

November 16, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Buenos Aires Wrap-up

We had quite a good week at the climate change conference in Buenos Aires. The substantive results exceeded our expectations and the press coverage was very good, with frequent positive stories in the *New York Times*, *Washington Post*, *Wall Street Journal*, the wires and other papers. We also got two good editorials in the *Washington Post* and one in the *NYT*. Although there is, to be sure, a very long way to go, we come out of the Buenos Aires meeting with some good momentum on the international front. Here are the highlights:

Developing country commitments. The breakthrough news of the conference was President Menem's announcement on November 11 that Argentina would become the first developing country to agree to a binding emissions target. Argentina will announce the actual number at next year's Conference of the Parties. (The Argentinians are seeking our help in the science and economics of determining a target, and we will of course provide it.)

Menem's announcement is a big deal. It shows that major developing countries can and should step up to the plate rather than resisting even the discussion of their own commitments. It will encourage others to follow suit in the near term. Khazakstan has already done so, announcing at the Conference that it would accept a target. As you know, Menem was under considerable pressure, from outside and within his government, *not* to announce a binding commitment. But he held firm, sticking with the advice from his Environment Minister, Maria Julia Alsogaray, who was also the Chair of the Conference. Your phone call to Menem early last week helped to shore him up at exactly the right time.

Argentina's announcement was the most dramatic evidence of a quieter evolution going on within the developing country bloc. In brief, fissures are starting to show. This bloc (known as the Group of 77, or "G-77," though it now includes some 130 countries) in fact comprises several distinct subgroupings: the Latins, the Africans, the small island states ("AOSIS"), OPEC and big players like China, India and Indonesia. China, India and OPEC are the hard liners; many of the others are more interested in a genuine dialogue. We shouldn't overdo this; so far, most of the G-77 still stick together. But, increasingly, the non-hard liners are looking for more constructive engagement with us. We will need to find useful ways to encourage this evolution.

The work plan. The Conference agreed on an overall plan -- dubbed the "Buenos Aires Plan of Action" by the European Union -- to finish many of the open issues in the Kyoto Protocol. Most important from our viewpoint was a work plan to develop and finalize rules for the free-market tools, including international emissions trading and the so-called Clean Development Mechanism, that were agreed to in broad concept at Kyoto. We succeeded in (1) keeping the work plan neutral, contrary to the concerted effort of the EU to tilt it toward imposing a hard cap on the use of such tools, and (2) nailing down a two-year deadline for the work, contrary to the efforts of some hard line developing countries to avoid any deadline. The Conference also agreed on a two-year time to develop the rules on compliance, an important and tricky subject. Particularly given our strong resistance to a cap on emissions trading, which opens us to criticism from the EU and enviros for being too "brown," it is important for us to advocate proactively for a strong compliance regime, albeit one that isn't overly intrusive.

Signing the Kyoto Protocol. Our decision to sign the Protocol during the Conference worked out very well. When Stu Eizenstat announced this in his statement to the plenary session on Thursday, the whole hall applauded, an unusual occurrence in these UN conferences. (Stu, incidentally, once again did a terrific job as our lead negotiator.) Congressional opponents like Reps. Sensenbrenner, Knollenberg and others attacked us Tuesday on the strength of rumors that we might sign, but our congressional defenders (including Senators Lieberman and Kerrey and Reps. Kucinich and De Fazio) won the exchange, and we received strong support from enviros and moderate business groups as well. Our Argentine hosts, having stuck their own necks out with their embrace of binding commitments, were delighted that we stepped forward and signed.

We will have to keep an eye out for a possible congressional resolution disapproving our action or calling on us to submit the Protocol forthwith. The key here will be Senator Byrd. He opposed our signing, but appreciated that Stu called him in advance from Buenos Aires and talked through the issue. If Senator Byrd were to make it clear that he wouldn't join a resolution, there probably wouldn't be one.

Follow-on process. Stu pushed throughout the Conference to initiate a process that will bring together key nations from the EU, our "Umbrella" group and developing countries at a political level several times a year to push negotiations forward. One of the big problems we have in these yearly meetings is that none of the issues requiring political input gets made until the end since the intersessional meetings occur at the level of technical negotiators. We need more regular engagement at the political, decision-making level. The EU was quite open to this idea, and the final "Plan of Action" authorizes Alsogaray to use her power as Chair of the Conference to convene this kind of group from time to time.

Umbrella Group. Last year at Kyoto, we began to form a loosely knit group of non-EU industrialized countries to join with us as a negotiating counter-weight to the EU. That group -- which has come to include Japan, Canada, Australia, New Zealand, Russia, Ukraine, Norway and

Iceland -- proved quite cohesive and useful during the Buenos Aires talks. It is clearly here to stay in the climate change context.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Jack Lew
Neal Lane
Gene Sperling
Jim Steinberg
Janet Yellen