



# Earth Negotiations Bulletin

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## HIGHLIGHTS FROM THE THIRD CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE 8 DECEMBER 1997

Delegates to the Third Conference of the Parties (COP-3) to the UN Framework Convention on Climate Change (FCCC) met in a high-level segment attended by ministers and other heads of delegation. The Committee of the Whole (COW) met in the afternoon to continue discussions on the negotiating text.

### HIGH-LEVEL SEGMENT

Ryutaro Hashimoto, Prime Minister of Japan, urged developed countries to agree on meaningful, realistic and equitable emissions reduction targets that are legally binding. He called on all Parties, including developing countries, to voluntarily enhance their measures. He disagreed with the idea that strict rules adversely affect the economy, and noted they could trigger innovation, promote capital investment and give rise to new industry.

José María Figueres Olsen, President of Costa Rica, said the Kyoto agreement must include significant cuts in emissions by the industrialized countries, a financial mechanism bridging developed and developing countries, and active voluntary participation by the developing nations. He noted that Costa Rica has developed a marketable instrument that will value emission reductions. He also called on developing countries to do their part.

Kinza Clodumar, President of Nauru, called the willful destruction of small island states with foreknowledge an "unspeakable crime against humanity." He said solving the problem requires more than stabilization of GHGs. He noted US President Clinton's pledge for significant future reductions and called for an announcement on this from Vice President Gore.

Albert Gore Jr., US Vice President, said realistic binding emissions limits would create new markets for technologies to ameliorate the problem. He reiterated the US commitment to reduce emissions by 30% of projected levels by 2010 and key elements of the US proposal. He announced increased US flexibility for working towards a commitment with realistic targets and timetables, market mechanisms, and participation of key developing countries.

Maurice Strong, Under-Secretary General and Executive Coordinator for UN Reform, delivered a statement for UN Secretary-General Kofi Annan. He said many would be disappointed that the Kyoto agreement would be a modest step. But the very fact that legally binding targets and timetables were in prospect showed how far the community of nations had come in taking responsibility.

COP President Hiroshi Ohki (Japan) reported substantial progress at the intensive discussions in Kyoto and expressed confidence about a breakthrough for final agreement. He called on ministers to bring political will to the objective of getting developed countries to take the lead.

FCCC Executive Secretary Michael Zammit Cutajar commented on the remarkable nature of the Conference given the media interest and the scale of the UN Internet broadcast, which have focused world attention on Kyoto. He said the zen practice of breaking through mental boundaries provided a good theme for the days ahead when negotiators would have to break through the tendency to consider the short-term costs while neglecting the long-term economic opportunities.

For the G-77/CHINA, Bakari Mbonde (Tanzania) said decisive action would be needed to strengthen developed country obligations. He underlined the Berlin Mandate to achieve QELROs and advance implementation of commitments under Article 4.1 without new commitments for developing country parties. Developing countries had undertaken their own measures and the success of these was predicated on Annex I country fulfillment of their commitments including transfer of technology. He rejected offshore extra-territorial implementation of targets and welcomed the clean development fund initiative.

The EU rejected differentiation that makes targets weaker. Instead, it must guarantee comparable commitments for major economies at least. Flexibility resulting in environmentally detrimental loopholes is unacceptable. He supported: the "three plus three" gas proposal; trading only with strong targets and domestic action, monitoring, sanctions and market safeguards; and JI with rules and safeguards. He said mandatory internationally coordinated P&Ms are indispensable. Suggestions that developing countries should take up new commitments are not helpful to negotiations and are contrary to the Berlin Mandate. Mobilizing new and additional resources through the financial mechanism could foster voluntary limitation of developing country GHG emissions.

Many speakers focused on elements necessary for a Kyoto agreement. SAMOA, for AOSIS and supported by NIUE, stated that a Kyoto agreement must contain strong, short- and medium-term targets for Annex I Parties and a mechanism for early review of their adequacy. NORWAY said developed countries must agree on an overall reduction target for the emission of all GHGs of 10 to 15% by 2010. A flat rate approach fails in fairness and effectiveness, and renders an ambitious agreement impossible. SOUTH AFRICA supported the EU-proposed targets.

Many speakers, such as IRAN, INDIA, BANGLADESH, VENEZUELA, KOREA, INDONESIA, MALAYSIA, MALDIVES, CHINA, PARAGUAY, SEYCHELLES and BARBADOS on behalf of Caribbean Community, opposed any new commitments for developing countries since developed nations had not met their existing commitments. Many described national actions already underway. CHINA said it could not undertake reduction commitments because its main priority is development. MEXICO is taking on responsibilities and will continue to do so regardless of the outcome in Kyoto.

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JAPAN sought voluntary commitments for more advanced developing countries and a process to review commitments by all Parties. ARGENTINA called for binding commitments for Annex I Parties and differentiated targets. RUSSIA declared its intention to turn quantitative commitments into practice jointly with all other countries whose interests are restrained by the concept of partial differentiation.

AUSTRALIA said the agreement must include sources, sinks and criteria for differentiation. CANADA proposed reductions of 3% for the period 2008 – 2012 and 5% by 2013 - 2017. She noted that developing countries' emissions are growing and supported the sequencing of obligations of developing countries. NEW ZEALAND stated that a target for Annex I Parties of 5% below 1990 levels is achievable within a decade and that many reduction measures are not available to less heavily industrialized countries.

Some delegations, such as INDIA, SYRIA, MOLDOVA, BOLIVIA, PAPUA NEW GUINEA, HONDURAS, NIGERIA, PAKISTAN and BOTSWANA stressed that developing countries' capacities have to be enhanced through the transfer of technology and financial resources. The UK noted the possible economic benefits of measures such as improved transport, housing, energy efficiency and environmental technology. AUSTRALIA highlighted the need to develop and market energy-efficient technologies. MOZAMBIQUE said pollution permit trading could help technology transfer.

Other speakers offered differing views on flexibility mechanisms. SWITZERLAND and NORWAY supported joint implementation (JI) once modalities are agreed, but developed countries should not circumvent reduction objectives. RUSSIA said JI and emissions trading could foster partnership between developed and developing nations. CANADA said flexibility is needed to adjust to changes required for implementation and cost-effective reductions.

VENEZUELA, CHINA and INDONESIA objected to emissions trading. FRANCE said flexibility alternatives should not be used until quantifiable reductions have been achieved. ARGENTINA, UZBEKISTAN and LITHUANIA supported JI as useful to access environmentally sound technologies. DENMARK said trading offers no end of possibilities for fraud and "hot air" trading should not be allowed. BRAZIL called for further consideration of emission trading permits between developed countries.

Ministers highlighted a number of other issues. AOSIS, BRAZIL, NIGERIA and DENMARK supported a clean development fund, funded by developed countries in proportion to their degree of non-compliance with targets. ARGENTINA sought common definitions of sinks, including restoring degraded soils. HUNGARY recalled its agreement to join Annex I and noted its changes toward sustainable development.

VENEZUELA, QATAR, KUWAIT, NIGERIA and SAUDI ARABIA called for a mechanism to compensate fossil fuel exporting countries for the economic losses resulting from the full implementation. SPAIN, PORTUGAL, GERMANY, GREECE and DENMARK noted their plans to cut emissions within the EU's overall plan. ICELAND said that renewable energy would have to play an increasing role.

### COMMITTEE OF THE WHOLE

Delegates discussed the protocol draft contained in the COW Chair's non-paper of 7 December. RUSSIA, supported by NORWAY, UKRAINE, AUSTRALIA and ICELAND, proposed text setting a collective Annex I net aggregate CO<sub>2</sub> equivalent emissions objective, with annexes for individual Parties' objectives. The US expressed interest. Chair Estrada said he would not discuss proposals without numbers. The G-77/CHINA said the proposal delayed the discussion of numbers. TRINIDAD and TOBAGO, with TUVALU, said the annexes would be problematic. The UK did not support the proposal without numbers.

Several delegations suggested changes to the draft article on sinks. The US proposed counting emissions on a net basis but discounting 75% of emissions from sinks in the first commitment period. Chair Estrada said sources and sinks should not be selected to disguise what is being decided. He asked delegates to be sincere for 48 hours.

Chair Estrada introduced a discussion on gas coverage. Recalling his "three plus three" proposal, he suggested a different base year for the second basket. The US, supported by NEW ZEALAND, proposed 1995. RUSSIA suggested dealing with the six gases basket in the second commitment period. ICELAND, supported by NORWAY and the EU, objected to the US proposal because some countries had already made efforts to reduce their emission of gases in the second basket. NORWAY asked whether those Parties with sufficient 1990 data on the gases in the proposed second basket could proceed with a full basket approach. INDIA said the G-77/CHINA wished to revisit the issue after announcements on QELROs numbers.

CANADA, supported by NEW ZEALAND, RUSSIA and the US, asked that its emissions trading text be substituted for Article 6, noting its guidelines and a section assigning responsibility to Parties for all transactions, including those by intermediaries. The G-77/CHINA and URUGUAY requested deletion of the article, but said the text could remain under consideration. He said the core issue is the numbers. Chair Estrada said he failed to see how the proposal reduces emissions. TOGO, supported by MALAYSIA, proposed adjourning until numbers were proposed. NEW ZEALAND said resolving trading would allow progress on commitments. CHINA replied that until QELROs are resolved, the protocol is meaningless.

The US said its number is a package, depending on what gases are included, how sinks count, and what kinds of flexibility are available. If there is no trading, the number changes. He proposed an additional paragraph extracted from Article 7 (Joint Implementation) permitting projects between Annex 1 parties. The EU said the scope of flexibility, including emissions trading, was contingent upon QELROs numbers. COLOMBIA said the ability to display flexibility had just about run out among non-Annex I countries. SAMOA suggested that the provision of a range of numbers would assist the debate on emissions trading. UKRAINE defended retaining Articles 6, 7 and 8 because they define the mechanisms for implementation. RUSSIA supported a proposal from the Chair to close discussion, and suggested a protocol between the EU and G-77/CHINA. UGANDA said there would be no "free" trading of emissions. Chair Estrada announced his intention to produce a paper with a proposed final approach, with QELROs numbers and positions. The deadline for Parties to deliver their own numbers would be 3:00 pm Tuesday.

### IN THE CORRIDORS

Pressure is building on Annex I countries to deliver their target numbers for QELROs as negotiations go to the wire. Tensions emerged at a meeting of the newly formed extended Bureau Monday - a meeting of delegates and ministers described by one participant as a "poker game" where only half the players are in on the final deal. Developing country Parties had reportedly lost patience with industrialized countries determined to bring home a final package without consulting their "significant others" from the G-77/CHINA, now represented on the extended Bureau. This despite the expectation that after this complex endgame a number of key G-77 players are expected to participate meaningfully, having calculated their potential gains from incentives offered. So far, though, the only number coming out of the negotiations is Chair Estrada's 3 o'clock QELROs deadline.

### THINGS TO LOOK FOR TODAY

**COP:** COP Plenary will meet at 10:00 am.

**COW:** COW Plenary will meet at 3:00 pm.