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Environment - Climate Change

Env Climate change

PREDECISIONAL DRAFT *7/21*
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DISCUSSION PAPER:

DEVELOPING COUNTRY COMMITMENTS

1. Background

Developed countries are responsible for more than 75% of the increase in greenhouse gas concentrations since the beginning of the Industrial Revolution. In the decades ahead, however, emissions from developing countries are expected to grow sharply. By 2035, developing country emissions are expected to exceed those from the developing world.

Per capita emissions vary widely. Carbon emissions from the United States are roughly 5 tons per person; from the OECD as a whole, roughly 3.5 tons per person; and from developing countries as a whole, roughly 0.5 tons per person.

The Framework Convention on Climate Change, signed at the Rio "Earth Summit" in 1992, established differentiated levels of commitments for developed and developing countries. It called upon developed countries to take the lead in addressing climate change and to aim to return emissions to 1990 levels by the year 2000. It called upon developing countries to adopt policies and measures to address climate change, but provided no aim for developing countries similar to the year 2000 goal. These differentiated commitments were intended to recognize both the unequal contribution of developed and developing countries to global greenhouse gas concentrations and the unequal capacity of those countries to control emissions.

In 1995, in Berlin, the Parties to the climate treaty agreed to negotiate steps for controlling greenhouse gas emissions beyond the year 2000. The negotiating mandate calls on developed countries to set quantified emissions limits for the "medium term (e.g. 2005, 2010 and 2020)." In Berlin, the United States argued strongly that developing countries must participate meaningfully in negotiations over next steps. There was little support for the U.S. position on this point, with many Parties noting the failure of most developed countries to take significant steps toward meeting the year 2000 goal. The Berlin Mandate states that there will be "no new commitments" for developing countries in the current round of negotiation, but that developing countries will be required to advance the implementation of their existing commitments.

2. Kyoto Negotiations: Current Status

This is the most difficult issue in the current round of negotiations. There is a vast gulf between the dialogue abroad (where the U.S. proposal for developing country participation is almost uniformly considered too aggressive) and at home (where more than 60 Senators have signed a resolution insisting on developing country commitments beyond those contemplated in either the U.S. proposal or current negotiating mandate).

A. U.S. Protocol Proposal

In January, 1997, the U.S. submitted a draft protocol proposal. Provisions on developing countries included three elements: (1) calling for the negotiation by 2005 of a new agreement with legally binding emissions targets for all countries, including developing countries, and a "graduation mechanism" under which Parties would automatically assume additional obligations as their living standards increase (the "evolution" concept); (2) establishing a new category (Annex B) of commitments for the most advanced developing countries (providing a halfway house between commitments of developing countries and the more extensive obligations of OECD members); and (3) an elaboration of existing commitments (defining what would be meant by "continuing to advance the implementation of existing commitments"). This final element contained several components, including a requirement to report annually on emissions and actions taken to reduce emissions and take "no regrets" actions (actions which would benefit the climate system, but which might be taken for other economic or environmental reasons).

B. Reaction Abroad

Support for the U.S. proposal is scant. While the third element is considered within the ambit of the Berlin Mandate by nearly all Parties, most countries have argued that the other two elements (i.e., evolution and Annex B) are beyond its scope. The U.S. has been urged to drop its proposal for a new annex. We have also been urged to drop our proposal for evolution (in favor of a separate agreement at some future date).

The following blocs are active in the negotiations:

European Union. EU support for developing country commitments has been very soft. They have supported U.S. proposals for advancing existing commitments, and have proposed that Mexico and Korea take on stronger commitments (not too far removed in substance from the U.S. Annex B), but are not prepared to accept the U.S. language on "Evolution" adopted as part of the Kyoto agreement. They do not support joint implementation with developing countries.

Non-EU OECD Members (principally Japan, Canada, Australia). This group of countries broadly supports including developing country obligations under the Kyoto Agreement. Australia and Canada are the most vocal in support of action, while Japan, as host of the December session, is concerned that an aggressive approach would potentially derail the negotiations. As nearly all countries in this bloc have extensive competitive trade outside of the OECD, they are more aggressive in demanding developing country action With the exception of Japan, this group supports joint implementation.

Big Developing Countries (China, India and Brazil). These three countries are the primary drivers of the developing country position – and some of the world's largest emitters (China is second after the U.S., and India is number six). These countries have taken a standard north-south line, arguing that global warming has been caused by the developed world, and calling upon the industrialized countries to pay for the clean-up. They claim that when developing countries have incomes and per capita emissions equal to those of the North, they will then participate in the clean-up effort. In spite of their often strident public rhetoric, these countries (particularly China and Brazil) have shown a willingness to engage on this issue on a bilateral basis. They have active domestic climate change mitigation efforts, and have privately indicated a support for many elements of the U.S. proposal. However, they all oppose joint implementation.

OPEC. Well organized in the climate negotiations, the OPEC countries have been led by Saudi Arabia and Nigeria, and advocate positions designed to slow or block the negotiations. These countries have strongly urged: (1) that developing countries should not have to act now, and (2) that industrialized countries should compensate developing countries that might be affected by any action taken in industrialized countries to reduce emissions (principally noting that reduction in oil revenues should be compensated).

Small Island States. A group of 37 small island states have banded together to create an alliance (AOSIS) that seeks to balance OPEC's influence. Largely composed of member countries with low lying territory which will be gradually inundated by climate-associated sea level rise, these countries have pushed an aggressive next steps to combat the problem – calling for a 20 percent reduction in industrialized country emissions below 1990 levels by the year 2005. The AOSIS countries have been reluctant to support U.S. calls for developing country action; their proposal omits any mention of any developing country commitments to be undertaken as part of the Kyoto agreement, and they oppose JI.

An agreement in Kyoto that includes the current U.S. developing country position will be extremely difficult to achieve. State Department believes that, at a minimum, this would require U.S. support for a target and timetable perceived by the rest of the world to be serious, an aggressive effort to support replenishment of the Global Environment Facility, and an intensive diplomatic campaign. Even with these elements, an agreement that includes the U.S. developing country position will be very difficult to achieve.

C. <u>Reaction At Home</u>

The domestic dialogue on this issue stands in stark contrast to discussions abroad. Many in the business and labor community are deeply concerned about the trade and competitiveness impacts of "differentiated" commitments for developing countries under the climate treaty. Particular concern has focused on China and "newly industrialized countries," such as Korea.

Last month, Senator Robert Byrd proposed a sense of the Senate resolution opposed to any agreement that does not contain "specific scheduled requirements" for developing countries during the same compliance period as those for developed countries.

The resolution quickly garnered 60 co-sponsors. As drafted, the resolution appears inconsistent with the current negotiating mandate (which does not envision quantified emissions limits for developing countries). During the past several weeks, however, there has been considerable discussion with Senator Byrd and others about the exact meaning of the resolution. Senator Byrd has stated that commitments of developing countries should be based upon their own "pace of industrialization." Senator Chaffee has prepared a more moderate resolution that would require developing countries to take on commitments with a 10-year lag behind the commitments of developed countries.

3. Engaging Developing Countries in the Long-Term

Any solution to the problem of climate change requires the participation of developing countries. The long-term issue is how best to engage developing countries in global efforts to address greenhouse gas emissions.

The original vision of the Framework Convention on Climate Change is that developed countries would lead in controlling greenhouse gases, and developing countries would follow. This is similar to the approach in the Montreal Protocol (the 1987 treaty that addresses stratospheric ozone depletion). Under that agreement, developing country obligations generally follow 10 years behind those of developed countries. Developing countries receive financial assistance for their efforts from a multilateral fund.

Under this model, long-term engagement of developing countries depends on action by developed countries to control emissions. However, the Byrd resolution underscores the domestic political difficulties associated with differentiated commitments between developing and developed countries. In addition, any competitiveness or leakage issues would present substantive concerns.

Many developing nations are addressing their own domestic air pollution problems and other environmental threats and in doing so are curbing releases of greenhouse gases. Independent power producers are building many new, cleaner-burning power plants in developing countries, also reducing greenhouse gas emissions relative to traditional technologies. Renewable energy technologies are finding increasing application among the billions of people in the developing world who are off the electricity grid.

Various efforts are underway to encourage developing countries efforts to control greenhouse gas emissions. These include: U.S. bilateral assistance; multilateral assistance through the Global Environment Facility (GEF); calls for reorienting the loan guidelines for the international lending institutions; and work on joint implementation (which would encourage the private sector to undertake projects in developing countries to reduce emissions and claim credit for these reductions against a domestic obligation).

The first of these, announced in the President's New York statement at the U.N. Special Session on the Environment, establishes a $1 billion, five-year package to help developing countries plot a climate friendly path to development. The primary component of this initiative will be a five year minimum of at least $150 million per year in bilateral assistance for climate related programs, and the potential to use development credits dedicated to climate friendly investment projects. The initiative will also include a $25 million 5-year interagency program to assist developing countries to meet the terms of the climate treaty. A significant focus in this initiative will be on using credit tools to induce greater U.S. private sector involvement in transferring climate friendly technologies.

Our financial contribution to the GEF was one of the original incentives to developing countries to support the Framework Convention on Climate Change – and to take action to mitigate climate change. However, while the U.S. had pledged a contribution of $430 million to the GEF over a three year period, Congressional funding has lagged considerably. FY96 and FY97 contributions were at $35 million rather than $110 million. The reduced U.S. contribution to the GEF will make any subsequent calls for developing country action under the climate treaty much more difficult to sustain.

One of the most significant elements of the U.S. approach to encourage developing country participation is joint implementation (JI). Similar to the concept of emissions trading, JI allows countries to offset emissions at home through projects undertaken elsewhere. However, unlike the situation in emissions trading, under a JI regime, projects could be undertaken in developing countries – countries without legally binding emissions budgets. The analytic work performed to date suggests that allowing JI could reduce costs within the U.S. substantially. Developing countries see benefits as well, in the form of technology transfer and private sector investment flows. In spite of the potential benefits, significant opposition among developing countries remains (although support has grown significantly in Latin America). Many developing countries believe that JI could undercut the commitment of developed countries to take the lead in controlling greenhouse gas emissions; some environmentalists are concerned that measuring project-based emissions reductions will be too difficult; and some in the private sector and Congress are concerned that JI will result in significant transfers of wealth overseas.