

CC R Wilson



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PRIME MINISTER

GLOBAL CLIMATE
[Cabinet Office Note of 14 April;
Notes from the
Foreign Secretary (14 April), the
Secretaries of State for the Environment (14 April),
Energy (12 April) and Transport (12 April), the
Minister of Agriculture, Fisheries and Food (13 April)
and the Chief Scientific Adviser (12 April)]

DECISIONS

You commissioned these papers at your meeting on 12 January. They raise two main groups of issues: whether there is a case for new international initiatives by the (United Kingdom) UK; and what measures the UK should be prepared to support as part of any international agreement.

2. The Foreign Secretary's first paper suggests two possible components for a UK international initiative:

i. proposals to strengthen the existing United Nations institutions (particularly the United Nations Environment Programme (UNEP)), as an alternative to M. Rocard's proposals for a new international authority. Sir Crispin Tickell has proposed going further, perhaps by introducing a new environmental role for the UN Security Council;

ii a campaign for an international Convention on Climate Change. The Foreign Secretary proposes an early umbrella Convention enshrining general principles, with specific action reserved to separate protocols which

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would be agreed in subsequent negotiations. Sir Crispin Tickell has suggested a third element: a code of good climatic behaviour, standing between the Convention and binding protocols.

3. The remaining papers cover possible measures which the UK might support as part of any international agreement, in the following areas:

- i. deforestation. One option would be to build on your existing forestry initiative. Another, proposed by Sir James Goldsmith, would be to seek to link action on forestry with action on third world debt;
- ii research. The Chief Scientific Adviser's paper suggests ways in which the UK research effort might be strengthened as part of an international research effort. On one issue - UK support for the proposed ERS-2 satellite - there may be a case for a decision at this stage;
- iii energy industries;
- iv. transport;
- v. agriculture.

4. You may be able at this meeting to get a decision on the principle of an international initiative. But further work will almost certainly be required to assess any proposals for changes in domestic policy. Mr Ridley's proposals for example have not been covered in the papers from Mr Parkinson and Mr Channon, and more study will be needed of their cost. The meeting might aim



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at establishing a short list of proposals for domestic action to be worked up in more detail and discussed at a further meeting.

5. You will also wish to consider the part the seminar could play in this. The best course might be to take provisional decisions on the international initiative and the short list of domestic decisions, which could be added to or modified if the seminar produced new ideas.

MAIN ISSUES

Strengthening international institutions

6. Action to strengthen existing international institutions is clearly an attractive alternative to M. Rocard's proposals for a new international authority. Indeed you have already referred publicly to the need for such action, in your speech at the end of the recent Ozone Conference.

7. The Foreign Secretary's paper is not specific, but he seems to envisage action restricted to strengthening the United Nations Environment Programme (UNEP). Sir Crispin Tickell has questioned whether this approach is likely to be successful, given UNEP's location in Nairobi (isolated from other UN institutions) and its low overall funding. He has suggested the alternative of strengthening UNEP at the technical level, but extending the role of the Security Council to provide a top political forum on environmental issues.

8. At first sight, this option could have advantages: the UK would have a permanent seat and presumably a veto at the top level. But there could also be disadvantages, eg over the extent to which the Security Council would have authority to require action from individual countries. All the issues would need to be considered thoroughly before proceeding. You might aim to take a preliminary view, and ask the Foreign Secretary to report urgently on the detailed implications of the option you favour.



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An international Convention on Climate Change

9. The Foreign Secretary's paper proposes that the UK should campaign for an international Convention on Climate Change. This idea is already being put forward by other countries, eg Canada. The advantage of a UK initiative would be that we could better influence the form and coverage of the Convention: for example, we might aim to restrict it to climatic change, excluding issues like acid rain which the Canadians are likely to want to include. The risk to be weighed is that we would have to offer greater changes in domestic policy (with substantial economic costs) if we were demandeurs. Perhaps the most important issue running through all these papers is how far the UK should be prepared to offer to adopt new policies which would entail substantial economic costs in one or more key areas (eg research, forestry, debt and aid, energy, transport and agriculture) if other Western countries are prepared to do likewise.

10. There appear to be two main options for the form of a Convention:

i. an all-embracing Convention, including all the specific action required of the signatories. Under this model we could be certain what obligations we were accepting if we signed. But such a Convention would probably take many years to negotiate;

ii an umbrella Convention with action reserved to detailed protocols. Such a Convention might be agreed relatively quickly. But we would be making a general commitment to action in advance of detailed negotiations on specific issues with the risk that action on those issues would involve us in costs we could not easily avoid.

*It would have
to be a Declaration
of Intent*



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The Foreign Secretary proposes an Umbrella Convention as the best way forward. If the group do favour it, you might consider how far it would be necessary, before taking a final view, to decide what we could offer in specific areas.

Code
11. Sir Crispin Tickell has suggested the additional refinement of a code of good climatic behaviour, between the general principles enshrined in an umbrella Convention and the binding protocols. This seems a promising approach, and you might ask the Foreign Secretary to include it in further work.

Deforestation

12. The UK has a good record on forestry domestically, and considerable expertise in this area. This therefore seems a good area to be included in any UK international initiative. We might put forward proposals for a protocol on forestry, covering such area as replanting, sustainable exploitation and agro-forestry.

13. You will wish to consider whether to go further, and support positive action to help and encourage developing countries to reverse deforestation. Options include:

i. an expansion of the existing UK forestry initiative (which implements your pledge to "direct more of our aid to encourage the wise and sustainable use of forest resources"). This would mean devoting more aid resources (bilateral and/or multilateral) to forestry projects;

ii. environmental conditionality. Conditionality could apply either to aid or to economic assistance (eg from the IMF). But the papers submitted by the Foreign Secretary argue against both approaches;

iii. a link with action to solve the third world debt problem, as proposed by Sir James Goldsmith. This idea is discussed in detail in a separate paper prepared by the Foreign Office and the Treasury. They suggest that it could



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have attractions in dramatising the importance of action on forests. But they point up substantial disadvantages: it would amount to providing substantial new aid to debtors to prevent deforestation; their ability to deliver is uncertain; and it would involve developed countries' Governments taking over debt owed to commercial banks, contrary to the general UK stance, eg in relation to the Brady proposals.

14. You will want to consider whether further work should be commissioned into any of these options. Sir James Goldsmith will be at your seminar on 26 April, so you will be able to hear his ideas at first hand then.

Research

15. Research is another area where the UK has a strong position. The Chief Scientific Adviser's paper suggests three areas in which we might propose additional effort as part of an international programme:

i. the development of a Centre for Climate Modelling, at an additional cost of £3-4 million per annum;

ii. participation in the proposed ERS-2 earth observation satellite, at a cost of £60 million from 1989/90 to 1996/97;

iii. participation of 10% in the World Ocean Circulation Experiment (WOCE), at a cost of around £33 million over 7 years from 1989/90.

16. The Chief Scientific Adviser has not attempted to resolve the issue of funding for these additional projects: with one exception (ERS-2 - see below) he suggests that this should be addressed in the forthcoming PES round. You will wish to consider whether it would be right to endorse these proposals now, in advance of sorting out the financial implications. The



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alternatives would be to ask Ministers to resolve funding now; or to defer all decisions until the PES round.

17. The Chief Scientific Adviser's second paper suggests that there may be tactical advantage to the UK (in relation to another satellite) in declaring support for ERS-2 in June, even though decisions will not be taken by the ESA Council until October. If you accepted this, decisions on funding would be needed soon. The Secretary of State for Trade and Industry has offered to meet half the costs (£30 million). The remaining £30m could be met in three ways:

- i. also by DTI, because of their general responsibility for ESA application satellites;
- ii. by the Departments responsible for aspects of the understanding of climate change, DOE, DES and MOD;
- iii. by all the Departments with an interest, including also DEn, DTp and MAFF.

Academy admin
You will want to consider whether there is a strong case for an early decision on ERS-2, and if so, where the costs should fall (you might ask the Chief Secretary to take the lead in resolving this issue).

Energy industries

18. The Secretary of State for Energy suggests that the vigorous pursuit of existing policies, particularly the non-fossil fuel obligation on the privatised electricity industry, should ensure that carbon dioxide emissions from the energy sector (excluding transport) are unlikely to increase significantly above the 1979 level through the period to 2005. They would however still be somewhat above the current level and, depending on the assumptions made, might be substantially above it. You may wish to ask him whether a freeze on this basis could form the basis of a UK proposal for a protocol on carbon dioxide emissions and



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about Mr Ridley's alternative suggestion for a 10% improvement in "carbon efficiency", expressed as the ratio of carbon dioxide emissions to GNP. There would however be risks in a commitment on either basis: we might be obliged to take very expensive remedial measures if we missed the target.

19. The Secretary of State also refers to other domestic action:

i. on energy efficiency. He proposes a duty on the electricity industry (as on the gas industry) to offer advice to customers. He is discussing with the Chief Secretary proposals on public sector energy efficiency (endorsed in principle at your previous meeting). He also proposes action on Home Improvement Grants and Building Regulations, which are matters for the Secretary of State for the Environment. Subject to Mr Ridley's views, you may wish to encourage Mr Parkinson to follow up these points.

ii on new coal-burning technology. He is pressing British Coal to seek industrial funding, but suggests he may need to make a PES bid for Government support in due course.

20. In addition, you will wish to consider whether there are other energy options which deserve consideration, such as combined heat and power (CHP), which was mentioned at your previous meeting or a moratorium on major new fossil fuel power stations, as proposed by Mr Ridley.

21. Mr Ridley's minute refers to possible fiscal measures. He may use this as a peg on which to hang the suggestion of a "carbon tax", perhaps suggesting that a study should be put in hand, so that at the Summit the UK may at least be able to say that it is exploring the issues. It is certainly an important



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area and there is scope for doing quite a lot of work on it. But the Chancellor is likely to be sensitive about any intrusion into fiscal policy. If the point is raised, you may wish to suggest that Mr Ridley should discuss the issue bilaterally with the Chancellor.

Transport

22. The Secretary of State for Transport's note predicts that carbon dioxide emissions from road transport are likely to continue to increase as in recent years. Measures which he suggests might reduce (but not halt) the rate of increase are:

i. wider adoption of lean-burn technology, which can achieve 10% better fuel economy than the alternative 3-way catalyst approach. However he accepts that it is unlikely to be possible to persuade countries which have already adopted 3-way catalysts (the USA, Canada, Australia, Japan and EFTA members) to switch. He also notes pressures in the European Community towards 3-ways catalysts, and doubts about whether the balance of environmental interests really favours lean-burn. You will wish to decide whether this should be pursued further.

ii fiscal measures to reduce fuel consumption. He says that every 1% increase in fuel prices might be expected to cut consumption by nearly 1% in the long term. This suggests that fiscal measures might be an attractive option for an international agreement, consistent with our general preference for market mechanisms to encourage fuel efficiency. You may wish to invite him to pursue the issues bilaterally with the Chancellor.

RPI
impact?



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iii. radical measures to restrict vehicle usage, such as road pricing or major investment in public transport. You may wish to leave these issues to be dealt with as part of transport policy.

23. Another approach, suggested by Mr Ridley, would be to call for a 20% increase in vehicle efficiency by the end of the 1990s. You will wish to consider whether this or any of the other options should be the subject of further work.

Agriculture

24. The paper from the Minister of Agriculture, Fisheries and Food suggests that agriculture is a very small net contributor to the greenhouse gases. He says that there is no reason to change our existing range of policies in the EC for reducing surpluses whilst encouraging farmers to be more environmentally friendly. This may be right in general terms although you may wish to ask whether there is scope for further increasing forestry and reducing crop production; this could save money as well as helping environmentally. But agriculture in the third world may be a substantial contributor to methane emissions. You may wish to ask Mr MacGregor whether there is scope for a protocol in this area.

Other greenhouse gases

25. The Secretary of State for the Environment suggests developing UK proposals on the secondary greenhouse gases (eg CFCs, methane). Action here might be much more cost-effective than action on carbon dioxide. You might ask Mr Ridley to bring forward detailed proposals in this area, and particularly on methane from landfill sites, where there appears to be substantial scope for action.

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14 April 1989