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30 October 1997

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Memorandum

To: Please See the Attached List

From: USDEL/Bonn -- Mark G. Hambley ~~WGA~~

Subject: Climate Change Talks, Update No. 10: Activities for October 29-30, 1997

This is one of a series of unofficial and informal reports covering meetings and activities related to the meetings of the Ad Hoc Working Group of the Berlin Mandate (AGBM-8), the Subsidiary Body on Implementation (SBI), and the Subsidiary Body on Scientific and Technological Advice (SBSTA) which are meeting in Bonn between October 20-31, 1997. This report covers activities from the afternoon of Oct 29 through the morning of Oct 30. The following reports are also included:

- (a) Oct 27 reports on contacts with Canada and Australia over the impact of GHGs on national security by Capt Chris Weaver, USN;
- (b) An account on the Oct 28 meeting of SBI on outstanding issues prepared by Leslie Cordes/USAID; and,
- (c) Reports on Oct 29 contact groups and informal sessions dealing with emissions trading and QELROS prepared by EPA's Sharon Saile.

Although the contents of this report are unclassified, they are not intended for attribution or for use outside the U.S. Government. The final paragraphs of this report can be used as a submission to the Daily Activities Report (DAR), as desired or appropriate.

**Climate Changes Talks, Update No. 9: AGBM Plenary Begins Laborious Task of Finalizing the Negotiating Text, while Contact Groups Continue their Deliberations on Outstanding Issues**

**U.S. Provokes Some Excitement**

The AGBM resumed its plenary sessions (open to all NGOs and accredited observers; informal sessions excluding them are expected to resume somewhat later in the program) on Oct 30 with a reading of Article 2 of the Chair's revised draft on policies and measures (PAMs). A report was delivered by the Chair of the working group (Kante of Senegal), following which NGOs and business had an opportunity to comment on the topic. As the latter were evenly divided between "for" and "against" harmonized PAMs, the Chair chimed in that "given the divisions among the non-governmental organizations, it might be best to leave the matter for governments to decide."

The Chair then proceeded to go through each paragraph and sub-paragraph of the text and took aboard comments from a wide range of countries. At one point, the U.S. pointed out that the formulation of one paragraph did not reflect the views of all of those in the room. There was no consensus. The Chair (Raoul Estrada of Argentina) responded that only three countries were against this paragraph -- the U.S., Canada, and Australia. Therefore, a consensus was, in fact, in play.

REVIEW AUTHORITY: Alan Flanigan, Senior Reviewer

4914

The U.S. countered once more, and then was followed by Venezuela's rejection of the Chair's ruling, whereupon Estrada then said he would call for a vote and sent the Secretariat in search of a roster of countries. The room was abuzz for a few moments, during which the U.S. suggested that its intention was to give the Chair an opportunity to redraft the offending paragraph in a manner more broadly acceptable; Venezuela withdrew its rejection of the Chair's ruling, and the question of a vote was laid to rest -- for the moment. USDEL's Daniel Reifsnnyder thanked the Chair for providing the meeting with much excitement, a remark which was greeted with laughter by the crowd in the plenary hall.

Levity aside, the exchange gives further evidence of the rather direct manner in which Chairman Estrada intends to proceed in bringing a document forth to the COP. In this instance, we were the targets of his disfavor (but on a relatively minor point); later, it will no doubt be one or the other of the two key blocks in the hall, the G-77/China and the European Union (EU).

#### The Status of Key Issues (as of 10/30/97)

As is indicated in the attached detailed reports prepared by USDEL members, there has been movement in several areas, although final agreement is fleeting. Whether this is merely a negotiating tactic on the part of the blocking party(ies) or represents firmly held conviction is dependent on several factors. Following is a wrap-up of where several of these issues stand as of mid-day, Oct 30:

(a) **Article 10 (the article substituted for a watered down version of our Annex B):** Much progress was achieved in a contact group which met on Oct 29. Argentina spoke in terms strongly reminiscent of the declaration issued by Presidents Clinton and Menem in mid-October and expressed strong interest in Article 10. (Note: Estrada has reportedly remarked, with some sincerity, that Argentina took this position because it was "tricked" into believing that the U.S. emissions target would have included a substantial reduction by 2010. *End Note.*) Mexico did not reject the concept but raised several questions about it, including the issue about who is to decide if the proposed level is adequate. Mexico prefers that it not be judged, that as it would be making its proposal voluntarily, then no one should question it or second-guess Mexico. The U.S. suggests that all Annex I countries give their assent, while the EU believes that a significant majority of Annex I should be sufficient. In spite of these developments, the G-77's official position (as articulated by Saudi Arabia) remains firmly opposed to Article 10 because of the view that it imposes new commitments on developing countries -- despite the "voluntary" feature of this provision.

(b) **Joint Implementation with credit:** Iran and the G-77 generally remain strongly opposed to joint implementation with credit -- even among Annex I Parties alone. New Zealand countered by indicating that the concept should only be applied to non-Annex I Parties. The EU, meanwhile, wants JI only within Annex I states. We have received indications that the G-77 will relent in the end, but the issue may be linked to other issues (such as the level of the target).

(c) **Gases:** A contact group on this topic has agreed on a basket of six gases (up from the three in the EU's proposal, but Japan is currently blocking "because they could not spare anyone to attend the contact group." We are confident that this will be worked out eventually.

(d) **"net" vs "non-net":** This was discussed in QELROS last night. However, the matter is complicated by the G-77/China's insistence on reinserting some of its text which was dropped.

(e) **"sinks":** no decision has been taken on this which was sent to another contact group for discussion on Oct 30. Although we believe that some sink language will be decided upon, it is not going to be the New Zealand proposal.

5 of 14

(f) **Multi-year "budget" concept:** Again, most if not all Annex I Parties are in agreement with this concept, except the G-77/China which continue to insist on a flat year target;

(g) **Policies and Measures:** As indicated, this issue has been sent to the Plenary for deliberation; The Chair has asked a few countries (the US and the EU included) to attempt to work out some compromise language on a two option paragraph in the relevant article (Art. 2). If they are not successful, the Chair indicated that the matter will be forwarded to the COP for final resolution;

(h) **Developing Countries:** Resolution of this question is tied, ironically, to an external event: the visit of President Jiang Zemin, to Washington. If he gives enough light, then matters here could change quite abruptly. If he does not, then..... Article 4.1 will be discussed during the afternoon of Oct 30. Evolution is not expected to be debated in the plenary, although Estrada has promised to forward the topic to the COP for further discussion, as appropriate. A contact group among key Annex I countries (those attending the Tokyo meeting) will meet on the night of Oct 30 to consider options for dealing with the question of developing countries in Kyoto; and, .

(i) **Economies in Transition (EIT) -- baseline and paper issues.** Neither of these issues has been fully resolved, as yet. We are waiting some clear-cut decisions and guidance on this issue.

In sum, the on-going effort to reach consensus is a difficult task. The G-77/China is blocking the text in several areas and is attempting to reintroduce language throughout the text to reflect either its insistence on no new commitments for developing countries, or for an effort to wring out concessions from developed countries in the areas of increased foreign assistance and technological transfer. A text may possibly be produced and, perhaps, even approved by the vast majority of the 171 Parties to the Convention. However, whether this accord will reflect our level of target, our insistence on flexibility mechanisms, or our need for a "meaningful role by key developing countries" remains quite problematic.

#### **Canadian Decision on Target Expected Soon**

Sources on the Canadian delegation, citing the pressure on the Chretien Government which followed our decision on a stabilization target in the 2008-2012 time-frame, is expected to come up with its own target in the near future. (Perhaps as early as Friday.) It is likely to mirror our own effort, although there is pressure in Ottawa to demonstrate a different target by echoing something like Japan's (2.5 to 5 percent reduction). No public announcement will be made, as the Provinces must first be consulted.

#### **Kimble Consultations**

OES Acting Assistant Secretary Melinda Kimble has met with several delegations during her brief stay in Bonn. In addition to a large contingent from Mexico (which was alerted to the fact that climatic change will be on our President's agenda when President Zedillo visits), she also met with the heads of the Malaysian and Philippine delegations on Oct 29. Both told her that the G-77 is unlikely to agree to a mandate at Kyoto which specifies negotiations which will culminate in quantitative limitations for them, even if these are growth budgets. "It is too soon to do so," the Malaysian said. The Malaysian indicated that a preferred course of action would be an initial demonstration of good faith by developed countries through the establishment some kind of fund which would assist in technological transfer or provide assistance to countries' mitigation efforts. Melinda met with U.S. correspondants this morning and will meet with the German media this afternoon, in addition to representatives from other countries and Chairman Estrada and FCCC Executive Secretary Cutajar.

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Meeting of the SBI  
Informal Meeting on Outstanding Agenda Items  
October 28, 1997  
Prepared by Leslic Cordes/USAID

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The SBI had a relatively quick wrap up session to approve outstanding items on the agenda and refer them to Thursday's SBI Plenary for approval. The Chairman began the session with firm instructions to the delegates that the session was intended as a quick wrap-up -- as it was the last informal meeting of the SBI before Kyoto -- and therefore not the place to raise new issues. The delegates approved the following items as follows:

- \* Approval of both the draft conclusions and the draft decision on Communications from Parties Included in Annex I to the Convention;
- \* Approval of the text on Consideration of Initial National Communications from Parties Not Included in Annex I to the Convention for transmittal to the COP;
- \* Approval of the draft decision on Activities Implemented Jointly Under the Pilot Phase for transmittal to the COP;
- \* Having already approved the conclusions on the Development and Transfer of Technologies at the informal SBSTA session earlier in the day, the delegates approved the draft decision on Development and Transfer of Technologies for transmittal to the COP;
- \* Approval of the decision on Financial Mechanisms, and related Annex to the MOU on the determination of funding for the implementation of the Convention, for transmittal to the COP;
- \* Approval of the draft decision on Administrative and Financial Matters for transmittal to the COP. Interestingly this issue was not taken up by a contact group, rather the vice-chair consulted with key delegations in gaining consensus on the text;
- \* Approval of the Draft Report of the Subsidiary Body for Implementation on the Work of its Seventh Session, Bonn 20-29 October 1997 and Addendum, with an amendment proposed by the United States. The amendment pertained to recognition of the divergent views on the issue of the post-Kyoto program budget; and
- \* Approval of the amended draft decision on Arrangements for Intergovernmental Meetings for transmittal to the COP. The amendment requested the Secretariat to advise the SBI on relevant UN procedures.

Delegates concluded the meeting by thanking the Chairman for his distinguished service as chair of the SBI.

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**Summary of Conversation with Ms. Meg McDonald, Ambassador  
for Environment and Chief of Australian Delegation to FCCC,  
1010, 28 Oct 97, Beethoven Halle Foyer**

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After a brief self-introduction, I asked Ms. McDonald if the Australian government was considering the impact of emission limitations on national security. She responded that their military had raised the question some time ago but that the issue had not been fully evaluated yet. She indicated that she felt, as did the Australian military, that it was worthy of development, but that nothing significant had occurred along these lines prior to the current conference.

Ms. McDonald suggested that the best way to flesh out the issue right now was to encourage our military representatives in Washington to contact both the Australian Defense Attache and the Deputy Chief of Mission, Mr. O'Sullivan. Both the military and political aspects of the issue could be thus addressed simultaneously.

The conversation ended at approximately 1015. Ms. McDonald was very pleasant and seemed genuinely interested in the development of the issue between our two governments.

Captain Christopher E. Weaver, USN  
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**Summary of conversation with Ms. Jennifer Irish, Canadian Foreign Ministry 1655-1700, 27 Oct 97, Beethoven Halle Foyer**

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I asked Ms. Irish if the Canadian government perceived an impact of GHG emission limitations on national security and that we were evaluating the same thing. She responded that her government had not, but that it was a relevant topic and they would be raising it with Ottawa. She asked if our concerns were focused on peacekeeping/peace enforcement to which I responded yes, but also the areas of routine operations and training, such as annual multilateral operations, as well. She asked if our delegation intended to bring this issue up in Bonn to which I replied that we were still evaluating the issue ourselves.

Ms. Irish went on to say that Canada was concerned about "unforeseen emergencies" and their impact on national emissions limits. She cited the recent nuclear reactor problems in Canada and that these problems were causing a significant increase in fossil fuel by-products in her country. She offered that she thought in such instances, nations should have some type of emergency emission category to avoid exceeding their allocations. She felt emergent wartime/crisis military operations could possibly be put under such an "emergency" proviso. More specifically regarding national security operations emissions, Ms. Irish indicated that it was possible such an issue could be treated in a post-Kyoto process of addressing the details of emissions accounting procedures. She said that addressing issues like this in such a manner would facilitate a "prompt start" provision to take effect relatively soon after Kyoto.

The conversation concluded at approximately 1700. Ms. Irish was very pleasant and seemed genuinely interested in the issue.

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