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SUBJECT: CLOCK RUNS OUT ON CLIMATE CHANGE CONFERENCE

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CLASSIFIED BY OES SPECIAL NEGOTIATOR ON CLIMATE CHANGE
AMBASSADOR MARK G. HAMBLEY FOR REASON 1.5(D).

1. (U) THE FOLLOWING CABLE SHOULD BE READ IN CONJUNCTION
WITH REFTELS D-F, DESCRIBING THE UNSUCCESSFUL EFFORTS
SINCE COP6 TO CUT A DEAL ON A FEW KEY ISSUES WITH THE EU.

SUMMARY AND COMMENT

REVIEW AUTHORITY: Charles Lahiguera, Senior Reviewer

2. (SBU) THE SIXTH CONFERENCE OF THE PARTIES (COP-6) OF

THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC) MET IN THE HAGUE NOVEMBER 13-25, BUT FAILED TO REACH AGREEMENT ON THE KEY ISSUES UNDER NEGOTIATION. UNDER THE BUENOS AIRES PLAN OF ACTION (BAPA), COP-6 HAD BEEN INTENDED TO BE THE ENDPOINT FOR WORK ON THE DETAILED RULES FOR THE 1997 KYOTO PROTOCOL. HOWEVER, DUE TO A VARIETY OF FACTORS, INCLUDING THE HUGE VOLUME OF TEXT, THE TREMENDOUS RANGE OF ISSUES UNDER NEGOTIATION, LIMITED TIME, AND MISCALCULATIONS BY THE CONFERENCE LEADERSHIP, PARTIES WERE UNABLE TO COMPLETE WORK ON BAPA, OR EVEN TO REACH BROADER AGREEMENT ON KEY POLITICAL ISSUES IN ORDER TO PROVIDE GUIDANCE FOR THE ONGOING BAPA NEGOTIATIONS.

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3. (U) IN ORDER TO LEAVE OPEN THE POSSIBILITY OF MEETING THE COP-6 DEADLINE FOR COMPLETING THE BAPA, COP-6 DID NOT CONCLUDE BUT WAS SUSPENDED, AND MAY RESUME SOMETIME IN 2001. THE LATE MAY/EARLY JUNE DATES IN BONN, CURRENTLY SET ASIDE FOR MEETINGS OF THE CONVENTIONS SUBSIDIARY BODIES, OFFER THE MOST LIKELY TIME AND VENUE FOR "COP-6 BIS", AS IT IS NOW BEING CALLED.

4. (U) ALTHOUGH NONE OF THE SPECIFIC TEXTS IN THE BAPA NEGOTIATIONS WERE FORMALLY ADOPTED, SIGNIFICANT PROGRESS WAS MADE ON MOST ISSUE AREAS, AND SEVERAL OF THE TEXTS ARE CLOSE TO COMPLETION (IN PARTICULAR, THOSE RELATING TO CAPACITY BUILDING, REPORTING AND REVIEW, AND POLICIES AND MEASURES). AT THE CONCLUSION OF THE MEETING, COP-6 TOOK NOTE OF THE VARIOUS TEXTS AND FORWARDED THEM ALONG FOR FURTHER CONSIDERATION.

5. (U) DURING THE LAST NIGHT OF THE MEETING, AGREEMENT WAS SEEMINGLY REACHED BETWEEN MEMBERS OF THE UMBRELLA GROUP (INCLUDING THE U.S., CANADA, JAPAN, AUSTRALIA, AND NEW ZEALAND) AND THE EUROPEAN UNION ON SOME OF THE MOST CONTENTIOUS ISSUES UNDER NEGOTIATION - SUPPLEMENTARITY, SINKS, AND COMPLIANCE. BUT IN THE MEETINGS WANING HOURS, THE EUROPEAN UNION REJECTED THE DEAL, AND SUBSEQUENT EFFORTS TO REVIVE IT HAVE RECENTLY ENDED WITHOUT AGREEMENT (REFS D-F). MOREOVER, ALTHOUGH AN UG-EU AGREEMENT WOULD HAVE BEEN A VERY SIGNIFICANT STEP FORWARD, IT WOULD STILL HAVE NEEDED TO BE ACCEPTED BY THE G-77/CHINA. IN THE COMING YEAR, THE US AND ITS UMBRELLA GROUP PARTNERS WILL NEED TO REGROUP UNDER THE NEW US ADMINISTRATION AND REJOIN

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DEBATE WITH THE EU AND G-77 PRIOR TO THE MAY RECOMMENCEMENT OF NEGOTIATIONS.(NOTE: "SUPPLEMENTARITY" REFERS TO THE NOTION (PUSHED BY THE EU) INSISTENCE THAT EMISSION REDUCTIONS ACHIEVED THROUGH THE KYOTO MECHANISMS MUST BE SUPPLEMENTAL TO DOMESTIC REDUCTIONS. "SINKS" REFERS TO LAND-USE, LAND-USE CHANGE AND FORESTRY ACTIVITIES THAT SEQUESTER CARBON. END NOTE.)

6. (C) THROUGHOUT COP-6, THE U.S. PLAYED A KEY LEADERSHIP ROLE, SUGGESTING POSSIBLE COMPROMISE PACKAGES, PROMOTING PROGRESS AT THE TECHNICAL LEVEL AND, THROUGH THE FORCEFUL PERSISTENCE OF U/S LOY, KEEPING THE NEGOTIATIONS GOING AT THE END WHEN OTHER DELEGATIONS AND COP-6 PRESIDENT JAN FRONK WANTED TO CALL IT QUILTS.

7. (C) THE EUROPEAN UNION (E.U.), IN CONTRAST, FAILED TO RESPOND TO A VARIETY OF CONCESSIONS PROPOSED DURING THE END-GAME BY THE U.S. AND OUR UMBRELLA GROUP PARTNERS.

8. (C) THE G-77/CHINA - [REDACTED] [REDACTED] ALSO FAILED TO RESPOND CONCRETELY TO A BROAD NEW PROPOSAL ON FUNDING CRAFTED BY THE UNITED STATES AND PUT FORWARD BY THE UMBRELLA GROUP. UNFORTUNATELY, NIGERIA'S RESPONSE DID NOT REFLECT THE FULL RANGE OF VIEWS WITHIN THE G-77/CHINA: MANY ELEMENTS FROM THIS GROUP, INCLUDING IRAN, MEMBERS OF THE ASSOCIATION OF SMALL ISLAND STATES (AOSIS), AND SOME LATIN AMERICAN AND AFRICAN COUNTRIES, LOOKED FAVORABLY ON THE UMBRELLA GROUP'S PROPOSAL. THE UMBRELLA GROUP PROPOSAL OFFERED CONTINUED FINANCIAL SUPPORT FOR ONGOING CONVENTION-RELATED ACTIVITIES AS WELL AS SUBSTANTIAL NEW FUNDING FOR FUTURE
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MITIGATION-RELATED EFFORTS. UNDER THE PROPOSAL, FINANCIAL SUPPORT WAS CONDITIONED ON AGREEMENT BY DEVELOPING COUNTRIES TO TAKE ACTIONS TO REDUCE THEIR EMISSIONS OF GREENHOUSE GASES. IN FUTURE NEGOTIATING ROUNDS, WE WILL NEED TO CONTINUE PROMOTING THIS IDEA, IN ORDER TO FORESTALL EFFORTS TO GIVE AWAY ADDITIONAL FUNDS WITHOUT ANY CONDITIONS ATTACHED. IN GENERAL, RENEWED OUTREACH TO THE DEVELOPING COUNTRY MEMBERS OF THE G-77/CHINA WILL BE NECESSARY IN ADVANCE OF ANY RESUMED "COP-6 BIS".

9. (C) AT FUTURE NEGOTIATIONS, WE WILL ALSO HAVE TO DEAL WITH CONTINUED OPEC PRESSURE TO FORCE DEVELOPED COUNTRY PARTIES TO PROVIDE "COMPENSATION" FOR THE PURPORTED ADVERSE IMPACTS OF RESPONSE MEASURES ON OPEC'S OIL-EXPORT-BASED ECONOMIES. OPEC'S ABILITY TO CONTINUE BLOCKING PROGRESS IN THE CLIMATE CHANGE NEGOTIATIONS COULD REMAIN STRONG. THIS IS NOT ASSURED, HOWEVER, AS IRAN, ALSO AN OPEC MEMBER, TAKES OVER FROM NIGERIA AS THE CHAIR OF THE G-77/CHINA IN JANUARY 2001. IRAN HAS PLAYED, FOR THE MOST PART, A FAR MORE CONSTRUCTIVE AND MODERATING ROLE IN THE CLIMATE CHANGE DELIBERATIONS - EVEN ON ISSUES RELATED TO ADVERSE IMPACTS - THAN HAS EITHER SAUDI ARABIA OR NIGERIA.
END SUMMARY AND COMMENT.

PRESIDENT ELECTED AND CONTROVERSY OVER AGENDA AVOIDED

10. (SBU) FOLLOWING THE OPENING CEREMONIES, THE COP WENT

THROUGH ITS AGENDA VERY QUICKLY ON ITS FIRST DAY. DUTCH ENVIRONMENT MINISTER JAN PRONK WAS ELECTED PRESIDENT OF
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COP-6 BY ACCLAMATION. POTENTIAL CONFLICT OVER ITEM 5 OF THE PROPOSED AGENDA WAS AVOIDED WHEN PRONK MOVED TO ADOPT THE AGENDA WHILE HOLDING ITEM 5 IN ABEYANCE PENDING FURTHER CONSIDERATION. (NOTE: AGENDA ITEM 5, UNRESOLVED SINCE COP-4 IN 1998, DEALS WITH THE SECOND REVIEW OF THE ADEQUACY OF COMMITMENTS. THIS ITEM IS THE SOLE HOOK ON THE FORMAL AGENDA THAT ALLOWS ANY POSSIBILITY OF DISCUSSING DEVELOPING COUNTRY ACTIONS. PRECISELY TO AVOID THIS DISCUSSION, THE G-77 HAS ARGUED THAT THIS AGENDA ITEM SHOULD BE AMENDED TO FOCUS ON THE ADEQUACY OF THE IMPLEMENTATION OF CURRENT COMMITMENTS (IN OTHER WORDS, BY "ANNEX I"), IN CONTRAST TO THE EXISTING FORMULATION, WHICH COVERS COMMITMENTS BY ALL PARTIES. END NOTE.)

WEEK ONE: BUSINESS AS USUAL IN THE SUBSIDIARY BODIES

11. (U) WORK BEGAN ON MONDAY AFTERNOON (NOV 13) WITH THE RESUMPTION OF SESSIONS BY THE TWO CONVENTION SUBSIDIARY BODIES, THE SUBSIDIARY BODY ON IMPLEMENTATION (SBI) AND THE SUBSIDIARY BODY ON SCIENTIFIC AND TECHNOLOGICAL ADVICE (SBSTA). NINE DIFFERENT CONTACT GROUPS WERE FORMED, ADDRESSING: (A) THE MARKET BASED TRADING MECHANISMS, (B) COMPLIANCE; (C) LAND USE AND LAND USE CHANGE AND FORESTRY (SINKS); (D) PROTOCOL ARTICLES 5/7/ & 8 ON REPORTING AND REVIEW; (E) TECHNOLOGY TRANSFER; (F) CAPACITY BUILDING; (G) FINANCIAL MECHANISMS OR GUIDANCE TO THE WORLD BANK'S GLOBAL ENVIRONMENT FACILITY; (H) CONVENTION ARTICLES 4.8 AND 4.9 AND PROTOCOL ARTICLE 3.14 DEALING WITH ADVERSE IMPACTS (INCLUDING "COMPENSATION"), VULNERABILITY AND
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ADAPTATION; AND (I) POLICIES AND MEASURES.

12. (SBU) FOR THE MOST PART, A "BUSINESS AS USUAL" AIR PERMEATED THE CONTACT GROUP DISCUSSIONS DURING THE FIRST WEEK. ALTHOUGH IMPROVED TEXT WAS PRODUCED IN SEVERAL AREAS, NOTABLY IN THE CONTACT GROUPS ON ARTICLES 5/7/8, POLICIES AND MEASURES, AND COMPLIANCE, DELEGATES DID NOT SUCCEED IN WORKING THROUGH THE MORE CONTENTIOUS ISSUES OR IN REDUCING THE SHEER VOLUME OF TEXT. CONSIDERATION OF THE MECHANISMS TEXT - BY FAR THE BULKIEST WITH OVER 140 PAGES OF HEAVILY BRACKETED PARAGRAPHS - WAS DELAYED BY G-77 RELUCTANCE INITIALLY TO BREAK INTO SMALLER GROUPS TO CONSIDER PARTICULAR ISSUES. THE QUESTIONS RELATED TO SINKS WERE THE MOST CONTROVERSIAL DURING THE FIRST WEEK AND WERE KEY IN THE END-GAME AS WELL. IN PARTICULAR, THE QUESTION OF WHICH SINKS CATEGORIES SHOULD BE INCLUDED PURSUANT TO ARTICLE 3.4 (A QUESTION THAT COULD HAVE A

SIGNIFICANT IMPACT ON THE KYOTO TARGETS), WAS A DIVISIVE ISSUE FOR GOVERNMENTS, AN EMOTIONAL ONE FOR NGOS, AND BROADLY MISUNDERSTOOD BY THE PRESS. LITTLE PROGRESS WAS ACHIEVED ON THE SINKS TEXT ITSELF DURING THE FIRST WEEK AND, AT THE END OF THE WEEK, THE PARTIES RETURNED TO THE INITIAL DOCUMENT PROPOSED BY THE ICELANDIC AND UGANDAN CO-CHAIRS.

13. (C) THE SBI AND THE SBSTA SESSION ENDED LATE ON SATURDAY NIGHT (NOVEMBER 18). THE TEXTS FORWARDED TO COP-6 CONTAINED OVER 1500 BRACKETS, WHICH MADE EASY OR CLEAR DECISIONS BY MINISTERS DURING COP-6 IMPOSSIBLE.

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WEEK TWO: PRONK OUTLINES A NEW PROCESS

14. (U) DURING THE SECOND WEEK, PRONK ORGANIZED MINISTERIAL-LEVEL DISCUSSIONS INTO FOUR CLUSTERS OF ISSUES: (A) CAPACITY BUILDING; TECHNOLOGY TRANSFER; VULNERABILITY, ADAPTATION AND ADVERSE EFFECTS(ARTICLES 4.8, 4.9 & 3.14); AND GUIDANCE TO THE GEF (CHAIRD BY DENMARK AND SOUTH AFRICA); (II) THE MECHANISMS (CHAIRD BY JAPAN AND BRAZIL); (III) SINKS (CHAIRD BY MEXICO); (IV) POLICIES AND MEASURES, COMPLIANCE, AND REPORTING AND REVIEW (ARTICLES 5/7/&8) (CHAIRD BY NORWAY). INITIALLY, HE ALLOWED LIMITED DISCUSSION ON EACH OF THESE CLUSTERS IN THE INFORMAL PLENARY, AND THEN SENT THE ISSUES OFF TO INFORMAL CONTACT GROUPS UNDER CO-CHAIRS DRAWN EQUALLY FROM ANNEX I AND ONE NON-ANNEX I PARTIES.

15. (C) ON TUESDAY AND WEDNESDAY (NOVEMBER 21 & 22), THESE CONTACT GROUPS MET UNDER THEIR DESIGNATED MINISTERIAL CO-CHAIRS. THE RESULTS WERE LESS THAN SATISFYING AS FEW MINISTERS PARTICIPATED ACTIVELY. INSTEAD, VETERAN CLIMATE CHANGE NEGOTIATORS ENGAGED IN THE FAMILIAR PATTERN OF CHARGE AND COUNTER-CHARGE, THE ONLY DIFFERENCE BEING THAT THEY FOCUSED ON THE NEW TEXT PROVIDED BY PRONK AND NOT THE TEXT FORWARDED BY THE SUBSIDIARY BODIES. THIS DYNAMIC WAS EXACERBATED BY THE INEXPERIENCE, AND IN SOME CASES, BIAS OF THE MINISTERS CO-CHAIRING THESE SESSIONS. IN PARTICULAR, USDEL WAS FRUSTRATED BY DANISH MINISTER SVEN AUKENS PRESSURE IN THE DEVELOPING COUNTRY GROUP TO RESPOND TO THE DEMANDS OF THE G-77. [REDACTED]

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[REDACTED]

16. (U) TO THE SURPRISE OF MANY PARTICIPANTS, DURING THE SECOND WEEK PRONK DID NOT CONTINUE TO CONVENE MEETINGS OF THE SBSTA/SBI OFFICIAL-LEVEL CONTACT GROUPS, WHICH HAD

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BEEN CONSIDERING THE DETAILED BAPA TEXTS DURING THE FIRST WEEK. NEVERTHELESS, NEGOTIATORS CONTINUED TO HOLD INFORMAL CONSULTATIONS, AND SUCCEEDED IN REMOVING THE FINAL BRACKETS FROM THE POLICIES AND MEASURES TEXT, AND IN CLEANING UP THE MECHANISMS TEXTS. AT THE END OF THE SECOND WEEK, THE COP TOOK NOTE OF THESE REVISED TEXTS, AND FORWARDED THEM ON, SO THAT THE TECHNICAL PROGRESS MADE DURING THE SECOND WEEK WAS NOT LOST.

FRONKS "COMPROMISE" PAPER: FAULTED BY ALL

17. (U) BY THURSDAY, IT WAS CLEAR THAT THE MINISTERIAL-LEVEL NEGOTIATIONS HAD FAILED TO PROVIDE ANY OF THE NECESSARY BREAKTHROUGHS. IN RESPONSE, PRONK INDICATED THAT HE WOULD DISTRIBUTE A NEW PAPER LATE IN THE DAY WHICH 'WOULD SHARE THE PAIN AMONG ALL PARTIES.'

18. (SBU) WHEN HE FINALLY RELEASED HIS TEXT LATE ON NOVEMBER 23, MOST GROUPS FOUND MUCH TO COMPLAIN ABOUT. THE E.U. FAULTED IT FOR GIVING THE U.S. TOO MUCH ON SINKS. SOME KEY MEMBERS OF THE G-77/CHINA DID NOT LIKE THE WAY IN WHICH IT ADDRESSED THE ISSUES OF ADAPTATION AND VULNERABILITY. THE U.S. FOUND THE TEXT TO BE BIASED TOWARDS THE G-77 AND, TO A LESSER EXTENT, THE E.U. KEY
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PROPOSALS (INCLUDING UMBRELLA GROUP PROPOSALS DESIGNED TO ENSURE PARITY BETWEEN THE E.U. "BUBBLE" AND THE OTHER FLEXIBILITY MECHANISMS) WERE NOT EVEN MENTIONED. THE G-77 FORMULA ("EQUITABLE GEOGRAPHICAL DISTRIBUTION") WAS ADOPTED FOR THE COMPOSITION OF ALL OF THE IMPORTANT GOVERNANCE BODIES, A FORMULA THAT WOULD GIVE THE G-77 A MAJORITY ON BOTH THE CDM EXECUTIVE BOARD AND THE COMPLIANCE COMMITTEES ENFORCEMENT BRANCH. ON SUPPLEMENTARITY, PRONK PROPOSED THAT DOMESTIC ACTION "SHALL" CONSTITUTE "THE PRIMARY" PART OF ANNEX I PARTYS EFFORTS, A FORMULATION THAT WAS UNACCEPTABLE TO THE U.S. SINCE IT WAS MANDATORY ("SHALL" RATHER THAN "SHOULD") AND HAD QUANTITATIVE OVERTONES ("PRIMARY" RATHER THAN A QUALITATIVE TERM SUCH AS "SIGNIFICANT"). ON SINKS, PRONK PROPOSED A QUANTITATIVE CAP ON CREDITS FROM ALL ARTICLE 3.4 ACTIVITIES, RATHER THAN ADOPTING THE MORE NUANCED PROPOSAL BY THE U.S., CANADA AND JAPAN. BEYOND ITS CONTENT, THE PAPER - LIKE PRONKS PREVIOUS PAPERS - WAS WILDLY AMBITIOUS IN THE NUMBER OF ISSUES THAT IT PUT BEFORE MINISTERS WITH LESS THAN TWO DAYS LEFT IN THE NEGOTIATIONS.

19. (SBU) IN THE DISCUSSION OF THE PRONK TEXT, MANY PARTIES NOTED THEIR RESERVATIONS. NIGERIAS MINISTER DAURA, SPEAKING ON BEHALF OF THE G-77/CHINA, SAID THAT HIS GROUPS INTERESTS "HAD BEEN CAST INTO IRRELEVANCE" BY THE NEW TEXT. SOME UMBRELLA GROUP COUNTRIES MADE MORE POLITE

BUT EQUALLY DAMNING ASSESSMENTS. THE E.U. EXPRESSED SOME MISGIVINGS AND NOTED ITS CONCERN ABOUT WHAT PRONK WANTED TO ACHIEVE AFTER THESE SESSIONS FINISH. INDIA UNHELPFULLY INDICATED THAT THIS PROCESS SHOULD NOT GO FORWARD WITHOUT
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FIRST ADDRESSING BASIC PRINCIPLES SUCH AS EQUITY.

MOVING TOWARDS THE BRINK

20. (C) LATE NIGHT NEGOTIATIONS BEGAN ON NOVEMBER 24 WHEN PRESIDENT PRONK RECONVENED HIS GROUP OF MINISTERS (AND OTHER SENIOR OFFICIALS) AT 11 PM. TWO BREAK-OUT GROUPS WERE ESTABLISHED, ONE TO ADDRESS THE DEVELOPING COUNTRY PACKAGE OF ISSUES (CAPACITY BUILDING, TECHNOLOGY TRANSFER, 4.8/4.9, AND FUNDING), THE OTHER TO ADDRESS SINKS AND SUPPLEMENTARITY. MEANWHILE, OFF-LINE DISCUSSIONS WERE UNDERTAKEN BETWEEN GROUPS, SOME OF THEM IN PRONKS OFFICE, WHILE OTHERS TOOK PLACE IN THE U.S., E.U. AND OTHER DELEGATIONS MEETING ROOMS. THE MOST SIGNIFICANT OF THESE WERE THOSE BETWEEN SEVERAL MEMBERS OF THE E.U. AND THE U.S. (WITH PARTICIPATION BY KEY UMBRELLA GROUP COUNTRIES, INCLUDING JAPAN, CANADA AND AUSTRALIA). AFTER SEVERAL HOURS OF INTENSE NEGOTIATING, THE TWO SIDES REACHED AN APPARENT AGREEMENT AT ABOUT 5 AM ON SUPPLEMENTARITY, SINKS AND COMPLIANCE. HOWEVER, WHEN FRENCH ENVIRONMENT MINISTER VOYNET TOOK THE AGREEMENT BACK TO THE E.U. COORDINATING MEETING FOR CONCURRENCE, THE E.U. ULTIMATELY REJECTED IT.

THE NOVEMBER 25 FINAL NEGOTIATING MINISTERIAL

21. (C) AT 7 AM, THE UMBRELLA AND G-77 MINISTERS RECONVENED UNDER MINISTER PRONK, BUT THE ACTUAL START OF
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THE SESSION WAS DELAYED UNTIL THE E.U. REPRESENTATIVES ARRIVED AT 8:20. NORWAYS MINISTER REPORTED PROGRESS ON SINKS (ESPECIALLY ON ADDITIONAL CATEGORIES ENCOMPASSED IN ARTICLE 3.4) AND ON SUPPLEMENTARITY, WHERE MOVEMENT TOWARDS A QUALITATIVE RATHER THAN A QUANTITATIVE APPROACH HAD GAINED FAVOR. SHE NOTED THAT NO DECISION HAD BEEN TAKEN ON THE ROLE OF SINKS IN THE CDM. IN SHORT, WHILE THERE WAS NO AGREEMENT, THERE HAD BEEN A CONSTRUCTIVE DIALOGUE DURING THE EARLY MORNING HOURS.

22. (C) OBVIOUSLY TIRED AND DEJECTED, FRENCH ENVIRONMENT MINISTER VOYNET REPORTED THAT THE E.U. HAD NOT BEEN ABLE TO ACCEPT THE COMPROMISE TEXT NEGOTIATED IN THE EARLY MORNING HOURS WITH THE UMBRELLA GROUP. AT THE SAME TIME, SHE RECOGNIZED THAT THE UMBRELLA GROUP AND THE E.U. HAD

COME A LONG WAY AND NOTED THAT THE TWO SIDES ARE "NOT THAT FAR AWAY" FROM AN AGREEMENT ON SUPPLEMENTARITY, SINKS, AND COMPLIANCE.

23. (C) IN RESPONSE, PRONK SUGGESTED ANOTHER INFORMAL MINISTERIAL PLENARY AT 10 AM TO DISCUSS FUTURE ACTIONS. MINISTER DAURA OF NIGERIA, SPEAKING ON BEHALF OF THE G-77/CHINA, IMMEDIATELY PROTESTED. NOTING THAT "WE ARE NOT MACHINES, AND THAT WE ARE EXHAUSTED," HE ASKED THAT THE MEETING BE POSTPONED UNTIL 1 PM. HE CONCLUDED BY NOTING THAT THE FAILURE OF THIS MEETING SHOULD NOT BE CONSTRUED AS AN ABSOLUTE END TO PROGRESS. "WE ARE IN A PROCESS, AND THE PROCESS CAN CONTINUE ANOTHER DAY." IN DEFERENCE TO THE G-77 VIEW, PRONK ANNOUNCED THAT THE INFORMAL MINISTERIAL WOULD BEGIN THREE HOURS LATER, AT 1 PM, AND WOULD BE FOLLOWED BY THE FINAL PLENARY MEETING. HE SAID
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THAT HE WOULD MAKE A PROPOSAL TO RECONVENE THE COP AT THAT TIME.

FOLLOW-UP TALKS ATTEMPT TO CORRECT MATTERS

24. (C) FOLLOWING ADJOURNMENT SHORTLY AFTER 9 AM, WE LEARNED THAT, WITHIN THE E.U., GERMANY HAD SOURED THE SINKS DEAL BASED IN PART ON SOME MISINFORMATION CONCERNING NUMBERS, WHICH MAY HAVE BEEN PROVIDED BY WWF. APPARENTLY, THERE WAS CONSIDERABLE DISSENSION IN THE EU. ON SATURDAY MORNING, FOLLOWING THE BREAKDOWN, DEPUTY PRIME MINISTER PRESCOTT STORMED OUT OF A PRESS CONFERENCE CLAIMING THAT HE "FELT GUTTED" AND BLAMED FRANCES VOYNET FOR FAILING TO DELIVER THE AGREEMENT AGREED UPON BETWEEN THE E.U. AND THE UMBRELLA GROUP. ONE SOURCE TELLS US THAT THE NORDICS BALKED AT THE AGREEMENT BECAUSE NO SPECIFIC SINKS NUMBERS WERE ALLOCATED TO THEM (ALBEIT AT GERMANY'S INSISTENCE). INDEED, AT ONE MID-MORNING MEETING BETWEEN UMBRELLA GROUP MINISTERS AND THE E.U., SWEDEN'S MINISTER LARSSON FERVENTLY INSISTED THAT HE WOULD NOT SUPPORT ANY AGREEMENT THAT DISADVANTAGED SWEDISH FORESTS. ONE SOURCE SUGGESTED THAT SPAIN AND ITALY, TWO COUNTRIES THAT HAD NOT BEEN INVOLVED AT ALL IN THE UG-EU DISCUSSIONS, TOOK ADVANTAGE OF THE FACT THAT MINISTERS FROM IRELAND, DENMARK, FINLAND AND SWEDEN HAD ALL DEPARTED FOR HOME BY MID-DAY ON SATURDAY TO BLOCK ANY FURTHER PROGRESS. STILL OTHER EUROPEAN SOURCES, DESCRIBING GERMANY'S GREEN ENVIRONMENT MINISTER TRITTIN AS AN "ECO-FASCIST", CLAIM THAT HE NEVER WANTED AN AGREEMENT WITH THE U.S. DESPITE INDICATIONS
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THAT HE MELLOWED AFTER FIRST BLOCKING THE E.U.-UMBRELLA GROUP ACCORD, TRITTIN IS NOW WIDELY VIEWED AS THE CENTRAL FIGURE WHO UNDERMINED BRITISH EFFORTS TO MEDIATE AN

OUTCOME.

25. (C) ONE THING IS SURE: THE E.U. -- FOR WHATEVER REASON -- FOUND ITSELF EITHER UNWILLING OR INCAPABLE OF COMING TO AN AGREEMENT. OF COURSE, THE EUROPEANS, ALONG WITH MUCH OF THE INTERNATIONAL MEDIA, BLAMED THE BREAKDOWN OF TALKS ON THE U.S., WHICH WAS ACCUSED OF WANTING TO BUY ITS WAY OUT OF TAKING ANY DOMESTIC ACTION BY MEANS OF "LOOPHOLES" (THE TERM THAT CRITICS USE TO CHARACTERIZE OUR POSITION ON SINKS AND TRADING).

THE PROCESS CONTINUES

26. (U) COP-6 WAS FORMALLY SUSPENDED ON NOVEMBER 25, A FULL TWENTY-FOUR HOURS LATER THAN SCHEDULED. AT A LATE AFTERNOON PLENARY, THE CONFERENCE AGREED TO THE POSSIBILITY OF RECONVENING COP-6 AT A TIME AND VENUE TO BE DECIDED, ALTHOUGH THE MAY/JUNE SLOT ALREADY PLANNED IN BONN FOR THE SUBSIDIARY BODIES APPEARS TO BE THE LIKELY CHOICE.

27. (C) DESPITE THE SUSPENSION OF COP-6, THERE WERE SEVERAL POSITIVE DEVELOPMENTS THAT AUGUR WELL FOR FUTURE ENGAGEMENT. SOME OF THESE INVOLVE THE MOST CONTENTIOUS ISSUES, INCLUDING: (A) THE QUESTION OF SUPPLEMENTARITY (OR CAPS ON THE MECHANISMS); (B) SINKS (AND ESPECIALLY THE
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ROLE OF FOREST MANAGEMENT AND ITS IMPACT ON ANNEX I TARGETS, AS WELL AS THE QUESTION OF "SINKS IN THE CDM"; (C) RUSSIAN "HOT AIR"; (D) DEVELOPING COUNTRY ISSUES (AND ESPECIALLY CAPACITY BUILDING AND FINANCING), (E) POLICIES AND MEASURES (WHERE A TEXT CLEARED OF BRACKETS WAS SET FOR APPROVAL BY THE COP); AND (F) REPORTING AND REVIEW (ARTICLES 5,7 AND 8 OF THE PROTOCOL), WHERE WORK AT THE TECHNICAL LEVEL CONTINUED THROUGHOUT THE SECOND WEEK OF THE CONFERENCE, PRODUCING A NEARLY CLEAN TEXT.

THE ROLE OF NUCLEAR AND LARGE-SCALE HYDRO PROJECTS IN CDM

28. (C) THE ROLE OF NUCLEAR AND LARGE-SCALE HYDRO PROJECTS IN THE CDM REMAINS UNRESOLVED. MEMBERS OF THE E.U. HAVE STAKED OUT A DOMESTICALLY POPULAR POSITION IN FAVOR OF EXCLUDING NUCLEAR AND HYDRO, WHILE SOME MEMBERS OF THE UMBRELLA GROUP (INCLUDING CANADA AND JAPAN) AND G-77 (CHINA AND INDIA) FEEL EQUALLY PASSIONATE ABOUT THEIR INCLUSION. E.U. EFFORTS TO PUT THE QUESTION BACK ON THE TABLE AT THE OTTAWA MEETING IN DECEMBER WERE REBUFFED. HOWEVER, THE ISSUE WILL CERTAINLY BE REVISITED WHEN COP-6 RESUMES AT WHICH TIME THE G-77/CHINAS VARYING INTERESTS IN THIS TOPIC WILL BE BROUGHT INTO PLAY.

SUMMARY OF OTHER ISSUES

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29. (C) IN SUMMARY, HERE ARE THE DEVELOPMENTS FROM COP-6.:

(A) SUPPLEMENTARITY: THE E.U. BACKED OFF ITS INSISTENCE ON A NUMERICAL CAP ON EMISSIONS TRADING AND JOINT IMPLEMENTATION IN THE LAST HOURS OF THIS NEGOTIATION. IN EXCHANGE, THE UMBRELLA GROUP MOVED TOWARDS ACCEPTING A QUALITATIVE, POLITICAL STATEMENT EMPHASIZING THAT DOMESTIC MEASURES "SHOULD" CONSTITUTE A "SIGNIFICANT" PORTION OF EACH COUNTRY'S MITIGATION EFFORT. (AS REPORTED IN SEPTTEL, THE EU, LED BY GERMANY, SUBSEQUENTLY WALKED BACK FROM THIS UNDERSTANDING AND IS CURRENTLY INSISTING THAT DOMESTIC MEASURES "SHALL" FORM "THE PRIMARY PART" OF EACH ANNEX I PARTY'S EFFORT.)

(B) SINKS: NO ISSUE IS AS MISUNDERSTOOD OR AS EMOTIONAL AS CARBON SINKS AND, IN PARTICULAR, THE ROLE THEY SHOULD PLAY IN MEETING ANNEX I PARTIES TARGETS. ARTICLE 3.4 OF THE KYOTO PROTOCOL ALLOWS FOR THE INCLUSION OF ADDITIONAL SINKS CATEGORIES, BEYOND THE THREE ACTIVITIES (AFFORESTATION, REFORESTATION AND DEFORESTATION) PROVIDED FOR IN ARTICLE 3.3. RECOGNIZING THE SENSITIVITY OF OTHER GOVERNMENTS (PARTICULARLY IN THE EU) AND NGOS, THE U.S. SHOWED GREAT FLEXIBILITY ON ITS APPROACH TO SINKS ACCOUNTING DURING THE HAGUE MEETING. WE SIGNIFICANTLY REDUCED THE NUMBER OF TONS FOR WHICH WE WOULD RECEIVE CREDIT UNDER ARTICLE 3.4 AND, WORKING WITH CANADA AND JAPAN, SOUGHT TO FURTHER ACCOMMODATE OUR VITAL INTERESTS IN AN APPROACH THAT WAS DESIGNED TO ASSUAGE EU, G-77, AND NGO CONCERNS THAT OUR SINKS NUMBERS WOULD
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UNDERMINE THE TARGETS SET AT KYOTO. DESPITE INITIAL CONFUSION AND MISUNDERSTANDING ABOUT OUR COMPROMISE PROPOSAL, WE ULTIMATELY MADE PROGRESS. HOWEVER, IN THE END, OUR EFFORT WAS NOT SUFFICIENT. E.U. COUNTRIES (IN PARTICULAR GERMANY) EXPRESSED CONCERN ABOUT THE SPECIFIC NUMBERS FOR THE U.S., AS WELL AS THE POSSIBILITY THAT RUSSIA MIGHT RECEIVE CREDIT FOR ITS SINKS.

A SECOND IMPORTANT BUT DISTINCT SINKS ISSUE IS THE QUESTION OF "SINKS IN THE CDM." THE E.U. STRONGLY OPPOSES THEIR INCLUSION; THE U.S. EQUALLY STRONGLY SUPPORTS THEIR INCLUSION. AT THE HAGUE, WE FELT WE HAD FINESSED THIS PROBLEM BY PROPOSING THAT EITHER THE ISSUE NOT BE MENTIONED IN THE EU-UG TEXT AT ALL, OR THAT THE ISSUE BE

POSTPONED IN ORDER TO ALLOW FURTHER TECHNICAL WORK ON THE ISSUES OF PERMANENCE, LEAKAGE AND ADDITIONALITY. HOWEVER, THE E.U. APPARENTLY LEFT THE HAGUE WITH THE IMPRESSION THAT WE HAD AGREED TO EXCLUDE SINKS FROM THE CDM. WE HAVE CLARIFIED THIS POINT WITH THEM AT OTTAWA AND SUBSEQUENTLY.

(C) RUSSIAN HOT AIR: DURING THE MECHANISMS PORTION OF THE MINISTERIAL INFORMALS, THE RUSSIAN DEPUTY ECONOMY MINISTER ANNOUNCED THAT HIS COUNTRY INTENDED TO INVEST THE PROCEEDS FROM JOINT IMPLEMENTATION AND EMISSIONS TRADING IN CLEAN ENERGY PROGRAMS. THIS ANNOUNCEMENT WAS WIDELY GREETED AS A POSITIVE STEP. IT WAS CONSISTENT WITH REPORTS WE RECEIVED ABOUT A PUSH IN THIS DIRECTION FROM UK PRIME MINISTER BLAIR DURING HIS VISIT TO MOSCOW EARLIER IN THE MONTH. IT WAS ALSO RESPONSIVE TO OUR TWO-YEAR EFFORT TO GET THE RUSSIANS TO PLACE THE PROCEEDS FROM TRADING INTO A GREEN FUND OF SOME KIND. ONE CAVEAT TO THIS ANNOUNCEMENT

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IS THE APPARENT INTERAGENCY RIVALRY WITHIN THE RUSSIAN BUREAUCRACY. HYDROMETS ALEXANDER BEDRITSKY, ECLIPSED IN HIS ROLE AS HEAD OF DELEGATION, WAS REPORTEDLY NOT PLEASED WITH EITHER THE CONTENT OF THE ANNOUNCEMENT OR THE MANNER IN WHICH IT WAS MADE. CLARIFICATIONS OR EVEN MODIFICATIONS OF THE ANNOUNCEMENT, AS UNDERSTOOD BY THOSE IN THE PLENARY, MAY BE FORTHCOMING.

(D) DEVELOPING COUNTRY ISSUES: FUNDING AND TECHNOLOGY TRANSFER ARE THE KEY ISSUES FOR MOST DEVELOPING COUNTRIES. IN THE VARIOUS TEXTS FORWARDED FOR CONSIDERATION BY THE COP, SOME THIRTEEN FUNDS OR FINANCIAL MECHANISMS WERE MENTIONED. PRONK INSISTED THROUGHOUT THE TALKS THAT ANY COP-6 PACKAGE WOULD HAVE TO ADDRESS NON-ANNEX I DEMANDS FOR ADDITIONAL FUNDING. WHILE THE U.S. AND MOST OTHER DEVELOPED COUNTRIES RECOGNIZE OUR ON-GOING RESPONSIBILITY TO PROVIDE ASSISTANCE TO DEVELOPING COUNTRIES UNDER THE CLIMATE CHANGE CONVENTION, THERE IS A RELUCTANCE TO PROVIDE NEW AND ADDITIONAL FUNDING. FOR THE U.S. IN PARTICULAR, WE INDICATED THAT WE WOULD NOT APPROVE ANY ADDITIONAL FUNDING IN THE ABSENCE OF MORE ROBUST ACTIONS ON THE PART OF DEVELOPING COUNTRIES.

A BRIEF FLUTTER OF EXCITEMENT WAS CAUSED BY A FORWARD-LEANING PROPOSAL ON FUNDING OFFERED BY THE UMBRELLA GROUP ON NOVEMBER 23, WHICH WOULD HAVE ALLOCATED A SMALL PORTION OF ANNEX I PARTIES ASSIGNED AMOUNT TO A FUND FOR DEVELOPING COUNTRY CLIMATE ACTIVITIES. THE E.U. WAS TAKEN OFF GUARD, AND SEVERAL MEMBERS OF THE G-77/CHINA SPOKE OUT FAVORABLY IN FAVOR OF THE UMBRELLA GROUP PROPOSAL, INCLUDING IRAN. LATER, NIGERIA DERIDED THE PROPOSAL, BUT

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THE FACT REMAINS THAT IT HOLDS GREAT APPEAL FOR THE ALLIANCE OF SMALL ISLAND STATES (AOSIS) AND FOR SEVERAL

AFRICAN AND LATIN AMERICAN COUNTRIES. OUR GUESS IS THAT THE IDEA STILL HAS LEGS AND IS WORTHY OF ADDITIONAL PROMOTION PRIOR TO THE RESUMPTION OF THE COP NEXT YEAR.

SOME DOWNSIDES REMAIN, TOO

30. (C) THERE ARE SEVERAL DIPLOMATIC DOWNSIDES REMAINING FROM THIS NEGOTIATION THAT HAVE NOT BEEN ADDRESSED OR WHICH MAY NOT BE OBVIOUS FROM THIS RENDITION OF EVENTS. THREE OF THESE ISSUES ARE AS FOLLOWS:

(A) SAUDI ARABIA: THE SAUDIS SIGNALLED AT THE FINAL PLENARY ON NOVEMBER 25 THAT THEY DO NOT INTEND TO HAVE THEIR ISSUES IGNORED IN ANY RESUMED COP-6 FORUM. THEY FAILED TO RECEIVE MUCH SUPPORT FOR THEIR INSISTENCE THAT DEVELOPED COUNTRIES PAY SPECIAL ATTENTION TO THE IMPACTS OF RESPONSE MEASURES ON THEIR ECONOMIES. AS INAPPROPRIATE AND DIVERSIONARY AS THIS ISSUE IS, WE WILL HAVE TO BE IN A BETTER POSITION TO RESPOND - ESPECIALLY ON THE QUESTION OF GASOLINE TAXES AND ENERGY PRODUCTION SUBSIDIES IN DEVELOPED COUNTRIES - IF WE ARE TO EFFECTIVELY COUNTER THESE SAUDI STALLING TACTICS.

(B) REPAIRING THE SOMEWHAT FRAYED UMBRELLA: NINE COUNTRIES CONSTITUTE THE UMBRELLA GROUP (THE U.S., JAPAN, CANADA, AUSTRALIA, NEW ZEALAND, NORWAY, ICELAND, RUSSIA AND UKRAINE). IN PRACTICE, ONLY THE FIRST FOUR REGULARLY
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COORDINATE, AND THEIR COOPERATION HAS PROVEN TO BE BOTH BENEFICIAL AND USEFUL.

[REDACTED]

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ALTHOUGH THE MOTTO OF THE GROUP IS "WORKING TOGETHER BUT NOT TIED TOGETHER," WE SHOULD WORK HARD DURING THE INTERVAL BEFORE COP-6 RESUMES TO ENSURE THAT RUSSIA AND UKRAINE REMAIN IN THE FOLD AND THAT OTHER MEMBERS ARE COMFORTABLE WITH U.G. POLICY DIRECTIONS.

(C) CONVENTION ARTICLE 4.2(A) AND (B) ON REVIEW OF ADEQUACY OF COMMITMENTS: ARGENTINAS RAOUL ESTRADA, SERVING AS PRONKS CHOSEN FACILITATOR CONDUCTED CONSULTATIONS ON THIS TOPIC.

[REDACTED] ESTRADA DOES NOT LIKE THIS TOPIC AND FEELS THAT THE ONUS FOR ANY REVIEW OF ADEQUACY MUST FOCUS ON ANNEX I. THIS WAS THE THRUST OF THE DRAFT DECISION HE CIRCULATED FOR COMMENT. WE COMPLAINED VIGOROUSLY TO PRONK AND TO CONVENTION EXECUTIVE SECRETARY CUTAJAR, AND OUTLINED OUR POSITION THAT THE AGENDA ITEM MUST ADDRESS THE ADEQUACY OF COMMITMENTS BY ALL PARTIES. AT THE FINAL PLENARY, PRONK INDICATED THAT THIS ISSUE WAS

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NOT RESOLVED AND THAT HE WILL CONTINUE IN HIS
"CONSIDERATIONS" OF THIS ITEM UNTIL THE NEXT SESSION.
THIS DECISION DID NOT SIT WELL WITH THE G-77/CHINA;
HOWEVER, THEY AGREED TO ABIDE BY THE PRESIDENTS RULING.

WE NEED TO FIND A WAY FORWARD ON THIS ISSUE. THE IPCCS
THIRD ASSESSMENT REPORT AND OUR OWN NEW FUNDING INITIATIVE
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SHOULD HELP US TO DEVISE A TEXT THAT BOTH CARRIES THE
ISSUE FORWARD AND NEUTRALIZES G-77 RESISTANCE TO
DISCUSSION ON ACTIONS BY ALL PARTIES. [REDACTED]

[REDACTED]

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