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THE WHITE HOUSE

WASHINGTON

May 21, 1999

5-24-99
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Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN TDS

SUBJECT: Climate Change Weekly Report

Domestic Policy

We reached agreement this week with the Big Three auto companies on our auto tax credit. It involves a fairly complicated, technology-based formula, but the bottom line is that consumers will be able to get tax credits ranging from around $500 to $3000 (Treasury is still costing this out, so the exact size of the credit at various levels could still change a bit) for purchasing hybrid vehicles, depending on how significant a role the hybrid plays in the overall propulsion system. The more significant that role is, the greater the likely fuel economy. EPA, CEQ and OSTP all think this is a sound approach. We briefed representatives of the environmental community on Wednesday, but it isn't clear yet what position they'll take. They clearly won't be enthusiastic, since at best they regard this as a relatively small step compared with what they want – tighter CAFÉ standards. We are working (with EPA, CEQ and OSTP) to impress upon them that this *is* an important step. We'll see what happens.

Regarding the executive order we've been working on, I understand the tentative thinking is to roll that out June 3 in a Cabinet meeting.

Diplomatic

Yesterday, I hosted a meeting in the Roosevelt Room with George Frampton, Sally Katzen and Frank Loy and a delegation of leading Indian and U.S. CEOs organized by Katie McGinty. John Podesta joined us for the first 20 minutes or so, as did Brian Atwood. Katie has done a very good job in getting this Indian group interested in the investment potential of the Clean Development Mechanism. Given the extremely uncooperative approach on climate taken by the Indian government, engagement with the private sector makes a lot of sense. Katie also organized a two day seminar on opportunities presented by the CDM with guest speakers including Secretary Richardson, Deputy Secretary Summers, Deputy Secretary Glauthier, and Senator Chafee.

5-24-99

Congress

Hearings. Subcommittees of the Senate Energy Committee and the House Government Reform Committee held a joint hearing this week to address a number of climate change issues. The hearing chaired by Senators Nickels (R-OK) and Craig (R-ID) and Congressman McIntosh (R-IN) focused on the Administration's compliance with the Knollenberg rider on the FY99 VA-HUD appropriations bill as well as compliance with other appropriations requirements. Knollenberg plans to add his rider to the VA-HUD bill again this year, while McIntosh made it clear that he thinks the rider doesn't go far enough in preventing EPA from implementing Kyoto.

Roberts Bill. Senator Roberts (R-KS) introduced a climate bill authorizing USDA to conduct research related to sequestering carbon through conversation practices. The bill also explicitly prohibits producers from getting credits for sequestration under any future greenhouse gas trading program. The original cosponsors include Senators Hagel, Grams, Murkowski and Craig. This is another in a series of bills these Senators plan to introduce on climate change.

Renewable Energy. Fifty-four Senators signed a letter to Chairman Domenici calling for increased funding for renewable energy and supporting the Administration's request. Last year, 42 Senators signed a similar letter. The most interesting new addition was Senator Hagel.

Press

The EU's decision on Monday to call for a cap on the use of emissions received widespread coverage in Europe and the U.S. Senator Pat Roberts' was quoted in the *Wichita Eagle* and in *Congress Daily* suggesting that Republicans will make policy on climate change an issue in rural American in the 2000 election. Bill Ford was quoted in a *Reuters'* story on Ford's environmental record saying that there is growing scientific proof that global warming – caused in part by vehicle emissions – is on the rise. He went on to say that the issue cannot be solved without developing countries adopting new policies.

Science

Rosina Bierbaum (OSTP) spoke last Friday at The Nature Conservancy (TNC) on the impacts of climate change on biodiversity. She was very well received, and TNC's John Sawhill pledged to increase TNC education and outreach on issues of climate change, as well as to revisit policies of conservation and land acquisition in light of current and future climate-change impacts on biodiversity.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

THE WHITE HOUSE

WASHINGTON

December 1, 1998

MEMORANDUM FOR JOHN PODESTA
MARIA ECHAVESTE

FROM: TODD STERN TDS

SUBJECT: Climate Change -- Mission Statement

The central objective of the Administration's climate change effort over the next two years should be to lay the groundwork for an effort to secure ratification of the Kyoto Protocol in the 2001-2002 period. Even in the absence of Kyoto, we would seek to build support for addressing climate change and to reduce greenhouse gas emissions through domestic efforts to spur the use of clean and efficient energy. But it is ratification of the Protocol that represents the real prize, and focussing on the groundwork that must be laid to make ratification possible is the best way to organize our efforts. That groundwork will require activity in five broad areas.

Diplomatic. The key diplomatic issues that must be satisfactorily resolved before the Kyoto Protocol has a chance for ratification are: (1) rules for the Protocol's free-market provisions, including international trading and the Clean Development Mechanism; (2) interpretation and expansion of the provisions on carbon absorbing sinks; (3) compliance; and (4) developing country participation. The first three of these are on track to be resolved in the Sixth Conference of the Parties in November or December 2000. Getting them done right for both the substance and the domestic politics of climate change will be quite difficult but achievable. The toughest issue is developing country participation, and it could make ratification impossible even in the 2001-2002 period. Argentina's announcement in Buenos Aires that it would accept binding emissions limits was a breakthrough on this front, and we hope that it will become a model for others. But it remains the case that, to date, the most important developing countries still resist binding commitments as strenuously as Senator Hagel and others insist on them.

Domestic Policy. In the President's October 1997 announcement on climate change, he set forth a plan based on win-win actions in the ten-year period before a binding emissions target would take effect under a ratified Kyoto treaty. Our mission over the next two years must be to push as hard and effectively as we can to spur both R&D into energy efficiency and renewable energy, and the dissemination of available energy-saving products. This will include work on (1) climate-related budget and tax proposals (including efforts like the Partnership for a New Generation of Vehicles, the Partnership for Advancing Technologies in Housing, Energy Star, etc.) and other initiatives, such as legislation to reward companies who act early to reduce emissions with credits that could be used or sold at such time as there is a national emissions trading system (2008-2012 under the President's proposal); (2) electricity restructuring; (3) consultations with industry sectors to encourage voluntary steps to cut emissions, including actions by the government to reduce barriers; and (4) federal government actions to improve federal energy use and procurement.

Congressional Relations. Our goal over the next two years must be to build a base of support for addressing climate change and, ultimately, for ratifying the Kyoto Protocol, assuming the open diplomatic issues have been successfully resolved. To that end, we need to expand significantly the core of Members who understand that (1) taking action on climate change is an essential insurance policy, given the state of the science, and (2) that our approach is sound and balanced. There is, to be sure, a hard core of opposition that isn't open to reasoned argument, as well as a smaller core of Members who already support our efforts. But a much larger group in the middle just isn't familiar with the issue and shies away from the controversy surrounding it. We can do much better in reaching this group. (One idea we're working on is a series of occasional breakfasts or lunches hosted by top Administration officials like the Vice President and Secretaries Albright, Richardson and Glickman. At these gatherings, we could discuss climate change broadly, explaining why it is an issue that must be addressed and why our approach is a balanced, reasonable way to proceed. We might well include a top scientist in each event to handle questions on the science.)

Communications. Our communications goal over the next two years is to continue trying to get a message out to the public and opinion makers that (1) global warming is real as a matter of science; (2) it poses a health and safety threat to our children and grandchildren; (3) taking action is therefore a necessary insurance policy; (4) the Administration's balanced approach will protect the environment without hurting the economy; (5) there are sensible, cost-effective measures we can all take in our homes and businesses (including our farms) to reduce the emissions that cause global warming; and (6) the need to counteract global warming will create not only challenges but also opportunities.

Outreach. Our outreach goal over the next two years will be to build support or mute opposition in relevant sectors including environmental, business, labor, agriculture, State and local governments, religious, etc. The point will be to begin creating what must ultimately become a political coalition in support of ratifying the Kyoto Protocol and, more generally, taking responsible action to combat global warming.

THE WHITE HOUSE

WASHINGTON

November 25, 1998

MEMORANDUM FOR JOHN PODESTA

FROM: TODD STERN

SUBJECT: Climate Change -- Organization and Staffing

This memo considers how the climate change issue should be organized and staffed in the final two years of the President's term.

Background. In the wake of the Buenos Aires meeting, it is clear that the key open issues of the Kyoto Protocol won't be resolved until the annual Conference of the Parties in November or December 2000. In the best case scenario, the Protocol could then be submitted to the Senate for advice and consent in 2001. The reality is that submission of the Protocol (together with implementing legislation) even by 2002 would be a major achievement.

Thus, the Kyoto Protocol won't come to closure within the President's term in office. At the same time, a much needs to be done to lay the groundwork for possible ratification in the 2001-2002 period. And a number of constituencies are significantly vested in the issue.

The work ahead. The work, broadly, breaks down as follows: ***diplomatic efforts*** to resolve the open issues successfully and to get a critical mass of developing countries on board; ***domestic policy*** work to advance climate-related budget and tax proposals and other initiatives (e.g., legislation to reward companies who act early with bankable emissions credit, etc.); ***congressional relations*** to expand the core of Members who are sympathetic to this issue, through activities such as an occasional series of breakfasts/lunches with VP, Sec. Albright, Sec. Richardson, etc.; ***outreach*** to business, labor and NGOs, shifting, in time, into a more explicit effort to build a coalition to support ratification; ***communications*** to get out the message that taking action is essential, that our approach is sound and that we continue to treat this issue as a priority. As in the case of outreach, the communications objective will need to shift in time to support a broad-based ratification effort.

Constituencies. The constituency that cares the most about climate change is the environmental community, and they care a great deal. The major organizations routinely describe climate change as their top priority. Business and labor are also very engaged. Although many of them would be delighted if the issue went away, that doesn't mean they'd favor a lower White House profile. My guess is they wouldn't.

Organization and Staffing. Staffing decisions need to be guided by the facts that (1) there won't be a ratification fight during the President's term, but that (2) groundwork needs to be laid for possible ratification in the 2001-2002 period, (3) there is substantial constituency interest in and concern about climate change, and (4) climate change may well loom as a significant political issue in the 2000 cycle.

Task Force. I think the Task Force should be retained, though it could be scaled back somewhat. In general, the Task Force's most essential business is (1) to handle the consultation process with industry sectors and outreach; and (2) to produce materials like talking points, fact sheets, op-eds, etc. Congressional relations and press are useful but not essential Task Force functions. I don't want to bother you with details of what everyone on the Task Force does, but I'd be happy to discuss it with you or whomever you designate, if you'd like.

Diplomatic and domestic policy should be handled by White House staff. NEC and CEQ will need to be more engaged than they were this year on domestic policy, but that shouldn't be a big problem since NEC has now filled their vacant energy slot and George Frampton is committed to the issue. David Sandalow or his successor can handle the diplomatic side. Sandalow, incidentally, has drawn some staff support from the Task Force since he gets none from NSC.

White House Coordinator. The real resource question involves whether to have a high-level White House coordinator on climate change. It is worth considering this both in the period while I'm still at the White House and the period after that. For whatever period I continue on the White House staff, I think it would make sense for me to oversee the issue since I know it well and it would send a bad signal to the outside world if I disengaged. On the other hand, I could provide adequate oversight while giving at least half my time to other projects.

Whether you should appoint a high-level, albeit not full-time coordinator to take my place after I've left is a separate question. In principle, I would favor doing so assuming you have a suitable person to fill the role. The reasons are: first, even though we aren't gearing up for ratification, climate change is still an unusually cross-cutting issue with large domestic and international components, and a lot of agency players; second, there is some advantage in having an "honest broker" in charge who isn't on either the economic or the environmental side of the issue. (One person who could probably do the job well is Roger Ballentine, in leg affairs. I'm impressed with him. I don't know whether he'd be interested, but he's someone to keep in mind.)

If you didn't appoint a new person, leadership on the issue would revert to CEQ, with NEC and NSC in a supporting role. This option would probably work if George could give it enough resources and attention, someone on your team had it on his or her radar screen, and the President and Vice President were comfortable with the arrangement. If you went this route, you'd need to explain the new arrangement effectively to guard against the perception that the White House was reducing its commitment to the issue.

If you want to discuss any of this further, let me know.

11-13-98

THE WHITE HOUSE

WASHINGTON

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November 16, 1998

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Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN TDS

SUBJECT: Buenos Aires Wrap-up

We had quite a good week at the climate change conference in Buenos Aires. The substantive results exceeded our expectations and the press coverage was very good, with frequent positive stories in the *New York Times*, *Washington Post*, *Wall Street Journal*, the wires and other papers. We also got two good editorials in the *Washington Post* and one in the *NYT*. Although there is, to be sure, a very long way to go, we come out of the Buenos Aires meeting with some good momentum on the international front. Here are the highlights:

Developing country commitments. The breakthrough news of the conference was President Menem's announcement on November 11 that Argentina would become the first developing country to agree to a binding emissions target. Argentina will announce the actual number at next year's Conference of the Parties. (The Argentinians are seeking our help in the science and economics of determining a target, and we will of course provide it.)

Menem's announcement is a big deal. It shows that major developing countries can and should step up to the plate rather than resisting even the discussion of their own commitments. It will encourage others to follow suit in the near term. Khazakstan has already done so, announcing at the Conference that it would accept a target. As you know, Menem was under considerable pressure, from outside and within his government, *not* to announce a binding commitment. But he held firm, sticking with the advice from his Environment Minister, Maria Julia Alsogaray, who was also the Chair of the Conference. Your phone call to Menem early last week helped to shore him up at exactly the right time.

Argentina's announcement was the most dramatic evidence of a quieter evolution going on within the developing country bloc. In brief, fissures are starting to show. This bloc (known as the Group of 77, or "G-77," though it now includes some 130 countries) in fact comprises several distinct subgroupings: the Latins, the Africans, the small island states ("AOSIS"), OPEC and big players like China, India and Indonesia. China, India and OPEC are the hard liners; many of the others are more interested in a genuine dialogue. We shouldn't overdo this; so far, most of the G-77 still stick together. But, increasingly, the non-hard liners are looking for more constructive engagement with us. We will need to find useful ways to encourage this evolution.

The work plan. The Conference agreed on an overall plan -- dubbed the "Buenos Aires Plan of Action" by the European Union -- to finish many of the open issues in the Kyoto Protocol. Most important from our viewpoint was a work plan to develop and finalize rules for the free-market tools, including international emissions trading and the so-called Clean Development Mechanism, that were agreed to in broad concept at Kyoto. We succeeded in (1) keeping the work plan neutral, contrary to the concerted effort of the EU to tilt it toward imposing a hard cap on the use of such tools, and (2) nailing down a two-year deadline for the work, contrary to the efforts of some hard line developing countries to avoid any deadline. The Conference also agreed on a two-year time to develop the rules on compliance, an important and tricky subject. Particularly given our strong resistance to a cap on emissions trading, which opens us to criticism from the EU and enviros for being too "brown," it is important for us to advocate proactively for a strong compliance regime, albeit one that isn't overly intrusive.

Signing the Kyoto Protocol. Our decision to sign the Protocol during the Conference worked out very well. When Stu Eizenstat announced this in his statement to the plenary session on Thursday, the whole hall applauded, an unusual occurrence in these UN conferences. (Stu, incidentally, once again did a terrific job as our lead negotiator.) Congressional opponents like Reps. Sensenbrenner, Knollenberg and others attacked us Tuesday on the strength of rumors that we might sign, but our congressional defenders (including Senators Lieberman and Kerrey and Reps. Kucinich and De Fazio) won the exchange, and we received strong support from enviros and moderate business groups as well. Our Argentine hosts, having stuck their own necks out with their embrace of binding commitments, were delighted that we stepped forward and signed.

We will have to keep an eye out for a possible congressional resolution disapproving our action or calling on us to submit the Protocol forthwith. The key here will be Senator Byrd. He opposed our signing, but appreciated that Stu called him in advance from Buenos Aires and talked through the issue. If Senator Byrd were to make it clear that he wouldn't join a resolution, there probably wouldn't be one.

Follow-on process. Stu pushed throughout the Conference to initiate a process that will bring together key nations from the EU, our "Umbrella" group and developing countries at a political level several times a year to push negotiations forward. One of the big problems we have in these yearly meetings is that none of the issues requiring political input gets made until the end since the intersessional meetings occur at the level of technical negotiators. We need more regular engagement at the political, decision-making level. The EU was quite open to this idea, and the final "Plan of Action" authorizes Alsogaray to use her power as Chair of the Conference to convene this kind of group from time to time.

Umbrella Group. Last year at Kyoto, we began to form a loosely knit group of non-EU industrialized countries to join with us as a negotiating counter-weight to the EU. That group -- which has come to include Japan, Canada, Australia, New Zealand, Russia, Ukraine, Norway and

Iceland -- proved quite cohesive and useful during the Buenos Aires talks. It is clearly here to stay in the climate change context.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Jack Lew
Neal Lane
Gene Sperling
Jim Steinberg
Janet Yellen

MAY 1 ...

THE WHITE HOUSE

WASHINGTON

May 1, 1999

5-4-99

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for reply

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Climate Change Weekly Report

Domestic Policy

Agriculture. Late next week or early the following week, USDA will release its economic analysis of the costs and benefits for U.S. agriculture of meeting our Kyoto target. This analysis was prepared in response to a long-standing request by the Senate Agriculture Committee. We have worked closely with USDA and other agencies on the final preparation of the document. The analysis concludes that (1) the impacts on American farmers would be quite modest based on the permit price of carbon projected in CEA's own analysis, and (2) even if much higher permit prices were assumed, the impact on farm income would be far less than claimed by the principal analyses used to attack Kyoto in the farm sector. We are also working with USDA on a draft op-ed by Secretary Glickman to run in conjunction with release of the analysis.

Semiconductors. On Tuesday, Motorola announced its intent to cut its worldwide emissions of PFC (a potent greenhouse gas) fifty percent below 1995 levels (the relevant base year for PFCs) by the year 2010. This pledge follows an announcement by the World Semiconductor Council last week to reduce PFC emissions ten percent below 1995 levels.

Diplomatic

New York meetings. Last week in New York, I participated in a ministerial level climate change meeting of around 30 countries, including virtually all of the main ones. Discussion focused on the schedule and agenda for future meetings, including the next full conference of parties to the climate treaty ("COP-5") this October in Bonn. Several countries proposed that the Bonn meeting include high-profile presentations of domestic actions to reduce emissions. This is partly intended as a dig at us, since our advocacy of international trading rights leads many countries to believe we're not doing anything at home. In fact, we should use Bonn as an opportunity to prove these doubters wrong and showcase our vigorous domestic efforts.

It is increasingly likely that no conference of parties to the climate treaty will be held during the year 2000; both the UK and New Zealand pressed in New York for the 2000 meeting to be put over until the first part of 2001-- late winter or early spring. In part, this reflects a desire on the part of many countries to hold COP-6 after release of the next major international report on the science of climate change, which has now been scheduled for February 2001. Of course, holding COP-6 anytime in late 2000 would be difficult here -- holding it before the Presidential election

5-4-99

would present obvious challenges, while holding it during a transition would be problematic as well. Ron Klain, George Frampton, Jim Steinberg and I agree that, all things considered, it makes the most sense for us to support the proposal by New Zealand and the UK for a 2001 date.

During the New York trip, I also joined Under Secretary of State Frank Loy and others for a number of bilateral meetings. We saw modest progress with several developing countries, including Chile, South Africa and Korea. But the developing country issue remains very tough. The Europeans were difficult too, especially on the issue of seeking a cap on emissions trading.

Indianapolis Sinks Workshop. The United States hosted an international workshop this week in Indianapolis on carbon sinks -- in particular, on technical issues relating to the question of whether additional categories, such as agricultural soils, should be added to the Kyoto Protocol. While we won't be able to get out in front of the science on this issue -- e.g., there needs to be adequate consensus that carbon absorption in ag soils can be accurately measured before this category could be added -- we also know that carbon sequestration is a matter a key issue to the ag sector and farm state Senators like Lugar, Harkin, Kerrey, Baucus and Roberts.

Congress

Murkowski/Hagel Bill. Senators Murkowski and Hagel introduced a climate change bill this week with 10 original cosponsors including one Dem -- Senator Byrd. In essence, it authorizes $200 million/year for long-term R&D, to be run out of a new Climate Change Office at DOE, and tightens up requirements for the voluntary reporting of greenhouse gas emissions by companies. The bill seems intended to present an alternative both to Kyoto and to the Chafee/Lieberman/Mack early credit bill, which the anti-Kyoto crowd opposes out of fear that it could help create a business constituency for Kyoto (since companies holding early credits could only cash them in under a regime to control carbon).

Can we argue this doesn't have the provisions it's a [illegible]

That said, the bill as introduced isn't nearly as bad as it was in earlier drafts. Senator Byrd, after consultations with us, negotiated a substantial toning down of the anti-Kyoto rhetoric in the bill's findings and a clarification that the $200 million/year authorization for long-term R&D is supplemental to existing programs. Our talking points on the bill welcome the sponsors' recognition that climate change is a serious problem and their focus on technology, while underscoring that the bill shouldn't be seen as a substitute for the range of activities, domestic and international, that need to be pursued. We also emphasize that the Kyoto Protocol is a signature achievement, though still a work in progress that isn't yet ready for Senate ratification.

Hearings. This week the House Small Business Committee held another hearing on the economics of Kyoto. Janet Yellen testified for us and did her customary good job of defending the reasonableness of our economic analysis.

5-4-99

Press

Introduction of the Murkowski/Hagel bill on Wednesday received fairly limited coverage, with *Reuters* filing the only national story. The plan by environmental groups to have Earth Day 2000 center on climate change was covered by the wires. An opinion piece by Senator Chafee on credit for early action ran in *Roll Call* and *Time Magazine* ran a piece on the Vice President that focused on his history on the issue. The *Boston Globe* ran an editorial last Saturday praising environmental groups grassroots approach to the Kyoto Protocol, which they reportedly call "implementation without ratification" -- a bumper sticker that wouldn't go over well on the Hill.

On Sunday, *Reuters* reported that the American Insurance Association says the potential impacts of climate change on its industry are overblown. The Association called hurricanes the real threat. Last week, *AP* ran a story on a study published in the journal *Nature*, concluding that El Niño-like conditions could settle permanently by 2050 if global warming is "unrestrained." Coverage of the climate change research being conducted in the Arctic continues, with stories in the *Pittsburgh Post-Gazette* and in the *Anchorage Daily News* this week.

Science

The Sky Really Is Falling. Scientists have long known that an increase in greenhouse gases will warm the surface of the Earth and the lower atmosphere, but at the same time lead to a cooling of the upper atmosphere. (This happens because the increase in GHGs "traps" heat lower in the atmosphere, leaving less heat to warm the upper atmosphere.) In an article in *New Scientist*, scientists reported that the observed cooling of the upper atmosphere is greater than expected – as much as a degree (Centigrade) a year for the past 30 years or so. As the atmosphere cools, it also shrinks: thus, scientists have suggested that the "sky is falling" -- as much as 8 kilometers over the last 40 years. In addition, a cooler upper atmosphere is expected to delay the recovery of the ozone hole, as colder conditions lead to increased ozone destruction.

X

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

5-10-99

THE WHITE HOUSE

WASHINGTON

May 7, 1999

Copied
Stern
Podesta

'99

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Climate Change Weekly Report

Domestic Policy

USDA released its economic analysis of the impacts of the Kyoto Protocol on the farm sector. We held briefings for both the Hill and stakeholders. The analysis shows that the impacts of the Protocol on agriculture should be modest, and effectively takes on the studies, widely cited by Kyoto opponents, which claim that the economic impact on farmers would be severe. The *Wall Street Journal* ran a blurb on climate change in today's "Washington Wire" that included a sentence saying that USDA's analysis indicates the impact of Kyoto on farmers will be modest.

Diplomatic

I met today with a delegation from Kazakhstan, which spent the week here in technical discussions about how best to set an emissions target. Following up on their pledge at Buenos Aires, the Kazakhs are hoping to announce an target at the next conference of parties in October.

Congress

Sen. Lugar (R-IN), Chairman of the Senate Agriculture Committee, has introduced a bill that would establish a new council to coordinate interagency research and deployment efforts relating to biomass, both as a source of energy and as a chemical feedstock for other goods. The bill authorizes $49 million annually for five years and would also establish an outside advisory panel process. We are quite supportive of the bill in concept as a positive step in developing a biofuels and bioproducts industry. At the same time OVP, OSTP and NEC are developing a possible Executive Order that could accomplish some of the same goals. We are working closely with Sen. Lugar's staff as well as Sen. Harkin and other Democrats on both the Senate Agriculture and Energy Committees to build a bipartisan approach to the issue.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

THE PRESIDENT HAS SEEN
5-18-99

THE WHITE HOUSE

WASHINGTON

May 14, 1999

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Stern
Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Climate Change Weekly Report

Domestic Policy

We are working hard to bring two matters to closure: a federal energy executive order and a deal with the auto companies on our auto tax credit. The executive order is in OMB clearance and we ought to be done working through agency comments next week. We would hope to roll it out in conjunction with an announcement that DOD is ready to go with the largest Energy Saving Performance Contract ever, covering nearly 900 buildings at several large installations. ESPCs are an important part of the Order, so the DOD announcement would fit well with it. On the auto front, we have been in intensive discussions with the Big Three over the last several days in an effort to find language we can all agree on. We are close, though the deal isn't done. I think we'll know if we've got agreement by Monday or Tuesday. If we succeed, we should consider an event for you and/or the Vice President to roll the tax credit out.

Good!

Agree

Diplomatic

European environment ministers tentatively agreed this week to support a set of quantitative caps on emissions trading. The exact formula is not yet public, but reports suggest that the caps will prohibit any nation from obtaining more than half its emissions reductions from abroad. This resembles a proposal made by the Europeans -- and emphatically rejected by the United States -- at Kyoto. We understand the environment ministers' decision will be announced Monday. This decision is unfortunate but expected. It underscores the many difficulties we will face in shaping rules under the Kyoto Protocol.

Congress

The House Science Committee is in the process of marking up DOE and EPA research authorization bills. Both the DOE and EPA bills contain substantial cuts in the authorization for climate change programs. DOE and EPA have forwarded letters to the Committee opposing these reductions. In addition, Chairman Sensenbrenner has placed in the markup bill a provision restricting EPA funds from being used directly or indirectly to implement, or prepare to implement, the Kyoto Protocol. This language is similar to, but broader than, the language the

Administration agreed to in the VA-HUD 1999 Appropriations bill. We are working with the Democrats on a strategy to get the caucus solidly behind the "Byrd language" from last year's VA-HUD bill, which we can live with.

Press

The *Star-Telegram* in Texas reported yesterday that Governor George Bush now believes that global warming is real. Acknowledging that just a few weeks ago he had said the "science is still out" on the issue, Bush said: "The last time I wasn't certain of the science. I've had some briefings recently and I'm becoming more convinced that the science proves there's global warming."

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

7-29-98

THE WHITE HOUSE

WASHINGTON

'98 JUL 26 PM3:45

Copied Stern COS

July 26, 1998

MEMORANDUM FOR THE PRESIDENT

Good work!

FROM: TODD STERN TDS

SUBJECT: Climate Change Weekly Report (weeks of July 13 and 20)

Congressional

Appropriations. A little good news in the House this week. First, we worked with Rep. Obey on an amendment to override the Knollenberg gag order in the report to the VA-HUD bill. The amendment passed 226-198, with 175 Ds and 51 Rs voting for it. Rep. Greenwood had planned to offer an amendment to neutralize the Knollenberg bill language, but at the last minute, Greenwood, decided to not offer it. We were working this hard, as were the enviros. It would surely have lost, but probably with a respectable vote. Greenwood, along with Reps. Boelhert and Waxman, criticized the bill language during floor debate. Because the Senate bill does not contain any such language on this issue, we are hopeful that we can work with the Senate and these House members to modify the language in conference.

Second, after an initial 213-212 defeat, the House accepted a Skaggs/Fox amendment to the Interior Approps bill to add back $45 million to DOE's energy efficiency budget; $34 million of this was part of our climate change initiative. This still leaves us far below your requested increase of $193 million, but it was an important step in the right direction.

Domestic policy

Economic analysis. CEA's economic analysis, which provides the underpinning to Janet Yellen's February economic testimony on the Hill, is ready for release. There is one open issue that I will address through a separate memo that should be ready for your review Monday or Tuesday.

Federal energy. As you know, we used this week's radio address to roll out the first four elements of your federal energy plan, all related to significantly reducing the use of energy in federal buildings. A good AP story ran in the Sunday *Washington Post*. Your announcement included: (1) a directive to all agencies urging them to maximize their use of energy saving performance contracts, accompanied by specific OMB guidance; (2) a new campaign to replace 300,000 light bulbs/fixtures in federal buildings with fluorescents in the next three years; (3) a directive to agencies to maximize efforts to earn EPA's Energy Star label for their buildings; (4) DOD's and six other agencies' agreement to build all new buildings, starting in the year 2000, according to sustainable design principles (e.g., 50% more energy efficient). We are pressing ahead on the other elements of your federal energy plan.

We should look for ways that we get all agencies implementation same way, etc.

good

7-29-98

Auto tax credit. I met separately with GM and Chrysler this week to see if the logjam could be broken in discussions on an auto tax credit. The discussions to date, led by NEC, CEQ and OVP, have foundered on the companies' opposition to a performance based credit (i.e., a credit for cars that achieve two/three times ordinary mileage for their class). What they would support is a credit for use of specific technologies -- such as hybrid engines. Our side has resisted until now out of concern that unless the credit is performance based, you can't be certain that greenhouse gas emissions will decline; the technology could be put into larger cars so that net emissions, compared to a conventional engine in a smaller car, were the same. GM argues that these technologies will always save emissions because even if the hybrid goes into a bigger car, it'll emit less than a conventional engine in the bigger car. My feeling is that to have an auto tax credit which Detroit would actively support on the Hill would be a huge boost for us -- and would give us a transportation initiative with some zip -- so I want to rapidly explore whether we can't bend enough to make a deal. Adequate acceptance by the environmental community (which likes our performance based proposal) would be essential to make this work.

agree try work out

Industry consultations. We met recently with CEOs from the steel, cement and forest products industries. The meetings were cordial, but there is a good deal of wariness on the part of many of these leaders. They are uncertain about the level of reductions that would be expected of them under a ratified treaty, uncertain about how mechanisms like trading would work, and concerned about the lack of developing country participation. The Asian financial crisis has made this last concern a good deal more acute, especially for industries like steel and forest products facing stiff competition from those countries. The idea that our Kyoto obligations would give these countries *another* price advantage (beyond cheap labor and a devalued currency), riles many of these CEOs. We, of course, stress the value of working in partnership with us, but with many industries, this is going to be tough sledding.

Diplomatic

+ Good

A senior Chinese official has offered one of the most positive statements from her government to date on the topic of emissions trading. Deng Nan, Vice Minister of Science and Technology (and daughter of Deng Xiaoping), said that China is willing to work with other countries to develop rules for emissions trading and would welcome further discussions with the U.S. on this topic. The remarks came during a ceremony attended by Ambassador Sasser, launching a program to build a demonstration energy efficient building in Beijing.

The G-8 climate change working group held its first meeting last week in London. Talks were constructive, but underscored the wide gaps between ourselves and the EU on the difficult issue of emissions trading. EU officials continue to insist on a percentage cap on the amount of reductions that any country may purchase from abroad.

Communications

Tuesday and Wednesday, *CNN* aired a strong two-minute segment on climate change that included footage of the heat wave in the Southwest, the Vice President's event last week and your speech to the AFT. Anti-climate remarks by Rep. Knollenberg were countered by a litany of recent weather data. On Thursday, *The Los Angeles Times* ran a story detailing your and the Vice President's recent activity on climate change. There was also significant press coverage of the House vote to drop the "gag order." In next week's issue, *Newsweek* is expected to run a piece on the heat wave, its connection to climate change and its agricultural implications.

Editorials. Our editorial mailing of a couple weeks ago continued to pay dividends. The *Washington Post, Detroit Free Press,* and *Los Angeles Times* all editorialized against the gag order provision in the VA, HUD bill. The *Free Press* also criticized the funding cuts. On Sunday, July 12, the *New York Times,* ran an editorial attacking the Knollenberg and other anti-environmental riders. On Friday, July 17, the *Times* editorialized on the heat wave in the South and Southwest and its possible link to global warming.

The Vice President's weather event on Tuesday, July 14, was covered by NBC and ABC in long pieces on the Texas drought, and also received a good deal of print coverage.

United Technologies Corporation pledged to reduce energy use 25% by the year 2007 in over 240 facilities worldwide. A congratulatory letter from you was sent to the CEO, George David.

cc: Vice President
Erskine Bowles
John Podesta
Ron Klain
Jack Lew
Katie McGinty
Mike McCurry
Gene Sperling
Jim Steinberg
Janet Yellen

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

'99 APR 30 PM5:15

April 30, 1999

5-4-99

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MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE Neal

CC: JOHN PODESTA

SUBJECT: OSTP WEEKLY REPORT

CBO Releases Initial Report on IT² Initiative

The Congressional Budget Office yesterday (4/29) released a report on current investments in information technology research. The CBO report was requested by Rep. Sensenbrenner, Chairman of the House Science Committee. Rep. Sensenbrenner, in a press release yesterday characterized the report as showing "inconsistencies in the Clinton Administration's information technology policies and inadequacies in its new technology initiative." The inconsistencies and inadequacies cited by Sensenbrenner are simply the lack of outyear numbers in the FY 2000 budget. He then went on to state that he "anticipates continued bipartisan work to address these issues and strengthen the federal role in information technology." OSTP is working closely with the NEC to intensify our amplification/validation efforts for IT² as the Appropriations Subcommittees begin their markups.

Senators Warming to Global Change?

Senator Murkowski and five other Republicans, along with Sen. Byrd as the lone Democrat, introduced legislation (S. 882) on Tuesday (4/27) that purports to be an alternative to the "flawed" Kyoto protocol. The bill would achieve greenhouse gas emission reductions through a "long-term, technology-based, global effort" and voluntary action. The bill is remarkable in its implicit acknowledgment that human activities may contribute to global climate change, and that stabilization of atmospheric greenhouse gas concentrations must be a long-term, global effort. The bill calls for $2 billion in additional funding over 10 years for climate technology R&D in many of the same areas targeted for increased funding by your Climate Change Technology Initiative, and we will work closely with Todd Stern on developing a position on the bill.

The US Global Change Research Program held a Hill briefing last week (4/20) on Arctic sea ice that was well attended. The briefing featured an introduction from Alaska Senator Ted Stevens, who expressed concern over what might be happening in Alaska and the Arctic, especially on behalf of Native communities, and said that he strongly supported the continued funding of research efforts. I have been working with the USGCRP to make sure that Alaskan changes are included in our first National Assessment of the Consequences of Climate Change for the U.S., and have endorsed efforts by the CIA to make additional data on Arctic conditions available to the research community.

Cloned Goats Produce Human Anti-Clotting Protein and Other Cloning News

Researchers reported on Monday (4/26) that they had successfully cloned three female goats that had been genetically engineered to produce a human anti-clotting protein (antithrombin III) in their milk. Antithrombin III has the potential to treat heart attacks and strokes, and to prevent blood clots in patients who are attached to heart/lung machines during surgery. It is currently in the last stage before possible FDA approval. This is an important step forward for agricultural biotechnology and the biopharmaceutical industry, where the cost-effective production of cloned animals that have been genetically engineered to produce complex pharmaceuticals in breast milk is highly desirable. Isolating human proteins from goat's (or cow's) milk is much simpler and cheaper than isolating them from natural sources, and is free from the risk of contamination with human viruses such as HIV or hepatitis. The work is reported in the May 1 issue of *Nature Biotechnology*.

This is the first report of a goat being cloned; while the researchers report an increased cloning efficiency over that achieved to clone sheep, it is still far too low to suggest that human cloning has become more likely. In fact, a scientific report in the May 1 issue of the British journal *Lancet*, tells of the death of a six-week old cloned calf that was found to have immune system defects and severe anemia. This and other reports of deaths in cloned animals document the high possibility of introducing defects when cloning is used for reproductive purposes.

Martian Tectonics

The discovery of magnetic strips across the face of Mars suggests the barren planet once had geology like that of Earth, with a torrid interior spurting molten rock and massive plates drifting on the surface. Instruments aboard NASA's Mars Global Surveyor have detected magnetic striations that closely resemble the magnetic signature of crustal spreading and continental drift on Earth, researchers report in the journal *Science*. This may mean the very young Mars resembled the very young Earth, but that Mars ran out of its internal energy sources and became a geologically dead planet early in its history. Scientists previously believed that continental drift occurred only on Earth because studies had shown the process did not take place on Venus, the planet nearest Earth's size. Scientists believe that if early Mars did in fact have plate tectonics, it would increase the likelihood of life on Mars -- further increasing the interest in getting sample rocks back and looking for the possibility of early microbial life on Mars.

Parasite May Be Deforming Frogs

Observations of deformities in frogs and declines in populations of many species have received much attention recently. Hypotheses for the cause of widespread deformities have focused on ultraviolet radiation and chemical pollution. But two new studies published in today's edition of the journal *Science* conclude that defects found in frogs throughout the West may be caused by a trematode, a simple parasitic flatworm whose complex life cycle includes infecting the developing legs of tadpoles. The worm infection causes the tadpoles to grow multiple hind legs, a severe malformation that dooms the animal when it grows to a mature frog. Even though trematodes are found throughout North America, the parasite is unlikely to be the single cause for a worldwide decline in frogs and other amphibians first noticed two decades ago. The increased deformities caused by the parasite could be part of a natural biological cycle. However it is too early to hold humans blameless, as fertilizer runoff may have promoted increases in a water snail that is a key host of the parasite.

EYES ONLY

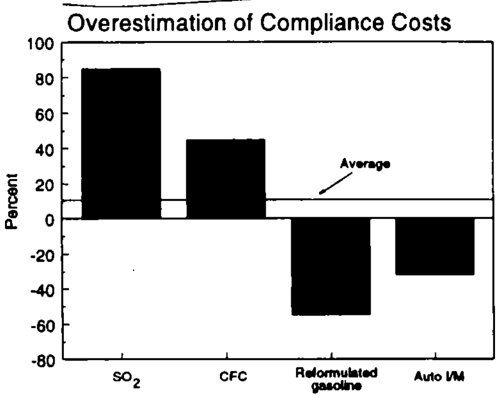
10-28-9

SPECIAL ANALYSIS

Evaluating Environmental Compliance Cost Estimates

Estimates of what it will cost to comply with new environmental regulations are subject to considerable uncertainty. But are these estimates biased, as some critics claim, in the direction of overestimating costs and hence discouraging stricter environmental standards that would in fact confer net economic benefits?

The record. Comparisons between pre-implementation estimates of compliance costs and reported post-implementation costs have been done for four EPA regulations. In two cases, reported costs were underestimated (automobile inspection/maintenance and reformulated gasoline); in the other two (the SO_2 program and the CFC phaseout) they were overestimated (see chart). For the four cases taken together, the average discrepancy was a modest 11 percent overestimate of actual costs.



Changes in technology and market conditions. Forecasting future costs is a difficult task that involves predicting future technologies and market conditions. Changes in market prices may either raise or lower the costs of compliance. In the case of reformulated gasoline, for example, costs may have been underestimated because the EPA did not foresee that methanol prices would increase. In the case of SO_2, declines in rail costs allowed utilities to abate more cheaply by switching to low-sulfur western coal. To the extent that cost estimates do not adequately incorporate future technological advances, the costs of compliance will be overstated. For example, the installed costs of scrubbing sulfur from utility smoke stacks has fallen nearly 40 percent since implementation of the acid rain program. Early cost estimates did not foresee this dramatic drop in scrubbing costs.

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Yellen
Bowles

Compliance. Cost estimates are typically based on the assumption of 100 percent compliance with regulations. Since firms with the highest compliance costs tend to be those who do not comply, actual costs calculated from data that include only complying firms will tend to be lower than estimates based on perfect compliance.

Policy changes. Another reason why actual compliance costs differ from pre-implementation estimates is that policies tend to change between the proposal and the implementation stages. In phase 1 of the SO_2 program, for example, additional allowances were allocated to firms that installed scrubbers. Further, other firms were allowed to opt into the program and receive permits. Firms would only do so if they expected to sell permits. Both of these changes expanded the supply of permits and lowered the permit price.

THE WHITE HOUSE

WASHINGTON

November 4, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
JIM STEINBERG
GENE SPERLING

SUBJECT: Climate Change

The Buenos Aires climate change conference opened Monday. This memorandum is intended to brief you on relevant issues and to seek your approval on two issues of timing.

Background

Kyoto was an historic achievement, but remains, as we have all recognized, unfinished business. As a practical matter, we will need satisfactory resolution of four key issues in order to have a legitimate chance of ratification in the Senate: developing country participation; the rules and regulations for the so-called flexibility measures (international emissions trading and the Clean Development Mechanism (CDM)); further refinement of the provisions on carbon-absorbing sinks; and compliance.

In general, we expect the Buenos Aires meeting to produce incremental progress rather than breakthroughs. The principal outcome is likely to be a work plan with specific time lines for completing work on trading and the CDM. The issue of sinks -- important to forest and farm state Senators -- is on a schedule that contemplates resolution in late 2000 (a scientific review on the subject by the International Panel on Climate Change (IPCC) will be completed in May 2000), so it probably won't figure prominently at Buenos Aires. There will likely be some discussion of compliance, but, again, focussed more on the process for working out a compliance regime rather than on the substance of such a regime.

Regarding developing countries, we expect no broad-based progress. Indeed, leading developing countries, including China, have already blocked Argentina's attempt to include on the Conference agenda a discussion about how developing countries could voluntarily assume commitments. On the other hand, Argentina is still considering an announcement that it has decided to take on a target in the 2008-2012 period, with the precise number to be specified after a few more months of analytic work. Such an announcement would be the biggest news of the

Conference. You raised this matter briefly in your pull-aside with President Menem several weeks ago, and we may ask you to follow up with a call in the next few days. Should Menem go forward with this announcement, it could provoke loud protest from China, India, Brazil and others, as well as some unhappiness in the EU. But it would be a big step forward.

Signing the Protocol

As you know, we have not yet signed the Kyoto Protocol. Our current plan is for Stu Eizenstat to announce at the beginning of the second week of the Buenos Aires conference (November 9 or 10) that we are signing. (The actual signing would be carried out by a USG official at the UN in New York.)

There are pros and cons to signing while we are in Buenos Aires, but the consensus view of your advisors (including NSC, State, NEC, CEQ and OVP) is that this is the best time and place to do it. First, it will enhance the credibility of the U.S. and strengthen our negotiating hand. More than 55 nations have signed the Protocol, including all major industrialized countries except the U.S. Second, since we have already said on many occasions that we are going to sign during the one-year signing period, which expires March 15, 1999, it makes sense to choose a moment when it can do us some good. Third, it would be preferable for us to have signed the Protocol when you travel to Japan the week of November 16, on the eve of the one-year anniversary of Kyoto, particularly since NSC is working on an environmental event there that would feature climate change.

There are two potential downsides to signing during the Conference. First, given the press attention in Buenos Aires, critics like Senator Hagel will have a platform from which to attack us. However, even if we wait to sign until after Buenos Aires, we will still get attacked and will still face possible congressional resolutions of disapproval.

Second, signing could arguably jeopardize the release of funds for the Global Environmental Facility (GEF), a multilateral development facility that funds clean energy and other environmental projects in developing countries. You will recall that, in the budget endgame, we did very well on GEF funding, getting the full $192.5 million needed to clear our GEF arrears. However, the funding was made subject to a notification requirement which, as a practical matter, gives the foreign ops. subcommittee the power to hold up funding. At the time of the budget deal, the House leadership promised to help us secure the GEF funds. But OMB believes anger over signing the Protocol could damage our ability to get the funding released.

Your advisors (including Treasury) believe that the GEF issue should not deter us from signing. As noted, we have always said we were going to sign during the one-year signing period, and signing during the Buenos Aires Conference makes sense for the reasons discussed above. Second, by rights, the assurances we received from the House leadership on GEF shouldn't be undermined by our signing, since we had declared our intention to sign months before those assurances were given. Third, whether we sign now or not, the GEF fight is going to be difficult, with GEF opponents quite capable of making anti-climate change demands as the price for approving the release of GEF funds. In fact, deferring signing could backfire if GEF opponents decide to hold the GEF hostage unless we agree *not* to sign.

In short, your advisors recommend that you approve signing the Kyoto Protocol during the Buenos Aires Conference.

Approve___ **Disapprove___** **Discuss___**

<u>The Work Plan Agenda: Caps on Emissions Trading</u>

The EU pressed vigorously at Kyoto for a hard cap on trading -- language making clear that countries had to achieve at least 50% of their emission reductions through domestic measures. They lost on this issue; the Protocol says simply that trading is to be "supplemental" to domestic measures, a qualitative term that doesn't impose a hard cap. Nevertheless, the EU continues to press the issue, arguing that the parties must now define "supplementarity." In particular, they are demanding that "concrete ceilings" on emissions trading, expressed in both quantitative and qualitative terms, be included as a specific agenda item in any work plan.

We have taken a strong position against caps in international negotiations and Congressional testimony. According to our analysis, caps on emissions trading would increase inefficiencies in a trading system, raise the cost of meeting our target, and be difficult to administer. (Ironically, caps could increase costs for the Europeans even more.) We argue that we are committed to aggressive action at home *and* to an efficient international trading system. And we cite the results of our own SO2 (acid rain) trading system as evidence of how important trading can be environmentally as well as economically.

Our concern is that if the cap issue is included in the work plan agenda in the wrong way it could prejudice the work plan against us, leading to a discussion not of whether a cap is appropriate, but of how tight the cap should be.

U.S. business groups -- even moderate ones, who are open to supporting the Kyoto agreement -- strongly oppose caps. And Members of Congress would undoubtedly be concerned about caps, given our reliance on trading to moderate the cost of addressing climate change.

At the same time, most domestic environmental groups either support caps or believe this an issue of secondary importance, and would blame the United States if a debate on caps slowed overall progress in making the Kyoto Protocol a reality. They tend to join the EU in characterizing our opposition to caps as proof that we intend to buy our emission reductions from abroad and not take serious domestic action to reduce greenhouse gas emissions.

We are currently exploring whether we can find a means to resolve the work plan agenda in a way that avoids a collision with the EU. But it is still possible that we will face a decision in Buenos Aires either (1) to accept a work plan that undermines our position on caps, or (2) leave Buenos Aires with no work plan and a perception that the Kyoto process had suffered a setback. Should it come to that, we will seek your guidance.

Timing of the Work Plan on Trading and the CDM

The work plan will set an end date for completing the rules that will govern emissions trading and the Clean Development Mechanism. There are, in principle, three options for end dates: late 1999 -- the next scheduled meeting of the Conference of Parties (COP-5); April 2000 -- which would require delaying COP-5 for six months; or late 2000 (probably December) -- the regularly scheduled meeting of COP-6.

Your advisors favor an end date of COP-6 in late 2000, with the understanding that we would press to resolve as many issues as possible at next year's meeting. This outcome makes sense for several reasons. First, the earliest end date, late 1999, is almost certainly unrealistic given the complexity of the issues and the time it takes for the 160-nation Conference of Parties to make decisions. Most of our negotiating partners will assume that these issues can't be resolved in just one year. Second, the moment for resolution of the flexibility issues could be highly contentious and confront us with decisions that, for domestic reasons, we think would be better confronted in late 2000 than before. In particular, on the toughest issue dividing us and the EU -- whether a country's right to trade or use the CDM should be subject to a cap -- there are three possible outcomes: the EU could accept something short of a hard cap (e.g., qualitative language regarding the obligation of all countries to pursue domestic measures); we could accept a hard cap, provoking sharp criticism from the Hill and from business; or we and the EU could collide head-on, leaving the negotiations at least temporarily derailed. The last two of these outcomes would be quite undesirable.

While it is possible that a few may criticize a COP-6 end date as a go-slow approach, it appears that most business and environmental groups are already expecting such an end date. And we can mute potential criticism by underscoring in the work plan that we will strive to finish as many issues as possible by COP-5.

The UK has floated a different approach on timing -- an end date of April 2000, premised on delaying COP-5 until that time. We don't think this is a good idea. First, it could force a showdown on the trading issue at an unattractive moment in the domestic calendar. Second, it would result in at least one issue of importance for ratification -- sinks -- not being resolved until after your term. (The sinks issue won't be ripe for decision until some months after the IPCC's May 2000 scientific report. If COP-5 were delayed until April 2000, COP-6 would not occur until April 2001 at the earliest.)

Assuming the work plan sets an end date for COP-6 in late 2000, COP-6 would then loom as the next major Conference of the Parties, where the rules on flexibility mechanisms and sinks would be completed. If adequate progress is achieved between now and then on developing country participation, the stage would be set for submission of the treaty to the U.S. Senate in 2001.

There is one last timing issue. The UN climate change secretariat has tentatively suggested that COP-6 be held October 16-25, 2000. Since this would obviously be a bad time for us, we will press to have the date moved. We think it makes most sense to seek an early December 2000 date, after our election but still during your term in office.

Agree on December 2000 end date for work plan___ **Disagree____** **Discuss____**

THE WHITE HOUSE

WASHINGTON

April 3, 1999

4-3-99

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MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Climate Change Weekly Report

Diplomatic

Your meeting next week with Zhu Rongji is an important opportunity to advance our climate change agenda. The reality is that, when it comes to ultimate ratification of the Kyoto Protocol, all roads lead through China. They are the world's second largest emitter, projected to surpass the United States in 2020-2030. No effort to address this problem can succeed without China, nor is the Senate ever likely to approve Kyoto without meaningful Chinese participation.

At the same time, the Chinese thus far remain adamantly opposed to taking commitments under the climate treaty, noting that per capita emissions in China are less than one-eighth those in the United States. Chinese diplomats were unrelentingly obstructionist at Kyoto and Buenos Aires.

One potentially fruitful area to focus Chinese attention on is clean energy development, and we are working with the Vice President's staff to prepare points on this subject for his working lunch with Zhu. China is projected to add a staggering amount of power capacity over the next 20 years or so -- the equivalent of hundreds of major new plants. This presents China with an enormous opportunity: it can build these plants clean, with natural gas and new high-efficiency "clean" coal technology, thereby sharply reducing China's horrendous air pollution (as well as lowering greenhouse gases) or it can build them with conventional lower-tech coal technology. Clean energy costs more up front, but the benefits in terms of the health of the Chinese people (not to mention global warming) would be enormous.

China thus presents a textbook case for the proposition we keep trying to explain to developing countries: namely, that we are *not* asking them to restrain their economic growth, but rather to grow with 21st century technology. They can seek to emulate our economic success, but shouldn't rely on the exact, outdated tools we used (e.g., dirty coal). *What we should be pointing toward with China is an understanding that we will work together to help them build a clean energy future. This would be good for them, good for us, and good for U.S. business.*

Regarding Kyoto itself, China has much to gain if it can overcome its reflexive resistance. Kyoto's market-based mechanisms -- emissions trading (which requires that a country has taken a target) and the project-based Clean Development Mechanism (which a developing country can use *without* having agreed to a target) -- could provide significant new resources to help build a clean-energy future. Such resources could be used for such purposes as building clean power

4-5-99

plants or for reforestation (a particular concern after last year's devastating floods). Zhu Rongji has demonstrated familiarity with climate change in private conversations during the past year. Your raising the issue would underscore the priority we attach to it and help convince Zhu that there is more opportunity than threat for China in joining efforts to address climate change.

Press

AP reported on Friday that 30,000 miners are stopping work today to protest costly environmental protections that are jeopardizing mining jobs. A "looming" climate change treaty, along with air pollution regulations, and mountaintop removal challenges were held up as the key problems. On Thursday, the *San Jose Mercury News* reported that a group of students and faculty at Stanford University is asking the university to use its power as a major shareholder to get companies to withdraw their membership from the Global Climate Coalition -- the anti-Kyoto lobbying group. The *Los Angeles Times* ran a story on Wednesday on GM's announcement that it will begin testing electric-hybrid systems in pickup trucks in California and New York next year, becoming the first auto maker to demonstrate the technology in trucks.

very important
because big trucks
& other large vehicles
big problem in general
lower mileage

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

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THE WHITE HOUSE

WASHINGTON

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Podesta

March 19, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Climate Change Weekly Report

Domestic Policy

It was an interesting week on the auto front. On Wednesday, DaimlerChrysler unveiled a new compact, five-seat, fuel cell concept car that can reach 90 mph, travel 280 miles before refueling and emits nothing more than a trail of water vapor. The new NECAR 4 is powered by liquid hydrogen, an impractical fuel for mass marketing. But Daimler is next planning a version of the car that will run on methanol. Daimler hopes to bring the first models to market in 2004. Ford, GM and Honda are described as being in hot pursuit in their own efforts to develop fuel cell cars. Also on Wednesday, in a White House ceremony with the Vice President, the 1998 PNGV medal was awarded to Epyx Corporation. Working with DOE, Epyx demonstrated the first-ever multi-processing technology, which can convert gasoline, renewable fuels (ethanol) or alternative fuels (natural gas or methanol) into hydrogen to power fuel cells and generate electricity.

Diplomatic

European Environment Ministers met last week. Their discussions focused on proposals to set "concrete ceilings" on the use of emissions trading and other flexibility mechanisms under the Kyoto Protocol. All Member States supported concrete ceilings (although several, including the UK, did so without great enthusiasm). The Dutch proposed a formula that would limit use of flexibility mechanisms to 50% of a country's emissions reduction under the Protocol; the Germans, Italians and others pushed a substantially *more* restrictive formula. Ministers were unable to agree on a formula and established a process for reaching agreement in the months ahead. *Reuters* reported last week that 80 countries have now signed the Kyoto Protocol and seven that have ratified it.

Congressional

Senator Hagel (R-NE) has drafted an anti-Kyoto climate change bill that he's shopping for both Democratic and Republican cosponsors. The bill declares that Kyoto is the wrong approach, emphasizes the uncertainty of the science, and focuses instead on long-term research into both science and technology. We do not know of any Democrats who have agreed to go on the bill. We are working this with Democrats and extending our general outreach on this issue.

Press

This week's *U.S. News and World Report* included an article on "evidence of global warming." The story focussed on the early arrival of spring and late arrival of fall in Europe, the melting of Greenland's ice sheet, and the decrease in the southern migration of birds. Two recent scientific studies that used ice cores to examine carbon levels through the past 11,000 years, have received significant press. *AP* filed a story last week that was picked by *USA Today* and papers around the country that interpreted the studies as providing further proof that an increase in carbon levels after the Ice Age heated up the Earth's climate and triggered the spread of deserts. On Thursday, the *Los Angeles Times* ran a story on Secretary Richardson's unveiling of a web site to help consumers reduce energy bills and improve energy efficiency.

Science

1998 Warmest Year of the Millennium. Researchers reported in the 15 March issue of *Geophysical Research Letters* that the last decade appears to be the warmest in the Northern Hemisphere of at least the last 1,000 years, with 1998 the warmest year of the millennium. (This story was picked up in the *New York Times.)* To reconstruct temperatures back in time prior to direct measurements, these researchers have used "proxy measures" such as tree rings, coral reefs, and lake and ocean sediments. The record reveals what appears to be a 900-year Northern Hemisphere cooling trend, prior to this century's warming. Scientists caution, however, that the data before about 1400 A.D. are still highly uncertain.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

THE PRESIDENT HAS SEEN
3-7-99

THE WHITE HOUSE

WASHINGTON

March 5, 1999

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VP
Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN TDS

SUBJECT: Climate Change Weekly Report

Domestic Policy

cc VP
Podesta
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w/ Cabinet

This week, Secretary Richardson awarded contracts to nine companies to provide energy-saving services to federal agencies in the Mid-Atlantic and Northeast regions. (The *Washington Post* picked up the story.) These are the last contracts to be awarded under our Super Energy Saving Performance Contracts program, under which an agency can select a pre-approved contractor to develop energy-saving strategies. The contractor guarantees energy savings, pays the up-front costs of any agreed upon improvements, and is paid from the resulting savings. Nationally, we now have authorized $5 billion in potential contracting authority. The challenge will be to get agencies to use this authority. Every dollar invested can yield two dollars in cost savings.

Diplomatic

Your meeting with Central American leaders is a good opportunity to discuss climate change. The region is especially vulnerable to severe storms, as demonstrated by the tragedy of Hurricane Mitch. Awareness of the issue in the region is high. You could deliver a simple message: the Central Americans could make money by taking advantage of the "flexibility mechanisms" in the Kyoto Protocol. This is especially true if they were prepared to follow Argentina's example and accept a growth emissions target (i.e., not a reduction from where they are now, but a modest reduction off the growth curve they'd be on under "business as usual"). Even the lesser step of participating in Clean Development Mechanism projects could bring new resources for development to the region. You should know, however, that in preparations for the summit, the Central Americans were unwilling to endorse the idea of emissions targets, because of concern about criticism from other developing countries if they did so.

Congressional

On Thursday, Senators Chafee, Mack and Lieberman announced the reintroduction of their credit for early action bill. There are eight additional cosponsors: Warner, Jeffords, Collins, Baucus, Moynihan, Reid, Wyden, and Biden. This is complicated legislation, and the sponsors made clear that they plan to continuing working with interested parties. They stressed that the bill makes sense even if you oppose Kyoto, because companies that take action now to cut emissions should get credit. Groups from the hard right and left joined in criticizing the bill. The right-wing Competitive Enterprise Institute called the bill a "ploy...to divide and conquer the American

THE PRESIDENT HAS SEEN
3-7-99

business community" that "would jump start implementation of" the Kyoto Protocol.

Press

The *Los Angeles Times* ran a story on Monday, on a Massachusetts company that has developed technology to convert cellulose from waste into an acid that can be used to produce products such as alternative fuels and fertilizer. Cellulose would otherwise go to landfills where it would decay and release carbon dioxide. A story ran on the *Business Wire* entitled "Seventh Bay area Episcopal church votes to go green" about a Berkeley, CA church that has voted to use green power. The *Wall Street Journal* reported today on DOE's announcement that it will award $70 million in research funds to 16 companies that design fuel cells and high-efficiency engines.

Science

Coral reefs. Today's *Washington Post* carries a story on massive coral die-offs occurring around the world, based on a State Department paper that is an outgrowth of the "Year of the Ocean" Conference. It notes that widespread coral bleaching and die-off in recent decades has been unprecedented and concludes that global warming is likely to worsen coral die-off. While those conclusions reflect mainstream scientific opinion, the State Department paper goes further in concluding that "only global warming could have induced such extensive bleaching simultaneously throughout the disparate reef regions of the world." That conclusion was not cleared interagency and will be controversial in the scientific community.

Greenland Ice Sheet Thinning. The *NYT* and the *Washington Post* carried stories today on an article published in *Science* about rapid thinning of Greenland's ice sheet. NASA scientists, who surveyed the southern Greenland ice sheet in 1993, 1994 and 1998 found that Greenland's southeastern glaciers are rapidly thinning -- by as much as 30 feet over five years in some locations. The article does not link the observed changes to global warming, but it illustrate that the large Greenland and Antarctic ice sheets can respond rapidly to changes in climate.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

3-2-99

'99 FEB 20 PM12:04

THE WHITE HOUSE

WASHINGTON

February 19, 1999

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Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Climate Change Weekly Report

Domestic Policy

Credit for Early Action. We held a productive meeting on February 10 with the CEOs of DuPont, FMC (chemicals), Ashland Oil and Cummins Engine (diesels, etc.). They were interested, though noncommittal, about the early credit idea. In their view, providing such credits would eliminate a potential *disincentive* to action -- namely the fear that if Kyoto implementation credits were one day (e.g., 2007) allocated on the basis of historical use, companies that had reduced emissions could perversely get penalized, by receiving fewer credits. However, they did not believe that the rewarding of credits would act as much of an *incentive* to companies taking action they weren't planning to take anyway, because the credits would be too speculative to figure into rate of return calculations. These CEOs would be much more interested if reducing emissions generated *tax* credits rather than just emission credits. It is doubtful that this sort of idea could work, but we'll look into it.

Diplomatic

General. There is a good deal of activity going on around the world pursuant to the action plan agreed to in Buenos Aires. Next week is the deadline for submissions to the climate change secretariat on emissions trading and compliance, with submissions on additional issues due in March. Workshops are also being held on key issues, with a workshop on carbon-absorbing sinks planned for this spring in the U.S. (Indianapolis).

China. An interagency team is exploring the feasibility of an agreement with the Chinese for the provision of American clean coal technology, which could greatly improve the energy efficiency of new Chinese power plants. This kind of deal would have to include (1) action by the Chinese to streamline the daunting bureaucratic hurdles faced by companies that would supply the technology, and (2) a package of concessionary financing and/or tax incentives on the U.S. side, since high efficiency plants are far more expensive than conventional plants -- around $150-200 million more per plant. If a major agreement along these lines were doable, it would have the obvious advantages of reducing Chinese greenhouse gases significantly below "business as usual," reducing related air pollution, and being good for U.S. business.

worth working on

Congressional

Last week I met with several House Members who are interested in forming a climate change group to help advance this issue with their colleagues. The Members attending the meeting were: Karen McCarthy (D-MO), Jay Inslee (D-WA), Rush Holt (D-NJ), and Lois Capps (D-CA). I also met with Senator Byrd's staff and representatives from coal and utility industry to talk about clean coal technology. They are pushing a tax incentive package that is too rich, but we are looking to see whether it could be scaled back to a level that might make sense.

Press

On Monday, *CBS Evening News* ran a piece on climate change research in Antarctica as part of a three-week series on Antarctica. The researchers are using ice cores that are tens of thousands of years old (from holes as deep as 3,000 feet) to study the chronological changes in the Earth's temperature. The story warned that if there were an abrupt collapse of the West Antarctic Ice Sheet, sea levels could rise by as much as five meters, swamping coastal cities like New Orleans. The story noted that Antarctica will be the first place where climate change will be evident. On Tuesday, the *New York Times* Science Section featured a story on climate change and its potential disruption of the cycle of ice ages. *Time Magazine* ran a section in this week's edition entitled "Heroes for the Planet." The section featured a couple who overcame resistance to design and build a sustainable community in Davis, California that uses solar power and is centered around walkways and communal green spaces; a man who has developed a battery that could make zero emission vehicles increasingly affordable and practical; and a final "hero" from Canada who created a fuel cell bus that emits water clean enough to drink. On Tuesday, the *Financial Times* and the wires carried the UK's announcement that it will invest more money in environmental projects and particularly in climate change.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

THE WHITE HOUSE

WASHINGTON

February 17, 1999

MEMORANDUM FOR JOHN PODESTA

FROM: TODD STERN

SUBJECT: AFL-CIO Meeting -- Climate Change

Labor is very nervous about the Kyoto Protocol. The UMW, which is openly hostile, has a lot of influence on this issue in the AFL-CIO, though the AFL, with Dave Smith in the staff lead, has tried to remain constructive.

The core of labor's concern is that the Kyoto Protocol will cost jobs as energy prices skyrocket and production moves overseas, particularly to developing countries, which are not required to assume binding emission targets under the treaty.

Economics. The AFL-CIO believes our economic analysis rests on rosy assumptions about issues like developing country participation and international emissions trading. The UMW commissioned a study to assess Kyoto that found:

- gasoline prices would increase about 20%
- electricity prices would increase by nearly 40%
- GDP would be 1.1% lower in 2010
- national losses of 0.7 million jobs annually between 2001 and 2012
- coal mining employment would be 36% lower in 2010 than projected

According to CEA, the UMW study fails to reflect the major cost-savings available from the Kyoto Protocol's flexibility mechanisms (especially international emissions trading, but also measures such as the inclusion of carbon sinks, trading across all six greenhouse gases). It also ignores policies such as electricity restructuring; our R&D and deployment programs; etc.

Janet Yellen and CEA staff met with Dave Smith and others from the AFL-CIO in November 1998. The AFL asked for more analysis on sectoral and regional economic effects, as well as employment and distributional consequences, but Janet was not encouraging on this point. The AFL also asked that we consider how revenues from auctioning permits could fund worker/community transition programs.

Fall meetings. At the end of September, Karen and I held two back-to-back meetings with labor leaders, including Rich Trumka, Cecil Roberts, George Becker and others. Among other things, we agreed to look into (1) their concerns about the effect of our electricity restructuring proposal on workers, (2) transition issues generally, and (3) the long-term future of the coal industry.

Electricity. An interagency group met internally on this issue, and representatives of that group have met with labor representatives from the IBEW five times, including one meeting attended by AFL-CIO staff. Labor sought a package beyond the scope of what we can do, including substantial money for worker retraining, federal requirements that new owners of power plants retain all staff for three years, and federal standards related to employment and skill levels at various utilities and their facilities. However, the internal group reviewing our proposal is considering a training program, the development of model standards for reliability and safety, and a requirement that states consider the effect of restructuring on workers when they look at the treatment of stranded costs.

Transition. We have an interagency group headed by Ron Minsk (NEC) that, initially, conducted a review of transition assistance efforts in other areas as a backdrop to considering what might be appropriate for climate change. We have a meeting scheduled with Dave Smith on February 25 to talk about transition issues, with special focus on the coal industry.

Coal industry. We are also focussing on issues concerning the long-term future of the coal industry. In this regard, we pushed to maintain an adequate funding level for DOE's clean coal R&D efforts and met recently with industry and staff from Sen. Byrd's office to review industry's proposal for a tax incentive package for clean coal. While the proposed package isn't doable, we have asked Treasury to work on scaled down alternatives that might make sense.

Alliance with environmentalists. Last summer, the AFL-CIO started trying to forge an alliance with the enviros. These two aren't natural bedfellows, and it isn't at all clear that the effort will really take, but we are supportive of it.

cc: Karen Tramantono

TALKING POINTS

- **We know you have concerns about climate change and the Kyoto Protocol.**
  - Want to emphasize to you that we have a **common sense approach** to this issue that is balanced and measured.
  - We don't think there's any question that there is a **scientific imperative to take appropriate action.** People differ over the scope and urgency of the problem, but there is little doubt that the risks are serious.
  - Taking action now amounts to an **insurance policy** against these risks.
  - **Cost of this insurance policy is reasonable.** Administration's economic analysis concludes that implementing Kyoto Protocol would mean a $70-100/year increase in the average household's energy bill.
  - We think that our policy on climate change reflects the kind of balanced, moderate approach that this issue requires:
    - On the diplomatic side, we negotiated long and hard for **cost-saving, free market measures** to be included in the treaty;
    - On the domestic side, we have **promoted win-win solutions** and avoided mandates and taxes.
- **We appreciate that despite your concerns you've been engaging with us in a constructive way. Important that we keep the lines of communication open.**
  - High-level Administration officials met w/labor leaders at the White House last fall to discuss issues relating to labor and climate change.
  - Since then we've had a series of meetings with IBEW and AFL-CIO representatives to look at ways to improve the Administration's proposal for **restructuring the electricity industry**.
  - Another interagency group is looking into **transition issues** and will be meeting with your staff next week. [So far they've been reviewing federal transition assistance efforts in other areas -- such as clean air laws and base closures -- to see what types of programs have been the most effective.]
  - Finally, there's an interagency group looking at ways to maintain a strong **coal industry**. We believe coal plays an important role in the nation's energy portfolio. We have a vigorous R&D effort at DOE to develop next-generation, coal technologies. And we will continue working with both labor and industry on possible tax incentives to spur adoption of these new technologies.

Climate Change BRT

The BRT has serious reservations about the Kyoto Protocol, and last May produced a 37-page "Gap Analysis" on their view of its deficiencies. These include: (1) the emissions reduction target for the U.S. (7 percent below 1990 levels) is too severe; (2) developing countries don't have binding obligations of their own; (3) the Protocol isn't clear about how carbon-absorbing sinks (e.g., forests and soils) will be counted; (4) the Protocol isn't clear about how the flexible mechanisms like international trading will work; (5) the Protocol lacks adequate provisions on compliance and enforcement. We differ with the BRT because we believe that Kyoto was a very good step, but we agree with them that much needs to be fleshed out before the Protocol is ready for submission to the Senate. Given that the Buenos Aires meeting put most of these issues on a two-year time-table, it is clear we won't be submitting the Protocol during the President's term.

Despite its unhappiness with Kyoto, the BRT has carefully avoided the kind of sharply antagonistic posture adopted by the Global Climate Coalition or the American Petroleum Institute. At the moment, the head of their Environmental Task Force, Bob Burt, CEO of FMC Corporation (chemicals), is taking a constructive interest in legislation that would give companies credit for taking early action to reduce greenhouse gases. Indeed, he and the CEOs of DuPont, Ashland Oil and Cummins are meeting with Todd, George and Carol Browner tomorrow morning to discuss the early credit issue.

Early credit legislation was dropped in at the end of the last Congress by Senators Chafee, Mack and Lieberman, and they plan to introduce a revised version soon, probably right after the President's Day recess. We strongly favor early credit legislation -- the President mentioned it in the State of the Union -- but haven't supported any particular approach yet and have made the strategic decision that we should work actively behind the scenes rather than try to lead the parade.

THE PRESIDENT HAS SEEN
1-25-99

THE WHITE HOUSE

WASHINGTON

'99 JAN 18 PM12:38

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January 18, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Fuel Cell Question

On a recent e-mail from Jock Gill regarding the potential use of fuel cells in homes to provide electricity, you asked whether we should be promoting such technology.

The short answer is that we are. Our revised \$3.6 billion climate change tax package for this year's budget includes a 20% tax credit for fuel cells as small as 5 kW, assuming they meet a certain efficiency standard. Five kilowatts would cover home-sized fuel cells.

cc: Vice President
George Frampton

1-25-99
After you have seen, we will send original to Burkhardt for reply -

1-6-99

Jock Gill <jgill @ penfield-gill.com>
01/06/99 10:30:46 AM

Record Type: Record

To: "Nancy V. Hernreich" <HERNREICH_N @ a1.eop.gov>, Betty W. Currie/WHO/EOP
cc: See the distribution list at the bottom of this message
Subject: Storm Power Outage Heats Up Interest in Propane Fuel Cell Research

---

VIA EMAIL

January 06, 1999

Dear Mr. President,

You will remember that I sent you a message about Fuel Cells after last winter's major ice storm. Here is some follow up information that you may find of interest.

Best regards,

Jock

Storm Power Outage Heats Up Interest in Propane Fuel Cell Research
(U.S. Newswire; 01/05/99)

WASHINGTON, Jan. 5 /U.S. Newswire/ -- With tens of thousands of homes without electric power because of winter storm damage to power lines, propane marketers are busy installing temporary heating, but an industry leader hopes that propane-powered fuel cells will soon give homeowners an alternative to utility provided electricity.

"Consumers hit by the yearly power outages are looking for more reliable electricity, and fuel cells could well be the alternative that meets their demand and helps the propane marketers grow their business," said Milford Therrell, chairman of the Propane Education & Research Council.

Unlike an electrical power plant, which creates electricity by burning fuel, a fuel cell converts the energy of a fuel, such as propane, into useable electricity by an electrochemical process that relies on an ion conducting membrane.

Coming to a home near you. Several research laboratories report that affordable, reliable fuel cell technology will soon be available. Fuel cells are being tested on hydrogen and a variety of hydrocarbon fuels, but Therrell believes that propane has several advantages over other fuels, especially for fast-growing rural areas with their high electricity costs and no natural gas service.

"The fuel cell, an appliance about the size of a heat pump, when combined with clean-burning propane can give homeowners both electricity and gas service," says Therrell, president of Dallas-based Squibb-Taylor, Inc. "What makes fuel cells attractive is that every homeowner can become their own utility, eliminating those power lines altogether." Fuel cells also offer environmental benefits. Since a fuel cell generates electricity through an electrochemical process, it does not produce carbon monoxide, or nitrogen or sulfur oxides.

Fuel cells are not new; they were actually discovered about 160 years ago. NASA has used fuel cells to generate electricity in spacecraft since the 1960's. However, only with the recent decline in raw materials costs has fuel cell production become commercially possible.

Therrell said he is urging the propane industry to invest in research to help position the industry to make the most of fuel cell technology.

For more information or interview availabilities, contact Kate Hutcheons-Caskin at 202-261-2201 or via e-mail at kate.caskin@propanecouncil.org.

--

Jock Gill
www.penfield-gill.com
Infrared Internet Vision

Message Copied To:

John Podesta/WHO/EOP
Henry C. Kelly/OSTP/EOP
Thomas A. Kalil/OPD/EOP
Jim Kohlenberger <KOHLEN_J @ a1.eop.gov>
Todd Stern/WHO/EOP

THE PRESIDENT HAS SEEN
1-11-99

'99 JAN 8 PM6:36

THE WHITE HOUSE

WASHINGTON

January 8, 1999

cc: McCurry [illegible] [illegible] speech

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Climate Change Weekly Report

Domestic Policy

(1) *Budget/Tax.* Your FY 2000 budget request will put the Climate Change Technology Initiative above the level needed to stay on its five-year trajectory. Our R&D funding request for energy efficiency and renewable energy is more than 20% above last year's appropriated level. In addition, the budget will include a substantial increase in climate change money related to agriculture, both on the technology and the research sides -- altogether some $38-45M of new money requested as compared to $10M of new money requested last year.

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(2) We have also revised last year's $3.6B tax package, to make it more effective. It will include improved tax credit proposals for energy efficient homes, certain large home appliances, cars and biomass. Regarding the auto tax credit, we have had extensive discussions with Ford, GM and Chrysler and have reconfigured it in a way they like better, but they still have reservations. We will continue working with them after the budget has been submitted.

Your tax package will also include a new Green Bonds proposal, which is designed to help finance open spaces, clean water and brownfields development. There is a climate component to this, since reforestation and replanting will be among the eligible uses of Green Bond money.

Finally, the budget will include around $200M for a new Clean Air Partnerships Fund, to help state and local governments finance reductions of air pollutants and greenhouse gases.

(3) *Credit for early action.* You asked me in a note whether the lead story in last Sunday's *New York Times* -- regarding industry efforts to get credit for early reductions of greenhouse gases -- is good news. The answer is yes. Legislation to reward companies that act early may well become the most important domestic climate change issue for 1999. We have been working on this policy for several months, though we have chosen for strategic reasons to let the Hill and the business community take the lead. The *Times* piece was very good and quite useful for us. We worked a lot on background with Jack Cushman, who wrote it.

Good *Executive Orders.* We have draft orders on federal procurement and transportation that need some further work. We are planning to role these out in mid-February, to coincide with a federal government workshop on energy management that we are also preparing.

THE PRESIDENT HAS SEEN
1-11-99

Diplomatic

The Buenos Aires Plan of Action charts an aggressive international work program on four key issues: international emissions trading, the Clean Development Mechanism, sinks and compliance. Meetings and workshops will be held this winter; papers and negotiating text are due during the next several months. In many areas, this work will fill technical gaps; in others, it will define differences for further negotiation. We are hard at work shaping strategy and submissions on these items.

We are also working to encourage greater participation from key developing countries. Technical delegations are preparing trips to Argentina and Khazakstan (both of which agreed to take targets at the Buenos Aires meeting). We are exploring possible climate change agreements in connection with your Central America trip in February. Preparations are underway for high-level meetings with the Chinese and Russians in the months ahead.

Science

Researchers at NASA's Goddard Institute for Space Studies have released data indicating that 1998 was the warmest year on record, while NOAA plans to release similar data at next week's annual meeting of the American Meteorological Society. "There should no longer be an issue about whether global warming is occurring, but what is the rate of warming, what is its practical significance and what should be done about it," said NASA scientist Dr. James Hansen.

One of the climate changes identified in the United States has been an increase in minimum temperatures ("lows") in many areas, which has often been greater than the increases in maximum temperatures. A new study in this week's *Science* concludes that increased spring minimum temperatures in NE Colorado are correlated with a reduction in the abundance of buffalo grass. This alteration in species composition of the rangeland affects its ability to provide an ecosystem service that ranchers have come to rely on -- the availability of a productive, palatable, drought-resistant grass, which is important to livestock production.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

November 16, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Buenos Aires Wrap-up

We had quite a good week at the climate change conference in Buenos Aires. The substantive results exceeded our expectations and the press coverage was very good, with frequent positive stories in the *New York Times*, *Washington Post*, *Wall Street Journal*, the wires and other papers. We also got two good editorials in the *Washington Post* and one in the *NYT*. Although there is, to be sure, a very long way to go, we come out of the Buenos Aires meeting with some good momentum on the international front. Here are the highlights:

Developing country commitments. The breakthrough news of the conference was President Menem's announcement on November 11 that Argentina would become the first developing country to agree to a binding emissions target. Argentina will announce the actual number at next year's Conference of the Parties. (The Argentinians are seeking our help in the science and economics of determining a target, and we will of course provide it.)

Menem's announcement is a big deal. It shows that major developing countries can and should step up to the plate rather than resisting even the discussion of their own commitments. It will encourage others to follow suit in the near term. Khazakstan has already done so, announcing at the Conference that it would accept a target. As you know, Menem was under considerable pressure, from outside and within his government, *not* to announce a binding commitment. But he held firm, sticking with the advice from his Environment Minister, Maria Julia Alsogaray, who was also the Chair of the Conference. Your phone call to Menem early last week helped to shore him up at exactly the right time.

Argentina's announcement was the most dramatic evidence of a quieter evolution going on within the developing country bloc. In brief, fissures are starting to show. This bloc (known as the Group of 77, or "G-77," though it now includes some 130 countries) in fact comprises several distinct subgroupings: the Latins, the Africans, the small island states ("AOSIS"), OPEC and big players like China, India and Indonesia. China, India and OPEC are the hard liners; many of the others are more interested in a genuine dialogue. We shouldn't overdo this; so far, most of the G-77 still stick together. But, increasingly, the non-hard liners are looking for more constructive engagement with us. We will need to find useful ways to encourage this evolution.

The work plan. The Conference agreed on an overall plan -- dubbed the "Buenos Aires Plan of Action" by the European Union -- to finish many of the open issues in the Kyoto Protocol. Most important from our viewpoint was a work plan to develop and finalize rules for the free-market tools, including international emissions trading and the so-called Clean Development Mechanism, that were agreed to in broad concept at Kyoto. We succeeded in (1) keeping the work plan neutral, contrary to the concerted effort of the EU to tilt it toward imposing a hard cap on the use of such tools, and (2) nailing down a two-year deadline for the work, contrary to the efforts of some hard line developing countries to avoid any deadline. The Conference also agreed on a two-year time to develop the rules on compliance, an important and tricky subject. Particularly given our strong resistance to a cap on emissions trading, which opens us to criticism from the EU and enviros for being too "brown," it is important for us to advocate proactively for a strong compliance regime, albeit one that isn't overly intrusive.

Signing the Kyoto Protocol. Our decision to sign the Protocol during the Conference worked out very well. When Stu Eizenstat announced this in his statement to the plenary session on Thursday, the whole hall applauded, an unusual occurrence in these UN conferences. (Stu, incidentally, once again did a terrific job as our lead negotiator.) Congressional opponents like Reps. Sensenbrenner, Knollenberg and others attacked us Tuesday on the strength of rumors that we might sign, but our congressional defenders (including Senators Lieberman and Kerrey and Reps. Kucinich and De Fazio) won the exchange, and we received strong support from enviros and moderate business groups as well. Our Argentine hosts, having stuck their own necks out with their embrace of binding commitments, were delighted that we stepped forward and signed.

We will have to keep an eye out for a possible congressional resolution disapproving our action or calling on us to submit the Protocol forthwith. The key here will be Senator Byrd. He opposed our signing, but appreciated that Stu called him in advance from Buenos Aires and talked through the issue. If Senator Byrd were to make it clear that he wouldn't join a resolution, there probably wouldn't be one.

Follow-on process. Stu pushed throughout the Conference to initiate a process that will bring together key nations from the EU, our "Umbrella" group and developing countries at a political level several times a year to push negotiations forward. One of the big problems we have in these yearly meetings is that none of the issues requiring political input gets made until the end since the intersessional meetings occur at the level of technical negotiators. We need more regular engagement at the political, decision-making level. The EU was quite open to this idea, and the final "Plan of Action" authorizes Alsogaray to use her power as Chair of the Conference to convene this kind of group from time to time.

Umbrella Group. Last year at Kyoto, we began to form a loosely knit group of non-EU industrialized countries to join with us as a negotiating counter-weight to the EU. That group -- which has come to include Japan, Canada, Australia, New Zealand, Russia, Ukraine, Norway and

Iceland -- proved quite cohesive and useful during the Buenos Aires talks. It is clearly here to stay in the climate change context.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Jack Lew
Neal Lane
Gene Sperling
Jim Steinberg
Janet Yellen

S

United States Department of State

Under Secretary of State
for Global Affairs

Washington, D.C. 20520-7250

December 16, 1998

SENSITIVE BUT UNCLASSIFIED
MEMORANDUM

TO: Todd Stern

FROM: Frank E. Loy

SUBJECT: Management of Climate Change Diplomacy

I am pleased that we had a chance recently to discuss the management of our climate change diplomatic effort, and that we agreed generally how this might be best organized. Close cooperation between the White House and State Department is absolutely essential to success. I have sought in this memorandum to summarize the main points we discussed and the coordination organs we proposed.

Major Political and Policy Guidance - The Oversight Group

As we agreed, you will continue to convene meetings of the Oversight Group whenever warranted to facilitate timely resolution of major political and policy issues, as well as the appropriate involvement of the President and Vice President. The State Department would be represented by me or, in my absence, the Assistant Secretary for OES. You will decide which other agencies should participate.

Diplomatic Strategy

The Small Group. A small group should meet frequently (usually weekly at a set time) to discuss climate change diplomacy. Only the people who are responsible directly for the formulation of our diplomatic strategy should attend. In addition to you and me, the regular participants would be Melinda Kimble, Rafe Pomerance and David Sandalow, as well as individuals

I might recruit to fill two possible new positions -- State's Climate Coordinator and Senior Multilateral Negotiator. We would invite Stu Eizenstat whenever that would prove useful. From time to time, we would ask others (from other agencies, the White House or State) to attend as resource persons. Taskings affecting the Department should originate from this group as a general rule, including requests for policy papers or think pieces.

As we agreed, the State Department should maintain its traditional lead role on diplomacy. As a consequence, I propose to chair this group, but you should play a very active and important role, including in the formulation of agenda items. Meetings of this group would usually occur at the Department to accommodate the majority of regular participants, but we could convene at the White House or elsewhere whenever that would prove helpful. The meetings of this Small Group should be scheduled keeping your availability in mind.

Ad Hoc Strategy Sessions. Periodically, we might wish to replace the Small Group meetings with a policy discussion or free wheeling strategy session involving a more ad hoc group of participants, such as the meeting you held in your office recently. Ad hoc sessions will permit us to ask those persons we think could contribute usefully, regardless of which agency they represent and where they stand in the hierarchy. We should let the frequency of these meetings, and the list of participants, evolve organically.

A Strategic Approach. We agreed that our diplomatic strategy should follow a more rational plan, while continuing to take advantage of important opportunities such as travel by the President and Secretary of State. My goal is to work with you early in January via the Small Group to define our policy objectives and game plan for the coming year, including the countries on which we should focus.

I intend, moreover, to campaign aggressively within the Department to integrate climate change into the mainstream of our diplomacy. I have decided already, for example, to (a) feature climate change in my upcoming remarks to the conference of U.S. Chiefs-of-Mission in the Americas, (b) lobby for the integration of USIA personnel into the climate change effort, (c) raise the issue with each Ambassador with whom I meet and (d) direct climate change briefings for country desk officers.

Information Exchange - Assistant Secretaries Group

We should also meet regularly at the State Department (perhaps initially every 4-6 weeks) with representatives from other agencies, generally at the Assistant Secretary level. The physical set up should be what you called the "Roosevelt Room format," i.e. one or two representatives from each agency around a table, with others in the back to observe and participate in a limited fashion. The purpose of these meetings should be to disseminate information about decisions taken by the Small Group, share results of climate-related diplomacy, and help coordinate international activities. Once again, you should have a large role in these meetings.

I am committed also (as I believe you are too) to meeting regularly with the climate team from a particular agency (e.g. DOE, EPA, AID) to delve in greater detail into areas of cooperation and to understand better the agencies climate-related activities. Coordination of this sort will help keep the inter-agency process harmonious while reducing the burden for other agencies of diplomacy meetings in which they are asked to participate.

COP and FCCC Process - Inter-Agency Working Group

The State Department, through OES (Dan Reifsnyder), will continue to chair the highly inclusive staff-level Inter-agency Working Group (IWG). The IWG should act as the primary vehicle for the development of technical policies and coordination of activities related the international process under the Framework Convention or Kyoto Protocol. I will ask OES to report to the Assistant Secretaries Group or Small Group periodically, as well as whenever policy issues arise that deserve higher-level attention. Our goal will be to allow policy decisions to develop as much as possible from the bottom up.

Congressional Relations

We agreed on the importance of good relations with the Hill and that all of us must make this our business. Evolving public opinion and industry positions, as well as a hardening of scientific evidence supporting climate change, are reasons for some optimism. Good relations with the Hill will require considerable effort on our part. To coordinate, we should devote an occasional meeting of the small group to legislative strategy and invite our respective legislative experts to participate. As we proceed, we will have to evaluate whether the concerns raised by the Congress suggest the need to consider possible new directions.

Constituency Groups

We must both continue to reach out to relevant interest groups. At the same time we need to coordinate our efforts. We agreed that we should include each other in events that we host and inform each other of outside activities in which we participate. We must make an effort to view outsiders as participants in the policy process rather than merely targets for our public message. It is in this spirit that I have organized the December 17th session. We should attempt, furthermore, to provide equal access to all major groups. In BA I heard that some industry groups believe that we do not seek their input. While bearing in mind that some organizations do not engage constructively, we should strive to maintain a level playing field.

Domestic Efforts Generally

We both recognize the importance to our diplomatic effort of achieving real and substantial progress in our efforts to intensify the Administration's commitment to addressing climate change domestically. Doing so successfully will continue to require significant planning and oversight led by you. I hope that you will find a way to keep me abreast of domestic actions and strategies. On my part, I will make the Department's experts available to you as appropriate for briefings of domestic groups and other domestic climate change activities.

Cc: Stu Eizenstat
Melinda Kimble
David Sandalow

12-21-98

THE WHITE HOUSE

WASHINGTON

'98 DEC 19 PM12:49

December 19, 1998

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Podesta

page 2
Stern
VP
Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN TDS

SUBJECT: Climate Change Weekly Report

Domestic Policy

We are continuing work on the climate change tax and investment package for FY 2000. We have had extensive discussions with Ford, GM and Chrysler in an effort to reconfigure our auto-tax credit in a way they can support. We now have a new proposal that they like better than last year's and that would still be good substantively and good for consumers. Whether we will get all the way there with them, so that they actively support it, is not clear yet, but we have come far enough so that we should be able to include the new proposal in our FY 2000 tax package.

Science

Record temperatures. Scientists from the World Meteorological Organization announced that the Earth's average temperature in 1998 will end up about a quarter degree F higher than the previous record year (1997) and will be 1° F warmer than the 1960-90 average. (The Earth's average temperature fluctuates by only about 9-13° F from major ice ages to warmer periods.) The ten warmest years on record have all occurred since 1983, with seven of them since 1990. The regional temperature patterns (January through November) show all of the continents with above average temperatures, except for the northern sections of Eurasia. In the United States, spring and summer heat and drought caused massive wildfire outbreaks in Florida and damage to crops from the southern plains to the southeast. April-June was the driest period in at least 104 years in Florida, Texas, Louisiana, and New Mexico, and May-June was the warmest period on record.

Higher in the atmosphere, where regular measurements are made by instruments on weather balloons and satellites, record high temperatures also occurred. From the surface to about 4.5 miles altitude, record temperatures in 1998 were 0.85° F higher than the average of the last 20 years, making 1998 by far the warmest year. In the lower stratosphere (about 10 to 13 miles above the surface of the Earth) 1998 was colder than usual, though not quite as cold as in 1995-1997 period. (The stratosphere is expected to cool under global climate change, as the lower atmosphere "traps" more heat and warms.)

12-21-98

Press

In next week's *Business Week*, there is a story on Ford's problem of reconciling their new Sport Utility Vehicle, the Excursion, which will be the largest on the market, getting only 12 miles to the gallon, with their desire to be viewed as environmentally friendly. The nineteen-foot Excursion will be 10 inches longer than the next longest SUV, the Chevy Suburban. It is expected to generate huge profits -- as high as $20,000 per vehicle. Last year, Ford earned $5 billion in pre-tax profits from the sale of SUVs -- over 57% of its total earnings.

In next week's *U.S. News and World Report*, there is a story on the recent warming of the Arctic Ocean, where the ice has thinned by around a foot, to 6.5 feet, since the late 1980s, and the problem for scientists posed by the Navy's planned decommissioning of a certain class of nuclear submarines (20-year old Sturgeons) that have been useful in Arctic research.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

BR / VP
Can we make up
to research gap in
some other way?

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VP
Podesta

THE WHITE HOUSE

WASHINGTON

December 13, 1998

MEMORANDUM FOR THE VICE PRESIDENT

FROM: TODD STERN

SUBJECT: Meeting with Senator Byrd

I understand that you are meeting tomorrow afternoon with Senator Byrd to discuss the steel situation. At Ron and Kay's suggestion, I am providing a short update on where we are with Senator Byrd on climate change.

Background. As you know, Senator Byrd has been quite tough on climate change. He is a co-author of the Byrd-Hagel resolution, approved 95-0 in the Senate in July 1997, which calls on the United States not to sign any Kyoto agreement until (1) developing countries take on binding commitments in the same period as industrial countries, and (2) we provide adequate analysis to show that it won't harm the U.S. economy.

At the same time, Senator Byrd has staked out a position quite different from all-out opponents such as Senator Hagel. Byrd has on many occasions acknowledged that climate change is a real problem, saying that he has seen significant changes in his 80 + years on this earth. And he issued statements shortly after Kyoto that were quite mild and even complementary of the U.S. negotiating team. Further, he played a pivotal role in the recent appropriations process, toning down anti-climate riders to the extent that they do not pose a problem for us.

Signing the Kyoto Protocol. Senator Byrd is unhappy about our recent decision to sign the Kyoto Protocol. While we were in Buenos Aires, he wrote a strong letter to the President urging that we not sign and suggesting that signature would make future appropriations battles more difficult. Stu Eizenstat talked to Byrd at length from Buenos Aires a couple days before we signed, explaining our view that if we didn't sign during the one-year signing period (expiring March 15, 1999), we would diminish our influence and negotiating strength on all issues, including the participation of developing countries. In essence, we believe signing *strengthens* our ability to comply with the spirit of the Byrd-Hagel resolution. Larry Stein followed up with Senator Byrd on the day we actually signed. **Larry's overall impression was that Senator Byrd is not fundamentally antagonistic to us on climate, but is chiefly concerned about the impact of Kyoto and our policies on coal miners.**

As the calls from Stu and Larry indicate, we have taken pains to be responsive to Senator Byrd's concerns. I also met for an hour or so with his Chief of Staff, Lisa Tuite [TOOT], shortly before Buenos Aires. And our congressional staff has maintained close contacts with his office on climate matters.

Coal industry/coal miners. You should be aware of a couple of interagency efforts that are underway as an outgrowth of a meeting Karen Tramantono and I did in late September with labor leaders, including Rich Trumka and Cecil Roberts. We have one team looking at the current status and future of the coal industry, including federal government efforts and how those might reasonably be bolstered. We have a second team looking at transition issues, recognizing that, as the President has said about addressing climate change, some dislocations in certain industries are inevitable. The transition team isn't looking only at coal, but that will be its most important focus. Neither of these efforts is very far along, and there aren't results to point to yet. But I chaired initial meetings of each and work is now underway with a mandate to move rapidly.

You should also know that DOE has a very active Coal and Power R&D Program. This effort is focussing aggressively on (1) the development of ultra-high efficiency coal technologies by around 2015, with a goal of raising the efficiency of coal-fired plants from a current 33-35% to 60% or more, which would reduce carbon emissions by over 45% compared to conventional plants. The two key technologies to achieve this are "integrated gasification combined cycle" and "pressurized fluidized bed combustion;" and (2) high-tech carbon capture and sequestration in places like the deep ocean or depleted oil and gas reservoirs.

The concern, at the moment, is that OMB's passback for FY 2000 slashes the Coal and Power R&D Program from an FY 99 enacted level of $212M to $133M; DOE first asked for $228M and has appealed for $214M. A big cut to the program would undoubtedly make Senator Byrd and his coal allies quite unhappy. I don't know whether he is aware of the passback.

Steel climate consultations. One last thing. We have engaged with the steel industry on climate change in the context of the sectoral consultations that Dirk Forrister is managing. No hard results yet, but constructive efforts.

Conclusion. I know that your meeting is about steel, so climate may not even come up. But in showing compassion about the plight of steel workers, and a willingness to help, you would send a good message to Senator Byrd about his climate concerns. And you might find an opportunity to indicate to him that we will constructively engage regarding coal miners in the climate context. It would, in principle, also be desirable to indicate that we are actively pursuing research to secure an environmentally sound future for coal, but given the FY 2000 budget situation noted above, it might be better not to raise that issue at this time.

THE PRESIDENT HAS SEEN
12-7-98

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THE WHITE HOUSE

WASHINGTON

December 5, 1998

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(for reply)

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Climate Change Weekly Report

Domestic Policy

We are working to modify our tax package from last year so that this year's package will have greater political support. We are consulting actively with outside groups from business, the environmental community and agriculture. Also, following up on a meeting with Labor leaders that I did this fall with Karen Tramontano, we have internal groups looking at (1) the labor impacts of our electricity proposal, (2) the status and future of the coal industry, including ways we are already helping and other things we might reasonably do; and (3) transition issues.

Congressional

We are working to set up a series of breakfasts/lunches with groups of Members, 10-12 at a time, with top Administration officials, including the Vice President and Secretary of State. We need to expand the group of Members interested in and concerned about this issue, and who understand the rationale of our position. We hope to start in January and continue over several months. Each session should include a scientist; we have several who could ably fill the bill.

Outreach

I had an interesting conversation this week with Bob Burt, CEO FMC Corp. and head of the Business Roundtable's Environmental Task Force. After speaking at a BRT conference in Annapolis in October, I urged Burt to take a good look at the credit for early action idea that was introduced as legislation at the end of the session by Senators Lieberman, Chafee and Mack. Burt called Carol Browner and then me to say he would like to bring several CEOs into the White House to discuss this idea. He also said he is convinced that emissions trading is the key to addressing global warming in a cost effective manner and wanted to discuss whether there were ways that some form of pilot trading could be started. I will bring him and small group in as soon as they're ready -- probably after the holidays.

In the November issue of the U.S. Airways magazine, CEO Stephen Wolf wrote an encouraging article about the importance of moving forward on climate change. He writes that a lifetime of analyzing risks tells him that the situation begs for action, not delay, and he stresses the important benefits of the Kyoto Protocol.

Do TY letter to him
from me

Press

On November 20, the *Washington Post* ran an op-ed by a Council on Foreign Relations fellow arguing that the Kyoto Protocol is unworkable. We have worked with State to draft an op-ed from Under Secretaries of State Stu Eizenstat and Frank Loy (recently confirmed replacement for Tim Wirth) that will run in the next few days. On November 23, the *Washington Post* ran an extensive story on the ability of agricultural soils to absorb greenhouse gases and the possibility that these new sinks could play a major role in helping countries reach their obligations under the Kyoto Protocol. The new issue of *National Journal* is running a very positive piece on Buenos Aires, calling it a possible "milestone for the Clinton Administration." The article is particularly complimentary of our work to push for market-based solutions to global warming.

Science

Temperatures for the Historical Period. NOAA is releasing a press release Monday reporting on new research showing that this century is the warmest in 1200 years. The Press release will also point out that 1998 is shaping up to be the warmest year on record. ***Climate Change and Wildfire Damage in California.*** In a recent report, researchers with DOE's Lawrence Berkeley Lab, examine ways in which changes in climatic variables like temperature, humidity, and wind might affect fire dynamics in California. The study found that fires were much more likely to become catastrophic under climate change conditions. The researchers predicted a potential doubling of catastrophic fires in the grassland and chaparral systems of the Sierra foothills. The study did not examine the potential for changes in fire frequency under climate change and did not consider the potentially beneficial effects of increased investments in fire-fighting resources at the State or local level. ***Unknown Factors Still Surround Global Warming.*** An article in this week's *USA Today* briefly summarizes two recent science papers (by Hansen and Wigley) that discuss uncertainties in predictions of climate change. The article quotes Hansen as saying "you still have the concern that you'll have a very large climate change." The Wigley paper asserts that the 20th century temperature record is best explained by assuming both greenhouse gases and solar variability are responsible for the warming.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

'98 DEC 5 PM3:06

THE WHITE HOUSE

WASHINGTON

December 5, 1998

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SUBJECT: Climate Change Weekly Report

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John Podesta
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Janet Yellen

THE WHITE HOUSE

WASHINGTON

November 19, 1998

MEMORANDUM FOR SECRETARY RICHARDSON

FROM: TODD STERN

SUBJECT: Climate Change

At our meeting in September, you asked for a memo outlining my thoughts about how you could play a leadership role on climate change. As I was preparing that memo, your memo to the President on developing countries arrived. The response to those very interesting suggestions necessitated some coordination with State and NSC.

International Efforts

As your recent memorandum to the President rightly notes, much work remains to secure greater developing country participation in the Kyoto process. As your memorandum suggests, you could play an important role in this area and the President is interested in your playing such a role. To this end, I have discussed your proposal with Jim Steinberg, Stu Eizenstat and Frank Loy. The consensus is that State should continue to direct our diplomatic strategy, with active White House and NSC direction and in close consultation with DOE and other key agencies working on this issue. With your personal dynamism, international experience and Cabinet-level stature, you could play a key role as a top-level climate change emissary in developing countries. I would suggest that State, the White House, NSC, your representative and other relevant agencies work to identify countries where your engagement, including foreign travel, could pay real dividends.

As you have noted, we need to reach beyond the foreign ministries (which often see this issue in the ideological terms of the north-south debate) and environmental ministries (which sometimes place little emphasis on achieving environmental goals cost effectively via market mechanisms). Your active involvement would be a tremendous asset to this effort. We need to make inroads with a broad range of senior officials in developing country governments, including energy and industrial planning ministers. From your current seat, you are especially well-positioned to help senior officials understand that the steps necessary to mitigate climate change are also elements of a sound energy policy. In addition, you could highlight the potential technology transfer benefits of Clean Development Mechanism (CDM) projects, particularly in the energy sector. You could, moreover, draw attention to the potential economic benefits of emissions trading, drawing on energy and economic analysis prepared by your staff and the economic agencies. You could be a powerful voice for our message on climate change.

Country Studies. It is very important that the Department of Energy expand its technical and financial assistance under the Administration's Country Studies Program. This program has been and should remain central to our efforts to lay the groundwork for robust steps by developing countries. The Country Studies Program helps developing countries inventory greenhouse gas emissions, as well as create and implement national action plans. With your support, the Administration could sustain the program through the end of the fiscal year. With an additional $5 million from DOE, for example, we could expand our support for national action plans to 30 additional countries.

Energy Sector Exchanges with Developing Countries. DOE could also host reciprocal visits by public officials, NGOs, and industry groups in the energy sector to foster greater understanding abroad of our domestic climate change activities and emphasize sustainable energy policies. In cooperation with the Department of Commerce and others, DOE could showcase American climate-friendly technologies. You could propose these visits in your foreign travels, and perhaps even announce a broader series of "energy sector exchanges" with developing countries. You could target developing nations that have begun to show some interest in taking further steps on climate change, such as by participating in emissions trading or the CDM. Central American nations, small island states, and sub-Saharan African countries may warrant particular attention.

Domestic Efforts

Our diplomatic and domestic strategies are closely linked. Kyoto helped place climate change squarely in the focus of U.S. industry, media, environmentalists and other constituency groups. Conversely, making progress on domestic efforts to reduce greenhouse gases is critical to demonstrating international leadership. In particular, there are four key areas of opportunity on domestic policy for your activity in coming months.

- **Electricity restructuring.** Environmental groups criticized our electricity restructuring plan for not having included a cap and trade program for carbon dioxide. As you know, we project that our proposal will produce real environmental benefits, both by providing incentives for utilities to be more energy efficient in producing electricity, and by including provisions for a public benefits fund and a renewable portfolio standard. In the coming months, it will be important for you to use appropriate opportunities to highlight climate-related elements of our plan.

- **Climate Change Technology Initiative.** In the face of considerable Congressional opposition to Kyoto, we succeeded in adding over $200 million in new investments in clean energy research and development, delivering the first installment of the President's $6.3 billion climate technology initiative -- much of which will go to DOE programs in Dan Reicher's shop. As we seek funding for subsequent years, beginning with FY 2000, you can play an important role in selling the DOE part of the President's initiative on the Hill.

- **Industry Consultations.** Among our most important domestic undertakings will be demonstrating progress in getting major American industries to support efforts to combat climate change. You could play an important role in encouraging major companies to follow the progressive lead taken by companies like British Petroleum, United Technologies and IBM, which have all made specific pledges to reduce emissions below 1990 levels before 2010.

In addition to these individual pledges, we have been conducting the consultations that the President called for last fall. We are asking industries to review their energy practices and to develop voluntary goals for reducing emissions, while offering help in removing barriers or taking other action to assist business. Our interagency team has met with a dozen or so industries, including six at the CEO level: electric power, aluminum, steel, forest products, cement and natural gas pipelines. As we move forward, you may well have a role to play with industry CEOs to try to bring these discussions to the point of an actual agreement with the Administration.

- **Federal Energy Management.** Within the cabinet, you can help change the way all other agencies use energy. In a July radio address, the President made a personal priority of having the federal government lead in promoting energy efficiency and reduction of greenhouse gas emissions. The July address launched a number of efforts headed up by DOE's Federal Energy Management Program (FEMP) within Dan Reicher's office. These included FEMP-led efforts in promoting the better and expanded use of contracting authority for energy saving retrofits, launching a campaign to install hundreds of thousands of compact fluorescent light-bulbs, and initiating new efforts by several agencies to use sustainable design criteria in building new federal facilities. Together, these efforts can help save $1 billion in energy costs annually. You can help underscore the importance of the federal government leading on the energy efficiency front by encouraging other Cabinet officers to use DOE's services in seeking these cost and energy savings and by speaking out on this topic in appropriate forums.

10-22-98

98 OCT 6 - 6:09

The Secretary of Energy
Washington, DC 20585

October 5, 1998

MEMORANDUM TO THE PRESIDENT

FROM: BILL RICHARDSON

SUBJECT: WINNING DEVELOPING COUNTRY COOPERATION ON CLIMATE CHANGE

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Podesta
Stern
COS

Our collective efforts to persuade key developing countries to adopt binding emissions targets have not yet been fruitful. Only with Argentina are we beginning to see real progress. These developing countries have managed to characterize this disagreement as a North-South issue and have maintained remarkable group discipline. With a concerted effort I believe we can divide and conquer this group, persuade at least a few key countries to adopt voluntary or binding targets for the 2008-2012 time period, followed by binding targets beginning in 2013. It will require an interagency effort, a willingness to link some forms of cooperation to progress on climate change and some cabinet level pressure on our friends and partners. I am willing to lead this effort with your support, the support of the Vice President and cooperation from Treasury, State, EPA and USAID.

The key argument we must make is that it is in the economic interest of developing countries to adopt binding emissions targets. While we can make our case on environmental and political grounds, these arguments are not compelling to countries struggling for development and fearful of the current economic turmoil. We must shift our diplomatic focus away from the Foreign Ministries, which make their trade in G-77 cooperation, and towards the Trade and Finance ministries, which are looking for any lifeline they can get. We must also make a concerted effort to wage a public diplomacy campaign in the media of the countries we are targeting. We must make the case that cooperation on climate change is the key to technological cooperation and the generation of cash from the international emissions trading regime.

You made this argument in your meetings with President Jiang Zemin and President Kim Dae Jung. The high level working groups you offered to create have met and are beginning to make some progress. I would like to expand on your idea and target additional countries that are in more dire economic straits or with whom we have the greatest leverage. We will have to work with them to develop their own analyses indicating the economic benefits of entering the emissions trading system. We must provide them with the analysis that shows them the international capital flows that could accompany the adoption of an emissions target. My Department has the analytical firepower and resources to develop this analysis and present it with credibility abroad.

While access to capital is the carrot, ultimately each country's decision to cooperate with us will be a political decision. We need a more political strategy to win their cooperation. We need to begin by targeting the countries that we have the best chance of splitting away from the G-77. These can be Allies like Israel and friends like Singapore, who are well off and have low emissions levels now. We should work on Mexico and continue to push South Korea -- countries in need of a capital boost and likely to see the benefits from emissions trading. We can also target those countries over which we have, for a variety of reasons, great leverage.

With your support I will use my travel abroad to press our case and gain agreement to create a series of these multi-agency working groups. I can begin this month when I visit Mexico and Venezuela and continue with the Caspian nations, South Korea and the Gulf States later this Fall.

What I need is your support to let me lead these bilateral efforts. My counterparts in other countries need to know that we will meet at ministerial level when their Presidents come to town or when we host major binational events. I will work hand in glove with the Vice President, Todd Stern and my colleagues at State, Treasury, EPA and USAID. But if we want to break the current logjam and persuade the Congress that we are making a serious effort to win "meaningful developing country participation" we need to start fresh, work as a team and start now.

You have set a new course for our efforts with China and South Korea, one which has shown some promise. I think we need to turn this into a concerted campaign. I'm ready to hit the trail.

THE PRESIDENT HAS SEEN
10-22-98

'98 OCT 6 PM 6:09

The Secretary of Energy
Washington, DC 20585

October 5, 1998

Gene
I think we
should do this
BC

MEMORANDUM TO THE PRESIDENT

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SUBJECT: WINNING DEVELOPING COUNTRY COOPERATION ON CLIMATE CHANGE

copied
Podesta
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THE PRESIDENT HAS SEEN
11-13-98

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

'98 NOV 13 AM11:09

Copied
Frampton
Stern
COS

November 13, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GEORGE T. FRAMPTON, JR. BSK for GTF

SUBJECT: STATUS OF BUENOS AIRES NEGOTIATIONS

This morning, I spoke with Todd Stern and Stu Eizenstat who are both in Buenos Aires participating in the international climate change negotiations. The following is an update on those negotiations.

- President Menem's announcement Wednesday that Argentina would be the first developing country to adopt voluntarily a greenhouse gas emission target for 2008, and our signing of the Kyoto Protocol yesterday, have played very well. We are doing fine on those fronts.

- We are close to reaching agreement on six of the seven workplans.

- With regard to the seventh and most controversial workplan, on "flexibility mechanisms" (i.e., emissions trading and the Clean Development Mechanism for technology transfer), the EU and G-77 have put on the table a list of 65-70 items that they want included on the "workplan agenda." These items include bad language on supplementarity (i.e., committing us to discuss limits on trading) and "equity" (i.e., India's proposal for country limits to reflect per capita emissions).

After some very tough negotiating with the EU last night, we are hoping to have by the end of this afternoon some type of list that includes complementarity language but with a "chapeau" stating that the list consists of items that one or more parties wish to have on the agenda, but without prejudice to any other party's position that some of the items should NOT be on the agenda. To emphasize this point, we will be presenting at about 11:00 a.m. this morning a list of items for the agenda that we know some EU countries do not want to negotiate. Overall, if we reach agreement on acceptable "chapeau" language, we will come out of Buenos Aires with a more positive plan than we expected.

If we cannot reach this result, we will be left with two options:

(A) No agreed plan at all, with a statement by the "Umbrella Group" (which includes the U.S. and Japan but no EU countries) that it will explore its own trading regime. The media will portray this as a "total collapse of the Kyoto process"; or

(B) A plan with some bad directions, which will most likely cause the formation of workgroups that are charged with negotiating issues which we do not want on the table at all.

China and the OPEC countries also have opposed having any deadlines in the workplans. This risks making the workplans appear ineffective. However, if we ultimately accept this position we can cite all the other positives of a package of seven workplans (the "Buenos Aires Action Plan") and take the position that deadlines will be negotiated and determined in the next year.

If we cannot reach agreement on acceptable "chapeau" language, and we are forced to choose between options (A) and (B), we will have to come to you for guidance this afternoon.

THE PRESIDENT HAS SEEN
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THE WHITE HOUSE

WASHINGTON

September 18, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN TDS

SUBJECT: Climate Change Weekly Report

Press

Today, John Browne, CEO of British Petroleum, gave an important speech at Yale announcing BP's plan to dramatically reduce its global greenhouse gas emissions by 10 percent below 1990 levels by the year 2010. We put a statement for you commending this action. The *Washington Post* and the *San Francisco Chronicle* ran stories today and more stories are expected to run over the weekend.

Two stories appeared this week on how global climate change's is affecting our environment. On September 14, *NPR*, aired a story on the rapid melting of the arctic ice sheet, and on September 17, the *Washington Post* ran a story on new British research demonstrating that the thermosphere -- the outer layer of the atmosphere -- has fallen by about 5 miles in the last 38 years. The lead author of the underlying research article, a Cambridge, England atmospheric research physicist, said that "the closest you can get to explaining this phenomena is greenhouse gases."

Congressional

On the appropriations front, the House passed the Foreign Ops bill this week, which, like the Senate bill, contains deep cuts in our request for the Global Environment Fund. Meanwhile, Rep. McIntosh held his sixth Subcommittee hearing entitled "Kyoto Protocol: Is the Clinton-Gore Administration Selling out America?" There were no Administration witnesses. The witnesses did include representatives from API, Boise Cascade, Texas Instruments, the International Brotherhood of Boilermakers and the American Farm Bureau Federation. Rep. McIntosh continues to press for more documents. So far, in response to over 60 requests made to 22 agencies (including the issuance of seven subpoenas) our rough calculation is that over 10,000 staff hours have been spent to produce over 350,000 pages of documents at a cost of about $425,000.

Diplomatic

In Tokyo this week, Stu Eizenstat met with counterparts of around 20 key nations to discuss the agenda and potential outcomes for the Buenos Aires conference, November 2-13. Good progress was made in working through issues on emissions trading and the Clean Development Mechanism. In particular, EU representatives indicated a possible willingness to back away from their insistence on capping emissions trading. Chinese officials continued to be more receptive to dialogue on climate change than in the past. However, developing countries in Tokyo displayed little if any willingness even to discuss (let alone to take on) binding emissions targets. Maintaining momentum in the face of this reluctance will be a central challenge at Buenos Aires.

Domestic Policy

Economic analysis. The Energy Information Agency (EIA), a statistical arm of DOE, which has an non-political status akin to BLS, suggested to Rep. Sensenbrenner at a hearing several months that it would be happy to do an economic analysis of the Kyoto agreement. Mr. Sensenbrenner, who views climate change about the way Sen. Hagel does, took EIA up on the offer. EIA has now completed its study, with numbers at the highest end of the scale, higher even than studies paid for by hard-core industry opponents. We have responsive talking points ready for use when the study is released.

Industry consultations. We had a good meeting with key CEOs from the natural gas transmission industry this week. This industry, which is fundamentally on the solution side of the climate change problem -- switching from coal to natural gas greatly reduces emissions -- is quite open to working with us.

The World Energy Council held its biannual meeting in Houston, Texas this week. This meeting was interesting in the degree to which climate change had become a mainstream topic to be considered and addressed by exhibitors and speakers during the conference, including oil producers.

cc: Vice President
Erskine Bowles
Sandy Berger
John Podesta
Ron Klain
Jack Lew
Mike McCurry
Katie McGinty
Gene Sperling
Jim Steinberg
Janet Yellen

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THE WHITE HOUSE

WASHINGTON

September 11, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN TS

SUBJECT: Climate Change Weekly Report

Communications

Yesterday, the Vice President, accompanied by Rep. Matsui (D-CA), Larry Summers and Dr. Tom Karl of NOAA, made a two-part announcement: (1) that August, like the seven preceding months, was the hottest on record, and (2) that Matsui was introducing the Administration's climate change tax package. Congresswomen Karen McCarthy (D-MO) and Karen Thurman (D-FL) attended the event and, along with 10 other members, are co-sponsoring the House bill. The event was well-attended by members of the business, environmental, labor and scientific communities, including Don Martin, President of the National Home Builders Association. (Martin introduced you at the PATH event in L.A.). The event was reported by the *Chicago Tribune* and by *Associated Press*, the *Detroit News* and on *Greenwire.*

Outreach

The administration held a briefing on climate change at USDA for about 40 ag groups. Secretary Glickman opened the program. I followed him and then introduced other speakers from USDA, State, EPA and DOE. This meeting was a good start and will need to be followed up by ongoing sessions with this community.

Congressional

The House Appropriations Committee reported out the Foreign Ops bill this week. This bill, like its Senate counterpart, contains severe cuts in our request for the Global Environment Fund. An amendment was defeated in Committee to restore $50M of requested funds for GEF arrearages based in part on a misplaced rationale that funding for the GEF constitutes implementation of the Kyoto Protocol. We will press to get as much GEF funding as possible restored. As noted, on Thursday, Rep. Matsui announced the introduction of our $3.6 billion climate change tax package.

Diplomatic

An interagency delegation traveled to Beijing last week to hold working group discussions on climate change. The meetings are a product of your China trip.

The meetings were most notable for their positive tone, particularly with officials from the economic agencies. The Chinese made clear that they no longer wish to be portrayed as blocking progress on this issue. They showed particular interest in the potential economic and environmental benefits from emissions trading and the Clean Development Mechanism. Follow-up meetings are planned for the months ahead.

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