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THE WHITE HOUSE

WASHINGTON

April 24, 2000

MEMORANDUM FOR LAEL BRAINARD
GEORGE FRAMPTON
LEON FUERTH
ROBERT LAWRENCE
JIM STEINBERG

FROM: ROGER BALLENTINE

RE: COP-6: Strategy Meeting

As we have done in preparation for prior COPs, I would like to convene a meeting to coordinate White House and Administration preparations for COP-6. As you know, COP-6 will be of critical importance to the Kyoto process and of tremendous significance to the interests of both the President and Vice President. These meetings are to ensure that we have a consensus White House position on a few key issues as we begin negotiations in earnest. If helpful and necessary, we might reconvene such meetings on a monthly or bi-monthly basis between now and November.

Angie Mizeur from my office will be calling to schedule a meeting in the next few weeks, prior to which I will circulate a proposed agenda. I am inclined to include the State Department in some if not all of these meetings.

cc: John Podesta
Charles Burson
Ian Bowles
Mike Orfini

Lew 252
Sylvia 252
Martha

Wesley
Logswell 8001 NEOB
8026
Tuceillo 8025 NEOB
Randy
Mark Weatherly 8013

THE WHITE HOUSE

WASHINGTON

May 2, 2000

MEMORANDUM FOR JACK LEW
SYLVIA MATHEWS
MARTHA FOLEY
WESLEY WARREN

FROM: ROGER BALLENTINE

RE: KNOLLENBERG RIDER AND FY 2001 APPROPRIATIONS

Each of the past two years, Rep. Joe Knollenberg (R-MI) has attached riders to various appropriations bills aimed at prohibiting the use of federal funds to "propose or issue rules, regulations, decrees, or orders for the purpose of implementation, or in preparation for implementation, of the Kyoto Protocol". While we opposed the riders, we did not force a showdown because we were confident that the language as written was not constraining.

Perhaps starting with the Ag bill in the House, this year's expected rider activity presents two potential problems. First, despite our sound interpretation of the existing riders, Knollenberg has repeatedly interpreted the riders to prohibit a wide range of actions being taken by several agencies. He has asked the inspectors general for the Department of State, the Department of Energy, and the Environmental Protection Agency to investigate whether the agencies have violated the rider. His relentless pressure to "enforce" the rider is causing concern and potential disruption of vital and legitimate agency activity. Therefore, we should consider a much stronger position against even a repeat of existing rider language.

Second, we understand that Knollenberg may be pushing new and broader rider language to include in this year's bills. The language we have seen purports to prevent any funds being spent "*on the Kyoto Protocol*". There are also indications that he may seek to attach the language to just one bill with the proviso that no funds appropriated "in this bill *or any other bill*" shall be use for the prohibited purposes. Although likely unconstitutional, such broad language would at the very least exacerbate the ongoing difficulties we are having with Mr. Knollenberg.

In either event, we should work to prevent either of these riders, and be certain to include opposition to them as a key Administration position in the context of any appropriations bill. I will circulate more background and some talking points shortly.

Cc: Ron Cogswell
Bob Tucillo
Randy Steer
Mark Weatherly

THE WHITE HOUSE

WASHINGTON

April 24, 2000

MEMORANDUM FOR LAEL BRAINARD
GEORGE FRAMPTON
LEON FUERTH
ROBERT LAWRENCE
JIM STEINBERG

FROM: ROGER BALLENTINE

RE: COP-6: Strategy Meeting

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cc: John Podesta
Charles Burson
Ian Bowles
Mike Orfini

THE WHITE HOUSE

WASHINGTON

January 28, 2000

MEMORANDUM FOR JOHN PODESTA

CC: JIM STEINBERG

FROM: ROGER BALLENTINE

RE: INDIA

Prompted by Katie McGinty's letter of January 16, 2000, you asked what was happening on the planning of a POTUS – climate change event in the context of an India trip. I have discussed this issue with Jim, and along with Ian Bowles from Jim's (and George's) shop, have begun an inter-agency planning process to prepare an event and deliverables.

This process has been grafted on to the process I led in development of our new international clean energy initiative. India presents the ideal opportunity to promote this initiative, and to deliver some tangible sign that we are committed to helping developing economies grow clean, to promoting export of U.S. clean energy technologies, and to bringing developing countries into the fight against global warming.

We have been in close touch with Katie, Secretary Richardson, USAID, ExIm, State, Commerce and various private sector experts. We hope to build on the Secretary Richardson's earlier success in India and to achieve some additional commitments on the part of the Government of India to reduce greenhouse gas emissions. We also hope to couple this with the formation of a joint U.S.-India, public-private working group/forum/dialogue aimed at promoting the use of U.S. clean energy technology and practices in India's rapidly expanding economy. As part of such an event, we also hope to be able to announce direct and specific benefits to India as part of the clean energy initiative.

I will keep you posted, but please let us know if you have any thoughts at this time.

cc: Maria Echaveste
George Frampton
Ian Bowles

THE WHITE HOUSE

WASHINGTON

January 7, 2000

MEMORANDUM FOR JOHN PODESTA
GENE SPERLING
CHARLES BURSON
GEORGE FRAMPTON
MARTIN BAILY
JACK LEW

CC: KAREN TRAMONTANO
BRUCE REED
DAVID BEIER
SYLVIA MATHEWS
ROBERT LAWRENCE
CHUCK BRAIN

FROM: ROGER BALLENTINE
RONALD E. MINSK RM

SUBJECT: "Clean Energy for the 21st Century" - Domestic Power Plant Proposal

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I. Overview

As the domestic centerpiece of its initiative on "Clean Energy for the 21st Century," the Administration could announce a comprehensive proposal to reduce air pollution from the domestic power plants. This proposal would reflect the "next generation" of environmental regulation. It would replace the command-and-control approach of regulating power plant emissions in the Clean Air Act with a tough but flexible market-oriented approach that could achieve the greatest environmental and public health gains at the least possible cost.

- Fossil-fueled electric power plants are major sources of four air pollutants that have serious adverse health, environmental and economic effects: *sulfur dioxide, nitrogen oxides, mercury, and carbon dioxide*. The electric power industry is responsible for one-quarter to two-thirds of national emissions, depending on the pollutant. Moreover, 45 percent of the generation capacity is more than 30 years old, and 36 percent of the total generation comes from plants that are more than 30 years old, in part a result of the "grandfathering" of these plants under the original Clean Air Act.

- The proposal would replace complex, often uncoordinated, and sometimes inconsistent provisions of the current Clean Air Act with *an integrated multi-pollutant plan for clean air*. This approach would establish emission targets for four pollutants over the next 15 years. The targets would constitute the only regulation of power plant emissions (except for limited regulation necessary to avoid local air pollution problems or hotspots), thereby providing the industry with an increased degree of certainty and a flexible and cost-effective means to achieve the targets. In addition, by eliminating prospective application of EPA's New Source Review (NSR) rules, we would be giving the industry meaningful regulatory relief from NSR, although we would be imposing new regulatory requirements on carbon dioxide and mercury emissions.

Because of the political considerations surrounding a significant modification of the Clean Air Act, prior to further work by an interagency group, we request your approval or disapproval of the concept, and your guidance with respect to the parameters we should abide by if you decide that we should proceed. If you direct us to proceed, we would like to know if we should examine the design of an emissions trading system, including the choice regarding allocation or auction of permits, and economic dislocation issues. If you choose to support the proposal, we would like to try to develop it sufficiently to announce it in the State of the Union Address (perhaps nothing more than committing to submit a proposal to Congress by a specified date, such as Earth Day).

II. Description of Integrated Emissions Reduction Proposal

This proposal would establish an integrated cap-and-trade program for four pollutants -- nitrogen oxides, sulfur dioxide, mercury, and carbon dioxide -- for the electric power generation industry.[1,2] In exchange for imposing tough emissions targets on power plants, the proposal would establish certainty about future emissions requirements in that the emission limits would constitute all clean air requirements for the industry over the next fifteen years. In establishing the emission targets, we would consider both economic and technical factors. The proposal also would reduce the facilities' regulatory burden through the suspension of the Clean Air Act's New Source Review requirements.

To enable power plants to meet their emissions targets at the lowest cost possible, each company could meet the standards using market-based emissions trading, as the utility sector does now under the Clean Air Act's acid rain program (the acid rain emissions trading program has cut SO_2 emissions from power generation with cost-savings projected at over $4 billion per year, 80 percent less than a traditional regulatory approach). Trading programs ensure that an

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1 The concept of an integrated clean air strategy was first raised by utilities as part of the industry consultations launched by the Vice President two years ago.

2 EPA has suggested that we should also consider including industrial boilers in our proposal, although that might complicate the proposal by extending "downstream" in the economy, further complicating the ability to move towards an economy-wide regulatory scheme in the future.

emissions target is achieved while minimizing costs by allowing individual plants to choose their least costly compliance options, including emissions trading. An "infrastructure" for cap and trade programs in the utility industry is already largely in place, because power plants already monitor and publicly report on hourly emissions of three of the four pollutants (SO_2, NO_x, and CO_2). The costs of meeting the targets could be further reduced by allowing power plants to meet their targets with the use of domestic offsets (e.g., sinks for carbon or "cash for clunkers" for NO_x).

This proposal would replace the current approach to clean air regulation, which emphasizes incremental air quality improvements as plants are incrementally modernized. It would suspend the Clean Air Act's New Source Review requirements for those facilities subject to the cap. Under current law, utilities are subject to permit review and must install best available control technology when they build a new plant or refurbish an old one. The institution of national emission budgets or caps makes this provision unnecessary, except to avoid local air pollution problems or hotspots. The new integrated strategy would give utilities fewer short-term regulatory requirements in exchange for a long-term commitment to reduce emissions of the covered pollutants.

The proposal could also include provisions to distribute the permits to utilities either through direct government allocation or through an auction. This is a significant decision; the value of permits for carbon dioxide alone is estimated to be in the tens of billions of dollars. In addition, the proposal could include measures to mitigate economic dislocation associated with the plan, perhaps paid for with auction receipts or allocation of permits to affected communities.

III. Political Considerations

This proposal would have important political benefits such as in the environmental community and political constituencies in the Northeast and California. It would demonstrate our seriousness about making domestic progress on reducing greenhouse gas emissions and would clean our air using a market-based approach. The proposal would also, however, entail significant political risks. It will likely offend important industrial and Midwest political constituencies and could impose significant costs on the economy.

Two events in 2000 will focus domestic and international attention on U.S. domestic actions to reduce greenhouse gases and other emissions in our energy sector -- the 30th Anniversary of Earth Day on April 22 and the next round of climate change negotiations beginning November 13th. A proposal to reduce emissions from power plants would build support with domestic and international audiences, who have been critical that the United States is not taking appropriate action to reduce emissions. Although this Clean Energy proposal is not strictly a climate change issue, any strong domestic action that would reduce greenhouse gas emissions would enhance the U.S. negotiating position on the cost-lowering flexibility mechanisms of the Kyoto Protocol.

The proposal could be portrayed more broadly as a visionary attempt to recast environmental regulation for the 21st Century. This proposal could also be received as a important health initiative, responsive to public concerns about the need for clean air to reduce incidence of asthma and other maladies. Although a proposal of this magnitude would be impossible to adopt in this Congress, it would receive some bipartisan support, and could create a sharply contrast an Administration seeking to reduce emissions and Congressional lethargy regarding the problems of local air pollution and global warming. Support for the proposal would be strongest in the Northeast and California. In addition, the proposal to reinvent Clean Air Act regulation and to achieve the emission targets through emissions trading would be favorably received by some utility companies, and we could get some validation and perhaps support from segments of the industry. Companies that provide clean fuels (e.g., natural gas suppliers) and companies that develop and manufacture clean power technologies (e.g., distributed generation, wind, and solar) would also support the proposal.

The 106th Congress has already seen a number of bills regulating power plant emissions. These bills have received some bipartisan support. A list of the bills with sponsors and co-sponsors is attached.

A decision to go forward with a proposal also entails significant political risks. It would likely lead to a contentious debate, with particularly strong opposition from the coal industry and workers concerned about loss of coal production. They will be strongly opposed to the proposal in any event, although perhaps less if we include a proposal to assist dislocated workers and injured communities. Members of Congress from states with significant power generating capacity, and coal and automobile production may oppose this approach, including those from Illinois, Indiana, Kentucky, Michigan, Ohio, and West Virginia. It could also cause a split within the Democratic Caucus in the House and Senate.

Another significant political issue regarding the proposal is its cost, which opponents may characterize as an energy tax. Even with the flexibility provisions, this proposal will lead to higher costs at power plants, which would likely lead to utility rate increases. They might also note that the plan does not provide them with absolute certainty because the fate of the Kyoto Protocol, with its targets and international flexibility mechanisms, is unknown. Although the proposal may be expensive, we cannot conduct any analysis until we have identified emission targets. If the analysis concludes that carbon permits will trade above $23 per ton (the Administration's estimate of the cost of a carbon permit under Kyoto), which is likely, the proposal will be criticized on that basis.

Proceeding with the proposal could also complicate ongoing EPA enforcement actions against several power plants. If the proposal includes limits for emission of NO_x, it could be difficult for EPA to settle its ongoing cases with limits less stringent than our proposal. Administrator Browner suggested that we could attempt to sidestep that problem by announcing a proposal without specific limits for NO_x. Another consideration regarding our choice of emission limits are the positions of some Eastern Republicans, including Governors Pataki and Whitman. It would be problematic to propose limits less stringent than their proposals.

Opponents may also charge that the proposal is inconsistent with the President's October 1997 three-stage plan for addressing climate change. That plan proposed five years of priming the pump through R&D, tax incentives, early action credit, federal leadership, and industry consultations, a second stage of review and evaluation beginning around 2004, and a final stage of mandatory reductions through domestic and international emissions trading beginning in 2008. This charge could be resolved by making the timing of any mandatory reductions under the sector specific plan consistent with the timing of the President's plan.

This proposal might also attract criticism that we are attempting to implement the Kyoto Protocol prior to Senate ratification. Opponents will also argue that this proposal is inconsistent with EPA's representations that the Agency has no plans to regulate carbon, an issue about which there has been great concern in Congress. While such arguments may have little merit, as we would merely be proposing new legislation for Congress to consider, we should be aware that such arguments could have ramifications such as additional environmental riders.

Finally, the inclusion or absence of specific proposals regarding the distribution of permits through allocation or auction, or economic dislocation adjustment provisions, will focus attention on distributional issues. A proposal to auction permits may be attacked as a tax, while a proposal to allocate permits may face the charge of a government giveaway to polluters.

IV. First-Tier Policy Issues

Development of a proposal will entail wrestling with a number of critical policy issues. Among the most important are:

- *Sectoral approach to CO_2:* Economists have argued that the most efficient way to address the problem of climate change is to design an economy-wide system that "prices" carbon across all sectors, rather than regulating one sector. An economy-wide system permits all actors to find the most cost-effective emission reductions throughout the economy. A strategy aimed only at the utility sector would result in utilities achieving their reductions in a less cost-effective manner than under an economy-wide approach and may create administrative problems, economic inefficiencies, or flight to unregulated industries. However, an integrated clean air strategy tailored for this sector takes advantage of unique factors in this industry and increase certainty regarding environmental planning. By limiting the breadth of the proposal to power plants, however, it may make it more costly for the remainder of the economy to reduce carbon emission in the most cost-efficient manner.

- *Design of trading system:* Developing a strategy for one sector may prejudge the ultimate design of an economy-wide system. For example, it would be more efficient to implement an upstream trading program (*i.e.,* at the mine shaft for coal, the wellhead for gas, the refinery for domestic oil, and the port for imported petroleum products) rather than impose the burden on downstream users. In the future, it may be difficult to integrate the fuel processors into a system, if the utilities have already begun to hold these permits.

- *Allocation of permits:* If the government allocates permits directly to utilities, it would probably be difficult to create an auction of carbon permits at a later date. A decision to do so therefore, may be the functional equivalent of deciding to forego billions of dollars in annual revenue from the electricity generation industry to the federal government by effectively giving the revenue to the utilities through free permits. To provide a sense of the magnitude of these revenues, auction revenues based on the Administration's $23 per ton carbon price estimate for the Kyoto Protocol would amount to about $35 billion per year for an economy-wide system (and roughly one-third that for an electricity generation industry-only system). If the price per ton of carbon is double the $23 estimate, the potential government revenues would likewise double.

- *Careful examination of emission targets and timing:* We must strike a careful balance between levels of control and the timing of those controls. On the one hand, the controls must be ambitious enough to assure the public that the utility industry is doing enough to ensure public health protection and to warrant the proposed regulatory relief. On the other hand, we must assure the public that in establishing these goals, we considered adequately economic and technical constraints.

- *Regulating Mercury:* We would also need to closely examine the scientific basis for controlling emissions of mercury. Mercury emissions have been regulated at incinerators, but not for power plants. Under a process established under the Clean Air Act, the Administration is planning to make a regulatory determination regarding mercury from power plants in December 2000. Including mercury in a comprehensive proposal at this time would prejudge that ongoing process.

V. Conclusion

Because we would not expect to see any significant legislative action in this area this year, our proposal is primarily one meant to articulate a new framework for environmental regulation of air pollution for the next century, and to demonstrate a serious domestic commitment to reducing greenhouse gases by addressing one of the two significant emitting sectors (autos being the other). This proposal would dovetail with our international Clean Energy for the 21st Century initiative, which focuses on helping developing countries meet their energy demands in the cleanest possible fashion. Indeed, a lack of domestic action could undercut this international effort. It could also be presented as a significant health initiative addressing an issue of rising public concern.

Strong support for such a plan would be expected from key constituencies and allies in both parties. We would likely please public health and environmental organizations (who have made clean energy and climate change their top priority for Earth Day), Northeastern congressional delegations and governors (who have sponsored or supported similar legislation), and areas of the country with serious local air quality problems such as California. Support would also be expected from cleaner electric utilities that are disadvantaged by higher-emitting utilities. Although this Clean Energy proposal is not strictly a climate change issue, any strong domestic action that would reduce greenhouse gas emissions would enhance the US negotiating position on the cost-lowering flexibility mechanisms of the Kyoto Protocol.

In announcing this initiative, however, we would be challenging directly powerful and well-represented interests and would likely receive strong opposition from key constituencies and Democratic allies, particularly those in the Midwest. We could expect opposition from some labor unions (who fear the loss of jobs in coal mining and railroads), a portion of the utility community (for being singled out from other industries), and the industrial community (which may feel that their sectors of the economy could be the next to be regulated). We can also expect opposition from governors and Members of Congress from coal mining and significant power generating states and local officials in the communities that would be most directly affected by a significant reduction in the use of coal. Without additional outreach, we cannot say whether we would get any mainline industry support.

We also might be accused of proposing a new expensive tax. If our analysis suggests that carbon reduction would cost more than $23 per ton, we also might be criticized for proposing an initiative that was more expensive that the Kyoto Protocol. Moreover, implementing this proposal might make it more difficult ultimately to implement an economy wide trading system, which would achieve the sought after reductions at the lowest possible cost.

Given the significant political risks in promoting this proposal, we need your feedback prior to investing the time that it would take to more fully develop it. If you choose to support the proposal, we would like to try to develop it sufficiently to announce our intentions in the State of the Union Address. In order that we may proceed as quickly as possible, we would appreciate feedback at your earliest convenience.

Power Plant Bills 106th Congress

BILL NUMBER	*S.1949*	*S.1369*	*S.172*	*H.R. 2900*	*H.R. 2667*
SPONSOR	Leahy (D-VT)	Jeffords (R-VT)	Moynihan (D-NY)	Waxman (D-CA)	Allen (D-ME)
COSPONSORS	(none)	Lieberman (D-CT)	Lieberman (D-CT)	Boehlert (R-NY)	Saxton (R-NJ).
		Moynihan (NY)	Schumer (D-NY)	Olver (D-MA)	Baldwin (D-WI)
		Schumer (D-NY)	Jeffords (R-VT)	DeLauro (D-CT)	Baldacci (D-ME)
		Kerry (D-MA)	Reed (D-RI)	Hinchey (D-NY)	Barrett (D-WI)
		Lautenberg (D-NJ)	Dodd (D-CT)	Lewis (D-GA)	Bonior (D-MI)
		Dodd (D-CT)	Kerry (D-MA)	McKinney (D-GA)	Capuano (D-MA)
		Kennedy (D-MA)	Feinstein (D-CA)	Farr (D-CA)	Davis (D-IL)
		Reed (D-RI)	Boxer (D-CA)	Vento (D-PA)	Delahunt (D-MA)
		Feinstein (D-CA)	Lautenberg (D-NJ)	Kennedy (D-RI)	DeLauro (D-CT)
		Snowe (D-ME)	Kennedy (D-MA)	McGovern (D-MA)	Gutierrez (D-IL)
		Boxer (D-CA)	Wyden (D-OR)	Schakowsky (D-IL)	Hinchey (D-NY)
				Jackson (D-IL)	Inslee (D-WA)
				Moran (D-VA)	Kennedy (D-RI)
				Lantos (D-CA)	Kilpatrick (D-MI)
				Kucinich (D-OH)	Maloney (D-NY)
				Kilpatrick (D-MI)	Miller (D-CA)
				Miller (D-CA)	Napolitano (D-CA)
				Gutierrez (D-IL)	Neal (D-MA)
				Nadler (D-NY)	Olver (D-MA)
				Weiner (D-NY)	Quinn (R-NY)
				Gejdenson (D-CT)	Roukema (R-NJ)
				Eshoo (D-CA)	Rush (D-IL)
				Baldacci (D-ME)	Sanders (I-VT)
				Meehan (D-MA)	Schakowsky (D-IL).
				Larson (D-CT)	Stark (D-CA)
				Ackerman (D-NY)	Underwood (D-Guam)
				Pallone (D-NJ)	Vento (D-PA)
				Smith (R-NJ)	Markey (D-MA)
				Sanders (I-VT)	Waxman (D-CA)
				Johnson (R-CT)	
				Berman (D-CA)	
				Filner (D-CA)	

THE WHITE HOUSE

WASHINGTON

January 7, 2000

MEMORANDUM TO JOHN PODESTA
MARIA ECHAVESTE
DOUG SOSNIK
LORETTA UCELLI
STEPHANIE STREETT

CC: GENE SPERLING
BRUCE REED
NEAL LANE

FROM: GEORGE FRAMPTON
ROGER BALLENTINE

RE: Proposed Climate Change Rollout

While there are only a couple of remaining open message opportunities between now and the State of the Union, we believe one should be devoted to climate change. Not only is this a legacy issue for the President on which he's been focused for several years, it has been the subject of a significant increase in public attention recently due to record warm weather and unusual storm activity.

In addition to record levels for the Climate Change Technology Initiative and new funding for the President's Bio Energy Initiative, our budget includes more than $100 million for the "Clean Energy for the 21st Century Initiative". This money, spread among DOE, Commerce, USAID, ExIm, OPIC and TDA, represents a tangible commitment to the President's oft-stated world view that developing countries can grow and industrialize their economies in a way that was not available to us: *cleanly*. To a significant extent, this "win-win" proposition can be achieved with the help of (and to the benefit of) U.S. clean energy technologies and services.

Such an event could also include the following announcements:

- Our new $ 50 million International Forest Protection Initiative, about which the President was very enthusiastic in his meeting with environmentalists in Seattle at the WTO. Saving forests is a major component of combating global warming.

- A major proposal for the President to unveil in which is an initiative to make old grandfathered coal-burning power plants live up to modern Clean Air standards. This proposal is the biggest single domestic step we can take in 2000 to combat carbon emissions, and if advanced this event would get front-page attention across the country on its own as an air pollution/children's health measure.

A rollout event focusing primarily on climate could, for example, include touring a 500-worker solar technology company plant in Maryland (visuals with large solar panels/products) that exports 2/3rds of its products through the Port of Baltimore to the developing world, thus creating jobs and protecting the environment.

Let us know if there is additional information that we can provide.

THE WHITE HOUSE

WASHINGTON

December 17, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER BALLENTINE ACM for RSB

RE: TIME MAGAZINE ARTICLE

Here is last week's *Time* magazine article, as you requested.

THE WHITE HOUSE

WASHINGTON

December 9, 1999

MEMORANDUM FOR JOHN PODESTA

FROM: ROGER BALLENTINE

CC: GEORGE FRAMPTON

RE: Climate – FY2001/SOTU

A few quick points re: climate change for you to keep in mind as we finalize the budget and State of the Union messages (details are in a memo I sent to Lew et al and copied to you):

- *For non-new initiative funding:* I think we have three goals:

    1) Overall CCTI funding should not go below the levels of our FY2000 request or those set by the President in our 5-yr plan; anything less would be criticized as a retreat. Passback is below these levels.

    2) We must fund the Bio-Energy Initiative. Passback had little money. This was a high-profile Presidential announcement of an ambitious target. We need to back it up.

    3) Our Clean Air Partnership Fund request needs to stay at $100 million at least. This was a S.O.U. announcement last year when we requested $200 million. We got zero, but backing down below $100 would look bad.

- *For new initiative funding:* We have tried to craft a bold new initiative to reflect the President's repeated pronouncements about growing developing economies, reducing emissions, and promoting U.S. businesses. This would be his last, great international climate initiative. Our "Clean Energy for the 21st Century" Initiative has a good jobs/exports/environment message. We request $183 million above base for this.

- *For State of the Union*: I would propose the global clean energy initiative (he'll probably talk about this whether we put it in or not!) and, on the domestic side, a bold call for cleaning up power plants and a promise to submit legislation "reinventing the Clean Air Act" to accomplish this. This is bold and would be controversial, but we are working with NEC and others to devise a plan that would truly be the "next generation" of clean air regulation.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

December 9, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GEORGE T. FRAMPTON, JR. GTF Jr.
ROGER BALLENTINE

SUBJECT: PROPOSED STATE OF THE UNION INITIATIVES

This memo outlines five potential State of the Union announcements for your consideration. Four of them – Clean Energy for the 21st Century, A Permanent Lands Legacy, Clean Waters Across America, and Building More Livable Communities – build on existing priorities. The fifth – Greening the Globe – would establish a major new priority.

CLEAN ENERGY FOR THE 21ST CENTURY

Action: You would announce your final, major climate change initiative, with both international and domestic components, including: 1) new efforts to promote clean energy technologies in developing countries; 2) a strategy for reducing greenhouse gas and other harmful emissions from U.S. coal-fired power plants; and 3) a challenge to the auto industry to significantly improve vehicle fuel economy.

Background: Over the past seven years, you and Vice President Gore have significantly elevated the issue of climate change on the domestic and international agendas and launched major initiatives to begin meeting this global challenge. The success of these efforts is evidenced, in part, by growing recognition by the American public and by corporate leaders that this issue is real and must be addressed. You have called for a new paradigm in meeting this challenge – that both developed and developing countries can limit their emissions while growing their economies.

The coming year represents the final opportunity for your Administration to build on these achievements and to put this new vision to the test. Diplomatically, we face two critical challenges: ensuring successful negotiations next November in the The Hague on the operational rules of the market-based mechanisms established by the Kyoto Protocol; and achieving more meaningful participation by developing countries. Domestically, we must begin laying the groundwork for achieving more significant emissions reductions, particularly in the two sectors with the greatest emissions: transportation and electricity generation.

These proposed initiatives would provide new incentives and mechanisms for reducing domestic mechanisms; demonstrate forcefully to the international community that the United States is fully committed to domestic emissions reduction; and assist developing countries in adopting growth paths that are both robust and clean.

Specific initiatives include:

Global Clean Energy in the 21st Century – You would propose new research, demonstration and export promotion measures to accelerate the development and deployment of clean energy technologies in developing countries.

This effort builds on the recommendations of the President's Council of Advisors on Science and Technology. Electric power accounts for one third of global greenhouse gas emissions, with the fastest growth occurring in developing countries. By 2020, a projected $1.7 trillion will be invested in electric power capacity in developing countries. These measures would help demonstrate to developing countries that they can protect the environment while growing their economies, and would help encourage their participation in global climate change efforts.

This proposal has three elements: improved coordination of existing programs at DOE, USAID, TDA, EXIM, OPIC and Commerce; new funding for research and development, policy reform and capacity building, and trade promotion and finance; and continued efforts within the OECD, G8 and WTO to steer capital flows to clean energy development.

Investing in Clean Power at Home – You would propose major new legislation to reduce greenhouse gas and other harmful emissions from older coal-fired power plants, and a Clean Air Bond to help finance the conversion of these plants to cleaner, more efficient technologies.

More than two-thirds of U.S. power plants are more than 30 years old and, as such, are not subject to the same Clean Air Act requirements as new plants. These plants are a major source of pollutants that contribute to smog and acid rain. They also are far less efficient than modern plants, making them major emitters of greenhouse gases.

Utilities will soon face major investment decisions – whether to retire these plants or extend their lives. These decisions are driven by mounting pressure to reduce conventional pollutants (new Clean Air Act requirements as well as state litigation in New York and Connecticut) and new uncertainties associated with electricity restructuring (the need for new capacity and additional cost competition). With the right strategy, we can make carbon reduction a central element in these investment decisions, provide the regulatory certainty the utilities seek, and achieve the greatest environmental benefit for the least cost by allowing the regulated entities the flexibility to comply in the most economically efficient manner.

To those ends, you would propose major legislation to mandate reductions in conventional pollutants and – for the first time – greenhouse gas emissions. These reductions would be achieved by setting caps to be phased in over 15 years – while easing permitting requirements that might deter plant modernizations – and by allowing market-based emissions trading. In addition, you would propose incentives for early action by utilities, in the form of a special class of tax-exempt "private activity bonds" to finance qualified clean energy investments.

While these steps would significantly strengthen domestic emissions reduction efforts, there may be considerable political fallout, particularly in coal states.

Choosing Fuel Economy – You would invite the CEOs of the auto companies to the White House to explore ways they can voluntarily improve fuel economy, and pledge to move forward on CAFÉ standards if they do not agree to act on their own. You might also propose a labeling program, modeled on the very successful Energy Star program, to help consumers identify particularly energy efficient vehicles and to provide additional incentive to manufacturers to produce them.

Transportation accounts for roughly a third of U.S. greenhouse gas emissions and the average fuel economy of new vehicles has fallen to its lowest level since 1980. Technology exists to significantly improve fuel economy. In fact, in Europe, auto makers (including Ford/Europe, GM/Europe, and DaimlerChrysler) have voluntarily committed to a 25 percent improvement in fuel efficiency by 2008. In Japan, the government has mandated a 23 percent improvement in gasoline vehicles, and a 15 percent improvement in diesel vehicles, by 2010.

Yet, for the past three years, a rider on the Transportation budget bill has barred the Administration from even studying the possibility of raising fuel economy standards for light-duty trucks (including SUVs), which now represent half the new car market. Although this year environmentalists enlisted 40 senators for a resolution opposing the rider, there were insufficient votes to sustain a veto. When you signed the Transportation bill, you again criticized the rider and said: "We cannot continue to ignore this. For that reason, we will soon invite the leaders of the auto industry to the White House to try to find a way to address this issue...."

In issuing this invitation, you would challenge the auto makers to provide American consumers with a choice they deserve – vehicles that are safe, affordable, and significantly more fuel efficient. To be credible, this challenge must be accompanied by a clear statement that, if the auto makers do not make such a commitment, you will veto the rider and initiate a review of CAFÉ standards.

Cost: $204 million in FY2001 ($183 million for Global Clean Energy in the 21st Century and $21 million for the Clean Air Bond).

A PERMANENT LANDS LEGACY

Action: You would again call on Congress to approve $1 billion a year in permanent land conservation funding; announce new protections for selected federal lands; announce that you will conduct a Lands Legacy tour highlighting recent and new actions to protect natural treasures; and set a goal of expanding the national wildlife refuge system to 100 million acres by 2003, the system's 100^{th} anniversary.

Background: Last January, you announced a Lands Legacy initiative with two principal goals: $1 billion in FY 2000 for federal, state, and local efforts to protect land and coastal resources: and permanent funding of at least $1 billion a year to continue these efforts in the new century. In the recent budget negotiations, you secured $652 million for these efforts in FY 2000, a 42 percent increase over FY 1999. This includes the full funding needed to acquire the Baca Ranch. However, despite considerable bipartisan support for some form of dedicated or permanent funding, our last-minute "cap-and-fence" proposal for a dedicated fund similar to the highway trust fund did not win over the Appropriations committees.

As part of a package of initiatives for the coming year, your FY 2001 budget would propose another significant increase for Lands Legacy and would incorporate a "cap-and-fence" mechanism to ensure dedicated funding in the years ahead.

Other initiatives include:

> *New Land Protections* – Details are not yet available, but there may be opportunities to extend new protections to selected federal lands by executive action. Such lands would have natural, historic, or cultural values of national significance. Depending on the sites and the process employed, you would announce protections effective immediately or declare your intent to take such action within a certain time period (30-90 days).
>
> *Lands Legacy Tour* – You would announce plans to visit some of the natural treasures the Administration has protected, and possibly sites where new protections will be announced. The tour – or the first in a series of trips – could be scheduled for the week leading up to Earth Day. Possibilities include opening Headwaters Forest to the public, completing acquisition of Baca Ranch, visiting a site along the Lewis and Clark trail, inspecting some of the places proposed for executive designation, dedicating an addition to Pelican Island National Wildlife Refuge in Florida (the nation's first refuge, established by Theodore Roosevelt), dedicating an addition to a Civil War battlefield, and announcing our draft roadless protection rule at a national forest.
>
> *Expanding Wildlife Refuges* – You would set a goal of expanding the wildlife refuge system to 100 million acres by **[2003]**, the system's 100^{th} anniversary. The refuge system, established by Theodore Roosevelt, is the world's oldest and largest network of lands dedicated to protecting wildlife, with 93 million acres in all 50 states. A goal of 100 million acres would be an important milepost for the Lands Legacy initiative.

Cost: $1.35 billion in FY 2001.

GREENING THE GLOBE

Action: You would announce a set of initiatives to promote forest conservation around the world, including: a new fund to promote conservation-based development in developing countries; increased funding for debt-for-nature swaps; and a challenge to other developed countries to join us in reforming trade and lending practices that promote forest destruction.

Background: Your Administration has made tremendous strides in improving management of America's national forests, culminating in your recent proposal to protect more than 40 million acres of roadless area. These accomplishments, coupled with the United States' record of leadership on global environmental issues, put us in a strong position to promote international action to protect forests elsewhere around the world.

Apart from clean air and water, protecting rain forests is perhaps the most popular environmental cause ever. Yet, despite widespread public attention, the state of the world's forests continues to worsen. Scientists believe that only a fifth of the Earth's original forest cover remains intact and healthy, and the United Nations estimates that 250 acres of tropical forest are logged every minute.

Efforts to initiate negotiations toward an international forest convention have been stalled by concerns over sovereignty and other issues. And while a portion of the multilateral Global Environment Facility established in 1992 in Rio is dedicated to forest conservation, Congress has withheld full funding of the U.S. share. Our best prospects for catalyzing international forest protection efforts are a significant increase for U.S.-sponsored conservation programs and a challenge to other developed countries to join us in reforming trade and finance practices that promote forest destruction. As you told environmentalists when you met with them last week in Seattle, such a program could be targeted to countries whose forests might be impacted by trade liberalization (e.g. Indonesia, Malaysia, Congo, Brazil and Peru).

This initiative includes:

> *Global Forest Fund* – You would propose $100 million in FY 2001 for programs at USAID that forge partnerships with conservation organizations and developing countries to promote conservation-based development. Funds would support training and technical assistance in areas such as conservation planning, watershed improvement and reforestation, and would be targeted to regions where deforestation poses the greatest threat of biodiversity loss. Partnership agreements would be structured in a way to leverage significant private funding for these efforts. (Members of the public could be offered an opportunity to contribute directly to this fund through a check-off box on federal tax returns.)
>
> *Debt-for-Nature* – You would propose $50 million in FY 2001 to implement the Tropical Forest Conservation Act, which authorizes the reduction of debt to the United States in exchange for forest protection efforts. You requested $50 million for this program in FY 2000 but Congress appropriated only $13 million.

Eliminating Forestry Subsidies – You would propose multilateral negotiations, perhaps in the new WTO Round, to phase out subsidies that promote overlogging. This complements our position at the WTO Ministerial, where USTR and CEQ declared our opposition to proposals on non-tariff measures that would undermine legitimate efforts to protect a country's forest resources.

Forestry Lending Standards – You would call on G7 countries to adopt standards that bar lending for projects that destroy primary forest or promote unsustainable forestry. The World Bank and OPIC already prohibit certain infrastructure and forestry projects in primary forests. At this year's G7 summit, we won language calling for environmental guidelines for export credit agencies by the 2001 summit. We would build on this by calling for explicit forest policies.

Cost: $150 million in FY 2001.

CLEAN WATERS ACROSS AMERICA

Action: You would propose doubling America's investment in clean water over the next 10 years with the goals of: ending beach closures, restoring the Great Lakes, shrinking the Gulf of Mexico "dead zone" and, ultimately, making all our rivers, lakes and coastal waters clean enough for fishing and swimming. You also would call on Congress to reauthorize a strengthened Clean Water Act.

Background: Despite tremendous headway in combating water pollution, 40 percent of America's surveyed waterways are still too polluted for fishing and swimming, and beaches are closed to swimmers more than 1000 times a year. Regionally, the "dead zone" in the Gulf of Mexico continues to grow larger, and toxic sediments pose a continuing pollution threat in the Great Lakes.

The five-year Clean Water Action Plan you launched early last year is providing new resources to control the largest remaining sources of water pollution: dirty runoff from farms and urban areas. In FY 1999 and FY 2000, you secured $3.4 billion to carry out the plan, much of it directed to helping communities and farmers reduce polluted runoff. We are recommending another increase for FY 2001.

However, achieving the goal of "fishable and swimmable" waters across the country will require new legislative authorities and significant new resources. A newly reauthorized Clean Water Act must close court-created loopholes in wetlands protections, restore citizens' rights to enforce clean water standards, and provide authority to regulate polluted runoff when states fail to act. And major new funding is needed to meet replace aging wastewater infrastructure nationwide and meet other water quality challenges.

In recent years, your budgets have proposed reductions for the Clean Water State Revolving Funds that finance wastewater improvement on the assumption that the funds were approaching full capitalization at an adequate level. But recent surveys of wastewater infrastructure needs undercut that assumption, and mayors, governors and construction trade unions are pressing for increased funding. This year, Congress appropriated $550 million more than you requested. Future increases could meet these wastewater needs while also providing resources to address polluted runoff and critical regional issues.

This initiative includes:

Fulfilling the Promise of the Clean Water Act – You would set a near-term goal of ending beach closures and a long-term goal of making all of America's waterways safe for fishing and swimming.

Doubling Our Investment in Clean Water – You would propose doubling funding for the state revolving funds to $3 billion a year for 10 years. Half the funding would be allocated under the current formula for wastewater system improvements. The other half would be targeted as follows:

- $500 million a year to help farming and ranching communities reduce polluted runoff;
- $500 million a year for wetlands restoration and pollution control in the Mississippi Valley to help eliminate the "dead zone" in the Gulf of Mexico.
- $500 million a year (transferred from the Hazardous Substances Trust Fund) to help states address contaminated sediments and other pollution threats in the Great Lakes.

Strengthening the Clean Water Act – You would call on Congress to strengthen and reauthorize the Clean Water Act to meet a new generation of clean water challenges.

Cost: $15 billion over 10 years.

BUILDING MORE LIVABLE COMMUNITIES

Action: You would announce major new elements in the Administration's Livable Communities initiative, including: 1) doubling the Administration's current proposal for state and local tax credits for open space, brownfields, and water quality, known as Better America Bonds; (2) making billions of dollars in transportation money more readily available for projects that reduce both congestion and pollution; and 3) revitalizing urban areas by providing greater assistance through HUD for brownfields redevelopment.

Background: Last year, the Administration launched a new initiative to help communities preserve open space, reduce traffic congestion, fight sprawl and take other steps to enhance livability and sustain prosperity. Our initiative has drawn considerable support at the state and local levels, and in last month's election voters across the country approved another round of "smart growth" ballot initiatives.

New efforts proposed for this year's budget include:

Better America Bonds – You would propose $1.4 billion over five years for Better America Bonds, twice the level proposed last year. This funding would support federal tax credits enabling state, local and tribal governments to issue bonds to preserve open space, clean up brownfields, and improve water quality. The funding proposed last year would have allowed $9.5 billion in bond authority over five years.

Expanding Transportation Choices – You would propose allowing communities greater flexibility in the use of federal transportation funds so more can be steered to mass transit and alternative transportation. The transportation trust fund will generate $3 billion more in FY 2001 than was projected when TEA-21 was enacted.

Next Generation of Brownfields Redevelopment – You would propose two new steps to encourage cleanup and redevelopment of vacant, abandoned, or underutilized urban properties: changes to the tax code to allow the currently underutilized brownfields tax credit to be applied to cleanup costs associated with asbestos and lead, which are not now eligible; and changes to HUD's $5 billion-a-year Community Development Block Grant program to make it easier to use grants to finance brownfields cleanup and redevelopment.

Cost: $1.4 billion over five years for Better America Bonds.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

December 9, 1999

MEMORANDUM

TO: JOHN PODESTA
LORETTA UCELLI

CC: CHARLES BURSON
LAURA QUINN
THURGOOD MARSHALL, JR.
ROGER BALLENTINE

FROM: GEORGE T. FRAMPTON, JR. GTF Jr.

SUBJECT: EARTH DAY 2000

Earth Day 2000 will be the 30th anniversary of Earth Day – as well as the first Earth Day of the new century and the last of this Administration. It represents a major opportunity to highlight Clinton-Gore environmental accomplishments and to launch significant new initiatives. Although April 22 is still four months away, the environmental community is well along in its planning, and it is important for us to decide soon how the Administration will position itself for this high-profile event.

Earth Day 2000 Themes/Events

The theme chosen by the environmental community for Earth Day 2000 is "Clean Energy Now". A principal objective is highlighting global warming and demonstrating that solutions are within reach. The organizing committee (chaired by Denis Hayes, organizer of the original Earth Day) plans rallies in most major U.S. cities and a flagship event on the Mall hosted by Leonardo DiCaprio that organizers say could draw 1 million people. Earth Day materials will be distributed to schools across the country and efforts are being made to coordinate message with Earth Day celebrations in other countries.

The stated policy objectives of the Clean Energy Now campaign are: a four-fold increase in federal research and development of clean energy technologies; a goal of one-third of U.S. power from renewable energy sources by 2020; tighter emissions controls on older coal-burning power plants; and increasing auto fuel economy to an average of 45 mpg by 2010 and 65 mpg by 2020.

Options for White House Themes/Events

Earth Day 2000 may well focus public attention on the issue of global warming as never before. As such, it offers an opportunity to highlight the efforts of President Clinton and Vice President Gore to meet this global challenge, and to help build public support for stronger action in the future. Building broad public support will be absolutely critical to long-term efforts to negotiate and ratify an effective climate change treaty and to achieve significant reductions in domestic greenhouse gas emissions.

One option is to adopt the clean energy theme and participate in the official Earth Day events – for instance, by having the President or Vice President address the rally on the Mall and sending Cabinet to other events around the country.

Thematically, the Clean Energy Now campaign is entirely consistent with the Administration's message. However, the campaign's specific policy objectives go well beyond the Administration's accomplishments to date. It is likely that – officially, or otherwise – the campaign's message will be critical of Administration efforts. Thus, if we adopt the official Earth Day theme as our principal message, or choose to participate in official Earth Day activities, there is considerable risk that we will be put in a defensive posture. New climate change initiatives we are proposing for the State of the Union and the FY 2001 budget may help temper the criticism but are not likely to clear the bar set by many environmentalists.

Another option is to choose a different theme, or a second theme that has its own critical mass, and hold our own event or events -- either on Earth Day (which happens to be the Saturday before Easter) or in the days preceding. One possibility is a Lands Legacy and/or land conservation focus – several potential announcements are under consideration. The week leading up to Earth Day would be an ideal time to kick off a Lands Legacy tour. The President and/or Vice President could visit several places the Administration has protected (for instance, officially opening Headwaters Forest to the public, or completing the Baca Ranch acquisition) and visit one or more sites where new protections would be announced. Another possibility is to broaden the theme and tour to include public health accomplishments and/or announcements (i.e. clean air, clean water, and toxic cleanup).

This approach is likely to generate positive press and provide some buffer against criticism of our climate efforts. It would still be important, however, for the Administration to have a significant presence on the climate issue leading up to and on Earth Day.

Recommendations

We recommend focusing the White House's principal Earth Day activities on a non-climate theme, preferably Lands Legacy/land conservation. In addition, we recommend holding a series of climate-related events and announcements in the weeks preceding Earth Day to bolster the Administration's position with respect to the Clean Energy Now campaign.

Specifically, we recommend:

Climate events – A series of events by the President and/or Vice President in March and early April to present new scientific findings on climate change (major new assessments of potential impacts are due by March) and new Administration initiatives to address it. Specifics of these initiatives and their timing will depend on the budget and SOTU processes, but possibilities include: a POTUS meeting with auto makers to achieve voluntary agreement on fuel economy improvements; proposed regulation to reduce emissions from coal-fired plants; new measures to promote clean energy development in developing countries; and new assistance for states, schools, and local governments to save energy and money and reduce emissions.

Lands Legacy tour – A series of events by the President and/or Vice President in the week leading up to Earth Day highlighting accomplishments and announcing new steps to protect lands. Similar trips could continue into the early summer.

Earth Day on the Mall – A senior Administration official (possibly the Vice President) should address the Earth Day rally on the Mall and, if possible, announce a new climate initiative.

We would like to see about scheduling a meeting soon to discuss these options and recommendations.

THE WHITE HOUSE

WASHINGTON

December 8, 1999

MEMORANDUM FOR SECRETARY RICHARDSON

FROM: ROGER BALLENTINE

RE: Clean Energy/New Climate Change Initiative

As we discussed, I summarize for you here our clean energy initiative.

THE CLEAN ENERGY FOR THE 21ST CENTURY INITIATIVE:

POWERING GROWING ECONOMIES AND PROTECTING THE ENVIRONMENT

I. **Global Clean Energy:** *A Coordinated, Multi-Agency Initiative to Promote Exports, Boost America's Competitiveness, Create Jobs, Assist Developing Countries, Clean the Air, and Fight Climate Change.*

"I have an obsession... The world is still largely in the grip of a "big idea" that isn't true anymore. And that big idea is that in order for any country that's not rich to get rich, they have to burn more fossil fuels and put more greenhouse gases in the atmosphere, because that's the way we got rich and that's the way the British got rich. And that's not true anymore. The whole economics of energy and the economy have changed. And we could have a revolution in the environment with more trade and investment available for environmental technologies and alternative energy sources... But it won't necessarily happen automatically."

-- President Clinton. October 14, 1999.

A. Vision Statement:

A legacy of this Administration will be that we were the first to recognize and respond to one of the greatest challenges the world has faced: climate change. Our legacy will also be that we were the first to demonstrate that we can solve environmental problems with economic opportunities. In the 21st Century, the world need not pay the price for economic development that we paid in the 20th Century. With the benefit of the technologies of today and tomorrow, the developing world can grow their economies and protect the environment at the same time. This initiative will accelerate the development and deployment of clean energy by investing in these technologies, removing market barriers, and providing new incentives for innovation and exports of cleaner and more efficient energy technologies.

B. The Problem:

Developing countries must expand access to energy if they are to meet economic aspirations of growing populations. This growth will increase local and global environmental damage unless we act now to "green" energy technology investment choices. But, as the President noted, this will not happen automatically. A host of market and non-market factors currently discriminate against cleaner energy choices. We can build partnerships and promote programs to help level the playing field and accelerate the introduction of U.S. clean energy technologies for sustainable development.

C. Elements of the Initiative.

1. *New Coordination and Focus for Existing Efforts.*

The Global Clean Energy Initiative will enhance coordination of relevant agency programs at DOE, USAID, TDA, EXIM, OPIC, Commerce. Via an Executive Memorandum we will direct the Secretaries of Energy, Commerce, and the USAID Administrator, working through the Environmental Trade Working Group, to establish a focussed coordination mechanism and senior responsible personnel in each key agency. This coordination will assure that the full spectrum of USG support for the export of clean energy technology is harnessed to the goals of this initiative.

2. *New and Enhanced Export Promotion Programs.*

a. Clean Electric Power Generation Technology Demonstration and R&D. New R&D and demonstration funding will focus on cleaner power production, as well as design and production techniques that save energy.

b. Policy Reform and Capacity Building. Enhance and expand existing DOE and USAID programs in key developing countries to "open markets" for cleaner energy infrastructure and create greater demand for low-carbon options.

c. Clean Energy Trade Promotion and Finance. For export promotion and finance, target existing and propose new trade promotion programs (ExIm; TDA, OPIC) to make possible greater levels of export and investment in cleaner energy technology.

3. *Multilateral Clean Energy Trade Diplomacy.*

"Greening" global capital flows to provide cleaner energy infrastructure will require the United States to play an active international leadership role. The U.S. must continue to lead in the promotion of environmentally sound principles in the multilateral context. We have fought to put export credit agency environmental guidelines on the G8 agenda and have been the most vocal proponent of changes in World Bank policies on energy and environment lending practices. The success of our bilateral efforts to open markets for clean power will require continued leadership within the OECD, G8 and WTO venues to establish common principles and favorable terms for clean energy technologies in ECA guidelines and through WTO policies. We should rededicate ourselves to these goals and announce a new set of multilateral proposals on clean development investment in the developing world ("Clinton Principles").

II. **Clean Energy At Home In The 21st Century:** *A Multi-Pronged Call for a Public-Private Partnership to Provide Americans with Cheap, Clean and Renewable Energy, and a New Generation of Environmental Regulation that will Bring Cleaner Air to All Americans and Help Fight Global Warming.*

As the largest emitter of greenhouse gases in the world, we must set a positive example with a bold domestic initiative that reduces our greenhouse gases and provides Americans with clean air to breathe from cheap, clean and renewable energy. The domestic piece of the initiative contains two components – 1) a new effort to accelerate the conversion of dirtier, older power plants to cleaner, more efficient technologies; and 2) fulfillment of the President's new Executive Order establishing a national goal of tripling U.S. use of bio-based products and bioenergy.

A. Clean Power Plants for the 21st Century

Electricity generation is the largest source of air pollution in the U.S., releasing more than two thirds of the nation's sulfur dioxide, and approximately one third of carbon dioxide, nitrogen oxides, and mercury. These pollutants contribute to disease and premature death from smog, soot, and toxic air pollution, worsened visibility in national parks, acid rain and water pollution. Power plants are also the largest contributor to greenhouse gas concentrations and global warming. Many of these emissions come from the 70% of U.S. power plants that are more than 30 years old, and which are specifically exempted from clean air rules requiring the cleanest technology. These plants can emit air pollution at four to ten times the rate of new, clean facilities.

The electric utility industry is going through a period of dramatic change as more than twenty states have adopted legislation to restructure the industry, and Congress is considering legislation as well. We have already submitted a comprehensive utility restructuring proposal that would save consumers $20 billion. We should again call on Congress to pass this bill. But we can do more. Many industry leaders have been seeking certainty for clean air requirements while they enter the uncertain world of a deregulated marketplace. At the same time, Americans across the country are rightfully calling for cleaner, healthier air. We can respond to both of these points.

The President would propose a significant additional effort to clean up and modernize these power plants. The plan should include two key elements:

1. *Clean Air Act Reinvention.*

The President would announce his intention to submit a bold, new legislative proposal to mandate pollutant reductions – including, for the first time, greenhouse gases -- over the next 15 years through market-based emissions trading. It should also eliminate counter-productive regulatory barriers. The proposal would give industry regulatory certainty over the next 15 years, and deliver cleaner air for Americans to breathe. This approach reflects a new paradigm in environmental regulation. It is a true third way, beyond the command and control regulations of the past, and beyond the failed approach of past Administrations that simply gave polluters a pass. We will set tough standards, but allow businesses flexibility as to how businesses reach that goal. Harnessing such market forces will give us the greatest environmental gain at the least cost.

2. *The Clean Air Bond.*

While legislative changes would lay out a new landscape for power production in the U.S., we can help bring about important improvements through the tax code. We would announce that our budget includes a new financial incentive for the utility industry to accelerate the conversion of today's older, dirtier power plants to clean, more efficient power production: the Clean Air Bond.

We propose to amend the tax code to create a special class of tax exempt "private activity bonds" to finance qualified clean energy technology investments (similar to pre-1986 state and municipal "pollution control bonds"). This version of the Clean Air Bond would require competitive bids from qualifying entities, with the tax-exempt capital going to those demonstrating the greatest environmental benefit at least cost. Treasury has not reviewed this proposal in detail.

B. Bioenergy – Clean Fuel for the 21st Century

In August of this year, the President signed an Executive Order and Memorandum committing to triple use of bioenergy and bio-based products in the US by 2010. Meeting the goal will spur rural and farm economies, seize world leadership in new biological technologies, reduce our dependence on foreign oil supplies, improve our environment, and enhance forest and agricultural productivity. To meet these goals, we must reduce the costs of converting sustainable raw materials – crops, trees, and biological wastes – into fuels, electric power, chemicals, and building materials and consumer goods. As directed by the President, the Secretaries of Energy and Agriculture have now developed a coordinated research and development plan to accomplish that goal. In our budget, we will propose significant new resources to do this -- a 60% increase in funding -- and we would call on Congress to join us in this effort, which enjoys bi-partisan support.

THE WHITE HOUSE

WASHINGTON

December 6, 1999

MEMORANDUM FOR JACK LEW
GENE SPERLING
SYLVIA MATTHEWS

CC: JOHN PODESTA
GEORGE FRAMPTON
NEAL LANE
MARTIN BAILY
ELGIE HOLSTEIN
BOB KYLE

FROM: ROGER BALLENTINE

SUBJECT: "Clean Energy for the 21st Century" -- FY2001 Budget

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During the past several months, the President has repeatedly stressed the need to move beyond the "big idea" of the 20th Century -- that economic growth must necessarily be accompanied by increased pollution, including greenhouse gases. Both at home and abroad, there are urgent environmental needs and significant economic opportunities in accelerating the shift to clean and efficient energy technologies and practices. The two priorities of economic growth and a clean environment can and must be achieved together. To fulfill the President's commitment to that vision, we propose for the FY2001 budget this Administration's final major climate change-related initiative – the "Clean Energy for the 21st Century Initiative".

For this initiative, we are requesting a total over-base amount of $332 million (across eight agencies: DOE, AID, USDA, Treasury, DOC, ExIm, OPIC and TDA) in FY2001 in two components:

- Domestic: promote clean power through implementation of the President's 1999 Bioenergy Executive Order and through cleaner and more efficient power production *($149 million);*

- International: focus on cleaner energy markets in developing countries, drawing on the recommendations of the President's Committee of Advisers on Science and Technology (PCAST) in their June 1999 report to the President *($183 million).*

SUMMARY: PROPOSED FY2001 BUDGET

	2001 Request (over target)	2001 Base
Bioenergy	$128	$215.3
Clean Air	$ 21	N/A
Global Energy	$183	$266 (*not* including DOC, ExIm, OPIC)
Total	$332	

I. GLOBAL CLEAN ENERGY IN THE 21ST CENTURY

"I have an obsession... The world is still largely in the grip of a "big idea" that isn't true anymore. And that big idea is that in order for any country that's not rich to get rich, they have to burn more fossil fuels and put more greenhouse gases in the atmosphere, because that's the way we got rich and that's the way the British got rich. And that's not true anymore. The whole economics of energy and the economy have changed. And we could have a revolution in the environment with more trade and investment available for environmental technologies and alternative energy sources... But it won't necessarily happen automatically."

-- President Clinton. October 14, 1999.

"We should act expeditiously on PCAST's recommendations ... assess the portfolio of programs underway in the Federal agencies and develop a strategic vision, including budget recommendations that can be considered in agency requests for FY2001".

-- President Clinton in a letter to Neal Lane, September 15, 1999.

This proposed international trade and environment initiative will accelerate the development and deployment of clean energy technologies for electric power in developing countries. The initiative is built on the PCAST "Powerful Partnerships" report and the work of the National Science and Technology Council working group. The goal is to increase and "green" U.S. private capital flows and exports to the developing world in electric power production and consumption infrastructure and products.

Electric power alone is now responsible for one third of global greenhouse gas emissions, with the fastest growth coming from developing nations. "Business as usual" expansion of electric power supply in developing countries is estimated to triple their emissions of CO_2 over 1995 levels by 2020 – and lead to significant increases in local air pollution from sulfur oxides, nitrogen oxides and particulate matter.

At the same time, the trade and investment opportunities for U.S. companies in this growing market offer important advantages to U.S. workers and technology innovators. Between 1995 and 2020, $1.7 trillion will be invested in electric power capacity in developing countries. American companies are highly competitive in the global power market and are well positioned to lead the way to a cleaner energy future. As the PCAST report pointed out, however, we stand to lose market share to our trade competitors unless we fashion a more effective and robust USG-private sector partnership to address the challenge of global clean energy markets.

The international component of the Clean Energy for the 21st Century Initiative has three related pieces:

A. Coordination of Existing Programs.

Drawing on the recommendations of the PCAST report, the Clean Energy Initiative will enhance coordination of relevant agency programs at DOE, USAID, TDA, EXIM, OPIC, Commerce. Greater coordination of these programs and budgets will be achieved through an Executive Order directing the Secretaries of Commerce, Energy and the USAID Administrator, working through the Environmental ~~Trade~~ Working Group, to establish a focussed coordination mechanism and senior responsible personnel in each key agency. This coordination will assure that the full spectrum of USG support for clean energy technology – from DOE's technology programs, to USAID's policy and capacity building work in the field, to trade promotion programs at TDA, OPIC and EXIM – is harnessed to the goals of this initiative *(No FY2001 budgetary impact).*

B. Additional Funding and New Export Promotion Programs.

The recommendations for additional funding of existing and new programs included in this Initiative fall into three categories:

1. *Clean electric power generation and use technology demonstration and R&D*. The new R&D and demonstration funding will focus on large grid power systems (advanced coal, nuclear, natural gas and wind/biomass), as well as distributed generation technologies, including renewable energy. Included also are demonstration projects that prove the reliability, feasibility and desirability of cleaner power production technologies, as well as design and production techniques that save energy. *(Requested FY2001 funding: $93 million).*

2. *Policy reform and capacity building*. Policy reform and capacity building includes existing programs by DOE and USAID in key developing countries to "open markets" for cleaner energy infrastructure and create greater demand for low-carbon options. Examples of policy reform include efforts involving electric industry restructuring, specification reform in proposal requests, and elimination of fossil fuel subsidies. *(Requested FY2001 funding: $33 million).*

3. *Clean energy trade promotion and finance*. For export promotion and finance, the goal is to target existing and propose new USG trade promotion programs to make greater levels of investment possible. For example, we propose cost-shared clean power feasibility studies at TDA, new bid-cost insurance at TDA (small U.S. exporters often decline to bid on projects due to the costs of the bid process), expanded utilization of ExIm's "Environmental Export Program", similar dedicated funds at OPIC, and a new EXIM pilot program to provide limited currency exchange risk insurance for exporters of clean energy technologies. *(Requested FY2001 funding: $57 million).*

C. Multilateral Clean Energy Trade Diplomacy.

"Greening" global capital flows to provide cleaner energy infrastructure will require the United States to play an active international leadership role. The U.S. led the successful effort to put export credit agency environmental guidelines on the Cologne G8 agenda and has been the most vocal proponent of changes in World Bank policies on energy and environment lending practices. The success of our bilateral efforts will require continued leadership within the OECD, G8 and WTO venues to establish common principles and favorable terms for clean energy technologies in ECA guidelines and through WTO policies. (*e.g.* longer/more favorable OECD lending terms for clean energy projects; liberalization of trade in environment and energy services; removal of fossil fuel subsidies). *(No FY2001 budgetary impact).*

[A summary table of the request for the Global Clean Energy Initiative is attached]

II. CLEAN ENERGY AT HOME IN THE 21ST CENTURY

The domestic piece of the initiative contains two components – 1) fulfillment of the President's new Executive Order establishing a national goal of tripling U.S. use of bio-based products and bioenergy; and 2) a new effort to accelerate the conversion of dirtier, older power plants to cleaner, more efficient technologies.

A. Bioenergy – Clean Fuel For The 21st Century

In August of this year, the President signed an Executive Order and Memorandum committing to triple use of bioenergy and bio-based products in the US by 2010. Meeting the goal will spur rural economies, seize world leadership in new biological technologies, reduce our dependence on foreign oil supplies, improve our environment, and enhance forest and agricultural productivity. To meet the President's goal, we must reduce the costs of converting sustainable raw materials – crops, trees, and biological wastes – into fuels, electric power, chemicals, and building materials and consumer goods.

As directed by the President, the Secretaries of Energy and Agriculture have developed a coordinated research and development plan to accomplish that goal. The plan accelerates and coordinates existing government and industry research and development efforts at the two Departments. *The two departments currently spend $215.3 million, and we propose a 60% increase in funding of $123.5 million.*

The fundamental obstacle to meeting the President's goal is to lower the cost of bioenergy to allow it to compete and win in the marketplace with fossil-based fuels. The plan would meet specific cost-lowering goals by 2010 rather than 2015 or 2020 as called for under current spending. The bioenergy plan tackles three fundamental cost-lowering opportunities and technical challenges to meet the President's goal. It reduces the cost of: 1) biomass feedstock itself; 2) converting feedstock to electricity, chemicals, ethanol, and building products; and 3) developing biobased products and energy. In each of these three areas – feedstocks, conversion, and products -- DOE and USDA will develop the science and technology base to support the President's goal, facilitate commercial deployment of the biotechnologies, analyze the results, and conduct education and outreach.

	DOE Base	USDA Base	DOE New	USDA New
Feedstocks	34.1	61.7	5.0	31.9
Conversion	112.7	14.3	48.0	19.7
Products	3.5	16.1	0	23.4
Totals	150.3	92.1	53.0	75.0

B. Clean Power Plants For The 21st Century

Electricity generation is the largest source of air pollution in the U.S., releasing more than two thirds of the nation's sulfur dioxide, and approximately one third of carbon dioxide, nitrogen oxides, and mercury. These pollutants contribute to disease and premature death from smog, soot, and toxic air pollution, worsened visibility in national parks, acid rain and water pollution. Power plants are also the largest contributor to greenhouse gas concentrations and global warming. Many of these emissions come from the 70% of U.S. power plants that are more than 30 years old, and which are specifically exempted from clean air rules requiring the cleanest technology. These plants can emit air pollution at four to ten times the rate of new, clean facilities.

The electric utility industry is going through a period of dramatic change as more than twenty states have adopted legislation to restructure the industry, and Congress is considering legislation as well. Many industry leaders have been seeking certainty for clean air requirements while they enter the uncertain world of a deregulated marketplace.

Any steps with respect to environmental requirements should be viewed against the backdrop of a changing marketplace, and in conjunction with the Administration's own strong support for utility restructuring and the $20 billion in consumer savings that would result.

The President would propose a significant additional effort to clean up and modernize these power plants. The plan should include two key elements:

1. Clean Air Act Reinvention.

In the State of the Union, the President should announce his intention to submit a bold, new legislative proposal to mandate pollutant reductions over the next 15 years through market-based emissions trading. It should also eliminate counter-productive regulatory barriers. The proposal would give industry regulatory certainty over the next 15 years, and deliver cleaner air for Americans to breathe *(No budgetary impact for FY2001)*.

2. The Clean Air Bond.

While legislative changes would lay out a new landscape for power production in the U.S., we can help bring about important improvements in the short term. The budget should include a new financial incentive for the utility industry to accelerate the conversion of today's older, dirtier power plants to clean, more efficient power production: the Clean Air Bond.

We propose to amend the tax code to create a special class of tax exempt "private activity bonds" to finance qualified clean energy technology investments (similar to pre-1986 state and municipal "pollution control bonds"). This version of the Clean Air Bond would require competitive bids from qualifying entities, with the tax-exempt capital going to those demonstrating the greatest environmental benefit at least cost. Based on Joint Tax Committee scoring in 1998 of private activity bonds, it is estimated that $523 million in lost revenues to the Treasury over five years would leverage $15 billion in bond issues ($3 billion per year over the years 2001-2006). Treasury has not reviewed this proposal in detail.

Millions in Dollars

Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
20.88	63.36	107.64	147.60	183.06	523.44

GLOBAL CLEAN ENERGY – SUMMARY TABLE

	PRINCIPAL ACTIVITIES*	PCAST Target	Over-target Request FY2001
Clean Power: Fossil	Powerplant improvements Combined Heat and Power Fuel Cells Advanced Coal/Hydrogen production and use Methane Leakage Reduction/Recovery Sequestration Policy support for gas grid development; data/analysis	35	32
: Nuclear	International NERI Reactor Safety	10	8
: Renewables	Resource Assessment Grid-Systems with biomass, PV, wind Off Grid/Mini-Grid systems with biomass, PV, wind	40	32
: Building Efficiency	Energy Efficient Buildings. Appliances, Stoves	20	19
: Industry Efficiency	Energy Efficient Industry Best Practices	10	6
Energy Sector Reform and Capacity Building	Power Sector Restructuring/Policy Reform: Regional Energy Innovation Networks: Institution Building	35	33
Trade Promotion and Finance	Technical Assessments: Feasibility Studies Partial Grant Loan Guarantee Mechanism MDB Technical/Financial Assistance International Market Development ExIm Exchange Risk Assistance Fund Revolving Fund: small business project development	80	53
Other		20	0
TOTAL		250	$183

AGENCY	Domestic FY2000 Base	International FY2000 Base	International In-Guidance Request FY2001	International Over-Target Request FY2001
DOE	~800+	~25	~32	72
USAID	NA	~225	~225**	67.5
DOC				8
Ex-Im	NA	NA	NA	15
OPIC	NA	NA	NA	3.5
TDA	NA	15.7***	19.25	17

*NA—Not Applicable
**FY2000
***FY1999

THE WHITE HOUSE

WASHINGTON

October 27, 1999

MEMORANDUM FOR SIDNEY BLUMENTHAL

FROM: ROGER BALLENTINE

RE: Third Way -- Environmentalism

I want to share a few quick thoughts/talking points regarding how environmental issues might fit with the Third Way conference next month. Please let me know what else you need.

President Clinton has been a leader in furthering a third-way approach to environmentalism. The "New Environmentalism" of the 21st Century is a rejection of the old dichotomy of private actors pursuing economic goals according to economic signals, and government countering with environmental regulatory constraints meant to modify these otherwise rational business decisions. Policymakers were once faced with choosing regulatory actions from along a linear spectrum framed by conflicting priorities – economic versus environmental value. For example, a coal-fired power plant belches pollution from its smokestacks. Traditional environmentalism might call for a government mandated "scrubber" to be attached to the top of smokestack to remove pollutants. Adding this scrubber reduces pollution, but only via a direct economic trade-off, as it makes the plant less efficient, is costly to the operator and provides no economic value to the owner.

The Third Way approach of the New Environmentalism can be seen at two levels. First, government can support the development and deployment of new technologies that can both mitigate the costs of environmental achievement (and create new economic opportunities through their demand) so that the trade off between economic gain and environmental gain is deminimized. For example, government (through R&D, tax credits and revised depreciation schedules) can help promote combined-cycle gas electricity production technologies that cost-competitively produce electricity in a substantially cleaner fashion. Thus, "we *can* grow the economy and clean the environment at the same time".

Second and more fundamentally, the New Environmentalism wholly rejects the distinction and conflict between economic and environmental issues. We are entering for the first time in history a fundamentally new pattern of scarcity – the scarcity of natural resources (clean water, clean air, open space, etc.). In addition, there is an increasingly clear societal recognition of the value of things like clean air and open space. Recognition of the scarcity of previously limitless (and thus free) goods, plus the willingness of consumers to add value to (pay for) the preservation of such resources, mandates that environmental consequences be made a rational factor in economic decision making. Thus, increasing efficiencies of our energy use, expanding the productivity of resources, eliminating waste, and the closing of feed-back loops all represent rational economic decision making as we break away from the old trade-off mindset. Or, "we *must* clean the environment and grow the economy at the same time."

Until the market itself properly prices such environmental resources and outcomes, Third Way government policy can mimic that pure market approach – and the Clinton-Gore Administration has led the way. We have shown a strong commitment to market-based approaches to achieving environmental outcomes, in which ambitious environmental goals are met by giving the private sector the flexibility to reach set targets with whatever least-cost approach they choose, rather than by dictating costly and prescriptive solutions (such as a scrubbers on smokestacks). Our past experience with acid rain and our proposal for greenhouse gases via the Kyoto Protocol are good examples of the new approach.

The New Environmentalism of the Clinton-Gore Administration -- whereby economic, social and environmental priorities have been shown to be mutually reinforcing instead of in conflict – is truly a presage of the Third Way.

cc: John Podesta
George Frampton
David Beier
Jeff Seabright

THE WHITE HOUSE

WASHINGTON

September 22, 1999

MEMORANDUM FOR JOHN PODESTA

FROM: ROGER BALLENTINE

RE: WHITE HOUSE ENERGY USE

The Department of Energy (DOE) recently announced that compact fluorescent light bulbs (CFLs) have been awarded the ENERGY STAR label. ENERGY STAR is a joint government-industry effort to promote the most energy efficient products. An ENERGY STAR label gives consumers assurances that they will get value for their investment. On average, each CFL saves $61.00 over its lifetime, compared to incandescent bulbs.

The announcement by DOE prompted inquiries from both you and the President. In response I have looked into where we are on "the Greening of the White House" in general and the use of CFLs in particular.

Since we initiated the Greening project in 1993, significant improvements have been made to the lighting systems in the White House and OEOB. These include installing CFL's in 95% of table lamps in the White House and OEOB, upgrading the façade lighting for the White House, and replacing existing fluorescent fixtures with efficient T-8 tubes, electronic ballasts and reflectors. Cumulatively, these lighting measures have resulted in annual savings of over $130,000 and avoidance of almost 700 metric tons of greenhouse gases.

A progress report on "The Greening of the White House" is in final editing and can be released soon. It shows that all greening measures completed in the White House and the OEOB since 1993 have saved approximately $1.5 million (averaging $170,000 annually) and eliminated over 18,000 metric tons of greenhouse gases.

Much of what we have accomplished will continue to produce savings far into the future. We suspect, however, that there has been backsliding on the use of CFL's in table lamps, with incandescents finding their way back into use. Anecdotal evidence is that maintenance personnel routinely replace light bulbs in table lamps with incandescent bulbs instead of CFLs. This needs to be verified and corrected.

With regard to the Oval Office, a state-of-the-art CFL lighting system was installed in 1989. It is not clear if it is still in use. More importantly, there are newer, more cost-effective systems that could be installed. We need access to inspect this system and upgrade it, if possible.

As for other federal agencies, DOE is funding a 2 for 1 buy-down of CFLs to replace incandescent bulbs, implemented by the Defense Logistics Agency at DOD. DOE has recommended the use of CFLs to help agencies comply with newly signed Executive Order 13123.

I propose we take the following steps:

1. Verify continued use of CFLs in the White House and OEOB and inspect Oval Office system;
2. Prepare replacement program for all eligible fixtures in White House and OEOB not currently using CFLs;
3. Clear "Greening the White House" update report including recommended "next steps" to achieve even more cost savings (such as by accelerating the phase-in of ENERGY STAR computers and air conditioners, activation of ENERGY STAR "sleep" features for existing computers and printers, and adding improvements at Jackson Place to the White House Greening efforts);
4. Prepare White House event at which we would release the "Greening" report, announce new federal agency procurement activity and announce further White House "Greening plans", all with estimated savings.

If we go ahead, we should try to amplify our message with industry and public interest partners. Possible options include industry promotions of "green" products at home products stores; television and print specials (in 1993 The Washington POST ran a cover story on the White House Greening effort for their HOME section, and 40 million viewers watched a TV special on the Greening of the White House in the Southwest); announcements of industry headquarters buildings and factories "taking the pledge" to become more efficient; and a commitment by CFL manufacturers to cut bulb costs.

cc: Maria Echaveste
George Frampton
Mark Lindsay
Sylvia Mathews
Sally Katzen

THE WHITE HOUSE

WASHINGTON

September 13, 1999

MEMORANDUM FOR JOHN PODESTA

FROM: GEORGE FRAMPTON
ROGER BALLENTINE

RE: LANDS LEGACY – MEETING WITH NGOs

On Wednesday, you are hosting a meeting of environmental and other organization leaders, mostly at the CEO level, who are interested in our Lands Legacy Initiative and the OCS/LWCF bills now pending in Congress. The purpose of this meeting is to reiterate the importance of this issue to the President and the Vice President, and, within legal limits, to energize these groups in support of these issues. We will join you for this meeting, as will Secretary Babbitt, which will be held in the Roosevelt Room. We have invited Secretaries Glickman and Daley, as well as NOAA Director Baker. A list of invitees is attached.

As you know, the President's Lands Legacy Initiative has two parts. First is our FY2000 budget request, which calls for slightly more than $1 billion dollars of discretionary funding for the Departments of Interior, Agriculture and Commerce (NOAA). We call for funding various existing and some new programs at these Departments through full funding of the Land and Water Conservation Fund. At this point, these programs have been funded at about 33-37% of our request, and at about $100 million below the FY1999 enacted level.

Second, and more importantly, the President has called for permanent funding for these priorities beginning in 2001. It is in this regard that our Lands Legacy Initiative is inexorably intertwined with various bills in Congress calling for permanently dedicating a portion of OCS receipts to various purposes. The principal bills are the Landrieu/Murkowski bill on the Senate side and the Dingell/Young bill in the House. These bills have three central parts. First, they dedicate a large portion of the revenue to "coastal impact assistance" – virtually unrestricted funds for coastal states, with the largest portions going to Louisiana, Alaska, Mississippi, Texas and Alabama. Second, each bill purports to permanently fund the Land and Water Conservation Fund, but do so at a less than full level and with new restrictions on Federal land acquisition. Third, each bill has a "wildlife" title, which provides for permanent funding for the benefit of state fish and wildlife agencies. This language was negotiated by environmental groups and state fish and wildlife authorities, and is close to meeting our principles. Other bills have been introduced by George Miller in the House, and by Senators Boxer, Feinstein, Lieberman-Chafee, and Bob Graham.

Neither the Senate Energy Committee or the House Resources Committee has held a mark up, but both are actively attempting to do so. On both sides, the Chairmen are hoping to placate conservative/western Republicans, who are very leery of additional federal funding that could be used for land acquisition. Another front of opposition is coming from appropriators, such as Senators Domenici and Gorton. Nevertheless, these bills, with their unusual assemblage of supporters, may be our best hope for ultimately negotiating a deal, which would meet our core goals of permanent environmental funding. It is unlikely, however, that either bill will pass this year.

Attachments:

- Talking Points
- List of Invitees/Attendees

cc: Larry Stein
Linda Lance
Lisa Kountoupes