

## **Industry Observations on COP-4, UNFCCC November 2-13 , 1998, Buenos Aires, Argentina**

### **Overview**

Progress at COP-4 would have to be characterized as modest indeed. For a session that was primarily designed to define a program of work, the negotiations were surprisingly complex and fractious. In the end, traditional geopolitical issues and rivalries plagued the negotiations. The United States took an aggressive stance, partly to assuage its critics at home and in the Congressional delegation present in Buenos Aires. Several new "green" environmental ministers represented the EU and this added to the tension, since at times they appeared to backtrack on agreements reached in Kyoto.

A potentially significant development was the announcements by Argentina and Kazakhstan that they would take on voluntary commitments to limit greenhouse gas emissions. The United States also became the 60th signatory to the Kyoto Protocol, while at the same time sending signals that ratification of the Protocol in the United States is still several years in the future.

### **Positioning of Key Countries**

It is important to appreciate that key negotiating groups have their own priorities, not all of which are related to the Protocol itself. For example, the United States argues that in order to meet their ambitious reduction target they will need full access to the so-called flexibility mechanisms. Reduction commitments by key developing countries is also seen as a precondition to ratification of the Protocol by the US Senate. These views generally are shared by the "Umbrella" group (US, Canada, Australia, New Zealand, Norway, Japan, Iceland, Russia and Ukraine).

The members of the European Union put less emphasis on the flexibility mechanisms and developing country commitments, instead stressing the need for a compliance regime that would provide certainty and credibility for reduction efforts. Indeed, some EU members (led by Germany, France and the Austrian presidency) seem philosophically opposed to emissions trading, and want to put a "concrete ceiling" on the extent to which countries can use the flexibility mechanisms.

The G-77 group of developing countries, which traditionally negotiate as a block, displayed internal differences at these meetings. The split was most obvious with respect to the flexibility mechanisms, with Latin America and the African group prepared to see progress on the CDM because of its potential to enhance technology transfer. And while Argentina was the only member of this group to propose that it would take on a voluntary commitment, others are known to be interested. The traditional powers within the G-77 (China, India, Indonesia, Philippines) tend to use the climate change issue to try to advance other priorities, such as their insistence on new forms of financial and technical aid. For their part, the OPEC nations seem most concerned about securing compensation for any loss in revenue that they may suffer as a result of reduced demand for fossil fuels.

### **Progress on Flexibility Mechanisms?**

One of the key pieces of unfinished business from Kyoto was agreement on the rules for operation of the protocol mechanisms -- IET, JI and the CDM. As noted above, several members of the EU and G-77 continue to question the desirability of international emissions trading. Early in the session, the G-77 tabled their agenda on flexibility mechanisms -- a shopping list of difficult issues which seemed intended merely to stifle progress. As well,