

Inching Forward at the Climate Talks in Buenos Aires

Victoria Kellett and Chad Carpenter

From 2–13 November 1998, delegates from 170 countries met in Buenos Aires, Argentina for the Fourth Conference of the Parties to the United Nations Framework Convention on Climate Change (FCCC). This was the first Conference of the Parties (COP) since the landmark Kyoto Protocol was signed in December 1997, committing industrialized countries to targets to cut their emissions of greenhouse gases. The task of COP-4, as it was called, was to start elaborating some of the details wrapped up in the Kyoto Protocol and the Convention. As it turned out, negotiators made little progress in untangling the complex issues on the agenda. Instead, following hours of tortuous negotiations that stretched into dawn on the 14th, they adopted the “Buenos Aires Plan of Action,” establishing a work program with firm deadlines for agreeing on issues.

In light of the scientific, economic and political complexity of climate change and the regime developed to combat it, a commitment to self-imposed deadlines is no small feat. But it would be a stretch to call COP-4 a success. The talks progressed at a glacial pace. With almost nothing achieved and 24 hours to go, most of COP-4’s key results were hammered out in closed-door meetings during the final day of high-level negotiations. Delegates from most countries were reduced to the role of onlookers, spending the night in the corridors while the major powers fought it out. Reflecting the highly political nature of the debate, negotiators seemed more unyielding than ever on key issues, signalling that the next two years will likely make or break the legitimacy of the climate change process.

Progress, however, appeared in other forms. Hovering over the deadlock of the formal negotiations, two intimately related events coloured the memories of COP-4’s 5000 participants and observers. The first was the much-anticipated decision by the host country, Argentina, to break ranks with its partners in the Group of 77 and China (a negotiating block of some 130 developing countries) and promise to undertake a binding commitment at COP-5 in 1999 to abate its greenhouse gas emissions. The issue of such voluntary commitments— targets for limiting emissions assumed voluntarily by developing countries—was kicked off the agenda. Nonetheless, informal discussions on this matter formed part of the meeting’s backdrop despite the concern of many developing countries that voluntary commitments would open the door for binding commitments or become a prerequisite for financial assistance. The second event followed less than 24 hours later in New York when the United States became the 60th country to sign the Kyoto Protocol. This article outlines the Buenos Aires Plan of Action, discusses the politics of voluntary commitments and other crucial issues, and offers some thoughts for the road ahead.

The Buenos Aires Plan of Action

The Buenos Aires Plan of Action is actually a sort of table of contents, referring to a series of documents committing governments to decisions on six issues that need to be resolved to make the Kyoto Protocol practicable. These are:

- work on the Protocol's Kyoto mechanisms;
- financial assistance;
- the transfer of climate-friendly technologies to developing countries;
- the economic implications of response measures;
- Activities Implemented Jointly (AIJ); and
- preparations for the first meeting of the COP serving as the Meeting of the Parties to the Kyoto Protocol (known as COP/MOP-1).

The Kyoto Mechanisms

One of the most significant outcomes of the meeting is the work plan on the three Kyoto mechanisms, formerly known as the flexibility mechanisms. Under these mechanisms, Parties to the Protocol can gain credit toward reaching their own reduction targets by helping other countries lower their emissions—an option that could be much cheaper than domestic measures to cut emissions. Such trading will allow industrialized countries to buy and sell emissions reduction credits among themselves. Joint implementation (JI) will provide credits for financing projects that avoid or reduce emissions in industrialized countries. Finally, the clean development mechanism (CDM) will provide credits for projects that abate emissions and contribute to sustainable development in developing countries. Since the mechanisms were included in the Kyoto Protocol at the last minute, the rules and guidelines for their operation have not yet been elaborated.

In Buenos Aires, few observers expected concrete decisions elaborating the Kyoto mechanisms. At best most observers hoped for a work program to sort out the Protocol's vague provisions by 2000. All the same, the discussions were dominated by controversial questions of detail, such as whether there should be a cap on the proportion of emissions reduction a country can earn through the Kyoto mechanisms. Developing countries and the European Union insisted on such a cap to ensure that most reductions in emissions are achieved domestically; a block of industrialized countries led by the United States (including Canada) steadfastly opposed it, stressing the need for maximum flexibility in meeting targets.

Another debate centred on whether to address the CDM first, since under the Protocol it can become operational as early as 2000, or to address all three mechanisms in tandem. Undoubtedly, this is an interesting dilemma. Many developing countries see some benefit to an early start to the CDM through flows of investment and technology. To expedite operation of the CDM, Honduras proposed an interim phase approach to enable learning-by-doing. However, most industrialized countries urged parallel development of the three mechanisms—a course most likely to ensure that they are compatible, competitive with each other, and that credits earned would be mutually interchangeable, or fungible as it is termed.

A few trade-offs can be found in the final work program on mechanisms. On the one hand, the work program supports the interim phase approach and ranks the CDM above the other mechanisms. On the other hand, it contains strong language on the “inapplicability” and “inadvisability” of capping the use of emissions trading and JI, provisions inserted under pressure from the U.S.-led negotiating bloc.

Other than that, the work plan is a relatively predictable list of key issues such as project eligibility, compatibility with sustainable development, and auditing and verification of credits earned. Two technical workshops will be held in the spring of 1999 to begin tackling the work program. Notably, too, the work plan acknowledges the need to build capacity with regard to the Kyoto mechanisms. The Climate Change Secretariat was asked to prepare a plan to facilitate participation of developing countries in CDM project activities, and for countries with economies in transition (Central and Eastern European countries and Russia) to participate in the other mechanisms.

Financial Assistance

Since the FCCC was negotiated in 1992, the issue of who pays for meeting the costs of compliance with the Convention has been hotly debated. Developing countries have long argued that they urgently need new and additional financial resources to enable them to meet the costs of addressing what they consider to be a problem caused largely by industrialized countries. Early COPs asked the Global Environment Facility (GEF) to act as the financial mechanism, with this arrangement reviewed every four years. In Buenos Aires, many developing countries expressed concerns over the inadequacy of the financial support provided to date, some even complaining about the GEF’s “paternalistic” approach.

During several difficult negotiating sessions, it became obvious that negotiators were stalling. Reflecting a pattern that emerged throughout the talks, all sides were waiting for the outcome of other agenda items before making concessions. In the end, the G-77/China held firm on the demand for progress, probably in exchange for agreement on the Kyoto mechanisms. The resultant breakthrough on finance broke a four-year deadlock on the issue. Under the decision, the GEF will provide funding to developing countries to implement adaptation measures, identify technology needs, prepare national communications, prepare national programs to combat climate change, raise public awareness and education, and increase capacity building. The decision also called for reform or improvement of the GEF to make it more responsive to a country’s needs and less prescriptive.

Technology Transfer

Since 1992 the development and transfer of climate-friendly technology has been debated almost as extensively, and with a similar lack of progress as the issue of financial resources. Developing countries have long argued that without the more advanced technology developed by industrialized countries, they have little hope of cleaner growth by leap-frogging over the older, dirtier technologies in use today. In Buenos Aires they argued that technology transfer should take place on non-commercial and preferential terms, involving governments and international organizations. Led by China, many

developing countries opposed any linking of transfer of technology to the Kyoto mechanisms, which they find highly suspicious. Besides, they argued, technology transfer deserves immediate attention because it falls under the Convention, which is already in force, and not the Protocol, which is unlikely to enter into force for several years. They proposed creating a technology transfer mechanism to formalize efforts to increase the transfer of clean technology.

Industrialized countries, led by the U.S., strongly opposed creating a technology transfer mechanism. They argued that the private sector is the main vehicle for technology transfer, and that the role of governments is solely to create an enabling environment. The negotiations entered a series of rather pedantic exchanges over what to call any action on technology transfer—a technology transfer mechanism or a framework for meaningful action. Breaking this deadlock, an exasperated Chinese delegate proposed doing away with the semantics and calling it a dog or a cat. Negotiators seemed determined to continue stalling until the high-level segment, where the ministers could make the trade-offs with progress on finance and the Kyoto mechanisms. As it turns out, the Plan of Action calls for establishing a consultative process that would produce recommendations on a framework for meaningful and effective actions for technology transfer, to be reported at COP-5. Technology transfer has been a deadlocked debate under the FCCC and other negotiations since Rio, and this seemingly simple language represents notable progress.

Other Decisions in the Plan of Action

Much of the discussion on the pilot phase of Activities Implemented Jointly (AIJ), which began in 1995, focused on the fact that most of the projects to date have taken place in a small number of developing countries with relatively developed infrastructure. Industrialized countries and some developing countries contended that the pilot phase already provided valuable lessons for the Kyoto mechanisms and there was no point extending it, despite the inequitable geographical distribution. Better, in their view, to get on with the development of the new mechanisms. But any linking of AIJ to the Kyoto mechanisms was met with mistrust from the G-77/China, as they favoured continuing the pilot phase so developing countries could build capacity and gain further experience. Their wish prevailed in the Plan of Action.

The final decision covering COP/MOP-1 provides a list of issues that the meeting should address with a list of tasks to be undertaken by the Secretariat and the various subsidiary bodies. It also provides deadlines and guidelines on the order of importance. One of the more notable issues in this work plan is compliance, which received a surprising amount of attention at COP-4. According to the plan, a decision on a compliance regime should be reached at COP-6 in 2000. A great deal of work, however, remains to be done before then, and given the difficulties in negotiating compliance regimes for any international agreement, it is unlikely that anything more than a weak compromise will be agreed to at COP-6.

Finally, the oil-exporting countries used every opportunity to raise the issue of compensation for adverse effects—economic losses, such as reduced oil revenues, that

could result from climate change mitigation. Their tactics involved trying to introduce the issue into discussions on the Kyoto mechanisms, an idea that was rapidly quashed by the industrialized countries to the point of inserting an item on the “inapplicability” of the compensation issue into the Kyoto mechanisms work plan. But they acknowledged that work was necessary. The Plan of Action includes a program of work on adverse effects that calls for specific actions and deadlines, including identifying initial actions needed by COP-5 and taking decisions on further action by COP-6 in 2000.

Great Expectations

In some quarters COP-4 was expected to be a straightforward, constructive meeting, where the principal decisions would be no more contentious than setting tight deadlines for a work program. This, however, was not to be. The first clue, of course, was the June 1998 meeting of the FCCC Subsidiary Bodies in Bonn, Germany. The purpose of the meeting was to begin fleshing out the details of the Protocol, particularly the specific rules, procedures and policies for its Kyoto mechanisms. However, the talks got bogged down and most of the work was postponed for COP-4. After Bonn, with months of precious time lost, it was hoped that negotiators would get on with the job in Buenos Aires. They didn't.

Despite overwhelming opposition from the G-77/China at previous meetings, Argentina placed voluntary commitments for developing countries on the provisional agenda, setting a tone of mistrust that ran throughout the two-week meeting. Throughout the deliberations, developing countries raised their guard against any hint of new obligations. This contributed to the deadlocked debate on the review of the adequacy of FCCC commitments and forced a postponement of the issue. The move also touched on a fault line running through the G-77/China since 1995, when it was fractured by the establishment of the Berlin Mandate to strengthen commitments for emissions reductions. The G-77/China saw the inadequacy of commitments in terms of the poor performance of Annex I countries (those that have set targets to reduce emissions). Industrialized countries, however, insist that the problem is a lack of global participation, particularly by key developing countries such as China and Brazil.

Moreover, the COP-4 agenda presented a compelling opportunity for the G-77/China to secure concessions on technology transfer, finance and capacity building by creating a *quid pro quo* between these issues and its cooperation on the elaboration of the Kyoto mechanisms. Obtaining these concessions, however, resulted in a round of hostage taking near the end of the meeting. Negotiators stuck for the most part to predictable and intractable negotiating positions, withholding support for a number of key elements in draft decisions in exchange for including their preferences. The arrival of ministers further contributed to the drive to withhold agreement. The links between the demands by the G-77/China for financial and technical assistance, associated with a desire to remain free of any attempt by developed countries draw them into new commitments, led to an unusually complex negotiation. Until the closing hours on Saturday morning, there were long and difficult exchanges on what turned out to be a win for the G-77/China on GEF

funding. The debate about adverse effects and economic compensation also became tied up in the package.

COP-4's seemingly unambitious task of establishing a work program turned into a complex attempt to anticipate important debates and exercise leverage. The resulting exchanges between negotiators were described as "confrontational in a mild form" but, in the end, a wasted opportunity. Expectations for substantive work on issues such as the CDM were frustrated. Nonetheless, the outcome contains a number of wins for developing countries, such as useful gains on finance issues. Industrialized countries had reason to promote such outcomes, primarily their strong interest in moving quickly to elaborate guidelines and principles for the Kyoto mechanisms.

Beyond the issues under negotiation, another controversial topic was the actual negotiating process itself. Complaining about the lack of transparency, a Swiss delegate asked the Secretariat to ensure that there would be no repetition of the last-minute lockout at future meetings. His point was valid. As a sovereign state and a signatory to the Convention and the Protocol, Switzerland and several other countries were nonetheless excluded from the most crucial negotiations because they were not the European Union, the U.S., or the G-77/China. Most of the talks conducted before the arrival of ministers in the second week turned out to be little more than a dress rehearsal for the political decision-making during the sometimes heated high-level exchanges.

Some suggested that the COP President, by failing to seek and accept advice on the issues, was ill prepared to cope with some of the complex dynamics of negotiations within the United Nations system. Others have noted that the combination of increased public scrutiny and the tough political trade-offs needed to reach a solution have created a situation where the real agreement will only happen behind closed doors. Failure to accept and act on this fact resulted in a haphazard process and threatens the overall credibility of Convention and the Protocol. One modest response was a decision to make greater use of intersessional ministerial meetings, an indication that the Kyoto Protocol is destined to absorb the time and energy of political administrations throughout the world.

Sign, Sign, Everywhere A Sign

Soon after Argentina's President Menem expressed his country's intention to adopt voluntarily a target to limit emissions for the 2008-12 period, the U.S. became the 60th country to sign the Kyoto Protocol. As with all other decisions, these events must be seen in the context of the debate over placing voluntary commitments for developing countries on the provisional agenda. When several countries of the G-77/China vehemently opposed the item, COP President, Argentine Environment Minister María Julia Alsogaray, struck the item off the agenda and suggested that informal consultations between interested countries proceed. Led by China, the G-77/China reacted furiously, urging the COP President, in a rather undiplomatic intervention, to remain neutral on the issue and to not facilitate informal consultations. Nonetheless, informal talks reportedly took place behind the scenes throughout the meeting.

With its announcement to assume a voluntary target, the host country took a further step toward meeting Washington's demand for meaningful participation by key developing nations. This amounted to a domestic political victory for the Clinton Administration. At a press briefing, U.S. lead negotiator Stuart Eizenstat called the decision "historic" and echoed Menem's view that "new pathways" to allow developing countries to become full partners will have to be found. One observer from a non-governmental organization suggested Argentina's decision opened the prospect of a new negotiation process to allow a developing country to accept binding commitments. Eizenstat hinted that further announcements of developing country commitments could be expected, noting that the small island states of Niue and Nauru had expressed interest. At the close of the COP, President Alsogaray reported that countries from both Latin America and Africa had also expressed interest in Argentina's approach. Kazakhstan, perhaps hungry for technology and funds, also promised to adopt an emissions reduction target at COP-5.

The COP President's determination to facilitate informal consultations on developing country commitments despite stiff opposition from within the G-77/China demonstrated a single mindedness that attracted much criticism. Argentina's ambition is linked, in part, to its candidacy for membership in the OECD and close links between Presidents Menem and Clinton. In pre-Kyoto bilateral negotiations, both men addressed joint implementation and credits. As the host country and close U.S. ally, Argentina was perfectly situated to break from the ranks of the G-77/China and accelerate an evolution in the FCCC process.

The issue of voluntary commitments remains a source of profound and polluting suspicion within the process. In much the same way as the loaded language of flexibility mechanisms has given way to the term Kyoto Mechanisms, observers believe that the term voluntary commitments may disappear from the discourse of the climate change regime to be re-cast in more acceptable language. Some countries, such as Indonesia and the Republic of Korea, displayed willingness to contemplate commitments before the U.S. and others transformed the issue into a *cause célèbre*—and a nightmare for unity within the G-77/China.

The Road Ahead

Sorting COP-4's signal from the noise can be difficult. Some participants saw the actions of Argentina and Kazakhstan as a bellwether breakthrough, showing the first signs of a change in developing countries' attitudes and changing the map of future negotiations. Observers saw a surprise success in the recognition by delegates that the Kyoto Protocol needs a credible compliance system to be effective. Others characterized the meeting as simply postponing most of its difficult decisions and doing little more than outlining the items to be discussed in the future. Still others labelled the agreement as an inaction plan and said a thick fog of jargon has obscured the real issue of escalating greenhouse gas emissions.

Pressure for agreement is escalating. The drama of Buenos Aires was played out against a backdrop of new scientific reports on unusual warming in the atmosphere and oceans and a year of unprecedented weather-related disasters, including Hurricane Mitch, the deadliest Atlantic storm in 200 years that caused more than 10,000 deaths. In China the flooding of the Yangtze River killed more than 3000 people, displaced about 230 million people and caused U.S. \$47.4 billion in losses. Bangladesh suffered its most extensive flood of the century last summer, leaving 30 million people temporarily homeless, and 16,000 kilometres of roads heavily damaged. Forest fires, fueled by drought-dried timber, devastated Russia's Far East for five months, burning 800,000 hectares. Preliminary estimates by the Worldwatch Institute and Munich Re of Frankfurt, Germany, the world's largest reinsurance firm, put total losses from weather-related disasters for the first 11 months of 1998 at U.S. \$138 billion. On 16 November, the U.S. National Oceanic and Atmospheric Administration reported that each of the first nine months of 1998 set new temperature records and October had been the warmest month on record.

At COP-3 in Kyoto, FCCC Executive Secretary Michael Zammit Cutajar said the key test for the Protocol process would be its ability to send a powerful economic signal to policy makers and the markets. Regular ministerial engagement with the process suggests that the political signal is gaining strength. Industry representatives at COP-4 reported that there is evidence, too, that the economic signal is penetrating new business and industry constituencies that are responding with greater pragmatism and increasing interest in identifying business opportunities. In the end, the significance of this meeting may not lie in the specifics of the Buenos Aires Plan of Action but in the fact that, despite their differing positions, delegates remained committed to restoring the momentum of the process by embracing the discipline of self-imposed deadlines.

The road toward that deadline, however, will likely prove quite rocky. Many devils will lurk in the details of each issue, particularly for the CDM and emissions trading. As one author recently commented, creating a viable emissions trading system is no less difficult than designing a monetary union. A decade would be needed under the best conditions; the Plan of Action allows only two years. A rapid timetable could yield an unworkable system that destroys the credibility of the Kyoto mechanisms.

Broader issues could also engender some lengthy battles. Most countries support establishing a strong compliance regime before mechanisms can operate, but little has been said on fundamental issues, such as how it will be structured and the penalties for non-compliance. The issue of supplementarity—the idea that reductions earned overseas must be only supplemental to domestic actions—could prove a deal-breaker for the U.S., which has steadfastly opposed capping the use of the Kyoto mechanisms. Developing countries underscored their need for capacity building and vowed that the commitments for technology transfer made under the Convention could no longer lie dormant. The term equity, once seldom heard at FCCC meetings, is becoming common parlance as developing countries remind industrialized nations that because they continue to emit the lion's share of greenhouse gases, they must lead the efforts to combat climate change.