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SENSITIVE

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NEGOTIATIONS

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1. (SBU) SUMMARY. Several climate change issues are proving difficult to resolve within the EU, according to Dutch negotiators. For example, EU support for a 30 percent emission reduction by 2020 is "crumbling"; and the debate over burden sharing of climate change costs is gathering steam. Our interlocutors tell us they have a growing list of specific impasses that ministers will have to resolve at a political level in coming months as working groups cannot reach consensus. END SUMMARY.

2. (SBU) EconOff met with key members of the Dutch climate change team September 4: Sanne Kaasjager from the Ministry of Foreign Affairs (MFA), and Gerie Jonk from the Environment Ministry (VROM). Kaasjager represents the Netherlands at EU and international negotiations. Maas Goote, normally the

Dutch lead climate change negotiator, is seconded to the EU this year to serve as the EU troika's lead negotiator. By virtue of Goote's position, the Dutch have an insider's account of EU climate deliberations.

EU Support for 30 percent Mid-term Target "Crumbling"

3. (SBU) Kaasjager said Member States are now wrestling with the question under what circumstances will the EU commit to a 30 percent -- rather than 20 percent -- emission reduction by 2020 versus 1990 levels. He said EU support for the 30 percent target is "crumbling" and this is emerging as a major issue at European political levels. The Dutch government has already sold its public on the need for a 30 percent reduction in order to meet the goal of limiting global warming to 2 degrees Celsius. Kaasjager indicated the Dutch are holding firm to the 30 percent target because leaders fear anything less will provoke a political backlash domestically.

Squabbling Over Financing Underway

4. (SBU) The Dutch were pleased the draft October European Council points mention the figure of EUR 100 billion by 2020 as funding needed to help developing countries deal with climate change. This is not surprising as the Netherlands is among the world's most generous donor countries. However, Kaasjager alluded to a fierce debate shaping up within the Dutch government over where the Dutch portion of EU member states' contribution will come from. Opposing camps want the money to be either "new and additional" funds on top of existing development programs or diverted from existing foreign aid accounts. He said this debate's timing is particularly unfortunate for Development Minister Bert Koenders because it coincides with a larger government-wide budget review process as the Netherlands tries to rein in its climbing public deficit. Kaasjager predicted this debate over climate finance "burden sharing" will gather momentum in coming months in The Hague and other EU capitals.

5. (SBU) How developed countries should channel their climate assistance funds is another sticking point within the EU, according to Kaasjager. Opinion is split between advocates of centralized and decentralized channels. The Netherlands shares the U.S. preference to leverage private financing wherever possible, but is more comfortable with centralized UN administration of public funds to fill specific gaps.

Consensus on AAUs Elusive
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6. (SBU) Kaasjager warned that handling the EU's surplus Assigned Amount Units (AAUs) is a technical issue quickly escalating into a political one. He said Eastern European Member States with substantial AAU surpluses want to carry them forward post-2012 to provide "room for economic growth," allowing them to offset future emissions increases with these old credits. He said countries like Germany and the Netherlands are concerned these surplus AAUs will depress carbon prices in the EU Emissions Trading Scheme (ETS). He said the EU has not reached consensus on this issue and will likely trade off concessions on AAU surpluses against intra-EU burden sharing levels.

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Dutch Questions about U.S. Climate Change Position

7. (SBU) When asked about Dutch reaction to the U.S. approach at recent climate negotiations, Kaasjager mentioned three areas where they would like more information to help them play a constructive role:

- U.S. position on financing issues; they are eager to find common ground.
- U.S.-China climate cooperation and how EU can play a role.
- What type of commitment the United States will be prepared to make at Copenhagen (and how that affects the agreement's structure) as well as our preferred timeline (e.g., a political pledge in December with a follow-up process to complete negotiations).

GALLAGHER

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