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Mtz. w/Leitz

ER31D

The Kyoto Meeting: A Scenario for Redefining Success

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- The best current assessment of international progress toward Kyoto suggests we are not on a path to achieving agreement on a new legal instrument by the time of the December meeting in Kyoto – particularly not one that would include all of our provisions.

- The EU, the Japanese, and perhaps most importantly, the developing countries, are opposed to many of the provisions we consider essential to the long-term success of the regime to combat climate change.

- Possible outcomes include:

- 1 A “train wreck” in which no agreement is reached, and the entire effort to negotiate emissions limitations or reductions is put off for some period; the U.S. would likely bear the brunt of the blame for this scenario – principally because of our developing country provisions.
- 2 An agreement on an emissions target that we could not live with - and are unable to sign (e.g., the land-mine scenario); there would be enormous international political pressure on us to sign, but the agreement may be an undesirable one as it might have an overly ambitious target, possibly may not include our “flexibility provisions” and may not include developing country obligations.
- 3 An agreement that we need more time, and a choice to postpone Kyoto for [6 months][1 year]; we are unlikely to find much support for such a proposal from Japan or the EU – but it might find some favor with developing countries. On the other hand, it could perpetuate the Berlin Mandate – which creates the problem of “no new commitments for developing countries” all over again.
- 4 A success – in which the U.S. emissions levels are accepted as the agreed international target, and our proposals on flexibility and developing countries are adopted.

- Recognizing the extremely remote chance of a full success, and the undesirability of postponing Kyoto and continuing debate under the same terms, it will therefore be necessary to develop a new scenario, and to redefine success.

- We suggest a new scenario with four components (each of which is further elaborated in the following pages):

- (1) reiteration of the importance of the issues and the underlying science, including a renewed focus on the context for our efforts – e.g., long term stabilization of global concentrations of greenhouse gases;

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- (2) a strong statement of the actions we propose to take domestically – including announcing our own (realistic and achievable) target, along with calls for similarly realistic target announcements by other developed countries;
- (3) a call for a continued negotiation – to include a process for reviewing and modifying the various targets announced by developed (Annex I) countries and a process to involve developing countries; and
- (4) An renewed emphasis on technology development, and public/private partnerships to create the means to achieve global reductions.

*announce all  
components  
get new  
terms of  
reference*

Timing will be critical: to be successful, we must be able to announce such an approach to our allies by mid-October, and create and implement a diplomatic strategy to insure broad international support before Kyoto.

## Science and Concentration Goals

- We must be clear and explicit: the science has only grown stronger on this issue over the past several years – and action is warranted.
  - The scientific consensus on the problem, (including the consequences of inaction, and the opportunities for mitigation options) must continue to underlie all our efforts.
- It does not matter what the near-term emissions target might be; the effort over the long-term must be to prevent climate change – which is predicated on concentrations, not emissions.
  - A statement on Kyoto reemphasizing the FCCC objective (which speaks to keeping global concentrations below dangerous levels) could be key to refocusing on concentrations.
  - The U.S. could also propose inaugurating a process to develop a long-term concentrations-based goal (in the context of the FCCC, the IPCC or independently of either organization) to advise/inform the target setting/approval process.

## Domestic Action

- We must be prepared to announce our own target – as soon as possible, but not later than the October AGBM meeting.
  - Without such an announcement, we will be accused of bad faith in the process – and all blame will be laid at our door; without a target, we will also find it impossible to create the space to negotiate our other elements.

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- The target needs to be credible internationally (it cannot be too weak), and backed up with a clear set of measures we intend to take to insure its full implementation.
  - While we must take into account what other countries anticipate being able to deliver, we do not need to base our target on others' proposals.

## Further Negotiations: A Kyoto Mandate

- We can anticipate that a U.S. target will not be acceptable to other countries (particularly the EU) – nor will our other proposals, particularly those calling for action from developing countries, be accepted in Kyoto.
- To move successfully forward to combat climate change, we must insure that momentum is not lost.
  - We must use Kyoto to initiate a new round of negotiations – perhaps best considered as a continuation of the “two-step” approach DOS has been advocating in the internal process, and calling for actions for developed and developing countries.
- This draft proposal assumes we will publicly acknowledge that the international community needs to differentiate between the targets that would be assumed by each Party – and that developing countries will also need to assume responsibility for their emissions.
  - A differentiated regime, possibly including a series of iterations of national proposals, is similar to the (successful) process used in trade negotiations.

*assuming no agreement on #8, agree in process*

There is a strong justification for differentiation – it allows each country to establish its own legitimate targets on the basis of its own national circumstances – while the iteration and review insures that all countries are “comfortable” with each others' level of effort.

- For developed countries:
  - We would anticipate the beginning of a set of negotiations in which Parties examined each other's target proposals to determine their adequacy – both on an individual and aggregate basis.
  - Once agreed (perhaps after two years of iteration through the meetings of the FCCC subsidiary bodies), the commitments would become binding on each Party (e.g., in an agreement to be adopted in 2000 at COP-6).
- For developing countries:
  - The most advanced (biggest and richest) developing countries would be called upon in Kyoto to announce their own targets and enter into an identical iterative process to

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evaluate the adequacy of their efforts; their obligations would also become binding in 2000 at COP-6).

- This meets the Congressional desire to have developed and developing country commitments established in the same time frame – although it becomes an explicit rejection of the Berlin Mandate prohibition on “no new commitments for developing countries”, and may be non-negotiable internationally.
- Other elements could be accommodated in separate decisions of the Parties:
  - Structural issues could be agreed by decision: e.g., multi-year budgets, multi-gas approach, emissions trading and joint implementation (noting that the end of the AIJ pilot phase is to be in 2000), and flexibility in terms of policies and measures.
  - Such structural decisions could be used to guide the discussions on individual national target proposals.
  - Decisions need not be taken in Kyoto on these issues – providing additional time to garner international support and to work out details.

### Technology Development

- It is clear that the long-term success of any regime will be the development of technologies to reduce costs of emissions reductions – and to provide substitutes for fossil fuels.
- The best mechanism to do this is through the market – which requires appropriate signals in terms of costs.
  - Monetizing carbon (or other greenhouse gases) can be done with targets.
- Additional actions can be developed in terms of collaborative efforts with the private sector (at both the domestic and international level). Examples could include more public/private partnerships such as PNGV (transport) and the development of common standards for on International Financial Institutions (IFI) lending practices.

### International Consequences of such an Approach

- Generally, (both internationally and domestically), we are still likely to be attacked for “too little too late” and for “derailing” the Kyoto process.
- However, given that we will likely not have any international consensus on any legal text in Kyoto, we can clearly lead the process by initiating a new round of discussions on the basis of a reasonable outcome.

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- This makes this proposal considerably more helpful than allowing a "train-wreck;" while ultimately the same outcome may result, we will reap the benefit of proposing a useful and workable process to move the international system forward.
- Specific country views may be anticipated as follows:
  - EU: Will oppose any such proposal – it allows differentiation (which they have opposed), it delays agreement until after Kyoto (which will be politically unacceptable), and it is not likely to include a robust enough U.S. target (the EU has proposed a 15 percent reduction by 2010; we are unlikely to follow suit), and it pushes too hard on developing countries. Opposition will take the form of public opprobrium – but probably some private support from some EU members (e.g., France, Italy and possibly the UK).
  - Japan: As host of the Kyoto session, their perspective will entirely depend on how this affects "success" in December. If we can convince them that this will not derail their meeting, they may be supportive – although such support will require very prompt and high level conversations to realize. GOJ support could be enhanced given that internal disagreement is rampant there – the environment ministry and MITI have divergent perspectives on how to proceed and this approach could capitalize on their disagreement.
  - Many of the key countries have indicated they are not prepared to take on commitments – or even for a formal agreement to go forward in Kyoto. In this respect, our proposals could meet with their support. However, these same countries will more likely use the opportunity to publicly chastise us while privately agreeing with much of our approach. We will still face stiff opposition for calling for developing country action.
  - Possible allies: strongest support will probably come from Australia, and Canada – each of which has indicated a willingness to consider differentiated targets. We may also get support from OPEC – although this is a double edged sword, as their support will likely be misinterpreted as an indication that this kind of proposal is only a subterfuge for delaying any action.

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