

THE WHITE HOUSE

WASHINGTON

June 18, 1987

MEMORANDUM FOR THE PRESIDENT

FROM: THE DOMESTIC POLICY COUNCIL

SUBJECT: Stratospheric Ozone

ISSUE: What guidance should the U.S. delegation be given for the next stages of international negotiation of an agreement for regulation of chemicals believed capable of future depletion of stratospheric ozone?

BACKGROUND:

Beginning in the 1970's, concerns were expressed in some parts of the scientific community that continued growth in the use of certain chemicals would result in future depletion of stratospheric ozone. Scientists' models predict this could cause adverse health and environmental effects, including increased skin cancer deaths, cataracts, effects on the immune system, damage to crops and materials and impacts on aquatic life. Other scientists believe that some of these projections, which extend as far as the year 2165, do not accurately account for numerous scientific uncertainties and for future technological, scientific, medical and behavioral changes that may occur. The chemicals in question, chlorofluorocarbons (CFCs) and Halons, are used commercially in refrigerators, building and mobile air-conditioners, foam insulation and fire extinguishers, and by the electronics industry. Some of them have important national defense applications for which there are currently no substitutes.

Based on their models, most scientists now believe that significant ozone depletion is likely to occur by the year 2040 unless global action is taken to control the chemicals at issue, even though there are numerous medical and scientific uncertainties about the potential impacts of such depletion. Ideally, any freeze or reduction in CFCs should be based on reliable scientific evidence that use of CFCs will cause depletion of stratospheric ozone. While there are differing views within the Council on the reliability of the scientific evidence available at this time, the long life of CFC accumulations, and the consequent risk assessments associated with projected ozone depletion argue for strong action to secure an international agreement this year, with provision for future scientific assessment. Since U.S. participation in an international agreement will require domestic regulations, the Domestic Policy Council will address these and potential non-regulatory options as additional policy guidance is needed.

Congressional Interest. Concern over the predicted depletion of ozone led Congress to add an ozone protection section to the Clean Air Act in 1977 and led EPA to ban CFC aerosols in 1978. Some other countries subsequently implemented partial bans of CFC aerosol use. Currently, there is strong congressional pressure for additional action to protect the ozone layer. The Senate has passed a resolution calling for a strong international agreement, and urging an automatic reduction in CFC production of fifty percent. If an effective international agreement is not reached, and we fail to secure firm and concrete commitments from other countries, Congress and the courts may require unilateral domestic reductions of the chemicals in question. Such U.S. action, alone, would not protect the ozone layer and would disadvantage American businesses in world markets.

International Negotiations. The U.S. is a party to the 1985 Vienna Convention for Protection of the Ozone Layer. (Note: Although the Convention is not in effect yet, we expect it will be ratified by a sufficient number of countries.) Your ratification message to the Senate stated that this Convention addresses stratospheric ozone depletion "primarily by providing for international cooperation in research and exchange of information . . . and could also serve as a framework for negotiation of regulatory measures that might in the future be considered necessary. . . ." The U.S. has received considerable credit by some in Congress for its leadership role in the three negotiating sessions held thus far to develop an international agreement on control of the chemicals in question. However, some are concerned that not all emerging industrialized nations have participated in the negotiations. The U.S. interagency delegation has been guided by a Circular 175 approved under the authority of the Secretary of State, following approval by some agencies at various staff levels. The next negotiating session is scheduled for June 29, 1987 with a plenipotentiary conference scheduled in Montreal in September to sign the agreement.

Cost-Benefit. In a cost benefit analysis relying on EPA estimates of ozone depletion effects on cancer deaths through 2165, the potential benefits of taking some actions to protect the ozone layer were found to be substantially greater than the costs of controlling the relevant chemicals. Cost benefit analysis suggests that both a freeze and a further 20-percent reduction of the ozone-depleting chemicals are economically justified. Further reductions are also indicated in a majority of cases, depending on information that will be acquired prior to taking such steps.

DISCUSSION: The most recent international negotiations have produced a Chairman's Text for an agreement based on the structure presented by the U.S. Each country has been asked to review this Text prior to the June 29 meetings. The Domestic Policy Council met on May 20 and June 11 to discuss the Chairman's Text, as well as the overall negotiations. The Council agreed that we should continue with negotiations; however, your further guidance on the following issues and options is requested.

ISSUE 1 -- PARTICIPATION AND ENTRY INTO FORCE OF THE PROTOCOL

Ideally, all nations that produce or use ozone-depleting chemicals should participate in the protocol if it is to address globally the ozone depletion problem. Otherwise, production of CFCs by nonparticipants could eventually offset reductions by the participating countries. The Council believes we should seek maximum participation.

Which of the following positions should the U.S. delegation seek with regard to entry into force (EIF) and continuing effect of the protocol?

RR

Option 1. Entry into force of the protocol should occur only when a substantial proportion of producing/consuming countries as determined by the U.S. delegation have signed and ratified it.

This option is supported by State, EPA, DOD, DOE and HHS.

Option 2. Entry into force should occur only when a substantial proportion of producing countries, as determined by an established formula, have signed and ratified it.

This option is supported by Interior, Commerce, Justice, CEQ and OSTP.

ISSUE 2 -- GRACE PERIOD FOR LESSER DEVELOPED COUNTRIES

To encourage participation by all countries, should lesser developed nations be given a limited grace period up to the year 2000, to allow some increases in their domestic consumption? This has been the U.S. position and is unanimously supported by the Council.

Yes RR No _____

ISSUE 3 -- VOTING

Should the U.S. delegation seek to negotiate a system of voting for protocol decisions that gives due weight to the significant producing and consuming countries? This proposal has unanimous support of the Council

Yes RR No _____

ISSUE 4 -- MONITORING AND ENFORCEMENT

Should the U.S. delegation seek strong provisions for monitoring, reporting, and enforcement to secure the best possible compliance with the protocol? This proposal has unanimous support of the Council.

Yes RR No _____

ISSUE 5 -- CREDITS FOR PREVIOUS ACTION

Should the delegation seek a system of credits for emissions reduction, resulting from the 1978 U.S. ban of non-essential aerosols? In previous negotiations, other countries rejected this proposal, claiming that the U.S. is still the largest consumer of CFCs.

_____ Option 1. Yes.

This would assure the consideration of previous actions taken to deal with ozone depletion and is supported by Interior, CEQ and OSTP.

RR Option 2. No.

State is convinced that seeking credits would stalemate the negotiations, and will stimulate unnecessary proposals from other parties. This option is supported by State, EPA, Justice, HHS, DOE and USTR.

ISSUE 6 -- FREEZE

Should the U.S. delegation seek a freeze at 1986 levels on production/consumption of all seriously ozone-depleting chemicals (CFCs 11, 12, 113, 114, 115; Halons 1201 and 1311), to take effect one or two years after the protocol entry into force? This proposal is consistent with the Chairman's Text and has unanimous support of the Council.

Yes RR No _____

A freeze will achieve a majority of the health and environmental benefits derived from retention of the ozone layer. Interior, Commerce, OSTP and CEQ feel that it will also spur industry to develop substitutes for ozone-depleting chemicals. Halons are not presently mentioned in the Chairman's Text, but it is intended that they will be included. The earliest expected entry into force (EIF) date is 1988.

ISSUE 7 -- SCHEDULED 20% REDUCTION

Should the U.S. delegation seek a 20% reduction from 1986 levels of CFCs 11, 12, 113, 114 and 115, four years after EIF, about 1992, following the 1990 international review of updated scientific evidence? The Council supports this action, but is divided over options for how the reductions should be implemented:

RR

Option 1. The 20% reduction should take place automatically, unless reversed by a 2/3 vote of the parties.

This is consistent with the Chairman's Text and the Circular 175. It is supported by EPA, State, Justice, CEQ, HHS, DOE and USTR. Commerce and DOD support this option for all chemicals except CFC 113; 113 has national defense applications for which there are currently no available substitutes.

Option 2. The 20% reduction should take place only if a majority of the parties vote in favor following the 1990 scientific review.

This option is supported by Interior.

Option 3. Further reductions should not be scheduled at this time. We may later decide to seek these in light of future scientific evidence.

This option is supported by OSTP.

ISSUE 8 -- SECOND PHASE REDUCTION

Should the U.S. delegation seek a second-phase CFC reduction of an additional 30% from 1986 levels, consistent with the Chairman's Text? This would occur about 8 years after EIF (about 1996).

RR

Option 1. Yes, and this should occur automatically, unless reversed by a 2/3 vote of parties, following scientific review.

This is supported by EPA and State.

Option 2. Yes, and this should occur only if a majority of the protocol parties vote in favor, following scientific reviews.

HHS, Justice, DOE, DOD, CEQ and USTR support this.

Option 3. Further reductions should not be scheduled at this time. We may later decide to seek these in light of scientific evidence not now available about the results of a freeze and any other reduction.

This would curtail future reductions, and require a new protocol. Commerce, Interior and OSTP support this.

ISSUE 9 -- LONG RANGE OBJECTIVE

Should the U.S. delegation support the ultimate objective of protecting the ozone layer by eventual elimination of realistic threats from man-made chemicals, and support actions determined to be necessary based on regularly scheduled scientific assessments. This proposal is consistent with the Chairman's Text and the U.S. delegation's previous position, and has unanimous support of the Council members.

Yes RR No _____

ISSUE 10 -- TRADE PROVISIONS

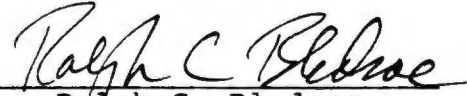
The international negotiations have focused on a trade provision 1) to insure that countries are not able to profit from not participating in the international agreement, and 2) to insure that U.S. industry is not disadvantaged in any way through participation.

What should be the nature of any trade article sought for the protocol by the U.S. delegation?

RR Option 1. Seek a provision that will best protect U.S. industry in world markets, by authorizing trade restrictions against CFC-related imports from countries that do not join or comply with the protocol provisions.

This option is supported by Justice, Interior, OSTP, EPA, DOE, USTR, HHS and State. Note: Commerce is against the use of trade restrictions unless there is no other way to protect U.S. industry.

_____ Option 2. Do not seek a trade article for the protocol.


Ralph C. Bledsoe
Executive Secretary
Domestic Policy Council

Attachment: Chairman's Text