

## Daily Reports from Lyon, France

(U.N. Climate Change Meetings)

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Friday, September 15, 2000

### *SHOULD THE U.S. BECOME U.S.U.N.?*

William Luers, president of the United Nations Association of the United States of America, has authored a strong argument for uniting the U.N. with U.S. interests. "*Choosing Engagement*", appears in the September/October 2000 issue of *Foreign Affairs*. Luers calls for assigning policy and budgetary relations with the specialized agencies of the U.N. to their respective U.S. government departments rather than to the broader U.S. State Department. The State Department might view such moves as reductions in its own scope, but funding of U.N. activities could become more assured, since such funding would simply be within each agency annual budget and would not have to be held hostage by any public antagonism against the United Nations.

Luers submits two specific examples. One would be the Department of Health and Human Services (HHS) taking on the responsibilities that the U.S. shoulders for the World Health Organization (WHO). The HHS annual budget would simply include the U.S. share of WHO's funding. A second "innovation would be to reassign major responsibility for U.S. support of the U.N. peace operations from the State Department to the Defense Department.... The Pentagon would be responsible for executing missions involving U.S. personnel and cover the U.S. share out of its budget."

Since the U.S. has no single department for the environment, where might the funding for the Kyoto Protocol go?

Isn't the natural selection the Department of Energy? Kyoto is all about energy rationing. Perhaps, being more accurate, the administration will change the name to the Department of No Energy.

Why would Americans feel favorable toward a global command center when the few examples coming out of global actors are even now so damaging to U.S. interests? The World Trade organization (WTO) has recently ruled illegal our \$4 billion a year

tax shelter for U.S. exporters (like Boeing Corporation). The European Union (EU) is expected to file a new suit next month with the WTO to retaliate against U.S. companies with trade sanctions - placing punitive tariffs on \$4 billion in U.S. goods. Yet, only socialist economics embraces the mindsets that allow states to meddle like this in economic affairs in the first place. Those who thought the WTO was about free trade were fooled. Central planners never have all the knowledge. Their policies are always doomed to produce dismal unintended consequences. F. Hayek called that idea "*The Fatal Conceit*."

Developing countries are screaming "You know our needs. Start sending stuff!" The G-77 plus China are demanding that "\$X billion U.S. dollars per year" be placed into a tech transfer fund. Both the Convention and the Protocol promise technology transfer from developed Annex I countries to developing countries, but the old saw "Be careful what you wish for" comes to mind. Buckminster Fuller once said, "Humans can not change humans' behavior; but, technology can."

Do you think oil prices will just keep rising now? The truth is that OPEC faces real competition from technology. An absolute oil glut could result from the reduction of consumption caused by technological advances and increased production from non-OPEC areas. Such a scenario would make futile the attempts by European nations to restrict energy use by their placement of ecological taxes upon petrol. The presence of abundant and affordable fossil fuels is not helpful to groups who wish to eliminate the use of fossil fuels.

Besides demanding technology transfers now, developing countries desire a new fund for adaptation. They are requiring that disasters be linked to climate change for the funds to be accessed. Yet, how do you make that link? How can "disaster" ever be linked to climate change? After all, climate change is not weather. Will the funds never be accessed?

Can the word technology be used by itself, or must groups now bend to the demand that the word always be three words? The demand? Use "environmentally sound technology" instead of "technology." Did you think that thought cops lived only on university campuses?

Any time spent trying to understand the French and their positions is a reminder that "bureaucracy" is a French word. In response to a direct question about projects not on the EU list, a French minister took five and a half minutes to say, "Projects on the list can start." Thanks for nothing. The infamous EU list does not include any coal project, any nuclear project, or any large hydro project.

Both the EU and the U.S. delegations have cautioned all of us that we should not expect too much from COP6 now. That is quite a change from their assurance that COP6 would lead to the soon thereafter ratification of the Kyoto Protocol. The uncertainties about CDM projects will continue for years. Hopefully, the U.S. will balk at engaging in legally binding Protocol activities, such as prompt start for CDM projects, before any legal ratification of that Protocol. The EU has said clearly, also, that early crediting of Joint Implementation (JI) projects "is not in the Protocol."

Two shifts appear to have taken place in these past two weeks. The U.S. and the EU are definitely working more closely together. Their language toward each other is softer. Even environmental groups are now worried that the EU is getting into a negotiating mode, particularly where caps and lists are concerned. Secondly, the head of the developing countries this session has been Nigeria. Nigeria is an oil producing country. As such, they are not unsympathetic to industry concerns.

Late into the night tonight business NGOs will be given three minutes to read a position paper. Few delegates and fewer NGOs will still be around. Most will have returned home or rushed off to further UN meetings.

Hopefully the position statement will reflect the need for free enterprise to make appropriate responses to environmental concerns.

Hopefully the position statement will not call for a merging of the U.S. into the U.N. agencies as William Luers envisions.

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**Thursday, September 14, 2000**

***BRACKETEERING AND RACKETEERING IN LYON***

"We came. We saw. We bracketed," is the phrase that raised laughter at an early morning meeting of business NGOs. Should this Lyon meeting be called "The World Bracketing Council?"

Bracketeering?

Parties will "bracket" whatever pieces of the text at hand that they wish to reserve for further discussion, or further fights. The G-77 (developing countries plus China) took Land Use, Land Use Change and Forestry (LULUCF) hostage last night, bracketing anything dealing with sinks (ways to sequester carbon in soils or forests). The generally patient Chairman Chow almost walked out of his meeting. Is the G-77

splitting into two parts? China wants nuclear but no sinks included in CDM. Others want sinks but no nuclear. LULUCF is viewed by many to be the chief issue at this meeting.

But, bracketeering comes with a price. Political decisions at The Hague will now need to knit through no fewer than 18 different texts. They no longer can just drop in as they did in Kyoto. The area called Mechanisms, for example, is today up to 270 pages of text. This complexity presents an insurmountable task for the ministers of states at COP6 - the 10,000-attendee event in November. A head delegate remarked that the problem was that the language of the Kyoto Protocol was too loose and too vague. She worries that vagueness has permitted everybody to insert his own interpretation of an idea or a phrase.

Why have the texts become so unwieldy?

Unwieldy is what results when bureaucrats decide to write an economic plan for the entire world. Single enterprises have difficulty writing workable economic plans. Try writing one for the world.

So, is it possible that the real sticking point is that that the energy-rationing plan called Kyoto has no relevance to the economy of the twenty-first century? As a headline example of how little politicians understand economics, read Germany's Chancellor Schroeder insisting that only higher fuel taxes will alleviate his country's high unemployment problem. Higher taxation will yield higher employment? That view is so wrong-headed that Schroeder should be sent back to elementary school.

The new economy has huge energy demands. If the Greens thought that cyberspace did not use any resources, think again. Microelectronics utilized 14% of electricity resources last year, up substantially from the 8% the year before. Greater than 60% of Internet usage is now outside of the United States. Wireless technology and bandwidth represent a portal for individual creativity in the developing world that will lead the ongoing revolution toward free societies.

Racketeering?

And just how free will the world's freest society remain if the we cave in to pragmatism and begin implementing the Clean Development Mechanisms BEFORE this Kyoto Protocol is ratified?

Wouldn't such a "prompt start" be a rash leap over our Constitutional requirements? Heavens, if one values only efficiencies and pragmatism, the U.S. should just be a dictatorship.

Just such a rush to earn rationing coupons and a rush to sell hardware and a rush not to be left behind on this global warming bandwagon is driving many industry groups to support such premature implementation of a treaty that is yet to be ratified - if ever. These individuals are loudly trying to force the creation of a pseudo-executive group to emerge from COP6 with the assumed authority to grant CDM projects for Assigned Amounts Units (AAUs).

This pragmatic, but illegal, position needs to be seen as the racketeering that it really is. Unfortunately, United Nation events specialize in this.

One does not need to go any further back in UN history than 1998 to watch prime racketeering in action. With zero authority to act in their Charter, the UN created an International Criminal Court whose enforcement arm can grab individuals, not just nation-states, and apply universally, not just to parties.

So, who needs ratification?

Who needs to approve this global socialism?

No approval is required.

Good men just need do nothing for the planned economy to suffocate freedom.

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**Wednesday, September 13, 2000**

***THE CLOWNS ARE HERE. SEND IN THE TRADERS ?***

Are wood-burning stoves really what delegates had in mind, as WWF suggests, when the Clean Development Mechanism (CDM) was created?

How can people bemoan the possibilities of food shortages while they protest GMOs (genetically modified organisms)?

Could it be that no one really cares what the global temperature of Earth is just so long as some global group will promise China and India that they will receive a guaranteed amount of rainfall for their annual crops?

Can anybody out there tell anybody in here what the real impacts upon real businesses and taxpayers will be from either seller (generator) or buyer (user) liability to an emission trade?

Such complexity ! Send in the traders. Or, is that what this complexity is about ? Are we intent upon the creation of yet another new trading bureaucracy ? Traders in the current SO2 acid rain markets are here salivating at the prospects. They adore phrases like " forward transactions, hedging markets, derivatives, junk bonds, options and puts. " Is the trading future world an opportunity or an expensive obstacle to market entry by new businesses?

Trading models based upon future projections, such as Environmental Defense Fund is pushing, are being rejected out-of-hand as bogus. Is it irony to watch climate models based only upon future projections embraced as gospel instead of also being rejected out-of-hand as bogus?

Real operations, like EXXON/MOBIL, are wondering just how any of these " credits " can be used to satisfy anything. What are the larger consequences of being out of compliance ? Isn't it just possible that a cascade of non-compliance by a number of countries could invalidate all of the Assigned Amount Units (AAUs) earned up until then ? What if the forest, that has provided you CDM credits, burns up ? Is it possible that those groups pushing for fast track CDMs do not care as much about the certified emission reduction credits (CERs) as they care about pushing hardware?

Why is one credit called an AAU and another a CER and another an ERU?

The mother Article assigned the name.

- AAUs are Assigned Amount Units. They are the name to the credit for Emissions Trading (ET) covered in Article 17. ET is between developed (38) countries.
- CERs are Certified Emission Reductions. They name the credit received from Clean Development Mechanisms (CDM) covered in Article 12. CDMs are between developED and developING countries.
- ERUs are Emission Reduction Units. They name the credit available from the mechanism called Joint Implementation (JI) covered in Article 6. JIs are between developed countries.

All of these credits are, after all, just rationing coupons.

Historically, what rationing systems have ever delivered more benefits than harms to consumers?

Send in the clowns ? Send in the traders? Don't bother. They're already here.

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**Tuesday, September 12, 2000**

### ***WHO BENEFITS?***

Truckers block major roads across Europe in protest of higher fuel prices. Participants in Lyon work on details of compliance and enforcement for a Protocol that will necessarily increase the cost of those fuels.

Major U.S. utilities edge closer to brownouts and blackouts. Participants in Lyon move closer to restricting energy development projects to short lists of politically-correct renewable-sources that have no record for being able to deliver the required energy.

Free society and free enterprise have delivered health and wealth to this world. Business non-governmental organization (NGO) representatives in Lyon are told that it is the environmental NGO that is the conscience of this process and that they – business- are merely the labor.

The *Scientist* reports that "in Europe a rising tide of retracted papers and some high-profile fraud cases are finally stirring research groups into action ...the very structure of research institutions might be creating an environment that encourages research misconduct." A chemical scientist, who has been involved in the United nation programs since 1981, at dinner last night agreed that man was not causing any catastrophic global warming, but that the important thing was to bring the world on board the sustainable development train.

Business needs to work with an understandable and quick process, not a complex ball of wax. Recalling that the first project under the Montreal Protocol took four years to obtain approval, business is reasonably apprehensive. Michael Cutajar, Executive Secretary of the UNFCCC, in yesterday's welcoming ceremony pronounced "The Protocol is a building block of a new international regime. By setting targets and thus creating scarcity value, it will generate potentially important new markets. Economic actors will not be attracted, however, if the targets are achieved by window dressing."

We participants at Lyon are witnesses to the creation of yet another planned economy. This one will be global, not continental. This one will have perpetual commitments, not five-year plans. This one, like all the others in all of history, will benefit only the planners.

We know who benefits.

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**Monday, 11 September 2000**

***LYON TALKS PREPARING FOR RATIFICATION OF KYOTO AT COP6***

LYON, FRANCE - Denial of accreditation welcomed this author and most representatives of the nuclear industry at the United Nations Framework Convention on Climate Change talks in Lyon this morning. Surely, this was not deliberate harassment. But, four hours of delay provided plenty of time to take a fresh pulse on the mindset of those pushing for implementation of the Kyoto Protocol at the Sixth Conference of the Parties (COP6).

The Lyon graphics everywhere in the large Congress Hall are typhoon-like, explosive, deep-blue oceans, suggesting that man's emissions of carbon dioxide have caused severe storms. Where are the references to scientist James Hansen's recent bombshell? No mention. No mention at all that Hansen's study downplayed the importance of carbon dioxide in any potential warming scenario. Why are delegates from 150 nations meeting here in Lyon to finalize preparations for the top ministers' negotiations to be held in The Hague in the Netherlands in November if restricting carbon dioxide emissions is now seen by the original global-warming scientist to be unimportant? What does Hansen call important? His study urges more concentration on human-induced methane (rice paddies and cows). Will people of Africa and Asia appreciate this fresh focus?

Evidence is everywhere that The Nature Conservancy, Greenpeace International, WWF International, the National Environmental Trust, the Centre for International Environmental Law and the French Ministry of the Environment think that the United States is undermining the emission reduction commitments agreed to in Kyoto in 1997. [It is important to note here that no nation that will have to comply with the Kyoto restrictions has ratified it. Twenty-two others have ratified it in the three years since its passage.] The U.S. wants to count the CO<sub>2</sub> absorbed by forests and the soil as part of their reduction in emissions. The core Greens object, because that could get the U.S. off the hook for more stringent energy-reducing actions. Scientists now see that the world's forests will continue to serve as significant carbon sinks, removing CO<sub>2</sub> from the atmosphere.

In U.S. forests and in U.S. soil used for crops and livestock grazing, 310 million metric tons of carbon dioxide is absorbed annually. Texas, state of the Republican Party Presidential candidate Bush, devotes 78% of its land use to agriculture and livestock grazing. Texas might become major Kyoto Land. How important would any of this be if carbon dioxide were to be viewed as the friendly gas rather than the satanic gas? What if other scientists were to begin to acknowledge that Jim Hansen has a valid climate science point?

The legally binding Kyoto targets are unrealistic and unachievable for other reasons. Remember that in the summer of 1997 the U.S. Senate passed 95-0 a resolution rejecting the Kyoto Protocol because of the economic damage it would inflict upon Americans. Closing plants before their useful life had ended would produce more unemployment than normal and produce actual negative changes in standards of living, not just in lifestyles.

Some would be hurt more than others would. An analysis by Management Information Services of Washington, D.C. revealed this year that implementing Kyoto would be a disproportional threat to the economic well being of Hispanics and Blacks in America. "It has taken more than twenty years to overcome the economic harm due to minority communities by the energy crisis resulting from the Arab Oil Embargo," the report stressed. As many as 3.2 million American jobs would be put at risk by the roughly 30 percent reduction in anticipated energy use in America. Hispanic (511,000) and African-American (864,000) workers hold 1.4 million of those jobs.

The final week of climate negotiations before COP6 is begun. Little time remains. Rather than clearing the air of carbon dioxide, shouldn't we be clearing the air of faulty science and harmful economics?