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United States Department of State
Washington, D. C. 20520

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INFORMATION MEMORANDUM
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October 2, 1997

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To: The Secretary
From: G - Mr. Wirth *W*
E - Mr. Eizenstat *E*
Subject: State of Play on Climate Change

Summary -- Moving Toward Consensus

We are moving rapidly toward a consensus on several items, most notably a decision on the U.S. emissions target and timetable. We want to update you on the current state of play as we approach the President's decision on the U.S. target and other issues.

The Target Options

The issue of greenhouse gas emissions targets remains the focus of attention, domestically and internationally. The White House is considering three options: 1) returning to 1990 emissions levels by the year 2010; 2) mentioning no target but rather a loosely defined emissions reduction several decades from now; and, 3) returning emissions to 1990 levels by 2020.

In our view, the minimally credible option is the first, a return to 1990 levels by the year 2010, and support at the White House seems to be growing for this approach. Although we can portray this as a sharp deflection from our current emissions path, it still will be exceptionally difficult to sell internationally as it falls well short of EU proposed cuts of 15% below 1990 levels, and the Japanese proposal -- pitched as a "compromise" target -- of 2-5% below 1990 levels. We believe the return to 1990 levels by 2010 is the absolute minimum necessary to maintain U.S. leadership and be able to push internationally on the other aspects of our negotiating position (e.g. emissions trading, joint implementation, and developing country participation).

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: OSCAR J OLSON
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Meeting the Cost: The "Escape Clause"

A significant concern with any effort to cap emissions (heard most often from domestic economic agencies) is the potential cost of such a policy. If costs grow too high, the economic impacts could be severe. The package of policies we have been advocating internationally is aimed at reducing those costs. Additionally, the interagency team is considering the concept of an "escape clause" which would cap the cost of carbon at a set price. The "escape clause" serves as a means to ensure the domestic cost of attaining an emissions target remains reasonable.

Developing Countries: The Two-Step

The President and Vice President have endorsed our two-step approach on the developing country issue (where we attempt to reach agreement on targets and timetables in Kyoto, but delay seeking Congressional approval until we have also resolved developing countries' commitments and other issues). We think this is the best way to deal with the Byrd-Hagel resolution. However, the way in which we approach the developing countries piece must be carefully considered as it has the potential of isolating the U.S. in international discussions.

State's Preferred Approach

The decision on the U.S. target has important ramifications for our diplomatic efforts on climate change. To meet your goal of reasserting U.S. leadership in the climate change negotiations, we believe a return to 1990 emissions levels by 2010, with an appropriate "escape clause" is the minimum credible target.

We will know more on the options following a Principals meeting on Friday. When the options are discussed with the President, it may be important for you to reinforce your earlier memo to the President with your thoughts on the best course of action. State must ultimately sell this policy decision overseas, and your perspective on the international reaction to his decision will be critical in guiding him towards State's preferred outcome.

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