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5 December 1997

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To: Please see attached listing

From: USDEL, Kyoto - Mark G. Hambley

Subject: Third Conference of the Parties to the Climate Convention, Update No. 6:
Report on Activities/Meetings on December 4/5, 1997

This unofficial and unclassified 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 4th through December 5th. Although it is not classified, this report is not intended for the use or distribution outside of the U.S. Government. This report contains a copy of the Earth Negotiations Report for Dec 4, plus report on the meeting of Senator Baucus with the head of the Chinese delegation. Other USDEL reporting, plus the Dec 4th edition of ECO is being sent as part of a supplement to this update. Some pertinent papers, including New Zealand's proposed language for a follow-on process beyond Kyoto, are also included.

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

COP-3 Update No. 6 (Dec 4/5): "Just Say No!" Becomes G-77 Mantra in Post-Kyoto Process Debate; Outlook on this Front is Grim

Negotiations continued during the afternoon and evening of Dec 4th with discussions on quantified limitations reduction objectives (QELROS), sinks, policies and measures, institutions and continuing to advance commitments under Article 4.1 all getting their time at bat. The Committee of the Whole (the COW) met in the evening for a stocktaking session, with the aim of polishing the results of several outstanding contact groups. Details of these meetings are adequately covered in the attached "Earth Negotiations Bulletin," a copy of which is attached for reference. What this paper details is why progress is so very slow.

Outlook Looking Somewhat Bleak

Melinda Kimble led senior USDEL members (Gardiner, Hales, & Hambley) to a meeting with a large group of G-77/China representatives on Dec 5. They politely listened to measured and informed statements about U.S. policy objectives with regard to developing countries. We were purposely careful not to sound either intimidating and were excruciatingly polite. The comments we received after the discussion all dealt with general issues, such as the need to build confidence and to transfer technology. No one raised any question to us about either our views on various flexibility mechanisms Article 10, or on the post-Kyoto process.

New Zealand Bravely Opens a Hornets' Nest

At the COP plenary -- which was, in the view of many, the last time available to introduce our ideas on a follow-on process to Kyoto -- finally arose on Dec 5th. In working out our joint approach with the EU, it was decided that we would request New Zealand to introduce its proposal for a follow-on process which largely encapsulates the kind of evolutionary thinking which we found attractive. Key JUSCANZ countries (including the U.S., Canada, Norway, Japan and even Switzerland all indicated they would support -- if not the Kiwi proposal directly -- then the concept of a follow-on process -- more

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generally. The EU promised to do likewise. The EU also had a text which, given its much milder stance, was to be held in abeyance in the hopes that it might be introduced at a later date, if warranted. After accepting this "honor," the New Zealand delegate, Daryl Dunn, said he was reminded of an episode from the British TV series, "Yes, Minister," in which the Minister, who routinely proposed to undertake risky or merely stupid endeavors, was encouraged to do so by his senior advisors only to return from the battle in bloodied form. Dunn said he was concerned about becoming the Minister.

"Just Say No!"

In the event, Dunn was almost right on the mark. His long, carefully crafted intervention, which calls for a negotiating process with a set time-limit for crafting quantified emissions limitations for all Parties by a certain date, was well-drafted, albeit on the long side. Dunn emphasized that the targets for developing countries (with the exception of the LDCs) were probably growth targets which took into account the development needs of the non-Annex I countries.

This intervention drew an expected, virulently critical response from the G-77 and China. The only unusual aspect was the breadth of the response (from some 40 countries) and the unusually bitter attacks by some Parties (and especially from Argentina, Brazil, India, and China). Opening the three hour debate was Tanzania, speaking for the G-77/China. Tanzania began by stating that the Convention had been built with a great balance in mind. The delegate mentioned that eradicating poverty is the leading issue which the G-77 would like to address. He lamented the inability of the Annex I Parties to live up to their commitments under the Convention. In a line which caused the audience to roar with applause, the Tanzanian said that his response to the New Zealand proposal is a simple one: "We say know."

Help Thy Neighbor; Help Thy Friend

Supporting the New Zealand proposal or, in some cases, only a more general follow-on process were the U.S., Canada, Australia, and Japan. The EU also provided a useful statement which emphasized the importance of adhering to the Berlin Mandate but which, nonetheless, calls for a follow-on process. Switzerland did likewise, but Norway -- fellow JUSCANZ member -- failed to raise its flag despite a promise to do so.

Slovenia also made a very weak endorsement of a follow-on process, but it was Hungary and Poland that deserve gold stars. Both of these countries indicated that -- even though they, as economies in transition, are among the least prosperous members of Europe -- they also recognize the value of actively considering taking on Annex I commitments.

"Until You Deliver," We Won't Discuss!"

Fully 37 countries then took to the floor either to criticize any kind of follow-on process or to chastise New Zealand by name. These included China, Colombia, Iran, Thailand, India, Brazil, Malaysia, Saudi Arabia, Uruguay, Slovakia, Central African Republic, Chile, the Philippines, Morocco, Kenya, Peru, Venezuela, Bangladesh, Costa Rica, Honduras, Nigeria, Trinidad/Tabago, Zimbabwe, South Africa, Saudi Arabia, Nicaragua, Grenada, Syria, Bahrain, Mali, Botswana, Laos, Kuwait, and Mali. Despite their critical nature, several of these addresses stood out either for their overly critical or personalized nature.

For example, Brazil claimed that this idea had crept in through the back door and ended his appeal by stating: "Until you deliver, we won't discuss." Malaysia and Philippines both lamented that they now no longer have any enthusiasm for the proposed protocol, while China claimed that New Zealand was trying to limit "survival emissions" while the West maintains "glutton emissions." Instead of just one "no," China added three: (1) no to the proposal; (2) no to launching a proposal, and (3) no to setting up any contact group to study the idea. Almost all of the Latin American Parties spoke out

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against the New Zealand proposal, including Costa Rica, Chile, and Argentina. Speaking for the latter, Ambassador Patricia Kelly, emphasized two points: (1) no consultations on this matter and (2) she asked New Zealand to withdraw its proposal. Argentina was, surprisingly, the only country to call for this latter action.

Extended Bureau Planned

To take this process to its next step (or, more likely to attempt to quash it once and for all, the President of the COP, Minister Ohki, indicated that he would consult his Bureau. We urged Ohki to expand this bureau to include other friends of the chair and, thereby help to guide this meeting more effectively. The Japanese delegation promised to do so. The first meeting is tentatively scheduled to meet on Monday, Dec 8. A copy of the bureau plan is attached to this report.

Yugoslavia Put to Bed – For Now

The Secretariat read out a report from UN Headquarters which basically says that Yugoslavia is entitled to take its seat because it has deposited its letters of ratification to the UN. Yugoslavia, which was not in the room during this meeting, could be kept from being seated only if an unanimous decision were taken by the COP. In the event, Ohki called upon the body to ask Yugoslavia to be barred from participation from the meeting until its status is rectified. The motion passed. (Comment: This was only possible due to instructions from the UK Foreign and Commonwealth Office to its delegation and to the active support of both Japan and the Russian Federation who worked out a solution based on the NPT experience. End Comment.)

Military Provision Also Suffers Serious Setback

We also had our last opportunity to insert our desired military provision language into the protocol when the methodologies paragraph came up for approval on Friday morning. Following a careful rehearsal of who would do what when with COW Chairman, Ambassador Raoul Estrada, we presented our proposal. Although the reaction was hardly an uproar, both China and Russia objected (Iran, curiously, did not). The proposed decision failed to pass. The Chair called for additional consultations. We have had them with the Chinese who, quite expectedly, agreed to the concept with a some word additions and changes. The Russians may be another matter, but we will have a better picture of the situation tomorrow. For the record, it should be noted that the EU was not particularly helpful. We were told this is because of Swedish (Ambassador Bo Kjellen) and German misgivings.

Argentina and New Dates Locked In

Buenos Aires was confirmed as the next site for COP-4. The conference will be held from Nov 2-13, 1998 – thereby avoiding an overlap with Thanksgiving – a distinct probability if the COP had to be held in Germany

Comment

The outlook for any kind of immediate follow-on process at next week's high level segment looks very bleak. While some G-77 countries were undoubtedly using the issue as a tactic for leverage, others appeared to have drawn a line of their own in the proverbial sand. These countries include China, India, Brazil, and Malaysia. Without their active support (or, minimally, quiet acquiescence), there can be no follow-on decision or mandate on developing country issued at COP-3. End Comment.

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Statement of the United States of America
December 5, 1997

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We wish to support the statement made by the New Zealand delegation. We firmly believe that all Parties have a responsibility to fulfill the ultimate objective of the Convention and this proposal could provide a way forward.

We intend to demonstrate our seriousness by agreeing to a legally binding emissions target at this Conference. Such a first step by us and others will enable developed countries to divorce growth in their economies from growth in greenhouse gas emissions. We encourage developing countries to join us.

The New Zealand proposal, recalling the preamble to the Convention, calls on all Parties to participate in an effective and appropriate international response, in accordance with their common but differentiated responsibilities and capabilities. It also suggests that there should be further legally binding commitments for all Parties within the coming years.

As we made clear in our statement on Monday, the United States supports strong economic growth in developing countries. I want to reiterate that the commitments that we foresee for all Parties, other than the least developed, must allow for economic growth while simultaneously protecting the environment. The United States has pledged to reduce its emissions in the second budget period, and we want developing countries to adopt emissions targets which seek to abate the increase in their emissions. In the context of Article 10 and/or as a result of the negotiation proposed by the New Zealand delegation, we also envision that commitments by developing countries could be differentiated, in light of respective responsibilities and capabilities.

We look forward to working with other Parties in this regard. We have an historic opportunity here to start on the path toward a more climate-friendly future. Kyoto may be a small step for us but will be giant step for generations to come.

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MEMORANDUM

December 4, 1997

From: *Bob Boynton*
Bob BoyntonTo: Melinda Kimble
Mark Hambley

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Subj: Senator Baucus's Meeting with Liu Zhenmin

On December 4, Senator Max Baucus met with Liu Zhenmin, acting head of the Chinese delegation. The meeting had a substantially different tone than Liu's meeting with Senator Hagel's delegation, largely because Baucus quickly steered the conversation toward China's energy situation. He noted that the efficiency of many of China's power plants was only about 16% (compared to developing country plants at 33%) and that China would still be 60-80% coal fired well into the future. He asked if we might cooperate in the clean coal technology area to help solve China's problem.

This approach moved Liu away from his standard opening dissertation on Chinese poverty and into a discussion of China's energy structure, which he termed "not so good." He said that China was trying to diversify into other technologies such as nuclear, but that technology and money were a problem. He promised to send Baucus a list of the key technologies that China believed it needs to develop, either domestically or with foreign assistance.

Liu said that China could slow its rate of emissions increase, but that an increase was inevitable as China developed and tried to bring a measure of prosperity to its poor population. Liu added that China's annual per capita electricity consumption was only 700Kwh, and that over 100 million people had no electricity. While acknowledging that China was a large GHG emitter, Liu pointed out that its per capita emissions were quite low.

Baucus acknowledged that this was true, but also was irrelevant since GHGs are a global problem and had to be addressed by all. He stressed that this element of fairness, i.e. all countries sharing the burden of a global problem, would drive the Senate's decision on whether or not to approve a climate change treaty. Baucus said that he had sensed some flexibility in this regard with some of the G-77 countries with which he had spoken. At the same time, Baucus assured Liu that there was no intention on the United States' part to slow Chinese economic growth.

Liu said that the climate change issue was also a sensitive domestic issue for Chinese leaders, since China was only at the beginning stages of development and the leadership must deliver a higher living standard to the people. Liu expressed the opinion that it was more difficult to be a Chinese leader than to be an American leader.

Note: This meeting obviously produced nothing that will advance our agenda at COP-3. It may have a long term benefit, however. The day before the meeting with Liu, I talked to the senator about potential USG-sponsored clean coal projects in China. He was receptive to the idea and made it the starting point of his discussion with Liu. If Congress ever entertains the notion of putting some money into environmental projects in China, under JI or some other rubric, Baucus will probably support it. End note.

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