

3711

4 December 1997

To: Please see attached listing

From: USDEL, Kyoto – Mark G. Hambley

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Yugoslavia" May Cause More Trouble

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

Some Good, but Barely Related, News

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

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Differentiation: Our Swiss colleague completed his consultations on this topic on Dec 4. The one surprising aspect of the conclusions was the extent to which those queried indicated that they have no objections to other countries taking on lesser commitments than their own.

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COW: QELROs 12/3

D. Stowell

The informal session of the COW on QELROs took up several Articles. Overall, progress was made on. Topics that were taken up included gases, flexibility for economies in transition, emissions trading, joint implementation, sinks, Article 10, and adequacy of commitments. Emissions trading and joint implementation were glossed over, with the Chair noting that informal consultations were under way on these Articles. Language presented by the chair on flexibility for economies in transition was also introduced.

Article 10—

Discussions on Article 10 were decidedly negative. The UK set the tone by introducing language (and additional reporting requirements) which the Chair felt would be a "nice way to kill the Article." Most developing countries spoke out against this Article, stating that they thought it circumvented the Convention. One pleasant surprise was the intervention by Chile, who spoke out in favor of maintaining the Article. Chairman Estrada also went to great length to explain that Article 10 was in accordance with the original AOSIS proposal, and he did not understand why they had changed their position. After Chile's intervention, Tanzania felt it necessary to explain why (and admonish) Chile for speaking outside the G-77 position. There was some expectation that Mexico and Korea would speak out for retention of this Article. However, Mexico much more so than Korea, was negative. Mexico stated that Article 10 must be completely voluntary from when they would begin, to reporting and compliance. Brazil and the Chair also had a heated exchange over whether it was appropriate to discuss the Article.

Article 11—

Several textual changes were proposed during the course of this discussion. There was quite a bit of debate over whether the adequacy of commitments should include specific reference to Article 2 (policies and measures) and over the necessity of including the word adequacy. The US, supported by Tanzania and several other developing countries, suggested language which satisfied some of the Parties by eliminating the focus on the adequacy of commitments within any particular Article. Paragraph 1 no refers to the periodic review "of this Protocol, in light of the best available scientific information..." This language was adopted.

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COW – Morning session, 4 DEC 97 QELROS under Pres. Estrada: The EU bubble

Discussion began with a text submitted by Japan, presenting amendments and modifications to the EU text (Article 4). Japan then gave an intervention discussing their concerns and reasoning behind the offered amendments. The main concerns are for legal responsibility, equity and transparency. Japan noted that differentiation was a better approach for promoting our common endeavor. Amendments: specified individual responsibility of each member; required approval by the MOP for bubble arrangements; required notification for changes in burden sharing and membership.

The UK (for EU) then responded that the bubble was essential for their participation in the protocol; that it was not new; that it had no inherent advantage; that it was transparent (despite only having provisional numbers presented so far – his words); that the concept was open to any group of parties; the legal responsibility was only on the Party who did not meet the commitment and the EU (not all of the members); rejected the approval and notification ideas, and stated that the EU was not competent to meet the commitment by itself (his words). UK stated that the bubble did not impart any advantage.

The US spoke briefly (as requested by the Chair), that para 1 did not indicate the advantages of the bubble and disadvantage to others, and that perhaps in recognition they should perhaps have a different obligations & a maximum allowable exchange between Parties (similar to the limits they are requesting on emissions trading). The US also questioned the timing of changes to the commitments and equity. The US indicated it would seek additional text to clarify the advantages and calling for review of the function of the bubble.

The Russian Federation then spoke in criticism of the bubble, based on the principles that in the FCCC jointly implied equal commitments, and that the BM called for reductions, not the growth allowed in the bubble.

Hungary spoke in favor of the bubble, with its intention to join.

UK for EU then offered an article from ECO (the authoritative source) in response to the US, saying that he rejected the US call for tougher quelros; that the bubble was not trading; that limits had to be placed on trading due to the low targets; that the Eu reserves the right to change the burden sharing after the agreement.

New Zealand argued that the bubble offered economic advantages, and that they wanted equal access to trading in the EU, same as a member. Iran questioned if COP was the supreme body of the FCCC, or the EU “MOP”?? and that the issue was not likely to be resolved in the contact group.

The President of the COW warned EU about further delay, saying that eventually everyone would have to compromise, and that if they could do nothing until after the ministerial on Sunday it would be “too late.” Chair then began process of calling in other contacts groups, such as sinks.

Status Report on Informal Group on Institutions and Mechanisms

December 4, 1997 11:00 pm

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The group has discussed the Preamble and Articles 1,8,9, and 14-29. Substantive discussion has focused on Articles 8,9, 14, 18, 20 and 27.

On Articles 8 and 9, the US proposed additional language which was accepted by the group with slight modifications. The new language specifies a time frame by which Parties will begin to incorporate budget and trading information into national inventories, and calls upon the Secretariat to compile, and review this information.

On Article 14, the group has reached agreement on all paragraphs except 14.4(i), which covers rules of procedure for the Meeting of Parties to the Protocol. The US favors an option which would require the Meeting of Parties to adopt rules of procedure for itself, based on the rules of procedure of the Convention. The Chair has requested that the G-77, US and the EU engage in private consultations in the hope of reaching agreement on acceptable text. With respect to Article 20, the question of adoption of amendments remains open. Switzerland has proposed a 2/3 double majority of Annex I and non-Annex I Parties which the US supports.

On Article 18(Non-compliance process), there is broad support for a first sentence which provides that the Parties establish procedures and mechanisms to address cases of non-compliance, including through the development of an indicative list of consequences. However, the G-77 want to limit the coverage of this Article to Article 3 commitments (QELROS). This is strongly opposed by the US, the EU and some others. Debate continues on the final sentence which covers the issue of binding sanctions and penalties. The G-77 want to link this Article to their proposal for a clean development fund. Niue has proposed language on financial penalties which would make this link. The EU continues to demand that the Meeting of the Party be given authority to establish binding penalties for non-compliance. The US insisted that the Protocol could permit only those binding penalties which were specifically agreed to in the text of the Protocol (so far none of have been proposed or agreed), and that in the absence of general agreement to specific penalties, there could be no provision for binding penalties.

On Article 27 (entry into force), two alternative formulations remain. One, proposed by the EU, establishes entry into force after a specified number of ratifications, provided that combined total emissions of Annex I Parties which have ratified meets a certain percentage of Annex I emissions. A variant whereby the second trigger would be calculated on the basis of global emissions was supported only the US and Canada, and is not currently reflected in the text. The second formulation, supported by the US and the G-77, establishes entry into force after a specified number of ratifications, provided that the Annex I Parties which have ratified represent a specified percentage of Annex I Parties. (Note that this group has not discussed the specific numbers to operationalize these alternatives.) The US has indicated that it could support ratification by 75 states including one-half of Annex I parties; the G-77 proposal is for 50 parties including three-quarters of Annex I parties.

With respect to the remaining Articles under this group's mandate, the group has decided to wait until the final stages of negotiations to address the preamble and Article 1 (Definitions). The other Articles are non-controversial as currently reflected in the negotiating text. The Secretariat will provide a revised text on Friday morning for further discussion of outstanding issues in the informal group.

VS OFFICE

Monday

Package Subject: Eizenstat/prescott climat

Item Title: Message Body

FAX TRANSMITTAL		# of pages
To	D. SANDALOW	2
Dept./Agency	NSC	From J. FINDER
Fax #	456-2710	Phone # OES/SEI
NSN 7540-01-317-7368		5099-101
GENERAL SERVICES ADMINISTRATION		

** SUBJECT: Eizenstat/prescott climate change discussions

Melinda, Rafe, Peter (NB -- I don't have john campbell or brooke holmes on my ae-mail list); please pass on to them and any one else who might be interested:

U/S Eizenstat discussed the kyoto climate change negotiations with UK deputy prime minister john prescott and environment minister michael meacher for over an hour on monday, december 1. the meeting went very well. prescott avoided any polemics about the the differing eu and u.s. targets, and concentrated instead on the need for a "credible" agreement, which he agreed must include some commitment from the ldc's. prescott acknowledged our point re the potential utility of a tightly controlled differentiation, and was very comfortable with the flexible mechanisms the u.s. needs, including emissions trading, joint implementation with credit, national security considerations and the like, terming these "variables" that can be fit in to a basic equation on targets and timetables. if they help get an agreement, he welcomes them.

he noted, however, that in order to keep the agreement credible, the higher the target the more room there will be for the variables. more specifically, he said that, in the range of a "0-5 percent" reduction, it will be harder to get ldc support for the variables the closer we are to 0 as the final target. meacher, in one of his three intereventions, also noted the need for "balance" between the international variables and domestic efforts; stu responded that we can't accept any quantification on this (including "majority") although we would be willing to look at qualitiative words like "significant" etc.

prescott stressed that the "variables" will need to be fleshed out, and suggested that there should be a "window of credibility" of perhaps two years after kyoto in which the developed countries take actions that show their own determination to move toward the targets they agree upon; to flesh out the "variables"; and to get the ldc's moving toward commitments. prescott tied his "window of credibility" to the u.s. election cycle, knowing we would need concrete commitments from the ldc's to get the protocol ratified. stu sees this as very close to our own concept of the kyoto mandate.

more specifically on the ldc's, prescott noted it appears that the ldc's are becoming increasingly positive and interested in the variables, seeing the benefits in them that stu pointed out. key is to make sure they don't see this as a s"environmental colonialism." he was extremely positive about the potential role of article x. he said the uk is pushing on the ldc's: he has talked to the Indian PM, and the PM will raise the issue with the Brazilian President during his state visit tomorrow. they were keenly interested in the results of our discussions with the chinese (stu had just gotten some poitns about the discussions at apec which hc made).

on the bubble, prescott did not try to argue the points stu made; rather, he seemed to lop this into the "variables" pile (implicitly recognizing the

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Package Subject: Eizenstat/prescott climat

connection to differentiation and our flexible mechanisms). he noted that the mandate allows for bubbles, that the u.s. could do one with "canada mexico and argentina" if we wanted; and that the key thing is that the eu as a whole will have the obligation of meeting its target.

operationally, prescott said he arrives in kyoto on saturday; that the eu ministers meet that evening to discuss the status of the negotiations, and that he thought it would be good to remain in close contact with stu.

stu raised the utility of a joint us-eu statement at the december 5 summit; prescott appeared extremely interested in this. (comment: UK may use its position in the EU troika to push luxembourg on this). he also asked that the UK del back off on the national security issue; we expect as a result of the meeting he will.

re the secretary's memo:

suspect key points might be:

- see/prescott had good substantive discussion yesterday;
- agree we must get a "credible" agreement in kyoto;
- appreciate prescott's willingness to be flexible on "variables";
- think a "window of credibility" (we should use the UK term) in which developed countries take actions to move toward our kyoto targets while key developing countries move to take on commitments while we flesh out the mechanisms makes sense;
- will thus be important for us to work together on a kyoto mandate;
- hope us/uk can be in close contact in kyoto as we bring this to a successful conclusion.

hope this helps. formal cable to come tomorrow after stu sees/cleares...

cheers, peter

December 1, 1997

'97 DEC 1 AM9:48

To: The Oversight Group
From: Bill Antholis

Subject: Daily Update

Negotiations: The two big issues of the day were differentiation and sinks. In addition, Melinda's opening statement took some full fledged whacks at the EU bubble (not well received by the Germans). Enviro and businesses are both concerned about 6 v. 3 gases.

Sinks: In Sunday night's session, a deadline (artificial) of Tuesday night was set for resolving sinks. The sinks working group is drafting a paper which will suggest replacing the current "all sinks" approach with (a) an exclusion of sinks in baseline counting and (b) an inclusion of sink additions and subtractions (i.e. both projects and deforestation) during compliance periods.

Our negotiators showed no flexibility. Pershing thinks we can delay for a day or so, but eventually we'll have to decide (a) whether we are yet ready to move and (b) if we are, should we begin suggesting that such a move would allow us a reduction target (which it would, since our sinks have diminished since 1990)? On one hand, we still have no sense of what a shift would buy for us; on the other, if we don't start playing up a reduction target, we might get stuck with a new sinks proposal without getting any gain from taking an optical reduction.

Differentiation: We unveiled our willingness to consider differentiated targets, both in the morning JUSSCANNZ meetings and then around noon in Melinda's opening statement during the second full plenary. (This took the British by surprise -- both on substance, as well as for the loud public way we chose to announce it).

Enviro and businesses alike wanted to know (a) if we have given up on a single target, (b) whether we were considering something more like pledge and negotiate (despised by both enviro and business) or more like the Japanese proposal, and (c) whether we might now show further movement on target and timetable. Melinda's answers: (a) we favor a single target, but wanted to show flexibility to see if this could generate momentum; (b) probably more like the Japanese (while she didn't endorse their formula, she praised the size of the variation in their target), (c) we still think our target and timetable are realistic and ambitious. *See attached statement.*

Bubble: Melinda's opening statement slammed the EU bubble on five counts. This clearly irked the Germans, and we may fight a small battle in the press in coming days.

Gases: On Sunday, Estrada tried to reach consensus on 6 gases, and was rebuffed. To get the issue into the negotiating mix, the Monday morning JUSSCANNZ session discussed 6 v. 3 gases. Almost on cue, environmental NGOs and business communities expressed interest and concern about whether we might move on this. As per instructions, we took a very firm "6 gases" line.

MEDIA: We've seen most of the domestic media who have arrived so far. While convention planners expected about 3300 journalists, the media center really isn't that large or crowded. Here's a brief recap of who is here and what we know: *WPost* - Mary Jordan, foreign bureau covering until Joby arrives on 12/6. We were able to read Jordan's Monday story off the internet. She interviewed Melinda Sunday before we arrived. *NY Times* - Stevens is supposed to be here,

however we have yet to see him. Washington Times - Correspondent here not one that we've worked with in the last few months. USA Today - Tracy Watson is here for the duration; generally is filing feature stories this week. We didn't see her Monday story. She doesn't have a lot of space - 15 inches for Tuesday's piece. Los Angeles Times - Maggie from the foreign bureau is covering. Of course the wires (Reuters and AP) are here. ABC did a piece, interviewing Melinda, for Monday's GMA (perhaps you could get from WHCA). Since the producer and reporter came from Hong Kong, they'll stick around but do not plan to file daily or very often. NBC Tokyo bureau came for start (interviewed Melinda Sunday); will return Tues. Future coverage unclear. CBS Tokyo bureau came for start (interviewed Melinda today); will return Tues. Future coverage unclear. CNN - As we anticipated, will have ongoing coverage. Today they interviewed Mark Hambley. Regional Newspapers - A surprising number of regional newspapers from the U.S. are here, including the *Boston Globe* (Hong Kong bureau), the *SF Chronicle*, the *Dallas Morning News* and the *Oregonian*.

This Evening's Media Briefing: Melinda and Mark briefed at 7pm; Strong turnout (about 300).

Melinda reiterated key points in her morning statement. Questions came from AP (Charlie Hanley out of New York), Australian Broadcasting, National Public Radio (Julie McCarthy), National Journal, Dow Jones England, the Washington Times and media from Brazil and Canada. Questions were predictable - differentiation, trading clarification, developing countries clarification, EU bubble and targets. A transcript will soon be available via USIA's web site. While press staff were dogged all day about the VP's attendance, it did not come up at the evening briefing.

Tomorrow's Message: We are set for tomorrow's evening press briefing. As we discussed, it will be led by Melinda and Dirk, focusing on the President's plan. A copy of the guidance points are included with this fax. If you have comments, please return them via fax, by 5 p.m. your time.

Getting the Message Back Home: You should share a copy of our evening press briefing with McCurry's office so he knows the latest from over here. Also, we mentioned to Kris Balderston that we would share daily message points so he could distribute to relevant cabinet members. Jeffrey Hunker reminded us today that Secretary Daley has an upcoming trip to India.

Financial Times: Since the Financial Times was pretty widely distributed here, throughout hotel lobbies and the conference center, Secretary Albright's op ed was noticed.

LOGISTICS: While all of our working locations are adequately furnished, it is unfortunate that everything is so spread out. We now have cell phones but we'll have to get you a phone list later.

At the Holiday Inn: There now is a White House Control Room, adequately furnished with two computers, printer, fax, copier, telephones and television with CNN. Unfortunately, we think we still have to use a calling card to call out or send faxes. USIS also has a press room here.

At the Prince T: There is a well-equipped but crowded delegation room at the Prince T. In addition, USIS's main press room operated from here. Prince T is a great location, across the street from the conference center.

At the Conference Center: Within the Media Center is a U.S. delegation room. It is not very private but serves as a meeting place.

DRAFT

TALKING POINTS
U.S. DELEGATION
12/2/97

- The United States has presented a strong, realistic climate change proposal calling for binding emissions limits and providing countries the flexibility needed to meet them. It is built on sound science and promotes the use of market-based approaches to achieve emissions reductions in the most cost-effective manner possible.
- Our proposal to reduce emissions to 1990 levels by 2008-2012 would put U.S. emissions nearly 30 percent below where they are projected to be. That represents an effort comparable to that proposed by any other party. We are also proposing further reductions below 1990 levels in the period after 2012.
- Climate change is a global threat that demands a global solution. As the largest emitters of greenhouse gases, developed countries must take the first steps to reduce them. But the United States will not accept binding limits without meaningful participation by key developing countries.
- To help achieve reductions in developing countries, and to help developed countries meet their targets through least-cost reductions, the United States has spearheaded a number of joint implementation projects. Based on those experiences, we are proposing joint implementation with credit as part of the Kyoto agreement.
- Both domestically and internationally, the United States is proposing emissions trading systems that harness the power of the marketplace to achieve reductions at the lowest possible cost.
- Whether or not agreement is reached in Kyoto, the United States is committed to a comprehensive package of domestic measures to achieve significant emissions reductions. These include \$5 billion in tax cuts and research incentives, restructuring of the electricity market, incentives for early action, industry-by-industry consultations and stronger energy efficiency efforts by the federal government.

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For Immediate Release
As Delivered Text

December 1, 1997

U.S. STATEMENT BY
MELINDA KIMBLE, ACTING ASSISTANT SECRETARY OF STATE,
AT THE OPENING PLENARY OF THE
U.N. CONFERENCE ON CLIMATE CHANGE -- COP-3
KYOTO, JAPAN

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

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

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

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

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

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

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

We want to make it clear that the United States supports strong and sustainable economic growth in developing countries. As President Clinton has said, we can grow the economy and protect the environment at the same time. This is true for both developed and developing countries. Targets appropriate for developing countries need not take the same form as those under consideration for Annex 1 countries. They could take the form of emissions growth targets. Developing country Parties that take on such targets through the voluntary adoption of commitments under the proposed Article 10 –

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or as the result of a future negotiation - could also become participants in emissions trading, thereby gaining substantial new resources and transfers of technology. In our view, any country, large or small, has the sovereign right to choose such a commitment - particularly when it is purely voluntary in nature.

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

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FOR FURTHER INFORMATION CONTACT:

USIS PRESS OFFICE
Room 470
Takaragaike Prince Hotel
(075) 723-6064
(075) 723-6067
(75) 723-6068

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

2

NAME	AGENCY	PHONE	FAX
Stuart Eizenstat (Peter Baze)	State/E	202-647-7575	202-647-9763
Tim Wirth (Carol Thompson)	State/G	202-647-6240	202-647-0753
Rafa Pomerance	State/OES	202-647-2232	202-647-0217
John Campbell	State/OES	202-647-1554	202-647-0217
Leslie Gerson	State/OES/SEI	202-647-2958	202-647-0773
Brooke Holmes	State/OES	202-647-4542	202-647-0191
Steve Muller	State/EE	202-647-3423	202-647-4037
Meg Donovan/Jaci Wilson	State/H	202-647-1048	202-647-2762
Todd Stern	White House	202-456-2702	202-456-2216
Steve Seidel	White House	202-343-1060	202-343-1162
David Sandalow / <i>Shelley Fidler</i>	White House/CEQ	202-456-6543	202-456-2710
Shelley Fidler	White House/CEQ	202-456-6224	202-456-2710
John Hilley	WHLA	202-456-6620	202-456-2604
Peter Orszag	White House/NEC	202-456-5358	202-456-2223
Diana Helices	White House/NS	202-456-9494	202-456-9490
Andrew Kanders/Paul Risley	White House	202-343-1060	202-343-1063
Jim Steinberg / <i>DIANA Holie</i>	NSC	202-456-9491	202-456-9490
Rosina Bierbaum	OSTP	202-456-6202	202-456-6025
Jennifer Haverkamp	USTR	202-395-7320	202-395-4579
Jeffrey Frankel	CEA	202-395-5046	202-395-6958
T. J. Gauthier	OMB	202-395-4561	202-395-4639
Burgess Laird	USUN	736-7555	736-7551
Sherril Goodman	Defense	703-697-1013	703-693-7011
Linda Silverman	DOE/PO	202-586-3876	202-586-4341
John Lieber	DOT	202-366-4450	202-366-7127
Sandra Hawkins	DOC	202-482-6055	202-482-4636
Al McGarland	EPA/OPPE	202-260-3354	202-260-6405
Paul Stolpmann	EPA/OAR	202-564-9140	202-564-9598
Richard Rominger (or) Jessica Wasserman	USDA	202-720-6158	202-720-5437
Hilli Kaplan	Treasury	202-622-0409	202-622-0073
David Wilcox	Treasury	202-622-1260	202-622-0073
Lois Schiffrin/Jim Simon	DOJ/EURD	202-514-2701	202-514-0557
Carla Koppell/Deb Hickey	USAID/ENV	202-712-1750	202-216-3230
Barbara Scarlett	USIA	202-619-6813	202-619-5646

Fax

Nov 30 1997
486-2225 710

001 202 647-0217

From: Mark G. Hambley, USDEL/144040
To: Mr. Conchita Deshazo

Subject: COP-3 - update No. 1

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

shw

3 9 10

30 November 1997

To: Please see attached listing

From: USDEL/Kyoto - Mark G. Hambley

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

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

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

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

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

Reiterating our Position on Developing Countries

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

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The Program of Work at the COP and the COW

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

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

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

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

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

EU Inflexibility on Policies and Measures Continues

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

Germany Further Complicates Matters

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

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

ACAP Meeting: Differentiation Proposal Broached

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

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

Comment

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

End Comment

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

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

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

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

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

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

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In advance of the Climate Conference in Kyoto

The international policy on climate change has already been a central issue of the Joint Initiative that we have presented at the 19th Special Session of the United Nation's General Assembly on June 23rd 1997 in New York.

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

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

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

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Binding targets in a climate protocol are especially credible if there are effective rules for verifying compliance. In this connection the proposal that proportional contributions by those developed countries failing to comply with the protocol targets be made available for climate protection measures in developing countries could be a contribution to the effectiveness of the rules. P.8 8910

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

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

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AGBM 8 RESUMED

KYOTO

NOVEMBER '97

NGO NEWSLETTER

eco



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

Sinks Confusion Reigns

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

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

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

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

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

What is anthropogenic?

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

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

Use of IPCC 1996 guidelines

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

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

Uncertainty

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

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

NZ Changes Tack Yet Again

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

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

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

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

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

THANKS

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

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

CONTINUE FROM PREVIOUS PAGE

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

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

Points to Ponder:

Who gets the carbon credits/debits, and

when?

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

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

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

Editorial/Production: Alister Sleghart; Phil Hurst; Elderon Bartholomew
World Wide Web Edition: Richard Elen
Electronic Distribution: Leland Arts for EcoNet
North American Distribution: Wes Dowling & EESI
Assistance from: Bill Hare; Louise Comeau; Jennifer Morgan; Anne Reynolds
Published by: The Climate Action Network
Eco can be contacted at the Heaton Hotel, Oike Agaru Higashinagoya, Nakagyo, Kyoto 640; Phone: +81-75-222-1300 Fax: +81-75-222-1318
E-mail: asleghart@gn.apc.org
Eco Website: <http://www.igc.org/climate/Eco.html>

ISSUE NO 8

VOLUME XCVII

FREE OF CHARGE

AGRM & RESUMED KYOTO NOVEMBER '97 NGO NEWSLETTER

Why the Net Approach is Premature

10 7 00

1. Robust techniques for calculating the removal of greenhouse gases have not yet been prepared by the IPCC. Indeed serious methodological issues have yet to be resolved. Even assuming some of the scientific uncertainties can be fixed, tricky international negotiations would be necessary between potential "winners" and "losers". There should therefore be no agreement to adopt a net approach until there are agreed methodologies which are capable of underpinning legally binding targets.
2. The In Depth Reviews of the first round of National Communications revealed that the IPCC methodologies for land use change and forestry have either not been used or not used in a consistent way. This has meant that any comparison of key data results between Parties is difficult. The review teams note that Governments have reported problems with: biomass burning methodologies (Australia); variations in original data sets which meant that the IPCC approach was not used (Japan, New Zealand); and differences between inventory categories including below-ground wood, soil carbon, forest floor, green biomass and young trees (US). The reviews are littered with comments about "concern" with the approach adopted, and the issue of major uncertainties. Countries are permanently revising their estimates of forests sinks. Canada has not even provided an inventory, claiming that the IPCC methodology is too difficult to use.
3. In essence the issue concerning sinks is that of uncertainty. The IPCC uncertainty ("default") for the LUCF Sector (which is a net sector) is + or - 60%.
4. The IPCC has started reviewing how it might improve the Revised Guidelines but it recognizes that this would be part of a long-term strategy requiring support from the FCCC. Professor Bolin in his last address to

SUBSTA pointed out that the "error margins for the determination of sources and sinks are quite large and that because of our limited understanding and lack of observations, simplified methods have been proposed by the IPCC and adopted by the FCCC for the assessment of sinks and sources by countries."

5. On the issue of classifying forests and fires as anthropogenic or natural - we have to ask which Party would get the credit for the production of wood biomass - the harvester or the user? Countries are recognizing the uncertainties and are bending the rules yet again to accommodate their own positions. The US, for example, is proposing that some portion of fluxes are outside their responsibility, yet they would like to be able to count new growth forests for credit. There are also complications about calculating when omissions from long life wood products are generated and what happens if the biomass is burned, particularly if it is from an imported fuel.
6. In making estimates about changes to carbon sequestration it is important that: all the pools are considered (not only the stem-wood and products but also soil carbon, litter and organic matter as well as products in landfills); that base years can be identified during land use and forestry changes which take place over long periods; and that time frames are generally long enough (even up to several rotations).
7. There have been efforts to encourage non-Annex I Parties to use consistent, or near consistent, methodologies. Any approach adopted should be capable of commanding respect from such countries and be capable of applying to both forestry and land-use issues simultaneously. Clearly recent large-scale forest fires raise major challenges for developing such methodologies.

8. It would be vital to develop linkages with international forestry policy initiatives to ensure that encouragement of the net approach was consistent with current efforts to develop sustainable forest management and the protection of old growth forests. In order to maximize carbon sequestration, some silvicultural management practices and afforestation management might actually work against what is becoming understood as sustainable forest management and forest protection. Such policy integration will take time. The history of international negotiations on forestry has not been one of dynamic progress since Rio. At present there are major differences in approach about what institutional development should be encouraged and how sustainable management can be encouraged. It would be unwise therefore for climate protection policy to move forwards without reference to forest protection initiatives.

9. Many of these points would be especially relevant if there were moves to include forestry projects in JI or as part of an emission trading scheme. It would also be necessary to have monitoring mechanisms which could track whether forest carbon was "permanently" sequestered or not.
10. We just do not know how much we do not know! Even allowing for uncertainty could lead to further problems and an actual increase in emissions if a net approach were to be the base for a national forestry policy.

This whole issue should be referred to the IPCC for further methodological work, with sinks not being permitted during the first budget period. Only those sources and sinks that can be quantified with reasonable accuracy should be included in any future targets. Indeed, if sinks are included now, it will be impossible to reliably assess compliance.



DEC 01 '97 03:48PM US DEL COP-3 075-711-8916

**The United States of America**

Third Conference of the Parties (COP-3)

United Nations Framework Convention
on Climate Change

December 1-10, 1997

Kyoto, Japan

Urgent

Priority

Normal

Date: 1 December 1997

TO: Ms. Conchita Desharaz

FROM: Mark G. Hambley

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

Phone Number - 075-711-8901

FAX Number - 075-711-8909

Message: Conchita: Please send this to
the folks listed. Thanks.

Number of Pages including cover sheet 12

SENT BY: UNEP.

: 1-12-97 : 10:26 : OZONE SECRETARIAT-

202 647 0217: # 1/ 1



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PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT



Cable Address: UNITERRA NAIROBI
Telephone: (254 2) 621234
Telefax: (254 2) 226886/226890
Telex: 22068 UNEP KE

P. O. Box 30552
Nairobi, Kenya

Your Reference:

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

Date: 25 November 1997

Dear Mr. Traweck,

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

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

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

Accept, Sir, the assurances of our highest consideration.

Legends,

K.M. Sarma
K.M. Sarma
Executive Secretary
Ozone Secretariat

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

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

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

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<u>NAME</u>	<u>AGENCY</u>	<u>PHONE</u>	<u>FAX</u>
Smart Rigenstat (Peter Bass)	State/E	202-647-7575	202-647-9763
Tim Wirth (Carol Thompson)	State/O	202-647-6240	202-647-0753
Raft Pomerance	State/OES	202-647-2232	202-647-0217
John Campbell	State/OES	202-647-1554	202-647-0217
Leslie Gerson	State/OES/SEI	202-647-2958	202-647-0773
Brooks Holmes	State/OES	202-647-4542	202-647-0191
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Meg Donovan/Jani Wilson	State/H	202-647-1048	202-647-2762
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Jennifer Haverkamp	USTR	202-395-7320	202-395-4579
Jeffrey Frankel	CEA	202-395-5046	202-395-6958
T. J. Gleuthier	OMB	202-395-4561	202-395-4639
Burgess Laird	USUN	736-7555	736-7551
Sheri Goodman	Defense	703-697-1012	703-693-7011
Linda Silverman	DOE/PO	202-586-3876	202-586-4341
John Lieber	DOT	202-366-4450	202-366-7127
Sandra Hawkins	DOC	202-482-6055	202-482-4636
Al McGartland	EPA/OPPE	202-260-3354	202-260-6403
Paul Stolpman	EPA/OAR	202-364-9140	202-564-9598
Richard Rumminger (or) Jessica Wasserman	USDA	202-720-6158	202-720-5437
Elli Kaplan	Treasury	202-622-0409	202-622-0073
David Wilcox	Treasury	202-622-1240	202-622-0073
Lois Schiffer/Jim Simon	DO/EURD	202-514-2701	202-514-0557
Carla Koppell/Deb Hickey	USAID/ENV	202-712-1750	202-316-3230
Barbara Scariati	USTIA	202-619-6818	202-619-5646

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1 December 1997

To: Please see attached listing

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

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

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

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

AGBM Begins Final Session

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

Chairman Fails to Gain Support

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

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

EU Singularly Unhelpful - Again

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

"What's in a Name?"

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

Estrada Insists that We Make a 5 Per Cent Cut

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

COP-3 Opens on Time but Progress is Slow

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

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

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

EU Calls for its Reductions; Soft Stance on Developing Countries

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

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

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

No COW Formed – As Yet

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ecco

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DECEMBER
OCHAZUKEDOMO
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 COP3 in Kyoto, December 1997.

Time to Move

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

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

What should be in the Kyoto Protocol?

- Legally Binding Target

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

- A Significant Reduction Target Below 1990 Levels

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

- Early Action - 2005 Target Must be Included

continued on page 3, col 1



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

US Opinion Prods Clinton

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

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

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

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

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eco

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

Let us be clear: don't be ridiculous!

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

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

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

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

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

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

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

CONFERENCE REPORT

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

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

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

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

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

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

Estrada's Bombshell!

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

Building on earlier analysis by the World

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

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

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

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

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Time to Move, from front page

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

- Strong Review and Compliance Mechanisms.

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

- What should NOT be in the Kyoto Protocol

- New commitments for developing countries.

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

- Loopholes threatening the Kyoto Protocol

When added together, certain loopholes

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

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

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

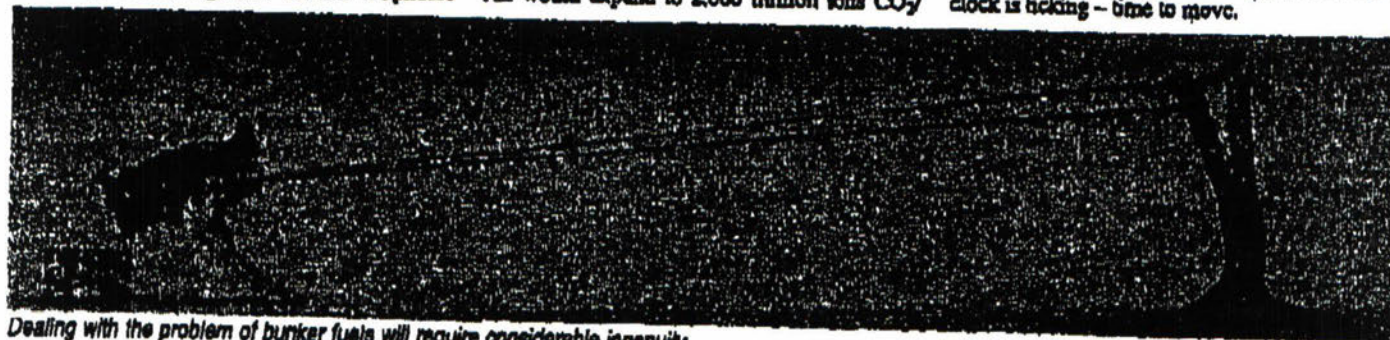
year, or 15% of 1990 Annex I emissions.

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

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

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

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



Dealing with the problem of bunker fuels will require considerable ingenuity

CEE NGO Resolution for Kyoto

by Zbigniew Karaczun
Coordinator CANCEE

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

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

for Kyoto. We are calling on all CEE governments to openly voice support for the European Union proposal, and the inclusion of targets for six greenhouse gases while they are here in Kyoto. We should take full responsibility for meeting GHG reduction targets, committing to - as a minimum - the reduction target agreed for Annex 1 countries, without seeking different treatment as countries in transition. Countries in the region that have not yet joined Annex 1 should do so, and countries which are, or will be, OECD members, should join Annex 2.

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

Editorial/Production: Alister Sleghart; Phil Hurst; Eldon Bartholomew
World Wide Web Edition: Richard Elen
Electronic Distribution: Leleni Arts for EcoNet
North American Distribution: Wes Dowling & EES
Assistance from: Kelly Sims; Alden Meyer; Bill Hare; Louise Comeau; Jennifer Morgan; Stephen Singer; Toni Vidan; Ula Collier; Gary Cook; Athena Ronquillo; Zbigniew Karaczun; Mie Asakura; Yuchi Inoue; Kyoko Kawasaki; Peter Kelly.
Published by: The Climate Action Network.
Eco can be contacted at the Hearson Hotel, Oike Agaru Higashinotoin, Nakagyo, Kyoto 640; Phone: +81-75-222-1300 Fax +81-75-222-1313
E-mail: asleghart@gn.apc.org
Eco Website: <http://www.igc.org/climate/Eco.html>

DEC 01 '97 03:54PM US DEL COP-3 075-711-8916

CLIMATE NEGOTIATIONS KYOTO DECEMBER '97 NGO NEWSLETTER

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Why on Earth Japan?

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

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

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

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

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

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

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

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

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

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

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

Tax breaks for solar and wind power are preferred by 20% of those surveyed. The administration's proposal of trading pollution permits to "give companies a financial reason to reduce their emissions of greenhouse gases" draws 15% support, with 49% undecided and 17% opposed. A hypothetical gas tax gets 2% support.

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

THANKS

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

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

Some found yesterday's lack of progress a little overwhelming

TENGU 天狗

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

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

ISSUE NO1

VOLUME XCVIII

FREE OF CHARGE

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

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Urgent

Priority

Normal

Date: 1 December 1997

TO: Ms. Conchita Shazo

FROM: Mark G. Hambley

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

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

Subject: COP-3
update 1 (Annex)

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

Thanks. MGD

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

(Kyoto, 1-10 December 1997)

STATEMENT FOR THE OPENING SESSION OF COP3

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

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

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

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

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

We expect others to do the same.

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

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

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

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

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

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

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

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

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

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

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

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

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

December 1, 1997

Mr. President, and ladies and gentlemen,

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

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

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

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

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

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

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

Thank you very much.

2) Fax to DC Tagh
force

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

and

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

to the Conference of the Parties at its third session

Kyoto, 1 December 1997

Your Excellencies, Distinguished delegates, Ladies and gentlemen,

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

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

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

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

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

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

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

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

World Meteorological Organization, United Nations Environmental Programme

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Distinguished delegates,

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

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

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

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

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

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

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

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

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

Your Excellencies, Distinguished delegates, Ladies and Gentlemen,

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

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

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

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

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

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

**1 December 1997
Kyoto International Conference Hall**

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

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

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

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

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

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

Ladies and gentlemen,

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

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

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

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

Such a strategy may be based on three principles:

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

Ladies and gentlemen,

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

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

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

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

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

Ladies and gentlemen,

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

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

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

Thank you for your attention.