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Climate Change: U.S. Goals for the Denver Summit of the Eight

OBJECTIVES

To promote agreement among the Eight on the climate change issue as a step toward the development of a follow-on agreement to the U.N. Framework Convention on Climate Change at the Third Conference of the Parties in Kyoto:

- Support for a Kyoto Agreement with Three Basic Tenets:

1. Realistic, legally binding commitments to reduce emissions. Based on the Ministerial Declaration at the Second Conference of the Parties, call on the Eight to set a standard for a strong next step.
2. Flexible implementation. Call on the Eight to endorse proposals providing maximum flexibility to achieve targets at lowest cost, including through the use of market mechanisms such as emissions trading and joint implementation - and rejecting common harmonized policies and measures which may not apply to all countries.
3. Global participation. Call on summit parties to endorse an agreement which provides a first step toward the solution to the climate problem, by engaging all countries, including developing countries in the next step.

BACKGROUND

In January 1997, the United States introduced a proposal for a protocol to the Convention. The proposal set forth a comprehensive design for a new legal instrument, but did not include specific numbers for a target level reduction objective. At the AGBM's recently concluded 6th meeting in March 1997, our proposal was incorporated into a streamlined negotiating text. The U.S. proposal outlines a number of concepts:

1. Binding emissions "budgets" for developed countries covering a multi-year period;
2. A focus on medium term rather than unrealistic, short term objectives;

3. Maximum flexibility for each country to implement its emissions budget as cost-effectively as possible (through emissions trading and joint implementation with credit);

4. Specific and appropriate actions by developing countries, designed to enable them to assume binding emissions budgets in the future.

In our view, all of these concepts are linked and must be included in the new legal instrument.

While we received widespread praise for the innovation and comprehensiveness of our proposal and its effort to link concepts, it met with considerable opposition at the AGBM session. The EU (particularly the Netherlands and Germany) voiced their skepticism over the complexity of emissions trading and opposition to joint implementation for credit, while developing countries came out strongly against those provisions which they believe are outside the negotiating mandate agreed at the first COP in Berlin (i.e., elaboration of "no regrets" measures for developing countries and inclusion of an article on the "evolution" of commitments). Most countries were intrigued by the concept of binding emissions budgets for developed country Parties, but were unclear how it would work in practice. Many questions on our approach to compliance and verification were also raised.

Despite our differences, one area of potential compromise with the other summit countries is developing country involvement in the Kyoto agreement. In the EU view, the developed countries have an historical responsibility for global greenhouse gas emissions, and should, as a first step, take significant action pursuant to the Kyoto agreement. They see a role for developing countries but only in future agreements as their contribution to the problem increases. From a tactical perspective, the EU sees developing country opposition to inclusion of language regarding their commitments as a potential threat to the entire agreement.

The U.S. acknowledges that developed countries must take the lead but believes that developing countries also must act. In our view, the elements contained in the U.S. proposal "continue to advance the implementation" of the provisions in the Climate Convention's Article 4.1, which already require all Parties to take a series of actions to mitigate climate change, and are fully consistent with the Berlin Mandate. They do so by being more specific, requiring action and reporting at the level of a specific

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action or activity. In addition, unlike the EU which trades primarily within its member states, the U.S. has competitiveness concerns if developing countries are not included. We can find common ground by stressing that we are not advocating new commitments; we are merely looking to include provisions that elaborate upon the existing Article 4.1 commitments and that can advance the global effort needed to respond effectively to the threat of climate change.

OTHER G-7 VIEWS

Although the European Union is split internally, they usually present a unified front, adopting a "green" but often unrealistic position. EU Member States meet their aggressive emissions targets only by sharing (the "EU Bubble") the emissions reductions Germany generated through the absorption of the former East Germany. The EU also supports binding, "harmonized," policies and measures, including a carbon/energy tax. The United Kingdom has called for a common, single-year target for all developed countries and has sought a middle ground within the EU, while France supports "differentiated" commitments with fewer commitments required of those Parties with low per capita emissions. For the most part, the EU and its member states are reluctant to join the U.S. in its insistence on involving developing countries.

As host of Kyoto meeting, Japan wants a successful outcome, and may sublimate its national position to get one. It endorses a "differentiated" approach, has proposed a "common menu" of policies and measures rather than full harmonization, and remains skeptical about emissions trading. Japan has also urged the United States to reduce its demands on developing countries, arguing that such proposals could derail the negotiations. Canada favors common policies and measures on public outreach, research and education (an approach to which we are opposed), but joins the U.S. in supporting emissions trading and the need for developing country involvement in next steps. Critical to any successful international agreement, the Russian Federation has introduced its own proposed legal text which contains many interesting ideas that we are pursuing bilaterally, including an "evolution" provision, joint implementation, and two annexes to accommodate differences among developed country Parties.

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