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By Peter Lardner

TOKYO, Dec 5 (Reuters) - Momentum is gathering at the U.N. global warming conference for a global bank which would serve both nations and business as they go about the business of peddling pollution.

Emissions trading -- a key part of proposals for reduction of greenhouse gases in coming decades -- would allow countries or firms the right to pollute beyond specific limitations set for them in an accord expected to be reached next week.

Firms or companies able to cut emissions by more than targeted reductions would receive credits which they could "sell" or save for a later date.

Environmentalists have condemned the plan as a shell game which could allow big polluters to swap their way out of their binding commitments and open big loopholes for non-compliance.

But a plan now supported by the U.S. administration and growing numbers of delegates at this 10-day climate meeting in Kyoto, western Japan, proposes an international bank which would serve as the governing nexus for an otherwise free-wheeling global emissions market.

Called the International Bank for Environmental Settlements (IBES), it would also provide loans to developing countries with rich environmental resources like rain forests in exchange for commitments to preserve them.

Forests and other plant life absorb carbon dioxide (CO2) in the earth's atmosphere through the process of photosynthesis.

Kyoto negotiators are currently discussing the viability of accepting these natural emissions-fighting assets, termed "sinks," as part of equations used to determine country emissions.

"This plan is like a coin with two sides," said Graciela Chickilnisky, the Columbia University professor of mathematics and economics who authored the plan.

"It has a multilateral side which provides a level-playing field for all parties interested in emissions trade, and it also provides a free market mechanism aimed at reducing global emissions most efficiently," she told reporters at the Kyoto conference on Friday.

The Kyoto agreement is likely to include a provision for emissions trading to give greenhouse gas emitters the incentive to cut their emissions in the most expedient and economic way possible.

The international bank, Chickilnisky said, would organise and police this trade with the ability to adjust discount rates, much like the U.S. Federal Reserve.

Participants could also trade options on emissions credit in the future.

Chickilnisky said the non-climate benefits of cutting emissions would probably be as large as or larger than the benefits of avoiding climate change.

"Any view that says restrictions on carbon emissions will slow the economy doesn't hold water," she said.

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