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# International Environmental Intelligence Brief

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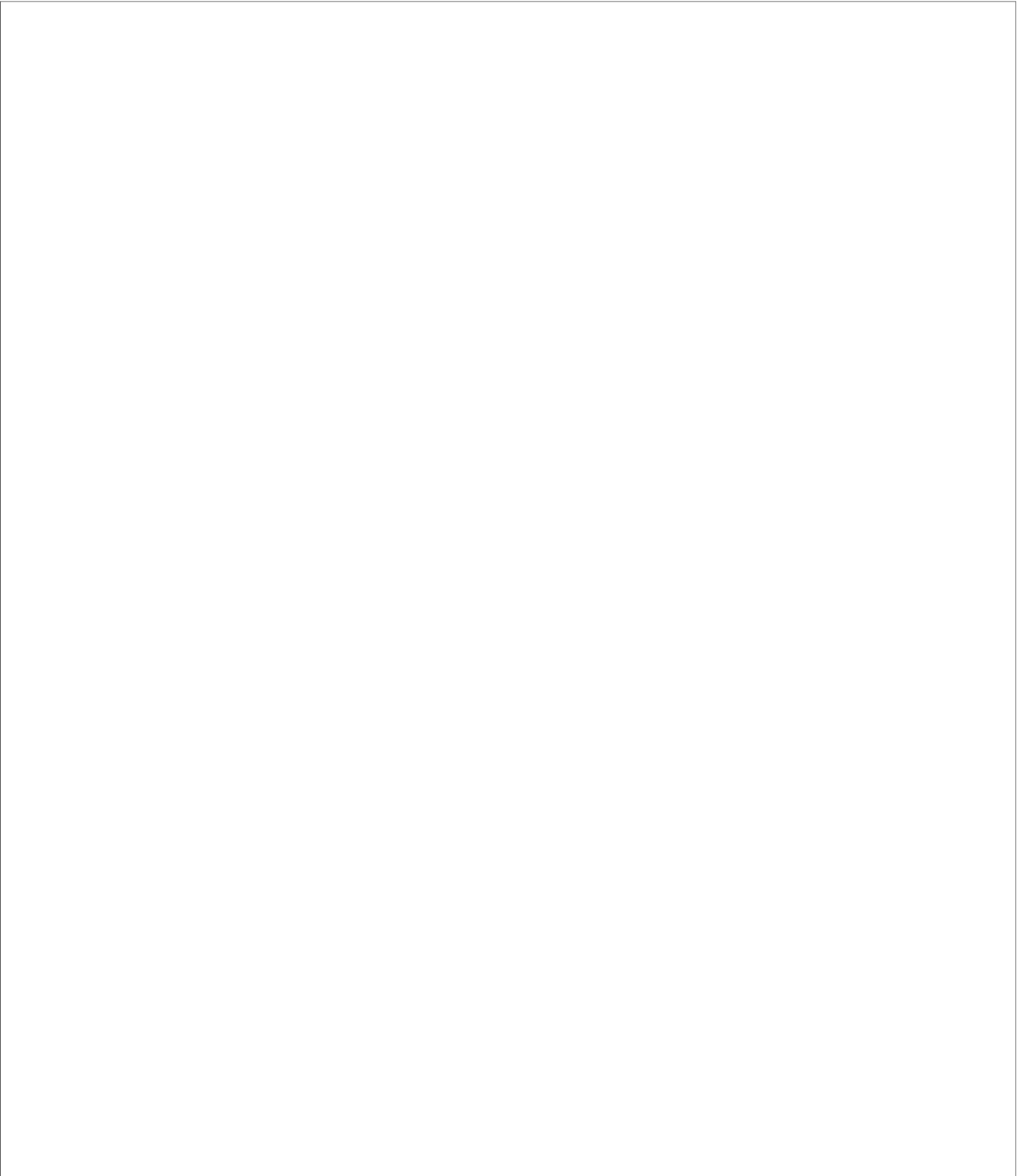
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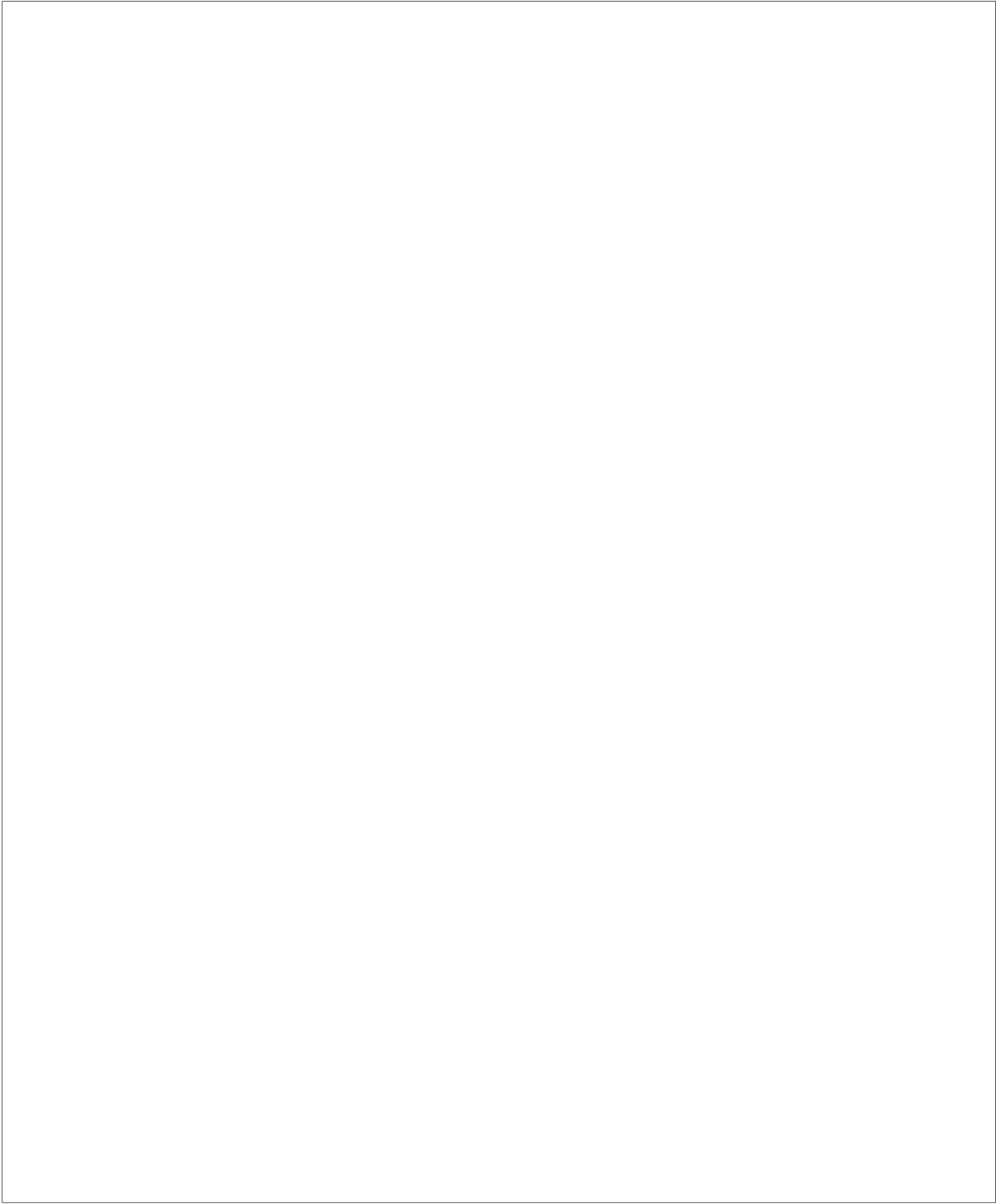
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**Climate Change: Russia Wants Emissions Trading for Hard Currency**

Bilateral discussions with Russian officials on climate change this month focused on international emissions trading as a vehicle for acquiring hard currency

The financial potential drew the Ministries of Economics and of Fuel and Energy to the table along with the Environment Minister, Danilov-Danil'yan.

- The Economics Ministry estimates that, if it starts trading soon, Russia could earn \$18 billion by 2005 from selling emissions allowances, according to Russian press reports.
- The Russians see emissions trading as a way to raise capital for improving the efficiency and reducing the emissions of electric power plants.

*Russia at Kyoto pledged zero emissions growth from its 1990 emissions baseline and estimates its current emissions to be 30 percent below that target--largely because of its reduced industrial production. France, Germany, and the UK do not argue with that estimate but criticize Russia for using emissions trading to avoid having to take additional domestic steps to reduce greenhouse gas emissions.*

The \$18 billion earnings estimate assumes a price of \$15 per metric ton for the 200 million tons that

Moscow will have available annually for trading. The estimate seems unrealistic because no one knows what price Russian carbon dioxide will bring on the yet-to-be-established market, and some potential buyers are skeptical that Russia will be able to verify that it possesses the emissions allowances offered for sale.

- The Russians have not ignored concerns about monitoring and verifying Russian trades of emissions allowances--especially while uncertainties exist regarding their 1990 baseline emissions inventory and the sequestration capacity of their forests.
- Danilov-Danil'yan has suggested that a sampling regime to verify emissions trades would be less costly than attaching an environmental sensor to every Russian smokestack.

Russia's effort to derive hard currency from emissions trading are consistent with its ongoing moves to encourage Japan to subsidize emissions-reducing projects. Tokyo has moved swiftly since the Kyoto meeting to engage Russia in joint projects to earn credit against Tokyo's 6 percent emissions reduction target.

- Premier Kiriyeenko and outgoing Japanese Trade Minister Horiuchi in mid-July fleshed out an earlier agreement by President Yel'tsin and former Prime Minister Hashimoto for Japan to invest some \$7 million to plug methane leaks from Gazprom's natural gas transmission system and to reduce the carbon dioxide output at coal-burning power plants in Russia, according to press reports.
- The deal is part of a larger investment program that Japan launched with Russia in January to inspect the Gazprom system.

## Ukraine's Environmental Challenges

Ukraine faces formidable ecological challenges despite the reduction in industrial air and water emissions resulting from its protracted economic decline. Ukrainian environmental officials and academicians blame economic policies that largely exclude environmental considerations, according to Ukrainian press reports.

- In addition, resources for environmental enforcement and pollution control upgrades are scarce.

Ukraine's fresh water often is contaminated with petroleum products, phenols, organic substances, nitrogen compounds, and heavy metals in amounts that exceed the government's standards, according to Ukraine's Institute for Strategic Studies. Air pollution—mainly carbon, sulfur, and nitrous oxides—comes primarily from energy, metal, and coal industries; Ukraine is heavily industrialized and accounted for 25 percent of the former Soviet Union's GNP.

- The Ukrainian Minister of Environmental Protection and Nuclear Safety in January told Ukrainian media that the inefficient use of natural resources has resulted in a 10-percent drop in the GNP.

Domestic and international media continue to cite dire environmental and health effects of the Chernobyl' accident, but for the most part their claims have been overblown.

Excluding Chernobyl' staff and rescue personnel, the greatest effects have been to infants and children who in 1986 consumed radioiodine contaminated milk.

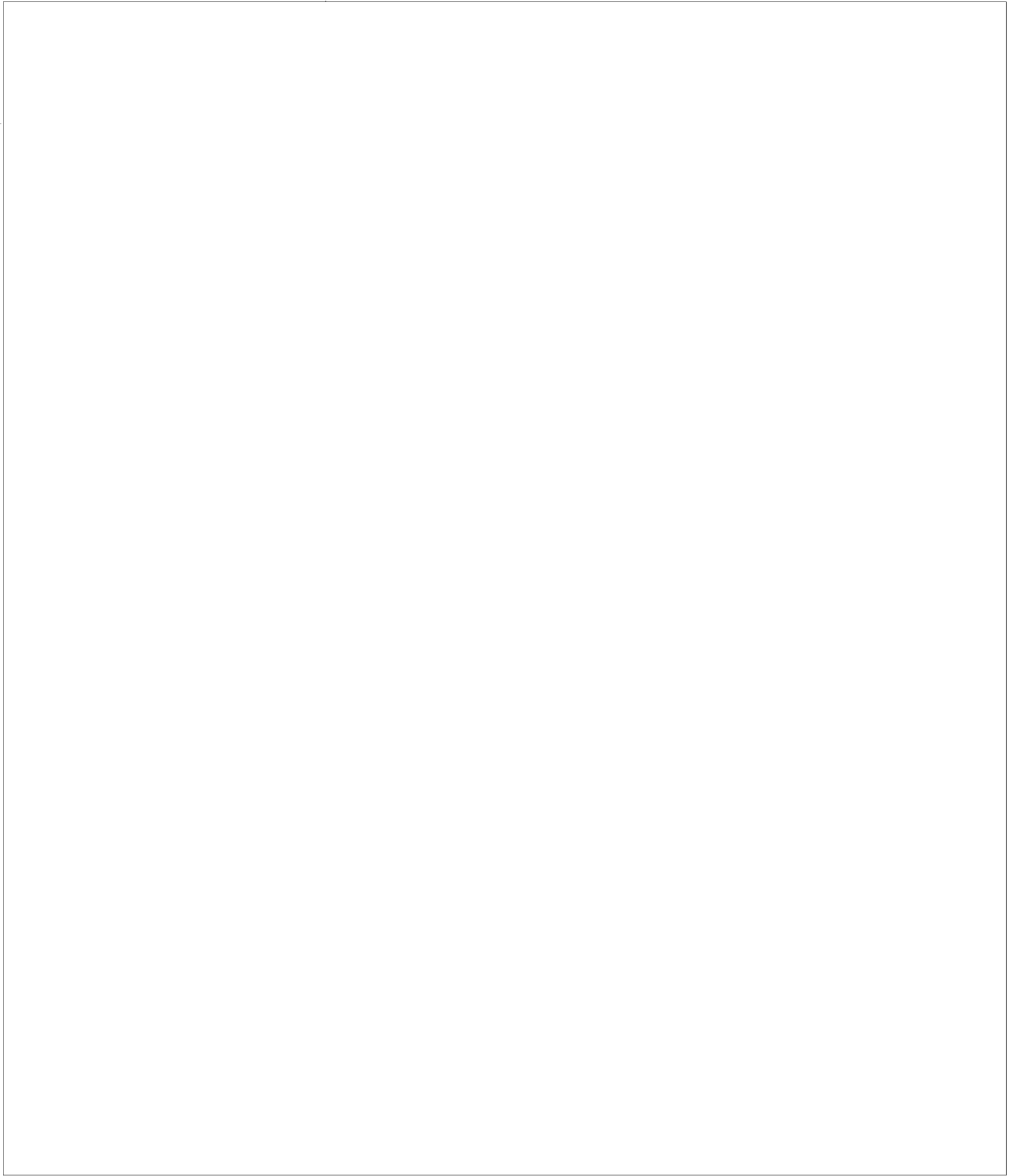
- In northern Ukraine and adjacent areas of Belarus and Russia, 1,500 cases of thyroid cancer and four known deaths have occurred.
- Only about 50 out of the almost 200 staff and rescue workers who suffered acute radiation sickness died.

Kiev will continue to seek Western help for Chernobyl'-related activities. Issues raised by Ukrainian officials in bilateral meetings indicate they put particular emphasis on Chernobyl' despite the severity of their other environmental problems.

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*Kiev's position as a potential seller of emissions permits tends to run counter to its plan to import Caspian oil to ease its dependence on Russian natural gas. If Kiev's plan to shift to oil succeeds, Ukraine's carbon emissions will rise because oil is more carbon intensive, leaving Ukraine with fewer permits to sell in the emissions market. Nonetheless, Ukraine's emissions are so far below—perhaps by 30 percent—the Kyoto target of not exceeding 1990 levels that the crunch point will be several years away.*

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**First Global POPs Negotiations Conclude**

Delegates to the first UNEP-sponsored negotiations on a treaty to restrict hazardous chemicals known as persistent organic pollutants (POPs) that concluded in Montreal this month agreed to limit an immediate ban under the treaty to 12 POPs--the so-called "dirty dozen" including DDT and PCBs--and created a Criteria Experts Group to examine implementation procedures. The heated debate among the 92 participating countries highlighted lingering differences over how broad the ban should be and suggests that negotiators will be hard pressed to devise an agreement that will make controls binding without placing so many restrictions on producing states--especially developing countries--that they do not sign or comply with the treaty.

Momentum to ban POPs has been building since the 1970s when most industrialized countries and some LDCs began restricting their use. In June, more than 30 UN Economic Commission for Europe members--including the US--agreed to ban 16 POPs, and some EU members such as Denmark have implemented much broader bans.

- Under pressure from the US, Japan, Canada, and some LDCs, however, Austria, Belgium, the Netherlands and other EU countries in Montreal dropped their insistence that the global treaty be an open-ended accord covering all dangerous chemicals.
- The UK, for one, agreed with the US that delegates should create a transparent, science based regime for selecting additional chemicals to avoid indiscriminate bans and regulatory chokeholds on the multibillion dollar global trade in chemicals.

Nonetheless, in the run-up to the second negotiating session in February 1999, some EU countries may renew their push for a broader treaty and a flexible mechanism to evaluate and add new chemicals citing their domestic standards.

Large LDCs with a stake in POPs production and trade such as China and India are concerned about the effects an export ban would have on their economies and are insisting they cannot afford to switch to alternative chemicals without financial and technical assistance.

- Russia in May publicly disclosed that, despite earlier assurances that it had ceased new PCB production, it still manufactures and uses PCBs in electrical transformers; several north European countries have expressed concern that these PCBs will be released into the environment and not be disposed of properly.

Many multinational chemical firms also do not want a broad treaty that would hurt their businesses. European Chemical Industry Council (CEFIC) officials say they were concerned that countries will add chemicals to the list of restricted substances without undertaking full risk assessments.

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**Persistent Organic Pollutants**

A global POPs treaty would build on several existing regional and bilateral efforts to control the release of the most dangerous chemicals. The Montreal talks will focus on the so-called "dirty dozen," a group of 12 pesticides and industrial chemicals including aldrin, chlordane, DDT, endrin, heptachlor, hexachlorobenzene, lindane, mirex, toxaphene, PCBs, dioxins and furans. These chemicals are mostly synthetic organochlorines that persist for long periods, are bio-accumulative, and travel long distances, and are hazardous to human health. [redacted]

Although exact figures for global production of chlorine-based synthetic chemicals are elusive, industry experts estimate some 15,000 of the 100,000 or so synthetic chemicals traded globally for use in plastics, wood and paper processing, pharmaceuticals, agriculture, and industrial applications--worth more than \$200 billion to the US alone--are persistent organic pollutants. Many environmentalists warn that unless all countries agree to prohibit the use of POPs, even those that have banned POPs will be exposed to them through chemical residues on imported fish, produce, and other goods. Moreover, the high cost of some of the safer alternative chemicals and the incomplete inventory of stockpiled POPs globally may precipitate a black market in some banned pesticides for farmers seeking cheaper substances such as DDT [redacted]

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**In Brief**



- Japanese media say Tokyo has formulated a proposal to penalize countries that oversell their emissions quotas under the Kyoto Protocol. Japan may be trying to accommodate the EU, which opposes unrestricted emissions trading because of concern about Russia overselling. The Japanese proposal would not, however, place limits on buyers because Tokyo anticipates that it will have to buy emissions to meet its reduction target.



**Selected International Environment-Related Meetings**

22 May-30 September	1998 Lisbon World Exposition (EXPO '98) Theme: The Oceans, a Heritage for the Future.	Lisbon
3-4 August	Workshop on Kyoto Protocol Clean Development Mechanism	Manila
17-28 August	Negotiating Session on the Biosafety Protocol	Montreal
24 August-4 September	Intergovernmental Forum on Forests	Geneva
24 August-4 September	Second Conference of Parties to the Convention to Combat Desertification	Dakar
30 August-2 September	Fourth International Conference on Greenhouse Gas Control Technologies	Interlaken
1-3 September	APEC Officials Meeting on Environment	Singapore
1- 9 September	APEC Senior Officials Meeting	Kuala Lumpur
21 September-1 October	FAO Panel of Experts Meeting on Pesticides and Residues	Rome
28 September-5 October	Intergovernmental Panel on Climate Change Plenary	Vienna
26-28 October	OECD Conference on Eco-Labeling	Berlin
26-30 October	FAO Meeting on Sustainable Fisheries	Rome
2-13 November	Fourth Conference of Parties to the Climate Change Convention	Buenos Aires
4-6 November	Global Environment Facility Council Meeting	Washington
12-18 November	APEC Ministerial and Heads of State Meeting	Kuala Lumpur
17-24 November	Tenth Conference of Parties to the Montreal Protocol	Cairo