



ASSISTANT SECRETARY

November 6, 1997

MEMORANDUM FOR DEPUTY SECRETARY SUMMERS

FROM: David Wilcox DW

SUBJECT: Run-up to Kyoto: Latest Developments

Issue:

Secretary Wirth and Administrator Atwood hosted an interagency meeting on possible additional US initiatives for Kyoto. Substantial enthusiasm was expressed for a power sector investment initiative focusing on China. In brief, the goal of this initiative would be to get the Chinese to commit formally to doing what they already say they intend to do in the power-plant area; this commitment would come in the form of a performance standard for new power-plant investment. The Chinese commitment would then become (a) the basis for accelerated IFI and bilateral assistance, and (b) a model for other countries. An interagency working group will be drafting a paper fleshing out this idea in the next few days.

Background:

Present thinking on preparations and deliverables for Kyoto seems to be shaped by two concerns:

1. Having concluded that there is no prospect for an agreement in Kyoto along originally envisioned lines, Wirth hopes to emerge with a "Kyoto Mandate" under which the negotiation would be extended for some additional period. The idea is to build on existing LDC obligations to establish standards for power sector investment that would then be the basis for expanded IFI and bilateral assistance.
2. Separately, Leon Fuerth characterized the recently agreed US/China energy and environment initiative as a basis for deeper bilateral cooperation on environmentally sound power sector development, including the President's suggestion that we might consider use of TDA. He argued that the time might therefore be right to encourage the IFIs to boost lending for energy efficiency in China.

The general conclusion was that the existing interagency working group should explore the possibility of shaping such a Kyoto Mandate around China. With China's power sector practices held up as an LDC standard, leading to significantly higher multilateral and bilateral financial assistance, the thinking goes that China might be persuaded to opt into GHG targets and thus bring other major LDCs along with it.

We will be closely engaged with the group that will be drafting the paper this week, and will simultaneously be moving forward on preparing an options paper for you on initiatives we can support in this area.