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Printed By: Duncan R Marsh 07/26/99 09:21:25 AM

BEIJING 7082

From: AMEMBASSY BEIJING
Subject: EPA TECHNICAL TEAM VISIT TO CHINA: 7/8-15/99

MRN: 7082
ICNbr: TED3481

Date/Time: 260724Z JUL 99
Precedence: PRIORITY

Cable Text:

TED3481
ACTION OES-01

INFO	LOG-00	AID-00	AMAD-01	ACQ-01	CIAE-00	COME-00	DINT-00
	DODE-00	SRPP-00	EAP-01	EB-00	E-00	UTED-00	H-01
	TEDE-00	INR-00	IO-00	L-01	ADS-00	M-00	AC-01
	NSAE-00	NSCE-00	NSF-01	OIC-02	PM-00	PRS-00	ACE-00
	SP-00	SSO-00	SS-00	T-00	USIE-00	EPAE-00	PMB-00
	G-00	SAS-00	/010W				

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FM AMEMBASSY BEIJING
TO SECSTATE WASHDC PRIORITY 5260
INFO HQEPA WASHDC PRIORITY
AMCONSUL SHANGHAI PRIORITY
AMCONSUL SHENYANG PRIORITY
AMCONSUL GUANGZHOU PRIORITY
AMCONSUL CHENGDU PRIORITY
HQEPA WASHDC
USDOE WASHDC

UNCLAS SECTION 01 OF 03 BEIJING 007082

DEPT FOR OES, DREIFSNYDER, DMARSH

E.O. 12958: N/A

EPA FOR OIA, MBAILEY AND OA, WWHITE
DOE FOR EE, RDIXON/ PE, PTSENG/FE, DJUCKETT

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USDOC FOR HBURROUGHS
TAGS: SENV, CH
SUBJECT: EPA TECHNICAL TEAM VISIT TO CHINA: 7/8-15/99
1. THIS CABLE WAS DRAFTED BY THE DELEGATION.

SUMMARY

2. THE US TECHNICAL TEAM VISIT JULY 8-15, 1999, DISCUSSED FOUR ONGOING TECHNICAL COOPERATION PROJECTS AND POSSIBLE ADDITIONAL AREAS FOR TECHNICAL COOPERATION. THE US PROPOSAL FOR A WORKSHOP ON PROJECT BASED CREDITING WAS REJECTED AGAIN. THE TEAM BELIEVES

THAT SDPC CONSIDERS ANY OFFICIAL COOPERATION WITH THE US ON CDM RELATED ISSUES TO BE A SIGNAL OF POLICY CHANGES FOR WHICH IT IS NOT YET PREPARED. IN ADDITION, NOW THAT WE HAVE A HIGH LEVEL BILATERAL STATEMENT OF INTENT, THE ONGOING TECHNOLOGY COOPERATION PROJECT IS BEING SLOWED SIGNIFICANILY AND MADE MORE COSTLY BY THE CHINESE SIDE. .AS A RESULT, THE TECHNICAL TEAM WAS NOT ABLE TO AGREE WITH CHINESE COUNTERPARTS ON A WORKPLAN FOR THE NEXT YEAR'S WORK AND WILL HAVE TO CONTINUE NEGOTIATIONS VIA FAX AND EMAIL. THE NATURAL GAS COOPERATIVE STUDY IS BEGINNING WITH A VERY SLOW START AND A REQUEST FROM CHINA FOR FAR MORE FUNDING THAN EPA BELIEVES IS NEEDED. THIS WILL ALSO REQUIRE FURTHER NEGOTIATIONS FROM WASHINGTON BY FAX AND EMAIL.

3. ECONOMIC AND ENVIRONMENTAL MODELING WORK AND THE PROJECT ON ASSESSMENT OF BENEFITS OF AIR POLLUTION AND PUBLIC HEALTH PROGRAMS WITH THE STATE ENVIRONMENTAL PROTECTION ADMINISTRATION (SEPA) ARE MOVING FORWARD CONSTRUCTIVELY. THE TECHNICAL TEAM IS CONCERNED, HOWEVER, BY A PROPOSAL FROM SDPC TO ENTER INTO A MORE FORMAL STATEMENT OF INTENT ON THE ECONOMIC WORK. BASED ON OTHER PROJECTS, THIS WOULD LIKELY SLOW THE WORK AND RAISE THE COST SIGNIFICANTLY.

4. SDPC APPEARS TO TAKE THE VIEW THAT ONCE PROJECTS ARE AGREED FORMALLY BETWEEN OUR GOVERNMENTS, THEY BECOME EFFECTIVELY STATEMENTS OF CHINESE POLICY. THEREFORE THEY ARE VERY CONCERNED ABOUT CONTROLLING AND PACING PROJECTS TO ENSURE THAT THEY DO NOT PRODUCE ANY RESULTS WHICH WOULD BE INCONSISTENT WITH CHINA'S POLICY POSITIONS. THIS PROBLEM IS MADE MORE DIFFICULT BY THE FACT THAT SDPC HAS A RELATIVELY SMALL STAFF (4 PEOPLE ON CLIMATE CHANGE) WITH A GREAT DEAL OF OTHER WORK. THE RESULT IS VERY SLOW PROGRESS ON CLIMATE CHANGE RELATED PROJECTS. THIS MAY IMPROVE OVER TIME AS WE WORK THROUGH THE INITIAL STAGES OF THE TWO FORMAL PROJECTS BUT IS NOT CLEAR. AS A RESULT, THE USG MAY NEED TO BE VERY CAREFUL ABOUT PUSHING ADDITIONAL JOINT TECHNICAL PROJECTS ON CLIMATE CHANGE THROUGH OFFICIAL CHANNELS.

OPENING MEETING WITH SDPC, JULY 8

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5. THE TECHNICAL TEAM VISIT BEGAN WITH AN OPENING MEETING WITH MADAM SUN CUIHUA, MR. MA AIMIN, AND MS LI LIYAN OF THE SDPC OFFICE OF NATIONAL COORDINATING COMMITTEE FOR CLIMATE CHANGE. US PARTICIPANTS WERE PAUL SCHWENGELS AND RICHARD GARBACCIO, USEPA, ROBERT BOYNTON AND STANLEY WATT, US EMBASSY, RON BENIOFF AND DEBRA LEW, NATIONAL RENEWABLE ENERGY LABORATORY (NREL), JEFFREY LOGAN, PACIFIC NORTHWEST NATIONAL LABORATORY (PNNL), AIMEE MCKANE, LAWRENCE BERKELEY NATIONAL LABORATORY (LBNL) AND PETER KEMENY, BURNS & ROE.

6. THIS MEETING TOUCHED ON A RANGE OF CLIMATE CHANGE TECHNICAL COOPERATION PROJECTS BETWEEN EPA AND CHINA:

1. THE CLEANER AIR AND CLEANER ENERGY TECHNOLOGY COOPERATION PROJECT
2. THE COOPERATIVE STUDY OF NATURAL GAS UTILIZATION IN CHINA
3. THE PROJECT TO ASSESS THE BENEFITS OF PROGRAMS TO REDUCE AIR POLLUTION AND PROTECT PUBLIC HEALTH.
4. ONGOING COOPERATION ON ECONOMIC AND ENVIRONMENTAL MODELING.

7. IN ADDITION, THE US TEAM RAISED AGAIN THE POSSIBILITY OF JOINT TECHNICAL WORK ON METHODS FOR PROJECT BASED GHG ACCOUNTING, AND FOREST PROJECTS FOR GHG REDUCTIONS. TWO COOPERATIVE PROJECTS

WERE PROPOSED DURING ADMINISTRATOR BROWNER'S VISIT IN MARCH, FOR POSSIBLE INITIATION AT THE CHINA-US FORUM ON ENVIRONMENT AND DEVELOPMENT IN APRIL. AFTER FAILURE TO ACHIEVE AGREEMENT ON SPECIFIC PROPOSALS, ADMINISTRATOR BROWNER PROPOSED A TECHNICAL WORKSHOP TO EXPLORE POSSIBLE COOPERATION ON THESE SUBJECTS.

8. THE SDPC PARTICIPANTS REJECTED THE IDEA OF A WORKSHOP ON PROJECT BASED CREDITING TOPICS. MADAM SUN STATED THAT THE US AND CHINA HAVE LARGE DIFFERENCES IN POLICY POSITIONS REGARDING CDM AND OTHER CREDITING MECHANISMS, AND WE ALREADY HAVE CHANNELS FOR DISCUSSION OF THESE ISSUES. SHE DID NOT RECOGNIZE ANY DISTINCTION BETWEEN TECHNICAL/METHODOLOGY WORK AND POLICY DISCUSSIONS. SHE REFERRED TO THE ONGOING HIGH-LEVEL POLICY DIALOGUE (AT THAT TIME SHE INDICATED THAT A MEETING MIGHT OCCUR

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ON JULY 19. NOTE: THE MEETING TO WHICH SHE REFERRED WAS A VISIT BY STATE U/S LOY TO BEIJING. THE VISIT HAS BEEN POSTPONDED TO THE FALL) AND INDICATED THAT THIS AS A SUFFICIENT CHANNEL FOR DISCUSSIONS ON PROJECT BASED CREDITING ISSUES. THE TEAM BELIEVES THATIT MIGHT BE MORE PRODUCTIVE TO INITIATE PROJECT BAED METHODS WORK INFORMALLY WITH TECHNICAL INSTITTIONS IN CHINA RATHER THAN ATTEMPTING TO PUSH AGEEMENT ON SUCH PROJECTS THROUGH OFFICIAL CHANNELS AT THIS TIME.

9. IN ADITION, SDPC PROPOSED THAT WE CONSIDER A FORMAL STTEMENT OF INTENT TO COVER OUR WORK ON ECONOMIC AND ENVIRONMENTAL MODELING. THE US DELEGATION AGREE TO CONSIDER THIS AND RESPOND LATER.

CLEANER AIR ANDCLEANER ENERGY TECHNOLOGY COOPERATION (CACETC) POJECT MEETINGS

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10. BEGINNING LATE MORNING JLY 8 AND CONTINUING THROUGH JULY 13, THESE MEETINGS INCLUDED TWO WITH SDPC, AND A SERIES OF EXPERT MEETINGS ON SPECIFIC TECHNOLOGY AREAS. THREE REPRESENTATIVES OF THE CANADIAN GOVERNMENT PARTICIPATED IN THESE MEETINGS BASED ON THEIR INTEREST IN POSSIBLY JOINING THE PROJECT IN THE FUTURE. ALL MEETINGS WERE ATTENDED BY AT LEAST ONE SDPC REPRESENTATIVE. A NUMBER OF ADDITIONAL CHINESE AND US TECHNICAL EXPERTS AND INDUSTRY REPRESENTATIVES JOINED EACH EXPERT MEETING. SEVERAL

WORKPLANNING MEETINGS WERE ALSO HELD, INCLUDING NREL, TSINGHUA UNIVERSITY AND SDPC STAFFS.

11. THERE WAS A GREAT DEAL OF GOOD TECHNICAL DISCUSSION IN THE EXPERT MEETINGS AND A NUMBER OF VALUABLE SUGGESTIONS MADE REGARDING BARRIERS TO TECHNOLOGY TRANSFER AND POSSIBLE APPROACHES TO ADDRESS THESE BARRIERS.

12. THE FINAL MEETING WITH SDPC WAS CHAIRED BY MR. GAO GUANGSHENG, DIRECTOR GENERAL, OFFICE OF THE NATIONAL COORDINATION COMMITTEE FOR CLIMATE CHANGE. NOW THAT WE HAVE A VERY HIGH LEVEL

FORMAL AGREEMENT ON THIS PROJECT, SDPC IS TAKING A POSITION THAT RESULTS OF THE PROJECT REPRESENT GOVERNMENT POSITIONS, AND, THEREFORE, SDPC MUST MAINTAIN CAREFUL CONTROL OF THE PROJECT AT EVERY STEP TO ENSURE THAT IT PRODUCES ONLY THOSE RESULTS WHICH ARE CONSISTENT WITH CHINESE POLICY POSITIONS ON TECHNOLOGY TRANSFER.

13. THIS IS REFLECTED IN SEVERAL CLEAR DISAGREEMENTS BETWEEN THE US AND CHINESE SIDES ABOUT NEXT STEPS IN THE PROJECT. FIRST, SDPC WANTS TO SLOW THE PACE OF THE WORK. THE US PROPOSES TO CONTINUE WORK ON FOUR TECHNOLOGY AREAS IDENTIFIED IN THE STATEMENT OF INTENT, AND POSSIBLY ADD OTHERS, WHILE SDPC PROPOSES TO SELECT ONLY TWO OF THE TECHNOLOGIES FOR WORK IN THE FIRST YEAR WITH OTHERS TO BE ADDED LATER. THE US (AND CHINESE) EXPERTS HAVE IDENTIFIED A WIDE RANGE OF BARRIERS TO AND ACTIONS WHICH COULD PROMOTE EACH TECHNOLOGY, INCLUDING CAPACITY BUILDING, TECHNICAL ISSUES, POLICY.REFORMS AND INVESTMENT NEEDS. SDPC IS SIGNALING THAT DOMESTIC POLICY REFORMS SHOULD NOT BE INCLUDED AND THAT IT IS MOST INTERESTED IN TECHNOLOGY EXAMPLES WHERE CHINA CAN ARGUE THAT THE US SHOULD PROVIDE ADVANCED TECHNOLOGY AND TECHNICAL INFORMATION ON "PREFERENTIAL TERMS". FINALLY, THE SDPC AND TSINGHUA UNIVERSITY PARTICIPANTS ARE ARGUING THAT MORE FUNDING IS REQUIRED FROM THE US TO CARRY OUT THIS PROJECT. WE HAVE PROPOSED TO TRANSFER US$100,000 TO TSINGHUA UNIVERSITY IN THE FIRST YEAR AND TO PROVIDE SUBSTANTIAL ADDITIONAL SUPPORT THROUGH NREL AND OTHER US TECHNICAL EXPERTS FROM LABORATORIES AND CONSULTANTS. THIS IS A LARGER DIRECT SUPPORT THAT THE TECHNOLOGY COOPERATION AGREEMENTS PILOT PROGRAM (TCAPP) IS PROVIDING TO ANY OF THE OTHER 5 COUNTRIES CURRENTLY WORKING ON SIMILAR COOPERATIVE PROJECTS. THE CHINESE SIDE IS INDICATING THAT THIS IS NOT AN ADEQUATE AMOUNT OF FUNDING EVEN TO WORK ON TWO TECHNOLOGY AREAS.

14. THIS SERIES OF MEETINGS ENDED WITH AN IMPASSE. WE WERE NOT ABLE TO AGREE ON A WORKPLAN FOR THE NEXT YEAR'S WORK BECAUSE OF DISAGREEMENTS OVER THE NUMBER OF TECHNOLOGIES TO BE ADDRESSED AN] THE FUNDING TO BE PROVIDED. THE US DELEGATION AGREED TO TAKE TH] CHINESE PROPOSAL BACK TO WASHINGTON FOR DISCUSSIONS WITH EPA MANAGEMENT AND OTHER AGENCIES, AND TO PROVIDE ADDITIONAL COMMENT AND PROPOSALS OVER THE NEXT FEW WEEKS.

15. NATURAL GAS PROJECT MEETINGS: TWO MEETINGS (JULY 8 AND 13). WERE HELD WITH MR. ZHANG YUQING, DEPUTY DIVISION CHIEF, DEPARTMENT OF ECONOMIC FORECAST, SDPC WHO HAS BEEN IDENTIFIED AS

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THE POINT OF CONTACT FOR THE NEW PROJECT "COOPERATIVE STUDY OF NATURAL GAS UTILIZATION IN CHINA". THIS PROJECT IS GETTING STARTED MORE SLOWLY THAT THE US HAD HOPED AND MAY ALSO BE DIFFICULT TO IMPLEMENT. THE MEETINGS WERE A LITTLE MORE FORMAL AND DELIBERATE THAN WE HAD HOPED AND MADE LESS PROGRESS. THE SECOND MEETING WAS JOINED BY TWO REPRESENTATIVES OF THE UNIVERSITY OF PETROLEUM, BEIJING, WHICH WAS IDENTIFIED AS THE TECHNICAL LEAD ORGANIZATION FOR CHINA. THESE EXPERTS PRESENTED THEIR PRELIMINARY IDEAS ABOUT A WORKPLAN AND BUDGET WHICH APPEAR TO LEAN TOO FAR TOWARD RESEARCH AND AWAY FROM POLICY

RECOMMENDATIONS. THE BUDGET REQUESTED FOR THE CHINESE TECHNICAL TEAM IS ALSO FOUR TIMES WHAT EPA HAD BUDGETED. WE HAVE IDENTIFIED THESE DIFFERENCES OF VIEWS IN A PRELIMINARY WAY AND AGREED THAT PNNL (THE US TECHNICAL LEAD INSTITUTION) WILL WORK WITH THE UNIVERSITY OF PETROLEUM TO TRY TO DEVELOP A CONSENSUS JOINT PROPOSAL.

ECONOMIC AND ENVIRONMENTAL MODELING

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16. ON JULY 14, THE US TEAM MET WITH ZHOU DADI, DEPUTY DIRECTOR, AND SEVERAL OTHER STAFF OF THE ENERGY RESEARCH INSTITUTE (ERI) OF THE SDPC. PHILIP TSENG OF US DOE, (IN BEIJING TO CONDUCT TRAINING ON THE MARKAL/MACRO MODEL AT TSINGHUA UNIVERSITY), AND STANLEY WATT OF THE US EMBASSY ALSO PARTICIPATED IN THE MEETING AT ERI. IN ADDITION, DURING THE WEEK, RICHARD GARBACCIO ALSO MET SEPARATELY WITH ECONOMIC MODELERS AT THE DEVELOPMENT RESEARCH CENTER (DRC) OF THE STATE COUNCIL, AND THE CHINESE ACADEMY OF SOCIAL SCIENCES (CASS). THESE MEETINGS WERE FAIRLY POSITIVE, DEVELOPING A NUMBER OF IDEAS FOR CONTINUE COOPERATION AND MODEL COMPARISON WHICH COULD LEAD UP TO ANOTHER WORKSHOP POSSIBLY IN EARLY 2000. AS A RESULT OF THESE MEETINGS, THERE IS A STRONG CONSENSUS AMONG THE US TEAM THAT IT WOULD BE BEST TO KEEP THE TECHNICAL AND METHODS COOPERATION AS INFORMAL AND EXPERT-TO-EXPERT AS POSSIBLE. INITIATING A STATEMENT OF INTENT WITH SDPC ON THIS WOULD LIKELY SLOW PROGRESS AND INCREASE THE COST.

17. IF THE US AND CHINA DISCUSS POSSIBLE JOINT POLICY STUDIES ON CLIMATE CHANGE, THIS WOULD NO DOUBT BECOME A MORE FORMAL AND CAREFULLY CONTROLLED PROCESS. EVERY EFFORT SHOULD BE MADE TO KEEP THE TECHNICAL/METHODOLOGY WORK SEPARATED FROM A POLICY INITIATIVE SO THAT WE CAN KEEP THIS RELATIVELY CONSTRUCTIVE TECHNICAL TRACK MOVING FORWARD AND CREATING A FOUNDATION FOR POSSIBLE POLICY CHANGES IN THE FUTURE.

18. AIR POLLUTION AND PUBLIC HEALTH PROJECT: ON JULY 12, PAUL SCHWENGELS, RICHARD GARBACCIO AND JEFFREY LOGAN MET WITH MR. LUO YI, DIRECTOR, SCIENCE AND TECHNOLOGY DIVISION, SEPA WHO HAS BEEN IDENTIFIED AS OUR GOVERNMENT CONTACT FOR THE "COOPERATION TO ASSESS BENEFITS OF PROGRAMS TO REDUCE AIR POLLUTION AND PROTECT PUBLIC HEALTH". THIS MEETING WAS ALSO ATTENDED BY OTHER SEPA STAFF AND DR. LIU XIANDE OF THE NATIONAL RESEARCH CENTER FOR ENVIRONMENTAL ANALYSIS AND MEASUREMENT. THIS MEETING WAS VERY POSITIVE, INCLUDING A FAIRLY DETAILED TECHNICAL DISCUSSION. SEPA INDICATED STRONG SUPPORT FOR THE PROJECT AND SOME EXPERTISE IN THE TECHNICAL ASPECTS OF THIS WORK. BOTH SIDES AGREED TO EXCHANGE WRITTEN MATERIALS AND TO WORK TOGETHER CLOSELY ON DESIGN AND IMPLEMENTATION OF REMAINING STEPS IN THE PROJECT.

19. US BUSINESS REPRESENTATIVES: ON JULY 14, PAUL SCHWENGELS, RICHARD GARBACCIO, PHILIP TSENG, JEFFREY LOGAN AND DEBRA LEW MET WITH A GROUP OF US INDUSTRY REPRESENTATIVES AT A BREAKFAST MEETING WHICH WAS ARRANGED BY CHRISTOPHER ADAMS OF THE US EMBASSY AND PAMELA BALDINGER OF THE US-CHINA BUSINESS COUNCIL. THE MAJORITY OF THE PARTICIPANTS WERE FROM OIL AND GAS INDUSTRY AND THERE WAS A VERY USEFUL DISCUSSION OF CONCERNS OF US INDUSTRY ABOUT WORKING ON CHINA NATURAL GAS DEVELOPMENT, AND THE POSSIBLE WAYS THE NEW NATURAL GAS COOPERATIVE STUDY PROJECT COULD BE MOST HELPFUL. THIS DISCUSSION WAS VERY POSITIVE AND RESULTED IN A NUMBER OF CONCRETE IDEAS TO BE PURSUED IN THE STUDY PROCESS. INDUSTRY REPRESENTATIVES ALSO INDICATED A STRONG INTEREST IN PARTICIPATING AS REVIEWERS AND IN OTHER WAYS AS THE STUDY PROGRESSES. A FEW REPRESENTATIVES FROM OTHER ENERGY TECHNOLOGY AREAS HAD A DETAILED DISCUSSION OF THE CACETC PROJECT AND OTHER POSSIBLE TECHNOLOGY COOPERATION WITH DEBRA LEW AND PHILIP TSENG.

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