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DODE-00 ANHR-01 SRPP-00 DS-00 EAP-01 EB-00 E-00
FRB-00 H-01 TEDE-00 INR-00 IO-00 ITC-01 L-01
ADS-00 M-00 NASA-01 NAS-01 NSAE-00 NSCE-00 NSF-01
OIC-02 OMB-01 OPIC-01 PA-00 PM-00 PRS-00 P-00
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FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 9432
INFO DOE WASHDC PRIORITY
HQEPA WASHDC PRIORITY
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AMCONSUL NAHA
AMCONSUL SAPPORO
AMCONSUL FUKUOKA
AMCONSUL NAGOYA
AMCONSUL OSAKA KOBE
AMCONSUL HONG KONG
AMEMBASSY WELLINGTON
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C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 010346

STATE FOR OES/EGC, EAP/J, G-DHARWOOD
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REVIEW AUTHORITY:
Alan Flanigan, Senior
Reviewer

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EPA/OIA FOR STROTHER
DOE FOR HASPEL, PO-2; BRADLEY, PO-63

E.O. 12958: N/A
TAGS: SENV, PGOV, ENRG, JA
SUBJECT: CLIMATE CHANGE: MITI CALLS FOR DIFFERENTIATION AND
DEVELOPING COUNTRY INVOLVEMENT

1. CONFIDENTIAL - CLASSIFIED BY GERALD J. WHITMAN, EST MIN-COUN. REASON: 1.5(D).

SUMMARY AND PARTICIPANTS

2. SUMMARY: IN HIS MEETING WITH OES A/S CLAUSSEN, MITI DIRECTOR GENERAL INAGAWA DISCUSSED A RANGE OF TECHNICAL MATTERS REGARDING CLIMATE CHANGE AND POSSIBLE PROVISIONS FOR A COP-3 PROTOCOL. MITI CONTINUES TO ADVOCATE A DIFFERENTIATION OPTION FOR ANNEX ONE COUNTRIES. MITI ALSO BELIEVES A NEW CLIMATE CHANGE PROTOCOL MUST INVOLVE DEVELOPING COUNTRIES, BUT THE SPIN SHOULD BE ON NATIONAL SELF-INTEREST, RATHER THAN MANDATORY MEASURES. MITI EXPRESSED RESERVATIONS ABOUT INTERNATIONAL EMISSIONS TRADING, BUT DID NOT RULE IT OUT. A/S CLAUSSEN SAID BILATERAL COOPERATION TO DEVELOP ENVIRONMENTAL TECHNOLOGY COULD WORK BETTER THROUGH A VEHICLE LIKE APEC'S CLEAN TECHNOLOGY INITIATIVE. END SUMMARY.

3. MITI ENVIRONMENTAL PROTECTION AND INDUSTRIAL LOCATION BUREAU DIRECTOR GENERAL YASUHIRO INAGAWA HOSTED A WORKING
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LUNCH OCTOBER 31 FOR OES A/S EILEEN CLAUSSEN. DCM DEMING, EST MINISTER COUNSELOR WHITMAN, OES POLICY ADVISOR KIM-MITCHELL, OES SPECIAL ASSISTANT LAPHAM AND ESTOFF COMPRISED THE USG SIDE. FROM THE GOJ SIDE, ENVIRONMENTAL POLICY DIVISION DIRECTOR KAZUO MATSUNAGA, GLOBAL ENVIRONMENTAL AFFAIRS OFFICE DIRECTOR KAZUHITO SAKURAI AND DEPUTY DIRECTOR MICHIIRO KISHIMOTO, AND MITI'S AGENCY OF NATURAL RESOURCES AND ENERGY (ANRE) DIRECTOR FOR COORDINATION OF ENERGY AND ENVIRONMENTAL POLICIES TORU KOBAYASHI ATTENDED THE LUNCH. FOLLOWING THE LUNCH, A/S CLAUSSEN CALLED ON MITI VICE MINISTER FOR INTERNATIONAL AFFAIRS HISASHI HOSOKAWA (SEPTTEL).

GOJ: THREE CLIMATE CHANGE PRINCIPLES

4. DG INAGAWA OUTLINED THE THREE KEY PRINCIPLES ON WHICH MITI BASES ITS VIEWS ON CLIMATE CHANGE. FIRST, A FUTURE PROTOCOL MUST FOCUS NOT JUST ON THE MEDIUM-TERM (I.E. UNTIL 2010) BUT ALSO ON ADDRESSING THE LONG-TERM CLIMATE CHANGE SITUATION. SECOND, EACH COUNTRY'S CO2 EMISSIONS DIFFER

BASED ON A VARIETY OF FACTORS SO A FUTURE REGIME SHOULD
OUTLINE REDUCTIONS ON A DIFFERENTIATED BASIS. FINALLY, A
REGIME WHICH CAN ACHIEVE REAL CO2 REDUCTIONS MUST INCLUDE
DEVELOPING COUNTRY INVOLVEMENT.

INAGAWA: EUROPEAN CONSULTATIONS

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5. INAGAWA HAD JUST RETURNED FROM CONSULTATIONS IN EUROPE,
WHERE HE SHARED THE ABOVE VIEWS WITH HIS COUNTERPARTS IN
GREAT BRITAIN, FRANCE, GERMANY AND THE NETHERLANDS. HE SAID
THE EU CONTINUED TO PUSH ITS DESIRE FOR AN EU "BUBBLE," IN
WHICH THE EU WOULD AGREE TO AN OVERALL FLAT TARGET FOR CO2
EMISSIONS, WHILE SETTING DIFFERENTIATED RATES FOR EU MEMBERS
WITHIN THE "BUBBLE." NEVERTHELESS, FRANCE CONTINUES TO
SUPPORT DIFFERENTIATION, WHILE THE UK, GERMANY AND THE
NETHERLANDS SUPPORT A FLAT TARGET. INAGAWA REPORTED ALL
FOUR COUNTRIES AGREED DEVELOPING COUNTRIES' EMISSIONS MUST
BE FACTORED IN A FUTURE PROTOCOL, BUT THE EUROPEANS HAD NO
NEW IDEAS. INAGAWA SAID THE EUROPEANS ALSO AGREED THE USG
WOULD PRESENT A POSITIVE REDUCTION PROPOSAL, BUT THEY
THOUGHT THE UNITED STATES WOULD FACE DIFFICULTY ACHIEVING
THOSE REDUCTIONS.

CLAUSSEN: USG VIEWS ON GOJ PRINCIPLES

6. A/S CLAUSSEN SAID THE USG AGREES COMPLETELY THAT A NEW
REGIME MUST CONSIDER THE LONG-TERM. BECAUSE THE TECHNOLOGY
DOES NOT YET EXIST FOR SUBSTANTIAL GREENHOUSE GAS (GHG)
REDUCTION, POLITICAL LEADERS MUST PRESENT A VISION FOR LONG-
TERM GHG REDUCTION GOALS, BY WHICH THE PRIVATE SECTOR CAN

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DEVELOPING COUNTRY INVOLVEMENT

PURSUE TECHNOLOGICAL DEVELOPMENT. A/S CLAUSSEN SAID THE USG
DISAGREES WITH THE GOJ VIEW ON DIFFERENTIATION. REACHING
CONSENSUS ON A DIFFERENTIATED REGIME BEFORE COP-3 CONVENES
WILL BE NEARLY IMPOSSIBLE. INSTEAD THE USG BELIEVES SETTING
A UNIFIED TARGET FOR ANNEX-ONE COUNTRIES WHILE ALLOWING EACH
COUNTRY MAXIMUM FLEXIBILITY IN ACHIEVING THE TARGET IS THE
BEST STEP FORWARD. A/S CLAUSSEN AGREED WITH THE GOJ VIEW
THAT INVOLVING NON-ANNEX ONE COUNTRIES IN A FUTURE PROTOCOL
WILL BE IMPORTANT. SHE TOLD INAGAWA SHE WAS ENCOURAGED THAT
DURING HER CHINA VISIT, PRC OFFICIALS AT THE POLICY-MAKING
LEVEL SEEMED VERY WELL INFORMED ON CLIMATE CHANGE ISSUES AND
SAID THEY WERE WILLING TO TAKE ACTION. A/S CLAUSSEN SAID
HER CONCERN WITH REGARDS TO CHINA WAS ITS ABILITY TO
IMPLEMENT THE NECESSARY MEASURES.

REDUCTION BASELINE

7. IN RESPONSE TO A QUESTION FROM INAGAWA, A/S CLAUSSEN
SAID THE USG BELIEVES IT WOULD BE EASIER POLITICALLY TO
CONTINUE TO USE 1990 AS THE MEDIUM-TERM BASELINE IN A NEW
PROTOCOL. BOTH INAGAWA AND A/S CLAUSSEN AGREED IT WAS EASY
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FOR GERMANY, IN PARTICULAR, TO CALL FOR REDUCTIONS BELOW
1990 LEVELS AS IT BENEFITED FROM LOWER GHG EMISSIONS
FOLLOWING REUNIFICATION.

DIFFERENTIATION

8. INAGAWA FOUND THE EU "BUBBLE" PROPOSAL INTERESTING, BUT
TO ENSURE EQUITY, A DIFFERENTIATION OPTION SHOULD BE
AVAILABLE TO ALL COUNTRIES. IN THAT REGARD, INAGAWA THOUGHT
IT MIGHT BE BEST TO LAY OUT TWO GHG REDUCTION OPTIONS FOR
COUNTRIES TO CHOOSE FROM: ONE BASED ON A FLAT RATE TARGET
AND ANOTHER BASED ON A PER CAPITA OUTPUT TARGET.

9. A/S CLAUSSEN TOLD INAGAWA THE USG HAD YET TO ACCEPT THE
CONCEPT OF AN EU "BUBBLE." ON THE LATTER POINT, SHE SAID IT
WAS DIFFICULT TO SEE HOW ONE COULD FIND AN EQUITABLE
SOLUTION IF COUNTRIES ARE GIVEN A CHOICE OF REDUCTION

TARGETS. THE USG VIEW IS THE MEDIUM-TERM TARGET SHOULD BE REALISTIC AND NEED NOT BE OVERLY STRINGENT. IT MUST, HOWEVER, SIGNAL A SERIOUS COMMITMENT BY THE INTERNATIONAL COMMUNITY TO REDUCE GHG EMISSIONS OVER THE LONG-TERM.

10. A/S CLAUSSEN TOLD INAGAWA THE USG VIEWS THE NEXT TWO AGBM SESSIONS AS KEY VEHICLES TO HAMMER OUT AGREEMENT ON THE FRAMEWORK OF A LEGAL INSTRUMENT, WITHOUT FOCUS ON THE TARGET LEVELS. DISCUSSIONS CONCERNING TARGET LEVELS WILL ONLY START TO MAKE SENSE ONCE NEGOTIATORS AGREE ON A FRAMEWORK. INAGAWA SAID HE UNDERSTOOD THE USG POSITION ON THE SEQUENCE OF DISCUSSIONS, BUT SAID A TARGET LEVEL CALLING FOR

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REDUCTIONS, RATHER THAN EMISSION STABILIZATION, AFTER 2000 COULD RE-OPEN THE DEBATE ON PAST PRACTICES AND METHODS AND ULTIMATELY PREVENT CONSENSUS AT COP-3. A/S CLAUSSEN REPEATED THE USG'S VIEW IN SUPPORT OF A FLAT RATE WITH MAXIMUM FLEXIBILITY, OF WHICH EMISSIONS TRADING COULD BE AN IMPORTANT ELEMENT.

EMISSIONS TRADING

11. INAGAWA AND ENVIRONMENTAL POLICY DIVISION DIRECTOR MATSUNAGA EXPRESSED MITI RESERVATIONS REGARDING AN INTERNATIONAL EMISSIONS TRADING REGIME, QUESTIONING WHAT BASELINE WOULD BE USED AND WHO WOULD SET THE ALLOCATION. A/S CLAUSSEN SAID AN EMISSIONS TRADING REGIME WAS THE MOST FLEXIBLE, COST-EFFECTIVE AND EFFECTIVE APPROACH TO ACHIEVE REAL EMISSIONS REDUCTIONS. THE USG IS PREPARING A PAPER ON THIS ISSUE AND HOPES TO PRESENT IT AT AGBM-5. A/S CLAUSSEN SAID 1990 MADE THE MOST SENSE AS A BASELINE FOR A TRADING REGIME AND ACKNOWLEDGED THAT ESTABLISHING AN ACCOUNTING SYSTEM TO ALLOCATE LEVELS WOULD BE THE KEY ISSUE FOR DISCUSSION. SHE ALSO SAID THE USG COULD ACCEPT AGREEMENT IN PRINCIPLE AT COP-3 FOR A TRADING REGIME WITH A LATER DATE-CERTAIN FOR FORMAL ACCEPTANCE.

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DEVELOPING COUNTRIES

12. A/S CLAUSSEN TOLD INAGAWA SHE BELIEVED THE DEVELOPING COUNTRIES ISSUE WOULD BE THE MOST DIFFICULT ISSUE AT COP-3. THE USG ALSO HOPED TO PRESENT A PAPER ON THIS MATTER AT THE AGBM MEETING IN DECEMBER. SHE LAID OUT A LIST OF OPTIONS: IMPROVED REPORTING ON MEASURES TAKEN, AGREEMENT TO TAKE "NO REGRETS" ACTIONS, JOINT IMPLEMENTATION, AND AGREEMENT THAT NON-ANNEX ONE COUNTRIES WOULD BE BOUND BY POST-COP-3 REQUIREMENTS. A/S CLAUSSEN SAID IT WAS IMPORTANT THAT DEVELOPING COUNTRIES UNDERSTAND NOW WHAT OPTIONS THEY MAY FACE SO DISCUSSION CAN BEGIN AND ADVANCE IN THE LEAD UP TO COP-3.

13. INAGAWA SAID DEVELOPING COUNTRIES CAN SEE A SELF-INTEREST IN CO2 REDUCTION, AS IT IMPROVES ENERGY EFFICIENCY. THE GOJ, THEREFORE, FEELS THE INDUSTRIALIZED COUNTRIES SHOULD FOCUS ON A SYSTEM TO ASSIST DEVELOPING COUNTRIES TO IMPROVE EFFICIENCY, RATHER THAN EMPHASIZING MANDATORY ACTIONS REQUIRED OF DEVELOPING COUNTRIES. A/S CLAUSSEN

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AGREED A FOCUS ON NATIONAL INTEREST IS STRATEGICALLY IMPORTANT, BUT AT THE SAME TIME, NON-ANNEX ONE COUNTRIES SHOULD NOT BE LED TO BELIEVE THEY ARE NOT BOUND BY WHAT IS ULTIMATELY REACHED AT COP-3.

ENVIRONMENTAL TECHNOLOGY COLLABORATION

14. INAGAWA SAID SIGNIFICANT TECHNOLOGICAL BREAKTHROUGHS WILL BE NECESSARY FOR THE WORLD TO ACHIEVE MEANINGFUL REDUCTION OF GHG EMISSIONS AND ENERGY USE OVER THE LONG-TERM AND OUR TWO COUNTRIES SHOULD INCREASE ENVIRONMENTAL TECHNOLOGY COLLABORATION, BECAUSE THE UNITED STATES AND JAPAN ARE CLEAR LEADERS IN THE FIELD. A/S CLAUSSEN TOLD INAGAWA SHE ALWAYS QUESTIONED WHAT TECHNOLOGICAL

COLLABORATION MEANT IN THE INTERNATIONAL CONTEXT, BELIEVING MOST SUCH ACTIVITIES WERE MORE TECHNOLOGICAL DIFFUSION RATHER THAN DEVELOPMENT. NEVERTHELESS, SHE CITED POTENTIAL COLLABORATIVE VEHICLES THROUGH THE APEC CLEAN TECHNOLOGIES INITIATIVE.

CONCLUSION

15. BOTH A/S CLAUSSEN AND INAGAWA WELCOMED THE FRANK AND SUBSTANTIVE DISCUSSION AND PLEDGED TO MAINTAIN SUCH A DIALOGUE IN THE LEAD UP TO COP-3. INAGAWA SAID HE WILL BE IN WASHINGTON IN JANUARY AND HOPED TO MEET WITH BOTH A/S CLAUSSEN AND U/S WIRTH. INAGAWA ALSO INVITED USG
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PARTICIPATION IN A MITI-SPONSORED CLIMATE CHANGE SYMPOSIUM, WHOSE MAIN FOCUS WILL BE EMISSIONS TRADING, TO BE HELD IN FEBRUARY IN TOKYO.

16. OES A/S CLAUSSEN CLEARED THIS MESSAGE.
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