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9 December 1997

5153

To: Please See the Attached List
From: USDEL/Kyoto - Mark G. Hambley ~~WGS~~
Subject: The Third Conference of the Parties,
Supplement to Update No. 9: December 8/9, 1997

Attached are additional reports prepared by USDEL Kyoto representatives, along with a copy of the environmental rag, ECO, for December 9. This report should be read in conjunction with our regular report, Update 9.

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-Committee of the Whole, December 6, 1997, night session

E153A

D. Stowell

Several issues were covered in the night session of the COW. They included Sinks, terminology for the term "targets and timetables,"

Sinks

Once again, the Chair attempted to discuss the difficulties with sinks. He opened the discussion with a brief summary of the most recently tabled non-paper by the chair of the contact group. He also explained the SBSTA process for determining the modalities, rules and guidelines for sinks. Following a brief explanation by Parties about the willingness to continue trying to reach compromise on text, as well as the possibility that numbers will likely change depending on the outcome of this discussion. The sinks group was reconvened for one hour in order to conclude discussion on text. Estrada also noted that the reality of the sinks discussion is that some countries are likely to change the level of their target.

Text relating to multi-year targets

The G-77 and China opened this discussion with a proposal for the addition of language on multi-year targets. The US proposed alternative language, in order to address some of the concerns of the G-77. This, in turn, resulted in a back and forth on whether the US was shying away from using the phrase quantified emissions limitation and reduction objectives and implementing its commitments. The G-77 will consult further on this tomorrow morning.

Clean Development Fund--Article 3.18

There was no report from this contact group. They are expected to meet tomorrow.

P&M

The chair of the contact group provided a quick summary asking that the report and text not be submitted to Parties until tomorrow.

Article 10

There was no progress on Article 10.

Methodological issues

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On a very positive note, language on methodological issues, including a paragraph relating to emissions resulting from multilateral operations was adopted with very little discussion.

Article 13

The chair of the contact group discussed the agreement that was reached on paragraph 2 of the Article on the financial mechanism. Once the floor was open for discussion, however, the Philippeans stated that it would need to consult further with the G-77. This delay was based on the rationale that some commitments will now be reflected in the Protocol and that not all Parties to the Convention will be in the Protocol. The link between Articles 12 and 13 were also stated as a reason to delay discussion--the Philippeans felt that discussions could not proceed on Article 13 until Article 12 was completed.

Article 7

The text remains the same.

Article 6

Canada, the chair of an informal group working on text for emissions trading presented their work, explaining where the text diverges from the Chair's negotiating text. India and China intervened to say that they felt the issue was far too complex and outside the scope of the Berlin Mandate. The Chair stated that no one had as yet had time to review the text; therefore no discussion would be held.

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MEMORANDUM

E153B

December 8, 1997

To: Stuart Eizenstat
Melinda Kimble
Mark Hambley

From: Bob Boynton *Bob Boynton*

Subj: Sensenbrenner Delegation Meeting with Liu Zhenmin

On Monday afternoon, December 8, the Sensenbrenner delegation met with Liu Zhenmin, deputy head of the Chinese delegation. The congressmen told Liu that it would be difficult to endorse a treaty that did not include some agreement on the part of developing countries. Liu predictably replied that it would be very difficult at this point for China to adhere to a treaty imposing limits on GHG emissions. Nor could he say, when questioned by Rep Dingell, when China might be able to consider taking on such limits. Liu stated that China would need a period of economic development to raise the living standards of its people, then consideration of limits would follow.

Liu also stressed that China was trying to make its energy sector more efficient, and to diversify from a largely coal-fired electrical generation base. This prompted several congressmen to ask him whether China could commit to something along the lines of improved energy sector efficiency, as opposed to emissions limits. Liu, probably as much from the lack of an economic background as from the lack of flexibility in his instructions, did not seem to grasp their meaning and did not capitalize on the opening that was being handed him. Since China has stated that it is embarking on an energy efficiency improvement program, Liu might have been able to explore the approach that the congressmen were offering and craft an answer that would have left them something to work with.

In my opinion we are suffering somewhat by the lack of involvement of someone from the State Planning Commission (SPC) in the bilaterals with U.S. legislators and officials. U/S Eizenstat's Tuesday morning bilateral with Chen Yaobang, an SPC vice chairman as well as Minister of Forestry, may be a more productive venue in which to explore Chinese commitments structured in terms of improved industrial efficiency, or some other economic measure, as opposed to straight emissions limits.

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Compensation Contact Group

E153C

D. Stowell

The contact group on compensation met for five sessions to discuss paragraph 17 of Article 3. Countries participating in the group included: Iran (who also served as chair), Kuwait, Nigeria, Uganda, Saudi Arabia, Tanzania, Zimbabwe, United Arab Emirates, Venezuela, US, Japan, Canada, Australia, the EU, Switzerland, and New Zealand. Discussions centered around the entrenched positions of the G-77 and China versus Annex I countries. Although every Annex I country stated that the concept of compensation was unacceptable, discussions dragged on over the course of three days. An attempt at compromise was made by the delegate of Zimbabwe, who sought to remove the concept of a fund and insert a process by which an assessment of the impacts on developing countries would be undertaken. From the assessment, "appropriate actions" (read compensation fund) would be undertaken. This text was modified by the G-77 to make it clear that one outcome to be undertaken taken would be the establishment of a compensation fund. The chair urged Annex I countries to enter into a discussion/negotiation on the text. After every Annex I country stated that it would be necessary to consult further with their respective delegations, the contact group was finally adjourned.

The Chair, for the second time, provided a summary to the Chair of the Committee of the Whole.

NOTE: During the course of the discussions, it became clear that some Annex I countries were interested in providing some sort of compromise to the G-77 and China. Early on, Canada had introduced the idea of a process that would build on the assessments that are already underway in various fora. This is probably the basis for the original Zimbabwe proposal. The JUSCANZ countries, along with the EU have held informal informal's on this issue. Although it was agreed that no compromise language would be tabled during the contact group, it seemed likely that Japan would introduce language introducing a process for assessment of impacts. Switzerland also discussed wanting ways to accommodate the less developing country concerns under other Articles.

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