance standards for domestic appliances and buildings; increasing the share of combined heat and power generation (cogeneration); biomass co-firing for conventional power plants to avoid costly early phase-out of existing power plants; and continuous improvement of fuel economy standards in the transport sector. Other suggestions include tax credits for investments in commercial energy efficiency; a quota for renewables in the electricity supply sector; and market transformation incentives for reducing transaction costs and moving goods from prototype to production.

The entire set of proposed climate policies would constitute an economically sound and innovative path for the development of US industry to increase the market share of climate-benign products.

A similar set of policies and measures which WWF proposed for the EU helped contribute to its 15% reduction target by 2010. This study identified how proven approaches could cut emissions in each sector of the economy, largely through measures which are cost-effective.

There is greater capacity for emission cuts in the US, where energy efficiency is roughly half of European levels. This simple comparison suggests a number of conclusions. Firstly, the US government seems incapable of understanding the beneficial effects of sound technologies which can protect the climate. Secondly, under pressure from the vested interests of a few multinationals, the US government is unwilling to explore the huge carbon reduction potentials available in the American economy. Thirdly, the US needs serious capacity building on sustainable and efficient energy options and is a worthwhile candidate for technology transfer from Europe.

## Aboard the HFC Express

Speaking about global warming, President Clinton said on June 18, '97, "We see the train coming, but most ordinary Americans, in their daily lives, can't hear the whistle blowing."

Unfortunately this runaway train is increasingly being fueled by the potent global warming substitutes to CFCs, HFCs.

Projected HFC and PFC emissions globally for the years 2000 and 2010, are 4.2% and 10%, respectively, of 1990 fossil fuel emission levels. These increases rival the projected increases in CO<sub>2</sub> emissions projected over the next 20 years in the absence of further policy action.

It is estimated that the global production of the most commonly used HFC (HFC-134a), if unregulated, will increase to 230,000 tonnes by the year 2005 and 500,000 tonnes by 2025. On a 20 year time scale, the global impact of a worldwide annual production of 200,000 tonnes of HFC-134a equals roughly the CO<sub>2</sub> emissions of an industrialized country like France or the UK.

The HFC-134a leakage from automobile air conditioning from autos sold in Western Europe in 1995 alone, equals the CO<sub>2</sub> equivalent of five new power plants, while similar emissions in Japan equal ten power plants.

In addition, the manufacturing of HFCs also contribute to global warming. The manufacture of 1 tonne of HFC-134a has the warming impact equivalent of 38.8 tonnes of CO<sub>2</sub>. This means that the manufacture of 100,000 tonnes of HFC-134a will contribute 3,880,000 CO<sub>2</sub> equivalent tonnes.

But HFCs endanger the environment and human welfare in more ways than that. HFC-134a, for example, contributes to the cumulative poisoning of our environment both through

the manufacturing process and its atmospheric decomposition. And a 1997 study conducted for the US Air Force raises serious concerns regarding the potential human health impacts of this substance.

If HFCs, PFCs and SF<sub>6</sub> are not included in the Kyoto reduction targets then the increase in their emissions is likely to outweigh the benefits of whatever reductions on other greenhouse gases are likely to be agreed upon in the Kyoto Protocol. It will be tantamount to sanctioning their unbridled growth.

The fact is that avoiding and reducing the use of HFCs is one of the easiest measures available for protecting the global climate. Environmentally safer, technologically proven and economically feasible alternatives exist for all of their major applications.

It makes as much sense for governments to virtually double their climate policy problems by mandating the uncontrolled use of these substances, as it is to stand in front of a runaway train while the whistle blows. The production of these gases can be measured easily, alternatives are available and they should be included in the Kyoto emission reduction target.

**HFCs = Unnecessary Global Warming  
Panel Discussion Sponsored By  
The European Business Council for a  
Sustainable Energy Future**

**Friday, October 24<sup>th</sup>, 1:00 - 3:00 P.M.**

**Please see daily program board for room #**

This panel discussion will explore in detail the importance of HFCs in the context of global warming and the Climate Convention. Delegates, observers and media are invited to attend.

# Ludwig

The fossil fuel lobbyists seem to get grosser and grosser... on his way to the Beethovenhalle yesterday Ludwig encountered one of their delegation who was so big he couldn't even fit through the doors... Greenpeace had spotted him too and attached some placards.

Once in the door and it was into the maelstrom, with Press on the rampage, everywhere. Ludwig was hoping to make CNN's nightly bulletin with his mathematical conclusion that OPEC's target for 2010 was now infinitely higher than the US's, but another item came up and he was eclipsed.



Exxon's solution to travel in Bonn city centre

## French Economists Call for Action

Similar to the statement made by 2,500 American economists in March, their French counterparts yesterday issued a call for action on climate change. Amongst the signatories were names such as Gérard Debreu, Professor at Berkeley University and Nobel prize-winner, and other well known French economists such as Edmond Malinvaud, Michel Aglietta, Jean-Jacques Laffont and Roger Guesnerie. Unfortunately their call for significant preventative action has not been heeded by some of those to whom it was addressed, as demonstrated by the announcement of such a weak US proposal. However, the statement was primarily aimed at the French government.

Here are a few extracts from the text:

"As economists, we measure the long-term effects of climate change on economics, societies, and the natural balance, as well as the constraints that unemployment, competition and uneven development impose on decision-making. We know that choices are difficult to make. While the welfare of future generations may be affected if the alarms sounded by scientists are neglected, we should not impose excessive sacrifices on current generations to abate risks the extent of which is still controversial.

However, neither economic realism nor the complexity of the problem can justify inaction. The inertia of economic and technical systems, as well as that of natural systems, is such that any delay in decision-making could incur very significant future costs... The use of economic incentives will create synergies between environmental and economic policies..."

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## CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

### NGO Intervention

*The following was presented by  
Yasuko Matsumoto, Greenpeace Japan,  
to the AGBM Plenary, October 22nd 1997*

Thank you, Mr. Chairman:

Today, I am speaking on behalf of the Climate Action Network, a coalition of non-governmental organizations working to achieve the objective of the Framework Convention on Climate Change.

I am also speaking as a citizen of Japan.

Today marks the beginning of the last negotiating session of the AGBM before we meet in my country this December. It is important and timely that we remind ourselves at this important juncture of why we are here.

In Berlin, April 1995, Parties including the G-77 and China, members of OPEC and OECD, agreed that the current commitment – the aim to stabilize greenhouse gas emissions at 1990 levels – were inadequate and did not take the world far enough in meeting the objective of the Convention – i.e. to prevent dangerous interference with the world's climate system.

Now, more than two years later, Japan, and possibly the United States, are making proposals for targets and timetables that are ten year extensions of the target we already agreed was inadequate. Parties should also be reminded that stabilization of emissions does not stabilize

concentrations in the atmosphere – only reductions of sixty per cent and more can achieve that.

What is our Convention on climate change for?

Is it a trade agreement? No, it is not. Is it an economic treatise? No, it is not. The Climate Convention is an environmental agreement that is to protect the earth's climate system and all the people and species dependent upon it.

My country's proposal of a non-legally binding maximum reduction of five per cent is not in keeping with the Ministerial Declaration of COP2. My country's proposal only succeeds in lowering the overall level of the negotiation by shifting the balance in favour of the weakest positions.

Japan has only succeeded in paving the way for the U.S. to rationalize why it is acceptable to offer a small target. It seems to us that many developed country Parties are not negotiating in good faith.

Mr. Chairman, there are many loopholes being opened up in the negotiation of emission targets. These would enable Annex I Parties to substantially increase their emissions despite any target adopted in Kyoto.

Of particular concern to us is the issue of HFCs, PFCs and SF<sub>6</sub>. These gases are increas-

ing rapidly and by 2010 their emissions will be equivalent to 10% of the 1990 Annex I CO<sub>2</sub> emissions. It is wrong that some parties are wanting to exclude these from the Kyoto target. They must be included.

Parties need to expand their understanding of their national interest to include the factors our economies depend on, the atmosphere, our climate system, our own environments and the impact on human health.

Mr. Chairman, I want to be proud of my country on this issue. Japan has not given me this chance.

I have observed these negotiations over the past eight years. For eight years I have watched AOSIS ask Parties to act urgently. For eight years, Parties have not answered AOSIS' call. And for eight years I have watched emissions increase.

Today there is an opportunity to do something right for the atmosphere, the climate and the future of humanity.

Today is the day my country could recover its pride by abandoning its unacceptably weak target.

Today is the day the US must exceed the embarrassingly weak Japanese proposal, and listen to the voices of AOSIS.

Thank you.

*South Scoops, from front page*  
into the 21st century. If not entirely meeting environmental goals, it would be economically manageable, technically feasible and politically realistic.

On paper, developing nations now have a more advanced position than the EU because the reductions would need to be made in each of the three greenhouse gases, and not just in the "basket" that the EU has put on the table. While early action by 2005 is essential for maintaining the momentum of the Convention process and for redirecting energy sector investment, the inclusion of a goal for 2020 is a useful first step towards a longer-term framework for achieving the "ultimate objective" of the Convention.

The Tanzanian delegate added the following proposals:

- emissions of HFCs, PFCs and SF<sub>6</sub> should be controlled and phased out;
- QELROS must be achieved primarily through domestic action, thereby limiting unrestricted scope for joint implementation;
- a compensation fund for developing countries which might experience economic impacts as a result of reductions by Annex I Parties;
- a "clean development fund" to be agreed by

the COP to assist developing countries in achieving sustainable development. This would be funded by Annex I Parties which fail to meet their commitments but it also would be open for voluntary contributions from the same Parties.

Could the EU achieve the targets being put forward by G-77 and China? There seems to be no real obstacle. The European Commission expects methane emissions to fall by up to 15% by 2010 through business-as-usual developments and it envisages significant reductions being possible in nitrous oxide emissions. Both could be achieved at relatively low cost. Regarding CO<sub>2</sub>, the European Commission's analysis demonstrates how the EU could reduce its emissions by at least 17% by 2010. And the benefits would more than likely exceed the costs of compliance.

Although President Clinton has disappointed the world by caving in to pressure from the fossil fuel lobby, the US can achieve far more than he thinks (as demonstrated by a recent WWF study, see article – page 2). This is hardly surprising when one considers that the US uses twice as much energy as Europe and three times more than Japan to generate equal

economic wealth.

Despite its past performance in improving its energy efficiency, Japan's lead is now flagging. According to CASA, based in Osaka, Japan could cut its CO<sub>2</sub> emissions by 21% by 2010 by exploiting 91 technologies that are either already commercially available or are expected to be introduced on a substantial scale by 2010.

Japan and the United States now remain outside today's consensus as "extremists", turning their backs on both the science of climate change and the terms of the Berlin Mandate under which emissions must be reduced.

If Annex I Parties are serious about reaching a positive outcome in Kyoto, they must support the QELROS tabled by the G-77 and China, which speak for the majority of the world's population.

### THANKS

The Climate Action Network would like to thank the Environment Ministries of Germany, Denmark and the Netherlands, who have provided funding for Eco. With resources contributed by: APC Networks and EuroFax.

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TELEFAX

FAX to: 001 202 647-0217

DATE: 23 October 1997

TO: Ms. Conchita DeShazo, OES, FAX 202 647-0217

FROM: Mark G. Hambley

SUBJECT: Climate Talks: Addendum for Update No. 4 (Oct 22/23)

Text: Conchita: Please pass this report (which is the addendum to our long report sent earlier today) to the usual individuals on the attached list. It includes the following documents:

- (a) U.S. intervention at the Oct 23 QELROS "non-group" on our target and time-table.
- (b) The reaction of the European Union to the President's Announcement, and
- (c) The reaction of the British to this announcement

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**The U.S. Position on Targets and Timetables  
The U.S. Intervention to the Non-Group  
on Quantified Emissions Limitation and Reduction Objectives  
October 23, 1997**

Thank you Mr. Chairman.

On June 26 of this year, at the Special Session of the United Nations General Assembly in New York, President Clinton outlined the importance which the United States attaches to the problem of global warming, calling it one of the greatest challenges facing the globe in coming decades. Acknowledging the compelling importance of the science, the President also noted the significant contribution made by the United States to this problem. He undertook to personally engage the American public on this issue and to pronounce an aggressive program to reach an outcome in Kyoto based on objectives which are realistic and achievable. This is what the President promised in June. And he has delivered on that promise.

In terms of public education, the President took the lead to hold a series of meetings and symposia at the White House or under White House auspices which brought together renowned scientists, meteorologists, economists, academics, NGOs, and leaders of commerce, industry and labor in a nearly unprecedented effort to inform, listen, and urge a vast sampling of U.S. public opinion on the threats of global warming and of the opportunities and challenges which this critical problem provides. There is little doubt that, although some television announcers may still have trouble pronouncing global warming, this is a problem whose seriousness has been awakened anew in much of the American public.

This is no trivial matter. As the President has repeatedly reported, the United States -- while producing over 22 percent of the world's wealth, also produces about a quarter of its greenhouse gas emissions. This is a trend which must be stopped, but stopped in a way in which economic considerations are balanced with environmental priorities.

I am sure that many of you are aware that last night, local time, the President of the United States made one of the most significant speeches on the climate change issue -- and perhaps on any issue in the pantheon of international affairs -- of our era. President Clinton's speech marked the beginning of a globally more aggressive effort to combat the threat of climate change. His speech also marked the beginning of a new effort to undertake realistic and achievable -- yet aggressive -- efforts to reduce greenhouse gas emissions. Make no mistake about it: the enormous capacity of the United States has, with this extraordinary commitment, been channeled to combating the threat of climate change.

Let me review for you some of the specifics of our proposal. Through a flexible, market based and cost-effective approach, we are committed to an agreement which includes three elements:

- First: we commit to a binding and realistic target of returning emissions to 1990 levels in a budget period between 2008 and 2012. We will commit to reducing net emissions of all GHG below 1990 levels in the five year period thereafter (between 2013 and 2018) -- and will work for further reductions in the years beyond that. Let me set this in context: in absolute levels of emissions reductions, this commitment is the equivalent of cutting almost 30 percent from our baseline -- in relative terms, a reduction greater than that proposed by the European Union. With our proposal to include all gases, including HFCs, PFCs and SF6, it becomes even larger and further highlights the aggressiveness of our approach compared to others. In actual tons of emissions reduced, we are proposing to cut more than 400 million metric tons annually from our budget -- more than the total emissions of most countries in the world. Historically, it will reverse an emissions growth trend that has been part of the U.S. economic and development pattern since the industrial revolution. Even during the oil shocks of the 1970's, our emissions did not stabilize -- yet in a period of less than a decade, we are proposing to restructure our concept of how to consider economic growth. We are proposing to redevelop our world around a new vision of sustainable development -- one that would

delink the economy from greenhouse gas emissions, allowing the former to grow, while the latter shrinks.

- Second, the President proposed a series of flexible mechanisms for achieving legally binding limits. He called upon the world to recognize the enormous potential provided through such market mechanisms as emissions trading and joint implementation. As he made plain, these innovations will cut world-wide pollution and help developing countries protect their own environments without sacrifice to economic growth. The advantages of these mechanisms are patently obvious: economic analysis supports them, practical experience supports them, and to ensure that we hand a climate-friendly world to our children and grandchildren, we too should support them.
- Third, the President reiterated a call for both industrialized and developing countries to participate in meeting the challenge of climate change. He recognized that developed countries must lead – but insisted that developing countries also be engaged. Let me reiterate his view: “The United States will not assume binding obligations unless key developing nations meaningfully participate in this effort...a global problem such as climate change requires a global answer.” His comments reflect the facts: if the entire industrialized world reduces emissions over the next several decades but emissions from developing countries continue to grow at their current pace, concentrations of greenhouse gases in the atmosphere will continue to climb. Developing countries have an opportunity to chart a different energy future – consistent with their growth potential and their legitimate economic aspirations. We must see to it this alternative road is traveled; the present course surely leads to a climate disaster.

Unlike many other governments which announced emissions goals, President Clinton simultaneously announced a domestic program to meet this ambitious target. He proposed an unprecedented \$5 billion series of tax incentives and research and development investments to encourage energy efficiency and the use of cleaner energy. He proposed providing incentives for early action by the private sector, with credit for companies which show the way to a lower greenhouse gas future. He proposed the creation of a domestic market-based system for reducing emissions – a system that will tie both our national efforts and the international program into a cost-effective global emissions market. He proposed “reinventing” the way the U.S. federal government (our nation's largest energy consumer) buys and uses energy. And, he proposed a bold new plan for electricity restructuring, which is anticipated both to reduce emissions and save on consumer energy costs.

Many here will undoubtedly criticize this plan as being insufficient. Last night, for example, I heard someone who sounded remarkably like a distinguished colleague in this room articulate his concerns on the CNN “Q & A” (“questions and answers”) program that the U.S., with the great capacities acknowledged by the President, could not immediately move to reduce emissions in line with some of the other proposals currently before us. In fact, Mr. Chairman, as I have briefly outlined to our “non-group” this morning, we are moving in a way in which the capacities of the American people for technological innovation and economic enterprise will be immediately and intensively engaged to respond to the climate change challenge. The Berlin Mandate called upon nations to begin a process to enable appropriate action for the period beyond 2000. Our proposal not only begins the process – it sets in motion a whole new paradigm through which the nations of the world can ultimately anticipate relief from the potential catastrophe of unchecked global warming. It is a first step – but a first step which establishes a structure for additional steps to follow. We anticipate that the governments represented in this room will recognize this initiative for what it is: an extraordinary and constructive proposal that points the way to a success in Kyoto in December. We look forward to working with you all to make this vision a reality.

Mr. Chairman, it is clear that in light of the President's statement, we will have a number of changes to propose to the texts of the various articles to be considered in this non-group. We will address those during the course of our review of individual articles and paragraphs. Thank you, Mr. Chairman.

### **AJJ Informal Contact Group**

The U.S. proposed in its intervention in Monday's SBI that the Conference of Parties should: 1) decide that parties may take credits toward post-2000 emission limitations and reduction obligations, 2) adopt the Uniform Reporting Format, and 3) to continue methodological work through the SBSTA according to a work plan and timeline. A joint Informal Contact Group on Activities Implemented Jointly was convened by the chairs of SBSTA and SBI to consider proposals for COP3 on AJJ. The AJJ contact group is being co-chaired by Diego Malpede, Argentina and Yvo De Boer, Netherlands.

There were extended deliberations in three sessions (attended by more than 50 representatives of developed and developing countries) concerning the proposed contents of the *Draft Conclusions by SBI/SBSTA* and the *Recommended Draft Decisions for COP3* (to be included in a SBSTA/SBI document). As an outcome of the second session, several Parties were asked to draft text to be included in a revised decision, specifically on credits (U.S., Canada and Costa Rica) and a workplan and terms of reference for conducting a review of the pilot phase (Switzerland). The co-chairs and the Secretariat prepared a revised text for consideration at a session on Wednesday, October 22, which included the key points raised by the U.S.

Support for the U.S. position, and the co-chairs' revisions, came from Canada, Norway, Switzerland, and Japan. Vocal opposition to advancing the pilot phase, credits, developing a work plan on methodological issues, and establishing terms of reference came from China, Malaysia, Saudi Arabia, Philippines, Antigua and Barbuda, the EU, and Brazil (which was in support of credits after the pilot phase). Most of the comments in opposition to the text advanced were based on the view that not enough progress has been made in the pilot phase, that more experience is necessary, and that there is not enough diversity in the projects that have been reported to the Secretariat, although recent Secretariat reports do not support this perception.

When it became apparent that there was not going to be agreement on components of the Recommended Draft Decision for COP3, the co-chairs bracketed the entire text of the Draft Decision for COP3, and asked representatives to discuss the bracketed text within their respective delegations for further consideration at an as yet unscheduled session of the contact group.

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(b)

**CLIMATE CHANGE:  
STATEMENT BY THE DEPUTY PRIME MINISTER, JOHN PRESCOTT  
ON PRESIDENT CLINTON'S ANNOUNCEMENT.**

"It is only six weeks until the nations of the world will take decisions in Kyoto which will have a profound effect on the future of our planet. The Prime Minister pressed the United States in Denver and New York in June to put a proposal on the table for the commitment which they were prepared to make on greenhouse gas emissions.

"I welcome the fact that President Clinton has now done that, and that the real negotiations can therefore start. Given the opposition that he has faced from some quarters within his own country on climate change, I know that this has not been easy for him. Obviously we would like more, but this is a useful first step towards Kyoto.

"The world expects reduction in greenhouse gas emissions to be agreed in Kyoto. The European Union position is clear: we believe that a reduction of 15% by 2010 is both necessary and achievable.

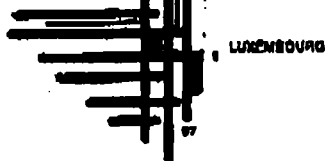
"As part of the UK's preparations for Kyoto, the Prime Minister has asked me to take the lead in visiting a number of countries who will be key players in the negotiations in order to assess their positions. I sincerely hope we can make the necessary progress in the run-up to Kyoto to make a success of this very important conference."

|         |             |                                                                                                                           |
|---------|-------------|---------------------------------------------------------------------------------------------------------------------------|
| To      | JAYNE KAYNE | <br>Post-Net Fax Note<br>Ref No 7444 |
| Country | 276 8285    |                                                                                                                           |
| From    | CA Division |                                                                                                                           |
| Country | 2 page      |                                                                                                                           |
| To No   |             |                                                                                                                           |

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

(Bonn, 23 October 1997)



(C)

The EU has for a long time called for the US and other major industrialised countries to put forward proposals for substantive reductions, in line with their international commitments.

We welcome the fact that Japan and now the US have put figures on the table.

The EU notes the fact that our serious concern on the risks of climate change is fully shared by the US. In addition we recognise that the US also shares our view that there exists a big potential to reduce GHG emissions domestically at low cost through improved energy efficiency and the elimination of energy waste. Such policies and measures can create economic opportunities, as correctly underlined by President Clinton. However, we do not see these facts properly reflected in the proposed targets and we would obviously like to see more in the negotiations .

We have made clear before that the science calls for early action on emission reduction and indicates the need for significant reductions below 1990 levels from industrialised countries after 2000. That is why the EU has proposed that developed countries must agree at Kyoto to reduce greenhouse gas emissions by at least 7.5% below 1990 levels by 2005 and by 15% below those levels by 2010. We are convinced those reductions are both necessary and achievable. We very much welcome that the G77 and China yesterday endorsed these levels of targets, which now have the support of a very large majority of countries. We are convinced that all developed countries must face up to their responsibilities to take the lead.

It will be clear to all that the Japan and US proposals are a long way from this position. The US proposal is for an even lower target than that proposed by Japan, which we already considered inadequate to tackle the problem of climate change.

Serious negotiations are needed if Kyoto is to produce the successful outcome the world needs. The EU will continue to seek an intensive dialogue with all Parties during this session and in the period leading to Kyoto.

Climate Talks, Bonn, Germany  
October 20-31, 1997

Revised 10/21/97

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| State       | Jack Schick           | (202) 647-4069          | (703) 790-5736 |
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| Commerce    | Laurence S. Campbell  | (202) 482-3038          | (202) 482-0325 |
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| NOAA        | Terry Garcia          | (202) 482-3567          | (202) 482-6318 |
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| Treasury    | Bob Boorstein         | (202) 622-0486          | (202) 622-0073 |
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| Agriculture | Charlie Rawls         | (202) 720-6158          | (202) 720-5437 |
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| EPA         | Richard D. Wilson     | (202) 260-7400          | (202) 260-5155 |
| EPA         | David Gardiner        | (202) 260-4332          | (202) 260-0275 |
| EPA         | Avis Robinson         | (202) 260-3354          | (202) 260-6405 |
| EPA         | Paul Stolpman         | (202) 233-9140          | (202) 233-9598 |
| DOE         | Abraham Haspel        | (202) 586-5316          | (202) 586-3047 |
| DOE         | Mark Chupka           | (202) 586-5800          | (202) 586-0861 |
| DOE         | Mark Mazur            | (202) 586-7700          | (202) 586-9626 |
| DOE         | Howard Gruenspecht    | (202) 586-5337          | (202) 586-5391 |
| DOT         | John Lieber           | (202) 366-4450          | (202) 366-7127 |
| OVP         | Pete Jordan           | (202) 456-9501          | (202) 456-9500 |
| CEQ         | David Sandalow        | (202) 456-6543          | (202) 456-2710 |
| CEQ         | Steve Seidel          | (202) 343-1092          | (202) 343-1163 |
| CEQ         | Katie McGinty         | (202) 456-6224          | (202) 456-2710 |
| USAID       | David Hales           | (202) 712-1750          | (202) 216-3174 |
| USAID       | Leslie Cordes         | (202) 712-5304          | (202) 216-3230 |
| WH          | Todd Stern            | (202) 456-2702          | (202) 456-2215 |
| L/OES       | Evan Bloom/Bob Harris | (202) 647-1370          | (202) 736-7115 |
| NSC         | Jim Steinberg         | (202) 456-9491          | (202) 456-9490 |
| NEC         | Gene Sperling         | (202) 456-2807          | (202) 456-2878 |
| NEC         | Dan Tarullo           | (202) 456-5353          | (202) 456-1605 |
| NEC         | Peter Orzag           | (202) 456-5358          | (202) 456-2223 |
| USTR        | Jennifer Haverkamp    | (202) 395-7320          | (202) 395-4579 |
| USUN        | Burgess Laird         | 6-7583                  | 6-7551         |

24 October 1997

cc: JAF  
SY  
MJ  
Am  
JrA**Memorandum**

**To:** Please See the Attached List

**From:** USDEL/Bonn -- Mark G. Hambley

**Subject:** Climate Change Talks, Update No. 5: Activities for October 23/24, 1997

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-8), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon sessions on Oct 23 through the morning meetings on Oct 24. Additional reports on the QERLOS discussion on Oct 23, plus reports on various CTI discussions, are also included, as is the latest issue of the "Earth Negotiations Bulletin." Although the contents are unclassified, they are not intended for attribution or for use outside the U.S. Government. The final paragraphs of this report can be used as a submission to the Daily Activities Report (DAR) as desired or appropriate.

**Climate Changes Talks, Update No. 5: Negotiations Shift into Higher Gear**

Negotiations have shifted into high gear, although this is not apparent in the lack of substantive progress being made on most fronts. Discussion in the INSTITUTIONS debate is proceeding at an excruciatingly slow pace. Most significantly, the G-77/China is striving to place into the "objectives" portion of the text language which enshrines the principle of "no new commitments for developing countries." This effort is being repeated at each and every opportunity. A policies and measures (PAMs) contact group (consisting of Venezuela, the EU, USA, Japan, and Russia) has been established to look at specific portions of the text. Article 4.1 met for the first time on Oct 23 with problems arising with the discussion of the chapau, with the G-77/China insisting on a reference to common but differentiated responsibilities. Regarding the proposed listing of measures to be taken by all Parties, the G-77/China has made it patently clear that no listing will be acceptable because it smacks too much as a "commitment."

The QERLOS discussions under Swedish Ambassador Bo Kjellin worked in the cramped quarters of 'the Studio' -- a room configured like a surgical teaching theatre -- on a variety of topics including one dealing with baselines for economics in transition, while SBSTA dealt with such weighty issues as relations with the IPCC and AU. Fuller reports will be forwarded in a future update.

Meanwhile, visiting White House visitors David Sandalow and Dirk Forrister have made a positive impact through their briefings with the U.S. and international press (no especially hostile questions), U.S. business and environmental NGOs, and JUSCANZ, although there was no new support for our position outside the expected quarters. Separate meetings have been held with Chairman Estrada, Canada, China, Brazil, the UK, Russia, and the European Union. A more complete report of these conversations will follow in Update 6. Suffice it to note that we have found no movement on either II or developing country issues (not to mention on the all-important targets issue). China suggested that an amendment is a real possibility given the "modest" commitments being suggested by some Annex I Parties. The UK said that the EU is focusing only on a protocol but noted that the Commonwealth

Meeting later this week in Edinburgh will be used to promote climate change (including a modest JI effort in response to the Clinton/Blair telcons).

The Russian meeting provided an opportunity to begin the new "dialogue" we hope to open with the Russians this week, following up on the Pomerance-Bedritsky talks of mid-October. The EU talks, unfortunately, did not go anywhere. Key negotiators were not present (the Germans, Dutch for example) and the question period was dominated by Henning of the EC, Bo Kjellin of Sweden, and mid-ranking Dutch and Danish officials who pressed us for answers on production and consumption and similarly arcane topics. At the end of this discussion, the UK rep (the solid deputy to Peter Unwin) summed up the meeting with the remark to a member of USDEL by complaining: "What a wasted opportunity, listening to the Danes talk about wind mills." The Luxembourg coordinator told us we should arrange a smaller meeting with Troika members only during the coming week. We agreed to do so.

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

#### **Climate Changes Talks, Update No. 5: Negotiations Shift into Higher Gear**

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TO: Amb. *W. W.*  
FROM: *Sharon Sule*

QELROs Discussion, Thursday Morning, October 23

AGBM Chairman Estrada opened the QELROs session to split QELROs into two subgroups: the first subgroup will continue to be chaired by Gylvan Meira of Brazil and will discuss the most technical issues including the level of target and timetables, methods, reporting, and coverage of gases and sources/sinks (Article 3, 4, 7, 11, Annexes B and C and Attachments). The second subgroup will be chaired by Ambassador Bo Kjellen of Sweden, and will cover the policy issues of banking, borrowing, emissions trading, joint implementation and voluntary commitments for non-Annex I Parties (Articles 3.4, 3.13, 3.14, 5, 6, 8, 10). The Chairman indicated that this was for expediency for preparing text, and promised that the two subgroups would not meet simultaneously. Several G-77 Parties and China objected to this division of labor, but without success.

Ambassador Mark Hambley read a statement to introduce the President's announcement of his specific plan, including targets and timetables, to address the problem of global warming. Mark summarized the position as containing three major components: the binding target in two 5-year budget periods, to achieve 1990 levels in 2008-2012, and a reduction below 1990 levels in 2013-2018; the flexible mechanisms of emissions trading and joint implementation with credit; and the requirement that the US agreement for binding targets be linked to an agreement for key developing countries to be meaningfully engaged.

Following our statement, the QELROs subgroup addressed Article 3.1. It was the general feeling of the non-group that most Parties agree that this protocol should codify legally binding targets. With that in mind, the G-77 indicated that it was proposing that Article 1 be reworded based very closely on Article 2.2a of the Berlin Mandate (basically 'each Annex I Party shall achieve QELROs within the timeframes of 2005, 2010, and 2020 for emissions and sinks of CO2 and other GHGs'). The US proposed language codifying budget periods (basically 'each Annex I Party shall ensure that its net anthropogenic emissions of GHGs do not exceed its emissions budget for any applicable period, as defined below'). The EU again hinted that it found the idea of 5-year budget periods attractive, although it reiterated its position in support of its single year target milestones of 7.5% reduction from 1990 levels by 2005 and 15% reduction below 1990 levels by 2010. Interestingly, Gylvan Meira rather strongly hinted that he would prefer to interpret the US position as supportive of establishing 4 evenly spaced 5-year budget periods to cover the "consensus" that the timeframe of the protocol should cover 2000 to 2020. (Note - Jonathan could not have been clearer in restating the US position that legally binding targets beginning in 2,000 or even 2005 would be unacceptable, but this objection was never really recognized by the Chair.) In any case, many countries expressed support for some sort of simplification - the Chairman indicated that he would work individually with various Parties to try to find common ground text between the US and G-77 proposals.

The QELROs subgroup then moved on to paragraph 3.2 - Parties which supported differentiation expressed support for this paragraph referring to an Attachment to contain the list of commitments for each Party. (Switzerland noted the lack of an explicit reference in the text of para 3.2 to the Attachment and likewise in the Attachment the lack of an explicit reference to para 3.2). The US and the EU, which oppose differentiation indicated our preference for deleting this paragraph and the attachment as unnecessary (and we also noted our concern as to whether the attachment mechanism was even properly legal.)

## *SUBMITTED BY PAUL SCHWENGELS*

### **Climate Technology Initiative (CTI) side meetings**

The CTI Ad Hoc Group met on Monday 20 October, with discussions focusing on preparations for Kyoto. The group has agreed to produce a written progress report and other information to be distributed, and to organize a high profile CTI event, on December 4, which will include discussions of CTI results and goals, signing of joint statements of intent to collaborate on climate friendly technology development and diffusion with organizations such as the World Business Council for Sustainable Development, the E-7 Group of Electric Utility companies, the International Standards Organization, etc., and signing of memoranda of intent for cooperation on several international technology research projects. The group also received for review a draft Ministerial Statement on CTI to be presented at COP-3. The written material will consist of a folder with inserts including a brief summary of CTI, and short progress report, 1-page flyers would be prepared by CTI Task Forces. The group produced and agreed draft text for joint statements to be signed with E7 and the International Electrotechnical Committee (IEC). A proposed Asian Regional Seminar to be cosponsored by CTI members and industry groups in Beijing was discussed. The CTI Chair, Mr. Oshima, proposed that statements of corporate support for CTI be invited and incorporated into the Kyoto material. However, concerns were expressed regarding the merit of insubstantive endorsements in principle, absent more concrete participation in CTI activities. Finally, the next meeting was scheduled for 3 December in Kyoto.

CTI Task Forces (TF) 2 and 3 met on Tuesday 21 October Chaired by Paul Schwengels with Jerry Pell serving as recording secretary, and discussed the draft Action Plans for the two Task Forces that had been issued in advance, and solicited further comments prior to preparing final documents for Kyoto. Also discussed was the proposed Asian Regional Seminar, as described above. It was noted that long term plans anticipate workshops on a continuing basis, but the need for broader support from more countries was stressed. It was suggested that the TFs work more closely with the IEA, as well as with CC:FORUM. Additional possibilities for collaboration include UNEP, UNIDO, etc. Some discussion ensued regarding light participation by member countries in the work of the TFs, as evidenced by the low attendance. In a discussion, after the meeting, the German government indicated a possibility of providing cosponsorship for the proposed Asian Regional Seminar to be held in March 1998.

### **CTI/NGO Seminar on North-South Dialog on Climate Change and Technology Cooperation**

On October 22, the CTI and several NGOs sponsored a seminar on an ongoing dialog on climate change and technology cooperation issues. The CTI has provided support and cooperation for a series of regional workshops in developing countries to begin a dialog on climate change issues, with a focus on technology cooperation opportunities. The NGO partners are the Bangladesh Centre for Advanced Studies (Dhaka, Bangladesh), the Pacific Institute for Studies in Development, Environment and Security (Oakland, CA, USA), the Woods Hole Research Center (Woods Hole, MA, USA), Environment and Development Action in the Third World (ENDA, Dakar, Senegal) and the Graduate School of Engineering in the Federal University of Rio de Janeiro (Brasil). CTI and These groups jointly sponsored a

seminar presenting results of two regional workshops and model projects and programs illustrating GHG reducing actions already underway in developing countries. The Meeting was Co-Chaired by Ambassador Raul Estrada (Chair of the AGBM) and Ms. Rene Dempsey-Clifford of Ireland, (Co-Chair of the CTI Ad Hoc Group). The results to date provide a sense of the significant possibilities for "win-win" actions which promote sustainable development and GHG mitigation simultaneously, and provide a basis for a proposed second stage which will identify the opportunities and technology cooperation needs in much more detail.

#### **CC: FORUM**

Also on 21 October, Paul Schwengels and Jerry Pell represented the US Country Studies Program at a meeting of CC:FORUM, an informal group chaired by the FCCC Secretariat to coordinate efforts of bilateral and multilateral programs supporting enabling activities and national communications in developing countries. Discussions led to tentative agreements with the UNFCCC Secretariat and CC:TRAIN to collaborate on shared interests with the USCSP and CTI, primarily in the areas of electronic communication, methodologies and training. It was also agreed that CC:FORUM would organize a session in Kyoto on coordinated activities of a number of bilateral country studies programs and UN enabling activities, contingent on the availability of meeting space. This session would showcase a full range of technical support which has been provided to developing countries and key results the studies and projects to date.



# Earth Negotiations Bulletin

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24 October 1997

## HIGHLIGHTS FROM THE MEETINGS OF THE FCCC SUBSIDIARY BODIES 23 OCTOBER 1997

Delegates to the eighth session of the *Ad Hoc* Group on the Berlin Mandate (AGBM-8) met in "non-group" sessions on quantified emission limitation and reduction objectives (QELROs), advancing the implementation of Article 4.1 and institutions, mechanisms and compliance. The Subsidiary Body for Scientific and Technical Advice (SBSTA-7) held an informal meeting with the Intergovernmental Panel on Climate Change (IPCC). The Chair of the AGBM conducted a briefing for observers on the progress of negotiations.

### OBSERVER BRIEFING

AGBM Chair Raúl Estrada-Oyuela (Argentina) reported that AGBM-8 delegates should focus on producing consensus, but noted that many were still "playing games with brackets." He also said that a new "non-group" (QELROs-2) chaired by Bo Kjellén (Sweden) was established to address some aspects of QELROs, as well as articles related to, *inter alia*, emissions trading, joint implementation, voluntary commitments, review of national communications and review of commitments. The non-group Chairs gave brief statements on the upcoming work of their groups.

Responding to questions regarding the US position, announced by President Clinton on Wednesday, he noted that a number of questions would need to be answered. He characterized the position as a "modest" offer but said he was impressed that the US President had taken up the issue himself. He said the outcome will depend upon the reaction of other delegations, but noted that a position issued from a Head of State does not leave much room for flexibility.

### NON-GROUP ON QELROs-1

The US introduced its position as announced by President Clinton on Wednesday. The position contained three elements. The US will commit to a binding target of returning emissions to 1990 levels in a budget period between 2008 and 2012, to reducing net emissions of all GHGs below 1990 levels in the five-year period thereafter (between 2013 and 2018), and working for further reductions in the years beyond that. It also called for a series of flexible market mechanisms, including emissions trading and joint implementation. The US will not assume binding obligations unless key developing countries meaningfully participate. He said this posi-

tion reflects the fact that if the entire industrialized world reduces emissions while developing countries continue to grow at their current pace, GHG concentrations will continue to climb.

The US also recalled that President Clinton announced a domestic program, including a US\$5 billion series of tax incentives and research investments to encourage energy efficiency and the use of cleaner energy. He also proposed the creation of a domestic market-based system for reducing emissions that will tie national efforts into a global emissions market.

On the discussion of the consolidated negotiating text, there was agreement that "each" of the Annex I Parties would take on commitments regarding targets. Delegates discussed whether Annex I Parties would "reduce," "limit" or "stabilize" anthropogenic emissions of GHGs with a "net" or "aggregate" approach and whether they would do it individually or jointly. A regional group favored reducing or limiting emissions of GHGs jointly and with an aggregate approach, but met objection from one country. A group of countries proposed that commitments for Annex I Parties be spelled out within the text instead of appearing in an attachment.

### NON-GROUP ON INSTITUTIONS AND MECHANISMS

Delegates in the non-group on institutions and mechanisms agreed that there was no need to recapitulate elements from the FCCC in the preamble. On the article listing definitions, delegates agreed to delete text on the role of the Meeting of the Parties. A regional group introduced a new draft article based on the IPCC's scientific findings. Non-group Chair Takao Shibata (Japan) invited a number of delegations to consult on a substantive proposal to insert references to the FCCC objectives in the negotiating text. There was some resistance to a follow-up suggestion that the negotiating text also refer to FCCC principles. Of the two proposals contained in the negotiating text on the senior body to oversee the Protocol, the alternative which describes the Conference of the Parties as the supreme body of the Protocol attracted most support. The Chair offered to incorporate a number of points raised by one delegation into a fresh version of the preferred text. There was general support for institutional economy through which the existing institutions serve the purposes of the Protocol, and negotiators will endeavor to detail any new COP functions arising from new responsibilities.

### NON-GROUP ON ARTICLE 4.1

The non-group on advancing existing commitments in Article 4.1 chaired by Evans King (Trinidad and Tobago) met in the morning and discussed the chapeau and second paragraph of the

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AGBM Chair's draft. There was some support for adding a reference to common but differentiated responsibilities. Delegates could not agree on whether to advance commitments "in accordance with" Convention Articles 4.3, 4.5 and 4.7 as favored by developing countries or "taking into account" those articles as proposed by developed countries. Delegates disagreed about a portion of a consensus text offered by the non-group Chair in which parties would work toward sustainable development. A delegation suggested replacing the chapeau with Convention and Berlin Mandate language.

On three sub-paragraphs describing national inventories and related methodologies and cooperation, delegates debated whether the text constituted a new commitment for developing countries or was a clarification of existing common but differentiated commitments. A regional group suggested combining sub-paragraphs on inventories or methodologies. Another group suggested replacement text for all three. A delegation proposed deleting all references to the Convention and to financial resources. A small group was convened in the evening to try to address the various recommendations.

### SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNICAL ADVICE

Dr. Robert Watson introduced a paper containing 16 decisions of the IPCC taken at its September meeting. He noted that the Third Assessment Report (TAR) would cover a range of scientific, technical, economic and social issues. It will consist of reports of IPCC Working Groups I (scientific aspects), II (vulnerability of systems) and III (mitigation), and will focus heavily on regional aspects. The three Working Group reports, which will be approved by late 2000 or early 2001, will be integrated into a policy relevant Synthesis Report, which will be completed by the second quarter of 2001.

The Synthesis Report will be written in a non-technical style suitable for policymakers and will address a broad range of key policy relevant questions. The IPCC Chair and the Working Group Co-Chairs will develop these questions in consultation with the President of the COP and chairs of other FCCC bodies. The questions will be circulated to governments for comment, and the IPCC will approve them at its Fourteenth Session.

The IPCC also took decisions on enhancing participation of experts from developing countries and countries with economies in transition, as well as business and development organizations. Other decisions related to: scope of the working groups and nominations of lead authors; peer-review process for the Working Group Reports and the TAR; the editorial review process; utilization of non-English language literature; the structure of the IPCC Bureau; publication and translation procedures; and the financial task team.

SBSTA delegates asked a number of questions regarding IPCC decisions, such as: whether the IPCC would consider developing an overall environmental objective for the FCCC processes; whether existing long-term observation and satellite systems were adequate; and whether the IPCC deadlines for comments were flexible. Other questions raised were: whether the "business as usual" scenario changes by applying IPCC recommendations; what impact would developing countries' actions have in changing it; and whether reducing emissions sooner rather than later would "buy" greater climatic resilience and certainty.

On the TAR, delegates asked: whether uncertainties in projections and conclusions would be addressed; whether research methodologies and techniques would be adequately spelled out; and whether several options and scenarios would be included to allow the reader to draw her own conclusions. Delegates also asked whether the TAR would include adaptation options and impacts, particularly for developing countries; rely heavily on numerical models or use historical models as well; whether the synthesis report would address policy questions made by SBSTA; would the link, if any, between "El Niño" and global warming be addressed; and how would IPCC and SBSTA coordinate their schedules to ensure that TAR was sufficiently informed by SBSTA.

### IN THE CORRIDORS

Reactions to the US positions were the order of the day in the corridors. Some "disappointed" EU delegates agreed with many of the facts underlying the US position, but said these facts were not properly reflected in the proposed targets. Recalling that the IPCC science calls for early action and indicates the need for significant reductions below 1990 levels, many said the US target, which is even lower than Japan's "inadequate" target, is a "long way" from this and intensive dialogue with all Parties was needed.

Some developing countries delegates were not surprised by the US position and said the G-77/China proposal was intended to counter-balance it. One developing country observer noted that the US, in promoting its containment policies, has played several unilateral cards worldwide as of late and speculated that inflexibility in this forum could lead to failure. Another said that no protocol is better than a protocol with new developing country commitments.

Environmental NGOs have begun preparing their strategic response, determined to "salvage" the AGBM process and ensure that a reported "celebration" by the business lobby on Wednesday evening was premature. Given the high-level nature of the US announcement, NGOs will focus their efforts on attempts to convince other Heads of State, such as British Prime Minister Blair and Germany's Chancellor Kohl to engage the White House. Japan will also face intense lobbying, as some NGOs have suggested that the host government for COP-3 had paved the way for the US announcement with its own "extremist" position.

The AGBM process is set to continue along parallel negotiating tracks, with "megaphone diplomacy" punctuating the formal talks in Bonn and beyond. One NGO speaker underlined his colleagues' determination to pursue the negotiators to the bitter end in December, with the thought that "it's not over 'til the fat lady sings."

### THINGS TO LOOK FOR TODAY

**OBSERVER BRIEFING:** The observer briefing will be held at 9:30 am.

**QELROs-2 NON-GROUP:** This non-group will meet at 10:00 am.

**SBSTA:** SBSTA will meet at 10:00 am.

**P&Ms NON-GROUP:** The non-group on policies and measures will meet at 3:00 pm.

**QELROs-1:** This non-group will meet at 3:00 pm.

Climate Talks, Bonn, GermanyOctober 20-31, 1997

Revised 10/21/97

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| NEC         | Gene Sperling         | (202) 456-2807 | (202) 456-2878          |
| NEC         | Dan Tarullo           | (202) 456-5353 | (202) 456-1605          |
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| USUN        | Burgess Laird         | 6-7583         | 6-7551                  |

25/10 '97 SAT 14:18 FAX

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25 October 1997

## Memorandum

To: Please See the Attached List

From: USDEL/Bonn - Mark G. Hambley

Subject: Climate Change Talks, Update No. 6: Activities for October 24/25, 1997

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-S), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon sessions on Oct 24 through the morning meetings on Oct 25. Additional, more detailed reports on the following topics are also provided:

- (a) Report on the QELROS Policy Non-Group for Oct 24 (prepared by EPA's Sharon Saile)
- (b) Reports on National Communications from the SBSTA discussions and notes on the contact group on methodologies prepared by DOE's Bill Brecht; and
- (c) Report on the Oct 21 Second Meeting of SBI prepared by USDA's Dr. Carol Whitman.

Although the contents are unclassified, they are not intended for attribution or for use outside the U.S. Government. The final paragraphs of this report can be used as a submission to the Daily Activities Report (DAR) as desired or appropriate.

Climate Changes Talks, Update No. 6: Trading, Banking, and Borrowing Under Growing Assault; U.S. Position "Questioned" by Chairman Estrada; Growing Fractures within G-77/China Group?

## Key Flexibility Features Under Increasing Attack

Throughout Oct 24 and into Oct 25, a number of flexibility proposals favored by the U.S. undercame a near withering challenge from a broad spectrum of countries (mostly from the G-77/China grouping). In the QELROS "policy" non-group (chaired by Sweden's Bo Kjellen), and as is reported in some detail in Report A prepared by EPA's Sharon Saile which is attached, the concepts of emissions trading, banking and borrowing were attacked by the G-77 (Tanzania), India, Iran, China, Colombia, and Uganda (which expressed concern that banking is a concept designed to permit countries to forgo obligations). The G-77 also questioned the need for a multi-year budget and supported a single year target. Supporting banking were Switzerland (somewhat surprisingly), Poland, New Zealand, Australia, Canada, Japan, Russia, and the U.S. The EU supported incentives for early action but did not specifically mention banking. Support for borrowing in the context of non-compliance received heavily qualified support from Norway, Canada, the EU, New Zealand, Japan and Russia. In the later discussion on flexibility for the economies in transition (EIT), the U.S. found itself alone in its desire to have no flexibility for the EIT baseline and other aspects for these countries.

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#### Chairman Estrada Also Joins the Critics

In the QELROS "technical" discussions, chaired by Brazil's Gylvan Meira, positions favored by the U.S. were also questioned or found little to modest support. In discussing the portion of the text dealing with differentiation in para 3 of the revised text, we found ourselves alone in opposing the concept of differentiation. At one point, Gylvan went to take a phone call. Chairman Estrada took the chair and asked the U.S. to explain why it was opposing differentiation? Was the U.S. trying to get everyone to "do nothing" by adopting its proposal for stabilization by 2010? Dr. Pershing ably parried multiple jabs by the chair in this regard for over 20 minutes, making use of these awkward opportunities to elaborate on our proposal. However, the Chairman scolded.

After the session, he was spotted in a back hallway reporting in considerably more angry terms on this exchange to FCCC Executive Secretary Michael Cutajar and other leading members of the Secretariat. He grabbed the passing reporting officer by the sleeve and continued with his diatribe, claiming that the U.S. intent appears to be one of "sabotaging the negotiations." Visibly angry, he stormed off to his office, later returning to join a meeting in progress with the President of the Conference of the Parties and, obviously still upset, stormed out of that meeting, as well. (Fortunately, he did not have any chairs to throw or plates to smash on this occasion). Estrada brought forth his complaint that the U.S. proposal advocates that all Annex I Parties "do nothing at the morning briefing of the NGOs."

#### Slow Movement Also Reported in the PAMs Discussions

Policies and Measures (PAMs) is also proceeding with painful slowness. A drafting group has twice come up with formulations on specific lines from the text only to have the G-77 later renege on the compromise worked out. The G-77/China has attempted to introduce the compensation issue more directly into the text. Regarding the annex in the revised text, which contains a list of policies and measures, the EU has tried to make these mandatory or harmonized. The U.S., Australia, and the G-77 to varying degrees want the list taken out. Canada and Japan appear to favor retaining the list as just that -- a list of possible policies and measures. L/QES's Sue Biniaz, who is skillfully handling this issue, reports, that if the list is retained, it will probably include all sorts of trash from the G-77/China.

#### NGOs Complain About our ICAO Policy

The technology contact group reports that no progress was made, while the same can be said for the contact group on Article 4.1. In an informal SBSTA discussion, agreement on a roster of experts, which was reached in a contact group, has been stymied (temporarily we hope). Meanwhile, Washington can expect some letters or telcons from NGOs concerning the U.S. position that matters affecting aviation as a sector should first and foremost be discussed at ICAO. Annie Peterson of EDF expressed strong reservations to us that NGOs were not advised about this position in advance and questioned singling out a specific sector in advance.

#### A Bit of Sunlight from the SBI

Finally, for a bit of sunlight, the SBI did agree to propose a decision to the Conference of the Parties on a decision to review non-Annex I communications. The decision will be to continue discussions in the future. It was also agreed to hold an informal workshop on this topic sometime next year. This outcome had been pushed by the U.S., so Dan Reifsnyder can put at least one small feather in his cap.

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**Growing Fractures within the G-77?**

Meanwhile, we have received growing indications of increasing fractures within the G-77/China grouping. It will be recalled that at AGBM-7 in August, the Saudis and OPEC had scored tactical points by broadening the appeal of their compensation proposal and by making themselves spokesman for the policies and measures "non-group." The G-77/China proposal for a ludicrously ambitious target announced Monday by the group was engineered, we understand, largely by Saudi Arabia with support from Iran and other OPEC members. Although they would strongly deny the accusation, it appears to us that this agreement — in which, for example, AOSIS dropped its opposition to compensation in exchange for OPEC's support for a 35 percent cut below 1990 levels by 2020 (with adoption of European targets in earlier time-frames), was designed as poison pill. The Chairman is believed to view it as such, although thus far he has reserved his public critiques for us.

In any case, all is clearly not well among the G-77/China. The Latin Americans are the group most vexed that their views are not being heard. One report is that Estrada urged them to withdraw from the G-77, although this report has not been confirmed. Africa, as well, is not happy, although its positions appear to have been bolstered in recent days. We will do what we can to explore the significance of these differences, and hope that our ALDAC demarche to capitals on this negotiation will assist us in galvanizing support for more of our position.

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

**Climate Changes Talks, Update No. 6: Trading, Banking, and Borrowing Under Growing Assault; U.S. Position "Questioned" by Chairman Estrada; Growing Fractures within G-77/China Group?**

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25/10 '97 SAT 14:25 FAX

To: Mark  
cc: Sharon

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OELROs Policy Non-Group with Amb. Kjellen, Friday October 24

Will cover the issues in the order they appear in the Chair's text: eit baselines (3.4), banking (3.13), borrowing (3.14), emissions trading (5), joint implementation (6), review of implementation (8), voluntary commitments for non-Annex I Parties (10), and adequacy of commitments (11).

EIT Flexibility:

**Russian Federation** - wants para 3.4 to reflect FCCC 4.6 4th line, after Article 4.6 of the Convention, add essentially "For the Parties included in Annex I undergoing the process of transition to a market economy, the provisions of Art 4.6 of the Convention should apply". If in addition they need to specify the baseyear, prepared to work on that - willing to change the wording if others agree. **Poland** - Merit to Russian proposal - important to broaden to cover other aspects - could live with paragraph as it stands now - but major difficulties to have reference to Article 4.6 of FCCC moved out of operative article.

**Tanzania/G-77** - delete this para 3.4 - just refer to FCCC 4.6 in preamble because the differentiation has already been negotiated. The problem is the lack of chapeau for Article 3, and that would be an OK place to refer. **China** intervened to note that Decision 9/CP.2 lists the baseyears for Bulgaria 1989, Hungary average of 85-87, Poland 88, Romania 89.

**UK/EU** - accepts that negotiated baseline for the Convention in Article 4.6 are ok - but disagree with the idea that the text in brackets would allow the eits to choose a baseline not in the Art 4.6. Therefore, shorten paragraph to essentially "EITs parties with baseline established in Art 4.6 shall use that baseline for the commitments in this Article. Plus the square bracketed text for differentiation in Attach 1. Supports the idea that the language needs to be specific.

**US** - need to be clear - reference to 4.6 alone is not sufficient. Art 4.6 flexibility was only for Article 2, and not necessarily beyond the timeframe in the FCCC. Ask Russians for more detail (Chair's response is that para says until the objective is met - so of course 4.6 would apply). US was absolutely alone in its desire to have no flexibility in the baseline and other aspects for the EITs.

Informal contract group was convened and included the UK and US and Poland and Russia, but no G-77 representative, so "conclusions" were preliminary until Amb. Kjellen could consult with them:

1. Modify protocol para 3.4 to reference Article 4.6 as stated by the Russians, but conditioned on the flexibility conditioned on further COP/MOP of the protocol.
2. Specific reference to Decision 9/CP.2 baseyear so that those 4 countries shall use those identified baseyears.
3. Add a footnote indicating other countries might request this type of flexibility as EITs in the future.

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**Banking and Borrowing:**

**Tanzania- G-77** - these articles are linked with other parts, i.e. associated with emissions trading in Article 5. Borrowing from future is counter to sustainability. Disagree in principle to both banking and borrowing. Quoting the US "Question of certainty is important - can't have legally binding targets unless language is clear" - these issues remain a mystery. Summary - Completely against banking, borrowing, budgets and emissions trading: Tanzania/G-77, China, India, Iran, Columbia, Uganda (concern that banking and borrowing substantively designed for an individual country to avoid meeting it limit)

Supports for banking - Switzerland, Poland, New Zealand, Canada, Norway, Japan, US, Russian Federation, Australia. (EU/UK???- supported incentives to take early action, but did not mention banking specifically). Poland and Canada support early credit banking as an incentive for early action (Poland and Russian Federation want credit to accrue beginning at the end of the baseyear (i.e. credit from 1990 or indeed 1988 for all emissions avoided below the target). Norway wants ambitious targets, but otherwise would have to go for lower targets without flexibility. Budget is a practical element to avoid compensation for temperature changes - budget period of 3-5 years. Norway suggests banking "shall" be credited should be changed to "may" be credited.

Support borrowing in non-compliance context - Norway, Canada, UK/EU conditionally, New Zealand. Russian Federation notes complicated, but with short budget periods, then possible support. Canada proposed and New Zealand and Australia supported some new ideas for an early warning system for addressing non-compliance.

Support borrowing still in compliance, with limit and penalty - Japan, US, Australia - Dan made clear that we support a limited amount of "legal" borrowing plus then something perhaps with a bigger penalty to address the bigger exceedences which would be deemed noncompliance. Supported the 2-way nature of the link to target.

25/10 '97 SAT 14:28 FAX

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**National Communications in SBSTA**  
**Note by Bill Breed**

SBSTA agreed to a conclusion based upon discussion of the annex in the Compilation and Synthesis report. The conclusion calls upon Parties to submit views on resolution of the methodological issues presented; invites Parties to submit inventories using both their best and the IPCC default methods for comparison; requested that the Secretariat prepare a document listing methodological issues identified in processing national inventories and in the process of the in-depth reviews; and agreed to consider the above information for consideration of revisions to the guidelines for preparation of national communications at its ninth session.

**Contact group on Methodological issues**  
**Note by Bill Breed**

A small contact group met to discuss a draft COP decision submitted by the Group of 77. The draft decision as presented called for the SBSTA to identify gaps in the research and methodologies for preparation of national GHG inventories; endogenous capacity for monitoring CC; and systematic information networks. It then called for SBI to implement a plan to address these gaps. The contact group was able to focus the discussion to needs for preparation of national inventories. A SBSTA conclusion will be drafted by the Secretariat for the SBSTA to consider, asking that the Secretariat prepare a paper that examines the gaps and opportunities that the bodies can later address to facilitate preparation of non-Annex 1 national GHG inventories.

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C

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SBI-7, 2<sup>nd</sup> Meeting, October 21, 1997, 10:00-1300  
Beethoven Halle, Bonn  
Dr. Carol Whitman

SBI Vice-Chair Jose Romero (Switzerland) opened the meeting with a discussion of Activities Implemented Jointly (AIJ), noting that a joint SBI/SBSTA contact group had been established. Sri Lanka indicated that the requirement for financial additionality was problematic and should be dropped. India, supported by Venezuela, reminded Parties of the limited experience and knowledge of current AIJ projects. Australia countered that there were environmental and economic benefits for all in AIJ projects and noted the wide range of ongoing activities. Meanwhile, methodology issues remain to be addressed. The Secretariat then introduced syntheses of the second national communications from Annex I Parties (FCCC/SBI/1997/19 and Add.1; INF.4). The USA and Luxembourg (EU) noted that while the communications had gotten better, there was still room for improvement. Both noted that data collection and reporting on policies and measures, specifically HFCs, PFCs, and SF<sub>6</sub>, although improved, remained inadequate. The USA requested that Parties submit suggestions for revisions to the reporting guidelines. China observed that only 18 Annex I Parties (1/2) had submitted 2<sup>nd</sup> communications; half of those countries' GHG emissions increased in 1995; CO<sub>2</sub> accounted for 83% of total emissions; fossil fuel combustion was the greatest source of CO<sub>2</sub> emissions and should be the main policy concern; and that technology transfer was not sufficiently prominent. India noted that land use change and forestry emissions could be substantial and the methods need improvement. Uzbekistan suggested that non-Annex I and CEIT Party experts could benefit from participation on review teams. Uruguay announced that it had submitted its first national communication. The Secretariat of the Global Environment Facility presented its report to COP-3 on its review of the implementation of the convention financial mechanism (FCCC/CP/1997/MISC.1). The GEF also noted that the GEF Council had approved the MOU with the COP. The Chair reminded the SBI that it needed to recommend decisions to COP-3 to approve the MOU and provide guidance to the GEF. Luxembourg (EU) said that the review of the financial mechanism was an ongoing activity and hoped that the review would provide the basis for the GEF to be the financial mechanism of the FCCC. Tanzania (G77/China) said they would continue a dialogue on the GEF, but they were not ready for a conclusion on the financial mechanism. India and Chile remarked on the importance of the GEF to preparation and completion of non-Annex I communications. Mr. John Ashe (Antigua/Barbuda) was asked to chair a contact group on the financial mechanism. The Secretariat then introduced proposed amendments to the convention FCCC/SBI/1997/15): (1) from Pakistan and Azerbaijan to delete Turkey from Annex I; (2) from the Netherlands (EU) to amend Art. 17 so that if efforts to reach consensus on a protocol fail, the protocol can be adopted by a three fourths majority of the Parties present, and the paragraph can be applied provisionally pending its entry into force; and from Kuwait, an amendment to Art. 4.3 which would require Annex II Parties to provide the full incremental costs of developing country Parties in meeting their obligations under the convention. Citing Art. 4.2(f), Japan, Switzerland, USA, and Canada had reservations about the proposal, and suggested that the annexes should be reviewed in December 1998. Saudi Arabia, Venezuela, Australia, USA, Korea, Switzerland, and China opposed the EU proposal, particularly its provisional application which some felt was not legal. The Kuwaiti proposal was predictably supported by Saudi Arabia and opposed by the USA, Australia, Japan, and Switzerland. The Chair proposed forwarding the proposed amendments to the COP without recommendation, and agreed to forward Parties stated views on the amendments.



## United States Department of State

Bureau of Oceans and International  
Environmental and Scientific Affairs

Washington, D.C. 20520

JAF  
cc: LisaTELEFAX TRANSMISSION

TO:

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NUMBER OF PAGES, INCLUDING THIS PAGE: 10

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\*\*\*\*\*

MESSAGE:PLS find attached Amb:  
Hambley's Update #6

2 of 10

Climate Talks, Bonn, Germany  
October 20-31, 1997

Revised 10/25/97

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cc: JAF  
SY  
MJ  
Dmr  
JA

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Page 1 of 11

PLEASE PASS IMMEDIATELY TO OES FRONT OFFICE. THANKS.

TELEFAX

FAX to: 202 647-0217

DATE: 28 October 1997

TO: Ms. Conchita DeShazo, OES, FAX 202 647-0217

FROM: USDEL/Bonn, Mark G. Hambley ~~PEC~~

SUBJECT: Climate Change Talks: Update No. 8 (Oct 27/28)

Text: Conchita: Attached is the climate talks Update No. 8 which covers activities from the afternoon of Oct 27 through the morning session of Tuesday, Oct 28. This report should be read in conjunction with the supplement for this update which contains the latest copy of the NGO rag, ECO. Please send it to the personnel/offices on the attached list. Thank you!

3761

28 October 1997

**Memorandum**

**To:** Please See the Attached List

**From:** USDEL/Bonn -- Mark G. Hambley

**Subject:** Climate Change Talks, Update No. 8: Activities for October 27-28, 1997

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-8), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon of Oct 27 through the morning of Oct 28. A copy of the Earth Negotiations Bulletin's summary of activities for Oct 27 is also provided, along with detailed summaries of the Oct 27 policies and measures "non-group" and several contact groups, which has been written by EPA's Sharon Saille.

The latest copy of ECO, the NGO-rag financed in part by the Dutch, German, and Danish governments, is being sent as an Update No. 8 supplement due to its increased length. The U.S. has lost first page billing (although we manage to take a hit on the last page over "traps for early credit."

Although the contents of this report are unclassified, they are not intended for attribution or for use outside the U.S. Government. The final paragraphs of this report can be used as a submission to the Daily Activities Report (DAR), as desired or appropriate.

**Climate Changes Talks, Update No. 8: Struggling to Reach "Consensus": The Chairman Weighs his Options****PAMs Stalls on EU Persistence**

Progress continues to be glacial in most of the non-groups, but movement is at least occurring through multiple contact groups and late night sessions which are pulling most delegations to all points of the compass and then back again. On policies and measures, there continues to be an imbroglio among those countries favoring harmonized policies and measures (the EU, EU "wannabees", and Switzerland, Iceland, and Norway) and those who do not (basically, the rest of the world, with Japan, Canada, and New Zealand somewhere in between). The Senegalese chair of the group has indicated that, in the absence of a consensus, he will provide a text to AGBM Chairman Estrada who indicated that he will then draft his own paper.

**Problems with the Chairs of QELROS**

Discussions in the two QELROS "non-groups" (broadly, the target and timetable discussion) are equally as lively and are more difficult from our point of view. Problems within the group dealing with "technical" aspects are exacerbated, in part, by the Brazilian chair who has permitted his prejudices to impede progress by ignoring consensus on such tricky items as "global warming potential (GWP)"

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indicators. Problems with the Swedish chair of the "policies" sub-group basically arise from his predilections on such key topics as joint implementation with credit and other flexibility mechanisms which he, personally, regards as loopholes.

#### **Similar Problems Plague Article 4.1 Deliberations**

Deliberations in the Article 4.1 discussion are also suffering from either an unsympathetic or unintelligent chairman from Trinidad/Tobago. Also saddled with consideration of Articles 12 (on review and implementation of commitments) and Article 13 (on a financial mechanism), this group's progress has been slowed down by the introduction of new text by the Chair which usually bears no relationship to the tenor of the discussions. A case in point is the text prepared by the Chair for Article 13. While the Chairman Estrada's original text is rather modest and states that the proposed protocol will use the same financial arrangement as the one utilized by this convention will be used for the proposed protocol, the Article 4.1 chair circulated a document which creates a new mechanism and asks for Annex I Parties to open their pockets for considerable amounts of new and additional resources. To say the least, it is a non-starter, although it will doubtlessly be applauded by the G-77/China.

#### **Estrada Threatens Once More**

Chairman Estrada is aware of our discomfort with these proceedings, and there are reports that he will convene another non-group under his chairmanship on Thursday, in the absence of a suitable working document, to specifically address Articles 12 and 13. Even if he does not decide to intervene personally in the negotiations, Estrada indicated quite bluntly at the extended Bureau meeting on Oct 27 that -- in those instances where only one country or a small group of countries (which he defined as those that have been dragging their feet in the negotiations, been late with their delivery of targets, or who are sabotaging efforts to reach agreement) disagree with the vast majority -- he will not allow them to block "consensus" on any document which emerges from these various groups or which he drafts after the meeting in the absence of a clear decision of the meeting.

#### **Institutions Discussion Proceeding At Better Pace**

The Institutions non-group, under Japan's Shibata, has perhaps made the most progress, although it remains a ways away from a consensus text. There remain differences of view on Article 14 of the Chairman's revised draft about whether we should have a new Meeting of the Parties or rely on the Conference of the Parties to the Convention. We were the only country to register objections to Article 23's provision that there can be no reservations to the proposed protocol. Japan's proposal that entry into force be guided by a principle that countries producing three quarters of global emissions ratify the agreement received a decidedly icy response from the Chair, when the point was addressed by the Chair at the Monday Bureau meeting. "Is this so that one country can block entry into force?" he asked. "Yes," was the short Japanese response. One item which could complicate Mr. Shibata's work is the decision taken by the Chair to transfer from QELROS to this non-group consideration of all "legal" aspects of the "bubble" issue generally (and the EU "bubble," specifically). The more political aspects of the "bubble" will remain in QELROS.

#### **And the "Bubble" Issue Remains a Point of Contention**

The "bubble" issue itself remains a hotly contested topic. The EU is smugly proceeding from the fact that its concept has been recognized by the Chair in his text and that it has now explained its position as to how it will implement its burden sharing arrangements (see Update 2 for details). We and others do

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not necessarily agree. We understand that a debate on this item is likely to occur at the afternoon QELROS session on Oct 28 when this portion of Article 3 is raised.

#### **"Rear Guard" Victory of Sorts on AIJ, as Credit Decision Delayed**

Contact groups, meanwhile are continuing on every conceivable topic. On AIJ, we have succeeded in getting the G-77's blessing to a proposed decision which does not pronounce on the credit issue one way or another, which reaffirms the pilot phase; and which adopts the reporting program, with SBSTA charged with continuing its methodological work. Although this decision is not perfect, it constitutes an exceptionally adroit 'rear guard' action, as it permits us to raise the credit issue again. We do not care if the proposed decision on technology sees the light of day or not. The current formulation is not acceptable, although we have been working with Malaysia to find some complimentary phrasing. Contact groups on methodologies and sinks are also continuing their work.

#### **"Evolution" Continuing to "bubble" in the Background**

Discussions are also on-going on the margins of the meeting trying to find a solution to the question of "evolution." We understand that Japan and Canada have put together a discussion paper which broadly affects our views. A tentative meeting on this topic is scheduled for Thursday night with representatives from countries who will attend the Nov 8 Annex I Ministers meeting constituting the invitees. These include the U.S., Japan, Canada, Australia, New Zealand, France, Germany, UK, the Netherlands, Luxembourg, and Russia.

#### **SBI Makes Some Calls**

The Subsidiary Body on Implementation (SBI) also made some decisions at a formal session on Oct 27. Due to the Argentinian elections, Estrada said that his government could not consider hosting COP-4, even if it were to be held in early 1999. Bonn remains the tentative venue with dates of "sometime" in November being left open due to an apparent conflict with the Montreal Protocol discussions in Cairo over the earlier dates (which coincide with Thanksgiving). There is the slight possibility that some other venue will be proposed at COP-3 (Honolulu or San Francisco, anyone?). It is a poorly kept secret that most of the developing world would welcome a conference in a Third World Capital.

#### **COP-3 Developments: Venue, Timing, Speakers' List and Round Table Request**

The SBI also decided to consider, at the COP, the two outstanding amendment proposals in the order they were received. This means that the EU's proposal to permit approval of a protocol by three fourths vote (versus consensus) and to apply this provisionally will be taken up prior to Kuwait's proposal to amend Article 4.3 of the Convention related to the financial mechanism. It is quite clear that Kuwait's proposal was offered as a "tit for tat" in response to the EU's blatantly anti-OPEC initiative.

On additional notes related to COP-3, a speaker's list was opened for the high level, ministerial portion of the COP which begins on December 8. We have asked for a spot from the middle to late portion of the morning session (around noon). We will see what transpires. Our "minister" has also been invited to participate in a round table on technology which will discuss "what can corporations do?" and "what can governments do?" This will be held on the morning of Dec 9. We are attending a meeting on this topic on Thursday.

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

**Climate Changes Talks, Update No. 8: Struggling to Reach "Consensus": The Chairman Weighs his Options**

Progress continues to be glacial in most of the non-groups, but movement is at least occurring through multiple contact groups and late night sessions which are pulling most delegations to all points of the compass and then back again. On policies and measures, there continues to be an imbroglio among those countries favoring harmonized policies and measures (the EU, EU "wannabees", and Switzerland, Iceland, and Norway) and those who do not (basically, the rest of the world, with Japan, Canada, and New Zealand somewhere in between). The Senegalese chair of the group has indicated that, in the absence of a consensus, he will provide a text to AGBM Chairman Estrada who indicated that he will then draft his own paper.

Discussions in the two QELROS "non-groups" (broadly, the target and timetable discussion) are equally as lively and are more difficult from our point of view, as are those dealing with Article 4.1 (advancing commitments under the Convention). The institutions non-group has perhaps made the most progress, although it remains a ways away from a consensus text. There remain differences of view on Article 14 of the Chairman's revised draft about whether we should have a new Meeting of the Parties or rely on the Conference of the Parties to the Convention. We were the only country to register objections to Article 23's provision that there can be no reservations to the proposed protocol. Japan's proposal that entry into force be guided by a principle that countries producing three quarters of global emissions ratify the agreement received a decidedly icy response from the Chair, when the point was addressed by the Chair at the Monday Bureau meeting. "Is this so that one country can block entry into force?" he asked. "Yes," was the short Japanese response.

Chairman Estrada is aware of our discomfort with these proceedings, and there are reports that he will convene another non-group under his chairmanship on Thursday, in the absence of a suitable working document, to work on some of the remaining contentious issues. Even if he does not decide to intervene personally in the negotiations, Estrada indicated quite bluntly at the extended Bureau meeting on Oct 27 that -- in those instances where only one country or a small group of countries (which he defined as those that have been dragging their feet in the negotiations, been late with their delivery of targets, or who are sabotaging efforts to reach agreement) disagree with the vast majority -- he will not allow them to block "consensus" on any document which emerges from these various groups or which he drafts after the meeting in the absence of a clear decision of the meeting. (Hambley)

TO: Mark Hambley  
FROM: Sharan Saiti

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Monday, October 27

#### Contact Group on GWPs

Unfortunately, the Indian Chairman clearly had a personal preference for a separate gas-by-gas approach for just CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O in order to avoid the use of GWPs. Naturally, this was the viewpoint expressed by China on behalf of the G-77 and supported by Malaysia and Brazil. Furthermore, the chair expressed his concern that the long-lived gases (HFCs, PFCs, and SF<sub>6</sub>) should be handled separately, in particular because these gases should perhaps be banned in a separate agreement like the Montreal Protocol (he also argued that the 6-gas approach doesn't address "all" greenhouse gases since it leaves out CFCs). China and Brazil also specifically objected to the time horizon, stating that 100-years is too long and would have an impact on future generations, so that while they didn't support using GWPs, if GWPs were to be used, a time horizon of 5-years should be used to correspond to the budget period.

USA, Australia, New Zealand, Norway, Iceland, and UK/EU all clearly supported the idea of a basket/comprehensive approach using the 100-year GWPs as the index for ensuring the comparability of all 6 gases. We noted that the actual measurement techniques for methane and N<sub>2</sub>O are a source of greater uncertainty than the GWPs, noting that the GWPs have recently changed only from 21-24 for methane and 310-320 for N<sub>2</sub>O. We noted that the 100-year time horizon is a policy decision (not an uncertainty problem), and supported 100-years as very appropriate to ensure that the long-lived gases will receive adequate weighting for action under the protocol. Of course, we also made the arguments that the basket approach needed for flexibility and cost-effectiveness (Australia was very strong in this regard, indicating that basket even more important for flexibility within its own borders, and even in some cases for flexibility within certain sectors, not just across sectors). We made the point that CFCs are already covered by the Montreal Protocol, which is why they don't need to be covered under this protocol.

The Chair noted the two different points of view, and promised to summarize these points to the QELROS non-group chairman. Therefore, no changes to the Chairman's text could be recommended without consensus.

#### Policies and Measures - Monday afternoon

Canada presented the results of its contact group, including the opportunity for G-77 to present its changes to make the contact group text. Once the G-77 presented its modifications, the US, and Australia supported these modifications. - the EU objected on procedural grounds that they had not been adequately consulted on the changes suggested by the G-77. Furthermore, the EU wanted to put more of its text (particularly a new point to ensure "coordination of PAMs"). The Chairman temporarily halted the meeting to consult with Canada, EU, and G-77.

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Institutions Non-group Monday afternoon summary

This subgroup was not particularly contentious, although Parties reserved their judgement on a number of items. The US for example raised its objection to the "no reservations" clause in Article 23. The G-77 raised its objection to the concept of including an absolute quantity of emissions as second condition for entry into force (in addition to the more standard requirement for a specified (50) number of signatories), although almost all Annex I Parties in the room supported this concept. On the Article 9 provisions on non-compliance, Chairman Shibata tasked Canada to form a contact group to discuss the additional language many Parties would like to add to flesh out the framework of the compliance determinations and non-compliance consequences, even though the G-77 indicated it had not yet finished its internal deliberations on this issue.

Detailed Notes on InterventionsInstitutions Non-group - Monday afternoon

Discussed Article 22 - Chairman Shibata promised to consult with the chairs of the other non-groups and AGBM Chairman Estrada, particularly on the signature requirements to handle the EU bubble.

Article 23 - Reservations - USA - indicated our concern about no reservations would create "separation of powers" issues for USA. Recent developments since 1992 ratification of the Convention itself. Switzerland, UK, Egypt, G-77 & China want to keep in the text. No changes were accepted.

Article 24 - Entry into Force - based on Parties with 3 gigatons ratifying the protocol. Japan, supported by Norway, Australia, and in concept by US and Switzerland.

-proposal at last meeting: 1) number of countries to ratify (i.e. 50) 2) total aggregate emissions should exceed i.e. 3/4 of 1990 emissions.

Russian Federation - suggests that %age may not be precise because the %age will change by time of ratification - which suggests getting technical advice on absolute number versus a percentage to be sure of clarification.

Chair noted 1990 world CO2-equivalent emissions 6.1 gigatons. Annex I: 3.89 gigatons in 1990 G-77, Ghana, Egypt, Venezuela, suggest deleting the concept of dependence on gigatons (concerned that large emitters can hold up ratification of protocol).

Norway: CO2 only? Or CO2-e from the three gases. Clarified - CO2 only - FCCC Secretariat would have to recalculate

UK wants to reserve judgement until reaching Kyoto - this should be decided at the end. Para 2, line 2, "after the date of entry into force of this Protocol" allows a 90 day gap. - should be the "after the requirements in paragraph 1 has been met (the date of the day that the 50th country representing at least 3 gigatons deposited its ratification)

US and Switzerland support the idea of weighted entry into force, but reserve on the formulation, and reserve til the end.

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**Article 25 -**

USA supports the idea, but reserve on the 3 years needed in paragraph 25.1 for withdrawal.

Chairman said to hold the reservation in mind, but no changes to text at this time.

Korea - is paragraph 3 really needed? Covered already by the convention.

**Article 9 - Compliance regime:**

Tanzania/G-77, Egypt, Saudi Arabia, China, Korea - defer to a later date for G-77 consultations.

- no legal commitment yet, therefore linked - no need for compliance .

Japan, Switzerland, UK, Australia, Canada, USA- support the concept, but current text is too vague (Some still need further time for consultation). Possibly a small working group on building blocks -

-transparency based on implementation and review

-no intermediary step between review and non-compliance (based on unforeseen

circumstances)

Canada recommends an early warning system

Canada also recommends deletion of "consideration and" - just approve is enough

UK - In Australia's text, "Appropriate" should be replaced by "effective and binding". Should be moved to Article 17 - between multilateral consultative process and dispute resolution

Chairman - recommend like minded countries get together with Canada, but acknowledges that the real work will have to be completed post-Kyoto. Netherlands - input for further wording on Article 9, or the basis for post-Kyoto work. Can compare notes on modalities for post-Kyoto, but Chair is looking for further clarification of text in Article 9.



# Earth Negotiations Bulletin

*A Reporting Service for Environment and Development Negotiations*

10711

Vol. 12 No. 62

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28 October 1997

## HIGHLIGHTS FROM THE MEETINGS OF THE FCCC SUBSIDIARY BODIES 27 OCTOBER 1997

Delegates to the eighth session of the *Ad Hoc* Group on the Berlin Mandate (AGBM-8) met in Plenary in the morning. The seventh session of Subsidiary Body for Implementation (SBI-7) considered arrangements for intergovernmental meetings. In the afternoon, delegates met in "non-group" sessions on Article 4.1, policies and measures (P&Ms) and institutions and mechanisms. Some non-groups also convened for evening sessions.

### AD HOC GROUP ON THE BERLIN MANDATE

AGBM Chair Raúl Estrada-Oyuela (Argentina) invited the chairs of the non-groups to report on their progress.

Bo Kjellén (Sweden) reported on the QELROs non-groups. He said delegates in the non-group chaired by Luiz Gylvan Meira Filho (Brazil) supported a revised Article 3(1) that sets out the legally binding nature of commitments. States were a key emerging issue and further consultations are forthcoming. The group decided that the non-group on institutions and mechanisms should address issues concerning the legal status of Attachment 1, which would list differentiated commitments. Regarding Annex C (process for abolishing differentiated commitments), Parties supporting differentiation will engage in informal consultations.

Articles 3(3), specifying which Parties are committed, and 3(5), requiring demonstrable progress by 2005, are still under consideration. Discussions on Article 3(6) - 3(12) have been deferred, pending further discussions on emissions budgets. Article 3(16) has been deferred until Parties determine which gases to include. He said the AGBM Chair requested SBSTA's assistance on methodologies and a draft decision has been circulated. Delegates disagreed over Global Warming Potentials (GWPs), and a contact group will consider the issue.

On the second non-group, chaired by Kjellén, he reported broad agreement and a new text on 3(4) (countries with economies in transition). On 3(13) and 3(14) (crediting), amendments were suggested and further consideration will await discussions on emissions budgets. On Articles 5 (emissions trading) and 6 (joint implementation), Kjellén reported wide differences of opinion. Informal consultations were held on Saturday but some key delegations did not participate. The Chair will produce a revised text based on written submissions.

He said both QELROs groups have advanced slowly, but there has been a useful exchange of views. He said that on many issues the positions of some Parties are still far apart and there is no evidence of emerging consensus. The agenda for both segments is considerable and a number of things must still be addressed, such

as compliance and voluntary commitments. He cautioned delegates to realize that all elements are linked, and the purpose of this meeting is to intensify the effort towards consensus.

Evans King (Trinidad and Tobago), Chair of the non-group on advancing the commitments in FCCC Article 4.1 (Article 12 in the draft negotiating text), reported that delegates had reached agreement on the chapeau, but have not discussed all the sub-paragraphs. Discussions have proven that views are divergent and delegates have not reached consensus. A paragraph on implementation information will be set aside pending resolution of related matters. On Article 13 (financial mechanism), he said delegates had exchanged views and he is undertaking bilateral consultations.

Bakary Kaute (Senegal), Chair of the non-group on policies and measures (P&Ms), reported that the non-group had addressed nearly all paragraphs contained in Article 2 and Annex A of the negotiating text. He said "last minute" formulations had prevented consensus on a paragraph requiring the adoption of P&Ms. The text currently contains bracketed language under which Parties would adopt and implement P&Ms towards the achievement of commitments of QELROs. Alternative texts have been proposed both by the EU and by the G-77 regarding a paragraph on minimizing the adverse effects of P&Ms. A paragraph on sharing experiences contains bracketed language on the development of common methodologies. The EU said it could work with text proposed by the G-77/China.

The AGBM Chair, for the Chair of the non-group on institutions and mechanisms, reported that discussions had begun on the preamble, but further consultations were needed. Regarding definitions, the Secretariat will compile a list of terms from the agreed text that need to be defined. Article 14 contains alternative texts on establishing a Meeting of the Parties (MOP) or having the FCCC Conference of the Parties (COP) serve as the supreme body. Delegates worked on the COP text and the Chair has produced a revised text that takes into account views of those who favored the MOP approach. The non-group has discussed Articles 15 - 19, but has yet to consider Articles 20 - 26.

The RUSSIAN FEDERATION suggested that Parties find agreement on the quantitative parameters of the protocol, expanding the "bubble" concept to all Annex I Parties in line with the principle of common but differentiated responsibilities. The commitments of individual Parties in the bubble could be based on the proposed targets put forward by those Parties. By 2010, an annual average reduction of some 3% could be achieved. Commitments should be achieved in absolute numbers rather than in percentage terms. He suggested that any attempt to apply a single criterion could give rise to a desire by some Parties to be taken out of Annex I.

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The UK, commenting on the Russian proposal, said that the EU proposal for a 15% reduction in emissions was not unilateral but dependent on similar efforts by others. He conveyed a number of points from a Commonwealth Heads of Government communiqué: the importance of a successful outcome in Kyoto; a call on Parties at the COP to recognize that all countries would need to play a part in pursuing emissions reductions after Kyoto; and a call for monitoring of commitments.

SAMOA, for AOSIS, said that US President Clinton's announcement did not provide the leadership expected from the world's wealthiest nation. The US commitment was not a new commitment but an attempt to delay the achievement of a goal that COP-I had decided was inadequate. Climate change risks demand action on the basis of the precautionary principle not the wait-and-

with a traditional first-come, first-served list of speakers. He said the G-77/CHINA proposal could be distributed as an official document, although ministers customarily speak on national issues, not on a requested list of topics. SAUDI ARABIA, KUWAIT and CHINA requested that the proposal become an official document.

#### NON-GROUP ON ARTICLE 4.1

The non-group discussed a non-paper proposed by its Chair. Delegates were unclear whether the AGBM Chair's consolidated negotiating text remained the basis for negotiations. A delegation indicated that agreement on an initial paragraph containing a reference to the advancement of commitments based on differentiated responsibilities and national priorities would be contingent upon outcomes in other areas. A group of countries said that advance-

Climate Talks, Bonn, Germany  
October 20-31, 1997

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TELEFAX

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DATE: 28 October 1997

TO: Ms. Conchita DeShazo, OES, FAX 202 647-0217

FROM: USDEL/Bonn, Mark G. Hambley ~~WKA~~

SUBJECT: Climate Change Talks: Supplement to Update No. 8 (Oct 27-28)

Text: Attached is a supplement to Update No. 8 for October 27-28 which should be read in conjunction with Update No. 8 itself. Please dispatch this report to the personnel/offices on the attached list.  
Thank you!

cc: JAF  
SY  
MJ  
Am  
JAF

Climate Talks, Bonn, Germany  
October 20-31, 1997

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## CLIMATE NEGOTIATIONS BONN OCTOBER '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 the Climate Negotiations in Bonn, October 1997.*

## Super-Heated Air

Since the EU first announced its bubble policy other Parties have been jealous and have asserted their rights to get in on the action. It should be remembered that the EU bubble is in the context of a 15% overall reduction. If other Annex I Parties were prepared to accept such ambitious targets it is likely that squabbling over bubbling and trading within Annex I would have long ago ceased. Nonetheless, as Parties consider various combinations of Annex I targets, bubbling, trading, and Joint Implementation, it is essential to consider the implications of these proposals for overall Annex I emissions.

Of particular interest is the disposition of the "paper tons" or "hot air" from Russia and other Central and Eastern European nations. IIASA has recently compiled an interesting set of emission scenarios to 2010 for this region. In the reference scenario based on Official Energy Projections (OEP), emissions rise from their current value of more than 30% below 1990 levels up to about 10% below 1990 levels by 2010. This implies that for a stabilization target, CEE countries would have excess emissions of over 300 million tons per year during a 2008 to 2012 budget period (based on extrapolating the 1995 to 2010 linear growth rate to 2015). If CEE countries were allowed to bank the difference between actual emissions and 1990 levels from 1990 onward, as Russia has proposed, the available Super-Heated Air would balloon to 2000 million tons/year, or 15% of 1990 Annex I emissions (assuming that all banked tons were used during a five-year budget period).

The Official Energy Projections are, however, likely to prove an overestimate of emissions growth in CEE countries. This implies that the hot air problem is likely to be even

worse than these figures suggest. In the EEC-F scenario, IIASA examined the implications of CEE countries converging on Western European income and efficiency levels. In this case emissions would more-or-less stabilize at their current levels and unused tons available for trading would increase to 1000 million tons/year assuming no banking is allowed before 2008, as suggested by the Chairman's text. (Astonishingly the paragraph that prohibits such banking seems to have disappeared from the negotiating text sometime on Monday.) With banking, the available tons would increase to 3400 million per year, or fully 25% of 1990 Annex I emissions.

In another scenario, IIASA considered the emissions levels that could be achieved with explicit policies designed to limit emissions, particularly from the transport sector. In this case, emissions in CEE countries could continue to decline to 50% below 1990 levels by 2010, even as economies recover. This would imply over 1500 million tons/year available for trading without banking of pre-2008 reductions, and with banking a whopping 4500 million tons/year, or 33% of 1990 Annex I emissions.

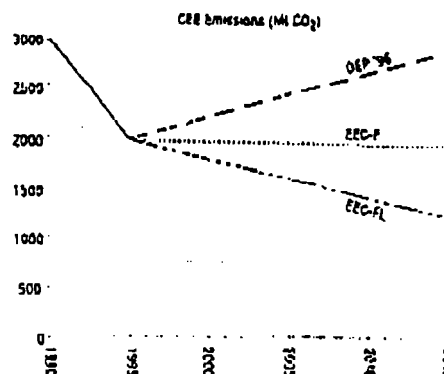


Table: Million tons CO<sub>2</sub>/yr (% of 1990 Annex I)

|                                 | OEP-96       | EEC-F        | EEC-FL       |
|---------------------------------|--------------|--------------|--------------|
| Hot Air - No pre-2008 Banking   | 320 (2.3%)   | 1020 (7.5%)  | 1550 (11.4%) |
| Super-Heated Air - with Banking | 1990 (14.5%) | 3430 (25.1%) | 4520 (33.0%) |



Kyoto gavel undergoes field trials

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## CONFERENCE REPORT

### AGBM Monday a.m.

It is almost unprecedented that an AGBM has ever been as illuminating as it was on Monday morning. Russia emerged out of the realm of the unknown. AOSIS reminded us of our moral obligations. Egypt finally declared that it wants a Protocol (in Arabic, no less), the European Union issued a robust attack against the US and welcomed its new alliance with the South, and the US managed to offend everyone once again.

The head of the Russian delegation, Mr. Bedritsky, said that Russia fully supports the necessity of a protocol at COP3 in Kyoto even though it is difficult for Russia to follow its commitments. Mr. Bedritsky proposed the creation of a "big bubble" for all Annex I countries, using a differentiation approach. Russia and the US would stabilize CO<sub>2</sub> emission at 1990 levels; 15% for the EU; 2.5% for Japan. Overall, this would reduce CO<sub>2</sub> emissions by 3% below 1990 levels. Total reduction in absolute numbers would equal 1 billion tonnes of carbon between 2000 and 2010. In Russia this

decrease would be 350 million tonnes of carbon. Mr. Bedritsky was prepared for counter arguments including concern that progress would be too slow and also that some countries prefer equal commitments.

This Russian proposal provoked a retort from the EU that their target was not unilateral. Constructively, Russia introduced a note of urgency into the AGBM which Chairman Estrada confirmed with regards to time pressures.

Ambassador Slade issued a diplomatic yet blistering denunciation of the US proposal on behalf of AOSIS. He expressed AOSIS's disappointment in the lack of leadership and ambition to be hoped for from the world's wealthiest nation. He stated that the US proposal was inadequate, in contradiction with the precautionary principle and the Berlin Mandate, and out of step with the science. He stated that Annex I countries should not be allowed to play with the fate of the island nations.

Egypt offered its hope for a successful outcome in Kyoto in Arabic, which Chairman

Estrada welcomed most warmly.

The EU also formally condemned the US proposal. It called for early action and true reductions below the 1990 baseline. It welcomed the support of the G-77 and pointed out that the US and Japan proposals are both far away from being adequate.

Finally, Ambassador Hambley was allowed a response. Aside from the usual rhetoric, he asserted that the US proposal was consistent with the long-term concentration target of 550 ppmv. He also made a preposterous assertion that "avoiding such concentrations will depend far more on how developing countries decide to address climate change than on what Annex I Parties do under the agreement to be reached in Kyoto." With statements like that, the US can rest assured that there is likely to be little agreement in Kyoto. Eco also would like to remind Ambassador Hambley that the US is responsible for a pretty big chunk of all those greenhouse gases already lurking up there in the atmosphere.

## CEE Remains Silent

The second week of the meeting in Bonn has started. We have a lot of proposals on the table, some of them are quite good (G-77, EU), some of them are bad (US, Japan). But there is still silence throughout the CEE, the one region in the world where GHG emissions have decreased during the last 7 years. The economies of CEE countries have historically been characterised by high emission of pollutants, both in relation to GDP and in per capita terms. Since 1990, however, the CEE members have initiated profound economic reforms. Between 1990 and 1994 energy consumption in all CEE countries decreased dramatically by 34%, from 46 EJ to 30 EJ. There are several reasons: economic recession, increase of energy prices and collapse of the Soviet Union. As a result, CO<sub>2</sub> emissions have been reduced, so the CEE countries can easily reach Toronto target.

Although the economic growth of the last two years has not resulted in significant structural improvements, new environmental standards and accelerated harmonization of energy and emission standards with current legislation within the EU could lead to a significant decline in energy demand and emissions of pollutants, including CO<sub>2</sub>.

Exploring the possibilities offered by an accelerated application of EU standards is an interesting approach for estimating some of the reduction potential in the region. A study prepared by the International Institute for Applied System Analysis based in Luxembourg, Aus-

tria deals with application of the current EU emission standards to the CEE countries (including the Russian Federation). A draft report concludes that, depending upon the scenario analysed, it can be expected that energy demand will decline for the whole CEE region from 6% (individual country projections) to 30% (for the case of full convergence of energy intensities in the CEE with those of EU by the year 2010).

Changes in energy pathways analysed by the study caused a decrease in CO<sub>2</sub> emissions from 11% to 26% until 2010 depending upon the scenario. However, emissions from accession countries are expected to decrease to a lesser extent (from 1-15%).

It is important to understand that the patterns of development in the various sectors are fundamentally different. Whereas the convergence process would reduce energy intensities of the industries in CEE (with theoretical potential of 66% by 2010 compared to 1990), the increased private consumption associated with economic growth will probably bring demand from households, transportation and electricity closer to EU levels. For example, this could result in an increase of gasoline consumption by as much as 220% for the entire CEE region.

The silence of the CEE is strange because some of the countries "associated with the EU" (Bulgaria, Czech Rep., Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) want to become EU members.

They therefore have an important role to play in these negotiations. During a meeting in September, Ministers of Environmental Protection from the region declared that they can support the EU 7.5% reduction target for 2005. Most of the countries from this region, including Poland, are able, without additional cost, to reduce their GHG emissions by 15% in 2010. Why they have not said so in Bonn? Are they still waiting for tougher target?



Not all countries are represented at the highest level

# Japan... Could Do Better

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by Yurka Ayukawa/WWF-Japan and Yoichi Mizutani/CASA

Japan has proposed a five per cent reduction of greenhouse gas emissions at 1990 levels by 2010. Once you add differentiation, flexibility and the basket approach, it is essentially stabilization at 1990 levels by 2010.

Such a low reduction target was proposed because MITI insists that it is impossible to reduce CO<sub>2</sub> emissions below 1990 levels by 2010, even if all realistic policies and measures are implemented.

MITI has not explained which CO<sub>2</sub> emission reduction technologies were examined, their potentials, how such technologies would be utilized and how future electric power generation would change.

To challenge MITI's conclusions, WWF-Japan and CASA analysed the potential for CO<sub>2</sub> reduction in Japan. Two types of bottom-up models were used, with emphasis on future utilization, of promising CO<sub>2</sub> reduction tech-

nologies.

The WWF-Japan used the AIM model (Asian-Pacific Integrated Model) developed by the National Institute for Environmental Studies and Nagoya University. This is the same model used by the Environment Agency for its analysis of mitigation potentials.

The CASA model was developed by the Climate Change Prevention Strategies Research Group of CASA.

WWF-Japan research tried to follow the Environment Agency's scenario to determine whether there was additional reduction potentials. Focusing only on areas such as improvement of efficiency in vending machines or stand-by mode electricity in household appliances and introduction of hybrid cars, the WWF-Japan scenario concluded that an 8.6% reduction in carbon dioxide emissions could be achieved by 2005 and 14.8% by 2010. This is an indicative figure, as the study did not assess socio-economic impacts.

The CASA research assessed not only 91 new technical potentials for reducing CO<sub>2</sub> emissions, but also analysed the effect of policy options on stabilizing energy-consuming activities in manufacturing, buildings, appliances, transportations and waste disposal.

According to the CASA model's "1995 activities stabilization scenario", a 11.6% CO<sub>2</sub> reduction could be achieved in 2005 and 21.0% reduction for 2010 based on 1990 levels.

These studies prove that the government's projections on CO<sub>2</sub> reduction potentials are not reliable. Unless MITI allows independent scrutiny of the assumptions and data on which its models depend, there will always be the suspicion that the Japanese government's proposals are not scientifically-based.

The Japanese government must reveal the assumptions used in its modelling of mitigation potential so that an open societal debate can take place.

## EU Can Do Even Better

Stephan Singer, WWF

Yesterday Eco reported on a briefing by the EU, which so far is the only Annex 1 party to provide serious analysis of its energy-related CO<sub>2</sub> reduction potential until 2010. This analysis clearly shows that the EU can achieve its proposed 15% target through cost-efficient measures.

The EU is convinced that – even if its target were to be implemented in the EU alone – it would achieve global benefits of as much as 101 billion Ecu annually, which would far outweigh any detrimental economic effects due to energy reductions.

The solid no-regret measures identified in its analysis speak clearly in favour of adopting the target unilaterally by the EU independent of the Kyoto outcome.

The EU calculates that, in aggregate, it can reduce carbon dioxide by 800 million tons. This would amount to a 15% reduction of CO<sub>2</sub> alone, without counting the other two gases (CH<sub>4</sub>, N<sub>2</sub>O) contained in the EU proposal. In comparison, the EU would increase 9% above 1990 levels by 2010 in a "business as usual" scenario. These calculated reductions are actually too conservative.

The suggested 100 million tons CO<sub>2</sub> savings in the domestic / tertiary sector are greatly underestimated. This figure mainly reflects the potential of domestic electricity savings by more efficient household appliances in the EU. The

EU admits that no potential has been identified for the thermal integrity of buildings. The 1997 "Lisboa declaration" by the European insulation industry claimed that about 300 million tons of CO<sub>2</sub> could be saved just from improving building insulation.

Further, the EU analysis identifies savings of 100 million tons of CO<sub>2</sub> in the transport sector. This calculation is based on the rather weak principle adopted by the EU Council of Ministers in June 1996, that at latest by 2010 all new passenger cars should have a specific fuel consumption of 4.5 and 5 litres per 100 km for diesel and gasoline cars respectively. A 2005 target for new cars of no more than 3 litres should be realistic, considering that highly efficient engine technologies as well as fuel cell cars are currently being developed. This would increase the potential to at least another 50 million tons in CO<sub>2</sub> savings.

Fuel switching in electric power generation has been estimated to yield about 50 million tons of CO<sub>2</sub> savings by 2010 in the EU proposal. Yet, in Germany alone 60 million tons of CO<sub>2</sub> already have been avoided, due mainly to fuel switching from lignite to natural gas between 1990 and 1996. This suggests a much higher potential in the entire EU if coal fired power plants continue to be replaced by natural gas turbines.

The suggested increase of combined heat and power generation in the EU from 9% cur-

rently to 18% by 2010 would save another 150 million tons of CO<sub>2</sub>. Fine, but the European Association of Cogeneration (Cogen) suggests, that an increase up to 30% is possible by that date, further increasing the amount of CO<sub>2</sub> that could be saved.

These examples demonstrate that the EU's 15% target is hardly a radical or "unachievable" target. It reflects sound but very conservative analysis and contains only no-regret options. Many potential efficiency measures exist that are not covered in the EU's analysis. For delegates, this means the EU proposal is only the minimum option.

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Published by: The Climate Action Network

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## CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

## Traps for Early Credit

Last week, President Clinton announced that the US would "urge companies to take early actions to reduce emissions by ensuring that they receive appropriate credit for showing the way."

Environmental groups strongly support incentives for early action to reduce greenhouse gas emissions. The strongest incentive, of course, would be binding emission reduction targets that start as soon as possible, rather than ten years from now as proposed by the President. Short of that, domestic incentives for early reductions would be welcome. But there are a number of possible pitfalls associated with the US plan, because of its linkage with that country's emissions trading proposals.

The US would allow companies that take a baseline, and reduce emissions below that baseline before 2008, to "bank" emissions credits for use once binding emissions obligations start in 2008. Of course, the emissions credits for early domestic reductions would have to be subtracted from the US allocation for the first budget period, effectively penalizing laggard industries that fail to take early action. While the total emissions over the first budget period would not be reduced, there would be a net benefit to the environment from the reductions in the period before binding commitments kick in.

The problem comes when the industry action is outside the United States. In the case of investments in developing countries, emissions credits earned by industry through actions abroad would presumably not be subtracted from the first US emissions budget. Instead, the

US would add the emissions savings overseas to its first budget, thus allowing domestic emissions to be larger than they otherwise would be. The result here would be a wash - lower emissions in the period before 2008 would be offset by higher emissions in the 2008-2012 first budget period.

When the investment is in another Annex I country taking on a budget commitment, the early credit program could have a (hopefully unintended) perverse effect. The US, as in the case above, would get to increase its first budget by the number of tons reduced in the host country pre-2008. But in addition, the host country, its emissions trajectory reduced by the US company investments, would have extra tons to sell in the world market once the US-proposed trading system starts. Thus, in this case, each ton reduced between now and 2008 could lead to two tons being emitted after 2008. This is clearly not an acceptable result for the environment.

To avoid such double-counting, the host country should have to subtract these reductions from its budget, just as it would for projects that occur wholly within the budget period.

The US should be encouraged to provide domestic incentives to its industry to start reducing emissions now. But should negotiators decide to adopt the US emissions trading proposals, they must ensure appropriate accounting so that these mechanisms don't obviate the environmental benefits of early reductions by allowing higher emissions later on.

## No Threat to Sweat...

Following President Clinton's announcement of the US Climate Change Policy on October 22, some US industry representatives and US Congressional representatives have stepped up predictions that the United States will suffer trade disadvantages unless developing country commitments are part of the deal. These arguments, backed by intense lobbying and multi-million dollar ad campaigns, are warning the American public that US jobs and industries are going to move off-shore as a result of a Kyoto protocol. Undoubtedly these voices are contributing to US insistence on "meaningful participation" by developing countries - a move that threatens to derail the negotiations.

A new research study by WRI, *US Competitiveness Is Not at Risk in the Climate Negotiations*, debunks the argument that US energy-intensive industries and jobs will be lost to developing countries if industrialized countries lead the way on greenhouse gas reductions. WRI argues that few, if any, threats exist. On the contrary, they show there is already significant opportunity for US business to improve energy-efficiency and reduce emissions growth in developing countries.

Here are some of the facts that are presented in their research brief:

- The United States' largest trade and investment partners are other OECD countries that will face the same binding commitments and already have higher energy prices than the United States.
- Key US energy-intensive industries are not seeking to invest in low energy price countries.
- Among industries that produce tradable goods and services, very few jobs are in energy-intensive sectors, making economy-wide job losses to developing countries extremely unlikely; and
- Energy prices in developing countries have been rising much faster than prices in the United States, and will continue rising because of on-going energy sector reforms.

These findings indicate that if the US assumes strong leadership, and upholds the concept of differentiated commitments, it does not risk becoming less competitive.

## THANKS

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

With resources contributed by: APC Networks and EuroFax.

# Ludwig

From the self-congratulatory way that fossil fuel lobbyists are strutting around the Beethovenhalle with smiles on their faces it is clear to Ludwig that the latest position from the world's most powerful emitter is very close to what industry hoped it would be. Everyone knows it is a long way from what the NGO community or the public would like. This is because businesses, who are used to commercial bargaining, always ask for ten times more than they want, then settle for what they are really aiming for. NGOs and scientists on the other hand, are more direct... or have been, up to now. Ludwig can now reveal CAN's latest demands: a 500% cut in all emissions by 1900, based on pre-industrial levels. Maybe we can meet half-way...

## NGO PARTY!

### 9pm tonight

at the

### Kaffee Haus

### Ermekeilstrasse

in the

### Sudstadt



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The UK, commenting on the Russian proposal, said that the EU proposal for a 15% reduction in emissions was not unilateral but dependent on similar efforts by others. He conveyed a number of points from a Commonwealth Heads of Government communiqué: the importance of a successful outcome in Kyoto; a call on Parties at the COP to recognize that all countries would need to play a part in pursuing emissions reductions after Kyoto; and a call for monitoring of commitments.

SAMOA, for AOSIS, said that US President Clinton's announcement did not provide the leadership expected from the world's wealthiest nation. The US commitment was not a new commitment but an attempt to delay the achievement of a goal that COP-1 had decided was inadequate. Climate change risks demand action on the basis of the precautionary principle not the wait-and-see approach. He urged President Clinton not to defer responsibility for the duration of some three presidential terms. EGYPT called for the preparation of a unified text, indicating points of agreement and disagreement, to take to the capitals Friday.

The EU welcomed the fact that the US and Japan shared its concerns and recognized the potential to reduce GHGs through cost-effective domestic action, but added that this was not properly reflected in the proposed targets. The US figures were lower than Japan's already insufficient targets. Serious negotiations would be needed if Kyoto is to produce the outcome the world needs. The EU will seek intensive dialogue with all Parties.

The US described its proposal as aggressive and pointed out that some other proposals do not check the growth of trace gases nor protect forests and soil sinks. The proposal was fully compatible with long-term concentration targets that have been put forward by other Parties, i.e. 550 ppmv. Avoiding such concentrations would depend more on developing countries' responses. No other Party was ready to implement its domestic program so expeditiously, leading others to propose unrealistic targets that fail to address HFCs, PFCs and SF<sub>6</sub>. The US had also provided the most detailed proposals for compliance. Promptly beginning the process of agreeing on developing country commitments would help them avoid the emissions-intensive path pursued by the industrialized world.

#### SUBSIDIARY BODY FOR IMPLEMENTATION

On arrangements for COP-3, FCCC Executive Secretary Michael Zammit-Cutajar said discussions with the Japanese government were on the verge of a successful conclusion. He said that taking account the legal opinions and practices of Japan's authorities, Japan's opinion on the legal character of the COP and Convention Secretariat, and of Japan's practice for security and police protection at UN conferences, the international understanding for COP-3 would be an exchange of letters. He said the Secretariat had sought and obtained a practical understanding to produce the desired results without prejudicing these views, and that the Secretariat's understanding should not be considered a precedent for other meetings. Without prejudice, the government of Japan will extend to representatives of Parties and others involved in COP-3 such services, facilities, security privileges and immunity as provided to other international and UN conferences in Japan.

JAPAN acknowledged that it had virtually succeeded in concluding issues with the Secretariat. He said the government of Japan fully intends to provide the necessary facilities to all functions and to ensure the COP is conducted as smoothly as possible.

SB1 Chair Mohammed Ould El-Ghaouth introduced a draft decision to hold COP-4 in Bonn in November 1998 and requesting that the Secretariat make necessary arrangements. The decision was agreed. On the G-77/CHINA's proposed agenda for COP-3's high-level segment, the Chair said the segment would be organized

with a traditional first-come, first-served list of speakers. He said the G-77/CHINA proposal could be distributed as an official document, although ministers customarily speak on national issues, not on a requested list of topics. SAUDI ARABIA, KUWAIT and CHINA requested that the proposal become an official document.

#### NON-GROUP ON ARTICLE 4.1

The non-group discussed a non-paper proposed by its Chair. Delegates were unclear whether the AGBM Chair's consolidated negotiating text remained the basis for negotiations. A delegation indicated that agreement on an initial paragraph containing a reference to the advancement of commitments based on differentiated responsibilities and national priorities would be contingent upon outcomes in other areas. A group of countries said that advancement of existing developing countries' commitments depends on the provision of financial resources and transfer of technology. Some delegates pointed out the lack of progress in negotiations.

#### NON-GROUP ON INSTITUTIONS AND MECHANISMS

The non-group on institutions and mechanisms discussed the final articles of the draft negotiating text, including those on ratification, regional economic integration organizations, entry into force and withdrawal. A number of substantive discussions were postponed until decisions determining the overall shape of the protocol or other legal instrument have been taken, and the group agreed to reconvene for an evening session. On provisions for regional economic integration organizations, most participants felt that the issue should be deferred as it is linked to the AGBM's acceptance of the "bubble" concept for meeting commitments. Negotiators concluded that a decision on whether to link entry into force to the number of ratifications alone or to a combination of ratifications and carbon dioxide emissions covered should also be postponed. One group supported entry into force after fifty ratifications.

#### NON-GROUP ON POLICIES AND MEASURES

Delegates received proposed text from a regional group and from a group of industrialized countries, and debated which paragraphs they were to consider. The Chair proposed discussing paragraphs in a specific order. The regional group sought to consider the entire article as a whole because of newly proposed text in one subparagraph stating that Parties will adopt P&Ms according to their priority areas. The regional group's proposal divides the P&Ms into three types: obligatory, intermediate and voluntary. The Chair of a contact group reported that participants had been unable to agree on revising a paragraph concerning P&Ms in Annex A. The non-group met again in the evening.

#### IN THE CORRIDORS

Under pressure of time and, in some cases under fire, some negotiators are reporting an increasingly fraught atmosphere in Bonn. "Between a rock and a hard place" was how one participant summed up the position of negotiators bound by and unable to draw back from highly publicized negotiating positions. Suspicions about obstruction and splitting tactics are being quietly aired. The only clear target to emerge thus far has been the US position, which has been fired on from all sides.

#### THINGS TO LOOK FOR TODAY

NGO Briefing: The NGO briefing will be held at 9:30 am.

Non-group Meetings: Consult the journal for times and locations.

SBSTA: SBSTA will meet at 3:00 pm.

URGENT-URGENT-URGENT

Page 1 of

PLEASE PASS IMMEDIATELY TO OES FRONT OFFICE. THANKS.

TELEFAX

FAX to: 202 647-0217

DATE: 29 October 1997

TO: Ms. Conchita DeShazo, OES, FAX 202 647-0217

FROM: USDEL/Bonn, Mark G. Hambley

SUBJECT: Climate Change Talks: Update No. 9 (Oct 28-29)

Text: Conchita: Attached is the climate talks Update No. 9 which covers activities from the afternoon of Oct 26 through the morning session of Wednesday, Oct 29. This report should be read in conjunction with the supplement for this update which contains the latest copy of the NGO rag, ECO, plus the "Earth Negotiations Bulletin" for today. Please send it to the personnel/offices on the attached list. Thank you!

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cc: JAF  
SY  
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AM  
JA

Climate Talks, Bonn, GermanyOctober 20-31, 1997

Revised 10/25/97

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| USAID       | Leslie Cordes         | (202) 712-5304 | (202) 216-3230          |
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| NEC         | Gene Sperling         | (202) 456-2807 | (202) 456-2878          |
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| NEC         | Peter Orzag           | (202) 456-5358 | (202) 456-2223          |
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| USTR        | Jennifer Haverkamp    | (202) 395-7320 | (202) 395-4579          |
| USUN        | Burgess Laird         | 6-7583         | 6-7551                  |

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29 October 1997

**Memorandum**

**To:** Please See the Attached List

**From:** USDEL/Bonn -- Mark G. Hambley ~~to~~

**Subject:** Climate Change Talks, Update No. 9: Activities for October 28-29, 1997

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-8), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon of Oct 28 through the morning of Oct 29. The following reports are also included:

- (a) An Oct 22 account of the SBI meeting prepared by USDA's Dr. Carol Whitman;
- (b) An Oct 27 account of the SBI meeting prepared by USDA's Dr. Carol Whitman;
- (c) Reports on QELRSOs sessions and on contact groups on emissions trading and other topics for Oct 28 prepared by EPA's Sharon Saile; and
- (d) a report on the Oct 28 meeting by USAID's Leslie Cordes on SBI's informal meeting on outstanding agenda items.

Although the contents of this report are unclassified, they are not intended for attribution or for use outside the U.S. Government. The final paragraphs of this report can be used as a submission to the Daily Activities Report (DAR), as desired or appropriate.

**Climate Change Talks, Update No. 9: Moving Towards Closure: Chair Presses for Completion of Draft Documents for Presentation to the Plenary**

**The EU "Bubble" Hotly Contested**

With substantive debate continuing from yesterday's (Oct 28) afternoon and evening sessions through this morning, several issues of importance to us are now being addressed. These include Article 10 (on a voluntary graduation mechanism) and the EU "bubble." Both of these aspects of the debate are covered in Sharon Saile's attached report. Suffice it to note that amendments to the Chair's text for Article 10 were submitted during the contact group on this topic chaired by Norway on Oct 29. A revised draft will be prepared on this basis. The "bubble" debate was surprising by its intensity. The EU was somewhat taken aback, as they should have been. Although the G-77/China did not participate in the debate (several elements are known to have concerns similar to our own), neither did most of the other EU "wannabees." Only Slovenia spoke up in defense of the "bubble." Poland, Hungary, and the Czech Republic all remained silent, as did the other EIT members (except for Kazakhstan which joined Russia in raising some pertinent questions).

4/20

**Institutions and Policies and Measures Reaching as Far as They Can Go**

Institutions has its two final meetings today. At the morning session, discussion focused on a paper prepared by the Chair (Shibata of Japan) which does not indicate what was agreed and those passages which remain open. This confusing situation was clarified by the Chair. On Policies and Measures, Sue Biriaz remarked favorably on the performance of the chair of this "non group", Kante of Senegal.. The main items which will be left for decision at Kyoto will be sections concerning whether there should be a list of policies and measures and, if so, should they be voluntary in scope or in some way harmonized. The G-77 tends to support on the issue of a list (they do not want one), but this grouping also wants there to be criteria established. (Iran told us privately that they hope we will quash this suggestion!)

**SBSTA is Finished; SBI is Winding Up**

SBSTA finished its meetings ahead of schedule to the surprise and delight of many. The Chairman of this subsidiary body, Tibor Farago, has now retired from this position. SBI, meanwhile, is moving to complete its work this morning. Despite an effort by the G-77 at last night's session to limit the review of commitments to Annex 1, we have been able to preserve our options in this regard.

**Watching out for the Wrathful Chairman**

The Chairman of the AGBM, Ambassador Raoul Estrada of Argentina, is currently undertaking consultations with concerned parties on the texts submitted by the non-group chairs. He is holding deliberations on Article 4.1 and on Policies and Measures this afternoon. The intention is to work out compromises on textual areas where there is more or less consensus. If none can be reached, the chair has given himself the option of deciding the matter in order to move the process forward. This could set us and other up for some fireworks on Thursday and/or Friday when he attempts to have his final report and a text prepared for submission to the Conference of the Parties for consideration in December.

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

**Climate Changes Talks, Update No. 9: Moving Towards Closure: Chair Presses for Completion of Draft Documents for Presentation to the Plenary**

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SBI-7, 3<sup>rd</sup> Meeting, October 22, 1997, 15:00-18:00  
Beethoven Halle, Bonn  
Dr. Carol Whitman

SBI Vice-Chair Jose Romero (Switzerland) opened the meeting with a discussion of the arrangements for COP-3 and COP-4. The arrangements for COP-3 were not final and the secretariat and Japan needed a few more days to complete them. The COP-3 agenda (FCCC/CP/1997/1) had been approved by the President of the Conference. There were also proposals for work for the ministerial. New elements had been added since the last meeting, e.g., a classic general debate with statements limited to "some 5 minutes." There had been no offers to host COP-4 by the deadline of September 30, so by the draft rules of procedure, the conference would be in Bonn in November 1998. China and the G77 objected to a review of the adequacy of 4.2(a) and (b) commitments at COP-3. In addition, Tanzania (for the G77/China) proposed an agenda for the ministerial, including (1) giving guidance to the final stage of the Berlin Mandate, (2) considering measures for implementation of the FCCC financial resources, technology development, demonstration, differentiation, promotion of breakthroughs, education and training, public awareness, networks, research, etc., (3) considering next steps being guided by cooperation, good faith, existing commitments, implementation of commitments to limit GHG emissions by Annex I. Reference to the way forth was not support for a post-Kyoto process, e.g., inclusion of non-Annex I Parties in commitments. The USA and Luxembourg (EU) supported inclusion of the review of adequacy of 4.2 (a) and (b). The secretariat responded that the agenda had been debated and in the conclusions of SBI-6 para. 34.6, the secretariat was asked to make preparations for COP-3 including a review of the adequacy of 4.2(a) and (b). The secretariat also advised against suggesting an agenda for the high level segment. The Philippines asked for clarification on the post-Kyoto process, whereby the secretariat responded that there were two types of processes that could follow Kyoto: (1) implementation of a protocol; and (2) a Kyoto Mandate. The Vice-Chair said they would seek guidance from the Bureau on COP-3 agenda item 3(d) and an agenda for the ministerial segment. The SBI then took up administrative and financial matters. The secretariat reported on their cash flow problems, overexpenditures, the shortfall in the participation fund of \$500K, and the Bonn fund. They noted that Germany was taking action to complete a formal headquarters agreement with the UNFCCC. The SBI then discussed NGO consultation. Luxembourg (EU) asked the secretariat to advise the SBI on other UN procedures for NGO consultation. Malaysia supported establishment of a consultation process and the proposal by the EU, but noted the amount of work being done and the lack of time to entertain interventions. Switzerland supported NGO consultation (with up to 9 groups as in Agenda 21, and barred from negotiations) but proposed deferring the decision to a later date. Canada suggested the Chairman should have the discretion to allow more than 1 or 2 interventions. The Vice-Chair concluded that there was not consensus and therefore it was too early for SBI to make a recommendation for COP-3.

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SBI-7, 4<sup>th</sup> Meeting, October 27, 1997, 12:00-13:00  
Beethoven Halle, Bonn  
Dr. Carol Whitman

SBI Chair Mohammed Ould El-Ghaouth opened the meeting with a report on the arrangements for COP-3. The Secretariat related that their discussions with Japan were almost concluded and that the international understanding for COP-3 would be an exchange of letters. The Chair then introduced a draft decision on the date and venue of COP-4, Bonn in November 1998. The USA asked for specific dates. The secretariat explained that November 16-27, 1998 was not specified to allow additional time to adjust the proposed dates because this schedule proved difficult for some Parties (i.e., Thanksgiving in the U.S. and a conflicting meeting of the Montreal Protocol). The draft decision directing the secretariat to make arrangements was adopted. SBI Chair El-Ghaouth then took up the issue of the G77/China proposed agenda for the high level segment of COP-3. He indicated that following traditional practice, the high level segment would not have a specific agenda; the agenda would be left to Ministers. The list of speakers would open October 28 on a first-come, first-serve basis, with respect to protocol rank and spokespersons of dominant groups (all Parties and Observer States). He said the G77/China proposed agenda could be published for the information of the speakers. Saudi Arabia, Kuwait, China, and Peru requested that the secretariat publish the G77/China proposal as a MISC document. The Chair indicated that the President of the G77 could submit a signed request for the secretariat to publish their proposal as a formal document of COP-3. Saudi Arabia and Kuwait also raised the issue of COP-3 addressing proposed amendments to the FCCC in the order of receipt. The Chair agreed.

TO: Mark Hambley  
FROM: Sharon Smith

8911

### **QELROs - Policy Chaired by Bo Kjellen, Tuesday Morning October 28**

The Chair indicated that the interested Parties (Russia, Poland, US, UK/EU, and G-77) were still consulting on the EIT flexibility issue (contained in Article 3.4 of the Chair's text) to try to develop a consensus on new text.

There was general agreement among the Parties with Article 8 on expert reviews of reports submitted under the protocol. In about an hour or so, several interested Parties (US, UK/EU, Tanzania/G-77, and Switzerland) agreed upon several changes to the text (reserving the judgement about Conference or Meeting of the Parties until after that issue is resolved in Mr. Shibata's institutions group). Although the text indicating the reviews would cover "the likelihood that a Party will achieve its commitments", the text was enhanced to provide for the review of "identifying any potential problems and factors influencing the fulfillment of commitments". In addition, we agreed to add text to indicate that Parties (in addition to the Secretariat) could raise questions about implementation to the COP/MOP.

On Article 10 for the voluntary commitments for non-Annex I Parties (our Annex B), all the usual players shared their usual point of view - G-77 expressed their questions as to whether this concept would fall within the Berlin Mandate, and whether it would represent additional commitments for non-Annex I Parties. They further expressed their view that this Article to the protocol was unnecessary because they could join Annex I under the convention. Korea and Mexico made their interventions indicating that just despite their membership in OECD, they shouldn't be forced to take on new commitments. Poland supported Article 10. The Chair then decided that Norway would chair a non-contact group to try to develop consensus on changes to the text.

On Article 11, the US expressed its view to delete Article 11 for the review of adequacy of Annex I commitments under this Article, while others expressed their support (UK/EU, Switzerland, ~~NAURU~~) ~~Nauru~~ or their desire to modify (Australia and Canada) the Chairman's text. The Chairman promised to carry out bilateral discussions with the interested Parties.

### **QELROs - Contact Group on Emissions Trading, chaired by Bo Kjellen at lunch**

India represented the view of the G-77 that emissions trading should not be allowed and should be deleted from Chairman's text. The reiterated their argument that we haven't sufficiently discussed the granting and trading of emissions pollution rights. After listening to the general rebuttal of their concerns, India left when the Chair moved the discussion into the specifics of the text.

Amb. Kjellen's new text was very responsive to US concerns - reinstating a paragraph to allow Parties to authorize "intermediaries to participate in actions leading to transfer or acquisition". He also added back in the "yellow flag" for allowing trade but not use of emissions allowed until a question of compliance is resolved. He removed the restriction against early credit for early reductions. The one problem in the text is that emissions trading still seems to be dependent upon development of modalities and guidelines by COP/MOP.

9 a/b

Of course, the UK on behalf of the EU expressed their reservations about trading, and all other Annex I Parties present supported emissions trading, including the US, Australia, New Zealand, Japan, Iceland, Norway, Switzerland (contingent upon development of modalities). EU wanted to restrict hot air - they support the ban on any credit for early reductions to accrue to countries below their baseline before the start of the budget period. EU also wants some sort of centralized exchange for all emissions trades, which would severely restrict the ability for bilateral trades among Parties. All others raised their concerns about these restrictions. After discussion, an Annex I drafting group to try to develop consensus to resolve the EU's desire for further restrictions on emissions trading against the concerns of all others (the Common Interest Group to meet tomorrow at 10).

### **QELROs - Technical Chaired by Gylvan Meira, Tuesday Evening October 28**

Differentiation: by Switzerland Annex C - hope to continue for one more day on 3.2 and 3.3

E U Bubble (or other Regional economic groups) by UK/EU

AGBM/1997/Misc 1/Add 7 - bubble is based on 4.2 of FCCC for individually or jointly chosen to do Convention jointly, and will under protocol  
text was distributed yesterday

Japan - this text still isn't clear enough - individual differentiation and unfair

Australia - unfair - achieving internal differentiation - doesn't guarantee transparency or competency

Canada - unfair - each country should have individual targets - doesn't address expansion over time

US - obligations for all others - agree with flat rate - but EU is trading, and therefore similar provisions for trading should apply

- thus only below their obligation could trade
- thus any reductions achieved before the period could not be used - only those after
- supplemental to policies and measures
- may not transfer if exceeded its budget
- need to resolve all modalities before allowing the bubble
- clarification of transparency of reporting & verification & compliance
- allow trading for bubble before entry into force of agreement, let alone first MOP
- allow question of compliance raised by any Party
- additional enlargement - trading has Article 10 - need clarification?

Norway - won't comment on text, but still need further clarification

-notify on date of deposit or 5 years ahead: 4 questions

- don't know your target to sign?

-consequences of failure - should apply to all countries if one country fails?

New Zealand - not against bubble per se - share abatement OK, but not fair

supports uniform Annex I target - emissions trading - bubble = trading and no constraints  
unrealistic constraints on trading - not fair

10 07/11

Iceland-still unclear - illustrates need for differentiation

Russian Federation- 1) they get early credit?

-2) legal and moral - some members may raise their emissions - unfair

-3) need option for common but differentiated responsibilities for all

yesterday - proposed Annex I bubble - already covered by logic of convention

Kazakhstan - unfair

Slovenia - in *San*

*Dakota*

UK/EU response - California and Dakota will have different emission levels - therefore need understanding of constitutional arrangements.

-EU bubble is essential - but open to any other "economic" organizations - therefore not special treatment

-not against differentiation in principle - pleased with progress

-will deregulate electricity production, which may change need for burden sharing

-enlargement or contraction of EU based on consensus - and Parties will take with them, in or out, the original commitments based on a flat rate

-EU will know the EU-wide commitment

-amending or rescinding

### 5-year budget periods

Contact group on single year versus budget periods - no contact group possible - EU is prepared to accept a move to budget period, conditional on starting no later than 2003, for 5 year budget periods.

Gylvan expressed hope G-77 will compromise? - Tanzania: No - object that contact group wasn't held. Chair requested G-77/China to consider.

### Reporting

There has been some progress, but hope to report tomorrow more concretely.

### Annex B/Sinks

Japan didn't attend sinks. Japan cannot support deletion of Annex B - wants to retain only 3 gases, and to retain only some source and sink categories based on uncertainty. Meet tomorrow afternoon for sinks - "anthropogenic is still open"

GWPs - Many Parties agreed to basket approach with 100-year GWPs, but another line shared by several Parties to support gas-by-gas approach with separate treatment for long-lived gases. USA proposed that only those taking on commitments under Article 3 would use 100-year GWPs in a basket approach, and others could choose not to use. ~~USA~~ refused to agree, supported by G-77 because Annex I commitments would impact their countries. - move away from interpretation that two groups of parties - those with and without commitments. Separate treatment supported by Tanzania means phase out of long-lived GWPs - USA asked if a phase out, which with no new commitments would result in leakage to developing countries and no environmental benefit - so how would they address? Like Montreal Protocol which would involve all Parties?

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Meeting of the SBI  
Informal Meeting on Outstanding Agenda Items  
October 28, 1997  
Prepared by Leslic Cordes/USAID

The SBI had a relatively quick wrap up session to approve outstanding items on the agenda and refer them to Thursday's SBI Plenary for approval. The Chairman began the session with firm instructions to the delegates that the session was intended as a quick wrap-up -- as it was the last informal meeting of the SBI before Kyoto -- and therefore not the place to raise new issues. The delegates approved the following items as follows:

- \* Approval of both the draft conclusions and the draft decision on Communications from Parties Included in Annex I to the Convention;
- \* Approval of the text on Consideration of Initial National Communications from Parties Not Included in Annex I to the Convention for transmittal to the COP;
- \* Approval of the draft decision on Activities Implemented Jointly Under the Pilot Phase for transmittal to the COP;
- \* Having already approved the conclusions on the Development and Transfer of Technologies at the informal SBSTA session earlier in the day, the delegates approved the draft decision on Development and Transfer of Technologies for transmittal to the COP;
- \* Approval of the decision on Financial Mechanisms, and related Annex to the MOU on the determination of funding for the implementation of the Convention, for transmittal to the COP;
- \* Approval of the draft decision on Administrative and Financial Matters for transmittal to the COP. Interestingly this issue was not taken up by a contact group, rather the vice-chair consulted with key delegations in gaining consensus on the text;
- \* Approval of the Draft Report of the Subsidiary Body for Implementation on the Work of its Seventh Session, Bonn 20-29 October 1997 and Addendum, with an amendment proposed by the United States. The amendment pertained to recognition of the divergent views on the issue of the post-Kyoto program budget; and
- \* Approval of the amended draft decision on Arrangements for Intergovernmental Meetings for transmittal to the COP. The amendment requested the Secretariat to advise the SBI on relevant UN procedures.

Delegates concluded the meeting by thanking the Chairman for his distinguished service as chair of the SBI.

URGENT-URGENT-URGENT

Page 1 of 14

PLEASE PASS IMMEDIATELY TO OES FRONT OFFICE. THANKS.

TELEFAX

FAX to: 202 647-0217

DATE: 30 October 1997

TO:

*LUISA ABBOTT*  
Ms. ~~Conchita~~ DeShazo, OES, FAX 202 647-0217

FROM:

USDEL/Bonn, Mark G. Hambley *hambley*

SUBJECT:

Climate Change Talks: Update No. 10 (Oct 29/30)

*LUISA*  
Text: ~~Conchita~~ Attached is the climate talks Update No. 10 which covers activities from the afternoon of Oct 29 through the morning session of Thursday, Oct 30. Please transmit it to the personnel/offices on the attached list. Thank you!

Climate Talks, Bonn, GermanyOctober 20-31, 1997

Revised 10/25/97

| Agency      | Name                  | Telephone      | Fax                     |
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| State       | OES/EGC               | (202) 647-4069 | (202) 647-0191          |
| State       | Leslie Gerson         | (202) 647-1511 | (202) 647-0773          |
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| OSTP        | Rosina Bierbaum       | (202) 456-6202 | (202) 456-6025          |
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| Justice     | Lois Schiffer         | (202) 514-2701 | (202) 514-0557          |
| Commerce    | Jeffrey Hunker        | (202) 482-6055 | (202) 482-4636          |
| Commerce    | Laurence S. Campbell  | (202) 482-3038 | (202) 482-0325          |
| Commerce    | Nazir Bhagat          | (202) 482-3855 | (202) 482-5666          |
| NOAA        | Terry Garcia          | (202) 482-3567 | (202) 482-6318          |
| NOAA        | Sally Kane/Jim Buizer | (301) 427-2089 | Ext. 516 (301) 427-2073 |
| Treasury    | David Wilcox          | (202) 622-2200 | (202) 622-2633          |
| Treasury    | Bob Boorstein         | (202) 622-0486 | (202) 622-0073          |
| Treasury    | Larry Summers         | (202) 622-1080 | (202) 622-0081          |
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| Agriculture | Charlie Rawls         | (202) 720-6158 | (202) 720-5437          |
| WHTFCC      | Dirk Forrister        | (202) 343-1060 | (202) 343-1162          |
| EPA         | William A. Nitze      | (202) 564-6600 | (202) 565-2407          |
| EPA         | Richard D. Wilson     | (202) 260-7400 | (202) 260-5155          |
| EPA         | David Gardiner        | (202) 260-4332 | (202) 260-0275          |
| EPA         | Avis Robinson         | (202) 260-3354 | (202) 260-6405          |
| EPA         | Paul Stolpman         | (202) 233-9140 | (202) 233-9598          |
| DOE         | Abraham Haspel        | (202) 586-5316 | (202) 586-3047          |
| DOE         | Mark Chupka           | (202) 586-5800 | (202) 586-0861          |
| DOE         | Mark Mazur            | (202) 586-7700 | (202) 586-9626          |
| DOE         | Howard Gruenspecht    | (202) 586-5337 | (202) 586-5391          |
| DOT         | John Lieber           | (202) 366-4450 | (202) 366-7127          |
| OVP         | Pete Jordan           | (202) 456-9501 | (202) 456-9500          |
| CEQ         | David Sandalow        | (202) 456-6543 | (202) 456-2710          |
| CEQ         | Steve Seidel          | (202) 343-1092 | (202) 343-1163          |
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| USAID       | David Hales           | (202) 712-1750 | (202) 216-3174          |
| USAID       | Leslie Cordes         | (202) 712-5304 | (202) 216-3230          |
| WH          | Todd Stern            | (202) 456-2702 | (202) 456-2215          |
| L/OES       | Evan Bloom/Bob Harris | (202) 647-1370 | (202) 736-7115          |
| NSC         | Jim Steinberg         | (202) 456-9491 | (202) 456-9490          |
| NEC         | Gene Sperling         | (202) 456-2807 | (202) 456-2878          |
| NEC         | Dan Tarullo           | (202) 456-5353 | (202) 456-1605          |
| NEC         | Peter Orzag           | (202) 456-5358 | (202) 456-2223          |
| USDA        | Jessica Wasserman     | (202) 690-2790 | (202) 720-8097          |
| USTR        | Jennifer Haverkamp    | (202) 395-7320 | (202) 395-4579          |
| USUN        | Burgess Laird         | 6-7583         | 6-7551                  |

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30 October 1997

**Memorandum**

**To:** Please See the Attached List

**From:** USDEL/Bonn -- Mark G. Hambly ~~MAA~~

**Subject:** Climate Change Talks, Update No. 10: Activities for October 29-30, 1997

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-8), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon of Oct 29 through the morning of Oct 30. The following reports are also included:

- (a) Oct 27 reports on contacts with Canada and Australia over the impact of GHGs on national security by Capt Chris Weaver, USN;
- (b) An account on the Oct 28 meeting of SBI on outstanding issues prepared by Leslie Cordes/USAID; and
- (c) Reports on Oct 29 contact groups and informal sessions dealing with emissions trading and QELROS prepared by EPA's Sharon Salle.

Although the contents of this report are unclassified, they are not intended for attribution or for use outside the U.S. Government. The final paragraphs of this report can be used as a submission to the Daily Activities Report (DAR), as desired or appropriate.

**Climate Change Talks, Update No. 9: AGBM Plenary Begins Laborious Task of Finalizing the Negotiating Text, while Contact Groups Continue their Deliberations on Outstanding Issues**

**U.S. Provokes Some Excitement**

The AGBM resumed its plenary sessions (open to all NGOs and accredited observers; informal sessions excluding them are expected to resume somewhat later in the program) on Oct 30 with a reading of Article 2 of the Chair's revised draft on policies and measures (PAMs). A report was delivered by the Chair of the working group (Kante of Senegal), following which NGOs and business had an opportunity to comment on the topic. As the latter were evenly divided between "for" and "against" harmonized PAMs, the Chair chimed in that "given the divisions among the non-governmental organizations, it might be best to leave the matter for governments to decide."

The Chair then proceeded to go through each paragraph and sub-paragraph of the text and took aboard comments from a wide range of countries. At one point, the U.S. pointed out that the formulation of one paragraph did not reflect the views of all of those in the room. There was no consensus. The Chair (Raoul Estrada of Argentina) responded that only three countries were against this paragraph -- the U.S., Canada, and Australia. Therefore, a consensus was, in fact, in play.

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The U.S. countered once more, and then was followed by Venezuela's rejection of the Chair's ruling, whereupon Estrada then said he would call for a vote and sent the Secretariat in search of a roster of countries. The room was abuzz for a few moments, during which the U.S. suggested that its intention was to give the Chair an opportunity to redraft the offending paragraph in a manner more broadly acceptable; Venezuela withdrew its rejection of the Chair's ruling, and the question of a vote was laid to rest -- for the moment. USDEL's Daniel Reifsnyder thanked the Chair for providing the meeting with much excitement, a remark which was greeted with laughter by the crowd in the plenary hall.

Levity aside, the exchange gives further evidence of the rather direct manner in which Chairman Estrada intends to proceed in bring a document forth to the COP. In this instance, we were the targets of his disfavor (but on a relatively minor point); later, it will no doubt be one or the other of the two key blocks in the hall, the G-77/China and the European Union (EU).

#### The Status of Key Issues (as of 10/30/97)

As is indicated in the attached detailed reports prepared by USDEL members, there has been movement in several areas, although final agreement is fleeting. Whether this is merely a negotiating tactic on the part of the blocking party(ies) or represents firmly held conviction is dependent on several factors. Following is a wrap-up of where several of these issues stand as of mid-day, Oct 30:

(a) Article 10 (the article substituted for a watered down version of our Annex B): Much progress was achieved in a contact group which met on Oct 29. Argentina spoke in terms strongly reminiscent of the declaration issued by Presidents Clinton and Menem in mid-October and expressed strong interest in Article 10. (Note: Estrada has reportedly remarked, with some sincerity, that Argentina took this position because it was "tricked" into believing that the U.S. emissions target would have included a substantial reduction by 2010. End Note.) Mexico did not reject the concept but raised several questions about it, including the issue about who is to decide if the proposed level is adequate. Mexico prefers that it not be judged, that as it would be making its proposal voluntarily, then no one should question it or second-guess Mexico. The U.S. suggests that all Annex I countries give their assent, while the EU believes that a significant majority of Annex I should be sufficient. In spite of these developments, the G-77's official position (as articulated by Saudi Arabia) remains firmly opposed to Article 10 because of the view that it imposes new commitments on developing countries -- despite the "voluntary" feature of this provision.

(b) Joint Implementation with credit: Iran and the G-77 generally remain strongly opposed to joint implementation with credit -- even among Annex I Parties alone. New Zealand countered by indicating that the concept should only be applied to non-Annex I Parties. The EU, meanwhile, wants JI only within Annex I states. We have received indications that the G-77 will relent in the end, but the issue may be linked to other issues (such as the level of the target).

(c) Gases: A contact group on this topic has agreed on a basket of six gases (up from the three in the EU's proposal, but Japan is currently blocking "because they could not spare anyone to attend the contact group." We are confident that this will be worked out eventually.

(d) "net" vs "non-net": This was discussed in QELROS last night. However, the matter is complicated by the G-77/China's insistence on reinserting some of its text which was dropped.

(e) "sinks": no decision has been taken on this which was sent to another contact group for discussion on Oct 30. Although we believe that some sink language will be decided upon, it is not going to be the New Zealand proposal.

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(f) **Multi-year "budget" concept:** Again, most if not all Annex I Parties are in agreement with this concept, except the G-77/China which continue to insist on a flat year target;

(g) **Policies and Measures:** As indicated, this issue has been sent to the Plenary for deliberation; The Chair has asked a few countries (the US and the EU included) to attempt to work out some compromise language on a two option paragraph in the relevant article (Art. 2). If they are not successful, the Chair indicated that the matter will be forwarded to the COP for final resolution;

(h) **Developing Countries:** Resolution of this question is tied, ironically, to an external event: the visit of President Jiang Zemin, to Washington. If he gives enough light, then matters here could change quite abruptly. If he does not, then..... Article 4.1 will be discussed during the afternoon of Oct 30. Evolution is not expected to be debated in the plenary, although Estrada has promised to forward the topic to the COP for further discussion, as appropriate. A contact group among key Annex I countries (those attending the Tokyo meeting) will meet on the night of Oct 30 to consider options for dealing with the question of developing countries in Kyoto; and, .

(i) **Economies in Transition (EIT) -- baseline and paper issues.** Neither of these issues has been fully resolved, as yet. We are waiting some clear-cut decisions and guidance on this issue.

In sum, the on-going effort to reach consensus is a difficult task. The G-77/China is blocking the text in several areas and is attempting to reintroduce language throughout the text to reflect either its insistence on no new commitments for developing countries, or for an effort to wring out concessions from developed countries in the areas of increased foreign assistance and technological transfer. A text may possibly be produced and, perhaps, even approved by the vast majority of the 171 Parties to the Convention. However, whether this accord will reflect our level of target, our insistence on flexibility mechanisms, or our need for a "meaningful role by key developing countries" remains quite problematic.

#### **Canadian Decision on Target Expected Soon**

Sources on the Canadian delegation, citing the pressure on the Chretien Government which followed our decision on a stabilization target in the 2008-2012 time-frame, is expected to come up with its own target in the near future. (Perhaps as early as Friday.) It is likely to mirror our own effort, although there is pressure in Ottawa to demonstrate a different target by echoing something like Japan's (2.5 to 5 percent reduction). No public announcement will be made, as the Provinces must first be consulted.

#### **Kimble Consultations**

OES Acting Assistant Secretary Melinda Kimble has met with several delegations during her brief stay in Bonn. In addition to a large contingent from Mexico (which was alerted to the fact that climate change will be on our President's agenda when President Zedillo visits), she also met with the heads of the Malaysian and Philippine delegations on Oct 29. Both told her that the G-77 is unlikely to agree to a mandate at Kyoto which specifies negotiations which will culminate in quantitative limitations for them, even if these are growth budgets. "It is too soon to do so," the Malaysian said. The Malaysian indicated that a preferred course of action would be an initial demonstration of good faith by developed countries through the establishment some kind of fund which would assist in technological transfer or provide assistance to countries' mitigation efforts. Melinda met with U.S. correspondants this morning and will meet with the German media this afternoon, in addition to representatives from other countries and Chairman Estrada and FCCC Executive Secretary Cutajar.

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The following paragraphs can be used as appropriate or desired:

The AGBM resumed its plenary sessions (open to all NGOs and accredited observers; informal sessions excluding them are expected to resume somewhat later in the program) on Oct 30 with a reading of Article 2 of the Chair's revised draft on policies and measures (PAMs). A report was delivered by the Chair of the working group (Kanté of Senegal), following which NGOs and business had an opportunity to comment on the topic. The Chair then proceeded to go through each paragraph and sub-paragraph of the text and took aboard comments from a wide range of countries.

There has been movement in several areas, although final agreement is fleeting. Whether this is merely a negotiating tactic on the part of the blocking party(ies) or represents firmly held conviction is dependent on several factors. Following is a wrap-up of where several of these issues stand as of mid-day, Oct 30:

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7714

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TO: Amb. Mark Hambley  
cc: Sharon Saile

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Informal Common Interest Group Meeting on Emissions Trading Wednesday, October 29

Summary:

Bob Crick of Australia chaired the discussion group, which included many individual EU countries, Russia, Poland, and almost all of the JUSSCANZ countries. The meeting was used primarily to explore the problems the EU felt needed emissions trading restrictions to address, although the US and Canada also raised the problem with the Chair's text on the conditionality of trading on the development of guidelines and modalities. The UK presented most of the EU positions, although France regularly chimed in. The UK raised two major issues: 1) the concern that they needed to address the paper tons, and decided to go back to the Chair's text in 5.2(a) which specifically restricts early actions from being credited. However, they recognized the concerns about the precision of the language, and agreed to work on alternative formulations. They also clearly linked the possible resolution of this issue to the target, indicating that if the target level were ambitious enough then the E would not need this restriction. 2) The EU also indicated the need to retain the restriction that trading would have to be supplemental to domestic policies and measures. However, they also indicated that this restriction also could likely be removed if the progress on Policies and measures listed in article 2 was sufficient. The EU, primarily represented by France, also expressed its support for a very centralized international emissions trading regime - envisioned as the required stock exchange for allowance trading. Their concern was that you had to ensure one place of exchange to facilitate the emergence of one world-wide price of allowances, in order to prevent backroom bilateral deals based on other considerations (*Sharon's note: to prevent others from making political burden-sharing arrangements like those among the EU countries; we may wish to work harder to coordinate our refusal to accommodate these concerns that the EU has for the rest of us but not for themselves*). On this note, Japan made a surprising intervention in support of this idea, although they suggested specific language to ensure real reductions and promote cost effectiveness, by editing and combining Estrada's text from JI paras 6.3 © & (d): "Emissions trading shall bring about real, measurable, and long-term environmental benefits related to the mitigation of climate change, and must contribute to the cost-effectiveness in achieving global benefits". ( France also expressed the view that we need to harmonize our domestic emissions trading systems address their concern that each Party's individual decision about allocations versus auctions of allowances would result in unfair competitive advantages for their industries. Canada, USA, and New Zealand made the most detailed rebuttals in order to support the free-market approach without unnecessary restrictions. One other interesting intervention was a suggestion from Finland that international players ought to be able to buy allowances which were allocated or auctioned to a Party's sub-national entities, which was inserted into a discussion of whether or not WTO trade rules would apply to the allowance market.

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**OELROs -Technical chaired by Gylvan Meira Wednesday afternoon**

**Quick Summary** - Gylvan introduced a new text, but there was little real progress on making any changes to the text (we only discussed the first 3 substantive paragraphs). The new text will contain 3 alternatives for Article 3.1. Alternative A is the EU approach: basket approach including "individually or jointly"; Alternative B the JUSSCANZ approach: basket approach for each Party (individually), and Alternative C is the G-77 approach : gas-by-gas approach. The new text will also leave open differentiation (retaining the Attachment 1 approach for listing the commitments) as an alternative to uniform targets. The Chair's text on Annex B was simplified to a list of the six greenhouse gases; however, Japan objected, so the Chair agreed to add back, in brackets, a complete list of the GHG sectors according to the IPCC in a second column. Although not discussed, the text still includes wording, albeit in brackets, which supports the budget period approach. (*Sharon's note - the text doesn't reflect the progress we made to reach a general consensus on 5-year budget periods*). The text also includes a paragraph which allows for regular amendments, as appropriate, to the list of gases/sources/sectors in Annex B to reflect the ongoing improvements in science. The text also includes a paragraph to provide for Parties to make every effort to limit and reduce their emissions and enhance removals from sinks for any GHGs which wind up being left out of Annex B.

**Details on Interventions:**

1. Accepted the revised text (which we developed along with Ireland) on reporting requirements in Article 7.

Gylvan passed out his own new text on Article 3, which of course still has lots of brackets to reflect the substantive disagreements on targets and timetables.

2. We had an overly long debate on how to reflect the continued disagreement over differentiation and uniform targets. The UK and US indicated their objection to the current text on Annex C and paragraph 3.2, which refers to a process contained in Annex C to differentiate commitments, when the text of Annex C essentially contains just a list of factors and doesn't clarify a process, (and indeed doesn't clarify how differentiation would be implemented). Australia objected when the Chair asked Switzerland to amend the text in paragraph 3.2 to reflect the concern about the word "process". The Chair asked Australia and USA to consult on this issue. In addition, the Chair asked UK to consult with G-77 and the US to find a way to move up paragraph 6 on uniform targets to just underneath paragraph 2, so that it becomes a clear basis for a uniform target alternative to a differentiated target alternative. In relation to this paragraph 6, Gylvan promised to leave the target blank, but propose a table with all the possible targets proposed by all Parties to be forwarded to Estrada for his consideration.

3. Gylvan proposed an Annex B listing just the gases, but Japan objected, so Gylvan agreed to put a complete list of all IPCC sectors back in the Annex. (JP asked for clarification as to whether Chair wanted to include the source list, but Gylvan prefers the sector list).

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4. We then reviewed paragraph 4 - a new paragraph developed by the Chair to have "demonstrable progress in achieving commitments under this Article". Given that the UK restated their position for hard commitments by 2005 (budget period to start no later than 2003), they had no comment on the wording of this text. The US proposed changing "this Article" to "this Protocol", so that the demonstrable commitments could include progress on setting up national monitoring and verification systems and the submission of reports, instead of simply fuzzy progress on reducing emissions. The Chair accepted our change and thus pointed out that Chairman Shibata would probably move the text to another Article.

#### OELROs - Policy chaired by Bo Kjellen Wednesday evening

Summary - Bo Kjellen indicated that a lot of progress had been made, but we hadn't actually reached consensus only on Article 8, the role of expert reviews. Bo indicated that he would recommend continued contact group work on 1) flexibility for economies in transition, 2) emissions trading, and 3) joint implementation.

#### Detailed interventions:

1. Article 3.4, the Chairman handed out his text, but indicated he would consult further with UK, USA, Russia, and Poland tomorrow.
2. Articles 3.13 on banking and 3.14 on borrowing are still bracketed, and no further suggestions were made in the plenary, indicating that no further movement toward consensus had been reached.
3. Article 5 - the G-77 is seeking deletion of Article 5, and the Chair will forward that as a footnote to the text. USA - still has specific, fundamental problems with the current text - how do we proceed? More extensive footnote to indicate some discussion, but no consensus even among those who support trading - and understand that Chairman Estrada will have further discretion to go back to his own text given the current lack of consensus. UK - missing from your paper is paragraph 5.2(a) to restrict hot air tons. Will recommend that contact groups continue. Poland - acceptance of Article 5 is dependent on outcome of Article 3.13 on banking (presumably for early reductions).
4. Article 6 - Confusion and a lack of agreement still exist on joint implementation provisions. Structure of joint implementation is not finished - rearrangement of material might help. Divide Article 6 into two parts - first section would cover Joint Implementation among Annex I and Article 10 Parties, while the second section would cover II with non-Annex I Parties which do not have caps. Another more radical idea was to simplify text by eliminating details from protocol and relying on guidelines to be elaborated by decision of Parties. Will consult with Chairman Estrada on areas where he might want to undertake further consultations. USA - brackets still exist within the new text, but the brackets don't reflect the places where USA and other countries would have particular objections. Recommend opportunity for further consultations on this issue. And USA would prefer to develop a text which internally had no brackets, keeping in mind G-77

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request to have brackets on the whole thing. G-77 believes Article 6 should be deleted and should receive same treatment as Article 5. UK/EU would be happy to pursue further consultations.

5. Chair indicated the text on Article 8 on expert reviews already had been essentially agreed upon yesterday. G-77/China requested bracketing of the reference to Parties acting under Article 10, and the COP/MOP issue. US - footnote may need to reflect Article 9 on compliance. US also requested that the specific reference to Decision 2/CP.1 should be deleted - "guidelines to be adopted by the MOP:". UK - remembers the discussion about it, but doesn't remember what we decided. "taking into account the guidelines adopted for this purpose by the COP of the Convention.", which was agreed for Article 7 this morning. G-77 and USA agreed.

6. Article 10 for voluntary commitments for non-Annex I Parties - chaired by Norway - no official text on this particular item yet. Further views were explained, but no drafting. Difference of views - some parties want to delete while others strongly want to retain. Among those wanting to retain - clarify information needed of base period, projections, and target periods, and clarification of the process. Article 10 is incomplete - further elaboration of compliance, acceptance criteria, and procedure on what happens if application not accepted by MOP - prompt start suggested. Provisions of Article 10 shouldn't promote higher stands for non than annex I - and has commitments have implications for the rest of the protocol. Mexico wants followup on the Chair's text. (Chairman Kjellen indicated that the only actual text on the table at the moment is the original Estrada text, which he may modify according to the status report from Norway).

7. Article 11 for review of adequacy of commitments. Concerned about the risk of duplication with the FCCC itself in 4.2(d), which would include review of the protocol. Therefore, Chair elaborated his own text, but had trouble reaching all of the delegations for bilateral consultations. A long series of interventions for and against particular amendments to the text ensued. Unfortunately, the discussion seems to be leading to text that would grandfather the non-participation of non-Annex I Parties forever, because Article 11 would review the adequacy only of Annex I commitments, even though the adequacy of the protocol depends not just on those who take commitments, but also on the adequacy or inadequacy based on a lack of participation in the protocol from the non-Annex I Parties.

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Meeting of the SBI  
Informal Meeting on Outstanding Agenda Items  
October 28, 1997  
Prepared by Leslie Cordes/USAID

The SBI had a relatively quick wrap up session to approve outstanding items on the agenda and refer them to Thursday's SBI Plenary for approval. The Chairman began the session with firm instructions to the delegates that the session was intended as a quick wrap-up -- as it was the last informal meeting of the SBI before Kyoto -- and therefore not the place to raise new issues. The delegates approved the following items as follows:

- \* Approval of both the draft conclusions and the draft decision on Communications from Parties Included in Annex I to the Convention;
- \* Approval of the text on Consideration of Initial National Communications from Parties Not Included in Annex I to the Convention for transmittal to the COP;
- \* Approval of the draft decision on Activities Implemented Jointly Under the Pilot Phase for transmittal to the COP;
- \* Having already approved the conclusions on the Development and Transfer of Technologies at the informal SBSTA session earlier in the day, the delegates approved the draft decision on Development and Transfer of Technologies for transmittal to the COP;
- \* Approval of the decision on Financial Mechanisms, and related Annex to the MOU on the determination of funding for the implementation of the Convention, for transmittal to the COP;
- \* Approval of the draft decision on Administrative and Financial Matters for transmittal to the COP. Interestingly this issue was not taken up by a contact group, rather the vice-chair consulted with key delegations in gaining consensus on the text;
- \* Approval of the Draft Report of the Subsidiary Body for Implementation on the Work of its Seventh Session, Bonn 20-29 October 1997 and Addendum, with an amendment proposed by the United States. The amendment pertained to recognition of the divergent views on the issue of the post-Kyoto program budget; and
- \* Approval of the amended draft decision on Arrangements for Intergovernmental Meetings for transmittal to the COP. The amendment requested the Secretariat to advise the SBI on relevant UN procedures.

Delegates concluded the meeting by thanking the Chairman for his distinguished service as chair of the SBI.

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**Summary of Conversation with Ms. Meg McDonald, Ambassador  
for Environment and Chief of Australian Delegation to FCCC,  
1010, 28 Oct 97, Beethoven Halle Foyer**

After a brief self-introduction, I asked Ms. McDonald if the Australian government was considering the impact of emission limitations on national security. She responded that their military had raised the question some time ago but that the issue had not been fully evaluated yet. She indicated that she felt, as did the Australian military, that it was worthy of development, but that nothing significant had occurred along these lines prior to the current conference.

Ms. McDonald suggested that the best way to flesh out the issue right now was to encourage our military representatives in Washington to contact both the Australian Defense Attache and the Deputy Chief of Mission, Mr. O'Sullivan. Both the military and political aspects of the issue could be thus addressed simultaneously.

The conversation ended at approximately 1015. Ms. McDonald was very pleasant and seemed genuinely interested in the development of the issue between our two governments.

Captain Christopher E. Weaver, USN  
Joint Staff (J4), Pentagon, Rm 2E828  
703-697-1408/7000

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## **Summary of conversation with Ms. Jennifer Irish, Canadian Foreign Ministry 1655-1700, 27 Oct 97, Beethoven Halle Foyer**

I asked Ms. Irish if the Canadian government perceived an impact of GHG emission limitations on national security and that we were evaluating the same thing. She responded that her government had not, but that it was a relevant topic and they would be raising it with Ottawa. She asked if our concerns were focused on peacekeeping/peace enforcement to which I responded yes, but also the areas of routine operations and training, such as annual multilateral operations, as well. She asked if our delegation intended to bring this issue up in Bonn to which I replied that we were still evaluating the issue ourselves.

Ms. Irish went on to say that Canada was concerned about "unforeseen emergencies" and their impact on national emissions limits. She cited the recent nuclear reactor problems in Canada and that these problems were causing a significant increase in fossil fuel by-products in her country. She offered that she thought in such instances, nations should have some type of emergency emission category to avoid exceeding their allocations. She felt emergent wartime/crisis military operations could possibly be put under such an "emergency" proviso. More specifically regarding national security operations emissions, Ms. Irish indicated that it was possible such an issue could be treated in a post-Kyoto process of addressing the details of emissions accounting procedures. She said that addressing issues like this in such a manner would facilitate a "prompt start" provision to take effect relatively soon after Kyoto.

The conversation concluded at approximately 1700. Ms. Irish was very pleasant and seemed genuinely interested in the issue.

Captain Christopher Weaver, USN  
Joint Staff (J4), Pentagon, Rm 2E828  
703-697-1408/7000

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## TELEFAX

FAX to: 001 202 647-0217

DATE: 30 October 1997

TO: Ms. Conchita DeShazo, OES, FAX 202 647-0217

FROM: USDEL/Bonn, Mark G. Hambley ~~1/10~~

SUBJECT: Climate Change Talks: Supplement to Update No. 10 (Oct 29/30)

**Text:** Attached is a supplement to Update No. 10 for October 29/30 which should be read in conjunction with Update No. 10 itself. It forwards the Oct 30 editions of the NGO rag, ECO, plus the EARTH NEGOTIATIONS BULLETIN which reports on conference activities for October 29. It should be noted that there was no Supplement for Update 9, as no ECO was produced. Please dispatch this report to the personnel/offices on the attached list. Thank you!

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Climate Talks, Bonn, Germany  
October 20-31, 1997

Revised 10/21/97

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# Earth Negotiations Bulletin

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## HIGHLIGHTS FROM THE MEETINGS OF THE FCCC SUBSIDIARY BODIES 29 OCTOBER 1997

Delegates to the eighth session of the *Ad Hoc* Group on the Berlin Mandate (AGBM-8) met in non-group sessions on institutions and mechanisms and quantified emissions limitation and reduction objectives (QELROs). The QELROs non-group also met in the evening. The seventh session of the Subsidiary Body for Implementation (SBI-7) held its final meeting and considered outstanding agenda items and the report of the session. An NGO briefing was held in the morning.

### NGO BRIEFING

At the morning briefing convened by the AGBM Chair Raúl Estrada-Oyuela, industry and environmental NGOs were invited to prepare comments on a number of contentious issues.

The Chair of the non-group on policies and measures, Bakary Kante (Senegal), reported that consensus had been reached on cooperation among Parties, with some conditions. There has been a clear statement of views on the issue of coordinated and mandatory policies and measures but it will be difficult, for the time being, to reach consensus. A number of "very nice" formulations have been placed in brackets. No consensus emerged on the issue of compensation, so this will also go forward to the AGBM Chair unresolved.

Chair Estrada invited industry NGOs to consider the question of whether the Parties should try to agree mandatory policies and measures, with all countries acting on the same general policies coordinated at intergovernmental level, and convey their views to the AGBM plenary Thursday morning. An industry spokesman concurred and indicated that business favors implementation at country-level to take account of national economic and energy profiles.

The Chair of the non-group on FCCC Article 4.1 reported that a text has been adopted after a constructive round of meetings that cleared a reasonable amount of text. Two "hard core" issues will demand the attention of the AGBM Chair. These are: general commitments applicable to all Parties to achieve mitigation and adaptation measures; and transfer of environmentally sound technology. Chair Estrada invited developing country NGOs to present short comments on these issues. The non-group Chair welcomed Parties' readiness to resolve the issue of means of implementation (Article 12) although some technical items remain in brackets.

The Chair of the non-group on institutions and mechanisms, Takao Shibata (Japan), was invited to comment on the legal status of the proposed Attachment 1 to register Parties' commitments. He reported a divergence of views, with many delegations concerned about the amendment procedure that would apply to the Attachment. He indicated that the outcome of discussions will be linked to the nature of the commitments.

Bo Kjellén (Sweden) reported on the QELROs-2 non-group. There has been near total agreement on reporting and review (Article 8). On voluntary commitments (Article 10), he reported that the G-77 has taken a negative line and Norway is chairing a working group. On review of adequacy of commitments (Article 11), Chair Kjellén said he will be conducting consultations on a bilateral basis and circulating his own draft text. A contact group involving the EU, the US, and others is considering emissions trading, and consultations are also planned on joint implementation. Chair Estrada announced that the AGBM Plenary will convene Thursday to begin the process of finishing the AGBM's work, followed by closed meetings.

### SUBSIDIARY BODY FOR IMPLEMENTATION

In the final SBI session, delegates adopted draft conclusions, draft decisions for adoption at COP-3 and the report of the session. Under the draft conclusions on Annex I communications (FCCC/SBI/1997/L.7), SBI requested the Secretariat to evaluate the feasibility of compiling available supplementary data from authoritative sources on GHG emissions for the purpose of comparison with national submissions, reporting to SBI-9; expressed its intent to perform an interim assessment of the in-depth reviews of second national communications for SBI-9; and noted with regret that insufficient responses from Annex I Parties did not allow presentation of the schedule of in-depth reviews at SBI-7.

Under the draft decision, COP-3 would call upon Annex I Parties to follow the revised FCCC guidelines and request the Secretariat to prepare a full compilation of second national communications and publish national GHG inventories. COP-3 would decide that in-depth reviews of second national communications will include visits by review teams and executive summaries of the communications will be published as official FCCC documents.

On non-Annex I communications, delegates adopted draft conclusions and a draft decision produced by a contact group chaired by the US and Malaysia (FCCC/SBI/1997/L.8). The draft SBI conclusions request the Secretariat to organize a workshop on a process for considering initial national communications from non-Annex I Parties. The Secretariat is requested to submit its observations on the national communications submitted by non-Annex I Parties by 30 March 1998. SBI also requested the Secretariat to provide a compilation of comments by Parties at SBI-8.

The draft decision was compiled from three proposals. It contains bracketed language stating that the process of consideration shall assist the Secretariat's determination of the needs of non-Annex I Parties [for the preparation of national communications] or [related to implementation of commitments, in particular those associated with proposed projects and response measures]. On the type of review, the text states that the communications

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should be subject to an (in depth)[technical][assessment] or [review]. Regarding the Secretariat's future work, the decision contains bracketed text on compilation and synthesis [annually], as well as on proposed workshops and the selection of expert review teams. All references to work that the COP would request SBI and SBSTA to perform on national communications are bracketed.

On the financial mechanism, delegates adopted two draft decisions for COP-3 (FCCC/SBI/1997/L.9) produced by a contact group chaired by Antigua and Barbuda. Under the first decision, the COP would decide to continue the review process through SBI, in accordance with the criteria established in the guidelines adopted by SBI-5. Under the second decision, the COP would note that the GEF Council approved the annex to the Memorandum of Understanding between the COP and the GEF Council and decide to approve the annex, thereby bringing it into force.

Delegates also adopted draft COP decisions on activities implemented jointly (AIJ) and the development and transfer of technology. The decisions, produced by a joint SBSTA/SBI contact group, were adopted by SBSTA on 28 October. Delegates also adopted draft COP decisions on the financial performance of the Convention in the biennium 1996-1997 (FCCC/SBI/1997/L.11) and on COP-4 (FCCC/SBI/1997/L.10), which would be held Bonn in November 1998.

SBI Rapporteur Patricia Inurregui (Peru) presented the draft report of the meeting (FCCC/SBI/1997/L.6 and CRP.9). On proposed amendments to the Convention, the SBI decided to recommend to the COP that any proposals be taken up in the order they were submitted, if appropriate. SAUDI ARABIA proposed deleting "if appropriate," but the EU supported its retention. KUWAIT proposed that all amendments be taken as "a package." Delegates agreed to remove the phrase in question. The report was adopted as amended.

In closing the session, Chair Mahmoud Ould El Ghaouth (Mauritania) noted that some observers think SBI has no problems and simply "rubber stamps" decisions. He said this characterization is unfair, given the amount of time and effort spent in consultations. He said his successor should keep SBI free of debate, and continue serve as the FCCC's operational arm.

#### NON-GROUP ON QELROS

The non-group discussed a new paper by Chair Luiz Gylvan Meira Filho (Brazil) containing proposals for articles on QELROs, national systems for the estimation of anthropogenic emissions by sources and removals by sinks of GHGs, methodologies, global warming potentials (GWPs), an annex listing gases and an attachment under which emission commitments and base year/periods would appear.

On QELROs, the paper includes two alternatives on how Parties/Party's GHG emissions shall "not exceed" their/its commitments, expressed either in "terms of budgets" or "emission budgets." The previous negotiating text by the AGBM Chair spoke of commitments in terms of reducing emissions. The Chair noted the first alternative was broader and would encompass removal of GHGs by sinks. A regional group indicated its preference for the first alternative. A group of countries requested that a proposal it had made be included as a third alternative. Three countries stated their preference for the second alternative. Discussion continued on the net or aggregate approach and whether commitments would be met jointly or individually.

Considering that no progress was being made regarding specific targets and dates, the Chair proposed either listing them in a table or attempting to draft a paragraph of a general nature, with gaps on specific QELROs to be filled in at a later stage. A contact group was created to deal with this task.

There was no agreement on whether commitments should be listed in an annex or should appear within the Protocol. On the need for Annex I Parties to prove "demonstrable progress" in the achievement of their commitments by the year 2005, a delegation indicated that the term was unclear and would be better fitted into another part of the Protocol not dealing with QELROs.

In the final QELROs session held in the evening, a group of countries proposed the deletion of articles on emissions trading, activities implemented jointly and voluntary commitments. Delegates spent a considerable portion of the session debating an article on "adequacy of implementation" in the non-group Chair's revised text. One country proposed returning to "adequacy of commitments," as in the original text. Another preferred that adequacy of commitments be included in the article on QELROs. There will be further consultations on provisions related to countries with economies in transition. One participant noted there was no "real" discussion on emissions banking and borrowing.

#### NON-GROUP ON INSTITUTIONS AND MECHANISMS

The group discussed legal aspects of the "bubble" concept for a shared emissions target for a group of countries. A regional group presented its text, noting that the shared target was a matter of compliance. Other delegations objected. In an article defining the role of the COP and Meeting of Parties (MOP), a group of countries proposed a reference to an FCCC Article 7 provision that the COP can review "any related instrument." The group offered to produce an alternative text. Other delegations objected, preferring to work from the revised non-group Chair's text. The non-group planned an informal session Thursday to review the article.

A group of countries requested restoration of bracketed text requiring protocol parties to provide additional funding in an article on Secretariat services to a protocol. There was general agreement that an article on subsidiary bodies should be aligned with the text on the COP and MOP, but no final agreement was possible until the other article is finalized.

A contact group presented language that the MOP shall "approve appropriate and effective" non-compliance procedures and mechanisms, but a number of delegations objected. A group of countries said the non-compliance text was linked to the decision on establishing a clean development fund.

In a paragraph on amendments to a protocol, a delegation proposed a footnote that amendments could only address commitments under FCCC articles 4.2 (a), (b) and (d), and another delegation suggested that approval of amendments should be by double 2/3 majority. Delegates discussed possible meanings of annexes, but a group of countries objected to use of annexes and to attachments in a separate article on adding non-Annex I Parties to the protocol.

#### IN THE CORRIDORS

Norway chaired a contact group on Article 10, on commitments undertaken voluntarily. Opponents of the Article continued to seek its deletion from the AGBM's negotiating text. Those in favor argued that the content represents an essential element of a protocol and a number of amendments were introduced. These were designed to clarify the requirements for consideration of requests to be bound by the Article and a mechanism to oversee policies and measures for those countries undertaking commitments voluntarily. A number of developing countries continued to state their opposition. A contact group involving the US and the EU met to discuss their positions on emissions trading (Article 5). The fate of this issue together with joint implementation and credits continues to be linked to the outcome of negotiations on QELROs.

#### THINGS TO LOOK FOR TODAY

AGBM: AGBM is expected to meet in Plenary at 10:00 am. Informal sessions are expected throughout the day.

## CLIMATE NEGOTIATIONS BONN OCTOBER '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 the Climate Negotiations in Bonn, October 1997.*

## Emissions Increase Protocol?

With two days of formal negotiations left before Kyoto and no apparent progress in the negotiations here in Bonn, delegates are beginning to wonder whether an agreement in Kyoto is still possible. The answer is definitely yes – the prospects for an agreement are a function of political will, not the calendar. The real question that we must all ask in earnest is: Will the agreement that diplomats patch together in Kyoto be worth having? The answer to that question is far less clear.

One thing is certain. A Kyoto protocol that authorizes an overall increase of actual emissions to the atmosphere above current levels from Annex I Parties is totally unacceptable. Incredibly, negotiators are in grave danger of agreeing to such a result.

It seems unlikely that even President Clinton's weak proposal was intended to lead to this outcome.

Do the politicians in their capitals who

have made impressive speeches about the importance of responding to the threat of global warming realize this risk? Do they realize that current Annex I emissions are some 5% below 1990 levels, so that an emissions "stabilization" target would actually be a license to increase emissions, even in the absence of loopholes? Do they realize that banking of emissions reductions since 1990 in Russia and other Central and Eastern Europe countries could authorize another 15% increase in Annex I emissions? Do they realize that uncertainty about the definition of an anthropogenic sink and the methodologies for measuring them could render meaningless any number agreed in Kyoto?

These possibilities are in the text now being actively considered by the ACBM.

Maybe politicians realize these things only too well, but cynically believe that the public is too stupid to notice. We have noticed. You have been warned.

## A Sinister Link

*By Hermann Ott, Wuppertal Institute,  
Jennifer Morgan, USCAN  
and Kelly Sims, Ozone Action*

The Americans are toying with one of the most fundamental elements of the elusive Protocol. They are linking developing country commitments with the review of adequacy of commitments. One can only admire their consistency in finding every possible way to bring developing countries into this protocol. It is a grave mistake and is risking having any review mechanism in the Protocol.

There are theoretically three ways to do review. Under the Convention, Articles 4.2 (d) and (e) and 7.2 (a) provide mechanisms for review. Otherwise, a separate article can be in-

cluded in the Protocol.

Upon consideration of these options, a review of the Protocol's commitments in the Convention is wholly inadequate. It is clearly desirable to include the Review as a separate article in the Protocol rather than exclusively relying upon the Convention. The review should, on the contrary, be institutionalized in the same legal agreement as the obligation. A protocol will hopefully provide a more dynamic and effective system than is currently experienced in the Convention process. It should also be conducted by the same Parties who have obligations under the Protocol. Otherwise, Parties that have not ratified the Proto-

*continued on back page, col 2*

## NGO Intervention on Article 4.1.

*as presented to the ACBM by Climate Action Network, 30th October 1997*

The Berlin Mandate called on Parties to advance implementation of Article 4.1 of the Convention – an article that applies equally to all Parties.

Our first general comment is that the current proposal by the chairman of the non-group fails to adequately advance implementation of Article 4.1.

The text is riddled with qualifications and weak language with respect to the level of action required by Parties. In fact, many of the articles in the current Chairman's proposal are weaker than their original 4.1 version. In this regard, I would specifically refer to the Articles 1 (d) and (e).

Article 1(d) relates to incorporating climate considerations into decision-making. The current version, which is in brackets, says Parties shall "take steps towards identifying and implementing procedures to ensure that climate change considerations are taken into account in relevant governmental decisions, including those of intergovernmental organizations and in particular multilateral development banks."

The current version in Article 4.1 makes specific reference to how this shall be done by referring to incorporating climate considerations into environmental impact assessments. The Climate Action Network would like to see this article strengthened and to refer to other possible action, including climate considerations in transportation and land use planning and reporting of greenhouse gas emissions in national pollutant release inventories where available.

With respect to Article 1 (e), the Climate Action Network is surprised to see brackets

*continued on back page, col 1*

## CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

*Intervention, from front page*  
around an article requiring development of indicators to assess climate change and its impacts. These brackets should be removed.

With respect to the reference to incorporating climate considerations into decision-making of the multi-lateral development banks, CAN would like the language strengthened to reflect the view that multilateral development bank lending guidance and development assistance must fully reflect climate criteria to promote climate-friendly technologies. Bilateral development assistance should also be consistent with climate objectives.

Secondly, we would make the observation that advancement of Article 4.1 is ultimately linked to technology transfer and policies that support that transfer. The process, however, cannot and should not be reduced to just dollars. Resources are limited and innovative approaches are needed to lever private sector involvement. It may be possible to enter into covenants with key business sectors to transfer the best technology. The U.S. House Committee on International Relations has suggested that specific incentives should be provided, including tax relief, export credits and expanded political risk insurance.

Article 13 relates to funding for the financial mechanism and technology transfer.

The Climate Action Network would agree that financial resources must be provided to support implementation of Articles 12 and 13 and that this funding be adequate and predictable.

Additional considerations could include:

Putting an end to the transfer of inefficient, carbon-intensive second-hand technology.

Identifying technologies that have matured in developed countries with publicly funded research that could be made more widely available as Publicly Owned Technology at no cost in order to catalyze private sector technology transfer.

CAN also highlighted the following points:

Many developing countries are committed to and in fact are already undertaking no regrets measures to curb GHG emissions domestically, despite not having reduction commitments. Some of these measures include reducing fossil fuel subsidies, adjusting and removing import requirements for clean energy technologies and development of national energy efficiency and renewable energy programs. Note that these initiatives are driven not just by an environmental imperative but economic development targets as well.

Information should be widely distributed on the effectiveness of removals of market barriers and the creation of a public policy environment for the promotion of renewable energy technologies such as those which occurred in Indonesia, with geothermal and in India, with wind.

*Sinister, from front page*  
col but are Parties to the Convention would have a say in the review. This is not only unfair and inappropriate, but also removes an important incentive to ratify the Protocol.

The review of commitments must be conducted on a scheduled basis and not just in a "regular and timely manner," as it currently stands in the Chairman's text. Moreover, it must be clearly linked with the timing of the budget periods included in the Protocol. In fact, each review should conclude no later than two years before the start of a new budget period so that adjustments can be made if necessary. The first review should take place at the first Meeting of the Parties.

Using only the Convention review provisions would undermine all of these goals. For example, the Convention does not have a schedule for reviews after 1998.

The review of adequacy of commitments should be conducted 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, with a view to achieving the objective of the Convention. Based on this review, the Meeting of the Parties should take appropriate action.

The current Chairman's text discussed last night is poorly formulated and simply needs to be rewritten with the above elements included.



*Arabia is already looking forward to climate-driven export opportunities in the transport sector*

## Ludwig

Some may have noticed that a certain Mr Pershing, representative of the major Northern emitter, and normally of course the gentlest of souls, has been, shall we say, more than usually forthright over the last two weeks – some have gone further: words such as "aggressive",

"difficult" and even "downright ornery" have been heard. Ludwig can reveal that this behaviour is not really due in any deep-seated hostility to anything vaguely Southern. It stems instead from the fact that Jonathan has recently purchased a new pair of shoes, which are obviously giving him some discomfort.

It is now seven years since Ludwig first visited these negotiations. At the time, discussion centred on the possibility that some agreement might be reached in the near future to limit emissions. My how things have progressed!

10/30/97 THU 10:48 FAX

JESSE HELMS, NORTH CAROLINA, CHAIRMAN

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## United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-8225

October 29, 1997

MEMORANDUM

TO: Senator Jesse Helms  
Senator Joseph R. Biden, Jr.

THROUGH: James W. Nance  
Edwin K. Hall

FROM: Patricia McNemey

SUBJECT: Request for approval of foreign travel

WHO: Patricia McNemey

WHEN: November 30 - December 11, 1997

WHERE: Kyoto, Japan

PURPOSE: Congressional Observer to the Third Conference of the Parties of the U.N.  
Framework Convention on Climate Change.

Jesse Helms - Approved. Subject to the above named individual's  
submitting a substantive report as required by Section 502(b) of the Mutual Security Act of 1954,  
as amended.  
Authorization granted for the enhanced allowance  
of \$50 above - Disapproved.

OPTIONAL FORM 99 (7-90)

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