



Forum for 21st century

On Global Emission Trading

Standpoint of the USA to the First Draft Proposal

The United States of America would like to thank the Forum for 21st Century for initiative in the negotiations on the economy of climate change mitigation and adaptation and organizing the conference on this subject. We manifest our full commitment towards solving the environmental challenges of 21st century and reaching a mutual understanding between all participants present. At the same time, the U.S. would like to emphasize that it supports all the efforts on mitigation and adaptation of climate change. The delegation of the U.S. agrees about the need of mutual consensus of climate change mitigation and adaptation plan. We consider climate change as a threat for our citizens and our region. Attention is now focused on setting emission targets and designing policies to help achieve them.

We regret to announce that we don't share the vision of Kyoto protocol to be seen as legal regulation and economic incentive. The U.S. endorse negotiations about new legally binding arrangements including all the countries, not only developed, but also developing countries. We envisage a global cap-and-trade system that would apply not only to industrialized nations, but also to developing countries.

1. The U.S. fully support trade with GHG offsets as these offsets are efficient way to address emission reductions requirements. However, we express deep concern about the positive effects of market and price regulations of GHG offsets. As the U.S. market remains primarily a voluntary market, purchasers are not required to limit their emissions and the exchange of offsets may involve a wide range of participants, prices, transaction types and projects. Therefore determining of the GHG offset price is one of the foremost concerns of project participants when entering into any given emission reductions purchase or sale agreement. This question cannot be easily answered in the context of a specific transaction, neither can be appreciated in a purely theoretical way. The price is influenced by many factors such as structure, dynamics and likely evolution of the market - as well as risks and financing, influence the negotiation power of project sponsors, etc. Therefore we consider the free competition as the optimal way of price determining.

2. The U.S. support the idea that combating of global warming should be achieved by voluntary effort rather than by mandatory emission reductions, naming the U.S. Environmental Protection Agency regulatory initiatives as an example. Very complex and complicated global trade patterns and regulations are very difficult to convert. Certain political measures, (after being approved by the WTO law) such as obligation to introduce a custom duty for items whose production induce higher level of CO2 emissions, would cause many complications. The U.S. would like to emphasize our uncertainty about the effects of the proposed regulations if implemented. Therefore we propose not to interfere in these measures until a new global





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environmental regulation system accepted by both - developed and developing countries - has been adopted.

3. The U.S. is aware of implementation of the current Kyoto mechanism and also the occurring problems within. However as a “third party” on Kyoto protocol, we prefer rather another approach, adopting less internationally fixed measurements. Due to high difference among countries we encourage nationally determined policies, which can better reflect needs and sources (financial, legal, technical etc.) of the country. Therefore the U.S. advance measurements concerning mutual commitment towards legally binding agreement of utilized technologies in developed countries and separated approach towards technology transport to developing countries, which is partially present in these mechanisms.

We hope our recommendations to the first draft proposal will be taken into consideration.

