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THE GREENING OF THE WHITE HOUSE:
SAVING ENERGY, SAVING MONEY AND PROTECTING OUR ENVIRONMENT
DECEMBER 2, 1999

A new report released today shows that energy-saving measures and other steps taken as part of the Greening of the White House have saved taxpayers nearly \$1.4 million since 1993 and reduced greenhouse gas emissions by 845 tons a year – the equivalent of taking more than 600 cars off the road. To help American consumers achieve similar savings and environmental benefits, major retailers and manufacturers today joined the Clinton Administration in announcing new incentives for the purchase of energy-efficient appliances, light bulbs and other products.

Real Actions, Real Savings. On Earth Day 1993, President Clinton announced the Greening of the White House, a new initiative to improve the energy and environmental performance of the White House complex. Today's report details energy efficiency and conservation measures taken throughout the complex, including the East and West Wings and the Old Executive Office Building. The report summarizes the resulting environmental benefits – including a significant reduction in the greenhouse gases emitted when fossil fuels are burned to create energy – and identifies cost savings of \$300,000 a year, including:

- \$138,000 from more efficient lighting;
- \$37,000 from new heating system and window air conditioner upgrades; and,
- \$15,000 from new sprinklers and timers.

The report also recommends additional steps and outlines plans to expand the Greening effort to the White House offices in townhouses on Jackson Place.

Entire Federal Government Leading By Example. The Greening initiative is part of a broader effort by the President to improve the energy performance of the federal government. In June of this year, the President signed Executive Order 13123 directing all federal agencies to achieve by 2010:

- 35 percent greater energy efficiency in buildings relative to 1985 levels; and,
- 30 percent cut in greenhouse gas emissions from building-related energy use relative to 1990.

By 2010, the resulting energy savings will reduce annual greenhouse gas emissions by 2.4 million tons – the equivalent of taking 1.7 million cars off the road – and save taxpayers over \$750 million a year.

Off-the-Shelf Products Available to All Americans. All of the energy efficiency and other Greening improvements to the White House employ “off-the-shelf” materials and technologies that are available to all Americans for use in their homes and workplaces. As President Clinton said in 1993, “I want to make the White House a model for other Federal agencies, for State and local governments, for business, and for families in their own homes. Before I ask you to do the best you can in your house, I ought to make sure I’m doing the best I can in my house.”

ENERGY STAR® Products Promotions. As part of today's release of the Greening of the White House report, six major American companies – Best Buy, Home Depot, Maytag, Philips Lighting Company North America, Sears, and Whirlpool – are announcing a series of consumer incentives to help promote the use of energy efficient products by Americans in their own homes. All of these companies are partners in ENERGY STAR Products, a Federal-private sector partnership to design and promote appliances and other items that use cutting-edge energy efficient technologies to save consumers money and help protect the environment.

Further information about the Greening of the White House and an electronic copy of the report may be found at:
<http://www.eren.doe.gov/femp>

FROM THE WHITE HOUSE TO YOUR HOUSE:
COMPANIES ANNOUNCE ENERGY EFFICIENT PRODUCT PROMOTIONS
DECEMBER 2, 1999

As part the release of the Greening of the White House Report, a number of leading American companies are announcing a series of consumer incentives to help promote the use of energy efficient products by Americans in their own homes. Right now over 1,200 manufacturers and some 4,000 retail showrooms offer highly energy efficient ENERGY STAR products. By using ENERGY STAR products and taking other simple, common-sense steps, Americans can realize significant savings, cut air pollution, and make a meaningful contribution to cutting emissions of the greenhouse gases believed responsible for global warming.

The typical U.S. family spends close to \$1,300 a year on its home utility bill. Unfortunately, a large portion of that energy is wasted. In fact, in the aggregate, U.S. homes waste as much energy as we get from the Alaskan oil pipeline each year. And the electricity generated by fossil fuels for a single home puts more carbon dioxide into the air than two average cars. Using energy efficient appliances and other common-sense conservation measures can significantly reduce home energy costs and help the environment.

ENERGY STAR® Products Promotions. Six major American companies – Best Buy, Home Depot, Maytag, Philips Lighting Company North America, Sears, and Whirlpool – are announcing a series of consumer incentives to help promote the use of energy efficient products by Americans in their own homes. All of these companies are partners in ENERGY STAR Products, a Federal-private sector partnership to design and promote appliances and other items that use cutting-edge energy efficient technologies to save consumers money and help protect the environment.

- **Best Buy** will offer free delivery and new financing incentives on ENERGY STAR appliances (clothes washers, dishwashers, refrigerators) for the month of December 1999.
- **Home Depot** will begin a national roll-out of a new ENERGY STAR Windows Program, with advertising displays and labels that help consumers choose among energy efficient windows.
- **Maytag** will reduce price on an ENERGY STAR clothes washer by \$100 starting in early 2000. It will also launch a public education campaign about the benefits of the efficient washers in selected U.S. areas where energy and water are particularly scarce.
- **Philips Lighting Company North America** will offer ENERGY STAR compact fluorescent light bulbs at Home Depot for less than \$10.
- **Sears** will feature new lines of ENERGY STAR heating & cooling units/systems and a new ENERGY STAR advertising campaign. Sears will also continue to offer free financing on ENERGY STAR appliances and heating & cooling systems, as well as free delivery on all ENERGY STAR appliances.
- **Whirlpool** will feature a new SERP (the U.S. Department of Energy Super-Efficient Refrigerator Program) refrigerator that is 35 percent more efficient than the current U.S. standard for refrigerators. The product will be available to consumers in the 2nd quarter of 2000.

TIPS ON SAVING ENERGY & MONEY AT HOME

By employing a few inexpensive energy efficient measures, homeowners can reduce their energy bills by 10 percent to 50 percent, and at the same time, reduce air pollution and greenhouse gas emissions.

- **Home Energy Audits**, performed either by homeowners or professionals, show where energy is being wasted and suggest strategies for reducing energy costs. For more information on audits, homeowners can contact their utility company or the U.S. Department of Energy (DOE) (see below).
- **Lighting** efficiency improvements are one of fastest ways to cut energy bills. Replacing 25 percent of a home's lights in high-use areas with fluorescents can save about 50 percent on a home's lighting energy bill. Compact fluorescent light bulbs are more expensive initially but reduce energy use in light fixtures by up to 70 percent and pay for themselves within three years. Also remember to turn off lights when not in use and consider installing timers, photo cells, or occupancy sensors.
- **Insulation & Weatherization** can increase home comfort and reduce heating and cooling needs by 30 percent for an investment of just a few hundred dollars.
- **Heating & Cooling** account for 44 percent of a typical home's utility bill. Proper equipment maintenance and upgrades can result in dramatic savings. Energy-saving steps include:
 - Setting thermostats as low as is comfortable in winter; as high as is comfortable in summer.
 - Cleaning or replacing filters on furnaces once a month or as needed.
 - Cleaning warm-air registers, baseboard heaters, and radiators as needed and making sure they are not blocked by furniture, carpeting, or drapes.
 - Bleeding trapped air from hot-water radiators once or twice a season.
- **Water Heating** accounts for about 14 percent of a home's utility bill. Homeowners can cut water heating bills by: using less hot water, turning down the thermostat on water heaters; insulating the water heater; or buying a new, more efficient model.
- **Appliances** account for about 20 percent of a home's energy consumption. When shopping for appliances homeowners should look for ENERGY STAR appliances and keep in mind that their lower operating costs usually more than make up for their higher upfront costs.
- **Landscaping** can add aesthetic value and environmental quality to a home. Just three well-placed trees can provide enough shade and protection from wind to save an average household between \$100 and \$250 in annual heating and cooling costs.
- **Windows** account for 10 percent to 25 percent of a home's heating bill. New windows are long-term investments that have a large impact on a home's energy system. Simpler, less costly measures include installing storm windows, repairing and weatherizing existing storm windows, and installing white window shades and/or awnings on south- and west-facing windows.

For more information on saving energy and money at home, visit DOE's web site at www.eren.doe.gov/consumerinfo/energy_savers

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THE BONN CLIMATE CHANGE CONFERENCE
STATE DEPARTMENT FACT SHEET
NOVEMBER 1999

OVERVIEW

- At a conference held October 25 – November 5, 1999, in Bonn, Germany, the Parties to the UN Framework Convention on Climate Change agreed to accelerate their efforts to turn the broad concepts of the Kyoto Protocol into working realities. Specifically, the Parties agreed to more than double the time devoted to negotiations during the next year. This raises considerably the prospects that the Parties will meet their deadline of completing work on the key aspects of the operational framework of the Protocol at next year's conference at The Hague, Netherlands. The Protocol commits developed countries to reduce emissions of the greenhouse gases most scientists believe are causing global warming, and provides innovative, market-based tools for achieving those reductions. [See box].
- The Parties at the Bonn conference (known also as the "Fifth Session of the Conference of the Parties" or "CoP-5") also made significant progress toward fulfilling the program of work set forth last year in the Buenos Aires plan of action. This progress spanned the full spectrum of important substantive issues, from international emissions trading to carbon sinks to compliance.
- CoP-5 saw additional forward momentum on developing country participation in efforts to combat global warming, highlighted by Argentina's announcement of an emissions target and Kazakhstan's request for inclusion into Annex I of the Convention.

SUMMARY OF ACCOMPLISHMENTS

ACCELERATED NEGOTIATIONS

- At the urging of the United States and other Parties, the Conference agreed to more than double the time devoted to negotiations during the next year. Inter-sessional meetings of the subsidiary bodies to the Convention will be held in both June and September. The Parties also agreed to a series of technical workshops and, perhaps most importantly, invested the President of the Conference with the authority to take any additional steps necessary to ensure completion of the Buenos Aires plan of action at CoP-6.

MARKET-BASED MECHANISMS

- The Parties continued to make progress on developing the rules and guidelines for Kyoto's market-based mechanisms (emissions trading, joint implementation, and the Clean Development Mechanism). Negotiators reaffirmed their commitment to conclude work on all three mechanisms in parallel at next year's meeting at The Hague. The Parties produced a negotiating text embodying detailed proposals on issues critical to the operation of each of mechanisms, including transparency in tracking transfers of emissions units and measurement, reporting and verification issues.
- The United States was an early and forceful advocate for the Kyoto's market-based mechanisms. The decisions made at CoP-5 bring each of them a step closer to a reality. The United States reiterated in Bonn that cost-effective rules and guidelines on mechanisms are critical components of any finished Kyoto product.

THE KYOTO PROTOCOL

In December, 1997, in Kyoto, Japan, some 160 countries reached an historic agreement to cut greenhouse gas emissions in an effort to fight global warming -- one of the most profound environmental challenges of the 21st century. The Kyoto Protocol includes binding emissions targets for developed nations -- 8% below 1990 emissions levels for the European Union; 7% for the United States; and 6% for Japan -- as well as U.S. proposals for flexible, market-based measures to ensure that these targets can be met in a cost-effective manner. The key market-based provisions are:

- **International emissions trading among nations with emissions targets.** Under an emissions trading regime, countries or companies that find it relatively expensive to reduce emissions may purchase additional emissions units from those emitters that have more units than they need (because they have already met their targets with room to spare). Trading encourages reductions where they can be achieved at the lowest cost, thus getting the world the most greenhouse gas reductions for each available dollar, euro or yen.
- **Clean Development Mechanism (CDM).** Industrialized countries will be able to use certified emissions reductions from projects in developing countries to contribute to their compliance with greenhouse gas reduction targets.
- **Joint implementation among developed countries.** Countries with emissions targets may get credit towards their targets through joint project-based emissions reductions in other such countries.

The Protocol includes additional elements of flexibility:

- **Emissions targets are to be reached over a five-year commitment period. The first commitment period will be 2008-2012.** Allowing emissions to be averaged over a commitment period helps smooth out short-term fluctuations due to economic performance or weather. Having a decade before the start of the binding period will allow more time for companies to make the transition to greater energy efficiency and/or lower carbon technologies.
- **Emissions targets include all six major greenhouse gases.** This will provide more comprehensive environmental protection while lending additional flexibility to nations and companies in meeting their targets.
- **Activities that absorb carbon, such as planting trees, can be used as offsets against emissions of greenhouse gases.** Including these so-called "carbon sinks" will encourage activities such as afforestation, reforestation, and better forestry and agriculture conservation practices.

To enter into force, the Protocol must be ratified by at least 55 countries, accounting for at least 55 percent of the total 1990 greenhouse gas emissions of developed countries. United States ratification will require the advice and consent of the U.S. Senate.

SUMMARY OF ACCOMPLISHMENTS (continued from page 1)

CARBON SINKS

- The Parties endorsed a detailed work program to accelerate the negotiations relating to the scope and use of carbon sink activities under the Protocol. Specifically, the Parties clarified their intention to complete work at CoP-6 relating to the definition of forestry activities under Article 3.3 of the Protocol, as well as additional sink categories under Article 3.4, such as those created by improved conservation and management of forests, agricultural soils, and grasslands. This decision will keep the work on sinks on a parallel track with other issues outlined in the Buenos Aires plan of action and was a key U.S. objective going into Bonn.

- In 1998, the Parties tasked the Intergovernmental Panel on Climate Change (IPCC) – an international body of over 2000 of the world’s leading climate scientists and experts – with conducting a comprehensive study of land use, land-use change, and forestry activities. Once this report is completed in the spring of 2000, the Parties will submit detailed proposals on sink definitions and activities (by August 1, 2000), which will then become the foundation for a negotiating text.

COMPLIANCE

- The Parties made good progress at CoP-5 toward a common understanding of the basic elements of an effective compliance system and agreed to a workshop and other meetings to advance work on compliance.
- In a related matter, the United States successfully advanced methodological work designed to ensure that national emissions inventories can assist in determining compliance with the Protocol. Parties agreed on the basic elements of national systems for emissions monitoring, as well as on how to ensure the completeness and quality of emission inventories.

DEVELOPING COUNTRY PARTICIPATION

- Argentina became the first developing country to announce a binding emissions target for the 2008-2012 time period, following through on its promise to do so made at last year’s conference in Buenos Aires. The United States applauds Argentina’s announcement and supports the development of a process for international acceptance of Argentina’s target as soon as possible. The United States also supports Argentina’s call upon the Parties to create a way in which Argentina and other developing countries that voluntarily adopt appropriate targets may benefit from all the Kyoto mechanisms.
- Kazakhstan formally requested inclusion in Annex I of the UNFCCC. Although the Parties deferred action on the request, Kazakhstan’s action clearly signaled its continued willingness to take on a binding emissions target for the 2008-2012 time period.
- These actions signaled a continuing shift in the terms of the international debate on developing country participation, first seen last year in Buenos Aires. Greater engagement in Bonn on the part of developing countries was evidenced in other areas as well, including heightened enthusiasm on the part of many for the Clean Development Mechanism and constructive participation in efforts to forge agreement on emissions trading, joint implementation, sinks, compliance, and other key issues.
- The United States called for a new high-level dialogue with developing countries to explore the full-range of market-oriented strategies that can create sustainable development opportunities for developing countries that voluntarily reduce their emissions. Climate change is a global problem requiring a global solution. Thus, securing more meaningful participation from key developing countries remains a top priority for the United States. The Administration will continue a “full-court diplomatic press” in this area.

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Bonn – Questions and Answers:

1. Earlier this month the US Senate rejected the Comprehensive Test Ban Treaty. Doesn't this send a strong signal that the Senate will reject the Kyoto Protocol as well?

No. I believe the US Senate will ratify the Kyoto Protocol, if the central issues of cost and key developing country participation are addressed. The US Senate has shown its willingness to ratify treaties (such as the Chemical Weapons Convention) that it believes are in the national interest of the United States.

The Kyoto Protocol is a work in progress. Critical work remains on important issues, including the market-based mechanisms, compliance, the role of carbon sinks and participation by key developing countries. Furthermore, public attention to global warming in the United States is growing and many corporations are taking action to limit greenhouse gas emissions. If we can successfully address the important outstanding issues under the Kyoto Protocol, I believe the American public and the US Senate will support ratification.

2. Why is the United States pushing for a 2001 date for CoP-6?

The US prefers that CoP-6 be held in early 2001, instead of the fall of 2000, for several reasons.

First, there is an enormous amount of work to be done between now and the end of CoP-6. We think the Parties need this extra time if we are to follow through on the Buenos Aires plan of action.

Second, the next major IPCC scientific assessment on climate change is due in early 2001. We believe it's important for this meeting to have the benefit of the latest science.

Finally, we should understand that CoP-6 will likely be a very important, even historic, meeting - the type of meeting that should receive the attention of the President and Vice President. The immediate aftermath of a Presidential campaign when we are undergoing a transition in our government is not the best time for a meeting like this.

3. Isn't this just another case of Al Gore ducking the climate change issue?

Absolutely not. No one has done more to move this issue to the top of the international agenda than the Vice President. The basic international framework for addressing this issue was decided at Kyoto, where the Vice President's leadership was critical.

It's precisely because this issue is so important that a meeting like this shouldn't take place during the aftermath of a Presidential campaign.

4. If he is so committed to the issue, then why isn't he here, like he was in Kyoto?

First, this is not the same kind of meeting that Kyoto was. This is a meeting that is largely about process – not the kind of dramatic breakthroughs that we sought and achieved in Kyoto. Therefore, the Vice-President's participation is not appropriate.

Second, the Vice-President has great confidence in Under Secretary of State Frank Loy who is leading the U.S. delegation.

5. Why is the Administration accepting language offered by Representative Knollenberg that prohibits implementation of the Kyoto Protocol?

We, as always, are opposed to riders. With respect to the Knollenberg rider, we believe that this rider is simply unnecessary. The Administration has repeatedly stated and will continue to reiterate that we have no intention of implementing the Kyoto Protocol prior to Senate ratification. What is not acceptable, however, is any expansion of this provision to cover voluntary programs or on-going international negotiations on this issue.

6. The Administration signed the Kyoto Protocol in November. If you are willing to sign it, why not submit it to the Senate for its consent to ratification?

Kyoto is a work in progress and it would be premature to submit it now. We are working hard in these negotiations to secure those things we believe are necessary to make the treaty ready for ratification. But we aren't there yet.

First, as you know, the President has stated that we will not submit the treaty to the Senate until there is more meaningful participation on the part of key developing countries in addressing climate change. Last November, Argentina and Kazakstan stepped forward to say that they intend to take on an emissions target. That's a start, but we still have a long way to go.

Second, we are still hammering out the details on how the treaty's market mechanisms will work. We are pushing hard to make sure that key features of the treaty -- such as international emissions trading -- are allowed to function without unnecessary restrictions. Set up properly, Kyoto's market mechanisms will dramatically reduce the cost of addressing global warming. That's important to us and that's why we are bargaining so intensely over this issue.

Under Buenos Aires action plan agreed to at last year's climate change conference, these issues aren't set to be resolved until CoP-6. So we think it's unlikely that it will be submitted to the Senate before then.

7. The U.S. has now had several months to provide a constructive response to the EU's proposal to limit "hot air" and to urge domestic action through a quantitative limit on the use of the Kyoto Mechanisms. Why hasn't the U.S. been more forthcoming?

The United States has always opposed the imposition of any artificial limit on the mechanisms, including emissions trading. Quantitative limits on the ability of nations to use the Kyoto mechanisms would only make reducing greenhouse gas emissions more expensive for everyone,

with no gain to the environment. We reiterated this position in May when the Environment Ministers announced their very complicated formula.

The EU formula is nothing if not artificial and we will continue to strongly oppose it and other harmful restrictions on the mechanisms.

We also find it somewhat incongruous that the EU excludes its own “trading regime” under Article 4 of the Kyoto Protocol (i.e., “the bubble”) while seeking to restrict other Parties’ ability to meet their Kyoto emissions targets.

Market mechanisms are essential to dealing with this global problem in the most cost-effective and environmentally effective manner. In the United States, emissions trading has been used with great success to control acid rain at a fraction of the anticipated cost. We also expect the Clean Development Mechanism to serve as an invaluable means for helping developing countries to reduce their net emissions of greenhouse gases. In the long run, these mechanisms will allow all Parties to take more action to mitigate and adapt to climate change.

We have no desire to bog down COP-5 with unending ideological debates over our differing views on this matter. Instead, we look forward to joining the EU and other Parties in focusing on the technical issues that will allow us to make the most progress on the Buenos Aires Plan of Action such as fleshing out the Kyoto market-based implementation mechanisms, ensuring a comprehensive compliance regime, and building bridges to the developing world through technology transfer.

8. Aren’t there sound environmental reasons for imposing a cap on these mechanisms?

The EU formula is based on a false premise: that raising the cost will somehow coerce countries to do more to address climate change. The reverse is in fact true. Because they are more cost-effective, the mechanisms will over the long term allow the international community to take the most vigorous action possible to reduce the threat posed by global warming. The world can ill afford an system that purposefully makes reducing a ton of emissions more expensive than it needs to be.

There is no discernible environmental rationale for this particular formula. On the contrary, the dates and other aspects of the formula seem designed primarily to provide the most flexibility to the EU while constraining others as much as possible. The formula is as much about economic competitiveness as it is about the environment. In sum, the EU formula is both self-serving and counterproductive.

9. When will this issue be resolved?

Under the Buenos Aires Plan of Action, the rules and guidelines for the Kyoto market based mechanisms will be elaborated by the 6th Conference of the Party currently scheduled for late 2000.

10. Is the U.S. trying to use sinks to evade its responsibility to reduce ghg emissions under the Kyoto Protocol?

No. Carbon sinks represent a powerful tool for controlling global atmospheric concentrations of greenhouse gases -- which is the fundamental objective of the Framework Convention and the Kyoto Protocol. The United States advocates a comprehensive accounting -- based on sound science -- for carbon sequestration and emissions of greenhouse gases from land use, land use change and forestry under the Protocol. By ensuring that measurable, verifiable emissions and sequestration from the fullest possible range of activities are counted, we will provide the greatest possible incentive for the conservation and enhancement of carbon reservoirs in our agricultural and forestry systems. This approach will also help provide a mechanism to help deter land practices that lead to carbon emissions.

That said, I want to emphasize that reducing emissions will always be a key part of U.S. efforts to combat global warming.

11. How will the US attempt to work with developing countries on the goals of the Protocol?

Climate change is a global challenge that requires a global solution. We fully support efforts by developing countries to grow their economies. We also firmly believe that countries can pursue this goal without repeating wasteful and polluting mistakes of the past century. As President Clinton has stated numerous times over the past year, we need to move away from the "big idea" that characterized the industrial revolution -- that economic growth means more pollution and more wasting of the Earth's resources.

We applaud nations, such as Argentina, that have announced their intent to voluntarily adopt emissions targets. And we are committed to creating sustainable development opportunities through Kyoto's Clean Development Mechanism and through other economic, technical and financial partnerships.

12. What is the U.S. doing to convince big developing country emitters like China and India to make commitments under the Kyoto Protocol?

Many developing countries (including India and China) have resisted making commitments to limit their emissions on the premise that doing so would constrain their ability to grow economically. We believe that premise to be false, and we are working with many developing countries around the world on projects that have the effect of reducing emissions while accomplishing objectives -- such as energy efficiency, reducing local pollution, and introducing modern technologies -- that are key components of economic development. Furthermore, powerful international market-based tools, such as the flexibility mechanisms created by the Kyoto Protocol, hold tremendous potential for developing countries to attract investment in low-cost opportunities to reduce emissions.

13. What is the U.S. view of Argentina and Kazakhstan's pledges to take on greenhouse gas emissions targets at the upcoming COP-5 meeting?

The U.S. is very supportive of developing countries coming forward to voluntarily take on greenhouse gas emissions targets, and in fact we have been discussing climate change and the need for meaningful participation of key developing countries with our counterparts in other countries for some time now. Moreover, President Clinton has said that we will not send the Kyoto Protocol to the Senate for advice and consent to ratification until such time as we have secured more meaningful participation on the part of key developing countries. Therefore, we certainly consider it a step in the right direction when countries like these two – which do not currently have binding targets under the Protocol – come forward to announce their intentions to take these actions at their own initiative.

14. What is the Administration's position on compliance?

As reflected in its various submissions and interventions, the United States has been a strong proponent of a compliance system that is transparent, credible, and provides reasonable certainty in terms of consequences.

15. Why is compliance such an integral part of COP-5?

The Kyoto Protocol contains numerous compliance-related elements, such as stringent reporting requirements and an expert review process to assess implementation and identify potential cases of non-compliance.

The Protocol calls for further elaboration of the procedure(s) to determine and address cases of non-compliance, as well as the consequences for non-compliance. In terms of consequences for non-compliance, the United States has favored binding consequences for cases of non-compliance such as exceeding emissions targets and measurement/reporting violations. Binding consequences should be agreed upon in advance.

16. What is the current US emissions levels compared to 1990?

Total U.S. greenhouse gas (GHG) emissions rose in 1997 to 1,814 million metric tons of carbon equivalent (MMTCE), up 11 percent over 1990 emission levels. The increase from 1996 to 1997 was 1.3 percent, a decline from the rate of increase in 1996 of 3.3 percent.

17. What are the statistics that break out current US emission levels by the six greenhouse gases and is there any variation among levels?

The largest source of U.S. GHG emissions was carbon dioxide (CO₂) from fossil fuel combustion, which accounted for 81 percent of total emissions in 1997. Emissions of CO₂ from fossil fuel combustion grew by 10 percent (139 MMTCE) over the eight year period and was responsible for over three-quarters of the total increase in national emissions. In 1997, US greenhouse gas emissions grew at a rate faster than population growth (0.9 percent), but slower than gross domestic product (3.9 percent). Petroleum consumption for transportation grew by less than one-percent in 1997, compared to over three percent in 1996.

Other significant trends in emissions over the eight-year period of 1990 through 1997 included:

Transportation related emissions of GHGs rose 12 percent (50 MMTCE) while total highway miles traveled rose 18 percent;

Aggregate emissions of hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs) resulting from the substitution of ozone depleting substances (e.g., CFCs) increased (by 67 percent or 15 MMTCE).

PFC emissions from aluminum production decreased significantly (41 percent) as a result of both voluntary industry emission reduction efforts and falling domestic aluminum production.

Methane emissions from the decomposition of waste in municipal and industrial landfills rose by 19 percent (10.5 MMTCE) as the amount of organic matter in landfills steadily accumulated. Emissions from coal mining dropped by 21 percent (5 MMTCE) as the use of methane from degasification systems increased significantly.

Nitrous oxide emissions from agricultural soil management increased by 13 percent (9 MMTCE) as fertilizer consumption and cultivation of nitrogen fixing crops rose.

Bonn Qs and As

Drafted: POC: LFlejzor, OES/EGC 7-4304

Question 1: WH: DSandalow

2: OES/EGC: JMiotke

3: WH: Gibson/Bledsoe

4: WH: Gibson/Bledsoe

5: WH: Gibson/Bledsoe

6: OES/EGC: SWickwire

7: OES/EGC: SWickwire

8: OES/EGC: SWickwire

9: OES/EGC: DBalzer

10: WH: Gibson/Bledsoe

11: OES/EGC: DBalzer

12: OES/EGC: BDeRosa-Joynt

13: OES/EGC: LFlejzor/CBreidenich

14: OES/EGC: LFlejzor/CBreidenich

15: EPA: WBarbour

16: EPA: WBarbour

Cleared:

G: JBrinkley

G: NPurvis

G: DSmith

G: EFendley

G: DParris

OES: KBrill

OES: DBodansky

OES: THobgood

OES: JMiotke

OES/EGC: TTalley

OES: SPovenmire (info)

H:CMann

L:SBiniaz

EBloom (info)

Bonn Qs and As

White House Clearance:

Drafted: JGibson/PBledsoe

Cleared: JGibson, WHCCTF

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K

Divider Title: _____

THE WHITE HOUSE

Office of the Press Secretary

FOR PLANNING PURPOSES ONLY
November 30, 1999

Contact: 202/456-7150

**NEW REPORT TO DETAIL COST, ENERGY SAVINGS FROM
“GREENING” OF THE WHITE HOUSE**

Major Retailers, Manufacturers to Announce Consumer Incentives For Energy-Saving Products

WASHINGTON, D.C. -- Energy Secretary Bill Richardson and Environmental Protection Agency Administrator Carol Browner will hold an event on Thursday, December 2, at 11 a.m., to release a report on measures taken by the Clinton Administration to improve energy efficiency and environmental stewardship of the White House complex. The report will detail the substantial cost savings and environmental benefits resulting from “The Greening of the White House.”

In addition, top executives from some of the nation’s largest manufacturers and retailers will be on hand to announce incentives and promotions for consumers of energy efficient products similar to those used in the White House.

WHO: Energy Secretary Richardson , EPA Administrator Browner, and Executives of Leading Corporations

WHAT: Release of “Greening of the White House” Report and Announcements of New Consumer Incentives for Energy Efficient Products

WHERE: Roosevelt Room of the White House

WHEN: 11 a.m., Thursday, December 2, 1999

PRESS: Open Press

NOTE: Press needing White House clearance to attend this event should contact the White House Press Office at 202/456-7150.

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Divider Title: _____

“President Clinton and Vice President Gore: Leadership on Climate Change”

By Roger Ballentine and Frank E. Loy

A few weeks ago over 500 mayors and local officials – from Baltimore to St. Louis to Seattle – took a pledge. They committed themselves, and their cities, to the fight against global warming. Two weeks earlier, DuPont pledged to dramatically reduce its greenhouse gas emissions, joining Motorola, Dow, IBM, BP Amoco and other leading corporations taking real action on climate change. From City Council chambers to corporate boardrooms, America is mobilizing against global warming – the greatest environmental challenge of the 21st century.

That is the message U.S. representatives will take to Bonn next week when some 160 nations gather for this year’s round of international climate negotiations. Our objective in Bonn will be to ensure that the international community continues to make strong progress in elaborating a system that fights global warming in an intelligent way – at a cost that is reasonable, with strong efforts by developed and developing countries alike.

The Bonn conference takes place against the backdrop of a broad and growing scientific consensus that human activities have started to affect the global climate. New studies of Northern Hemisphere temperatures show that the 20th century has been the warmest century in the past 1,000 years, that the 1990s have been the warmest decade in that period, and that 1998 was the single warmest year ever recorded (breaking the old mark set just a year earlier). Continuing on a “business as usual” course will lead to further warming in the next century – as much as 6.5 degrees Fahrenheit, according to leading scientists. The recent drought in the Eastern United States, and the torrential rains and flooding that followed, offer a too-exciting preview of the kind of extreme weather this warming could bring. And at the United Nations last month, representatives of small island nations pleaded for the world to recognize that the rising sea levels that accompany climate change threaten their very existence.

To help protect future generations from these grave risks, the United States is moving aggressively to reduce its greenhouse gas emissions. Last year, President Clinton and Vice President Gore secured over \$1 billion towards accelerating the deployment of 21st century clean energy technologies. So far this year, President Clinton has signed two new executive orders to address global warming. One will dramatically reduce the federal government’s energy use, saving taxpayers \$750 million a year. The second aims to triple the U.S. bioenergy industry (making fuels and products from crops and agricultural wastes), creating new income for farmers and cutting greenhouse gas emissions by up to 100 million tons. These actions – together with initiatives by states, localities and corporations – demonstrate the seriousness of America’s commitment to addressing climate change and the importance of doing so smartly – taking win-win actions that both help the environment and save money for taxpayers, consumers, and businesses alike.

In Bonn, we want to work with other nations to shape a solution to the challenge of climate change – one that promotes economic growth and sustainable development around the globe. Two years ago in Kyoto, nations put in place the architecture of an international strategy to address the challenge of climate change. Last year in Buenos Aires, we began to turn Kyoto’s

broad concepts into working realities. The United States is fully committed to completing the work begun at Kyoto and looks forward to addressing the critical issues of cost and developing country participation, so that the treaty can be ratified. But much remains to be done.

On cost, the United States will continue to insist that nations must be free to make full use of Kyoto's flexible, market-based mechanisms, such as emissions trading. Limiting this ability (as some nations have proposed) would only make reducing greenhouse gases more expensive for everyone, with no gain to the environment. Similarly, nations must be allowed to receive credit for appropriate forestry and land-use practices that sequester greenhouse gases. These activities reduce the cost of mitigating climate change, and create valuable opportunities for American farmers.

The United States will also continue to insist that a global challenge like climate change be met with a global solution. We fully support efforts by developing countries to grow their economies. We also firmly believe that countries can pursue this goal without repeating wasteful and polluting mistakes of the past century. We applaud nations, such as Argentina, that have announced their intent to voluntarily adopt emissions targets. And we are committed to creating sustainable development opportunities through Kyoto's Clean Development Mechanism (which gives industrialized countries an incentive to undertake clean energy projects in developing countries) and through other economic, technical and financial partnerships.

Bonn will not be a place for dramatic breakthroughs on these issues. But we do hope to achieve the kind of steady, solid progress that is necessary to keep the Kyoto process on track. If we fail to move forward – both in Bonn and beyond – we risk missing an important opportunity to protect our climate for generations yet to come.

Whatever the outcome in Bonn, we must continue stepping up our efforts at home as well. For – even as local leaders, major corporations, and ordinary citizens join the fight against global warming -- naysayers in Congress are trying to block the way. Ignoring the mounting evidence of climate change, they want to slash funding for clean energy programs, and load up budget bills with special-interest riders that aim to strangle common-sense efforts to reduce greenhouse gas pollution.

As the people of America, and the nations of the world, commit themselves to meeting the most profound environmental challenge ever, the U.S. Congress must not doom these efforts. There simply is too much at stake.

Roger Ballentine is Deputy Assistant to the President for Environmental Initiatives and White House Climate Change Coordinator. Frank Loy is Undersecretary of State for Global Affairs and head of the U.S. delegation to COP5.

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Overall Diplomatic Message for Bonn (Frank)

Climate change is the premier environmental challenge of the 21st century. There is overwhelming scientific consensus that human activity has begun to affect the climate, and that continuing on our present course may have dire consequences. The evidence of this warming trend has only grown stronger.

The United States is fully committed to meeting this challenge, both through strong domestic actions to reduce greenhouse gas emissions, and by working with other nations to achieve agreement on a sound, cost-effective global strategy.

Over the past year, the United States has launched significant new domestic actions to reduce its greenhouse gas emissions. These actions are taking place at the federal, state and local levels and throughout corporate America. *[Roger to amplify – see below.]*

Two years ago in Kyoto, more than [160] nations agreed on the basic architecture of an international strategy to address the challenge of climate change. Last year in Buenos Aires, we laid out a road map for turning Kyoto's broad concepts into working realities. Our task in Bonn is to achieve the kind of steady, solid progress that is necessary to keep this process on track.

The United States is fully committed to completing the work begun at Kyoto and looks forward to addressing the critical issues of cost and developing country participation, so the treaty can be ratified. But much remains to be done.

On the issue of cost, the United States will continue to insist on rules that will ensure implementation at a reasonable and predictable cost. For example, nations must be free to make full use of Kyoto's flexible, market-based mechanisms, such as emissions trading. Limiting this ability would only make reducing greenhouse gases more expensive for everyone, with no gain to the environment.

On the issue of developing country actions, we fully support their efforts to grow their economies and improve the well-being of their citizens. We also firmly believe that this goal can be achieved without repeating the wasteful and polluting practices of the past century. We are committed to creating sustainable development opportunities through Kyoto's Clean Development Mechanism and through other partnerships between developed and developing countries.

At CoP-5, a number of important, substantive issues will be on the agenda. But COP-5 will not be a historic conference, as Kyoto was. The substantive issues are:
One, consensus on an intensified process to complete the work outlined in the Buenos Aires plan of action. We must establish clear guideposts for our efforts over the coming year if we are to ensure a successful outcome as early as COP-6.

Two, a mandate to develop negotiating text on a number of important issues, including the Kyoto mechanisms compliance and sinks.

Three, a concrete progress on a number of other issues:

Development of possible elements of a compliance system;

A framework for deciding on how to use sinks, taking into account the upcoming special report on land use change and forestry; and

Initiation of the discussions on capacity building and construction of the technology transfer consultations.

And four, we hope to see continued forward momentum on developing country efforts. We were very encouraged by developments last year in Buenos Aires – including commitments by Argentina and Kazakstan to take on voluntary emissions targets – and are hopeful we will see more progress in Bonn.

In short, our overarching objective for Bonn is to achieve the progress necessary to ensure that we can complete the important work begun in Kyoto. If we fail to move forward – both in Bonn and beyond – we risk missing an important opportunity to protect our climate for generations yet to come.

U.S. Domestic Action & Presidential Commitment (Roger)

I just want to amplify on what Frank said by underscoring the fact that under the leadership of President Clinton and Vice President Gore, the United States is strongly committed to moving forward to address the issue of climate change.

During the past year, the President launched a variety of initiatives that will help address climate change, including:

A new Executive Order to spur the development of bio-based industries. The President set a goal of tripling U.S. use of bioenergy and bioproducts by 2010. Meeting this goal will reduce U.S. greenhouse gas emissions by up to 100 MMTCE – the equivalent of taking more than 70 million cars off the road.

In a separate Executive Order, the President has directed the Federal government to reduce its greenhouse gas emissions from energy use in buildings by 30% below 1990 levels by 2010.

At the same time, the United States continues to invest more than \$1 billion per year in research and development on technologies that will help reduce greenhouse gas emissions.

I also want to point out that this past year has also seen a growing number of U.S. state and local governments and private companies step forward with creative, cost-effective strategies to reduce greenhouse gas emissions.

These are real actions that are already leading to real reductions and it is important for the world to know about them because they demonstrate the depth of the President's commitment and the United States' commitment to this issue.

Some of you may be aware that President also proposed a \$3.6 billion package of tax incentives for energy efficiency and renewable energy technologies that will cut emissions and save money for businesses and consumers alike.

Unfortunately, on this – and on other parts of the President's climate program – the U.S. Congress has failed to act and in too many cases continues to be led by naysayers who wish to put U.S. climate policy in a straitjacket. The Administration will continue to fight these efforts.

Those of you who follow what the President talks about every day know that he takes seemingly every opportunity to speak out on the threat of global warming and how important it is for the United States and the world community to take steps to address it. If you look at the record – the number of times he speaks out, the executive orders, the \$1 billion in annual expenditures – I think it's fair to say that the President's leadership on this issue is second to none.

On behalf of the President, I can assure you that our negotiating team in Bonn will press hard for the kind of steady, solid progress we need so that we can eventually have a treaty that is ready for ratification.

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U.S. DELEGATION TO THE
FIFTH SESSION OF THE CONFERENCE OF THE PARTIES
TO THE U.N. FRAMEWORK CONVENTION ON CLIMATE CHANGE
(BONN, GERMANY)

FOR IMMEDIATE RELEASE

November 4, 1999

Statement of Frank E. Loy
U.S. Under Secretary of State for Global Affairs
Fifth Session of the Conference of the Parties to the
UN Framework Convention on Climate Change
Bonn, Germany
November 4, 1999

Our goal here in Bonn was to achieve steady progress toward completing the work begun by our nations two years ago in Kyoto – to continue building a truly global, cost-effective agreement that protects future generations from the grave risks of global warming.

In the view of the United States, this Conference has met that goal. We have made significant progress across the full spectrum of substantive issues, from emissions trading to sinks to compliance. We have seen continued forward momentum on developing country efforts. And, perhaps most critically, we have resolved to redouble our efforts between now and next year's Conference in The Hague. In short, we have charted a course for the critical year ahead, and have together demonstrated the kind of political will necessary to resolve the major issues before us.

The Kyoto Protocol provides a blueprint for global efforts to meet this profound global challenge. Last year in Buenos Aires, the Parties committed to a two-year action plan to turn the broad concepts of Kyoto into working realities. Here, we began the hard substantive job of actually assembling the very nuts and bolts. We leave Bonn with a mandate to negotiate text that will refine these elements and weave them into an environmentally strong and economically sound agreement. This is absolutely critical. Without these building blocks, we can not get from Kyoto to a fully operational, ratifiable Kyoto treaty.

While progress was made on all the substantive issues before this Conference, the United States is particularly gratified by the growing recognition that the issue of cost-effectiveness must be squarely addressed. Parties that previously were unfamiliar with emissions trading, or dismissed it outright, are coming to understand how it can ensure that we achieve the most environmental gain for every dollar, euro, or yen invested.

What's more, for first time, the broad outlines of an effective international emissions trading system have begun to take shape. There is agreement on what the essential elements must be – strong systems for monitoring and reporting emissions; a common unit for emissions trades; an airtight global accounting system; full private sector participation; and, perhaps most critically, a strong, effective system to ensure compliance.

Over the coming year, we must move toward full agreement on the shape each of these components will take. And we must reject efforts to impose artificial caps on this emerging trading system. We can only mobilize the capital, ingenuity, and entrepreneurial drive needed to meet our ambitious targets by putting the power of the marketplace to work for the environment. Restraining the market will not only drive up the cost, but heighten the risk to our environment.

We saw progress in Bonn on developing country efforts as well. We applaud Argentina's leadership in becoming the first developing country to announce a binding emissions target. Argentina's action reflects a genuine commitment to participate meaningfully in the international effort to meet this global challenge. And it illustrates how a developing country can fashion a target that benefits the environment while contributing to its sustainable development. We must take up the challenge laid before us by Argentina and develop a process for international acceptance of its target as soon as possible. And we must create what Minister Alsogaray called "a bridge to the Convention" for Argentina and other developing countries that voluntarily adopt appropriate targets so that they may benefit from all the Kyoto mechanisms. We applaud as well Kazakhstan's formal request for inclusion in Annex I and call on the Conference to accept it.

More broadly, we are encouraged by the signs that many other developing countries are taking real measures to address this global challenge. Many made impressive presentations on the concrete domestic actions they are taking to limit greenhouse gas emissions. And, in our negotiations, many developing countries voiced genuine enthusiasm for the Clean Development Mechanism, and participated very constructively in the efforts to forge agreement on other mechanisms, sinks, compliance, and other key issues.

The United States has called for a new dialogue to build on these successes by exploring, at a high level, the full range of market-oriented strategies that can create sustainable development opportunities for developing countries that voluntarily reduce their emissions. In conversations with developing country delegates over the past few days, this approach struck a responsive chord, and we will work in the coming months with other developing country partners to further this important dialogue. With creativity and determination, we can help our partners in the developing world avoid the pitfalls of the past century, and move beyond the outdated notion that pollution is the inexorable product of economic growth.

Finally, we have charted a course for the critical months ahead that considerably raises the prospects for success when we convene next year in the Hague. Specifically, the Parties agreed to more than double the time devoted to negotiations between now and the Hague conference. We will hold two inter-sessional meetings over the next year, one in June and one in October, as well as a series of technical workshops. In addition, the Parties have invested the President of the COP with the authority to take all necessary steps to intensify the negotiating process. Completing the Buenos Aires action plan will still be an extraordinary challenge. That is one of the reasons the United States had preferred to hold COP-6 in early 2001. But, with no consensus for a later date, we are pleased that the Parties joined us in ensuring a focused, accelerated negotiating process over the coming year.

Between now and COP-6, the United States will continue to strengthen its efforts at home to meet the challenge of global warming. And we will continue working with other nations to address the critical issue of cost-effectiveness, and to achieve meaningful participation by key developing countries, so that the Kyoto Protocol can be ratified and enter into force at the earliest possible date.

Two years ago, when our nations assembled in Kyoto, there was until the very final moments of negotiation no certainty at all that agreement would be reached. Fortunately, as the last long night of negotiation gave way to dawn, the remaining differences were bridged. And there emerged an accord that, if we remain steady in our resolve, may well prove one of history's most profound.

Our time in Bonn has not produced such moments of high drama, and the progress we have achieved here is not as easily measured. But the task before us has been no less important. For now we must turn the Kyoto Protocol into a working reality – build on its foundation a concrete agreement that effectively mobilizes our will, our energies, and our resources against the grave risks of global warming.

In short, we are on the right track towards finishing the important work begun in Kyoto – but we must keep going. Today, November 4, is the birthday of the American humorist Will Rogers. Will Rogers once said that "even if you're on the right track, you'll get run over if you just sit there." The world cannot "just sit there" as the planet warms. We must act with determination and resolve. And as we address the very complex and sometimes contentious issues at hand, we all must move forward in good faith, drawing deeply on what Abraham Lincoln called the "better angels of our nature." The United States looks forward to doing so in the year to come.

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U.S. DELEGATION TO THE
FIFTH SESSION OF THE CONFERENCE OF THE PARTIES
TO THE U.N. FRAMEWORK CONVENTION ON CLIMATE CHANGE
(BONN, GERMANY)

FOR IMMEDIATE RELEASE
[revised]

November 3, 1999

Remarks As Delivered by Frank E. Loy
U.S. Under Secretary of State for Global Affairs
Fifth Session of the Conference of Parties to the
UN Framework Convention on Climate Change

Madam Chairperson, thank you.

I take the floor at this time, not just to report on what we are doing domestically, but particularly because I have heard in this conference over the last few days the question asked whether the United States actions to reduce greenhouse gas emissions are serious and whether they are adequate. I would like to respond in a little bit of detail, but first I would like to summarize and say: yes, they are real; yes, they are significant; yes, they are making a difference and they will make a larger difference as those programs that we initiate mature. But -- and we have to be equally clear on this, and I have said this before -- the actions are probably not enough to permit us to meet the very stiff Kyoto targets that we took on unless we become a Party to Kyoto.

Let me divide the domestic actions we take into three parts. First, those that are taken by the federal government, and there are some very important new ones. In August, the President issued an Executive Order to facilitate the goal of tripling the United States use of bio-energy and bio-products by the year 2010. If we meet this goal, and we will, this will reduce emissions by an amount equal to taking about 70 million cars off the road. It is major. In a separate Executive Order, the President directed the federal government, that is our nation's largest energy user, to lead by example and reduce its greenhouse gas emissions from energy use in buildings by 30% below 1990 levels by the year 2010. Three weeks ago, [agreement was reached to establish] new energy efficiency standards for lighting that will save enough energy to power up to 25 million American homes for a year. New standards for refrigerators, for room air conditioners, are going to go into effect in the year 2001, and they will have a major effect. There are other initiatives, and I will mention just one, a federal initiative that would increase the production of energy from renewable sources. We have a goal, and we have a rather realistic plan to achieve that goal, of producing 5% of U.S. electricity from wind by the year 2020.

These are new federal initiatives in a goal on top of and in addition to ongoing federal efforts to address climate change. The centerpiece of that, as I have reported before, is a \$6.3 billion program of tax incentives and investments to accelerate development of clean energy technologies. The President secured one billion dollars for the funding of that program in each of the last two years, I might say, in the face of some stiff congressional opposition. Come February, you can expect the President to propose, and to fight for, an additional increase in our budget in the year 2001.

These federal efforts have to be taken in context. What I have described, I think of as Stage One of a federal program to meet our commitments. We see this program culminating by 2008 in binding domestic emissions targets and a domestic emissions trading system. We expect that to be the primary "policy and measure" that the U.S. plans to implement to meet its Kyoto target.

This leads to the second point, which is to say the federal government is not the only actor, and in some ways, not even the most important actor on the scene. You have to look at what cities, states and corporations are doing -- very much as Minister Trittin just said about the local efforts of Bremen and other cities in Europe. I will mention just two examples:

- New Jersey has committed to reduce its emissions by 3.5% below 1990 levels by the year 2005.
- California, as part of its overall restructuring of its utility industry, has established a \$540 million trust fund to support existing and emerging renewable energy technologies.

These will produce significant results. These are major states, states larger than a lot of countries, and their actions are serious.

On the corporate side:

- The DuPont Corporation recently committed to reduce its emissions by 65% below 1990 levels by the year 2010. That would mean a worldwide reduction of over 23 million metric tons of carbon equivalent (MMTCE).
- Motorola has pledged to reduce its PFC emissions by 50% below 1995 levels by the year 2010.
- And lastly, corporations have begun to work with Congress to develop legislation to reward companies that take early action to reduce their emissions, a matter that the President has made a high priority.

Madam Chairperson, what this tells us, is this. President Clinton has said that it is an outdated idea of the industrial revolution that more economic growth has to mean more pollution. The actions I have described prove, and will continue to prove, that that is indeed an outdated idea. All the preliminary indications are that the program is beginning to work. Last week, it was reported that through the 1990s U.S. carbon dioxide emissions had increased by an average of 1.4% annually, which is only about half of the 2.6% average rate of our economic growth. For 1998, U.S. emissions increased by 0.4% while the economy grew by a 4% increase. There are a lot of factors behind these numbers. We cannot be sure we can annualize them but we believe that we have demonstrated that emissions and growth need not move in lock-step.

Now certainly, this does not make for complacency -- there is no room for that -- and we are not complacent. These numbers show that we are not going to meet our goal of Kyoto as we are going because the numbers are going up, not down. We realize that our domestic program -- successful as it has been in its beginning -- needs to do much more. We need to climb up that hill of emission reduction programs. We commit ourselves to do that. We will climb that hill.

Thank you.

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U.S. DELEGATION TO THE
FIFTH SESSION OF THE CONFERENCE OF THE PARTIES
TO THE U.N. FRAMEWORK CONVENTION ON CLIMATE CHANGE
(BONN, GERMANY)

FOR IMMEDIATE RELEASE

November 2, 1999

Remarks Prepared for Delivery by Frank E. Loy
U.S. Under Secretary of State for Global Affairs
Fifth Session of the Conference of the Parties to the
UN Framework Convention on Climate Change
Bonn, Germany

It is a great honor to be here in Bonn. For over four decades, this city stood as an emblem of humanity's determination to meet the great challenge of the 20th century – the challenge of preserving and renewing human freedom. Today, we draw on that rich legacy as we rise to meet one of the premier challenges of the 21st century – the challenge of preserving and renewing the earth itself.

The backdrop to our meeting is a growing scientific consensus on the causes and consequences of climate change. Just yesterday, for example, the officials at the International Coral Reef Initiative meeting passed a resolution calling on us to work with them to address the impacts of global warming on these fragile but vital ecosystems. We welcome their commitment.

Two years ago in Kyoto we put in place the basic architecture of an international strategy to address global warming. Last year in Buenos Aires, we laid out a road map for turning Kyoto's broad concepts into working realities. Our task in Bonn is to achieve the steady, solid progress that is necessary to ensure our ultimate success.

On behalf of President Clinton and Vice President Gore, I affirm to you today that the United States is
more committed than ever to meeting this profound challenge – both at home and in concert with the
nations assembled here.

Over the past year, the President and Vice President have launched significant new actions to reduce our greenhouse gas emissions. The President issued new Executive Orders to dramatically improve energy efficiency within the Federal government and to promote broader use of renewable energy. He also secured record funding for the research, development, and deployment of 21st century clean energy technologies. In addition, new efforts to address climate change are underway at the state and local levels and throughout corporate America. All of these efforts are part of Stage One of the President's larger three-stage plan, which we see culminating in binding domestic emissions targets and a domestic emissions trading system. I look forward to reporting on these efforts in greater detail at the Ministers' session on this topic on Wednesday.

Beyond our robust domestic efforts, our goal is to continue working with other nations to complete the work begun in Kyoto – to construct an international regime that works, to achieve an agreement that can be ratified. Chancellor Schroeder noted the other day that countries must implement at home what they promise abroad. Let us remember also that countries must negotiate abroad what they can ratify at home. For it would do the world little good for negotiators to reach an agreement that is ultimately rejected by our nations.

Many delegates have expressed great concern over the prospects for U.S. ratification of the Kyoto Protocol. I believe the Kyoto Protocol can be ratified by the United States – but I am realistic about what that will take.

It will take, for starters, an agreement that is cost-effective. We need to develop rules on mechanisms, sinks, and compliance that get us the most environmental gain for each available dollar, euro or yen. We need rules that promote integrity and high standards while at the same time avoiding artificial limits so that nations can meet their commitments at a reasonable and predictable cost.

Realism also demands that we have more meaningful participation on the part of key developing countries. And I will say something more about this in a moment.

If we fail to meet these conditions, the treaty will not be ratified. If we do meet these conditions, we believe it will be.

The Parties have been urged to bring this agreement into force by 2002. The United States strongly supports entry into force at the earliest possible date. But that means we must all redouble our efforts – both at this conference and in the period between now and COP-6.

First of all, over the next few days here in Bonn, we need a consensus on a stepped-up, more intense, more focused process to complete the work outlined in the Buenos Aires plan of action. We must have more inter-sessional work with clear guideposts for our efforts if we are to ensure a successful outcome at COP-6.

Second, we need a mandate from this Conference to develop negotiating text on a number of important issues, including the Kyoto mechanisms. This is a critical point – negotiators need to have actual text soon if they are to get the job done in a timely fashion.

And third, both here and in the months ahead, we need to foster a new, constructive dialogue about developing country efforts.

Let me congratulate Argentina on the leadership and hard work that led to today's announcement. We are very encouraged also by the commitment of Kazakhstan. By taking on an appropriate emissions target that allows them to engage in trading, nations can simultaneously reduce emissions and contribute to their economic growth.

Other developing countries have also begun making impressive progress towards "de-carbonizing" their economic growth – achieving strong economic gains while dramatically

slowing the increase in their greenhouse gas emissions. They are abandoning what President Clinton has called the outdated idea of the industrial revolution – that more economic growth means more pollution. We need to build on these successes and look for market-oriented strategies that will reap rewards for developing countries that voluntarily reduce their emissions.

So in addition to ongoing discussions about the timing and nature of developing country commitments, we would like to work together on a complementary track. We would like to open a new dialogue between developed and developing countries about how to use the Kyoto process to more effectively pursue sustainable development opportunities. We need to explore at a high-level, in an appropriate forum the progress that has been made, and how developed and developing countries can cooperate to broaden and strengthen this encouraging trend.

Everyone – both north and south – would benefit from learning more about how this movement towards sustainable growth has been accomplished, and how even greater progress can be achieved.

In summary, let me reiterate that the United States is fully committed to completing the work begun at Kyoto and looks forward to addressing the critical issues of cost and developing country participation, so the treaty can be ratified. But much remains to be done. And if we fail to move forward – both in Bonn and beyond – we risk missing an important opportunity to protect our climate for generations yet to come.

The German statesman Bismarck is reported to have said that "political genius consists of hearing the distant hoof beats of history and then leaping to catch the passing horseman by the coattails as he thunders by." Here in Bonn we can hear the hoof beats of not only history, but science as well. Let us muster the political imagination and determination, if not genius, to catch the coattails of the passing horseman, so that we may meet this great challenge and pass on a healthy, livable planet. Thank you.

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Divider Title: _____

Press Guidance
Bonn Climate Change Negotiations
October 25, 1999

Background: A U.S. delegation is joining negotiators from more than 150 other countries in Bonn today for the opening of the Fifth Conference of the Parties to the United Nations Framework Convention on Climate Change (this year's high-level global warming negotiations). During the ministerial portion, which begins Tuesday 11/2, the delegation will be headed by Under Secretary of State for Global Affairs Frank Loy. While the issues are largely technical and process-oriented, the outcome will help determine the ultimate success or failure of the Kyoto Protocol. At last year's negotiations in Buenos Aires, consensus was reached on a two-year work plan to flesh out important details of the Protocol, such as the operating rules for emissions trading. Our overarching objective in Bonn is to keep this process moving forward to ensure success at the next high-level meeting, which will be in late 2000 or early 2001.

Talking Points:

- Climate change is the premier environmental challenge of the 21st century. The United States is fully committed to meeting this challenge, both through strong domestic actions to reduce greenhouse gas emissions, and by working with other nations to achieve agreement on a sound, cost-effective global strategy.
- Over the past year, the Administration has launched significant new domestic actions to reduce its greenhouse gas emissions. In addition, there is growing action at the state and local levels, and throughout corporate America.
- The Kyoto Protocol represents the basic architecture of an international strategy to address climate change. Last year's conference in Buenos Aires began to turn Kyoto's broad concepts into working realities. The task in Bonn is to achieve the kind of steady, solid progress that is necessary to keep this process on track.
- The United States is fully committed to completing the work begun at Kyoto and looks forward to addressing the critical issues of cost and developing country participation, so the treaty can be ratified. But much remains to be done.
- On the issue of cost, the United States will continue to insist that nations must be free to make full use of Kyoto's flexible, market-based mechanisms, such as emissions trading. Limiting this ability would only make reducing greenhouse gases more expensive for everyone, with no gain to the environment.
- On the issue of developing country actions, we fully support developing countries in their efforts to grow their economies and improve the well-being of their citizens. We also firmly believe that this goal can be achieved without repeating the wasteful and polluting practices of the past century. We are committed to creating sustainable development opportunities through Kyoto's Clean Development Mechanism and through other partnerships between developed and developing countries.

- Our overarching objective for Bonn is to achieve the progress necessary to ensure that we can complete the important work begun in Kyoto. If we fail to move forward – both in Bonn and beyond – we risk missing an important opportunity to protect our climate for generations yet to come.

Why is the United States pushing for a 2001 date for the Sixth Conference of the Parties?

The US prefers that the conference be held in early 2001, instead of the fall of 2000, for several reasons.

First, there is an enormous amount of work to be done between now and the next Conference of the Parties. We think the Parties need this extra time if we are to follow through on the Buenos Aires plan of action.

Second, the next major scientific assessment on climate change is due in early 2001. We believe it's important for this meeting to have the benefit of the latest science.

Finally, we should understand that the next Conference of the Parties will likely be a very important, even historic, meeting -- the type of meeting that should receive the attention of the President and Vice President. The immediate aftermath of a Presidential campaign when we are undergoing a transition in our government is not the best time for a meeting like this.

Isn't this just another case of Al Gore ducking the climate change issue?

Absolutely not. No one has done more to move this issue to the top of the international agenda than the Vice President. The basic international framework for addressing this issue was decided at Kyoto, where the Vice President's leadership was critical.

It's precisely because this issue is so important that a meeting like this shouldn't take place during the aftermath of a Presidential campaign.

If he is so committed to the issue, then why isn't he here, like he was in Kyoto?

First, this is not the same kind of meeting that Kyoto was. This meeting is largely about process – not the kind of dramatic breakthroughs that we sought and achieved in Kyoto. Therefore, the Vice-President's participation is not appropriate.

Second, the Vice-President has great confidence in Under Secretary of State Frank Loy who is leading the U.S. delegation.

Why is the Administration accepting language offered by Representative Knollenberg that prohibits implementation of the Kyoto Protocol?

We, as always, are opposed to riders. With respect to the Knollenberg rider, we believe that this rider is simply unnecessary. The Administration has repeatedly stated and will continue to reiterate that we have no intention of implementing the Kyoto Protocol prior to Senate ratification. What is not acceptable, however, is any expansion of this provision to cover voluntary programs or on-going international negotiations on this issue.

The Administration signed the Kyoto Protocol in November. If you are willing to sign it, why not submit it to the Senate for its consent to ratification?

Kyoto is a work in progress and it would be premature to submit it now. We are working hard in these negotiations to secure those things we believe are necessary to make the treaty ready for ratification. But we aren't there yet.

First, as you know, the President has stated that we will not submit the treaty to the Senate until there is more meaningful participation on the part of key developing countries in addressing climate change. Last November, Argentina and Kazakhstan stepped forward to say that they intend to take on an emissions target. That's a start, but we still have a long way to go.

Second, we are still hammering out the details on how the treaty's market mechanisms will work. We are pushing hard to make sure that key features of the treaty -- such as international emissions trading -- are allowed to function without unnecessary restrictions. Set up properly, Kyoto's market mechanisms will dramatically reduce the cost of addressing global warming. That's important to us and that's why we are bargaining so intensely over this issue.

Under Buenos Aires action plan agreed to at last year's climate change conference, these issues aren't set to be resolved until CoP-6. So we think it's unlikely that it will be submitted to the Senate before then.

How will the US attempt to work with developing countries on the goals of the Protocol?

Climate change is a global challenge that requires a global solution. We fully support efforts by developing countries to grow their economies. We also firmly believe that countries can pursue this goal without repeating wasteful and polluting mistakes of the past century. As President Clinton has stated numerous times over the past year, we need to move away from the "big idea" that characterized the industrial revolution -- that economic growth means more pollution and more wasting of the Earth's resources.

We applaud nations, such as Argentina, that have announced their intent to voluntarily adopt emissions targets. And we are committed to creating sustainable development opportunities through Kyoto's Clean Development Mechanism and through other economic, technical and financial partnerships.

What is the U.S. doing to convince big developing country emitters like China and India to make commitments under the Kyoto Protocol?

Many developing countries (including India and China) have resisted making commitments to limit their emissions on the premise that doing so would constrain their ability to grow economically. We believe that premise to be false, and we are working with many developing countries around the world on projects that have the effect of reducing emissions while accomplishing objectives -- such as energy efficiency, reducing local pollution, and introducing modern technologies -- that are key components of economic development. Furthermore, powerful international market-based tools, such as the flexibility mechanisms created by the Kyoto Protocol, hold tremendous potential for developing countries to attract investment in low-cost opportunities to reduce emissions.

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**NOMINATION OF DAVID B. SANDALOW
TO BE ASSISTANT SECRETARY OF STATE FOR
OCEANS AND INTERNATIONAL ENVIRONMENTAL AND SCIENTIFIC AFFAIRS**

On March 3, 1999 President Clinton nominated David B. Sandalow to be Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs. Currently, Mr. Sandalow serves as Senior Director for Environmental Affairs at the National Security Council and as Associate Director for the Global Environment at the White House Council on Environmental Quality.

Committee Hearing. On May 27, 1999, the Committee on Foreign Relations held a hearing to consider Mr. Sandalow's nomination. At the hearing, a variety of topics pertaining to Mr. Sandalow's experience and outlook were discussed. Senator Abraham (R-Mi.) spoke in support of the nomination and praised Mr. Sandalow's "understanding of the important balance between the environment and the economy." Towards the conclusion of the hearing, Senator Chuck Hagel (R-Ne.) stated that he was "grateful for the leadership, contributions, and good efforts" that Mr. Sandalow has made over his career, noting in particular, the nominee's "distinguished record" and "strong background in international environmental issues."

Letter from Senator Helms. On June 14, 1999, Senator Helms (R-N.C.) wrote to express his concern over Mr. Sandalow's participation in an April 7, 1999 meeting with members of the U.S. business community to discuss the feasibility of a voluntary greenhouse gas emissions trading project involving private sector firms and the Russian Federation. In particular, Senator Helms expressed his concern that the meeting may have violated language contained in the FY99 appropriations act for the Departments of Veterans Affairs and Housing and Urban Development prohibiting any early implementation of the Kyoto Protocol prior to the Senate's advice and consent to ratification.

The Meeting. The meeting in question took place at the request of representatives from the United States Council for International Business, which had written a letter to a number of Administration officials on emissions trading and joint implementation activities with the Russian Federation. Emissions trading and joint implementation are flexible, market-based mechanisms that have the potential to help countries and firms reduce greenhouse gas emissions at the lowest possible cost. Their development is considered crucial to efforts to address global warming in a cost-effective manner.

Thus, the meeting focused on ways the U.S. and Russian governments might help U.S. businesses who wish to engage in joint implementation or emissions trading projects with Russia. Participation would be entirely voluntary; no business would be required to participate. The U.S. government would provide technical assistance to Russia, as it has done for many years under the Framework Convention on Climate Change. The Russian government would dedicate any funds received to develop the infrastructure for measuring and reducing greenhouse gas emissions. At present, this project is still under consideration – there is no agreement between the two governments to proceed.

Meeting was Entirely Legal and Proper. Mr. Sandalow's participation in the meeting was entirely legal, proper and fully consistent with his belief in the importance of engaging the private sector in efforts to address environmental challenges. In particular:

- It was motivated by a desire to understand the views of U.S. business and to advance those views in international dialogue. Many members of the business community have emphasized the importance they attach to designing workable, market-based mechanisms as part of any long-term program to reduce greenhouse gas emissions. The meeting was part of an effort to reflect the views and expertise of U.S. business in international negotiations.
- It fully complied with all applicable laws.
- It was not part of any attempt to "implement the Kyoto Protocol." Rather, it was focused on international climate negotiations – in particular U.S. efforts to shape credible and effective market-based mechanisms that the world can use to help meet the challenge of climate change.

If confirmed as Assistant Secretary, Mr. Sandalow will work hard to ensure that the views of the U.S. business community on climate change and other international environmental challenges are heard. He will seek their participation in efforts to shape an international consensus that market-based mechanisms, such as emissions trading and joint implementation, are essential tools in reducing greenhouse gases.

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Divider Title: _____

**THE PRESIDENT'S NEW EXECUTIVE ORDER ON
BIO-BASED PRODUCTS AND BIOENERGY
AUGUST 12, 1999**

The Executive Order issued by President Clinton today will coordinate Federal efforts to accelerate the development of 21st century bio-based industries that use trees, crops, and agricultural and forestry wastes to make fuels, chemicals, and electricity. Owing to recent scientific advances, bioenergy and bioproducts have enormous potential to create new economic opportunities for rural America, enhance U.S. energy security, and help meet environmental challenges like global warming. In a separate Executive Memorandum, the President set a goal of tripling U.S. use of bio-based products and bioenergy by 2010. Meeting this goal could create \$15 billion to \$20 billion in new income for farmers and rural America, and reduce annual greenhouse gas emissions by an amount equal to as much as 100 million metric tons of carbon (MMTCE) – the equivalent of taking over 70 million cars off the road.

BIOMASS

Biomass is trees, crops, and agricultural and forestry wastes that can be used to make fuels, chemicals, and electricity. Biomass is a clean, domestic, and renewable source of energy. It can be used to fuel cars, power factories, and create a host of chemicals and other everyday products.

EXECUTIVE ORDER

Recent scientific advances in farm, forestry, and other biological sciences are making bioenergy and bioproducts more technically feasible and more economically viable. Recent reports and studies – including the just-released National Research Council report, “Biobased Industrial Products” – have concluded that Federal support for research is essential to realizing the economic and environmental potential of bio-based industries. Today’s Executive Order acts on this advice to create a powerful new research management team to focus Federal efforts with a goal of tripling U.S. use of bioenergy and bioproducts by 2010. Energy from biomass sources currently accounts for about 3 percent of the total U.S. energy supply – mostly from wood and wood waste.

This Executive Order :

- Establishes a permanent council consisting of the Secretaries of Energy and Agriculture, the Environmental Protection Agency Administrator, and the Director of the National Science Foundation, and other agency heads to develop a detailed research program to be presented annually as part of the annual Federal budget.
- Instructs the council to review major agency regulations, incentives and programs to ensure that they are being used effectively to promote the use of bioproducts and bioenergy. The council’s plan will be reviewed by an outside advisory group with representatives from bio-based industries, farm and forestry sectors, universities, and environmental groups.

- Directs DOE and USDA to establish a National Biobased Products and Bioenergy Coordination Office to manage the preparation of interagency budgets and provide an easy point of entry for anyone interested in Federal work in biobased products and bioenergy.

Today's Executive Order also builds on the Administration's record of strong and consistent support for bio-based industries. This includes the Administration's electricity restructuring bill introduced earlier this year requiring that 7.5 percent of all U.S. electricity come from renewable resources by 2010; Executive Order 13101, signed in September 1998, instructing Federal agencies to make use of biobased products; new proposed tax credits for bio-based electricity production; and increased research funding for the Department of Energy (DOE), the Department of Agriculture (USDA), and the National Science Foundation.

In a separate Executive Memorandum, the President instructed the Secretaries of Energy and Agriculture to prepare a report within 120 days outlining and assessing options for modifying existing DOE and USDA programs with a goal of tripling U.S. use of bio-based products and bioenergy by 2010.

WHAT IS BEING DONE RIGHT NOW IN BIOENERGY AND BIOPRODUCTS

Clean bioenergy and bioproducts are very much here and now. Already DOE and USDA are participating in partnerships on a number of major, breakthrough bioenergy and bioproducts projects, including:

- **Biomass to Ethanol Demonstration Projects.** Last fall BC International broke ground in Jennings, Louisiana on the first commercial plant to produce ethanol from the cellulose in agricultural waste – in this case sugar cane bagasse. A number of other demonstration projects are under development to convert municipal solid waste to ethanol.
- **Biorefinery for Chemicals.** Cargill Corporation, one of the largest privately held company in the United States, has built a prototype biorefinery in Blair, Nebraska. This new facility will use corn to produce a stream of chemical products and also a biodegradable polymer, polylactic acid, used in making films, fibers, rigid materials and coatings.
- **Co-Firing Technologies.** A number of projects are exploring ways to use biomass such as switchgrass and short-rotation wood crops like willows to make electricity by cofiring them with coal. Two of the most prominent projects – the Iowa Chariton Valley project and the New York Salix project – will also investigate the technical and business aspects of biomass gasification, where biomass is made into a fuel gas that can be used for heat or power production.

ECONOMIC POTENTIAL OF USING BIOMASS FOR ENERGY AND PRODUCTS

A robust bioenergy and bioproducts industry in the United States promises tremendous economic benefits for biomass producers – including farmers and the forest products industry – energy producers, chemical manufacturers, and the U.S. economy as a whole.

For rural America, a fast-growing bioenergy market will greatly increase the demand for energy crops and for agricultural and forest residues, or wastes, of all types. Since the cost of transporting the raw materials is high, most of the value-added work would occur in rural communities, providing new revenue streams for farmers and cash-flow for rural economic development. This means that good, high-technology jobs associated with producing biofuels and chemicals can be added in rural communities helping ensure that they will be an integral part of a prosperous 21st century American economy. By creating high-tech jobs and new economic opportunities, meeting the President's goal of tripling U.S. use of bioenergy and bioproducts could add \$15 billion to \$20 billion in new income for farmers and many rural communities.

Finally, as the President's Committee of Advisors on Science and Technology highlight in their new report – "Powerful Partnerships: The Federal Role in International Cooperation on Energy Innovation" – investments in bioenergy technologies, infrastructures, and markets could increase profitability for U.S. firms competing in global markets, while simultaneously providing for the world's future energy needs in an environmentally sustainable way.

BIO-BASED TECHNOLOGIES HELP MEET ENVIRONMENTAL CHALLENGES

Substituting biomass for fossil fuels can dramatically reduce greenhouse gas emissions that contribute to global warming. Since biomass crops absorb carbon during growth, their use for energy and other applications results in near zero net carbon release.

Meeting the President's goal of tripling our use of bioenergy and bioproducts by 2010 will reduce greenhouse gas emissions by up to 100 MMCTE – the equivalent of taking more than 70 million cars off the road. Substituting for fossil fuels, bioenergy will also reduce emissions of nitrogen oxides (NOx), sulfur oxides (SOx), and other pollutants.

Additionally, the deep-rooted plants commonly used for biomass – such as poplar, willow, and switch grass – are helpful in controlling erosion, filtering chemicals from water runoff, and slowing floodwaters.

PRESIDENT CLINTON'S FY2000 BUDGET ON BIOMASS

The President's FY 2000 budget request contains \$242 million for investments in biomass research, development and deployment, including:

- **Advanced Biomass Power and Fuels.** Funding for DOE and USDA to continue developing, testing, and demonstrating high-yield, low-cost biomass feedstocks; cofiring biomass with coal to produce electricity; advanced technologies for biomass gasification using paper industry by-products; and continued work on producing alternative fuels, such as ethanol, from biomass.
- **National Biomass Partnership.** Funding for DOE, USDA and other Federal agencies and private partners to launch a national partnership to develop advanced integrated biomass technologies.

The President has also proposed a package of **biomass tax credits**. The President proposes to extend for 5 years the current 1.5 cent per kilowatt hour tax credit for electricity produced from

biomass. The proposal also expands the types of biomass eligible for the credit to include certain forest-related, agricultural and other resources. Finally, the package includes a 1.0 cent per kilowatt hour tax credit for electricity produced by cofiring biomass in coal plants.

To date, Congress has not only failed to enact these proposed new tax credits, but has terminated the current 1.5 cent per kilowatt credit and cut the President's budget request by 14 percent.

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PRESIDENT CLINTON AND VICE PRESIDENT GORE: GROWING CLEAN ENERGY FOR THE 21ST CENTURY

August 12, 1999

Today, President Clinton will announce new steps to spur bio-based technologies that can help grow the economy, enhance U.S. energy security, and meet environmental challenges like global warming. The President will issue an Executive Order coordinating Federal efforts to accelerate these 21st century technologies – which can convert crops, trees, and other “biomass” into a vast array of fuels and materials – and set a goal of tripling U.S. use of bioenergy and bioproducts by 2010. Meeting this goal could create \$15 billion to \$20 billion in new income for farmers and rural America, and reduce annual greenhouse gas emissions by up to 100 million tons – the equivalent of taking more than 70 million cars off the road. In addition, the President will call on Congress to approve his proposed research funding and tax credits to promote energy efficiency, bioenergy, and other clean energy sources.

New Economic Opportunities for a New Century. Advances in farm, forestry, and other biological sciences are fueling a revolution in the use of biomass (trees, crops, and agricultural and forestry wastes) to make low polluting products, such as:

- **transportation fuels**, like cellulosic ethanol from agricultural waste;
- **electricity**, by burning willows and switchgrass along with coal in existing plants and by converting paper industry by-products into fuel gases; and,
- **commercial products**, such as chemicals, glues, paints – even furniture and textiles.

By creating high-tech jobs and new economic opportunities, meeting the President’s goal of tripling U.S. use of bioenergy and bioproducts could add \$15 billion to \$20 billion in new income for farmers and many rural communities.

Cleaner Energy, Cleaner Environment. Bioenergy and bioproducts can dramatically reduce greenhouse gas emissions that contribute to global warming. Since crops absorb carbon during growth, their use for energy and other applications results in near zero net carbon release.

- Tripling our use of bioenergy and bioproducts by 2010 will reduce annual greenhouse gas emissions by up to 100 million tons – the equivalent of taking over 70 million cars off the road.
- In addition, the deep-rooted plants commonly used for biomass are helpful in controlling erosion, filtering chemicals from water runoff, and slowing floodwaters.

Energy Security. Meeting the President’s goal of tripling our use of bioproducts and bioenergy will allow us to cut back on the almost 4 billion barrels of oil we are projected to import in 2010.

Federal Leadership. Leading scientific and industry groups are calling for a stronger Federal role to help move these promising technologies from the laboratory to the marketplace. Today’s Executive Order creates a powerful new research management team focused on an ambitious set of goals. It:

- Establishes a permanent council consisting of the Secretaries of Energy and Agriculture, the EPA Administrator, the Director of the National Science Foundation, and other agency heads to develop a detailed biomass research program to be presented annually as part of the Federal budget.
- Directs the council to review major agency regulations, incentives and programs to ensure that they effectively promote the use of bioproducts and bioenergy.
- Creates an outside advisory group with representatives from bio-based industries, farm and forestry sectors, universities, and environmental groups.

In a separate Executive Memorandum, the President instructed the Secretaries of Energy and Agriculture to prepare a report within the next 120 days on options for modifying existing DOE and USDA programs with a goal of tripling U.S. use of bio-based products and bioenergy by 2010.

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CONGRESS AND GLOBAL WARMING: SHORT-CHANGING OUR FUTURE

While the evidence of global warming continues to mount, some in Congress are trying to strangle common-sense programs that save energy, save consumers and businesses money, and reduce global warming pollution. Appropriations bills working their way through Congress deny funding increases proposed by President Clinton to accelerate research and development of clean energy technologies for the 21st century. What's more, many of the bills include legislative "riders" that would throw roadblocks in the way of any Administration efforts to address climate change.

Special-Interest Assaults on Common-Sense Programs. Restrictive language attached to a number of fiscal year 2000 spending bills would put climate policy in a straitjacket. The Administration recently fought off or weakened some of the most far-fetched of these special-interest "riders." One sought to suppress scientific research on climate, and another tried to bar implementation of the President's new executive order to reduce federal energy use and save taxpayers \$750 million a year.

Still alive, however, is the Knollenberg rider. Building on a similar provision in last year's VA-HUD Appropriations bill, the language purports merely to prohibit implementation of the Kyoto Protocol in advance of Senate ratification. In practice, though, it would give naysayers in Congress a toe-hold to object to virtually all aspects of Administration climate policies, even when they clearly save money for consumers and businesses. Potential impacts include:

- ***Rolling back voluntary programs to reduce energy waste and greenhouse gas emissions.*** Report language from the House VA-HUD Appropriations Subcommittee seeks to vastly expand the prohibition on Kyoto-related activities to cover "non-regulatory actions, such as programs and initiatives." This undoes an agreement reached last year to ensure continuation of successful voluntary programs such as Green Lights and Energy Star, which have a proven track record of saving money for both consumers and businesses. In addition, it would block legitimate climate research and policy analysis.
- ***Dictating Scientific Process.*** The Report language also would require that a small minority of critics be given equal standing with mainstream scientists in educational seminars or activities -- even on questions about which there is broad scientific consensus. This is the kind of "balance" that tobacco companies used to fight for on the dangers of smoking.
- ***Unconstitutional interference?*** This year the rider has been attached to a wide range of spending bills, including those funding the State Department, the Agency for International Development, the Department of Energy, the Department of the Interior, the Environmental Protection Agency, NASA, the National Oceanic and Atmospheric Administration, and the National Science Foundation. Applying these restrictions to international negotiations and activities raises serious Constitutional concerns and could prevent the Administration from advancing bipartisan objectives of engaging developing countries and reducing the cost of addressing climate change.

Smart Investments At Risk. The Administration secured a record \$1 billion in fiscal year 1999 for the Climate Change Technology Initiative (CCTI), a package of investments to research, develop and deploy energy efficiency technology and renewable energy. For fiscal year 2000, the Administration is proposing \$1.37 billion for investments in forward-thinking clean energy technologies -- a 34 percent increase over. So far, Congress has appropriated almost none of this increase. Examples where CCTI and other climate-related investments are being under-funded include:

- **Weatherization Assistance and State Grants.** *FY 2000 request: \$191 million; Congress under-funding by \$25 million.* The same week dozens of older Americans are dying from the heat, Congress is short-changing this program to deliver conservation services, such as insulation, to millions of low-income families. The program improves health and safety, reduces carbon emissions, and reduces energy costs for those least able to afford them.
- **Renewable Energy.** *FY 2000 request: \$399 million; Congress under-funding by about \$90 million.* Federal R&D investments can help make clean energy technologies such as wind, solar, bioenergy, and geothermal energy affordable for American consumers. Current spending bills, however, would *cut these efforts below FY 1999 levels* by some \$27 million-\$35 million.
- **Partnership for a New Generation of Vehicles.** *FY 2000 request: \$264 million; Congress currently under-funding by \$58 million.* PNGV is a partnership between the federal government and automakers to develop cars with three times the fuel economy of today's models with no sacrifice in comfort or performance. At current House and Senate levels, the program would not meet its technical objectives and would have to terminate a number of promising efforts, such as developing highly efficient high-power energy storage devices and the development of advanced fuel cells.
- **Clean Air Partnership Fund.** *FY 2000 request: \$200 million; Congress under-funding by \$159 million.* This initiative would provide grants to state and local governments for projects that reduce both greenhouse gases and pollutants like soot, smog and air toxics.

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VP Statement on Report of the President's Committee of Advisors on Science and Technology

I am very pleased to release today the new report by the President's Committee of Advisors on Science and Technology, *Powerful Partnerships: The Federal Role in International Cooperation on Energy Innovation*. Prepared by distinguished leaders in business, academia, and science, this report recommends a strengthened partnership between American business and the federal government to step up to the global energy and environmental challenges of the next century.

International energy markets, already worth hundreds of billions of dollars a year, are growing dramatically to meet exploding demand in developing countries. This translates into big market potential for competitive U.S. energy technology companies. But it also poses a critical environmental challenge. If developing countries rely only on traditional energy technologies, we will lose the battle to limit greenhouse gas emissions and assure a livable environment in the coming century.

This report to the President highlights the strategic importance to the United States of maintaining scientific and market leadership in energy technology, and identifies many opportunities to improve energy efficiency in buildings, industry, transportation, and clean energy generation. The redoubled effort called for in this report will help reduce dependence on imported oil and spur economic growth in developing countries while minimizing emissions of greenhouse gases.

An earlier PCAST report provided the foundation for the Administration's Climate Change Technology Initiative. This new report extends that work and provides a global strategic vision for energy innovation. It comes at a time when increasing numbers of Americans and American businesses are recognizing the need to accelerate clean energy technologies for economic and environmental gains. This Administration is committed to active international engagement to address climate change and build new markets for American technology companies. I urge Congress to join with us in fully funding our Climate Change Technology Initiative and implementing key recommendations in this vital report.

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Divider Title: _____

Congress and Global Warming: Short-Changing Our Future

While the evidence of global warming continues to mount, some in Congress are trying to strangle common-sense programs that save energy, save consumers and businesses money, and reduce global warming pollution. Appropriations bills working their way through Congress deny funding increases proposed by President Clinton to accelerate research and development of clean energy technologies for the 21st century. What's more, many of the bills include legislative "riders" that would throw roadblocks in the way of any Administration efforts to address climate change.

Special-Interest Assaults on Common-Sense Programs. Restrictive language attached to a number of fiscal year 2000 spending bills would put climate policy in a straitjacket. The Administration recently fought off or weakened some of the most far-fetched of these special-interest "riders." One sought to suppress scientific research on climate, and another tried to bar implementation of the President's new executive order to reduce federal energy use and save taxpayers \$750 million a year.

Still alive, however, is the Knollenberg rider. Building on a similar provision in last year's VA-HUD Appropriations bill, the language purports merely to prohibit implementation of the Kyoto Protocol in advance of Senate ratification. In practice, though, it would give naysayers in Congress a toe-hold to object to virtually all aspects of Administration climate policies, even when they clearly save money for consumers and businesses. Potential impacts include:

- **Rolling back voluntary programs to reduce energy waste and greenhouse gas emissions.** Report language from the House VA-HUD Appropriations Subcommittee seeks to vastly expand the prohibition on Kyoto-related activities to cover "non-regulatory actions, such as programs and initiatives." This undoes an agreement reached last year to ensure continuation of successful voluntary programs such as Green Lights and Energy Star, which have a proven track record of saving money for both consumers and businesses. In addition, it would block legitimate climate research and policy analysis.
- **Dictating Scientific Process.** The Report language also would require that a small minority of critics be given equal standing with mainstream scientists in educational seminars or activities -- even on questions about which there is broad scientific consensus. This is the kind of "balance" that tobacco companies used to fight for on the dangers of smoking.
- **Unconstitutional interference?** This year the rider has been attached to a wide range of spending bills, including those funding the State Department, the Agency for International Development, the Department of Energy, the Department of the Interior, the Environmental Protection Agency, NASA, the National Oceanic and Atmospheric Administration, and the National Science Foundation. Applying these restrictions to international negotiations and activities raises serious Constitutional concerns and could prevent the Administration from advancing bipartisan objectives of engaging developing countries and reducing the cost of addressing climate change.

Smart Investments At Risk. The Administration secured a record \$1 billion in fiscal year 1999

for the Climate Change Technology Initiative (CCTI), a package of investments to research, develop and deploy energy efficiency technology and renewable energy. For fiscal year 2000, the Administration is proposing \$1.37 billion for investments in forward-thinking clean energy technologies -- a 34 percent increase over. So far, Congress has appropriated almost none of this increase. Examples where CCTI and other climate-related investments are being under-funded include:

- ***Weatherization Assistance and State Grants.*** *FY 2000 request: \$191 million; Congress under-funding by \$25 million.* The same week dozens of older Americans are dying from the heat, Congress is short-changing this program to deliver conservation services, such as insulation, to millions of low-income families. The program improves health and safety, reduces carbon emissions, and reduces energy costs for those least able to afford them.
- ***Renewable Energy.*** *FY 2000 request: \$399 million; Congress under-funding by about \$90 million.* Federal R&D investments can help make clean energy technologies such as wind, solar, bioenergy, and geothermal energy affordable for American consumers. Current spending bills, however, would *cut these efforts below FY 1999 levels* by some \$27 million-\$35 million.
- ***Partnership for a New Generation of Vehicles.*** *FY 2000 request: \$264 million; Congress currently under-funding by \$58 million.* PNGV is a partnership between the federal government and automakers to develop cars with three times the fuel economy of today's models with no sacrifice in comfort or performance. At current House and Senate levels, the program would not meet its technical objectives and would have to terminate a number of promising efforts, such as developing highly efficient high-power energy storage devices and the development of advanced fuel cells.
- ***Clean Air Partnership Fund.*** *FY 2000 request: \$200 million; Congress under-funding by \$159 million.* This initiative would provide grants to state and local governments for projects that reduce both greenhouse gases and pollutants like soot, smog and air toxics.

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THE WHITE HOUSE

Office of the Vice President

**For Immediate Release
Monday, August 2, 1999**

**Contact:
202-456-7035**

**VICE PRESIDENT GORE ANNOUNCES RELEASE OF DECLASSIFIED ARCTIC
IMAGES TO HELP RESEARCH GLOBAL WARMING**

Calls on Congress to Fully Fund the Administration's Climate Change Initiatives

Washington, D.C. – Vice President Gore today announced the declassification and release of 59 satellite images of the Arctic Ocean that will be used by scientists to better understand the interaction between polar ice caps and global warming.

Release of the high-resolution images was approved by the National Imagery Mapping Agency at the request of the National Science Foundation (NSF). NSF is the primary U.S. sponsor of SHEBA, an international expedition to the Arctic that has documented changes in the ice pack consistent with those expected as a result of global warming.

"No place on Earth is more sensitive to global warming than the Arctic, and these satellite images provide scientists with valuable data for understanding how climate change affects this complex region," Vice President Gore said. "By making these satellite images available to the scientific community, we take another important step toward meeting the challenge of global warming."

The Vice President announced the release at the National Geographic Society, where he led a discussion on climate change with a group of youngsters attending the Better World Science Camp. He was joined by Bill Nye, the host of Disney's *Bill Nye the Science Guy*, who helped teach the campers about the study of ice cores.

In his remarks today, the Vice President also noted the recent drought and heat wave gripping much of the country.

"We had heat waves long before there was any threat of global warming," Vice President Gore said. "But global warming is real and we should act together now so that in the future our families will not have to suffer more extreme weather of all kinds."

SHEBA – formally known as the Surface Heat Budget of the Arctic Ocean Project – is jointly sponsored by the governments of the United States, Canada, and Japan. As part of the project, a Canadian icebreaker was deliberately trapped in Arctic ice for a full year in 1997 and 1998 so that more than 100 scientists could take measurements of the atmosphere, ocean, and ice. Over the course of the year, the ship drifted 1500 miles with the shifting ice.

Preliminary findings from SHEBA show that the Arctic ice sheet is roughly five percent smaller, and one meter thinner, than in the 1970s. Scientists believe that continued shrinkage of the ice pack could accelerate global warming because ice reflects more incoming solar radiation than the ocean does.

The newly released satellite images show the area around the trapped icebreaker over a period of several months. SHEBA scientists will use the images, in conjunction with data gathered on the ice, to develop a better understanding of changes in the ice's surface and reflectivity.

Declassification of the images, taken by U.S. intelligence satellites, was facilitated by MEDEA, a group of scientists that works closely with the intelligence community to examine and use national security data for scientific research. MEDEA was established in 1991 as an outgrowth of discussions initiated by then-Senator Gore.

"By working in partnership, our intelligence and scientific communities are advancing vital research that will help us understand, and meet, critical challenges like global warming," the Vice President said.

Vice President Gore also called on Congress to fully fund the President's Climate Change Technology Initiative and to drop legislative "riders" that would hamper the Administration's efforts to address global warming.

The Administration, which secured a record \$1 billion this year for clean energy research and development, is proposing an increase to \$1.37 billion in fiscal year 2000. So far, Congress has appropriated almost none of the proposed increase. In addition, several appropriations bills include language that could block ongoing initiatives, including voluntary programs with industry that reduce energy waste and greenhouse gas emissions.

"The evidence of global warming grows stronger every day, yet Congress is trying to strangle common-sense programs that save energy, save consumers money, and reduce global warming pollution," Vice President Gore said. "I urge Congress to work with us, not against us, to meet the challenge of climate change."

One of the newly released satellite images can be viewed today on the Web at www-nsidc.colorado.edu/TEST/NTML.

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**Statement by
Ambassador Harriet Babbitt, Acting Administrator
U.S. Agency for International Development**

**Senate Foreign Relations Committee
Subcommittee on International Economic Policy, Export and Trade Promotion
July 28, 1999**

Thank you, Mr. Chairman. I'm glad to be here today to discuss an issue of great interest to us all, that of global climate change.

I know we all agree on the importance of protecting and preserving our environment. We in the United States take pride in our initiatives to limit pollution, improve energy efficiency and preserve the world's resources.

We believe that from an environmental and economic, global climate change is of the utmost importance. It poses profound threats to international economic development and ecological balance.

Although the United States remains the world's leading emitter of greenhouse gases, developing countries make up an increasingly large share of the global emissions problem. Their emissions are expected to surpass those of the industrialized nations in the next twenty years. As countries like India and China bring dozens of new coal-fired power plants on line each year, their emissions of carbon dioxide will grow greater and greater.

The predictable impact of global climate change endangers our best efforts to build sustainable economic and social progress in developing nations. And obviously the threats to our own country, in terms of our people's health and our national economy, are a most serious concern.

A worldwide issue of this complexity demands a cooperative approach. We at USAID believe that our relationships with Congress, the private sector, nongovernmental organizations and the developing nations have been open and productive, and we are proud of the support we have received in this decade and the successes we have achieved.

We believe that climate-related programs are essential to our development mission, that they promote our national interests, and that they are consistent with our national obligations under the Framework Convention on Climate Change (or FCCC) and with Congress' approach to international action on climate change. Let me state emphatically that USAID's climate related activities are fully consistent with the administration's pledge not to implement the Kyoto Protocol before the Senate has given its advice and consent and it has been ratified by the President. We are carrying out a climate-change

strategy that was developed and announced before the Kyoto Protocol was negotiated. Our programs stand on their own merits, and in our view they advance the goals of Byrd/Hagel in that they build capacity in developing countries to take further action to address global climate change.

In addition, USAID has been an active participant in the interagency policy process, and in multilateral activities of the Framework Convention on Climate Change, working to strengthen the mechanisms under the Convention that promote wise development and environmental protection.

Looking back, we see that in 1990, USAID submitted its first report to Congress on Global Climate Change and Developing Countries, and the agency was active in support of the negotiations of the FCCC. Our approach has consistently focused on opportunities to advance economic development goals while curbing greenhouse gas emissions. More efficient use of energy, renewable energy applications and sustainable forestry practices are good examples of this common sense approach to climate change and development.

In 1994, responding to the FCCC and to Congressional requests, we issued our first climate strategy. In June, 1997, prior to the negotiation of the Kyoto Protocol, President Clinton announced to the United Nations General Assembly Special Session on Environment a renewed U. S. effort to help developing countries address climate change. Called the Developing Country Climate Change Initiative, it is a five-year, \$1 billion commitment to work with developing countries to encourage "climate-friendly" energy and natural resource management policies and practices in developing countries.

USAID is carrying out this initiative, which focuses on mitigation of emissions by targeting clean energy applications, forest conservation and support for policy reform and privatization. This year, the agency is funding approximately \$150 million in climate-related activities in energy and forestry in 44 countries.

Our worldwide efforts have met with a great deal of success. For example:

- The USAID forest management program in Mexico has reduced the deforestation rate on 3.1 million hectares of protected land by more than 30 percent.
- The agency's Sustainable Forestry Practices Initiative, worldwide, has reduced by 70 percent the damage caused by poor land management on over 3.4 million hectares of forests.
- A rural electrification program in the Philippines has reduced power line losses by three percent and reduced carbon dioxide emissions by 250,000 metric tons.

Promoting the balancing of economic growth with sound environmental practices is central to our mission and serves the US national interest. In the long term, economic development will be enhanced, not compromised, by efforts to reduce greenhouse gas emissions. Our efforts promote a "win - win" approach by addressing the impact of

climate change through long-term partnerships with developing countries that engage market forces and produce mutual economic and environmental benefits for all involved.

Meeting the challenges of climate change and encouraging sound energy policy will create significant opportunities for U.S. business and vast new markets for U.S. technology worldwide. The potential market for climate friendly technologies is enormous. The world market for energy efficient technologies has been estimated at almost \$1.8 trillion over the next 40 years. The potential market for renewable energy is also vast and incentives for cleaner production will help to create new markets overseas in an area where the U.S. is highly competitive.

The technology, capital and innovation of the private sector are the driving forces that will make a lasting difference in the carbon intensity of development in the next century. USAID's role is to help enable the private flows of capital and technology by supporting appropriate policies, privatization, capacity building measures, and efforts to overcome market barriers in the developing world.

Ours is a practical approach. We promote energy efficiency by encouraging integrated resource planning and demand side management, creating financing mechanisms for energy efficiency, developing standards and codes for efficient buildings and appliances, and carrying out pilot and demonstration projects for steam, lighting and motor efficiency. We encourage privatization and work to reform inefficient state-controlled energy systems. We encourage market-based incentives for the application of clean technologies and practices (natural gas, energy efficiency, renewable energy, low impact logging) to meet the growing demands of industrializing economies. And we address foreign legal and policy constraints to cleaner energy production and use, and improved natural resource management.

Mr. Chairman, as you know, we have notified Congress of our intent to continue to invest in several important energy programs in India which are related to climate change.

India is the sixth largest and second fastest growing emitter of greenhouse gases in the world. India has serious air pollution problems; air pollution will cause an estimated 2.5 million premature deaths there this year. India's environmental challenges have global implications.

USAID's global climate change program in India targets the development of clean energy policies and projects. The program helps encourage India to take practical steps to reduce emissions. With our assistance, India has made impressive progress in improving the efficiency of its power plants, reducing pollution in key industries, and expanding the use of renewable energy technologies nationwide. These actions have resulted in a two million ton reduction of annual carbon dioxide emissions by power plants of the National Thermal Power Corporation and by the Gujarat Electricity Board.

Our activities in India are good for U.S. business. The program is a decade old and is reaching maturity with regard to its results. For example, the recent signing of a new

partnership agreement between leading Indian and U.S power utilities and regulatory agencies provides a long-term mechanism for the transfer of U.S. technology and experience. Moving forward with the global climate change program will enhance U.S. commercial interests in India, as well as addressing our concerns about the global environment.

We believe that our efforts, in India and throughout the world, directly promote Congressional goals, especially the engagement of developing countries in aggressively combating climate change. And, finally, we believe that these programs are good, common sense development – and that they are effective.

Thank you. I'll be glad to take your questions.

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**POWERFUL PARTNERSHIPS:
THE FEDERAL ROLE IN INTERNATIONAL COOPERATION
ON ENERGY INNOVATION**

**A REPORT FROM THE
PRESIDENT'S COMMITTEE OF ADVISORS ON SCIENCE AND TECHNOLOGY
PANEL ON INTERNATIONAL COOPERATION IN
ENERGY RESEARCH, DEVELOPMENT, DEMONSTRATION, AND DEPLOYMENT**

JUNE 1999

About the President's Committee of Advisors on Science and Technology

President Clinton established the President's Committee of Advisors on Science and Technology (PCAST) by Executive Order 12882 at the same time that he established the National Science and Technology Council (NSTC). The PCAST serves as the highest level private sector science and technology advisory group for the President and the NSTC. The Committee members are distinguished individuals appointed by the President, and are drawn from industry, education and research institutions, and other non-governmental organizations. The Assistant to the President for Science and Technology co-chairs the Committee with a private sector member selected by the President.

The formal link between the PCAST and the NSTC ensures that national needs remain an overarching guide for the NSTC. The PCAST provides feedback about Federal programs and actively advises the NSTC about science and technology issues of national importance.

THE PRESIDENT'S COMMITTEE OF ADVISORS ON SCIENCE AND TECHNOLOGY

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**The President's Committee of Advisors on Science and Technology
Panel on International Cooperation in
Energy Research, Development, and Deployment**

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This was a Panel of fourteen persons of diverse backgrounds and viewpoints, tackling an immensely complex subject. Inevitably, not every member of the Panel is entirely happy with every formulation in the report. But we are unanimous that the main messages and overall balance in this joint product are correct and appropriate.

EXECUTIVE SUMMARY

This Panel has reviewed the U.S. stake in international cooperation on energy innovation, the complementary roles of the public and private sectors in pursuing such cooperation, and the existing array of activities being carried out by the Federal government to this end. Based on that review, we conclude that existing Federal programs for energy cooperation—which were funded in FY 1997 at less than \$250 million per year—are not commensurate with either the needs or the opportunities. We therefore recommend substantially strengthening these programs—expanding their coverage, increasing their funding, improving the processes for their evaluation, and providing for them an over-arching strategic vision and a mechanism for coordinating its implementation.

We propose specific initiatives for strengthening the foundations of energy-technology innovation and international cooperation relating to it (including capacity building, energy-sector reform, and mechanisms for demonstration, cost-buy-down, and financing of advanced technologies); for increased cooperation on research, development, demonstration, and deployment (RD³) of technologies governing the efficiency of energy use in buildings, energy-intensive industries, and small vehicles and buses, as well as of cogeneration of heat and power; and for increased cooperation on RD³ of fossil-fuels-decarbonization and carbon-sequestration technologies, biomass-energy and other renewable-energy technologies, and nuclear fission and fusion.

Most importantly—for without this none of the other initiatives we propose are likely to achieve their potential—we recommend creation of a new Interagency Working Group on Strategic

Energy Cooperation, under the auspices of the National Science and Technology Council, to provide a strategic vision of and coordination for the government's efforts in international cooperation on energy-technology innovation. The government's contribution to this expansion of international energy cooperation activities would be provided by a new Strategic Energy Cooperation Fund, amounting to \$250 million for FY2001 and increasing to \$500 million in FY2005, the proposed allocation of which to the relevant agencies in the President's budget request would be determined with the help of the Interagency Working Group.

*U.S. interests and values at stake in energy
can only be effectively addressed
in a global context*

The U.S. Stake in International Cooperation on Energy Innovation

Energy is tightly linked to U.S. economic, environmental, and national-security interests.

- ◆ U.S. economic interests in energy-technology innovation include controlling costs of energy to U.S. consumers and industries; avoiding inflation and recession (in this country and worldwide) from oil-price shocks; limiting the impact of energy imports on the U.S. balance of trade; expand-

ing the market share of U.S. companies in the multi-hundred-billion dollar per year global energy-technology market; and enhancing long-term markets for other U.S. exports by building the energy basis for sustainable prosperity in developing and transition economies.

U.S. economic interests in energy-technology innovation include expanding the market share of U.S. companies in the multi-hundred-billion dollar per year global energy-technology market

- ◆ Environmentally, accelerated energy-technology innovation can increase the pace and decrease the cost at which high-environmental-impact technologies and practices are replaced with low-impact ones in the United States and abroad. This will reduce the health impacts of air pollution and the ecological effects of acid deposition in this country and elsewhere, improve the safety of nuclear reactors everywhere, reduce oil spills in the world's oceans, slow the pace of greenhouse-gas-induced climate change, and help create a framework for long-term cooperation on the energy/climate challenge in which developing, transition, and industrialized countries alike will participate.
- ◆ U.S. security interests in energy-technology innovation include reducing the potential for conflict over access to oil and gas resources; minimizing links between the use of nuclear-energy technologies and the acquisition of nuclear-weapons capabilities by nations of proliferation concern or by subnational groups; and avoiding, for all countries, energy problems with economic, environmental, or political consequences severe enough to aggravate or generate possibilities for armed conflict.

- ◆ Not only U.S. interests but also basic U.S. values—respect for human dignity and human rights, belief in equity and opportunity, commitment to assistance for the least fortunate and to stewardship for future generations and for the environment—dictate U.S. leadership in international cooperation on energy innovation for sustainable development.

U.S. interests and values at stake in energy can only be effectively addressed in a global context.

- ◆ The problems and opportunities related to oil, energy-technology markets, nuclear proliferation, climate change, and development/security interactions are all inherently global.
- ◆ Effective responses to these issues must take into account the globalization of capital markets, manufacturing, innovation capacities and activities, and information flow.

A “business as usual” energy future—without rapid technological innovation and increased cooperation to diffuse the results worldwide—would be problem-plagued and potentially disastrous.

- ◆ World energy demand under business-as-usual would double from its 1997 value by 2025 or 2030, triple by 2050 or 2060, and more than quadruple by 2100; by far the largest part of this growth would take place in the countries currently classified as developing.
- ◆ Oil imports, oil prices, and the potential for oil-induced economic disruption and conflict would all rise.
- ◆ U.S. understanding of, access to, and creation of products for global energy-technology markets all would become increasingly inadequate.

- ◆ U.S. withdrawal from nuclear energy-technology innovation and cooperation would reduce U.S. leverage to minimize nuclear energy's global safety and proliferation risks.
- ◆ Attempts to fuel the bulk of developing-country economic growth with conventional coal and oil technologies would create a collision between economic aspirations and the environmental underpinnings of well-being, with the potential to wreck both.
- ◆ The atmospheric concentration of carbon dioxide under business-as-usual would be likely to reach 3 times its pre-industrial level by 2100, an increase regarded by most climatologists as well beyond the bounds of prudence.
- ◆ lower the emissions intensity of energy supply with respect to greenhouse gases, particulate matter, and gaseous precursors of regional smogs, hazes, and acid deposition (SO_x, NO_x, hydrocarbons);
- ◆ reduce, below what they would otherwise be, the monetary costs of delivering energy services in environmentally sustainable ways;
- ◆ broaden the range of energy options available to the United States and other countries, thus increasing the capacity of the national and global energy system to cope with the inevitable surprises.

U.S. participation in international cooperation in pursuit of these innovations is clearly needed to:

U.S. security interests in energy-technology innovation include avoiding, for all countries, energy problems with economic, environmental, or political consequences severe enough to aggravate or generate possibilities for armed conflict

Although aspects of the energy future are inevitably uncertain, within a wide range of possibilities the acceptable outcomes all require major innovations in energy technology in order to:

- ◆ increase the pace and lower the cost of U.S. acquisition of the innovations it needs for itself;
- ◆ gain access for U.S. firms to the large overseas markets for innovative energy technologies;
- ◆ address the global dimensions of energy challenges by accelerated development and deployment of innovations worldwide.
- ◆ lower the energy intensity of economic activity, thus reducing chances that constraints on expanding energy supply will constrain economic growth, reducing the pressure of high energy growth to use higher-environmental-impact sources along with lower-impact ones, and reducing environmental impacts of the energy-supply system overall in proportion to its size;
- ◆ The large role is evident in the size of the private shares in U.S. total R&D (about 65 percent private in 1997), U.S. energy-technology R&D (about 60 percent private in 1997), and global North-South capital flows (about 85 percent private in 1997).

Private-Sector & Public-Sector Roles in International Energy Cooperation

The private sector already plays a large role in energy-technology innovation and in international cooperation relating to it, and this role is growing over time.

- ◆ Growth in these private roles over time reflects trends in privatization and globalization of the world economy and in the privatization, deregulation, and restructuring of the energy industries.

There remains a need for government involvement because the public interest in energy outcomes goes beyond the sum of perceived private interests.

- ◆ Privatization, deregulation, and restructuring of energy industries help bring private capital into the energy sector, but these same forces can lead to neglect of the ways the composition and operation of energy systems affect the wider public interest (including meeting the basic needs of the poor, as well as addressing the other macroeconomic, environmental, international-security, and values issues listed above).
- ◆ Many of these public interests will only be adequately addressed if investments in energy-technology innovation are made with longer time horizons (lower discount rates) and less risk aversion than the discount rates and degrees of risk aversion prevailing in the commercial marketplace.
- ◆ The gap between what the private sector does and what society's interests require is further enlarged by a variety of barriers to efficient market performance, which may include inadequate information, excessive concentration or fragmentation in markets, high transactions costs, and more.
- ◆ Additional rationales for government engagement include complementarity of government and private capabilities and the desirability of reducing the deleterious effects on international energy-technology cooperation of existing government policies (including not only those focused on energy and environmental issues *per se* but also trade policy, foreign policy, intellectual property rights policy, and so on).

Government interventions should nonetheless always be cognizant of the large and growing role of the private sector, whose resources for energy-technology R&D somewhat exceed, and whose resources for energy-technology deployment far exceed, those of governments. This means that government initiatives in ERD³ should be:

- ◆ structured to encourage, catalyze, and complement the corresponding activities of the private sector, not replace them;
- ◆ focused on lowering specific barriers or addressing specific shortfalls relating to the private sector's incentives and capacity to fully address society's interests in energy innovation;
- ◆ designed to be limited in the rate and duration of the government's investment, with specific criteria for terminating projects that fall short and for handing off successful ones to the private sector.

There is a wide array of mechanisms through which the government can support international ERD³ cooperation, including participation in, funding for, or other encouragement of cooperative efforts in:

- ◆ the conduct of fundamental energy-related research and applied energy-technology R&D;
- ◆ demonstration and niche and pre-commercial deployment of innovative energy technologies;
- ◆ shaping the environment for commercial deployment of innovative energy technologies—increasing incentives, lowering barriers (especially in relation to finance), and setting appropriate standards—to reflect their public benefits;
- ◆ capacity building, integrated assessment, and institutional innovation in support of these approaches.

Existing U.S. government activities in international ERD³ cooperation are significant and often effective, but they are insufficient in relation to the challenges and the opportunities. The deficiencies are in scale, comprehensiveness and appropriateness of matching mechanisms to needs, coordination, and evaluation.

- ◆ A study conducted by RAND for this Panel indicates that Federal government spending on international ERD³ activities by DOE, USAID, EPA, and the Nuclear Regulatory Commission in FY1997 was about \$230 million, more than half of it on fusion and fission.
- ◆ The international ERD³ activities of these agencies, while generally well focused and effective, are inadequate in relation to the opportunities and insufficiently coordinated with each other and with the efforts of the other Federal agencies engaged in the financing of energy-technology deployment, which include the Ex-Im Bank, the Trade and Development Agency, and the Overseas Private Investment Corporation.
- ◆ There is neither an over-arching strategic vision integrating and ensuring the comprehensiveness of the array of Federal activities on international energy RD³ cooperation nor a mechanism for implementing such a vision in a coherent and efficient way.

Initiatives

We believe that initiatives in four categories—foundations of energy innovation and cooperation, energy end-use efficiency, energy-supply technologies, and management of the government's activities in support of ERD³ cooperation—are required to narrow the gap between the Federal programs that exist and the needs they seek to address.

- ◆ Each category contains three to four initiative clusters. The elements that the Panel

agreed deserve highest priority in each cluster are described in this Executive Summary. The body of the report expands on these high-priority elements and presents other elements that the panel regarded as important.

Existing Federal Programs for energy cooperation are not commensurate with either the needs or the opportunities

- ◆ All of our recommendations proceed from the presumption that the recommendations of the 1997 PCAST study of U.S. domestic energy R&D programs are being implemented. Effective international outreach must have sturdy domestic roots.
- ◆ Estimated budgets are provided here at the level of the initiative clusters—covering both the “high priority” and “other important” elements in each—in the form of an initial funding level for FY2001 and a level for FY2005 (in as-spent dollars). These figures are intended to be supplemental to existing budgets for international ERD³ activities and to the budgets proposed in the 1997 PCAST study for domestic energy R&D programs; and they are intended to cover both the “high priority” and “other important” initiative elements described.
- ◆ The great diversity of technical options and even greater diversity of geographic, economic, and institutional environments in which these options might be applied made it impractical, within the limited time and resources available for a study of this kind, to develop a fully comprehensive and prioritized set of recommendations for all of the cooperative activities that could and should be done in the decades ahead. But we believe what we are proposing here constitutes the core of a sensible program for the next five years.

- ◆ The list of high-priority opportunities we present here is based on a preliminary attempt to take into account the potential leverage of different options against U.S. interests and values affected by the energy challenges in different regions and worldwide, the likelihood of success based on the strengths and experience the partners would bring to the prospective cooperative efforts, the timeliness of the efforts in terms of windows of opportunity and maturity of needed technical and institutional ingredients, complementarity with private-sector efforts, and likely cost-effectiveness.
- ◆ Success in international cooperation depends strongly on engagement of all of the partners and technology users, from the beginning, in defining goals, outlining tasks, and setting priorities. While our recommendations have been developed in consultation with experts from many other countries, the details of what specific projects should go forward at what levels, under the auspices of what U.S. agencies, with what partner countries and institutions will need to be worked out with the help of an interactive process in which the agencies, the Interagency Working Group described further below, the foreign partners, and the users are all involved.

The first category of initiatives comprises measures to build stronger foundations for energy-technology innovation and international cooperation relating to it. It consists of initiative clusters focused on capacity building, energy-sector reform, demonstration and cost buy-down, and financing.

- ◆ The capacity-building cluster, designed to prepare the ground for rapid and sustainable energy-technology innovation, is recommended for funding at \$20 million per year in FY2001, increasing to \$40 million per year in FY2005. It contains as high-priority elements:

- (1) increased support for existing regional centers for RD³ of sustainable energy

options (such as the PROCEL national electricity-conservation program in Brazil, energy-efficiency centers in Eastern Europe and Russia, and other centers in Africa, Asia, and Latin America) and establishment of new sustainable-energy centers in regions with significant need that cannot be met by other means; and

- (2) expansion of existing—and development of new—training programs for energy analysts and managers, to include traveling workshops and internet-based courses and expert assistance, as well as a requirement that in-country technical and managerial training be a component of NGO technology demonstration and deployment projects supported by the U.S. government.

Government initiatives should be structured to encourage, catalyze, and complement the corresponding activities of the private sector, not replace them

- ◆ The energy-sector reform cluster is designed to support and shape energy-sector reform and restructuring—moving towards open competitive markets with improved financial performance—while retaining incentives for energy-technology innovation that address public goods and externalities. Recommended for funding at \$20 million per year in FY2001, increasing to \$40 million per year in FY2005, it has as high-priority elements:

- (1) technical and policy advice—including through direct provision of personnel to the relevant partner-country organizations or through multilateral institutions—to countries considering or undergoing energy-sector reform, with emphasis on (a) “getting prices right”

- through elimination of price controls and subsidies for conventional energy sources and through internalizing environmental costs, and (b) creating Public Benefits Funds (PBFs) to provide resources for advancing public benefits in the restructured energy sector—with funds raised through non-bypassable wires/pipes charges or by other means, including initial support from debt swaps in appropriate cases; and
- (2) assistance in establishing evolutionary regulatory frameworks for natural gas grids, beginning with simple pipeline systems linking large gas producers with large users and growing into grids serving a much wider range of producers and consumers.
- ◆ The cluster on demonstration and cost buy-down mechanisms is designed to facilitate the demonstration, in foreign contexts, of advanced energy technologies with significant public benefits and to provide the means to “buy down” to competitive levels the costs of technologies in this category that have learning-curve characteristics making this practical. Recommended for funding at \$40 million per year in FY2001, increasing to \$80 million per year in FY2005, it has as high-priority elements:
 - (1) provision of assistance in establishing a Demonstration Support Facility (DSF), preferably at the Global Environment Facility (GEF), to provide a framework for clean-energy demonstration projects that would attract support from the private sector as well as from various public-sector sources (including the GEF and PBFs and government grants in host countries);
 - (2) awarding of energy-production tax credits to U.S. firms participating in demonstration projects that are carried out under the DSF and that meet approved criteria (including being formulated so as not to conflict with U.S. opposition to tied aid); and
 - (3) provision of assistance in establishing a Clean Energy Technology Obligation (CETO), preferably at the GEF, that would use competitive instruments to “buy down” the costs of targeted innovative technologies with incremental cost support provided by the GEF and by the host country through PBFs or government grants.
 - ◆ The financing cluster, aimed at overcoming financial barriers to deployment of clean and efficient energy technologies in developing and transition economies, is recommended for funding at \$40 million per year in FY2001, increasing to \$80 million per year in FY2005. Its high-priority elements are:
 - (1) measures to encourage increased financing for clean and efficient energy technologies from the Multilateral Development Banks (MDBs), including (a) establishing or expanding “trust funds” through the relevant U.S. agencies (such as DOE, USAID, EPA, and the U.S. Trade and Development Agency), which the MDBs can draw upon to support agency-approved technical assistance for project planning work, and (b) developing contingency plans and mechanisms for reinforcing, if necessary, the transition in World Bank and other MDB energy-project funding away from conventional energy technologies in favor of clean energy technologies (which is being driven by the ability of reformed energy markets to attract private capital for conventional technologies and the desirability of not distorting these markets with publicly supported MDB funds); and
 - (2) additional measures implemented by U.S. agencies to facilitate market-based finance of clean and efficient energy technologies, including creating a fund administered by the Overseas Private

Investment Corporation (OPIC) to provide financing for these types of projects (to be phased out as the MDBs complete the transition to supporting clean energy technologies and advancing other public benefits).

The second category of initiatives addresses specific opportunities for international co-operation for innovation on energy-end-use technologies. It consists of initiative clusters focused on energy-efficient buildings, improved small vehicles and buses, factories of the 21st century, and cogeneration of heat and power.

- ◆ The buildings cluster has the goal of reducing energy use in new appliances, homes, and commercial buildings in developing and transition countries by 50 percent over the next two decades compared to current performance. Recommended for funding at \$20 million per year in FY2001, increasing to \$40 million per year in FY2005, its high-priority elements are:

- (1) technical and policy assistance—with participation from DOE, EPA, and USAID—for the development and implementation of efficiency standards for, and ratings and labeling of, building equipment and appliances, including co-operation in setting up appliance and equipment testing laboratories and programs, in developing and analyzing standards, in harmonizing test procedures and standards where there is U.S. interest in doing so, and in implementing voluntary energy-efficiency labeling and promotion programs similar to the DOE/EPA “Energy Star” program;
- (2) similarly organized technical and policy assistance for development, distribution, and training in the use of building-design software that minimizes energy use in residential and commercial buildings while enhancing building livability and amenity value; for development and monitoring of building design competitions to push the envelope of

building energy performance; and for development, analysis, and implementation of building energy codes and standards, including assistance with training, monitoring, compliance, and enforcement programs and with software tools;

- (3) U.S. encouragement for the GEF, World Bank, and other multilateral financing institutions to support development and adoption of the measures described here as part of an aggressive pursuit of building-energy efficiency improvements throughout their grant and lending programs.

- ◆ The vehicles cluster is aimed at research, development, and demonstration of cleaner, more energy-efficient buses and two- and three-wheeled vehicles and at accelerating the deployment of such vehicles in developing and transition countries. Recommended for funding at \$20 million per year in FY2001, increasing to \$40 million per year in FY2005, its high-priority elements are:

- (1) integration and expansion of activities of DOE, EPA, and USAID, and encouragement of the same in the GEF, on co-operative RD³ of low-cost, clean, efficient power sources for transportation—particularly fuel-cell systems for two- and three-wheeled vehicles and hybrid and fuel-cell systems for buses, as well as electric and alternative-fuel propulsion systems where appropriate, and encouragement of joint ventures involving U.S. and foreign companies to manufacture these vehicles and fuel-production systems;
- (2) U.S. encouragement for the GEF, International Finance Corporation, World Bank, and other multilateral development banks to help finance the vehicle-manufacturing capacity, infrastructure, and consumer-credit systems necessary for large-scale deployment of these advanced vehicles;

- (3) EPA assistance to developing and transition countries for the analysis and implementation of emissions standards, including establishment of vehicle testing and inspection programs for all types of motor vehicles.

*A "Business-as-Usual" energy future
would be problem-plagued
and potentially disastrous*

- ◆ The factories of the 21st century cluster aims at engaging U.S. industry in partnerships to reduce the energy intensity of major energy-using industrial processes in key developing and transition countries over the next two decades by 40 percent compared to their current performance, while improving labor and capital productivity. This effort will be guided by the on-going U.S. "Industries of the Future" program, focusing on areas of high foreign market growth in energy-intensive materials. Recommended for funding at \$10 million per year in FY2001, increasing to \$20 million per year in FY2005, its high-priority elements are:
 - (1) cooperation between the U.S. public and private sectors and foreign counterparts to develop "technology roadmaps" for more productive and energy-efficient industrial processes geared to local circumstances, with emphasis on energy-intensive basic-materials industries such as iron and steel, chemicals, pulp and paper, and cement;
 - (2) cooperative development and implementation, starting from these roadmaps, of RD³ workplans including human and institutional capacity building, precompetitive research and development, technical exchanges, and pilot demonstration programs;
- ◆ The cogeneration cluster is aimed at promoting the use of combined-heat-and-power (CHP) technologies for new power supply, with a goal of providing 20 percent of new generating capacity in developing countries over the next few decades using CHP. Recommended for funding at \$10 million per year in FY2001, increasing to \$20 million per year in FY2005, it contains as its high-priority elements:
 - (1) cooperation between the U.S. public and private sectors and foreign counterparts on CHP information and education programs, including regional workshops, for public- and private-sector participants;
 - (2) collaborative assessments of power and heat loads and output ratios at potential CHP sites in order to identify favorable conditions for CHP, address potential regulatory and market barriers, help attract funding for demonstrations, and help secure financing for deployment; and
 - (3) support of reforms in domestic regulatory structures, through assistance by U.S. experts from DOE, AID, and EPA, to "level the playing field" for CHP and for U.S. CHP equipment, including provision for power sales to the grid at market rates, nondiscriminatory power buy-back rates, interconnection and emissions standards, and nondiscriminatory international standards for CHP equipment.

The third category of initiatives addresses specific opportunities for international co-operation for innovation on energy-supply

technologies. It consists of initiative clusters focused on widespread use of renewable energy technologies, fossil-fuel decarbonization and CO₂ sequestration, and nuclear fission and fusion.

- ◆ The widespread renewables cluster is aimed at accelerating the development and deployment of biomass, wind, photovoltaic, solar thermal, and other renewable energy technologies, including tailoring and deploying these to support rural development in developing countries, such that in the second quarter of the 21st century renewables could make contributions to world energy supply comparable to the contributions from fossil fuels today. Recommended for funding at \$40 million per year in FY2001, increasing to \$80 million in FY2005, its high-priority elements are:

- (1) promotion of collaborative RD³ on industrial-scale biomass energy conversion technologies, emphasizing those that provide both electricity and one or more co-products (heat, fluid fuels, chemicals, food, fiber), as well as collaborative research on the restoration of degraded lands and their use for growing crops optimized to yield multiple products;
- (2) expansion of existing programs with selected developing- and transition-country partners to develop integrated systems involving renewable energy technologies and their hybrids with fossil energy to provide complete energy services for agricultural, residential, and village-scale commercial and industrial applications in rural areas;
- (3) collaboration in measures to accelerate the deployment of grid-connected intermittent renewable electric technologies and their hybrids with fossil energy using competitive instruments (such as CETO competitions), including facilitation of participation of U.S. firms in this process; and

- (4) development, in collaboration with appropriate partners, of assessments of renewable energy resources on a region-by-region basis.

Basic U.S. values—respect for human dignity and human rights, belief in equity and opportunity, commitment to assistance for the least fortunate and to stewardship for future generations and for the environment—dictate U.S. leadership in international cooperation in energy innovation

- ◆ The fossil-fuel decarbonization and CO₂ sequestration cluster is designed to develop, via a broad multinational collaborative effort, fuels decarbonization and carbon-sequestration technologies that would eventually make possible the economic use of fossil fuels with near-zero lifecycle CO₂ emissions and near-zero pollutant emissions, as well as to advance, in developing and transition countries in the near term, syngas-based technologies that would facilitate the transition toward near-zero lifecycle CO₂ emissions. This initiative would build on activities under DOE's "Vision 21". Recommended for funding at \$20 million per year in FY2001, increasing to \$40 million per year in FY2005, its high-priority elements are:

- (1) cooperation to promote energy-sector and environmental reforms in developing and transition countries, making it more advantageous to produce multiple clean products from syngas derived from natural gas, coal, and other carbonaceous feedstocks;
- (2) collaborative R&D and demonstrations of technologies designed to reduce the cost of making hydrogen from carbonaceous feedstocks while facilitating the

recovery of byproduct CO₂ for ultimate disposal; and.

- (3) collaborative efforts on CO₂ sequestration to develop standards for security of CO₂ storage, conduct environmental impact studies, carry out both region-by-region assessments of sequestration potential and detailed reservoir-by-reservoir analyses of storage capacity and other characteristics, and carry out demonstrations with monitoring of storage security;

- ◆ The nuclear cluster, aimed at preserving and enhancing the possibility that nuclear energy could play an expanding role in addressing climate change and other energy-related challenges in the next century, is recommended for funding at \$10 million per year in FY2001, increasing to \$20 million per year in FY2005. It contains as high-priority elements:

- (1) addition of an explicit international component to the DOE's new Nuclear Energy Research Initiative (NERI), promoting bilateral and multilateral research focused on advanced technologies for improving the cost, safety, waste management, and proliferation resistance of nuclear fission energy systems;
- (2) expansion and strengthening of international cooperative efforts in studies and information exchange on geologic disposal of spent fuel and high-level wastes, to include expanded participation, studies of international interim-storage facilities, and development of a consistent and rigorous international regulatory framework for both interim storage and geologic disposal of these materials;
- (3) pursuit of a new international agreement on fusion R&D that commits the parties to a broad range of collaborations on all aspects of fusion energy development,

while selectively enhancing U.S. participation in existing fusion experiments abroad and inviting increased foreign participation in new and continuing smaller fusion experiments in the United States.

Our last category of initiatives addresses mechanisms and institutions through which the U.S. government, in cooperation with the private sector, can more effectively develop, manage, and coordinate a portfolio of governmental activities in support of international ERD³ cooperation consistent with an overarching vision of what this portfolio is to accomplish. Our high-priority recommendations in this category are as follows:

- ◆ The President should establish a new Inter-agency Working Group on Strategic Energy Cooperation in the National Science and Technology Council (NSTC) to further develop and promote a strategic vision of the role of the government's contributions to international ERD³ cooperation in support of this country's interests and values. This NSTC working group would:

- (1) have an interagency secretariat and an Advisory Board drawn from the private, academic, and NGO sectors;
- (2) be responsible for continuing assessment of the government's full portfolio of activities in international ERD³ cooperation—building on this study and in consideration of the overarching strategy of the effort, the needed components of the innovation “pipeline” and links between these, and appropriate diversity and public-private-interface criteria—and for using the results of such portfolio assessment to help guide and coordinate the evolution of the relevant agency programs;
- (3) assist the agencies to strengthen their internal and external mechanisms for monitoring and reviewing projects, for terminating unsuccessful ones, and for

handing off successful ones to the private sector at the appropriate time.

- ◆ In addition to these strengthened review procedures and the interagency portfolio assessment effort, needed improvements in the mechanisms for development and management of international ERD³ cooperation programs within the agencies include

- (1) use of competitive solicitations by the agencies, in cooperation with foreign counterparts, to identify the most promising approaches to achieving portfolio and program goals, with a well developed business plan for moving a technology through the RD³ pipeline a prerequisite for winning a competition;
- (2) identification, by the Cabinet Secretaries or administrators of the key agencies implementing the ERD³ cooperation portfolio, of appropriate accountable management chains with authority and budgets for implementing international ERD³ programs;
- (3) strengthening these agencies' international capabilities through training, targeted hiring, and rotating national laboratory staff and outside academic and industrial technical experts through the agencies on a systematic basis, giving these persons senior professional status with significant responsibility for guiding program planning and policy.

- ◆ The costs of the U.S. government contributions to the initiatives described in this report would be covered by a new Strategic Energy Cooperation Fund, supplementing existing budgets for international ERD³ activities and the budgets proposed in the 1997 PCAST study for U.S. domestic energy R&D programs. The amounts estimated for the four "foundation", four "end-use-efficiency", and three "energy-supply" initiative clusters we have recommended sum to \$250 million per year in FY2001 and \$500 million per year in FY2005. (The in-

crement for FY2001 adds an amount of new money for these types of activities approximately equal to the total that was spent on them in FY1997.) The money from the Strategic Energy Cooperation Fund would be

- (1) allocated to the relevant agencies in the President's budget request as the outcome of a process engaging the agencies, the Office of Management and Budget, and the Interagency Task Force on Strategic Energy Cooperation and its Advisory Board;
- (2) multi-year in duration in most instances, to diminish the influence of annual funding cycles on project selection and continuation and to promote the continuity of commitment that has often been lacking in U.S. international-cooperation efforts.

Money made available, within the program's indicated FY2001-2005 trajectory, by phasing out support for projects that either fail or that succeed and get taken over by the private sector could be used for further high-leverage projects identified through the continuing interactions of agencies, the Interagency Task Force and its Advisory Board, foreign partners, and other energy-technology users.

Conclusion

The United States and the world face an historic window of opportunity.

- ◆ Processes of energy-sector restructuring and regulatory reform that will be completed largely over the next decade will "lock in" the mechanisms that will determine success or failure in the dual aims of attracting the private capital needed to meet energy needs for economic development while addressing the huge public-goods and externality issues that the energy sector presents.

- ◆ Continuing processes of rapid urbanization in the developing countries mean that decisions made in those countries in the next few decades about the interaction of urban energy supply, transportation networks, information infrastructure, land-use planning, and building characteristics will likewise substantially “lock in”, for the next century and even beyond, important aspects of the energy requirements and quality of life of the large majority of the world’s inhabitants living in these urban agglomerations.
- ◆ The time requirements for moving new technologies through the innovation pipeline mean that much of the research intended to affect deployments in the 2020s, 2030s, and 2040s needs to be underway in the next decade. And the long service lifetimes of most energy-supply technologies and much of the equipment and infrastructure governing energy end-use efficiency means that much of what is deployed in the 2020s, 2030s, and 2040s will still be in place toward the end of the next century.
- ◆ Thus the energy technologies and related infrastructures that are developed and deployed over the next few decades—supporting rapid energy growth in developing and transition economies and replacing existing capital stock in industrialized ones—will strongly influence the trajectories of energy costs and end-use efficiencies, greenhouse-gas emissions, public-health impacts of air pollution, oil-import dependence, nuclear-energy-system safety and proliferation resistance...and much else of importance about the world energy system for most of the next century.
- ◆ The globalization of innovation capacities, together with tightening constraints on domestic R&D spending, have sharply increased the attractiveness of cooperation to the United States for purposes of developing the energy technologies this country will require for domestic use. Simultaneously, the globalization of energy markets has in-

creased the necessity of cooperation to gain access for United States energy companies to many of the largest markets for new technologies; and the globalization of environmental and security risks from inadequacies in the global portfolio of deployed energy options is sharply increasing the benefits to the United States of cooperation to improve that portfolio.

- ◆ Strengthening North-South cooperation on advanced energy technologies that can lower greenhouse-gas emissions while fueling sustainable economic development is by far the most promising available approach to securing developing-country participation in a larger collaborative framework for addressing the global energy-climate-development challenge.

The energy technologies and related infrastructures that are developed and deployed over the next few decades will strongly influence the world energy system for most of the next century

The needs and opportunities for enhanced international cooperation on energy-technology innovation supportive of U.S. interests and values are thus both large and urgent. The costs and risks are modest in relation to the potential gains. Now is the time for the United States to take the sensible and affordable steps outlined here to address the international dimensions of the energy challenges to U.S. interests and values that the 21st century will present.

Table ES-1: INITIATIVES AND BUDGETS
(Budget in \$Millions of Supplemental Spending Above Current Agency or PCAST 97 Levels)

Initiative	FOUNDATIONS OF ENERGY INNOVATION	Page	FY01	FY05
Capacity Building	--Increase support for regional centers of ERD ³ --Expand existing and develop new training programs on energy --(Interdisciplinary research—monitoring/evaluation/institutional change)*	3-14 3-15	\$20 M	\$40 M
Energy Sector Reform	--Technical/policy assistance for sector reform that gets “prices right,” including externalities, and advances public benefits --Assistance establishing evolutionary regulatory frameworks for gas grids	3-20	20	40
Demonstration And Buy-down	--Encourage development of a Demonstration Support Facility --Award production tax credits for demonstrations that meet criteria --Assist in establishing a Clean Energy Technology Obligation	3-26	40	80
Finance	--Encourage MDBs to increase financing for clean/efficient energy technology; support activities with trust funds for using US experts --Facilitate market-based finance of clean/efficient energy technologies, including creating a fund administered by OPIC --(Technical, Financial, and Feasibility Analysis Assistance for US Firms)*	3-34 3-38	40	80
A PORTFOLIO OF ENERGY EFFICIENCY RD³				
Buildings	--Technical/policy assistance to develop/adopt efficiency standards, ratings, labeling of building equipment; assist testing programs, etc. --Testing/policy assistance to develop/apply building design tools/design competitions/energy codes/standards for new buildings; training; etc. --Encourage MDBs/GEF to support building/equipment efficiency --(Develop/Disseminate Improved Cookstoves)*	4-11 4-15	20	40
Transport	--Integrate/expand RD ³ on low-cost, efficient, clean power for vehicles --Encourage GEF/MDBs to help finance production/use of clean vehicles --Assist in analysis/implementation of vehicle emissions testing/standards --(New Technologies for Public Transport Systems)*	4-19 4-22	20	40
Industry	--U.S. Public/private/foreign cooperation to develop technology roadmaps for energy-efficient processing of energy-intensive materials --Cooperative development/implementation of technology roadmaps --Support for joint-venture creation, licensing, between U.S. firms/partners	4-28	10	20
Combined Heat and Power (CHP)	--Public/private U.S./foreign cooperation on information programs, etc. --Collaborative assessments of potential CHP sites, address regulatory and market barriers, attract funding for demonstrations, help secure finance --Support reforms to “level the playing field” for CHP and U.S. equipment	4-29	10	20

Initiative		A PORTFOLIO OF ENERGY SUPPLY RD³	Page	FY01	FY05
Widespread Renewables	--RD ³ on industrial-scale biomass power/coproducts; restore degraded land		5-11	\$40 M	\$80 M
	--Develop integrated renewable/hybrid systems for rural areas --Accelerate deployment of grid-connected intermittent/hybrid systems --Assess renewable energy resources by region --(RD ³ on solar thermal electric; support strong domestic RD ³ efforts)*		5-14		
Fossil Fuel	--Promote energy/environment reforms in support of coproduct strategies		5-21	20	40
	--RD&D on low-cost hydrogen production and byproduct carbon recovery --Carbon sequestration standards/regional assessments/ reservoir analyses --(R&D to exploit energy of methane hydrates in climate-friendly ways)*		5-23		
Nuclear Energy	--Add international component to Nuclear Energy Research Initiative		5-27	10	20
	--Expand/strengthen international studies of spent fuel/high-level waste --Pursue new international agreement on fusion R&D --(Improve safety and security of nuclear facilities worldwide)*		5-28		
A SET OF MANAGEMENT RECOMMENDATIONS					
Agency Management	Establish NSTC working group (WG) on Strategic Energy Cooperation		6-13		
	--NSTC WG would have interagency secretariat/external Advisory Board --WG would assess the IERD ³ portfolio, guide/coordinate agency programs --WG would strengthen agency internal/external review capabilities --Agencies to use competitive solicitations to identify best approaches --Agencies identify accountable management chains with authority/budgets --Strengthen agency international capabilities by training/detailing staff --Establish Strategic Energy Cooperation Fund		6-14		
TOTAL				\$250 M	\$500 M

* Initiatives in parentheses are described in the chapters but not in the Executive Summary; budget totals include these initiatives.

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Divider Title: _____

THE WHITE HOUSE

Office of the Vice President

**For Immediate Release
Tuesday, June 29, 1999**

**Contact:
(202) 456-7035**

**ENERGY EFFICIENT TAX INCENTIVES INTRODUCED
INTO CONGRESS BY REPRESENTATIVE MATSUI**

Washington, DC -- Today, Representative Bob Matsui introduced the Administration's package of energy efficiency tax to help America meet the profound challenge of global climate change in a way that opens new economic opportunities for our nation. The five-year, \$3.6 billion package will provide real incentives for consumers to buy more energy efficient homes, cars and other selected products, such as high-efficiency water heaters and rooftop solar systems. It will also encourage more production of renewable energy, such as wind power and power from farm and forestry resources.

STATEMENT BY THE VICE PRESIDENT

This legislation is a win-win-win proposition. For American families and consumers this legislation will mean lower energy costs and the potential for new economic opportunities. For our nation, it will mean more jobs, more innovation, increased competitiveness, and greater energy security. And for our environment, the gains in energy efficiency will mean better air quality and fewer emissions of the greenhouse gases contributing to global warming.

All those who helped make this bill responsive to the needs of our environment and our economy deserve our thanks and appreciation, including General Motors, Ford, and DaimlerChrysler, who helped develop the incentives for qualifying electric and hybrid vehicles. I especially want to thank Representative Matsui for his hard work in turning a set of good ideas into sound legislation.

For American families, consumers, and businesses, this legislation is about saving dollars and cents. For our environment, it is about common sense. This past year, a growing body of scientific evidence on global warming has thrown into sharp relief the magnitude of the challenge before us. 1998 was far away the single warmest year on record and it was punctuated by some of the severest weather of the century. I now urge Congress to pass this legislation into law.

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Divider Title: _____

DOD-VIRON/PEPCO ENERGY SAVING PERFORMANCE CONTRACT

JUNE 3, 1999

In conjunction with the signing of a new Executive Order to promote energy efficiency, President Clinton announced today the Pentagon's intent to award (by the end of June) the Federal government's largest-ever Energy Saving Performance Contract (ESPC), under which Viron Energy Services/Pepeco Energy Services (Viron/Pepeco) will upgrade the energy performance of 837 Federal buildings at no up-front cost to taxpayers. The 18-year service contract, covering five military installations in the Washington, DC area, will reduce annual energy consumption by 17%, saving the Department of Defense (DOD) over \$219 million in energy and related costs and reducing annual greenhouse gas emissions by 24,000 metric tons of carbon (MTC) – equivalent of taking over 19,000 cars off the road.

Energy Saving Performance Contracts – Energy Savings at No Up-front Cost to Taxpayers

The new Executive Order directs Federal agencies to maximize their use of ESPCs -- innovative financing mechanisms that mobilize private sector investment and expertise to save energy and save money in Federal facilities. Under ESPC authority, Federal agencies hire private energy service companies to conduct energy audits of facilities, propose energy saving retrofits, and privately finance, install, and maintain retrofits. There are no up-front payments by the government and contractors are paid from a share of the savings, with the remaining savings accruing to the agency.

The DOD-Viron/Pepeco ESPC is the largest by far of any ever awarded by the Federal government and serves as a model for other agencies to replicate in implementing the President's new Executive Order.

Real Savings and Real Environmental Benefits

Under the new contract, some \$70 million in private investment will fund energy upgrades at five installations in the Army's Military District of Washington – Ft. Belvoir, Ft. A.P. Hill, Ft. Meyer, Ft. McNair, and Ft. Meade. These measures will save money and improve the environment. In particular, they will:

- Avoid almost 24,000 MTC of greenhouse gas emissions annually – a 26% reduction;
- Save DOD a total of over \$219 million in energy and related costs
- Reduce annual energy costs by 17%;
- Reduce annual electricity use by 89 million kilowatt hours (kWh) of energy annually;
- Reduce fuel use by 294,000 million British Thermal Units (MMBTUs) annually;
- Reduce pollutants that cause smog and acid rain by more than 600 metric tons annually; and,
- Save over 50 million gallons of water annually.

These improvements to buildings and equipment will support Army operations well into the next century, without the need for additional funding, and will provide more comfortable living conditions and improved quality of life for those who live and work at the five installations.

Energy Efficiency Measures to be Taken

Expected energy efficiency measures include:

- **Cooling system retrofits.** Some 888 cooling units will be replaced or retrofitted, cutting energy use in 343 buildings, reducing associated energy costs by over \$1 million annually and annual greenhouse gas emissions by 4,900 MTC.
- **Air Handling Units.** Replacement and retrofitting of air handling units in 126 buildings will reduce annual energy consumption by 14 million kWh. This will mean annual savings of \$742,000 and 3,500 MTC of greenhouse gas emissions avoided each year.
- **Lighting Retrofits or Replacement.** Some 142,600 light fixtures will be replaced or retrofitted in 714 buildings, reducing annual energy consumption by 29.8 million kWh, saving \$1.4 million annually, and reducing annual greenhouse gas emissions by 4,800 MTC.
- **Central Heating Plant Upgrade.** Two central steam plants will be replaced with new gas fired boilers, reducing annual fuel use by 138,000 MMBTU, saving \$655,000 annually, and reducing annual greenhouse gas emissions by 2,900 MTC.
- **Central Cooling Plant Upgrade.** A new absorption chiller and chilled water distribution line will be installed at one site, reducing annual electricity use by approximately 270,000 kWh and saving \$21,000 annually.
- **Water Conservation.** Water consumption and waste water will be reduced in 213 buildings through replacement of existing plumbing equipment with ultra low-flow units, saving approximately 50.5 million of gallons annually, or \$195,000.

DOD's Partnership With Viron/Pepco

With the assistance of the Department of Energy's (DOE's) National Renewable Energy Lab, DOD sought bids from private sector experts to provide solutions to the energy needs of the Military District of Washington. After a competitive bid process, DOD's Defense Energy Support Center has decided to award a contract to Viron/Pepco to provide a range of services including energy engineering, equipment installation, construction supervision, and measurement and verification. Under the contract, all capital investments will be made within the first three years of the contract and Viron/Pepco will be paid from a share of the verified energy savings resulting directly from its conservation measures.

More than 2,100 buildings on the five installations were surveyed for possible energy improvements. Under the contract, almost 40% of the buildings currently in use will benefit from one or more of the slated improvements and upgrades in the initial task order. The contract is also structured so that either the government or Viron/Pepco can suggest additional conservation measures for the remaining buildings.

Administration Efforts to Expand ESPC Use

While ESPC authority has existed since 1992, President Clinton has taken significant steps to streamline and promote greater use of this tool. Streamlined contracts -- known as "Super ESPCs" -- put in place by DOE and DOD have accelerated large investments in energy projects at hundreds of Federal facilities. Super ESPCs allow all agencies and facilities to place delivery orders under umbrella contracts, substantially reducing the lead time to contract with an energy services company. There are two types of Super ESPCs: regional and technology specific. Regional specific contracts cover a designated geographic area; technology specific contracts are in effect nationwide for a particular emerging technology, such as solar collectors.

In the last year, DOE has provided over \$5 billion in ESPC contracting authority to 44 private contractors to perform energy and cost saving work. Projects have been designed and awarded that will mobilize \$28.7 million of private investment to perform energy saving work in Federal agencies. The contractors will be paid from the \$62.5 million projected savings. Well over a hundred agreements are currently under negotiation as this alternative financing tool for energy and taxpayer savings becomes more commonly used by Federal agencies. Other agreements are also under negotiation with utility contractors and under the DOD contracts (worth over \$3 billion) which are also available for use by the rest of the Federal government.

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Divider Title: _____

THE PRESIDENT'S NEW ENERGY EFFICIENCY EXECUTIVE ORDER

JUNE 3, 1999

The Executive Order issued by President Clinton today helps meet the challenge of global warming by significantly improving energy efficiency in Federal buildings. By 2010, the resulting energy savings will reduce annual greenhouse gas emissions by an amount equal to 2.4 million metric tons of carbon (MMTCE) – the equivalent of taking 1.7 million cars off the road – and save taxpayers over \$750 million a year. The Order will also expand markets for renewable technologies, reduce air pollution, and serve as a powerful example to American businesses and consumers who can reap substantial benefits from energy improvements.

Aggressive New Goals

The Federal Government is the nation's largest energy consumer with an annual bill of over \$8 billion – more than \$4 billion to heat, cool, and power its 500,000 buildings. Federal agencies have already reduced energy consumption 17% per square foot relative to 1985 levels. Today's Order builds on that progress, extending current energy efficiency goals and setting new goals for greenhouse gas reductions, renewable energy use, and water conservation.

- ***New Energy Efficiency Goal for Facilities.*** The Order requires each Federal agency to improve its energy efficiency in Federal buildings by 35% relative to 1985 levels by 2010.
- ***New Energy Efficiency Goal for Industrial and Laboratory Facilities.*** The Order requires each Federal agency to improve its energy efficiency in industrial and laboratory facilities by 25% relative to 1990 by 2010.
- ***New Greenhouse Gas Reduction Goal.*** The Order requires each Federal agency to reduce greenhouse gas emissions that result from building energy use by 30 % below 1990 levels by 2010. This is the Federal Government's first-ever goal tied to greenhouse gas reductions.
- ***Expanded Use of Renewable Energy.*** The Order requires Federal agencies to expand their use of renewable energy technologies and electricity from renewable energy sources, such as solar, wind, geothermal, and biomass. Building on the President's commitment to install 20,000 Federal solar energy systems by 2010, the Order calls for new investments in renewable energy through applications of solar, wind, geothermal, and biomass technologies at Federal facilities and through the purchase of electricity from renewable energy sources.
- ***Water Conservation.*** The Order calls for Federal agencies to improve their water efficiency, not only to reduce water consumption, but also to reduce associated energy use. The Order requires the Department of Energy (DOE) to work with other Federal agencies to develop water consumption baselines and then set appropriate goals for water conservation.

- ***Fewer Exempt Facilities.*** Under current practice, a large number of facilities (accounting for 17% of building energy use) are exempt from meeting Federal energy goals. Under this Order, all facilities are subject to these goals and requirements unless they meet new exemption criteria to be developed by DOE. In addition, in their Annual Report to the President, each agency must report all exempt facilities and explain the rationale for excluding them from Federal energy goals.

Cutting-Edge Tools and Strategies

The Order calls for agencies to use a wide range of energy management tools and strategies to fulfill the new energy efficiency, renewable energy, and greenhouse gas reduction goals.

- ***Alternative Financing.*** Financing options, like Energy Savings Performance Contracts (ESPCs) and utility energy efficiency service contracts, offer Federal agencies a powerful tool for leveraging private sector financing to fund cost-saving energy improvements at no net cost to taxpayers. Under ESPCs, private sector energy service companies finance the up-front cost of purchasing and installing new energy efficient equipment. The Federal government uses a portion of the savings it accrues through reduced energy bills to repay the energy service company over the life of the contract. Contractors then receive a predetermined share of the value of the energy savings generated by their efforts, and may be paid only if actual savings result from the reduced energy use. All additional savings accrue to the government. The government benefits from new equipment, reduced energy costs, improved energy efficiency, reduced greenhouse gas emissions, and conservation of nonrenewable fuels.

To date, DOE and the Department of Defense (DOD) have put into place over \$8 billion in ESPC contract authority -- available for all Federal agencies to fund energy improvements. In addition, many of these contracts are "Super ESPCs" which rely on the same principles as regular ESPCs but offer an umbrella contract to allow expedited service. The Order calls for agencies to maximize their use of ESPCs and utility energy efficiency service contracts to realize energy and cost savings.

- ***Life-Cycle Cost Analysis.*** It is critical that Federal agencies consider the full cost of their investments, including energy, operation and maintenance costs, not simply the purchase cost of projects or products. By taking all costs into account, agencies can save money and energy. To that end, the Order requires agencies to consider life-cycle costs -- that is, investment costs, capital costs, installation costs, energy costs, operating costs, maintenance costs, and disposal costs, over the life of the project or product.
- ***ENERGY STAR® and Other Energy Efficient Products.*** The Order calls for agencies to purchase ENERGY STAR® and other energy efficient products. These products, ranging from compact fluorescent light bulbs to highly efficient boilers, can save Federal agencies hundreds of millions of dollars.

- ***Electricity from Renewable Energy and Energy Efficient Sources.*** Given that over 70% of the Federal government's energy costs in buildings comes from electricity, the Order requires agencies to consider the source of their electricity and opt for cleaner, more efficient electricity generation. Specifically, the Order calls for agencies to minimize the greenhouse gas intensity of purchased electricity. In addition, agencies should adopt policies to increase the use of electricity from renewable energy sources.
- ***Highly Efficient Energy Systems.*** This Order calls for agencies to make greater use of highly efficient energy systems, including combined heat and power systems that use "waste" heat from industrial processes to supply power to other needs. These types of systems can offer not only tremendous energy and cost savings, but also significant environmental benefits.
- ***Off-Grid Electricity Generation.*** This Order requires agencies to consider off-grid electricity opportunities that often provide energy and environmental benefits, while allowing agencies to avoid the costs of building new transmission lines or digging up existing lines. Off-grid options can be particularly effective in remote locations, including in our National Parks. The systems range from solar outdoor lighting to small wind turbines and fuel cells.
- ***Sustainable Building Design.*** In July 1998, as part of the President's radio address on Federal energy issues, a number of Federal agencies committed to constructing sustainably-designed buildings. This Order requires all Federal agencies to apply sustainable design principles to the siting, design, and construction of new facilities and thereby save energy, save taxpayer dollars, and reduce pollution.

Strengthening Agency Accountability

The Order provides a framework to hold agencies accountable for their progress in Federal energy management. The following new management strategies and reporting requirements will help ensure that all Federal agencies manage energy use wisely, reaping substantial fiscal and environmental benefits for years to come.

- ***Annual Reports to the President and Annual Score Cards.*** Under the Order, each Federal agency must submit an Annual Report to the President describing its progress in meeting the goals of the Order. In addition, the Deputy Director for Management of the Office of Management Budget will evaluate each agency's performance and submit agency score cards to the President. The score card evaluations will consider agencies' progress toward the energy efficiency, renewable energy, and greenhouse gas goals. The score cards will also take into account how effectively agencies have used key energy management tools and strategies.
- ***President's Management Council.*** The President's Management Council, which generally consists of Deputy Secretaries from all agencies, will monitor agencies' progress on Federal energy management and provide a high-level forum for identifying ways to accelerate improvements.

- **Agency Energy Teams.** Each agency must form a technical energy support team within 90 days to ensure that energy management strategies are implemented across all facilities. These energy teams will bring together legal, procurement, and other essential agency representatives to overcome barriers to realizing energy and cost savings.
- **New Public/Private Advisory Committee.** The Order calls for DOE to organize an advisory committee to bring together private and public sector experts who can advise agencies on how to improve their energy management practices. The Committee will include representatives from energy service companies, utility companies, equipment manufacturers, and other private, non-profit, and public sector organizations that focus on energy issues.

Concrete Steps, Concrete Savings

In conjunction with the signing of a new Executive Order to promote energy efficiency, President Clinton announced today the Pentagon's intent to award (by the end of June) **the Federal government's largest-ever Energy Saving Performance Contract (ESPC)**, under which Viron Energy Services/Pepeco Energy Services will upgrade the energy performance of 837 Federal buildings at no up-front cost to taxpayers. The 18-year service contract, covering five military installations in the Washington, DC area, will reduce annual energy consumption by 17%, saving DOD over \$219 million in energy and related costs and reducing annual greenhouse gas emissions by 24,000 metric tons of carbon (MTC) – equivalent to taking over 19,000 cars off the road.

Other examples of energy-saving actions of the kind the President's Order is designed to promote include:

- **Energy Efficient Procurement.** The Defense Logistics Agency (DLA), which supplies almost 20% of all light bulbs purchased by the Federal government, has teamed up with DOE to offer half price compact florescent light bulbs to any Federal purchaser with a maximum purchase of 400 bulbs per order.

Last year, the DLA supplied 1.5 million bulbs to Federal purchasers. If they had all been compact florescents savings would have totaled \$7.5 million. Just last week DOE added compact florescents to the ENERGY STAR product rating program providing consumers with specifications for the purchase of such bulbs. A compact florescent bulb can last up to five years, saving \$67 over the its lifetime.

- **Renewable Energy Projects.** Some 18 Federal agencies – from the Departments of Agriculture, Interior, and Transportation to the Smithsonian Institution and the U.S. Postal Service – will soon receive a combined \$1.5 million in DOE funding for more than 100 cost-effective renewable energy projects at government sites. The technologies include more than 50 new or renovated solar water heating systems, large and small photovoltaic systems, PV-powered lights and “solar walls” which preheat outside air for building heating, and wind power.

- ***Buying Renewable Power.*** The Environmental Protection Agency's Richmond, California laboratory has become the first major Federal facility supplied 100% with renewable energy. Initially, 60% of the power supplied will come from geothermal sources and 40% will come from biomass. Eventually power will be supplied by a new landfill gas facility expected to begin service in the fall of 1999. The General Service Administration (GSA) and DOE provided support to EPA in this effort. This green power purchase will produce environmental benefits equivalent to reducing over 2 million passenger car miles driven in California each year.
- ***Energy Star Buildings.*** GSA's Foley Square Federal Office Building in New York City has been retrofitted to achieve the ENERGY STAR Building Label by EPA. The ENERGY STAR Building Label signifies that the building is in the top 25% of similar buildings with regard to energy efficiency. Opened in 1994, the building encompasses 1.2 million square feet and houses offices of the Federal Bureau of Investigation, the Internal Revenue Service and the Environmental Protection Agency. By deploying equipment and products that qualify the building for the ENERGY STAR label, Foley Square saves taxpayers \$1.3 million annually in energy costs.

Prior Federal Energy Efficiency Efforts

Today's Order builds upon previous efforts to improve Federal energy efficiency. The Energy Policy Act of 1992 established a goal of improving energy efficiency in Federal office buildings by 20% on an energy-per-square-foot basis by the year 2000, compared to a baseline year of 1985. In March of 1994, President Clinton issued Executive Order 12902, which extended the energy-efficiency goal to 30% below 1985 by 2005. Today's Order extends these goals still further, while also tightening provisions on exempted facilities and setting forth the first-ever Federal goal tied specifically to greenhouse gas reductions.

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Divider Title: _____

PRESIDENT CLINTON: LEADING THE FIGHT AGAINST GLOBAL WARMING

JUNE 3, 1999

President Clinton, in a Cabinet meeting today, issued an Executive Order to help meet the challenge of global warming by significantly improving energy efficiency in Federal buildings. By 2010, the resulting energy savings will reduce annual greenhouse gas emissions by 2.4 million tons – the equivalent of taking 1.7 million cars off the road – and save taxpayers over \$750 million a year. As a prime example of the savings that can be achieved, the President also announced a major contract to retrofit over 800 buildings at five military installations in the Washington, D.C. area, saving over \$219 million in energy and related costs.

Leading By Example. The Federal Government is the nation's largest energy consumer with an annual bill of over \$8 billion – more than \$4 billion to heat, cool, and power its 500,000 buildings. Federal agencies have already reduced energy consumption 17% per square foot relative to 1985 levels. Today's Order builds on that progress by:

Setting Aggressive Goals – The Order requires Federal agencies to achieve by 2010:

- **35% greater energy efficiency** in buildings relative to 1985 levels; and,
- **30% cut in greenhouse gas emissions** from building-related energy use relative to 1990.

Mobilizing Cutting-Edge Strategies – The Order directs agencies to maximize the use of:

- **Energy Saving Performance Contracts and Utility Contracts**, in which private companies make energy improvements on Federal facilities at their own expense and receive a portion of the resulting savings;
- **Life-cycle cost analysis**, so agencies see the long-term savings from energy investments;
- **ENERGY STAR & other energy efficient products**, everything from light bulbs to boilers; and,
- **Renewable energy** technologies and sources (solar, wind, geothermal, and biomass).

Strengthening Accountability – The Order requires that annual scorecards evaluating agency progress be submitted to the President; gives OMB, in consultation with the Department of Energy (DOE), oversight authority; and directs agencies to appoint energy management teams to help meet the goals of the Order.

Concrete Steps, Concrete Savings. The partnership announced today between the Department of Defense and Viron/Pepeco Energy Services – the largest-ever Energy Saving Performance Contract – will cut energy use in 837 buildings at Ft. Belvoir, Ft. A.P. Hill, Ft. Meyer, Ft. McNair, and Ft. Meade. Other examples of energy-saving actions of the kind today's Order is designed to promote include:

- The Defense Logistics Agency (DLA) and the DOE have teamed up to offer high efficiency compact florescent light bulbs at half price to Federal purchasers;
- 18 Federal agencies (including the Smithsonian Institution, NASA, and the Postal Service) will receive DOE funding for more than 100 renewable energy systems;
- A New York GSA building housing the FBI and the IRS has been retrofitted to ENERGY STAR Building standards, with an annual energy cost savings of \$1.3 million; and,
- Environmental Protection Agency's laboratory in Richmond, California has become the first major Federal facility supplied 100% with renewable energy (geothermal and biomass).

Incentives For Businesses and Consumers, Too. To help American businesses and consumers reap the same kinds of energy and cost savings, the President today also called on Congress to enact his proposed **\$3.6 billion package of tax incentives** for the purchase of energy efficient homes, appliances, cars, and energy from renewable sources.

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Divider Title: _____

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

June 3, 1999

STATEMENT BY THE PRESIDENT

The Rose Garden

2:52 P.M. EDT

THE PRESIDENT: Good afternoon. I have just completed a very good meeting with the Cabinet. We discussed many issues, three in particular I would like to discuss with you.

First, with regard to Kosovo. As you know, we have been working closely with President Ahtisaari and Mr. Chernomyrdin to try to achieve an agreement that would allow the refugees to go home with security, safety and self-government. Movement by the Serbian leadership to accept these conditions, established by NATO and the international community, is, of course, welcome. But based on our past experience, we must also be cautious.

First, we must have clarity that the Serbian leadership has fully accepted these conditions and intends to fully implement them. Until then, and until Serb forces begin a verifiable withdrawal from Kosovo, we will continue to pursue diplomacy, but we will also continue the military effort that has brought us to this point.

In a few moments, I will meet with the Joint Chiefs of Staff to speak about the progress of our campaign and our planning for the force that would enter Kosovo when NATO's conditions are met. NATO and our military have been working hard to ensure that we can sustain our campaign and deploy KFOR quickly and effectively when that is necessary. We have worked to ensure that we can do this while maintaining our overall military posture around the world. They have my complete confidence and support as we move forward.

The second thing we discussed today was the budget and the importance of maintaining fiscal discipline, which has helped our nation reach historic levels of prosperity, honored our values of opportunity, responsibility and community, and enabled us to begin to meet the challenges of America in the 21st century.

Last fall, my Cabinet and I worked very hard to put together a budget that reduces the publicly-held debt to its lowest point since before World War I, safeguards the solvency of Social Security and Medicare and makes improvements in both programs, offers targeted tax cuts for long-term retirement savings, stays within the budget caps and makes substantial new investments in the benefit of the American people, from education to the environment, to new technology.

Unfortunately, the Republican majority in Congress is moving ahead with a budget plan that, in the end, may do none of these things. It fails to extend the solvency of Social Security and Medicare. It fails to make new, crucial investments. It requires deep cuts in areas of great national need -- from law enforcement, to education, to the environment. These cuts would be so damaging that Congress, itself, to

date has been unwilling and unable to move some of the most basic and normally noncontroversial spending bills out of their committees.

The majority budget plan is simply not realistic. It is a blueprint for chaos and we can do better. I urge Congress when it returns to work with me in a bipartisan way for a budget that is both fiscally responsible and honors our values and prepares for our future.

I also discussed with the Cabinet new actions to deal with what, in my State of the Union address, I said was our most fateful environmental challenge -- global warming. Almost every month, we see disturbing new evidence of climate change. Scientists now believe that last year, 1998, was very likely the warmest year in a millennium. Whole species of frogs are disappearing from forests in Costa Rica because the air there is getting hotter and drier. In the Arctic, the permafrost has started to warm and the sea ice is shrinking. These are alarming signs for what it means to biodiversity and the potential of a rising water level around the globe.

Yet some still insist that the vast majority of scientists are simply wrong, and that we should do nothing. Others call for a raft of new regulations and new taxes.

I believe there is a third way here, a better way -- to invest in technologies that reduce greenhouse gases while also spurring economic growth. Many of those technologies are on hand right now.

As the single largest consumer of energy in our country, the federal government should be leading the way. That is why today I am directing all federal departments and agencies to take steps to markedly improve the energy efficiency of our buildings. With new technologies and contracts with private companies, the federal government will cut its greenhouse gas emissions by 30 percent. That is the equivalent of taking 1.7 million cars off the road. By taking these steps, we will also save the taxpayers over \$750 million a year when they are fully implemented.

I'm also pleased to announce that the Defense Department will award, by the end of this month, the largest energy-saving contract in the history of the federal government. Under this contract, the government pays no up-front costs, the contractor wins a share of the energy savings, greenhouse pollution is reduced, and taxpayers will save over \$200 million.

I want to express my thanks to Secretary Cohen and Secretary Richardson for turning the idea of these win-win energy contracts into a reality. And I want to urge Congress, again, to pass the new research investments and the new tax incentives I have proposed in my balanced budget, so that America's consumers and businesses can reap the benefits of energy-saving technologies that exist today, and the new, better technologies that are soon to be developed.

So, in closing, let me say we have some encouraging news on Kosovo, but we should be cautious, and we should see real results.

We have presented a good budget to the Congress; the one they have come back with won't work. We've got to work together to give the American people one that will. The problem of climate change and global warming is real, but we don't have to have an economic breakdown to deal with it; what we need is a vigorous embrace of effective technologies -- first by the federal government and then by all the American people.

Thank you very much.

Q Mr. President, can you assure the Serbs that retreating troops will not come under attack, sir?

END

3:00 P.M. EDT

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Talking Points – David Gardiner
Emissions Marketing Association Conference
New Orleans, Louisiana
May 8, 1999

Thank you. Great honor to be here.

- Only been here a few hours but already am reminded of something Will Rogers used to say: “The farther you get from Washington the better you feel about the future of the country.”

Want to start off today by giving a general overview of US climate change efforts and recent developments.

- Then move into the main part of my talk – international climate negotiations and what we can expect to see over the next few months as we lead up COP-6 at The Hague in November.
- Finally, want to finish with some perspective about the YOUR work and the work of the Emissions Marketing Association.

Overview of US Climate Change Efforts

No question that climate change is one of the premier if not THE premier challenge this planet will face in the 21st century.

- Science is compelling and growing more so every month.
- We do not know everything about the science but we know enough – enough to realize that we must start taking action.

This is a core belief of the President and the Vice President.

- They understand the issue in depth.
- They speak out about the issue at every opportunity.
- And they are constantly pushing people in positions like mine, exhorting us to move faster and do more.

That is why, over the past year, the Administration has launched new initiatives aimed at global warming:

- Bioenergy EO launched in August aimed at tripling U.S. use of bio-energy and bio-products by the year 2010.
- Federal energy EO issued in June aimed at reducing federal government’s greenhouse gas emissions from energy use in buildings by 30% below 1990 levels by the year 2010.

- New efficiency standards for lighting and clothes washers. In addition, new standards for refrigerators & room air conditioners going to go into effect in 2001.
- New initiatives on renewables, including Wind Powering America – goal is to have 5% of all US electricity come from wind by 2020.
- International Clean Energy Initiative – proposed \$200 million for promoting the export of clean energy technologies to developing countries.

And all that was *before* the series of announcements made by Administration in connection with Earth Day last month:

- 21st Century Truck Initiative: VP announced new research partnership with trucking industry that aims to cut fuel use and greenhouse gas emissions of delivery vehicles by 2/3 and cut the fuel use of 18 wheelers in half, while improving the safety and efficiency of the nation's trucking industry. Patterned after PNGV.
- Transport EO requires Fed. govt. to reduce fuel use in its vehicle fleets by 20% over next 5 years;
- Another EO will offer federal workers incentives to use public transportation.

These are just the *new* initiatives. Centerpiece of President's program remains CCTI – multi-billion, 5 year program of tax incentives and investments for clean energy technologies.

- President secured one billion dollars for the funding of that program in each of the last two years in the face of some stiff congressional opposition.
- Current budget proposes still more aggressive effort.

What I've given you here is quick overview of federal climate change efforts – but these obviously don't tell the whole story.

- To get the whole picture of US climate change efforts you have to look further – to the states, to localities and to individual U.S. corporations.
- What you'll find hundreds of state and local officials calling for greater action nationally and taking action locally;
- What you find is religious leaders calling for a recognition of the moral component of this issue;
- And you will find literally scores of companies who are stepping forward to demonstrate real leadership on climate change;
- You'll find that many are doing it by saving energy or developing clean energy sources -- saving money for taxpayers or for their companies;

- And you'll find that they are abandoning the outdated notion of the industrial revolution – that more economic growth means more pollution.

The United States – and President Clinton – fundamentally reject that idea.

- More economic growth DOES NOT necessarily mean more pollution, more waste and more greenhouse gas emissions.
- Late last year, it was reported that through the 1990s U.S. carbon dioxide emissions had increased by an average of 1.4%/year -- only about half of the 2.6% average rate of economic growth. For 1998, U.S. emissions increased by 0.4% while the economy grew by 4%. There are a lot of factors behind these numbers. Next year's numbers may not be as good – but they clearly demonstrate that emissions and growth need not move in lock-step.
- This is the premise of our entire approach to the issue of climate change.
- We are convinced that putting this into practice will be the key to meeting the challenge of climate change – both for the United States and for the world.

The Road to The Hague

Which brings me to my main topic – the international negotiations and the road to COP-6 at The Hague.

Fundamentally, what the United States wants to see and expects to see at COP-6 is real, solid, significant PROGRESS . . . across the entire range of important issues.

- Monitoring, Reporting & Tracking of Emissions;
- Mechanisms;
- Sinks;
- Compliance & consequences for non-compliance; and, finally,
- Developing Country Participation

Anyone who is the least bit familiar with the Kyoto process knows that achieving real progress across all these fronts will be a tall order.

- We are realistic about how hard this will be.
- We are realistic about the scope, magnitude, and complexities of the issues.
- But we are also determined and ready to make a big push to put the ball over the goal line.

For the United States, the critical elements of success at COP-6 will be:

- Ensuring the integrity of the Protocol

- Ensuring that the Protocol does not impose unreasonably high or unpredictable costs.
- Ensuring the effectiveness of the Protocol.

Let's look at each of these elements in turn.

Integrity

First, environmental integrity.

At its core, the Protocol is about beginning to lower net emissions. It falls on all Parties to take action towards this end. Annex I Parties have demonstrated leadership by adopting binding commitments to lower their net emissions. To make sure they get there we will need strong, binding rules for:

- Monitoring of emissions;
- Reporting of emissions;
- Tracking of trades and of sink activities;
- Eligibility to participate in the mechanisms;
- Reviewing implementation;
- Non-compliance with targets.

The U.S. has devoted a great deal of effort and thinking about how rules to implement the Protocol should work.

- We are left with the conclusion that these rules should be binding on all Annex I Parties equally.
- Some Parties have said they are uncomfortable with binding rules or guidelines.
- We don't see how you can set up a system that has integrity unless all Parties agree that the key elements are going to be legally binding.
- Others have argued against binding consequences where Parties fail to meet their targets.
- In our view, if we are serious about the fundamental commitments made in the Protocol, we should all be able to agree to binding rules and consequences.

Cost-Effectiveness

Achieving a cost-effective agreement is critically important to the United States.

- Simply put: we don't believe the world is rich enough to abide by a system for controlling and cutting carbon emissions that deliberately makes a ton of reductions more expensive than it needs to be.

- We have an environmental obligation to ensure that the Protocol has integrity and is based on sound science.
- But we also have an economic obligation to ensure that the Protocol leads to predictable, cost-effective reductions and is based on sound economics.

How do we apply these principles?

Sinks

In the area of sinks, for example, the U.S. will be looking for decisions on new sink activities and for the inclusion of sinks in the CDM.

Sound decisions on sinks at CoP-6 are essential for 3 reasons:

1. Sinks can either make an important contribution to solving climate change or – if we are not careful – they can exacerbate the problem.
2. Sinks can help slow the accumulation of greenhouse gases while we develop additional means to combat the long-term problem.
3. Sink projects could help spur growth in developing countries while providing both local and global environmental benefits.

For these reasons, COP-6 decisions on new sink activities and on project-based sink activities are key to the U.S.

Mechanisms

Obviously, another important area where we have to apply the principle of cost-effectiveness is in the area of Kyoto's flexible, market-based mechanisms – an area of particular concern to this group.

We have been frank in stating to other governments that one of the main obstacles to ratification in the U.S. is uncertainty about how much it will cost to comply with the Protocol.

- The market-based mechanisms can go a long way towards making the costs of implementation less uncertain.

We have also been frank in stating that we believe that the U.S. is likely to achieve most of its reductions domestically.

- However, if the cost of meeting targets domestically is unexpectedly high, the mechanisms provide a means to still meet the target at a manageable cost.

- And having to rely unexpectedly more on the mechanisms to meet our target is certainly better for the environment than being unable to achieve at target.

At the same time, we realize that the mechanisms exist to serve an environmental purpose, not just to create a market.

- So we will be looking for rules on the mechanisms that facilitate the efficient operation of the market without compromising the environmental integrity of the regime.

You will be reassured but not surprised to hear that our position on the EU cap proposal has not changed.

- We remain opposed to the proposal because it is inefficient, incomprehensible, and hypocritical.
- Under EU reallocation, 10 of the 15 countries would not meet the proposed EU formula. They thus allow themselves a measure of flexibility that they propose not to allow to others.
- Much recent analysis (such as that of the Pew Center) suggests that the US will achieve most of its reductions at home – meaning that the cap will significantly raise costs to address a problem that does not exist.

On CDM, we are pleased with increased attention that Parties have been paying to this mechanism.

- Some of you may recall that at Kyoto, many developing countries were opposed to CDM.
- Now most are very enthusiastic. They see – and we agree – that it represents a great opportunity to reduce emissions, transfer technology, build capacity and otherwise promote sustainable development.

We should find a way to avail ourselves of this opportunity as soon as possible. And we hope that COP-6 provides for an early start to CDM.

Overall Effectiveness

Developing Country Participation

Besides wanting to see a cost-effective Kyoto Protocol, we also want to see a Protocol that is effective overall – meaning that it creates an architecture that in the long run puts us on the road to achieving our goals: namely, stabilization of CO₂ concentrations at a safe level.

- We don't think you can do this unless you have meaningful participation on the part of key developing countries.

A successful COP-6 will be a COP that maintains the momentum of negotiations.

- That means, hopefully, concluding the Buenos Aires Plan of Action.
- But it also means we need to see clear evidence that a process is underway and working in order to make the Protocol a truly global agreement.
 - No effort to address this problem will work if it is not global.

As most of you are aware, there has been real progress on this since Kyoto.

- In Buenos Aires, Argentina became the first developing country to announce its intention to take on a target for the first commitment period – and in Bonn they followed through by actually announcing a target.
- Reflects a genuine commitment to participate meaningfully in the international effort to meet this global challenge.
- Illustrates how a developing country can fashion a target that benefits the environment while contributing to its sustainable development.
- Applaud as well Kazakhstan's formal request for inclusion in Annex I and call on the Conference to accept it.
- Growing interest – which we are actively encouraging – among other nations to take similar steps.

While we search for this path forward, we must also find a way to formally recognize those Parties that wish to voluntarily take on new commitments.

- We are emphasizing to our negotiating partners that it is every Party's sovereign right, and it benefits our shared environment, to allow Parties to take on commitments that further the objectives of the Convention.

Beyond the explicit, formal Kyoto process, I would note that there have been significant steps announced by developing countries in recent months that signal their willingness to engage on global warming.

- Exhibit A is the agreement reached by President Clinton when he traveled to India in March.
- Indian govt. announced 2 ambitious goals:

- 10% of new electric power will come from renewable energy sources by 2012;
- and approximately 15% improvements in energy efficiency in power production will be made by 2007-08.
- India also:
 - affirmed its commitment to a shared vision that countries can achieve robust economic growth while protecting the environment and taking action to combat climate change;
 - reaffirmed their belief on the urgent need for international dialogue on ways both developed and developing countries can participate in actions to combat climate change;
 - also agreed to work in closer partnership w/US on the further elaboration of mechanisms under the Kyoto Protocol, such as the Clean Development Mechanism.

Conclusion

So those are three elements we are working towards:

- Integrity;
- Cost-effectiveness;
- Overall effectiveness.

Hard to exaggerate the enormity of these challenges:

- Technical work alone that needs to be done on these areas is enormous;
- Overlaid on top of this is a myriad of political challenges great and small;
- Put those two together and it is clear that work before us between now and the end of the year is staggering.

Importance of Civil Society

Which brings me to the last point I want to touch upon – you and the importance of your work.

- It is not every day that I get to speak to a group of pioneers, which is what your group is composed of.
- You are on the frontlines of forging an entirely new approach, a new set of tools that the world can use to tackle the critical environmental problems of our day.
- Someday, I expect you will be able to parrot the phrase of former Secretary of State Dean Acheson, who wrote of being “present at the Creation” of the post-World War II security architecture.

- You are not only “present” at the creation of the environmental architecture of the 21st century, you are actually creating it.

The input of your group – and countless other NGOs – is critically important as our nation grapples and as the international community grapples with this critically important issue.

- We not only welcome your input, we need it.
- If our eyes are wide open about the enormity of the challenges, let me also say that our ears are wide open to hear your ideas about how to meet them.

Important that we all understand the degree to which not everyone shares your commitment to innovation and cost-effectiveness in meeting environmental challenges – including many in our own Congress.

- Text of the Congress’ amendment: “Hereafter no funds shall be used for the Kyoto Protocol, including such Kyoto mechanisms as carbon emissions trading schemes and the Clean Development Mechanism that are found solely in the Kyoto Protocol and nowhere in the laws of [the] United States.”
- Now only on Ag bill, but promised to be on all bills.
- Administration is convinced this is a terrible idea: bad for the environment, bad for America.
- Would essentially amount to unilateral disarmament on the Kyoto mechanisms.
- Committed to fight it tooth and nail.
- Latest demonstration that Republican climate naysayers are not only behind the scientific community on this issue; not only behind the American public; but behind the business community.

Let’s just say the list of challenges before us to a successful CoP-6 just got longer and the hills a little steeper.

Conclusion

In summary, let me just say that I’m an optimist.

- Time is not on our side from a scientific standpoint; but it is on our side from an overall political standpoint.
- Public opinion is on our side and becoming more so every day.
- And, in final analysis, I believe we will get this problem right because we have to get it right.

- 
- And because the track record of our society on environmental problems is that we DO find the creativity and determination to meet the challenge in a way that makes sense for both our economy and our environment.

Kyoto provided the broad architecture; Buenos Aires and Bonn gave us the blueprint for completing the job.

- Now – together – let's do it.

Thank you very much.

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Divider Title: _____

USDA'S ECONOMIC ANALYSIS ON CLIMATE CHANGE & AGRICULTURE

USDA's economic analysis concludes that U.S. compliance with the Kyoto Protocol would have a relatively modest impact on agriculture. Even if energy prices were to rise a good deal higher than the Administration projects, the impact on farm income would be far less than what other studies have claimed. Moreover, taking action to mitigate climate change could create opportunities for farmers to supplement their income through sequestering carbon or producing biomass for use in fuels, energy and chemicals.

The Rationale for Taking Action. There is a broad scientific consensus that climate change could lead to serious adverse consequences, such as intense floods and droughts, disease, and rising sea levels. For agriculture, it will likely mean changes in growing seasons, water availability, soil moisture, precipitation, and the incidence of pests. While most studies project that total food production will not be substantially altered, there will be regional and sectoral winners and losers.

Complying with Kyoto would have relatively modest impacts on U.S. agriculture. The Administration's 1998 analysis of the costs of complying with the Kyoto Protocol found that those costs would be relatively modest if we take advantage of the cost-cutting provisions of the Protocol, such as international trading of emissions permits. Based on the permit price arrived at in that analysis, \$23 per ton of carbon equivalent, the economic impact on agriculture of meeting the U.S. Kyoto target would be relatively small. The U.S. Regional Agricultural Sector Model (USMP) suggests modest declines in production ranging from 0.1 percent for soybeans to 0.9 percent for rice. Moreover, these small declines would be partially offset by increased commodity prices, so net cash returns to farmers would fall by around 0.5 percent. Competitiveness effects would also be minimal. Further, this analysis does not count the potential opportunities for farmers to earn income through sequestering carbon or through the production of biomass that can be used to make fuels, energy, and chemicals.

Even at permit prices far higher than projected by the Administration, the impact on agriculture would be far lower than several recent studies assert. Studies by Sparks (1999) and Francl (1997) use emission permit prices that do not take into account the key cost-cutting mechanisms in the Kyoto Protocol, such as international permit trading. The USMP, however, finds that even at these high permit prices, declines in farm production and income would be a fraction of those estimated by these studies. This is because the Sparks and Francl studies employ analytical techniques that assume farmers fail to respond to changes in production costs, leading to a substantial overstatement of the impacts of reducing greenhouse gas emissions.

Addressing climate change could create substantial economic opportunities for farmers. Because the Kyoto Protocol includes certain so-called "sink" activities that store or sequester carbon, such as planting trees, farmers may be able to supplement their income by sequestering carbon through improved conservation practices or converting marginal agricultural lands to forests. Bioenergy – using trees, crops, and agricultural wastes to produce power, fuels or chemicals – also represents a potentially significant opportunity both to reduce net emissions and supplement farm income.

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Divider Title: _____

CARBON SEQUESTRATION & AGRICULTURE

APRIL 1999

Carbon sequestration could play a critical role in helping the world meet the challenge of climate change. Under the Kyoto Protocol, so-called carbon "sinks" -- activities that absorb carbon, such as planting trees -- can be used as offsets against emissions of greenhouse gases. The United States strongly supports the broadest inclusion of sinks that is supported by sound science. Broad inclusion of sinks has the capacity to help the United States cost effectively address the risks of climate change and provide opportunities for the agriculture and forestry sectors to be a part of the solution.

What is carbon sequestration and what agricultural activities sequester carbon? Carbon sequestration refers to the storage of carbon dioxide from the atmosphere by soils, trees, crops, and other plants. Carbon sinks, such as farmland, rangeland, and forests, can make a great contribution to reducing net greenhouse gas emissions. Conservation activities -- such as planting trees on marginal lands; restoring degraded soils; and adopting best management practices that improve water quality, soil quality, and habitat protection -- also have the added benefit of absorbing carbon.

Carbon Sinks and the Kyoto Protocol. The Kyoto Protocol recognizes that sinks must be included as part of an economically and environmentally sound approach to climate change -- an approach that the United States worked hard to achieve. Specifically, Article 3.3 of the Protocol allows certain forestry activities to be counted toward a party's reduction commitments. Moreover, Article 3.4 allows the Parties of the Protocol to add additional sink activities activities, such as those related to agricultural soils. There is no need to amend the Protocol to accomplish this.

International Progress. In 1998, the Parties agreed to move forward with a process to define various categories of sinks and determine how they can best be measured and verified. This process includes:

- ***The IPCC Special Report on Land Use Change Issues.*** The Parties tasked the Intergovernmental Panel on Climate Change (IPCC) (an international body of over 2,000 of the world's leading climate scientists and experts) with conducting a comprehensive study on land-use, land-use change, and forestry activities. Authors of the Special Report include international technical experts, including many from the United States. Once the IPCC report is finished in the spring of 2000, the Parties will be in a position at the following Conference of the Parties to consider further decisions on the scope and use of carbon sinks under the Protocol.
- ***UN Workshops on Land Use Change and Forestry.*** The Subsidiary Body for Scientific and Technological Advice (SBSTA) of the United Nations Framework Convention on Climate Change (FCCC) is organizing two workshops on land use, land use change, and forestry issues. The first workshop was held in Rome in September 1998. The objectives of the Rome workshop were to provide input into the IPCC Special Report and to give Parties the opportunity to discuss data, methods, and implementation of Article 3.3.

The United States is hosting the next workshop, which will take place in Indianapolis, Indiana on April 26-28. This workshop will provide another opportunity for Parties to discuss methodological and technical issues related to additional sink categories, such as those created by improved conservation or management of agricultural soils, forests, and grasslands. In preparation for this workshop, the Administration hosted a meeting on April 8 with interested stakeholders to discuss the United States' presentation at the Indianapolis workshop. Following the workshop, there will be a May 6 meeting with stakeholders to discuss the status of this process.

Domestic Progress. The United States leads the world in understanding the science of carbon sinks. More work, however, is needed to better understand how agricultural and forestry practices affect the net carbon balance and to develop methods that will assist farmers, ranchers, and forest landowners in increasing and verifying carbon sinks.

To help further our understanding of carbon sinks and how they can be enhanced, the President's FY 2000 budget includes funding for the following initiatives:

- **Demonstration Projects and New R&D.** The Forest Service, the Agriculture Research Service, and the Natural Resources Conservation Service will launch new demonstration projects as well as undertake additional R&D to better understand farmland, rangeland, and forest carbon sinks.
- **Carbon Cycle Initiative.** The FY 2000 budget request establishes a new multi-agency initiative to improve our understanding of how carbon cycles between the atmosphere, the oceans, and land. Included in this request are funds to study the role of farms, forests, and other natural or managed lands in capturing carbon. The initiative includes \$10 million in new funding for USDA as well as additional funding for other research agencies.
- **Soil Carbon Inventory.** The FY 2000 budget request includes \$14 million to significantly expand efforts to conduct a comprehensive scientific inventory of carbon stored in U.S. soils and to develop methods to predict how soil carbon levels would be affected by different practices and policies.

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Divider Title: _____

INDUSTRY AND CLIMATE CHANGE

APRIL 1999

There is a growing awareness in the business community that the threats posed by climate change are real and a number of companies are stepping forward to assume leadership roles in efforts to address the problem. The Clinton Administration is working to facilitate these efforts through a range of voluntary programs. It also supports the principle of granting credit to firms that take early action to reduce greenhouse gas (ghg) emissions.

Growing Awareness and Support From Business. An increasing number of companies are committing to take real actions to cut their ghg emissions. In the past year alone:

- **British Petroleum** pledged in September 1998 to reduce its ghg emissions 10% below 1990 levels by 2010 across its global operations and to ramp up its solar business to \$1 billion in sales by 2007. The company later extended its pledge to include its newly acquired subsidiary, **Amoco**.
- **Royal Dutch Shell** pledged to cut its global ghg emissions by 10% by 2002 and maintain that level of reduction through 2010. It will also spend \$500 million over the next 5 years on developing a new renewable energy business.
- **United Technologies** -- producers of Otis elevators, Carrier air conditioners, Pratt & Whitney engines and Sikorsky helicopters -- announced a plan to cut emissions by improving energy efficiency 25% per unit of production by 2010.
- **IBM** announced goals to improve energy efficiency by 4% per year and to reduce ghg emissions.
- The new **Pew Center on Climate Change** launched a \$5 million campaign to build support for taking action on climate change. **Boeing, DuPont, Shell, Weyerhaeuser** and some 17 other major corporations joined the Center's *Business Environmental Leadership Council*, saying "enough is known about the science and environmental impacts of climate change for us to take actions to address its consequences."

Industry Partnerships. A number of voluntary government-industry partnerships are supporting efforts to reduce emissions, including:

- *Partnership for a New Generation of Vehicles*, a partnership with the **auto industry** to develop cars that get up to three times the fuel efficiency of today's cars;
- *Partnership for Advancing Technology in Housing*, a partnership with the **building industry** to develop and deploy housing technologies to make new homes 50% more energy efficient and to retrofit 15 million existing homes to make them 30% more energy efficient within a decade; and
- *Industries of the Future*, a cooperative research program with the nation's most energy-intensive industries -- such as **aluminum, glass, chemicals, forest products, mining, petroleum refining, and steel** -- to develop energy efficient technologies.

Credit for Early Action. In this year's State of the Union address in January, President Clinton reiterated his commitment to providing credit to companies that take early, voluntary action to reduce ghg emissions or increase carbon sequestration. We look forward to working with Congress and stakeholders on a fair and workable program that rewards real environmental gain.

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Divider Title: _____

NEW CLIMATE SCIENCE FINDINGS APRIL 1999

Significant new findings over the past year reinforce the broad scientific consensus that human activities have started to affect the climate and that continuing a "business as usual" course will lead to substantial warming in the next century.

Temperatures Warmest in 1000 years. In the last year, several independent studies have provided additional evidence of 20th century warming. In a study published last April in *Nature*, scientists analyzed tree rings, corals, ice cores, and lake sediments that showed this century's surface temperatures for the Northern Hemisphere to be the warmest since at least 1400. A more recent study of Northern Hemisphere temperatures published in *Geophysical Research Letters* found it highly likely that the 20th century has been the warmest century of the millennium; the 1990s have been the warmest decade; and 1998 has been the warmest year. A study of temperature data from 600-1800 foot deep boreholes in North America, Europe, Africa, and Australia, published last October in *Science* found that the Earth's average surface temperature has increased by about 1.8° Fahrenheit (F) over the last five centuries, and that half of this total warming occurred in this century.

1998 Sets Record for Warmest Year. In January 1999, NASA and NOAA researchers released data showing that 1998 was the warmest year recorded since reliable instrument records began over a century ago. Over this same span, 7 of the 10 warmest years on record have all occurred since 1990. The global average temperature in 1998 broke the previous record, set in 1997, by a quarter of a degree F. In, addition, 1998 was also 1.2° F above the long-term average temperature – the 20th consecutive year in which this benchmark has been exceeded.

El Nino a Window on the Future. Last year's strong El Nino produced warmer and wetter conditions in some areas of the world similar to those anticipated from global warming. The heat waves and drought in Texas and other parts of the southwestern United States, wildfires in Florida, Mexico, and Indonesia, ice storms in the northeastern United States, and devastating floods in China and Bangladesh, are illustrative of the kinds of extreme events that are expected to become more frequent as average global temperatures increase.

Growing Season Lengthening Due to Warming. A new study analyzing the behavior of trees and shrubs across Europe concluded that botanical spring is starting an average of six days earlier than it did three decades ago, while autumn has been delayed an average of about five days. This confirms earlier studies which have used different methods to show, for example, that spring arrived about a week earlier in the early 1990s than it did in the early 1980s for regions north of the 45th parallel.

New Analysis of Satellite Temperature Measurements Finds Warming. A new analysis of satellite data published last August in *Nature* found that previous reports indicating a cooling trend in the lower atmosphere failed to account for the decaying (lowering) of satellite orbits. The corrected satellite record shows a slight warming trend more consistent with ground-based observations.

New Study Shows Role of CO₂ in Ice Age Warming. A study of Antarctic ice cores published in March in *Science* compared changes in temperature and levels of atmospheric carbon dioxide during several ice ages. The study showed that as the Earth began to warm due to minor changes in its orbit, carbon was released from the ocean into the air, raising atmospheric CO₂ levels that then greatly magnified and accelerated the warming process. The study confirms that small changes in the factors that affect climate can have large effects on global temperatures.

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Divider Title: _____

MEETING THE CHALLENGE OF GLOBAL CLIMATE CHANGE

APRIL 1999

Global climate change is one of our greatest environmental challenges. The overwhelming weight of scientific authority tells us that the build-up of greenhouse gases in the atmosphere creates dangers -- such as severe storms and droughts, increases in respiratory and infectious diseases, and rising sea levels -- that are too serious to ignore.

The Clinton Administration is working at home and abroad to meet the challenge of climate change. Domestically, we are working on a wide range of initiatives to reduce greenhouse gas emissions by developing and deploying energy efficient technologies and spurring the broader use of renewable energy. Internationally, we are working to secure the meaningful participation of developing countries in addressing global warming and to complete the other unfinished business of the Kyoto Protocol.

THE SCIENCE OF CLIMATE CHANGE

Greenhouse gases trap heat from the sun. These gases warm the Earth's surface by an estimated 60° Fahrenheit (F), sustaining our existence on the planet. However, the burning of fossil fuels and deforestation have increased the concentration of carbon dioxide (the principal greenhouse gas) by more than 30% since preindustrial times.

Scientists predict that, if we continue on our current course, concentrations of greenhouse gases in the atmosphere will reach roughly twice current levels by 2100 -- a level not seen on this planet for the past 50 million years. The Intergovernmental Panel on Climate Change (IPCC), which represents the work of more than 2,000 of the world's leading climate scientists, estimates that this will lead to an increase in global temperature of 2 to 6.5° F. By way of comparison, the last ice age was only 5 to 10° F colder than today.

Over the past year, new data from satellites, tree rings, ice cores, and deep boreholes drilled in the Earth's surface have reinforced the broad scientific consensus that human activities have started to affect the climate and that continuing on a "business as usual" course will lead to substantial warming in the next century. Studies have shown that the 20th century has been the warmest century in the past 1,000 years and that the 1990s have been the warmest decade in that period, while 1998 has been the single warmest year on record.

POTENTIAL IMPACTS OF CLIMATE CHANGE

Scientists predict a range of likely effects from global warming:

- **Extreme weather.** As temperatures increase, so does the rate of evaporation. This acceleration of the so-called hydrologic cycle is projected to increase the frequency and intensity of extreme weather events such as floods and droughts. Last year's El Nino -- which produced warmer and wetter conditions akin to those anticipated from global warming -- offered us a window on the type of extreme weather that climate change may bring, from heat waves and drought in Texas, to wildfires in Florida, Mexico and Indonesia, ice storms in the northeastern United States, and devastating floods in China and Bangladesh.

- **Human health.** Warmer temperatures are projected to increase fatalities from heat stress and expand the geographic ranges for diseases like malaria and dengue fever. Additional smog caused by warmer temperatures could increase the incidence of asthma and other respiratory illnesses, particularly among children and the elderly.
- **Sea level rise.** Scientists project that the sea level will rise by an additional 6 to 37 inches by 2100, endangering island states and coastal areas. A 20-inch rise could inundate 7,000 square miles of the U.S. coastline, with Florida and the Gulf Coast at greatest risk.
- **Agricultural impacts.** Changes in growing seasons, water availability, soil moisture, and precipitation are expected to cause significant regional shifts in food productivity, with decreased production in many of the world's poorest regions. Water supplies and water quality may also be affected, posing threats to irrigation, fisheries, and drinking supplies.
- **Damage to ecosystems.** Many species are highly adapted to particular climate conditions and may not survive substantial climate shifts. For example, the United States may lose beech trees and sugar maples, and western conifer forests are likely to shrink, as the tolerable climate zones for these species shift hundreds of miles to the north.

PRESIDENT CLINTON'S DOMESTIC PLAN

Since 1993, President Clinton has put into place dozens of win-win programs to develop and deploy energy efficient technologies and spur the development and broader use of renewable energy. These efforts have accelerated since the Kyoto climate change conference in 1997.

- **Climate Change Technology Initiative.** This vigorous program of *tax incentives* and *investments* focuses on energy efficiency and renewable energy technologies. The FY 1999 appropriations for these programs totaled over \$1 billion and represented a 25% increase over the prior year. The President's FY 2000 budget proposes a still more accelerated effort.
 - The **tax incentive package** contains \$3.6 billion over five years for consumers who purchase energy efficient products and for producers of energy from renewable sources. Highlights include: a tax credit of up to \$2000 for energy efficient new homes; a 10-20% credit for selected energy efficient products for homes and buildings; a credit of up to \$2000 for rooftop solar systems; a credit of up to \$4000 for qualifying electric, fuel cell or hybrid vehicles; extension of the current 1.5 cents/kilowatt hour credit for the production of electricity from wind and biomass; an expansion of the biomass credit to cover additional sources; and a 1.0 cent/kilowatt hour credit for cofiring coal and biomass in power plants.
 - The **investment package** contains nearly \$1.4 billion in FY 2000 to research, develop, and deploy clean energy technologies. This represents a 34% increase over the amount appropriated in FY 1999. Highlights include: increased funding for the *Partnership for a New Generation of Vehicles*, a government-industry effort to develop cars that get up to three times the fuel efficiency of today's cars; the *Partnership for Advancing Technology in Housing*, which aims to improve the energy efficiency of new homes by more than 50% and to retrofit 15 million existing homes to make them 30% more energy efficient within a decade; a stepped-up *Bioenergy Initiative* to develop advanced bioenergy technologies; expanded research and development efforts in other key renewable energy technologies, such as solar, wind, and geothermal energy; and a *Carbon Cycle Initiative*, to deepen our understanding of carbon "sinks," such as forests and farmlands.

- ***Electricity restructuring.*** Another core element of the President's plan involves restructuring the electricity industry by introducing competition that will save consumers millions on their energy bills while reducing greenhouse gas emissions. The Administration's restructuring proposal would provide a profit incentive for generators to produce more electricity with less fuel and to improve energy efficiency. It also includes an aggressive, 7.5 percent renewable portfolio standard to increase the use of electricity from renewable sources and a \$3 billion Public Benefits Fund to spur greater investment in energy efficiency and renewables.
- ***Industry Partnerships.*** The Administration is also engaged in a wide range of consultations with key industry sectors to improve energy use and reduce emissions. For example, the *Industries of the Future* program works cooperatively with the nation's most energy-intensive industries -- such as aluminum, glass, chemicals, forest products, mining, petroleum refining, and steel -- to develop technologies that increase energy and resource efficiency.
- ***Credit for Early Action.*** The Administration is committed to working with Congress and industry on legislation to reward companies taking early, voluntary action to reduce their greenhouse gas emissions or increase carbon sequestration.
- ***Clean Air Partnership Fund.*** The President's FY 2000 budget proposes \$200 million for the creation of a new Clean Air Partnership Fund to support state and local projects to reduce both greenhouse gas emissions and ground-level air pollutants.
- ***Federal energy use and procurement.*** The President's plan seeks to substantially reduce the Federal government's own greenhouse gas emissions by improving the energy efficiency of Federal facilities and activities and reforming procurement practices. These actions are important in their own right, since the Federal government is the nation's largest single energy user, but they also set an important example for the private sector.
- ***Domestic emissions trading.*** The President has proposed a domestic emissions trading system to begin by 2008 so that we can achieve our emissions target at the lowest possible cost. The U.S. has used emissions trading successfully to reduce the pollution that causes acid rain -- exceeding environmental objectives at about 50% the expected cost.
- ***Scientific research.*** The Administration is continuing its strong support for the U.S. Global Change Research Program, with nearly \$1.8 billion in funding requested for FY 2000. This program provides a sound science foundation for policy decisions by furthering our understanding of human- and naturally-induced changes in the Earth's environment and assessing the likely consequences of global warming.

DIPLOMATIC AGENDA

Thanks largely to U.S. leadership, the international climate change agreement reached at Kyoto, Japan in December 1997, combines strong environmental targets with elements of flexibility that will allow nations to meet their targets in a cost-effective manner, including:

- ***Flexible market mechanisms.*** The Protocol includes critically important market mechanisms that can dramatically cut the cost of reducing emissions. Chief among these are *international emissions trading* and the so-called *Clean Development Mechanism (CDM)*, which will allow U.S. companies to participate in joint clean energy ventures in the developing world and earn credits from verified reductions in greenhouse gas emissions.

- ***Emissions targets are to be reached over a five-year commitment period. The first commitment period will be 2008-2012.*** Allowing emissions to be averaged over a commitment period helps smooth out short-term fluctuations due to economic performance or weather. Having a decade before the start of the binding period will allow more time for companies to make the transition to greater energy efficiency and/or lower carbon technologies.
- ***Emissions targets include all six major greenhouse gases.*** This will provide both more comprehensive environmental protection and additional flexibility for nations and companies.
- ***Activities that absorb carbon, such as planting trees, can be used to offset emissions.*** Including these so-called carbon sinks will encourage afforestation, reforestation, and better forestry and agricultural conservation practices.

At the November 1998 UN climate change conference in Buenos Aires, the parties agreed on a two-year timetable for filling in the key details of the Kyoto Protocol in areas such as emissions trading, the CDM, compliance, and the scope and use of carbon sinks. Buenos Aires also saw progress on the issue of developing country participation as Argentina and Kazakhstan announced their intention to take on binding emissions targets for the 2008-2012 time period. The President has made clear that he will not submit the Kyoto Protocol to the Senate without meaningful participation from key developing countries in efforts to address global warming.

ECONOMIC COST OF KYOTO

The Administration's economic analysis of the Kyoto Protocol concludes that, if we do it right, the cost to the United States of meeting our Kyoto target should be modest. Even without counting the impact of domestic policies or the environmental, health, and economic benefits of limiting climate change, estimates derived from economic modeling suggest an emissions price in the range of \$14 to \$23 per ton of greenhouse gases. In 2010, that would translate into an increase of \$70 to \$110 per year for an average family's energy bill. This increase, however, would be substantially offset by the decline in electricity prices resulting from increased competition in a restructured electricity industry, as the Administration and others have proposed. In addition, noted economists have estimated the ancillary benefits of reducing greenhouse gas emissions -- such as reduced air pollution -- could produce savings equal to one quarter of the costs of meeting our Kyoto target.

CONCLUSION

For the past 25 years, efforts to protect the environment, whether by cleaning our air, our water, or eliminating acid rain, have been repeatedly assailed as a threat to our economy. Yet today, we have the cleanest environment in a generation and the strongest economy in a generation. President Clinton's balanced approach to the challenge of climate change will allow us to continue to grow the economy and protect the environment at the same time.

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Divider Title: _____

President Clinton's FY 2000 Climate Change Budget

The President's climate change package for FY 2000 totals over \$4.1 billion -- an increase of more than \$1 billion (34 percent) from the amount enacted for FY 1999. It is comprised of a new Clean Air Partnership Fund to boost state and local efforts to reduce both greenhouse gases and ground-level air pollutants; the Climate Change Technology Initiative, which mixes tax incentives and direct spending to spur the research, development, and deployment of energy efficient technology and renewable energy; other climate-related investments, such as R&D of highly efficient technologies for the combustion and use of coal and natural gas, weatherization, and state energy grants; and the United States Global Change Research Program, to enhance our understanding of the human and natural forces that influence the Earth's climate system.

Table 1. Climate-Change-Related Domestic Programs (\$ in Millions)

	FY 1999 Enacted	FY 2000 Request	Change
Clean Air Partnership Fund	0	200	+200
Climate Change Technology Initiative--tax incentives	--	383*	+383
Climate Change Technology Initiative--spending	1,021	1,368	+347
Other Climate-Related Investments (cleaner coal & natural gas; weatherization; state energy grants)	387	400	+13
Global Change Research Program	1,681	1,786	+105
TOTAL	3,090	4,137	+1,048

*First year of a proposed five year, \$3.6 billion package.

Clean Air Partnership Fund

To help protect public health and ease the threat of global warming, President Clinton is proposing \$200 million for the creation of a new Clean Air Partnership Fund. The Fund will provide grants to states, localities, and tribes to support state, local, tribal, and private efforts that achieve reductions in both greenhouse gas emissions and ground-level air pollutants. The Fund will be administered by the Environmental Protection Agency (EPA) under existing authority.

- ***Integrated Pollution Control.*** The Fund will stimulate integrated, cost-effective pollution control strategies. It directs new resources to state, local, and tribal governments to finance projects and programs that achieve accelerated reductions in both air pollutants, such as soot, smog, and air toxics, and in greenhouse gases.
- ***A Quicker Path to Cleaner Air.*** By providing new resources for projects that accelerate pollution reductions, the Fund will enable communities to achieve multi-pollutant clean air goals sooner and reduce greenhouse gas emissions at the same time.
- ***Technological Innovation.*** The Fund will help spur both public and private sector innovations in next-generation pollution control technology.
- ***A Magnet for Local Investment & Innovation.*** The Fund will encourage public-private partnerships to demonstrate ways to create a cleaner environment at the local level. The Fund can be used to support local revolving funds, low-interest loan programs, matching grants, and other mechanisms that will leverage the original Federal investment, greatly increasing its impact.
- ***“Win-Win” Clean Air Projects.*** The Fund will support a wide range of practical projects that will mean cleaner air, reduced greenhouse gas emissions, and real savings for taxpayers and consumers. These could include projects such as building combined heat and power facilities that put waste heat to work, reducing emissions of both sulfur dioxide and carbon dioxide; retrofitting municipal buildings to make them more energy efficient, reducing pollution resulting from electricity generation; and upgrading municipal vehicle fleets to make them more fuel efficient.

Climate Change Technology Initiative: \$3.6 Billion in Tax Incentives

The President is proposing a new \$3.6 billion package in tax incentives over five years to help reduce greenhouse gas emissions by spurring the purchase of energy efficient products and the use of renewable energy (see Table 2).

	Revenue Effect	
	FY 2000	Total FY00-04
Homes and Buildings		
Provide tax credit for energy efficient building equipment	-0.2	-1.5
Provide tax credit for new energy efficient homes	-0.1	-0.4
Provide tax credit for rooftop solar systems	--*	-0.1
Vehicles		
Extend tax credit for electric or fuel cell vehicles and provide tax credits for highly fuel efficient hybrid vehicles	0	-0.9
Renewable Energy		
Extend tax credit for electricity produced from wind and biomass; expand eligible biomass sources; and include coal-biomass cofiring	--*	-0.3
Industry		
Provide tax credit for combined heat and power systems	-0.1	-0.3
TOTAL**	-0.4	-3.6

*Less than \$50 million.

**Total may not add due to rounding.

HOMES AND BUILDINGS

- ***Tax credit to consumers who purchase new energy efficient homes.*** To encourage the purchase of new energy efficient homes, consumers would receive a tax credit of \$1,000 for homes purchased from 2000-2001 that are at least 30 percent more energy efficient than the standard under the 1998 International Energy Conservation Code (IECC); a credit of \$1,500 for homes purchased from 2000-2002 that are at least 40 percent more efficient than the IECC standard; and a credit of \$2,000 for homes purchased from 2000-2004 that are at least 50 percent more efficient than the IECC standard.
- ***Tax credit for energy efficient equipment in new and existing homes or buildings.*** This credit will encourage the purchase of electric heat pump and natural gas water heaters, electric and natural gas heat pumps, advanced central air conditioners, and fuel cells. The credit would apply to both residential and commercial equipment. For electric heat pump water heaters, natural gas heat pumps, and fuel cells, the credit would be 20 percent of the cost of the investment, subject to a cap, for equipment purchased from 2000-2003. For all other equipment, the credit would be 10 percent of the cost of the investment, subject to a cap, at one level of efficiency (2000-2001) and 20 percent, subject to a cap, at a higher level of efficiency (2000-2003).
- ***Tax credit for rooftop solar systems.*** A 15 percent tax credit will encourage the purchase by consumers and businesses of rooftop solar systems. The maximum credit would be \$2,000 for rooftop photovoltaic systems placed in service from 2000-2006 and \$1,000 for solar water heating systems placed in service from 2000-2004.

VEHICLES

- ***Tax credits for highly efficient cars and light trucks.*** Cars and light trucks (including minivans, sport utilities, and pickups) currently account for 20 percent of greenhouse gas emissions. Tax credits for electric, fuel cell, and hybrid vehicles will help to move these highly efficient technologies from the laboratory to the highway. These technologies can significantly reduce emissions of carbon dioxide, the most prevalent greenhouse gas.
- ***Extend the current tax credit for electric vehicles and fuel cell vehicles.*** Under current law, a 10 percent credit, up to \$4,000, is provided for the cost of qualified electric vehicles and fuel cell vehicles. The credit begins to phase down in 2002 and phases out in 2005. The President's proposal would extend the tax credit at its \$4,000 maximum level through 2006.

- **Tax credits for hybrid vehicles.** The credit -- available for all qualifying vehicles, including cars, minivans, sport utility vehicles, and pickup trucks -- would be:

-- \$1,000 for each vehicle that is one-third more fuel efficient than a comparable vehicle in its class -- available from 2003-2004;

-- \$2,000 for each vehicle that is two-thirds more fuel efficient than a comparable vehicle in its class -- available from 2003-2006;

-- \$3,000 for each vehicle that is twice as fuel efficient as a comparable vehicle in its class -- available from 2004-2006; and,

-- \$4,000 for each vehicle that is three times as fuel efficient as a comparable vehicle in its class -- available from 2004-2006.

RENEWABLE ENERGY

- ***Tax credit for electricity produced from wind.*** Current law encourages the production of electricity from wind, which emits no greenhouse gases, through a tax credit of 1.5 cents per kilowatt hour (adjusted for inflation after 1992). The current tax credit covers facilities placed in service before July 1, 1999. The President proposes a 5-year extension of this tax credit.

- ***Tax credits for electricity produced from biomass.*** Biomass refers to trees, crops and agricultural wastes used to produce power, fuels or chemicals. This package of credits would:

-- **Extend current biomass credit.** This proposal extends for five years the current 1.5 cent per kilowatt hour tax credit (adjusted for inflation after 1992), which covers facilities placed in service before July 1, 1999.

-- **Expand definition of eligible biomass.** This proposal expands the definition of biomass eligible for the 1.5 cent tax credit to include certain forest-related resources and agricultural and other sources.

-- **Include cofiring biomass and coal.** This proposal adds a 1.0 cent per kilowatt hour tax credit for electricity produced by cofiring biomass in coal plants.

INDUSTRY

- ***Tax credit for combined heat and power (CHP) systems.*** CHP systems make effective use of thermal energy that is otherwise wasted in producing electricity by more conventional methods. To encourage and accelerate investment in CHP equipment, this proposal provides an 8 percent tax credit for investments in large CHP systems that have a total energy efficiency exceeding 70 percent and in smaller systems that have a total energy efficiency exceeding 60 percent. The credit would apply to property placed in service from 2000-2002.

Climate Change Technology Initiative: \$1.4 Billion for Energy Efficiency & Renewables

The President's FY 2000 budget proposes nearly \$1.4 billion for the research, development, and deployment of renewable energy technologies and energy efficient products that will help reduce U.S. greenhouse gas emissions. This represents a \$347 million increase (34 percent) over FY 1999 spending (see Table 3). The President's proposed investment package covers the four major carbon-emitting sectors of the economy -- buildings, transportation, industry, and electricity -- as well as carbon sequestration (see Table 4). The following sections highlight selected programs in each of these areas of effort. The full agency programs extend well beyond what is described here.

Table 3. CCTI Funding by Agency (\$ in Millions)

	FY 1998 Enacted	FY 1999 Enacted	FY 2000 Request	Change from 1999
Energy	729	902	1,124	+222
EPA	90	109	216	+107
Housing & Urban Development	0	10	10	0
Agriculture	0	0	16	+16
Commerce	0	0	2	+2
TOTAL*	819	1,021	1,368	+347

*Totals may not add due to rounding

Table 4. CCTI Funding by Area of Activity (\$ in Millions)

	FY 1998 Enacted	FY 1999 Enacted	FY 2000 Request	Change from 1999
Buildings	140	172	273	+101
Transportation	245	291	377	+86
Industry	157	188	239	+51
Electricity	239	310	379	+69
Carbon Sequestration	0	14	39	+25
Management, Planning & Analysis	37	46	60	+14
TOTAL*	819	1,021	1,368	+347

* Totals may not add due to rounding.

BUILDINGS

- ***Partnership for Advancing Technology in Housing (PATH).*** PATH is a partnership between the Federal government and building industry to develop and deploy housing technologies to make new homes 50 percent more energy efficient and to make at least 15 million existing homes 30 percent more energy efficient within a decade.
- ***Energy Efficient Appliances and Products.*** Various DOE and EPA programs aim to promote the dissemination of energy efficient appliances and products:

-- DOE will accelerate its program to establish **energy efficiency standards for lighting and appliances.**

-- EPA and DOE's **Energy Star Products** program saves consumers money and reduces greenhouse gas emissions at the same time by promoting the use of energy efficient products -- everything from computers to refrigerators to central air-conditioning units. New funding will support the launch of new Energy Star product lines.

- ***Energy Efficient Commercial Buildings.*** DOE and EPA work in partnership with industry to research, develop, and deploy new technologies and practices to improve the energy performance of commercial buildings. Buildings in the top 25 percent in energy efficiency qualify for EPA's "**Energy Star Buildings**" label. Participants include the Empire State Building, the World Trade Center, and Chicago's Sears Tower.
- ***Energy Smart Schools.*** Announced in October 1998, this initiative cuts across several DOE programs and brings together public and private sector resources to cut schools' energy bills so that the savings can be reinvested in students and their education.

TRANSPORTATION

- ***Partnership for a New Generation of Vehicles (PNGV).*** PNGV is a government-industry effort that aims to develop attractive, affordable cars that meet all applicable safety and environmental standards and get up to three times the fuel efficiency of today's cars. Since 1993, great strides have been made in producing lower-cost, light-weight materials, inexpensive fuel cells, and advanced internal combustion engines for use in hybrid vehicles. The program aims to produce a prototype mid-sized family car capable of 80 miles per gallon (mpg) with a two-thirds reduction in carbon emissions by 2004. The FY 2000 budget includes \$264 million for PNGV-related work, an increase of \$24 million over the amount appropriated for FY 1999.

- **Light and Heavy Trucks.** Similar government-industry efforts are aimed at developing cleaner, more efficient diesel engines for both light and heavy trucks.
 - By 2002, DOE aims to develop **advanced diesel cycle engine technologies** for pickup trucks, vans, and sport utility vehicles which achieve at least a 35 percent fuel efficiency improvement relative to current gasoline-fueled trucks while meeting strict emission standards.
 - By 2004, DOE, in coordination with EPA and the Department of Defense, aims to develop **engine and vehicle technologies for heavy trucks** that will increase the fuel economy to 12 mpg from the current average of 5.3 mpg.
- **Biofuels.** Working with the Department of Agriculture (USDA), DOE will continue its work in the biochemistry of converting wood chips, grasses, agricultural wastes, and other products into ethanol and other potentially useful fuels.

INDUSTRY

- **Industries of the Future.** This DOE program works cooperatively with the nation's most energy-intensive industries -- such as aluminum, glass, chemicals, forest products, mining, petroleum refining, and steel -- on developing technologies that increase energy and resource efficiency. Promising collaborative efforts include improvements in the process of making steel, pulp and paper, and other energy-intensive products that could dramatically increase efficiency, lower greenhouse gas emissions, and improve competitiveness.
- **Industrial Combined Heat and Power (CHP) Systems.** DOE is developing new industrial CHP systems to capture thermal heat would otherwise be wasted. These systems are expected to be 15 percent more energy efficient and 80 percent cleaner than conventional power systems and cut electricity costs by 10 percent. In addition, EPA and DOE are also working to eliminate barriers to the rapid dissemination of combined heat and power technology.
- **Voluntary Industrial Partnerships.** EPA will expand its industry partnership programs, such as **Climate Wise** and the **Voluntary Aluminum Industrial Partnership**, to encourage businesses to take advantage of cost-effective emissions reductions opportunities -- including emissions of the most potent greenhouse gases, such as methane, perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), and sulfur hexafluoride (SF6).

- **Agriculture and Forestry.** USDA will undertake R&D and support demonstration projects aimed at both lowering greenhouse gas emissions from agriculture and forestry and reducing their vulnerability to climate change.

--The **Natural Resources Conservation Service** will invest \$3 million in projects to demonstrate and test various means of reducing greenhouse gas emissions in agriculture, such as compost-based waste-handling facilities, rotational grazing systems, and improved feed and forage systems.

--The **Agricultural Research Service** will devote \$7 million towards climate change related activities, including the development of new technology and expertise for reducing agriculture's vulnerability to a changing climate. Field experiments will seek to measure various potential effects of climate change, such as varying amounts and patterns of rainfall on forage production.

The FY 2000 budget also includes important USDA funding for developing advanced biomass energy technologies; R&D and demonstration projects for carbon sequestration; research to study the role of farms, forests, and other natural or managed lands in capturing and storing carbon; and a comprehensive U.S. soil carbon inventory (see pp. 10-12 below).

ELECTRICITY

- **Photovoltaic Energy Systems.** Over the past 20 years, Federal R&D has resulted in a 90 percent cost reduction in solar photovoltaics. DOE will accelerate R&D of the next generation photovoltaic cells; increase manufacturing R&D; increase research in buildings-integrated applications; and fund efforts to develop new, unconventional technologies.

-- **Million Solar Roofs.** In June, 1997, the President announced an initiative to encourage the installation of one million solar systems by 2010, which would reduce carbon emissions equivalent to the annual emissions from 850,000 cars. DOE has received commitments for over half a million solar rooftop installations.

- **Biomass.** Biomass represents a tremendous renewable resource whose use can help strengthen our energy security, protect the environment, and enhance our rural economy.

-- **Biomass Power.** DOE is testing and demonstrating biomass co-firing with coal; developing advanced technologies for biomass gasification using paper industry by-products; and developing and testing high-yield, low-cost biomass feedstocks.

-- **Advanced Biomass Technologies.** This year DOE, USDA, and other Federal agencies and private partners will launch a national partnership to develop advanced integrated biomass technologies. These technologies will enable the production of power, transport fuels, and high-value chemicals from biomass feedstocks.

- **Wind Power.** DOE will continue developing a next-generation wind turbine able to produce power at 2.5 cents per kilowatt-hour in good wind regions, accelerate R&D on critical components, and accelerate testing and field validation.
- **Hydrogen.** DOE will accelerate research on low-cost hydrogen production and storage, prerequisites to the widespread use of hydrogen as a fuel.
- **High Temperature Superconductivity.** DOE supports industry-led projects to capitalize on recent breakthroughs in superconducting wire technology, aimed at developing devices such as advanced motors, power cables, and transformers. These technologies would allow more electricity to reach the consumer without an increase in fossil fuel input.

CARBON SEQUESTRATION

- **R&D for Sequestration.** Research initiatives are being funded to find ways to sequester (store) carbon. Examples include:
 - **Enhancing Forest and Farmland Sinks.** The **Forest Service**, in conjunction with other USDA agencies, will spend \$6 million for R&D and demonstration projects for optimizing forest, farmland, and rangeland carbon sinks. The focus of such projects will include storage of carbon in forest soils and increased durability and use of wood products to sequester carbon.
 - **Enhancing natural geological and oceanic processes.** DOE will support research into the feasibility of capturing and storing carbon dioxide in underground geological structures and in the deep ocean.

Other Climate-Related Investments

There are a number of additional programs for which funding is proposed in the FY 2000 budget that -- while not part of the Climate Change Technology Initiative per se -- contribute to improving energy efficiency and reducing greenhouse gas emissions. These programs include:

- ***Cleaner Coal and Natural Gas.*** The FY 2000 budget includes \$209 million to support the Department of Energy's (DOE) aggressive R&D effort to develop next-generation technologies for the combustion and use of coal and natural gas. For example, research and development of two new coal combustion technologies -- integrated gasification combined cycle and pressurized fluidized bed combustion -- could lead to ultra-high efficiency coal plants with dramatically lower greenhouse gas emissions.
- ***Low Income Weatherization and State Energy Grants.*** These DOE programs facilitate energy efficiency investments at the State and local level. The **Weatherization Assistance Program**, for example, delivers energy conservation services, such as insulation, to low-income Americans, reducing energy costs for consumers, improving health and safety, and reducing carbon emissions. The total FY 2000 budget request for these two programs is \$191 million -- a \$25 million increase over FY 1999 appropriations.
- ***Agricultural & Forestry Conservation Programs.*** Many Department of Agriculture conservation programs have the co-benefit of reducing carbon emissions resulting from agriculture and forestry and enhancing the ability of "sinks," such as forests and farmlands, to sequester or store carbon. This includes programs such as the **Conservation Reserve Program**, the **Environmental Quality Incentives Program**, and the **Farmland Protection Program**. In general, these programs assist farmers, ranchers, and other landowners in conserving and improving soil, water, and other natural resources associated with rural land.

U.S. Global Change Research Program

The United States Global Change Research Program (USGCRP) seeks to provide a sound scientific understanding of both the human and natural forces that influence the Earth's climate system. The information produced by USGCRP's scientists is used by national and international policy makers to make informed decisions on global change issues. This multi-agency scientific research program coordinated through the National Science and Technology Council.

For FY 2000, the President is requesting nearly \$1.8 billion for the USGCRP, an increase of \$105 million, or 6 percent, above the amount enacted for FY 1999. Of the FY 2000 budget request, \$828 million is for scientific research (up \$84 million) and \$958 million is for NASA's development of climate monitoring satellites and ground based observation systems. Other important USGCRP budget highlights include:

- ***Carbon Cycle Initiative.*** The FY 2000 budget request establishes a new multi-agency initiative to improve our understanding of how carbon cycles between the atmosphere, the oceans, and land. Included in this request are funds to study the role of farms, forests, and other natural or managed lands in capturing carbon. Such carbon "sinks" may provide the U.S. and other nations with new tools for offsetting greenhouse gas emissions. The initiative includes \$10 million in new funding for the Department of Agriculture (USDA) and \$5 million for the Department of Energy.
- ***Soil Carbon Inventory.*** The FY 2000 budget request includes \$14 million (an increase of \$12 million from FY 1999 appropriations) to significantly expand efforts to conduct a comprehensive scientific inventory of carbon stored in U.S. soils and to develop methods to predict how soil carbon levels would be affected by different practices and policies. The inventory will be conducted by USDA's Natural Resources Conservation Service.
- ***3-Dimensional Mapping of Forests.*** The FY 2000 budget provides funding to launch NASA's Vegetation Canopy Lidar, which, for the first time, will give scientists a three dimensional view of the Earth's forests to help determine the contribution of forests in sequestering atmospheric carbon.
- ***Consequences of Climate Change.*** The FY 2000 budget provides funding to complete a report on the first national assessment of the potential consequences of climate change on the United States. The report will identify potential impacts on key economic sectors and geographic regions, mitigation and adaptation strategies, and provide technical information for policy makers.
- ***Regional Variability.*** The FY 2000 budget request includes funding to help scientists examine climate change and variability on a regional scale. Supported in part by the Administration's new Information Technology Initiative, the funding will help improve U.S. computer capabilities to run the complex models required to understand the effects of climate change and variability at the regional level.

Agriculture and The President's FY 2000 Climate Change Budget

Farmland, rangeland, and forests can play a critical role in meeting the challenge of global warming through carbon sequestration and renewable bioenergy. In his FY 2000 budget, the President is proposing \$251 million in funding for sequestration and bioenergy research, development, and deployment. This includes \$105 million for the Department of Agriculture (USDA), a \$50 million increase over the amount appropriated for FY 1999, and \$146 million for the Department of Energy (DOE), a \$59 million increase over FY 1999 appropriated funds. Highlights include:

SEQUESTRATION

Carbon sequestration refers to the storage of carbon from the atmosphere by soils, trees, crops, and other plants.

- **Demonstration Projects and New R&D.** The Forest Service, the Agriculture Research Service and the Natural Resources Conservation Service will launch new R&D and demonstration projects to optimize farmland, rangeland, and forest carbon sinks.
- **Carbon Cycle Initiative.** The FY 2000 budget request establishes a new multi-agency initiative to improve our understanding of how carbon cycles between the atmosphere, the oceans, and land. Included in this request are funds to study the role of farms, forests, and other natural or managed lands in capturing carbon. Such carbon "sinks" may provide the U.S. and other nations with new tools for offsetting greenhouse gas emissions. The initiative includes \$10 million in new funding for USDA and \$5 million for DOE.
- **Soil Carbon Inventory.** The FY 2000 budget request includes \$14 million to significantly expand efforts to conduct a comprehensive scientific inventory of carbon stored in U.S. soils and to develop methods to predict how soil carbon levels would be affected by different practices and policies.

BIOENERGY

Biomass refers to trees, crops and agricultural wastes used to produce power, fuels or chemicals. It represents a tremendous renewable resource whose use can help strengthen our energy security, protect the environment, and enhance our rural economy.

- **Biomass Power and Fuels.** DOE and USDA will continue developing, testing, and demonstrating high-yield, low-cost biomass feedstocks; testing and demonstrating biomass cofiring with coal; and seeking to produce alternative fuels, such as ethanol, from biomass.
- **Advanced Biomass Technologies.** This year, DOE, USDA and other Federal agencies and private partners will launch a national partnership to develop advanced integrated biomass technologies.
- **Biomass Tax Credit.** The President's tax package proposes to extend for 5 years the current 1.5 cent per kilowatt hour tax credit for electricity produced from biomass. The proposal also expands the types of biomass eligible for the credit to include certain forest-related, agricultural and other resources. Finally, the package includes a 1.0 cent per kilowatt hour tax credit for electricity produced by cofiring biomass in coal plants.

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Divider Title: _____

President Clinton's FY 2000 Climate Change Budget

"Our most fateful new challenge is the threat of global warming...Tonight I propose a new clean air fund to help communities reduce greenhouse and other pollution, and tax incentives and investments to spur clean energy technology."

President Bill Clinton, State of the Union address, January 19, 1999

Meeting the challenge of global warming. In his FY 2000 budget, the President is proposing a 34 percent increase for R&D in energy efficient technology and renewable energy; a new Clean Air Partnership Fund to boost state and local efforts to reduce greenhouse gases and air pollution; a five-year package of tax incentives to spur clean energy technologies; substantial new funding to focus on the ways farms and forests can reduce and offset greenhouse gas emissions; and \$1.8 billion for global change research -- a total package for FY 2000 of over \$4 billion.

Clean Air Partnership Fund. The President proposes \$200 million for a new fund to provide grants to state and local governments for projects that reduce both greenhouse gases and pollutants like soot, smog, and air toxics.

Climate Change Technology Initiative (CCTI). The CCTI is a package of targeted tax incentives and investments aimed at increasing energy efficiency and spurring the broader use of renewable energy. The package will save consumers money and reduce greenhouse gas emissions at the same time. FY 1999 appropriations represented a 25 percent increase over the prior year. The President's new budget proposes a still more accelerated effort.

\$3.6 billion in tax incentives over five years. The proposed package contains \$3.6 billion over five years in tax cuts (\$383 million for FY 2000) for consumers who purchase energy efficient products and for producers of energy from renewable sources. Highlights include:

- Tax credits for energy efficient homes. Consumers can receive a \$1000-2000 credit toward the purchase of a new energy efficient home; a 10-20 percent tax credit for the purchase of selected energy efficient products for their homes and buildings; and a \$1000-2000 credit for installing a rooftop solar system.
- Tax credits for fuel-efficient cars. The package includes tax credits ranging from \$1000-4000 for the purchase of a qualifying electric, fuel cell or hybrid vehicle.
- Tax credits for renewable energy. The package extends the 1.5 cent per kilowatt hour tax credit for the production of electricity from wind and biomass; expands the biomass credit to cover additional sources of biomass; and adds a 1.0 cent per kilowatt hour tax credit for cofiring coal and biomass in power plants.

\$1.4 billion for Energy Efficiency & Renewables. The proposed package contains nearly \$1.4 billion in FY 2000 to research, develop, and deploy clean technologies for the four major carbon-emitting sectors of the economy -- buildings, transportation, industry, and electricity -- a 34 percent increase over the amount appropriated in FY 1999. Highlights include:

- Partnership for a New Generation of Vehicles. PNGV is a government-industry effort to develop comfortable, affordable cars that meet all applicable safety and environmental standards and get up to three times the fuel efficiency of today's cars. The combined proposal for PNGV in the FY 2000 budget is \$264 million, an increase from the \$240 million appropriated in FY 1999.

- Partnership for Advancing Technology in Housing. PATH is a government-industry partnership to improve the energy efficiency of new homes by more than 50 percent and to retrofit 15 million existing homes to make them 30 percent more energy efficient within a decade. The FY 2000 budget request for building efficiency efforts, such as PATH, Energy Star, and Building America, totals \$273 million, a 59 percent increase over FY 1999 appropriations.
- Renewable energy. The President proposes \$399 million for the Department of Energy's (DOE) solar and renewable energy programs, a 19 percent increase over the amount appropriated in FY 1999. The package includes expanded efforts in key renewable technologies, such as wind, bioenergy, photovoltaics, and geothermal energy.

Forests and Farms. The FY 2000 proposal includes \$105 million for the Department of Agriculture's (USDA) climate change budget, an increase of \$50 million over the amount appropriated in FY 1999 and \$40 million over the Administration's FY 1999 request. The new proposal includes funding for a new, multi-agency Carbon Cycle Initiative to better understand how carbon is absorbed by agricultural soils and forests; a soil carbon inventory; pilot projects to demonstrate how improved farming practices can help store carbon; and programs to reduce emissions through means such as the conversion of waste to energy. In addition, DOE, in conjunction with USDA, will expand efforts aimed at broadening the use of biomass to produce power, fuels, and chemicals.

Cleaner Coal. The budget request contains \$122 million for R&D to develop next-generation technologies for coal combustion with much higher energy efficiency and lower greenhouse gas emissions.

Weatherization & State Energy Grants. The budget request includes \$191 million -- a \$25 million increase over FY 1999 appropriations -- to deliver energy conservation services to low-income Americans and to assist state energy offices in addressing their energy priorities.

U.S. Global Change Research Program. The FY 2000 request includes \$1.8 billion for scientific research to improve our understanding of human and natural forces that influence the Earth's climate system and to assess the likely consequences of global warming.

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Divider Title: _____

**THE BUENOS AIRES CLIMATE CHANGE CONFERENCE
STATE DEPARTMENT FACT SHEET
DECEMBER 1998**

OVERVIEW

- At a conference held November 2-13, 1998, in Buenos Aires, Argentina, the Parties to the UN Framework Convention on Climate Change agreed to a two-year action plan for advancing the ambitious agenda outlined in the historic Kyoto Protocol. The Protocol commits developed countries to reduce emissions of the greenhouse gases most scientists believe are causing global warming, and provides innovative, market-based tools for achieving those reductions. [See box].
- The Buenos Aires conference (known also as the "Fourth Session of the Conference of the Parties" or "CoP-4") also saw a significant breakthrough on the issue of developing country participation in international efforts to address climate change. Argentina became the first developing country to announce its intention to take on a binding emissions target for the 2008-2012 time period. Kazakhstan announced that it intended to do so as well.
- During the Buenos Aires conference, on November 12, 1998, the United States signed the Kyoto Protocol at the United Nations in New York. Signing reaffirms the United States' commitment to work with other nations to meet the Protocol's ambitious environmental goals and ensures a continued strong U.S. role in settling issues left unresolved at Kyoto. Signing does *not* impose an obligation on the United States to implement the Kyoto Protocol. (The Protocol cannot become binding on the United States without the approval of the United States Senate.) The President will not submit the Protocol to the U.S. Senate for approval without the meaningful participation of key developing countries in efforts to address climate change.

SUMMARY OF ACCOMPLISHMENTS

BUENOS AIRES ACTION PLAN

- By securing a plan of action with a deadline for developing key aspects of the operational framework of the Kyoto Protocol, the United States achieved one of its primary diplomatic objectives in Buenos Aires.
- In the Buenos Aires action plan, the Parties resolved to reach decisions by the end of 2000 on a number of key issues, including:
 - Rules and guidelines for Kyoto's market-based mechanisms (e.g., emissions trading, joint implementation, and the Clean Development Mechanism);
 - Compliance rules and procedures, including consequences for non-compliance;
 - Development and transfer of cleaner, climate-friendly technologies; and
 - Consideration of the adverse impacts of climate change and response measures.

THE KYOTO PROTOCOL

In December, 1997, in Kyoto, Japan, some 160 countries reached an historic agreement to cut greenhouse gas emissions in an effort to fight global warming -- one of the most profound environmental challenges of the 21st century.

The Kyoto Protocol includes binding emissions targets for developed nations -- 8% below 1990 emissions levels for the European Union; 7% for the United States; and 6% for Japan -- as well as U.S. proposals for flexible, market-based measures to ensure that these targets can be met in a cost-effective manner. The key market-based provisions are:

- **International emissions trading among nations with emissions targets.** Under an emissions trading regime, countries or companies that find it relatively expensive to reduce emissions may purchase additional emissions units from those emitters that have more units than they need (because they have already met their targets with room to spare). Trading encourages reductions where they can be achieved at the lowest cost, thus getting the world the most greenhouse gas reductions for each available dollar, euro or yen.
- **Clean Development Mechanism (CDM).** Industrialized countries will be able to use certified emissions reductions from projects in developing countries to contribute to their compliance with greenhouse gas reduction targets.
- **Joint implementation among developed countries.** Countries with emissions targets may get credit towards their targets through joint project-based emissions reductions in other such countries.

The Protocol includes additional elements of flexibility:

- **Emissions targets are to be reached over a five-year commitment period. The first commitment period will be 2008-2012.** Allowing emissions to be averaged over a commitment period helps smooth out short-term fluctuations due to economic performance or weather. Having a decade before the start of the binding period will allow more time for companies to make the transition to greater energy efficiency and/or lower carbon technologies.
- **Emissions targets include all six major greenhouse gases.** This will provide more comprehensive environmental protection while lending additional flexibility to nations and companies in meeting their targets.
- **Activities that absorb carbon, such as planting trees, can be used as offsets against emissions of greenhouse gases.** Including these so-called "carbon sinks" will encourage activities such as afforestation, reforestation, and better forestry and agriculture conservation practices.

To enter into force, the Protocol must be ratified by at least 55 countries, accounting for at least 55 percent of the total 1990 greenhouse gas emissions of developed countries. United States ratification will require the advice and consent of the U.S. Senate.

BUENOS AIRES ACTION PLAN (continued from page 1)

- The plan of action for proceeding on Kyoto's market-based mechanisms includes a list of critical operational issues raised by Parties, including:
 - Transparency in tracking transfers of emissions units;
 - Allocating risk in emissions trades; and
 - Measurement, reporting and verification issues.
- The Parties decided to continue the Activities Implemented Jointly pilot phase for emissions reduction and carbon sink activities. This will provide, in particular, the least developed and

small island states additional opportunities to develop projects and gain experience that will allow them to participate more fully in the Protocol's Clean Development Mechanism.

CARBON SINKS

- In addition to the Buenos Aires Action Plan, the Parties agreed to move forward with a process to define, measure and verify various categories of carbon sinks and have tasked the Intergovernmental Panel on Climate Change (IPCC) (an international body of over 2000 of the world's leading climate scientists and experts) with conducting a comprehensive study on land-use, land-use change, and forestry activities.
 - As part of this process, the Parties accepted the offer of the United States to host a workshop in the spring of 1999 on additional sink categories, such as those created by improved conservation and management of forests, agricultural soils, and grasslands.
 - Once the IPCC report is finished in the spring of 2000, the Parties will be in a position, at the following Conference of the Parties, to consider further decisions on the scope and use of carbon sinks under the Protocol.

DEVELOPING COUNTRY PARTICIPATION

- On November 11th, Argentina became the first developing country to announce its intention to adopt a binding emissions target for the 2008-2012 time period. Kazakhstan followed the next day with a similar pledge. While the issue of developing country participation in the Protocol remains far from resolved, these announcements signaled a clear shift in the terms of the international debate.
- The announcements by Argentina and Kazakhstan present a new challenge to the Parties. The Protocol does not now provide for nations to voluntarily assume binding emissions targets. Thus, future conferences will need to find pathways under the Protocol in order to facilitate greater developing country participation. Possibilities include a supplemental agreement that would modify the Protocol as it enters into force.
- Greater engagement in Buenos Aires on the part of developing countries was evidenced in other areas as well. One notable example was the growing interest of countries in Latin America and Africa in the Clean Development Mechanism, one of the Protocol's market-based provisions that provides incentives for investment in clean technology projects.
- Climate change is a global problem requiring a global solution. Thus, securing meaningful participation from key developing countries remains a top priority for the United States. The Administration will continue a "full-court diplomatic press" in this area.

PRIVATE SECTOR INVOLVEMENT

- Another encouraging development in Buenos Aires was the active participation of the private sector. Business representatives were involved in two roundtables on the Kyoto mechanisms and technology transfer. Private sector representatives will continue to have opportunities to participate in upcoming international meetings on a number of climate issues.

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Divider Title: _____

Circ: 852,262

Stuart E. Eizenstat

Frank E. Loy

Hot Air On Climate Change *A25*

H. L. Mencken once said that "a cynic is a man who, when he smells flowers, looks around for a coffin." In his Nov. 20 op-ed article, "Kyoto Shell Game," David Victor demonstrates the relevance of Mencken's dictum, stringing together a variety of criticisms as to why last year's Kyoto Protocol will not work to control emissions of the greenhouse gases that most scientists believe are causing global warming.

Victor argues that the protocol will result in a

Taking Exception

financial windfall for Russia and Ukraine; that the two-year plan agreed to at last month's climate change conference in Buenos Aires for shaping the protocol's operational framework is too short and finally, that the Clinton administration is wrong to insist that developing countries participate in meeting the challenge of climate change. None of these criticisms survives close scrutiny.

The Kyoto Protocol is a market-based agreement that commits the industrialized world to national targets that will result in an aggregate 5.2 percent reduction in greenhouse gas emissions below 1990 levels by 2008 to 2012. Targets for the developed countries are differentiated: Some must reduce their emissions below 1990 levels; some, such as Russia and Ukraine, must freeze emission levels; others are allowed emissions exceeding 1990 levels. Under the protocol's emissions trading system, countries where it is relatively inexpensive to meet the targets can sell emission allowances to countries where reducing emissions is expensive. Similarly, the protocol's Clean Development Mechanism allows industrialized countries to earn credits by investing in clean-technology projects in developing countries.

Victor apparently concurs with most analysts that Kyoto's market-based mechanisms are essential to meeting the challenge of climate

change at the lowest possible cost. These mechanisms also create incentives for all countries to make deeper, faster cuts in greenhouse gas emissions and to adopt better policies and clean technology.

What troubles Victor is that dramatic economic downturns in Russia and Ukraine will give those nations a lot of emissions allowances to trade. His point can be made more broadly: The European Union and Germany also will find it easier to meet their targets because of lower emissions resulting from the collapse of the former East German economy.

But the suggestion that these countries will receive a "windfall for doing nothing" misses the point. First, Victor ignores the critical fact that trading will give financially strapped economies strong incentives to use cleaner technology and improve energy efficiency. One of the crucial features of trading is that it provides a continuing incentive for countries or companies to reduce emissions even if they have met their targets, because they can sell their excess allowances.

Moreover, Victor's argument fails to appreciate that Kyoto's combination of differentiated targets and market-based mechanisms for meeting them was part of an ambitious, intensely negotiated framework. Going back to square one and "renegotiating the whole Kyoto deal"—as Victor suggests—makes no sense.

Victor also disdains the notion that effective systems for monitoring and enforcement can be established within the two-year timetable agreed to in Buenos Aires. But creating the structure for emissions trading, while complex and arduous, is also both doable and necessary. Nations need to know what they are agreeing to when they ratify the protocol. Drawing on the experience of our own highly successful domestic acid rain emissions trading program, the United States is committed to building a trading system with integrity—not one that is "half-baked" or a mere "shell game." Victor also ignores the fact that "full-blown emissions trading" will not start until almost a decade from now—plenty of time to fine-tune the system.

Victor's more fundamental disagreement with the administration is that our policy places too much emphasis on securing the participation of the developing countries in the fight against global warming. He even argues, "It is only proper that developing countries get a free ride for now."

But the developing countries' participation in this fight is not a political nicety—it is an environmental necessity. Early in the next century, emissions from the developing world will surpass those from developed nations. Moreover, Victor's free ride would be a costly disaster for developing nations themselves. Environmental problems put off today would strangle growth and devastate the environment tomorrow.

Argentina's pledge last month to take on a binding emissions target was no "vague and irrelevant promise" but a commitment—followed by one from Kazakhstan and two of the small, vulnerable island nations—that represents a critical step on the path to greater participation of developing countries.

Where Victor and the administration agree is on the need for the United States to lead the way on climate change. The administration has initiated or expanded more than 50 programs since 1993 that are improving U.S. energy efficiency and accelerating research and development into renewable energy sources. This fall President Clinton secured more than \$1 billion in funding for climate-related programs. Next month he will request more from Congress—aiming, as Victor suggests, to "spawn new technologies" that will put us on a path toward lower greenhouse gas emissions.

The writers are, respectively, undersecretary of state for economic, business and agricultural affairs; and undersecretary of state for global affairs.

Kyoto Shell Game

By David G. Victor

Friday, November 20, 1998; Page A29

The two weeks of marathon negotiations just concluded in Buenos Aires did little to slow global warming. Delegates who met there adopted a road map for implementing last year's Kyoto Protocol, but the road leads nowhere, because the protocol will never work.

The Kyoto Protocol sets targets and timetables for all 38 industrialized countries to regulate emissions of six gases that cause global warming. If the United States ratifies the pact, for example, it must cut emissions 7 percent below 1990 levels by the years 2008 to 2012. Similar cuts are required in Western Europe and Japan. Russia and Ukraine must freeze emissions at 1990 levels.

In practice, it doesn't matter where on earth the reductions actually occur. Once the gases are emitted, air currents carry them worldwide. Thus the Kyoto Protocol also envisions a new currency -- greenhouse gas emission permits -- that might be traded like pork bellies or greenbacks.

The logic for emission trading is compelling. Regulating emissions in relatively efficient Western economies could be difficult and costly. But elsewhere, the fruits hang low, easy to pick. Projects to refurbish inefficient power plants in Poland, for example, have cut greenhouse gas emissions at one-tenth the cost in the West. Trading would let investors earn valuable emission permits while the Polish hosts get new technology.

Without trading, the United States alone could spend more than \$100 billion to meet its Kyoto target, an amount comparable to the annual American spending on all federal clean-air and clean-water programs. With trading, the cost is lower by half or more.

Politically, however, the Kyoto trading system will fail, because it is a shell game. Most permits are likely to be sold by Russia and Ukraine. In these countries, combustion of fossil fuels, the main source of greenhouse gas emissions, has fallen steadily as the economies collapsed. Their emissions in 2008 to 2012 will be far below the Kyoto targets.

But declining living standards are not a sustainable way to slow global warming. When the economies rebound, so will emissions. Yet, by selling their excess permits in the interim, Russia and Ukraine might reap a \$100 billion windfall while doing nothing to limit future emissions.

It's doubtful the Senate would ratify a \$100 billion transfer that buys nothing. And absent America, no other major country will implement Kyoto's costly commitments.

Most disturbing is that Kyoto's enemies have attacked the protocol's strongest element. Automobile manufacturers, mining conglomerates and other carbon-spewing industrialists are bankrolling a venomous campaign to kill the Kyoto deal because it exempts developing countries. Last year the Senate resolved 95 to 0 to reject any pact that doesn't include meaningful participating by developing countries.

In response, the Clinton administration is wasting scarce political capital pressuring developing countries to make vague and irrelevant promises to regulate greenhouse emissions. Argentina was the first to cave; last week it announced it would pledge to slow growth in greenhouse gas emissions.

A more effective way to bring in developing countries is the protocol's "Clean Development Mechanism." Like emission trading, the mechanism allows industrialized countries to earn credits by investing in projects that lower the effluent from the developing world. Over time, developing countries can be urged to shoulder a rising share of the cost.

Swayed by special interests that want to block any global warming action, America's government has missed the point. It is only proper that developing countries get a free ride for now. The rich industrialized nations put this issue on the agenda, and they must lead. Per capita, the United States still vents greenhouse gases at 10 times the rate of China.

Thus, when the Kyoto pact is rejected in the Senate, the wrong lessons will be learned. Opponents of emission trading -- who fear it is a loophole for buying compliance rather than cutting emissions -- will claim that trading was unworkable. They will be wrong. A sensible trading system with fair permit allocations was never attempted.

Others will attribute Kyoto's failure to the industrialists' campaign. But that will wrongly result in even more pressure on developing countries to regulate emissions, which will deepen conflict between North and South and deadlock progress.

The first step out of this cul-de-sac is to recognize that the Kyoto Protocol, as it stands, is politically dead on arrival -- and should be. Russia and other reluctant countries must be compensated if we want them to participate in slowing global warming, but Kyoto's \$100 billion is extreme. The only way to halt bogus permit trading is to reallocate the permits, and that requires renegotiating the whole Kyoto deal.

Second, full-blown emission trading should be attempted only when the necessary institutions are tested and in place. Particularly lacking are systems for monitoring and enforcement.

Creating a viable emission trading system is no less difficult than designing monetary union. Under the best conditions, a decade will be needed. The Buenos Aires road map allows only two years. That rapid timetable will yield a half-baked system that destroys the credibility of the trading concept for the future, when tighter and costlier regulations might be adopted and the benefits of trading would be greater.

Finally, future negotiations must focus on this key fact: Only new technology can solve the global warming problem. Technological change -- especially radical change, such as toward an economy that runs on hydrogen fuels and emits no greenhouse gases -- can't be planned according to Kyoto-like short-term binding emission targets. More effective agreements must reward long-term investment and be focused on policies that spawn new technologies, not just short-term emission trends.

America can lead the way by expanding the Clinton administration's plans for technological research and development. America also can organize credit guarantees or subsidies for the Clean Development Mechanism, which will preserve the incentive for firms to apply new technologies in the developing countries when the rest of the Kyoto pact dies.

The writer is Robert W. Johnson Jr. fellow for science and technology at the Council on Foreign Relations.

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**Statement by Stuart E. Eizenstat, U.S. Under Secretary of State for
Economic, Business and Agricultural Affairs
At the Conclusion of the Fourth Conference of the Parties, UNFCCC
Buenos Aires, Argentina, November 14, 1998
(Remarks as Delivered)**

In the Southern Hemisphere, according to the Almanac, the longest day of 1998 is December 22. I think it arrived about five weeks early. I am pleased to report to you, though, that after days of almost round-the-clock negotiations, the Fourth Conference of the Parties has achieved real progress in turning the promise of Kyoto into a reality.

Our success here proves that the framework we built in Kyoto is indeed sound. It has withstood its first test. We have reached agreement on a solid plan of action to complete the unfinished business of Kyoto. We have resolved to settle a number of the key issues before us within two years' time.

Most significant, though, this Conference was marked by a clear shift in the terms of the debate. Our talks here were infused by a promising new spirit of engagement that is helping to bridge the divide between developed and developing nations.

This was best exemplified by the historic pledge of our host country, Argentina, to take on a binding emissions target, and the announcement by Kazakhstan that it intends to do so as well. These pledges reflect a growing recognition that climate change is truly a global challenge that requires a global solution. They have changed the map of future negotiations. And they challenge the Parties gathered here to find new pathways, so that nations wishing to assume their share of our common but differentiated responsibilities, can chart their own sovereign course to lower emissions.

On other issues as well, developing countries from Latin America to Africa to small Pacific island states are stepping forward to play a more constructive role in our collective endeavor, recognizing - in the words of President Menem -- that the only path to sustainable growth is clean growth.

For our part, the United States remains steadfast in its resolve. We are taking strong action at home to reduce our greenhouse gas emissions, forging new partnerships with industry and dramatically increasing our investments in clean and efficient technologies. We can - and will - do more.

Thursday, we signed the Kyoto Protocol, reaffirming our commitment to work with other nations to achieve the ambitious environmental goals we set in Kyoto. While signing does not legally commit us to implement the Protocol, it strengthens our ability to resolve issues left open in Kyoto, so that we can then submit the Protocol for the approval of the U.S. Senate.

Our talks here were arduous. But looking back over the past year, I would not have predicted that we would come so far in so short a time. In Kyoto, only a handful of companies would even acknowledge that the threat of climate change is real. A year later, a growing number are becoming full partners in our efforts and pledging real action to reduce emissions. And, for the first time, the Parties themselves recognized the value of directly involving the private sector -- as, by the way, we urged at the Tokyo ministerial -- in these proceedings. It is, after all, the private sector that will have to marshal the resources and know-how to meet our goals.

In Kyoto, emissions trading was a novel concept to most nations. A year later, there is growing recognition that trading will help us achieve maximum environmental gain for each dollar, peso, euro or yen invested in greenhouse gas reduction.

In Kyoto, many developing countries resisted creation of the Clean Development Mechanism. A year later, countries from Senegal to China are expressing great interest in using this powerful tool to help meet both their environmental and their economic needs.

The action plan we adopted today will carry forward a new momentum, a momentum we have seen here in Buenos Aires. In this action plan, the Parties resolve to reach decisions by the end of 2000 on a number of key issues. These include:

- Elaborating rules and guidelines for Kyoto's market-based mechanisms -- emissions trading, the Clean Development Mechanism, and Joint Implementation;
- Encouraging the transfer of technology to help developing nations along the path to clean, sustainable growth;
- Assisting countries adversely affected by climate change and helping them to adapt to these consequences; and,
- Ensuring that the Kyoto architecture rests on a solid foundation of compliance.

Importantly, the Parties, at our urging, also agreed that since the issues have grown more numerous and complex, annual meetings are no longer sufficient. In fact the fact that we stay up through the night is one indication of that. Consequently, there will be more frequent, high-level consultations to provide political guidance to the subsidiary bodies that grapple with the outstanding issues. This will allow us to maximize our progress at future conferences.

Buenos Aires has not only sustained, but advanced the momentum of Kyoto. Let there be no mistake: we confront a challenge many years in the making. Serious hurdles remain before this treaty is workable and complete. But the agreement we have forged here today gives us a way to move forward, so that we can create and mobilize the most effective means to our environmental ends.

Finally, I want to thank President Menem, Minister Alsogaray, and the people of Argentina for hosting this conference. We will always recall the "good air" of Buenos Aires as we continue our work together to ensure that the planet we pass to our children and grandchildren is healthy and hospitable. Thank you.

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THE WHITE HOUSE

Office of the Vice President

For Immediate Release

November 12, 1998

STATEMENT BY VICE PRESIDENT GORE
ON THE UNITED STATES' SIGNING OF THE KYOTO PROTOCOL

Our signing today of the Kyoto Protocol reaffirms America's commitment to meeting our most profound environmental challenge -- global climate change.

U.S. leadership was instrumental in achieving a strong and realistic agreement in Kyoto -- one that couples ambitious environmental targets with flexible market mechanisms to meet those goals at the lowest possible cost. At the close of the Kyoto conference, President Clinton and I made clear his intention to sign this historic accord. In the eleven months since Kyoto, the evidence of global warming has grown only stronger, and so has our resolve. The recent budget agreement provides more than \$1 billion for our domestic climate change efforts -- a 25 percent increase. And a growing number of leading corporations are pledging voluntary cuts in their greenhouse gas emissions.

With talks now under way in Buenos Aires to continue the vital work begun in Kyoto, our signing of the Protocol underscores our determination to achieve a truly global solution to this global challenge. We hope to achieve progress in refining the market-based tools agreed to in Kyoto, and in securing the meaningful participation of key developing countries.

Signing the Protocol, while an important step forward, imposes no obligations on the United States. The Protocol becomes binding only with the advice and consent of the U.S. Senate. As we have said before, we will not submit the Protocol for ratification without the meaningful participation of key developing countries in efforts to address climate change.

We are confident that in time the nations of the world will arrive at a course that maintains strong and sustainable economic growth, respects the needs and aspirations of all nations, and protects future generations from the threat of global warming.

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