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Environment, Energy and Natural Resources Initiatives - To President February 2, 1993

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To: President Clinton
From: Vice President Gore
Re: Environment, Energy and Natural Resource Initiatives
2-2-93

Per your request, this memorandum describes initiatives in the environment, energy and natural resource areas. Many of these initiatives have important, positive economic consequences. Others are important in signaling a shift in policy from the previous Administration.

I. INFRASTRUCTURE INVESTMENTS:

These proposals embody a central tenet of the campaign -- that environmental protection and economic growth are not conflicting but complementary goals. The investments we have identified will benefit the environment, create jobs and lay the groundwork for long-term economic growth.

A. Clean Water Projects:

o EPA and the states have estimated that expenditures of over \$110 billion on wastewater treatment construction will be needed by 2010 to meet national water quality standards. The failure to meet those standards is currently exacting a significant economic cost -- particularly on coastal communities. In 1989 and 1990, there were over 2400 beach closings in 10 states. Billions in tourism, boating, and fishing dollars were lost. In addition, at any given time, some 40-50% of the nation's shellfish beds are closed due to pollution, and nearly every coastal and Great Lakes state has advisories warning against the consumption of many types of fish because of their dangerous levels of contamination. Investments in improving this situation therefore make sound economic sense. Importantly, investments in these types of projects also promise strong job-creation benefits. Focusing on these initiatives also offers us the opportunity to begin to address the number one environmental health threat facing our children: water- and air-borne lead.

Jobs: According to one estimate, the total number of jobs generated from the expenditure of \$1 billion on water and sewer projects is at least 34,000 and could be as high as 57,000.

Costs: \$2.7 billion per year starting in FY 93.

B. Energy Efficiency Initiative: "ENERGY EFFICIENCY 2000"

To protect the environment; to improve our balance of trade; to ensure our national security, enhanced energy efficiency should be a national priority. Focusing on energy efficiency improvements will also prove to be a stimulus to the production of new technologies. **The President should launch an initiative -**

- challenging the private sector and government -- to make America the most efficient country in the world by the year 2000. Some initiatives that can help us get there:

o **EPA's Energy Efficiency and Pollution Prevention Programs:** During the past two years the Global Change Division in EPA's Air Office has launched a number of highly successful pollution prevention programs. These programs have several things in common: they are **voluntary**, they are **profitable**, and they are **partnerships** between the private sector and the federal government.

Jobs will be created by these programs in four ways:

- (1) direct jobs for implementing the programs (energy auditors, etc);
- (2) indirect jobs attributable to accelerated investments made by companies in new lighting, heating, ventilation, building materials and other equipment;
- (3) saved resources re-channelled for new investment rather than fuel and energy production; and
- (4) jobs related to expanded exports in energy efficiency.

These EPA programs include:

* GREEN LIGHTS is a voluntary program for installing energy efficient lighting whenever it is profitable. Green Lights currently enrolls some 750 corporations and is limited not by the interest of additional corporations across America in the program or in the expertise EPA can provide, but in the staff needed to market and help get implementation started. With an increase in resources, EPA will be able significantly to augment its marketing and sales effort, intensify its implementation assistance, and launch new auditing and technical programs in the areas outlined above.

Jobs: EPA estimates 26,400 jobs can be created.

Cost: \$15,000,000

* The ENERGY PRODUCTIVITY BRANCH consists of a series of programs including Energy Star Buildings, Computers, and Residential (e.g. "Golden Carrot") Programs aimed at increasing the productivity of energy systems wherever profitable. Like Green Lights, these efforts are primarily limited by EPA's ability to support efforts in new technology areas with demonstrated potential-- not by the private sector's willingness to sign partnership agreements.

Jobs: EPA estimates that 3,700 jobs can be created.

Cost: \$20,000,000

* ENERGY AUDITORS - This program will support Green Lights and Energy Star Buildings by **training workers in transition and minorities** to conduct audits for Green Lights and Energy Star Buildings in order to increase market capture and future energy reductions and job creation. At the present time most organizations have no idea that they could cut their energy expenditures in half (at a payback of less than 3-5 years). To fill this information void, energy auditors are needed who can survey and assess installed equipment and educate businesses and residential owners about other equipment options. This initiative proposes to offer training for energy auditors in major metropolitan areas, tied to EPA's programs so that profitable investments are made.

Jobs: EPA estimates that 8,200 jobs can be created.

Cost: \$10,000,000

* JOB CREATION THROUGH PRODUCTIVE USE OF METHANE - Since methane has energy value, methane evaporation means energy waste. Lack of motivation and know-how, as well as institutional obstacles, have presented this resource from achieving effective utilization. The methane programs will seek to capture profitably this "lost energy":

- o Coal Mines - the programs will be aimed at generating methane capture in Appalachia during coal mining and then fully exploit this resource so that jobs equal to half of the current coal mining jobs are created extracting methane.

- o Natural Gas Star - a voluntary program with industry that aims at accelerating investments to reduce pipeline leaks and increase exports to the former Soviet Union of this technology.

- o Agricultural Wastes - a program with the objective of accelerating farmer utilization of waste as an energy source by investing in collection systems and generators and/or absorption refrigeration.

- o Livestock - will aim at partitioning carbon to useful products (milk and meat) by nutritional supplements and/or range improvements.

- o Landfills - will aim at helping small communities meet local energy demands and the need for acceptable landfilling by creating a recovery industry profitable for these communities.

Jobs: EPA estimates that 12,000 jobs can be created.

Cost: \$8,000,000

NOTE that ALL of these EPA programs could be further expanded on FY '94 to achieve further savings and job creation. (EPA estimates that the programs could be fully effective if supported at 3% of EPA's resources or \$150 million.) Note also that future job creation maybe more significant because the greatest benefits will stem from reinvesting profits from energy savings.

o **State and Local Assistance Programs:** These programs provide federal funding for state and local energy efficiency services to low-income households, non-profit schools and hospitals, municipalities, small businesses and farmers. The programs are proven winners -- they save energy and create jobs. Each 100 million spent on SLAP will create approximately 4,000 new jobs. They often get squeezed in the appropriations process, however, and many worthy projects go unfunded.

Cost: Increase appropriations by \$150 million in FY 93; \$200 million in FY 94; \$300 million in FY 95; and \$350 million in FY 96 and thereafter.

o **Federal Energy Management:** The federal government is one of the worst offenders in terms of energy waste and inefficiency. A 1991 OTA study shows, for example, that the federal government could easily cut more than 25% of its present energy use. Cost-effective investments in federal buildings, for example, would have a short pay-back period (2-3 years), and -- once implemented -- would save \$1 billion per year in energy outlays.

Cost: Supplemental appropriations for the Federal Energy Efficiency Fund of \$25 million in FY 93 and appropriations of \$100 million in FY 94, \$200 million in FY 95, \$300 million in FY 96 and thereafter.

o **Federal Energy Use Executive Order:** In early 1991, President Bush issued Executive Order 12759, which was designed to strengthen Federal energy management efforts by requiring agencies to seek to reduce facility energy use by 20% in 2000 (from 1985 levels), reduce fuel use in Federal vehicles by 10% in 1995 (from 1990 levels), accelerate their procurement of alternative fuel vehicles and use life cycle costing methods in procuring energy using products, among other directives. While a significant step forward, the Executive Order was viewed by many as too general, and not sufficiently aggressive in several areas.

There are a number of important opportunities for this Administration to further strengthen Federal energy management efforts through the early issuance of a new Executive order.

-- Require all agencies to budget at least 5 percent of their annual facility energy costs for efficiency investments and energy management training (this would exceed \$200 million annually, compared to FY 93 expenditures of \$120 million and early peak in annual investments of approximately \$250 million). [Agencies should be permitted to include in their total efficiency investments funds made by energy performance contractors and utilities.]

-- Increase the 2000 energy reduction goal to 25% and establish a 30 % reduction goal for 2005.

-- Require all agencies to establish centralized expertise on energy performance contracting and to solicit bids for at least one energy performance contact annually.

Cost: No significant budgetary impact anticipated.

o **Energy Technology Initiative:** The Department of Energy should be directed to develop a process to use objective criteria to compare competing energy investments to determine the portfolio of energy investments that will reduce oil vulnerability, encourage economic growth, and promote environmental protection in the most cost-effective manner possible. The Department of Energy should be further directed to vigorously encourage public participation in this priority setting process through a series of public hearings across the Nation. The public will also be given the opportunity to review and comment on the Department's analysis of competing energy investments. The active participation of the American people is a crucial element in developing the consensus necessary to forge an effective National energy policy. This should not be a one-time effort. The Energy Technology Initiative will institutionalize this analytical approach to determining energy technology investment priorities at the Department of Energy. This process will be incorporated into the formulation of the Department annual budget submission. The Secretary will prepare an annual report on the status of the Energy Technology Initiative beginning with the submission of the fiscal year 1996 budget.

C. High Speed Rail:

Putting People First states that "we will rebuild America and develop the world's best communication, transportation and environmental systems...We will focus on four critical areas...[The first is] transportation, including...creation of a high-speed rail network linking our major cities and commercial hubs...".

Aside from its obvious economic benefits, an efficient high-speed rail network is an environmental priority. By reducing automobile and airport use, such a network can greatly reduce vehicle congestion in our major intercity corridors, thereby conserving energy and reducing air pollution.

Experts have advised us that improvements to the Northeast Corridor and other heavily-traveled sections of the existing Amtrak network would permit tilt-trains to operate at high-speeds with both diesel and electrified power. With adequate system improvements, operating speeds (now 80-100 mph) could be increased to 125 - 140 mph in those corridors with the greatest air quality problems and automobile congestion. Increased outlays would be targeted at track straightening, bridge clearances, better signalization, elimination of grade crossings and electrification.

Costs: Amtrak's capital budget would be increased by \$150 million in FY 93 and by up to \$400 million in subsequent years.

D. Natural Gas:

Natural gas is a low-cost, clean-burning fuel. Supplies are largely domestic or from secure North American producers. Several initiatives could be undertaken in order to spur increased natural gas use:

- o **Federal Fleets:** Converting as large a portion of the 550,000 vehicle federal fleet as is practicably feasible to operate on natural gas should provide a significant market stimulus to trigger both mass vehicle production by auto manufacturers and construction of refueling infrastructure by power providers. It has been estimated that extensive use of vehicular natural gas in fleet vehicles (there are approximately 14 million public and private fleet vehicles) would increase annual natural gas consumption by roughly 1.6 trillion cubic feet, adding about \$3 billion in gross national output and producing an estimated 50,000 to 75,000 additional jobs in gas-producing states. Oil import reductions of some 14% are also estimated, which would have the attendant benefit of improving the balance of trade by \$5.8 billion.

It should be noted, here, however, that ethanol, methanol, and electric vehicle interests will resist exclusive promotion of natural gas vehicles -- as opposed to other alternatively fueled vehicles. In addition, it could be argued that it is unwise for the federal government, in essence, to choose natural gas as the "winner" in the alternative fuel experiment that we are just launching.

Costs: Accelerating the purchase of alternatively fueled

vehicles in place of new conventional vehicles by one year from the mandates contained in the Energy Policy Act of 1992 would require funding of approximately \$35 million in FY 93 and \$45 million in FY 94.

o **New Natural Gas Pipelines:** New natural gas pipeline development and certification has become a bottleneck to increased natural gas usage in some regions. To address this situation, an executive order could be issued directing the FERC to initiate a rulemaking on natural gas pipeline certification. Care would, of course, need to be given to ensure that eminent domain powers would in no way be abused in acquiring the right-of-way for pipelines and that private property rights would fully be respected.

Cost: No significant budget impact is anticipated.

E. Environmental Infrastructure:

o **National Park Service.** The NPS has a daunting \$2 billion backlog of facility maintenance and repair needs. The recent storm in the Northeast caused \$6 million in damage and funds could be used for structural repairs at Cape Cod and Fire Island National Seashore, Gateway National Recreation Area, Ellis Island, and Minute Man National Historic Park. Additionally, other projects such as rehabilitating employee housing at Grand Canyon, the electrical system at Yosemite, and the bathhouse row at Hot Springs National Park (Arkansas) are illustrative of the problems facing the parks' decaying infrastructure.

Jobs: 1,800

Costs: \$73 million

o **Urban Park and Recreation Grants.** Grants can be targeted to renovating existing facilities or providing innovative recreation programs such as night basketball for "youth at risk." In FY 1992, NPS received requests over two times available funding. Several examples of the 62 projects funded last year include an evening co-ed team sports league in Los Angeles for youth 13-18; an entrepreneur leadership program for teens at risk in Durham, NC; and a cultural arts program for youth in Danville, VA. This funding could also be targeted to similar type programs, as well as repair and rehabilitation of urban recreation infrastructure.

Jobs: 1,400 jobs

Costs: \$50 million

o **Indian Reservations.** Because many Indian reservations

are isolated rural areas, good roads are critical to economic development. The majority of reservation roads are not paved and often impassable.

Jobs: 1,200 jobs

Costs: \$76 million

o **Regional Restoration**

-- Western Oregon: Due to court injunctions on logging and sawmill operations, regional unemployment and family displacement are serious problems. A total of \$19 million will enable BLM to hire 1,460 laborers for three month's summer employment in Columbia, Coos, Douglas and Klamath counties. In the area of road maintenance, approximately 85 bridges will be repaired and 300 miles of bituminous roads will be sealed. To help restore the natural forest resource, 41,500 acres will be reforested through precommercial thinning and other practices, reducing the backlog of reforestation work by 80%.

Jobs: 1,460

Costs: \$19 million

-- Wetlands Restoration: Since 1987, the FWS has worked with private landowners to restore over 175,000 acres of wetlands nationwide. This involved more than 1100 contracts with primarily small, rural based private construction enterprises. There is currently a backlog of approximately 85,000 acres of restoration opportunity involving over 2000 private landowners. Consistent with your pledge to protect wetlands and to use federal programs to encourage environmentally-conscious use of private lands, the funding would initiate habitat improvement projects in all 50 states.

Jobs: 714

Costs: \$51 million

II. **FEDERAL PROCUREMENT OF RECYCLED COMMODITIES**

Communities across the country are eager to participate in recycling initiatives. Too often however, those communities are forced either to send carefully separated materials to the landfill or to abandon their projects altogether. The primary bottleneck here is the lack of end markets for the post-consumer materials that have been collected.

Federal government purchases currently account for about 7-8% of GNP. Increased federal procurement of recycled products

would therefore create a significant market for post-consumer materials and send a strong signal to manufacturers that their investments in re-manufacturing equipment will be rewarded. In most cases, use of recycled materials, as opposed to virgin materials, saves energy, water and reduces pollution from manufacturing operations. (For example, dioxins are not created when recycled -- as opposed to virgin -- fibers are used.)

Note here that it has been incumbent upon EPA since the passage of RCRA in 1976 to undertake this type of initiative. Bureaucratic inertia and Reagan/Bush administration opposition to environmental initiatives have prevented progress.

Costs: This initiative should be structured so that recycled commodities are procured in preference to those manufactured from virgin materials as long as the cost of the recycled good is within 10% of the virgin good. Outlays here therefore would at most be 10% more than normal procurement expenditures.

III. WHITE HOUSE CONFERENCE ON ENVIRONMENTAL TECHNOLOGIES

New, cleaner and more efficient process technologies are essential if we are to improve our competitiveness. In addition, a huge new market is emerging for environmentally sound products and services. Currently estimated at some \$200 billion per year, the environmental technology industry is one of the fastest growing sectors of the domestic and international economy. Estimates of the potential global demand for environmental products and services range as high as \$600 billion over the next 10 years. This is a market we cannot afford to lose.

Domestic envirotech businesses face significant obstacles to growth, however. Many are small to medium sized companies which are less able than well capitalized and nationally supported foreign competitors to make the investment required to develop business abroad. In addition, they often lack information about promising market abroad while regulatory requirements have thwarted the introduction and use of new technologies here at home.

A White House Conference on Environmental Technologies early on in the administration would signal the Administration's understanding of the importance of these industries. In addition, if the Conference were designed as a joint initiative of CEQ and OSTP the link we would like to make between the business, technology and environmental communities could be demonstrated. Moreover, if all relevant agencies -- State, Aid, Treasury, Commerce, Labor, in addition to EPA and DOE, etc. -- participated, important, but less evident, issues could be

identified and discussed. For example:

- o Our competitors station attaches in their embassies who are familiar with the technologies of their envirotech industries. The result is that their firms are often the first in line to bid on important projects. Shouldn't we do the same? (Note here that Administrator Reilly tried to undertake a similar initiative by offering to loan appropriate personnel. State Department, however, has not been receptive).

- o While the economies of the major industrial countries have been stagnant or in decline, developing countries have experienced record growth. These countries already account for some 35% of our exports. How can our embassies in those countries be of assistance to our envirotech businesses? What resources does AID have that could be of use here? How should we conduct the negotiations that are called for in the Rio agreements so that the technology cooperation provisions of those agreements will offer opportunity for US interests?

- o Current EPA regulations define "best available technologies" in a way that often precludes the use of new and innovative technologies. Shouldn't we take a look at those regs to see if a more flexible approach could be identified? (Note that this openness could send an important signal to business that the new administration's will to work with them in order to achieve environmental objectives in an economically sound manner).

- o Federal dollars are tight. How can private dollars be leveraged to provide needed investment capital (and to slow the current sale of technologies to foreign investors)?

Cost: No significant budget impact expected.

IV. INTERNATIONAL ENVIRONMENTAL INITIATIVES

A. The Climate Convention

As you know, President Bush, alone among industrial country leaders, refused to commit to stabilizing emissions of carbon dioxide at 1990 levels by the year 2000. You embraced this commitment during the campaign, however. We are presented with two opportunities very early on in the Administration to affirm this commitment. First, pursuant to the terms of the treaty, we are obligated to produce an action plan on climate change 6 months after the treaty comes into full force and effect. In Rio, President Bush accelerated our commitment and promised to produce the plan in January -- 6 months after signature of the treaty. A draft action plan has been prepared. However, it has

been severely criticized both within the Administration (EPA has been harshly critical of it, saying that it will not achieve meaningful reductions in emissions) and by the environmental community. The plan has been published in the Federal Register and is open to public comment.

The new Administration should undertake a serious re-evaluation of this plan and institute a process by which to produce a plan that not only will achieve meaningful reductions, but will in fact, result in a stabilization of emissions.

Second, the parties to the Convention will meet again in March. The new Administration should take advantage of this meeting to affirm its commitment to the international community -- and to secure their re-affirmed commitment in return.

Cost: No significant budget impact of producing action plan or participating in international negotiations. Analyses differ with respect to the cost of actually achieving stabilization in the US. Some project significant costs while others (such as EPA) show that stabilization could be accomplished with net positive impact on GNP. The menu of policy options that are chosen as part of the plan obviously will be determinative, and top priority can and should be given to those options that can be done at a profit.

B. Biodiversity

o **The Biodiversity Convention:** As we have discussed, this convention, as finally negotiated, is flawed. Problems arise with regard to the intellectual property provisions of the treaty and with regard to the financing mechanism that has been devised. These problems are not, however, insurmountable. And, a reversal of Bush Administration policy here would send an unmistakable signal that the US was serious about securing -- once again -- a leadership role on international environmental issues.

As we have also discussed, I believe it is imperative to the well-being of the US biotech industry that we find a way to fix the flaws in this treaty and to sign-on to it. Because of the way President Bush handled these negotiations, US researchers are now being shut out of some third world countries. Venezuela, for example, has suspended research agreements with several US institutions. Moreover, the Conference of Parties to the treaty will undertake an effort to craft international regulations concerning genetically modified organisms. We must have a seat at those negotiations to ensure that those regulations are based upon the best science and that they will not unduly or unfairly hamper the US biotech industry.

The new Administration should, therefore, express unequivocally its intention to work with the Conference of the Parties to address the problems that prevented our signature. Simultaneously, an effort should be undertaken with other major industrial countries -- such as the UK, Switzerland, France, Germany, etc. -- to come to a common understanding on these issues. (I understand that these countries -- having signed the treaty -- now face obstacles in ratifying it because of concerns their own biotech companies are now raising. They therefore should be amenable to our efforts). And outreach with the US biotech industry should be begun in order to develop a position that they are comfortable with and that is protective of their interests.

Cost: No significant budget impact expected.

o **Executive Order establishing a National Biodiversity Center.** The Committee on Science, Space and Technology has been holding hearings on biodiversity since 1987 and passed legislation in the last Congress that established a National Biodiversity Center. A National Biodiversity Center would allow us to catalog our nation's biological resources, and evaluate their properties and status, a prerequisite for sustainable use. Thus we would join countries such as Costa Rica, Mexico and Indonesia, which have already established such Centers. An interagency working group has drafted such an Executive Order, to establish a National Biodiversity Center at the Smithsonian Institution, in cooperation with a number of agencies. Former President Bush failed to sign this Order, despite the promises that he made at the Earth Summit in Rio.

C. Environmental Impact Assessments

The National Environmental Policy Act of 1969 required all agencies of the Federal Government to prepare an environmental impact statement for major Federal action significantly affecting the quality of the human environment. This far-reaching legislation remains the principal means by which we can ensure that any effects of development upon our environment are considered carefully. As we implement our Rio commitment to promote sustainable development around the globe, it is important that our government agencies apply the same environmental standards abroad as they must domestically. Toward that end, an Executive Order should be issued to ensure that U.S. agencies which carry out, finance or provide technical assistance to major development activities or construction projects outside the United States will conduct the necessary environmental review beforehand.

V. OTHER

A. Business and the Environment

The new administration has an important opportunity to forge a new alliance between business and environmental interests. To capitalize on this opportunity, the President should issue a directive calling for a **series of roundtable strategy sessions with business leaders** to discuss, for example, how we can use market-based initiatives to achieve environmental goals; how can we stimulate new investment that accelerates the replacement of environmentally burdensome products and processes; how can we promote pollution prevention strategies; how can we promote voluntary initiatives such as environmental audits and green labeling. These efforts should be coordinated through -- and a primary mission of -- the CEQ.

The new Administration should also consider re-establishing the **President's Commission on Environmental Quality** that was created -- but ignored-- by President Bush. PCEQ pulled together representatives of the business and environmental community to advise on environmental policy. PCEQ should be given enhanced visibility and importance. The group should also be expanded to include grassroots and community representatives and thought should be given to having the PCEQ act as a travelling forum -- establishing environmental policy **roundtables around the country** as is done in Canada.

Additionally, businesses that make efforts to reach beyond minimum regulatory requirements by setting ambitious goals to greatly reduce or even eliminate waste should be recognized so that these efforts get the encouragement and acknowledgement they deserve in the other will be inspired to follow. The EPA should develop a **Presidential award** that will be extended to companies that exemplify the highest standards of environmental excellence in the design, manufacture, and marketing of products.

B. National Income Accounts

By using market-based mechanisms, we can achieve environmental "goods" in a way that also offers economic benefits. Unfortunately, we can't fully take advantage of the market if we aren't using the right price signals.

While national income and product accounts provide us with a variety of short-run and long-run indicators of economic health such as GDP, productivity, disposable income, and profits, the framework takes no account of changes in the quantity, quality, or value of natural resources and other environmental conditions.

Recent projects at the Bureau of Economic Analysis (the branch of the Commerce Department that produces the accounts), EPA, CBO, as well as the United Nations Statistical Organization, have established the theoretical underpinnings for expanding the accounts, and now researchers are attempting to put them into practice.

To focus, prioritize and accelerate this work, a directive should be issued to BEA, EPA, CEQ and other Departments (such as Interior, where much natural resource data resides) to undertake an effort to expand the accounts, and to identify near term conceptual issues and data requirements. This initiative could ideally be coordinated jointly by CEQ and OSTP.

This domestic initiative should then be translated into a major international initiative, with the US leading a UN effort to revise national accounts. The UN typically undertakes such an effort every 20 years, and is currently in the process of developing "satellite accounts" on natural resources. This has not been a high priority, however, and progress has been very slow.

The importance of accelerating these efforts has been demonstrated by Bob Repetto at the World Resources Institute and other researchers who have found that annual rates of growth in developing countries are dramatically diminished when the irreversible destruction of natural resources is accounted for. (Accounting for the loss of natural capital, Indonesia's "real" growth rate falls from some 7% to approximately 3%).

Cost: No significant budget impact is expected.

C. Elevate EPA to Cabinet Level Status

The influence and effectiveness of EPA may be limited by the fact that it is not a cabinet level agency. A cabinet level department could provide increased access to the President, more clout in interagency disputes, better integration of environmental policies with "mainstream" economic and social policies, and enhanced US credibility in international environmental negotiations.

Elevation of the department enjoys bipartisan support. Questions will arise, however, with regard to whether other environmentally-related functions should be vested with EPA in the process of elevating the agency. It has been suggested, for example, that NOAA should be transferred to a cabinet-level EPA.

While these questions must carefully be thought through, an early statement of support from the President simply with regard to elevation of the department could be of significant symbolic import.

Cost: No significant budget impact expected.

D. Implementation of Agenda 21

One of the key documents resulting from the Rio Conference was "Agenda 21" -- a comprehensive yet non-legally binding

action program designed to reconcile the goals of continued economic development and environmental preservation to ensure that human needs are met in a sustainable fashion.

To demonstrate US commitment to furthering progress on sustainable development, a directive should be issued to all agencies to undertake an analysis of each of their respective programs and develop an action plan to implement Agenda 21. It is critical that this effort be undertaken jointly by the agencies as many issues -- such as improved natural resource management -- cross agency jurisdictions. This effort should be coordinated through CEQ.

Cost: No significant budget impact is anticipated.

E. Expanding Collaboration

Independent, uncoordinated action by the multitude of federal, state, local and private parties with an interest in the environment cannot efficiently achieve the levels of protection demanded by the public. Limited resources demand:

- o Collaboration among the actors early in the life of an issue -- before crisis or confrontation develops.
- o Local concerns to be solved with local input.
- o Federal agencies to work in a complementary fashion rather than at cross purposes.

In the Coastal America program, for example, an interagency steering group directs nine agencies' efforts to improve, protect and restore the coastal environment. Regional implementation teams use existing agency programs and budgets, identify primary actions and projects, and bring to bear combination of resources, expertise, and program authorities to accomplish what no single agency could accomplish alone. State and local government and private sector involvement is sought in all project activities.

Possible initiatives to build upon this example include:

-- Watershed Management. Wetlands, nonpoint source pollution, water supply, recreation access and similar resource issues can best be considered and reconciled with development concerns on a watershed basis. You could request the creation of a series of full scale demonstrations of comprehensive watershed management. This approach involves bringing together government and private stakeholders to identify : 1) key resource issues for the watershed, including conflicts between development or infrastructure and resource protection; 2) tools and action that might have brought to bear on them. Without additional statutory

authority, watershed management must be on a voluntary basis. Approaches being discussed in the context of Clean Water Act reauthorization would make some elements of this approach mandatory.

-- Habitat Restoration. Habitat management and restoration responsibilities are spread among federal, state, and local entities, and are of interest to a range of private groups. Single-agency approaches, by definition, fail to use all available resources, authorities, and expertise. You could request the creation of regional habitat restoration councils, comprised of federal, state, tribal and local government representatives, as well as private and conservation interests. Both traditional resource and regulatory interests and development and infrastructure agencies should be included. The councils would identify habitat projects that are of high priority for more than one agency, and that require or benefit from the expertise or resources of multiple parties. Council should also compare and integrate resource protection priorities and early development/infrastructure planning information.

Cost: These programs would be run within existing budgets. Savings would be expected as efforts become increasingly coordinated and efficient.

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Jobs: EPA estimates 26,400 jobs can be created.

Cost: \$15,000,000

* The ENERGY PRODUCTIVITY BRANCH consists of a series of programs including Energy Star Buildings, Computers, and Residential (e.g. "Golden Carrot") Programs aimed at increasing the productivity of energy systems wherever profitable. Like Green Lights, these efforts are primarily limited by EPA's ability to support efforts in new technology areas with demonstrated potential-- not by the private sector's willingness to sign partnership agreements.

Jobs: EPA estimates that 3,700 jobs can be created.

Cost: \$20,000,000

* ENERGY AUDITORS - This program will support Green Lights and Energy Star Buildings by **training workers in transition and minorities** to conduct audits for Green Lights and Energy Star Buildings in order to increase market capture and future energy reductions and job creation. At the present time most organizations have no idea that they could cut their energy expenditures in half (at a payback of less than 3-5 years). To fill this information void, energy auditors are needed who can survey and assess installed equipment and educate businesses and residential owners about other equipment options. This initiative proposes to offer training for energy auditors in major metropolitan areas, tied to EPA's programs so that profitable investments are made.

Jobs: EPA estimates that 8,200 jobs can be created.

Cost: \$10,000,000

* JOB CREATION THROUGH PRODUCTIVE USE OF METHANE - Since methane has energy value, methane evaporation means energy waste. Lack of motivation and know-how, as well as institutional obstacles, have presented this resource from achieving effective utilization. The methane programs will seek to capture profitably this "lost energy":

- o Coal Mines - the programs will be aimed at generating methane capture in Appalachia during coal mining and then fully exploit this resource so that jobs equal to half of the current coal mining jobs are created extracting methane.

- o Natural Gas Star - a voluntary program with industry that aims at accelerating investments to reduce pipeline leaks and increase exports to the former Soviet Union of this technology.

- o Agricultural Wastes - a program with the objective of accelerating farmer utilization of waste as an energy source by investing in collection systems and generators and/or absorption refrigeration.

- o Livestock - will aim at partitioning carbon to useful products (milk and meat) by nutritional supplements and/or range improvements.

- o Landfills - will aim at helping small communities meet local energy demands and the need for acceptable landfilling by creating a recovery industry profitable for these communities.

Jobs: EPA estimates that 12,000 jobs can be created.

Cost: \$8,000,000

NOTE that ALL of these EPA programs could be further expanded on FY '94 to achieve further savings and job creation. (EPA estimates that the programs could be fully effective if supported at 3% of EPA's resources or \$150 million.) Note also that future job creation maybe more significant because the greatest benefits will stem from reinvesting profits from energy savings.

o **State and Local Assistance Programs:** These programs provide federal funding for state and local energy efficiency services to low-income households, non-profit schools and hospitals, municipalities, small businesses and farmers. The programs are proven winners -- they save energy and create jobs. Each 100 million spent on SLAP will create approximately 4,000 new jobs. They often get squeezed in the appropriations process, however, and many worthy projects go unfunded.

Cost: Increase appropriations by \$150 million in FY 93; \$200 million in FY 94; \$300 million in FY 95; and \$350 million in FY 96 and thereafter.

o **Federal Energy Management:** The federal government is one of the worst offenders in terms of energy waste and inefficiency. A 1991 OTA study shows, for example, that the federal government could easily cut more than 25% of its present energy use. Cost-effective investments in federal buildings, for example, would have a short pay-back period (2-3 years), and -- once implemented -- would save \$1 billion per year in energy outlays.

Cost: Supplemental appropriations for the Federal Energy Efficiency Fund of \$25 million in FY 93 and appropriations of \$100 million in FY 94, \$200 million in FY 95, \$300 million in FY 96 and thereafter.

o **Federal Energy Use Executive Order:** In early 1991, President Bush issued Executive Order 12759, which was designed to strengthen Federal energy management efforts by requiring agencies to seek to reduce facility energy use by 20% in 2000 (from 1985 levels), reduce fuel use in Federal vehicles by 10% in 1995 (from 1990 levels), accelerate their procurement of alternative fuel vehicles and use life cycle costing methods in procuring energy using products, among other directives. While a significant step forward, the Executive Order was viewed by many as too general, and not sufficiently aggressive in several areas.

There are a number of important opportunities for this Administration to further strengthen Federal energy management efforts through the early issuance of a new Executive order.

-- Require all agencies to budget at least 5 percent of their annual facility energy costs for efficiency investments and energy management training (this would exceed \$200 million annually, compared to FY 93 expenditures of \$120 million and early peak in annual investments of approximately \$250 million). [Agencies should be permitted to include in their total efficiency investments funds made by energy performance contractors and utilities.]

-- Increase the 2000 energy reduction goal to 25% and establish a 30 % reduction goal for 2005.

-- Require all agencies to establish centralized expertise on energy performance contracting and to solicit bids for at least one energy performance contract annually.

Cost: No significant budgetary impact anticipated.

o **Energy Technology Initiative:** The Department of Energy should be directed to develop a process to use objective criteria to compare competing energy investments to determine the portfolio of energy investments that will reduce oil vulnerability, encourage economic growth, and promote environmental protection in the most cost-effective manner possible. The Department of Energy should be further directed to vigorously encourage public participation in this priority setting process through a series of public hearings across the Nation. The public will also be given the opportunity to review and comment on the Department's analysis of competing energy investments. The active participation of the American people is a crucial element in developing the consensus necessary to forge an effective National energy policy. This should not be a one-time effort. The Energy Technology Initiative will institutionalize this analytical approach to determining energy technology investment priorities at the Department of Energy. This process will be incorporated into the formulation of the Department annual budget submission. The Secretary will prepare an annual report on the status of the Energy Technology Initiative beginning with the submission of the fiscal year 1996 budget.

C. High Speed Rail:

Putting People First states that "we will rebuild America and develop the world's best communication, transportation and environmental systems...We will focus on four critical areas...[The first is] transportation, including...creation of a high-speed rail network linking our major cities and commercial hubs...".

Aside from its obvious economic benefits, an efficient high-speed rail network is an environmental priority. By reducing automobile and airport use, such a network can greatly reduce vehicle congestion in our major intercity corridors, thereby conserving energy and reducing air pollution.

Experts have advised us that improvements to the Northeast Corridor and other heavily-traveled sections of the existing Amtrak network would permit tilt-trains to operate at high-speeds with both diesel and electrified power. With adequate system improvements, operating speeds (now 80-100 mph) could be increased to 125 - 140 mph in those corridors with the greatest air quality problems and automobile congestion. Increased outlays would be targeted at track straightening, bridge clearances, better signalization, elimination of grade crossings and electrification.

Costs: Amtrak's capital budget would be increased by \$150 million in FY 93 and by up to \$400 million in subsequent years.

D. Natural Gas:

Natural gas is a low-cost, clean-burning fuel. Supplies are largely domestic or from secure North American producers. Several initiatives could be undertaken in order to spur increased natural gas use:

- o **Federal Fleets:** Converting as large a portion of the 550,000 vehicle federal fleet as is practicably feasible to operate on natural gas should provide a significant market stimulus to trigger both mass vehicle production by auto manufacturers and construction of refueling infrastructure by power providers. It has been estimated that extensive use of vehicular natural gas in fleet vehicles (there are approximately 14 million public and private fleet vehicles) would increase annual natural gas consumption by roughly 1.6 trillion cubic feet, adding about \$3 billion in gross national output and producing an estimated 50,000 to 75,000 additional jobs in gas-producing states. Oil import reductions of some 14% are also estimated, which would have the attendant benefit of improving the balance of trade by \$5.8 billion.

It should be noted, here, however, that ethanol, methanol, and electric vehicle interests will resist exclusive promotion of natural gas vehicles -- as opposed to other alternatively fueled vehicles. In addition, it could be argued that it is unwise for the federal government, in essence, to choose natural gas as the "winner" in the alternative fuel experiment that we are just launching.

Costs: Accelerating the purchase of alternatively fueled

vehicles in place of new conventional vehicles by one year from the mandates contained in the Energy Policy Act of 1992 would require funding of approximately \$35 million in FY 93 and \$45 million in FY 94.

o **New Natural Gas Pipelines:** New natural gas pipeline development and certification has become a bottleneck to increased natural gas usage in some regions. To address this situation, an executive order could be issued directing the FERC to initiate a rulemaking on natural gas pipeline certification. Care would, of course, need to be given to ensure that eminent domain powers would in no way be abused in acquiring the right-of-way for pipelines and that private property rights would fully be respected.

Cost: No significant budget impact is anticipated.

E. Environmental Infrastructure:

o **National Park Service.** The NPS has a daunting \$2 billion backlog of facility maintenance and repair needs. The recent storm in the Northeast caused \$6 million in damage and funds could be used for structural repairs at Cape Cod and Fire Island National Seashore, Gateway National Recreation Area, Ellis Island, and Minute Man National Historic Park. Additionally, other projects such as rehabilitating employee housing at Grand Canyon, the electrical system at Yosemite, and the bathhouse row at Hot Springs National Park (Arkansas) are illustrative of the problems facing the parks' decaying infrastructure.

Jobs: 1,800

Costs: \$73 million

o **Urban Park and Recreation Grants.** Grants can be targeted to renovating existing facilities or providing innovative recreation programs such as night basketball for "youth at risk." In FY 1992, NPS received requests over two times available funding. Several examples of the 62 projects funded last year include an evening co-ed team sports league in Los Angeles for youth 13-18; an entrepreneur leadership program for teens at risk in Durham, NC; and a cultural arts program for youth in Danville, VA. This funding could also be targeted to similar type programs, as well as repair and rehabilitation of urban recreation infrastructure.

Jobs: 1,400 jobs

Costs: \$50 million

o **Indian Reservations.** Because many Indian reservations

are isolated rural areas, good roads are critical to economic development. The majority of reservation roads are not paved and often impassable.

Jobs: 1,200 jobs

Costs: \$76 million

o **Regional Restoration**

-- Western Oregon: Due to court injunctions on logging and sawmill operations, regional unemployment and family displacement are serious problems. A total of \$19 million will enable BLM to hire 1,460 laborers for three month's summer employment in Columbia, Coos, Douglas and Klamath counties. In the area of road maintenance, approximately 85 bridges will be repaired and 300 miles of bituminous roads will be sealed. To help restore the natural forest resource, 41,500 acres will be reforested through precommercial thinning and other practices, reducing the backlog of reforestation work by 80%.

Jobs: 1,460

Costs: \$19 million

-- Wetlands Restoration: Since 1987, the FWS has worked with private landowners to restore over 175,000 acres of wetlands nationwide. This involved more than 1100 contracts with primarily small, rural based private construction enterprises. There is currently a backlog of approximately 85,000 acres of restoration opportunity involving over 2000 private landowners. Consistent with your pledge to protect wetlands and to use federal programs to encourage environmentally-conscious use of private lands, the funding would initiate habitat improvement projects in all 50 states.

Jobs: 714

Costs: \$51 million

II. FEDERAL PROCUREMENT OF RECYCLED COMMODITIES

Communities across the country are eager to participate in recycling initiatives. Too often however, those communities are forced either to send carefully separated materials to the landfill or to abandon their projects altogether. The primary bottleneck here is the lack of end markets for the post-consumer materials that have been collected.

Federal government purchases currently account for about 7-8% of GNP. Increased federal procurement of recycled products

would therefore create a significant market for post-consumer materials and send a strong signal to manufacturers that their investments in re-manufacturing equipment will be rewarded. In most cases, use of recycled materials, as opposed to virgin materials, saves energy, water and reduces pollution from manufacturing operations. (For example, dioxins are not created when recycled -- as opposed to virgin -- fibers are used.)

Note here that it has been incumbent upon EPA since the passage of RCRA in 1976 to undertake this type of initiative. Bureaucratic inertia and Reagan/Bush administration opposition to environmental initiatives have prevented progress.

Costs: This initiative should be structured so that recycled commodities are procured in preference to those manufactured from virgin materials as long as the cost of the recycled good is within 10% of the virgin good. Outlays here therefore would at most be 10% more than normal procurement expenditures.

III. WHITE HOUSE CONFERENCE ON ENVIRONMENTAL TECHNOLOGIES

New, cleaner and more efficient process technologies are essential if we are to improve our competitiveness. In addition, a huge new market is emerging for environmentally sound products and services. Currently estimated at some \$200 billion per year, the environmental technology industry is one of the fastest growing sectors of the domestic and international economy. Estimates of the potential global demand for environmental products and services range as high as \$600 billion over the next 10 years. This is a market we cannot afford to lose.

Domestic envirotech businesses face significant obstacles to growth, however. Many are small to medium sized companies which are less able than well capitalized and nationally supported foreign competitors to make the investment required to develop business abroad. In addition, they often lack information about promising market abroad while regulatory requirements have thwarted the introduction and use of new technologies here at home.

A White House Conference on Environmental Technologies early on in the administration would signal the Administration's understanding of the importance of these industries. In addition, if the Conference were designed as a joint initiative of CEQ and OSTP the link we would like to make between the business, technology and environmental communities could be demonstrated. Moreover, if all relevant agencies -- State, Aid, Treasury, Commerce, Labor, in addition to EPA and DOE, etc. -- participated, important, but less evident, issues could be

identified and discussed. For example:

- o Our competitors station attaches in their embassies who are familiar with the technologies of their envirotech industries. The result is that their firms are often the first in line to bid on important projects. Shouldn't we do the same? (Note here that Administrator Reilly tried to undertake a similar initiative by offering to loan appropriate personnel. State Department, however, has not been receptive).

- o While the economies of the major industrial countries have been stagnant or in decline, developing countries have experienced record growth. These countries already account for some 35% of our exports. How can our embassies in those countries be of assistance to our envirotech businesses? What resources does AID have that could be of use here? How should we conduct the negotiations that are called for in the Rio agreements so that the technology cooperation provisions of those agreements will offer opportunity for US interests?

- o Current EPA regulations define "best available technologies" in a way that often precludes the use of new and innovative technologies. Shouldn't we take a look at those regs to see if a more flexible approach could be identified? (Note that this openness could send an important signal to business that the new administration's will to work with them in order to achieve environmental objectives in an economically sound manner).

- o Federal dollars are tight. How can private dollars be leveraged to provide needed investment capital (and to slow the current sale of technologies to foreign investors)?

Cost: No significant budget impact expected.

IV. INTERNATIONAL ENVIRONMENTAL INITIATIVES

A. The Climate Convention

As you know, President Bush, alone among industrial country leaders, refused to commit to stabilizing emissions of carbon dioxide at 1990 levels by the year 2000. You embraced this commitment during the campaign, however. We are presented with two opportunities very early on in the Administration to affirm this commitment. First, pursuant to the terms of the treaty, we are obligated to produce an action plan on climate change 6 months after the treaty comes into full force and effect. In Rio, President Bush accelerated our commitment and promised to produce the plan in January -- 6 months after signature of the treaty. A draft action plan has been prepared. However, it has

been severely criticized both within the Administration (EPA has been harshly critical of it, saying that it will not achieve meaningful reductions in emissions) and by the environmental community. The plan has been published in the Federal Register and is open to public comment.

The new Administration should undertake a serious re-evaluation of this plan and institute a process by which to produce a plan that not only will achieve meaningful reductions, but will in fact, result in a stabilization of emissions.

Second, the parties to the Convention will meet again in March. The new Administration should take advantage of this meeting to affirm its commitment to the international community -- and to secure their re-affirmed commitment in return.

Cost: No significant budget impact of producing action plan or participating in international negotiations. Analyses differ with respect to the cost of actually achieving stabilization in the US. Some project significant costs while others (such as EPA) show that stabilization could be accomplished with net positive impact on GNP. The menu of policy options that are chosen as part of the plan obviously will be determinative, and top priority can and should be given to those options that can be done at a profit.

B. Biodiversity

o **The Biodiversity Convention:** As we have discussed, this convention, as finally negotiated, is flawed. Problems arise with regard to the intellectual property provisions of the treaty and with regard to the financing mechanism that has been devised. These problems are not, however, insurmountable. And, a reversal of Bush Administration policy here would send an unmistakable signal that the US was serious about securing -- once again -- a leadership role on international environmental issues.

As we have also discussed, I believe it is imperative to the well-being of the US biotech industry that we find a way to fix the flaws in this treaty and to sign-on to it. Because of the way President Bush handled these negotiations, US researchers are now being shut out of some third world countries. Venezuela, for example, has suspended research agreements with several US institutions. Moreover, the Conference of Parties to the treaty will undertake an effort to craft international regulations concerning genetically modified organisms. We must have a seat at those negotiations to ensure that those regulations are based upon the best science and that they will not unduly or unfairly hamper the US biotech industry.

The new Administration should, therefore, express unequivocally its intention to work with the Conference of the Parties to address the problems that prevented our signature. Simultaneously, an effort should be undertaken with other major industrial countries -- such as the UK, Switzerland, France, Germany, etc. -- to come to a common understanding on these issues. (I understand that these countries -- having signed the treaty -- now face obstacles in ratifying it because of concerns their own biotech companies are now raising. They therefore should be amenable to our efforts). And outreach with the US biotech industry should be begun in order to develop a position that they are comfortable with and that is protective of their interests.

Cost: No significant budget impact expected.

o **Executive Order establishing a National Biodiversity Center.** The Committee on Science, Space and Technology has been holding hearings on biodiversity since 1987 and passed legislation in the last Congress that established a National Biodiversity Center. A National Biodiversity Center would allow us to catalog our nation's biological resources, and evaluate their properties and status, a prerequisite for sustainable use. Thus we would join countries such as Costa Rica, Mexico and Indonesia, which have already established such Centers. An interagency working group has drafted such an Executive Order, to establish a National Biodiversity Center at the Smithsonian Institution, in cooperation with a number of agencies. Former President Bush failed to sign this Order, despite the promises that he made at the Earth Summit in Rio.

C. Environmental Impact Assessments

The National Environmental Policy Act of 1969 required all agencies of the Federal Government to prepare an environmental impact statement for major Federal action significantly affecting the quality of the human environment. This far-reaching legislation remains the principal means by which we can ensure that any effects of development upon our environment are considered carefully. As we implement our Rio commitment to promote sustainable development around the globe, it is important that our government agencies apply the same environmental standards abroad as they must domestically. Toward that end, an Executive Order should be issued to ensure that U.S. agencies which carry out, finance or provide technical assistance to major development activities or construction projects outside the United States will conduct the necessary environmental review beforehand.

V. OTHER

A. Business and the Environment

The new administration has an important opportunity to forge a new alliance between business and environmental interests. To capitalize on this opportunity, the President should issue a directive calling for a **series of roundtable strategy sessions with business leaders** to discuss, for example, how we can use market-based initiatives to achieve environmental goals; how can we stimulate new investment that accelerates the replacement of environmentally burdensome products and processes; how can we promote pollution prevention strategies; how can we promote voluntary initiatives such as environmental audits and green labeling. These efforts should be coordinated through -- and a primary mission of -- the CEQ.

The new Administration should also consider re-establishing the **President's Commission on Environmental Quality** that was created -- but ignored-- by President Bush. PCEQ pulled together representatives of the business and environmental community to advise on environmental policy. PCEQ should be given enhanced visibility and importance. The group should also be expanded to include grassroots and community representatives and thought should be given to having the PCEQ act as a travelling forum -- establishing environmental policy **roundtables around the country** as is done in Canada.

Additionally, businesses that make efforts to reach beyond minimum regulatory requirements by setting ambitious goals to greatly reduce or even eliminate waste should be recognized so that these efforts get the encouragement and acknowledgement they deserve in the other will be inspired to follow. The EPA should develop a **Presidential award** that will be extended to companies that exemplify the highest standards of environmental excellence in the design, manufacture, and marketing of products.

B. National Income Accounts

By using market-based mechanisms, we can achieve environmental "goods" in a way that also offers economic benefits. Unfortunately, we can't fully take advantage of the market if we aren't using the right price signals.

While national income and product accounts provide us with a variety of short-run and long-run indicators of economic health such as GDP, productivity, disposable income, and profits, the framework takes no account of changes in the quantity, quality, or value of natural resources and other environmental conditions.

Recent projects at the Bureau of Economic Analysis (the branch of the Commerce Department that produces the accounts), EPA, CBO, as well as the United Nations Statistical Organization, have established the theoretical underpinnings for expanding the accounts, and now researchers are attempting to put them into practice.

To focus, prioritize and accelerate this work, a directive should be issued to BEA, EPA, CEQ and other Departments (such as Interior, where much natural resource data resides) to undertake an effort to expand the accounts, and to identify near term conceptual issues and data requirements. This initiative could ideally be coordinated jointly by CEQ and OSTP.

This domestic initiative should then be translated into a major international initiative, with the US leading a UN effort to revise national accounts. The UN typically undertakes such an effort every 20 years, and is currently in the process of developing "satellite accounts" on natural resources. This has not been a high priority, however, and progress has been very slow.

The importance of accelerating these efforts has been demonstrated by Bob Repetto at the World Resources Institute and other researchers who have found that annual rates of growth in developing countries are dramatically diminished when the irreversible destruction of natural resources is accounted for. (Accounting for the loss of natural capital, Indonesia's "real" growth rate falls from some 7% to approximately 3%).

Cost: No significant budget impact is expected.

C. Elevate EPA to Cabinet Level Status

The influence and effectiveness of EPA may be limited by the fact that it is not a cabinet level agency. A cabinet level department could provide increased access to the President, more clout in interagency disputes, better integration of environmental policies with "mainstream" economic and social policies, and enhanced US credibility in international environmental negotiations.

Elevation of the department enjoys bipartisan support. Questions will arise, however, with regard to whether other environmentally-related functions should be vested with EPA in the process of elevating the agency. It has been suggested, for example, that NOAA should be transferred to a cabinet-level EPA.

While these questions must carefully be thought through, an early statement of support from the President simply with regard to elevation of the department could be of significant symbolic import.

Cost: No significant budget impact expected.

D. Implementation of Agenda 21

One of the key documents resulting from the Rio Conference was "Agenda 21" -- a comprehensive yet non-legally binding

action program designed to reconcile the goals of continued economic development and environmental preservation to ensure that human needs are met in a sustainable fashion.

To demonstrate US commitment to furthering progress on sustainable development, a directive should be issued to all agencies to undertake an analysis of each of their respective programs and develop an action plan to implement Agenda 21. It is critical that this effort be undertaken jointly by the agencies as many issues -- such as improved natural resource management -- cross agency jurisdictions. This effort should be coordinated through CEQ.

Cost: No significant budget impact is anticipated.

E. Expanding Collaboration

Independent, uncoordinated action by the multitude of federal, state, local and private parties with an interest in the environment cannot efficiently achieve the levels of protection demanded by the public. Limited resources demand:

- o Collaboration among the actors early in the life of an issue -- before crisis or confrontation develops.
- o Local concerns to be solved with local input.
- o Federal agencies to work in a complementary fashion rather than at cross purposes.

In the Coastal America program, for example, an interagency steering group directs nine agencies' efforts to improve, protect and restore the coastal environment. Regional implementation teams use existing agency programs and budgets, identify primary actions and projects, and bring to bear combination of resources, expertise, and program authorities to accomplish what no single agency could accomplish alone. State and local government and private sector involvement is sought in all project activities.

Possible initiatives to build upon this example include:

-- Watershed Management. Wetlands, nonpoint source pollution, water supply, recreation access and similar resource issues can best be considered and reconciled with development concerns on a watershed basis. You could request the creation of a series of full scale demonstrations of comprehensive watershed management. This approach involves bringing together government and private stakeholders to identify : 1) key resource issues for the watershed, including conflicts between development or infrastructure and resource protection; 2) tools and action that might have brought to bear on them. Without additional statutory

authority, watershed management must be on a voluntary basis. Approaches being discussed in the context of Clean Water Act reauthorization would make some elements of this approach mandatory.

-- Habitat Restoration. Habitat management and restoration responsibilities are spread among federal, state, and local entities, and are of interest to a range of private groups. Single-agency approaches, by definition, fail to use all available resources, authorities, and expertise. You could request the creation of regional habitat restoration councils, comprised of federal, state, tribal and local government representatives, as well as private and conservation interests. Both traditional resource and regulatory interests and development and infrastructure agencies should be included. The councils would identify habitat projects that are of high priority for more than one agency, and that require or benefit from the expertise or resources of multiple parties. Council should also compare and integrate resource protection priorities and early development/infrastructure planning information.

Cost: These programs would be run within existing budgets. Savings would be expected as efforts become increasingly coordinated and efficient.

To: Al
Fr: Katie
Re: Environment, Energy and Natural Resource Initiatives

The attached booklet describes in detail recommended initiatives in the environment, energy and natural resource areas that should be considered as important elements of the new administration's policy on these issues. In this cover memo, I wanted to highlight several of the options for your immediate consideration.

I. INFRASTRUCTURE INVESTMENTS:

These proposals embody a central tenet of the campaign -- that environmental protection and economic growth are not conflicting but complementary goals. The investments we have identified will benefit the environment, create jobs and lay the groundwork for long-term economic growth. A wide range of initiatives are presented; I want to highlight two:

A. Clean Water Projects:

EPA and the states have estimated that expenditures of over \$110 billion on wastewater treatment construction will be needed by 2010 to meet national water quality standards. The failure to meet those standards is currently exacting a significant economic cost -- particularly on coastal communities. In 1989 and 1990, there were over 2400 beach closings in 10 states. Billions in tourism, boating, and fishing dollars were lost. In addition, at any given time, some 40-50% of the nation's shellfish beds are closed due to pollution, and nearly every coastal and Great Lakes state has advisories warning against the consumption of many types of fish because of their dangerous levels of contamination. Investments in improving this situation therefore make sound economic sense. Importantly, investments in these types of projects also promise strong job-creation benefits: According to one estimate, the total number of jobs generated from the expenditure of \$1 billion on water and sewer projects is at least 34,000 and could be as high as 57,000. Focusing on these initiatives also offers us the opportunity to begin to address the number one environmental health threat facing our children: water- and air-borne lead.

B. Energy Efficiency Initiative:

To protect the environment; to improve our balance of trade; to ensure our national security, enhanced energy efficiency should be a national priority. Two initiatives are worthy of particular focus:

o **State and Local Assistance Programs:** These programs provide federal funding for state and local energy efficiency services to low-income households, non-profit schools and hospitals, municipalities, small businesses and farmers. The programs are proven winners -- they save energy and create jobs. Each 100 million spent on SLAP will create approximately 4,000 new jobs. They often get squeezed in the appropriations process, however, and many worthy projects go unfunded.

o **Federal Energy Management:** The federal government is one of the worst offenders in terms of energy waste and inefficiency. A 1991 OTA study shows, for example, that the federal government could easily cut more than 25% of its present energy use. Cost-effective investments in federal buildings, for example, would have a short pay-back period (2-3 years), and -- once implemented -- would save \$1 billion per year in energy outlays.

II. ENERGY TAXES

In our continuing analysis of energy tax options, we have found that a properly designed energy tax has several attractive features. First, if it is based on BTUs (british thermal units of energy) it will reach all forms of energy more evenly than other forms of energy taxes and thereby lessen any regional impacts that can be expected. Second, recent economic analysis shows that regressive impacts are smaller than anticipated and can be offset through, for example, enhancements to the earned income tax credit. Third, if some portion of the balance of the revenues are used to fund an investment tax credit, a net positive impact on GNP is to be expected. Fourth, as opposed to taxes on labor and capital, energy taxes do not discourage investments and therefore will not work against efforts to create jobs and stimulate investments as other tax options might. Fifth, unlike any other tax that can be considered, our competitors have committed to undertaking this type of tax in conjunction with us -- therefore the competitive disadvantages of this type of tax should be less than any associated with a tax that we would have to undertake unilaterally. Sixth, energy taxes can generate significant revenues but, because energy costs are only a small fraction of production costs, they should result in small price increases to the consumer. For example, an energy tax that would raise \$20 billion would increase the price of a gallon of gas by approximately 3 cents.

III. WHITE HOUSE CONFERENCE ON ENVIRONMENTAL TECHNOLOGIES

New, cleaner and more efficient process technologies are essential if we are to improve our competitiveness. In addition, a huge new market is emerging for environmentally sound products and services. Currently estimated at some \$200 billion per year, the environmental technology industry is one of the fastest growing sectors of the domestic and international economy. Estimates of the

potential global demand for environmental products and services range as high as \$600 billion over the next 10 years. This is a market we cannot afford to lose.

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A White House Conference on Environmental Technologies early on in the administration would signal the Administration's understanding of the importance of these industries. In addition, if the Conference were designed as a joint initiative of CEQ and OSTP the link we would like to make between the business, technology and environmental communities could be demonstrated. Moreover, if all relevant agencies -- State, Aid, Treasury, Commerce, Labor, in addition to EPA and DOE, etc. -- participated, important, but less evident, issues could be identified and discussed. For example:

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As you well know, President Bush, alone among industrial country leaders, refused to commit to stabilizing emissions of carbon dioxide at 1990 levels by the year 2000. Governor Clinton, however, embraced this commitment during the campaign. We are presented with two opportunities very early on in the Administration to affirm this commitment. First, pursuant to the terms of the treaty, we are obligated to produce an action plan on climate change 6 months after the treaty comes into full force and effect. In Rio, President Bush accelerated our commitment and promised to produce the plan in January -- 6 months after signature of the treaty. A draft action plan has been prepared. However, it has been severely criticized both within the Administration (EPA has been harshly critical of it, saying that it will not achieve meaningful reductions in emissions) and by the environmental community. The plan has been published in the Federal Register and is open to public comment.

The new Administration should undertake a serious re-evaluation of this plan and institute a process by which to produce a plan that not only will achieve meaningful reductions, but will in fact, result in a stabilization of emissions.

Second, the parties to the Convention will meet again in April. The new Administration should take advantage of this meeting to affirm its commitment to the international community -- and to secure their re-affirmed commitment in return.

B. The Biodiversity Convention

As we have discussed, this convention, as finally negotiated, is flawed. Problems arise with regard to the intellectual property provisions of the treaty and with regard to the financing mechanism that has been devised. These problems are not, however, insurmountable. And, a reversal of Bush Administration policy here would send an unmistakable signal that the US was serious about securing -- once again -- a leadership role on international environmental issues.

As we have also discussed, I believe it is imperative to the well-being of the US biotech industry that we find a way to fix the flaws in this treaty and to sign-on to it. Because of the way President Bush handled these negotiations, US researchers are now being shut out of some third world countries. Venezuela, for example, has suspended research agreements with several US institutions. Moreover, the Conference of Parties to the treaty will undertake an effort to craft international regulations concerning genetically modified organisms. We must have a seat at those negotiations to ensure that those regulations are based upon the best science and that they will not unduly or unfairly hamper the US biotech industry.

The new Administration should, therefore, express unequivocally its intention to work with the Conference of the Parties to address the problems that prevented our signature. Simultaneously, an effort should be undertaken with other major industrial countries -- such as the UK, Switzerland, France, Germany, etc. -- to come to a common understanding on these issues. (I understand that these countries -- having signed the treaty -- now face obstacles in ratifying it because of concerns their own biotech companies are now raising. They therefore should be amenable to our efforts). And outreach with the US biotech industry should be begun in order to develop a position that they are comfortable with and that is protective of their interests.