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INTERGOVERNMENTAL NEGOTIATING COMMITTEE
FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE
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Item 7 (b) of the provisional agenda

MATTERS RELATING TO COMMITMENTS

REVIEW OF THE ADEQUACY OF COMMITMENTS IN
ARTICLE 4, PARA. 2 (A) AND (B)

Comments from Parties or other member States

Note by the interim secretariat

The Committee, at its tenth session, requested the interim secretariat to provide a compilation of interventions on the review of the adequacy of commitments in Article 4.2(a) and (b) made during that session, and any further comments which Parties or other member States may have transmitted to the interim secretariat by 15 November 1994, for distribution to all delegations (A/AC.237/76, para. 54).

The interim secretariat has received submissions from Australia, Austria, Belgium, Germany (on behalf of the European Community and its member States), Iran, Japan, Kenya, New Zealand and Switzerland. These submissions are attached, and, in accordance with the procedure for miscellaneous documents, are reproduced in the language(s) in which they were received and without formal editing.

The interim secretariat has also received a document from Greenpeace Germany entitled "Proposal for a protocol drafted for the first Conference of the Parties of the United Nations Framework Convention on Climate Change" which is not being circulated but may be requested from the submitter (Greenpeace, Vorsetzen 53, 20459 Hamburg, tel. no. 49 40 311 860, fax no. 49 40 31186141).

Any further submissions will be issued in an addendum to this note.

A/AC.237/MISC.43

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PAPER NO. 1: AUSTRALIA

REVIEW OF ADEQUACY OF COMMITMENTS

AUSTRALIAN VIEWS

Australia welcomes the opportunity to outline its views on the important issue of the review by the First Conference of the Parties of the adequacy of commitments contained in Articles 4.2 (a) and (b). To ensure a successful outcome to the review at COP-1 it will be important that the committee present to COP-1 its conclusions on the adequacy of commitments and recommendations on possible follow up action. The Interim Secretariat's paper -A/AC.237/65 - provides an excellent basis for our discussion of the form that these conclusions and recommendations should take.

Following INC-9 and our discussion on this subject, Australia reflected and submitted a paper to the Secretariat in April setting out our views (A/AC/237 Misc.36 P.17). In that paper Australia recognised - and here we are in full agreement with the Secretariat's paper - that existing commitments will not meet the objective of the Convention, because they:

- will not stabilise atmospheric concentrations of greenhouse gases at any level
- do not deal with the post-2000 period, and
- apply only to Annex 1 Parties.

We consider therefore that the first Conference of the Parties must conclude that the commitments in Article 4.2(a) and (b) are inadequate to meet the objective of the Convention and that further action is essential to achieve effective progress towards meeting the Convention's objective.

It is Australia's view that protocols to the Convention would provide the best mechanism for proceeding rather than amendments or resolutions. To proceed by way of amendments or resolutions would re-open the carefully balanced language of Article 4.2(a) and (b) that was the result of long and protracted negotiations. Such a move, in our view, would not help to advance negotiations and secure agreement on additional commitments.

Australia considers that the most realistic option for initiating negotiations on a protocol would be for COP-1 to adopt a resolution to commence and guide the negotiating process, ie option (c). Australia considers that there is insufficient time for negotiations to be completed on a protocol in time for its adoption at COP-1, especially given the workload still remaining to be completed to ensure that COP-1 is a success.

Australia favours a process for the negotiations that would involve COP-1 establishing a special working group, which would meet at least twice a year, to conduct the negotiations. This working group should consist of parties to the Convention and those organisations already recognised by the INC. The working group should also have a bureau, and the members of the bureau should be elected by the first Conference of the Parties.

Australia favours this approach over the use of one or both subsidiary bodies in light of the already considerable workload that those bodies have if they are to contribute effectively to supporting the Conference of the Parties on matters of scientific and technical advice and implementation of the Convention. Of course, advice from both subsidiary bodies should be provided to the working group to assist the working group in its task.

The negotiations would also need to be informed by key inputs such as the IPCC 1990 and 1995 assessment and supplementary reports and the IPCC's special report. It will be important, for example, that negotiations for strengthened commitments take into account the best available scientific and economic data relating to relative rates of climate change and ecosystem response - work currently under study by the IPCC. The assessment of Annex 1 Parties' national communications will also provide crucial information for the design of further commitments. In respect to the information that will be made available from national communications we note that the syntheses report proposed in our discussions on the process for the review of national communications will also be an important input.

Australia agrees with the Secretariat paper that the Committee's recommendations on follow-up action to the first Conference of the Parties should attempt to define possible elements of the mandate for the negotiations. However, we believe it is premature for the Committee to attempt to narrow down the options concerning the nature and scope of protocols at this stage. Australia considers that the negotiation process we advocated would provide the appropriate forum for analysing and deciding on feasible options.

In addition to these views on the mandate and process for the negotiations on additional strengthened commitments, we would like to outline a number of other important elements that Australia considers should also be reflected in any draft resolution launching negotiations on future commitments, and indeed in any protocol or protocols to emerge from such negotiations.

In approaching future negotiations on protocols, Australia considers it essential that the range of principles already set out in the Convention be fully preserved. The mandate for negotiations must therefore ensure that any protocol fully incorporates the existing principles in the Convention, including the comprehensive approach, equitable burden-sharing, countries' common but differentiated responsibilities, differences in starting points and economic structures and resource bases.

The principles of equity should unquestionably be components of future commitments. This would help ensure that all developed countries of comparable income would face broadly equivalent economic costs on a per capita basis. Australia also considers that adjustments should be made for countries with different capacities to pay, measured on a GDP per capita basis.

Australia considers that there would be value in undertaking a study to develop a range of possible burden-sharing methodologies on a technical basis, recognising that these options for burden-sharing methodologies would need to be considered by Parties. We will be doing more work on developing these options ourselves and would welcome opportunities to work with other interested delegations on this issue.

The key to progress towards achievement of the Convention's objective is effective global action without which we will not make any lasting impact on greenhouse concentrations. Perhaps our most significant challenge in negotiating any protocol on commitments is to devise ways in which, in a realistic and equitable manner, we can make our efforts globally effective.

In recognition of the importance of a global approach to emissions control, Australia considers that any protocol should take account of the relative contribution that all countries can make. As industrialising developing countries undergo economic growth there will be an increasing contribution of greenhouse gases by them to the atmospheric concentrations. There is increasing evidence that it will simply not be enough for developed countries to take action alone if we are to achieve the objective of the Convention.

Without in any way reducing the implementation of Annex 1 country commitments, we should address equitable and effective ways in which developing countries can contribute. With good will, imagination and sense of shared purpose and commitment, i.e. the partnership we all accepted at Rio, we believe that it is possible to devise ways in which this can be achieved. As the EU observed we need to maintain 'a reasonable balance'.

The inclusion of these approaches, equitable burden-sharing mechanisms and the gradual, greater involvement of developing countries in commitments and action to reduce emissions, will be important elements to ensure that future commitments achieve effective progress towards meeting the Convention's ambitious, but essential goal.

Australia also believes that action for the protocol should focus on commitments for the post-2000 period, as the existing commitments in the Convention already apply to the pre-2000 period. Related to this element is the need for the mandate for negotiations to set a time limit for the conclusion of the negotiating process. Australia considers that the negotiations should be completed by 1998 at the latest in order for any protocol to have sufficient time to gather the required number of ratifications to enter into force by 2000.

Consistent with our views that the negotiating process not be restricted in terms of the options that can be considered, we believe it important that at the commencement of negotiations the focus of their negotiations should not be limited to target and timetable regimes, but should also include, but not be restricted to consideration of international standards, joint implementation regimes, emissions caps, sectoral approaches and sinks.

It is Australia's view that more consideration could be given to such alternative approaches as they may constitute feasible and cost effective means of stabilising greenhouse gas concentrations in accordance with Article 2 of the Convention. For this reason, Australia is willing to work with other countries to examine the potential of the various options for any action covering the post-2000 period.

Australia strongly supports the proposal made by New Zealand for a consultative mechanism under the Convention which establishes links between INC Parties and key transnational business groups. This proposal is consistent with Article 3.3 of the Convention which calls on Parties to include all economic sectors in global action to achieve the objective of the Convention.

PAPER NO. 2: AUSTRIA

Let me begin my intervention by associating our delegation with the intervention made this morning by Germany on behalf of the EU. We support the thrust of this intervention. I would only like to take this opportunity to highlight a few additional points which are of particular importance to my delegation.

I would like to congratulate the secretariat for the very helpful document 65, which provides the necessary basis for our further work on this matter. We have made our general position with regard to this issue very clear, at the occasion of previous discussions at INC IX and would not like to repeat this position, which is also contained in document Misc. 36.

We do not think that the heavy workload and the timetable of meetings of this Committee will permit the development of substantial new commitments by the time of COP 1. We do however think that we already dispose of all the necessary elements of information to proceed with the elaboration of a substantial mandate for the beginning of a process of negotiation for the strengthening of the commitments of the Convention, by way of the adoption of a protocol. Austria therefore supports option C as outlined in the secretariat paper, as the only viable option to follow and are satisfied with the elements contained in the secretariate document.

In addition we believe that annex 1 countries at COP 1 should give a clear signal of political commitment to the mandatory stabilisation of CO₂ and other GHG emissions by the year 2000, with a baseyear of 1990 and to maintaining this stabilisation thereafter. We would even think that a decision of the COP I to that effect, would be important. We further feel that a reduction of emissions of CO₂ after the year 2000 will be necessary to achieve the objective of the convention.

Austria like some other countries has already committed itself to such a reduction on a national basis by accepting the so-called Toronto Target. We would call upon other annex 1 countries to examine the possibility of accepting a similar level of commitment.

The future development of the convention will also need the contribution by at least some of the more advanced developing countries. The considerations for the future negotiating process should take this necessity into account.

In the development of protocols consideration should be given to the question of priority areas. Here we would favour a gas by gas approach, concentrating initially on CO₂ and methane emissions. Furthermore we would also strongly advocate an approach combining targets and timetables with policies and measures covering a comprehensive choice of sectors including the development of internationally harmonized standards.

As to the possible form for the future negotiation process we are sceptical towards the creation of additional negotiating fora and would therefore favour the SBI as the appropriate place to conduct the negotiations.

PAPER NO. 3: BELGIUM

Firstly, Madam Chairperson, the Belgian Delegation would like to join other Delegations in expressing our full gratitude to the secretariat for its helpful work in the preparation of this difficult discussion on the adequacy of commitments (contained in article 4.2(a) and (b) of the Convention).

Secondly, and along the lines of the European Union statement which we fully support, we would like to put emphasis on a single but important point regarding the prospect of a protocol on further commitments.

Our view is that the importance and the urgency to adopt a *combined approach*, which combines both *targets and timetables* on one hand, and *policies and measures* on the other, should be re-emphasised.

Madam Chairperson,

Belgium has always strongly supported combined approaches of this kind for the following reasons:

- targets and timetables have no concrete impact and, consequently, no credibility, without policies and measures to implement them;
- simultaneously, policies and measures will not be accepted by the public without a clear translation of their general objective into targets and timetables.

Hence, targets-based and measures-based approaches should never be considered as two solutions ruling each other out. In our view, they are simply two sides of the same coin: the two main political sides of a commitment.

But small open economies like Belgium, cross road economies with a very long standing tradition of open borders, have already faced, or are facing, leakages problems in implementing their own international environmental commitments.

Such problems might indeed be met later, and in a more global context, by countries which are as large as continents, or have more isolated economies.

It is essential therefore, not only for us, but for the World Community, to understand that ambitious targets and timetables can, and shall be reached only if we can use, for that purpose, relevant economic and administrative instruments, carefully shaped and coordinated among neighbouring countries and trade partners.

That point can be illustrated by the fact that the Belgian programme of policies and measures adopted recently by our Federal Government in order to achieve our target of 5% reduction of CO₂ emissions in the year 2000, is partly based on the still hypothetical implementation of a significant European CO₂/energy tax of the type proposed by the European Commission.

The Governmental view in adopting that programme is that, in order to reach such a stringent target, it is necessary that our country can use such a coordinated instrument.

The experience Belgium has gained with an open borders economy makes us fully aware of the necessity, at least for the Parties included in Annex I, to make fast and significant progress in the implementation of article 4.2.(e)(i) of the Convention, regarding the coordination with other such Parties of relevant economic and administrative instruments, in order to achieve far reaching targets and timetables.

This closes this short statement of Belgium, re-emphasising that, in developing one comprehensive protocol on further commitments, it is, in our view, absolutely necessary to adopt a *combined approach*.

Such an approach should combine both targets and coordinated instruments, including economic instruments, as had been clearly emphasized today in points 6 and 8 of the European Union statement, and in the statements made by several other delegations.

(Unofficial translation from English)

Dans le cadre de ces discussions sur l'examen des engagements prévus à l'article 4, aux paragraphes 2 (a) et 2 (b), de la Convention, afin de déterminer s'ils sont adéquats, la Délégation Belge se joint tout d'abord aux autres Délégations pour exprimer son entière gratitude à l'égard du secrétariat pour l'aide considérable fournie par les documents préparatoires.

Suite à ces remerciements, Madame la Présidente, et dans la ligne de la déclaration de l'Union Européenne, que nous soutenons pleinement, nous voudrions mettre l'accent sur un seul point, particulièrement important à nos yeux, concernant la perspective d'un protocole relatif à l'adoption d'engagements supplémentaires dans le cadre de la Convention.

Nous estimons qu'il convient de souligner à quel point il est important et urgent d'adopter une *approche combinée* dans ce protocole, c'est-à-dire une approche combinant l'adoption de *cibles quantifiées et de calendriers*, d'une part, avec les *politiques et mesures* susceptibles de les atteindre, d'autre part.

Madame la Présidente,

La Belgique a toujours défendu fermement ce type d'approche combinée pour les raisons suivantes:

- les cibles et calendriers de mise en oeuvre n'ont pas d'impact concret, et, par conséquent, perdent toute crédibilité, lorsque leur adoption n'est pas liée à la prise d'un ensemble de politiques et mesures;
- simultanément, les politiques et mesures sont inacceptables aux yeux du public si celui-ci ne dispose pas d'une interprétation claire de l'objectif général à atteindre en termes de cibles précises et de calendriers.

Il s'ensuit que les approches définies en termes d'objectifs à atteindre et celles définies en termes de politiques à suivre ne devraient jamais être traitées comme si elles s'excluaient mutuellement. Il s'agit simplement des deux principaux aspects politiques d'une même question, d'un seul et même type d'engagement.

Mais de petites économies ouvertes, comme celle de la Belgique (économie de carrefour ayant une relativement longue tradition d'ouverture aux frontières), sont confrontées à des difficultés de fuites et de détournements des effets de leurs politiques destinées à honorer leurs propres engagements.

Des problèmes analogues pourraient être rencontrés plus tard, et dans un contexte global, par des pays qui les ignorent aujourd'hui grâce à leur dimension de type continentale ou au caractère insulaire de leur économie.

Il incombe donc à l'ensemble de la Communauté internationale, et pas seulement à ces petits pays, de prendre conscience du fait que des cibles ambitieuses ne sont atteignables que si nous coordonnons, à cet effet, la mise en oeuvre d'instruments économiques et administratifs appropriés, entre pays voisins et autres partenaires commerciaux.

On peut illustrer ce point par le fait que le Programme belge de politiques et mesures adopté récemment par notre Gouvernement Fédéral, et lié à notre objectif de réduction des émissions de CO₂ de 5% en l'an 2000, est partiellement basé sur une hypothèse de mise en oeuvre d'une taxe CO₂/énergie d'un montant non négligeable, du type de celle proposée initialement par la Commission Européenne.

Le point de vue gouvernemental adopté avec ce Programme est que pour atteindre une cible aussi stricte, notre pays doit pouvoir disposer d'un instrument coordonné de ce type-là.

L'expérience dont bénéficie la Belgique par sa situation d'économie ouverte, nous rend donc pleinement conscients de la nécessité, au moins pour les Parties figurant à l'Annexe I, de faire des progrès rapides et significatifs dans la mise en oeuvre de l'article 4.2.(e)(i) de la Convention, concernant la coordination, avec les autres Parties visées, des instruments économiques et administratifs permettant d'atteindre des objectifs ambitieux.

Ceci termine cette brève intervention de la Belgique soulignant l'absolue nécessité, à nos yeux, d'adopter une *approche combinée* dans la perspective d'un protocole général d'engagements supplémentaires.

Une telle approche devrait combiner à la fois objectifs et instruments coordonnés, y compris des instruments économiques, comme ce fut clairement souligné aujourd'hui dans les points 6 et 8 de la déclaration de l'Union Européenne, et dans les interventions de plusieurs autres délégations.

PAPER NO. 4: GERMANY (On behalf of the European Community and its member States)

1. On behalf of the European Union, I would like to thank the interim secretariat for the preparation of document A/AC.237/65, which sets out clearly the issues at stake and offers a very valuable basis for discussion.
2. With respect to the organization of the review the European Union can agree with the proposals made by the interim secretariat. The format of the report, in particular the elements regarding the conclusions to be drawn by the Committee, as spelled out in para 35, does indeed cover the relevant elements of the review. As already stated during INC-9, however, the European Union is of the opinion that, given the unlikelihood of a substantially different picture of the state of science and the impacts compared to the last IPCC update report of 1992, the review process and the subsequent reflection in the report should be kept short. The role of Working Group 1 in preparing for the review by COP 1 as proposed by the interim secretariat in A/AC.237/57 para 9 is fully supported.
3. As already expressed by Greece on behalf of the European Union at INC-9, the current commitments in Article 4.2.a and b are considered inadequate. The main reasons are: (1) they do not guarantee sufficient progress towards meeting the ultimate objective of the Convention given the current scientific understanding of the risks of climate change and (2) they lack guidance on actions to be taken after 2000.
4. As most other delegations that spoke during INC-9, the European Union has a clear preference for protocols as the way to formalise agreements on further commitments as a consequence of the review. Protocols provide, in our view, more flexibility in tailoring further commitments to the needs of making sufficient progress towards the ultimate objective of the Convention.
5. Although in principle different groups of countries could negotiate separate protocols on different issues, we think one comprehensive protocol that can be broadened step by step and amended as required in the light of the ultimate objective of the Convention, is the best way to achieve a manageable and effective international agreement.

6. Regarding the content of a protocol with further commitments, during INC-9 two main approaches were identified, the "target and timetable" and the "policies and measures" approaches. The European Union is of the view that in developing a protocol a combined approach including both targets and timetables and policies and measures should be considered - targets and timetables would provide clear and reliable guidance for planning investments and decisions, coordinated policies and measures would contribute to the development of economic and administrative instruments which are relevant to achieve the objective of the Convention according to Article 4.2(e)(i) of the Convention.
7. The European Union considers that further action to limit and reduce global greenhouse gas emissions and to enhance sinks and reservoirs is necessary through strengthening of the Convention.

The European Union reaffirms its commitment to stabilize CO₂ emissions by 2000 at 1990 level in the Community as a whole, as referred to in the October 1990 and subsequent EU Council of Ministers conclusions. The European Union calls upon other Annex I Parties to commit themselves to comparable efforts for the period after 2000 within the framework of the further elaboration of the Convention.

8. With regard to adopting policies and taking corresponding measures, economic instruments as well as administrative and regulatory measures should be taken into consideration. The European Union notes with interest the broad range of possible economic and administrative instruments and sector-specific strategies which have been suggested and are set out in paragraphs 25-27 of the Annex to document A/AC.237/65. The European Union believes that additional work could help in developing in more detail the most promising areas. These should include, in particular, energy efficiency, renewable energy, diversification of energy sources, economic instruments, transportation sector, land use, agriculture and forestry, limitation of emissions of HFCs and PFCs.

9. Industrialized countries need to continue to take the lead in limiting emissions and change their consumption and production patterns. Through technology transfer and through the financial mechanism of the Convention, they will also have to assist non-Annex I Parties to modify the trends in their emissions. The European Union reiterates its view that a reasonable balance between industrialized and developing countries commitments should be maintained, for instance in the form of further requirements for non-Annex I Parties on reporting and limitation of emission growth for certain more advanced developing countries.

 10. With regard to the scenarios in paras. 21-32 of A/AC.237/65, the European Union would not exclude the possibility of adopting a protocol at COP 1, but believes that as a minimum a decision should be taken at COP 1 to start negotiations on additional commitments - that is Option C - on the basis of a broad mandate. This decision should specify the objective, scope, parameters, time schedule and forum for negotiations, with the aim that COP 3 should adopt the protocol.
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PAPER NO. 5: IRAN

COMMENTS ON REVIEW OF ADEQUACY OF COMMITMENTS
SUBMITTED BY THE ISLAMIC REPUBLIC OF IRAN

If someone without any prejudgment study the whole text of the convention, simply finds out the trends of the convention as well as the fair, reasonable and real basis which the convention has been established on it. According to the convention, the largest share of historical and current global emissions of G.H.G. has originated in developed countries. Considering this fact, the convention puts the main commitments on the shoulder of Annex I parties.

On the other hand, the convention has emphasized on the necessity of continuing development process in the countries specially developing countries. These countries, in order to enhance their economic structure and development programmes, have to use more energy and resorting sound and adequate technology.

At the same time, the advanced industrialized countries included in Annex I, which have the great share both in responsibility and emissions of G.H.G., entering a period of using new sort of efficient technologies.

The question is, why at the moment the developing countries should compensate the adverse effects of climate change which in the language of the convention emerged mainly from developed countries? This situation would become worse, if we remind the vital needs of developing countries to improve and move

towards sustainable development.

From the Government of the Islamic Republic of Iran's point of view, it is quite reasonable for developing countries not to accept new and additional commitments which obviously should be undertaken by the Annex I parties. In addition establishing any new commitments for developing countries would have negative effects on their national development programmes which is in contrary to the text of the convention.

The possible subjects for additional commitments which have referred to in section V document A/AC.237/65 are not practical for developing countries since achieving those steps, require that first developed countries implement their commitments under the convention and then call for such policies. In this context, may I refer, Madame Chair, to the report by Professor Bolin regarding the time table of availability of second IPCC assessment report and insufficient information for the COP1 to decide on the issue of adequacy of commitments. So my Delegation fully supports the context of scenario "A".

PAPER NO. 6: JAPAN

Review of adequacy of commitments in Article 4.2 (a) and (b)

1. *Process of examination*

Considering the fact that the Framework Convention on Climate Change does not have any concrete provision to limit the emission beyond the year 2000, next INC should decide and make recommendation to COP1 on the elements shown below, so that COP1 can initiate the negotiations, with a target of COP3 to adopt a protocol:

- (a) mandate for the negotiations of the additional commitment;
- (b) forum for the negotiations; and
- (c) a deadline for the negotiations.

SBI would be appropriate for the forum for negotiations.

2. *Content of the Protocol*

The content of the protocol should be effective enough to achieve the ultimate objective of the Convention, and it should deal with both source and sink.

PAPER NO. 7: KENYA

A. MATTERS RELATING TO COMMITMENTS

1. Review of adequacy of Commitments in Article 4(a) and b

It is now well established that the commitments under Art. 4(a) and b do not go far enough. During its 1990 First Assessment Report, IPCC recommended an immediate 60% reduction of emissions of greenhouse gases (GHGs). This reduction or even a smaller one should have been part of commitment of the developed countries who are the main emitters of GHGs. As it stands now, the United Nations Framework Convention on Climate Change (UNFCCC) lacks targets and timetables for emissions reduction by developed country Parties not because there was not enough scientific evidence to support such a commitment but because some key countries were opposed to their inclusion.

During the ninth session of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change (INC/FCCC), the Chairman of the IPCC warned that stabilization of emissions of carbon dioxide (the most important GHG emitted by human activities) by the developed countries, as is presently being aimed at, is only a very modest first step to reach stabilization of carbon dioxide concentration. He said even stabilizing the total global emissions would not stabilize atmospheric concentrations for several hundred years.

While scientific uncertainties still exist in the prediction of climate change, the developed country Parties need to be guided by the Precautionary Principle. We should not wait until these uncertainties are reduced. According to IPCC, the scientific uncertainties are not whether climate change will take place or not. The uncertainties are mainly with regard to the timing, magnitude and regional patterns of the change. The IPCC Chairman did warn during question time at

the tenth session of INC/FCCC that the IPCC Second Assessment Report due to be completed during the second half of 1995 is unlikely to fundamentally alter the findings of the First Assessment Report (1990). There is also the possibility that the IPCC report on Radiation Forcing of Climate expected to be ready before the first meeting of the Conference of the Parties will not alter the predictions contained in the IPCC First Assessment Report. It is therefore, Kenya's view that the developed country Parties and other Parties^x should accept a review of their commitments contained in Article 4."(a) and (b) based on current scientific knowledge. This review could include targets and timetables for emissions reduction. A reduction of 1990 levels of emission by 20% in the next (10) years should be an achievable target.

PAPER NO. 8: NEW ZEALAND

A MECHANISM FOR DIALOGUE BETWEEN FCCC PARTIES
AND SIGNIFICANT INTERNATIONAL BUSINESS INTERESTS

At the INC IX my delegation flagged under this item the importance of developing a closer, more positive relationship with business interests, in particular those major transnational corporations whose products or activities are significant in terms of greenhouse gas emissions. Delegations will now have seen New Zealand's paper, in the compilation of contributions on the review of the adequacy of commitments in Article 4.2 (a) and (b), on the development of a mechanism for a closer dialogue with major business interests. I should like to explain the rationale for our suggestion, review its possible components and to suggest a means by which it might be taken further.

The basis for the proposal that new links be forged between the FCCC Parties and major business interests, particularly transnational concerns, is that a range of measures will need to be implemented if we are to achieve the FCCC objective. It is clear to my delegation that innovative approaches will be important; there are no easy pathways to the achievement of the FCCC objective.

The FCCC recognises that the widest possible cooperation will be necessary to achieve its objective. It also recognises that a wide range of policies and measures will be necessary in this regard. While all countries have a role to play in accordance with their common but differentiated responsibilities and respective capacities and their social and economic circumstances, the FCCC also makes it clear that all economic sectors must be involved.

Against this background, we see a particular role for business in the efforts of the international community to achieve the FCCC objective. It is obvious that without an effective partnership with business at the national level, each country will find it difficult to make progress in addressing climate change. It is also clear that a good number of business interests are active across national boundaries. Accordingly we see a need for positive interaction with transnational business interests whose activities or products have significant greenhouse gas implications.

This view is not radical. International business interests have already made a positive contribution to efforts to address global environmental problems. The Montreal Protocol process on ozone depletion is a good example. The role of groups like the Business Council for Sustainable Development

in the UNCED process is another. The presence of groups like the BCSG and the International Chambers of Commerce at INC meetings is a sign that there is recognition within business of the importance of the climate change issue. We would appeal to all of the business groups represented at this meeting to work closely and cooperatively with the international community to meet the challenge of climate change promptly and effectively.

Our specific proposal is that the COP adopt a decision to establish a mechanism for dialogue with key business interests whose products or processes are associated with significant emissions of greenhouse gases. Through such a mechanism, the Parties to the FCCC would be able to engage directly with particular business interests about the problem of climate change. Those business interests would then be in a better position to respond and to contribute directly to the global effort.

We suggest that a decision might include the following elements:

- * agreement to establish a consultative mechanism with major business interests whose activities or products have significant implications for the climate system;
- * identify the general structure of the mechanism and any particular areas where dialogue might focus in the initial phase;
- * identify in a general manner the sort of outcomes which a dialogue might produce, as a steer for any participants;
- * suggest a timetable for initial activity.

I should like to elaborate briefly on some elements of the proposal. We would see the product of consultations between FCCC Parties and business interests as including arrangements which identify possible or agreed business undertakings. These could not be legally binding arrangements or undertakings given that the FCCC Structure is for country Parties. The product of the dialogue would therefore be voluntary contributions by particular business interests which the Parties to the FCCC would be able to take into account in their continuing work to implement the FCCC and make progress towards its objective.

Any arrangements or undertakings could take various forms. Examples might include statements about efforts to limit greenhouse gas emissions from particular processes, either quantitatively or in terms of emissions per unit output. In respect of products, energy efficiency or emission standards might be identified. Technology transfer undertakings or capacity building measures might be other possibilities.

As for how consultations might be managed, we have some initial suggestions. On the FCCC side, our suggestion would be that a subgroup of officers of the FCCC be responsible for managing consultations, with Secretariat support. Exactly which officers, for example those of the Bureau of the COP or those of the Subsidiary Body for Implementation, is a matter for further discussion.

On the business side, we see a need for flexibility. In some cases, groups of interests might participate in the process. In others, a business organisation or companies operating within a sector. In yet others, it may be that only a single major company might participate. Such flexibility would take account of the different concerns of business, yet allow the widest possible engagement of significant business interests.

We would stress the importance of engaging business at senior levels. The participation of CEOs or heads of business groups would be appropriate and would lend credence to any arrangements which might be agreed through the consultative mechanism.

In terms of the particular areas where business might be engaged in a dialogue, we have done some initial research which we have shared with the Secretariat and which could be made available on request. We have focused on areas where transnational corporations are key actors, in the interests of finding ways to reduce global emissions of greenhouse gases.

Particular industries which might be a focus for the mechanism include the:

- * automotive industry, which through vehicle emissions contributes almost 25% of global carbon output;
- * aircraft industry, since planes account for almost 3% of world carbon dioxide emissions;
- * fuel production industry, since it is responsible for about 8% of all carbon dioxide emissions and significant methane emissions, while roughly 80% of all carbon dioxide emissions come from the use of fossil fuels;
- * suppliers of energy generation equipment where efficiency gains and the use of renewables may be significant; and
- * producers of inorganic nitrogen fertilisers, as the process is particularly energy intensive with significant emissions, and the World Bank has estimated that substantial energy savings are possible.

In each of the areas I have mentioned, a relatively small number of companies dominate the global scene. To take just one example, only 14 companies produce over 80% of the world's motor vehicles.

Let me stress that these examples are illustrative only. Other countries will no doubt have suggestions of their own to offer. Our comments are designed to identify areas where a cooperative dialogue might be useful and where there may well be scope to achieve some results. We have no wish to damage any company or sector or to adversely affect the interests of the countries which are home to any large business interest. Sovereignty is an important consideration. We recognise that it will be difficult to achieve the FCCC objective, but progress must be made and a consultative and collaborative approach is better in our view than one in which the concerns and capabilities of different actors are not well understood and taken into account.

What are the potential benefits of the approach I have outlined? We see a number of significant possibilities:

- * a new and early way of achieving global emission reductions as a result of any arrangements identified;
- * environmental benefits, especially through the limitation of emissions;
- * consistency with free trade principles and the GATT;
- * economic efficiency, particularly if general standards can be achieved;
- * broader links between stakeholders in the global environment, consistent with UNCED's Agenda 21 and the Rio Principles to which all of our countries ascribe;

My delegation commends this suggestion to the INC for serious consideration. We believe that it offers a means of making early progress on emission limitation, in keeping with FCCC provisions and the wish of many delegations to achieve substantive outcomes at COP I. It can proceed in parallel with efforts to develop a formal Protocol addressing new commitments for governments, and in no way undermines or conflicts with that important process. Indeed, it may foster progress through a better understanding of the concerns and capacities of important business interests. The proposed mechanism challenges the international business community to join governments in making cooperative and collaborative efforts to address the common concern of climate change.

We would welcome comments from other participants in this debate on our suggestion. We respectfully request the co-chairs to incorporate this specific proposal in their conclusions on the adequacy of commitments debate and to lend their support to it.

**ADEQUACY OF COMMITMENTS:
NEGOTIATING FRAMEWORK FOR THE COORDINATION OF
INSTRUMENTS AND MEASURES**

The Alliance of Small Island States (AOSIS) on September 21 formally submitted a draft protocol to the FCCC, for consideration at INC-XI and at the first meeting of the Conference of the Parties in Berlin in March-April 1995. This draft protocol calls for the establishment of a "coordination mechanism" to facilitate the coordination of measures and instruments by Annex I Parties. In its 26 September submission, Germany provides additional elements for a protocol, including commitments on policies, measures and instruments.

Article 4.2(e,i) of the FCCC calls for Annex I Parties to "coordinate [...] relevant administrative and economic instruments developed to achieve the objective of the Convention".

Coordinated instruments, such as emission standards, energy efficiency standards, and economic instruments (e.g. carbon and/or energy taxes) could prove beneficial to both industrialised and developing countries. Indeed, without international coordination, progress towards the reduction of greenhouse gas emissions could be delayed or even blocked, and individual actions could lead to additional costs, loss of competitiveness, and leakage of production to third countries. In addition, an internationally coordinated approach would enhance the acceptance by domestic branches of industry for new measures. Therefore, there is a case for agreeing, under the proposed protocol to the FCCC, on a negotiating framework for the coordination of instruments.

Potential areas/instruments for international coordination are the following:

- emission standards, efficiency standards or best-available technology for heating installations, appliances and consumer products*
- fuel consumption standards for motor vehicles*
- safety and environmental requirements for energy production*
- specifications (emissions, energy consumption), labelling*
- promotion of renewable forms of energy*
- transport-related taxes (e.g. road taxes, heavy vehicle taxes)*
- aviation fuels (e.g. dismantling of tax exemptions for aviation fuels, environmental taxes on kerosene, landing taxes with CO₂ component, etc.)*
- carbon and/or energy taxes.*

In order to stimulate, not stifle, innovation and competition, instruments such as standards or taxes should be dynamic - improving with time - rather than fixed. To this end, the protocol would provide a framework for a series of negotiations, focussing in each "round" on different target values and timeframes for implementation. The negotiation would be facilitated by the data gathered by technical panels of experts, assisted by the secretariat of the Convention. These would be responsible for collecting and analysing relevant data, such as, for example, types of equipment, types of energy systems, structure of tax systems, safety requirements, existing national standards, etc. Another element of the framework is the establishment of centres for technical assistance in greenhouse gas reduction in participating countries or regions. Finally, the body entrusted with the negotiation of the protocol would have to make proposals concerning ways and means of pooling and coordinating the allocation of financial resources, e.g. through public-private cooperation.

The text below should be seen as one possible element of a future protocol to the Framework Convention on Climate Change, covering specifically the coordination of instruments and measures.

COORDINATION OF INSTRUMENTS AND MEASURES: NEGOTIATING FRAMEWORK

1 Principle

Annex I Parties and the more rapidly industrialising developing country Parties listed in Annex [...] agree to coordinate measures and instruments with a view to achieving the objective of the Convention.

2 Procedure

- (a) COP1 designates the body tasked with negotiating the coordination of instruments and measures listed in Annex [...].
- (b) Depending on priorities, the negotiations for the different instruments shall proceed in a series of stages, with agreed timetables and objectives. The first such stage shall begin on [...] and end on 31 December 1996. The Conference of the Parties to this Protocol shall agree on stage two at its first meeting.

3 Technical Panels and Centres for Technical Assistance

- (a) The body tasked with negotiating the present protocol can establish technical panels of experts, drawn from industry, technical standards organisations, NGOs, and multilateral organisations, for developing the basis for negotiating the different instruments. The technical panels would, *inter alia*:
 - provide a database on relevant information, such as types of equipment, types of energy systems, structure of tax systems, safety requirements, existing national standards, etc.
 - advise the negotiating body on issues and problems of relevance to the international coordination of instruments
 - after implementation of each stage referred to in article 2(b) above, collect and analyse data as a way of monitoring compliance
 - report on their conclusions, through the secretariat, to the Parties.
- (b) The body tasked with negotiating the present protocol can also promote the establishment, in participating countries or regions, of centres for technical assistance to emission reductions. They would be staffed with technical personnel to be furnished through arrangements among national authorities, UNEP, the World Bank and other competent international agencies. Those centres would, *inter alia*:
 - work with industrial associations in each participating country to ensure widespread adoption of the instruments agreed to under this Protocol
 - provide management, technical, and other advice, as well as training, to industry, enterprises, producers and other relevant partners, at their request, on ways to implement the agreed instruments
 - assist industries in applying for loans.

4 Financing

The negotiating body shall make appropriate proposals to the COP concerning the ways and means of pooling and coordinating the allocation of financial resources for industrial technology modernisation, including through public-private cooperation schemes.