

**INDUSTRY PERSPECTIVE ON THE SEVENTH SESSION
OF THE AD HOC GROUP ON THE BERLIN MANDATE
JULY 28 - AUGUST 7, 1997, BONN**

The main objective of AGBM-7 was to produce a better organized and much leaner negotiating text, with the various options coherently laid out for decision. This objective required a high level of cooperation from Parties which was not forthcoming. Generally speaking, Parties stayed on their positions and did not make concessions.

With regard to the issues of primary interest to the business community, the following is noted:

Targets and timetables (QELROs): The EU is holding fast to its position of a 15% reduction in GHGs by 2010, and at least 7.5% by 2005. Despite significant pressure, the United States still has not revealed what target number it could support. The chairman of the non-group on QELROs rightly sensed that parties were not ready to negotiate and concentrated instead on trying to clarify the alternative proposals. This remains the most important and contentious issue, and undoubtedly will go down to the wire in Kyoto.

Policies and Measures: Little progress was evident in closing the gap between those who favour a set of mandatory coordinated policies and measures among Annex I countries, and those parties who would leave it up to national governments to decide what policies and measures are appropriate for their circumstances.

Emissions Trading and Joint Implementation: The United States continues to be the leading proponent of both concepts, but powerful forces are lined up in opposition. Formally, the EU still opposes emissions trading and supports JI only among Annex I countries. The Group of 77 and China appear to want to frustrate all progress on the pilot phase of joint implementation. The Environmental Defence Fund made an important presentation in favour of emissions trading. However, the United Mine Workers of America questioned the success of the sulphur trading program under the US Clean Air Act. As well, the International Federation of Industrial Energy Consumers (IFIIEC), came out in opposition to the use of emissions trading for climate change. They expressed concern that tradable permits mean a cap on greenhouse gas emissions, and thus on economic growth. They also stated that a trading program would increase their energy costs and penalize those who have already invested in energy efficiency.

Flexibility: Unlike emissions trading and joint implementation, which seem deadlocked, there appears to be increasing interest in emissions budgets and multi-year average baselines. While the EU seemed somewhat more open to discussing means of providing flexibility, they also made it clear that flexibility only comes with a sufficiently ambitious target, i.e. something more than stabilization by 2010.

Ratification and Entry into Force: Several proposals were in favour of a double