

Work Programs

Global Climate Change

Joe Aldy
CEA

5/26/98

Policy Papers

Meaningful participation

"know it when we see it"

- concerns

- 1) no actual benchmarks
- 2) no timetable
- 3) financial resources in budgets - high enough priority?
- 4) high enough on agenda?

Todd - 1st tier for China trip

5) trading vs. real reductions strategy

- targets for OECD and OECD aspirants

- David - agrees that we need more resources

- Todd - it's targets

- Stu - G-8 genuine heightened interest in developing country participation

Trading

- concerns

1) liability

2) no cap - strategy - include throw-aways (eg no trading = bubble)

3) need work on how to set up umbrella

Ukraine concerned @ trading bc of interest in joining EU

David Hales - would need 10,000 JI + CDM projects to make an appreciable difference in emissions,

∴ trading is the real game (dominates CDM)

4) monitoring does not create super-UN agency

CDM

- concerns 1) measuring reductions
- 2) no cap
- 3) share of proceeds issue

Dan - OASIS want proceeds from JI + trading too
opposed to sinks in CDM

Sinks

Stu - farm groups very interested, we need to better
define what we want

Melinda - 2 papers from IPCC - 1) affo, refo, defo methodologies
2) broader methodologies
to be called for at Bonn

Trading - David Sandalow will set up a series of
interactive meetings w/ private sector
- send names to David
traders + potential buyers/sellers

Compliance

Dan - in Bonn, will look to develop informal
working group to address this issue

India

Glenn amendment gives us very little discretion

- 2 options: 1) squeeze thru humanitarian exception
- 2) tropical forest + GHG exception
(98 Appropriations)



Sandlow GCC mtg 2/27

Sinks - can add categories in 1st commitment period

4.00pm Wednesdays

- policy-strategy will be married
- end of March - deadline for papers
- summary of status of policy issues

LDC participation

policy on Article 10/voluntary mechanism
mandate for negotiation

↳ AOSIS has an interest

- 1) for LDC to join Annex B - require amendment + 2/3 vote by parties
- 2) push old Art. 10 prior to adoption of Kyoto Agreement
- 3) interested

need further work on how targets are fair
process to ID 10-15 key countries

Emissions Trading (Intl)

agreed to a set of principles

how does it really work - from a user's perspective

- bring back to life an ^{Treasury/CEA} -EPA paper - or the sales piece
- Commerce interested in working on w/rt private sector

What do we need in Buenos Aires?

CDM

institutions - what should be the entity running the CDM
tap into experience w/ US EJI

Sinks

- 2 papers: 1) sinks policy paper
2) sinks definition + estimates

IPCC sinks mty in Senegal

IFIs

what should be our policy on many World Bank policies
export credit agencies' policies

Compliance + Enforcement

State paper

idea to work these thru trading, JI, CDM rules

4/8/98 IWG mtg - State

Debriefings

GEF

G-8 enviro

developing countries

maybe intl trading / flexibility

OAS

Santiago

Brazil

- Clare, EPA - paper on Brazilian ^{proposal} paper (ASE)

Need to educate developing countries on flexibility

USIJI - contact → assessing baseline

4/23 mtg

credits - stream?

Future of Country Studies Program

JII/CDM - intl trading linkages - paper drafted next week
by State

7/23/98/1pm

GCC agenda

The Report

release date...

→ FedEx today

Qs & As → circulate

Congressional briefings -- JY and staff

Web posting -- JA

WEB article -- JA

validators -- JF

implications for Becky?

VP lunch

Enzi briefing?

- CCTF develop list of briefings and who participates
- location? CCTF or WH (where is OSTP piece)

Randy's current projects

McIntosh questions -- Matt

Casten proposals: 1) elect res

2) tech stds & utilities dump

3) fed facility mgmt could retain cost-savings from energy efficiency

4) NSR requirements preclude new investments until approval

other? Stevens Report

OTAG NO, SIP call

electricity restructuring

Strategy for Buenos Aires etc.

steering group mtg. 7/30?

Re Europeans:

G8 mtg & trading limits

Formalizing umbrella group (baseball bat option?)

LDC options

Abandoning LDC targets for Cop4?

call Dan R. e Turkey

Sinks

buyer-seller liability (a hard line? Joint with Treasury)

Bob Komer - DAS

Outreach

-- past

Last China-Korea trip -- JY & JA

HIID -- JF

Executives from sectors coming to WH -- JY

-- future

Mr. Mo, OECD -- JY?

Paris OECD research agenda (9/17) -- JF or JA?

Visit to GM -- SP?

Kimble trip to China-Korea -- SP?

NBER (8/4) -- JF

Snomass (8/10-14) -- JA/JF?

EIA report

Domestic

Early action credit (meeting next week?)

POTUS radio address

Personal

goodbye to Randy

Zodiac

Sherman - Eisenstat 8/3/98

- late

EPA - doing a GCC PSA

Hagel mtg

- "Key LDCs" - satisfied w/ Admin formulation of meaningful participation, and lack of an official list
- DOD concerns
- economic analysis - wants Schaefer documents

Legislative action

restrictive language in approps bills

VA-HUD

Interior

Energy + Water

Foreign Ops - possibility that Admin would have to find an independent econ analysis

maybe 1/4 of CCTI approps for FY99 - 1/2 could be wildly optimistic

Developing Country Efforts

Argentina Env Minister conversation - trying to keep Art. 10 on table for B.A.

may make some kind of commitment for 1st ~ 2^d period (perhaps binding) @ B.A.

→ need to design an Argentine policy

S. Korea

G-8 Working Group on Developing Countries

Mexico

- one proposal - LDCs use CDM 2000-2007 + then take on a target

Goals for B.A. (eg, article in FT on why trading restrictions such by JY)

analysts work on why trading restrictions such
umbrella, tradig, dev country participation

- 3 sinks
- 2 liability
- 1 feasibility of caps
CDM/JI
- 4 megatable
NAS
early action credit
Air reg. (contact Art, Paul Stolpman)

Seller Plus Plus

Steve, how does year-to-year economic fluctuations affect
Joe the stringency
X is of gross or net emissions

Sinks

Bob costs w/ different proposals → what are sinks in other countries
Bob how extensive is the perverse incentive
policies? CRP

Early Action

Ray turnover in Future SDP, industrial corporations

CEA Megatable

what are parameters: LDC participation
blackboard trading
code sinks

{ CDM
caps (+ trade)
liability
limits
umbrella / # participants
3.3 - 3 options -9
0
50
3.4 as soils, for conservation

reduced form model

7/6/98

Russia mtg

Enviro Trade UK August

W'shops Pol Sept

US-EU bilat

→ still committed to trading constraint

G-8

China - coordinate follow-up w/ Todd, Bill, Dan & S.

Developing Country Paper

will take comments by Monday

Hazel Qs & As

Buenos Aires

process for flex mechanisms (timetable) → probably done by COP-5
methodologies on sinks

reporting

developing countries - adequacy of 4.2a, 4.2b

Brazil proposal (wait tech workshop in fall)

Argentine proposal (old Article 10)

→ tied to compensation

tech transfer

Expect nothing on LDCs

umbrella may come out

→ working group on umbrella/bubble to discuss how
to set it up (USTR, Treas, others)

→ asst secy's group to frame options on trading, sinks for
oversight group

→ verification/compliance - July 17 mtg; room for agreement w/ EU

3/19/98 State GCC mtg

Policy
Development

5 papers by next Wed.

- trading, meaningful part., diplomatic strategy all on track
- some requiring closing communication loops
- need to review Treasury Carbon Investment Fund
- each paper needs 1) what we want
2) strategy to get it

Diplomatic
Strategy

Developing countries becoming interested in what they do next
(Brazil next week)

Focus on 5 countries (S. Africa,

Meaningful participation - generic paper / ID some leverage points
Country-by-country papers (background)
country specific paper w/ concrete measures

→ Developing country group - Dan

G-8 Working Group on Climate Change

- non-paper

- ministerial communique on emis trading
developing country

Trading - one proposal at there - only those meeting 2000
commitments would be allowed to trade 2005-2012

Clean Growth Initiative

~~ECB~~ AID, State paper on MDBs

Treasury paper on IFIs

Validators - list - need calls to be made

- Roll Call - Haged piece - trying to get response by Congressman

- response to Foreign Affairs - 1) Stu

- 2) outsider

1/29/98 State GCC

Signing decision by 2/10 (Secy State testimony)

Byrd, Hagel don't intend to send a resolution
statement of generality

Econ analysis

package/presentation - charts

handouts

ranges

★

early next week

Testimony - compelling case for the science - draw from IPCC

costs for not acting - insurance policy

OSTP booklet passed around in Kyoto

meeting on message/communications for testimony

need new draft of economic analysis - early next week

murder board exercise weekend before leaving

econ Q+As

benefits - AQ

★

★ Stu wants

insurance costs are

non-monetary GCC

Gilman letter - response drafted

Umbrella group letter - sent out

Diplomatic Issues

read interpretations by March (esp. on sinks)

"meaningful participation" - prep for Q+As

umbrella - read USTR take on WTO implications - get USTR to do paper

Russia + trading - UK wants corresponding reductions, or Russia take a
new target below 1990

need a documented game plan (Stor) - Strategy memo in 2 weeks
(Sandalow + Knible)

G-8: GCC will be higher up on agenda

will likely get a statement on LDC meaningful participation

AID B16 - how it's used to get meaningful participation

rollout - subgroup mty (Sandalow + Knible w/ AID)

IFIs - try to work on a commitment from them to find GHA-friendly

projects (Power Plant Initiative) - Stor wants to work into testimony

- guidelines of what we will ask of IFIs

job loss - Stor wants to know how Inst will address A

need an analogy to US Cite on NATO to put pressure on good side

Sensabarner 12th Branner, Pena, G. B. ones

4th ? McNulty

try to move }

2/25 Economic Validators

Foreign policy - list of possibilities

talking points

dinner

get people to say things nice @ Kyoto

~ Crite for NATO expansion

Economists - names?

what should they do?

- Stiglitz - paper that trading, TI could work + be cheap

- Sandor (CBOT)

- Blinder

- Cline, Ester (IIE) ^{public policy types}

- Krugman?

- Stavins?

- DeCanio

- Repetto

1/23/98 GCC mtg @ Spelling's etc.

tell Janet +
Jeff @
Wilcoxon +
Mokoban in
town

Paper

600 - 171

280 - 50

talk to Mark
@ EIA/RI
for EMF

Key Dev. Country

- need some reduction off of BAU

- focus on: China, India, Mex, Kor, Indonesia
Chile, Argentina

3 Stage -

1) sound principles

2) range of #s we can live with

3) uncertainty on positive side: sides

trading

tech

do some what ifs on tech breakthroughs

AGEI: try 1.1, or 1.2

interpolate b/t 1.0 and 1.25

1) do some packages of #s - need to be middle of the road on assumptions

→ show how we could have been more optimistic on X factor

2) Q. A - g based on i) challenge #s

ii) accept #s but find the worse

→ ID possible attacks

→ 1 memo - other models (EMF) - how do econ effects vary

memo - EMF models - what do they say - how much do you gain from trading

US cases - mix + match

3 or 4 \$15-20 range

15

3 or 4 \$30-40 range

30

think @ pros + cons
intl trans
tech opt
% red @ home
elect prices
gas prices

Q+A - Peter will draft some Q's

5% BAV cut for dev countries
assess impacts on costs

How do we handle the \$6 b over 5 yrs - possible
can w/ 1.0 AEEI

Any sense of regional econ effects
e.g. job loss in coal
shifts matter

★ del. sinks reference in 7 to 3 discussion
1.0 to 1.25 AEEI

★ GHG emissions from ag

1) what is effect on coal

transition

★ coal price & given permit prices

2) \$10 to \$15 tax on economy ^{over time}

★ fluctuations of energy prices vs. increase in energy price

3) Are these permit prices your estimate of the price of C in 2008-2012?

4) models traps

5) capital stock turnover

6) oil shocks, price increases, + emissions ↓

7) do you believe trading would work

★ energy / trace of total cost is ag.

q's: what are other tools you discuss in your testimony

have you done a historical analysis; have you assessed

how the oil shocks affected emissions?

have you done a comparison of US w/ other

energy efficient countries to

★ energy prices → effects on ag inputs

8) Nordhaus, other respected economists → what are their estimates

★ construction of energy estimates

9) atypical family energy effects

10) Could CEA do a sectoral analysis

8/11 CD mtg

Back of the envelope assessment of permit price of policies

- estimate out growth in GDP, decline in E/GDP

- take price elasticities from literature to see when tech comes in

let's also look at 2030 + beyond - prices, tech adoption

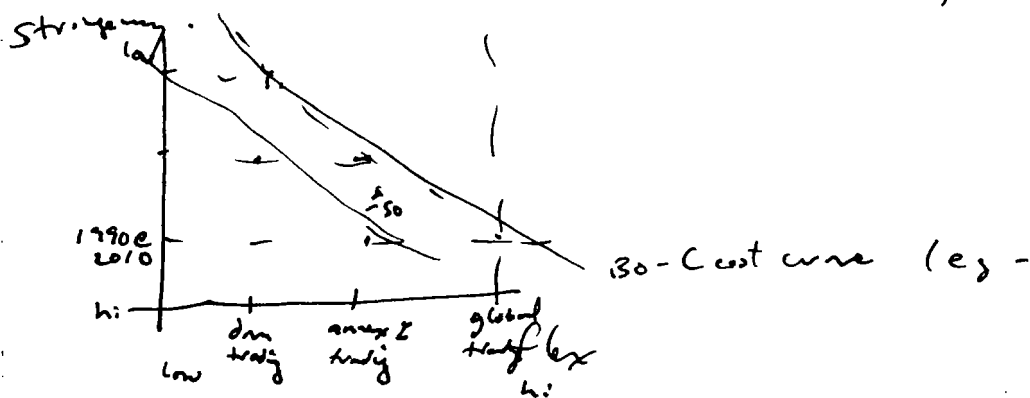
> order IPCC - 1 of vol I, 1 of vol II, 5 of vol III

This is supposed to be a short meeting?

Peter O. Draw up list of 15-20 fundamental questions that require quantitative analyses.

Flex. Stringency Trade-off

- Jay



What were China's emissions/GDP?

8/12 GCLarty

Various scenarios + their impacts on climate

Differences in

cumulative emissions for scenarios (1990, 90%, 1990, 100%, 1990 in 2010 and others)

Quidi + Cisti

is effective temp a contemporaneous function of CO₂ emissions?
draw from IPCC

assume emissions path after 2010 flat, ^{@ level stabilized at} after
peak = 2015 (optimal path)
2030 flat at 1990 levels + BAU

→ compare scenarios w/ paths @ 2040

JI memo

"politized process" - intl tribunal would be necessary
to est. + assess benchmarks

We have heard of 1 less ambitious version of JI that
is not mentioned here and we wonder why. This

version is... subsidize solar abroad - credit X tons C/GW renewable
energy

Any improvement in additionality is likely to be very small
+ these reasons are elucidated below

Are you planning on paying people to do nothing? If so,
why not?

How can you say people would've built the plant

was 3^d point from Jeff's phone call today on J₂
e US subsidizing conservation projects abroad
(e.g., US buys solar cells for Russia) ?

Stavins paper

call authors of NBER paper

call Joe Romm e DOE Labs study

Wam meet w/ Randy e cost #s

8/14 GCC mtg

add Maine-Richels path - peak 2050

1990 by 2020

8/15 mtg w/ Toman

II

Intl Energy Agency working on

- commercial acceptability criteria - rather transparent

Rand's CE/CS view of II

- cost-savings of II vs. opportunity costs of leakage

Turnover of capital stock

stratifying by technology type

electricity restructuring issue should be integrated w/ GCC

Paths

Pecher & Teisberg - looked at linear & convex damage functions

Costs

PV of costs impt.

↪ clue - note low discount rate
risk aversion

EMF doing an exercise w/ IA models - may be best

→ only real game in town

State of the art

concentration models we could use - include decay function

can easily get from Joe Edmonds group

pt II - small set of models to do exercise with

could backcast Nordhavs on them

Granspeet, Witzky, Richards paper

25 Snarvass paper - w/ SGM, MERGE

→ where, when flexibility

Uncertainty - give to Jay

BTU tax comparison - get from Zach

Oil price shocks - how does it affect the economy

How would C tax affect extraction rates in oil, coal

b/t now and time tax is implemented

contact EIA & NEMS - does it have dynamic optimization

8/18 GCC mtg

T+T table

several charts underlying T+T table

C price paths

emission paths

Δ intl to worldwide in fn

JF working w/ Peter O (NEC) & economists for WH conference

Extraction profile w/ future effective tax on energy - Keith

Seminar series

Pizer paper on uncertainty

Richels visit

set up mtg w/ JF + Treasury people

Mtg w/ modelers

8/19 GCC mtg

CCAP - returns

energy tax credits - returns

DOES clarify the need for policy in labo study comments

→ 3 major points

+ set of minor points

Check on JI comments - Randy's #

Escape clause paper - JF + JS

Pizer, RFF, next Friday, noon

- how does his matchup w/ our emissions paths

Manne + Richels - annex I peak in 2010-2020

LDCs peak much later

> world peak
~ 2050

→ use as guide on LDC participation

→ when does it stabilize

Electricity Sector - power plant distribution - Cristian

Models

M+R - think about burden-sharing w/ LDCs

parameters: flexibility, timetable / concentration paths, burden sharing

meet w/ Richels on Mon - invite Toman, Treasury (?)

Joe Edmonds group → have them do M+R w/ 2 variations on LDCs

Wigley interested in running models for us

IAT models - when do they peak? → just M.M, not DRI

→ bring in Phil + Howard (DOE) - meet this week

per capita GDP - Mexico, Singapore, Korea

→ Dan

- compare w/ other countries in world

World Bank 10yr forecast

impacts, uncertainty + catastrophes - cost out a catastrophe,
figure out how high prob (catastrophe) would be to Δ
optimal emissions paths

8/20 GCC mtg
SGM

AEEI = 1.0

1990 to 2010

→ BAU until 2010, then drop to 1990 in 2010

ROW-BAU

Revenue recycling - lump sum to consumers } clarify
permits allocated by grandfathering }

T+T chart

- modify lower scenario w/ M+R burden sharing rule
- foregone consumption - PDV, fraction, per annum (x% of GDP)

Europe - is bubble unfair - compare w/ US

get E/GDP by country

get growth paths

share of total permits that are coal

Modelers

meet w/ Phil Tsey + Howard Gruenspecht tomorrow - 2pm
scenarios

→ have M+M do runs w/ constraints on emissions
in 2025

AEEI - focus on .75

8/20 mtg w/ Treasury

DOE will take at net savings thru at report

trying to get w/ as minimal as possible

2 sets of issues: 1) specific concerns

2) presentation

perhaps joint CEA-Treas critique

general tech paper $\leftarrow$ may include in

govt load factor: $\frac{1 + \text{D\&T revenue raising}}{1 + \text{Electricity of 2\&T}} \quad \frac{1.4}{1.7} \approx .8$

$\rightarrow$ basically, this is a set of coefficients that would go into a model

$\rightarrow$ don't Δ #s, Δ presentation: catalog tech - say these are C reductions you get if you achieve x% adoption

get copy of table (T+T) for Jeff

escape clause comments - Jon - see from JS

effect on typical family

plant life + retirements

T+T - optimal path

John Roberts

622-1681

8/21 mtg w/ Howard + Phil

G³ - concern of energy side

- capital flows constrained (fixed @ 0 for China, Russia, e'n Europe)

MM - intl macro effects - same weaknesses as DRI intl side

CEA needs: PDV consumption loss ✓

that is peak in 1990 ~ 2010 ✓

alt paths: peak in 2015 @ 2010 ^{world} ✓

1990 in 2020 ✓

prob 2005

tweak tech consistent w/ N. T. AEEI

EIA base case hurdle rates, tech

set of prices (C, energy)

revenue recycling - lump sum to economy

Need w/in a week

8/21 GCC mtg

oil shock paper - do chart comparing 1970s + 2010 case

tech - economist marriage $\rightarrow$ suggest permit price + fed R+D in developing new tech

escape clauses - distributional consequences of expanding cap

- $\rightarrow$ permit price exceeds a specified level
- $\rightarrow$ other countries don't participate
- $\rightarrow$ scientists Δ their mind e GCC
- $\rightarrow$ specifying that countries must have legitimate implementation plans by a certain date

IA

Nordhaus + IPCC

Pech, Treibung

Howarth - uses DICE w/ integer Rawlsian evaluation mechanism instead of PV

Catastrophes: ice shelf collapse

shift in gulf stream

methane release (oceans, ice, tundra) $\rightarrow$ positive feedback

8/25 mtg w/ Richels

Buying Greenhouse Insurance - book w/ Manne

MERGE

9 regions: OECD (USA, OECD Eur, Japan, (ANZ)

EEFSU

non-annex I (China, India, MOPEC, ROW)

planning horizon: 1990-2200

intertemporal optimization model - top-down/bottom-up hybrid

intl trade in oil, gas, C rights

borden sharing

★

→ we would like to see a set of analyses on various schemes

trading

- model implicitly assumes an EU bubble given form of regions (OECD Eur)

discount rate

★

→ sensitivity analysis w/ lower rates

larger carbon budget in WRE than WGI bc more

time to pull CO₂ out of atmosphere if more put up now

flexible constraint yields smaller intl income transfers

- trading more feasible w/ these

response in oil mths can affect loss in consumption in

OECD, EEFSU as well as non-annex I

★

return to 1990 levels (US, annex-I → all regions)

IS92a - free lunch built in (1% ↑ efficiency/yr)

MERGE uses 1% for policy scenarios as well plus shift

away from subsidies in other countries (eg, EEFSU)

→ ~~not tied to BAO~~ but in scenarios → if smthg makes BAOs "sense" w/o climate (eg, remove subsidies), then it happens in policy

Rich doesn't think endogenous technical Δ is an issue here - playing w/ parameters doesn't really affect outcome
several would like breakdown of effects of AEEI, removal of subsidies, etc.

can you parse out why least-cost does cost less
- how much is attributable to +15% C emissions along this pathway

→ have done analysis thru cumulative emissions as well
electric sector → fuel switching + demand side conservation occur
↳ gas-fired ↑

R+D-price effect distinction bt diffusion + development

Does MERGE take into account coal, oil suppliers reaction to a future tax (i.e., pump/prime move in near term prior to tax) - yes

→ note, SGU does not appear to do so (should see energy prices Δ before tax is implemented)

Burden sharing

what if LDCs never come in + Annex I follow least cost (or WRE) path

→ leakage, emissions, concentration

revenue neutral - lump sum redistribution

Trade - energy intensity of imports vs. exports

Richels - need a Rutherford-type model for this (disaggregated)

GTAP

do some Oxford runs

→ be careful fed response function

THE WHITE HOUSE
WASHINGTON56870
Joe Aldy

April 18, 2000

MEMORANDUM FOR JOHN PODESTA
CHARLES BURSON

CC: GEORGE FRAMPTON
LEON FUERTH
JIM STEINBERG

FROM: ROGER BALLENTINE 

RE: COP6: Policy Status and Outlook

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

I. Background

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

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

II. Our Goals

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

III. The Challenge

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

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

IV. Preparations

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

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

**United States Department of State***Bureau of Oceans and International
Environmental and Scientific Affairs**Washington, D.C. 20520*Date: 2/18/00 Time: 4:55NUMBER OF PAGES TO FOLLOW: 2FAX TO: Robert LawrenceTELEPHONE NUMBER: 395-5046FAX NUMBER: 395-6958

OFFICE: _____

FAX FROM: David SandalowTELEPHONE NUMBER: 647-1554FAX NUMBER: 647-0217

OFFICE: _____

MESSAGE: Per our telephone conversation today.

Analytical Questions

1. Effects of EU caps proposals

- on US
- on Russia
- on EU
- on developing countries
- on UG partners

We need to examine both:

- a. Results from our model
- b. Results from other models (e.g. ABARE)

2. Share of proceeds

What would be the effect on the CDM market of different levels of share of proceeds?
(e.g. 0, 3%, 5%, 10%)

If one-time share of proceeds imposed on ET (as proposed by AOSIS), what effect would this have on the trading market? (Does our model, or other models, allow us to predict this at all? with any confidence?)

3. If no trading allowed with any non-Annex I countries, what would be likely volume of CDM projects? (Are there any reliable results on this Q?)

How much likely investment in particular developing countries?

- China
- India
- Latins
- Island states

4. What should be penalty rate for subtraction of tonnes? (We've proposed a factor of 1.3, but I'm not sure if any technical work underlies this number.)
5. Effect of Kyoto Protocol targets on OPEC states: summary of available literature
6. Economic costs to EU, Japan, if they ratify and bring KP into force without the US
 - Direct costs of meeting targets (as compared to costs if all Annex I states join)
 - Indirect costs (competitiveness, capital flows)

7. Costs of implementing KP domestically, as compared to costs if unfettered use of mechanisms, for:

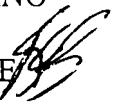
- Japan
- EU

THE WHITE HOUSE
WASHINGTON

February 14, 2000

MEMORANDUM FOR JOHN PODESTA

CC: GEORGE FRAMPTON
LEON FUERTH
JIM STEINBERG
KAREN TRAMONTANO

FROM: ROGER BALLENTINE 

RE: 2000 Outlook – Climate Change

This Memorandum outlines a strategic outlook for the issue of climate change for the remainder of this Administration.

Along with Lands Legacy, climate change is undoubtedly the top environmental priority for the remainder of this Administration. To be successful in addressing this priority, I believe that the President and the Vice President will need a minimum of two accomplishments this year: 1) *shifting the domestic debate on global warming*; and 2) *ensuring a successful COP6*.¹

I. Shifting the Domestic Debate.

When the President took office, climate change was barely a subject of public or political debate. As we approached Kyoto in the beginning of the second term, climate change became a more frequent – but untouchable – subject on the Hill. It was considered too controversial for any mainstream policy debate, let alone legislative action. Now, the ground continues to shift, and while not *uncontroversial*, climate change is becoming more accepted as a topic of policy debate. The President and the Vice President deserve significant credit for this.

Our remaining goal is to put climate change front and center in both the mainstream public and legislative debates. The President can already claim some success on the former; we now must do the latter. *Thus, in my view, "shifting the domestic debate" comes down to our pushing openly for legislative and/or regulatory action, at least in part on global warming grounds, on one or both of the two largest sources of domestic emissions: automobiles and power plants.* Despite our many successes, failure to do at least one of these would be seen by many as an inadequate domestic record on climate change.

¹ (Sixth Conference of the Parties to the Framework Convention on Climate Change – the Kyoto Protocol negotiations).

II. Ensuring a Successful COP6.

The President and (especially) the Vice President, were responsible for the success at COP3 in 1997 that produced the Kyoto Protocol. The last two meetings of the COP have incrementally addressed open issues with the Protocol. COP6 (November, 2000), on the other hand, has been targeted by much of the international community (as well as by domestic NGOs) as the meeting at which a ratifiable Protocol must be finalized. The Europeans and others have rallied around this notion, calling for ratification of the Protocol by 2002.

While we have not voiced quite such high expectations, we too have stated that COP6 is a crucial meeting. The world community in considerable measure considers the U.S. the main obstacle to completion of the Protocol. The U.S. NGO community shares much of this sentiment. Thus it is very likely that the U.S. would be blamed for a "failure" at COP6. Failure would most likely mean that at the end of the meeting much of the world community considers the multi-lateral process over, at least one including the U.S. Therefore, *our minimum objective for COP6 is for the meeting to end with a consensus that the Protocol is alive and moving toward completion.*

This objective is made difficult by competing forces. On the one hand, much of the developed and the developing world (as well as the U.S. environmental community) resists our efforts to make robust use of "flexibility mechanisms" (trading, etc.) and to get the developing world to "meaningfully participate" in the climate change fight. They see both issues as signs that the U.S. is not willing to seriously address the problem at home. On the other hand, without our securing liberal use of flexibility mechanisms and our achieving some progress in developing country greenhouse gas abatement, the Protocol would be pronounced dead on arrival by a significant faction in the Congress, and would receive harsh reviews from a wide array of business sectors.

If this analysis is correct, then we need a strategy to help resolve these competing pressures. First, to be successful in our ongoing multilateral negotiations over the flexibility mechanisms while at the same time mitigating domestic environmental criticism, we need to demonstrate a quantum shift in our domestic actions. Showing a serious intent to take domestic action will lessen environmentalist criticism of our position on the mechanisms and will give us greater credibility in our negotiations; again, adequate domestic action likely means strong action on either power plants or automobiles. Second, I believe that adequate success on the developing country issue between now and the end of COP6 will require at least some demonstrable progress with either India or China. While this need not be progress toward either country taking on a Kyoto "cap", it will require real progress on future emission abatement. Thus, the President's India trip looms critical.

Please let me know if you would like further information or have any further instructions.

JA

October 9, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Climate Change Weekly Report

Congressional

Appropriations. On the funding side, as I've noted before, we're not doing well. We are on track to get around \$50 million of your proposed increase of \$473 million over FY 98. This would amount to around 6 percent more than we got in FY 98. I have worked with OMB, CEQ, NEC, OVP and Leg. Affairs to put together a package of requested addbacks that would bring our increase up near \$170 million for the three main bills (Energy and Water, Interior, VA-HUD). On the language side, we have done alright. The Knollenberg rider was significantly toned down by addition of language in the Statement of Managers saying that the bill language would only restrict activities that were intended "solely" for implementation of the Kyoto Protocol. Sen. Byrd led the fight for this fix.

Agriculture. Yesterday, I joined Sec. Glickman and Deputy Sec. Romminger from USDA and Stu Eizenstat for a meeting on the Hill with Senators Lugar, Wyden, Kerrey and Harkin to discuss their concerns about climate change and agriculture. They are interested both in the way that sinks are dealt with in the international regime and in a more aggressive domestic policy to provide incentives for planting trees and other kind of sink activities that can absorb carbon. The meeting went well and the Senators were pleased. We now need to follow up, particularly on the domestic policy side. This is a very important Senate group for us and if we can be responsive to their interests I think we can make some long-term headway. Staff from Senators Baucus, Roberts and Daschle were also present at the meeting.

Diplomatic

Permit trading. Earlier this week, in their last meeting before Buenos Aires, EU environment ministers took a harder line than expected in favor of restrictions on emissions trading. The ministers' statement calls for a "concrete ceiling on the use of flexible mechanisms" and insists that work to define such a ceiling begin in Buenos Aires. The statement makes progress in Buenos Aires more difficult and increases the likelihood the Buenos Aires meeting will prove contentious. We are following up on your climate change discussions this week with President Menem regarding the possibility of Argentina agreeing to take on an emissions target in the first budget period (2008-2012). We are in frequent contact with senior Argentine officials, and a technical team will travel to Buenos Aires next week.

Domestic Policy

We held two meetings with labor groups last week to discuss how to involve them in consultations with industry to develop voluntary agreements to reduce greenhouse gas emissions. Labor groups represented at the meetings were: AFL-CIO, OCAW, UMWA, IBEW, UWUA, USWA, IUE, and UPIU. The meetings were difficult -- climate change is no more popular with labor than it is with much of big business -- but they were useful and we will follow-up with the unions on issues of concern.

Press

Today, at a hearing chaired by Cong. Sensenbrenner, the Energy Information Agency (DOE's quasi-independent statistical arm) released their exceedingly pessimistic economic analysis of the impact of the Kyoto Protocol. The study makes every worst-case assumption in the book and concludes that carbon permits would cost \$348/ton, with huge increases in gas and electricity prices. When EIA's chief, Jay Hakes, came here to brief us, he referred to Cong. Sensenbrenner as his "client," and EIA has duly produced a report that the client -- one of the harshest critics of Kyoto in Congress -- will approve. We prepared a solid fact sheet clearly laying out the serious shortcomings in the study, and our points were reflected in the coverage in today's *New York Times* and *Washington Post*. Another article critical of the study is supposed to appear in *USA Today* on Monday.

cc: Vice President
Erskine Bowles
Sandy Berger
John Podesta
Leon Fuerth
Ron Klain
Jack Lew
Mike McCurry
Katie McGinty
Gene Sperling
Jim Steinberg
Janet Yellen

Climate Change Meeting Agenda
July 6, 1998, 3:00-4:00
Room 7250, Main State Department Building

- **Hagel Qs&As (Amb. Sherman)**

→ Michele can't call

- **Diplomacy**
 - **Russia - Emissions Trading Seminar (Melinda Kimble and David Hale)**
 - **US-EU Bilateral (Melinda Kimble)**
 - **G-8 (Stu Eizenstat and Melinda Kimble)**
- **USAID Developing Country Study (Amb. Babbitt)**
- **Preview of Buenos Aires (Stu Eizenstat, Amb. Sherman and Melinda Kimble)**
- **Next Steps**

AGENDA

- Outcomes of Tokyo Ministerial
Umbrella - Japan not interested in pre-emptive allocation @ COP-4. Ukraine on board
- Ottawa Ministerial/CDM and other Developing Country Issues
*Argentina pushing for voluntary commitments; Argentina might accept a target @ COP-4
EU proposed 4.2a,b on adequacy of commitments
Brazil proposal
S. Korea still pushing for growth target in 3rd commitment period*
- G8 Meetings (Sherpas and Ad hoc Working Group)
- USIA Latin America Visitors Program
- Progress on sinks and other policy issues
sinks - we will not take on an interpretation that will make us worse off
- EIA Economic Analysis
- BA Expectations OP-ED/Public Outreach
- Issue of Signing @ COP-4?
- Hagel Letter/Loy Nomination Hearing
- October 6 Yellen Hearing on Climate Change
- Other Issues/Next Steps

- China interested in participating in CDM
CDM - very positive: S. Africa tired of G-77 position, want an Africa position - more interested in trade + targets than G-77. COP-4 would create working group, get CDM up by 2000
positive, non-confrontational
role of private sector @ COP-4 ministerial
OECD role - report on emissions trading @ COP-4
maybe 12 out of 18 EU countries against Cops; refocus after an hot air

strong consensus on seller liability
w/ a discussion to protect
against one selling to take
place later

IEA report on CDM @ COP-4

Argentina - what do we want in terms of a target

Developing countries - Qs + As + falling points for COP-4

"Best Domestic Practices" document to be released @ COP-4

Ottawa - allow non-Annex B countries to bank CDM credits + use in commitment period to meet a target

emissions trading workshops (e.g. in S. Africa)

consultations mtg
→ coordinate w/ Donizer, Jim Rubin

memos - liability
sinks
umbrella group

7/14

AGENDA

MEETING OBJECTIVES

1. Identify open policy issues and determine whether there is a need to resolve them before BA.
2. Establish Umbrella Group Working Group and timetable for deciding approach for BA.

DISCUSSION TOPICS

1. Emissions Trading

- A. BA Objectives
- B. Open Policy Issues (incl. liability)
- C. Umbrella Group
- ? Compliance

liability
compliance
register system

Need position at least for umbrella
→ options memo for oversight group → early days

EU - buyer liability - recognize domestic non-compliance problem
Umb on opposite side, w/ US + Canada uncertain

2. Sinks

- A. BA Objectives
- B. Open Policy Issues (incl. Art 3.3 interpretation)

? make a decision now or after IPCC
? 3.4 forest cons, land management (issue re: ag soils)

3. Developing Country Commitments

- A. BA Objectives
- B. Open Policy Issues

G-8 paper

4.2 (a), (b)

voluntary agreements
Brazilian proposal

EU wants to cap CDM
Trading
? E Ger hot air

? liability section in G-8 paper

hybrid (liability) { "Buffer Zone" → seller liability until hit buffer, then switch to buffer
→ for US, most selling would be internal (Danzon)

(consultations)

workshop - 1 day on trading w/ 6-8 outside people (e.g., traders, securities folks, etc)

AGENDA

1. Umbrella group

- A. BA objective on emissions trading rules — *workplan*
- B. Article 4/Article 17 options — *umbrella announcement*
- C. Draft MoU for BA?
- D. Diplomatic strategy
- E. USG working group

2. VP Russia/Ukraine trip

Russia very interested in trading; need cash in near future; econ ministry is involved

3. Open policy issues - resolution needed before BA?

→ no negative macro effects from trading

- A. Emissions trading - liability
- B. Sinks - interpretation of 3.3
- C. other?

CC: JAF
SP
JA**URGENT**

July 31, 1998

TO: White House - Todd Stern
CEQ - Katie McGinty
NSC - Jim Steinberg
NEC - Gene Sperling
Sally Katzen
CEA - Janet Yellen
Treasury - Larry Summers
State - Stuart Eizenstat
Wendy Sherman
EPA - Fred Hansen

FROM: State - Melinda Kimble
CEQ/NSC - David Sandalow

SUBJECT: Monday Climate Change Oversight Meeting

Attached please find material for Monday's meeting of the Climate Change Oversight Group. The paper grows out of ongoing discussions of the Assistant Secretaries workgroup. Decisions on the issues set forth will be needed as we approach Buenos Aires.

Attachment:
As stated.

Number of Pages in Transmission: 12

Predecisional Draft - Do Not Quote or Cite

Revision 4: July 31, 1998

**Outline of Decisions Required by Principals
for the FCCC Fourth Conference of the Parties at Buenos Aires,
November 2-13, 1998**

We are in a period of diplomatic "consideration and review." Countries and constituency groups are absorbing new and complex concepts in the Kyoto Protocol (e.g., Clean Development Mechanism, sinks) and arguing about issues, where the Protocol is ahead of the global consensus (e.g., international emissions trading). Tentative steps beyond the Kyoto agreement (e.g., Argentina's efforts to promote voluntary commitments for developing countries, or our own bilateral efforts in that regard) have met with significant resistance.

Against this backdrop, Buenos Aires will be about incremental advance, not historic achievement. Much of the agenda will focus on plans and schedules for future work. The two-day ministerial at the end of the conference is unlikely to produce significant progress, but could help refocus the international agenda on intermediate goals.

Guidance from the Oversight Group is needed in two areas. First, there are major tactical issues for Buenos Aires, where we must clarify our course. These include umbrella group tactics and developing country strategy. Second, there are several technical, but important, policy issues on which workgroups at the Assistant Secretary level have yet to forge a consensus. Decisions on these issues may be needed as we approach Buenos Aires.

The issues addressed are as follows. (Please note that the Clean Development Mechanism has been omitted as further work is necessary to develop recommendations.)

- (1) Emissions Trading: "Supplementarity"
- (2) The Umbrella Group
- (3) Emissions Trading: Allocation of Risk or "Liability"
- (4) Sinks
- (5) Developing Countries and
- (6) Compensation

Predecisional Draft - Do Not Quote or Cite

(1) EMISSIONS TRADING: "SUPPLEMENTARITY"

Issue for Decision: Whether to accept quantified limits on emissions trading and other flexibility mechanisms at Buenos Aires.

General Background: The Kyoto Protocol provides that emissions trading (Article 17) and joint implementation (Article 6) must each be "supplemental" to domestic emission reductions. Neither article provides for the COP to define the term. In contrast, the Kyoto Protocol expressly provides that the COP shall define the "part of" a country's target that can be met through the Clean Development Mechanism (Article 12).

There is considerable risk that a debate over caps on flexibility mechanisms will dominate the Buenos Aires agenda. The EU has vociferously argued that "supplemental" must be defined. Moreover, this is a position taken in the Ministerial Council and will be difficult to change. The EU positions are driven by concerns over Russian "hot air" and a fear that the United States will not make significant domestic emissions reductions unless flexibility mechanisms are capped. In particular, there is a concern that unless the United States is committed to significant domestic emissions reductions, there will not be adequate incentive for the development of new technologies needed to address this issue in the long-term.

The G-77/China strongly echoed these concerns at the Bonn climate change meetings. They are concerned that agreement on emissions trading and JI will lead to more discussion of their obligations; thus, for tactical reasons they have strongly supported the EU - exploiting Annex I differences.

We have argued that "caps on trading and JI" are not authorized in the Protocol and can only result in increasing compliance costs. The mechanics of limiting trading would be difficult at best and could make an international trading program completely unworkable. Agreeing to caps on trading would seriously damage efforts to build support for a climate change agenda at home. In light of these concerns, there is no support within the Assistant Secretaries workgroup for agreeing to limits on trading at Buenos Aires.

Recommendation: That we refuse to accept quantified limits at Buenos Aires.

Predecisional Draft - Do Not Quote or Cite

(2) THE UMBRELLA GROUP

Issue for Decision: Whether to seek to formalize an independent trading arrangement among the "umbrella group" at Buenos Aires.

General Background: During and since Bonn, it has become clear that it will be extremely difficult to negotiate a set of globally acceptable emissions trading rules in the short term. The EU continues to insist on a "cap" and is unlikely to change at least through COP-4; in fact, it appears likely that the EU Environment Council this fall will formally endorse a percentage limitation for all three flexibility mechanisms. The G-77/China have also called for limitations on trading. Both groups have voiced opposition to "hot air" -- a limitation directed at Russia and Ukraine.

The "umbrella group" -- composed of the U.S., Japan, Australia, New Zealand, Canada, Norway, Iceland, Ukraine, and Russia -- has met several times since Kyoto to develop common positions on emissions trading. Although umbrella members vary in the intensity of their support for an independent trading approach, all have expressed to us their view that such an option should be considered if the EU and the G-77 balk at granting us the full flexibility we require with regard to trading. In terms of a decision to proceed in this manner, New Zealand is probably the most keen to finalize details for such an approach prior to COP-4. Canada is probably the most resistant. We have joined with other umbrella members (Australia, Japan, Norway, and Iceland) in suggesting that we should await further developments at COP-4 before taking any final decision. All of these countries have indicated their interest in furthering discussions on this topic at the next umbrella meeting in September.

Ukraine has indicated its interest in participating in the umbrella discussions, but has not taken a firm position on whether or not it would participate in an independent trading arrangement. Russia has indicated its interest in participating in such an arrangement, but it has also signaled its impatience by discussing a number of joint implementation projects with Japan and certain European countries. There is no question that Russia would like to monetize its reductions through forward sales as soon as possible. However, Russian (and Ukrainian) capacity to (1) honor contracts and (2) accurately measure their emissions pose serious problems for progress in this regard during the short term.

We consider three options:

– **Under a first option,** the umbrella group could announce in Buenos Aires that it intends to form a trading arrangement open to any country which accepts the rules worked out among umbrella group members.

Predecisional Draft - Do Not Quote or Cite

Benefits:

- This would help lock in Russia and Ukraine, whose tonnes are critical to our ability to reach our target in the most cost effective manner.
- The arrangement's announced openness to all Parties willing to accept our rules would be important to maintaining the public perception that we are working with all Parties and that our preferred outcome is still a set of global trading rules adopted by the COP. Nevertheless, an umbrella arrangement, excluding the EU if they were to reject our rules, would tend to reduce the costs of compliance for the U.S.
- If presented properly, this could convey the impression that it is the U.S. and its partners who are serious about moving ahead on the Kyoto Protocol. Additional leverage in trying to work out a universal trading regime might be enhanced.
- It would demonstrate to Congress and the private sector that we are serious about insisting on maximum trading flexibility.

Downsides:

- Many countries would strongly disagree with our assertion that countries can trade in the absence of rules agreed to by the COP.
- The EU will charge us with attempting to "buy our way out of our commitments."
- The G-77 might look upon this action as an example of our one-sided effort to implement Kyoto irrespective of their interests or concerns.
- Some domestic environmental groups would be critical, charging us with devising a "hot air" approach to meeting Kyoto targets.
- Could prove counter productive by stifling any hope for early progress towards a universally-accepted set of trading rules and would, in any case, complicate efforts to open up the CDM to a more flexible approach towards emissions trading.
- It is unclear the extent to which all of our umbrella partners will be willing to make such a dramatic announcement at Buenos Aires. We must be assured that Russia (particularly) and Ukraine are firmly on board, given the critical nature of their participation to make our arrangements viable.

Predecisional Draft - Do Not Quote or Cite

— Under a second option, the umbrella group could announce at Buenos Aires that it is seriously considering forming a non-exclusive trading arrangement (perhaps by COP-5?), to be used in the event that a global agreement on emissions trading rules cannot be reached.

Benefits:

- Would give us some visible leverage.
- Would give us time to work out the details within the umbrella group for a proposed trading arrangement.
- Would also keep Russia and Ukraine engaged in our effort.
- It might give us more time to try to work out more acceptable trading arrangements involving all of Annex I.

Downsides:

- The reaction of the EU will still be very negative.
- Reaction among the G-77 might also be negative unless this announcement is made in conjunction with progress on the CDM.
- Same domestic environmental criticism.

— Under a third option, we can continue our discussions with our umbrella partners but stall on reaching any final conclusion on forming a limited trading regime.

Benefits:

- Would preserve global nature of the dialogue under the Framework Convention.
- Would preserve the public perception that we are working with all Parties to implement rules under the Kyoto Protocol.

Downsides:

- By holding back on more concrete arrangement, we run the risk of having Russia and Ukraine conclude that their best opportunity to benefit from the Protocol lies in JI projects with the EU. It could lead to a breakdown in the umbrella group.

Predecisional Draft - Do Not Quote or Cite

- Would fail to take advantage of a major leverage point that we have in the current negotiations.
- Delay would play into the hands of those who wish either to block progress on Kyoto implementation or who would like to break apart the umbrella group.

Recommendation: That we proceed toward the second option, preserving our ability to pursue either the first or third option as events develop.

Predecisional Draft - Do Not Quote or Cite

(3) EMISSIONS TRADING: THE ALLOCATION OF RISK OR "LIABILITY"

Issue for Decision: Whether risks should be allocated to sellers, buyers, or some combination.

General Background: The question of "liability," or the allocation of risk as between buying and selling Parties is one of the most complex issues, both internationally and domestically, because of the large implications for the economic and environmental consequences created by the different approaches which might be selected.

A "pure seller" liability option (i.e., without meaningful penalties for overselling) could create significant incentives for evasion and threaten environmental objectives. A "pure buyer" liability option could create unduly high burdens on potential buyers and stifle a fledgling market, as well as require a cumbersome, iterative compliance process.

Key umbrella group partners, notably New Zealand and Australia, favor seller-based options. Nonetheless, it appears that some variation on buyer or seller liability, or a hybrid system, will be necessary to address concerns on all sides. We are hopeful that most of these could be addressed best through careful design of the emissions trading system. We are also currently in the process of engaging the private sector and NGOs in order to solicit their views and advice. This issue will continue to be under discussion in the "umbrella group" at the upcoming meeting in early September.

Recommendation: Reject "pure seller" and "pure buyer" options. Instruct USG Departments and agencies to continue to pursue their investigation of variations on buyer or seller liability or a hybrid system.

Predecisional Draft - Do Not Quote or Cite

(4) SINKS

Issues for Decision:

- (1) What is our position with respect to our interpretation of Kyoto Protocol Article 3.3?
- (2) What should be on the agenda for COP-4? and
- (3) What should be our public approach on this issue at COP-4?

General Background: The issue of sinks and their treatment is addressed in two key paragraphs in Article 3 of the Kyoto Protocol: Article 3.3, which limits sink activities in the budget period to "afforestation, reforestation, and deforestation," and Article 3.4 which provides for the addition of new activities related to sinks.

Our position with respect to Article 3.4 is clear: The U.S. supports the inclusion of forest conservation and land management, as well as agricultural soils, consistent with science. Domestic constituency groups that share this conviction, however, show little awareness that it is U.S. policy. Furthermore, this position remains highly controversial internationally and will require intensive scientific work in a relatively short time frame. We were able to initiate a two-year process within the IPCC to review methodologies and establish an international scientific consensus on these matters. At this early stage, we cannot guarantee that, even with significant improvement in scientific understanding of sink processes, new activities would be added for use in the first budget period.

Article 3.3, however, is both more problematic and more time sensitive as it clearly has implications for the targets adopted in Kyoto, including the U.S. target. The language is a product of a last-minute compromise and is difficult to interpret in ways that make both environmental and economic sense. At present, there is inter-agency consensus that Article 3.3 should be interpreted in ways that make it no more difficult for the U.S. to reach its target. Beyond this, there is disagreement.

Recommendations:

- (1) Article 3.3 should be interpreted in ways that make it no more difficult for the U.S. to meet its target than without Article 3.3. We should be sure that IPCC work preserves our ability to pursue any reasonable interpretation that meets this criteria.
- (2) What should be on the agenda for COP-4? In view of the actions taken in Bonn and at the IPCC's scoping session in July, no action is likely at COP-4. Given this, staking out a firm position now is unnecessary and unwise, given the scientific review underway in the IPCC.

Predecisional Draft - Do Not Quote or Cite

(3) What should our public approach on this issue be at COP-4? We should reiterate that sinks have an important contribution to make in the climate change context. We believe that further scientific examination of this critical issue is both warranted and justified. While we welcome the additional guidance which will be forthcoming from the IPCC's special report on this subject, we feel strongly that sustainable forest management and conservation are categories which should be included in some form in whatever future calculations are made. This said, in our outreach effort to affected forestry and agricultural stakeholders, we should be careful to note that, while we are working with the best science available, including an additional category would mean that not only positive but negative effects would be counted, as well.

Predecisional Draft - Do Not Quote or Cite

(5) DEVELOPING COUNTRIES

Issue for Decision: What should our developing country strategy be at Buenos Aires?

General Background: The question of commitments by developing countries continues to be a contentious one. When New Zealand introduced a rather modest "evolution" proposal at Kyoto last December 5th, COP-3 was almost brought to a stand still. The repercussions of this presentation continue to echo in climate change deliberations. In no uncertain terms, China, India, Saudi Arabia and Brazil indicated in Bonn that no discussion of "voluntary commitments" would be permitted at COP-4. During sessions on the second review of adequacy in Bonn, exchanges between these and other non-Annex I Parties and ourselves (joined by Japan, Australia, Canada and certain central European countries) were long, heated and completely non-productive.

Nevertheless, continuing progress on this issue is needed, both for reasons of the environment and for domestic politics. At COP-4, there will be opportunities to raise our views on the need for commitments by developing country Parties in possibly three ways -- through continued discussions on the second review of adequacy; through an agenda item on voluntary commitments (as revised, no doubt, in an effort to placate G-77/China stalwarts), and with possible additional discussion of the Brazilian proposal which indirectly calls upon all countries to address the climate change problem on the basis of a "responsibility for climate change" based on each country's contribution to the global temperature increase.

As a practical matter, it is not possible that we will be able to start any new negotiating process at COP-4. Similarly, it is highly unlikely that discussion of Brazil's proposal will be ready for a fruitful exchange of views by November.

Recommendations:

- (a) While we can and should raise our points on developing country issues at appropriate points at Buenos Aires out of consideration for the legitimate concerns raised by both the Congress and the private sector, we should continue to work bilaterally, and out of the public eye, on the question of meaningful participation, and not raise the issue of targets for specific countries in a way which would either highlight this issue as a major "non-deliverable" of the Conference or, worse still, lead to its possible melt down.
- (b) Bilaterally, we should continue on a two track approach, i.e., on the "target" track and on the "action" track; and
- (c) When the Brazilian proposal is discussed, the U.S. must counter forcefully that while we are interested in Brazil's ideas, we cannot countenance the view that "historical" responsibility can be a part of this discussion.

Predecisional Draft - Do Not Quote or Cite

(6) COMPENSATION

Issue for Decision: Whether to maintain our strong opposition to proposals for "compensation."

General Background: OPEC countries introduced the idea of "compensation" for oil exporting countries as a poison pill to the negotiations which led to the Kyoto Protocol. OPEC countries are likely to try to block progress on other issues to leverage something on the "compensation" front.

Moreover, OPEC has been skillful in eliminating use of the term "compensation" by refocusing the discussion on implementation of the Convention's Article 4.8 (which addresses the impacts of the implementation of response measures on developing country Parties). By referring to Article 4.8, these countries managed to link their concerns about the adverse impact of response measures on oil export revenues to broader developing country concerns and secured G-77/China support for this linkage.

Our approach has been to distinguish between the adverse impacts of climate change (e.g., land lost to sea level rise) and the adverse impacts of response measures (e.g., reduced use of hydrocarbon fuels) and work with other countries to promote this. We have supported efforts to address the former (adverse impacts) but not the latter (adverse effects of response measures).

OPEC, with G-77 support, sought to develop an action plan on this issue at Bonn. Annex I Parties, in a rare moment of agreement, declined to participate in key meetings, in view of the lack of progress on all other issues, and postponed work on this question. This issue will be on the COP-4 agenda and has real potential for frustrating progress.

Recommendation: Maintain our strong opposition to proposals for "compensation."

cc: JY
JA

From Kimble - Sandalow mtg. Revision # 2
(Draft for next oversight mtg.)
7/27/98

**Outline of Decisions Required by Principals
for the FCCC Fourth Conference of the Parties at Buenos Aires,
November 2-13, 1998**

As we prepare for the final series of international consultations and meetings in the run-up to the Fourth Conference of the Parties of the Framework Convention on Climate Change (COP-4), which begins in Buenos Aires on November 2, the Assistant Secretaries' group has identified seven key areas for review and final decision or concurrence by Principals. Appropriate background papers on each of these topics are attached to each general discussion paper, as available. The issues addressed are:

- (a) Sinks
- (b) The Umbrella Group
- (c) Emissions Trading: "Supplementarity"
- (d) Emissions Trading: "Liability" or the Allocation of Risk
- (e) The Clean Development Mechanism (CDM)
- (f) Developing Countries and
- (g) Compensation

As this list of outstanding issues suggests, there is little likelihood that many concrete results will be available by COP-4. Indeed, given the decisions taken by Parties at Bonn in June -- and from the intensive round of bilateral and multilateral discussions we have had with both developing and developed country Parties since Kyoto -- most of the key decisions concerning the Kyoto Protocol will probably await decision at COP-6 in late 2000. These include finalizing the details for the flexibility mechanisms and the CDM; obtaining additional scientific guidance on sinks; and clarifying the issue of developing country participation. At COP-4, our attention will be devoted to working out a time-table for decisions on the flexibility mechanisms and the CDM, plus further advising the sinks discussion which will be taking place under the auspices of the Intergovernmental Panel on Climate Change.

(A) SINKS

Issues for Decision: (a) what, if any, sinks issues should be decided in Buenos Aires; (b) how do we advance our sinks priorities in the IPCC process; and (c) what should our public approach on this issue be at COP-4?

General Background: At Kyoto, included in Article 3.3 of the Protocol is a narrow approach to factoring sink activity, including afforestation, reforestation, and deforestation. We felt that these sink categories could be helpful in meeting our target. Under Article 3.4, we left open the option of including additional sink categories following additional scientific investigation.

Since Kyoto, controversy over how to handle sinks has continued. We decided at the Bonn meetings in June 1998 to support more technical work through the Intergovernmental Panel on Climate Change (IPCC) on both Articles 3.3 and 3.4. This could mean, however, that our view at Kyoto that Article 3.3 would be helpful in meeting our target -- or that our desire to include soil conservation and forest conservation and management under Article 3.4 -- might be undermined by the IPCC process. In any case, the results of the IPCC's special report will not be available until late 1999 at the earliest (effectively, at COP-6).

Recommendations: With regard to the issues posed, we recommend the following:

(a) What, if any, sinks issues should be decided in Buenos Aires? None. It is clear that, while we want to advance sustainable forest management and derive what benefit we can from soil conservation, the scientific uncertainties with regard to how forests and soils interact with the climate preclude us from coming to any definitive conclusions in either regard at this early stage in the debate. Moreover, staking out a firm position now could later prove troublesome, depending on the scientific conclusions reached by the IPCC.

(b) How do we advance our sinks priorities in the IPCC process? We should actively participate in the IPCC/FCCC workshop on Article 3.3 sink-related activities planned for September in Rome. To maximize our position, we need ensure that our views on what should be covered by the IPCC Report are fully reflected in the final outline that will be submitted and adopted at the IPCC's 14th Plenary in October 1998. Similarly, we need to formulate a U.S. position on additional sink categories prior to the second IPCC/FCCC workshop on Article 3.4 which is tentatively scheduled to be hosted in the U.S. in early 1999. Over the next two years, we should cultivate similar views with regard to our evolving domestic sinks priorities among potentially like-minded countries in both Annex I (Russia, Australia, New Zealand, and perhaps Canada) and in non-Annex I (Central America, China, selected Latin American and African countries).

(c) What should our public approach on this issue be at COP-4? We should reiterate our position that we believe sinks have an important contribution to make in the climate change context. We believe that further scientific examination of this critical issue is both warranted and justified. While we welcome the additional guidance which we hope will be forthcoming from the IPCC's special report on this subject, we feel strongly that sustainable forest management and conservation and soil conservation are categories which should be included in some form in whatever future calculations are made. This said, in our outreach effort to affected forestry and agricultural stakeholders, we should be careful to note that, while we are working with the best science available, including an additional category might mean that not only positive but negative effects would be counted, as well.

(B) THE UMBRELLA GROUP

Issue for Decision: Whether to seek to formalize an independent trading arrangement among like-minded non-EU countries that believe that this is the most cost-effective way to attain their respective Kyoto targets

General Background: During the Kyoto negotiations, a group of non-EU countries interested in emissions trading and sharing similar views on what emissions trading rules should be, formed the so-called "umbrella group." This group, composed of the U.S., Japan, Australia, New Zealand, Canada, Norway, Iceland, Ukraine, and Russia, has met several times since Kyoto, both to develop common positions on emissions trading and to discuss ways in which it might eventually trade internally in an arrangement exclusive of the EU.

During and since Bonn, it has become clear that it will be extremely difficult to negotiate a set of globally acceptable emissions trading rules, particularly in the short term. The EU continues to insist on a "cap" and is unlikely to change at least through COP-4; in fact, it appears likely that the EU Environment Council this fall will formally endorse a percentage limitation for all three flexibility mechanisms. The G-77/China has also called for limitations on trading. Both groups have voiced opposition to "hot air" -- a limitation directed at Russia and Ukraine.

Although umbrella members vary in the intensity of their support for a limited trading approach, all have expressed to us their view that such an option should be considered if the EU and the G-77 balk at granting us the full flexibility we require with regard to trading. In terms of a decision to proceed in this manner, New Zealand is probably the most keen to finalize details for such an approach prior to COP-4. Canada is probably the most resistant. We have joined with other umbrella members (Australia, Japan, Norway, and Iceland) in suggesting that we should await further developments at COP-4 before taking any final decision. All of these countries have indicated their interest in furthering discussions on this topic at the next umbrella meeting in September.

Ukraine has indicated its interest in participating in the umbrella discussions, but has not taken a firm position on whether or not it would participate in a limited trading regime. Russia has indicated its interest in participating in such an arrangement, but it has also signaled its impatience by discussing a number of joint implementation projects with Japan and certain European countries. There is little doubt that Russia would like to monetize its reductions through forward sales as soon as possible. However, Russian (and Ukrainian) capacity to (1) honor contracts and (2) accurately measure their emissions pose serious problems for progress in this regard during the short term.

There are essentially three options available:

-- **Under a first option**, we can continue our discussions with our umbrella partners but stall on reaching any final conclusion on forming a limited trading regime.

Benefits:

- This would preserve the public perception that we are working with all Parties to amplify the Kyoto provisions in an open-handed manner.

Downsides:

- It could lead to a breakdown in the umbrella group. The EU would be well-positioned to buy off Ukraine and Russia with promises for increased JI project investment.
- Such a decision could also remove a major leverage point we have in the current negotiations.

-- **Under a second option**, we could announce in Buenos Aires our intention to form a trading arrangement which is open to any country which accepts the criteria worked out among the umbrella partners and which takes on a target under Annex B.

Benefits:

- This would further lock in Russia and Ukraine whose excess tonnes are critical to our ability to reach our target in the most cost effective manner.
- An umbrella arrangement, excluding the EU, greatly reduces the cost of compliance for the U.S.
- If presented properly, it could convey the impression that it is the U.S. and its partners who are serious about moving ahead on the Kyoto Protocol. Additional leverage in trying to work out a universal trading regime might be enhanced.
- It would demonstrate to Congress and the private sector that we are serious about insisting on maximum trading flexibility.

Downsides:

- Many countries would disagree with our assertion that countries can trade in the absence of rules agreed to by the COP.
- The EU will charge us with attempting to "buy our way out of our commitments."
- The G-77 might look upon this action as an example of our one-sided effort to implement Kyoto irrespective of their interests or concerns.
- It is unclear the extent to which all of our umbrella partners will be willing to make such a dramatic announcement at Kyoto. We must be assured that Russia (particularly) and Ukraine are firmly on board, given the critical nature of their participation to make our arrangements viable.

-- Under a third option, we could continue our discussions with our umbrella partners to finalize agreement on a workable framework for an exclusive trading arrangement. At Buenos Aires, we would announce that we are seriously considering this option to be used in the event we are unable to work out a global system of trading (perhaps by COP-5?) based on the premise of maximum flexibility.

Benefits:

- Key benefit -- this would give us some visible leverage.
- This option would give us time to work out the details within the umbrella group for a proposed trading arrangement.
- It would also keep Russia and Ukraine engaged in our effort.
- It might give us more time to try to work out more acceptable trading arrangements involving all of Annex I.

Downsides:

- The reaction of the EU will still be very negative.
- Reaction among the G-77 might also be negative unless this announcement is made in conjunction with progress on the CDM.
- It is likely that the EU will prove even more resistant to providing a "flexible" definition for the "part of" formulation for the CDM than might otherwise be the case.

9/17

Recommendation: That we proceed with the third option.

-- Despite the progress made with the umbrella group to date, much work will have to be done to determine what would be the most acceptable form for a non-EU exclusive trading arrangement. We are unlikely to resolve these details during the two-day meeting in September, but we can begin a process to determine the best approach.

-- To delay in undertaking these discussions (option one) merely plays into the hands of those who wish either to block progress on Kyoto implementation or who would like to break apart the umbrella group.

-- To announce the actual formation of a trading group (option two) at Buenos Aires could prove counter productive. If the EU calls our bluff, we may have to come up with details about our position which we have not fully vetted either domestically or within the umbrella group.

(C) EMISSIONS TRADING -- "SUPPLEMENTARITY"

Issue for Decision: Whether to hold to our guns on the question of "no caps" or limits on trading?

General Background: The word "supplemental" was carefully agreed to at Kyoto in the context of the amount which could be used from both joint implementation (Article 6) and emissions trading (Article 17) to meet one's target. Neither article provides for the COP to define the term. In contrast, in the context of the Clean Development Mechanism (Article 12), the phrase "part of" is expressly to be defined by the COP.

The EU has vociferously argued that "supplemental" must be defined, and it has indicated that the use of all flexibility mechanisms should be "capped." reflective of their alleged concerns about competitiveness and "hot air." The G-77/China strongly echoed these concerns at the Bonn climate meetings. We have made progress on monitoring and measurement. In addition, we believe that the design of the mechanisms, including criteria for trading eligibility, can address the "hot air" concerns. We have argued that "caps on trading and JI" are not authorized in the Protocol and can only result in increasing compliance costs.

It is reported that the EU believes that our position on supplementarity is mere posturing. Some European negotiators have pointed out that our initial proposal to them on December 7th offered to cap emissions trading. It is also clear that the EU position is one directed by Ministers and can only be changed by them. The G-77/China will undoubtedly seek to link their support for our position for maximum flexibility to our concessions with regard to compensation (see below) or inclusion of adaptation funds from the proceeds of JI and trading (such as is provided for under the CDM decision).

Recommendation: That we retain our position as negotiated at Kyoto. Supplemental denotes fullest flexibility for both JI and emissions trading.

(D) EMISSIONS TRADING: "LIABILITY" OR THE ALLOCATION OF RISK

Issue for Decision: Whether risks should be allocated to sellers, buyers, or some combination?

General Background: The question of "liability," or the allocation of risk as between buying and selling Parties is one of the most complex issues, both internationally and domestically, because of the large implications for the economic and environmental consequences created by the different approaches which might be selected. An option under which the selling Party bears the risk is possibly the simplest system, although there could be negative environmental impacts to the extent that a selling Party oversells without repayment.

An option under which the buying Party assumes the risk could create unduly high burdens on potential buyers and stifle what is a fledgling market. A hybrid approach might be a third option, (provided that a system could be designed which could mitigate concerns raised by pure seller/buyer options), although it is probable that any hybrid will contain all the problems associated with buyer liability. We are currently in the process of engaging the private sector and NGOs in order to solicit their views and advice.

Recommendation: Given the complexity of this issue -- both for the USG and the international community -- it is unlikely that we will find a satisfactory result from our discussions with stakeholders on this issue. We recommend that concerned USG Departments and agencies be instructed to continue to pursue their investigation of liability options.

(E) THE CLEAN DEVELOPMENT MECHANISM (CDM)

Issue for Decision: Whether we should link progress on working out details for the CDM to finalizing agreement on the rules for emissions trading?

General Background: The CDM is, arguably, the most popular of the three flexibility mechanisms among the developing country (non-Annex I) Parties (although some, notably the Central Americans, retain a strong affection for Joint Implementation). Developing countries appear to be increasingly convinced that the CDM offers at least a partial return on the obligations for technology transfer contained in the climate convention. Many are also attracted to the prospect of "adaptation" funds which will be forthcoming from at least part of the proceeds of CDM transactions.

Although all of the many details need to be worked out regarding both operational and organizational modalities, there is keen interest on part of many key G-77 members to make progress on the CDM as soon as possible. Most countries -- including Brazil -- accept that finalizing details will not be possible by the November COP. Heretofore, we have countered that while we agree that progress can and should be made on the CDM, we do not believe that this progress should be at the expense of similar movement on trading. Unstated but understood by many is that while the CDM is of greater interest/value to non-Annex I countries, it is emissions trading which is of greater interest/value to us.

It is possible that we could use the considerable number of workshops and intersessional activities being conducted on the CDM to craft the framework for the mechanism, certainly by COP-6 if not before. This is important given the advance credits which are allowable under Article 12 of the Protocol beginning in the year 2000. However, we need to weigh carefully the disincentives which an active CDM might provide to countries which might be urged to undertake targets, as well as the potential disincentive which many developing countries would have to reach closure on emissions trading rules. We need to make it clear that potential resource flows would be much larger through emissions trading, despite the promising resource and technology transfer envisioned under the CDM.

Recommendation: That we work with our Annex I and non-Annex I partners to create a workable framework for the proposed CDM, while not permitting it to become operational until rules for JI and emissions trading are also agreed. (This linkage might become less essential, depending on what route we choose to take with regard to a limited trading arrangement under the umbrella.)

(F) DEVELOPING COUNTRIES

Issue for Decision: Whether, and to what extent, the U.S. should push on this (for us) critical but controversial issue at Buenos Aires in the face of a possible "melt-down" of the conference?

General Background: As is described in detail in the accompanying paper, the question of commitments by developing countries continues to be a contentious one. When New Zealand introduced a rather modest "evolution" proposal at Kyoto last December 5th, COP-3 was almost brought to a stand still. The repercussions of this presentation continue to echo in climate change deliberations. In no uncertain terms, China, India, Saudi Arabia and Brazil indicated in Bonn that no discussion of "voluntary commitments" would be permitted at COP-4. During sessions on the second review of adequacy in Bonn, exchanges between these and other non-Annex I Parties and ourselves (joined by Japan, Australia, Canada and certain central European countries) were long, heated and completely non-productive.

At COP-4, there will be opportunities to raise our views on the need for commitments by developing country Parties in possibly three ways -- through continued discussions on the second review of adequacy; through an agenda item on voluntary commitments (as revised, no doubt, in an effort to placate G-77/China stalwarts), and with possible additional discussion of the Brazilian proposal which indirectly calls upon all countries to address the climate change problem on the basis of a "responsibility for climate change" based on each country's contribution to the global temperature increase.

As a practical matter, it is not possible that we will be able to start any new negotiating process at COP-4. Similarly, it is highly unlikely that discussion of Brazil's proposal will be ready for a fruitful exchange of views by November.

Recommendations:

- (a) While we can and should raise our points on developing country issues at appropriate points at Buenos Aires out of consideration for the legitimate concerns raised by both the Congress and the private sector, we should continue to work bilaterally, and out of the public eye, on the question of meaningful participation, and not raise the issue of targets for specific countries in a way which would either highlight this issue as a major "non-deliverable" of the Conference or, worse still, lead to its possible melt down.
- (b) Bilaterally, we should continue on a two track approach, i.e, on the "target" track and on the "action" track; and
- (c) When the Brazilian proposal is discussed, the U.S. must reiterate forcibly that while we are interested in Brazil's ideas, we cannot countenance any notion that "historical" responsibility can be a part of this discussion.

(G) COMPENSATION

Issue for Decision: That Principals be made aware of the negative implications which this issue -- being well-orchestrated by Saudi Arabia, Venezuela, Iran and their OPEC and G-77 allies -- has upon potential agreement on the flexibility mechanisms and on other matters involved in the smooth operation of both the Protocol and the Convention itself and that they endorse the current hard-line position being taken by our negotiators on this issue.

General Background: It is widely believed that Kuwait and Iran (as stalking horses for Saudi Arabia and other OPEC members and as encouraged/advised by certain western lobbyists) initially introduced the idea for "compensation" for (principally) oil exporting countries as a poison pill to the negotiations which led to the Kyoto Protocol. Early on in the debate, OPEC discovered that the term "compensation" was perjorative, and by the last meeting of the AGBM in October 1997, Saudi Arabia and Venezuela had polished their arguments in a way in which the term "compensation" was no longer used.

Instead, the implementation of the Convention's Article 4.8 (which deals with addressing the impacts of the implementation of response measures on developing country Parties). By referring to Article 4.8, Saudi Arabia and Venezuela managed to link their concerns about the adverse impact of response measures to broader developing country concerns about the adverse impact of climate change (both are referenced in Article 4.8). Consequently, utilizing their growing effectiveness within the G-77/China, OPEC managed to obtain this organization's (albeit somewhat tenuous) endorsement of their position for the purposes of the climate change negotiations.

At the Bonn meetings, we caught the Saudis off-guard with a lengthy examination of this issue in which we strove to put the onus for examining the impacts of response measures on those countries which are the potential victims or "plaintiffs" -- and not on the purported defendants. Nevertheless, the Iranian co-chair of the drafting group was prepared to have us meet throughout the night to come up with some kind of action plan on this issue.

However, in view of the lack of progress on all other issues, Annex I Parties, as a whole, declined to meet -- citing too many on-going and conflicting contact groups then in session.

It is quite clear that Saudi Arabia, Iran, and Venezuela will not permit any progress on matters of interest to the rest of us until they have obtained something on the "compensation" front. In part, this may be reflective of their desire to delay the likelihood that this protocol will come into force. It may also reflect their belief that this is the one point in which they have leverage both within the G-77 and with Annex I -- and one from which they intend to take full advantage.

Recommendation: For the moment at least, this is one area where we, the EU and other Annex I Parties are in full agreement. We recommend that we continue to differentiate between the adverse impacts of climate change (where we acknowledge certain commitment under the Convention vis a vis developing countries) and the adverse impacts of response measures which we may adopt. Provided that we make reasonable progress on the flexibility mechanisms, we could agree to a decision on this issue as well -- also provided that any such decision does not go beyond existing commitments contained in the Convention and does not unduly torque the work of the Secretariat, through studies and off-line activities, that could slow progress on issues important to us.

18
OES:MGHambley 8/24/98 (Rev 2)
E:\BA Decisions.doc

Clearances:

OES:MLKimble

OES/E:RPomerance

OES/EGC:DReifsnyder

L/OES:SBiniaz

EB:VGreenfield

G:NPurvis

MB

DEPARTMENT OF STATE
OFFICE OF THE UNDER SECRETARY FOR GLOBAL AFFAIRS
2201 C Street, N.W., Room 7250
Washington, D.C. 20520

F A X C O V E R S H E E T

DATE: March 31, 1998

TIME: 11:15 a.m.

TO:	Todd Stern	AGENCY:	WH	FAX:	456-2215
	David Sandalow		WH/CEQ/NSC		456-2710
	Bill Antholis		WH/NEC		456-5334
	Dirk Forrister		WH/CCTF		343-1162
	Jeffery Frankel		WH/CEA		395-6958
	Peter Jordan		OVP		456-9500
	Amb. Hattie Babbitt		AID		216-3455
	David Hales		AID		216-3230
	Jeffery Seabright		AID		216-3230
	Jeffery Hunker		Commerce		482-4636
	Nazir Bhagat		Commerce		482-5666
	Robert Boorstin		Treasury		622-0773
	Helen Walsh		Treasury		622-1228
	Jonathan Gruber		Treasury		622-2633
	David Doniger		EPA		260-9055
	David Gardiner		EPA		260-0275
	Mark Mazur		Energy		586-9626

FROM: Nigel Purvis
Special Assistant
for Oceanic, Environmental
and Scientific Affairs

PHONE: 647-8745

FAX: 647-0753

RE: SHERMAN/EIZENSTAT CLIMATE CHANGE MEETING

Number of pages (including cover sheet): 4



United States Department of State

Washington, D.C. 20520

March 30, 1998

UNCLASSIFIED
MEMORANDUM

TO: C - Ambassador Wendy R. Sherman

FROM: G Staff -Nigel Purvis *NP*

SUBJECT: Action Items -- March 30 Climate Strategy Meeting

Attached is a list of the major action items from today's climate meeting. The next meeting will be scheduled for the week of April 6.

cc:

State:

Stuart Eizenstat
Anne Pence
Melinda Kimble
Mark Hambley
Jonathan Pershing
Carol Thompson
Jonathan Prince
Brooke Holmes

Peter Bass
Victoria Greenfield
Rafe Pomerance
Dan Reifsnyder
Susan Gordon
Terry Kelly
Meg Donovan
Sue Biniaz

Administration:

Todd Stern
Bill Antholis
David Hales
Jeffrey Hunker
Mark Mazur
Jeffrey Frankel
Helen Walsh
Nazir Bhagat

Amb. Hattie Babbitt
David Sandalow
Jeff Seabright
David Doniger
David Gardiner
Robert Boorstin
Dirk Forrister

**Climate Strategy Meeting
March 30, 1998**

Major Action Items

**Please Note Next Meeting:
TBA for the week of April 6, 1998**

Policy Development

- Provide comments to OES on five policy papers – emissions trading, CDM, Sinks, developing countries strategy and compliance -- by April 3 (all).
- Circulate paper on MDB/IFI participation as soon as possible (Treasury).
- Obtain interagency clearance in Assistant Secretary's group by approximately April 15, and PC or DC review for all six papers by April 30 (all).
- Circulate a policy paper on U.S.-Russia (plus) Bubble Options by around April 8 (OES).
- Prepare a short paper for distribution in the G-8 on our approach to meaningful participation by April 3 (OES).

Diplomatic Strategy for Meaningful Participation

- Circulate to Core Group members the country-specific strategy papers and country profiles for 5 key countries -- Brazil, China, Indonesia, Mexico and India -- by April 6, with the goal of Gore Group review by April 15 (OES). The Indonesia paper may take longer to finalize.
- Continue progress in developing concrete strategies for other key countries.

Clean Growth Initiative

- Prepare a mission statement for the Clean Growth Initiative by April 6 (Anne Pence, Pam Pearson, Terry Kelly, Jeffrey Hunker, Jeff Seabright and Treasury).

Validators

- U/S Eizenstat and Jim Steinberg to call prospective validators.
- Finalize Cohen letter on negligible military impact of climate treaty (Bill Antholis).
- Place Op Eds (Todd Stern and Jonathan Prince).
- Organize VP dinner (Todd Stern and Jonathan Prince).

Miscellaneous

- Provide a non-paper to Todd Stern on our signing strategy for the Protocol by April 2 (OES).
- Coordinate document requests on climate with the WH Office of Legal Counsel (all).
- Supply climate change-related Earth Day event ideas for the Secretary of State to Jonathan Prince by April 3 (all).
- Comment on U.K. summit communiqué paper by April 1.
- Complete China strategy for the Secretary's China trip by April 15.

INTERAGENCY PROCESSES: CLIMATE CHANGE POLICY AND DIPLOMATIC DEVELOPMENT

I. Principal Working Groups

1. Interagency Working Group: convened and co-chaired by Mark Hambley (OES) and Dan Reifsnyder (EGC)-DOS, meets Wednesdays 10 a.m. - Noon, at DOS. Technical and policy analysis staff discuss key policy and diplomatic issues, coordinate analytical work, and review negotiation agenda. Contact Angela Barber-Wilson, 647-4069, for location and clearance.
 - Subcommittee on developing country/meaningful participation is supporting and supplementing the work of the internal DOS Task Force, which is preparing developing country profiles.
2. Assistant Secretary Group: convened and co-chaired by David Sandalow (NSC/CEQ) and Melinda Kimble (Acting Assistant Secretary, OES), meets Wednesdays 4 p.m. at OEOP or DOS. Assistant Secretaries (invitation only) consider policy/diplomatic positions (as presented in staff policy papers) and develop recommendations for the high-level decision-makers. Contacts: David Sandalow (456-6224) and Melinda Kimble (647-3004).
3. Eizenstat and Sherman Weekly Meeting: interagency senior level meeting, convened and co-chaired by Undersecretary Eizenstat and Counselor Sherman to manage the government's climate change decision making processes. Counselor Sherman reviews progress on policy and diplomatic fronts; group discusses key issues and determines next steps. Meetings are scheduled weekly and are held at DOS. Staff Contact: Nigel Purvis (647-8745).

II. Subject Specific Working Groups

1. Clean Growth Initiative. Lead by Eizenstat, Lipton, Atwood, this initiative is designed to develop a partnership between the USG, MDBs, and private international banking and energy sectors to encourage "clean growth" power generation alternatives in developing countries, such as India and China. DOS Contacts: Anne Pence-E (647-7513) and Terry Kelly-G (647-8745). A working group (Commerce, Treasury, USAID, DOS) meets periodically.

III. Position and Strategy Papers Under Development

- Policy Papers under development:
 - Trading (OES-EGC)
 - Clean Development Mechanism (CDM) (OES-EGC)
 - Sinks (OES-EGC, with EB, EPA, CEA)
 - Developing Countries Strategy (OES-EGC)
 - Compliance (L)
 - IFIs (Treasury)

Draft Due: Wednesday, March 25
Assistant Sec. Discussion by April 5
Cleared papers by April 15

4/8 mtg

- Diplomatic Strategy: Country Profiles/Papers under development:
 - Brazil
 - China
 - Indonesia
 - Mexico
 - India

Draft Due: Friday, April 3
Next Steps: TBD

- Additional Papers
 - U.S.-Russia (plus) Bubble Options
 - Non-Paper - Climate Change - G8 (Antholis/DOS), for 3/26-27 Sous Sherpa Meeting in London

IV. Position and Policy Papers Prepared

(See Attached List)

POST-KYOTO DIPLOMATIC POLICY PAPERS

I. Emissions Trading & Umbrella Group

Discussion Paper on Rules for Emissions Trading: Objectives for COP-4 (State-1/20/98)
International Emissions Trading Analysis (EPA/Treasury-1/21/98)
Climate Change: "Umbrella" Group (State-1/27/98)
How International Emissions Trading Would Work (EPA-3/13/98)
Comments on New Zealand Non-Paper (EPA-3/13/98)

II. Clean Development Mechanism

Clean Development Mechanism: Issues (State-1/98)
Clean Development Mechanism: Answers (State-1/15/98)
Points of Consensus, Assistant Secretaries Meeting (State-1/16/98)

III. Developing Country Commitments

Additional Elements of a Post-Kyoto Process to Engage Developing Countries (EPA-1/13/98)
Developing Country Approach (State-1/15/98)
Developing Country Growth Targets (CEA-1/28/98)
Developing Country Participation (CEA-2/98)
Discussion Paper on "Progressive Differentiation" (AID/Commerce-2/17/98)
Proposal for Developing Countries to Cap and Trade Emissions Permits (CEA-3/16/98)

IV. Financial Institutions

International Financial Institutions and Climate Change (Treasury-2/17/98)
World Bank's Proposed Carbon Investment Fund (Treasury-3/11/98)
Options for a World Bank Role in Addressing Climate: Proposed USG Positions (Treasury-3/13/98)

V. Sinks

Options for Sinks under JI/CDM (State-2/13/98)
Carbon Sinks: Analysis of the Kyoto Protocol (DoE/CEA/ EPA-2/18/98)
Sinks (Objectives and Strategy) (EPA/CEA-3/13/98)

VI. Compliance and Enforcement

a JY From JF
JA
RL
AM

Climate Change Meeting Agenda
March 30, 1998, 3:00-4:00
Room 7516, Main State Department Building

- I. **G-8 Sous Sherpa Meeting-- Stu Eizenstat (15 Minutes)** EU taking tough anti-trading stand. "We may have to do our own bubble with Russia." He handed out
- II. **Climate Change Working Groups and Process (5 Minutes)** JY testimony to them
see attached
- III. **Policy Development -- Melinda Kimble (15 Minutes)**
- IV. **Diplomatic Strategy -- Melinda Kimble (15 Minutes)**
China considered key. Sec. Albright going in late April. Will have talking pts on GCR.
- V. **Validators and Other Matters-- Todd Stern (5 Minutes)** State should give them
to us, for JY trip
to China in May.
- VI. **Next Steps -- (5 Minutes)**

(We are to avoid use of the phrase "trading rights" from now on. Reason: the word "rights" reminds LDCs of the idea that emissions allocations should be based on equity.)

CY
JA
RL
AM

From: JF

INTERAGENCY PROCESSES: CLIMATE CHANGE POLICY AND DIPLOMATIC DEVELOPMENT

I. Principal Working Groups

1. Interagency Working Group: convened and co-chaired by Mark Hambley (OES) and Dan Reifsnyder (EGC)-DOS, meets Wednesdays 10 a.m. - Noon, at DOS. Technical and policy analysis staff discuss key policy and diplomatic issues, coordinate analytical work, and review negotiation agenda. Contact Angela Barber-Wilson, 647-4069, for location and clearance.
 - Subcommittee on developing country/meaningful participation is supporting and supplementing the work of the internal DOS Task Force, which is preparing developing country profiles.
2. Assistant Secretary Group: convened and co-chaired by David Sandalow (NSC/CEQ) and Melinda Kimble (Acting Assistant Secretary, OES), meets Wednesdays 4 p.m. at OEOB or DOS. Assistant Secretaries (invitation only) consider policy/diplomatic positions (as presented in staff policy papers) and develop recommendations for the high-level decision-makers. Contacts: David Sandalow (456-6224) and Melinda Kimble (647-3004).
3. Eizenstat and Sherman Weekly Meeting: interagency senior level meeting, convened and co-chaired by Undersecretary Eizenstat and Counselor Sherman to manage the government's climate change decision making processes. Counselor Sherman reviews progress on policy and diplomatic fronts; group discusses key issues and determines next steps. Meetings are scheduled weekly and are held at DOS. Staff Contact: Nigel Purvis (647-8745).

II. Subject Specific Working Groups

1. Clean Growth Initiative. Lead by Eizenstat, Lipton, Atwood, this initiative is designed to develop a partnership between the USG, MDBs, and private international banking and energy sectors to encourage "clean growth" power generation alternatives in developing countries, such as India and China. DOS Contacts: Anne Pence-E (647-7513) and Terry Kelly-G (647-8745). A working group (Commerce, Treasury, USAID, DOS) meets periodically.

Attachment

POST-KYOTO DIPLOMATIC POLICY PAPERS

I. Emissions Trading & Umbrella Group

Discussion Paper on Rules for Emissions Trading: Objectives for COP-4 (State-1/20/98)
International Emissions Trading Analysis (EPA/Treasury-1/21/98)
Climate Change: "Umbrella" Group (State-1/27/98)
How International Emissions Trading Would Work (EPA-3/13/98)
Comments on New Zealand Non-Paper (EPA-3/13/98)

II. Clean Development Mechanism

Clean Development Mechanism: Issues (State-1/98)
Clean Development Mechanism: Answers (State-1/15/98)
Points of Consensus, Assistant Secretaries Meeting (State-1/16/98)

III. Developing Country Commitments

Additional Elements of a Post-Kyoto Process to Engage Developing Countries (EPA-1/13/98)
Developing Country Approach (State-1/15/98)
Developing Country Growth Targets (CEA-1/28/98)
Developing Country Participation (CEA-2/98)
Discussion Paper on "Progressive Differentiation" (AID/Commerce-2/17/98)
Proposal for Developing Countries to Cap and Trade Emissions Permits (CEA-3/16/98)

IV. Financial Institutions

International Financial Institutions and Climate Change (Treasury-2/17/98)
World Bank's Proposed Carbon Investment Fund (Treasury-3/11/98)
Options for a World Bank Role in Addressing Climate: Proposed USG Positions (Treasury-3/13/98)

V. Sinks

Options for Sinks under JI/CDM (State-2/13/98)
Carbon Sinks: Analysis of the Kyoto Protocol (DoE/CEA/ EPA-2/18/98)
Sinks (Objectives and Strategy) (EPA/CEA-3/13/98)

VI. Compliance and Enforcement



United States Department of State

Washington, D.C. 20520

March 23, 1998

cc: JY
JA
AM
RL

UNCLASSIFIED
MEMORANDUM

TO: C - Ambassador Wendy R. Sherman

FROM: G Staff -Nigel Purvis *NP*

SUBJECT: Action Items -- March 19 Climate Strategy Meeting

Attached is a list of the major action items from the last climate meeting. The next meeting will be scheduled for the week of March 30.

cc:

State:

Stuart Eizenstat
Anne Pence
Melinda Kimble
Mark Hambley
Jonathan Pershing
Carol Thompson
Jonathan Prince
Brooke Holmes

Peter Bass
Victoria Greenfield
Rafe Pomerance
Dan Reifsnyder
Susan Gordon
Terry Kelly
Meg Donovan
Sue Biniaz

Administration:

Todd Stern
Bill Antholis
David Hales
Jeffrey Hunker
Mark Mazur
Jeffrey Frankel
Helen Walsh
Nazir Bhagat

Amb. Hattie Babbitt
David Sandalow
Jeff Seabright
David Doniger
David Gardiner
Robert Boorstin
Dirk Forrister

**Climate Strategy Meeting
March 19, 1998**

Major Action Items

**Please Note Next Meeting:
TBA for the week of March 30, 1998**

Process

- Prepare and circulate a short description of existing climate change working groups and policy papers (Rafe Pomerance and Susan Gordon).

Policy Development

- Complete policy papers on trading and meaningful participation by March 25 in time for G-8 Sous Sherpa meeting; review thinking on a fallback to trading (i.e. bubble) (Melinda Kimble and David Sandalow).
- Circulate first drafts of remaining policy papers -- CDM, Sinks, Compliance and IFIs - by March 25, with final versions cleared interagency by April 15 (Melinda Kimble, David Sandalow and Treasury).
- Complete G-8 policy non-paper by March 25 (Bill Antholis and DOS).

Diplomatic Strategy for Meaningful Participation

- Complete country-specific background papers on 11 key countries by March 25 (Brooke Holmes).
- Circulate first draft of country-specific strategy papers for 5 key countries -- Brazil, China, Indonesia, Mexico and India -- by March 27, with final versions cleared interagency by April 15 (Melinda Kimble).
- Provide as much detail as possible on the concrete strategies for these 5 key countries by March 25, for Stu Eizenstat to illustrate to the G-8 our meaningful participation strategy (Melinda Kimble).

Clean Growth Initiative

- Prepare a mission statement for the Clean Growth Initiative by April 3 (Anne Pence, Terry Kelly, Jeffrey Hunker, Jeff Seabright and Treasury).

Validators

- U/S Eizenstat and Jim Steinberg to call prospective validators.
- Finalize Cohen letter on negligible military impact of climate treaty (Bill Antholis).
- Place Op Eds (Todd Stern and Jonathan Prince).
- Organize VP dinner (Todd Stern and Jonathan Prince).

Miscellaneous

- Telephone Canadian Minister Stewart (Stu Eizenstat)
- Cable Moscow, Tokyo and Ottawa by March 25 calling for a common front at the G-8 Sous Sherpa meeting (Melinda Kimble).
- Begin planning for meeting(s) with business, labor, NGO's to exchange views and review Administration goals (OES, EB -Greenfield).

**FAX**Date March 23, 1998

Number of pages including cover sheet

4

TO: Jeff Frankel - 395-6947
Helen Walsh -
Nazir Bhagat - 482-5666
Amb. Hattie Babbitt - 712-4070
David Sandalow - 456-2710

Phone

Fax Phone

FROM:

Nigel Purvis

Office of the Under
Secretary for Global
Affairs

U.S. Department of State

2201 C Street N.W.

Room 7250

Washington, DC 20520

Phone

(202)647-6240

Fax Phone

(202)647-0753

CC:

REMARKS:

☐ Urgent☒ For your review☐ Reply ASAP☐ Please Comment

**FAX**Date March 23, 1998Number of pages including cover sheet 4

TO: Todd Stern - 456-2215
Bill Antholis - 456-5334
David Hales - (703) 875-4639
Jeffrey Hunker - 482-4636
Mark Mazur - 586-6828

Phone

Fax Phone

FROM:

Nigel Purvis

Office of the Under
Secretary for Global
AffairsU.S. Department of State
2201 C Street N.W.
Room 7250

Washington, DC 20520

Phone (202)647-6240

Fax Phone (202)647-0753

CC:

REMARKS:

☐ Urgent☒ For your review☐ Reply ASAP☐ Please Comment

**U.S. Department of State
Bureau of Oceans and International
Environmental and Scientific Affairs**

1998 International Events & Meetings

Mar TBD	Visit by Acting Assistant Secretary Kimble to New Delhi.
Mar TBD	U.S.-Japan Cooperative Science Meeting, Bali.
Mar TBD	U.S.-Brazil Common Agenda Annual Meeting, Brazil.
Mar TBD	Second Multilateral High Level Conference, Intersessional Working Group on Fisheries Enforcement, Nadij, Fiji.
Mar TBD	Global Village of Beijing/USIA Green Civilization and China Film Crew Visit.
Mar TBD	Nautilus Institute Energy, Security and Environment in Northeast Asia Project U.S.-Japan Policy Study Group Meeting.
Mar 1-3	UNEP High Level Meeting, Nairobi.
Mar 3-5	UNESCO Asia-Pacific Regional Seminar on Environmental Education, Tokyo.
Mar 3-6	CITES Standing Committee Meeting, London.
Mar 4-6	ASEAN Regional Forum Meeting on Confidence Building Measures, Sydney.
Mar 4-6	North Atlantic Fisheries Organization (NAFO) Intersessional Meeting on Quota Allocations and Chartering, Brussels.
Mar 5-6	U.S.-Russian Climate Planning Group Meetings, Washington.
Mar 8-11	International Conference on Emerging Infectious Diseases Steering Committee, Atlanta.
Mar 9	Gore-Chernomyrdin Commission Meetings, Washington.
Mar 9-10	Inter-American Committee on Sustainable Development, Washington.

OES Calendar of International Events and Meetings

2

Mar 9-10	U.S.-Japan Common Agenda, Environmental Policy Dialogue, Tokyo.
Mar 10-11	OECD Committee on Scientific and Technological Policy, Paris.
Mar 11-12	U.S.-E.U. Meeting on SALMNET/ENTERNET, Atlanta.
Mar 11-13	U.S.-Japan Common Agenda, Plenary and Global Conference, Tokyo.
Mar 12-13	NATO Science Committee, Brussels.
Mar 13-15	Brockett Hall Follow-up Meeting on Climate, CSD, UNEP, Budapest.
Mar 16-20	Russia Boundary/Fish Discussions, Moscow.
Mar 16-27	International Seabed Authority Meeting, Kingston.
Mar 19-21	Intergovernmental Ministerial Conference on Water, Paris.
Mar 20-28	U.S.-Japan Regional Conference on Infectious Diseases, Singapore.
Mar 23	UNDP Sponsored Visit of the U.S-Vietnamese Flood Mitigation and Disaster Management Delegation, Washington.
Mar 23-Apr 3	United Nations Committee on the Peaceful Use of Outer Space, Legal Subcommittee, Vienna.
Mar 24-25	APEC BAC Meeting, Singapore.
Mar 26	FSI Gaming Exercise on Mekong River Issues, Washington.
Mar 26-27	OAS Council for Integral Development, Buenos Aires.
Mar 30-Apr 3	International Maritime Organization, Marine Environment Committee (MEPC), London.
Mar 31	Georgetown International Environmental Law Review Symposium "Beyond Hong Kong: Economic Growth and Environmental Change in Asia," Washington.
Mar/Apr TBD	OECD High Level Meeting on the Globally Harmonized System (GHS) of chemicals classification and labeling, Paris.
Spring TBD	UNEP/FAO Prior Informed Consent (PIC) Diplomatic Conference, Rotterdam.

OES Calendar of International Events and Meetings

3

Apr TBD	U.S.-Brazil Common Agenda Meeting, Brasilia, Brazil.
Apr TBD	J1/CDM Seminar and Climate Change Talks, Buenos Aires.
Apr TBD	ASEAN Workshop on National Plans on Policies and Strategies to Prevent and Mitigate Land and Forest Fires.
Apr 1-3	Global Environment Facility (GEF) Council Meeting, New Delhi.
Apr 2-3	OECD Environment Committee Ministerial, Paris.
Apr 4-6	Global Environment Facility (GEF) Assembly of Participating Countries, New Delhi.
Apr 4-15	APEC Meetings, Jakarta/Queensland.
Apr 9-11	Eighth Session of the U.S.-Japan S&T Joint High Level Advisory Panel (JHLAP) Meeting.
Apr 14	Third Annual Press Conference and Symposium on Infectious Diseases, National Press Club, Washington.
Apr 14-16	APEC MRC Workshop on Regional Implementation of the GPA on Land Based Sources of Pollution, Townsville.
Apr 14-16	Maritime Boundary Briefings, Managua.
Apr 15-16	Workshop on Non-Annex I Communications, Kuala Lumpur.
Apr-15-19	International Association of Medical Equipment, Remarketers Speaking Engagement (IAMER), Las Vegas.
Apr 18-19	Summit of the Americas, Santiago, Chile.
Apr 18-24	Arctic Emergency Prevention Preparedness and Response Annual Working Group Meeting, Rovaniemi, Finland.
Apr 19-26	Visit of PRC Vice Minister of Water Resources, State.
Apr 20-23	APEC MRC Workshop on Working Together on Preventing Maritime Accidents and Pollution in the Asia-Pacific, Townsville.
Apr 20-24	International Maritime Organization (IMO) Legal Committee, London.

OES Calendar of International Events and Meetings

4

Apr 20-May 1	Sixth Meeting of the Commission on Sustainable Development, New York.
Apr 22-24	Northwest Atlantic Fisheries Organization (NAFO) Intersessional Meeting on Dispute Settlement Procedures, Halifax, Canada.
Apr 22-24	Arctic Emergency Preparedness and Response Meeting, Rovaniemi, Finland.
Apr 24	Visit of PRC Vice Minister of Water Resources, AM Roundtable, State.
Apr 28-May 2	Experts Meeting for Arctic Monitoring and Assessment Plan Phase II, Anchorage, Alaska.
Apr 29-May 1	High Level Segment of the Sixth Meeting of the Commission on Sustainable Development, New York.
Apr 30-May 1	Informal OECD Meeting on Biosafety.
Late Apr TBD	U.S.-China Energy and Environment Cooperation Implementation Meeting, Washington.
May TBD	U.S.-Egypt S&T Board Meeting, Washington.
May TBD	President's visit to China.
May TBD	Global Positioning System Consultations with the E.U., Brussels.
May TBD	ASEAN Regional Forum (ARF) Senior Officials Meeting, Philippines.
May TBD	GPS Consultations with E.U., Brussels.
May 4-8	Cartagena Protocol on Land-based Activities, Kingston, Jamaica.
May 4-15	Fourth Conference of the Parties to the Convention on Biological Diversity, Bratislava, Slovakia.
May 5-6	U.S.-Mexico Binational Commission, Mexico City or Washington.
May 8-9	CAFF Heads of Delegation Meeting, Canada.

OES Calendar of International Events and Meetings

5

- May 8-14 Conservation of Arctic Flora and Fauna National Representatives Meeting and Conference on Sustainable Development, Whitehorse, Canada.
- May 9-11 Senior Arctic Officials Meeting, Whitehorse, Canada.
- May 10-15 Infectious Diseases Society Association (IDSA) Meeting, Boston.
- May 11-14 NSF and Japan Society for the Promotion of Science Policy Seminar on Science Policy in the 21st Century, Hilo.
- May 11-18 International Maritime Organization (IMO) Safety Council, London.
- May 11-20 Fiftieth Annual Meeting of the International Whaling Commission, Oman.
- May 12-14 Conference on Arctic Sustainable Development Meeting, Whitehorse, Canada.
- May 13-15 Northwest Atlantic Fisheries Organization (NAFO) Intersessional Meeting on Implementing the Precautionary Approach, Copenhagen.
- May 15 Twentieth Meeting of the Co-Chairmen of the U.S.- Japan Committee on Scientific Cooperation, Hilo.
- May 15-17 G-8 Summit, Birmingham, England.
- May 15-28 Twenty-fourth International Tropical Timber Council, Libreville.
- May 18-22 UN Convention of the Law of the Sea (UNCLOS), Eighth Conference of the Parties, New York.
- May 20-22 Northwest Atlantic Fisheries Organization (NAFO) Intersessional Meeting on Transparency, Washington.
- May 20-28 Twenty-fourth Session of the Council, International Tropical Timber Organization, Libreville.
- May 22-29 U.S.-E.U. Task Force on Communicable Diseases, London.
- May 22-30 Lisbon World Exposition on Oceans 1998, Lisbon.
- May 25-27 APEC MRC Workshop on Decommissioning of Offshore Oil and Gas Structures, Jakarta.

OES Calendar of International Events and Meetings

6

May 25-Jun 5	Antarctic Treaty Consultative Meeting XXII, Tromso, Norway.
Summer TBD	UNEP Intergovernmental Negotiating Committee on Persistent Organic Pollutants (POPs).
Jun TBD	U.S.-Israel Binational Science Foundation Meeting, Jerusalem.
Jun TBD	U.S.-Israel Binational, Industrial, Research and Development Foundation (BIRD) Meeting, Jerusalem.
Jun TBD	U.S.-E.U. High Level Bilateral Fisheries Consultations, Washington.
Jun TBD	Pan European Ministerials on Forests, Lisbon.
Jun TBD	NATO Science Committee, Brussels.
Jun 1-4	APEC Marine Resources Conservation Working Group Meeting, Chile.
Jun 2-12	FCCC Meetings of the Subsidiary Bodies, Bonn.
Jun 3-12	United Nations Committee on the Peaceful Uses of Outer Space, Vienna.
Jun 4-8	Cartagena Land-Based Sources Meeting, Jamaica.
Jun 6-12	UN Framework Convention on Climate Change Subsidiary Bodies Meeting, Bonn.
Jun 8-12	Fifteenth Annual Meeting of the North Atlantic Salmon Conservation Organization, Edinburgh.
Jun 8-12	International Understanding on Plant Genetic Resources, Rome.
Jun 9-11	APEC Fisheries Working Group Meeting, Taiwan.
Jun 10-14	World Health Organization (WHO) Annual Meeting on Infectious Diseases, Geneva.
Jun 12-20	APEC Senior Officials Meeting (SOM) II, Kuching, Sarawak, Malaysia.
Jun 16-18	Cartagena Convention, Third Experts Meeting, Kingston, Jamaica.
Jun 20-27	International Vaccine Institute, Seoul.

OES Calendar of International Events and Meetings

7

Jul TBD	South Pacific Forum, Micronesia.
Jul TBD	APEC BAC Meeting, Singapore.
Jul 8-10	U.S.-Japan Cooperative Science Joint Board Committee Meeting, Osaka, Japan.
Jul 13-15	U.S.-Japan Committee Meeting on Infectious Diseases, Japan.
Jul 21-29	ASEAN Senior Officials, Ministerial, Regional Forum and Post Ministerial Meetings, Manila.
Aug 17-28	Convention on Biological Diversity - Ad Hoc Working Group on Biosafety, Montreal.
Aug 24-Sep 4	Intergovernmental Forum on Forests, Second Session, Geneva or New York.
Sep TBD	U.S.-China Conference on Water Resources Management.
Sep TBD	Plant Genetic Resources, Rome.
Sep TBD	U.S.-China Science and Technology Executive Secretariat Meeting, Beijing.
Sep 1-9	APEC Senior Officials Meetings (SOM) III, Kuantan, Pahang, Malaysia.
Sep 7-25	Training Course, Epidemiology and Control of Infectious Disease, University of Oxford.
Sep 14-TBD	United Nations General Assembly, New York.
Sep 14-17	Third Asian Conference on Food, Safety and Nutrition, Beijing.
Sep 14-18	Twentieth Annual Meeting of the Northwest Atlantic Fisheries Organization, Lisbon.
Sep 14-18	Arctic Council, Iqaluit, Canada.
Sep 14-22	International Council for the Exploration of the Seas Statutory Meeting, Cascais, Portugal.
Sep 18-19	Arctic Council Ministerial, Iqaluit, Canada.

OES Calendar of International Events and Meetings

8

Sep 21	POTUS Address UNGA, New York.
Sep 22-25	Global Programme of Action/Land-Based Activities, Kingston, Jamaica.
Oct TBD	APEC High Level Oceans Conference, Hawaii.
Oct TBD	NATO Science Committee, Athens.
Oct TBD	U.S.-Japan Science and Technology Meetings, Washington.
Oct 3-6	Second World Congress on Anaerobic Bacteria and Infections, Nice, France.
Oct 19-20	Major Maritime Powers Meeting, Paris.
Nov TBD	OECD Joint Meeting on Chemicals, Paris.
Nov TBD	South Pacific Regional Environment Program (SPREP) Meeting, APIA.
Nov TBD	United Nations Framework Convention on Climate Change (UNFCCC), Fourth Conference of Parties (COP-4), Buenos Aires.
Nov TBD	SPREP Meeting, Apia.
Nov 2-13	Fourth Conference of the Parties to the FCCC, Buenos Aires.
Nov 3-9	Twenty-fifth International Tropical Timber Council, Gokehana.
Nov 12-18	APEC Senior Officials, Ministers and Leaders Meetings, Kuala Lumpur.
Nov 29-Dec 12	Second Conference of the Parties to the Convention to Combat Desertification (CCD), Dakar, Senegal.
Dec TBD	Intersessional Group of the OECD, Globally Harmonized System (GHS) of chemicals classification and labeling.
Late 1998	Intergovernmental Forum on Chemical Safety, Tokyo.

OES Calendar of International Events and Meetings

9

1999 International Events & Meetings

Jan TBD	U.S.-Korea Science and Technology Joint Commission Meeting, Washington.
Mar 21-24	Ninth European Congress on Clinical Microbiology and Infectious Diseases, Berlin.
Apr 29-May 5	APEC Senior Officials Meeting (SOM) I, Christchurch.
Aug 5-13	APEC Senior Officials Meeting (SOM) II, Rotorua.
Sep 9-Oct 1	APEC Senior Officials, Ministers and Leaders Meeting, Auckland.

FAX

3/4/98 11:53 AM

Office of the Under Secretary of State for Global Affairs

Phone: (202) 647-6349

Fax: (202) 647-5337

*cc: Am
RL
JA*

TO: Todd Stern
David Sandalow
Bill Antholis
Hattie Babbitt
David Hales
Jeffrey Hunker
David Gardiner
Jeffrey Frankel
John Gruber
Mark Mazur

FROM: Terry Kelly

PAGES: 3

COMMENTS: Attached is the outcome memo from the Climate Change Meeting.

TK

Terrence K. Kelly, Ph.D.
White House Fellow
Office of the Under Secretary of State for Global Affairs



United States Department of State

Washington, D.C. 20520

March 3, 1998

UNCLASSIFIED
MEMORANDUM

TO: C - Ambassador Wendy R. Sherman

FROM: G Staff - Terry Kelly

SUBJECT: Action Items from Climate Strategy Meeting, March 3

Attached is a list of the major action items that resulted from today's meeting. The next meeting has been scheduled for 3:00 PM, Thursday, March 19, in room 7250.

cc:

State:

Stuart Eizenstat
Anne Pence
Melinda Kimble
Mark Hambley
Susan Gordon
Jonathan Prince

Peter Bass
Victoria Greenfield
Rafe Pomerance
Dan Reifsnyder/Jonathan Pershing
Carol Thompson
Meg Donovan

Administration:

Todd Stern
Bill Antholis
David Hales
Jeffrey Hunker
Mark Mazur

Amb. Babbitt
David Sandalow
Jeff Seabright
David Doniger
David Gardiner

**Climate Strategy Meeting
March 3, 1998**

Major Action Items

**Please Note Next Meeting:
March 19, 3:00 p.m., room 7250 at the State Department**

1. Testimony issues for the week of March 2: As tasked in the meeting.
2. Diplomatic Policy and Strategy papers: First draft of the combined policy and strategy papers are due by March 25, with final versions cleared interagency by April 15 (Melinda Kimble and David Sandalow).
3. Policy paper on trading to be developed on an accelerated schedule, to be ready for March G8 meeting (Rafe Pomerance and David Sandalow).
4. Domestic Military Issue should be settled this week (Bill Antholis).
5. Clean Growth Initiative Principal's meeting to be scheduled as soon as possible (Jeffrey Hunker and Jeff Seabright).
6. Paper on Key Stress/Decision Points prepared for core group by March 19 (Bill Antholis and Rafe Pomerance).
7. Validators:
 - Validator and call lists to Stu Eizenstat and Jim Steinberg by March 5 (Todd Stern and Jonathan Prince).
 - Hill Validators for testimony (Julie Norton and Jaci Wilson).
 - OpEd (Jonathan Prince).
 - Outside economic validators (Bill Antholis)
 - Validator dinner with VP, per VP schedule (Todd Stern and Jonathan Prince).
8. Nonresponse response to UK position per G8 schedule (Rafe Pomerance)
9. "Policy" position for March 27-28 G8 meeting -- what can be shared with G8 countries, especially on developing country issue? (Rafe Pomerance).

2/18/98

CLIMATE CHANGE DIPLOMATIC POLICY
STATUS REPORT

Working groups identified six priority issues: emissions trading, the Clean Development Mechanism, developing country commitments, the role of financial institutions, sinks and compliance/enforcement.

1. Emissions Trading & Umbrella Group

A. Consensus

- *Rules should facilitate private sector participation in emissions trading.
- *Rules should require a Party to be in compliance with measuring and reporting obligations to trade. Rules should also require a national mechanism for certification and verification of trades.
- *Rules should not include restrictions on the amount of a Party's commitment that may be met through emissions trading.
- *Umbrella group should be pursued as a forum for discussing and coordinating positions on climate change generally and on emissions trading in particular.
- *Umbrella group could serve as a non-exclusive trading group, possibly with rules in addition to any rules under the Protocol.

B. Open Questions

- *Whether to promote an exclusive or preferential trading program for members of the umbrella group.
- *Whether the rules should prohibit a Party in excess of its emissions budget from selling emissions allowances.

2. Clean Development Mechanism

A. Consensus

- *Rules should not include restrictions on the amount of a Party's commitment that may be met with CDM project activities, as expressly authorized under Article 12.3(b).

*PREDECISIONAL DRAFT
DO NOT QUOTE OR CITE*

*The "share of the proceeds" used to cover administrative expenses and assist particularly vulnerable developing countries should be in the range of 2-3%. This percentage should apply to the value of emissions reductions achieved by a project, not to the project's underlying economic value.

*Adaptation funds available through the CDM should be targeted to island states.

*CDM operating entities should not include stock exchanges. Regional development banks are good candidates for this role.

B. Open Questions

*What form should the CDM Executive Board take? Should we use Montreal Protocol Executive Committee as a model?

*What organizations would best serve as "operating entities"?

3. Developing Country Commitments

A. Consensus

*Different developing countries should have different commitments under the climate treaty. No one size fits all.

*Commitments should be a function of wealth and size. Wealthier developing countries (including Argentina, Mexico and Korea) should take on quantified emissions limits. Small, poor countries need not necessarily do so.

*At least two countries (Singapore and Israel) not in Annex I belong there, and should be encouraged to take on reduction targets similar to Annex I countries immediately.

*Targets could be based either on (i) total emissions, (ii) emissions per unit of GDP, or (iii) emissions growth in relation to growth in GDP. However, further analytic work is needed better to define targets based on calculations of GDP. (Issues include adjustments for purchasing power parity, data quality, etc.)

B. Open Questions

*What policy linkages should we pursue in engaging developing countries? How do we establish a framework for decision?

*PREDECISIONAL DRAFT
DO NOT QUOTE OR CITE*

- *Should we pursue an "Article 10"-type volunteer mechanism for Buenos Aires?
- *Should we pursue a mandate for negotiations over developing country commitments (or Article 7.2(a) review of commitments) for Buenos Aires?
- *Should we support developing country emissions limits based on sectoral targets or per capita emissions?

4. Financial Institutions

A. Consensus

- *The international financial institutions, in particular the World Bank, offer one of the most promising avenues for promoting clean growth in developing country power sectors.
- *Notwithstanding considerable efforts during the past decade, the World Bank has had difficulty in promoting power sector reform and refocusing its own programs toward clean energy.
- *The elimination of subsidies, price controls and inefficient regulations represent an enormous win-win opportunity in many countries. The World Bank and other IFIs recognizes such reforms as central.

B. Open Questions

- *How best to use the attention to Kyoto and political profile of climate change globally to mobilize World Bank resources to this problem.
- *What internal USG process should be used to elevate these issues.
- *Whether U.S. should push World Bank to internalize environmental costs of carbon emissions and/or offset carbon emissions from power sector lending.
- *Whether U.S. should support specific targets (e.g. x% of overall energy lending) for renewable energy/energy efficiency lending by the development banks.
- *U.S. policy toward the World Bank's proposed Carbon Investment Fund, under which the Bank would generate and certify carbon-reducing projects and make a market in emissions reductions.
- *Should climate change be added to our G-8 initiative on harmonizing environmental standards of export credit agencies?

*PREDECISIONAL DRAFT
DO NOT QUOTE OR CITE*

5. Sinks

A. Consensus

*Any discussion of sinks is mind-numbing.

*Our policy objectives with respect to sinks include reducing compliance costs, slowing the growth of greenhouse gas concentrations in the atmosphere and promoting sound forest management, all in accordance with sound science.

*No interpretation of Article 3.3 ("...afforestation, reforestation and deforestation...") can fully satisfy these objectives.

*Parties should be able to include appropriate categories of forest management, conservation and agricultural soil management in meeting their emissions reduction obligations. This should apply both to domestic activities (see Article 3.4) and to projects under the Clean Development Mechanism or Annex I ji.

B. Open Questions

*What categories of forest management, conservation and agricultural soil management should we seek to include under the Protocol?

*Are there limitations based on measurement methodologies or other factors?

*Should we distinguish between domestic activities and project under CDM/ji?

(*What domestic sinks programs should we promote to take advantage of opportunities under the Protocol?)

6. Compliance/Enforcement

initial work underway



United States Department of State

Washington, D.C. 20520

Ca. Am
RL
SA

January 29, 1998

To: C - Ambassador Wendy R. Sherman
From: Rodrigo Prudencio *Rody*
Subject: Outcomes and Follow Up -- Climate Meeting Jan. 28

Attached is a list of outcomes and follow up tasks that resulted from today's meeting with Todd Stern, David Sandalow, and the rest of the Climate Team leadership. The next meeting has been tentatively scheduled for 11 a.m., Thursday, February 5.

Copies:

State:

Stu Eizenstat
Melinda Kimble
Rafe Pomerance
Mark Hambley
Anne Pence
Victoria Greenfield
Susan Gordon
Carol Thompson
Julie Norton
Jaci Wilson
Meg Donovan
Terry Kelly

Administration:

Todd Stern
Bill Antholis
David Sandalow
Jeffrey Hunker
John Gruber
David Gardiner
David Doniger
Mark Mazur
Jeff Frankel

Amb. Babbitt

Carla Copel . A.D.

David Hales . A.D.

**Outcomes and Follow Up
Climate Team Meeting
January 29, 1998**

(Next Meeting: February 5, 11 a.m. State Department (Tentative))

Presidential Decision on Signing

**Decision Memo to POTUS by this weekend (1/30)
(Will include reworked language suggested by Stu)**

Eizenstat Testimony

Melinda, Todd, and David Sandalow will convene a group by early next week to review all pieces of testimony package and finalize message, including on science, economic figures, and diplomatic strategy.

State Legislative Affairs will organize a murder board for Eizenstat testimony.

Cabinet Q&As

Todd will distribute a list of questions and convene a group on Friday (1/30) or Monday to review Q&As. Latest draft will be reviewed at the Melinda, Todd, Sandalow meeting.

Diplomatic Gameplan

Melinda and David Sandalow will develop an overall diplomatic gameplan document. In two weeks, such a document should be presented (even as draft) identifying key issues (including priorities) and diplomatic opportunities.

New Papers

David Sandalow will task USTR with a paper on WTO rules and emissions trading, and will have a background paper prepared on climate and the Multilateral Agreement on Investment in time for Stu to use at MAI meetings in early February.

Gilman Letter

Drafted and will be cleared around State and White House by State/H by end of week.

Validators

Todd and David Sandalow will assemble a list of outside "validators" who could be organized to write letters and place op-eds on behalf of Administration approach. Ideas for "validators" list should be forwarded to David Sandalow.

AID Program

AID, the White House, and State will convene a group later next week to review the AID Developing Country Initiative and set funding priorities where program activities will provide maximum diplomatic leverage.

IFI Guidelines

Sandalow will accelerate deadline for paper on IFI guidelines. Stu will discuss issue with Jan Piercy soon.

Points on role of IFIs will be added to Stu's testimony.

Power Plants

Anne Pence will work with the G-8 Sherpas process to explore adding climate oriented initiatives to G-8 objectives on export credit agencies and development assistance.

Power plant group will meet next week, set objectives, and brief this group at a later date.

Signing and Ratification Timing

State/H will task State/L to research history on treaty signature and ratification timelags. This is in response to Chairman Helms' letter to the President on timing of Kyoto ratification.

FAX

Date

January 30, 1998

Number of pages including cover sheet

4

TO: See Distribution Below

Jeffrey Hunter (202) 482-4636
John Gruber (202) 622-2633
Mark Mazur (202) 586-6828
Jff Frankel (202) 395-6947
David Doniger (202) 260-5155
David Gardner (202) 260-0275
Casper Koppel (202) 216-3230
David Hales (202) 216-3174

CC:

FROM:

Rodrigo Prudencio
Office of the Under
Secretary for Global
Affairs

U.S. Department of State
2201 C Street N.W.
Room 7250
Washington, DC 20520

Phone (202) 647-6240

Fax Phone (202) 647-0753

REMARKS:

☐ Urgent☒ For your review☐ Reply ASAP☐ Please Comment



United States Department of State

Washington, D.C. 20520

cc: JAF
Hm
122
JA

January 23, 1998

To: C - Ambassador Wendy R. Sherman
From: Rodrigo Prudencio *RP*
Subject: Outcomes and Follow Up -- Climate Meeting Jan. 21

Attached is a list of outcomes and follow up tasks that resulted from Stu's meeting with Todd Stern, David Sandalow, and the rest of the Climate Team leadership. The next meeting has been scheduled for 11 a.m., Thursday, Jan. 29 in State 7250.

Copies:

Melinda Kimble
Rafe Pomerance
Stu Eizenstat
Anne Pence
Victoria Greenfield
Susan Gordon
Carol Thompson
Julie Norton
Jaci Wilson
Meg Donovan
Terry Kelly
Todd Stern
Bill Antholis
David Sandalow
Jeffrey Hunker
John Gruber
David Gardiner
David Doniger
Mark Mazur
Jeff Frankel

**Outcomes and Follow Up
Climate Team Meeting
January 21, 1998**

(Next Meeting: January 29, 11 a.m. State Room 7250)

Presidential Decision on Signing

Decision Memo by Friday, Jan 23.
Memo from Secretary to POTUS

White House
State

Eizenstat Testimony

Agreement that Stu will be joined by Larry Summers or Janet Yellen in testimony to address economic assessments.

Drafted and to OMB by Feb. 1

Visual Aides

Dates and Scheduling

State/OES
Treasury, OSTP, AID
State/H (coord. with
Treas and CEA)

Hill Information Packet

State/H and WH

By end of week (Jan 23) or early next (more op-ed pieces needed)

Economic Analysis

Treas, CEA

Further research on sinks is needed (State, EPA) to determine important numbers. Analytical team hopes to have some numbers by first week of Feb. (enough for Summers/Yellen to address issue in testimony) with visual presentations and tables. Full analysis a week or two after that.

Cabinet Q&As

White House

By end of this week (Jan. 23) cleared Q&As for Cabinet use in budget testimony in early February.

Power Plants Initiative

Treas, State, AID, DoC

Reactivate group; Stu to call Larry Summers or David Lipton to get senior-level involvement from Treasury (early next week).

Assemble rump-IWG (Treas, State/E, State/C, AID, DoE) to develop strategy.

Letter to Umbrella Group

State/OES

To be sent to relevant governments regarding desire to follow up on our interest in this issue.

Letter to Chairman Gilman

State/H

Talking points are ready and will be transformed into a letter to Chairman Gilman. State/H will coordinate timing and distribution.

Diplomatic Issues

Schedule briefing for Eizenstat by core-group on series of issue papers being examined by Sandalow-led group. (CEQ)

Identify and define strategies for upcoming international diplomatic opportunities. (State/OES)

for Next Meeting (tentative list):

Review status of economic analysis

Review status of testimony and visual presentations

Review status of power plant initiative



Jeffrey A. Frankel
01/21/98 08:09:10 PM

Record Type: Record

To: Janet L. Yellen/CEA/EOP
cc: Joseph E. Aldy/CEA/EOP, Randall W. Lutter/CEA/EOP, Adele C. Morris/CEA/EOP
Subject: report on Eizenstat mtg. re GCC

The 5:00 mtg. at State turned out to be chaired by Eizenstat, with a big agenda (which I will circulate). One interesting item was the question whether the President should sign the treaty now; the general consensus seemed to be to withhold signing (in addition to submission for ratification) until after Buenos Aires.

The most important item on the agenda from our viewpoint was the economic analysis. The view was that there had to be one, and that this meant eventually a report that would be released. He asked whether we could have the basic economic analysis (not the full report) ready in time for his testimony. The Senate Foreign Relations Committee has asked him for Feb. 5, but they thought they might possibly be able to postpone it another week. Jon and I told him that another week would help a lot -- that currently we are missing an authoritative interpretation of what to assume on sinks, as well as results from other models (in the latter case, to be honest, another week won't get us much more). He told his State people to try to get us some answers to our questions on sinks (Rafe...).

Stu was definite that someone from the economic team would have to testify. Half the time, the presumption among those present was that it would be Larry. But half the time other formulations were used (e.g., "someone from the economic team," "Larry or Janet," etc.).

Joe, et al: Regarding our work program, we'll know more after tomorrow's meeting. But after we fill in the holes in the basic analysis that we have done (e.g., other models), we also have to start thinking about "visuals," about quantifying (if not monetizing) climate effects, about things we can say about the impact on the energy bill of a typical family, and about other pieces of the argument, such as answering claims that there will be large numbers of unemployed. We will need to divide up these tasks among us, and with Treasury.

JF

AGENDA

I. Review of Last Week's Action Items

- Presidential Decision Memo on signing
- Economic Analysis
- Eizenstat - Byrd Conversation • Lieberman - Pos about Kyoto - Don't sign before B.A. opposite - sign now. Save leverage for ratification.
- Hill Packet
- Testimony and Visuals

Rashell: Atmos. signing now makes
2x larger eventual success.
Hold off to B.A. Time to educate,
signing would lead to neg. resolution.

II. Diplomatic Strategy Stock Taking

- Issues
 - Defining meaningful participation of developing countries.
 - Defining the rules for emissions trading.
 - Pursuing the emissions trading umbrella.
 - Strategy for advanced developing countries.
 - Power Plant Initiative in LDCs. SE should leverage IFLs: we will not support any initiative that does not
- Papers
- Key Venues and Principals Engagement
 - (Rohr
+ J. Hunker)
Dowd
Hales
 - TRAS: does not mind very against.
But doesn't want...
 - Wilcox was there. But need Grahamer per

III. Next Steps and Next Meetings

THE WHITE HOUSE
WASHINGTON

September 30, 1997

cc: JY JA
JAF
AM
RL
File

MEMORANDUM FOR CLIMATE CHANGE CONTACTS

FROM: KRIS BALDERSTON

SUBJECT: OCTOBER 6 CONFERENCE ON CLIMATE CHANGE

Attached is a **DRAFT** agenda for October 6. There will be a Climate Change conference call tomorrow at 11:30 am. The code is 9108. The following agencies should have a representative on the call: State, Treasury, DOD, Interior, USDA, Commerce, DOL, HHS, HUD, DOT, Energy, EPA, UN, USTR, FEMA, NASA and USIA.

DRAFT AGENDA

10:05-10:20

President Clinton: Opening Remarks: Importance of Global Warming and Climate Change for the American People

10:20-11:15

Panel I: The Science of Global Warming and Climate Change

Presentation: **John Holdren**, Teresa and John Heinz Professor of Environmental Policy, Harvard University

Panelists: **Robert Watson**, Director for Environment, World Bank
Tom Karl, Senior Scientist, NOAA, National Climatic Data Center
Diana Liverman, University of Arizona
Don Wilhite, Director, National Drought Mitigation Center, University of Nebraska

11:30-11:45

Vice President Gore: Where We've Come From; Where We're Going

11:45-12:45

Panel II: The Role of Technology in Reducing Greenhouse Gas EmissionsPresentation: **Federico Peña**, Secretary of Energy

Panelists: **Maxine Savitz**, General Manager, AlliedSignal Aerospace Company's Ceramic Components Unit
Tom Casten, President and CEO, Trigen Energy Corporation
Michael Bonsignore, President and CEO, Honeywell Corporation
Mason Willrich, CEO, Energy Works
Kurt Yaeger, President, Electric Power Research Institute a non-profit collaborative research enterprise of the electric power industries.

1:00-2:00

Lunch: Breakout Discussions with Cabinet Members

2:15-2:30

Remarks by First Lady Hillary Rodham Clinton

2:30-3:30

Panel III: Kyoto Conference and U.S. National InterestsPresentation: **Madeleine Albright**, Secretary of State

Panelists: **Jessica Tuchman Mathews**, President, Carnegie Endowment for International Peace
E. Linn Draper, Chairman, President, and CEO, American Electric Power
Richard Schmalensee, Massachusetts Institute of Technology, Director of MIT Center for Energy and Environmental Policy Research
Fred Krupp, Executive Director, Environmental Defense
Daniel Yergin, President, Cambridge Energy Research Associates
Mae Jemison, President, Jemison Group, Inc. and Jemison Institute of Advancing Technology in Developing Countries

3:30-4:30

Panel IV: Climate Change Policy and the U.S. Economy

Presentation: **Larry Summers**, Deputy Secretary of the Treasury
Panelists: **Robert Repetto**, Vice President, World Resources Institute
William Nordhaus, Whitney Griswold Professor of
Economics Yale University
Richard Sandor, Chairman and Chief Executive, Cento
Financial Products Limited
Richard Trumka, AFL-CIO

CLIMATE CHANGE WORK PLAN
September 23, 1997 :

DRAFT

Schedule

Friday, September 19	Oversight meeting on WH Conference
Tuesday, September 23	Initial draft of follow-up memo to POTUS written by Sandalow, Orszag, and Gruber. Submitted to Sperling, McGinty, and Tarullo. Taskings to agencies for appendices.
Wednesday, September 24	Oversight meeting in Gene's office to cover diplomatic strategy, economic analysis, and short-term Hill strategy.
Thursday, September 25	Oversight meeting in Gene's office to clear on POTUS memo and prepare for principals meeting.
Friday, September 26	Principals meeting led by Sperling, McGinty, and Tarullo on: -- Technology, -- Auctioning vs. grandfathering, and -- Tasking for recommendations Memorandum from Sperling, McGinty, and Tarullo submitted to POTUS following up on questions raised during September 18 meeting: -- Emissions sources, -- Technology potential and options, -- Mandates vs. permits, -- Grandfathering vs. auctions, -- Escape clauses, and -- Enforcement mechanisms. Appendices from Treasury on why grandfathering is problematic, and from EPA on how it could work. Sperling section on domestic politics.

Monday, September 29

Principals meeting led by Sperling, McGinty, and Tarullo to cover:

-- Recommendations regarding specific options on targets and timetables, domestic implementation (auctioning vs. grandfathering), and other policy options to achieve target and timetable (including technology package).

Wednesday, October 1

Briefing book submitted by Sperling, McGinty, and Tarullo to POTUS with summary NEC/CEQ recommendations memo. Attach as an appendix individual submissions from Cabinet secretaries, and other background papers (e.g., from Assistant Secretaries working group) as appropriate.

Memorandum from NEC/CEQ/NSC on diplomatic strategy submitted either as part of briefing book or separately.

Monday, October 6

White House conference on climate change

October 6-10

POTUS makes final decisions on U.S. position for Kyoto and beyond

FRIDAY, OCTOBER 10

FINAL DECISION OF U.S. NEGOTIATING POSITION FOR KYOTO

October 12-19

POTUS visit to Latin America

Monday, October 20

Negotiations begin in Bonn

Wednesday, October 29

Chinese state visit

November

Intense diplomatic campaign, formulating precise negotiating instructions, and working with domestic constituencies

DECEMBER 1-12

KYOTO

**Climate Change Agenda
September 5, 1997**

I. The big picture

- A. What are the scientific uncertainties? SQUITIERI memo done, attaching article from *Science*
- B. What obligations should we argue for in Kyoto? - FRANKEL paper in process
- C. How would we implement a program domestically to attain obligations that might be agreed upon in Kyoto?
 - 1. Domestic emissions trading paper
 - 2. Why are we so staunchly opposed to CAFE-type regulation?
- D. What role might we expect technology to play in helping us to meet any obligations we might assume in Kyoto? What is the proper role of government in fostering the development of that technology? GILLINGHAM
- E. How and when will developing countries participate?
- F. How would any international agreement be enforced?
- G. What if Kyoto blows up? (Would we take unilateral action?)

Would another meeting between Yellen, Summers, and associates be warranted to touch base on their vision of the big picture?

I. Domestic Emissions Trading

We are now working with EPA on a paper that will cover four options, representing the convolution of upstream/downstream and auction/allocation (SQUITIERI).

1. Heavily revise EPA's version of the two upstream options (target: 9/5)
2. Receive EPA's version of the two downstream options (target: COB 9/4), and provide comments (target: COB 9/8). These comments probably only need to state our objections, and hit the low points.
3. Develop a clear written explanation of why we oppose tradable credits. Key points should include the inefficiencies of CAFE-like approaches (doesn't penalize intensity of use, impacts only market for new units, not existing); should draw on empirical literature concerning the cost of the CAFE standards relative to a gasoline tax (target: COB 9/8).
4. Gardiner wants to talk things through face-to-face (especially our visceral opposition to downstream options) after we've had a chance to look at the downstream stuff. After that we can decide whether we need to append a statement to the effect that "the downstream options are vigorously opposed by the economics agencies."
5. Wrap-up (target: COB 9/10?)

II. Technology

- A. GILLINGHAM and ALDY to draft stand-alone technology paper.

[Might include an argument along the following lines, supplied by Summers: Even if you accept the 5labs report lock, stock and barrel, you get only X percent of the way there without raising price. To get all the way there, you have to raise price by Y percent. This would have the following implications for energy prices— x for coal, y for gasoline, etc.—and would be roughly Z times as large as the BTU tax that was proposed early in the first term.]

Transmit to D. WILLIAMS and B. BOORSTIN for comment

- B. GILLINGHAM and ALDY(?) to lead the effort in commenting on technology options paper when it arrives late next week

III. Targets and Timetables

- A. FRANKEL & CO have produced draft. WILCOX has provided comments. Paper currently under revision at CEA.

- B. JONES memo near completion.

IV. Other Analytics

- A. MULDOON to work on effects of policies on the typical family. (*Rough draft expected COB Friday, Sept 5*)
- B. GRUBER and JONES to work on incidence across income groups (*Rough draft by Sept ?*)
- C. ALDY (CEA) has completed memo on size of financial flows; has this been transmitted upward?
- D. MULDOON to work on political economy lessons BTU tax (*Draft exists?*)
- E. MULDOON to work on political economy lessons of Carter oil allocation scheme. (*Rough draft by Sept ?*)

- F. SCHOLZ to work on incidence as between households and firms. (Might the paper by Poterba, Rotemberg, and Summers be relevant here for shedding light on degree of pass-through?)
- G. SCHOLZ to work on revenue recycling. How does the prescription of academic public finance theory translate into the real world? Why do simulations of empirical models suggest that deficit reduction might be a better way to go than recycling? (Do they?)
- H. GILLINGHAM to work on spelling out emissions baselines for developing countries that would not involve either excessive restraint on growth nor large transfers of resources. (Frankel recommends consulting his comments on State Dept papers. Gruenspecht may also have ideas on this.)
- [I. GRUBER and GILLINGHAM to work on developing principals for climate change.]
- J. GRUBER, WILLIAMS, and BOORSTIN to work on the political economy of climate change.
- K. SQUITIERI has written a short memo on scientific uncertainties, and attached a copy of the recent article from *Science*.

V. Papers in the Interagency process

- A. We believe that the one-page summary from State is now a sufficient statistic for where the process is on developing country commitments.

- B. Paper by Justice on relationship between international and domestic trading - August 12 version is still the latest - WILCOX will provide comments 9/5 (*Jim Rubin; 514-9050*)
- C. Paper on escape clause - FRANKEL working on analytics of when we would need escape clause. (*Would a Bill-Poole-style analysis be helpful here? The source of shocks matters. If most uncertainty derives from aggregate demand shocks, then we might not need (or even want) an escape clause. If most uncertainty derives from shocks to technology, escape clauses seem very important.*)
- D. Paper on competitiveness - (*status?*) Jon HAVEMAN (CEA) is writing a separate paper on this topic.
- E. Paper on negotiating implications of different targets and timetables (*At last word, Jeffrey Hunker did not know that he and Pomerance had been tasked to write this paper. Status unknown*)
- F. Paper on federal undertakings - *status?*
- G. Paper on early credit - revised version received 9/4
- H. Paper on transition assistance - on hold.

VII. Briefing for Rubin - GILLINGHAM

CEA WORK-PROGRAM ON GCC

Jeff Frankel 9/1/97

WHO (and when)

Targets and timetables (TOP PRIORITY)

The importance of allowing time for capital turnover --

Case-study illustration:

Graph of replacement chronology of US power-generating plants
(make stylized assumptions on plant life if necessary).

of plants, and cost of replacement, against year.

> (CS+) KF

The economically-optimal path.

In what year is peak of US emissions?

Of other Annex I?

In what year do they return to 1990 levels?

. JA

(1) Minimizing cost/benefit balance
(minus uncertainty or credibility problems).

=> no peak at all? Just slowed rise in emissions?

Need results from Integrated Assessment Models.

> (JS +) RL + JA

- Nordhaus, Manne-Richels?

JF

- Edmonds (SGM)?

JA

- Wigley? Other EMF models?

- Cline?

(2) Minimizing cost of a given level of stabilizing concentrations at 550 ppmv

- Manne-Richels (global peak in 2050; Annex I peak in 2020-30)

- Others (as above)?

- Any in-house models: SGM, Markal-Macro?

JA

(3) Compare costs and benefits of "1990 by 2010"
to "peak in 2015 and return to 1990 by 2040"

and to doing nothing ("business as usual").

> (JS + CS) + RL + JA

Costs are (I) price of carbon, gasoline, coal...

(ii) effects on income and consumption

(iii) likely volume of int. purchases of permits

Benefits are (I) emissions and concentration

(ii) implied effect on temperature in 2050 or 2100

(using simple linear interpolation from IPCC estimate)

- Any of the IA/EMF models

> (CS+QF)

- Any of the IAT models (DRI, MarkalM, SGM)

> Prelim. table DONE.

- Shackleton and G-cubed

- Other?

ALL THIS NEEDS MORE WORK > JA

Analogies with 1970s oil shocks

Is magnitude the same?

> JA + RL

DONE

How much difference does it make that this would be pre-announced? (+CS)

" That there would be no transfer to OPEC?

Any bogus reasons why the IAT models did not find such adverse effects?

Did they assume that the Fed could somehow offset supply shocks?

Technology and "free lunches"

- Critique 5-Labs Study > JA DRAFT DONE
Comments to EPA (coordinated with Gillingham)
- More general critique of the "technology" free lunch > RL + JA

Assumption that people ignore money-saving opportunities, that govt. Pgms. Help (e.g., can change discount rates and AEEIs), that common people are as capable as engineers, that people systematically over-consume energy but not other things, that they live in ideal homes, that energy-price uncertainty plays no role.... Double-counting pgms (in baseline and policy path).

- We're "technology optimists":
Historical relationship between prices and EEI > JF+CS+QF DONE
Replicate it and extend (e.g., lag structure; total energy spending) > JR DONE

Escape clause proposals

- What would be appropriate carbon prices for ceiling? > (JS+) RL

If 2015 emissions peak and

(e.g.) 1990 levels in 2040

(Relatively less aggressive)

If 1990 levels in 2010

(Relatively more aggressive)

- What do other agencies have in mind? > JF
(Victoria G, State Dept. Paper 8/15) CMTS. TO STATE DONE
- Global price cap and sales, rather than country-by-country?

Uncertainty

> JS

To move timetable forward: Allow for a probability of climate disaster

> MT

- and apply expected welfare,
- add risk-aversion
- Allow for imperfect political credibility of promises

Domestic Implementation

- Incidence of increase in energy prices >
- Has there been a "reluctance to trade" in SO2 pgm? > JF. Answer: no
- Should revenues be used to finance soc.sec.? >
Compute likely amount and path of revenue thru 2075 > CC + JA DONE
- (Tradeoff between stringency and flexibility) > JS)
- Early Action Credit [ZC]

LDCs

Need proposed formulas for LDC participation

> RL + JF

- What is a reasonable emissions path formula for future LDC participation?
= F(income, population, 1990 emission levels)? CMTS. TO STATE
Or as reduction of emissions growth rate? DONE -- JF

- What is threshold income level for blueprint proposal?
defined so as to include only State Dept.'s "Annex B" countries > DC DONE

US competitiveness if LDCs don't participate

> PO+JF memo of 8/10

- Anyone care to take on a N-factor, N-good, N-country trade model?
N=2, or N=3 > JH (1st drafts DONE)

Inter-agency tasks

Monitor incoming papers /reports (e.g. coming via State or NEC)

>

Coordinate with Treasury

> RL

Joint Treasury/CEA Climate Change Agenda
August 29, 1997

I. Domestic Emissions Trading

- A. EPA now is now set on presenting four options, representing the convolution of upstream/downstream and auction/allocation. HAVE YOU PUT IN A "T" POLICY, AMONG A LIST OF POSSIBLE OPOLICIES IN THE INTRODUCTION, (EVEN IF THE REST OF THE PAPER ISN'T ABOUT THAT)? IT COULD BE IN THE CONTEXT OF "THIS IS WHAT MOST OF THE 2300 ECONOMISTS WHO SIGNED THE LETTER HAD IN MIND WHEN THEY SAID THIS COULD BE DONE EFFICIENTLY."
- B. Strategy: Let EPA move first. They are supposed to deliver to us their version of the two upstream options today, and the two downstream options late next week.

C. Tasks (SQUITIERI):

1. Assess the upstream writeups from EPA, relative to our write-up; incorporate anything we want to from theirs into ours, and ship ours back to them as our "comments" on their draft. *(Target ship-back date is Thursday, Sept 4)*
2. Develop a clear, strong, and frank statement of why we oppose tradable credits. Key points should include the difficulty of defining "exchange rates" between sectors; the inefficiencies of CAFE-like approaches (doesn't penalize intensity of use, impacts only market for new units, not existing); should draw on empirical literature concerning the cost of the CAFE standards relative to a gasoline tax. *(Should be essentially complete by the time we receive their draft of downstream options; upon receiving such draft, modify as necessary; transmit to EPA)*

[GOOD]

3. Comment on downstream writeups. Also, append statement to the effect that "these options are vigorously opposed by the economics agencies" *(By Monday, Sept 8)*
4. Discussion of auction mechanism with Kwerel and/or other auction experts as soon as possible.

II. Technology

- A. GILLINGHAM and FRANKEL to peruse DoE's response to our comments, and give signoff (or not) to 5 labs study *(Response expected WHEN?)*
- B. GILLINGHAM (and CEA collaborator?)^S to work on broader technology paper. *(Rough draft prepared by COB Tuesday, Sept 2?)* - *Treas allowed to disengage from TSS process on proviso that Treas do this paper*
→ get Robert EI regressions
→ do some "fuzzy" examples of the quickness of improvements in BAU
→ get details on EIA by end use (e.g. refrigerators)

JOE ALDY WILL BE OUR GUY HERE. (ALSO J. RUDD HAS RE-DONE THE REGRESSION RESULTS OF SANTESTEBAN-FRANCO)

Transmit to D. WILLIAMS and B. BOORSTIN for their comments

- C. GILLINGHAM to check in with TJ Glauthier to see what he envisions for technology options paper - make sure that it reflects our concerns, as laid out in our broader paper.

III. Targets and Timetables

- Jorgensen
Quote → NEXIS
for testimony*
- A. FRANKEL, SHOGREN, SQUITIERI, and ROBERTS to work with modellers to get runs of different paths of emissions, producing data on concentrations, temperatures, and costs to the economy. Then write up as memo. CEA to lead. *(Rough draft by WHEN?)*
- SHOGREN HAS LEFT NOW. IT'S ALDY HERE TOO NOW. WE HAVE A DRAFT.
- B. JONES to write up a summary of the Nordhaus argument that 1990 by 2010 is worse than nothing. *(Rough draft by WHEN?)*

IV. Other Analytics

- A. MULDOON to work on effects of policies on the typical family. *(Draft by WHEN?)*
- B. SANTEBASAN to work on age distribution of plants, coal and nuclear (mostly done, incorporated in Frankel T&T memo). *(Draft by WHEN?)* **SANT. IS GONE NOW. IT'S KEITH FULGIE. IT'S DONE, AND HAS BEEN INSERTED INTO T&T PAPER**
- C. GRUBER and JONES to work on incidence (JONES is doing memo for early next week - should pass to WILCOX for review). *(Draft by WHEN?)* *Treas focusing on regressivity - Need to get someone to look at consumer/producer incidence*
- D. ROBERTS to work on memo on size of financial flows. *(Draft by WHEN?)*
- IT'S DONE (ALDY) - gave memo to John → we'll talk next week
- E. MULDOON to work on political economy lessons from BTU tax and Carter oil allocation scheme. *(Draft by WHEN?)* *- 2 separate memos*

- F. SCHOLZ to work on revenue recycling. How does the prescription of academic public finance theory translate into the real world? Why do simulations of empirical models suggest that deficit reduction might be a better way to go than recycling?
- G. GILLINGHAM to work on spelling out emissions baselines for developing countries that would not involve either excessive restraint on growth nor large transfers of resources.
- HERE AND ON V.A BELOW, DO YOU HAVE MY CMTS. ON STATE DEPT. PAPERS?
- H. GRUBER and GILLINGHAM to work on developing principals for climate change.

- I. GRUBER to write up a pithy response to 5labs: Even if you accept the report lock, stock and barrel, you get only *X* percent of the way there without raising price. To get all the way there, you have to raise price by *Y* percent. This would have the following implications for energy prices — ... — and would be roughly *Z* times as large as the BTU tax that was proposed early in the first term.

V. Papers in the Interagency process

- A. Revised paper on developing country commitments — SQUITIERI and WILCOX to supply comments to State by COB 8/29.
- B. Paper by USTR on Domestic Implementation and Trade - ROBERTS and WILCOX to provide comments by 8/29.
- C. Paper by Justice on relationship between international and domestic trading - WILCOX to provide comments by 8/29. (*Jim Rubin; 514-9050*)
- D. Paper on escape clause - GRUBER comments passed on to Victoria Greenfield. FRANKEL working on analytics of when we would need escape clause - WILCOX and others should consult with him on this - this could be a big issue. (*Would a Bill-Poole-style analysis be helpful here? It would seem to be important to take into account what is the relative importance of various sources of uncertainty — e.g., as between technology versus growth*)
- E. Paper on competitiveness - WILCOX to check on status and provide comments by 8/29 (*Orszag is author; both he and Sandalow are out; best guess is that paper has not been revised since we last commented.*)

OUR NEW TRADE GUY, JON HAVEMAN, IS WRITING ADDITIONAL ON THIS SUBJECT

- F. Pomerance and Hunker have been tasked to produce a paper on negotiating implications of different targets and timetables by 8/22 (*Hunker denies that he and Pomerance were so tasked; he is checking around to see what he can find out about this.*)
- G. Federal Undertakings paper due 8/29 - WILCOX and/or GRUBER to provide comments week of 9/1
- H. Paper on early credit - GILLINGHAM and GRUBER to check with Sandalow as to where this lies?
- I. Paper on transition assistance - GRUBER to check with Ed Montgomery (DoL) on status and provide comments. (*A useful analogy might be provided by the Freedom to Farm Act.*)

VI. The big picture

A. How and when will developing countries participate?

B. Targets and timetables - FRANKEL

C. International enforcement

D. What if Kyoto blows up?

DOESN'T DOMESTIC IMPLEMENTATION (UNILATERAL ACTION) BELONG ON THIS ~~LIST~~ LIST?

VII. Briefing for Rubin - GILLINGHAM

Joint Treasury/CEA Climate Change Agenda
August 29, 1997

I. Domestic Emissions Trading

- A. EPA now is now set on presenting four options, representing the convolution of upstream/downstream and auction/allocation.
- B. Strategy: Let EPA move first. They are supposed to deliver to us their version of the two upstream options today, and the two downstream options late next week.
- C. Tasks (SQUITIERI):
 - 1. Assess the upstream writeups from EPA, relative to our write-up; incorporate anything we want to from theirs into ours, and ship ours back to them as our "comments" on their draft. *(Target ship-back date is Thursday, Sept 4)*
 - 2. Develop a clear, strong, and frank statement of why we oppose tradable credits. Key points should include the difficulty of defining "exchange rates" between sectors; the inefficiencies of CAFE-like approaches (doesn't penalize intensity of use, impacts only market for new units, not existing); should draw on empirical literature concerning the cost of the CAFE standards relative to a gasoline tax. *(Should be essentially complete by the time we receive their draft of downstream options; upon receiving such draft, modify as necessary; transmit to EPA)*
 - 3. Comment on downstream writeups. Also, append statement to the effect that "these options are vigorously opposed by the economics agencies" *(By Monday, Sept 8)*
 - 4. Discussion of auction mechanism with Kwerel and/or other auction experts as soon as possible.

II. Technology

- A. GILLINGHAM and FRANKEL to peruse DoE's response to our comments, and give signoff (or not) to 5 labs study *(Response expected WHEN?)* Aldy
- B. GILLINGHAM (and CEA collaborator?) to work on broader technology paper. *(Rough draft prepared by COB Tuesday, Sept 2?)* Aldy

Transmit to D. WILLIAMS and B. BOORSTIN for their comments

- C. GILLINGHAM to check in with TJ Glauthier to see what he envisions for technology options paper - make sure that it reflects our concerns, as laid out in our broader paper.

III. Targets and Timetables

- A. FRANKEL, ^{ALG}SHOGREN, SQUITIERI, and ROBERTS to work with modellers to get runs of different paths of emissions, producing data on concentrations, temperatures, and costs to the economy. Then write up as memo. CEA to lead. (*Rough draft by WHEN?*)
- B. JONES to write up a summary of the Nordhaus argument that 1990 by 2010 is worse than nothing. (*Rough draft by WHEN?*)

IV. Other Analytics

- A. MULDOON to work on effects of policies on the typical family. (*Draft by WHEN?*)
- B. SANTEBASAN to work on age distribution of plants, coal and nuclear (mostly done, incorporated in Frankel T&T memo). (*Draft by WHEN?*)
- C. GRUBER and JONES to work on incidence (JONES is doing memo for early next week - should pass to WILCOX for review). (*Draft by WHEN?*)
- D. ROBERTS to work on memo on size of financial flows. (*Draft by WHEN?*) ^{ALG}
- E. MULDOON to work on political economy lessons from BTU tax and Carter oil allocation scheme. (*Draft by WHEN?*)

- F. SCHOLZ to work on revenue recycling. How does the prescription of academic public finance theory translate into the real world? Why do simulations of empirical models suggest that deficit reduction might be a better way to go than recycling?
- G. GILLINGHAM to work on spelling out emissions baselines for developing countries that would not involve either excessive restraint on growth nor large transfers of resources.
- H. GRUBER and GILLINGHAM to work on developing principals for climate change.
- I. GRUBER to write up a pithy response to Slabs: Even if you accept the report lock, stock and barrel, you get only X percent of the way there without raising price. To get all the way there, you have to raise price by Y percent. This would have the following implications for energy prices — ... — and would be roughly Z times as large as the BTU tax that was proposed early in the first term.

V. Papers in the Interagency process

- A. Revised paper on developing country commitments — SQUITIERI and WILCOX to supply comments to State by COB 8/29.

$T + \tau$

my names

Cristian's regression

Jon's memo

Joint Treasury/CEA Climate Change Agenda - August 22, 1997 - annotated

I) Domestic Emissions Trading

A) Strategy: should we permit EPA to include third option?

Larry's response: we should follow the following strategy:

1) Work inside EPA to get them to kill this internally. This should proceed through Gardiner. WILCOX should take the lead on this.

2) If not killed internally, we should insist that if it is included as a third option, it is prefaced by a statement of the type "This option is completely opposed by the economic agencies".

B) SQUITIERI continues to work with EPA to refine the options that are included (at least auction and allocation, perhaps hybrid depending on (A)).

C) SQUITIERI arranges discussion of auction mechanism with Kwerel and/or other auction experts as soon as possible.

Product Goal: First draft of options paper by 8/29

II) Technology

A) GILLINGHAM and SHOGREN send comments to DoE on 5 labs study - DONE

B) GILLINGHAM, SHOGREN, and FRANKEL peruse DoE's response to our comments, and give signoff (or not) to 5 labs study

C) GILLINGHAM and SHOGREN work on broader technology paper.

D) Try to check in with TJ Glauthier to see what he envisions for technology options paper - make sure that it reflects our concerns, as laid out in our broader paper - GILLINGHAM

Product Goal: Finalized version of broader technology paper by 8/29

III) Targets and Timetables

A) FRANKEL, SHOGREN, SQUITIERI, and ROBERTS work with modellers to get runs of different paths of emissions, producing data on concentrations, temperatures, and costs to the economy (CEA is leading on this - rough draft of memo exists).

B) JONES writes up a summary of the Nordhaus argument that 1990 by 2010 is worse than nothing.

Product Goal: Have rough drafts of memo on targets and timetables by 8/29

IV) Other Analytics

A) MULDOON works on effects of policies on the typical family.

B) SANTEBASAN works on age distribution of plants, coal and nuclear (mostly done, incorporated in Frankel T&T memo).

C) GRUBER and JONES work on incidence (JONES is doing memo for early next week - should pass to WILCOX for review).

D) ROBERTS works on memo on size of financial flows

E) MULDOON works on political economy lessons from BTU tax and Carter oil allocation scheme.

Product Goal: Have at least rough drafts of memos on each of these topics by 8/29

V) Other Papers

A) Developing country commitments

B) JI and additionality

C) International Trading

- GRUBER rough comments passed on to WILCOX on 8/22. OASIA is working on providing comments - e-mail with some comments from Truman Semans has been forwarded.

D) Escape clause - GRUBER comments passed on to Victoria Greenfield. FRANKEL working on analytics of when we would need escape clause - WILCOX and others should consult with him on this - this could be a big issue.

E) Paper by USTR on Domestic Implementation and Trade - ROBERTS and WILCOX to provide comments by 8/29.

F) Paper by Justice on relationship between international and domestic trading - WILCOX to check on status and provide comments early in week of 8/25.

G) Competitiveness paper - WILCOX to check on status and provide comments by 8/29

H) Pomerance and Hunker have been tasked to produce a paper on negotiating implications of different targets and timetables by 8/22 - WILCOX to check on status and provide comments by 8/29 (perhaps tied to what we find from analysis in III)

I) Federal Undertakings paper due 8/29 - WILCOX and/or GRUBER to provide comments week

of 9/1

J) Early credit memo from Orszag - GILLINGHAM and/or WILCOX to provide comments on Monday, 8/25.