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PLEASE PASS IMMEDIATELY TO OES FRONT OFFICE. THANKS.

TELEFAX

FAX to: 202 647-0217

DATE: 30 October 1997

LUISA ABBOTT

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

FROM: USDEL/Bonn, Mark G. Hambley

SUBJECT: Climate Change Talks: Update No. 10 (Oct 29/30)

LUISA

Text: ~~Conchita:~~ Attached is the climate talks Update No. 10 which covers activities from the afternoon of Oct 29 through the morning session of Thursday, Oct 30. Please transmit it to the personnel/offices on the attached list. Thank you!

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

Revised 10/25/97

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USTR	Jennifer Haverkamp	(202) 395-7320	(202) 395-4579
USUN	Burgess Laird	6-7583	6-7551

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30 October 1997

Memorandum

To: Please See the Attached List

From: USDEL/Bonn – Mark G. Hambley

Subject: **Climate Change Talks, Update No. 10: Activities for October 29-30, 1997**

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-8), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon of Oct 29 through the morning of Oct 30. The following reports are also included:

(a) Oct 27 reports on contacts with Canada and Australia over the impact of GHGs on national security by Capt Chris Weaver, USN;
(b) An account on the Oct 28 meeting of SBI on outstanding issues prepared by Leslie Cordes/USAID; and,
(c) Reports on Oct 29 contact groups and informal sessions dealing with emissions trading and QELROS prepared by EPA's Sharon Saile.

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

Climate Changes Talks, Update No. 9: AGBM Plenary Begins Laborious Task of Finalizing the Negotiating, Text, while Contact Groups Continue their Deliberations on Outstanding Issues

U.S. Provokes Some Excitement

The AGBM resumed its plenary sessions (open to all NGOs and accredited observers; informal sessions excluding them are expected to resume somewhat later in the program) on Oct 30 with a reading of Article 2 of the Chair's revised draft on policies and measures (PAMs). A report was delivered by the Chair of the working group (Kante of Senegal), following which NGOs and business had an opportunity to comment on the topic. As the latter were evenly divided between "for" and "against" harmonized PAMs, the Chair chimed in that "given the divisions among the non-governmental organizations, it might be best to leavae the matter for governments to decide."

The Chair then proceded to go through each paragraph and sub-paragraph of the text and took aboard comments from a wide range of countries. At one point, the U.S. pointed out that the formulation of one paragraph did not reflect the views of all of those in the room. There was no consensus. The Chair (Raoul Estrada of Argentina) responded that only three countries were against this paragraph -- the U.S., Canada, and Australia. Therefore, a consensus was, in fact, in play.

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The U.S. countered once more, and then was followed by Venezuala's rejection of the Chair's ruling, whereupon Estrada then said he would call for a vote and sent the Secretariat in search of a roster of countries. The room was abuzz for a few moments, during which the U.S. suggested that its intention was to give the Chair an opportunity to redraft the offending paragraph in a manner more broadly acceptable; Venezuala withdrew its rejection of the Chair's ruling , and the question of a vote was laid to rest -- for the moment. USDEL's Daniel Reifsnyder thanked the Chair for providing the meeting with much excitement, a remark which was greeted with laughter by the crowd in the plenary hall.

Levity aside, the exchange gives further evidence of the rather direct manner in which Chairman Estrada intends to proceed in bring a document forth to the COP. In this instance, we were the targets of his disfavor (but on a relatively minor point); later, it will no doubt be one or the other of the two key blocks in the hall, the G-77/China and the European Union (EU).

The Status of Key Issues (as of 10/30/97)

As is indicated in the attached detailed reports prepared by USDEL members, there has been movement in several areas, although final agreement is fleeting. Whether this is merely a negotiating tactic on the part of the blocking party(ies) or represents firmly held conviction is dependent on several factors. Following is a wrap-up of where several of these issues stand as of mid-day, Oct 30:

(a) **Article 10 (the article substituted for a watered down version of our Annex B):** Much progress was achieved in a contact group which met on Oct 29. Argentina spoke in terms strongly reminiscent of the declaration issued by Presidents Clinton and Menem in mid-October and expressed strong interest in Article 10. (Note: Estrada has reportedly remarked, with some sincerity, that Argentina took this position because it was "tricked" into believing that the U.S. emissions target would have included a substantial reduction by 2010. **End Note.**) Mexicio did not reject the concept but raised several questions about it, including the issue about who is to decide if the proposed level is adequate. Mexico prefers that it not be judged, that as it would be making its proposal voluntarily, then no one should question it or second-guess Mexico. The U.S. suggests that all Annex I countries give their assent, while the EU believes that a significant majority of Annex I should be sufficient. In spite of these developments, the G-77's official position (as articulated by Saudi Arabia) remains firmly opposed to Article 10 because of the view that it imposes new commitments on developing countries -- despite the "voluntary" feature of this provision.

(b) **Joint Implementation with credit:** Iran and the G-77 generally remain strongly opposed to joint implementation with credit -- even among Annex I Parties alone. New Zealand countered by indicating that the concept should only be applied to non-Annex I Parties. The EU, meanwhile, wants JI only within Annex I states. We have received indications that the G-77 will relent in the end, but the issue may be linked to other issues (such as the level of the target).

(c) **Gases:** A contact group on this topic has agreed on a basket of six gases (up from the three in the EU's proposal, but Japan is currently blocking "because they could not spare anyone to attend the contact group." We are confident that this will be worked out eventually.

(d) **"net" vs "non-net":** This was discussed in QELROS last night. However, the matter is complicated by the G-77/China's insistence on reinserting some of its text which was dropped.

(e) **"sinks":** no decision has been taken on this which was sent to another contact group for discussion on Oct 30. Although we believe that some sink language will be decided upon, it is not going to be the New Zealand proposal.

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(f) **Multi-year "budget" concept**: Again, most if not all Annex I Parties are in agreement with this concept, except the G-77/China which continue to insist on a a flat year target;

(g) **Policies and Measures**: As indicated, this issue has been sent to the Plenary for deliberation; The Chair has asked a few countries (the US and the EU included) to attempt to work out some compromise language on a two option paragraph in the relevant article (Art. 2). If they are not successful, the Chair indicated that the matter will be forwarded to the COP for final resolution;

(h) **Developing Countries**: Resolution of this question is tied, ironically, to an external event: the visit of President Jiang Zemin, to Washington. If he gives enough light, then matters here could change quite abruptly. If he does not, then..... Article 4.1 will be discussed during the afternoon of Oct 30. Evolution is not expected to be debated in the plenary, although Estrada has promised to forward the topic to the COP for further discussion, as appropriate. A contact group among key Annex I countries (those attending the Tokyo meeting) will meet on the night of Oct 30 to consider options for dealing with the questoin of developing countries in Kyoto; and, .

(I) **Economies in Transition (EIT)** -- baseline and paper issues. Neither of these issues has been fully resolved, as yet. We are waiting some clear-cut decisions and guidance on this issue.

In sum, the on-going effort to reach consensus is a difficult task. The G-77/China is blocking the text in several areas and is attempting to reintroduce language throughout the text to reflect either its insistence on no new commitments for developing countries, or for an effort to wring out concessions from developed countries in the areas of increased foreign assistance and technological transfer. A text may possibly be produced and, perhaps, even approved by the vast majority of the 171 Parties to the Convention. However, whether this accord will reflect our level of target, our insistance on flexibility mechanisms, or our need for a "meaningful role by key developing countries" remains quite problematic.

Canadian Decision on Target Expected Soon

Sources on the Canadian delegation, citing the pressure on the Chretien Government which followed our decision on a stabilization target in the 2008-2012 time-frame, is expected to come up with its own target in the near future. (Perhaps as early as Friday.) It is likely to mirror our own effort, although there is presssure in Ottawa to demonstrate a different target by echoing something like Japan's (2.5 to 5 percent reduction). No public announcement will be made, as the Provinces must first be consulted.

Kimble Consultations

OES Acting Assistant Secretary Melinda Kimble has met with several delegations during her brief stay in Bonn. In addition to a large contingent from Mexico (which was alerted to the fact that climate change will be on our President's agenda when President Zedillo visits), she also met with the heads of the Malaysian and Philippine delegations on Oct 29. Both told her that the G-77 is unlikely to agree to a mandate at Kyoto which specifies negotations which will culminate in quantitative limitations for them, even if these are growth budgets. "It is too soon to do so," the Malaysian said. The Malaysian indicated that a preferred course of action would be an initial demonstration of good faith by developed countries through the establishment some kind of fund which would assist in technological transfer or provide assistance to countries' mitigation efforts. Melinda met with U.S. correspondants this morning and will meet with the German media this afternoon, in addition to representatives from other countries and Chairman Estrada and FCCC Executive Secretary Cutajar.

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The following paragraphs can be used as appropriate or desired:

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TO: Amb. Mark Hambley
FROM: Sharon Saile

8 9 14

Informal Common Interest Group Meeting on Emissions Trading Wednesday, October 29

Summary:

Bob Crick of Australia chaired the discussion group, which included many individual EU countries, Russia, Poland, and almost all of the JUSSCANZ countries. The meeting was used primarily to explore the problems the EU felt needed emissions trading restrictions to address, although the US and Canada also raised the problem with the Chair's text on the conditionality of trading on the development of guidelines and modalities. The UK presented most of the EU positions, although France regularly chimed in. The UK raised two major issues: 1) the concern that they needed to address the paper tons, and decided to go back to the Chair's text in 5.2(a) which specifically restricts early actions from being credited. However, they recognized the concerns about the precision of the language, and agreed to work on alternative formulations. They also clearly linked the possible resolution of this issue to the target, indicating that if the target level were ambitious enough then the E would not need this restriction. 2) The EU also indicated the need to retain the restriction that trading would have to be supplemental to domestic policies and measures. However, they also indicated that this restriction also could likely be removed if the progress on Policies and measures listed in article 2 was sufficient. The EU, primarily represented by France, also expressed its support for a very centralized international emissions trading regime - envisioned as the required stock exchange for allowance trading. Their concern was that you had to ensure one place of exchange to facilitate the emergence of one world-wide price of allowances, in order to prevent backroom bilateral deals based on other considerations *(Sharon's note: to prevent others from making political burden-sharing arrangements like those among the EU countries; we may wish to work harder to coordinate our refusal to accommodate these concerns that the EU has for the rest of us but not for themselves).* On this note, Japan made a surprising intervention in support of this idea, although they suggested specific language to ensure real reductions and promote cost effectiveness, by editing and combining Estrada's text from JI paras 6.3 © & (d): "Emissions trading shall bring about real, measurable, and long-term environmental benefits related to the mitigation of climate change, and must contribute to the cost-effectiveness in achieving global benefits" . (France also expressed the view that we need to harmonize our domestic emissions trading systems address their concern that each Party's individual decision about allocations versus auctions of allowances would result in unfair competitive advantages for their industries. Canada, USA, and New Zealand made the most detailed rebuttals in order to support the free-market approach without unnecessary restrictions. One other interesting intervention was a suggestion from Finland that international players ought to be able to buy allowances which were allocated or auctioned to a Party's sub-national entities, which was inserted into a discussion of whether or not WTO trade rules would apply to the allowance market.

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QELROs -Technical chaired by Gylvan Meira Wednesday afternoon

Quick Summary - Gylvan introduced a new text, but there was little real progress on making any changes to the text (we only discussed the first 3 substantive paragraphs). The new text will contain 3 alternatives for Article 3.1. Alternative A is the EU approach: basket approach including "individually or jointly"; Alternative B the JUSSCANZ approach: basket approach for each Party (individually), and Alternative C is the G-77 approach : gas-by-gas approach. The new text will also leave open differentiation (retaining the Attachment 1 approach for listing the commitments) as an alternative to uniform targets. The Chair's text on Annex B was simplified to a list of the six greenhouse gases; however, Japan objected, so the Chair agreed to add back, in brackets, a complete list of the GHG sectors according to the IPCC in a second column. Although not discussed, the text still includes wording, albeit in brackets, which supports the budget period approach. *(Sharon's note - the text doesn't reflect the progress we made to reach a general consensus on 5-year budget periods).* The text also includes a paragraph which allows for regular amendments, as appropriate, to the list of gases/sources/sectors in Annex B to reflect the ongoing improvements in science. The text also includes a paragraph to provide for Parties to make every effort to limit and reduce their emissions and enhance removals from sinks for any GHGs which wind up being left out of Annex B.

Details on Interventions:

1. Accepted the revised text (which we developed along with Ireland) on reporting requirements in Article 7.

Gylvan passed out his own new text on Article 3, which of course still has lots of brackets to reflect the substantive disagreements on targets and timetables.

2. We had an overly long debate on how to reflect the continued disagreement over differentiation and uniform targets. The UK and US indicated their objection to the current text on Annex C and paragraph 3.2, which refers to a process contained in Annex C to differentiate commitments, when the text of Annex C essentially contains just a list of factors and doesn't clarify a process, (and indeed doesn't clarify how differentiation would be implemented). Australia objected when the Chair asked Switzerland to amend the text in paragraph 3.2 to reflect the concern about the word "process". The Chair asked Australia and USA to consult on this issue. In addition, the Chair asked UK to consult with G-77 and the US to find a way to move up paragraph 6 on uniform targets to just underneath paragraph 2, so that it becomes a clear basis for a uniform target alternative to a differentiated target alternative. In relation to this paragraph 6, Gylvan promised to leave the target blank, but propose a table with all the possible targets proposed by all Parties to be forwarded to Estrada for his consideration.

3. Gylvan proposed an Annex B listing just the gases, but Japan objected, so Gylvan agreed to put a complete list of all IPCC sectors back in the Annex. (JP asked for clarification as to whether Chair wanted to include the source list, but Gylvan prefers the sector list).

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4. We then reviewed paragraph 4 - a new paragraph developed by the Chair to have "demonstrable progress in achieving commitments under this Article". Given that the UK restated their position for hard commitments by 2005 (budget period to start no later than 2003), they had no comment on the wording of this text. The US proposed changing "this Article" to "this Protocol", so that the demonstrable commitments could include progress on setting up national monitoring and verification systems and the submission of reports, instead of simply fuzzy progress on reducing emissions. The Chair accepted our change and thus pointed out that Chairman Shibata would probably move the text to another Article.

OELROs - Policy chaired by Bo Kjellen Wednesday evening

Summary - Bo Kjellen indicated that a lot of progress had been made, but we hadn't actually reached consensus only on Article 8, the role of expert reviews. Bo indicated that he would recommend continued contact group work on 1) flexibility for economies in transition, 2) emissions trading, and 3) joint implementation.

Detailed interventions:

1. Article 3.4, the Chairman handed out his text, but indicated he would consult further with UK, USA, Russia, and Poland tomorrow.

2. Articles 3.13 on banking and 3.14 on borrowing are still bracketed, and no further suggestions were made in the plenary, indicating that no further movement toward consensus had been reached.

3. Article 5 - the G-77 is seeking deletion of Article 5, and the Chair will forward that as a footnote to the text. USA - still has specific, fundamental problems with the current text - how do we proceed? More extensive footnote to indicate some discussion, but no consensus even among those who support trading - and understand that Chairman Estrada will have further discretion to go back to his own text given the current lack of consensus. UK - missing from your paper is paragraph 5.2(a) to restrict hot air tons . Will recommend that contact groups continue. Poland - acceptance of Article 5 is dependent on outcome of Article 3.13 on banking (presumably for early reductions).

4. Article 6 - Confusion and a lack of agreement still exist on joint implementation provisions. Structure of joint implementation is not finished - rearrangement of material might help. Divide Article 6 into two parts - first section would cover Joint Implementation among Annex I and Article 10 Parties, while the second section would cover JI with non-Annex I Parties which do not have caps. Another more radical idea was to simplify text by eliminating details from protocol and relying on guidelines to be elaborated by decision of Parties. Will consult with Chairman Estrada on areas where he might want to undertake further consultations. USA - brackets still exist within the new text, but the brackets don't reflect the places where USA and other countries would have particular objections. Recommend opportunity for further consultations on this issue. And USA would prefer to develop a text which internally had no brackets, keeping in mind G-77

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request to have brackets on the whole thing. G-77 believes Article 6 should be deleted and should receive same treatment as Article 5. UK/EU would be happy to pursue further consultations.

5. Chair indicated the text on Article 8 on expert reviews already had been essentially agreed upon yesterday. G-77/China requested bracketing of the reference to Parties acting under Article 10, and the COP/MOP issue. US - footnote may need to reflect Article 9 on compliance. US also requested that the specific reference to Decision 2/CP.1 should be deleted - "guidelines to be adopted by the MOP:". UK - remembers the discussion about it, but doesn't remember what we decided. "taking into account the guidelines adopted for this purpose by the COP of the Convention.", which was agreed for Article 7 this morning. G-77 and USA agreed.

6. Article 10 for voluntary commitments for non-Annex I Parties - chaired by Norway - no official text on this particular item yet. Further views were explained, but no drafting. Difference of views - some parties want to delete while others strongly want to retain. Among those wanting to retain - clarify information needed of base period, projections, and target periods, and clarification of the process. Article 10 is incomplete - further elaboration of compliance, acceptance criteria, and procedure on what happens if application not accepted by MOP - prompt start suggested. Provisions of Article 10 shouldn't promote higher stands for non than annex I - and has commitments have implications for the rest of the protocol. Mexico wants followup on the Chair's text. (Chairman Kjellen indicated that the only actual text on the table at the moment is the original Estrada text, which he may modify according to the status report from Norway).
7. Article 11 for review of adequacy of commitments. Concerned about the risk of duplication with the FCCC itself in 4.2(d), which would include review of the protocol. Therefore, Chair elaborated his own text, but had trouble reaching all of the delegations for bilateral consultations. A long series of interventions for and against particular amendments to the text ensued. Unfortunately, the discussion seems to be leading to text that would grandfather the non-participation of non-Annex I Parties forever, because Article 11 would review the adequacy only of Annex I commitments, even though the adequacy of the protocol depends not just on those who take commitments, but also on the adequacy or inadequacy based on a lack of participation in the protocol from the non-Annex I Parties.

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Meeting of the SBI
Informal Meeting on Outstanding Agenda Items
October 28, 1997
Prepared by Leslie Cordes/USAID

The SBI had a relatively quick wrap up session to approve outstanding items on the agenda and refer them to Thursday's SBI Plenary for approval. The Chairman began the session with firm instructions to the delegates that the session was intended as a quick wrap-up -- as it was the last informal meeting of the SBI before Kyoto -- and therefore not the place to raise new issues. The delegates approved the following items as follows:

* Approval of both the draft conclusions and the draft decision on Communications from Parties Included in Annex I to the Convention;

* Approval of the text on Consideration of Initial National Communications from Partics Not Included in Annex I to the Convention for transmittal to the COP;

* Approval of the draft decision on Activities Implemented Jointly Under the Pilot Phase for transmittal to the COP;

* Having already approved the conclusions on the Development and Transfer of Technologies at the informal SBSTA session earlier in the day, the delegates approved the draft decision on Development and Transfer of Technologies for transmittal to the COP;

* Approval of the decision on Financial Mechanisms, and related Annex to the MOU on the determination of funding for the implementation of the Convention, for transmittal to the COP;

* Approval of the draft decision on Administrative and Financial Matters for transmittal to the COP. Interestingly this issue was not taken up by a contact group, rather the vice-chair consulted with key delegations in gaining consensus on the text;

* Approval of the Draft Report of the Subsidiary Body for Implementation on the Work of its Seventh Session, Bonn 20-29 October 1997 and Addendum, with an amendment proposed by the United States. The amendment pertained to recognition of the divergent views on the issue of the post-Kyoto program budget; and

* Approval of the amended draft decision on Arrangements for Intergovernmental Meetings for transmittal to the COP. The amendment requested the Secretariat to advise the SBI on relevant UN procedures.

Delegates concluded the meeting by thanking the Chairman for his distinguished service as chair of the SBI.

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Summary of Conversation with Ms. Meg McDonald, Ambassador for Environment and Chief of Australian Delegation to FCCC, 1010, 28 Oct 97, Beethoven Halle Foyer

After a brief self-introduction, I asked Ms. McDonald if the Australian government was considering the impact of emission limitations on national security. She responded that their military had raised the question some time ago but that the issue had not been fully evaluated yet. She indicated that she felt, as did the Australian military, that it was worthy of development, but that nothing significant had occurred along these lines prior to the current conference.

Ms. McDonald suggested that the best way to flesh out the issue right now was to encourage our military representatives in Washington to contact both the Australian Defense Attache and the Deputy Chief of Mission, Mr. O'Sullivan. Both the military and political aspects of the issue could be thus addressed simultaneously.

The conversation ended at approximately 1015. Ms. McDonald was very pleasant and seemed genuinely interested in the development of the issue between our two governments.

Captain Christopher E. Weaver, USN
Joint Staff (J4), Pentagon, Rm 2E828
703-697-1408/7000

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Summary of conversation with Ms. Jennifer Irish, Canadian Foreign Ministry 1655-1700, 27 Oct 97, Beethoven Halle Foyer

I asked Ms. Irish if the Canadian government perceived an impact of GHG emission limitations on national security and that we were evaluating the same thing. She responded that her government had not, but that it was a relevant topic and they would be raising it with Ottawa. She asked if our concerns were focused on peacekeeping/peace enforcement to which I responded yes, but also the areas of routine operations and training, such as annual multilateral operations, as well. She asked if our delegation intended to bring this issue up in Bonn to which I replied that we were still evaluating the issue ourselves.

Ms. Irish went on to say that Canada was concerned about "unforeseen emergencies" and their impact on national emissions limits. She cited the recent nuclear reactor problems in Canada and that those problems were causing a significant increase in fossil fuel by-products in her country. She offered that she thought in such instances, nations should have some type of emergency emission category to avoid exceeding their allocations. She felt emergent wartime/crisis military operations could possibly be put under such an "emergency" proviso. More specifically regarding national security operations emissions, Ms. Irish indicated that it was possible such an issue could be treated in a post-Kyoto process of addressing the details of emissions accounting procedures. She said that addressing issues like this in such a manner would facilitate a "prompt start" provision to take effect relatively soon after Kyoto.

The conversation concluded at approximately 1700. Ms. Irish was very pleasant and seemed genuinely interested in the issue.

Captain Christopher Weaver, USN
Joint Staff (J4), Pentagon, Rm 2E828
703-697-1408/7000

URGENT-URGENT-URGENT

TELEFAX

FAX to: 001 202 647-0217

DATE: 30 October 1997

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

FROM: USDEL/Bonn, Mark G. Hambley

SUBJECT: Climate Change Talks: Supplement to Update No. 10 (Oct 29/30)

Text: Attached is a supplement to Update No. 10 for October 29/30 which should be read in conjunction with Update No. 10 itself. It forwards the Oct 30 editions of the NGO rag, ECO, plus the EARTH NEGOTIATIONS BULLETIN which reports on conference iactitivites for October 29. It should be noted that there was no Supplement for Update 9, as no ECO was produced. Please dispatch this report to the personnel/offices on the attached list. Thank you!

2076

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

Revised 10/21/97

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Earth Negotiations Bulletin

3076.

A Reporting Service for Environment and Development Negotiations

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HIGHLIGHTS FROM THE MEETINGS OF THE FCCC SUBSIDIARY BODIES 29 OCTOBER 1997

Delegates to the eighth session of the *Ad Hoc* Group on the Berlin Mandate (AGBM-8) met in non-group sessions on institutions and mechanisms and quantified emissions limitation and reduction objectives (QELROs). The QELROs non-group also met in the evening. The seventh session of the Subsidiary Body for Implementation (SBI-7) held its final meeting and considered outstanding agenda items and the report of the session. An NGO briefing was held in the morning.

NGO BRIEFING

At the morning briefing convened by the AGBM Chair Raúl Estrada-Oyuela, industry and environmental NGOs were invited to prepare comments on a number of contentious issues.

The Chair of the non-group on policies and measures, Bakary Kante (Senegal), reported that consensus had been reached on cooperation among Parties, with some conditions. There has been a clear statement of views on the issue of coordinated and mandatory policies and measures but it will be difficult, for the time being, to reach consensus. A number of "very nice" formulations have been placed in brackets. No consensus emerged on the issue of compensation, so this will also go forward to the AGBM Chair unresolved.

Chair Estrada invited industry NGOs to consider the question of whether the Parties should try to agree mandatory policies and measures, with all countries acting on the same general policies coordinated at intergovernmental level, and convey their views to the AGBM plenary Thursday morning. An industry spokesman concurred and indicated that business favors implementation at country-level to take account of national economic and energy profiles.

The Chair of the non-group on FCCC Article 4.1 reported that a text has been adopted after a constructive round of meetings that cleared a reasonable amount of text. Two "hard core" issues will demand the attention of the AGBM Chair. These are: general commitments applicable to all Parties to achieve mitigation and adaptation measures; and transfer of environmentally sound technology. Chair Estrada invited developing country NGOs to present short comments on these issues. The non-group Chair welcomed Parties' readiness to resolve the issue of means of implementation (Article 12) although some technical items remain in brackets.

The Chair of the non-group on institutions and mechanisms, Takao Shibata (Japan), was invited to comment on the legal status of the proposed Attachment 1 to register Parties' commitments. He reported a divergence of views, with many delegations concerned about the amendment procedure that would apply to the Attachment. He indicated that the outcome of discussions will be linked to the nature of the commitments.

Bo Kjellén (Sweden) reported on the QELROs-2 non-group. There has been near total agreement on reporting and review (Article 8). On voluntary commitments (Article 10), he reported that the G-77 has taken a negative line and Norway is chairing a working group. On review of adequacy of commitments (Article 11), Chair Kjellén said he will be conducting consultations on a bilateral basis and circulating his own draft text. A contact group involving the EU, the US, and others is considering emissions trading, and consultations are also planned on joint implementation. Chair Estrada announced that the AGBM Plenary will convene Thursday to begin the process of finishing the AGBM's work, followed by closed meetings.

SUBSIDIARY BODY FOR IMPLEMENTATION

In the final SBI session, delegates adopted draft conclusions, draft decisions for adoption at COP-3 and the report of the session. Under the draft conclusions on Annex I communications (FCCC/SBI/1997/L.7), SBI: requested the Secretariat to evaluate the feasibility of compiling available supplementary data from authoritative sources on GHG emissions for the purpose of comparison with national submissions, reporting to SBI-9; expressed its intent to perform an interim assessment of the in-depth reviews of second national communications for SBI-9; and noted with regret that insufficient responses from Annex I Parties did not allow presentation of the schedule of in-depth reviews at SBI-7.

Under the draft decision, COP-3 would call upon Annex I Parties to follow the revised FCCC guidelines and request the Secretariat to prepare a full compilation of second national communications and publish national GHG inventories. COP-3 would decide that in-depth reviews of second national communications will include visits by review teams and executive summaries of the communications will be published as official FCCC documents.

On non-Annex I communications, delegates adopted draft conclusions and a draft decision produced by a contact group chaired by the US and Malaysia (FCCC/SBI/1997/L.8). The draft SBI conclusions request the Secretariat to organize a workshop on a process for considering initial national communications from non-Annex I Parties. The Secretariat is requested to submit its observations on the national communications submitted by non-Annex I Parties by 30 March 1998. SBI also requested the Secretariat to provide a compilation of comments by Parties at SBI-8.

The draft decision was compiled from three proposals. It contains bracketed language stating that the process of consideration shall assist the Secretariat's determination of the needs of non-Annex I Parties [for the preparation of national communications] or [related to implementation of commitments, in particular those associated with proposed projects and response measures]. On the type of review, the text states that the communications

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should be subject to an [in depth][technical][assessment] or [review]. Regarding the Secretariat's future work, the decision contains bracketed text on compilation and synthesis [annually], as well as on proposed workshops and the selection of expert review teams. All references to work that the COP would request SBI and SBSTA to perform on national communications are bracketed.

On the financial mechanism, delegates adopted two draft decisions for COP-3 (FCCC/SBI/1997/L.9) produced by a contact group chaired by Antigua and Barbuda. Under the first decision, the COP would decide to continue the review process through SBI, in accordance with the criteria established in the guidelines adopted by SBI-5. Under the second decision, the COP would note that the GEF Council approved the annex to the Memorandum of Understanding between the COP and the GEF Council and decide to approve the annex, thereby bringing it into force.

Delegates also adopted draft COP decisions on activities implemented jointly (AIJ) and the development and transfer of technology. The decisions, produced by a joint SBSTA/SBI contact group, were adopted by SBSTA on 28 October. Delegates also adopted draft COP decisions on the financial performance of the Convention in the biennium 1996-1997 (FCCC/SBI/1997/L.11) and on COP-4 (FCCC/SBI/1997/L.10), which would be held Bonn in November 1998.

SBI Rapporteur Patricia Iturregui (Peru) presented the draft report of the meeting (FCCC/SBI/1997/L.6 and CRP.9). On proposed amendments to the Convention, the SBI decided to recommend to the COP that any proposals be taken up in the order they were submitted, if appropriate. SAUDI ARABIA proposed deleting "if appropriate," but the EU supported its retention. KUWAIT proposed that all amendments be taken as "a package." Delegates agreed to remove the phrase in question. The report was adopted as amended.

In closing the session, Chair Mahmoud Ould El Ghaouth (Mauritania) noted that some observers think SBI has no problems and simply "rubber stamps" decisions. He said this characterization is unfair, given the amount of time and effort spent in consultations. He said his successor should keep SBI free of debate, and continue serve as the FCCC's operational arm.

NON-GROUP ON QELROs

The non-group discussed a new paper by Chair Luiz Gylvan Meira Filho (Brazil) containing proposals for articles on QELROs, national systems for the estimation of anthropogenic emissions by sources and removals by sinks of GHGs, methodologies, global warming potentials (GWPs), an annex listing gases and an attachment under which emission commitments and base year/periods would appear.

On QELROs, the paper includes two alternatives on how Parties/Party's GHG emissions shall "not exceed" their/its commitments, expressed either in "terms of budgets" or "emission budgets." The previous negotiating text by the AGBM Chair spoke of commitments in terms of reducing emissions. The Chair noted the first alternative was broader and would encompass removal of GHGs by sinks. A regional group indicated its preference for the first alternative. A group of countries requested that a proposal it had made be included as a third alternative. Three countries stated their preference for the second alternative. Discussion continued on the net or aggregate approach and whether commitments would be met jointly or individually.

Considering that no progress was being made regarding specific targets and dates, the Chair proposed either listing them in a table or attempting to draft a paragraph of a general nature, with gaps on specific QELROs to be filled in at a later stage. A contact group was created to deal with this task.

There was no agreement on whether commitments should be listed in an annex or should appear within the Protocol. On the need for Annex I Parties to prove "demonstrable progress" in the achievement of their commitments by the year 2005, a delegation indicated that the term was unclear and would be better fitted into another part of the Protocol not dealing with QELROs.

In the final QELROs session held in the evening, a group of countries proposed the deletion of articles on emissions trading, activities implemented jointly and voluntary commitments. Delegates spent a considerable portion of the session debating an article on "adequacy of implementation" in the non-group Chair's revised text. One country proposed returning to "adequacy of commitments," as in the original text. Another preferred that adequacy of commitments be included in the article on QELROs. There will be further consultations on provisions related to countries with economies in transition. One participant noted there was no "real" discussion on emissions banking and borrowing.

NON-GROUP ON INSTITUTIONS AND MECHANISMS

The group discussed legal aspects of the "bubble" concept for a shared emissions target for a group of countries. A regional group presented its text, noting that the shared target was a matter of compliance. Other delegations objected. In an article defining the role of the COP and Meeting of Parties (MOP), a group of countries proposed a reference to an FCCC Article 7 provision that the COP can review "any related instrument." The group offered to produce an alternative text. Other delegations objected, preferring to work from the revised non-group Chair's text. The non-group planned an informal session Thursday to review the article.

A group of countries requested restoration of bracketed text requiring protocol parties to provide additional funding in an article on Secretariat services to a protocol. There was general agreement that an article on subsidiary bodies should be aligned with the text on the COP and MOP, but no final agreement was possible until the other article is finalized.

A contact group presented language that the MOP shall "approve appropriate and effective" non-compliance procedures and mechanisms, but a number of delegations objected. A group of countries said the non-compliance text was linked to the decision on establishing a clean development fund.

In a paragraph on amendments to a protocol, a delegation proposed a footnote that amendments could only address commitments under FCCC articles 4.2 (a), (b) and (d), and another delegation suggested that approval of amendments should be by double 2/3 majority. Delegates discussed possible meanings of annexes, but a group of countries objected to use of annexes and to attachments in a separate article on adding non-Annex I Parties to the protocol.

IN THE CORRIDORS

Norway chaired a contact group on Article 10, on commitments undertaken voluntarily. Opponents of the Article continued to seek its deletion from the AGBM's negotiating text. Those in favor argued that the content represents an essential element of a protocol and a number of amendments were introduced. These were designed to clarify the requirements for consideration of requests to be bound by the Article and a mechanism to oversee policies and measures for those countries undertaking commitments voluntarily. A number of developing countries continued to state their opposition. A contact group involving the US and the EU met to discuss their positions on emissions trading (Article 5). The fate of this issue together with joint implementation and credits continues to be linked to the outcome of negotiations on QELROs.

THINGS TO LOOK FOR TODAY

AGBM: AGBM is expected to meet in Plenary at 10:00 am. Informal sessions are expected throughout the day.

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CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

eco

30 OCTOBER
FUDGING THE ISSUE

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

Emissions Increase Protocol?

With two days of formal negotiations left before Kyoto and no apparent progress in the negotiations here in Bonn, delegates are beginning to wonder whether an agreement in Kyoto is still possible. The answer is definitely yes – the prospects for an agreement are a function of political will, not the calendar. The real question that we must all ask in earnest is: Will the agreement that diplomats patch together in Kyoto be worth having? The answer to that question is far less clear.

One thing is certain. A Kyoto protocol that authorizes an overall increase of actual emissions to the atmosphere above current levels from Annex I Parties is totally unacceptable. Incredibly, negotiators are in grave danger of agreeing to such a result.

It seems unlikely that even President Clinton's weak proposal was intended to lead to this outcome.

Do the politicians in their capitals who have made impressive speeches about the importance of responding to the threat of global warming realize this risk? Do they realize that current Annex I emissions are some 5% below 1990 levels, so that an emissions "stabilization" target would actually be a license to increase emissions, even in the absence of loopholes? Do they realize that banking of emissions reductions since 1990 in Russia and other Central and Eastern Europe countries could authorize another 15% increase in Annex I emissions? Do they realize that uncertainty about the definition of an anthropogenic sink and the methodologies for measuring them could render meaningless any number agreed in Kyoto?

These possibilities are in the text now being actively considered by the AGBM.

Maybe politicians realize these things only too well, but cynically believe that the public is too stupid to notice. We have noticed. You have been warned.

A Sinister Link

By Hermann Ott, Wuppertal Institute, Jennifer Morgan, USCAN and Kelly Sims, Ozone Action

The Americans are toying with one of the most fundamental elements of the elusive Protocol.. They are linking developing country commitments with the review of adequacy of commitments. One can only admire their consistency in finding every possible way to bring developing countries into this protocol. It is a grave mistake and is risking having any review mechanism in the Protocol.

There are theoretically three ways to do review. Under the Convention, Articles 4.2 (d) and (e) and 7.2 (a) provide mechanisms for review. Otherwise, a separate article can be included in the Protocol.

Upon consideration of these options, a review of the Protocol's commitments in the Convention is wholly inadequate. It is clearly desirable to include the Review as a separate article in the Protocol rather than exclusively relying upon the Convention. The review should, on the contrary, be institutionalized in the same legal agreement as the obligation. A protocol will hopefully provide a more dynamic and effective system than is currently experienced in the Convention process. It should also be conducted by the same Parties who have obligations under the Protocol. Otherwise, Parties that have not ratified the Proto-

continued on back page, col 2

NGO Intervention on Article 4.1.

as presented to the AGBM by Climate Action Network, 30th October 1997

The Berlin Mandate called on Parties to advance implementation of Article 4.1 of the Convention – an article that applies equally to all Parties.

Our first general comment is that the current proposal by the chairman of the non-group fails to adequately advance implementation of Article 4.1.

The text is riddled with qualifications and weak language with respect to the level of action required by Parties. In fact, many of the articles in the current Chairman's proposal are weaker than their original 4.1 version. In this regard, I would specifically refer to the Articles 1 (d) and (e).

Article 1(d) relates to incorporating climate considerations into decision-making. The current version, which is in brackets, says Parties shall "take steps towards identifying and implementing procedures to ensure that climate change considerations are taken into account in relevant governmental decisions, including those of intergovernmental organizations and in particular multilateral development banks."

The current version in Article 4.1 makes specific reference to how this shall be done by referring to incorporating climate considerations into environmental impact assessments. The Climate Action Network would like to see this article strengthened and to refer to other possible action, including climate considerations in transportation and land use planning and reporting of greenhouse gas emissions in national pollutant release inventories where available.

With respect to Article 1 (e), the Climate Action Network is surprised to see brackets

continued on back page, col 1

ISSUE NO6 VOLUME XCVII FREE OF CHARGE

6916

CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

Intervention, from front page

around an article requiring development of indicators to assess climate change and its impacts. These brackets should be removed.

With respect to the reference to incorporating climate considerations into decision-making of the multi-lateral development banks, CAN would like the language strengthened to reflect the view that multilateral development bank lending guidance and development assistance must fully reflect climate criteria to promote climate-friendly technologies. Bilateral development assistance should also be consistent with climate objectives.

Secondly, we would make the observation that advancement of Article 4.1 is ultimately linked to technology transfer and policies that support that transfer. The process, however, cannot and should not be reduced to just dollars. Resources are limited and innovative approaches are needed to lever private sector involvement. It may be possible to enter into covenants with key business sectors to transfer the best technology. The U.S. House Committee on International Relations has suggested that specific incentives should be provided, including tax relief, export credits and expanded political risk insurance.

Article 13 relates to funding for the financial mechanism and technology transfer.

The Climate Action Network would agree that financial resources must be provided to support implementation of Articles 12 and 13 and that this funding be adequate and predictable.

Additional considerations could include:

Putting an end to the transfer of inefficient, carbon-intensive second-hand technology.

Identifying technologies that have matured in developed countries with publicly funded research that could be made more widely available as Publicly Owned Technology at no cost in order to catalyze private sector technology transfer.

CAN also highlighted the following points:

Many developing countries are committed to and in fact are already undertaking no regrets measures to curb GHG emissions domestically, despite not having reduction commitments. Some of these measures include reducing fossil fuel subsidies, adjusting and removing import requirements for clean energy technologies and development of national energy efficiency and renewable energy programs. Note that these initiatives are driven not just by an environmental imperative but economic development targets as well.

Information should be widely distributed on the effectiveness of removals of market barriers and the creation of a public policy environment for the promotion of renewable energy technologies such as those which occurred in Indonesia, with geothermal and in India, with wind.

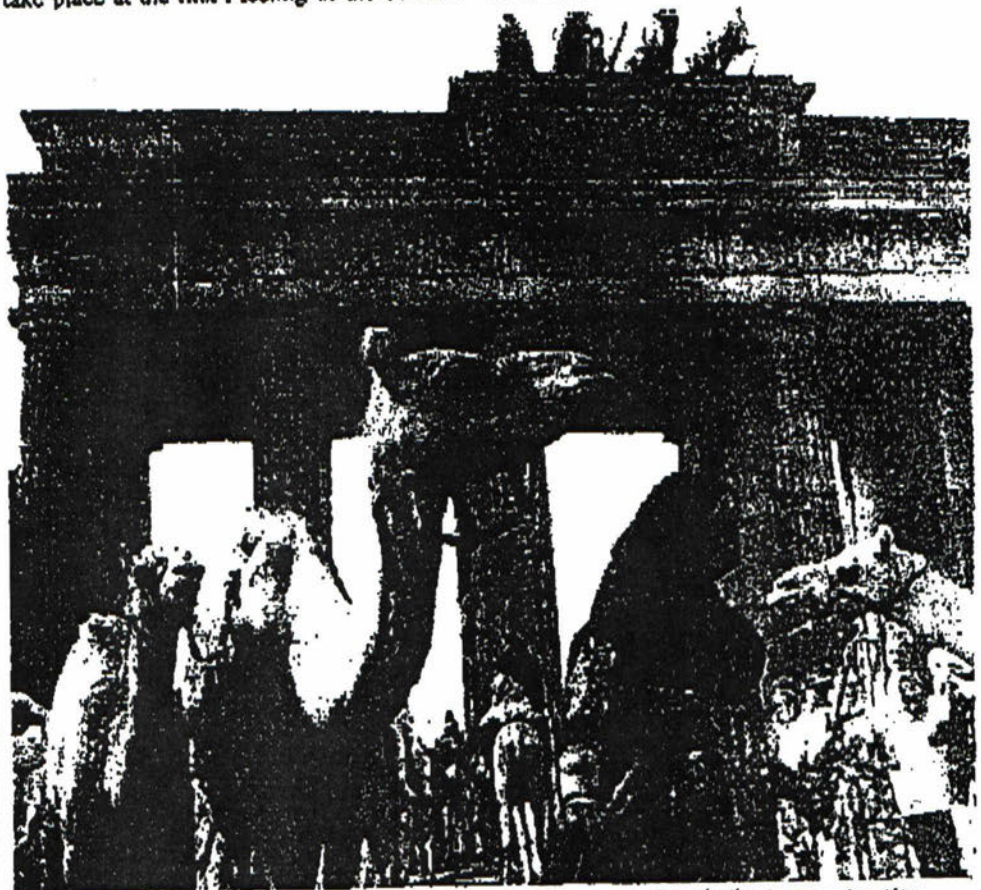
Sinister, from front page

col but are Parties to the Convention would have a say in the review. This is not only unfair and inappropriate, but also removes an important incentive to ratify the Protocol.

The review of commitments must be conducted on a scheduled basis and not just in a "regular and timely manner," as it currently stands in the Chairman's text. Moreover, it must be clearly linked with the timing of the budget periods included in the Protocol. In fact, each review should conclude no later than two years before the start of a new budget period so that adjustments can be made if necessary. The first review should take place at the first Meeting of the Parties. Using only the Convention review provisions would undermine all of these goals. For example, the Convention does not have a schedule for reviews after 1998.

The review of adequacy of commitments should be conducted in the light of the best available scientific information and assessment on climate change and its impacts, as well as relevant technical, social and economic information, with a view to achieving the objective of the Convention. Based on this review, the Meeting of the Parties should take appropriate action.

The current Chairman's text discussed last night is poorly formulated and simply needs to be rewritten with the above elements included.



Arabia is already looking forward to climate-driven export opportunities in the transport sector

Ludwig

Some may have noticed that a certain Mr Pershing, representative of the major Northern emitter, and normally of course the gentlest of souls, has been, shall we say, more than usually forthright over the last two weeks – some have gone further: words such as "aggressive", "difficult" and even "downright ornery" have been heard. Ludwig can reveal that this behaviour is not really due to any deep-seated hostility to anything vaguely Southern. It stems instead from the fact that Jonathan has recently purchased a new pair of shoes, which are obviously giving him some discomfort.

It is now seven years since Ludwig first visited these negotiations. At the time, discussion centred on the possibility that some agreement might be reached in the near future to limit emissions. My how things have progressed!

JESSE HELMS, NORTH CAROLINA, CHAIRMAN

RICHARD G. LUGAR, INDIANA
PAUL COVERDELL, GEORGIA
CHUCK HAGEL, NEBRASKA
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United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

October 29, 1997

10/30 advised IPS & cy OES

MEMORANDUM

TO: Senator Jesse Helms
Senator Joseph R. Biden, Jr.

THROUGH: James W. Nance
Edwin K. Hall

FROM: Patricia McNerney

SUBJECT: Request for approval of foreign travel

WHO: Patricia McNerney

WHEN: November 30 - December 11, 1997

WHERE: Kyoto, Japan

PURPOSE: Congressional Observer to the Third Conference of the Parties of the U.N. Framework Convention on Climate Change.

Jesse Helms - Approved. Subject to the above named individual's submitting a substantive report as required by Section 502(b) of the Mutual Security Act of 1954, as amended.
Authorization granted for the enhanced allowance of $50 above

_____ - Disapproved.

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL # of pages ▸ 1

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Bonn

'97 OCT 20 PM3:04

Updates

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Revised 10/20/97

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State	Jack Schick	(202) 647-4069	(703) 482-0767
State	Mario Merida	(202) 647-2231	(202) 647-4037
State	Susan Gordon	(202) 647-4069	(202) 647-0191
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CEA	Jeffrey Frankel	(202) 395-5046	(202) 395-6958
OMB	T. J. Glauthier	(202) 395-4561	(202) 395-4639
Justice	Lois Schiffer	(202) 514-2701	(202) 514-0557
Justice	Jim Rubin	(202) 514-8864	(202) 514-4231
Commerce	Jeffrey Hunker	(202) 482-6055	(202) 482-4636
NOAA	Terry Garcia	(202) 482-3567	(202) 482-6318
Treasury	David Wilcox	(202) 622-2200	(202) 622-2633
Interior	Brooks Yeager	(202) 208-6182	(202) 208-4561
USTR	Jennifer Haverkamp	(202) 395-7320	(202) 395-4579
Agriculture	Charlie Rawls	(202) 720-6158	(202) 720-5437
WHTFCC	Dirk Forrister	(202) 343-1060	(202) 343-1162
EPA	William A. Nitze	(202) 564-6600	(202) 565-2407
EPA	Richard D. Wilson	(202) 260-7400	(202) 260-5155
EPA	David Gardiner	(202) 260-4332	(202) 260-0275
EPA	Avis Robinson	(202) 260-3354	(202) 260-6405
EPA	Paul Stolpman	(202) 233-9140	(202) 233-9598
DOE	Abraham Haspel	(202) 586-5316	(202) 586-3047
DOE	Mark Chupka	(202) 586-5800	(202) 586-0861
DOE	Mark Mazur	(202) 586-7700	(202) 586-9626
DOE	Howard Gruenspecht	(202) 586-5337	(202) 586-5391
DOT	John Lieber	(202) 366-4450	(202) 366-7127
OVP	Pete Jordan	(202) 456-9501	(202) 456-9500
CEQ	David Sandalow	(202) 456-6543	(202) 456-2710
CEQ	Steve Seidel	(202) 343-1092	(202) 343-1163
AID	David Hales	(202) 712-5552	(202) 712-1709
WH	Todd Stern	(202) 456-2702	(202) 456-2215
L/OES	Evan Bloom	(202) 647-1370	(202) 736-7115
NEC	Gene Sperling	(202) 456-2807	(202) 456-2878
CEQ	Katie McGinty	(202) 456-6224	(202) 456-2710
NEC	Dan Tarullo	(202) 456-5353	(202) 456-1605
Treasury	Larry Summers	(202) 622-1080	(202) 622-0081
NSC	Jim Steinberg	(202) 456-9491	(202) 456-9490
Treasury	Bob Boorstein	(202) 622-0486	(202) 622-0073
NOAA	Sally Kane/Jim Buizer	(301) 427-2089 Ext. 516	(301) 427-2073
NEC	Peter Orzag	(202) 456-5358	(202) 456-2223
USAID	Leslie Cordes	(202) 712-5304	(202) 216-3230
Commerce	Laurence S. Campbell	(202) 482-3038	(202) 482-0325
USUN	Burgess Laird	6-7583	6-7551

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20 October 1997

Memorandum

To: Please See the Attached List

From: USDEL/Bonn -- Mark G. Hambley

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

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

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

SBI Forms Numerous Contact Groups

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

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

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

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

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

Europeans Discover Evolution

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

Mainz Meeting: A Long Road to Consensus

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

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

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

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

The CIG also discussed positions with regard to the Chair's revised negotiating text. The EU divulged that it will attempt to put back into the text its proposed concentration ceiling of 550 ppm, along with a cautionary note about a two degrees centigrade change in temperature. Less suprisingly, the EU also expressed the importance it attaches to the policies and measures (PAMs) portion of the revised AGBM text and indicated that it will endeavor to include some mandatory or harmonized (PAMs) during the forthcoming AGBM session. On a more positive note, the EU indicated it agreement with us about the inappropriateness of G-77/China attempts to infuse the Article 4.1 text with references to additional financial mechanisms and other financial obligations listed in Article 4..3, 4.5, and 4.7 of the Convention.

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A Relaxed Chair Asks Us About Our "Number"

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

Comment

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

Bonn 2

23 October 1997

Memorandum

To: Please See the Attached List

From: USDEL/Bonn – Mark G. Hambley

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

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

Climate Changes Talks, Update No. 4: U.S. Position Criticized as QELROS Discussion Starts

U.S. Position on Targets and Timetables "the Talk of the Town"

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

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

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

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

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

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

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

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

QELROS and Article 4.1 Non-Groups Meet: Procedural Controvesy Arises

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

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

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Climate Changes Talks, Update No. 4: U.S. Position Criticized as QELROS Discussion Starts

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

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

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

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

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

Thank you Mr. Chairman.

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

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

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

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

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

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

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

- Second, the President proposed a series of flexible mechanisms for achieving legally binding limits. He called upon the world to recognize the enormous potential provided through such market mechanisms as emissions trading and joint implementation. As he made plain, these innovations will cut world-wide pollution and help developing countries protect their own environments without sacrifice to economic growth. The advantages of these mechanisms are patently obvious: economic analysis supports them, practical experience supports them, and to ensure that we hand a climate-friendly world to our children and grandchildren, we too should support them.

- .Third, the President reiterated a call for both industrialized and developing countries to participate in meeting the challenge of climate change. He recognized that developed countries must lead -- but insisted that developing countries also be engaged. Let me reiterate his view: "The United States will not assume binding obligations unless key developing nations meaningfully participate in this effort...a global problem such as climate change requires a global answer." His comments reflect the facts: if the entire industrialized world reduces emissions over the next several decades but emissions from developing countries continue to grow at their current pace, concentrations of greenhouse gases in the atmosphere will continue to climb. Developing countries have an opportunity to chart a different energy future -- consistent with their growth potential and their legitimate economic aspirations. We must see to it this alternative road is traveled; the present course surely leads to a climate disaster.

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

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

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

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AIJ Informal Contact Group

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

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

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

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



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

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

AD HOC GROUP ON THE BERLIN MANDATE

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

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

TANZANIA, on behalf of the G-77/CHINA, said Parties stood at a defining moment and members of his group were ready to assume their differentiated responsibilities, in particular the existing commitments as set out in Article 4.1. He noted that there are to be no new commitments for non-Annex I countries and recalled his group's concerns about adoption of policies and measures that take into account impacts on developing countries. He identified unfulfilled commitments under Articles 4.3, 4.4, 4.5 and 4.7 as the stumbling blocks to advancement of existing developing country commitments. He tabled the G-77/CHINA position on QELROS, which proposes: time frames of 2005, 2010 and 2020; periodic review by the COP; return to 1990 emission levels by 2000; reductions in CO^2, CH^4, and N_20 by at least 7.5% of 1990 levels by 2005, by 15% by 2010, and by an additional 20% by 2020, thus leading to a total reduction of 35%; efforts to phase-out other GHGs including HFCs, PFCs and SF_6; achievement of QELROs by domestic measures; minimizing adverse impacts on developing country Parties and a Compensation Fund; and a Clean Development Fund to assist developing country Parties, funded by contributions from Annex I Parties found to be in non-compliance with their QELROs.

JAPAN called on all Parties to exercise flexibility in their QELROs proposals and elaborated on the Japanese proposal intended to accommodate divergent views. The proposal is for a 5% base reduction rate for deciding a target for each Annex I country, with target periods of 2008 and 2012. It covers CO^2, CH^4, and N_20. Individual country targets are differentiated by emissions per GDP, emissions per capita and population growth. It also provides for emissions trading and joint implementation. On developing countries, the proposal provides for enhanced efforts through the elaboration of existing commitments and urges more advanced developing countries to assume voluntary commitments. A new process to further discuss commitments by all Parties is proposed for after Kyoto.

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

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

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

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

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

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

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

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

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

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

NON-GROUP ON POLICIES AND MEASURES

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

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

OBSERVER BRIEFING

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

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

SUBSIDIARY BODY FOR IMPLEMENTATION

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

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

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

IN THE CORRIDORS

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

THINGS TO LOOK FOR TODAY

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

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

CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

eco

23 OCTOBER
BILL'S SHAME ISSUE

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

US Cedes Leadership Role

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

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

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

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

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

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

Joint Implementation: No elaboration of this system.

Emissions trading: No elaboration of this system.

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

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

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



Clinton caves in to cheese lobby

South Scoops US and Japan

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

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

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

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

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

continued on back page, col. 1

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CONFERENCE REPORTS

AGBM Plenary, Wednesday a.m.

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

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

Tanzania, on behalf of the G77 and China, announced their new proposal on QELROs, which mirrors the EU proposal, but calls for the percentage reductions to be for each of the three gases (CO_2, CH_4 and N_2O), rather than for the three gases measured as a basket (see front page for more details on this proposal).

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

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

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

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

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

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

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

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

SBI Wednesday p.m.

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

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

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

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

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

US Could Gain without Pain

by Stephan Singer and Peter Debrine, WWF

Yesterday in Washington, and just in time to challenge the US government, WWF released a study showing how the United States could reduce its CO_2 emissions by 10% below 1990 levels by 2005, and 22% by 2010.

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

This study, expanding on the earlier *Energy Innovations* analysis by five non-profit research and environmental organisations, complements studies of policies and measures in the EU and Japan for the essential step of cutting CO_2 emissions by 2005.

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

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

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

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

Aboard the HFC Express

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

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

Projected HFC and PFC emissions globally for the years 2000 and 2010, are 4.2% and 10%, respectively, of 1990 fossil fuel emission levels. These increases rival the projected increases in CO_2 emissions projected over the next 20 years in the absence of further policy action.

It is estimated that the global production of the most commonly used HFC (HFC-134a), if unregulated, will increase to 230,000 tonnes by the year 2005 and 500,000 tonnes by 2025. On a 20 year time scale, the global impact of a worldwide annual production of 200,000 tonnes of HFC-134a equals roughly the CO_2 emissions of an industrialized country like France or the UK.

The HFC-134a leakage from automobile air conditioning from autos sold in Western Europe in 1995 alone, equals the CO_2 equivalent of five new power plants, while similar emissions in Japan equal ten power plants.

In addition, the manufacturing of HFCs also contribute to global warming. The manufacture of 1 tonne of HFC-134a has the warming impact equivalent of 38.8 tonnes of CO_2. This means that the manufacture of 100,000 tonnes of HFC-134a will contribute 3,880,000 CO_2 equivalent tonnes.

But HFCs endanger the environment and human welfare in more ways than that. HFC-134a, for example, contributes to the cumulative poisoning of our environment both through the manufacturing process and its atmospheric decomposition. And a 1997 study conducted for the US Air Force raises serious concerns regarding the potential human health impacts of this substance.

If HFCs, PFCs and SF_6 are not included in the Kyoto reduction targets then the increase in their emissions is likely to outweigh the benefits of whatever reductions on other greenhouse gases are likely to be agreed upon in the Kyoto Protocol. It will be tantamount to sanctioning their unbridled growth.

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

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

HFCs =Unnecessary Global Warming
Panel Discussion Sponsored By
The European Business Council for a Sustainable Energy Future
Friday, October 24th, 1:00 - 3:00 P.M.
Please see daily program board for room #

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

Ludwig

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

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



Exxon's solution to travel in Bonn city centre

French Economists Call for Action

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

Here are a few extracts from the text:

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

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

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CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

NGO Intervention

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

Thank you, Mr. Chairman:

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

I am also speaking as a citizen of Japan.

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

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

Now, more than two years later, Japan, and possibly the United States, are making proposals for targets and timetables that are ten year extensions of the target we already agreed was inadequate. Parties should also be reminded that stabilization of emissions does not stabilize concentrations in the atmosphere-only reductions of sixty per cent and more can achieve that.

What is our Convention on climate change for?

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

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

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

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

Of particular concern to us is the issue of HFCs, PFCs and SF_6. These gases are increasing rapidly and by 2010 their emissions will be equivalent to 10% of the 1990 Annex I CO_2 emissions. It is wrong that some parties are wanting to exclude these from the Kyoto target. They must be included.

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

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

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

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

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

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

Thank you.

South Scoops, from front page

into the 21st century. If not entirely meeting environmental goals, it would be economically manageable, technically feasible and politically realistic.

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

The Tanzanian delegate added the following proposals:

- emissions of HFCs, PFCs and SF_6 should be controlled and phased out;
- QELROS must be achieved primarily through domestic action, thereby limiting unrestricted scope for joint implementation;
- a compensation fund for developing countries which might experience economic impacts as a result of reductions by Annex I Parties;
- a "clean development fund" to be agreed by the COP to assist developing countries in achieving sustainable development. This would be funded by Annex I Parties which fail to meet their commitments but it also would be open for voluntary contributions from the same Parties.

Could the EU achieve the targets being put forward by G-77 and China? There seems to be no real obstacle. The European Commission expects methane emissions to fall by up to 15% by 2010 through business-as-usual developments and it envisages significant reductions being possible in nitrous oxide emissions. Both could be achieved at relatively low cost. Regarding CO_2, the European Commission's analysis demonstrates how the EU could reduce its emissions by at least 17% by 2010. And the benefits would more than likely exceed the costs of compliance.

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

Despite its past performance in improving its energy efficiency, Japan's lead is now flagging. According to CASA, based in Osaka, Japan could cut its CO_2 emissions by 21% by 2010 by exploiting 91 technologies that are either already commercially available or are expected to be introduced on a substantial scale by 2010.

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

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

THANKS

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

With resources contributed by: APC Networks and EuroFax.

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TELEFAX

FAX to: 001 202 647-0217

DATE: 23 October 1997

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

FROM: Mark G. Hambley

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

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

(a) U.S. intervention at the Oct 23 QELROS "non-group" on our target and time-table.

(b) The reaction of the European Union to the President's Announcement, and

(c) The reaction of the British to this announcement

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(2) Rule of Procedures — unduly influ

(3) Brussels

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(a)

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

Thank you Mr. Chairman.

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

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

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

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

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

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

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

- Second, the President proposed a series of flexible mechanisms for achieving legally binding limits. He called upon the world to recognize the enormous potential provided through such market mechanisms as emissions trading and joint implementation. As he made plain, these innovations will cut world-wide pollution and help developing countries protect their own environments without sacrifice to economic growth. The advantages of these mechanisms are patently obvious: economic analysis supports them, practical experience supports them, and to ensure that we hand a climate-friendly world to our children and grandchildren, we too should support them.

- Third, the President reiterated a call for both industrialized and developing countries to participate in meeting the challenge of climate change. He recognized that developed countries must lead -- but insisted that developing countries also be engaged. Let me reiterate his view: "The United States will not assume binding obligations unless key developing nations meaningfully participate in this effort...a global problem such as climate change requires a global answer." His comments reflect the facts: if the entire industrialized world reduces emissions over the next several decades but emissions from developing countries continue to grow at their current pace, concentrations of greenhouse gases in the atmosphere will continue to climb. Developing countries have an opportunity to chart a different energy future -- consistent with their growth potential and their legitimate economic aspirations. We must see to it this alternative road is traveled; the present course surely leads to a climate disaster.

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

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

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

AIJ Informal Contact Group

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

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

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

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

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(b)

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

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

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

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

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

To Tryne Rayner
Company 276 8285
From Cat Bilsland
Company
Tel No. 2 pages No. of Pages

FAX
Post-it® Fax Note
Fax No. 7664

00 49 228 72 69 817



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

(Bonn, 23 October 1997)

(C)

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

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

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

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

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

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

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

Revised 10/21/97

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CEQ	Steve Seidel	(202) 343-1092	(202) 343-1163
CEQ	Katie McGinty	(202) 456-6224	(202) 456-2710
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USAID	Leslie Cordes	(202) 712-5304	(202) 216-3230
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USUN	Burgess Laird	6-7583	6-7551

Bonn

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TELEFAX

FAX to: 001 202 647-0217

DATE: 30 October 1997

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

FROM: USDEL/Bonn, Mark G. Hambley

SUBJECT: Climate Change Talks: Supplement to Update No. 10 (Oct 29/30)

Text: Attached is a supplement to Update No. 10 for October 29/30 which should be read in conjunction with Update No. 10 itself. It forwards the Oct 30 editions of the NGO rag, ECO, plus the EARTH NEGOTIATIONS BULLETIN which reports on conference iactitivites for October 29. It should be noted that there was no Supplement for Update 9, as no ECO was produced. Please dispatch this report to the personnel/offices on the attached list. Thank you!

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Climate Talks, Bonn, Germany
October 30-31, 1997

Revised 10/21/97

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NEC	Dan Tarullo	(202) 456-5363	(202) 456-1605
NEC	Peter Orzag	(202) 456-5358	(202) 456-2223
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USUN	Burgess Laird	6-7583	6-7851

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30 October 1997

Memorandum

To: Please See the Attached List

From: USDEL/Bonn – Mark G. Hambley

Subject: **Climate Change Talks, Update No. 10: Activities for October 29-30, 1997**

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-8), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon of Oct 29 through the morning of Oct 30. The following reports are also included:

(a) Oct 27 reports on contacts with Canada and Australia over the impact of GHGs on national security by Capt Chris Weaver, USN;
(b) An account on the Oct 28 meeting of SBI on outstanding issues prepared by Leslie Cordes/USAID; and,
(c) Reports on Oct 29 contact groups and informal sessions dealing with emissions trading and QELROS prepared by EPA's Sharon Saile.

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

Climate Changes Talks, Update No. 9: AGBM Plenary Begins Laborious Task of Finalizing the Negotiating, Text, while Contact Groups Continue their Deliberations on Outstanding Issues

U.S. Provokes Some Excitement

The AGBM resumed its plenary sessions (open to all NGOs and accredited observers; informal sessions excluding them are expected to resume somewhat later in the program) on Oct 30 with a reading of Article 2 of the Chair's revised draft on policies and measures (PAMs). A report was delivered by the Chair of the working group (Kante of Senegal), following which NGOs and business had an opportunity to comment on the topic. As the latter were evenly divided between "for" and "against" harmonized PAMs, the Chair chimed in that "given the divisions among the non-governmental organizations, it might be best to leave the matter for governments to decide."

The Chair then proceded to go through each paragraph and sub-paragraph of the text and took aboard comments from a wide range of countries. At one point, the U.S. pointed out that the formulation of one paragraph did not reflect the views of all of those in the room. There was no consensus. The Chair (Raoul Estrada of Argentina) responded that only three countries were against this paragraph -- the U.S., Canada, and Australia. Therefore, a consensus was, in fact, in play.

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The U.S. countered once more, and then was followed by Venezuala's rejection of the Chair's ruling, whereupon Estrada then said he would call for a vote and sent the Secretariat in search of a roster of countries. The room was abuzz for a few moments, during which the U.S. suggested that its intention was to give the Chair an opportunity to redraft the offending paragraph in a manner more broadly acceptable; Venezuala withdrew its rejection of the Chair's ruling , and the question of a vote was laid to rest -- for the moment. USDEL's Daniel Reifsnyder thanked the Chair for providing the meeting with much excitement, a remark which was greeted with laughter by the crowd in the plenary hall.

Levity aside, the exchange gives further evidence of the rather direct manner in which Chairman Estrada intends to proceed in bring a document forth to the COP. In this instance, we were the targets of his disfavor (but on a relatively minor point); later, it will no doubt be one or the other of the two key blocks in the hall, the G-77/China and the European Union (EU).

The Status of Key Issues (as of 10/30/97)

As is indicated in the attached detailed reports prepared by USDEL members, there has been movement in several areas, although final agreement is fleeting. Whether this is merely a negotiating tactic on the part of the blocking party(ies) or represents firmly held conviction is dependent on several factors. Following is a wrap-up of where several of these issues stand as of mid-day, Oct 30:

(a) **Article 10 (the article substituted for a watered down version of our Annex B):** Much progress was achieved in a contact group which met on Oct 29. Argentina spoke in terms strongly reminiscent of the declaration issued by Presidents Clinton and Menem in mid-October and expressed strong interest in Article 10. (**Note:** Estrada has reportedly remarked, with some sincerity, that Argentina took this position because it was "tricked" into believing that the U.S. emissions target would have included a substantial reduction by 2010. **End Note.**) Mexicio did not reject the concept but raised several questions about it, including the issue about who is to decide if the proposed level is adequate. Mexico prefers that it not be judged, that as it would be making its proposal voluntarily, then no one should question it or second-guess Mexico. The U.S. suggests that all Annex I countries give their assent, while the EU believes that a significant majority of Annex I should be sufficient. In spite of these developments, the G-77's official position (as articulated by Saudi Arabia) remains firmly opposed to Article 10 because of the view that it imposes new commitments on developing countries -- despite the "voluntary" feature of this provision.

(b) **Joint Implementation with credit:** Iran and the G-77 generally remain strongly opposed to joint implementation with credit -- even among Annex I Parties alone. New Zealand countered by indicating that the concept should only be applied to non-Annex I Parties. The EU, meanwhile, wants JI only within Annex I states. We have received indications that the G-77 will relent in the end, but the issue may be linked to other issues (such as the level of the target).

(c) **Gases:** A contact group on this topic has agreed on a basket of six gases (up from the three in the EU's proposal, but Japan is currently blocking "because they could not spare anyone to attend the contact group." We are confident that this will be worked out eventually.

(d) **"net" vs "non-net":** This was discussed in QELROS last night. However, the matter is complicated by the G-77/China's insistence on reinserting some of its text which was dropped.

(e) **"sinks":** no decision has been taken on this which was sent to another contact group for discussion on Oct 30. Although we believe that some sink language will be decided upon, it is not going to be the New Zealand proposal.

(7)

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(f) **Multi-year "budget" concept**: Again, most if not all Annex I Parties are in agreement with this concept, except the G-77/China which continue to insist on a a flat year target;

(g) **Policies and Measures**: As indicated, this issue has been sent to the Plenary for deliberation; The Chair has asked a few countries (the US and the EU included) to attempt to work out some compromise language on a two option paragraph in the relevant article (Art. 2). If they are not successful, the Chair indicated that the matter will be forwarded to the COP for final resolution;

(h) **Developing Countries**: Resolution of this question is tied, ironically, to an external event: the visit of President Jiang Zemin, to Washington. If he gives enough light, then matters here could change quite abruptly. If he does not, then..... Article 4.1 will be discussed during the afternoon of Oct 30. Evolution is not expected to be debated in the plenary, although Estrada has promised to forward the topic to the COP for further discussion, as appropriate. A contact group among key Annex I countries (those attending the Tokyo meeting) will meet on the night of Oct 30 to consider options for dealing with the questoin of developing countries in Kyoto; and, .

(I) **Economies in Transition (EIT)** – baseline and paper issues. Neither of these issues has been fully resolved, as yet. We are waiting some clear-cut decisions and guidance on this issue.

In sum, the on-going effort to reach consensus is a difficult task. The G-77/China is blocking the text in several areas and is attempting to reintroduce language throughout the text to reflect either its insistence on no new commitments for developing countries, or for an effort to wring out concessions from developed countries in the areas of increased foreign assistance and technological transfer. A text may possibly be produced and, perhaps, even approved by the vast majority of the 171 Parties to the Convention. However, whether this accord will reflect our level of target, our insistance on flexibility mechanisms, or our need for a "meaningful role by key developing countries" remains quite problematic.

Canadian Decision on Target Expected Soon

Sources on the Canadian delegation, citing the pressure on the Chretien Government which followed our decision on a stabilization target in the 2008-2012 time-frame, is expected to come up with its own target in the near future. (Perhaps as early as Friday.) It is likely to mirror our own effort, although there is presssure in Ottawa to demonstrate a different target by echoing something like Japan's (2.5 to 5 percent reduction). No public announcement will be made, as the Provinces must first be consulted.

Kimble Consultations

OES Acting Assistant Secretary Melinda Kimble has met with several delegations during her brief stay in Bonn. In addition to a large contingent from Mexico (which was alerted to the fact that climate change will be on our President's agenda when President Zedillo visits), she also met with the heads of the Malaysian and Philippine delegations on Oct 29. Both told her that the G-77 is unlikely to agree to a mandate at Kyoto which specifies negotations which will culminate in quantitative limitations for them, even if these are growth budgets. "It is too soon to do so," the Malaysian said. The Malaysian indicated that a preferred course of action would be an initial demonstration of good faith by developed countries through the establishment some kind of fund which would assist in technological transfer or provide assistance to countries' mitigation efforts. Melinda met with U.S. correspondants this morning and will meet with the German media this afternoon, in addition to representatives from other countries and Chairman Estrada and FCCC Executive Secretary Cutajar.

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The following paragraphs can be used as appropriate or desired:

The AGBM resumed its plenary sessions (open to all NGOs and accredited observers; informal sessions excluding them are expected to resume somewhat later in the program) on Oct 30 with a reading of Article 2 of the Chair's revised draft on policies and measures (PAMs). A report was delivered by the Chair of the working group (Kante of Senegal), following which NGOs and business had an opportunity to comment on the topic. The Chair then proceded to go through each paragraph and sub-paragraph of the text and took aboard comments from a wide range of countries.

There has been movement in several areas, although final agreement is fleeting. Whether this is merely a negotiating tactic on the part of the blocking party(ies) or represents firmly held conviction is dependent on several factors. Following is a wrap-up of wherre several of these issues stand as of mid-day, Oct 30:

(a) **Article 10 (the article substituted for a watered down version of our Annex B):** Much progress was achieved in a contact group which met on Oct 29. Argentina spoke in terms strongly reminiscent of the declaration issued by Presidents Clinton and Menem in mid-October and expressed strong interest in Article 10. Mexicio did not reject the concept but raised several questions about it. In spite of these developments, the G-77's official position (as articulated by Saudi Arabia) remains firmly opposed to Article 10 because of the view that it imposes new commitments on developing countries -- despite the "voluntary" feature of this provision.

(b) **Joint Implementation with credit:** Iran and the G-77 generally remain strongly opposed to joint implementation with credit -- even among Annex I Parties alone. New Zealand countered by indicating that the concept should only be applied to non-Annex I Parties. The EU, meanwhile, wants JI only within Annex I states. We have received indications that the G-77 will relent in the end, but the issue may be linked to other issues (such as the level of the target).

(c) **Gases:** A contact group on this topic has agreed on a basket of six gases (up from the three in the EU's proposal, but Japan is currently blocking "because they could not spare anyone to attend the contact group." We are confident that this will be worked out eventually.

(d) **"net" vs "non-net":** This was discussed in QELROS last night. However, the matter is complicated by the G-77/China's insistence on reinserting some of its text which was dropped.

(e) **"sinks":** no decision has been taken on this which was sent to another contact group for discussion on Oct 30. Although we believe that some sink language will be decided upon, it is not going to be the New Zealand proposal.

(f) **Multi-year "budget" concept:** Again, most if not all Annex I Parties are in agreement with this concept, except the G-77/China which continues to insist on a a flat year target;

(g) **Policies and Measures:** As indicated, this issue has been sent to the Plenary for deliberation; The Chair has asked a few countries (the US and the EU included) to attempt to work out some compromise language on a two option paragraph in the relevant article (Art. 2). If they are not successful, the Chair indicated that the matter will be forwarded to the COP for final resolution;

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(h) **Developing Countries**: Resolution of this question is tied, ironically, to an external event: the visit of President Jiang Zemin, to Washington. If he gives enough light, then matters here could change quite abruptly. Article 4.1 will be discussed during the afternoon of Oct 30. Evolution is not expected to be debated in the plenary, although Estrada has promised to forward the topic to the COP for further discussion, as appropriate. A contact group among key Annex I countries will meet on Oct 30 to consider options for dealing with the questoin of developing countries in Kyoto; and, .

(I) **Economies in Transition (EIT)** -- bascline and paper ton issues. Neither of these issues has been fully resolved, as yet. We are waiting some clear-cut decisions and guidance on this issue.

In sum, the on-going effort to reach consensus is a difficult task. The G-77/China is blocking the text in several areas and is attempting to reintroduce language throughout the text to reflect either its insistence on no new commitments for developing countries, or for an effort to wring out concessions from developed countries in the areas of increased foreign assistance and technological transfer. A text may possibly be produced and, perhaps, even approved by the vast majority of the 171 Parties to the Convention. However, whether this accord will reflect our level of target, our insistance on flexibility mechanisms, or our need for a "meaningful role by key developing countries" remains quite problematic. (Hambley)

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TO: Amb. Mark Hambley
FROM: Sharon Saile

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Informal Common Interest Group Meeting on Emissions Trading Wednesday, October 29

Summary:

Bob Crick of Australia chaired the discussion group, which included many individual EU countries, Russia, Poland, and almost all of the JUSSCANZ countries. The meeting was used primarily to explore the problems the EU felt needed emissions trading restrictions to address, although the US and Canada also raised the problem with the Chair's text on the conditionality of trading on the development of guidelines and modalities. The UK presented most of the EU positions, although France regularly chimed in. The UK raised two major issues: 1) the concern that they needed to address the paper tons, and decided to go back to the Chair's text in 5.2(a) which specifically restricts early actions from being credited. However, they recognized the concerns about the precision of the language, and agreed to work on alternative formulations. They also clearly linked the possible resolution of this issue to the target, indicating that if the target level were ambitious enough then the E would not need this restriction. 2) The EU also indicated the need to retain the restriction that trading would have to be supplemental to domestic policies and measures. However, they also indicated that this restriction also could likely be removed if the progress on Policies and measures listed in article 2 was sufficient. The EU, primarily represented by France, also expressed its support for a very centralized international emissions trading regime - envisioned as the required stock exchange for allowance trading. Their concern was that you had to ensure one place of exchange to facilitate the emergence of one world-wide price of allowances, in order to prevent backroom bilateral deals based on other considerations *(Sharon's note: to prevent others from making political burden-sharing arrangements like those among the EU countries; we may wish to work harder to coordinate our refusal to accommodate these concerns that the EU has for the rest of us but not for themselves).* On this note, Japan made a surprising intervention in support of this idea, although they suggested specific language to ensure real reductions and promote cost effectiveness, by editing and combining Estrada's text from JI paras 6.3 © & (d): "Emissions trading shall bring about real, measurable, and long-term environmental benefits related to the mitigation of climate change, and must contribute to the cost-effectiveness in achieving global benefits" . (France also expressed the view that we need to harmonize our domestic emissions trading systems address their concern that each Party's individual decision about allocations versus auctions of allowances would result in unfair competitive advantages for their industries. Canada, USA, and New Zealand made the most detailed rebuttals in order to support the free-market approach without unnecessary restrictions. One other interesting intervention was a suggestion from Finland that international players ought to be able to buy allowances which were allocated or auctioned to a Party's sub-national entities, which was inserted into a discussion of whether or not WTO trade rules would apply to the allowance market.

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QELROs -Technical chaired by Gylvan Meira Wednesday afternoon

Quick Summary - Gylvan introduced a new text, but there was little real progress on making any changes to the text (we only discussed the first 3 substantive paragraphs). The new text will contain 3 alternatives for Article 3.1. Alternative A is the EU approach: basket approach including "individually or jointly"; Alternative B the JUSSCANZ approach: basket approach for each Party (individually), and Alternative C is the G-77 approach : gas-by-gas approach. The new text will also leave open differentiation (retaining the Attachment 1 approach for listing the commitments) as an alternative to uniform targets. The Chair's text on Annex B was simplified to a list of the six greenhouse gases; however, Japan objected, so the Chair agreed to add back, in brackets, a complete list of the GHG sectors according to the IPCC in a second column. Although not discussed, the text still includes wording, albeit in brackets, which supports the budget period approach. *(Sharon's note - the text doesn't reflect the progress we made to reach a general consensus on 5-year budget periods).* The text also includes a paragraph which allows for regular amendments, as appropriate, to the list of gases/sources/sectors in Annex B to reflect the ongoing improvements in science. The text also includes a paragraph to provide for Parties to make every effort to limit and reduce their emissions and enhance removals from sinks for any GHGs which wind up being left out of Annex B.

Details on Interventions:

1. Accepted the revised text (which we developed along with Ireland) on reporting requirements in Article 7.

Gylvan passed out his own new text on Article 3, which of course still has lots of brackets to reflect the substantive disagreements on targets and timetables.

2. We had an overly long debate on how to reflect the continued disagreement over differentiation and uniform targets. The UK and US indicated their objection to the current text on Annex C and paragraph 3.2, which refers to a process contained in Annex C to differentiate commitments, when the text of Annex C essentially contains just a list of factors and doesn't clarify a process, (and indeed doesn't clarify how differentiation would be implemented). Australia objected when the Chair asked Switzerland to amend the text in paragraph 3.2 to reflect the concern about the word "process". The Chair asked Australia and USA to consult on this issue. In addition, the Chair asked UK to consult with G-77 and the US to find a way to move up paragraph 6 on uniform targets to just underneath paragraph 2, so that it becomes a clear basis for a uniform target alternative to a differentiated target alternative. In relation to this paragraph 6, Gylvan promised to leave the target blank, but propose a table with all the possible targets proposed by all Parties to be forwarded to Estrada for his consideration.

3. Gylvan proposed an Annex B listing just the gases, but Japan objected, so Gylvan agreed to put a complete list of all IPCC sectors back in the Annex. (JP asked for clarification as to whether Chair wanted to include the source list, but Gylvan prefers the sector list).

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4. We then reviewed paragraph 4 - a new paragraph developed by the Chair to have "demonstrable progress in achieving commitments under this Article". Given that the UK restated their position for hard commitments by 2005 (budget period to start no later than 2003), they had no comment on the wording of this text. The US proposed changing "this Article" to "this Protocol", so that the demonstrable commitments could include progress on setting up national monitoring and verification systems and the submission of reports, instead of simply fuzzy progress on reducing emissions. The Chair accepted our change and thus pointed out that Chairman Shibata would probably move the text to another Article.

QELROs - Policy chaired by Bo Kjellen Wednesday evening

Summary - Bo Kjellen indicated that a lot of progress had been made, but we hadn't actually reached consensus only on Article 8, the role of expert reviews. Bo indicated that he would recommend continued contact group work on 1) flexibility for economies in transition, 2) emissions trading, and 3) joint implementation.

Detailed interventions:

1. Article 3.4, the Chairman handed out his text, but indicated he would consult further with UK, USA, Russia, and Poland tomorrow.

2. Articles 3.13 on banking and 3.14 on borrowing are still bracketed, and no further suggestions were made in the plenary, indicating that no further movement toward consensus had been reached.

3. Article 5 - the G-77 is seeking deletion of Article 5, and the Chair will forward that as a footnote to the text. USA - still has specific, fundamental problems with the current text - how do we proceed? More extensive footnote to indicate some discussion, but no consensus even among those who support trading - and understand that Chairman Estrada will have further discretion to go back to his own text given the current lack of consensus. UK - missing from your paper is paragraph 5.2(a) to restrict hot air tons . Will recommend that contact groups continue. Poland - acceptance of Article 5 is dependent on outcome of Article 3.13 on banking (presumably for early reductions).

4. Article 6 - Confusion and a lack of agreement still exist on joint implementation provisions. Structure of joint implementation is not finished - rearrangement of material might help. Divide Article 6 into two parts - first section would cover Joint Implementation among Annex I and Article 10 Parties, while the second section would cover JI with non-Annex I Parties which do not have caps. Another more radical idea was to simplify text by eliminating details from protocol and relying on guidelines to be elaborated by decision of Parties. Will consult with Chairman Estrada on areas where he might want to undertake further consultations. USA - brackets still exist within the new text, but the brackets don't reflect the places where USA and other countries would have particular objections. Recommend opportunity for further consultations on this issue. And USA would prefer to develop a text which internally had no brackets, keeping in mind G-77

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request to have brackets on the whole thing. G-77 believes Article 6 should be deleted and should receive same treatment as Article 5. UK/EU would be happy to pursue further consultations.

5. Chair indicated the text on Article 8 on expert reviews already had been essentially agreed upon yesterday. G-77/China requested bracketing of the reference to Parties acting under Article 10, and the COP/MOP issue. US - footnote may need to reflect Article 9 on compliance. US also requested that the specific reference to Decision 2/CP.1 should be deleted - "guidelines to be adopted by the MOP:". UK - remembers the discussion about it, but doesn't remember what we decided. "taking into account the guidelines adopted for this purpose by the COP of the Convention.", which was agreed for Article 7 this morning. G-77 and USA agreed.

6. Article 10 for voluntary commitments for non-Annex I Parties - chaired by Norway - no official text on this particular item yet. Further views were explained, but no drafting. Difference of views - some parties want to delete while others strongly want to retain. Among those wanting to retain - clarify information needed of base period, projections, and target periods, and clarification of the process. Article 10 is incomplete - further elaboration of compliance, acceptance criteria, and procedure on what happens if application not accepted by MOP - prompt start suggested. Provisions of Article 10 shouldn't promote higher stands for non than annex I - and has commitments have implications for the rest of the protocol. Mexico wants followup on the Chair's text. (Chairman Kjellen indicated that the only actual text on the table at the moment is the original Estrada text, which he may modify according to the status report from Norway).
7. Article 11 for review of adequacy of commitments. Concerned about the risk of duplication with the FCCC itself in 4.2(d), which would include review of the protocol. Therefore, Chair elaborated his own text, but had trouble reaching all of the delegations for bilateral consultations. A long series of interventions for and against particular amendments to the text ensued. Unfortunately, the discussion seems to be leading to text that would grandfather the non-participation of non-Annex I Parties forever, because Article 11 would review the adequacy only of Annex I commitments, even though the adequacy of the protocol depends not just on those who take commitments, but also on the adequacy or inadequacy based on a lack of participation in the protocol from the non-Annex I Parties.

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Meeting of the SBI
Informal Meeting on Outstanding Agenda Items
October 28, 1997
Prepared by Leslie Cordes/USAID

The SBI had a relatively quick wrap up session to approve outstanding items on the agenda and refer them to Thursday's SBI Plenary for approval. The Chairman began the session with firm instructions to the delegates that the session was intended as a quick wrap-up -- as it was the last informal meeting of the SBI before Kyoto -- and therefore not the place to raise new issues. The delegates approved the following items as follows:

* Approval of both the draft conclusions and the draft decision on Communications from Parties Included in Annex I to the Convention;

* Approval of the text on Consideration of Initial National Communications from Parties Not Included in Annex I to the Convention for transmittal to the COP;

* Approval of the draft decision on Activities Implemented Jointly Under the Pilot Phase for transmittal to the COP;

* Having already approved the conclusions on the Development and Transfer of Technologies at the informal SBSTA session earlier in the day, the delegates approved the draft decision on Development and Transfer of Technologies for transmittal to the COP;

* Approval of the decision on Financial Mechanisms, and related Annex to the MOU on the determination of funding for the implementation of the Convention, for transmittal to the COP;

* Approval of the draft decision on Administrative and Financial Matters for transmittal to the COP. Interestingly this issue was not taken up by a contact group, rather the vice-chair consulted with key delegations in gaining consensus on the text;

* Approval of the Draft Report of the Subsidiary Body for Implementation on the Work of its Seventh Session, Bonn 20-29 October 1997 and Addendum, with an amendment proposed by the United States. The amendment pertained to recognition of the divergent views on the issue of the post-Kyoto program budget; and

* Approval of the amended draft decision on Arrangements for Intergovernmental Meetings for transmittal to the COP. The amendment requested the Secretariat to advise the SBI on relevant UN procedures.

Delegates concluded the meeting by thanking the Chairman for his distinguished service as chair of the SBI.

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Summary of Conversation with Ms. Meg McDonald, Ambassador for Environment and Chief of Australian Delegation to FCCC, 1010, 28 Oct 97, Beethoven Halle Foyer

After a brief self-introduction, I asked Ms. McDonald if the Australian government was considering the impact of emission limitations on national security. She responded that their military had raised the question some time ago but that the issue had not been fully evaluated yet. She indicated that she felt, as did the Australian military, that it was worthy of development, but that nothing significant had occurred along these lines prior to the current conference.

Ms. McDonald suggested that the best way to flesh out the issue right now was to encourage our military representatives in Washington to contact both the Australian Defense Attache and the Deputy Chief of Mission, Mr. O'Sullivan. Both the military and political aspects of the issue could be thus addressed simultaneously.

The conversation ended at approximately 1015. Ms. McDonald was very pleasant and seemed genuinely interested in the development of the issue between our two governments.

Captain Christopher E. Weaver, USN
Joint Staff (J4), Pentagon, Rm 2E828
703-697-1408/7000

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Summary of conversation with Ms. Jennifer Irish, Canadian Foreign Ministry 1655-1700, 27 Oct 97, Beethoven Halle Foyer

I asked Ms. Irish if the Canadian government perceived an impact of GHG emission limitations on national security and that we were evaluating the same thing. She responded that her government had not, but that it was a relevant topic and they would be raising it with Ottawa. She asked if our concerns were focused on peacekeeping/peace enforcement to which I responded yes, but also the areas of routine operations and training, such as annual multilateral operations, as well. She asked if our delegation intended to bring this issue up in Bonn to which I replied that we were still evaluating the issue ourselves.

Ms. Irish went on to say that Canada was concerned about "unforeseen emergencies" and their impact on national emissions limits. She cited the recent nuclear reactor problems in Canada and that these problems were causing a significant increase in fossil fuel by-products in her country. She offered that she thought in such instances, nations should have some type of emergency emission category to avoid exceeding their allocations. She felt emergent wartime/crisis military operations could possibly be put under such an "emergency" proviso. More specifically regarding national security operations emissions. Ms. Irish indicated that it was possible such an issue could be treated in a post-Kyoto process of addressing the details of emissions accounting procedures. She said that addressing issues like this in such a manner would facilitate a "prompt start" provision to take effect relatively soon after Kyoto.

The conversation concluded at approximately 1700. Ms. Irish was very pleasant and seemed genuinely interested in the issue.

Captain Christopher Weaver, USN
Joint Staff (J4), Pentagon, Rm 2E828
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HIGHLIGHTS FROM THE MEETINGS OF THE FCCC SUBSIDIARY BODIES 29 OCTOBER 1997

Delegates to the eighth session of the *Ad Hoc* Group on the Berlin Mandate (AGBM-8) met in non-group sessions on institutions and mechanisms and quantified emissions limitation and reduction objectives (QELROs). The QELROs non-group also met in the evening. The seventh session of the Subsidiary Body for Implementation (SBI-7) held its final meeting and considered outstanding agenda items and the report of the session. An NGO briefing was held in the morning.

NGO BRIEFING

At the morning briefing convened by the AGBM Chair Raúl Estrada-Oyuela, industry and environmental NGOs were invited to prepare comments on a number of contentious issues.

The Chair of the non-group on policies and measures, Bakary Kante (Senegal), reported that consensus had been reached on cooperation among Parties, with some conditions. There has been a clear statement of views on the issue of coordinated and mandatory policies and measures but it will be difficult, for the time being, to reach consensus. A number of "very nice" formulations have been placed in brackets. No consensus emerged on the issue of compensation, so this will also go forward to the AGBM Chair unresolved.

Chair Estrada invited industry NGOs to consider the question of whether the Parties should try to agree mandatory policies and measures, with all countries acting on the same general policies coordinated at intergovernmental level, and convey their views to the AGBM plenary Thursday morning. An industry spokesman concurred and indicated that business favors implementation at country-level to take account of national economic and energy profiles.

The Chair of the non-group on FCCC Article 4.1 reported that a text has been adopted after a constructive round of meetings that cleared a reasonable amount of text. Two "hard core" issues will demand the attention of the AGBM Chair. These are: general commitments applicable to all Parties to achieve mitigation and adaptation measures; and transfer of environmentally sound technology. Chair Estrada invited developing country NGOs to present short comments on these issues. The non-group Chair welcomed Parties' readiness to resolve the issue of means of implementation (Article 12) although some technical items remain in brackets.

The Chair of the non-group on institutions and mechanisms, Takao Shibata (Japan), was invited to comment on the legal status of the proposed Attachment 1 to register Parties' commitments. He reported a divergence of views, with many delegations concerned about the amendment procedure that would apply to the Attachment. He indicated that the outcome of discussions will be linked to the nature of the commitments.

Bo Kjellén (Sweden) reported on the QELROs-2 non-group. There has been near total agreement on reporting and review (Article 8). On voluntary commitments (Article 10), he reported that the G-77 has taken a negative line and Norway is chairing a working group. On review of adequacy of commitments (Article 11), Chair Kjellén said he will be conducting consultations on a bilateral basis and circulating his own draft text. A contact group involving the EU, the US, and others is considering emissions trading, and consultations are also planned on joint implementation. Chair Estrada announced that the AGBM Plenary will convene Thursday to begin the process of finishing the AGBM's work, followed by closed meetings.

SUBSIDIARY BODY FOR IMPLEMENTATION

In the final SBI session, delegates adopted draft conclusions, draft decisions for adoption at COP-3 and the report of the session. Under the draft conclusions on Annex I communications (FCCC/SBI/1997/L.7), SBI: requested the Secretariat to evaluate the feasibility of compiling available supplementary data from authoritative sources on GHG emissions for the purpose of comparison with national submissions, reporting to SBI-9; expressed its intent to perform an interim assessment of the in-depth reviews of second national communications for SBI-9; and noted with regret that insufficient responses from Annex I Parties did not allow presentation of the schedule of in-depth reviews at SBI-7.

Under the draft decision, COP-3 would call upon Annex I Parties to follow the revised FCCC guidelines and request the Secretariat to prepare a full compilation of second national communications and publish national GHG inventories. COP-3 would decide that in-depth reviews of second national communications will include visits by review teams and executive summaries of the communications will be published as official FCCC documents.

On non-Annex I communications, delegates adopted draft conclusions and a draft decision produced by a contact group chaired by the US and Malaysia (FCCC/SBI/1997/L.8). The draft SBI conclusions request the Secretariat to organize a workshop on a process for considering initial national communications from non-Annex I Parties. The Secretariat is requested to submit its observations on the national communications submitted by non-Annex I Parties by 30 March 1998. SBI also requested the Secretariat to provide a compilation of comments by Parties at SBI-8.

The draft decision was compiled from three proposals. It contains bracketed language stating that the process of consideration shall assist the Secretariat's determination of the needs of non-Annex I Parties [for the preparation of national communications] or [related to implementation of commitments, in particular those associated with proposed projects and response measures]. On the type of review, the text states that the communications

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should be subject to an [in depth][technical][assessment] or [review]. Regarding the Secretariat's future work, the decision contains bracketed text on compilation and synthesis [annually], as well as on proposed workshops and the selection of expert review teams. All references to work that the COP would request SBI and SBSTA to perform on national communications are bracketed.

On the financial mechanism, delegates adopted two draft decisions for COP-3 (FCCC/SBI/1997/L.9) produced by a contact group chaired by Antigua and Barbuda. Under the first decision, the COP would decide to continue the review process through SBI, in accordance with the criteria established in the guidelines adopted by SBI-5. Under the second decision, the COP would note that the GEF Council approved the annex to the Memorandum of Understanding between the COP and the GEF Council and decide to approve the annex, thereby bringing it into force.

Delegates also adopted draft COP decisions on activities implemented jointly (AIJ) and the development and transfer of technology. The decisions, produced by a joint SBSTA/SBI contact group, were adopted by SBSTA on 28 October. Delegates also adopted draft COP decisions on the financial performance of the Convention in the biennium 1996-1997 (FCCC/SBI/1997/L.11) and on COP-4 (FCCC/SBI/1997/L.10), which would be held Bonn in November 1998.

SBI Rapporteur Patricia Iturregui (Peru) presented the draft report of the meeting (FCCC/SBI/1997/L.6 and CRP.9). On proposed amendments to the Convention, the SBI decided to recommend to the COP that any proposals be taken up in the order they were submitted, if appropriate. SAUDI ARABIA proposed deleting "if appropriate," but the EU supported its retention. KUWAIT proposed that all amendments be taken as "a package." Delegates agreed to remove the phrase in question. The report was adopted as amended.

In closing the session, Chair Mahmoud Ould El Ghaouth (Mauritania) noted that some observers think SBI has no problems and simply "rubber stamps" decisions. He said this characterization is unfair, given the amount of time and effort spent in consultations. He said his successor should keep SBI free of debate, and continue serve as the FCCC's operational arm.

NON-GROUP ON QELROs

The non-group discussed a new paper by Chair Luiz Gylvan Meira Filho (Brazil) containing proposals for articles on QELROs, national systems for the estimation of anthropogenic emissions by sources and removals by sinks of GHGs, methodologies, global warming potentials (GWPs), an annex listing gases and an attachment under which emission commitments and base year/periods would appear.

On QELROs, the paper includes two alternatives on how Parties/Party's GHG emissions shall "not exceed" their/its commitments, expressed either in "terms of budgets" or "emission budgets." The previous negotiating text by the AGBM Chair spoke of commitments in terms of reducing emissions. The Chair noted the first alternative was broader and would encompass removal of GHGs by sinks. A regional group indicated its preference for the first alternative. A group of countries requested that a proposal it had made be included as a third alternative. Three countries stated their preference for the second alternative. Discussion continued on the net or aggregate approach and whether commitments would be met jointly or individually.

Considering that no progress was being made regarding specific targets and dates, the Chair proposed either listing them in a table or attempting to draft a paragraph of a general nature, with gaps on specific QELROs to be filled in at a later stage. A contact group was created to deal with this task.

There was no agreement on whether commitments should be listed in an annex or should appear within the Protocol. On the need for Annex I Parties to prove "demonstrable progress" in the achievement of their commitments by the year 2005, a delegation indicated that the term was unclear and would be better fitted into another part of the Protocol not dealing with QELROs.

In the final QELROs session held in the evening, a group of countries proposed the deletion of articles on emissions trading, activities implemented jointly and voluntary commitments. Delegates spent a considerable portion of the session debating an article on "adequacy of implementation" in the non-group Chair's revised text. One country proposed returning to "adequacy of commitments," as in the original text. Another preferred that adequacy of commitments be included in the article on QELROs. There will be further consultations on provisions related to countries with economies in transition. One participant noted there was no "real" discussion on emissions banking and borrowing.

NON-GROUP ON INSTITUTIONS AND MECHANISMS

The group discussed legal aspects of the "bubble" concept for a shared emissions target for a group of countries. A regional group presented its text, noting that the shared target was a matter of compliance. Other delegations objected. In an article defining the role of the COP and Meeting of Parties (MOP), a group of countries proposed a reference to an FCCC Article 7 provision that the COP can review "any related instrument." The group offered to produce an alternative text. Other delegations objected, preferring to work from the revised non-group Chair's text. The non-group planned an informal session Thursday to review the article.

A group of countries requested restoration of bracketed text requiring protocol parties to provide additional funding in an article on Secretariat services to a protocol. There was general agreement that an article on subsidiary bodies should be aligned with the text on the COP and MOP, but no final agreement was possible until the other article is finalized.

A contact group presented language that the MOP shall "approve appropriate and effective" non-compliance procedures and mechanisms, but a number of delegations objected. A group of countries said the non-compliance text was linked to the decision on establishing a clean development fund.

In a paragraph on amendments to a protocol, a delegation proposed a footnote that amendments could only address commitments under FCCC articles 4.2 (a), (b) and (d), and another delegation suggested that approval of amendments should be by double 2/3 majority. Delegates discussed possible meanings of annexes, but a group of countries objected to use of annexes and to attachments in a separate article on adding non-Annex I Parties to the protocol.

IN THE CORRIDORS

Norway chaired a contact group on Article 10, on commitments undertaken voluntarily. Opponents of the Article continued to seek its deletion from the AGBM's negotiating text. Those in favor argued that the content represents an essential element of a protocol and a number of amendments were introduced. These were designed to clarify the requirements for consideration of requests to be bound by the Article and a mechanism to oversee policies and measures for those countries undertaking commitments voluntarily. A number of developing countries continued to state their opposition. A contact group involving the US and the EU met to discuss their positions on emissions trading (Article 5). The fate of this issue together with joint implementation and credits continues to be linked to the outcome of negotiations on QELROs.

THINGS TO LOOK FOR TODAY

AGBM: AGBM is expected to meet in Plenary at 10:00 am. Informal sessions are expected throughout the day.

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CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

eco

30 OCTOBER
FUDGING THE ISSUE

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

Emissions Increase Protocol?

With two days of formal negotiations left before Kyoto and no apparent progress in the negotiations here in Bonn, delegates are beginning to wonder whether an agreement in Kyoto is still possible. The answer is definitely yes – the prospects for an agreement are a function of political will, not the calendar. The real question that we must all ask in earnest is: Will the agreement that diplomats patch together in Kyoto be worth having? The answer to that question is far less clear.

One thing is certain. A Kyoto protocol that authorizes an overall increase of actual emissions to the atmosphere above current levels from Annex I Parties is totally unacceptable. Incredibly, negotiators are in grave danger of agreeing to such a result.

It seems unlikely that even President Clinton's weak proposal was intended to lead to this outcome.

Do the politicians in their capitals who have made impressive speeches about the importance of responding to the threat of global warming realize this risk? Do they realize that current Annex I emissions are some 5% below 1990 levels, so that an emissions "stabilization" target would actually be a license to increase emissions, even in the absence of loopholes? Do they realize that banking of emissions reductions since 1990 in Russia and other Central and Eastern Europe countries could authorize another 15% increase in Annex I emissions? Do they realize that uncertainty about the definition of an anthropogenic sink and the methodologies for measuring them could render meaningless any number agreed in Kyoto?

These possibilities are in the text now being actively considered by the AGBM.

Maybe politicians realize these things only too well, but cynically believe that the public is too stupid to notice. We have noticed. You have been warned.

A Sinister Link

By Hermann Ott, Wuppertal Institute, Jennifer Morgan, USCAN and Kelly Sims, Ozone Action

The Americans are toying with one of the most fundamental elements of the elusive Protocol. They are linking developing country commitments with the review of adequacy of commitments. One can only admire their consistency in finding every possible way to bring developing countries into this protocol. It is a grave mistake and is risking having any review mechanism in the Protocol.

There are theoretically three ways to do review. Under the Convention, Articles 4.2 (d) and (e) and 7.2 (a) provide mechanisms for review. Otherwise, a separate article can be included in the Protocol.

Upon consideration of these options, a review of the Protocol's commitments in the Convention is wholly inadequate. It is clearly desirable to include the Review as a separate article in the Protocol rather than exclusively relying upon the Convention. The review should, on the contrary, be institutionalized in the same legal agreement as the obligation. A protocol will hopefully provide a more dynamic and effective system than is currently experienced in the Convention process. It should also be conducted by the same Parties who have obligations under the Protocol. Otherwise, Parties that have not ratified the Proto-

continued on back page, col 2

NGO Intervention on Article 4.1.

as presented to the AGBM by Climate Action Network, 30th October 1997

The Berlin Mandate called on Parties to advance implementation of Article 4.1 of the Convention – an article that applies equally to all Parties.

Our first general comment is that the current proposal by the chairman of the non-group fails to adequately advance implementation of Article 4.1.

The text is riddled with qualifications and weak language with respect to the level of action required by Parties. In fact, many of the articles in the current Chairman's proposal are weaker than their original 4.1 version. In this regard, I would specifically refer to the Articles 1 (d) and (e).

Article 1(d) relates to incorporating climate considerations into decision-making. The current version, which is in brackets, says Parties shall "take steps towards identifying and implementing procedures to ensure that climate change considerations are taken into account in relevant governmental decisions, including those of intergovernmental organizations and in particular multilateral development banks."

The current version in Article 4.1 makes specific reference to how this shall be done by referring to incorporating climate considerations into environmental impact assessments. The Climate Action Network would like to see this article strengthened and to refer to other possible action, including climate considerations in transportation and land use planning and reporting of greenhouse gas emissions in national pollutant release inventories where available.

With respect to Article 1 (e), the Climate Action Network is surprised to see brackets

continued on back page, col 1

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CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

Intervention, from front page

around an article requiring development of indicators to assess climate change and its impacts. These brackets should be removed.

With respect to the reference to incorporating climate considerations into decision-making of the multi-lateral development banks, CAN would like the language strengthened to reflect the view that multilateral development bank lending guidance and development assistance must fully reflect climate criteria to promote climate-friendly technologies. Bilateral development assistance should also be consistent with climate objectives.

Secondly, we would make the observation that advancement of Article 4.1 is ultimately linked to technology transfer and policies that support that transfer. The process, however, cannot and should not be reduced to just dollars. Resources are limited and innovative approaches are needed to lever private sector involvement. It may be possible to enter into covenants with key business sectors to transfer the best technology. The U.S. House Committee on International Relations has suggested that specific incentives should be provided, including tax relief, export credits and expanded political risk insurance.

Article 13 relates to funding for the financial mechanism and technology transfer.

The Climate Action Network would agree that financial resources must be provided to support implementation of Articles 12 and 13 and that this funding be adequate and predictable.

Additional considerations could include:

Putting an end to the transfer of inefficient, carbon-intensive second-hand technology.

Identifying technologies that have matured in developed countries with publicly funded research that could be made more widely available as Publicly Owned Technology at no cost in order to catalyze private sector technology transfer.

CAN also highlighted the following points:

Many developing countries are committed to and in fact are already undertaking no regrets measures to curb GHG emissions domestically, despite not having reduction commitments. Some of these measures include reducing fossil fuel subsidies, adjusting and removing import requirements for clean energy technologies and development of national energy efficiency and renewable energy programs. Note that these initiatives are driven not just by an environmental imperative but economic development targets as well.

Information should be widely distributed on the effectiveness of removals of market barriers and the creation of a public policy environment for the promotion of renewable energy technologies such as those which occurred in Indonesia, with geothermal and in India, with wind.

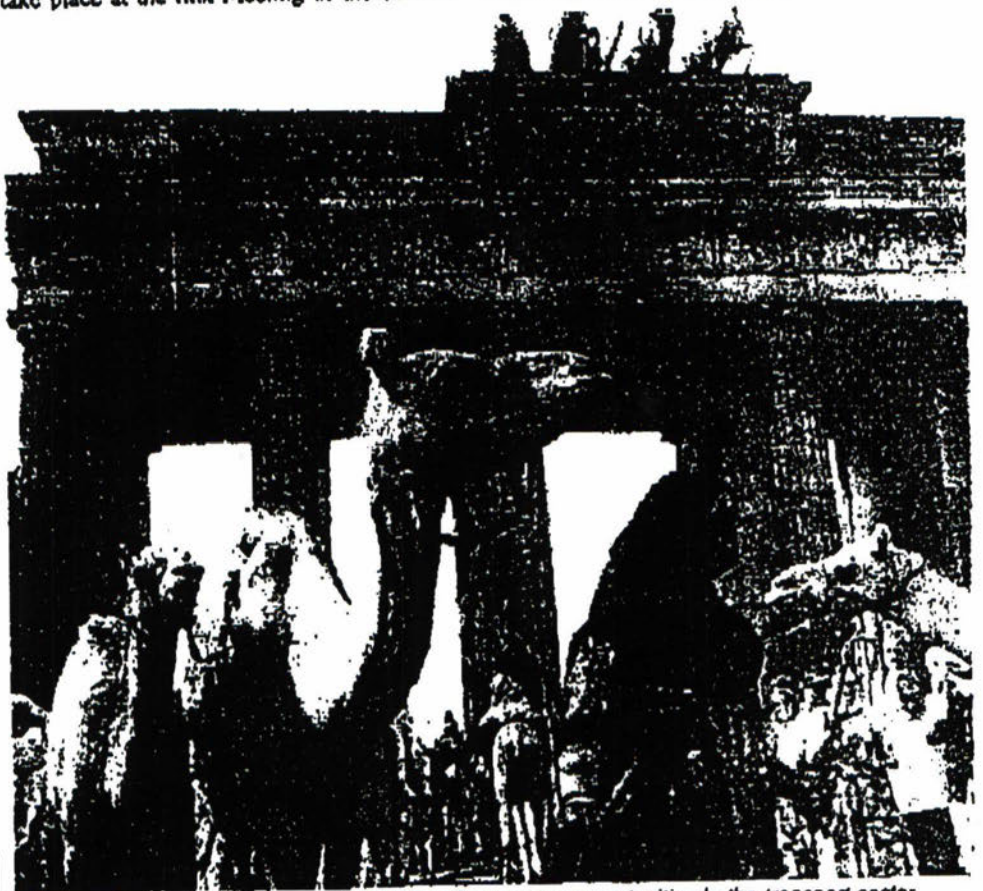
Sinister, from front page

col but are Parties to the Convention would have a say in the review. This is not only unfair and inappropriate, but also removes an important incentive to ratify the Protocol.

The review of commitments must be conducted on a scheduled basis and not just in a "regular and timely manner," as it currently stands in the Chairman's text. Moreover, it must be clearly linked with the timing of the budget periods included in the Protocol. In fact, each review should conclude no later than two years before the start of a new budget period so that adjustments can be made if necessary. The first review should take place at the first Meeting of the Parties. Using only the Convention review provisions would undermine all of these goals. For example, the Convention does not have a schedule for reviews after 1998.

The review of adequacy of commitments should be conducted in the light of the best available scientific information and assessment on climate change and its impacts, as well as relevant technical, social and economic information, with a view to achieving the objective of the Convention. Based on this review, the Meeting of the Parties should take appropriate action.

The current Chairman's text discussed last night is poorly formulated and simply needs to be rewritten with the above elements included.



Arabia is already looking forward to climate-driven export opportunities in the transport sector

Ludwig

Some may have noticed that a certain Mr Pershing, representative of the major Northern emitter, and normally of course the gentlest of souls, has been, shall we say, more than usually forthright over the last two weeks – some have gone further: words such as "aggressive", "difficult" and even "downright ornery" have been heard. Ludwig can reveal that this behaviour is not really due to any deep-seated hostility to anything vaguely Southern. It stems instead from the fact that Jonathan has recently purchased a new pair of shoes, which are obviously giving him some discomfort.

It is now seven years since Ludwig first visited these negotiations. At the time, discussion centred on the possibility that some agreement might be reached in the near future to limit emissions. My how things have progressed!

ISSUE NO6 VOLUME XCVII FREE OF CHARGE

JESSE HELMS, NORTH CAROLINA, CHAIRMAN

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PAUL COVERDELL, GEORGIA
CHUCK HAGEL, NEBRASKA
GORDON H. SMITH, OREGON
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PAUL D. WELLSTONE, MINNESOTA

JAMES W. NANCE, STAFF DIRECTOR
EDWIN K. HALL, MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

October 29, 1997

10/30 advised IPS & cy OES

MEMORANDUM

TO: Senator Jesse Helms
Senator Joseph R. Biden, Jr.

THROUGH: James W. Nance
Edwin K. Hall

FROM: Patricia McNerney

SUBJECT: Request for approval of foreign travel

WHO: Patricia McNerney

WHEN: November 30 - December 11, 1997

WHERE: Kyoto, Japan

PURPOSE: Congressional Observer to the Third Conference of the Parties of the U.N. Framework Convention on Climate Change.

Jesse Helms - Approved. Subject to the above named individual's submitting a substantive report as required by Section 502(b) of the Mutual Security Act of 1954, as amended.
Authorization granted for the enhanced allowance of $50 above

_____ - Disapproved.

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL # of pages ▸ 1

To LINDA FRANZ	From TERRY PATTON
Dept./Agency OES	Phone # 647-8358
Fax # 70217	Fax # 647-0818

NSN 7540-01-317-7368 5099-101 GENERAL SERVICES ADMINISTRATION

Bonn

2911

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

Revised 10/21/97

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State	Leslie Gerson	(202) 647-1511	(202) 647-0773
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State	Jack Schick	(202) 647-4069	(703) 482-0767
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NEC	Dan Tarullo	(202) 456-5353	(202) 456-1605
NEC	Peter Orzag	(202) 456-5358	(202) 456-2223
USTR	Jennifer Haverkamp	(202) 395-7320	(202) 395-4579
USUN	Burgess Laird	6-7583	6-7551

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28 October 1997

Memorandum

To: Please See the Attached List

From: USDEL/Bonn -- Mark G. Hambley

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

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

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

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

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

PAMs Stalls on EU Persistence

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

Problems with the Chairs of QELROS

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

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

Similar Problems Plague Article 4.1 Deliberations

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

Estrada Threatens Once More

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

Institutions Discussion Proceeding At Better Pace

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

And the "Bubble" Issue Remains a Point of Contention

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

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

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

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

"Evolution" Continuing to "bubble" in the Background

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

SBI Makes Some Calls

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

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

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

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

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

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

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

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

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

TO: Mark Bambley
FROM: Sharon Saile

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Monday, October 27

Contact Group on GWPs

Unfortunately, the Indian Chairman clearly had a personal preference for a separate gas-by-gas approach for just CO2, CH4, and N2O in order to avoid the use of GWPs. Naturally, this was the viewpoint expressed by **China** on behalf of the G-77 and supported by **Malaysia and Brazil**. Furthermore, the chair expressed his concern that the long-lived gases (HFCs, PFCs, and SF6) should be handled separately, in particular because these gases should perhaps be banned in a separate agreement like the Montreal Protocol (he also argued that the 6-gas approach doesn't address "all" greenhouse gases since it leaves out CFCs). China and Brazil also specifically objected to the time horizon, stating that 100-years is too long and would have an impact on future generations, so that while they didn't support using GWPs, if GWPs were to be used, a time horizon of 5-years should be used to correspond to the budget period.

USA, Australia, New Zealand, Norway, Iceland, and UK/EU all clearly supported the idea of a basket/comprehensive approach using the 100-year GWPs as the index for ensuring the comparability of all 6 gases. We noted that the actual measurement techniques for methane and N2O are a source of greater uncertainty than the GWPs, noting that the GWPs have recently changed only from 21-24 for methane and 310-320 for N2O. We noted that the 100-year time horizon is a policy decision (not an uncertainty problem), and supported 100-years as very appropriate to ensure that the long-lived gases will receive adequate weighting for action under the protocol. Of course, we also made the arguments that the basket approach needed for flexibility and cost-effectiveness (Australia was very strong in this regard, indicating that basket even more important for flexibility within its own borders, and even in some cases for flexibility within certain sectors, not just across sectors). We made the point that CFCs are already covered by the Montreal Protocol, which is why they don't need to be covered under this protocol.

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

Policies and Measures - Monday afternoon

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

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Institutions Non-group Monday afternoon summary

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

Detailed Notes on Interventions
Institutions Non-group - Monday afternoon

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

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

Article 24 - Entry into Force - based on Parties with 3 gigatons ratifying the protocol.
Japan, supported by Norway, Australia, and in concept by US and Switzerland.
-proposal at last meeting: 1) number of countries to ratify (i.e. 50) 2) total aggregate emissions should exceed i.e. 3/4 of 1990 emissions.
Russian Federation - suggests that %age may not be precise because the %age will change by time of ratification - which suggests getting technical advice on absolute number versus a percentage to be sure of clarification.
Chair noted 1990 world CO2-equivalent emissions 6.1 gigatons. Annex I: 3.89 gigatons in 1990
G-77, Ghana, Egypt, Venezuela, suggest deleting the concept of dependence on gigatons (concerned that large emitters can hold up ratification of protocol).
Norway: CO2 only? Or CO2-e from the three gases. Clarified - CO2 only - FCCC Secretariat would have to recalculate
UK wants to reserve judgement until reaching Kyoto - this should be decided at the end. Para 2, line 2, "after the date of entry into force of this Protocol" allows a 90 day gap. - should be the "after the requirements in paragraph 1 has been met (the date of the day that the 50th country representing at least 3 gigatons deposited its ratification)
US and Switzerland support the idea of weighted entry into force, but reserve on the formulation, and reserve til the end.

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Article 25 -
USA supports the idea, but reserve on the 3 years needed in paragraph 25.1 for withdrawal.
Chairman said to hold the reservation in mind, but no changes to text at this time.
Korea - is paragraph 3 really needed? Covered already by the convention.

Article 9 - Compliance regime:
Tanzania/G-77, Egypt, Saudi Arabia, China, Korea - defer to a later date for G-77 consultations.
- no legal commitment yet, therefore linked - no need for compliance .
Japan, Switzerland, UK, Australia, Canada, USA- support the concept, but current text is too vague (Some still need further time for consultation). Possibly a small working group on building blocks -

-transparency based on implementation and review

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

Canada recommends an early warning system

Canada also recommends deletion of "consideration and" - just approve is enough
UK - In Australia's text, "Appropriate" should be replaced by "effective and binding". Should be moved to Article 17 - between multilateral consultative process and dispute resolution
Chairman - recommend like minded countries get together with Canada, but acknowledges that the real work will have to be completed post-Kyoto. Netherlands - input for further wording on Article 9, or the basis for post-Kyoto work. Can compare notes on modalities for post-Kyoto, but Chair is looking for further clarification of text in Article 9.



Earth Negotiations Bulletin

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

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

AD HOC GROUP ON THE BERLIN MANDATE

AGBM Chair Raúl Estrada-Oyuela (Argentina) invited the chairs of the non-groups to report on their progress.

Bo Kjéllen (Sweden) reported on the QELROs non-groups. He said delegates in the non-group chaired by Luiz Gylvan Meira Filho (Brazil) supported a revised Article 3(1) that sets out the legally binding nature of commitments. Sinks were a key emerging issue and further consultations are forthcoming. The group decided that the non-group on institutions and mechanisms should address issues concerning the legal status of Attachment 1, which would list differentiated commitments. Regarding Annex C (process for establishing differentiated commitments), Parties supporting differentiation will engage in informal consultations.

Articles 3(3), specifying which Parties are committed, and 3(5), requiring demonstrable progress by 2005, are still under consideration. Discussions on Article 3(6) - 3(12) have been deferred, pending further discussions on emissions budgets. Article 3(16) has been deferred until Parties determine which gases to include. He said the AGBM Chair requested SBTSA's assistance on methodologies and a draft decision has been circulated. Delegates disagreed over Global Warming Potentials (GWPs), and a contact group will consider the issue.

On the second non-group, chaired by Kjéllen, he reported broad agreement and a new text on 3(4) (countries with economics in transition). On 3(13) and 3(14)(crediting), amendments were suggested and further consideration will await discussions on emissions budgets. On Articles 5 (emissions trading) and 6 (joint implementation), Kjéllen reported wide differences of opinion. Informal consultations were held on Saturday but some key delegations did not participate. The Chair will produce a revised text based on written submissions.

He said both QELROs groups have advanced slowly, but there has been a useful exchange of views. He said that on many issues the positions of some Parties are still far apart and there is no evidence of emerging consensus. The agenda for both segments is considerable and a number of things must still be addressed, such as compliance and voluntary commitments. He cautioned delegates to realize that all elements are linked, and the purpose of this meeting is to intensify the effort towards consensus.

Evans King (Trinidad and Tobago), Chair of the non-group on advancing the commitments in FCCC Article 4.1 (Article 12 in the draft negotiating text), reported that delegates had reached agreement on the chapeau, but have not discussed all the sub-paragraphs. Discussions have proven that views are divergent and delegates have not reached consensus. A paragraph on implementation information will be set aside pending resolution of related matters. On Article 13 (financial mechanism), he said delegates had exchanged views and he is undertaking bilateral consultations.

Bakary Kante (Senegal), Chair of the non-group on policies and measures (P&Ms), reported that the non-group had addressed nearly all paragraphs contained in Article 2 and Annex A of the negotiating text. He said "last minute" formulations had prevented consensus on a paragraph requiring the adoption of P&Ms. The text currently contains bracketed language under which Parties would adopt and implement P&Ms towards the achievement of commitments of QELROs. Alternative texts have been proposed both by the EU and by the G-77 regarding a paragraph on minimizing the adverse effects of P&Ms. A paragraph on sharing experiences contains bracketed language on the development of common methodologies. The EU said it could work with text proposed by the G-77/China.

The AGBM Chair, for the Chair of the non-group on institutions and mechanisms, reported that discussions had begun on the preamble, but further consultations were needed. Regarding definitions, the Secretariat will compile a list of terms from the agreed text that need to be defined. Article 14 contains alternative texts on establishing a Meeting of the Parties (MOP) or having the FCCC Conference of the Parties (COP) serve as the supreme body. Delegates worked on the COP text and the Chair has produced a revised text that takes into account views of those who favored the MOP approach. The non-group has discussed Articles 15 - 19, but has yet to consider Articles 20 - 26.

The RUSSIAN FEDERATION suggested that Parties find agreement on the quantitative parameters of the protocol, expanding the "bubble" concept to all Annex I Parties in line with the principle of common but differentiated responsibilities. The commitments of individual Parties in the bubble could be based on the proposed targets put forward by those Parties. By 2010, an annual average reduction of some 3% could be achieved. Commitments should be achieved in absolute numbers rather than in percentage terms. He suggested that any attempt to apply a single criterion could give rise to a desire by some Parties to be taken out of Annex I.

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The UK, commenting on the Russian proposal, said that the EU proposal for a 15% reduction in emissions was not unilateral but dependent on similar efforts by others. He conveyed a number of points from a Commonwealth Heads of Government communiqué: the importance of a successful outcome in Kyoto; a call on Parties at the COP to recognize that all countries would need to play a part in pursuing emissions reductions after Kyoto; and a call for monitoring of commitments.

SAMOA, for AOSIS, said that US President Clinton's announcement did not provide the leadership expected from the world's wealthiest nation. The US commitment was not a new commitment but an attempt to delay the achievement of a goal that COP-1 had decided was inadequate. Climate change risks demand action on the basis of the precautionary principle not the wait-and-

with a traditional first-come, first-served list of speakers. He said the G-77/CHINA proposal could be distributed as an official document, although ministers customarily speak on national issues, not on a requested list of topics. SAUDI ARABIA, KUWAIT and CHINA requested that the proposal become an official document.

NON-GROUP ON ARTICLE 4.1

The non-group discussed a non-paper proposed by its Chair. Delegates were unclear whether the AGBM Chair's consolidated negotiating text remained the basis for negotiations. A delegation indicated that agreement on an initial paragraph containing a reference to the advancement of commitments based on differentiated responsibilities and national priorities would be contingent upon outcomes in other areas. A group of countries said that advance-

URGENT-URGENT-URGENT

TELEFAX

FAX to: 001 202 647-0217

DATE: 28 October 1997

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

FROM: USDEL/Bonn, Mark G. Hambley MGH

SUBJECT: Climate Change Talks: Supplement to Update No. 8 (Oct 27-28)

Text: Attached is a supplement to Update No. 8 for October 27-28 which should be read in conjuction with Update No. 8 itself. Please dispatch this report to the personnel/offices on the attached list. Thank you!

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

Revised 10/21/97

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CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

eco

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28 OCTOBER BULL MARKET ISSUE

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

Super-Heated Air

Since the EU first announced its bubble policy other Parties have been jealous and have asserted their rights to get in on the action. It should be remembered that the EU bubble is in the context of a 15% overall reduction. If other Annex I Parties were prepared to accept such ambitious targets it is likely that squabbling over bubbling and trading within Annex I would have long ago ceased. Nonetheless, as Parties consider various combinations of Annex I targets, bubbling, trading, and Joint Implementation, it is essential to consider the implications of these proposals for overall Annex I emissions.

Of particular interest is the disposition of the "paper tons" or "hot air" from Russia and other Central and Eastern European nations. IIASA has recently compiled an interesting set of emission scenarios to 2010 for this region. In the reference scenario based on Official Energy Projections (OEP), emissions rise from their current value of more than 30% below 1990 levels up to about 10% below 1990 levels by 2010. This implies that for a stabilization target, CEE countries would have excess emissions of over 300 million tons per year during a 2008 to 2012 budget period (based on extrapolating the 1995 to 2010 linear growth rate to 2015). If CEE countries were allowed to bank the difference between actual emissions and 1990 levels from 1990 onward, as Russia has proposed, the available Super-Heated Air would balloon to 2000 million tons/year, or 15% of 1990 Annex I emissions (assuming that all banked tons were used during a five-year budget period).

The Official Energy Projections are, however, likely to prove an overestimate of emissions growth in CEE countries. This implies that the hot air problem is likely to be even worse than these figures suggest. In the EEC-F scenario, IIASA examined the implications of CEE countries converging on Western European income and efficiency levels. In this case emissions would more-or-less stabilize at their current levels and unused tons available for trading would increase to 1000 million tons/year assuming no banking is allowed before 2008, as suggested by the Chairman's text. (Astonishingly the paragraph that prohibits such banking seems to have disappeared from the negotiating text sometime on Monday.) With banking, the available tons would increase to 3400 million per year, or fully 25% of 1990 Annex I emissions.

In another scenario, IIASA considered the emissions levels that could be achieved with explicit policies designed to limit emissions, particularly from the transport sector. In this case, emissions in CEE countries could continue to decline to 50% below 1990 levels by 2010, even as economies recover. This would imply over 1500 million tons/year available for trading without banking of pre-2008 reductions, and with banking a whopping 4500 million tons/year, or 33% of 1990 Annex I emissions.

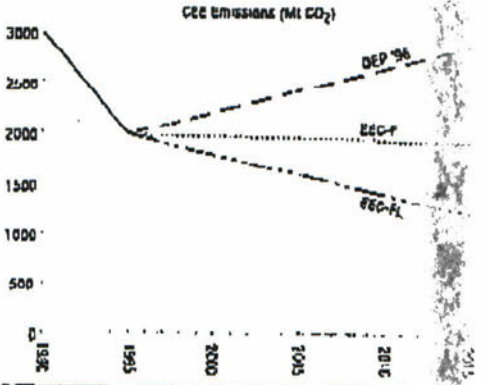


Table: Million tons CO_2/yr (% of 1990 Ann. I)

	OEP-96	EEC-F	EEC-FL
Hot Air – No pre-2008 Banking	320 (2.3%)	1020 (7.5%)	1550 (11.4%)
Super-Heated Air – with Banking	1990 (14.5%)	3430 (25.1%)	4530 (33.0%)



Kyoto gavel undergoes field trials

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CONFERENCE REPORT

AGBM Monday a.m.

It is almost unprecedented that an AGBM has ever been as illuminating as it was on Monday morning. Russia emerged out of the realm of the unknown, AOSIS reminded us of our moral obligations, Egypt finally declared that it wants a Protocol (in Arabic, no less), the European Union issued a robust attack against the US and welcomed its new alliance with the South, and the US managed to offend everyone once again.

The head of the Russian delegation, Mr. Bedritsky, said that Russia fully supports the necessity of a protocol at COP3 in Kyoto even though it is difficult for Russia to follow its commitments. Mr. Bedritsky proposed the creation of a "big bubble" for all Annex I countries, using a differentiation approach. Russia and the US would stabilize CO_2 emission at 1990 levels; 15% for the EU; 2.5% for Japan. Overall, this would reduce CO_2 emissions by 3% below 1990 levels. Total reduction in absolute numbers would equal 1 billion tonnes of carbon between 2000 and 2010. In Russia this decrease would be 350 million tonnes of carbon. Mr. Bedritsky was prepared for counter arguments including concern that progress would be too slow and also that some countries prefer equal commitments.

This Russian proposal provoked a retort from the EU that their target was not unilateral. Constructively, Russia introduced a note of urgency into the AGBM which Chairman Estrada confirmed with regards to time pressures.

Ambassador Slade issued a diplomatic yet blistering denunciation of the US proposal on behalf of AOSIS. He expressed AOSIS's disappointment in the lack of leadership and ambition to be hoped for from the world's wealthiest nation. He stated that the US proposal was inadequate, in contradiction with the precautionary principle and the Berlin Mandate and out of step with the science. He stated that Annex I countries should not be allowed to play with the fate of the island nations.

Egypt offered its hope for a successful outcome in Kyoto in Arabic, which Chairman Estrada welcomed most warmly.

The EU also formally condemned the US proposal. It called for early action and true reductions below the 1990 baseline. It welcomed the support of the G-77 and pointed out that the US and Japan proposals are both far away from being adequate.

Finally, Ambassador Hambley was allowed a response. Aside from the usual rhetoric, he asserted that the US proposal was consistent with the long-term concentration target of 550 ppmv. He also made a preposterous assertion that, "avoiding such concentrations will depend far more on how developing countries decide to address climate change than on what Annex I Parties do under the agreement to be reached in Kyoto." With statements like that, the US can rest assured that there is likely to be little agreement in Kyoto. Eco also would like to remind Ambassador Hambley that the US is responsible for a pretty big chunk of all those greenhouse gases already lurking up there in the atmosphere.

CEE Remains Silent

The second week of the meeting in Bonn has started. We have a lot of proposals on the table, some of them are quite good (G-77, EU), some of them are bad (US, Japan). But there is still silence throughout the CEE, the one region in the world where GHG emissions have decreased during the last 7 years. The economies of CEE countries have historically been characterised by high emission of pollutants, both in relation to GDP and in per capita terms. Since 1990, however, the CEE members have initiated profound economic reforms. Between 1990 and 1994 energy consumption in all CEE countries decreased dramatically by 34%, from 46 EJ to 30 EJ. There are several reasons: economic recession, increase of energy prices and collapse of the Soviet Union. As a result, CO_2 emissions have been reduced, so the CEE countries can easily reach Toronto target.

Although the economic growth of the last two years has not resulted in significant structural improvements, new environmental standards and accelerated harmonization of energy and emission standards with current legislation within the EU could lead to a significant decline in energy demand and emissions of pollutants, including CO_2.

Exploring the possibilities offered by an accelerated application of EU standards is an interesting approach for estimating some of the reduction potential in the region. A study prepared by the International Institute for Applied System Analysis based in Luxembourg, Austria deals with application of the current EU emission standards to the CEE countries (including the Russian Federation). A draft report concludes that, depending upon the scenario analysed, it can be expected that energy demand will decline for the whole CEE region from 6% (individual country projections) to 30% (for the case of full convergence of energy intensities in the CEE with those of EU by the year 2010).

Changes in energy pathways analysed by the study caused a decrease in CO_2 emissions from 11% to 26% until 2010 depending upon the scenario. However, emissions from accession countries are expected to decrease to a lesser extent (from 1-15%).

It is important to understand that the patterns of development in the various sectors are fundamentally different. Whereas the convergence process would reduce energy intensities of the industries in CEE (with theoretical potential of 66% by 2010 compared to 1990), the increased private consumption associated with economic growth will probably bring demand from households, transportation and electricity closer to EU levels. For example, this could result in an increase of gasoline consumption by as much as 220% for the entire CEE region.

The silence of the CEE is strange because some of the countries "associated with the EU" (Bulgaria, Czech Rep., Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) want to become EU members. They therefore have an important role to play in these negotiations. During a meeting in September, Ministers of Environmental Protection from the region declared that they can support the EU 7.5% reduction target for 2005. Most of the countries from this region, including Poland, are able, without additional cost, to reduce their GHG emissions by 15% in 2010. Why they have not said so in Bonn? Are they still waiting for tougher target?



Not all countries are represented at the highest level

Japan... Could Do Better

5 of 6

by Yurka Ayukawa/WWF-Japan and Yoichi Mizutani/CASA

Japan has proposed a five per cent reduction of greenhouse gas emissions at 1990 levels by 2010. Once you add differentiation, flexibility and the basket approach, it is essentially stabilization at 1990 levels by 2010.

Such a low reduction target was proposed because MITI insists that it is impossible to reduce CO_2 emissions below 1990 levels by 2010, even if all realistic policies and measures are implemented.

MITI has not explained which CO_2 emission reduction technologies were examined, their potentials, how such technologies would be utilized and how future electric power generation would change.

To challenge MITI's conclusions, WWF-Japan and CASA analysed the potential for CO_2 reduction in Japan. Two types of bottom-up models were used, with emphasis on future utilization of promising CO_2 reduction technologies.

The WWF-Japan used the AIM model (Asian-Pacific Integrated Model) developed by the National Institute for Environmental Studies and Nagoya University. This is the same model used by the Environment Agency for its analysis of mitigation potentials.

The CASA model was developed by the Climate Change Prevention Strategies Research Group of CASA.

WWF-Japan research tried to follow the Environment Agency's scenario to determine whether there was additional reduction potentials. Focusing only on areas such as improvement of efficiency in vending machines or stand-by mode electricity in household appliances and introduction of hybrid cars, the WWF-Japan scenario concluded that an 8.6% reduction in carbon dioxide emissions could be achieved by 2005 and 14.8% by 2010. This is an indicative figure, as the study did not assess socio-economic impacts.

The CASA research assessed not only 91 new technical potentials for reducing CO_2 emissions, but also analysed the effect of policy options on stabilizing energy-consuming activities in manufacturing, buildings, appliances, transportations and waste disposal.

According to the CASA model's "1995 activities stabilization scenario", a 11.6% CO_2 reduction could be achieved in 2005 and 21.0% reduction for 2010 based on 1990 levels .

These studies prove that the government's projections on CO_2 reduction potentials are not reliable. Unless MITI allows independent scrutiny of the assumptions and data on which its models depend, there will always be the suspicion that the Japanese government's proposals are not scientifically-based.

The Japanese government must reveal the assumptions used in its modelling of mitigation potential so that an open societal debate can take place.

EU Can Do Even Better

Stephan Singer, WWF

Yesterday Eco reported on a briefing by the EU, which so far is the only Annex I party to provide serious analysis of its energy-related CO_2 reduction potential until 2010. This analysis clearly shows that the EU can achieve its proposed 15% target through cost-efficient measures.

The EU is convinced that – even if its target were to be implemented in the EU alone – it would achieve global benefits of as much as 101 billion Ecu annually, which would far outweigh any detrimental economic effects due to energy reductions.

The solid no-regret measures identified in its analysis speak clearly in favour of adopting the target unilaterally by the EU independent of the Kyoto outcome.

The EU calculates that, in aggregate, it can reduce carbon dioxide by 800 million tons. This would amount to a 15% reduction of CO_2 alone, without counting the other two gases (CH_4, N_2O) contained in the EU proposal. In comparison, the EU would increase 9% above 1990 levels by 2010 in a "business as usual" scenario. These calculated reductions are actually too conservative.

The suggested 100 million tons CO_2 savings in the domestic / tertiary sector are greatly underestimated. This figure mainly reflects the potential of domestic electricity savings by more efficient household appliances in the EU. The EU admits that no potential has been identified for the thermal integrity of buildings. The 1997 "Lisboa declaration" by the European insulation industry claimed that about 300 million tons of CO_2 could be saved just from improving building insulation.

Further, the EU analysis identifies savings of 100 million tons of CO_2 in the transpon sector. This calculation is based on the rather weak principle adopted by the EU Council of Ministers in June 1996, that at latest by 2010 all new passenger cars should have a specific fuel consumption of 4.5 and 5 litres per 100 km for diesel and gasoline cars respectively. A 2005 target for new cars of no more than 3 litres should be realistic, considering that highly efficient engine technologies as well as fuel cell cars are currently being developed. This would increase the potential to at least another 50 million tons in CO_2 savings.

Fuel switching in electric power generation has been estimated to yield about 50 million tons of CO_2 savings by 2010 in the EU proposal. Yet, in Germany alone 60 million tons of CO_2 already have been avoided, due mainly to fuel switching from lignite to natural gas between 1990 and 1996. This suggests a much higher potential in the entire EU if coal fired power plants continue to be replaced by natural gas turbines.

The suggested increase of combined heat and power generation in the EU from 9% currently to 18% by 2010 would save another 150 million tons of CO_2. Fine, but the European Association of Cogeneration (Cogen) suggests, that an increase up to 30% is possible by that date, further increasing the amount of CO_2 that could be saved.

These examples demonstrate that the EU's 15% target is hardly a radical or "unachievable" target. It reflects sound but very conservative analysis and contains only no-regret options. Many potential efficiency measures exist that are not covered in the EU's analysis. For delegates, this means the EU proposal is only the minimum option.

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CLIMATE NEGOTIATIONS BONN OCTOBER '97 NGO NEWSLETTER

Traps for Early Credit

Last week, President Clinton announced that the US would "urge companies to take early actions to reduce emissions by ensuring that they receive appropriate credit for showing the way."

Environmental groups strongly support incentives for early action to reduce greenhouse gas emissions. The strongest incentive, of course, would be binding emission reduction targets that start as soon as possible, rather than ten years from now as proposed by the President. Short of that, domestic incentives for early reductions would be welcome. But there are a number of possible pitfalls associated with the US plan, because of its linkage with that country's emissions trading proposals.

The US would allow companies that take a baseline, and reduce emissions below that baseline before 2008, to "bank" emissions credits for use once binding emissions obligations start in 2008. Of course, the emissions credits for early domestic reductions would have to be subtracted from the US allocation for the first budget period, effectively penalizing laggard industries that fail to take early action. While the total emissions over the first budget period would not be reduced, there would be a net benefit to the environment from the reductions in the period before binding commitments kick in.

The problem comes when the industry action is outside the United States. In the case of investments in developing countries, emissions credits earned by industry through actions abroad would presumably not be subtracted from the first US emissions budget. Instead, the US would *add* the emissions savings overseas to its first budget, thus allowing domestic emissions to be larger than they otherwise would be. The result here would be a wash – lower emissions in the period before 2008 would be offset by higher emissions in the 2008-2012 first budget period.

When the investment is in another Annex I country taking on a budget commitment, the early credit program could have a (hopefully unintended) perverse effect. The US, as in the case above, would get to increase its first budget by the number of tons reduced in the host country pre-2008. But in addition, the host country, its emissions trajectory reduced by the US company investments, would have extra tons to sell in the world market once the US-proposed trading system starts. Thus, in this case, each ton reduced between now and 2008 could lead to two tons being emitted after 2008. This is clearly not an acceptable result for the environment.

To avoid such double-counting, the host country should have to subtract these reductions from its budget, just as it would for projects that occur wholly within the budget period.

The US should be encouraged to provide domestic incentives to its industry to start reducing emissions now. But should negotiators decide to adopt the US emissions trading proposals, they must ensure appropriate accounting so that these mechanisms don't obviate the environmental benefits of early reductions by allowing higher emissions later on.

Ludwig

From the self-congratulatory way that fossil fuel lobbyists are strutting around the Beethovenhalle with smiles on their faces it is clear to Ludwig that the latest position from the world's most powerful emitter is very close to what industry hoped it would be. Everyone knows it is a long way from what the NGO community or the public would like. This is because businesses, who are used to commercial bargaining, always ask for ten times more than they want, then settle for what they are really aiming for. NGOs and scientists on the other hand, are more direct.... or *have* been, up to now. Ludwig can now reveal CAN's latest demands: a 500% cut in all emissions by 1900, based on pre-industrial levels. Maybe we can meet half-way...

NGO PARTY!

9pm tonight

at the

Kaffee Haus

Ermekeilstrasse

in the

Sudstadt

No Threat to Sweat...

Following President Clinton's announcement of the US Climate Change Policy on October 22, some US industry representatives and US Congressional representatives have stepped up predictions that the United States will suffer trade disadvantages unless developing country commitments are part of the deal. These arguments, backed by intense lobbying and multi-million dollar ad campaigns, are warning the American public that US jobs and industries are going to move off-shore as a result of a Kyoto protocol. Undoubtedly these voices are contributing to US insistence on "meaningful participation" by developing countries – a move that threatens to derail the negotiations.

A new research study by WRI, *US Competitiveness Is Not at Risk in the Climate Negotiations*, debunks the argument that US energy-intensive industries and jobs will be lost to developing countries if industrialized countries lead the way on greenhouse gas reductions. WRI argues that few, if any, threats exist. On the contrary, they show there is already significant opportunity for US business to improve energy-efficiency and reduce emissions growth in developing countries.

Here are some of the facts that are presented in their research brief:

- The United States' largest trade and investment partners are other OECD countries that will face the same binding commitments and already have higher energy prices than the United States.
- Key US energy-intensive industries are not seeking to invest in low energy price countries;
- Among industries that produce tradable goods and services, very few jobs are in energy-intensive sectors, making economy-wide job losses to developing countries extremely unlikely; and
- energy prices in developing countries have been rising much faster than prices in the United States, and will continue rising because of on-going energy sector reforms.

These findings indicate that if the US assumes strong leadership, and upholds the concept of differentiated commitments, it does not risk becoming less competitive.

THANKS

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

With resources contributed by: APC Networks and EuroFax.

The UK, commenting on the Russian proposal, said that the EU proposal for a 15% reduction in emissions was not unilateral but dependent on similar efforts by others. He conveyed a number of points from a Commonwealth Heads of Government communiqué: the importance of a successful outcome in Kyoto; a call on Parties at the COP to recognize that all countries would need to play a part in pursuing emissions reductions after Kyoto; and a call for monitoring of commitments.

SAMOA, for AOSIS, said that US President Clinton's announcement did not provide the leadership expected from the world's wealthiest nation. The US commitment was not a new commitment but an attempt to delay the achievement of a goal that COP-1 had decided was inadequate. Climate change risks demand action on the basis of the precautionary principle not the wait-and-see approach. He urged President Clinton not to defer responsibility for the duration of some three presidential terms. EGYPT called for the preparation of a unified text, indicating points of agreement and disagreement, to take to the capitals Friday.

The EU, welcomed the fact that the US and Japan shared its concerns and recognized the potential to reduce GHGs through cost-effective domestic action, but added that this was not properly reflected in the proposed targets. The US figures were lower than Japan's already insufficient targets. Serious negotiations would be needed if Kyoto is to produce the outcome the world needs. The EU will seek intensive dialogue with all Parties.

The US described its proposal as aggressive and pointed out that some other proposals do not check the growth of trace gases nor protect forests and soil sinks. The proposal was fully compatible with long-term concentration targets that have been put forward by other Parties, i.e. 550 ppmv. Avoiding such concentrations would depend more on developing countries' responses. No other Party was ready to implement its domestic program so expeditiously, leading others to propose unrealistic targets that fail to address HFCs, PFCs and SF_6. The US had also provided the most detailed proposals for compliance. Promptly beginning the process of agreeing on developing country commitments would help them avoid the emissions-intensive path pursued by the industrialized world.

SUBSIDIARY BODY FOR IMPLEMENTATION

On arrangements for COP-3, FCCC Executive Secretary Michael Zammit-Cutajar said discussions with the Japanese government were on the verge of a successful conclusion. He said that taking account the legal opinions and practices of Japan's authorities, Japan's opinion on the legal character of the COP and Convention Secretariat, and of Japan's practice for security and police protection at UN conferences, the international understanding for COP-3 would be an exchange of letters. He said the Secretariat had sought and obtained a practical understanding to produce the desired results without prejudicing these views, and that the Secretariat's understanding should not be considered a precedent for other meetings. Without prejudice, the government of Japan will extend to representatives of Parties and others involved in COP-3 such services, facilities, security privileges and immunity as provided to other international and UN conferences in Japan.

JAPAN acknowledged that it had virtually succeeded in concluding issues with the Secretariat. He said the government of Japan fully intends to provide the necessary facilities to all functions and to ensure the COP is conducted as smoothly as possible.

SBI Chair Mohammed Ould El-Ghaouth introduced a draft decision to hold COP-4 in Bonn in November 1998 and requesting that the Secretariat make necessary arrangements. The decision was agreed. On the G-77/CHINA's proposed agenda for COP-3's high-level segment, the Chair said the segment would be organized with a traditional first-come, first-served list of speakers. He said the G-77/CHINA proposal could be distributed as an official document, although ministers customarily speak on national issues, not on a requested list of topics. SAUDI ARABIA, KUWAIT and CHINA requested that the proposal become an official document.

NON-GROUP ON ARTICLE 4.1

The non-group discussed a non-paper proposed by its Chair. Delegates were unclear whether the AGBM Chair's consolidated negotiating text remained the basis for negotiations. A delegation indicated that agreement on an initial paragraph containing a reference to the advancement of commitments based on differentiated responsibilities and national priorities would be contingent upon outcomes in other areas. A group of countries said that advancement of existing developing countries' commitments depends on the provision of financial resources and transfer of technology. Some delegates pointed out the lack of progress in negotiations.

NON-GROUP ON INSTITUTIONS AND MECHANISMS

The non-group on institutions and mechanisms discussed the final articles of the draft negotiating text, including those on ratification, regional economic integration organizations, entry into force and withdrawal. A number of substantive discussions were postponed until decisions determining the overall shape of the protocol or other legal instrument have been taken, and the group agreed to reconvene for an evening session. On provisions for regional economic integration organizations, most participants felt that the issue should be deferred as it is linked to the AGBM's acceptance of the "bubble" concept for meeting commitments. Negotiators concluded that a decision on whether to link entry into force to the number of ratifications alone or to a combination of ratifications and carbon dioxide emissions covered should also be postponed. One group supported entry into force after fifty ratifications.

NON-GROUP ON POLICIES AND MEASURES

Delegates received proposed text from a regional group and from a group of industrialized countries, and debated which paragraphs they were to consider. The Chair proposed discussing paragraphs in a specific order. The regional group sought to consider the entire article as a whole because of newly proposed text in one subparagraph stating that Parties will adopt P&Ms according to their priority areas. The regional group's proposal divides the P&Ms into three types; obligatory, intermediate and voluntary. The Chair of a contact group reported that participants had been unable to agree on revising a paragraph concerning P&Ms in Annex A. The non-group met again in the evening.

IN THE CORRIDORS

Under pressure of time and, in some cases under fire, some negotiators are reporting an increasingly fraught atmosphere in Bonn. "Between a rock and a hard place" was how one participant summed up the position of negotiators bound by and unable to draw back from highly publicized negotiating positions. Suspicions about obstruction and spliting tactics are being quietly aired. The only clear target to emerge thus far has been the US position, which has been fired on from all sides.

THINGS TO LOOK FOR TODAY

NGO Briefing: The NGO briefing will be held at 9:30 am.

Non-group Meetings: Consult the journal for times and locations.

SBSTA: SBSTA will meet at 3:00 pm.

Bonn

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URGENT-URGENT-URGENT

'97 OCT 30 AM 9:25

PLEASE PASS IMMEDIATELY TO OES FRONT OFFICE. THANKS.

TELEFAX

FAX to: 202 647-0217

DATE: 29 October 1997

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

FROM: USDEL/Bonn, Mark G. Hambley

SUBJECT: Climate Change Talks: Update No. 9 (Oct 28-29)

Text: Conchita: Attached is the climate talks Update No. 9 which covers activities from the afternoon of Oct 26 through the morning session of Wednesday, Oct 29. This report should be read in conjunction with the supplement for this update which contains the latest copy of the NGO rag, ECO, plus the "Earth Negotiations Bulletin" for today. Please send it to the personnel/offices on the attached list. Thank you!

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

Revised 10/25/97

Agency	Name	Telephone	Fax
State	Melinda Kimble	(202) 647-3004	(202) 647-0217
State	Rafe Pomerance	(202) 647-2232	(202) 647-0217
State	OES/EGC	(202) 647-4069	(202) 647-0191
State	Leslie Gerson	(202) 647-1511	(202) 647-0773
State	Rodrigo Prudencio	(202) 647-8745	(202) 647-0753
State	Jack Schick	(202) 647-4069	(703) 790-5736
State	Mario Merida	(202) 647-2231	(202) 647-4037
State	Susan Gordon	(202) 647-4069	(202) 647-0191
State	Victoria Greenfield	(202) 647-6985	(202) 647-5713
OSTP	Rosina Bierbaum	(202) 456-6202	(202) 456-6025
CEA	Jeffrey Frankel	(202) 395-5046	(202) 395-6958
OMB	T. J. Glauthier	(202) 395-4561	(202) 395-4639
Justice	Lois Schiffer	(202) 514-2701	(202) 514-0557
Commerce	Jeffrey Hunker	(202) 482-6055	(202) 482-4636
Commerce	Laurence S. Campbell	(202) 482-3038	(202) 482-0325
Commerce	Nazir Bhagat	(202) 482-3855	(202) 482-5666
NOAA	Terry Garcia	(202) 482-3567	(202) 482-6318
NOAA	Sally Kane/Jim Buizer	(301) 427-2089 Ext. 516	(301) 427-2073
Treasury	David Wilcox	(202) 622-2200	(202) 622-2633
Treasury	Bob Boorstein	(202) 622-0486	(202) 622-0073
Treasury	Larry Summers	(202) 622-1080	(202) 622-0081
Interior	Brooks Yeager	(202) 208-6182	(202) 208-4561
Agriculture	Charlie Rawls	(202) 720-6158	(202) 720-5437
WHTFCC	Dirk Forrister	(202) 343-1060	(202) 343-1162
EPA	William A. Nitze	(202) 564-6600	(202) 565-2407
EPA	Richard D. Wilson	(202) 260-7400	(202) 260-5155
EPA	David Gardiner	(202) 260-4332	(202) 260-0275
EPA	Avis Robinson	(202) 260-3354	(202) 260-6405
EPA	Paul Stolpman	(202) 233-9140	(202) 233-9598
DOE	Abraham Haspel	(202) 586-5316	(202) 586-3047
DOE	Mark Chupka	(202) 586-5800	(202) 586-0861
DOE	Mark Mazur	(202) 586-7700	(202) 586-9626
DOE	Howard Gruenspecht	(202) 586-5337	(202) 586-5391
DOT	John Lieber	(202) 366-4450	(202) 366-7127
OVP	Pete Jordan	(202) 456-9501	(202) 456-9500
CEQ	David Sandalow	(202) 456-6543	(202) 456-2710
CEQ	Steve Seidel	(202) 343-1092	(202) 343-1163
CEQ	Katie McGinty	(202) 456-6224	(202) 456-2710
USAID	David Hales	(202) 712-1750	(202) 216-3174
USAID	Leslie Cordes	(202) 712-5304	(202) 216-3230
WH	Todd Stern	(202) 456-2702	(202) 456-2215
L/OES	Evan Bloom/Bob Harris	(202) 647-1370	(202) 736-7115
NSC	Jim Steinberg	(202) 456-9491	(202) 456-9490
NEC	Gene Sperling	(202) 456-2807	(202) 456-2878
NEC	Dan Tarullo	(202) 456-5353	(202) 456-1605
NEC	Peter Orzag	(202) 456-5358	(202) 456-2223
USDA	Jessica Wasserman	(202) 690-2790	(202) 720-8097
USTR	Jennifer Haverkamp	(202) 395-7320	(202) 395-4579
USUN	Burgess Laird	6-7583	6-7551

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29 October 1997

Memorandum

To: Please See the Attached List

From: USDEL/Bonn -- Mark G. Hambley

Subject: **Climate Change Talks, Update No. 9: Activities for October 28-29, 1997**

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-8), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon of Oct 28 through the morning of Oct 29. The following reports are also included:

(a) An Oct 22 account of the SBI meeting prepared by USDA's Dr. Carol Whitman;
(b) An Oct 27 account of the SBI meeting prepared by USDA's Dr. Carol Whitman;
(c) Reports on QELRSOs sessions and on contact groups on emissions trading and other topics for Oct 28 prepared by EPA's Sharon Sailes; and
(d) a report on the Oct 28 meeting by USAID's Leslie Cordes on SBI's informal meeting on outstanding agenda items.

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

Climate Changes Talks, Update No. 9: Moving Towards Closure: Chair Presses for Completion of Draft Documents for Presentation to the Plenary

The EU "Bubble" Hotly Contested

With substantive debate continuing from yesterday's (Oct 28) afternoon and evening sessions through this morning, several issues of importance to us are now being addressed. These include Article 10.(on a voluntary graduation mechanism) and the EU "bubble." Both of these aspects of the debate are covered in Sharon Saile's attached report. Suffice it to note that amendments to the Chair's text for Article 10 were submitted during the contact group on this topic chaired by Norway on Oct 29. A revised draft will be prepared on this basis. The "bubble" debate was surprising by its intensity. The EU was somewhat taken aback, as they should have been. Although the G-77/China did not participate in the debate (several elements are known to have concerns similar to our own), neither did most the other EU "wannabees." Only Slovenia spoke up in defense of the "bubble." Poland, Hungary, and the Czech Republic all remained silent, as did the other EIT members (except for Kazakhstan which joined Russia in raising some pertinent questions.

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Institutions and Policies and Measures Reaching as Far as They Can Go

Institutions has its two final meetings today. At the morning session, discussion focused on a paper prepared by the Chair (Shibata of Japan) which does not indicate what was agreed and those passages which remain open. This confusing situation was clarifed by the Chair. On Policies and Measures, Sue Biniaz remarked favorably on the performance of the chair of this "non group", Kante of Senegal.. The main items which will be left for decision at Kyoto will be sections concerning whether there should be a list of policies and measures and, if so, should they be voluntary in scope or in some way harmonized. The G-77 tends to support on the issue of a list (they do not want one), but this grouping also wants there to be criteria established. (Iran told us privately that they hope we will quash this suggestion!)

SBSTA is Finished; SBI is Winding Up

SBSTA finished its meetings ahead of schedule to the surprise and delight of many. The Chairman of this subsidiary body, Tibor Farago, has now retired from this position. SBI, meanwhile, is moving to complete its work this morning. Despite an effort by the G-77 at last night's session to limit the review of commitments to Annex I, we have been able to preserve our options in this regard.

Watching out for the Wrathful Chairman

The Chairman of the AGBM,. Ambassador Raoul Estrada of Argentina, is currently undertaking consultations with concerned parties on the texts submitted by the non-group chairs. He is holding deliberations on Article 4.1 and on Policies and Measures this afternoon. The intention is to work out compromises on textual areas where there is more o r less consensus. If none can be reached, the chair has given himself the option of deciding the matter in order to move the process forward. This could set us and other up for some fireworks on Thursday and/or Friday when he attempts to have his final report and a text prepared for submission to the Conference of the Parties for consideration in December.

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

Climate Changes Talks, Update No. 9: Moving Towards Closure: Chair Presses for Completion of Draft Documents for Presentation to the Plenary

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SBI-7, 3rd Meeting, October 22, 1997, 15:00-18:00
Beethoven Halle, Bonn
Dr. Carol Whitman

SBI Vice-Chair Jose Romero (Switzerland) opened the meeting with a discussion of the arrangements for COP-3 and COP-4. The arrangements for COP-3 were not final and the secretariat and Japan needed a few more days to complete them. The COP-3 agenda (FCCC/CP/1997/1) had been approved by the President of the Conference. There were also proposals for work for the ministerial. New elements had been added since the last meeting, e.g., a classic general debate with statements limited to "some 5 minutes." There had been no offers to host COP-4 by the deadline of September 30, so by the draft rules of procedure, the conference would be in Bonn in November 1998. China and the G77objected to a review of the adequacy of 4.2(a) and (b) commitments at COP-3. In addition, Tanzania (for the G77/China) proposed an agenda for the ministerial, including (1) giving guidance to the final stage of the Berlin Mandate, (2) considering measures for implementation of the FCCC financial resources, technology development, demonstration, differentiation, promotion of breakthroughs, education and training, public awareness, networks, research, etc., (3) considering next steps being guided by cooperation, good faith, existing commitments, implementation of commitments to limit GHG emissions by Annex I. Reference to the way forth was not support for a post-Kyoto process, e.g., inclusion of non-Annex I Parties in commitments. The USA and Luxembourg (EU) supported inclusion of the review of adequacy of 4.2 (a) and (b). The secretariat responded that the agenda had been debated and in the conclusions of SBI-6 para. 34.6, the secretariat was asked to make preparations for COP-3 including a review of the adequacy of 4.2(a) and (b). The secretariat also advised against suggesting an agenda for the high level segment. The Philippines asked for clarification on the post-Kyoto process, whereby the secretariat responded that there were two types of processes that could follow Kyoto: (1) implementation of a protocol; and (2) a Kyoto Mandate. The Vice-Chair said they would seek guidance from the Bureau on COP-3 agenda item 3(d) and an agenda for the ministerial segment. The SBI then took up administrative and financial matters. The secretariat reported on their cash flow problems, overexpenditures, the shortfall in the participation fund of $500K, and the Bonn fund. They noted that Germany was taking action to complete a formal headquarters agreement with the UNFCCC. The SBI then discussed NGO consultation. Luxembourg (EU) asked the secretariat to advise the SBI on other UN procedures for NGO consultation. Malaysia supported establishment of a consultation process and the proposal by the EU, but noted the amount of work being done and the lack of time to entertain interventions. Switzerland supported NGO consultation (with up to 9 groups as in Agenda 21, and barred from negotiations) but proposed deferring the decision to a later date. Canada suggested the Chairman should have the discretion to allow more than 1 or 2 interventions. The Vice-Chair concluded that there was not consensus and therefore it was too early for SBI to make a recommendation for COP-3.

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SBI-7, 4th Meeting, October 27, 1997, 12:00-13:00
Beethoven Halle, Bonn
Dr. Carol Whitman

SBI Chair Mohammed Ould El-Ghaouth opened the meeting with a report on the arrangements for COP-3. The Secretariat related that their discussions with Japan were almost concluded and that the international understanding for COP-3 would be an exchange of letters. The Chair then introduced a draft decision on the date and venue of COP-4, Bonn in November 1998. The USA asked for specific dates. The secretariat explained that November 16-27, 1998 was not specified to allow additional time to adjust the proposed dates because this schedule proved difficult for some Parties (i.e., Thanksgiving in the U.S. and a conflicting meeting of the Montreal Protocol). The draft decision directing the secretariat to make arrangements was adopted. SBI Chair El-Ghaouth then took up the issue of the G77/China proposed agenda for the high level segment of COP-3. He indicated that following traditional practice, the high level segment would not have a specific agenda; the agenda would be left to Ministers. The list of speakers would open October 28 on a first-come, first-serve basis, with respect to protocol rank and spokespersons of dominant groups (all Parties and Observer States). He said the G77/China proposed agenda could be published for the information of the speakers. Saudi Arabia, Kuwait, China, and Peru requested that the secretariat publish the G77/China proposal as a MISC document. The Chair indicated that the President of the G77 could submit a signed request for the secretariat to publish their proposal as a formal document of COP-3. Saudi Arabia and Kuwait also raised the issue of COP-3 addressing proposed amendments to the FCCC in the order of receipt. The Chair agreed.

TO: Mark Hambley
FROM: Sara Saiki

8 9 11

QELROs - Policy Chaired by Bo Kjellen, Tuesday Morning October 28

The Chair indicated that the interested Parties (Russia, Poland, US, UK/EU, and G-77) were still consulting on the EIT flexibility issue (contained in Article 3.4 of the Chair's text) to try to develop a consensus on new text.

There was general agreement among the Parties with Article 8 on expert reviews of reports submitted under the protocol. In about an hour or so, several interested Parties (US, UK/EU, Tanzania/G-77, and Switzerland) agreed upon several changes to the text (reserving the judgement about Conference or Meeting of the Parties until after that issue is resolved in Mr. Shibata's institutions group). Although the text indicating the reviews would cover "the likelihood that a Party will achieve its commitments", the text was enhanced to provide for the review of "identifying any potential problems and factors influencing the fullfillment of commitments". In addition, we agreed to add text to indicate that Parties (in addition to the Secretariat) could raise questions about implementation to the COP/MOP.

On Article 10 for the voluntary commitments for non-Annex I Parties (our Annex B), all the usual players shared their usual point of view - G-77 expressed their questions as to whether this concept would fall within the Berlin Mandate, and whether it would represent additional commitments for non-Annex I Parties. They further expressed their view that this Article to the protocol was unnecessary because they could join Annex I under the convention. Korea and Mexico made their interventions indicating that just despite their membership in OECD, they shouldn't be forced to take on new commitments. Poland supported Article 10. The Chiar then decided that Norway would chair a non-contact group to try to develop consensus on changes to the text.

On Article 11, the US expressed its view to delete Article 11 for the review of adequacy of Annex I commitments under this Article, while others expressed their support (UK/EU, Switzerland, NAURU) ~~Nehru~~) or their desire to modify (Australia and Canada) the Chairman's text. The Chairman promised to carry out bilateral discussions with the interested Parties.

QELROs - Contact Group on Emissions Trading, chaired by Bo Kjellen at lunch

India represented the view of the G-77 that emissions trading should not be allowed and should be deleted from Chairman's text. The reiterated their argument that we haven't sufficiently discussed the granting and trading of emissions pollution rights. After listening to the general rebuttal of their concerns, India left when the Chair moved the discussion into the specifics of the text.

Amb. Kjellen's new text was very responsive to US concerns - reinstating a paragraph to allow Parties to authorize "intermediaries to participate in actions leading to transfer or acquisition". He also added back in the "yellow flag" for allowing trade but not use of emissions allowed until a question of compliance is resolved. He removed the restriction against early credit for early reductions. The one problem in the text is that emissions trading still seems to be dependent upon development of modalities and guidelines by COP/MOP.

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Of course, the UK on behalf of the EU expressed their reservations about trading, and all other Annex I Parties present supported emissions trading, including the US, Australia, New Zealand, Japan, Iceland, Norway, Switzerland (contingent upon development of modalities). EU wanted to restrict hot air - they support the ban on any credit for early reductions to accrue to countries below their baseline before the start of the budget period. EU also wants some sort of centralized exchange for all emissions trades, which would severly restrict the ability for bilateral trades among Parties. All others raised their concerns about these restrictions. After discussion, an Annex I drafting group to try to develop consensus to resolve the EU's desire for further restrictions on emissions trading against the concerns of all others (the Common Interest Group to meet tomorrow at 10).

QELROs - Technical Chaired by Gylvan Meira, Tuesday Evening October 28

Differentiation: by Switzerland Annex C - hope to contiue for one more day on 3.2 and 3.3

E U Bubble (or other Regional economic groups) by UK/EU
AGBM/1997/Misc 1/Add 7 - bubble is based on 4.2 of FCCC for individually or jointly
choosen to do Convention jointly, and will under protocol
text was distributed yesterday

Japan - this text still isn't clear enough - individual differentiation and unfair
Australia - unfair - achieving internal differentiation - doesn;t guarantee transparancy or compentency
Canada - unfair - each country should have individual targets - doesn't address expansion over time
US - obligations for all others - agree with flat rate - but EU is trading, and therefore similar provisions for trading should apply
- thus only below their obligation could trade
- thus any reductions achieved before the period could not be used - only those after
- supplemental to policies and measures
- may not transfer if exceeded its budget
- need to resolve all modalities before allowing the bubble
- clarification of transparancy of reporting & verification & compliance
- allow trading for bubble before entry into force of agreement, let alone first MOP
- allow question of compliance raised by any Party
- additional enlargement - trading has Article 10 - need clarification?

Norway - won't comment on text, but still need further clarification
-notify on date of deposit or 5 years ahead: 4 questions
- don't know your target to sign?
-cnsequences of failure - should apply to all countries if one country fails?

New Zealand - not against bubble per se - share abatement OK, but not fair
supports uniform Annex I target - emissions trading - bubble = trading and no constraints
unrealistic constraints on trading - not fair

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Iceland-still unclear - illustrates need for differentiation
Russian Federation- 1)they get early credit?
-2) legal and moral - some members may raise their emissions - unfair
-3) need option for common but differentiated responsibilties for all
yesterday - proposed Annex I bubble - already covered by logic of convention
Kazahkstan - unfair
Slovenia - in favor

Dakota

UK/EU response - California and Dakata will have different emission levels - therefore need understanding of constitutional arrangements.
-EU bubble is essential - but open to any other "economic" organizations - therefore not special treatment
-not against differentiation in principle - pleased with progress
-will deregulate electricity production, which may change need for burden sharing
-enlargement or contraction of EU based on consensus - and Parties will take with them, in or out, the original commitments based on a flat rate
-EU will know the EU-wide commitment
-amending or rescinding

5-year budget periods
Contact group on single year versus budget periods - no contact group possible - EU is prepared to accept a move to budget period, conditional on starting no later than 2003, for 5 year budget periods.
Gylvan expressed hope G-77 will compromise? - Tanzania: No - object that contact group wasn't held. Chair requested G-77/China to consider.

Reporting
There has been some progress, but hope to report tomorrow more concretely.

Annex B/Sinks
Japan didn't attend sinks. Japan cannot support deletion of Annex B - wants to retain only 3 gases, and to retain only some source and sink categories based on uncertainty. Meet tomorrow afternoon for sinks - "anthropogenic is still open"

GWPs - Many Parties agreed to **basket approach** with **100-year GWPs**, but another line shared by several Parties to support gas-by-bas approach with **separate treatment for long-lived gases.** USA proposed that only those taking on commitments under Article 3 would use 100-year GWPs in a basket approach, and others could choose not to use. Nauru refused to agree, supported by G-77 because Annex I commitments would impact their countries. - move away from interpretation that two groups of parties - those with and without commitments.
Separate treatement supported by Tanzania means phase out of long-lived GWPs - USA asked if a phase out, which with no new commitments would result in leakage to developing countries and no environmental benefit - so how would they address? Like Montreal Protocol which would invovle all Parties?

11 of 11

Meeting of the SBI
Informal Meeting on Outstanding Agenda Items
October 28, 1997
Prepared by Leslie Cordes/USAID

The SBI had a relatively quick wrap up session to approve outstanding items on the agenda and refer them to Thursday's SBI Plenary for approval. The Chairman began the session with firm instructions to the delegates that the session was intended as a quick wrap-up -- as it was the last informal meeting of the SBI before Kyoto -- and therefore not the place to raise new issues. The delegates approved the following items as follows:

* Approval of both the draft conclusions and the draft decision on Communications from Parties Included in Annex I to the Convention;

* Approval of the text on Consideration of Initial National Communications from Parties Not Included in Annex I to the Convention for transmittal to the COP;

* Approval of the draft decision on Activities Implemented Jointly Under the Pilot Phase for transmittal to the COP;

* Having already approved the conclusions on the Development and Transfer of Technologies at the informal SBSTA session earlier in the day, the delegates approved the draft decision on Development and Transfer of Technologies for transmittal to the COP;

* Approval of the decision on Financial Mechanisms, and related Annex to the MOU on the determination of funding for the implementation of the Convention, for transmittal to the COP;

* Approval of the draft decision on Administrative and Financial Matters for transmittal to the COP. Interestingly this issue was not taken up by a contact group, rather the vice-chair consulted with key delegations in gaining consensus on the text;

* Approval of the Draft Report of the Subsidiary Body for Implementation on the Work of its Seventh Session, Bonn 20-29 October 1997 and Addendum, with an amendment proposed by the United States. The amendment pertained to recognition of the divergent views on the issue of the post-Kyoto program budget; and

* Approval of the amended draft decision on Arrangements for Intergovernmental Meetings for transmittal to the COP. The amendment requested the Secretariat to advise the SBI on relevant UN procedures.

Delegates concluded the meeting by thanking the Chairman for his distinguished service as chair of the SBI.

United States Department of State

Bureau of Oceans and International Environmental and Scientific Affairs Bonn

Washington, D.C. 20520

DATE: 8-4-97

NUMBER OF PAGES TO FOLLOW: 7

FAX TO: Todd Stern

TELEPHONE: 456-2702 FAX: 456-2215

OFFICE:

****

FAX FROM: R. Afe Pomerance

TELEPHONE: 647-2232 FAX:

OFFICE:

****

MESSAGE: Please call ASAP to discuss.

Options Paper: Response to Byrd Resolution

Background

The Parties to the 1992 UN Framework Convention on Climate Change agreed, in the so-called "Berlin Mandate," to engage in negotiations to address the post-2000 period. The Mandate calls upon developed ("Annex I") countries to agree upon quantified emissions limitation and reduction objectives; with respect to non-Annex I countries, it states that the process would introduce "no new commitments," but rather would "continue to advance the implementation" of existing developing country commitments under the Convention.

Countries are negotiating August 4-7 in Bonn. The next round will be in October, and the final round is scheduled for December in Kyoto.

The Senate recently voted overwhelmingly to pass the Byrd Resolution, which expresses, among other things, the Senate's belief that the U.S. should only sign a new climate change agreement that also mandates "new specific scheduled commitments to limit or reduce greenhouse gas emissions" for developing country parties "within the same compliance period" as for developed countries.

The issue is what statement, if any, the U.S. should make in response to the Byrd Resolution at this week's negotiating session.

A decision to demand more of developing countries than our current position should take into account:

- what commitment the U.S. is willing to undertake;
- what specifically we seek from developing countries (or certain ones in particular), taking into account: the level of the U.S. commitment; the two-thirds reduction in U.S. contributions to the Global Environment Facility (the financial mechanism for the Convention); what might be achievable in the negotiations; and Senate views;
- the path by which we are seeking the latter commitments (e.g., as part of the current negotiations, which is now governed by the Berlin Mandate, or possibly outside those negotiations, for example, through "graduating" certain countries to Annex I under the Convention through the Convention processes); and
- our diplomatic strategy for achieving the above.

However, we are not currently in a position to articulate any of these elements.

Option 1

Make no public statement in Bonn that we are considering imposing new commitments on developing countries. Use private channels, with other countries and the Senate, to signal that our policy will be affected. (Includes commitment to a USG policy process to determine what policy to take on developing country commitments and the strategy for achieving them, to be completed well in advance of the October round.)

Pros:

-- Leaves time for USG, before announcing anything, to work out a thoughtful response to Byrd, i.e., to determine the specifics of what we are demanding (of developing countries and possibly of ourselves) and develop a diplomatic strategy to achieve our goals (as noted above).

Cons:

-- Silence could be interpreted by the Senate and/or other countries as a sign either that we are ignoring the Byrd Resolution or that we believe our current position is consistent with the Resolution.

-- Certain segments of industry will not receive the visible reaction they want to see.

Option 2

Announce in Bonn that the U.S. can no longer stay within the Berlin Mandate and will propose new commitments for developing countries. (Notional statement attached.)

Pros:

-- Seems to respond to the Senate.

-- Would most powerfully and immediately communicate a new policy.

-- Would please some segments of U.S. industry.

Cons:

-- Would put the U.S. in the position of causing enormous diplomatic fallout (particularly given that there would be insufficient time for diplomatic consultation) without the ability to articulate our specific demands.

-- Might be unnecessarily harsh, given that it may be possible to demand certain things of developing countries (for example, under the existing Convention) without running afoul of the Berlin Mandate.

-- Environmental NGOs would be harshly critical of the

-- Almost certain harsh reaction by developing and developed world would undercut U.S. ability to achieve its more controversial existing negotiating objectives (e.g., trading, JI).

-- Announcing now that our response to the Byrd Resolution is to increase the demand on developing countries would prematurely dispense with the alternative option of responding through a lighter developed country commitment.

Option 3

Make a statement in Bonn setting forth the problem addressed in the Byrd Resolution but keeping USG policy options open for the October round. (Includes same USG policy process as in Option 1.)(Notional statement attached.)

Pros:

-- Leaves time for USG, before announcing a change of policy, to determine the specifics of what we are demanding (of developing countries and possibly of ourselves) and develop a diplomatic strategy to achieve our goals.

-- Would let the Senate know that they have been heard.

-- Would put other countries on notice that we might have new proposals at the next round.

Cons:

-- Absence of time to coordinate this statement with our potential friends would likely lead to significant negative diplomatic reaction in the negotiations, albeit less than in Option 2.

-- This is a "half-loaf" option, with all the risks of Option 2 with none of its specificity; the Administration would give the appearance of toadying and indecision.

FAX: 202 647-0217

To: OES/E – Rafe Pomerance

From: Climate USDEL/Bonn – Mark G. Hambley

Subject: Thinking Like a Macrophage: The Byrd Resolution and Option Three: Some Warnings and a Suggestion

As requested, I am sending you our assessment of the likely international reaction to the so-called "third option" being considered in Washington. This paper is in two parts: The first contains some views about the possible consequences of our making any statement as proposed in option three to AGBM plenary. The second part contains some remarks which we feel captures both the need, as perceived from here, of the desire in Washington to indicate to the Senate that we are being responsive to its concerns, while planting the seeds for possible, future changes of policy or strategy with regard to the December Kyoto outcomes.

The first part reflects my views, although it is also consistent with concerns expressed by Daniel Reifsnyder, Jonathan Pershing, David Doniger, and Richard Bradley. The second part is a composite draft prepared by all of us. We would appreciate hearing from you soonest on how Washington wishes to proceed. If you are going to go the route of a final day statement, please take our suggestions into account and provide us with yours in return. In this regard, we never received the paragraphs drafted by Bob Harris and you on August 2nd.

Part One: Possible Consequences of our Issuing a Statement at this Meeting

Background: Option Three states that we should set forth the problem addressed in the Byrd resolution in a public announcement on the last day of the AGBM plenary, but leave our options open with regard to how we intend to respond.

Positives: This would read well in certain quarters of Washington. It would also signal to the international community in a public forum that we have a problem and that we intend to deal with it. Industry will generally welcome this indication.

Negatives: We see this approach as containing several downsides which argue against our pursuing this option at the present time:

First, the principal weakness of this approach is that it would be undertaken in a public forum, without proper preparation of the necessary political groundwork.

- -- This is not the best diplomacy. Surprise makes for good headlines and is wonderful fodder for coffee/cocktail chit-chat, but it can prove deadly to one's credibility in an international negotiation.

- -- It could create difficulties not only with our current opponents in this process (and especially the G-77) but also with our closest allies (including Canada, Japan, Australia, and New Zealand) who will express disappointment (if not anger) at the policy change which an improperly crafted statement might imply.

Second, even a cleverly drafted statement could sink most, if not all, of our efforts to move the G-77 (not to mention the EU) around to accepting our proposals which many already find contrary to the Berlin Mandate, such as: evolution, Annex B, our Article 4.1 initiatives, and our various flexibility proposals.

- -- At the QELROS "non-group" discussions, we have already heard the Brazilian chairman publicly decry the attempt by the "parliament of one Party" to dictate conclusions at this international conference.

- -- We have had made some headway in at least having our revised proposals regarding Article 4.1 included in the revised text. We are not sure if the same will done for Joint Implementation with credit, Annex B, or our evolution proposals. If they are included during the discussions here, they will be bracketed.

- -- Any statement might spur the Chairman, on the one hand, to remove more of those items from the revised negotiating text which he believes are beyond the Berlin Mandate. On the other hand, he may decide to call our bluff. Recognizing that even our evolution proposal may no longer be sufficient for us, he may decide to include it, and all of our other flexibility proposals in the text (albeit bracketed), to make it more awkward for us to have a rationale for introducing additional items needed to comply with the Senate resolution for consideration as part of a Kyoto Mandate or as separate decisions of the COP -- if we decide to go this route.

Third, we believe that Option Three, depending on how it is drafted, would be a half-loaf, risking all of the outcry of Option Two (with its call for a announcement that we are unable to comply with the Berlin Mandate and that we need to open up the Mandate for new commitments from developing countries) with none of its specificity.

- -- Coming at the end of a long two week session, delegates (excepting us, of course) will be in a state of physical and mental exhaustion; if we make such a statement at the closing plenary, there will be no opportunity to respond to the inquiries which will flood in our direction as we make a bee-line for the exit.

- -- Without offering some specifics (including some carrots for ways in which we might help the developing countries meet whatever new commitments we might oblige them to take), the Administration might give the appearance of toadying and indecision. Developing some carrots (or even discussing them) is something which will have to be done in Washington, and there is no time to do this by the Thursday deadline.

Fourth, this option may not offer sufficient political cover for the President. in the climate battle.

- -- As, as recently as June 26th, the President acknowledged the leadership role needed by the United States to address the climate change problem, while promising that our negotiating effort would result in a legally binding outcome in Kyoto. One week before that, in the Denver Communique, he agreed to a similarly strong commitment against the verbal onslaughts of some of his peers among the Eight.

- -- We would need a statement which would not contradict the President's remarks, the Denver Communique, or the sentiments which are driving him to engage the American public, and

Fifth, this option will not sit well with our environmental NGOs. They have been pushing the line here that the Senate resolution is inconsequential. Although it is unlikely that they will come around given their fixation on "numbers," it would be prudent to call them in, at one point, to explain the ramifications of the Byrd resolution on our negotiation posture, if any.

Part Two: USDEL's Proposed Contingency Draft
For Possible Delivery at the Closing AGBM Plenary

Mr. Chairman, we have made progress over the past week in further preparing a draft of the protocol or other legal instrument for Kyoto. It is clear, however, that much work remains to be done.

As we await circulation of the negotiating text for our final session in Kyoto, we will need to reflect carefully on the options before us. Some have suggested that some key proposals introduced in our discussions cannot be reflected in the text of the protocol or other legal instrument to be adopted in Kyoto, if such an instrument is to be consistent with the Berlin Mandate. We are not convinced. In our view, the proposals which the United States has introduced are fully consistent with Decision CP/1 which we adopted in Berlin in April 1995.

Delegates should be aware of President Clinton's personal commitment -- and efforts -- to bring home to the American people that the problem of climate change is real and imminent. On July 24, just before the beginning of this meeting, the President held a public discussion with leading scientists to bring forward the significant scientific basis of our concern with the threat of global climate change. This was the first of many events and activities that he and his cabinet will undertake over the coming months to engage and involve the American people. In words that would be true in many of our countries, he noted then that the United States must confront a difficult policy challenge. He said: "we have evidence, we see the train coming, but most ordinary (people) in their day to day lives can't hear the whistle blowing." The President's efforts, and those of his Administration, will continue this summer and fall. And as President Clinton said in New York at the Special Session of the U.N. General Assembly in June, "...we will bring to the Kyoto Conference in December a strong American commitment to realistic and binding limits that will significantly reduce our emissions of greenhouse gases."

In addition, Mr. Chairman, many delegates no doubt are aware of the non-binding resolution adopted on July 25 by the United States Senate and approved a vote of 95-0. That resolution clearly demonstrates the concern of the United States Senate that Kyoto must not produce an outcome that locks in a future in which only one group of countries must act. While recognizing the serious nature of the climate change problem, the resolution advises that the actions taken at Kyoto must not adversely affect international competitiveness. To ensure this, the resolution calls for all countries to act together rather than having one group act alone.

The Administration very much shares this concern. As my delegation has said repeatedly and consistently -- both in Berlin, at the opening plenary of the AGBM in August 1995, and thereafter -- we must define an approach that commits all Parties to a genuine global effort to address the threat of climate change, consistent with our common but differentiated responsibilities and respective capabilities. My government looks forward to working with all Parties in October to find the necessary solution.

Thank you, Mr. Chairman.

United States Department of State Bonn

Bureau of Oceans and International Environmental and Scientific Affairs

Washington, D.C. 20520

DATE: 8-7-97

NUMBER OF PAGES TO FOLLOW: 3

97 AUG 7 AM 8:30

FAX TO: Todd Stern

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FAX FROM: Rafe Pomerance

TELEPHONE: _____ FAX: _____

OFFICE: _____

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MESSAGE: As requested.

5

At the August 7th meeting, several governments undertook to ensure that their positions are fully accommodated in the forthcoming text, including Australia, Japan, and the EU. Noteworthy from the EU -- and in a reflection of the strident inquiries made by Parties on Wednesday about how the EU member states will meet their QERLOS obligations -- Peter Unwin of the UK (speaking on behalf of the Europeans) undertook to prepare a report on this topic by the October meeting. Reflecting growing EU nervousness about their precious "bubble" concept, Unwin introduced the phrase "individually or jointly" at five additional points in the QERLOS text during a Thursday morning intervention.

Saudi Mischievenous Continues in the Institutions "Non-Group"

The institutions "non-group" continued its work until late Wednesday night. Again, the Saudis and Iran spent considerable effort in a spoiling exercise. The somewhat frazzled chair of the group (the usually unflappable Shibata of Japan) proposed several proposed fixes to meet Saudi concerns, only to have these rebuffed by ourselves, the EU and others. The section on the preamble remains heavily bracketed, for example, with the Saudis and others wanting the re-introduction of paragraphs on compensation introduced into the short version proposed by Mr. Shibata.

Little to Add on Article 4.1

Article 4.1 is supposed to meet for one half hour later today to address changes/consolidations to their respective proposals. If the meeting is limited to 30 minutes, this will be a record. No new negotiations on this text will be permitted. As indicated in Update No. 9, AGBM Chairman Estrada proposed a 4.1 intersessional. This has been tenatively rejected by the G-77, but it is likely that Estrada will go ahead and hold one in any case.

Continuing Bilaterals Note Evolving U.S. Policy: Staffdel and USDEL Contacts

Earlier in this session, USDEL representives met at length with major EU countries and with France and Germany separately, in both formal and informal, settings to outline U.S. policy during this negotiation, to express frustration at the EU numbers as being "unhelpful" because they have raised false expectations, to emphasize the importance of "structure" or "numbers" at this stage in the negotiations, and to urge a more active engagement on the part of the Europeans in support of our developing country efforts, whether encapsulated in our Annex B concept, our 4.1 initiative, or our ideas about evolution.

It was clear from these discussion that the EU believes we are pushing the envelope with regard to developing countries. They agree with the G-77 that even our currently modest "evolution" proposal is outside the Berlin Mandate, although they claim to be considering some kind of formulation as part of a possible Kyoto Mandate. They have improved their stance on Article 4.1 and towards Annex B, although the bottom line for the EU, at this meeting, is that their positive consideration of any or all of our ideas is strictly dependent on the strength of our eventual target.

Over the past two days, the seven member Senate/House staffdel has had several contacts, arranged for by this delegation, with leading developing countries to present their (varied) interpretations of the Byrd resolution. These discussions have included talks with the heads or leading members of delegation from China, Brazil, Malaysia, Mexico, the Philippines and Chairman Estrada. Meetings with India and Zimbabwe are being scheduled for August 7, if these can be arranged.

We understand that each of the non-American interlocutors was forthright in identifying the responsilities of Annex I Parties under both the Convention and the Berlin Mandate, while the Staffdel was not shy about describing the strength of feelings in the Congress about the necessity for developing countries to adopt commitments at the same time that developed countries do.

The feedback from most of the Staffdel's interlocutors has been positive. Malaysia called for visits from the Congress to Malaysia to discuss this issue in order to develop better mutual understanding. Chairman Estrada, after a particularly frank exhange, reportedly recommended that the salaries of USDEL members be doubled in view of the pressures it apparently faces from the Hill.

In addition, over the past two days, USDEL members have approached representatives from New Zealand, Australia, Mexico, the Marshall Islands, France, the Philippines, UK, Russia, Canada, Japan, Norway and Sweden about the status of U.S. policy. We will be attempting to meet with other governments during our remaining hours in Bonn, as opportunities present themselves.

Among the points used in these low key conversations has been the reaffirmation of our commitment to reach an agreement that will take serious, substantial steps to limit emissions of greenhouse gases, explaining that we are currently engaged in an intensive effort to refine specific policies to meet this goal which has the full, personal backing of the President. At the same time, the U.S. cannot accept an agreement that is inconsistent with the President's fundamental commitments -- first to maintain economic growth, while we act to protect the environment and, second, to ensure that all countries commit to take meaningful, concrete steps to address the problem of climate change.

7

These elements are essential for public support in the U.S. and for the approval of any proposed protocol or another legal instrument by the U.S. Senate. The USG will continue working intensively to develop realistic targets, timetables, and further initiatives -- including, as appropriate, initiatives concerning developing countries -- that meet our larger objective. We have also promised to keep governments informed as we move forward.

Estrada Meets with the Valdavia Group: Talks up his version of our Annex B

AGBM Chairman Estrada met on August 6 with the Australian-organized "Valdavia" group which is composed of various Southern Hemisphere countries. Attending this meeting, in addition to the Aussie hosts, were South Africa, Argentina, Brazil (not really confirmed), Chile, Uruguay, and New Zealand.

Australian Ambassador Howard Bamsey (who will be the second head of a JUSCANZ delegation to depart suddenly from this process; Canada's Peter Fawcett leaves unexpectedly later this month for Copenhagen, while Bamsey leaves in September for a new senior position in the Australian Ministry of the Environment) told us on August 7th that the Chairman strongly endorsed inclusion of a provision in the protocol or other other legal instrument which would allow non-Annex I Parties to voluntarily adopt mandatory emissions caps off of a different baseline than that used by Annex I Parties. Such countries could then be free to participate in emissions trading.

Sound familiar? It should, as this is essentially our Annex B proposal in a form which Estrada believes can find broad acceptance (he told us last week that he does not want additional "annexes" in the next agreement and suggested we come up with a different textual formulation; "These (the annexes) muddy the waters and destroy otherwise good ideas," he said -- a point taken on board by USDEL and forwarded to Washington for its consideration.)

COP Bureau Plans Meeting on August 8th

On Friday, August 8th, the Bureau of the Conference of the Parties (COP) will meet under the chairmanship of Zimbabwean Minister of Environment and Transport Chimutungwende. The JUSCANZ representative is Canada's Tony Clarke. The principle topic of conversation will be the arrangements and schedule for the COP. We have asked Tony to ensure that two items are reflected on the COP agenda -- that provision is made for statements at the high level session and that provision also be made for permitting other issues to be raised (including a possible Kyoto Mandate or other decisions of the COP separate from any decision on a protocol or other legal instrument).

'97 AUG 5 PM2:25

United States Department of State

Bureau of Oceans and International Environmental and Scientific Affairs

Washington, D.C. 20520

EYES ONLY - URGENT
FAX: 1 PAGE FOLLOWS

August 5 - 2:15 pm

To: WH - Todd Stern - 456-2215
(Jonathan... for further distribution pls.)
Treasury - Bob Boorstein - 622-0073
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P - David Shear - 647-4780
S/P - Maria Ionata - 647-4147
USUN/W - Burgess Laird - 647-7551
G - Carl Thompson - 647-0753
E - Victoria Greenfield - 647-5713
D - David Noble - 647-6047

From: OES/E - Rafe Pomerance

Subject: Talking Points for U.S. Delegation at the Climate Convention Talks

Pursuant to a White House request made late yesterday, we've been instructed to have the U.S. delegation at the Climate Change talks in deliver talking points to other delegations in Bonn regarding the "Byrd Resolution" on Climate Change negotiations.

Please get back to **Bob Harris** at phone: 647-1370; fax: 736-7115 by 4 **pm today** with comments/clearance.

TALKING POINTS: EVOLVING U.S. POLICY ON CLIMATE CHANGE

BACKGOUND

Since the Denver Summit and the UN Special Session on Rio, U.S. policymakers have focused on climate change policies and how to move toward successful, longterm implementation of the UN Framework Convention on Climate Change (UNFCCC), given the current negotiations on a protocol to the Convention that would be signed in Kyoto in December 1997. The highlevel examination of current and prospective U.S. policies that is underway clearly presages modifications to the U.S. position announced in January 1997. We want to keep our major international partners informed and impress upon them the importance of this policy process. One important element in the now-public debate on this issue is, of course, the Byrd Resolution, which passed the U.S. Senate 95-0. As the Senate vote underscores concerns of many U.S. citizens and interests groups, it must also be taken into account as we proceed, but it is only one of many factors under consideration.

TALKING POINTS

- The United States is committed to the implementation of the UNFCCC. To achieve effective implementation, any protocol agreed to in Kyoto must be workable and incorporate commitments from all parties to the Convention.
- For any protocol to be workable, the U.S. must have a reasonable expectation of securing Senate ratification.
- In this context, I note a recent nonbinding resolution unanimously enacted by the Senate, which stated the Senate's belief that the United States should not sign a new climate change agreement unless that instrument mandates "new specific scheduled commitments to limit or reduce greenhouse gas emissions" for developing country parties "within the same compliance period." Our approach to the resolution has been to focus on its "spirit" -- its premise that a global solution to the problem of climate change must involve concerted actions by both developed and developing countries. This is the policy that the U.S. has articulated since the current process began.
- In light of the above, a White House-led review of these negotiations has recently underscored that the proposals the United States has currently put on the table -- elaborating Article 4.1 commitments, Annex B, and evolution -- reflect the minimal appropriate level of action.
- In the months between this session and our next meetings in October, the U.S. Government will be looking at these issues -- along with obligations to be assumed by developed countries -- to determine whether additional initiatives would be appropriate.
- We will keep you informed as we develop our positions on these issues.

THE WHITE HOUSE
WASHINGTON

[Press]
Bonn

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Bob Boorstin

Fax Number: 622-0488 Phone Number: 622-0073

FROM: Todd Stern

SUBJECT: Final Press Guidance

DATE: 8/8/97

NUMBER OF PAGES (including cover sheet): 4

MESSAGE:

This is the final press guidance w/ Todd's changes

If all pages are not received, please call 202/456-2702

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State Press Guidance for Tomorrow.

Conclusion of the latest round of Climate Change Negotiations in Bonn

For N. Lapham From Justin Leites 647-6347

Background: In 1992, the international community adopted the United Nations Framework Convention on Climate Change in an effort to begin to come to grips with this emerging environmental threat. In 1995, in Berlin, the Parties to the Convention decided that the existing treaty commitments were not adequate, and began a process to negotiate next steps -- a process that will culminate this December in Kyoto. If we do reach an agreement in Kyoto, the Senate will be asked for its Advise and Consent; and both the House and Senate will likely have to approve implementing legislation.

Aims & Goals: The United States is seeking an agreement in Kyoto that will protect the environment while maintaining economic growth. We want to ensure that all countries commit to take meaningful, concrete steps to reduce or limit their greenhouse gas emissions.

The ~~State~~ status of Negotiations:

- At the drafting meeting in Bonn that concluded on Thursday (8/7), the U.S. delegation, led by Ambassador Mark Hambley, made real progress in starting to build an international consensus around ~~the U.S. proposal for Kyoto. Other countries, in both the developed and developing world, are starting to understand~~ the need for emissions trading, joint implementation and other market mechanisms that will reduce compliance costs and maximize flexibility. Our concept for a multi-year framework for implementing emissions targets and timetables is also gaining considerable support.

- ~~However~~, ~~our pro~~posal for "evolution" -- a mechanism or "trigger" that would ensure that developing countries take on binding emissions limitation commitments as their economies expand -- is still ~~extremely~~ controversial with the Europeans and most other countries. ~~So there is still a lot of hard work ahead for the next drafting meeting in Bonn in late October, and of course at the Kyoto Conference itself.~~

Insert A

Drafted 8/7 by G: JLeites 7-6347

The proposal we table last Friday plus

Why bother to negotiate an agreement, when Congress will never approve it anyway? We have been working very closely with the Congress on this issue, and share their concerns about protecting American economic interests and securing commitments from developing countries as we move forward in this process. Senators Lott and Daschle recently appointed 12 of their colleagues to serve on a Climate Change Observer Group for Kyoto. We expect that the leadership in the House will select a similar group soon. . I should add that we were very pleased to have a team of Congressional staff observing the negotiations in Bonn.

The Administration is engaged in an intensive policy process which includes consultations with a variety of interested concerned parties.

When will the United States announce its proposal for emissions targets and timetables? ~~President Clinton has been consulting with leading scientists, economists and business people to solicit their advice on this and other aspects of the Climate Convention; members of his Cabinet will also be meeting with interested groups all across the country. These consultations will culminate with a White House Conference on Climate Change in early October~~. The President ~~will~~ is likely ~~probably~~ to decide on ~~the~~ the targets and timetables part of our proposal ~~sometime soon after that Conference, but~~ in the fall, sometime after the White House Conference on Climate Change, scheduled for early October.

Is the Conference in Kyoto an "artificial deadline"? Can we really get a good agreement by then? We're certainly not underestimating the difficulty of these negotiations. This involves more than 160 countries, including the largest and fastest-growing economies in the world. There are a number of interested parties, both here in the United States and internationally, who would like to see these negotiations fail, and who will do everything in their power to sabotage them. But as the President pointed out again on Wednesday (8/6), this threat is real and urgent, and it demands American leadership. The international community needs to act, and soon.

But we also know that the agreement reached in Kyoto will not, by itself, solve the problem of global climate change. It ~~will~~ represents ~~only~~ a second step along the ~~much~~ longer path toward achieving the Climate Convention's ultimate objective, which is stabilizing the concentrations of greenhouse gases in the atmosphere. As we prepare for Kyoto, we're also starting to prepare for further steps beyond it. That's one of the items on the agenda for the current drafting session in Bonn, by the way -- they're discussing how the negotiating process will proceed in 1998 through 2005, and beyond.

Proposed Press Guidance (8/7/97)

Insert A

- The United States Government will continue working intensively to develop realistic targets, timetables and, as appropriate, further initiatives, including initiatives concerning developing countries, that meet the President's fundamental objectives -- first to maintain economic growth while we act to protect the environment, and second that *all* countries commit to take meaningful steps to address the problem of climate change.

MESSAGE CONFIRMATION

AUG-08-97 10:35

FAX NUMBER : 2024562215

NAME :

FAX NUMBER : 96220073

PAGE : 04

ELAPSED TIME : 01'53"

MODE : G3 STD

RESULTS : O.K

MESSAGE CONFIRMATION

AUG-08-97 10:32

FAX NUMBER : 2024562215

NAME :

FAX NUMBER : 61605

PAGE : 04

ELAPSED TIME : 02'07"

MODE : G3 STD

RESULTS : O.K

FAX

Bonn

Date: Thursday, August 07, 1997 **Time:** 12:32:00 PM 3 **Pages**

To: Jonathan A.
Office of Staff Secretary

Fax: 4562215
Voice:

From: Paul Risley
WHCCTF

Fax: 202 343 1163
Voice: 202 343 0486

Comments:

PLease deliver to Todd at his convenience. Note that the Wall Street Journal plans to write a small article based on this briefing for tomorrow's paper; other reporters may write as well.

I also invited John Fialka of the WSJ to find a date this week for lunch with Todd -- what days, times, places do you suggest?

Cheers, Paul.

White House Climate Change Task Force

734 Jackson Place, NW • Washington, DC 20503
202/343-1060 • fax 202/343-1163

TO: Todd Stern
Staff Secretary

CC: Natalie Wymer

THROUGH: Dirk Forrister
Chair, White House Climate Change Task Force

FROM: Paul Risley
White House Climate Change Task Force

DATE: Thursday, August 7, 1997

RE: Today's GCC Media Briefing on Bonn Talks

The Global Climate Coalition held a briefing this morning for reporters regarding the continuing negotiations in Bonn on climate change. Gail MacDonald, GCC executive director, and John Grosser, an executive with the National Mining Association, conducted the briefing by phone from Bonn, where negotiations continue.

MacDonald and Grosser lead off the briefing by complaining that NGOs (including themselves) had been thrown out of the talks and prevented from attending the meetings. Additionally, they said the AFL-CIO was prevented from addressing the session on Monday, as they had apparently been able to do so at earlier negotiating sessions.

On what the GCC termed "a good sign," nothing much has happened in the Bonn negotiations thus far and GCC expects this could continue for another 2-3 years without agreement. GCC noted that the EU Proposal is the only proposal that has been formally submitted that is on the table and that neither the US nor Japanese proposals have yet been formally submitted (This is too clever by half by the GCC: the US has formally submitted an extensive proposal that has been widely circulated and is under discussion; it includes brackets where a target will ultimately be placed, allowing GCC to say it has not yet been submitted).

GCC also said that Bonn Talks Chair Estrada had publically stated that the Byrd Resolution was a US domestic political issue and would not be discussed at these talks.

While the NMA official took questions by phone from reporters, Gail MacDonald begged off, saying this was her first negotiation and she was "still learning."

One reporter listening to this briefing was not impressed with its news value. Another reporter, John

Fialka of the Wall Street Journal, indicated that he would write a small piece for tomorrow's paper on it (possibly a "business brief" or a "minor memo"). He asked if we know how many business and environmental groups are represented at Bonn; a USDEL/Bonn briefing memo indicates roughly 60 business NGOs and 25 environmental NGOs attended a USDEL briefing on Monday night.

The Edison Electric Institute held a similar briefing on Bonn on Wednesday for reporters; according to one reporter, that briefing produced little information of real news value.

- 0 -

Bonn

List of Recipients for
Periodic Updates from the Climate Talks
Bonn, Germany
July 28 to August 8, 1997

Agency	Name	Telephone	Fax
State	Melinda Kimble	(202) 647-3004	(202) 647-0217
State	Rafe Pomerance	(202) 647-2232	(202) 647-0217
State	OES/EGC	(202) 647-4069	(202) 647-0191
State	Rodrigo Prudencio	(202) 647-8745	(202) 647-0753
State	Jack Schick	(202) 647-4069	(703) 790-5736
State	Barbara Cates	(202) 647-2231	(202) 647-4037
State	Susan Gordon	(202) 647-4069	(202) 647-0191
State	Victoria Greenfield	(202) 647-6985	(202) 647-5713
OSTP	Rosina Bierbaum	(202) 456-6202	(202) 456-6025
CEA	Jeffrey Frankel	(202) 395-5046	(202) 395-6947
NEC	Elgie Holstein	(202) 456-5370	(202) 456-2223
OMB	T. J. Glauthier	(202) 395-4561	(202) 395-4639
Justice	Lois Schiffer	(202) 514-2701	(202) 514-0557
	Jim Rubin		(202) 514-4231
Commerce	Jeffrey Hunker	(202) 482-6055	(202) 482-4636
NOAA	Terry Garcia	(202) 482-3567	(202) 482-6318
Treasury	Joshua Gotbaum	(202) 622-2220	(202) 622-2633
Interior	Brooks Yeager	(202) 208-6182	(202) 208-4561
USTR	Jennifer Haverkamp	(202) 395-7320	(202) 395-4579
Agriculture	Charlie Rawls	(202) 720-6158	(202) 720-5437
CEQ	Dirk Forrister	(202) 343-1060	(202) 343-1162
EPA	Mary Nichols	(202) 260-7400	(202) 260-5155
	David Gardiner	(202) 260-4332	(202) 260-0275
EPA	Paul Stolpman		(202) 233-9548
EPA	Jackie Krieger	(202) 260-9013	(202) 260-6405
DOE	Abraham Haspel	(202) 586-5316	(202) 586-3047
DOE	Mark Chupka	(202) 586-5523	(202) 586-0861
DOT	Frank Kruesi	(202) 366-4544	(202) 366-7127
OVP	Pete Jordan	(202) 456-9501	(202) 456-9500
CEQ	David Sandalow	(202) 456-6543	(202) 456-2710
			(Leave Fax #(207) 633-3816
CEQ	Steve Seidel	(202) 343-1060	(202) 343-1162
AID	David Hales	(703) 875-4205	(703) 875-4639
WH	Todd Stern	(202) 456-2702	(202) 456-2215
L/OES	Evan Bloom	(202) 647-1370	(202) 736-7115
NEC	Gene Sperling	(202) 456-2807	(202) 456-6687
CEQ	Katie McGinty	(202) 456-6224	(202) 456-2710
NEC	Dan Tarullo	(202) 456-5353	(202) 456-1605
Treasury	Larry Summers	(202) 622-1080	(202) 622-0081
NSC	Jim Steinberg	(202) 456-9480	(202) 456-9490
Treasury	Bob Boorstein	(202) 622-0486	(202) 622-0073
NOAA	Sally Kane	(202) 686-2744	(301) 427-2073
NEC	Peter Orzag	(202) 456-5358	(202) 456-2223
USAID	Leslie Cordes	(703) 875-4056	(703) 875-4053
			(Home: (202) 244-6812)

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7 August 1997

To: Please See the Attached Listing

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

Subject: Climate Change Negotiations, Update No. 10 (The Finale): Report on Developments on August 6/7, 1997

This is the last in the series of reports on meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM) of the Framework Convention on Climate Change and its three subsidiary bodies which were held in Bonn, Germany, between 28 July and 7 August 1997. This update provides informal observations on activities from the afternoon meetings on Wednesday, August 6th, until noon on August 7th. The wrap-up plenary is not covered. Any significant or untoward developments will be reported next week. We are including as background three detailed reports covering the following topics prepared by several USDEL members:

(a) Notes covering the August 5 closing session of the Subsidiary Body on Implementation prepared by Debbie Stowell of DOE;

(b) A report prepared by DOE's Debbie Stowell on the August 6th morning discussion of policies and measures;

(c) and a report on the August 6th final meeting of the policies and measures "non-group", also prepared by Debbie.

Also included are the latest and final issues of the environmentalist satirical rag, ECO, and the respected "Earth Negotiations Bulletin." Both provide useful supplements to our daily reporting.

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Climate Change Negotiations: Update No. 10 (The Finale): AGBM Wrapping Up its Work with a Long and Complicated, Bracketed Text Seeking a Reprieve; Little Change in Government Positions Noted

A "Jungle of Brackets" Emerges

The Ad Hoc Working Group of the Berlin Mandate is winding up its work at this session with a long and complicated document which is filled with a veritable jungle of brackets within brackets. The policies and measures text essentially offers three alternatives: one which prohibits any coordinated policies and measures (PAMs -- introduced by Venezuala; this would preclude joint implementation); one which mandates that countries shall take their own policies and measures (with no list provided) to implement their QELROS but which may also, if desired, be undertaken in a a coordinated manner (the U.S. proposal which would permit JI); and a much longer proposal which would encourage, or require, common and coordinated policies and measures (the EU proposal). In attempting to bridge the gap between the two extreme positions, the Chair raised for consideration a fourth alternative by suggesting an indicative list from whichParties could choose their own PAMs. These might become legally binding, rather than requiring common PAMs.

EUROS Unhappy with PAMs Developments

A new paper was prepared for use at a planned evening session. However, this was aborted shortly after it started, much to the chagrin of the EU which has been battling for its positions against opposition from the U.S., the G-77/China, Australia and to a somewhat lesser extent, Japan. The chairman of the group (SBI Chair Mahmoud Al-Ghaouth of Mauretania) urged that intersessional work be undertaken in an effort to breach the wide gap existing on this question.

Slow but Complicated Progress in QELROS, Too

The discussions in the QELROS "non-group" also remain complicated. A paper on joint implementation remains heavily bracketed starting from its first two alternatives which either rule out joint implementation or permit it. For those favoring JI, the paper then outlines a long series of options.

At the August 7th meeting, several governments undertook to ensure that their positions are fully accommodated in the forthcoming text, including Australia, Japan, and the EU. Noteworthy from the EU -- and in a reflection of the strident inquiries made by Parties on Wednesday about how the EU member states will meet their QERLOS obligations -- Peter Unwin of the UK (speaking on behalf of the Europeans) undertook to prepare a report on this topic by the October meeting. Reflecting growing EU nervousness about their precious "bubble" concept, Unwin introduced the phrase "individually or jointly" at five additional points in the QERLOS text during a Thursday morning intervention.

Saudi Mischievenous Continues in the Institutions "Non-Group"

The institutions "non-group" continued its work until late Wednesday night. Again, the Saudis and Iran spent considerable effort in a spoiling exercise. The somewhat frazzled chair of the group (the usually unflappable Shibata of Japan) proposed several proposed fixes to meet Saudi concerns, only to have these rebuffed by ourselves, the EU and others. The section on the preamble remains heavily bracketed, for example, with the Saudis and others wanting the re-introduction of paragraphs on compensation introduced into the short version proposed by Mr. Shibata.

Little to Add on Article 4.1

Article 4.1 is supposed to meet for one half hour later today to address changes/consolidations to their respective proposals. If the meeting is limited to 30 minutes, this will be a record. No new negotiations on this text will be permitted. As indicated in Update No. 9, AGBM Chairman Estrada proposed a 4.1 intersessional. This has been tenatively rejected by the G-77, but it is likely that Estrada will go ahead and hold one in any case.

Continuing Bilaterals Note Evolving U.S. Policy: Staffdel and USDEL Contacts

Earlier in this session, USDEL representives met at length with major EU countries and with France and Germany separately, in both formal and informal, settings to outline U.S. policy during this negotiation, to express frustration at the EU numbers as being "unhelpful" because they have raised false expectations, to emphasize the importance of "structure" or "numbers" at this stage in the negotiations, and to urge a more active engagement on the part of the Europeans in support of our developing country efforts, whether encapsulated in our Annex B concept, our 4.1 initiative, or our ideas about evolution.

It was clear from these discussion that the EU believes we are pushing the envelope with regard to developing countries. They agree with the G-77 that even our currently modest "evolution" proposal is outside the Berlin Mandate, although they claim to be considering some kind of formulation as part of a possible Kyoto Mandate. They have improved their stance on Article 4.1 and towards Annex B, although the bottom line for the EU, at this meeting, is that their positive consideration of any or all of our ideas is strictly dependent on the strength of our eventual target.

Over the past two days, the seven member Senate/House staffdel has had several contacts, arranged for by this delegation, with leading developing countries to present their (varied) interpretations of the Byrd resolution. These discussions have included talks with the heads or leading members of delegation from China, Brazil, Malaysia, Mexico, the Philippines and Chairman Estrada. Meetings with India and Zimbabwe are being scheduled for August 7, if these can be arranged.

We understand that each of the non-American interlocutors was forthright in identifying the responsilities of Annex I Parties under both the Convention and the Berlin Mandate, while the Staffdel was not shy about describing the strength of feelings in the Congress about the necessity for developing countries to adopt commitments at the same time that developed countries do.

The feedback from most of the Staffdel's interlocutors has been positive. Malaysia called for visits from the Congress to Malaysia to discuss this issue in order to develop better mutual understanding. Chairman Estrada, after a particularly frank exhange, reportedly recommended that the salaries of USDEL members be doubled in view of the pressures it apparently faces from the Hill.

In addition, over the past two days, USDEL members have approached representatives from New Zealand, Australia, Mexico, the Marshall Islands, France, the Philippines, UK, Russia, Canada, Japan, Norway and Sweden about the status of U.S. policy. We will be attempting to meet with other governments during our remaining hours in Bonn, as opportunities present themselves.

Among the points used in these low key conversations has been the reaffirmation of our commitment to reach an agreement that will take serious, substantial steps to limit emissions of greenhouse gases, explaining that we are currently engaged in an intensive effort to refine specific policies to meet this goal which has the full, personal backing of the President. At the same time, the U.S. cannot accept an agreement that is inconsistent with the President's fundamental commitments -- first to maintain economic growth, while we act to protect the environment and, second, to ensure that all countries commit to take meaningful, concrete steps to address the problem of climate change.

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These elements are essential for public support in the U.S. and for the approval of any proposed protocol or another legal instrument by the U.S. Senate. The USG will continue working intensively to develop realistic targets, timetables, and further initiatives -- including, as appropriate, initiatives concerning developing countries – that meet our larger objective. We have also promised to keep governments informed as we move forward.

Estrada Meets with the Valdavia Group: Talks up his version of our Annex B

AGBM Chairman Estrada met on August 6 with the Australian-organized "Valdavia" group which is composed of various Southern Hemisphere countries. Attending this meeting, in addition to the Aussie hosts, were South Africa, Argentina, Brazil (not really confirmed), Chile, Uruguay, and New Zealand.

Australian Ambassador Howard Bamsey (who will be the second head of a JUSCANZ delegation to depart suddenly from this process; Canada's Peter Fawcett leaves unexpectedly later this month for Copenhagen, while Bamsey leaves in September for a new senior position in the Australian Ministry of the Environment) told us on August 7th that the Chairman strongly endorsed inclusion of a provision in the protocol or other other legal instrument which would allow non-Annex I Parties to voluntarily adopt mandatory emissions caps off of a different baseline than that used by Annex I Parties. Such countries could then be free to participate in emissions trading.

Sound familiar? It should, as this is essentially our Annex B proposal in a form which Estrada believes can find broad acceptance (he told us last week that he does not want additional "annexes" in the next agreement and suggested we come up with a different textual formulation; "These (the annexes) muddy the waters and destroy otherwise good ideas," he said -- a point taken on board by USDEL and forwarded to Washington for its consideration.)

COP Bureau Plans Meeting on August 8th

On Friday, August 8th, the Bureau of the Conference of the Parties (COP) will meet under the chairmanship of Zimbabwean Minister of Environment and Transport Chimutungwende. The JUSCANZ representative is Canada's Tony Clarke. The principle topic of conversation will be the arrangements and schedule for the COP. We have asked Tony to ensure that two items are reflected on the COP agenda -- that provision is made for statements at the high level session and that provision also be made for permitting other issues to be raised (including a possible Kyoto Mandate or other decisions of the COP separate from any decision on a protocol or other legal instrument).

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Final Comment

Although it is too early to determine what kind of text we will be dealing with in October (this will largely be determined by the Chair who apparently intends to draft one based on the heavily bracketed texts coming from the four "non-groups", with or without the authorization of the AGBM). We will have to wait to see what eventually emerges, but in general, USDEL is pleased with the results of this meeting. Our positions on joint implementation and trading, Article 4.1, and Annex B have gained greater currency and understanding. Our budget concept and the multiyear framework have also met with considerable support. More has to be done on these and other topics, but we believe all of these concepts will be reflected in the Chairman's re-draft.

More questionable is our concept of "evolution." As noted, the Europeans have backed away (somewhat further than at the last meeting in Bonn we feel), and the concept is controversial with most other countries. Chairman Estrada also feels strongly that this concept falls outside of the Berlin Mandate and, as suggested in his opening remarks before the AGBM July 31st plenary (See Update No. 4), he believes that such ideas (the validity of which he does not challenge) should be introduced in a new Kyoto Mandate or other decision to be decided upon by the Conference of the Parties separate from the protocol or another legal instrument.

So divisive does he view this issue, that he declined to schedule it for open debate in any of the four "non-groups". It is possible that the question might be raised in the afternoon plenary, but one anticipates that the Chairman will block substantive discussion. In any event, evolution (including other aspects of our proposal) is likely to be further attacked in the closing remarks which the G-77/China is sure to prepare.

The dynamics of this meeting have also been somewhat unusual. The EU, in the opinion of many delegations, has turned more inward and defensive than usual. Most of their delegates' time is spent in internal "coordination" (snide bickering according to insider accounts) within their well-named bunker, and not on the floor or in corridors meeting with other colleagues.

Similarly, the G-77/China appears more divisive than usual. As mentioned in Update No. 9, Saudi Arabia has taken advantage of this state of affairs to organize OPEC countries firmly behind it on positions in all four of the non-groups. Saudi Arabia has even maneuvered itself to be the spokesman for the group in policies and measures. Even though many countries (including the Philippines) are uncomfortable with this development, they do not have sufficient clout within the group to block the Saudi/Iranian/Nigerian axis -- especially, as this group appears to enjoy at least the benign backing of China.

As OPEC's star rises, so does that of the Alliance of Small Island States (AOSOS) seem to fall. Although they are disproportiately well represented on the extended COP and AGBM Bureaux (Chairman Estrada's "friends of the Chair" or "Trattoria" gathering), they are also quite divided. The departure of Trinidad/Tobago's Ambassador Evans King for Port-of-Spain at the beginning of the week leaves only Ambassadors Ashe and Slade of Antigua/Barbuda and Samoa, respectively, with enough brains and stamina to defend/promote AOSIS interests. And if, as rumored, Ambassador Slade departs this process soon to defend his candidacy for the South Pacific Forum's Secretary Generalship (where he now apparently faces real opposition), the interests of these most vulnerable countries will suffer yet another series blow.

In sum, we are well positioned to achieve many, if not all, of our January 1997 proposals. There is still much spade work which has to be done, but we were able to keep the momentum flowing in our direction. Whether this continues will depend first and foremost on our ability to come up with a "realistic and achievable" number which will be sufficient for the EU governments to swallow politically. This point should be underscored.

The Saudis will also have to be reigned in if we are to make headway. At the moment, they and their allies, as noted in this and earlier reports, appear to be playing a spoilers game. This is especially evident in their emphasis on some kind of compensation mechanism which they know is a non-starter, but which they nevertheless stress at every opportunity. It also comes in the way in which they appear to be overbracketing the text.

Regardless, the road to Kyoto will be a rocky one. Significant "refinement" of our proposals and, especially, those initiatives (as appropriate) concerning developing countries will further complicate our task. The manner in which these are presented -- and their content -- will, in the end, determine whether we have any prospect for a successful outcome in Kyoto or not.

This message concludes this series of reports from Bonn. Thank you for your patience and interest.

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

Climate Change Negotiations: Update No. 10 (The Finale): AGBM Wrapping Up its Work with a Long and Complicated, Bracketed Text Seeking a Reprieve; Little Change in Government Positions Noted

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The dynamics of this meeting have also been somewhat unusual. The EU, in the opinion of many delegations, has turned more inward and defensive than usual. Most of their delegates' time is spent in internal "coordination" and not on the floor or in corridors meeting with other colleagues. Similarly, the G-77/China appears more divisive than usual. As mentioned in Update No. 9, Saudi Arabia has taken advantage of this state of affairs to organize OPEC countries firmly behind it on positions in all four of the non-groups. And as OPEC's star rises, so does that of the Alliance of Small Island States (AOSOS) seem to fall. Although they are disproportiately well represented on the extended COP and AGBM Bureaux, they are also quite divided

In sum, we are well positioned to achieve many, if not all, of our January 1997 proposals. There is still much spade work which has to be done, but we have been able to keep the momentum flowing in our direction. Whether this continues will depend first and foremost on our ability to come up with a "realistic and achievable" number which will be sufficient for the EU governments to swallow politically. Significant refinement of our proposals and, especially, those initiatives concerning developing countries will further complicate our task. The manner in which these are presented -- and their content -- will, in the end, determine whether we have any prospect for a successful outcome in Kyoto or not. (Hambley)

A

AGBM Non-Group on Policies and Measures
August 6, 1997

After threats of a late night session, the policies and measures non-group concluded its business shortly after it started. At the start of the session, the G-77 announced that they were unprepared to discuss the text since they have not had adequate time to formulate a position on it. The Chair did give Japan a chance to discuss new language which they introduced, and language they wanted stricken. The EU (Metz) was also given a chance to speak. The EU announced their surprise that the G-77, after having the negotiating text for a quite a while, was unable to formulate their position. The EU was also given the opportunity to explain which parts of their long list of actions were included in the text (all of them--A, B, and C although because of the length of C it will not be reproduced in the new text). With that, the session concluded. Work on policies and measures will continue at any possible intersessionals and in the October session.

Debbie

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B

AGBM-PAMs Non-Group Meeting Summary, Wednesday Morning, Aug 6:

The Chairman, Mr. Mohamed M. Ould El Ghaouth (?) Of Mauritania, opened the session by reminding the delegates that the purpose of this session was to try to develop consolidated text which would be suitable for further negotiations.

The Chairman had prepared a draft consolidated text for the Policies and Measures (PAMs) section, which contained two starkly contrasting alternatives: 1) the proposal from Venezuela et al which would explicitly prohibit Parties from taking coordinated actions to fulfill their emission reduction commitments, and 2) the proposal from the EU and others which would require or encourage common and coordinated policies and measures based on a very long list of specific PAMs.

Many Parties objected to this approach - the EU tried to get its newest non-paper on PAMs incorporated as a third alternative, but most Parties objected to the idea that the EU would then essentially have drafted two of the three alternatives on the table .

Australia, Japan, and the U.S. supported the suggestion that the Chairman take on a third alternative which would convey the middle ground between the two extreme positions, essentially by suggesting an indicative list from which Parties could choose their own PAMs, which might then become legally binding, rather than requiring common PAMs.

Canada suggested that the Chairman undertake a second draft, which would incorporate the full range of the various PAMs ideas into just one text, and delete the characterization of separate alternatives. The U.S. suggested incorporating text that would clarify the U.S. position by requiring Parties to undertake their own PAMs to meet their QELROs, to report on these actions and results, and to explicitly state that Parties could choose if they so desired to undertake coordinated action.

Saudi Arabia on behalf of the G-77 indicated that they wanted their own specific proposals to be incorporated into the Chairman's text (despite the Chairman's assurance because most of their proposal had not recommended specific PAMs, their ideas were captured by the AGBM Chairman elsewhere in preambular text). Saudi Arabia also stated that the G-77 needed more time to develop a coordinated position on the PAMs text.

The Chairman agreed to follow the recommendations raised by various Parties, and asked individuals and groups to meet to try to consolidate proposals wherever possible. To allow Parties enough time, the Chairman agreed to reconvene the PAMs non-group at 6pm.

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C

SBSTA August 5, 1997

The SBSTA concluded this session in record time, approximately 1.5 hours. The sole purpose of this session was to adopt its report. The majority of items were adopted without much discussion. The only item that was discussed at any length was the methodological issues related to JI. The US, Canada, Norway and China were tasked with trying to draft conclusions for the chair. Since no agreement was reached, the FCCC Secretariat introduced a simple, concise statement: "The SBSTA considered the item under methodological issues related to JI. Following Expression of various views, the SBSTA concluded to defer this discussion to a future session." There will be no conclusion section under this agenda item. With the adoption of this section, the SBSTA was finished for this session.

Debbie

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Earth Negotiations Bulletin

A Reporting Service for Environment and Development Negotiations

Vol. 12 No. 54 Published by the International Institute for Sustainable Development Thursday, 7 August 1997

HIGHLIGHTS FROM MEETING OF THE AD HOC GROUP ON THE BERLIN MANDATE 6 AUGUST 1997

The AGBM Chair held a morning briefing for observers on the outcome of negotiations in the non-groups. All non-groups considered revised draft texts on the second-to-last day of AGBM-7. The non-group on institutions and mechanisms met in the morning and was scheduled to reconvene in the evening. The non-group on policies and measures met in the morning and held small group consultations in the afternoon. The non-group on QELROs met in the afternoon.

OBSERVER BRIEFING

The Chair of the QELROs non-group, Luiz Gylvan Meira Filho (Brazil), said delegates were working on a draft text on coverage that will reflect the non-group's exchange of views, but he said it was too early for negotiations. He said distribution of QELROs among Annex I Parties was at a similar stage, with delegates reiterating proposals from their formal presentations.

Also undecided is the possibility of a specific objective under a protocol, whether to include a long-term stabilization target, and whether to describe the objective in terms of global atmospheric GHG concentrations or other measures such as temperature or sea-level rise. He said it is likely that AGBM-7 will conclude with bracketed text on the different approaches.

Takao Shibata (Japan), Chair of the institutions and mechanisms non-group, said delegates had completed a first discussion of all issues before the non-group. He said two proposals had been considered regarding entry into force of a legal instrument: basing it on the number of ratifications as in the FCCC; or weighting entry into force by percentage of GHG emissions by Parties. The emissions-based approach could tie entry into force to Parties' percentage of all global emissions or of those by Annex I Parties.

AGBM Chair Raúl Estrada-Oyuela (Argentina) said the non-group on Article 4.1 was working to clarify the meaning of certain paragraphs in its draft and revise the text to show where the lack of agreement exists. He said the non-group on policies and measures would attempt to reconcile two approaches, including one presented in a paper by the European Union. The positions are currently far apart and will need considerable discussion.

Estrada said an extended Bureau meeting Tuesday had addressed organizational and substantive issues. He noted a clear general trend not to establish a new objective for a protocol but to keep the objective now in the FCCC. He also said delegates preferred not to develop new principles. This would simplify negotiators' work and avoid potential years of discussion.

Asked whether the AGBM agreement would be likely to define a dangerous level of CO2 concentrations, Estrada said it did not seem appropriate to include, in a legal instrument, values that could change over time in light of scientific research. Responding to a question whether a global cap would follow global distribution or *vice versa*, the Chair said that political negotiations of this sort usually aim at results. He said the agreement is first produced and then explained. The philosophy follows the results.

NON-GROUP ON INSTITUTIONS AND MECHANISMS

At a morning meeting, the non-group on institutions and mechanisms had a lengthy discussion on a Chair's text containing a short and long version of the draft Preamble. On the short version, some Parties argued for simplification and clarification of references to the Berlin Mandate. This triggered calls from Parties concerned about economic impacts on fossil fuel producers for the re-introduction of paragraphs in the long version to meet their concerns. The disputed text, including amendments, remains in brackets.

On the questions of decision-making and whether the FCCC COP should also serve as the COP of the Protocol or other legal instrument, some Parties argued against any overlap in the functions of the FCCC COP. They proposed a Meeting of the Parties to the Protocol, to be held only in conjunction with the FCCC COP. Decision-making on the Protocol would be restricted to the Parties to the instrument. The Chair undertook drafting a new text incorporating a proposal from a regional group.

On the role of the Secretariat, arguments were presented for flexibility to allow the Secretariat to take on additional functions.

NON-GROUP ON POLICIES AND MEASURES

The non-group on policies and measures met in the morning to consider a draft text proposed by the Chair containing two alternatives. In one, commitments would be fulfilled individually. The other allows for the possibility of common/coordinated policies and measures. An initial exchange of views took place on the text, and some amendments were made to the second alternative. In general, delegations noted the considerable difference between the two alternatives in terms of content. Some delegations suggested that the solution to this would be the inclusion of an intermediate alternative.

A group of countries requested that a proposal it had presented previously as a non-paper be included in the draft as a third alternative. Several delegations objected to this and indicated that the proposal had been duly reflected under the second alternative. Other delegations also regretted not seeing their proposals included in the text. One of the proposals pertained to guidelines for P&Ms, while others referred to national action plans and performance indicators.

To allow the inclusion of proposals of a differing nature under the same alternative, the title of the section was changed to a more general one on "Policies and Measures." On the second alternative, a delegation said that while coordinated action should not be excluded, it should not be mandated either. Several delegations suggested changing the framework and structure of this alternative. A group of countries suggested that some principles and guidelines should frame the section on policies and measures.

A group of countries noted the need to change the first two paragraphs under the second alternative on policies and measures to better reflect the proposals upon which they were based. There was a discussion on whether a reference to a subset of Parties under Annex I should be included in the paragraph on cooperation to establish coordinated cross-sectoral, cost-effective policy instruments. In the afternoon, delegations engaged in informal consultations on how differing proposals were to be included under the same alternative.

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In the evening hours, the non-group reconvened and was presented with two new documents by the Chair on general provisions and alternatives for policies and measures.

The document on alternatives for policies and measures, refers to the types of P&Ms that countries listed in an "Annex Q" shall adopt or give priority to. Types of policies and measures have been classified under different lists (A, B and C). It was agreed that paragraphs on voluntary policies and measures would be deleted, and that P&Ms under list B would be "coordinated" instead of "specific".

Regarding the document on general provisions, a proposal was made to replace paragraphs in the text on the development of national plans for the limitation and reduction of anthropogenic emissions by sources and the incremental rate of removal by sinks. A paragraph was included on the discretion Parties shall have to select those policies and measures that are best suited to national circumstances for meeting their emission limitation and reduction commitments. It was agreed that the Chair would present the AGBM plenary a revised draft text, based on the discussions of the non-group.

NON-GROUP ON QELROS

The non-group on QELROs began consideration of a revised negotiating text. Several delegates asked for discussion to be suspended until the following day to give Parties a chance to read and consider the text. On the purpose of the agreement, one Party proposed that QELROs should apply to the weighted average global warming potential based on a one hundred year time line of anthropogenic emissions rather than simply the weighted total. On methodologies, one Party noted that it has still not been decided whether the methodologies will be decided upon by the Conference of Parties or Meeting of Parties.

On criteria for the addition of GHGs to the Annex, a delegate proposed that the criteria should be considered as suggested rather than mandatory. One delegation proposed that the Parties shall review and revise global warming potentials and methodologies. On the nature of target and baseline, many delegations were confused as to the various options outlined in the text. One delegation was concerned that the text had been drafted so that budget periods were inherently linked to flat rate targets with no consideration of budget periods for differentiated targets. The chair suspended the meeting while several delegations discussed the text. No agreement was reached by the delegations and the meeting was adjourned.

IN THE CORRIDORS

Wednesday's observer briefing ended with the AGBM Chair's comments that the trend of discussion at the extended Bureau meeting was to apply only the FCCC's objective to a Protocol. Within minutes of the announcement, reports of counter trends emerged from some of the interested players who had participated in the Bureau meeting. Some said that a decision to limit the Protocol's objective to that set out in the FCCC could have implications for those proposals from regional groups and other Parties that stipulate or propose the development of formulae for setting a ceiling on GHG emissions based, for example, on sea level and temperature rises. Chair Estrada has, reportedly, argued that the introduction of a new objective may cause confusion.

A number of the interested Parties suggested that the matter had not been resolved, and proposals containing new objectives would stay on the table at the AGBM. One regional representative said "we have not given up." They marked Estrada's announcement down to "forceful chairmanship" and suggested that he was somewhat ahead of the Parties in his reading of Tuesday's meeting. Some also conceded that, in principle, it would be advisable to restrict the introduction of new objectives but arguments would be made for an exception nonetheless. Others said that using the same FCCC overall objective would still leave room to incorporate proposed new objectives, perhaps within the section on emissions limitations and reduction objectives. An interested Party has reportedly been tasked to conduct consultations in an effort to merge the new proposals.

THINGS TO LOOK FOR TODAY

Non-group meetings: Meetings of the non-groups will be held from 10:00 am - 1:00 pm.

Consult the electronic notice board for rooms and times.

Press Conference: AGBM Chair Estrada and Executive-Secretary Zammit-Cutajar will hold a press briefing at 1:15 pm in the Reger Room.

AGBM: AGBM is expected to hold its final session from 3:00 - 5:00pm in the Maridm Room. AGBM will consider: negotiation of a protocol or another legal instrument, organization of work for AGBM-8 and the report of the session.

CLIMATE-L

The International Institute for Sustainable Development (IISD), publisher of the *Earth Negotiations Bulletin*, is pleased to announce a new e-mail distribution list intended to facilitate information exchange on the FCCC. CLIMATE-L is a moderated list for the dissemination of information on recent events, past and upcoming meetings, copies of upcoming position papers and pointers to on-line resources such as WWW sites and documents. CLIMATE-L is intended to be a focused list with short messages. Subscribers, upon request, can receive one "digest" e-mail message per week.

To subscribe to the CLIMATE-L list, send an e-mail message to <listproc@mbnet.mb.ca> and include the following in the body of the message: subscribe CLIMATE-L (your name).

Subscribers can also send a message to others on the list at <CLIMATE-L@mbnet.mb.ca>. For assistance in subscribing or for further information contact the *Earth Negotiations Bulletin* at <enb@iisd.org>.

LINKAGES ON-LINE COVERAGE

The Linkages WWW-server, in addition to the daily ENB reports, now features photos and Real Audio recordings, including excerpts from Chair Estrada's and Executive Secretary Zammit-Cutajar's opening statements. The Linkages site can be found at http://www.iisd.ca/linkages/climate/climate.html.

ENB SUMMARY OF THE MEETINGS OF THE FCCC SUBSIDIARY BODIES

The ENB will produce a summary report of SBI-6, SBSTA-6, AG13-5 and AGBM-7. For information on receiving the summary via e-mail, send a message to the Earth Negotiations Bulletin at <enb@iisd.org>.

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7 AUGUST SKY HIGH ISSUE

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

On the Precipice

This AGBM, with its closed sessions, has been a unique experience for the many NGOs in attendance. Still, one does not have to be inside the closed doors to realize that the negotiations towards the Kyoto protocol are in a sorry state. On the key issue of QELROs, for example, delegates have just now agreed on how to structure the text and where to place the numerous brackets. There has been virtually no movement towards resolving the numerous issues dividing countries in these negotiations.

Some say this is to be expected at this stage of the process. However, very well-informed sources worry that if the negotiations are in a similar state in October, the sheer complexity of the issues and logistical requirements will make a protocol ready for signature in Kyoto simply impossible. Of course, there are ten weeks until AGBM 8, and a number of key intersessional meetings where informal discussions can move the process forward. But time is running short.

There are many countries who will have to take the blame in case this is the reality we face in December. Countries who let narrow na-

continued on back page, col 1



Delegates spotted debating new text

Ludwig

Ludwig was dining out Tuesday night, and found himself next to some of the US Senate staffers who have come to share with us their deep store of wisdom. Being an inquisitive type, Ludwig took note of their discussion, though this wasn't particularly difficult, as they weren't behaving with the quiet restraint so typical of Americans. Actually, the conversation was fairly predictable – make sure there's no Kyoto Protocol, only a mandate process, make sure developing countries are locked in, etc. etc. – until it got to the end, that is. At this point, in their gleeful enthusiasm for the rough-and-tumble of reasoned debate (and displaying a rare sensitivity to their German hosts), they started to speculate on how to blow up the Maritim Hotel, coming down eventually in favour of C4, a plastic explosive *[no he's not making this up – Ed.]* Ludwig asks: what is official US policy on relations with states whose government operatives plan terrorist actions?

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ISSUE NO 8 VOLUME XCVI FREE OF CHARGE

eco

As climate negotiators, campaigners and lobbyists start to see the sunlight again, there is one thing upon which we can all agree: the AGBM process is going nowhere fast and may in fact be going nowhere at all. After interminable hours spent ensuring the proper placement of brackets in the twenty-five page QELROs text, delegates were only able to complete their review of the first page and a half in yesterday's session. And this despite suspending the rights of observer groups, in the ostensible interest of achieving progress.

Some of this is, of course, due to those who merely wish to thwart the process, but much of it is due to Parties hanging on to positions that were never likely to get support and now, clearly, never will. A majority of Parties want an agreement, including many of those who refuse to dance together for fear of what their usual partners might think.

There is now only one AGBM session (i.e. five days of negotiations) remaining in which to ready an agreement for the Kyoto Climate Summit. NOW is the time to start consolidating the great rafts of unconsolidated text that are floating about, weighing down the chances of reaching an acceptable deal.

Our message is blunt. Get together at intersessionals, sort out the substantive issues and negotiate on them. Merge similar proposals. If you're an OECD country outside the EU, put forward your emissions reduction proposal – it's impossible for your partners to negotiate if they don't know where you stand.

There is still time in which to reach agreement on a meaningful Kyoto Protocol, but only if the dross is eliminated, the remaining cards are put on the table, and the truly disruptive and unhelpful factions are isolated.



New compliance mechanism under review

Business Opportunities Identified

A meaningful Kyoto outcome will send a strong signal to the private sector that there are strong investment opportunities from both an ecological and economic perspective.

Already there is a call for major partners in the construction industry to significantly upscale a successful energy efficiency housing project in South Africa – as outlined by Dr Lilia Abron. Dr Abron, an environmental engineer, presented project results at a workshop organised by the International Institute for Energy Conservation on cost effective energy efficiency opportunities in developing countries. The 200 unit housing project successfully cut fossil fuel use, saved trees, benefited public health and created jobs. It could be applied many times over for the South African government's goal to build 1 million low-cost units by the year 2000 – already business partners are needed for the next projects being discussed.

The scale of the opportunity was also made clear in the presentation of a successful high-efficiency residential lighting programme funded by a Brazilian utility. The presentation by Dr Gilberto de Martino Jannuzzi – Executive Director of the Office of Technology Transfer at Brazil's State University of Campinas showed that this could be a template for a 8.1 million CFL programme.

This workshop followed yesterday's seminars by the Business Council for Sustainable Energy, the Cogeneration Alliance and the European Wind Energy Association all presenting the strategic business opportunities stemming from agreement on binding emissions targets at Kyoto.

Giving Teeth to The Compliance Mechanism

As the negotiations draw to a close, it becomes plainly visible that without a transparent and effective compliance mechanism the Protocol would not work. Furthermore, it is of utmost importance that the structure of the instrument provides incentives for compliance. The proposed trading mechanism provides such a structure and – as a beneficial side-effect – could be elaborated in a way that links performance to benefits expected from trading.

Brazil has advanced an important proposal to include in the Protocol a compliance mechanism that is directly proportional to the violation. Delegations should give this concept serious consideration. The initial proposal frames proportional punishment in terms of monetary penalties. But what to do about the risk that if a dollar-per-ton penalty is set too low, budget-busters might simply choose to emit now and pay later?

One possibility would be to frame the penalty in emissions terms. Consider what forces might be put into play, for example, if Parties knew in advance that non-compliance would be penalized by an automatic discount on the ton-value of emissions that the non-complying Party is selling to others. This would encourage prospective buyers to look for "quality" tons from Parties that are most likely to be in compliance. Buyers wouldn't want to risk buying emission tons that would later be devalued. And earners of emissions reductions in each nation would urge their national governments to crack down on those whose failure to meet domestic emissions reduction obligations threatens to push the whole nation out of compliance and devalue reductions dutifully earned. That would give the compliance mechanism real teeth.

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Dear Friend...

In situations like this, many Parties find they have problems that they may find difficult to discuss. Eco's resident neurosis specialist is here to help.

Dear Friend of the Chair. Whenever I try to reach a position, I always find I have too much flexibility. What can I do?

You're not alone: many others have difficulty being firm when they need to be. Try relaxing and concentrating on the objective.

Dear Friend of the Chair, I'm worried that my measures are inadequate.

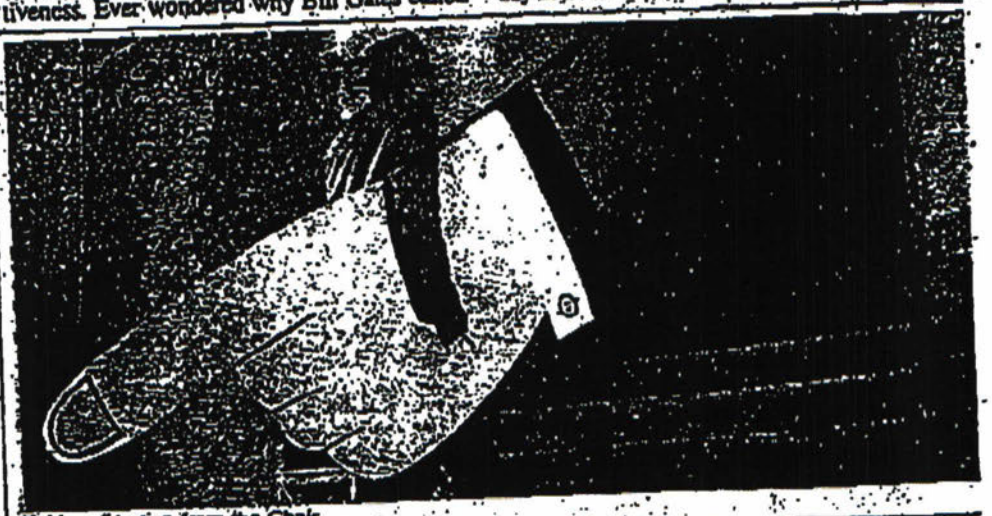
Don't worry, it's not size that counts, it's effectiveness. Ever wondered why Bill Gates called his company Microsoft?

Dear Friend of the Chair. For some time all I've been able to think about are implements, mechanisms and especially compliance. Now I find myself seriously considering entry into force.

You are obviously a lawyer. You should seek professional help before you cause serious harm.

Dear Friend of the Chair. For many years I have had a problem with embarrassing emissions, often in public. Everyone laughs at me. I have been advised to reduce the amount of oil in my diet, but I can't seem to stop.

Clearly you have an addictive personality. I would suggest you take the pledge and embark on a thorough rehabilitation programme. One day at a time...



Taking direction from the Chair

Missing Inaction

by Kelly Sims, Ozone Action and Hermann Ott, Wuppertal Institute

The Review of Commitments is missing in action. No contact group seems to be taking responsibility for this very important issue. While at the beginning of AGBM7 there were several textual proposals in the Chairman's Negotiating Text, it now appears that each non-group is passing the buck. What little text remains has been erroneously placed in the section of the QELROs text on review of information, implementation and compliance. Reviewing the adequacy of commitments with respect to the objective of the Protocol should not be associated in any way with the issue of compliance.

Confident that the Parties will find the text, along with some common sense, here are a few comments and guiding principles. Commitments must be reviewed regularly to enable the regime to adjust dynamically to unforeseen events. These reviews must be based on the best available scientific and technological information and assessment of climate change and its adverse impacts. And, most importantly, these reviews must lead to action in accordance with the Protocol's objectives and the precautionary principle. The first review should take place no later than one year after entry into force of the Protocol and thereafter at regular intervals, at least every three years.

The EU, AOSIS, Canadian and Japanese proposals are a decent start. Rather indecently the US seems to have forgotten the Geneva Ministerial Declaration; it's not enough just to review, you may need to revise. The Swiss proposal inappropriately defers the entire issue to the first meeting of the Parties to the Protocol. Ironically, while Australia has provided the only detailed provisions on the review of commitments, they pervert the concept of dynamic and progressive development by linking the potential non-compliance with a review of the commitments. This sounds like introducing an adjustable speed-limit for those who would like to drive as fast as they want. Seriously, this is not a question of review, but exactly the kind of situation a non-compliance procedure is supposed to address.

CLIMATE NEGOTIATIONS BONN JULY-AUGUST '97 NGO NEWSLETTER

On the Precipice: from front page

tional interests become the enemy of global good – and several fossil fuel producers and exporters fall into this category – will have to carry much of the responsibility. The United States, with its failure to propose any emissions reduction target, and its attempts to bend, if not break, the terms of the Berlin Mandate, is playing with fire.

Still, Japan, as the host of the Kyoto Climate Summit, is in a particularly responsible position. Nothing less than Japan's credibility is at stake.

Japan's prime minister, Mr. Hashimoto, agreed to the need for reductions of greenhouse gas emissions at both the Denver Economic Summit and the Special Assembly of the United Nations in June. But you wouldn't know it by listening to the Japanese delegation at these negotiations. In fact, what we have heard is the exact opposite: "No real reductions are possible." Japan has joined the US in attacking the European Union's emissions reduction proposals as "physically impossible," without offering any analysis to buttress such an assault.

Should the current drift in the negotiations be allowed to continue, there are two possible outcomes. The first is that, aware of the global attention which will be focused on Kyoto in December, countries rush to agree a "least common denominator" protocol that is entirely inadequate to the task at hand. The world would have to live with the consequences of such a protocol for a long time, and the climate system is put at risk of serious destabilization. The second scenario is no protocol text at all. Not only would this be a catastrophe for the climate, it would be a major embarrassment for the Japanese government which bears the responsibility for a successful outcome in Kyoto.

It is clear to everybody that wearing two hats – representing one's national interests, while accommodating the varied interests in this process – is a hard thing to do. Still, this is a responsibility Japan has placed on itself. It is a responsibility that others have proven able to meet: Brazil's performance at the Rio Earth Summit is one example that comes to mind. It is a responsibility that Japan must meet: what is at stake is nothing less than the future of the global environment.

While every country must do its part, it largely falls on Japan to determine whether the Kyoto Climate Summit will be a noteworthy success or a historic failure. The choice is in your hands, Prime Minister Hashimoto.

Longings and Briefings

Yesterday, at his briefing, Chairman Estrada indicated that there would be no new objectives in the protocol. Does this mean that there will be no mention of a maximum acceptable concentration, temperature or sea level rise? We hope not. Such guidelines are in the spirit of the Berlin Mandate and many Parties believe that they would be helpful to the world at large in understanding what the protocol is intended to achieve.

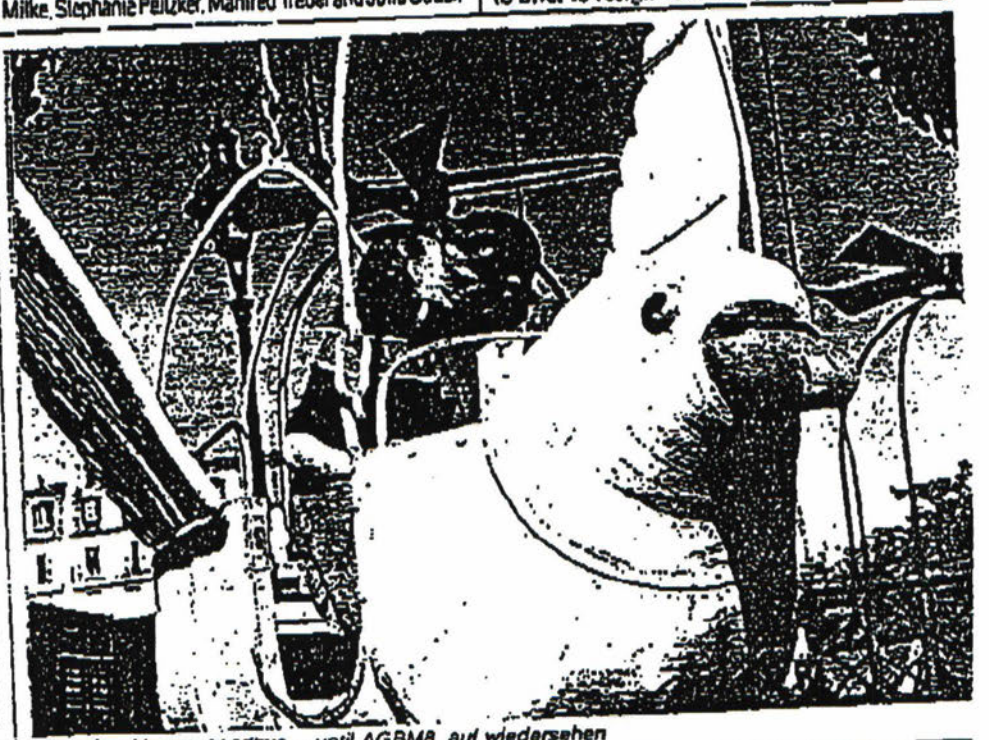
Possible future changes in scientific findings and forecasts are not reason for excluding such objectives. On the contrary, they are a reason for including provisions for regular reviews of science and adequacy of commitments, and flexible decision making structures.

NGO Additions

The following, from Germanwatch, were inadvertently left off yesterday's list of ENGO participants. We would also like to offer them a special thank you for their support here in Bonn. Christoph Bals, Dörte Bernhardt, Katja Manike, Klaus Milke, Stephanie Pallzker, Manfred Treber and Julia Cuber.

Resistance is Futile

Eco understands that there have been some severe shananigans going on within the G-77. As some will know, their spokesman in the Policies and Measures non-group was none other than our old friend Dr Al-Saban of Saudi Arabia. He was of course mandated to deliver the G-77's consensus position to the non-group's non-session, but it appears that somehow this position managed to get "Borged" on the way to the meeting-room. Undergoing a bionic transformation at the hands of the industry drones orbiting the corridors, what actually got presented was a position from Saudi Arabia and those who wish to engulf the Kyoto process. Despite the large number of other meetings going on, there were one or two other G-77 members present, who objected most strongly to this. They attempted to have him removed from his position, but there weren't enough of them. Eco feels though, as Dr Al-Saban is surely an honourable man, he will realise how badly his credibility will be damaged if he fails to offer to resign voluntarily.



It's so hard to say goodbye... until AGBM8, auf wiedersehen

Isn't life strange?

Paragraph 26.4 of the new QELROs text proposes that if any Party fails to report its inventory, the commitments of all Parties vanish ... reminding your correspondent of certain personal relationships, perhaps best forgotten...

THANKS

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