

REPORT: AGBM 8, Bonn, October 1997

---Disappointing progress was made at AGBM 20-31 Oct with virtually all outstanding issues remaining unresolved, and little time before a final negotiating text is to be adopted at Kyoto in early December. Major unresolved issues of priority interest to Canada include the level of reduction targets for Annex 1 Parties, post-Kyoto negotiations for developing country commitments to limit emissions; joint implementation, emissions trading, differentiated vs. flat rate targets and timetables, the EU Bubble, and the role of sinks in reduction targets. Canada played a constructive role in the negotiations, coordinating contact groups on evolution, compliance, and emissions trading and playing a bridge building role on possible indicative factors for differentiation, the calculation of sinks and technology transfer. Canada also continued to chair the Common Interest Group of Annex 1 countries, JUSCANZ, and served on the Bureau.

2. EU-USA (and JUSCANZ) differences were acute, although a package seemed to be forming. Principal points of difference were: (a) policies and measures (although differences in the coordinated and mandatory approach versus USA flexible approach are lessening); (b) developing country commitments (EU is soft, USA is hard); (c) joint implementation with credits (USA wants certain inclusion of developing countries, while EU shares G-77 position that the pilot phase should not be prejudged); (d) emissions trading (EU is reserving and linking to level of commitments); and (e) EU bubble, or joint EU commitments.

3. G77-OECD differences were no less acute. A North-South divide pervaded the climate of negotiation on Article 4.1 commitments (basic undertakings such as reporting and mitigation measures) and, predictably, on financing. G-77 remain adamantly opposed to anything which remotely looks like new commitments on their part. Moreover, in light of what they perceive as conservative commitments, G-77 is seeking to delete from the text all flexibility features (not only borrowing, trading and JI, but even banking and the very notion of budgets). Surprisingly, G-77 managed to keep its diverse group intact with lowest common denominator positions, although cracks were starting to form with respect to AOSIS and Africans in particular. OPEC countries remain as difficult as ever. The overall dynamic, in short, remained charged, and increased political will and flexibility on the part of all will be required to ensure a completion of negotiations at Kyoto.

4. Targets and timetables: Clearly a highlight of the AGBM was the announcement of the USA position. The main elements of the US position are stabilization at 1990 levels by 2008-2012; and as yet unspecified reductions below 1990 levels in the 5 year budget period thereafter (number may be negotiable at Kyoto); meaningful developing country engagement (key countries) without which US would not assume binding commitments; emissions trading; credited joint implementation with developing countries; and a substantive domestic implementation package with tax cuts and large incentives for technology component. US has stressed that this represents at least a 25-30% reduction