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**House Subcommittee
Energy & Power
March 4, 1998**

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HOUSE COMMERCE SUBCOMMITTEE ON ENERGY AND POWER;
HOLDS HEARING ON GLOBAL WARMING; MARCH 04, 1998
Congressional Hearings
Executive Department/Agency
(TRANSCRIPTS 03/04/98; 5121 Lines)
Item Key: 720

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CQ's WASHINGTON ALERT 03/19/98

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HOUSE SUBCOMMITTEE ON ENERGY AND POWER HOLDS HEARING ON
THE GLOBAL WARMING TREATY

MARCH 4, 1998

SPEAKERS: U.S. REPRESENTATIVE DAN SCHAEFER (R-CO), CHAIRMAN
U.S. REPRESENTATIVE MICHAEL CRAPO (R-ID), VICE
CHAIRMAN
U.S. REPRESENTATIVE MICHAEL BILIRAKIS (R-FL)
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U.S. REPRESENTATIVE STEVE LARGENT (R-OK)
U.S. REPRESENTATIVE RICHARD BURR (R-NC)
U.S. REPRESENTATIVE EDWARD WHITFIELD (R-KY)
U.S. REPRESENTATIVE CHARLIE NORWOOD (R-GA)
U.S. REPRESENTATIVE RICK WHITE (R-WA)
U.S. REPRESENTATIVE TOM COBURN (R-OK)
U.S. REPRESENTATIVE JAMES E. ROGAN (R-CA)
U.S. REPRESENTATIVE JOHN SHIMKUS (R-IL)

U.S. REPRESENTATIVE RALPH M. HALL (D-TX),
RANKING

U.S. REPRESENTATIVE BOBBY L. RUSH (D-IL)
U.S. REPRESENTATIVE ELIZABETH FURSE (D-OR)
U.S. REPRESENTATIVE KAREN MCCARTHY (D-MO)
U.S. REPRESENTATIVE ALBERT WYNN (D-MD)
U.S. REPRESENTATIVE EDWARD MARKEY (D-MA)
U.S. REPRESENTATIVE ~~RICK BOUCHER~~ (D-VA)
U.S. REPRESENTATIVE EDOLPHUS TOWNS (D-NY)
U.S. REPRESENTATIVE FRANK PALLONE (D-NJ)
U.S. REPRESENTATIVE SHERROD BROWN (D-OH)
U.S. REPRESENTATIVE BART GORDON (D-TN)
U.S. REPRESENTATIVE PETER DEUTSCH (D-FL)
U.S. REPRESENTATIVE JOHN D. DINGELL (D-MI)

U.S. REPRESENTATIVE GREG GANSKE (R-IA)
U.S. REPRESENTATIVE RON KLINK (D-PA)

STUART EIZENSTAT, UNDERSECRETARY OF STATE FOR ECONOMIC,
BUSINESS AND AGRICULTURAL AFFAIRS
JANET YELLEN, CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS

[*]

SCHAEFER: Mike on? Alright. That always helps, doesn't it. I'd like certainly, to welcome everybody to today's hearing on the Kyoto protocol and its possible economic implications to this country. And, unfortunately after the six hearings, my concerns about where the administration is really headed with this agreement seemed to increase rather than to decrease with every time we have an opportunity to look closely at the domestic implications of this issue. And today, I hope to focus my questions on the results of the economic analysis contained in the prepared testimony for today.

Last July, the administration released a document at least 59 people across the administration spent nearly two years in trying to develop. And that economic analysis determined the cost of stabilizing greenhouse gas emissions to 1990 levels by the year 2010 would require an equivalent of a \$95 per carbon tax.

The day that the document was made public, the administration called it a flawed effort. And today, we are presented with the results of that analysis, and I presume in the three months pass Kyoto apparently using at least one of the same models used in the previous analysis produces vastly different results for a more ambitious target of 14 to \$23 per ton of carbon.

Now what disturbs me really the most about this outcome is it appears to be based on assumptions that the outcome of future negotiations may not materialize. To be specific, according to Ms. Yellen's testimony, the cost of complying with the Kyoto protocol is reduced between 50 and 75 percent if there's an efficient international emissions trading. However, the details of the emissions trading are unfortunately, one of those things the administration has left to work out over future negotiation, and probably believe that would be between now and the Buenos Aires meeting in, I think, November.

And other parties to this agreement, and non-governmental groups are already positioning themselves to place as many restrictions as possible on emissions trading. And to me, this is a very, very important issue. And in this context, I would remind you of the history of joint implementations: the real treaty provides for, but in subsequent negotiations, the promise that it held for significantly reducing costs of compliance proved hollow when it was limited to developed countries only!

Now similarly, Ms. Yellen's testimony notes that the cost of compliance is further reduced if we can secure full participation by developing countries in the emissions trading market. And I'm extremely disturbed if this was relied upon to reach the cost of prediction in today's testimony because with respect to meaningful developing country commitments under the Kyoto protocol, it's a done deal. And, they don't have any.

In order for us to fully analyze the administration's economic analysis and the assumptions used, I am formally requesting that the administration provide to this subcommittee, no later than two weeks from today, the complete analysis of the conclusions presented in today's testimony, and any other economic analysis that was done that reached different conclusions. And I ask the administration to send its analysis out for peer review.

The reason why we're understanding this analysis is so important that it was highlighted in an article that appeared in The Washington Post this morning. Robert Stavens(ph), an economic professor, I believe, at Harvard noted the impact can be relatively small if done in the smartest possible way. But if we don't do it that way, it will cost 10 times what the administration is asking.

Finally, I'm pleased that the administration is supportive of the idea of electricity restructuring. I believe it will bring real savings to electricity consumers. Unfortunately, it's becoming clear to me that the administration supports restructuring as a way to mask the cost of complying with this treaty from American consumers. And as I stated at the last hearing, I would like the benefits of restructuring to flow to the consumers and not be spent buying emissions credits from a foreign government.

I hope today, the administration can answer our questions about the agreement in a straightforward manner which I know, they certainly

do, and being one of those individuals who has spent time over in Kyoto, and listening to all the negotiations that were going on, I gained a tremendous amount of respect for Mr. Eizenstat and Ms. Yellen.

So, I am looking forward to the testimony and certainly would acknowledge yield to my good friend from Texas, Mr. Hall.

HALL: Mr. Chairman, thank you and I won't have an official opening remarks. But just to thank you two for coming today and I enjoyed the presentations that were made before by Tim Worth (ph) and others, and I understand we've lost Tim. That he's gone to work for Henry Fonda's daughter's husband somewhere down in Atlanta.

(LAUGHTER)

And I'm sorry for him ~~to make that move~~ 'cause he is a very reliable, very sensible guy that's one of us, you know, that's been on this committee for a long, long time when he was in the House, and then, gave us a good service in the Senate.

We look forward to your presentation. Hope you're going to tell us that it's not going to increase energy rates and that things are going to be such that we can support it. Thank you.

SCHAEFER: The chair thanks the gentleman, my vice chairman, a gentleman from Idaho, Mr. Crapo.

CRAPO: Thank you, Mr. Chairman. I appreciate the fact that you've held this additional hearing on this important issue, and I would simply associate myself with the comments that both you and Mr. Hall have made. And add that it seems remarkable to me that the United States would agree to be bound in this arena by standards and requirements that all other nations are not bound to meet. That's going to be a very important issue to me as we address matters in this hearing. And I know that there are some rationales to try to explain that away, or to say that other nations are bound in some way. But it seems to me that we want to get into detail with an understand of what was required of the United States and what was not required of other countries, and what differences there may be between the commitments of the various countries on this issue.

Secondly, I was also very concerned about the elements of cost, and it is fascinating to me to read in the newspaper today that it's not going to cost very much to comply with this protocol. I was interested in what the chairman quoted from one of the stories where it said that if we don't do this right, it could cost 10 times what it's projected to because Mr. Chairman, when I was reading the news this morning about the fact that this is not going to cost very much, I said to myself, "You know, every time I've seen one of these projections, the ultimate cost ends up being at least 10 times higher than what it's projected to be." And I was hoping that this wouldn't be one of those circumstances, and I'm going to be very interested in the analysis that is presented, to understand how it is that after a

For three month scrubbing, all of a sudden the costs are dramatically different than what they were projected to be just a few months ago.

I think we've got to examine these issues very closely, and make certain that we are dealing with adequate and accurate information, and that we do not cause the United States to enter into a protocol which could be devastating to us economically without, frankly, a significant environmental benefit. Thank you, Mr. Chairman.

SCHAEFER: Chair thanks gentleman. The gentleman from Michigan, ranking member of the full committee, Mr. Dingell.

DINGELL: Thank you, Mr. Chairman. I thank you and I commend you for holding this hearing today. Pleasure to welcome Mr. Eizenstat and Ms. Yellen to the committee this morning. I had the pleasure of seeing them both over there in Kyoto where I think we converted an opportunity for mischief into a genuine disaster.

I know that you will try to defend an ill-conceived and badly executed Kyoto agreement on climate change by claiming repeatedly that it's a work in progress.

DINGELL: That the administration achieved two of its three negotiating positions in Kyoto. That reminds me of the Confederate who would brag about how the south won the first and second battles of Run. The listeners noted, however, that one important detail was missed -- and that was that his side lost the war.

It is unfortunate indeed that today Ms. Yellen is going to be here to present us with what appeared on the opening page of The Washington Post this morning, which was economic analysis. It says this is only going to cost about \$70 per American family, when in fact it's going to require about a 30 percent reduction in energy costs.

I would note that included in that is an estimate about the wonderful savings that are going to be achieved from the administration's plan for deregulation of electric power, which does not exist as of this particular time. Nobody in the administration has seen it. No one has shared it with me. Nobody knows what it's going to do. And nobody knows what impact it's going to have on the industry. Indeed, nobody knows whether or not it's going to cause a termination of use of high cost facilities, which, by an interesting coincidence, include the facilities which use nuclear power for the generation of electricity, which is going to be an important component of any plan that the United States puts forward domestically to address the problem of CO2 emissions.

Certain facts are inescapable. One of them is that nothing in the Kyoto agreement requires anything from the developing countries. These countries, including most significantly China, which has sternly resisted the idea and which told me to my hearing through its representatives that they will always be a developing country and will never be bound by this, and India, which has a similar position, are

...ady some of our toughest competitors.

When the congressional delegation in Kyoto, as I reiterated, asked the Chinese delegation when China might sign the agreement, we got this answer: Not this year. Not by 2010. Not by 2020. Not by 2050, and probably not ever.

I would note that China and India have spent considerable time pressuring the developing countries with regard to the idea of whether they should ultimately sign on to some understandings which would commit them to doing something. As a matter of fact, they have taken the strong position that there will be no trading of credits under the agreement.

Now I don't have any great quarrel with the domestic component of the administration's program on climate change so far. I support research, and I support the ~~incentives being proposed~~, though largely for reasons unrelated to climate change. But that program alone will hardly lead to the kind of emission reductions to which the United States is now committed by the administration's action. And I would note that we are talking about a 30 percent reduction in energy use by American citizens, the American economy and American industry.

I will be especially interested this morning in listening to you, Ms. Yellen, telling us about the costs of the climate change agreement. For a considerable time, I spent a great amount of effort ~~ing~~ to procure these kinds of estimates from the administration. Wirth always promised that such were forthcoming, but they never were. And they have not been made available until this morning when I looked at the press, when I saw that perhaps something of this kind is in fact going to be made available to us. I must confess substantial doubt in that particular matter.

In your last appearance, Ms. Yellen, you will recall that you said efforts to form an economic analysis of climate change were, and I quote, "futile." Close quote. I'll be fascinated to hear about the epiphany now that causes you to estimate with precision the costs of \$70 to \$110 per household.

This, I think, constitutes a breakthrough in the terms of economic analysis that is absolutely staggering, and I certainly salute you if you have been successful in accomplishing that purpose.

I'd be further interested in the so-called savings from an electricity deregulation plan that no one has seen and that has not been written.

Mr. Chairman, the administration produced a remarkable document -- or agreement -- in Kyoto, that they will not dare to present to the Congress and that is going to undergo some very, very curious massaging before it ever comes to the Congress. I would note that reports in the press indicate that we will probably not be signing until sometime next year, and that it will probably not be coming to the Congress until some significantly later time.

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...of...
...will be...
...to estimate with precision...

I would note that if it is so good for the United States, for the economy, for the people, for American workers, and for American industry, it should be submitted at the earliest possible moment so that we may pass it with huzzahs and hosanas, with proper praise for those who have negotiated it.

Mr. Chairman, I look forward to this, and I would note that if you accept the theory of global warming, or perhaps warming of the economy, you will recognize the reality of competitive advantage, and I don't think it exists here. Thank you, Mr. Chairman.

SCHAEFER: The chair thanks the distinguished gentleman from Michigan, and my ranking member, Mr. Hall, said to me that after that statement, we might put you in the doubtful column.

(LAUGHTER)

HALL: That's where we are, isn't it, John?

DINGELL: You might put me in doubtful, but not on the lack of merits.

(LAUGHTER)

SCHAEFER: The gentleman from North Carolina, Mr. Burr.

BURR: Thank you, Mr. Chairman. I had no intentions of an opening statement today, but I've got to admit that the Post this morning so moved me in the article they covered about what's supposedly, Miss Yellen, we will hear today.

Let me remind you of your testimony in front of the subcommittee in July of last year, I believe. And it was, as we go forward and develop policy, certainly there will be economic analysis brought to bear on any policies that would be under consideration. But the plan would be to use a wide range of tools and bits of analysis and not any single model or any group of small models, or certainly not merely the three models that are discussed in this report.

Senator Crapo asked then, is it ever going to be finished? You answer was no. I'm extremely curious to hear what you've got to say today. I think all of us on this committee, if we believe that we can reach a more responsible position on the environment, would certainly head that way, a position that uses science, that uses reason, that uses economic impact studies, so that we can make intelligent decisions. Quite frankly, this administration has molded figures to fit their agenda and not necessarily their science. I'm hopeful that whatever model you're currently using that you've lived up to the testimony that you've already given this committee, that it shouldn't be a single model; that it should be multiple models; that they shouldn't be small models, they should include a tremendous amount of data. And that in fact the answer, if Senator Crapo were to ask today, is that we can finish it, that this is not an ever-open issue. Because if it is, then we don't have the science that's needed to make

decisions.

And certainly I would agree with my colleague from Michigan. I find it extremely difficult if the model that we used in July to present in front of this committee was the model that we used to negotiate the Kyoto agreement. All of a sudden things have changed tremendously, and I think you owe it to this committee to explain exactly what that change has been. I yield back, Mr. Chairman.

SCHAEFER: The chair thanks the gentleman. The gentleman from Georgia, Mr. Norwood, in order of appearance.

NORWOOD: Thank you very much, Mr. Chairman, and thank you for having this very important hearing today on the economics of the Kyoto protocol and global climate change.

I'm going to do my best to reserve judgment until after I hear the testimonies of the witnesses and their responses to our questions. However, I have to say that right now I believe the direction in which we are heading is both unwise and premature. It's really just not making any sense to me.

For example, the administration's position on nuclear power and its relationship to the Kyoto protocol appear to be at odds. As we know, the European community arrived at Kyoto pointing fingers at the United States for reneging on our promises to reduce greenhouse gas emissions. Those nations, however, can meet their emission goals in measure because of emission-free nuclear generation. Yet while nuclear generation contributes 20 percent of our country's nuclear power, and 85 percent of its emission-free electricity generation, the administration seems determined to shut down our nuclear plants.

The Department of Energy virtually refuses to honor its legal obligations to take nuclear spent fuel from sites around the country and move it to a central location. And as a result, nuclear plants are in jeopardy of being shut down, not because of inefficiencies, but because a lack of spent fuel storage, which, indeed, is the federal government's obligation.

Having said this, I do hope our panelists will shed some insight on the administration's plans for using nuclear generation in reducing greenhouse gas emissions. With such a proven source of emission-free generation like nuclear power, why did we have to engage in any global compacts or Kyoto discussions to figure out how to reduce emissions?

Finally, if I understand your testimony correctly, Dr. Yellen, the economic impact of the Kyoto protocol will be virtually nothing to the typical American household. You say the average increases in energy prices at the household level will be approximately \$70 to \$110 per year in 10 years. However, you say this would be really offset by electricity price declines through federal electricity restructuring.

If this is so, it would be very comforting for me to know. But if this is not so, Dr. Yellen, and you are confident enough that you

I'd be willing to pay that difference in the electricity bills of my 80,000 constituents that would result from this agreement, and if you think you are so confident that the costs will be so small, I'd be very grateful if you'd just simply leave your address with my staff. That will comfort everybody at home.

Mr. Chairman, thank you again for holding this hearing. I hope that we'll shed some insight into what the administration is attempting to accomplish. And in conclusion, I really must say it is with some amusement and a great deal of glee that my friend from Michigan doesn't really realize the war of northern aggression isn't over yet.

(LAUGHTER)

SCHAEFER: This is a hearing on the Kyoto protocol, Mr. Norwood.

The gentleman is thanked for his comments. The chair next, in order of appearance, turns the mike to Mr. Coburn from Oklahoma.

COBURN: Thank you, Mr. Chairman. And I would welcome our two distinguished visitors. And I must concur with what I heard the gentleman from Michigan say.

Sitting on the Science Committee and having heard much of the testimony on global warming, or the lack of scientific data that would support that in a clear and concise way, my only worries are that this is not a work in progress, but this in fact may be a farce in progress. And I don't say that lightly.

If you take a scientific premise that is unproven and then build multiple challenges and changes that will have drastic effects not only on our individual citizens but on our ability to compete as a nation, and then handicap ourselves as compared to the rest of the developing world, if in fact we're not 100 percent sure this is happening, we shouldn't be doing this, in my opinion. I look forward to hearing your responses to the question and going over your testimony, and I would welcome your opportunity to prove me wrong. I yield back.

SCHAEFER: Thank you, Mr. Coburn, and the chair next recognizes the gentleman from Kentucky, Mr. Whitfield.

WHITFIELD: Mr. Chairman, thank you very much. And I'm delighted that we're going to be having this hearing, which is particularly important to all of us.

I know that Vice President Gore has been one of the leading advocates that there is global warming taking place in the world, and I know that back in 1986, he said that there was no longer any significant disagreement in the science community that the greenhouse effect is real and already occurring. In fact, he said that 98 percent of the science world concurs that a greenhouse emergency has begun.

And then I was reading this book, "A Moment on the Earth," written by a New York Times reporter who said that in February 1992, just a few years after Vice President Gore made his statement, the Gallup organization polled members of the American Geophysical Union and American Meteorological Society, the two professional groups for climatologists, and only 17 percent of those send warming trends so far convinced them an artificial greenhouse effect was in progress.

And then I know that in some of the general circulation models and others, they use temperatures in urban areas, and yet, that's ground level, and then, according to this book, studies of the total heat and atmospheric air volumes conflict with studies confined to ground temperatures.

For example, John Christy (ph), a University of Alabama at Huntsville scientist who heads the NASA air temperature studies said, we don't see any global warming in our data. And our satellites monitor the entire world not just urban areas, like the ground temperature studies. And then there's also a discussion about the general circulation models that were used to determine that there is global warming taking effect.

And I know there's one in Boulder, Colorado, one at the Goddard Institute, one at Stanford, and I understand there's about three other basic models around the world, and that about four of those are operated by real advocates for greenhouse warming.

And Mr. Jim Hansen (ph) who operates the Goddard Institute Model or did at the time this book was written, told a Congressional hearing in 1988, that he was 99 percent certain that summer's heat wave stemmed in some manner from greenhouse admissions.

And then the technical journal science promptly, after his testimony, ran an article titled, "It's Hansen (ph) Against the World," reporting that numerous other prominent climatologist felt Hansen (ph) should not state his fact something that science mainstream considers unproven.

And then after reading that book and then reading the testimony of Dr. Yellen today and Mr. Eizenstat, one of the things that struck me was how all of this seem so speculative.

When you talk about the economic cost, all the models used in the language that Dr. Yellen uses throughout her testimony is we've got to be very careful of this, we've got to be very cautious with this, we don't have all the facts on this.

And so all of this is based on speculation and when you take that fact, coupled with the scientific data, it raised very serious questions about why we're doing this at all. But having said that, I'm delighted that you're here, we look forward to your testimony, and that you can enlighten us on some of our concerns.

SCHAEFER: That you Mr. Whitfield. The Chair now next recognizes

gentleman from New Jersey, Mr. Pallone.

PALLONE: Thank you Mr. Chairman. I want to commend Secretary Eizenstat and the other members of the negotiating team on their efforts in Kyoto.

I believe this protocol serves as a significant first step towards stabilizing green house gas concentrations in the atmosphere. But of course, more work is needed to affectively achieve the protocol's underlying objectives and we also need to work on the details of AN emissions trading scheme, the clean development mechanism, and other components of the protocol.

On an overall basis, I believe that the Kyoto presents opportunities for economic growth and environmental protection. As President Clinton and others have expressed, the U.S. economy did not suffer as a result of increasing environmental protection during the past 25 years.

Rather U.S. firms seized upon the opportunity for technological development, and realized that economic growth can be achieved in an environmentally sustainable manner.

And even as we speak, many U.S. companies are recognizing the need to implement technological changes that will help reduce greenhouse gas emissions. In addition, industry and government officials often have failed to account for the cost the U.S. would bear if we did not act in the near term to mitigate and prevent further build-up of greenhouse gas concentration.

And costs could include weather related impacts, sea level rise, air pollution, and effects on agriculture, forests and species to name a few. I believe that very strongly that economic analysis must include these potential costs as well as regional prevention mitigation and adaptation measures.

Such measures will have to be increasingly necessary as we have witnessed most recently from El Nino and other weather-related events. Now I realize that there's no proof of a direct relationship between El Nino and global climate change.

But preventive mitigative and adaptive climate changes measures all are likely to less expensive if implemented in the short run and continued into the long run than a wait and see approach.

And I have to say I've experienced this first hand because, in my district, ocean front property has experienced the effects of recent storms and we benefited from an Army Corp Beach Replenishment Project which prevented and mitigated the adverse affects of the storms.

And as a result, my district experienced less damage in these recent storms. I would also like to express my support for the President's climate change technology initiative. In particular, I would urge support for both R&D funding and tax credits to develop and

ement energy efficiency measures.

According to energy expert, Emery Lovins (ph) the U.S. has achieved only about two percent of its potential in energy efficiency and we was nearly \$300 billion a year in energy every year. More than the Defense budget and the federal deficit combined.

I urge the administration to use market-based incentives to help implement the Kyoto protocol and I also recommend that the Administration incorporate market-based approaches into any electricity, utility restructuring proposal.

On another note, I recognize that both the Administration and Congress concur that more meaningful participation by developing countries as necessary. Nevertheless, the protocol does contain some provisions for developing countries to participate, for example through the clean development mechanism.

The failure to act at all until we achieve further participation by developing countries, would fail to reflect our role as a world leader and as the nation responsible for 22 percent for global emissions.

Again I want to thank the Chairman for holding this hearing. I know how important this issue is my colleagues and to the Administration, environmental industry, and I look forward to hearing from our witnesses.

Obviously, there are going to be a lot of questions that I have and that others have. Thank you.

SCHAEFER: The Chair thanks gentleman and the gentlelady from Missouri, Ms. McCarthy.

McCARTHY: Thank you Mr. Chairman. And thank you Mr. Chairman for this most important meeting. I very much appreciated all of your efforts in Kyoto. I was honored to co-host a meeting with you among the economist present to talk about the economic opportunities of this initiative and I'm really honored to have our two very special guests here today.

I apologize to both of you, that I will just insert my remarks into record. I must go to telecom mark-up immediately, but I was very, very impressed with all that you did in Kyoto to move this initiative forward.

Reaching into the depths of darkness each day to pull it into the light again and build the coalition needed to make this initiative one that we could rally around. I obviously am in support of the president's technology initiative.

I believe as I said in Kyoto to the various delegations that we with and the various interest groups, that this is an economic opportunity for American initiative. Our technology has always been

that the world seeks.

Further efforts through the president's initiative to beef-up that technology and export it to the needed areas of the world, will further our economic growth and development in this country and bring about the reduced emissions that we all seek.

So I commend both of you for your on going efforts. Mr. Chairman I look forward to more meetings as we had in Kyoto with interest groups to pursue this important issue.

SCHAEFER: Chair thanks the gentlelady. Gentleman from Oklahoma, Mr. Largent. The gentleman from Maryland, Mr. Wynn, also the gentleman from Ohio, Mr. Sawyer whose a member of the Full Committee, we welcome you here today.

SAWYER?: Thank you Mr. Chairman. ~~I'll forge an opening~~ statement just an observation that in the complex interplay of the components of Kyoto as they work themselves out across a enormously diverse climatological and industrial setting around the world, it may well be beyond the capacity of anyone to predict with precision what will happen.

The only thing we can be certain of is that if we don't continue to shed light on the range of likely outcomes that by the time phenomena begin to happen, it will be too late to act on them. Thank Mr. Chairman.

SCHAEFER: Chair thanks gentleman. Now we will go to the witnesses, the Honorable Stuart Eizenstat and also the Honorable Janet Yellen, and Stu, I know that you got thrown in at the last minute. It was kind of a quick learning experience for you over there, and we're certainly looking forward to hear any comments you might have and both will have their full statements made as part of the record.

EIZENSTAT: Thank you Mr. Chairman. I want to personally thank you for the time that you and a number of the members of the Committee spent in Kyoto. It demonstrated your interest and dedication to this issue and we know it was at some personal sacrifice and it's much appreciated.

I'd like to divide my testimony into four parts. First, the summary of the science, second, the key features of the protocol, third, to correct misperceptions, and fourth, a brief review of the president's own climate change technology initiative. And I'm honored to be here with the Chairman of the Counsel of Economic Advisers, my friend Janet Yellen.

First on the science, there is a general consensus now that human beings are changing the climate by increasing the global concentrations of greenhouse gases. Only yesterday, members of the technology community and major oil company executives themselves joined in articulating that consensus.

Over the last century, greenhouse gases has been released to the atmosphere far faster than natural processes can remove them. There is not ambiguity in the data. In the first chart, to my left, the actual data is shown in blue from ice cores taken from scientists.

The orange indicates actual data taken from the atmosphere in Hawaii. What this clearly dramatizes, is that the concentrations of greenhouse gases have grown by some 30 percent and especially dramatically since 1960. You can see the increasingly steep slope of these concentrations in the orange from 1960 to the present, that's slope will increase and will continue to increase dramatically.

I want to stress that these are actual data and not projections. The intergovernmental panel on climate change representing the work of more than 2,000 of the world's climate change scientists from more than 50 countries and representing the best synthesis on climate change, made a number of important conclusions within the last couple of years.

That is that under a business as usual environment, concentrations of greenhouse gases could exceed levels not seen on the planet for 50 million years. The projected temperature increases of two to six and a half degrees over the next hundred years could exceed rates of change not seen for the last 10,000.

If I could have the second chart. The second chart indicates the increase in the concentration levels and in the temperatures and it indicates the dramatic connection between concentrations of CO₂ and other greenhouse gases, and the dramatic increases in temperature which would occur if those are left unabated.

They follow each other as day follows night. Increased temperatures are expected to speed up the global water cycle. It will lead to a drying of soils and in some areas, increased drought.

Sea levels are expected to rise between six and 37 inches over the next century. A 20 inch increase in sea level would double the global population at risk from storm surges and low lying areas are particularly vulnerable.

For example, coastal Louisiana and the Florida Everglades as well as other parts of the world. This would also have an effect on human health. It would exasperate air quality problems and diseases that thrive in warmer climates, including malaria and yellow fever.

It's estimated that by the end of the next century, there'd be an additional 50 to 80 million cases of malaria each year if the climate change occurs unabated. And as I mentioned, only yesterday we saw executives from major oil companies recognizing the climate change is indeed occurring and that it's consequences need to be addressed.

We should look Mr. Chairman and members of the Committee at Kyoto and an insurance policy against the potentially devastatingly irreversible impacts of global warming.

If we act now, the premium on this insurance policy will be far more reasonable and far less costly than if we delay in the hope and increasingly forlorn one at the problem created by greenhouse gases will somehow go away.

Indeed, it's like a life insurance policy whose costs grow significantly if we delay year after year in insuring ourselves. In the case of global warming, we won't have a second chance. Failure to act will lead to irreversible consequences and we'll be committing ourselves, our children, and our grandchildren to a very different planet, and they'll never forgive us.

Second point is the protocol itself. It represents an important achievement, but it is indeed a framework for action and not a finished product. The president and vice president established for us three major objectives to negotiate.

We achieved the first two and made some progress, though clearly not enough, on the third. Our first objective was developing realistic targets and timetables among developed countries. We secured the key elements of this part of the president's proposal.

We got the concept of multi-year time frames from emission reductions included in Kyoto, rather than as many other countries wanted, a single fixed year target. This will allow our industries greater flexibility to meet those targets.

In addition, we were able to get our time frame, 2008 to 2012, rather than early periods preferred by the European unions, Japan and others included. This will again help cushion the transition and the effects of business and workers.

We also got our concept of differentiated targets for key industrial powers. So that our competitors are taking on similar and in some cases, such as the European union, deeper obligations than we.

When changes in the accounting rules for gases and offsets for so-called sinks, which I'll describe in a moment, are factored in the level of effort required is very close to the president's original proposal to return emissions to 1990 levels by 2008 to 2012 representing at most a three percent real reduction below that proposal and perhaps less.

We also succeeded in getting an innovative proposal very much our own included in the protocol which allows certain activities, like planting of trees and good forest practices that absorb carbon dioxides, called sinks, to be used to offset emissions requirements that industry would otherwise have to make.

This will be a significant way of reducing costs and burdens and be of a particular benefit to the United States given our good forestry practices. Also, as proposed by us, the Kyoto protocol covers all six greenhouse gases, even though until the last moment,

European union and Japan held out to cover only three.

A second objective in Kyoto was, as instructed by the president and vice-president, was that countries could meet their obligations by flexible market mechanisms, not mandatory policies and measures like carbon taxes that the European union and others propose are top down regulation.

The Kyoto protocol enshrines a center piece of this market-based approach and commentators like William Buckley have stressed the fact that what is unique about this is that we, the United States, got in our concept one little loan until Kyoto of the right to use flexible market-base mechanisms, the center piece of which is the opportunity for companies and countries to trade emissions permits using the free market system.

In this way, companies and countries can purchase less expensive emissions permits from companies or countries that have more permits than they need. This is not only economically sensible, but environmentally sound.

One of the members of the committee just said that things always seem to cost more, that's not the case. Indeed, we have a very positive experience with permit trading in our own Acid Rain Program. And as a result, costs are 50 percent less than what was anticipated when that program was first proposed, because we are using a market-based mechanism and this is a figure confirmed by a number of experts in a recent Wall Street Journal article.

So the inclusion of these market-based mechanisms and the right to trade in the open market was a single victory for the United States. Let me be very clear, the commitment in Kyoto would not have been made and could not have been made, were it not for the flexibility that these mechanisms give us.

Until we're satisfied with the rules and procedures, the promise of Kyoto will never be realized.

Our third objective was to secure meaningful participation of key developing countries. This is obviously a concern that the Congress shares. Global warming is after all a global problem. It requires a global solution and not only from developed, but from key developing countries.

By 2025, the developed world will be emitting less greenhouse gases and the developing world will be emitting more than the total of the developed world. We clearly encountered significant resistance in Kyoto by some developing countries and Mr. Dingell and Chairman Schaefer indicated that and there's certainly is the case.

Still, developing countries may, as a prerequisite, for engaging in emissions trading voluntarily assume by an emissions targets through and amendment to the annex of the protocol and as I'll indicate, we also got a significant down payment.

Kyoto does not meet our requirements for developing country participation, but that significant down payment shouldn't be ignored. It was made in the form of provision advocated by Brazil and strongly backed by the United States.

It is a clean developing mechanism which fully embraces our concept of joint implementation with credits. This joint implementation with credits will build a bridge with incentives in the free market between developed countries and developing nations.

It will allow companies in the United States and else where in the developed world to invest in projects abroad and get credits against their targets at home. Again, lowering the burden on U.S. industry by allowing this kind of participation.

It's good for the developing countries, it will engage them and it's good for the developed world. Our companies can either invest or they can simply purchase the permits. In determining what developing countries ought to do, of course we need to be aware that their circumstances may vary.

In a one size fits all approach to meaningful participation is unlikely to prevail. A third broad point is correct misperceptions. I'll deal with two of those although there are many and perhaps in the question period I can deal with others.

The first is that the protocol somehow will impel (ph) the ability of our military to meet its world wide responsibilities. This is absolutely, totally untrue. We took special pain working with the Defense Department and with our uniformed military who were present with me in Kyoto, both before and in Kyoto.

To fully protect the unique position of the United States as the worlds only super power with global military responsibilities. We achieved everything that outlined as necessary to protect military operations. At Kyoto, the parties, for example, took a decision to exempt key overseas military activities from any emissions targets.

Including exemptions from bunker fields used in international aviation and maritime transport. And from emissions resulting from multilateral operations, including self defense, peace keeping, and humanitarian relief.

This exempts from our national targets, not only multi lateral operations expressly authorized by the security counsel of the UN such as Desert Storm of Bosnia, but importantly, also exempts multilateral operations that the United States initiates pursuant to the charter, but without expressed authorization, such as Grenada.

Secretary of Defense Cohen wrote in a recent letter to Congress person Bachus, that quote, "based on achieving our international objectives, the department is fully satisfied with the Kyoto results." quote.

A second misconception is somehow this protocol will create super secretariat threatening our sovereignty and decision-making through alleged intrusive verification procedures and prior approval of individual emissions trades. That's also not true.

EIZENSTAT: But a review process and the protocol largely codifies our ready existing practices under the 1992 Rio convention. The review process is not by a secretary, it's inter governmental with experts nominated by governments.

The review teams meets with government officials and others by invitation. Sight visits take place only and I underscore only if approved by the host country including of course the United States and only if the private sector involved agrees to it.

The notion is somehow, people are going to be swooping down on U.S. private property is utterly, completely and totally false. Let be unmistakably clear in addition. We will not accept nor do we anticipate an approach that would require prior approval of individual emissions trades by any international body.

Trading will be done between interested nations and their companies based on market principle.

Last, where do we go from here? First, rules and procedures must be adopted to assure that trading rights, joint implementation, the development mechanism operates smoothly and efficiently and will be working, as I'm already doing with out industries, to be sure they're satisfied for they are the ones that would have to make this operate.

We'll also have to work to secure the meaningful participation of key developing countries. We will put on a full court diplomatic press to bring developing nations into a meaningful role, we'll accept nothing less, nor do we expect the U.S. Congress to do.

As the president has said, the U.S. should not assume, and we will not assume, binding obligations under the protocol until key developing countries meaningfully participate in meeting the challenge of climate change.

More progress is clearly necessary. It will obviously be premature to submit something to the Senate when the Senate itself is asked for this kind of participation and we haven't yet achieved it.

That's the great obligation we have to assume over the coming months and if necessary, years. Let me further say, however, that to lock in the progress we've made thus far with a developed countries, we anticipate signing the protocol within the one year period provided in the agreement.

We have not as yet determined the precise timing due to tactical considerations, we'll sign at a time that makes the most sense in terms of the overall diplomatic situation.

The president outlined last October an approach the first part of which involves as he said in the State of the Union, a \$6.3 billion climate change technology over five years to cut greenhouse gas emissions.

This will mean tax cuts and R&D incentives to take practical cost effective steps to position ourselves to meet the challenge we will face early in the next century.

In closing we are committed to work with you and the Congress to realize the potential of the climate change technology initiative and to craft our on going approach.

But we can not ignore what the science is telling us. We will do so at our peril. What we're looking for again is a kind of insurance policy that we can afford, one that's prudent, but one in which if we failed to act, if we fail to recognize what science is telling us, we'll be infinitely more costly to do in the future. Thank you.

SCHAEFER: Thank you very much Mr. Eizenstat. And I just have to say that being over there, we appreciated you coming and giving us briefings on a very reasonable basis. We think that was great. Whether we agreed with them or not, the point was, you were giving them to us. The Honorable Janet Yellen.

YELLEN: Thank you Mr. Chairman. The president has said that we work to revert the grave danger of climate change, while at the same time maintaining the strength of our economy. I agree and I'm pleased to have this opportunity to appear before the committee to elaborate on the Administration's views on these issues.

The international agreement that was reached in Kyoto this past December, is a crucial step forward in addressing global climate change. But it's only one step in a long journey. Since the international effort to reduce greenhouse gases emissions is still in some respects a work in progress, it's not yet possible to provide a full authoritative analysis of it.

In my testimony today, I will attempt to identify key elements of the agreement and the Administration's policy, such as international emissions permit trading, meaningful developing country participation, the inclusion of land use activities that absorb carbon, mainly sinks and six categories of gas, as well as domestic initiatives that can ensure that reductions in global greenhouse gas emissions are consistent with continued strong economic growth.

The Intergovernmental Panel on Climate Change, the IPCC, jointly established by the world meteorological organization and the United Nations environment program concluded in 1995 that the balance of evidence suggests that there is a discernible human influence on global climate.

As under Secretary Eizenstat noted, current concentrations of carbon dioxide, methane, nitrous oxide, and the other so-called

Greenhouse gases have reached levels well above those pre-industrial levels.

As a result of the increased concentration of greenhouse gases, the IPCC estimates the global temperatures will increase by between two and six degree Fahrenheit in the next hundred years with a best guess of about three and a half degrees Fahrenheit.

The IPCC reports that the doubling of carbon dioxide levels would lead to approximately 10,000 additional deaths per year to the current U.S. population from higher summer temperatures even after knitting out the effects of warmer winters and climatic adaptation.

The IPCC also predicts sea level increases of about 20 inches by 2100 with greater increases in subsequent years. Despite the difficulties of deriving quantitative assessments of the damages from climate change, researchers have none the less developed monetary estimates of damages to prompt substantial concern in range in the tens of billions of dollars per year for temperature changes projected to occur in the next century.

If left uncontrolled, disruption of the earth's climate may thus pose substantial costs in terms of harm to commerce and the environment alike.

These costs -- and they are significant -- provide the primary motivation for actions to reduce greenhouse gas emissions. These estimates do not, and cannot, accurately reflect the value of reducing the unknown risk of large-scale and potentially irreversible events with potentially catastrophic consequences, such as warming of the northern tundras sufficient to release very large amounts of methane from the permafrost, and thereby leading to accelerated warming.

There is thus a strong argument for the Kyoto Protocol as a form of insurance against this serious environmental threat.

To address climate change, the United States and approximately 160 other nations agreed in the negotiations held in Kyoto, Japan last December to reduce emissions of greenhouse gases. The Kyoto Protocol, which requires the advice and consent of the Senate, would place binding limits on each industrial country's combined emissions of the six principal categories of greenhouse gases. These limits apply to the 38 so-called "Annex 1" countries, which are the industrialized countries, defined to include Russia, Ukraine, and most Eastern European countries.

In taking action to reduce emissions, economic analysis suggests that two elements are absolutely essential. The effort must be flexible and market-based, to ensure that we reduce emissions in the most efficient way. And the effort must be global. For without global emissions reductions, the effort would be ineffective.

The nature of the climate-change problem, that greenhouse-gas emissions have the same effect on the climate regardless of how,

re, and, within limits, when they occur, suggests three basic approaches to lower the cost of achieving given levels of environmental protection. We term these "when," "what," and "where" flexibility.

As a result of U.S. diplomatic efforts, all three forms of flexibility are broadly reflected in the Kyoto Protocol.

The choice of a multi-year budget period, ending later than many countries proposed, with allowance for banking of emissions reductions, constitute key elements of when flexibility. These provisions mitigate costs by permitting reductions at times when they are less, rather than more, costly.

The inclusion of all six greenhouse gases, and certain sink activities that promote removal of carbon from the atmosphere, provides substantial what flexibility. The U.S. succeeded in having the Kyoto Protocol stipulate that countries with binding targets are to reduce total greenhouse-gas emissions by certain percentages. But it does not require specific reductions for specific gases. Moreover, sinks can be used to offset emissions targets.

The inclusion of international emissions trading among countries that take on binding targets, coupled with an agreement allowing industrial countries to receive emissions reduction credit for certified investments in clean development projects in the developing world, are the critical forms of where flexibility incorporated in the Kyoto Protocol.

Although details of these provisions need to be finalized in negotiations in Buenos Aires later this year, we believe that these mechanisms can produce substantial reductions in the cost of attaining our environmental objectives.

The problem of climate change is global, and so it requires a global solution. Around 2030, under a continuation of business as usual, a majority of the world emissions are projected to come from developing countries. Without developing country participation, we cannot achieve adequate climate protection. In addition, developing-country participation would permit relatively low-cost emission reductions to be internationally recognized as a substitute for more expensive reductions in many industrial countries.

The president has made clear that he will not submit the Kyoto Protocol to the Senate without meaningful participation from key developing countries who are not included in Annex 1.

An economic analysis of climate change faces three broad categories of difficulty. First are the uncertainties that still remain over the terms of the ultimate treaty. Second are the inherent limitations of available models to analyze even short-term costs and benefits. And finally is the impossibility of putting a single monetary figure on the long-term benefits of climate change mitigation.

Mindful of the limitations of any single model as a tool for evaluating the economic impact of the Kyoto Protocol, we have employed a broad array of techniques to assess the various possible costs and non-climate benefits of the administration's emission reduction policy. Ignoring the benefits of mitigating climate change itself, our conclusion is that the net costs of our policies to reduce emissions are likely to be small if those reductions are undertaken in an efficient manner and we're successful in securing meaningful developing country participation, as well as effective international trading, and clean development mechanisms, in future negotiations.

YELLEN: As I explain in my written testimony, this conclusion is not entirely dependent on, but is fully consistent with, formal model results.

For example, given the factors, such as trading, just delineated, but excluding the benefits of acting, and the impact of electricity restructuring, estimates derived using Betel's (ph) second-generation model suggests that the resource costs of attaining the Kyoto targets for emissions reductions might amount to just seven to twelve billion dollars per year in 2008 to 2012, which is just a tenth of a percent of projected GDP. That small net premium in effect purchases a partial insurance policy against a serious environmental threat.

A comprehensive economic evaluation of the administration's climate-change policies must also take into account the potential offsets from the full package of proposed administration climate-change initiatives. As you know, the president's Fiscal Year 1999 budget includes a \$6.3 billion package of tax cuts and research and development spending over the next five years. This package makes good sense in terms of energy policy, and it could jump-start our efforts.

A second responsible step entails industry-by-industry consultations to prepare emission reduction plans in key industrial sectors.

A final component of the president's climate-change policy is his support for electricity restructuring in a manner that would offer approximately \$20 billion in cost savings to electricity consumers, while offering modest reductions in greenhouse gas emissions.

I look forward to continuing to work with members of this committee, as well as other interested parties, in further analyzing the Kyoto Protocol, and evaluating the effects of reducing greenhouse gas emissions.

Let me stop there. I welcome your questions.

SCHAEFER: Thank you very much, Ms. Yellen.

Let me just start off with a couple of questions. Probably Mr. Anstat, you first in the written testimony for today's hearing, the Kyoto Protocol is called -- is indicated a "work in progress," and I

Understand it to be a final agreement which is open for signatures through March of '99. Can the protocol be amended before it enters into force, in your estimation?

EIZENSTAT: The process of amendment would have to be done by a three-quarters vote of the membership. There is a possibility of supplemental protocols, but I think that we have to work within the terms, essentially, of what we have at this...

SCHAEFER: Three...

EIZENSTAT: ... at this point.

SCHAEFER: Excuse me. Three quarters of the members of that -- of the countries that were there, of a hundred and sixty some countries, or...

EIZENSTAT: Well,...

SCHAEFER: What do we mean by that?

EIZENSTAT: The protocol itself, strictly speaking, can't be amended before it enters into force, but it may be possible for the composite parties to adopt a further instrument, such as a supplemental protocol, which would be an integral part of that.

Then, there are amendment procedures to the protocol, after it enters into force, and that -- my understanding is -- is by -- we have proposed by three quarters, but what I think one of the issues that we have to negotiate is the actual rules for amendment, and that will be part of the process that we'll be going through in Buenos Aires.

That was our proposal, but there is no, at this point, specific process, other than consensus.

SCHAEFER: The -- if it cannot be amended, prior to ratification -- let's take that -- how do you propose to secure the very meaningful participation by developing countries agreeing to this protocol?

EIZENSTAT: Because there is a process by which developing countries can opt into the proposal -- they can voluntarily assume obligations to the -- to the protocol...

SCHAEFER: Well,...

EIZENSTAT: ... and we believe that if countries wish to do so, that they can add their names to the annex to the protocol and...

SCHAEFER: Yes. I'm trying to think back. It seems to me that there -- what was it? Amendment 10, or something, that was deleted, allowing a developing country to opt in? Was...?

EIZENSTAT: That is correct.

SCHAEFER: And that was deleted, right?

EIZENSTAT: That is correct. It was deleted. But we believe that they can nevertheless voluntarily assume obligations and add their name to the annex if they wish to assume those.

SCHAEFER: Yes.

But that is what the Amendment 10 said, wasn't it, that they voluntarily can come in?

EIZENSTAT: That is correct. And we were disappointed in that not...

SCHAEFER: Yes, I recall that very, very well.

What about the commitment of the U.S. about not signing the protocol until it's no longer a -- what we terminology work, a "work in progress," and I mean that the details for the emissions trading has been worked out? Can you comment on that, because there's a couple of things that I've been particularly concerned with -- and I can only speak for myself -- but one is -- is develop -- nondeveloping countries participate, and the other is this emission trading situation? Are we in the progress now of trying to work that out, between now and Buenos Aires?

EIZENSTAT: Yes. And it is our hope that we'll be able to do that, and that we will have the kinds of rules for emissions trading that will allow the kinds of efficiencies that we think are central to make emissions trading work and make it work for our companies.

SCHAEFER: If we don't get it, if we don't get the emissions trading, what is going to be the position of the administration?

EIZENSTAT: Well, I've always found, in this city, over my years, it's useful not to talk about hypotheticals.

(LAUGHTER)

We hope that we will get them. We hope we don't face that consequence.

If we do, we'll look at it at that point.

But right now, we're working on getting it. I have been meeting with the Europeans. We've met in a G-8 context in London just a few weeks ago. There is a growing amount of interest in emissions trading. I think we'll -- it will be discussed at the ministerial, for the G-8, and I think a growing number of countries, certainly Japan and a number of the European countries, the U.K., see the value of emissions trading, and I think will want it to occur in an efficient way. We have a meeting coming up in just a few days, in which we've invited Russia, New Zealand, Australia, Canada, Japan, and others interested in the what we call "non-EU umbrella" to join us, so

the position of the administration is -- in the city, hypotheticals.

we can work on emissions trading. Our team is working very hard developing what they think are efficient rules for it that will be proposed, and we're hopeful that with that growing interest that we will indeed have an efficient system.

SCHAEFER: So, are you basically saying that if we don't get emissions trading, that we will not commit to sign?

EIZENSTAT: What I'm basically saying is that we will get efficient emissions trading.

(LAUGHTER)

SCHAEFER: OK.

We're kind of going around the house here.

Ms. Yellen, I'm intrigued by the differences between the flawed economic analysis presented to this subcommittee last July and the results of the new economic analysis released in the testimony today.

Can you explain the difference, and the difference in models in this?

YELLEN: Yes, I'd be happy to do that.

Actually, what I indicated when I appeared before this committee summer is that in my personal judgment we should not rely on any single model, or even a few models. There were three models in the report last summer, used to produce results. That we should consult a broad range of literature. And in fact that is exactly what we have done since I appeared before you.

And the conclusion that I'm offering you today is that under the assumptions that I've indicated in the testimony, which include effective trading, that my conclusion is that the costs of this treaty would be modest.

Now, to illustrate what "modest" might mean, we've tried to include in the testimony an illustrative example based on using a model, and it is one of the few models that we have available to us that is relevant to analyzing the trading features of this Kyoto agreement.

We have tried to use that model, along with additional analysis that we've done, to account for special features of this agreement, like the inclusion of six gases, rather than just carbon dioxide, and to give you an illustrative result of what the price tag might be. And the seven to twelve billion dollars in my testimony, which translates into potential permit prices of 14 to 23 dollars. As I indicate in the testimony, this is not my estimate of the impact of treaty. What I've said is, my -- my estimate is -- or the administration estimate is that if we are successful in making trading work in this treaty, and the other conditions I've indicated, we

...eve the cost would be modest. And this is an illustration.

Even those numbers fail to take account, as I indicate in the testimony, of the benefits to consumers of electricity restructuring, which, when factored in, would leave the typical household with a small net gain, a reduction in energy bills...

SCHAEFER: Yes.

YELLEN: ... or a very small increase.

In addition, there are a number of other things that we have not been able to quantify that many people feel are -- it could be extremely important. That would include, for example, the payoffs from the climate change initiatives the president has proposed. And there is a very large body of opinion, particularly engineering -- engineers, who see an enormous potential to improve energy efficiency by faster diffusion of existing technologies, in ways that would result in net payoffs for the U.S. economy, no net costs, negative net costs. These are often referred to, for that reason, as "no regret strategies." And I've not tried to take that into account.

SCHAEFER: So...

YELLEN: But when you ask me, what's the difference between what I'm saying now and what was in the report released last summer, in there is no difference at all between what I'm telling you now what was actually contained in that report.

That report looked at three different models, and examined the likely impact of an agreement to reduce greenhouse gas emissions, in a central case, 1990 by 2010, and looked at the possible range of outcomes in those three models.

In fact, what the IAT report showed was a range of possible permit prices that ranged from \$9 to \$145. And the \$9 figure is one that came about with effective international trading arrangements.

What I told you last summer when I appeared here was that we could do this smart, or we could do it dumb, and if we did it smart, and by that I meant to go for where, when, and what flexibility...

SCHAEFER: Yes.

YELLEN: ... that we could come out with a very low cost, or possibly net gains, and that if we did it dumb, it could cost much more. That is what the report last summer showed, and I'm saying the same thing now...

SCHAEFER: Well, what...

YELLEN: We have tried to go for all of those flexibility options that are -- constitute doing it smart and holding down the costs.

SCHAEFER: Well, I think gaining the advantage of six gases was certainly a step in the right direction. No question about that.

And I'm glad you mentioned the electricity restructuring. I know a little bit about that subject, since we've been dealing with it.

One final question, before I turn it over to my good friend from Texas: the German environment minister has proposed limiting the use of the emissions trading to -- trading credit to 50 percent of the nation's commitments. How would such a limitation on this impact have on the conclusion of your analysis?

And either Mr. Eizenstat...

EIZENSTAT: Well, I'll let Chairman Yellen talk about the economics of it. I can say that we would not accept such a limitation. Period.

SCHAEFER: OK.

YELLEN: Well, I...

SCHAEFER: If there were, though, it would be a serious economic analysis here, for...

YELLEN: Well, it's difficult to say that's -- we anticipate making a very strong domestic effort in a whole variety of ways to reduce our emissions here in the United States, but we firmly believe in the principle of cost-effectiveness as an approach throughout our efforts, in the first budget period and as I indicated, this is the first step in what's likely to be a longer process.

The principle of cost-effectiveness in the project of dealing with climate change points to the importance of trading across every dimension, internationally, across countries, so that we try to reduce emissions in the places where it's cheapest to do it...

SCHAEFER: Right.

YELLEN: ... whether that's China, India, or Japan, the United States, and...

SCHAEFER: Well, Germany -- unified Germany has an advantage on that, with the situation in East Germany. So they have a distinct advantage over us on getting emissions reductions. Right?

YELLEN: Well, I think they've proposed to be a part of a European commitment...

SCHAEFER: Yes, the EU, right, right.

I'm going to turn it over to my friend from Texas, Mr. Hall.

HALL: Mister Chairman, I thank you, and I thank you all for your

timony, and I recognize by your resume or your bio that you're very intelligent, and by your presentation here that you're very sincere in what you're doing.

But you know, when you relegate this down from the standpoint of the American taxpayer, and whether or not it's smart or dumb, I've got some real bad news for you. Most everybody on this committee's dumb, because they don't see this the way that you've presented it.

And from the eyes of the taxpayer, I think they'd have to question Mr. Eizenstat when he talks about what we're not going to swoop down on, or when he told us what's not true in it.

Actually, we don't have the participation of the people that we have to have. Basically, the people who are supportive of this are the environmentalists and some European support. I don't know how much support you have over in the Senate. That's something that remains to be seen.

When we talk about -- you've used the assumption that these people are going to participate, China, India, Brazil, Mexico, and it could go on and on. We don't have any indication that they're going to participate, because they haven't participated, and why wouldn't they want in on the ground floor, to have some say on what the parameters were, if they were going to participate? And then, you show up with a subsection 10 that says they can opt in, and then it's not accepted. That's voted out. And then you tell us that it wasn't needed. Well, if it wasn't needed, why did you put it in there in the first place?

You know, those are the things that we hear, and it's kind of hard to -- it's hard to get a handle on this.

And what hammer do we have over these people to bring them in? They're absolutely necessary to the success of this.

Are we going to bomb them?

(LAUGHTER)

No.

We can get a special prosecutor after them, or...

(LAUGHTER)

You know, I'm being facetious because I think that there's so much that hasn't been said here.

Impose sanctions on them. What are we going to -- how are we going to get them in? I know you've used your knowledge and your ground, your education, and your persuasion, and you've struck up to now. We don't have their -- their help, or their support.

So, I guess to me, when we use this assumption that they're coming in, and then we still say there's an increase in fuel-oil prices of about five to nine percent, gasoline prices three to four percent, household energy bill in 10 years by between \$70 and \$110 per year -- Dr. Yellen, The Washington Post article that I know you've read on your analysis has some good news and bad news in it, and the good news, I guess, is the impact of Kyoto on typical households. It's going to be a modes 70 to 110 dollars. But I guess if you call it "bad news," there doesn't seem to be a lot of confidence in the economic community about the soundness of this estimate, because economists at Harvard and the Charles River firm sounded surprised and sounded doubtful in the article about -- that the costs would go that low.

And I guess my question to you is, have you sought any real peer review on your estimates, and can you do so before you go to another round in Buenos Aires? And would -- are you going to listen to them when -- when you get those peer reviews, and report those facts back to us? And have you analyzed the impact on the oil patch of the increases in the oil and gas prices, and all that?

YELLEN: Well, in -- I want to emphasize first that the conclusion the administration has reached is that under the kinds of conditions I've indicated, which are central to our negotiating, our diplomatic strategy, that we believe the costs will be modest.

It's not our estimate that the cost will be \$70 to \$110. That's an illustration using one model of what this could amount to.

We have consulted widely with energy modelers around the country, and around the world, who are working on this topic. When we presented to this committee the IAT analysis last summer, and the reviews of it, it was clear from the reviewers' comments that they thought it was imposs-- that it was important to consult broadly, to look at a large number of models, to check the robustness of that -- those results. And we have done that to the maximum extent possible. And that includes carefully reviewing a large volume of existing literature in this area, much of which has been surveyed by the IPCC panel. There are OECD surveys. The reviewers last summer pointed out to us that at Stanford there's a group called the Energy Modeling Forum that runs model-comparison exercises. Indeed, we have been in touch with all of those groups to try to assess the reasonableness of the kinds of conclusions that we're drawing today.

A problem that we face is that the Kyoto agreement is very special. There are not a large number of models that are capable of analyzing what its implications would be. And the modeling community is likely to be working for the next six months to a year to produce other estimates, using different models and approaches of the impact of this agreement. And that's particularly why I say that the numbers in this testimony are not definitive but illustrative. And we will move forward to seeing what other approaches and other modelers say. They need to take account, as we've tried to do to the best of our ability now, of the special features of the Kyoto agreement, like the

inclusion of six gases, like the inclusion of sinks, like the international trading arrangements that are central to our approach.

EIZENSTAT: If I may respond to some of your questions.

HALL: Sure.

EIZENSTAT: First of all, Mr. Hall, you talk about costs. I would ask you the cost of not acting, the costs of ignoring the science, the costs of waiting until the price tag becomes more and more and more expensive.

Second, when you talk about striking out with the developing countries, this is the bottom half of the first inning. We have a long way to go.

We got introduced in Kyoto through education and diplomacy strategies that two or three years ago, indeed even a year ago, no one would have thought possible -- no one knew the concept of sinks until the United States really introduced it. No one knew the concept of emissions-trading until the United States introduced it. No one knew the concept of joint implementation with credits until the United States introduced it, and sold it.

We have a large education job to do on the developing world, but they have a strong interest in doing it. Let me show you -- demonstrate, if I may, Mr. Hall, why.

First, some of the low-lying island developing countries are the ones most at risk -- they're only a few feet above sea level, and they are clear partners in trying to get other developing countries involved.

Second, there are a number of Latin countries that have already -- have evinced -- did so in Kyoto, interest in participating.

Third, we are going to have a full-court diplomatic press, not only by ourselves, but I have gotten the agreement of a number of the G-8 countries, and of the European Union, to join us in a diplomatic initiative to convince developing countries to participate.

Fourth, it will be in their economic advantage to do so, because, by participating, and adopting binding emission targets, they will be able to trade, and that trading will be of real benefit to them economically. If they stay out, they won't be able to trade.

So we believe that there will be, through incentives, through education, through diplomatic efforts, an increasing number of countries that will do so.

But we are in a long-term project. It took a long time to get the developed world to accept the kinds of concept we've gotten in Kyoto. We have to be patient and diligent, and work on this, and we will be, with the developing world.

HALL: What do you say to the American people when you've gone to a long-range product, and then it's -- it's abandoned, or curtailed by the United States Congress, as a lot of other good programs have, the Supercollider, Clinch River -- I could name a lot of others that we put billions of dollars into and then abandoned. What are you going to say to the American people then, when you've tried, you fought the good fight? I don't think that you have the support of the American taxpayers, and I really don't think you have the support of the Congress in what you're doing, because we've continually, as you came before us here, told you that we didn't have faith in the thrust that you were doing, because we didn't have faith in the fact that you were going to get these people, get these nations that are absolutely necessary to the success of this, to participate.

And you tell us that you don't have a real method to bring them into the agreement.

I don't think there's any question that it's the truth that you can't amend it until after it goes into effect. That's a hard, cold fact.

And you don't have the provision in there that you tried to get in there. How are they going to come in?

And I'd say to you, Dr. Yellen, I think you're consistent, but I don't think you've changed your mind since July 15th of '97, when you testified here about effort to develop a model or a set of models that give us a definite answer to the economic impacts of a given climate change policy. You said then it was futile. Is that still your position?

EIZENSTAT: Well, again, just to answer your -- the part of the question addressed to me, there is a mea-- obviously, we would have preferred to get Article 10. We fought very hard to get it in. I was disappointed...

HALL: And we didn't get it. And that's all the more reason why...

EIZENSTAT: But at the same time...

HALL: When it comes to the time to have people opt in, they're going to say, look, that was -- that decision was made. You're worse off than if you hadn't tried to put it in.

EIZENSTAT: No, sir. There is a mechanism for developing countries to opt into the protocol by means of an amendment to Annex B. That is preserved. And that still exists. And that is one of the instruments that we will be using as part of our diplomatic strategy.

HALL: I think we ought to use what we can to opt them in. Now, you don't know what hammer you're going to use to get them to make that decision, because they've got to knock on the door before we can open it.

And I don't hear them knocking on that door.

And Dr. Yellen, do you want to talk about your statement that climate-policy change is futile?

YELLEN: Yes.

HALL: Back a year ago. Have you...?

YELLEN: What I actually said was that the attempt to use models to get a definitive answer, in light of the uncertainties, was futile. And I also indicated that it would be futile to try to use the model to get a detailed answer to a question like, what would be the impact of climate change policy on the steel industry in the year 2050, in terms of number of jobs.

I certainly never indicated, ~~or never intended to indicate~~, that there was nothing that we could learn from models. Quite the contrary. There are a wide range of models. We can learn a great deal from them. I tried to explain to this committee last summer what some of the morals were from those models.

But if it's, can I come up, given the uncertainties, and the fact that different reasonable models, with their own strengths and weaknesses, would generate different answers, with a definitive forecast of a number for what will be the impact on anything in 2010, answer is I can't give you a definitive answer.

And I've not tried to do that today. What I've tried to tell you is my overall assessment is, and the administration's, is under the conditions that we have indicated about six gases, inclusion of sinks, electricity restructuring, trading arrangements, I believe the impact will be modest.

And an example of that, from one model, would be \$70 to \$110. But with electricity restructuring, plus or minus for the typical household, as an example. That's not definitive either.

HALL: I certainly believe that you believe that. And I believe that you believe that the household energy bill in ten years is going to be between 70 and 110 dollars per year.

But what concerns me there is -- and I'll close with this -- is that there in that assumption you've used the assumption that you're going to have the nations that I've listed here participation. You don't have them yet. We're not close to having them yet. And I'm not positive that there's even a method for them to opt in. I hope so.

Thank you.

I yield back my time.

CRAPO: Thank you, Mr. Hall.

I'll ask questions at this point.

And first, Mr. Eizenstat, I would like to go back to a line of questioning that the chairman was engaging in with you with regard to trading.

The chairman asked you to address a hypothetical with regard to what would happen if there is no trading, and your response was basically that you would not engage in a hypothetical, because you would not allow that to happen. Is that correct?

EIZENSTAT: I don't believe it's useful to engage in hypotheticals. We're working to get emissions trading, and we believe that we will get adequate emissions trading.

CRAPO: And the analysis that you're presenting -- the two of you are presenting to us today ~~on the economics is based on that being accomplished?~~

EIZENSTAT: Absolutely.

CRAPO: Well, the concern that I have is that...

EIZENSTAT: And it is embedded in the Kyoto Protocol. What remains is to define the details of it.

But let no one misunderstand, Mr. Crapo, that the Kyoto Protocol specifically enumerates that emissions trading is permitted. It is a central feature of Kyoto. It's not a question of having to invent it. It's a question...

CRAPO: It is permitted, but is it defined, as to what it is?

EIZENSTAT: The rules have to be, but the right of international emissions-trading is absolutely, firmly implanted in Kyoto, without question.

CRAPO: Well, the reason that I think there is some doubt, at least on my part, is that before the Kyoto conference, we were told that -- by the administration, that it would absolutely not commit to anything beyond the 1990 levels, and yet then there were commitments that went beyond the 1990 levels. We were told that the administration would not agree to bind the United States to anything that other countries were not also bound to. And yet we see that the United States was bound to other commitments.

Now we're being told that the United States will not accept a policy, or a protocol, that doesn't have the trading in it that is part of the assumptions upon which your economic analysis is based.

How do we know that that is going to be kept?

EIZENSTAT: I disagree with the way that you've stated it completely and totally. We are not bound, sir, we are not bound by

It happened at Kyoto until and unless the president of the United States submits it to the Senate and the Senate approves it...

CRAPO: Well...

EIZENSTAT: And we've indicated that the president will not submit it and bind the United States until we have meaningful participation from key developing...

CRAPO: Is that what the president's telling us? The president is saying -- when he told us that he would not commit to a protocol in Kyoto that didn't bind us as -- in the same manner as other countries, what he was really saying is that he wouldn't commit to anything until he submitted it to the Senate, or until he has agreed to the protocol at a later time to submit it?

EIZENSTAT: The protocol has no legally binding effect on the United States until and unless it is submitted for ratification.

CRAPO: I understand that...

EIZENSTAT: And the president will not submit it for ratification until we have meaningful participation.

CRAPO: Mr. Eizenstat, that's all very well understood. The fact is that a protocol exists, a protocol that has been agreed to between United States and the participants at Kyoto. Perhaps it can still work on. But we are dealing here today with a document that exists. Is that not true?

EIZENSTAT: Absolutely, and it's a good document. And it's one that we're defining the rules for as we go along.

CRAPO: Well, then, maybe it's just terminology we're dealing with here, but it was my understanding that the administration had committed before Kyoto that it would not enter into an agreement -- and if you want to say that it's not an agreement yet, fine -- but a document has come out of Kyoto that has provisions in it that are different than we were told. Is that not true?

EIZENSTAT: Absolutely not true.

The president set out in October his proposal. We entered into a negotiation with 160 countries. We got a proposal that is remarkably close, in almost every aspect, to what the president had asked.

Obviously, when you negotiate, sir, with 160 countries, there are changes that are made from the proposal the United States would make.

CRAPO: Well, I understand that, except that we were told...

EIZENSTAT: Let me just complete my sentence.

We got very close to everything the president asked. What we did

get, what I've been absolutely candid in saying we did not get, though we got a down payment on it, is the kind of meaningful participation necessary for making this a legally binding obligation. It is not a legally binding obligation, and it won't be, and we won't make this...

CRAPO: That is exactly the point I'm making, Mr. Eizenstat. I understand the process of negotiation. We understood that before Kyoto. We were raising the points that we were concerned about what might be agreed to, or put into the outcome or the work product of Kyoto.

We were told that those concerns should not be ser-- that we should allay those concerns because those issues would not be conceded by the United States in the negotiations.

EIZENSTAT: And they were not.

Not one concession was made.

We got our timetables. We got flexible periods. We got emissions trading. We got joint implementation. We got sinks.

And we said that unless and until we get meaningful participation, we will not submit this to the Senate.

So we did not in any way...

CRAPO: What do you mean by "meaningful participation"?

EIZENSTAT: It means that when we get a group of key developing countries who make commitments to participate in a meaningful way in doing their job, in what is a global problem, that then we will have it.

Now, what will that be? It will differ from country to country...

CRAPO: That's pretty vague.

EIZENSTAT: For example, for those countries that are already members of Western industrialized institutions like the OECD, they might be asked to take on specific obligations very similar to that which other OECD members have done.

Those that are poor and yet are bigger emitters may ask to be taken -- to take on different levels of commitment. The commitment will be...

CRAPO: Well, in other words, you're telling me that there are going to be a range of different standards...

EIZENSTAT: There is a range for developed countries, sir. There -- the whole -- one of the things we wanted in Kyoto is differentiated

requirements, because there are 160 countries. You can't put one over 160 countries.

We got differentiated targets. For example, the European Union is taking deeper reductions than the United States is, under this. We wanted that.

CRAPO: And how is the document, whether you call it an "agreement" or not, how is the document amended?

EIZENSTAT: Well,...

CRAPO: What does it take? Does it take a three-quarters vote by the participants?

EIZENSTAT: No, the rules for amendment are still to be adopted. The protocol...

CRAPO: You mean the rules to amend it still don't exist?

EIZENSTAT: It has to be done by consensus at this point, until there is a further change. Right now, it has to be done...

CRAPO: Thank you. How is "consensus" defined?

EIZENSTAT: "Consensus" is defined as a consensus. It was when chairman decides that there is a basic consensus among the parties. It doesn't mean that one country can -- can change it.

It also may be possible, Mr. Crapo, for the conference of the parties to adopt a further instrument, such as a supplementary protocol, which would be an integral part of the Kyoto Protocol, and would enter into force at the same time as the protocol. So that's also an open matter.

All of these are matters to be defined as we go along, and that's why we call it a "work in progress."

CRAPO: I understand that. But tell me if I misunderstand this. There is a document in existence that can be amended only with a three-quarters vote of the participants...

EIZENSTAT: No, sir. That's not correct. There is at this point not a decision on whether you need three quarters. Right now, strictly speaking, it can't be amended before it enters into force...

CRAPO: So it can't be amended, period?

EIZENSTAT: But it -- there is a possibility for a further instrument, like a supplementary protocol, which could be adopted by a consensus.

CRAPO: So, again, if I don't want to misunderstand you on this point. Are you telling me that the document that came out of Kyoto

not be amended unless there is a supplemental agreement to allow
s amendment?

EIZENSTAT: That is correct. It can be amplified, in terms of rules, and indeed many of the rules will be done through the Buenos Aires process, so that, for example, the rules on emissions trading, the rules on joint implementation, the definitions of sinks will have to be elaborated outside the protocol. That is, the protocol is a framework. It sets general principles. Those general principles will have to be further defined by rules, and the rules by which those will have to be defined will itself have to be determined.

CRAPO: And what would happen if the developing countries, let's say, did not agree to any supplemental agreement? What do we have at that point?

EIZENSTAT: There wouldn't be a supplemental agreement.

CRAPO: Then we would have the document itself, the Kyoto Protocol. Would it be...?

EIZENSTAT: With all of the advantages that I've set forth.

CRAPO: I understand your perception of its advantages, but would we then, as a country, be bound to the protocol, if the president -- the president could then either submit it, or not submit it, but he could not change it, could he?

EIZENSTAT: Each country has its own process for binding itself. Some have to go through parliamentary approvals. We have to go through a ratification...

CRAPO: I understand. But the point I'm asking is, for this country, if the developing countries do not agree to a supplemental amendment to the document, the president has two choices, submit it as is, or not submit it at all. Is that correct?

EIZENSTAT: Well, obviously, those are the two -- and the terms on which we submit would be a third option. But we don't consider that the options are either not submitting it ever or submitting it as is. The third option, and the one we're going down the track on, is getting developing-country participation in a meaningful way by key developing countries, such that it would -- that it can be submitted.

But it won't be submitted, and it therefore won't be binding on the United States, until that occurs.

CRAPO: Thank you. My time has expired. So I save my questions for you, Ms. Yellen, until the next round. Thank you.

SCHAEFER: Gentleman from Georgia.

NORWOOD: Thank you, Mr. Chairman.

I find it, Mr. Eizenstat, interesting that you don't want to
page in hypotheticals.

NORWOOD: I think that's what this hearing to a lot of people is
about -- hypotheticals. I do believe we wouldn't need to have this
hearing if the American people believe that our globe was getting
warmer without any doubt and that the consequences of such are those
things that are in the first three pages of your testimony.

Or, we wouldn't have to have to have this hearing if we perhaps
thought that might happen and we knew for sure, Ms. Yellen, there
would be no economic consequences.

So, in many respects, I think that we are dealing in -- in
hypotheticals and it is very useful I think at this point to think in
those terms.

Now, Mr. Eizenstat, as a scientist -- do you believe that there
is any usefulness in our satellite instruments in gathering
information on surface temperature or data? Is that something we
might think about as useful to us? Or, do you believe that our
gathering of data on the ground is far superior to that of our
satellites?

EIZENSTAT: First of all, just one correction Mr. Norwood. I
don't profess to be a scientist. I've got enough problems being a
lawyer.

(LAUGHTER)

NORWOOD: Well, you've fooled me because of your very forceful
testimony about the science. You know, if you --

EIZENSTAT: Yes sir, I can read scientific data and I can rely on
it like we all do. And that is scientific data -- it's not
projections. I can read with respect

NORWOOD: I can read too but we all don't agree on it nor do you
(OFF-MIKE) all understand it.

EIZENSTAT: You certainly have the right to disagree.

NORWOOD: But tell me -- answer my question...

EIZENSTAT: I will do so. Satellite measures temperatures above
ground 5,000 to 30,000 feet, taking into account aerosols and ozone
loading due to things like volcanic eruptions.

Surface measurements are taken at ground and sea levels where
aerosols and ozone loading are not as effective as in the atmosphere.

Now's satellite data consistent has shown over the past 17 years a
global warming trend when adjusted for the influence of aerosols and
ozone loading due to volcanic eruptions. This pattern is consistent

h the warming trend...

NORWOOD: Do you believe that the ground...

EIZENSTAT: I'm sorry I'm almost finished.

NORWOOD: I'm going to interrupt you 'cause I'm -- it's my time to question and I need to hear what I get answered -- we only have a few minutes. Now if you will forgive me for that, we'll get along here.

Let me go ahead and just say -- you believe that the ground testing is better than the satellite testing! Is that the bottom line?

EIZENSTAT: This pattern is consistent with the warming trend from balloon temperature readings--in-surface-temperatures and what I'm saying is that these are not inconsistent at all. I'm not going to make a scientific judgment on which is better.

What I'm suggesting to you is that we have been told, sir, that the satellite NOAA readings are consistent with the ground readings when taken into account the effective aerosols and ozone loading.

NORWOOD: In other words, when you mathematically make adjustments, they're consistent. If you -- if you look at just the satellite ratings, nothing's gotten warmer. But if you go in there do a little math to it, you can make them look like it is warmer. Is that what -- where (OFF-MIKE)

EIZENSTAT: Well that's what -- that's not a fair statement.

NORWOOD: Well I think it's pretty fair. You make adjustments --

EIZENSTAT: It's not a question of going in and doing a little mathematical tooling to try to make it come out the way we want. No one has done that. NOAA over seventeen years hasn't tried to come up with particular conclusions. What they tell us, sir -- and I can only repeat -- I'm not a scientist -- what they've told us is that when adjusted for the effects of aerosol and ozone loading...

NORWOOD: Adjusted -- that was the word I was looking for.

EIZENSTAT: that this is consistent with the temperatures and I am also told that the balloon temperature readings and the surface temperature readings are also consistent.

NORWOOD: So adjusted is the right word. When you change it to fit what we need. Let me simply say and you and I will conclude 'cause I want to ask Ms. Yellen a question -- that if -- if the American people believed that the globe was getting warmer and that we have very clear scientific proof, there'd be no point in having this thing.

Ms. Yellen, the Office of Economic Advisers has been in business what, 1946?

YELLEN: This is I think our 51st anniversary.

NORWOOD: Does anyone have any studies to know how many times that office has been right versus wrong?

(LAUGHTER)

I'll just conclude with a little story. When Lyndon Johnson was in the oval office getting ready to sign the first Medicare for this country in 1965 he stopped a minute and picked up the phone and he called his counsel on economic advisers and said "Guys I'm ready to sign this but could you give me some idea what you think this thing might cause 25 years from now? What was the price tag on Medicare in 1990?" And they came back and said: "Mr. President, we don't have any doubt about it -- it's going to be \$9 billion." Well, it turned to be \$130 billion that year. And nobody could do anything about it but the American taxpayer paid again.

All we're asking is that when you make projections and you're going to cost our folks -- cut the taxpayers a lot of money -- if you're wrong we need to be very very careful how we proceed.

I don't believe even on the surface that the numbers I read on paper today are right. And I bet you I can't sell that at home to anybody either. Nobody is going to believe that all of these -- in the end -- is going to cause them a few dollars a month. And no one that I know of knows for sure we're going to have electricity deregulation.

So, to bank on that being the offsetting factor, probably is maybe not the right way to go right now. So I ask you to be very careful when you announce to the world this really won't cost anything. We're confident of it. We're just as confident as we were of that \$9 billion in 1965. To be very very careful -- and until we know you're confident and until we believe what you're saying, I don't think you got a chance for this.

Mr. Chairman I yield you back 'cause we got to...

(AUDIO GAP)

UNKNOWN: Well it looks like there's nobody back to take the chair so we're going to have to recess for a few minutes until one of the members gets back from voting. Hopefully that will be momentarily and we will be recessed until that time.

(RECESS)

BURR: Mr. Eizenstat when you're ready just let me know.

EIZENSTAT: I'm sorry I didn't realize that --

BURR: That's OK. I know how important it is to check with
aff. The chair would recognize himself at this time.

Let me ask you Mr. Eizenstat, what is the technology that were
used to -- in the year 2015 to reduce greenhouse gas?

EIZENSTAT: I think that our belief is that one of the great
challenges and one of the great things that will happen to this
country is because of our technological capacity that we will develop
clean fuel technologies. We will develop electricity both --

BURR: Specifically, what will it be?

EIZENSTAT: I'm not a scientist. If you will please just give me
the chance to -- and then you -- I'd like just a chance to answer the
question, OK?

BURR: As quickly as you can.

EIZENSTAT: We will have hopefully clean fuel technologies, we
will have ways of making our buildings much more efficient in terms of
their energy use. The automobile industry has already indicated to
John Smith, he chairman of GM that he is developing an automobile that
will get twice the gas mileage. Texaco has the technology to convert
natural gas into a clean burning highly efficient diesel fuel that
will help reduce the amount of natural gas that's flared at the top of
the stacks. There are a whole of range of things.

And when I was undersecretary of Commerce, we set up a unit
having nothing to do with the climate changes -- your own
environmental exports. Environmental exports are the fastest growing
exports the United States has. That is the capacity to allow other
countries to our technologies using special Honeywell type meters to
measure temperatures.

I think this is going to be a tremendous boon for our industry
and it's going to call upon the kind of creativity that Mr. Smith from
GM, head of Texaco and others are talking about.

BURR: Define for me "hopefully." Define for me the word
"hopefully."

EIZENSTAT: I think that this country has always shown the
capacity to rise to the challenge and the technological and innovative
capacity of this country is second to none. And we are going to be
able to put in -- I believe when the head of Texaco tells you
something, it's going to happen. I believe when the chairman of
General Motors gets up and tells you that he's going to produce this
kind of a car, it's going to happen. And I have seen personally in
the tremendous increase in environmental technology exports the
capacity of this country. Companies like Henaron(ph) are world
leaders in the...

BURR: Is this sufficient uses of energy? Is this an agreement

ld on "hopefully?"

EIZENSTAT: It's an agreement built on reality.

BURR: And that reality includes science?

EIZENSTAT: That reality is that if we do not...

BURR: Let me just rehash your statement that you made. You said if we don't do this we will regret what it cost and we will regret what we end up. Now you just told me you're not a scientist and you can't predict technology. You used the word hopefully. Tell me why to believe that statement. It's not that I disagree with you but tell me why I should believe that.

EIZENSTAT: You should believe it because the consensus of scientists believe it. Because ~~the intergovernmental panel~~ with 2,000 scientists from 50 countries believe it. Because there is a virtual consensus among scientists that this effect that I'm showing over here has occurred and that it is coincident with the increase in temperatures.

BURR: You stated in your testimony that in the year 2015 -- excuse me 2025 -- that developing countries will surpass developed countries in their emissions.

Now I've got a report here from the Energy Information Administration which is part of the Department of Energy that says it's going to happen in 2015. Tell me why your science is different from the Department of Energy and the agency that we rely on for their annual energy outlook dated 1997. Why is it different by 10 years?

EIZENSTAT: Because there are different estimates on time frames.

BURR: Are they wrong?

EIZENSTAT: But there is no difference -- but there is no difference in trends.

BURR: Are they wrong?

EIZENSTAT: We'll find out in 2015 --

BURR: Is that a way to build policies to related economic impact?

EIZENSTAT: It absolutely is because there is an absolute consensus. And that makes the point that in this next century, the developing countries are going to be the biggest emitters. And therefore we've got to act to bring those developing countries into effort.

BURR: Let me ask you an important question. Should economic

act be part of our decision as it relates to the agreements that we on global climate?

EIZENSTAT: Absolutely and that's why we've done this economic analysis.

BURR: Is that not inconsistent with what you just told me?

EIZENSTAT: That's why we've done this economic analysis.

BURR: Is that not inconsistent with what you just told me?

EIZENSTAT: No sir. We've done an economic analysis which is the best estimate we can give of what the impact of this will be.

BURR: Well, let me ask Ms. Yellen. Was The Washington Post article correct with the numbers that were found --- did you read the article?

YELLEN: Yes I did.

BURR: Were the numbers correct? Were they accurate?

YELLEN: Well, as I indicated the numbers that are in the Post which are in my testimony are illustrative numbers to come from one model. The administration's judgment is -- having reviewed a very wide range of evidence and not just basing it on one single model but reviewing a very broad range of evidence that the costs will be modest if we are successful in negotiating the kinds of workable flexibility in treating arrangements that we deem so important.

BURR: Was your testimony on the release of an economic analysis -- impact analysis?

YELLEN: I consider my testimony -- the full testimony that I've submitted to this committee to constitute an economic analysis.

BURR: Is it normal to accept that an economic analysis is backed up with the scientific information that one used to come to the conclusions?

YELLEN: I don't think that that's normal. I'm -- Undersecretary Eizenstat indicated that his expertise is law -- and mine is economics. I'm not a scientist. But we both read scientific evidence.

BURR: So, we -- what you're telling me as a member of Congress -- what you're telling me as a member of Congress is that I don't have a responsibility to show the people that I represent the science that forms the basis of our policy decisions.

YELLEN: Well, there exists --

BURR: There exists what?

YELLEN: --as my colleague has mentioned, a wide variety of scientific evidence.

BURR: Okay. Well, let's talk about that wide variety because you said -- if we do it smart, we get one number. If we do it dumb, we get another number.

Now you've given me the numbers for "if we do it smart". Would you please give me the numbers for "if we do it dumb"?

YELLEN: I believe that what I should try to do and the administration should try to do is to present our economic analysis of the likely consequences for this country of the administration's policies.

BURR: I appreciate...

YELLEN: ...and that's what I've tried to do is to study what the likely impact is of our policies and not a bunch of hypotheticals that are not our policies.

BURR: I'm not asking you for a hypothetical. I'm asking you for a number to go along with doing it dumb. Is the number then the last report that we had -- which was your testimony in July of 1997? Would that be the dumb?

YELLEN: We're not going to do it dumb. This treaty incorporates of the forms of flexibility that we consider to be essential to doing it smart on every dimension -- when, where and what flexibility. These things are critical to all of them to mitigating the costs and to moving the costs in to a range that we feel comfortable describing as modest. And that is what our policy consists of. There are a lot of studies out there with much higher numbers that clearly are illustrations of what it means to do it dumb.

BURR: I appreciate it. I'll ask you one more time. Can you produce any numbers that produce the worst case scenario if we do it dumb? Are there numbers that exist?

YELLEN: There are many studies out there. I don't feel...

BURR: I'm talking about though...

YELLEN: I don't feel...

BURR: ...in your capacity as a representative of the administration who's come before this subcommittee to talk about the economic impact of our agreement -- our protocol -- that we reached in Kyoto.

YELLEN: I tried to give you a feeling in my testimony for how important some of the arrangements are that are central to the U.S. position.

BURR: Now Wharton (ph) Economic Metrics Forecasting Associates which I understand is non-partisan, reputable -- has forecasted not the .4-.6 cents that the Post alluded to but .50 cent increase in gasoline. The Post alluded to a 3 percent to 5 percent increase in electricity rates. Wharton (ph) says it was 46 percent. The Post alluded to \$70 to \$110 increase in cost per person -- Wharton says \$358. Are their numbers wrong? Or have they used a different hypothesis.

YELLEN: Their numbers do not describe our policy.

BURR: Do their numbers describe the "if we do it dumb"?

YELLEN: Certainly I will consider those the kinds of outcomes that one would get if one did it dumb. Yes.

BURR: Have you chosen ~~a resiliest scenario to present~~ to this committee and to the American people -- or is it in fact they're realistic?

YELLEN: I have not chosen a rosy scenario. What I have tried to do is to indicate why our policies are sensible and will enable us to deal with what is a major environmental threat at a cost that is modest.

BURR: Mr. Eizenstat was nice enough to share with us that we 't have the rules for trading yet. Is that an accurate -- for dit trading?

EIZENSTAT: That is correct.

BURR: So tell me what you chose to use in your model to reflect how we would trade credits?

YELLEN: Many of the models that are used assume that there could be an international market in tradable credits.

BURR: Does that fit into the guidelines of what we're shooting for as far as the rules?

EIZENSTAT: Yes. And in fact, again -- this is not based only on hypotheticals we have as I mentioned earlier with our acid rain program. An actual example of how trading domestically can reduce cost dramatically by having an even bigger market internationally -- it can have even more dramatic effects. The more participants in the trading regime the more efficient and the cheaper the cost.

BURR: Let me -- let me ask you a question that the chairman asked you and I just want to make sure of your answer.

EIZENSTAT: Okay.

BURR: You said that the United States would not accept the German proposal. Is that correct?

EIZENSTAT: That is correct. That is correct.

BURR: Is that our stated policy?

EIZENSTAT: That is correct.

BURR: Ms. Yellen, let me just you just a couple more questions, and really they relate to your testimony because on page eight of your testimony, you said - "because of the inclusions of HFS and pax (ph) and sulfur hexafluoride, the actual reduction of greenhouse gases required in the United States is no more than 2-3 percent more than what the President originally proposed to the U.S. negotiating position.

It seems to me that the administration is trying to have it both ways -- on the one hand you're touting the 7 percent reduction to show how serious this administration is about this issue; and on the other hand, I sensed from your testimony that you use a 3 percent number to show how painless this is.

So I guess my question is -- we know that the President said 1990 levels period. We negotiate it 7 percent below 1990 levels. You've said that it's actually 3 percent not 7.

YELLEN: That's correct.

BURR: Explain it to me.

YELLEN: I'd be happy to do so. This is purely an issue of accounting treatment of baselines for three gases and the treatment of carbon sinks. What the President proposed was 1990 levels of emissions defined as gross emissions less -- of all six gases -- less removals to the sequestration. And, there are two reasons that we can't simply compare to 7 percent in the Kyoto agreement with what the president proposed.

First of all, in Kyoto the baseline for the three long life gases was changed from 1990 to 1995. And our emissions of those gases had increased between 1990 and 1995 so in effect that allowed for a higher overall baseline than the president was assuming when he put forward his proposal. That's 1 percent. That accounts for 1 percent difference.

The second important point is that when the president put forward his proposal, he was referring to net emissions. What was in agreed in Kyoto -- the 7 percent agreed in Kyoto doesn't count carbon sinks in the baseline and hence the Kyoto baseline that we were trying to achieve is higher than what the President had in mind. And yet, in the Kyoto agreement, sink activity is counted toward meeting our emissions reductions commitments.

And so these are really two pure accounting reasons -- the sinks we is responsible for about 3 percent and the change in the baseline to '95 for the three long life gases is about 1 percent.

It's how we go from 7 -- the number in the Kyoto Treaty to approximately 3 percentile -- no more than 3 percent below what the president proposed in his terms.

EIZENSTAT: If I may add to that -- because I was actually in the

BURR: Just one -- just one second Mr. Eizenstat, the chair is going to recognize -- it's going to yield to Mr. Dingell for follow-up.

DINGELL: Thank you for yielding, Mr. Chairman. The real number is actually a 30 percent reduction from use in the United States at this time or at the time that the treaty is ratified. Is that not so?

You can argue that it's three, the chairman says it's 7 but the real answer is 30.

YELLEN: Well, if what you mean is that in the absence of any actions by us to deal with this issue that our green house gas emissions would grow between now and 2010 and that we could compare our commitment with what's often referred to as business as usual in 2010 it is a (OFF-MIKE) number.

DINGELL: But the real answer is you're talking about a 30 percent reduction.

YELLEN: Well, I don't know if I'd call it the real answer, but certainly it is a larger reduction measured in comparison with --

DINGELL: I've dealt with this. In the old days you used to deal with people who talked about -- who would argue about pricing. They'd figure the pricing from one point -- others had figured from another point. What it tended to prove was -- and I say this with no disrespect to you -- because I have great respect for you -- it tends to prove that figures don't lie but liars can occasionally figure. And I think that's one of the questions we have to know. 30 percent reduction is the real number that we're talking about Ms. Yellen. Thank you Mr. Chairman.

BURR: I thank the gentleman from Michigan. We'd have also a follow-up from Ms. Yellen. Excuse me. Mr. Eizenstat you wanted to (OFF-MIKE).

EIZENSTAT: I just wanted to clarify Mr. Burr that this 3 percent figure is not one that we seem -- that we simply came to after Kyoto. It is one during the negotiations with the European union in Japan when we were putting our proposal down.

We explained to them that under the precepts set forth that there would be a 7 percent figure but they had to understand we were very clear that 1 percent of that was purely the accounting on gases and another 3-4 percent was from the sinks and that in terms of an actual

age from the President's original proposal of stabilization, it presented only a real reduction of around 3 percent.

So we in other words we wanted to be completely clear with them so they understood precisely what we were committing to -- what we were not committing to do.

BURR: So would Mr. Dingell's actual question or argument be that we're actually shooting for a 26 percent reduction versus a 30 percent reduction -- because his numbers would be off 4 percentage points as well.

EIZENSTAT: I think that the rate, or roughly -- if you mean business as usual with no changes whatsoever -- that that is a roughly accurate figure.

BURR: Well, let me -- ~~let me now reference to Mr. Dingell's~~ question. Let me reference to -- let's say the EU -- the EU's target is 8 percent. Is their number 8 percent in reduction or is their number 1 percent?

EIZENSTAT: Their number is closer to 8 percent because their -- they don't have the advantage in terms of their gas proposals. We do not know what their sink figures are -- but certainly in terms of their gases, they were disadvantaged by having 6 -- and that's why they fought not to have the additional 3 included.

BURR: Well our target was 5 as internationally we've gone from 7 to 3 -- who picks up our 4?

EIZENSTAT: This is all built into the average that Chairman Estrada indicated at the end.

BURR: Let me ask one last question and then I'll recognize the gentleman from Michigan. You referred to this Mr. Eizenstat as an insurance policy for the future. Would you buy an insurance policy that had an undefined premium?

EIZENSTAT: I would like to buy a life insurance policy before I got too old to afford the premiums. And what this represents is a policy we can buy now at a much less costly premium than if we wait -- deny the science -- and then have to take much more herculean and crisis-oriented action later.

BURR: We don't have control over two-thirds of the countries that make up these negotiations -- the two-thirds that are undeveloped. Does that not suggest that since we can't control their behavior or get their commitment, that the premium is an ever increasing price that the American people and those who agree to this rule assume?

EIZENSTAT: First, we do have in fact agreement among the developed countries who are, at this point, certainly on a per capita basis and will remain on a per capita basis the larger -- the largest

ters.

We've said time and again and I will repeat it yet again that this will not be a complete action for us -- unless and until we get the major developing country emitters also involved in this process.

BURR: I would hope that one thing that we can get out of today that you will share with the Department of Energy that their study is off by 10 years and that in fact the latest information that we have reflects --

EIZENSTAT: We are -- we are acting with a sense of urgency that if it's 2015 it has to be done. It doesn't really matter whether it's 2015 or 2020 because...

BURR: It does -- it does matter.

EIZENSTAT: ...the key thing is that we know we have got to get developing countries involved in this and we've got to get them involved quickly.

BURR: Mr. Eizenstat, it does matter what you tell this committee. We expect that what you tell this committee is based upon fact, on science and is not based on speculation -- so it does matter.

EIZENSTAT: We are basing ours on fact -- fact obviously in terms the science here has some manner variations. But the difference between whether or not it's 2015 or 2025 on the developing countries cross developed countries is less important than the fact that we know they will be doing so early in the next century and therefore we have to prepare for it by getting them engaged. And that is what we are going to be trying to do over the next months and if necessary -- years -- and until that occurs we will not be submitting something and not make ourselves legally bound to something.

BURR: I look forward to anxiously watching the process. The chair's time is expired. The chair at this time would recognize the gentleman from Michigan, Mr. Dingell.

DINGELL: Mr. Chairman, I thank you. Dr. Yellen, you testified that -- that -- and I quote now -- "analysis and assessment had proved" and I quote "futile" close quote and would be abandoned. You did that before this committee. Now how is it then that you are going to persuade the public that your new analysis is more than a post hoc rationalization of a previously negotiated policy.

YELLEN: I testified before this committee and used the word futile but I never said that all economic analysis or all modeling is futile. I said two things -- that the attempt to get definitive answers from economic models is futile and I have not tried to offer a definitive analysis today. Indeed my testimony is quite clear in indicating the kinds of numbers looking at typical household impacts merely illustrative numbers that show that modeled results are consistent with what is my real conclusion, namely: that given

successful implementation of the flexibility conditions -- where, what when -- that the cost will be modest.

The second thing I said was as last summer by a member of the committee, would we be prepared to give estimates of likely impact on for ex -- something like steel industry employment in some decades from now? I indicated that I would regard it as futile to try to come up with that kind of number and I still feel exactly the same way.

In particular, our analysis today suggests a small impact on energy prices and to ask for an industry in the year 2050 -- what does it mean about job loss -- I would still be unwilling to try to come up with a forecast of that.

DINGELL: Dr. Yellen, as you know I have great affection and respect for you but you went on -- you will remember that the background against which these discussions took place was that Mr. Wharton (ph) the administration were being pressed very hard to produce figures which they promised they would produce.

They made these promises over a period of years they produced no numbers. You came up and said that the analysis and assessment effort have proved futile. Now you've clearly went on to say that there were substantial but unavoidable uncertainties surrounding estimates like this. But yet this morning you come up and you say \$70-\$110 a household is what this thing is going to cost us. That is sometime in future -- after a years have passed -- after the treaty has been ratified -- and after a number of implementing actions have been taken. Which of your statements are we to believe?

YELLEN: I think you should believe both of my statements. Last summer you asked what the impact of our policy would be and I indicated that we did not have a policy at that time and I could not give you an estimate of what the impact of a policy would be that had not yet been determined.

I said last summer when I testified and I think I have the quote in front of me that "the committee should expect analysis in support of a policy that we propose. It is our obligation to explain why we think it will be appropriate for dealing with this problem and good for the American economy." And that is exactly what I am trying to do today.

DINGELL: You will note that no such estimates were available when we were in Kyoto. These first arose as of this morning when I found them in The Washington Post.

Let me note that you also observed that the impacts on U.S. economy will be modest. But you noted that this estimated as predicted amongst other things on the developing country participation. Now, what if this participation does not materialize?

The Chinese delegation at Kyoto told me that Chinese -- that Chins was not going to be bound by this.

YELLEN: Well, as my colleague Undersecretary Eizenstat has indicated repeatedly this morning, it is our position that we must have meaningful developing country participation before submitting this treaty for Senate ratification.

And I would add that even last summer in the IAT report, whatever its shortcomings might be, my testimony at that time and the report itself highlighted the great importance of the flexibility arrangements that have been the U.S. position going into Kyoto and that we have been extraordinarily successful in obtaining in the Kyoto agreement.

DINGELL: Now, your testimony includes some rather heroic assumptions about the beneficial effect of electricity restructuring in a manner that will offer approximately \$20 billion in cost savings to consumers while reducing greenhouse gas emissions. What is that bill? I have not seen any. Do you have a bill? Are you talking about Mr. Schaefer's bill? ~~Are you talking about other legislation --~~ something that's going on in the Senate? What is the particular legislation that is going to get us this \$20 billion cost saving for consumers?

YELLEN: The administration is completing a review of possible approaches to electricity restructuring. The president indicated...

DINGELL: So you have not seen it? The president hasn't seen it and it hasn't been completed.

Now electrical utility restructuring is going to eliminate as you know, the high cost plants. It's going to close them. Amongst the highest cost electricity are the atomic energy plants. Atomic energy produces zero CO2.

But the pressure of that electrical utility restructuring is going to be to close atomic energy plants. How are we going to derive any benefit from that in terms of compliance with the Kyoto agreement?

YELLEN: Well, I'm not certain what the impact of electricity restructuring would be on nuclear closings. I think that's a point...

DINGELL: Well how can you tell us then that it saves \$20 billion?

YELLEN: But I believe the Department of Energy has indicated that it is a priority for it to look at what...

DINGELL: But where does the \$20 billion saving to consumers come from?

YELLEN: The \$20 billion savings comes from increased competition...

DINGELL: But how do you if -- since you not seen the bill. Since the Department of Energy has not completed its studying -- its studies. How do you know that it means a \$20 billion dollar saving to

sumers?

Is that a number that we have pulled from the air or did the angel Merroni (ph) appear with it on golden tablets? From whence comes the \$20 billion number?

YELLEN: DOE has done work on this...

DINGELL: But DOE doesn't know the answer because I've asked them. Did they tell you something that they won't tell me?

YELLEN: There is a wide body of outside analyses as well. A number of academic (OFF-MIKE) have looked at this.

DINGELL: Are you prepared to tell me here that there is a \$20 billion saving or there is not a \$20 billion saving. That you know there's a saving or you don't know there is a saving.

YELLEN: Well, I beleive it is a good estimate that retail competition in electricity could produce savings...

DINGELL: But you're telling us you think it will mean some saving but you don't know what it will be. Is that a fair statement?

YELLEN: I beleive it would be that there exists work that supports the idea that electricity restructuring could produce savings that...

DINGELL: Is there an analysis of the cost benefits of any particular piece of electrical utility restructuring legislation down there that would tell you it's \$20 billion? And if there is would you please provide it to me forthwith because I am desperately anxious to see it.

YELLEN: I will try to see what...

DINGELL: And if you do not produce it and it does not appear in the record we will then have to assume that no such study exists and that you have no figures justifying this \$20 billion number. Is that correct?

YELLEN: We will see what could be...

DINGELL: Very good.

EIZENSTAT: Mr. Chair -- Mr. Dingell, may I just add to that?

DINGELL: Do you have a study?

EIZENSTAT: I think that when the president sends his proposal it will have that savings in it and that his proposal will be consistant with that and that proposal will be coming up shortly.

DINGELL: You have neither the study, nor do you have the

osal. Do you have a legislative proposal on this matter and do have a study to support it?

EIZENSTAT: The president will have a proposal in due time for electricity restructuring which will have that savings in it.

DINGELL: Now did you pick that number before you define the legislation? My old daddy was just a poor Pollock from Detroit, Michigan. he was a former paymaster on a pipeline and he was a former meat salesman and a cupboard (ph) porter. And one of the things he always taught me was to trust everybody but to cut the cards. And I am driven to the conclusion that I should cut the cards many times here because we have essentially a fine promise but we have nothing which sustains it.

Now, Mr. Eizenstst, you were over there in Kyoto and I would note that the developing countries ~~have said they will not be bound~~, is that right?

EIZENSTAT: The devloping countries at Kyoto did no agree to bind themselves to binding limitations at that point, that is correct.

DINGELL: Very good. And as a matter of fact the Chines beat the daylights out of the other developing countries and the Indians also that you were trying to negotiate with and threatened them with regard to proceedings it the UN -- in the different UN entities, did they

EIZENSTAT: I don't know of any threats but there is no question but that the Chinese and the Indians took the lead among the G-77 in opposing binding limitations.

DINGELL: Now, do you have any economic analysis -- either you or Mr. Eizenstat or Dr. Yellen, on these matters?

Any hard economic analysis of the impact of this -- of this global-warming treaty...?

YELLEN: Of the Kyoto...?

DINGELL: ... on us?

YELLEN: Of the Kyoto agreement?

DINGELL: Yes. Do you have any economic analysis?

YELLEN: I'm presenting you today with what I consider to be an economic analysis.

DINGELL: Would you present it to us so that we can see what it does and says, please.

YELLEN: Excuse me?

DINGELL: Would you please submit any economic studies that...?

YELLEN: I have submitted to you the economic analysis that represents our conclusions...

DINGELL: Please. I would like to see it.

YELLEN: It is my testimony.

DINGELL: Now -- oh, that's what's in your testimony?

YELLEN: Correct.

DINGELL: I read it with great care. I did not see any economic analysis.

YELLEN: Well, I believe ~~it does present an economic analysis...~~

DINGELL: I saw a number of statements, but I saw no economic analysis.

You are aware, I'm sure, Doctor, of the difference between an economic analysis and a statement.

YELLEN: I have given you the conclusion of the work that we have done in the administration...

DINGELL: Would you submit then the work upon which these conclusions are based?

YELLEN: I...

DINGELL: You have not submitted to us, then, an economic analysis. You have submitted to us conclusions.

Please submit it to us, if you please, for purposes of the record.

And I ask you now, Mister Chairman, that that remain here...

SCHAEFER (?): Without objection.

DINGELL: That the record remain open, so that we can take a look at the economic analysis that supports these conclusions.

Now, I'd like to address this question of acid-rain trading. You talked about it, in extension, and told us what a wonderful system it is.

Now, that -- that was a closed system, was it not?

It was a closed system of trading?

YELLEN: It is a system with...

DINGELL: Yes.

YELLEN: ... a cap and trade system that...

DINGELL: Now, in the case of the CO2 trading, we're going to be trading with -- with Eastern European countries, is that right?

YELLEN: Yes.

DINGELL: We are -- are we going to be trading with countries like China and India?

YELLEN: It certainly would be desirable to do so.

DINGELL: Now, China and India are not bound, and the other developing countries are not bound to any commitments whatsoever. So we pay them money, and they ~~continue their~~ economic development.

EIZENSTAT: No, sir...

DINGELL: It strikes me kind of like buying money from a counterfeiter...

EIZENSTAT: I'm sorry. The premise...

DINGELL: ... because when -- when he -- when you want more money him, you go and you give him good currency, and he gives you something that's just hot off his own printing press.

Now, please tell me how this is not so.

EIZENSTAT: It is not so.

DINGELL: How?

EIZENSTAT: The statement is inaccurate.

DINGELL: How is it -- how is it...?

EIZENSTAT: Because we only trade, sir, with countries that have bound themselves to emission budgets.

DINGELL: I thought you told me that -- that that would apply also to trading with the developing countries. Perhaps -- maybe you misled me.

EIZENSTAT: Only the -- no, only the joint implementation with credits, clean development mechanism. International trading, sir, is only done amongst those Annex One countries that have binding emissions targets.

DINGELL: OK.

EIZENSTAT: And otherwise the trading on an international basis

n't occur. Credits can occur in the clean development mechanism.

DINGELL: Well, how do you set -- how do you then set a price for CO2?

EIZENSTAT: The market sets the price.

DINGELL: How does the market set the price?

EIZENSTAT: By supply and demand.

DINGELL: It is not a closed market.

EIZENSTAT: One of the...

DINGELL: In the case of SO2 trading, it is a closed market. In the case of CO2, it will not be a closed market,...

YELLEN: Sir, we...

DINGELL: ... because you're going to be having all the developing countries who are unbound.

YELLEN: With respect to countries...

DINGELL: Pardon?

YELLEN: With respect to countries that do not take on emissions, quantitative emissions limits, we would not have emissions-trading, but we would have the clean development mechanism, which would not require binding limits, and would not be a market mechanism.

But American firms would be able to go to countries like China, if they -- if that was a country that did not take on a quantitative limit, and carry out a project that would improve energy efficiency in a demonstrable way.

And if it was certified to do that, credits could be issued, which could then be used either by that American firm, or sold to others subject to binding limits.

DINGELL: OK.

That -- the trading has not yet been worked out, is it -- has it?

YELLEN: That's one of the challenges that face...

DINGELL: The agreement has not yet been perfected or completed, has it yet?

EIZENSTAT: That's why we call it a "work in progress."

DINGELL: When will it be completed?

EIZENSTAT: It'll be completed when we get good, efficient trading rules...

DINGELL: So...

EIZENSTAT: It'll be completed to our satisfaction when we get key developing countries to meaningful participate, and not until then.

DINGELL: Now, you have to sign the treaty by some time after March of next year, do you not?

EIZENSTAT: It's open between the middle of March of this year and the middle of March of 1999.

DINGELL: All right.

Now, if you -- and if you don't get -- if you don't get good, hard trading rules, and you don't get agreements by the developing countries to make their share, what -- of the contribution under this, what then happens?

EIZENSTAT: We believe we will get good trading rules. We believe that...

DINGELL: No, no, no. What happens if you don't?

EIZENSTAT: We believe that we should lock in the benefits with respect to the developed countries while we work...

DINGELL: Let...

EIZENSTAT: ... on getting developing-country participation.

DINGELL: Let me repeat -- let me repeat my question, because you're giving a fine answer, but it's to a different question.

What happens if you don't have the trading rules? And what happens if the developing countries have not agreed by that time to be bound and to make a contribution?

EIZENSTAT: Developing-country participation is not...

DINGELL: Aren't -- would you then sign the agreement?

EIZENSTAT: We will sign the agreement. We have decided that we'll sign...

DINGELL: You will sign the agreement whether they've done so or not?

EIZENSTAT: We will sign the agreement at some time between the middle of March of this year and the middle of March of next year.

DINGELL: So, you will sign it whether or not you have agreements on the two points that I've raised?

EIZENSTAT: We believe that we will have an agreement on trading rules...

DINGELL: If you do not?

EIZENSTAT: ... and with respect to...

DINGELL: If we do not?

EIZENSTAT: I -- with all deference, we will not answer a hypothetical question...

DINGELL: What...?

EIZENSTAT: ... that I hope will not be the case.

DINGELL: Well, I would observe that the entirety of Dr. Yellen's statement and your statement were hypotheticals.

EIZENSTAT: You're asking me factually...

DINGELL: I'm asking...

EIZENSTAT: ... whether or not...

DINGELL: ... if you don't have rules for trading rights...

EIZENSTAT: ... there will be trading rights, that we believe that there will be.

DINGELL: Pardon?

EIZENSTAT: We believe that there will be...

DINGELL: Isn't that a -- isn't that a hypothetical?

You believe. I believe -- I believe in the Holy Trinity. I have not shaken their hand. I have not met them. But I believe they are there.

That is the only article that I take on faith.

I'm trying to understand what it is you're going to do.

You have told us that -- that you're going to insist that these things be present. If they are not present, are you going to sign the treaty?

EIZENSTAT: We have said -- and I'll try to be as clear as I can that trading rules are essential to make this system affordable.

DINGELL: OK.

EIZENSTAT: Number one.

Now, I have two things...

DINGELL: (OFF-MIKE) not so, but does that mean that you will sign if you don't have them? Or that you will not sign if you don't?

Which is the case?

EIZENSTAT: Number two, that we will expect to get meaningful participation. We have said that we will sign this agreement even if -- although we won't submit it for ratification -- even if we do not get -- have, as of mid-March 1999 that meaningful participation.

DINGELL: OK...

EIZENSTAT: Now, the reason -- and the reason, sir, is because we want to lock in the developed-country participation.

DINGELL: Well, let's -- let's take a hard look at this now. You and I are old friends, and we've debated these kinds of questions -- issues over the years.

Let's take a look at this.

You will have further negotiations, which will be taking place after that time. You've signed it, you've not submitted it to the Senate. Are we then bound?

EIZENSTAT: No, sir, we're not legally bound...

DINGELL: We're not bound.

EIZENSTAT: ... until the Senate approves it.

DINGELL: Now, there will be -- there are in the agreements other -- that were achieved at Kyoto, other agreements that there would be subsequent meetings, including the Buenos Aires meeting, and including -- and looking towards other subsequent meetings, at which there will be further negotiations and further modifications of the treaty. Is that not so?

EIZENSTAT: There will certainly be further work on perfecting the rules and regulations and procedures...

DINGELL: OK.

EIZENSTAT: There may be amendments, which can be done by a three-quarters vote. There may be supplementary protocols. There may be a lot of things that will happen.

DINGELL: OK.

Now, how are you to assure that -- assure us sitting here that United States is not going to confront a situation where it will find that because we have signed the treaty, not ratified it, not participated in it, are not at some future time going to be subject to sanctions by other nations because we have not carried out responsibilities under this treaty, are a major emitter of CO2, and other greenhouse gases?

EIZENSTAT: Because under the treaty, each country has the right to ratify according to its own legal processes. And until it does so, it's not legally one.

DINGELL: OK...

EIZENSTAT: Number one.

Number two, ~~there are no sanctions in this treaty.~~

DINGELL: There also is a provision in the treaty, however, which states that there are -- that there is -- that no country may assert reservations on a signing of the treaty, and that it must agree to be bound in toto if it does sign. Is that not so?

EIZENSTAT: You can present, and we will be presenting, our interpretations, for example, of...

DINGELL: Is that what is the difference between an interpretation and a reservation?

EIZENSTAT: An interpretation is how we interpret the agreement. A reservation is saying that you won't agree to something unless a certain event precedent occurs.

DINGELL: Well, you made a very interesting comment. You've said no sanctions. What then is the enforcement mechanism?

EIZENSTAT: The enforcement mechanism is a largely national-bound system, in which there are, like there are under the 1992 Rio protocols, international teams chosen by countries. There is a strong base line that now exists with respect to emissions. Those teams will meet with governments to look at emissions over the years...

DINGELL: You have then left us a very interesting thing. There's no sanctions. The United States is not bound. How do we know that other countries will then be bound, and other countries will then reduce?

EIZENSTAT: Other countries will be bound when their legislatures, or their legal processes, as ours, take their regular course, number one.

Number two, because we have very strong figures on emissions, and we believe that these teams will be...

DINGELL: Well,...

EIZENSTAT: ... will be effective in determining that.

And number three...

DINGELL: How...?

EIZENSTAT: And number three, we do believe -- and I've said so in my testimony -- that one of the areas that we need to firm up through additional rules is compliance and verification.

DINGELL: Now, well, so, so you are then going to be considering as the future goes on, compliance and verification, monitoring, and very frankly, enforcement. Isn't that right?

EIZENSTAT: Absolutely.

DINGELL: And -- well...

WHITFIELD (?): Would the gentleman from Michigan yield for one clarifying question?

DINGELL: Yes.

WHITFIELD (?): Directed at Mr. Eizenstat.

I just want to make sure I understood you correctly.

We've got this course of regulations and rules that we see in the best interest of this country.

Up front, we have said to the signees of this agreement we're going to shoot for this, but if we don't get it, we're still going to sign. Did I -- did I accurately hear you?

EIZENSTAT: I don't think you did.

WHITFIELD (?): Prior to negotiations, have we committed to sign even if we don't get what we want in the negotiations?

EIZENSTAT: What we've said is that the promise of Kyoto cannot be realized, and will not be realized, without the kind of rules on emissions-trading and on joint implementation with credits which are critical.

WHITFIELD (?): Then I'll go back to Mr. Dingell's question. If we don't get those rules, what is the administration's position on whether we sign the agreement?

EIZENSTAT: We hope that we will get those. We expect that we get them. We have every reason to believe we will get them.

WHITFIELD (?): And if you don't?

And if you don't, what will you do?

EIZENSTAT: OK. If we don't, you'll be back here asking me, and I'll tell you at that point. I hope that that will not be the case.

WHITFIELD (?): Let me just read your own testimony for you, if the -- Mr. Dingell will indulge me.

DINGELL: Right.

WHITFIELD (?): From your testimony under Framework for Action, page 14, "We anticipate signing the protocol within the one-year period provided for in the agreement, which runs from March '98 to '99. We have not as yet determined the precise timing due to tactical considerations. We will sign at a time that makes the most sense in terms of overall diplomatic situations."

Tell me what it is, those tactical considerations, if in fact we've stated even if we don't get them, we're going to sign it.

EIZENSTAT: I think it's important when you're in an international negotiation not to try to negotiate against yourself, and we would prefer to keep those as part of our private negotiating strategy...

WHITFIELD (?): As somebody that came to Congress out of the business world, I would tell you that the first rule of thumb in negotiating is not to give up before the negotiations start, and I think that's what our policy has done.

We've basically said we'd like these things, but we're going to sign irregardless of whether we get them or not, and I thank the gentleman for the time he's yielded.

DINGELL: I thank the gentleman.

Mister Chairman, I think that my time has now been exceeded. I just would like to make the observation -- Mr. Eizenstat, you're among the most trusting of men that I have ever met. And it appears that this country has signed in Kyoto a blank check. I'm not quite sure to whom. I'm not quite sure what it's going to cost. But I'm satisfied it's going to be very large, and I'm satisfied that we have avoided a very essential story that I like to tell about the Old West, where a fellow was walking down the street, and he's -- on a Sunday morning, and somebody said, where are you going? And he said, I'm going to One-Eyed Minnie's to play poker. And they said, well, don't you know that's a crooked game? He said, yes, but it's the only game in town. This is not the only game in town. We have some -- we have at stake very serious matters, and very serious concerns about the future of this country. And I don't believe that the Kyoto agreement reflects an honest concern for those matters, or that it's in the interest of United States.

Thank you, Mister Chairman.

EISENHOWER: Well, I would just say that based on our long relationship, I thought perhaps you would say that I was one of the most trusted people that you had known, but in any event, we have done the best we could. I believe we have a very good agreement. And we are not going to legally bind ourselves until we have those things which will protect the American people.

DINGELL: Well, I wish I could say that, Mr. Eisenhower. I think that you have given this country a very, very bad deal.

Thank you, Mister Chairman.

(UNKNOWN): The gentleman's time has expired.

SCHAEFER: I would ask unanimous consent that the record be kept open for any additional questions, written or whatever, and that all members' statements -- full statements will be made part of the record.

The gentleman from Kentucky, Mr. Whitfield.

WHITFIELD: Thank you, Mister Chairman.

I think it's quite clear that all members of this committee that I've heard so far have serious reservations and quite serious concerns about the entire protocol. And one of the questions that I would like to ask gets back to a line of questioning that Mr. Dingell had, and that is, while you didn't not say definitely yes, I suppose the clear indication is that even if an agreement is not reached on trading the credits, and some voluntary agreement is not worked out with developing countries, that the U.S. may go on and sign the agreement anyway. Is that accurate?

EISENHOWER: What I said is that trading rights is central to Kyoto. It is central to our ability to afford the obligations that we would assume if the Senate ratifies it. I've said that we will be working diligently on getting meaningful participation by developing countries, and that we will not submit a treaty for ratification until we get such meaningful participation.

WHITFIELD: And what if you sign it and you do not get meaningful participation?

EISENHOWER: Then it won't be submitted to the Senate, and it won't be legally binding.

WHITFIELD: And then what will be the effect at that point?

EISENHOWER: The effect would be that we don't have any legally binding obligation, but that we have shown our seriousness in trying to get other developed countries to participate in a procedure which gives us innumerable advantage in terms of the kind of flexibility that we want, and we would continue to work, whether it took months or years, to get that meaningful participation. And I believe we'll get

I believe we'll get it because I think the incentives will be all on the side of doing it, because I think the international pressures on those countries that are holding out from participating will be immense, and that they will see it to their economic and environmental advantage.

I believe that the developing countries, when this is explained to them, will see that sustainable development is what is crucial, not just the level of GDP growth, and that as their middle classes develop, there will be a growing environmental consensus, as there is in this country.

WHITFIELD: Now, what is the rationale, though, of signing it before you get these agreements? It would seem to -- what is the rationale for that? It seems like you would have more leverage if you didn't sign it before you got them.

EIZENSTAT: We would lose leverage because we would be seen as an outlier. We believe that by signing it while it's not legally binding, that it demonstrates our seriousness of purpose, and it indicates a willingness to try to lock in other countries to the very inventive processes which we've been able to achieve in this protocol, which are again of our adoption -- of our own initiative.

That is everything from sinks to joint implementation with limits to international trading to flexible periods for achieving objectives.

WHITFIELD: So from a framework that we're being a leader. We're a leader, providing leadership, would be the rationale?

EIZENSTAT: I think I've tried to give you the best rationale I could.

WHITFIELD: Now, in discussions today, whenever we've expressed concern about the cost of implementing the protocol, one of the statements that you've made consistently is well, let's consider the cost if we don't implement the protocol, if we do nothing, if we turn our back upon global warming. And yet I noticed in your testimony today, you cited a statement in 1995 by the IPCC that the balance of evidence suggested a discernible human influence on global climate. A balance of evidence. And yet, so many people in the administration keep talking about overwhelming scientific evidence, the -- most scientific evidence.

But if we were in a court of law, a balance of evidence is certainly a lot less than clear and convincing evidence, and certainly a lot less than beyond a reasonable doubt.

And I noticed that you've talked a lot about the Intergovernmental panel on climate change that a group of world scientists who've almost unanimously agreed that global warming is a

blem, and there is no question that in the executive summary of the report it does contain quotable expressions of alarm, but what follows in the four-volume document is hundreds of statements of credentialed skepticism.

In fact, on page 254, it states that it is not possible to attribute all, or even a large part, of twentieth-century temperature trends to artificial greenhouse gases.

And it just seems to me that we're going an awful long way down the road without there really any overwhelming evidence that -- or scientific agreement that there's a problem.

EIZENSTAT: I think that the intergovernmental panel on climate change conclusions are very clear. We have not tried to overstate, nor have they tried to overstate, the situation.

And we believe that their conclusions are completely consistent with the actual scientific measurements that are shown on our first chart.

These are not matters of scientific disagreement. These are taken from actual measurements and actual readings. And they demonstrate without any question a very large buildup of carbon dioxide.

I believe that there is a general belief that that buildup is accompanied by temperature increases, and I would note that a number of people in the energy industry themselves are saying that it's time not to fight the science, but to try to agree on the solution based on the science.

WHITFIELD: Well, you know, once again, you're talking about the IPCC, and a recent headline in the "Washington Post" read, "Reassessing the Kyoto Agreement: Scientists See Little Environmental Advantage."

And I'd like to read you one quote in that article. "Berg Bohland (ph), the outgoing chairman of the IPCC, predicted that levels of carbon dioxide in the atmosphere would be only four tenths of one percent lower in 2010 with the Kyoto Protocol in effect than without it."

Now, the minimum reduction from the Kyoto agreement would only slow the projected rise in global temperatures by one tenth to two tenths of a degree Centigrade by the year 2050.

Now, that's an outgoing chairman of the group, and yet we're...

EIZENSTAT: Sir, he's hardly making the point you're making. He's saying we should be going even further.

WHITFIELD: Well, I don't read it that way. I mean, he's basically saying that you're going to make very little improvement at

EIZENSTAT: He's saying he wished we had gone further and that Kyoto is a modest step, and that's what we've said. It is a modest first step. That's precisely -- I'm sure that if you asked him to testify, he would say we should have gone further, in light of the scientific evidence that I've determined.

WHITFIELD: Well, on these general circulation models that are being used to project the temperature rising in the future, recently they went in, and they plugged in numbers in some of those models, from about the 1890s up to 1995, and it -- and by plugging those numbers into the model, they projected that global temperature would increase by about five degrees. In actuality, it increased one degree.

Now, what makes you think that the model is going to be more accurate in the future than it has been by plugging in numbers from the past?

EIZENSTAT: I think that the models are quite consistent in indicating the trends, and the trends are that there is both a buildup of CO2 and other gases -- that seems almost irrefutable -- and that that is leading in turn to a warming of the climate.

I mean, we have, as I've indicated in here, concentrations that haven't seen for 50 million years, and demonstrable warmer temperatures. Nine of the last eleven years, we've had the warmest temperatures recorded, and in 1997, when the final figures came in, many meteorologists who had questioned the issue of global warming said this now fits into such a clear pattern, over the last decade, that we have to conclude that there is, in fact, warming going on.

And we've indicated here that there is certainly, sir, a range -- no one has said you can fit with precision a particular figure, but the ranges clearly all indicate an increase.

And that's why we call this an insurance policy. It is something to protect against damage in the future.

WHITFIELD: As Mr. Schaefer had indicated earlier, earlier testimony relating to the estimated cost of implementing this protocol agreement by the -- which was computed by the interagency analytical team came up with considerably higher costs than what you're projecting today.

And one of those costs -- it talks about an increase the equivalent of a \$95-per-ton increase on carbon tax, and that transposes into a significant increase in coal.

Now, I'd like to ask you this question. If you were from the State of Kentucky, like I am, and you have a coal industry that's been pretty well devastated by the Clean Air Act, and the loss of jobs significantly from that, there's been 3,000 jobs in my district alone

have gone out of the country on the -- in the textile industry. Kentucky has the third-lowest electrical rates of any state in the country. So, electrical deregulation doesn't do anything for people in Kentucky.

So, why would anyone in Kentucky support this -- this agreement?

YELLEN: First and foremost, there is a problem, and it's a problem that we believe is a serious environmental problem that we need to deal with as a country, and that applies to the residents of Kentucky as well.

First, let me say, with respect to impact on coal, the first thing to look at is what do we think would be the impact on energy prices, and the numbers that you quoted to me out of the interagency report -- there were a broad range of numbers. The lowest number I recall was nine dollars, and the highest \$145. And the differences among those numbers reflected not just -- they reflected differences in models to models used, but most important, differences in the arrangements, in particular, the international trading arrangements.

And we have both emphasized repeatedly this morning that those arrangements are key to the U.S. position.

The IAT report that you referred to had a nine-dollar number for the predicted permit price under conditions of full worldwide trading. That's somewhat lower, but not very much lower than the kinds of illustrative numbers I've given you this morning.

So we shouldn't exaggerate the impact on coal, because we should not exaggerate what the impact of the president's policy as reflected in the Kyoto protocol, what the impacts will be on energy prices.

However, it is certainly true that coal has the highest carbon content per unit of energy among fossil fuels, and it is a major source of greenhouse-gas emissions, and so it has to be the case that any strategy to reduce greenhouse-gas emissions will have an impact on the coal industry.

If I were to think about industries in the United States most likely to see an impact, certainly the coal industry would have to be at the top of my list.

Having said that, I -- again, coming back to energy price impacts, we should not exaggerate what the impact is going to be on the coal industry through that kind of route.

On top of that, of course, the coal industry has had a period of rapid productivity increase, and so employment has been declining anyhow, and starting from a position in which employment is declining because productivity has been so high.

I would say that the president is fully committed to helping workers who are adversely impacted by climate-change policy.

But having said that, I would want to add one more thing, which is that it would be very wrong at this point, from a long-run standpoint, to assume that dealing with greenhouse-gas emissions means writing coal out of our energy future.

First of all, there is the possibility of increasing the energy efficiency of coal, and second of all, it is possible to develop techniques to sequester the carbon dioxide emissions from coal. And the president's climate-change initiative seeks to develop coal-combustion technologies that would offer the possibility of improved efficiency and ultimately of developing techniques to sequester carbon dioxide.

And if those things can be accomplished, and the PCAST(ph) group, the President's Committee on Science and Technology, in reviewing programs of the Department of Energy with respect to coal, have indicated that they think ~~that there is a real~~ -- that these are ambitious goals but realistic ones.

WHITFIELD: Well, Mister Chairman, I have lots of -- a number of other questions, but I'm going to submit some of them for the record.

I would just say that I agree with Mr. Dingell that this is a bad policy for the United States. There's not sufficient scientific evidence, and I think we're going down the wrong pathway.

Thank you.

SCHAEFER: The chair certainly thanks the gentleman again.

In order of attendance, the gentleman from Oklahoma, Mr. Coburn.

COBURN: Thank you.

Mr. Eizenstat, we've asked you this question several times, but I'm not sure I still understand.

Once we have signed this protocol, would you explain to me the leverage that we have that will allow us the ability to get a supplemental protocol or supplemental amendments to this agreement.

EIZENSTAT: Yes, sir. There's a very key leverage.

Every country in the world knows it's not legally binding until and unless we get meaningful participation.

COBURN: So explain to me how you're going to get an agreement that ends up getting these developing countries on board, in terms of trading and other -- if we've already said we're going to sign it, and the only way that we can modify it is if in fact we have a concurrent or a consensus to have an amendment, amending protocol, or amending resolution, how are you going to do that if their stance is still the same as it is today?

Where's our club to use to get them to come to the table to help do this?

EIZENSTAT: Again, as I indicated earlier, and I'll try to summarize, first, the leverage is that if the United States doesn't play in this game, the United States doesn't bind itself as the country which emits about 25 percent of all the greenhouse gases in the world, all the countries who participated in Kyoto, and who will be participating in Buenos Aires and follow-up meetings, know that there won't be any meaningful agreement, that their own ratification process will have very little meaning.

So, the fact that we are holding out of ratification...

COBURN: I'm not concerned about those people. I'm concerned about those that didn't agree, that are key to making this strategy work, China, India...

EIZENSTAT: Yes, sir. And that's the second point that I'd like to get to.

COBURN: I'm sorry.

EIZENSTAT: And you're quite right. The question is what will we be doing there. We have -- we are working. We've been working very intensively since Kyoto on developing a diplomatic strategy to engage these countries. We're doing so not only ourselves, but, as I indicated earlier, I've done it with the G-8 countries, I've met with the presidency of the European Union. The European Union is going to be working with us. Japan is going to be working with us, to try to put pressure on those countries to participate.

COBURN: But -- but other than pressure, do we have any economic incentives -- do we have...?

EIZENSTAT: Yes, sir. We do.

COBURN: OK. Would you explain those economic incentives to me?

EIZENSTAT: Yes, sir.

It will be highly valuable for countries to participate in trading. And you cannot trade unless and until you agree to binding commitments. You have no budget that you can trade against. And therefore there will be strong incentives for countries that want -- and there are already Latin countries that want to get into this trading system. When countries see the value of being part of a trading system, we think it will be a very strong incentive.

In addition, the joint implementation with credit program, the clean-development mechanism is in fact already in Kyoto. That is going to provide a very strong incentive for countries like China and India and Indonesia and others to want to joint-venture with U.S. companies from Oklahoma, from Kentucky, from Michigan, from Colorado,

want to build projects in those countries in order to get credits -- against our own obligations.

So that is also a way of drawing them in.

COBURN: So -- if my understanding is, is projections and terms of world GDP, that China will in fact be the world's leader in less than the next 25 years.

EIZENSTAT: Yes, sir. We expect around 2010 or so that they will be the leading emitter, although not on a per capita basis.

COBURN: Right. But in terms of gross domestic product?

EIZENSTAT: Yes, sir.

COBURN: And if in fact ~~your strategy doesn't work~~, and they're not a part of this, and they don't have to be a part of this, and that's where the world's growth is, will we have accomplished anything?

EIZENSTAT: There's no question that China is a very key country. There are other key countries, but China is certainly a very key country.

It will take a good deal of work, but let me suggest that we've already made a first step. It is not the complete step. It is a first step. And that is, we've agreed on a bilateral environmental arrangement with China which will enable us, we believe, to work with China to the benefit, if I may say so, of our own companies, in terms of business, to build clean, efficient power plants.

Second, one of the other things that we'll be doing -- and I think the international financial institutions will be of help here, as well -- is taking the inefficiencies out of countries like China, in terms of their subsidies of energy, so that they go to market-based energy prices. That, in and of itself, will also have a very strong impact on reducing their greenhouse-gas emissions. And this is something that we will also be working on.

COBURN: Explain to me how that is, how that, if they go to market-based pricing, that that's going to reduce greenhouse gases.

EIZENSTAT: Because now, sir, what they're doing is basically subsidizing their emissions by subsidizing coal use and other inefficient use, or less efficient use.

When they go to market-based systems, they will be in effect trying to conserve on the amount of fuel that they use, rather than lavish it.

It's the same reason why President Carter and then President Reagan deregulated energy in this country, because it would be more efficient and more effective to do so, and, if I may say so, I think

one of the things that has really worked. So...

COBURN: Let me ask you one other question. Earlier in your testimony, you alluded to the trading and, in terms of the reduction, in terms of acid rain, and the sulfur dioxide...

EIZENSTAT: Yes, sir.

COBURN: Much of that benefit came from Wyoming coal, if I recall -- am accurate, and much of that benefit came from the fact that the railroad and transportation costs, deregulation of that was the key factor in making that available at a -- at a reasonable price.

COBURN: So to say that the trading is the reason that we accomplished that -- that may have in fact been a part of it, but the real reason was, you know what? It didn't cost much to get the cheap, good, clean-burning coal, and it didn't have anything to do with the trading, in a certain percentage, not all of it.

One final point. And let's assume I'm totally wrong in my skepticism about global warming. And let's assume that you're totally right. And we're going to assume that it in fact is going to happen. And so, we're going to err on the side of conservatism to assume it's going to happen.

Why wouldn't we, in our economic analyses, assume on the conservative side that -- let's look at the real costs, as great as may be, rather than to pull \$20 billion out of the air from electricity deregulation? Why don't we really look at a worst-case scenario? We're going to look at a worst-case scenario on global warming. Why don't we look at a worst-case scenario in terms of the economic data that's going to come around.

The fact is, as what I've seen from the Wharton Business School, is -- is that my state's going to lose about 60,000 jobs, that it's going to cost individuals in my state probably seven to eight hundred dollars per year if this treaty is implemented.

And so that may not be right -- and I'm not saying that it's right -- but what I'm asking is, why would we -- we err on the safe side on one side, and not err on the safe side when we do the economic analysis of it, to really allow us to make the best possible decision?

EIZENSTAT: Well, let me try to start on that, and then, since Chairman Yellen is the one that's done the analysis, I think that her own testimony indicates that this is a conservative, not a rosy scenario.

But in terms of the acid-rain savings, I don't think there's any question but that a very significant amount of that reduction in estimated costs has come from -- from trading.

Second, we don't want to do a worst-case scenario on the assumption that things that we've gotten aren't in the treaty. We

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Second, we don't want to do a worst-case scenario on the assumption that things that we've gotten aren't in the treaty. We

ed very hard to get the flexible mechanisms in the treaty, so we wouldn't be in a worst-case scenario, and we are not in a worst-case scenario. So we'd be assuming something that's totally fallacious, and not -- not based on what we have gotten in Kyoto.

Now, does that have to be perfected? Absolutely.

But, again, there's no reason to gin up estimates on something that's not grounded in fact, and the fact is we've got the flexible mechanisms, we've got the kind of trading period that we wanted, we got the sinks that we wanted in the agreement.

COBURN: You know, this -- this -- I hate to be a skeptic, but you know, I came out of medical school, and we decided that asbestos was going to kill everybody. So we spent \$100 billion in this country taking asbestos out of public buildings, and what the science and the medical community has learned from that is, boy, was that a big mistake! Number one -- number two, we exposed a great deal more people to the risks of asbestos, and per life saved, we spent about \$4 billion.

And you know, the question is, is we could have spent our money better, and my -- I see us going down a road that is not firm about the indications from a scientific basis, but also from an economic basis, that we're about to make some big mistakes.

My question to you in following up, if -- if we're wrong, can we afford to do this?

If you're wrong, if -- if the scientific consensus happens to be wrong right now, as you related to eight years in a row of a trend, I can't remember the professor from the University of Virginia who testified before the Science Committee, but he showed us 20 different periods where we had eight years in a row going each different direction.

But the point is, is it -- let's assume -- can we afford to do what we're getting ready to put into effect in this country without unduly harming the opportunity for our citizens for the future?

EIZENSTAT: The answer that the chairman's testimony and analysis indicates is we absolutely can afford it, but that we have no reason to believe at all that the scientific evidence and the consensus is wrong.

COBURN: We didn't have any evidence -- any idea to believe that the scientific evidence was wrong on asbestos either...

EIZENSTAT: It gives me...

COBURN: And yet we spent \$100 billion of the taxpayers' money in this country on it.

YELLEN: I think the administration's view is that the risk is

real, and even if there is some uncertainty on both the scientific side and in particular about temperature impacts on different parts of the world, or exactly when they might materialize, and even in light of the uncertainty which I've attempted to highlight on the economic side, it would really be irresponsible...

COBURN: To not...?

YELLEN: ... to not do something.

And when you say, well, should we, in light of uncertainty, should we do nothing until everything is fully -- fully clarified? I think that would be foolish.

So, what should we do? And why should we start now?

One reason we should clearly start now is because if this, over the very long term, is going to be done at reasonable cost -- and I don't mean just phase one of this, but the whole long haul, we know that technology and technological breakthroughs are possible, and they'll make a huge difference in bringing down the cost.

We also know that the lead time in generating those new technologies is enormous.

COBURN: That's a good answer.

YELLEN: We can't afford not to begin.

I think the other reason, if I might add, another reason we have to begin is because we have countries around the world that are growing rapidly, and they're going to make investment decisions, and we will -- our electric power is not likely to grow as rapidly in the United States, for example, as in China or India. We can't let them make the kinds of mistakes that would lock those countries into a future where they have made irreversible decisions that lock them into high-emissions path of greenhouse gas.

COBURN: OK.

YELLEN: Now's the time -- it's cheap -- to take the steps, not to make those mistakes.

The president's policy is to begin with the things that we think are win, win.

COBURN: I don't doubt the sincerity of the commitment and the concern. I think what we all -- it's just that a different interpretation of the risks, and I think your answers are excellent, in terms of why we should.

I'm just -- I just have to remain a skeptic.

Having sat on three different hearings, to hear the data, I'm not

convinced that the data isn't loaded against truth and towards opinion.

Thank you.

EIZENSTAT: May I just make one piece. I think your questions are very important and thoughtful.

Texaco has said the debate really isn't about the science any more. And I think that if one were making a balance in terms of risk assessment, given the fact that there is a consensus, that we're far better off taking out a modest insurance policy, taking these modest steps today, than taking the other side and assuming that the science is wrong and then 10 or 15 years from now being in a situation where we have to take much more heroic and much more costly steps. I think that's the balance.

COBURN: One just final question. Let's, let's say that we go on and get this implemented and you all do a good, diplomatic job of getting the other countries on board and 10 years from now, we find out oops, this was just a short-term trend; not accurate. Or the earth's atmosphere really is resilient despite what we thought. What do we do then?

EIZENSTAT: Very few of the steps which are called for here are per se bad policy. I mean, many of these will give us more efficient energy policies, they will give us more environmental sound policies. So even if we were in that situation, which I again can't imagine we would, we would have been taking policies which would have other benefits in any event.

COBURN: But it also has the distraction of less freedom, less choice, less opportunity. And I yield back, Mr. Chairman.

SCHAEFER: The chair thanks the gentleman. Gentleman from Massachusetts, Mr. Markey.

MARKEY: Thank you, Mr. Chairman, very much. Thank you two for the good work that you're doing. And I very much appreciate the administration's efforts towards the goal of resolving these very difficult issues.

You know, I find in my years in politics now that every issue goes through three phases: political education, political activation, political implementation. And you can't short circuit anyone of the phases. Every one of them has to have been fully completed before you can move on to the next.

And to a very large extent, you have got a difficult job. You have the job of educating not only the United States but the rest of the world as to the consequences of ignoring these environmental issues. And to a very large extent, as well without question, the Indians, the Indians and others need more education as to the long-term consequences to their own people. But it's a new issue.

I think I would argue that the fast-track debate that we were having here in Washington in July and August and September has now been joined by Kyoto. That is, it's very difficult intellectually to separate these two issues, because they're the flip side of the very same question. More economic growth leads to environmental consequences. And as they do become increasingly intellectually and politically linked, the two questions, it's quite natural and perhaps healthy that that transpire. That's what education does. Artificial separation of issues of this nature at the end of the day probably are unsustainable.

The Washington Post, yesterday, that you referred to Mr. Eizenstat, is to me a good example of how political education is beginning to work. When BP and Royal Dutch Shell are beginning to admit that maybe, just maybe there's a link between fossil fuel emissions and greenhouse affect, that we have kind of reached a stage where Liggett reached with the tobacco issue a couple years before the other tobacco companies did. That is, they got out of denial and got into the real world. They stopped pretending that tobacco didn't hurt people and started dealing with the consequences of their own actions while retaining their own viability.

And I think a lot of the oil companies and others are very quickly going to come to that same recognition, although it's going to take a little bit more education. But it's quite natural. If you're making a living doing something a certain way, even if you're harming other people, but economically benefiting from it, then you're going to try to continue it for as long as you can and be oblivious or try to wall out of your own mind that fact that you're harming the health, you're harming the well being, the safety of other people.

But the educational process finally leads ultimately to activation, which is the building of coalitions around the issues of towards the goal of political implementation, winning. And I appreciate that.

One of the issues that we have before this subcommittee, probably the most directly on point, is the electricity restructuring issue. When I introduced that bill in 1991, I was met with the great resistance from many of the largest electric utilities in the United States. By working with them over the course of that two-year period, I was able ultimately working with Carlos Morehead on this subcommittee who had a zero ADA record, to come to a common sense demonopolization of the wholesale electricity marketplace, which the FERC now estimates saves \$5 billion a year in rate pay or charges, each year.

I think it's quite natural then to project an order of magnitude greater in terms of what retail would say. Ten billion, 15 billion, 20 billion, 25 billion. You can pick your number, but it is much, much greater than \$5 billion a year and it will occur. There's no question about it. And I think that those savings are going to be passed on to consumers.

In addition, you've got our old kind of copper wire electrical generating, electrical carrying, you know technology. This just has been sitting there for fifty, sixty, a hundred years, very inefficient. The longer electricity is going through these wires is the more you're going to lose that electricity and have to have more generating capacity. More coal fire plants, more oil fire plants. No question about it.

As we now move to our new superconducting technologies, and as we go to a deregulated, demonopolized marketplace, we have the incentive for our companies to invest in much more efficient transmission technologies. Like going from the analog to digital in telecommunications. But we have got to move to that demonopolized model in order to get the benefits of the technological revolution and the vigorous competition in the marketplace that lowers rates, which is what we've already seen in the wholesale marketplace because of our 1992 legislation. As well as some of the beginnings -- much of this stuff was only started in the last five years as a response to wholesale. But you get an additional speeding up as you move to retail as well.

The debate over nuclear power is largely, you know, sorting through your Frankie Avalon albums. You know, it's just ancient history. We're not going down that route again. It's a very expensive way of generating electricity. It has lost its marketplace battle. It's much more efficient to use gas, to use hydro, to use oil with the right scrubbers built in, oil with the right scrubbers. It's politically simpler to implement and ultimately, it's less costly as well.

And having learned the lesson that it's too cheap, that it's -- that nuclear power is not cheap, not safe, and not needed is one that I don't think our country needs to revisit. They needed it in the '70s when one of your colleagues, Mr. Eizenstat, Mr. Schlesinger, testified before this committee that we needed 200 more nuclear power plants before the year 2000 or else we'll have a brownouts in America.

But, again, even he had to learn that that was not necessary, and we have a surplus today without a single new nuclear power plant. So, if you trust in the technology and the marketplace, I think we're going to get great results. And I think a lot of your numbers here work in terms of the savings that will come from electricity restructuring, vigorously implemented, balancing against some of the other costs that might be built in.

One of my questions would be, how can we use MFN or fast-track cum NAFTA with South America as leverage with these Third World countries? To have them comply with the spirit of this effort that we call Kyoto? By merging the two subjects in a way which is, I think, realistic, we might be able I think to push them towards signing onto agreements that do in fact solve a lot of the problems which many Americans seem to have with it, that there won't be any guarantee that these Third World countries, these developing nations, will comply. Is there a way we can use MFN? Is there a way we can use fast-track,

TA, as a tool to extract concessions?

EIZENSTAT: Well, I don't think directly. Obviously by having fast-track authority, it gives us the capacity to directly engage countries in Latin America and elsewhere more closely, and by being more engaged it can we can have a greater overall effect and influence. I think that we wouldn't want to try to tie the two so directly together. And of course MFN is a tariff concept, and this is a not a tariff issue. But certainly by drawing us closer to those countries, it gives us additional linkages.

I think that the point that you made earlier is an absolutely critical issue, Congressman Markey, and that is the issue of education. It was an education effort as much as a diplomatic effort to get the developed countries to accept concepts like trading rights and syncs. And we believe that it will take a similar education effort to get the developing countries to participate and we hope that the international financial institutions will be part of that. We want to work with them as part of this effort.

All the levers that we have through the IFIs, the multilateral development banks, through our own bilateral relationships with them, through the incentives that are built into Kyoto -- all of these will bring us into a closer relationship with them, and we are going to have a full-fledged diplomatic effort. Again, I think fast-track is more of a trade issue, but clearly our leadership in Latin America and the developed world will be enhanced if we have that kind of ability because it will bring us into a closer trading relationship, an economic relationship with those countries.

MARKEY: I guess the point I'm trying to make here is that it's the trade itself, the opening up of economic opportunities, that creates the extra pollution. So while it's trade, it's trade/pollution.

EIZENSTAT: Right.

MARKEY: That's the necessary result of the vast increase in economic activity that results from having open markets across the globe. And I think that it's difficult to separate the two subjects. And I think that Kyoto has actually helped to a very large extent to explain to the American public.

I think, you know, I think the best thing that happened was when the vice president had 200 weathermen on the steps of the White House, because I know from that moment on my weathermen are all linking El Nino to everything that happens. And since we haven't had any snow in Boston this year, I know that at least temporarily there are some benefits from El Nino to certain parts of the country, but I don't

think there's any person in Boston that's not saying to themselves, as it's El Nino. And this education that's going on is as a result of the effort that was built around Kyoto.

In the same way that the emissions trading was something in 1989 and '90 that we worked out painstakingly on this committee towards producing the Clean Air Act of 1990. It took a long time to get people to understand the whole notion of (OFF-MIKE).

EIZENSTAT: There's been I think an inexorable process that as developing countries become wealthier, their per capita incomes grow, their middle classes grow, they become more environmentally sensitive and they realize that growth has to be sustainable growth and not reckless growth and that in turn will make them more willing to participate in the Kyoto effort.

MARKEY: But I guess what I'm asking again, is whether or not the tariff benefits that we grant to China or to others aren't in fact our negotiating tools in terms of allowing them to fully participate in the economic pinata which is Europe and United States? Because without those tariff benefits, ~~they don't have an incentive to further~~ build the polluting facilities within that country. And by directly relating the two, it seems to me that we wind up with kind of a more wholesome and honest discussion about the two subjects rather than keeping them in separate piles and pretending their unrelated. Why is that not kind of the more realistic and ultimately better way of resolving...?

EIZENSTAT: Well we will certainly try to take a look at your idea, and we want to use every reasonable incentive that we can muster encourage this kind of developing country participation, and I appreciate your thought.

MARKEY: And I thank you. And I very much do thank you for your efforts. I think you're heading in the right direction. You've had great success thus far from my perspective anyway, and I'm hoping that we can develop a formula that allows you to bring it all home internationally, because there's no question that this global warming question is going to be a nightmare for the planet unless we deal with it. It's tobacco redux, and I don't know how long people can stay in denial on this issue. But once the oil companies switch, you realized that they are starting to understand themselves that they are hurting not only themselves, but the country. And I ask, Mr. Chairman, if I may, also submit some post-hearing questions unto the witnesses?

SCHAEFER: Yes, without objection, that has been cleared, and any questions that any member has. We now have two members on the full committee, they're not members of the subcommittee, the gentleman from Iowa, Mr. Ganske, and then we'll recognize the gentleman from Pennsylvania, Mr. Klink.

GANSKE: Thank you, Mr. Chairman. I must admit, I've been doing a great deal of reading about global warming in the last couple months. I would hazard a guess that there aren't more than a handful of congressmen who have actually read the Intergovernmental Panel on Climate Changes Report. Here is a summary of it. I can tell you that there is only one copy of the full report in the Library of Congress.

since I've had it for the last three weeks, I know that there haven't been too many people that have actually read the study.

I'm a physician by training. I'm not a climatologist, but I have looked at data. And as I look at the data, I have increasingly come to the conclusion that mankind is having some effect on the climate. I think that's the fundamental question that you have to first answer as a congressman or congresswoman in looking at this issue. And the scientific data, in terms of increasing concentrations of greenhouse gases, is there. Temperatures have risen, surface temperatures have risen, maybe not as much as models have predicted. But still, more than can be accounted for by I think random chance.

Now the problem as I look at this whole issue is that there still is a lot of uncertainty. There's a lot of -- I have never seen an issue where there is so much hyperbole on each side of the issue. With the environmental groups, you have predictions that we're going to see the ocean levels rise three feet. With the other groups, they're saying that there isn't any warming; that this is just a myth. And there has been I think a tremendous amount of disinformation.

If you look carefully at how editorials are put together, they hinge on words, single words, the public would not normally pick up unless they have looked at this issue in some detail. For instance, a statement that I've read in editorials is, there is no such thing as global warming because satellite data shows that there isn't. And when I look at the data that we're not living, you know, 30,000 feet up in the atmosphere, we're living on the surface of the earth and we're dealing with ocean temperatures. And that is sort of how this issue has been portrayed, and there is some confusion in the public's perception of this whole issue.

But I would have to say that if I lived in the state of Massachusetts, or if I lived in the state of Georgia or the state of Texas or the state of California, that had a significant coastline, it would be incumbent upon me as a representative of that state to actually read this data, to actually look at the scientific data that I think the vast majority of the world's climatologists have put together and agree on in terms of the fundamental question: Is mankind having some effect on global climate?

Now that said, then you start getting into the issue of models, both on the cost side, in terms of the cost if we did nothing, and also on the cost side in terms of what the remedy would be. And I think there is some, certainly some inexactitude in that. And yet, I would say that my reading of the scientific data is not alone. All you have to do is look at a statement by British Petroleum CEO John Browne, who said, quote, "We've moved, as the psychologist would say, beyond denial." Unquote. He also has commented on the openness of the debate among senior people in the industry, and the strong support action expressed by Cor Herkstroter, the head of Shell, Peter Herkstroter, the head of Texaco. In fact, Mr. Bijur of Texaco has said, "the debate really isn't about the science anymore." Unquote.

Or maybe we could go onto an advertisement that Mobil Oil Company published in late July that, while it raised questions about mandating emission targets and timetables, noted that, quote, "We share the growing concerns that governments, the public and many of our customers have about the build-up of greenhouse gases."

Or maybe we should look at Robert Campbell's statement. He's the chairman and CEO of Sun Oil. After attending the Global Climate Change conference he said, quote, "It reinforced my view that there is sufficient scientific concern about manmade climate impacts to justify initiation of prudent mitigation measures now." Unquote.

Or maybe we should go onto statements like those made by Michael Marvin of the Business Council for Sustainable Energy. Quote, "When companies do true internal bottom line analysis, they're finding that what came out of Kyoto isn't such a big, bad wolf after all."

Or maybe we even ought to go onto a statement by Ray Kavini (ph) who heads the American Petroleum Institute, in which he said that while there is concern, united concern over the Kyoto agreement per se, you get different views of precisely where the science is.

I think you can go through this. I think it's fundamental that each congressman and congresswoman take some time and study this data. Then the question becomes, you know, what do we do about it? Well, I represent the state of Iowa. We consume a lot of energy when we plant that corn and those soybeans. So, farmers have a legitimate concern about the impact of this policy. But I would also point out that when you drive across the state of Iowa in August, you are going to see the biggest CO2 sink in the United States, with all that corn growing. And I would also point out that when ethanol comes up for renewal, we are talking about a renewable source of energy that people ought to be looking at. It's not releasing old, millennium-old CO2. It's recirculating CO2.

There are lots and lots of implications of policy initiatives that we could take to provide that insurance policy that you, Mr. Eizenstat, have been talking about. It cannot be anything but helpful to our country if our country becomes more energy efficient. If the United States is more energy efficient than its competitors, we can compete better in the global market.

The goals that I'm saying are not necessarily contradictory in terms of where our policies should go. Now, I want to add that were I to have to vote today on Kyoto, I don't think that I could support it, for exactly the reasons that you, Mr. Eizenstat, have repeated ad nauseum today, and that is, the issue of fairness in terms of getting third-world countries to participate. And there may be some other problems in the agreement in some of the details. But I've also heard your assurances that you're not going to submit it to the Senate until get some improvement in those areas.

And I'm not going to ask you any questions, but I just want to

Now this up with one observation.

About a month ago I met with utilities in my home district who had a lot of concern about this Kyoto agreement, and I asked them. I said, have you read any of the data that has come out of the IPCC? Have you read their book? And none of them had. So they obtained copies. And they've been reading it.

And then I met with the head of a utility just about four days ago. And you know what his stance was? It was very, very close to that of the CEOs that I've just quoted you on. In other words, the industry is acutely aware of the fact that if we end up with a very, very significant climate problem, they are going to be in the same hot seat sitting right where you are that the tobacco CEOs were in 1994, only we may be dealing with significantly worse problems.

So I guess, Mr. Chairman, my point on all of this is, I think this is a legitimate area of concern. I think there is a lot of scientific evidence that supports the proposition that man is making a difference in the environment. That we ought to be looking at ways now to try to modify that. And that many of those ways that we could be looking at would actually be to our own, United States economic competitive advantage.

And I just want to thank you for -- I know that you've been through one hearing after another, have faced a lot of vigorous, to it kindly, questioning. Keep up the work. And I yield back, Mr. Chairman.

SCHAEFER: The chair thanks the gentleman.

EIZENSTAT: Let me just say that I'm really very moved by that statement and the amount of effort and work that you've put into it, and I think, Mr. Chairman, that one of the things that perhaps we have to come to a greater consensus about is in fact the basic science that Congressman Ganske so eloquently elaborated on. Once we can accept, as there is a growing acceptance, as he, again, so eloquently indicated, this data, then I think we can begin to reach a consensus on what we should do about it. And I think one will then find that the approach we've taken is modest, it's moderate, it's sensible, it's market driven.

SCHAEFER: The chair thanks the gentleman. The gentleman from Pennsylvania, Mr. Klink.

KLINK: I thank the chairman for his patience and his understanding in allowing us to participate. And I know from being with both him and the secretary others in Kyoto that this is a subject that interests all of us.

Mr. Markey mentioned that just a few moments ago he thought that of the turning points was when the vice president had a group of meteorologists down at the White House and they began to talk about this issue. I have either the fortune or misfortune of having been

of those meteorologists in an earlier part of my career. And as you can undoubtedly tell, I've been around, as the gray hair will tell you, I've been around long enough.

Part of my problem, Mr. Eizenstat, is that some of those people who are warning us about the rising seas and global warming were the same people who twenty-some years ago were telling us about the coming Ice Age. They have a credibility problem with me.

Now, that said, it doesn't make any sense for us not to have the cleanest technologies that are possible. It doesn't make sense for us to emit into the atmosphere portions of fuel, soot and dust that we otherwise ought to be burning. It doesn't make economic sense, it doesn't make health sense. The question is, where do we come down in the middle? How much money do we invest and over what period of time do we invest it to assure that we solve those problems while expanding business opportunities for American companies instead of deindustrializing this nation, as some of us fear, taking the wrong steps in this instance, might be able to do?

My question to you would be, first of all, and it can be a rhetorical question, but how old is this planet? And I don't think

any of us know for sure exactly how old it is. But the point is, regardless of how old this planet is, how long in the age of this planet have we been keeping meteorological records? Has there been other time in history over the millions of years that the planet has been here that we have seen similar-type levels of CO₂ in our atmosphere? Do we know that or do we not know it? Obviously, we don't know that. We've been keeping meteorological records, if memory serves me from my days of having been one of those people who could not forecast weather but yet was paid to do so, that we were keeping meteorological records from sometime around the mid part of the last century.

Now, that said, that is barely the blink of an eye in the history of this great planet. And you referred to something the vice president has referred to, and that is that nine of our past 11 years have been among the warmest on record. That is less than the blink of an eye. Are we looking at a meteorological glitch? What exactly is causing that? I have been told by various people on both sides of the issue that we, humankind, are responsible for somewhere around -- and I will ask you if my figures are correct -- that we are responsible for somewhere around four or five percent of the CO₂. Is that a correct figure? Is that your understanding?

EIZENSTAT: We emit about 24 percent of the greenhouse gases.

KLINK: Twenty-four percent of the greenhouse -- just CO₂. Just CO₂.

EIZENSTAT: The United States?

KLINK: No. I'm talking about...

YELLEN: You mean...

KLINK: The CO2 in the atmosphere.

YELLEN: Human activity?

EIZENSTAT: You mean human activity per se?

KLINK: How much is human activity responsible for? I'm sorry the way I phrased the question, you probably didn't understand it.

EIZENSTAT: I'll have to get a figure for that.

KLINK: I've been told that that figure is around four percent. Does anyone concur with that, disagree with that, have another figure? My point is, and I've heard this from people on both sides of the issue, we're talking about ~~four or five percent~~. So if the figure is four or five percent, if we reduce -- if that's a correct figure. And let's -- I know you don't like hypotheticals, but since you don't have another figure, let's use my figure for the sake of an argument. If we are able to reduce CO2 by 25 percent of what we emit, that's only one percent overall. Now, how much does it cost us to do that? How much...

(AUDIO GAP)

KLINK: They are hopeful now. We've got environmental problems with manufacturing coke. We've had that ever since the old beehive coke ovens. They're looking forward to, perhaps, seeing the construction of a new kind of coke plant that's called nonrecoverable which incinerates the dust and the soot and the gases that we would have to recover from the current coke technology.

It simply makes sense for us in this nation and in other nations to develop technologies like that. It makes good business sense. It makes good health sense. But to bind us to that kind of technology while still allowing other nations to use ancient beehive coke technology doesn't make any sense.

And that's why, I think, when those of us who have spoken, you talk about getting a true and firm commitment from the developing countries, that's important. I talked to Secretary Eizenstat in Kyoto. And I've brought up the point of I was around back in the 1980s when the last of the beehive coke ovens were torn down.

They were torn down not to be destroyed but were shipped to South America where I don't know if they're still in use, or not. But they were put in use back then. I would hope that whatever kind of agreement we have that we don't just force our worse technologies on other countries. That we, in fact, are worried about global solution. That we deal with it in a global fashion. This agreement currently does not do that. It simply doesn't do that.

Too many countries are nonplayers in this and are unwilling to

commitments. George Brown, the ranking member of the Science Committee, talked about a steel plant that the Chinese purchased from his district -- a horrible technology, very filthy, took it over there using it to manufacture steel now.

An automobile plant that was just outside of my district used to make Volkswagens. They came over, tore that plant down. It's not state of the art. They took it apart piece by piece, put it -- took it back over to China. That's being used.

We should not be exporting our worst technologies. We should be creating an agreement whereby our best and cleanest technologies are -- are moving forward. I would also state further my -- my concerns.

There are a lot of companies, and I understand that you've got your hands full dealing with global warming and this treaty. And when -- when we met with you in Kyoto, and I know that you only had a few hours sleep. I know how hard you worked. I know how hard you tried to do this.

But some of us have worked just as hard. And -- and we've got to fight on behalf of our constituents. When a company decides not to make an investment in a new plant or new equipment, when they decide not to expand or not to create new industries, they leave behind, in my district, Mr. Schaefer's district, and other members' district, tremendous amounts of poverty of lost opportunity.

And I would ask you, if you ever have time, to come and walk with me through some of the towns of Southwestern Pennsylvania where we have lost those jobs by the tens of thousands, 155,000 manufacturing jobs left over a two decade period.

There is no worse environ -- environmental degradation, be it pollution of any kind, than that is caused by poverty. When people no longer can heat their homes by paying electric bills, they use coal-burning wood stoves, and wood stoves. They use kerosene heaters.

And we've seen, again, my 24 years in the news business -- I saw tremendous amount of loss of life. At one time in the -- about 10 or 12 years ago in Meadville, Pennsylvania, seven children burned to death in one house fire -- because they couldn't afford to turn on the electric heat in the house. And they were using an old kerosene heater that didn't work properly, or they had put gasoline instead of kerosene in which, unfortunately, sometimes -- I have, as a news reporter, covered dozens and dozens of cases where you had those kinds of loss of life.

Pollution that takes place inside the house -- we know that asthma, as we've cleaned up the air, the cases of asthma have gotten worse. We think that, perhaps, it comes from inside. There are some studies that -- that show that, perhaps, comes from the pollution of inside air.

You see. So these big-picture things about global warming,

're -- they're great ideas. But, number one, how severe really is the problem? What kind of a timeframe really are we working on? Is this another blip in the meteorological screen, over the hundreds of millions of years that this planet has been here? Or, do we have the kind of reality that we know that we're -- we're on a specific timeframe?

And -- and I don't know the answers about that. When the companies back in my district, or any other district in this country, are talking about whether they're going to make an investment of hundreds of millions of dollars in plant and equipment, they look at what -- what are going to be the treaties through which this nation will be bound in regards to global warming.

How will we deal with the issue of regional haze? What are going to be the new knox -- next standards? Are we going to deal with the transport of pollution from one region of our country to another, which EPA has not done a good job of?

We get a tremendous amount of our pollution in Western Pennsylvania that transports across the border. Yet, we're out -- we're in severe nonattainment. And people are going out purchasing pollution credits. If they want to locate there, we've lost opportunities for automobile plants, steel plants, other plants. So all of those poor people who have decided to stay in Southwestern Pennsylvania to tough it out have that many fewer economic opportunities to rebuild their communities, to educate their children, increase the tax base, to pay taxes that can pave the roads, can build better sewerage treatment plants, and can do a better job of -- of delivering safe, clean drinking water to the people who live in those communities.

All of that is lost because we haven't allowed economic expansion to move forward under fair rules. We're being punished for pollution that is created elsewhere. I don't want us to sign an agreement that causes everybody in this nation to play under a different set of rules than people in China, and India, and Pakistan, and you name the country.

And there was a great amount of animosity toward the United States in Kyoto. We sat and talked with the Europeans. It was not a very pleasant conversation. They're saying: "Well, what are you afraid of? What are you afraid of in the United States?"

First of all, I don't think they understand our system of government. They don't understand that you have to come to congress. And that we have some say in -- these matters. I'd like to ask a question. Because I understand, Mr. Eisenstat, there really has been a shift in the language that the administration has been using on this whole idea of developing nations implementation.

You used to talk, and I think when we were in Kyoto, the conversation was really about the importance of -- of China and India being participants. And now the more that I hear you talk, you're

ing about gaining the participation of -- of the developing countries.

The question is have we given up on -- on China and India?

(CORRECTED COPY -- CORRECTS SPELLING EIZENSTAT)

XXX China and India?

EIZENSTAT: First, let me respond, if I may to your...

(UNKNOWN): Please do.

EIZENSTAT: ... to your very thoughtful comments.

First, let me start with what data we have. This scientific data in Chart 1 is based on ice-core data. That ice-core data goes back, virtually, to the beginning of the planet. And the scientists make their calculations based on that. And it -- it demonstrates an immeasurable increase in CO2 concentrations, not coincidentally, increasing very dramatically beginning with the industrial revolution.

So, this is not a one-time phenomenon. It's not a question of, you know, a particular summer or winter being warm and then coming to some hyperbolic conclusions on the base of that. It is based on rigid analytical scientific data, measurements and core ice data that we be glad to provide to you.

Second, with respect to -- to jobs. It has been said for every environmental improvement, clean water, clean air, ozone, one-shell (ph) convention, that this will be somehow catastrophic to the economy. And, yet, we have an economy today, and I'm not, in any way, trying to negate the concerns that may exist in your district, believe me.

But we have an economy today which is performing at levels we haven't seen in decades, in terms of growth, in terms of job creation, in terms of income growth. And, at the same time, we have the best environmental protection that we've ever had in this country.

So, we can, in fact, have growth and environmental protection. And the old notion that this was a zero-some game, I think, has been increasingly disproven by actual data.

KLINK (?): Sir, if I could just interpret you for a second. I think that, Secretary, we could -- we could agree that if we left it up to many in the industrial community, not -- no steps will ever be taken. On the other hand, if we left it up to some of those in the environmental community, we would have no industry at all.

What you and I are doing is we're fighting about the gray areas. We're not really fighting. We're having a discussion about it. But we're arguing about those gray areas in between and where this comes down. Clearly, I understand that your point is well taken. That, you

, there has been a "sky is falling" mentality on both sides.

But our point is in dealing with not what was past history, not the claims that were made, but how much truth there is today.

EIZENSTAT: Yes, sir.

KLINK: And I will give you your point on -- on...

EIZENSTAT: With -- with respect to the point you make on -- on China, I want to assure you that there's been no change in terminology. The president used the term in October when he inaugurated our program of meaningful participation by key developing countries. China is a key developing country. It is one of the real opportunities we have and challenges we have to work with to try to convince China that it is in its interests to participate, to be a player in this, to be a leader in this, as one of the largest emitters over the next several decades.

So...

KLINK: Will China be a full participant, do you think, by November when we meet in Buenos Aires?

EIZENSTAT: I'll be quite frank. I would be the most surprised man on the planet, if that were the case by November.

KLINK: Would we continue to move forward without China's participation?

EIZENSTAT: We won't be able to move forward without getting meaningful participation by developing countries. And they have to be a key ingredient in that.

KLINK: China would have to be a key ingredient in...

EIZENSTAT: As one of the largest emitters, they do.

Now, the question, Congressman, of what commitments they make is the key issue we're struggling with now. We believe that there has to be a differential approach to developing countries, just as there is a differential approach taken in Kyoto to developed countries.

One ought to look at their per capita incomes, their capacity, their poverty levels, their capacity, their emissions levels. All of these have to be taken into account. And what may be meaningful, for example, for Singapore and Israel, or countries like Mexico and South Korea, which are in the OACD, may be very different than what is reasonable for India, China, or Bangladesh.

And what we are trying to develop is something that is realistic achievable, but also will, in fact, achieve this meaningful participation. So, again, I -- we can't put a uniform blanket, or blueprint, over 160 countries. We want to be differential. But, for

developing countries, of which China is one, there certainly has to be a significant way in which they participate.

KLINK: Well, you bring up an interesting point. Because I -- and something I've always been a little bit confused about, and maybe it's because I'm slightly dimwitted when it comes to these issues. How do you define a developing country? I'm not sure I understand it. Because if you take a look at Singapore, their per capita income, I believe, is higher than ours. Their infant mortality rate is lower than ours. Yet, they are a developing nation, and we're not.

EIZENSTAT: In a way, that was predetermined for us in the way in which the Annex 1 countries were defined. And it included a lot of countries like, for example, Central Europe, or, for that matter, the former Soviet Union, where per capita incomes were, indeed, less than some of the countries that were out. But we've had to live with that definition. And that's why we -- we think we ought to be able to go back to those countries that have high per capita incomes.

KLINK: Is that a negotiating point?

EIZENSTAT: Yes, we think that it should be.

KLINK: An important negotiating point?

EIZENSTAT: We think that one of the argument, as we develop our automatic strategy for developing countries is to look at per capita incomes and make the point that if you're not an Annex 1 "developed country," quote, unquote, because your level of development has come recently, that if your per capita income is at a certain level, or, for example, if you're like Mexico or South Korea in the OACD, or like Argentina, you wish to get into the OACD, that you ought to play by developed country rules.

KLINK: Now we've got a couple of umbrella groups within this agreement -- the European umbrella. And the other group which was formed between our nation -- I think is Australia, Canada, Japan, New Zealand, Russia, Ukraine. Does that cover....

EIZENSTAT: The EU umbrella is -- the EU bubble, as it's called, is a formal part of the agreement. The non-EU umbrella is a conceptual agreement which is not formally part of the agreement. But we are going to be meeting with those countries and hope to firm up our cooperation.

KLINK: Is there a possibility you will have gag problems with that -- with that?

EIZENSTAT: We've looked at that. And we -- we have looked at it, as have the other countries. And we believe the answer is "no."

KLINK: So is it my understanding that under the bubble, the European bubble, that they would be able to exchange credits. And that part of what would occur is that they would get credit for

ons that have already been taken. That is, factories with the unification of Germany. Factories in East Germany that have already shut down. For the fact that the British under Margaret Thatcher have already gone from coal-powered plants to -- to gas-powered plants and have cut tremendous amounts of pollution.

And so under the -- under that bubble, they would get credit for what's already been done.

EIZENSTAT: Let me clarify one minor point of what you say. But this major thrust of what you said is very well taken. And let me elaborate on it.

KLINK: Please do.

EIZENSTAT: The minor -- the minor point of clarification is that they will not formally be actually exchanging credits and trading within the bubble. They will be allocating their overall 8 percent burdens.

KLINK: Yes. I was aware of that.

EIZENSTAT: OK, with that -- with that clarification, one of the points that we have made as the Europeans and Congressman Schaefer, Chairman Schaefer knows that this was point, and you do, as well, which the Europeans made when they were trying to limit our trading -- someone read out that the German environmental minister meant. -- they can't come and tell us to limit our ability to trade when they've, number one, got a bubble which allows a country like Portugal to go up 30 or 40 percent in emissions, while they take advantage of the fact that years ago Britain switched to natural gas because they found natural gas in the North Sea.

Or because the East German economy collapsed. And when they were reunited with Germany, it gave them a benefit. This gets also to the issue of trading with Russia where the EU has -- has made a big issue of trading with Russia. And they say: "Well, you know, look. The Russian economy collapsed. And this is an artificial benefit."

Well, this is absolutely no different than what happened with East Germany. So I'm very pleased that you -- you have highlighted that. And it's a major issue that we -- that we have with the Europeans.

KLINK: Well, and now let me -- let me just step back from that. And I'm glad that you analyzed that the way you did, Secretary. Because if I'm one of the developing nations, I'm going to take a look at the sweetheart deal that the Europeans made with their bubble, getting credits for something that's already been done. I'm going to take a look at this new umbrella that's formed with Russia where the United States and Australia and Canada and Japan and New Zealand and Ukraine, everybody else, are going to get credit for factories that closed down. And I'm going to say: "Wait a minute. This is all hokey. This is a fake."

You're giving yourselves credits for something that's already been achieved. They're never going to reopen those gas-fired -- those coal-powered plants in -- in Britain again. We're never going to open those old dirty factories in East Germany again. We're never going to restart all those dirty factories in Russia again. And you want us to sign on something.

And between the European nations and the United States, you've hooked up a real hokey deal here. And now you come to me, China, with how many billion people. You come to me, India, and you want me to sign on. Where am I going to get a sweetheart deal like this? That I can get credit for something I've already done.

EIZENSTAT: It's not -- it's not a hokey deal in terms of being able to trade with Russia. They went through an economic collapse that no one would have wished on themselves. And their economy will grow. And...

KLINK: But where's the level playing field for the developing countries to come in and get the same kind of a sweetheart deal? That both the European...

EIZENSTAT: ... that would come in is in fact the very trading we're talking about. They're going to want to participate in that trading. They're going to want the benefits and the dollars that go with the trading. If they stay out of this system, they don't get it. that's the strong incentive for them to come in.

KLINK: But they're not part of the umbrella group. Is there -- well, there's -- there's -- you're saying there's no benefit to us being part of this umbrella group? Or there is?

EIZENSTAT: We have left the umbrella group consciously open, unlike the EU's closed-in bubble. We have made it clear that, if to the extent that we are able to develop this umbrella that it should be open to any country that wishes to come in.

KLINK: Well, I've know that the chairman has been very patient with me. We have a tremendous amount of questions and a lot of things that we need to go over. You have been very forthright in your attempt to answer my questions. I look forward to continuing a dialogue with you again. I think that we're going down the wrong road with this agreement. I don't think anybody is surprised to hear me say that.

I'm afraid that we're hamstringing ourselves. I understand that we, particularly coming out of an area that has schools like Carnegie, Mellon University, University of Pittsburgh, and Dukane University, and others, that we need to develop some technologies that are clean technologies that we get in the marketplace.

I'll tell you a couple of things that really disturb me. In our meeting with the -- with the environmentalists in Kyoto, there was a room about, I think, the chairman would -- would give me his opinion

Probably, about half the size of this room.

CHAIRMAN: About half the size.

KLINK: And it was full of environmentalists from this country. Here I am in Japan with a room this big full of environmentalists from this country. Somebody is making a lot of money off this issue. To be over here -- for this many people to be over here, dressed pretty well, somebody is making a lot of money off of this issue.

And, of course, the industries were there and in huge numbers. And somebody -- there's a lot of money at risk for them also. So we understand the -- the -- the dollars that -- that this issue means to people who want to fund raise, or industries that want to have an opportunity to expand and to manufacture and for people in the marketplace.

And I'm going to make sure that I'm convinced we're doing things the right way. And I'm not convinced of that yet.

EIZENSTAT: Well, in fairness, Congress Klink, I don't think the great bulk of the environmental community was at Kyoto was there in the sense of making money. I think there was a legitimate concern for the impact of this problem. One, the environment, and that is a concern we share. As you indicated, it's important. At the same time, to be operating in the middle zone. That is, between those who hyperbolic on one side or the other.

We believe there is a serious environmental problem. That the environmental community that was there was evidence of that. And was concerned with it. And the question is coming up with the least costly, most effective way of dealing with this environmental problem.

KLINK: Well, then, let me -- let me ask you a question. Because, you know, and the chairman, I'm sure, will bear me out on this. The environmentalist meeting we had began with, and I can't remember the gentleman who started the meeting, saying: "The science on this matter is ill-defined." That was the first statement that he made.

Well, that gave us a lot of confidence that we were there making an important decision.

And then we talked to him later on about, you know, if we're going to do all of these things and hit these targets, the Japanese are ready to make a commitment to at least a dozen nuclear power plants. Now, given their history with nuclear power, I think that's a stunning change of events.

Are we, and would the administration be promoting the further use of nuclear technology to try to hit some of these numbers? Where are we going to be able to hit these sorts of numbers? Are we looking at resurgence in nuclear energy in this country?

EISENSTAT: Well, the administration will have to come to its own conclusions on nuclear power. And that will be an issue that undoubtedly will have to be dealt with. My personal view is that nuclear power has to be a part of this equation.

KLINK: I thank you for that honest answer.

Mr. Chairman, thank you. You've been very courteous.

SCHAEFER: Oh, well, I thank the gentlemen for some very excellent, excellent questions. And I've just got a couple of tie-ups here before we conclude. But then you're almost -- we're more than four hours.

The -- we were talking about the information, Mr. Eisenstat, that you have over there about going back into the industrial revolution. Is -- are these the core samples that were taken out of the antarctic?

EISENSTAT: I think that they were. I don't frankly know which one of the poles. But they were core ice data from one of the poles.

SCHAEFER: Well, it almost -- it wouldn't be the North Pole.

EISENSTAT: I can certainly give you that...

SCHAEFER: I think it was the Antarctic. I had the opportunity to go down to the ice. And we visited a number of stations. And they did core sampling down. And, as a matter of fact, the Russians were the ones -- or the Soviet Union, at the time. And they were bringing them back to the University of Colorado. And that's where they were analyzing all of that.

So, I can't think of any place else in the world that they would be doing that except the Antarctic. I just wanted to ask that question, is all.

Ms. Yellen, in your testimony, and you've been kind of quiet here. So I'll come back to you. You've indicated that the economic work is just beginning, which I certainly understand. And much of it's going to continue to go outside of the government.

What kind of activities are we talking about outside of the government? I mean, is this private industry? What?

YELLEN: Well, particularly, in the academic community and in various labs. There -- you know, including the Department of Energy labs. There are really what amount to now dozens of large-scale models like the one whose results I cited this morning and in my testimony.

These are huge...

SCHAEFER: Well, like work that's done at Enerol (ph). And --

YELLEN: Excuse me?

SCHAEFER: Like work that's being done at Enerol with biomass and with solar and wind and on and on and on. Is this what you're talking about?

YELLEN: Oh, I guess, I was thinking about in the economic community. For example, the OACD has a model. The Electric Power Research Institute has a model called "merge." There are researchers at Stamford and at Yale who have very large-scale detailed energy models that really capture the best of them.

What they see is the technical possibilities all around the world in terms of substitution possibilities across...

SCHAEFER: Oh, yes.

YELLEN: They're really very...

SCHAEFER: Well, just the use of solar shingles, for example, that are certainly out there now and available. So this is what you mean by outside...

YELLEN: Yes, these are models in the academic community that try to capture the costs of their large number detailed energy technologies to look at what the technological possibilities are and build up their estimates of likely economic impacts from realistic descriptions of the existing technological alternatives. That's the -- that's what the model does whose results I cited. And there are others.

And these modelers will be looking at the details of the Kyoto agreement and trying to assess it.

SCHAEFER: Well, let me just follow up. If this work has just begun, have you run the same assumptions used in the SGM model you have summarized today through the other two models used in the IAT analysis?

YELLEN: The other two models that were used in the IAT analysis are completely inappropriate and unsuited to evaluating the Kyoto treaty protocol.

SCHAEFER: Why is it? Why?

YELLEN: Because they take no account whatsoever. They are U.S. models with no inclusion of opportunities in other parts of the world. And so what we're focused on is we know that a country like Russia is six times less energy-efficient than we are. And a treaty like the one that we have negotiated that would look around the world for the most cost-effective ways of mitigating emissions is going to be looking around the world for where can we do it cheap.

SCHAEFER: Well, when you...

YELLEN: And...

SCHAEFER: ... No. So I understand...

YELLEN: ... those models cannot take...

SCHAEFER: ... But when you provide the SGM data to the committee, could you also provide the results from the other two IAT team models?

YELLEN: But we have no results on those models...

SCHAEFER: You don't have none?

YELLEN: ... for you, sir. Those are not appropriate not for evaluating this treaty.

SCHAEFER: Then I guess I'm confused then. If you have no data on them, how can we say they're inappropriate?

YELLEN: They don't take into account the flexibility provisions that are critical, in our estimate, to holding the cost down, namely, international trading, the clean development mechanism, the possibility, or Nonannex 1 countries of taking on international emissions trading. They don't possess the ability to analyze any of those kinds of arrangements. So we wouldn't use them, or look at them.

We insisted on those flexibility arrangements. Because all of the models that are capable of analyzing that, plus our plain common sense and economic judgment, looking around the world and observing, for example, that replacing boilers and coal-fired electric plants in China, that are so inefficient, one can cut emissions and save money. All of that kind of analysis is what led to our opinion. We're not going to look at those models again.

SCHAEFER: But, and I've been in China to these coal-fired plants. I know what you're talking about. But didn't you say you can't just rely on one model?

YELLEN: That's correct. There are beyond the IAT report that you've talked about, looked at three, of which one is suited, not perfectly, but is suited to looking at these kinds of trading arrangements. That's the second generation model that I have discussed.

SCHAEFER: I see. I see.

YELLEN: There are out there other models that also can be used to look at these arrangements. But they're manned by various academic units and researchers around the world. Stamford has a model comparison exercise, a group called the energy modeling forum. And they periodically ask the models that participate in their project to take a look under common assumptions at what is the impact of a given

scenario. We expect that they will take a look at the Kyoto treaty be coming up in the next year with results that will be informative.

SCHAEFER: The numbers that you quoted in testimony today, is this coming from just one model?

YELLEN: That's correct.

SCHAEFER: Just one model.

OK, I just one other question, Mr. Eisenstat. We -- Mr. Klink mentioned the umbrella. And I think that was a win/win deal. Are we talking umbrella between Canada and the United States and Japan?

KLINK: As I indicated, this is something that is a conceptual idea that we worked on. It would involve Canada, the United States, Japan, Russia, New Zealand, Australia, at this point.

SCHAEFER: Oh, yes.

KLINK: And it would be open to other countries.

SCHAEFER: OK, that's good. Yes, because I think that that -- if that can be put together, that's certainly an advantage.

KLINK: We certainly will try.

SCHAEFER: To us, without any question.

Well, you've been both very, very good witnesses. We appreciate much sitting here. As you can tell, there's a considerable amount of interest in this particular subject with all members, some on both sides of the argument. And it's certainly not cutting down partisan lines. It's all over the place. And so we appreciate very much you coming in and your hard work on this.

YELLEN: Thank you.

SCHAEFER: Committee now is adjourned.

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There are no more items to read.

2 HOLDS HEARING ON THE KYOTO CLIMATE TREATY;
U.S. SENATOR RICHARD LUGAR (R-IN); CHAIRMAN, SENATE
AGRICULTURE COMMITTEE; MARCH 05, 1998

Congressional Hearings

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U.S. SENATE COMMITTEE ON FOREIGN RELATIONS HOLDS HEARING ON
CLIMATE CHANGE

FEBRUARY 11, 1998

SPEAKERS: U.S. SENATOR JESSE HELMS (R-NC), CHAIRMAN
U.S. SENATOR RICHARD LUGAR (R-IN)
U.S. SENATOR PAUL COVERDELL (R-GA)
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STUART EIZENSTAT, UNDERSECRETARY OF STATE
FOR ECONOMIC AFFAIRS

[*]

(JOINED IN PROGRESS)

HAGEL: ... in another meeting has asked me to get going. And we know your time is valuable, and our colleagues are anxious to talk a little bit about this issue. So we're grateful that you've come up.

It could be worse, Mr. Secretary. You could be dealing with Iraq. This is just an easy subject this morning, climate control. I'm going to begin with my statement and then would ask any of my colleagues for additional comments, and then we'll get started with your statement, Mr. Secretary, and questions.

In the last session of the Congress, as you know, Mr. Secretary, I chaired three subcommittee hearings in advance of the Kyoto conference. We now have a finished product from Kyoto. The administration refers to this finished product, the Kyoto protocol, as a -- quote -- "work in progress."

This leaves people with a mistaken impression that the treaty remains under negotiation and that objectionable parts of the treaty can be negotiated away before it is submitted to the Senate for advice and consent. This is not the case, I think, as you know.

This treaty cannot be amended until it goes into force and even then only by a three quarters vote of all countries that have become party to the protocol.

Developing countries, which are not bound by any emissions limits in this protocol, make up more than three quarters of the world's nations. Certainly later actions of subsequent UN conferences might add to the protocol. It might expand UN regulations and interpretations of how the treaty would be carried out.

Later actions might define compliance measures and enact UN sanctions against countries that do not meet their legally binding commitments under the treaty.

But what is in the protocol today, including its many objectionable provisions, will not change prior to it coming into force. That's assuming it ever comes into force.

This treaty requires a 7 percent below 1990 levels emissions cut for the U.S. during the years 2008 to 2012. In real terms this would be a devastating 40 percent reduction in projected emissions for the United States.

It is inevitable that this extreme cut in energy would cause serious harm to our economy. Furthermore, developing countries -- like China, Mexico, South Korea and 131 other nations -- are totally exempt from any of these new restrictions placed on industrial countries. To later change the treaty requires, as I mentioned, a

quarters vote after the treaty has already gone into force.

Last July the Senate went clearly on record by passing 95-0 Senate resolution -- 98 -- the Byrd-Hagel resolution. Even more significant than the 95-0 vote is that the bipartisan resolution had 65 co-sponsors. This resolution was very clear, as you know.

The resolution called on the president not to sign any Kyoto treaty or agreement unless two minimum conditions were met. It said the president should not sign any treaty that either caused serious harm to the U.S. economy or that did not place legally binding obligations on the developing countries to limit or reduce their emissions in the same compliance period as that required for industrialized nations. Nowhere does the resolution mention the administration's nebulous standard of achieving -- quote -- "meaningful commitments by developing countries." End of quote.

As our colleague and co-author of Senate Resolution 98, Senator Robert Byrd noted in his floor statement of two weeks ago the Kyoto protocol fails, fails to meet either of the requirements of Senate Resolution 98. It fails to meet the minimum criteria set unanimously by the United States Senate. In his floor statement Senator Byrd called on the president not to sign this treaty, and I agree with Senator Byrd.

I will not now go into all of the details of why this particular protocol is so seriously flawed. But they can be grouped in five general areas they are, no developing country commitments, number one, number two, economic harm to the United States economy, number three, fair treatment for US interest, number four, impact on our national sovereignty and number five, impact on our national security. I expect to ask those questions as we get later into the hearing.

This returns us to the question of whether the president will choose to sign this treaty when it is opened for signature at the United Nations on March 16th of this and if he does, then whether he intends to send it, send this treaty if he signs it to the Senate this year. I hope Secretary Eizenstat you will be able to give us a clear answer to these questions and others.

The president claims that the treaty again "is a work in progress". If so it makes no sense to sign a flawed treaty thereby giving our future leverage in negotiating strength away. This would be compounding the president and vice president's past mistakes.

These include agreeing to the Berlin mandate and publicly calling on our negotiators in Kyoto to show increased flexibility, which the vice president did when you and your team were trying to hold to the president's own position that he clearly enunciated last October.

The president's position included insistence that emission cuts go below the 1990 level and the so-called "meaningful participation of developing countries".

I'll be interested in understanding from you, sir, what precisely was it that the administration means and does mean by meaningful participation of developing countries, since we gave it away in Kyoto. But if the president believes this treaty is good enough to sign it should be good enough to submit to the Senate for open, honest, debate.

The American people have a right to know exactly what the president has obligated them to do under this treaty. There is also a document known as the United States Constitution. The U.S. Senate has a constitutional responsibility to provide its advice and consent for all treaties agreed to by the president.

Until this treaty is ratified by the Senate there should be no action taken by the administration to implement obligations under the treaty through executive order, regulation or budgetary fiat. I look forward to receiving your comments on these points as well as others.

With that let me call now, Mr. Secretary, on my colleagues for any statements they wish to submit.

Secretary Robb, I mean Senator Robb. Sometimes I'm not sure.

ROBB: Thank you Mr. Chairman. Secretary Eizenstat thank you for coming today. I have known you for many years and have a very high regard for your skills in a variety of different areas and certainly are unsurpassed as a negotiator.

You've just been given a fairly tough list of questions to respond to. I regret I have two other hearings one in Intelligence and one in Armed Services that are taking place at the same time. But I wanted to hear your opening statement and I hope that you'll be able to address as many of the concerns that were raised by Chairman Hagel as possible.

I was one of the co-signers of the letter that indicated that we thought at the very least we ought to be concerned about serious adverse economic impact on our own economy and, particularly participation in some form by the developing countries.

I must say that those concerns have not yet been addressed to my satisfaction, but I commend you on the negotiations with a very difficult topic with dispirited views given to you from many participants of the United States and I look forward to your testimony here. I may have some follow-up questions for the record later on.

But at the very least I thank you for what you have attempted to do which will probably provide little comfort and not a great deal of understanding at this point. But I recognize the task that you've undertaken.

Thank you, Mr. Chairman, I look forward to Secretary Eizenstat's opening statement.

HAGEL: Senator Robb, thank you.

Senator Grams.

GRAMS: Thank you very much, Mr. Chairman. I would like to recognize your outstanding efforts and you have spoken with authority and conviction on behalf of not only the U.S. Senate, but also, I believe, for the American workers, for families and tax payers as well.

And, first, I would like to point out to the members of this committee and to Mr. Eizenstat that the Clinton administration and the Department of Energy just eleven days ago missed their legal and contractual deadline to begin taking possession of spent nuclear fuel from commercial nuclear plants across the counter.

Now what does this mean and how does it apply to today's hearing? Well, the DOE's failure to take spent nuclear fuel means that nuclear power plants across our country will have to begin shutting down permanently because of an inadequate storage space for the spent fuel and as you may know nuclear power has been responsible for 90 percent of all the cuts in carbon dioxide emissions from U.S. electricity production since 1973.

As more and more nuclear plants shut down in the United States, more and more are being built all across Europe. France is leading way and developing nations such as China are about to significantly increase their use of nuclear power as well as Japan.

Meanwhile here at home due to the rhetoric of extremist and also the lack of clear energy policy we are hamstrung unable to act because of politics and not because of science and technology and I cannot stress enough how important it is to recognize that the failure of this administration to address nuclear waste storage will lead to even greater economic hardship as a result of this treaty.

And we simply cannot meet our energy needs into the next century by signing onto treaties, which legally bind us to unreasonable reductions in energy output while at the same time we eliminate cleaner energy by closing down nuclear power plants.

Europe recognizes as do many other nations with whom we have to compete for jobs and industry and markets. They know we agree to a treaty which works for them and hurts us.

But who does it really hurt, not Bill Clinton and certainly not Al Gore. It puts off any real political problem for them until well after they are out of office.

This treaty hurts moms and dads, grandmas and grandpas. It significantly will senior citizens on a fixed income. It takes an enormous swipe at miners, loggers, truckers, farmers anyone who has work in energy intensive professions.

It means less income for families that are struggling to survive and educate their children. It means Americans may have to face a challenge to their way of life and their standard of living. If that's what this treaty holds for Americans it cannot and will not be supported by this committee or the United States Senate.

And I think this body made that point very clearly when we voted unanimously last summer on the Byrd-Hagel Resolution. I only regret that this administration saw that vote as a mere suggestion rather than acknowledging the clear and unambiguous message that it contained.

I'm going to be listening very closely today to hear what direction was given at the Kyoto negotiations by Vice President Gore. I want to know how the administration intends to meet the demands of this treaty. I would like to know how you will pursue developing nations participation later this year in Argentina.

And I also would like to know today as does everyone else in this committee when this treaty will be presented to the Senate for ratification.

So, again, thank you Mr. Chairman for your efforts for holding today's hearings. I'm looking forward to the discussion and to the quick delivery of this treaty to the Senate for ratification procedures.

HAGEL: Senator Grams, thank you.

Mr. Secretary, welcome again and please proceed.

EIZENSTAT: Thank you Mr. Chairman. It's a pleasure to be here with you and with Senator Robb and Senator Grams. I appreciate the participation you personally made in going to Kyoto and the amount of time you and Senator Baucus and Chafee and Enzi and Kerry and Lieberman spent on this issue.

EIZENSTAT: Rarely has there been an environmental issue more complex or important, and rarely has there been a greater need for the Executive Branch and Congress to work closely together.

I'll divide the summary of my testimony, which I assume the full version can be submitted for the record, into four parts. First, a short discussion of the science. Second, the key features of the protocol. Third, efforts to correct misperceptions. And fourth, a brief review of the president's own climate change technology initiative.

The first, on the science. Human beings are changing the climate by increasing the global concentrations of greenhouse gases. Over the last century, greenhouse gases have been released to the atmosphere, faster than natural processes can remove them. There's no ambiguity in the data. In this first chart, the actual data is shown in blue from Ice Core (ph) taken by scientists, and the orange part

icates also, actual data taken from the atmosphere in Hawaii.

What this dramatizes quite clearly is that the concentrations of greenhouse gases have grown by some 30 percent, and especially, since 1960. You can see the increasing slope of these concentrations in the orange from 1960 to the present date. That slope will increase and continue to increase dramatically.

The authoritative intergovernmental panel on climate change representing the work of more than 2,000 of the world's leading climate change scientists from more than 50 countries, and representing the best synthesis of the science on climate change, made a number of important conclusions.

Under a "business as usual" environment, concentrations of greenhouse gases could exceed levels not seen on the planet for 50 million years. The projected ~~temperature increases~~ of 2 to 6 1/2 percent over the next 100 years could exceed rates of change not seen for the last 10,000 years. The chart which we have over here indicates both the increase in the concentration levels and in temperature, and it indicates the dramatic connection between concentrations of CO2 and other greenhouse gases, and the dramatic increase in temperatures which would occur if those are left unabated.

Increased temperatures are expected to speed up the global water cycle. It will lead to a drying of soils and in some areas, increased drought. Overall, there will be an increase in precipitation. Sea levels are expected to rise between 6 and 37 inches over the next century. A 20-inch sea level rise could double the global population at risk from storm surges, and low lying areas are particularly vulnerable. Much, for example, of coastal Louisiana and the Florida Everglades, as well as other parts of the world.

This would also effect human health. It would exacerbate air quality problems, and diseases that thrive in warmer climates, including malaria and yellow fever, would increase. It is estimated that by the end of the next century, there would be an additional 50 to 80 million cases of malaria each year if this climate change continues, unabated.

It would also lead to a dramatic change in the geographic distribution of a third of the earth's forests. Nine of the last 11 years are among the warmest ever recorded, and increases in floods and droughts are expected as global warming occurs.

Some have argued that we should wait. Science tells us that this is a recipe for disaster, and the concentrations of greenhouse gases in the atmosphere will continue to rise each year. This is a problem that has developed over the course of a century, and it will take many decades to solve.

We should look, Mr. Chairman and members of the committee, at this as an insurance policy against the potentially devastating and irreversible impacts of global warming. If we act now, the premium on

insurance policy will be far more reasonable and less costly than if we delay and hope that the problem created by greenhouse gases will somehow go away. Indeed, it's like a life insurance policy whose costs grow significantly if we delay year after year in insuring our ourselves.

In the case of global warming, we will not have a second chance. Failure to act could lead to irreversible consequences, and we'll be committing ourselves, our children and our grandchildren to a very different planet, and they will never forgive us.

Second, is the actual conference and protocol itself. It represents an important achievement. But it is a framework for action, not a finished product yet ready for Senate consideration. President Clinton and Vice President Gore established three major objectives for us to negotiate. And as a result of the negotiations, we achieved the first two and have made some progress, though not enough, on the third.

Our first objective was developing realistic targets and timetables among the developed countries. These had to be credible in terms of beginning to reduce the dangerous buildup of greenhouse gases, and yet measured enough to safeguard U.S. prosperity at home and competitiveness abroad.

In the end, we secure the key elements of the president's proposal. The U.S. concept of multi-year timeframes for emission reductions was selected, rather than a fixed single year target. This will allow our industries greater flexibility to meet those targets. In addition, the timeframe 2008 to 2012 was the U.S. timeframe, not the earlier periods preferred by the European Union, Japan, and others. This will help cushion the transition and the effect on businesses and workers.

We also got the concept of differentiated targets for key industrial powers ranging from 6 to 8 percent for low baseline levels, so that our competitors are taking on similar, and in some cases with respect to the European Union, deeper obligations than we are.

When changes in the accounting rules for certain gases and offsets for so-called "sinks" that absorb carbon dioxide are factored in, the level of effort required of the United States is very close to the president's original proposal to return emissions to 1990 levels by 2008-2012. Representing at most a 3 percent real reduction below that proposal, and perhaps, less.

An innovative proposal shaped and pared by the United States allows certain activity, like planting trees and good forest practices that absorb carbon dioxide called sinks, to be used to offset emission requirements that industry will have. This will be a significant way of reducing costs and burdens and will be of particular benefit to the United States.

Also, as proposed by the U.S., the Kyoto protocol covers all six

significant greenhouse gases, even though the European Union and Japan fought until the last moment to cover only three.

Our second presidential objective was to make sure that countries could meet their obligations by flexible market mechanisms, rather than mandatory policies and measures like carbon taxes favored by the European Union and many other developed countries. The Kyoto protocol enshrines a centerpiece of this U.S. market-based approach the opportunity for companies and countries to trade emissions permits. In this way, companies or countries can purchase less expensive emissions permits from companies or countries that have more permits than they need. This is not only economically sensible but environmentally sound.

We have had a very positive experience with permit trading in our own acid rain program which has reduced costs by 50 percent from what was expected. This has been confirmed by a number of experts in a recent Wall Street Journal article.

So the inclusion of these market-based mechanisms and the right to trade in the Open Market was a signal victory for the United States. Indeed, we went even further by achieving a conceptual understanding with several countries, including Australia, Canada, Japan, New Zealand, Russia and the Ukraine, to trade emissions rights with each other. This umbrella group could further reduce compliance costs.

Let me be very clear. The commitment we made in Kyoto would not have been made, could not have been made, were it not for the flexibility that these mechanisms give us that we're also agreed to. Until we're satisfied with the rules and procedures yet to be established, the promise of Kyoto will never be realized.

Our third objective was the one that you, Senator Grams, Senator Robb and others, alluded to and that is to secure meaningful participation of key developing countries.

EIZENSTAT: This is obviously a concern that the Senate shares as evidenced by last summer's Hagel-Byrd resolution. Global warming is after all a global problem. It requires a global solution, not only for the developed but also from the key developing countries. By 2025, the developed world will be admitting less greenhouse gases and the developing world will be admitting more than the total of the developed world.

We encountered significant resistance in Kyoto by some developing countries to meaningful participation and solving the global warming problem. Still, developing countries may as a prerequisite for engaging in a mission's trade, which will be very valuable to them, voluntarily assume binding emissions targets through amendment to the annex of the protocol that lists countries with targets.

Some developing countries seem to believe wrongly that the developed world was asking them to limit their capacity to

industrialize. We've made it clear that we support an approach under which developing countries would continue to grow but in a more environmentally sound and economically sustainable way.

Let me be very clear, the Kyoto agreement does not meet our requirements for developing country participation. Nevertheless, a significant down payment was made in the form of a provision advanced by Brazil and strongly backed by the United States. This defines a clean development mechanism, which fully embraces the U.S. backed concept of joint implementation with credits.

This will build a bridge with incentives between the developed countries and developing nations, and will allow companies in the United States and elsewhere in the developed world to invest in projects abroad and get credit for it against their emission targets. Again, lowering the burden on U.S. industry by allowing this kind of participation. They can either invest, or they can simply purchase the permits.

In determining what developing countries ought to do, we of course need to be aware that the circumstances of developing countries may vary. Any one size fits all approach to meaningful participation of developing countries is unlikely to prevail.

I'd like, Mr. Chairman, and members of the committee, to deal very briefly with some misperceptions. The first is that the Kyoto Protocol will imperil the ability of our military to meet its world responsibilities. This is absolutely untrue. We took special pains working with the Defense Department and with our uniformed military, both before and in Kyoto, to fully protect the unique position of the United States as the world's only superpower with global military responsibilities.

We achieved everything they outlined as necessary to protect military operations and our national security. At Kyoto, the parties, for example, took a decision to exempt key overseas military activities from any emissions targets, including exemptions for bunker fuels used in their national aviation and maritime transport, and from emissions resulting from multilateral operations, such as self-defense, peace keeping and humanitarian relief. This exempts from our national targets not only multilateral operations expressly authorized by the UN Security Council, such as Desert Storm or Bosnia, but importantly, also exempts multilateral operations that the U.S. initiates pursuant to the UN charter without express authorization, such as Grenada.

A second misperception is that somehow the protocol will create a super UN secretariat, threatening UN -- U.S. sovereignty and national decision making through alleged intrusive verification procedures and prior approval of individual emissions trades. This also is not so. The review process and the protocol largely codifies already existing practices under the 1992 Rio Convention. The review process is not by the secretariat, it's intergovernmental.

Experts are nominated by governments. The review teams meet with government officials and with others by invitation. In reviews under the prior convention, the teams have met with congressional staff, with representatives of the private sector and environmental organizations, but only with their concurrence.

Any other visits such as site visits would take place only -- and I underscored only -- if approved by the host country, including in this case, the United States, and only if the private sector involved agrees to it. So the notion that somehow people are going to be swooping down on U.S. private property is utterly, completely and totally false.

In addition, let me be unmistakably clear, we will not accept, nor do we anticipate an approach that would require prior approval of individual emissions trades by any international body. Trading will be done between interested nations and their companies based on market principles.

A third concern is that somehow on the one hand we're told it will threaten U.S. sovereignty by dictating national decisions on implementation. And yet on the other, it lacks mechanisms or teeth to verify compliance. In fact, the protocol strikes an appropriate balance between these two extremes.

We firmly opposed and succeeded in opposing mandatory harmonized policies that were desired by others and that would have imposed -- imposed on us -- uniformed ways to reach our targets. We prevailed. The protocol leaves to the parties themselves to decide how best to meet their targets based on national circumstances. If somebody else wants to do it by heavy carbon taxes or heavy central regulation, that's their business. We're going to do it by market driven mechanisms alone. At the same time, we obviously couldn't tolerate a free for all, and so the protocol calls for national measurements of emissions, detailed reporting and in-depth reviews on an intergovernmental basis, not by some secretariat.

Finally, there's some who suggested that the protocol is going to result in a huge government transfer of foreign aid to Russia. This is also not true. U.S. private sector firms may choose to purchase international emissions credits from Russia and from others. This will be a private decision. And indeed it's one of the crucial ways to achieve cost-effective emissions reductions for U.S. firms.

Now, where do we go from here? First, rules and procedures must be adopted to assure that emissions trading rights, joint implementation and the clean development mechanism operate efficiently and smoothly. In addition, we'll work closely with our industries to be sure they are satisfied that the emissions trading system which is developed is as efficient and effective as possible to meet their needs. And I've already met with industry, and I've told them you have to tell us if it satisfies your needs. We can't tell you.

Most significant, we have to work to secure the meaningful

participation of key developing countries... We'll put on a full court diplomatic press to bring developing nations into a meaningful role to help solve the global climate challenge. We will accept nothing less, nor would expect the U.S. Senate to do so.

As the president has indicated, the U.S. should not assume binding obligations under the protocol until key developing countries meaningfully participate in meeting the challenge of climate change and more progress is clearly necessary. It obviously would be premature to submit something to the Senate, when the Senate itself is asked for this kind of participation, and we have not yet achieved it. That is the great obligation we have to assume over the coming months, and if necessary, years.

The president outlined last October a three stage approach to address climate change at home. As a first installment, he announced in the State of Union message, a proposal for a \$6.3 billion climate change technology initiative over five years to cut U.S. greenhouse gas emissions. These will mean tax cuts combined with R&D incentives to take cost effective practical steps to position us to meet the challenge we face early in the next century.

We have no intention by executive fiat of going around the Senate's constitutional prerogatives -- absolutely none. This is a down payment that the Senate itself can make to get us on a path so that we'll be ready for any obligations we may later assume with the Senate's advice and consent. We and the administration have great confidence in the power of U.S. ingenuity, innovation and technology to help us meet our goals.

Indeed I think this will stimulate that ingenuity in remarkable ways. An example is the partnership for a new generation of vehicles, which will get up to three times the fuel efficiency of today's cars. And a recent announcement by the chairman and CEO of General Motors about his goal for a new generation of automobile.

In closing, this administration is committed to work with you and the Congress, both to realize the potential of the climate change technology initiative of the president's, and to craft our ongoing approach to climate change. We have the power to lead the global effort, and Congress holds the key.

EIZENSTAT: What is done or not done today will determine the kind of world we leave to future generations, and the conditions of life they will face.

But we cannot, in conclusion, ignore what science is telling us. We would do so at our peril. And again, what we're looking for, is a kind of insurance policy. One that we can afford; one that is prudent; but one, Mr. Chairman and members of the committee, if we fail to act -- we fail to recognize what these scientists in charge telling us, will be infinitely more costly to do in the future without action now.

Thank you very much and I'll look forward to your questions and comments.

HAGEL: Mr. Secretary, thank you. Let me ask the distinguished ranking member of the Foreign Relations Committee, Senator Biden, for any opening comments and then after Senator Biden's comments, we'll go to questions.

BIDEN: Thank you Mr. Chairman. I'll withhold the opening comments so as it comes time to question.

Stu, I think you did a -- Mr. Ambassador, I think you did an incredible job. It's obvious two major things remain to be done, but when I get to questioning, I'll pursue that. Thanks for the opportunity.

HAGEL: We'll take a five-minute rotation period for questions, and I'll begin.

Mr. Secretary, again thank you for coming up here and I think there is little doubt that everyone on this panel who has dealt with you over the years, has a very, very high regard for you, including this junior Senator from Nebraska and the time that we've had to get acquainted over the last year and a half. I've appreciated so, I say that up front because I think that's important that we all understand our respect for you and the kind of job that you have done for this country over the years in many positions.

I'd like to take you through a series of questions and I'll have more, but my colleagues, I know, want to ask questions, and let me begin with this.

Can you tell us at this point. The president is prepared to sign the protocol in March, or when would the president sign this if he intends to sign it?

EIZENSTAT: Mr. Chairman, the protocol is open from the middle of March 1998 to the middle of March 1999. We would plan to sign the protocol within this one year signing period provided in the agreement.

We haven't yet determined the precise timing and will sign at a time that makes the most sense in terms of the overall diplomatic situation.

The issue that is more significant is ratification. And as the president has said, we're not going to submit the protocol for ratification until we get the kind of participation from key developing countries that we want to achieve and that you want us to achieve.

And that will be the great obligation on our shoulders in the months, and if necessary, years ahead.

HAGEL: Are you saying then that you will or you will not upon the president's signing the protocol, send it to the Senate?

EIZENSTAT: Well again, we don't know where we will be between March of 98 and March 99. How far we will have come in terms of getting this meaningful participation that we desire and that the Senate has made it unmistakably clear it requires.

If we have not obtained that, and I think it would a stretch to imagine that in that one year period we will have achieved that, because it's going to take a great deal of work, then we would not be in a position to submit it.

If we have, we would be. That is the key issue, so I can't give you a definitive answer because we don't know where we will be at the end of the signature period, but again, I think quite frankly, it's a real stretch to imagine that ~~we will get the kind of meaningful~~ participation that we desire and the Senate requires in that one year timeframe.

HAGEL: You heard my comments in my opening statements, Mr. Secretary, regarding the process of amending and unless there's some misunderstanding here within the committee and within the rules, it's my understanding that we would have some difficulty going back and changing any of the dynamics of this Kyoto protocol.

Would you take us through how this would happen and how it would using specific examples on developing nations when the Chinese have said straight out -- told me with a number of my colleagues present from the United States Senate, that they have no intention of signing anything and would not, as you know, not even consider signing anything on a voluntary basis as well as other members of the G-77.

EIZENSTAT: No one knows better than I do, and of course you were there as well, the difficulty we had with some of the developing countries, including China and India. It was not uniform but certainly they were in the lead.

First, it would require an amendment as you suggest for major changes in the treaty. However, a mechanism is created by which countries can if they wish, voluntarily assume a binding obligations, and that is one of the things that we will pressing developing countries to do.

Let me, if I may, mention a couple of things on the developing country side, because I think it's important to understand what was accomplished and what wasn't.

First, I see a spectrum of developing countries. There are those, for example, who are already members of western industrial institutions. For example, the OECD, Mexico, South Korea would be examples and there are other countries -- Argentina, that are knocking the door.

I think that for those countries they ought to assume if they are members of, in effect, an industrialized organization, they ought to assume the kind of binding reductions over time that we have done.

Second, there are other countries that are not at that stage of development, but who can afford to make binding reductions, or perhaps if not reductions, at least reducing the rate of increase by an efficiency standard.

And one of the things we've said to these countries is if you're concerned about your own state of industrialization, then you ought to be concerned also about energy efficiency and sustainable development.

And we're working on a formula that is a missions-per-unit of GDP so that they cut their rate of growth.

For still others, ~~there maybe other ways to meet those~~ commitments. Bilaterally, sub-regionally and multi-laterally through the international financial institutions, we will be working to achieve that result.

We, for example, want to make sure if the World Bank or the Asian Development Bank or the Inter-American Development Bank make large loans or grants for power plants and other projects. That they are done in ways that are environmentally sound.

But it's also important to recognize that developing countries begin a process. It's not sufficient, but we shouldn't think they did nothing.

For one thing, for example, they agreed to the creation of this clean development mechanism. This is a way of beginning to bring them into the process. It has a double benefit. It brings them into the process, but it gives our companies credits for any clean projects that they agree to or any credits that they buy.

Second, developing countries also agreed to advance the implementation of their existing commitments on the 1992 Rio convention.

Third, it will, I believe Mr. Chairman and members of the committee, be a very, very powerful incentive when this trading rights regime begins and we have international emissions trading as we already have in the acid rain program in the United States.

In order to be a party to an emissions trade, a developing country is going to have to take on binding obligations. And so that in of itself will also create an incentive for developing countries to take on these binding obligations.

HAGEL: But let me just ask a follow-up question to this and I'll go to Senator Biden.

But I understand your point about incentives and the possibility

developing nations signing on for the reasons you mentioned and I suspect there are more.

Why would we sign a treaty though. Why would we put ourselves in a position when, in fact, there is no assurance that China and India and 132 other nations that as you say, will be the biggest green house -- man made green house gas ommiters in the next few years. China being the largest by the year 2015, and as you suggest as well and I agree, that if this is a global problem, it requires a global solution.

So why would we go ahead and put ourselves in a position with the possibility that these nations would come on-board and restrict ourselves to legally binding mandates! Restrict our economy and all the dynamics of our society, when the Chinese have made it pretty clear and other nations that they have no intention of moving forward on this.

EIZENSTAT: That's a good and important question and let me answer it the following way.

First of all, we will not be assuming legally binding obligations on ourselves until and unless we have that meaningful participation.

EIZENSTAT: Let me underscore that -- we will not be assuming legally binding obligations. Only the Senate of the United States can that upon the United States, and we will not submit it to the Senate until we have that. Until we are satisfied and you're satisfied that we have that level of achievement.

HAGEL: May I also ask, that means the administration will not go forward in trying to implement any dynamic of this Kyoto Treaty through regulation, budget, fiat, executive order, until it is, you suggest, is brought before the United States Senate.

EIZENSTAT: Yes sir, we have no intention through the back door or anything else without Senate confirmation of trying to impose or take any steps to impose what would be banning, restrictions on our companies. On our industry, on our business, on our agriculture, on our commerce, or our country, until unless the Senate of the United States says so.

Now, with respect to the signature issue, which was a second part of your question. There are two factors there. The first is, we believe it's important some time during this one year period to lock in the kinds of commitments that we got from the other developing countries and the achievements we achieved.

We got sinks in. We got flexible market mechanisms in. We got our budget period in. We got multi-year budgeting in. All of these -- we got the joint implementation with credits in the form of the Clean Development Mechanism. These were all brand new concepts -- generally brand new. Nobody had ever heard anywhere. Not in just in the developing world, nobody in Europe had ever heard of an omissions

...e, as we've already been doing domestically.

Nobody knew what a sink was except something you washed dishes in. No one had any idea what joint implementation with credits were. There were U.S. concepts and we've now gotten countries to agree to that. We want to lock that in.

And last, we didn't want to isolate ourselves, having achieved this in terms of the ability to continue get other countries to take this seriously, about being the only country in the world that doesn't sign the treaty.

Now again, the timing, you will understand, has to be done tactically so that we do it at the right diplomatic moment. But, I can assure you, this administration has no plans to and will not in any way, shape or form, take executive action preempting your constitutional right to make this ultimate decision.

We will push forward with things like tax credits in R&D, assuming Congress approves it, which of course, is just getting us in line for this, but nothing more and nothing less.

HAGEL: Thank you. Senator Biden.

BIDEN: Stu, I think you did a incredible job. The hardest part of all this is, that I think that Senator Byrd maybe right when he referred to as it a work in progress.

I mean, I don't know how you -- first of all. We finally have stopped fighting about whether or not it's a problem. I come from what some people facetiously refer to as the state of Dupont. You know, 15 years ago, 20 years ago, in my state, where the chemical industry is big and the automobile industry is big and it's a small state, there was a great debate about whether this was a problem.

There was no problem. We didn't have any problem. It's taken a long time and a lot of scientific data and investigation and the consensus has been arrived at by those companies and many others that there's a serious problem.

And how you get from acknowledging a serious problem and we can disagree on the consequences of the problem and how far out it becomes serious, more serious. How you get from that acknowledgement to an international code of conduct in effect, is a painstaking process.

And so I don't know how you could do it any other way than the way you're approaching it.

One of the things you said here today that, although Senator Kerry of Massachusetts and the distinguished chairman both have taken intense interest and know a great deal more about this issue than I but and have differing views or perspectives, the vast majority of American businesses and American citizens, American farmers, they assume that what happened in Kyoto was binding.

In my state they think that, OK, well they went over and signed that damned thing and this means we can't make a dorango (ph) in my state anymore. And this means we can't -- all of which is not true.

All of which is not true, and so the important point, and we only have five minutes, so I'm going to use this as my statement, is that you've laid out here that nothing is binding upon the United States of America at this moment. And even if and when you sign, you cannot -- the President of the United States cannot bind, cannot bind the United States.

Only the United States Senate can do that, and it's crystal clear to you, a man who knows this body incredibly well. We've been here a long time off and on together, that this body -- to use the vernacular, isn't going to ratify a treaty that doesn't deal with the two outstanding, more than fine tuning problems. That is the issues of the countries in question from Brazil to China and their participation and others, many I've left out. As well as how this Emission Trading Mechanism will in fact work.

But I just want to say to you that I thought it was remarkable that you went to Japan. You prevailed on the time table. You prevailed on average emissions over the budget period. You prevailed on inclusion of the six gases that contributed to green house effect, and you prevailed on dealing with the military, multi-lateral operations as well as ones we initiate. And that you also, tentially laid in and accepted a market-based practices for trade in emissions. They're significant.

Now, I don't know how you're going to hold to them, to be blunt about it. I'm not sure how you're going to keep them. I'm not sure how other than signing in some point the protocol or signing, you're going to be able to hold this center together and you're going to have one hell of a job trying to bring in the largest future polluters in the world, but I have great faith in your skills and I just hope you're able to figure out how in the hell to do that, because to state it very plainly, and I surely cannot speak for the Senate, although my daughter thinks I was born in the Senate, I've been here so long. The truth of the matter is, absent dealing with the two major issues you've mentioned, there will be no ratification of this treaty.

And I hope between now and over the next year that we can all work toward trying to help you and the administration in dealing with the two problems rather -- there's others, rather than just suggesting that what came out of Japan is dead on arrival.

I hope we won't do that because you forthrightly acknowledge you know the hurdles you have to get over it to send this up to the Senate and for any practical prospect of winning, and I have an open mind. I think you are correct and I hope in the meantime, by the way, I know the chairman didn't mean this, but I hope that we don't suggest that should not independently, unrelated to any other nation in the world, further deal with emissions issues here in this country for our own safeties sake, regardless of anybody else doing anything at all.

And so I'm sure there will be suggestions and I hope they're will suggestions, legislative initiatives and executive initiatives relating to dealing with the environment that may in fact fall under the purview of what is captured in this agreement, but not because it's in the agreement.

Again, I thank you for listening. I apologize for being late and I will now yield to those who have made it more of their business to be informed on the detail of the treaty but I am like the work in progress, I think this is an educational process and including educating those nations that have not signed on and what their own naked self-interest is.

EIZENSTAT: I appreciate that very much. If I maybe permitted just a brief action and I'd like to relate again back to Senator Hagel's statement as well as Senator Biden's.

When we talk about our own action, I want to be clear. For example, presidents for years, Republican and Democrat, have been trying to put good practices into government procurement. Into insulation. Into clean car initiatives.

We would continue to do that, so for example, the U.S. government is a model.

EIZENSTAT: Our military, and I'm proud that they're sitting and me. Our military has been the leader in energy efficiency. They're already very close to meeting the 1990 targets.

Now, admittedly some of it is because of base closings, but they have put in real energy efficiency. So I don't want you to misunderstand. Obviously, those would be going on because they're good practices, not because we're subverting Senate will.

Second, I have had the honor of knowing Senator Byrd for 20 years. There is no state that has a more direct relationship to this problem than West Virginia, and I have been very impressed by the way in which Senator Byrd has looked at this issue. And he, no more than me, is not a scientist, but he has listened to the science, I think a lot of us have, and without being in any way impertinent, let me just suggest for those who have legitimate concerns, and there are real questions that have to be answered. If one believes these figures, these charts and this chart is not a projection, this chart a project, this is not a project, these are actually core, samples that were done from glaciers and so forth which were melting and they show this dramatic curve. And then the orange is actually taken from measurements in Hawaii on top of a very tall mountain. If one believes that slope, if one believes the science and the likely projections over here, one has to say, what is one going to do about it? What do you do about it?

Now god knows, this is not a perfect treaty, no treaty is. There always compromises. But it is a reasonable down payment on a beginning of that process. It's not complete, it is a work in

...press as Senator Biden very eloquently said, the problem is so complex, no one agreement can encapsulate everything that needs to be done. We did not succeed as we hoped to with developing countries. We didn't I'm the first to admit it. But we achieved a lot of other things. We made a first step and that gives us the foundation to then go to developing countries say now look, we're willing to do our part if you'll do your part. And if you don't do your part, there's not going to be a treaty, period. Thank you.

HAGEL: Senator Grams.

GRAMS: Thank you. Thank you very much Mr. Chairman. Mr. Eizenstat, again, welcome.

I'd like to go back to some of the things I mentioned in my opening statement and that is in this country we've relied primarily on fossil fuels and nuclear power to meet our energy needs. This administration however, just 11 days ago, as I outlined, failed to meet both its legal and contractual obligations to begin accepting spent nuclear fuel from commercial plants across the country. And as we know, this means and could have very permanent affects on plant shut downs, on the decreased use of nuclear energy, that's very likely, and I've seen figures which show that nuclear power plants are credited with, as I said, 90 percent of all cuts in carbon dioxide emission from U.S. electricity production since 1973.

Additionally, countries throughout Europe, again, like France are going more and more to nuclear power. China has plans for substantial use of nuclear energy now and in the future as does Japan. Meanwhile, we continue to hide from nuclear power and that is, thanks to extremist rhetoric and fear. Now just how do you and the administration expect the United States to meet our energy needs in the years to come given the limits of Kyoto and our lack of nuclear energy policy?

EIZENSTAT: That's a very important question. I was ambassador to the European Union for two and a half years, and was based in Brussels, travelled widely in Europe and I know what nuclear power means in countries like France where it supplies 70 percent of the electricity.

I have been a very strong, unequivocal proponent of nuclear power, I believe that under Kyoto and post-Kyoto nuclear power will have to play an increasingly important role because it does not emit greenhouse gases. I agree that we need therefore to look at our nuclear policy and I might say that when I've served as President Carter's chief domestic adviser, I had on my desk literally, nuclear siting and planning act that would have speeded up permitting. It was within perhaps 48 hours of being submitted to the Congress when three mile island occurred, and we've never recovered since.

I cannot speak to the DOE issue and would differ to them and I'll be glad to try to get them to respond to your legitimate concern ...

GRAMS: We've tried tried -- can't do it.

EIZENSTAT: But I will say, also on the fuel issue. We were talking in 1977-78 when I was in the White House about salt domes and other ways -- I think this country, under Republican and Democratic presidents ought to be doing more, ought to have done more and I think again, nuclear energy has a very real role to play in this climate change issue, and with that I fully agree with you.

GRAMS: Has the administration in these talks or in your consideration then, considered the regional implications of complying with the treaty for areas which will have to replace energy from nuclear reactors, like my home state of Minnesota? About 30 percent of our power comes from nuclear. It would be awfully expensive to go to coal fired or to other places to replace that. So has this been part of your consideration and your numbers as well?

EIZENSTAT: It will be factored in. There is a nuclear power initiative in the president's own budget to extend the life of plants, that is a beginning of the process, it's certainly not the end of it. We would like very much to work with you to plan on how we can make nuclear energy more significant in the years ahead.

GRAMS: Just some other quick questions. What type of economic modelling outside the nuclear issue, has the administration done to determine economic effects of this treaty? And I wanted to just mention a couple of things that the administration attempted, I think, economic modeling effort, which I think has been branded as a failure. In fact, the director of the president's council on economic advisers, Dr. Janet Yellin testified before the House Commerce Committee that quote, "the administrations efforts were futile." End quote. How do you respond to that?

EIZENSTAT: I regret that Janet Yellin was not here -- we came very close to being able to arrange our timing. Unfortunately the economic report of the president which is the councils major activity for the year came out the very time of this testimony, or she would have been here to present our economic analysis. That analysis will be ready very shortly and when I say, very short, I mean literally within a week or two, and in an appropriate Congressional hearing, we will lay that out. I think you will find from her findings that the cost to the economy are reasonable and that there are indeed many benefits to doing this as well, health and other, and that again, the delaying action will only increase the cost.

GRAMS: When you say cost are doable or can be absorbed, and I know why Senator Byrd is extremely interested. The United Mine workers of America commissioned a study which considered economic impacts as a result of the reduction only back to the '90 levels and some of their findings included this, nearly one of every two coal miners will lose their jobs, 1.7 million more American jobs will be eliminated as a result, gas prices increasing 43 percent, fuel oil increases 119 percent, electricity prices -- by '94. You could go on and on, but how do you answer, you know, numbers and statistics like

?

EIZENSTAT: Again, Chairman Yellin will have that analysis very shortly. I think you will find that it is dramatically different than those figures that you just indicated. And many of the studies, Senator Grams did not take into account things like offsetting cost of sinks. The offsetting cost of joining up limitations with credits. The offsetting cost of emissions trading. And when those are factored in, one sees that the cost go down very very dramatically.

In addition, over the last several decades, we have had these kinds of studies every time there been an environmental initiative. Whether it was clean water, clean air, ozone, acid rain, and what we found is we can in fact, do both. We can have a cleaner environment, and we can have a solid economy. We have now, and economy we can all be proud of, 14.5 million jobs have been created, an under 5 percent unemployment rate and yet we have an environment that is infinitely cleaner than it was.

We also have -- and I think these studies don't take that into account -- there's something called the five labs study that was done by the five national labs. A totally independent -- you know, nobody told them what to come up with -- and they made some findings about what technology could do and how we can reduce the burdens and cost on coal miners and others by coming up with what is the hallmark of America and that is ingenuity and technology.

EIZENSTAT: And we believe that we're going to be able to develop cleaner plants and cleaner cars and that indeed, having this kind of a target is going to send a signal to the free market to innovate and that that innovation will itself create jobs.

GRAMS: Just one final thing. You mentioned over 2,000 leading scientists from 50 countries. I've heard some questions about, you know, the names and everything. Could you just supply me in the near future with their names. Their credentials.

EIZENSTAT: Absolutely. And many came from the United States. We'd be glad to. I think this is the most definitive group and represents a basis consensus.

Interestingly, just within, oh I'd say the last couple of weeks actually, when we got the 1997 final reports on weather, which made 1997 one of the warmest years in history and fell into a pattern where nine of the last eleven years are among the warmest ever recorded.

A lot of climatologists, who were themselves somewhat doubtful, have now said indeed there must be something happening here and it must be to some extent occurring from human conduct, so we'll be glad to supply that to you, Senator.

GRAMS: Thank you. Thank you Mr. Chairman.

HAGEL: Senator Kerry.

KERRY: Thank you Mr. Chairman.

Mr. Chairman, I'm going to use a little bit of my time to make a couple of opening comments, if I may, and then proceed.

While it's not our responsibility here to provide testimony or anything, I would like to make a few observations as a member of the observer group with you who spent time in Kyoto, and has been following this issue and then I would like to ask a few questions of Ambassador Eizenstat, if I may.

Let me begin by saying that I think it's very important to underscore the positive side of the ledger here and to recognize the circumstances in which we arrived in Kyoto.

In my judgment, and I was in Rio and I was the chairman of the delegation that went to Cairo, ~~so I've been through~~ a few of these. We were a little less organized than we had been previously, regrettably, and I think some of the ground work that needed to have been done was still hanging loose for various reasons.

So I thought that we arrived in Kyoto on a precipice and I was somewhat concerned initially about a change in sort of the personnel and the relationships. And who was going to be negotiating.

I must say that Ambassador Eizenstat I thought, did a superb job. I think his team did a superb job of pulling together a rather remarkable step forward in the face of some very, very tricky, complex and difficult negotiating circumstances.

I think that the team negotiated skillfully and diligently with a remarkable stamina, don't know how they stayed up the hours they did, and notwithstanding the long hours, I think nobody lost sight of the focus of interests that we were trying to protect.

The interests that you'd expressed, Mr. Chairman with Senator Byrd, and the larger economic interests for our country, so I think we need to look at the positive. One hundred and fifty-nine countries came together with no argument over the science. Prime ministers and presidents and whole governments sent their delegations there with an understanding among all of them that we needed to do something.

There was no issue about the need to do something. The question was, who takes first steps by what quantities and methodologies and I think it's very important for people in the United States Senate, which seems to be the only place in the world where there is sort of a significant governmental effort to try to rewrite or reinterpret some of the science, ought to take note of this fact of 159 nations making this decision to come together.

Secondly, I think it is very important to put on the table the difficulties that Ambassador Eizenstat and others ran into in negotiating.

I was personally taken aback by it, in all of the dealings I've had in the 13 years I've served on this committee, I have never in my foreign travels run into quite the degree of anger directed towards the United States as was just palpable in our negotiations in Kyoto.

There's always been tension. We have always been, since World War II certainly, the larger player on the block and we've always suffered some slings and arrows for the perceived arrogance of some of the positions that we take.

But this was different and I think Ambassador Eizenstat would agree with me it was different. And two reasons particularly left out as to why it was different.

Reason number one -- because our failure to pay our dues at the United Nations, and the sense people have that we're, you know, we're willing to throw our weight around without carrying our portion of that weight.

That we are delinquent and because of that delinquency, I think it is cost in Kyoto, as I believe many people in the international scene interpreted it as costing us now in our efforts with Iraq.

The second point is, that we went to Rio and we signed on in Rio and the United States Senate ratified a treaty in Rio which agreed to voluntarily reduce our emissions and every nation in the world was to sit in judgment on the fact that not only did we not reduce, we even make some enormous effort to reduce, we significantly increased our emissions in this country.

And so they sat there saying, who are you kidding. You're telling us less developed countries we got to come on board and you people haven't even made a good faith first-step effort to prove your willing to be serious about this.

So, there are serious doubts about the bonafide's that we brought to the table. Notwithstanding the Clean Air Act. The Clean Water Act and other great efforts we've made in this country, which many of us tried to explain to them.

But we were dealing in a very difficult climate.

Third point I want to make. There was a very significant misinterpretation which could not be undone in the circumstances I just described by the developing countries as to what was expected of them.

And because of the volatility that was in the air and the pressures of coming to cloture in a short period of time, there just wasn't a capacity even with all of the delegation meeting that we had to pull them back from this misinterpretation.

I believe in these ensuing months before we go to Buenos Aires, we have the opportunity to reach out. Personal diplomacy, with

teral diplomacy, multi-lateral, quietly to bridge that gap.

None of these developing countries understood the degree to which we are not requiring them to have the same implementation plans. Same time tables. Same levels. All of them saw our efforts to include them as a conspiracy to minimize their growth, whereas it is much the contrary.

But because the concepts of joint implementation and emissions trading and other things were wholly new to them, without the time to explain them, we simply weren't able to bridge the gap and bring them on board.

I'm quite convinced that over a period of time they will recognize that what we're really asking them to do is simply sign on to the notion that this is a global problem with varying responses needed by different countries.

In fact, China today is taking very positive steps in many, many areas of the environment and embracing whole new technologies, many of which would adequately satisfy already what we're really needing to get in the context of this kind of a treaty.

In addition, there are distinctions between countries. While China was very adamant, many of us found other less developed countries, or developing countries, wholly prepared to participate. I'm sure they would be willing to take part in the upsides of this treaty which are the joint implementation and other matters.

There's a golden lining for us too with respect to that. I just met two days ago in Massachusetts with the Environmental Business Council. We've got hundreds of companies in our state as there are in California, Texas, Florida, other states in the country, all of which are pushing the frontier of technology in mediation, mitigation. In clean air, best use, and so forth.

This notion that this represents a job loss to us is incomprehensible when measured against the technological journey this country has lead in since the war.

KERRY: We have enormous ability to be able to produce jobs through this endeavor. And the experience of the 1980s when President Reagan came in and pulled the money out of the energy in State of Colorado, is one of the clearest examples of what happens when we diminish or relinquish our research and technology pushing efforts.

The Germans and Japanese left to the forefront of photovoltaics(ph) and renewables. And now as the former Communist-bloc countries come on line, seeking those technologies,-- unfortunately there are other countries they go to rather than us as the leading in those areas.

If we push the curve as the President's budget seeks to do at \$6.3 billion of technology effort over the next years, we can regain

lead and we can provide the jobs.

The final two points I quickly make. The joint implementation effort and the missions trading opportunities here ought to also be viewed in their proper light. There is enormous technology transfer available in this treaty. It is ground breaking in its capacity to take the United States and other developed countries' technologies and assist the developing countries to avoid making the mistakes we made even as they grow.

And that is I think one of the most brilliant and important parts of this treaty. And we should look on that as pure opportunity -- economic opportunity and environmental opportunity. And I think it's important for our colleagues in the Senate to understand the full measure of that opportunity.

In addition to that, ~~it can even be argued --~~ and I regret to say this -- but if you accept all the science as these countries have -- and you come here looking at these charts with their increasing curves -- the truth is that what happened in Kyoto isn't enough frankly to turn that around.

And most environmentalists and most scientists will regretfully have to swallow hard to tell you that truth. But this treaty merely tries to get us down towards stabilization and slightly below it. Nobody makes the argument that this is a level sufficient to solve the problem of global warming.

So we need to be very very cautious in whatever measures of opposition we bring to even these efforts as we think about where we're going in the future.

And the last comment I make in terms of opening, is that the benefits always get hidden here. The benefits are always overridden by statistics that don't adequately take into account the kinds of things Ambassador Eizenstat just talked about -- the mitigation, the counter-technologies, the missions trading, the joint implementation -- all of these upsides that are more difficult to measure.

But when you read this dastardly figures, they don't take them into account. But they never take into account the upside benefits of health, of what happens with respect to energy efficiency, and of national security.

We have become far more energy dependent on foreign oil -- not less since the Gulf war. We fought a war over oil only a few years ago. And even as we become more dependent, we ought to be thinking about how we turn that around.

This treaty has the silver lining of actually requiring us to begin to become more energy deficient -- efficient -- and less dependent. And that increases the national security of the United States.

So the upside benefits seems to me need to be also put on the table. Mr. Chairman I thank you for your indulgence. I won't ask questions on this round.

HAGEL: Thank you. Thank you, Senator. Mr. Secretary, as a matter of fact I find Senator Kerry's comments interesting. He's right about his sense of the anti-Americanism which you dealt with every second of your time in Kyoto.

That seems to me it should give us even more pause seeing that -- living with that as you did -- as Senator Kerry saw that strong, intense anti-Americanism there -- even more pause as to the issue of fairness and functionality of any kind of an agreement we make here when you were allowing 134 developing nations to essentially have -- by the dominance of their numbers -- the sway on this treaty.

And I think that is a very important issue, I know it is with American industry, American business, AFL-CIO -- will we be treated fairly? Will this continue, this big ugly American, you've polluted the world, you've done us all in -- you've taken advantage of our resources. That's a concern.

Let me shift to a couple of other economic issues. We are all sorry that Dr. Yellin is not here. You may know that I've asked many times for the administration to send somebody up here who could talk to us about the economy. Some of the issues that Senator Grams was referring to -- major issues.

Aside from the debate over the science -- whether it's contradictory, whether it's unclear, whether it's there or not -- if in fact we could go forward here, it is going to be at some cost to our economy.

Now I'm not disregarding what Senator Kerry is talking about, initiatives and technology and things that we know about. But the fact is when you're talking about the kind of numbers that we're talking about here, the administration surely is going to have to come forward with some economics here -- some models, some studies.

And one of the biggest problems we have here with the administration on this issue, and I think with generally the people across this country who would be affected most by this -- is where are those numbers? Who is addressing this? And that we're not focusing on the reality.

The theoretical is one thing and addressing the science is something. But when you're talking about people losing jobs and are international competitiveness being questioned, being imperiled, being threatened and all that goes back from that -- standards of living, future of our children -- I'd like you to deal a little bit with that issue as to when are we going to see something?

EIZENSTAT: Fine. Let me take both aspects because Senator Kerry let off with it as well. On the anti-Americanism -- I think no one

more the slings and arrows of outrageous fortune on that -- in regard than I did. And I sometimes frankly thought I was in a 1950s time warp and that we were in the old North-South debate rather than the globalized economy we all believed we're in.

But, there are two aspects to it that gave me confidence. First of all, we've worked our way through that and with our leadership -- with the help of Chairman Estrada who is a tremendous chairman -- and with the help of other developing countries who did not take such an extreme position -- because Senator Kerry is right -- particularly some of the Latin American countries were much more reasonable -- we were able to work through that anti-Americanism and come up with all of these concepts -- flexible market mechanisms -- and joint implementation with credits and reasonable budget periods and so forth -- that were essential -- and trading rights which were essential to us.

A second point on the anti-Americanism -- and I agree 110 percent with Senator Kerry -- there is a real education issue here. The developing world did misunderstand what it was we were suggesting, and somehow thought it was imperiling their industrialization. Their argument is -- "Look, you've been polluting the climate for a hundred years and now you industrial countries are telling us -- just as we're beginning to industrialize -- what we can't do."

And we can show them how it is good for their economy to be more efficient. That development has to be sustainable to be real. I think with the education we'll begin to take countries on board but that will take time. But it will happen.

With respect to the issue sort of being overwhelmed -- the way in which this is structured -- this is a conference of parties. There is not going to be any centralized bureaucracy which tells us what to do. We have a very important say-so -- developing proper rules for trading is absolutely critical and we'll be working with you and with with industry to ensure that we get this.

Last on the cost issue. I assure you that Chairman Yellin's absence here is not due to the fact that we now do not have a model. Quite contrary. Well, we have done an economic study -- relying on other models. That study will be available very shortly. Indeed, had her timing worked out with the economic report, she was fully prepared to come here and sit with me. You do know the right to know the cost impacts and we will provide them.

HAGEL: Well that's reality and you understand that. I'm not sure people in the White House understand that. But that's what real America is looking at here.

EIZENSTAT: Well they have a right. And may I say again, no one lives in a vacuum. We live in a world of relativism. And we have to at the commitments we made relative to those that our major competitors took. And when you look at that, what did Japan assume? What did the 15 countries of the European Union assume, who are our

competitors? You will see that our obligations were essentially the same or even less than theirs.

And when you add in sinks, things that we have particular advantages with because of our force, we come out very well compared to our major competitors and certainly no worse.

HAGEL: Well, I think that's debatable. But I will take that back up in another round. But let me add just one thing. In all due respect, Mr. Secretary, to your answer regarding the intenseness of the anti-American feeling over there, the fact is you left Kyoto with not one developing nation signing up. I mean, that is the cold, clear fact that we're dealing with here which makes all of us very uneasy.

Just a very quick question. Senator Feingold has a number of questions and he has been patient.

It is my understanding that as you negotiated and negotiations prior to the negotiations, there was a master document that the negotiators were working off of. Can you tell me if that is correct and who then produced that? And if there is such a document, would you share that with the committee?

EIZENSTAT: Well, if you're referring to the initial drafts by Chairman Estrada, a sort of working draft, there were working drafts with brackets that had been put on over the course of, oh, perhaps a of negotiations where we put certain brackets around items we didn't accept, other countries did. That's the only document...

HAGEL: This is a document that I've been told that you were working off of that showed each country's base line emissions. You didn't have any kind of a master document that they -- you negotiators not the UN or Estrada?

EIZENSTAT: Our team did have information about the emissions levels of other countries. But I never had one sort of master document that I was operating from. I had negotiating instructions, but not something that you refer to there. I'll be glad to try to look and see if there is anything relevant, but nothing that fits the description that you just have given me.

HAGEL: OK, thank you.

Senator Feingold.

FEINGOLD: Thank you, Mr. Chairman. Let me first of all ask that my full statement be placed in the record.

Let me also begin by just thanking my two colleagues here who have obviously devoted enormous time to this. It's in addition to all the other responsibilities to devote that much effort to something complicated is impressive and I am appreciative for it.

And I find myself in a position of obviously not knowing all the

...ils of the impact of the protocol on the country and on Wisconsin. This hearing which reviews for the committee the evolution of the United States negotiating position from stabilizing its emissions at 1990 levels to agreeing to a 7.0 percent reduction, is a first step in developing some understanding of this.

Some of the predictions that have been made regarding the impact of the Kyoto protocol are very serious and concern me. And they need to be addressed and I know the secretary is already doing that.

But let me begin and just for a couple of minutes by asking you something that has already been raised to me in Wisconsin, Mr. Secretary. You've already touched on it. Some manufacturers in my state have raised concerns that the administration will be implementing the protocol without the United States actually ratifying the protocol. You've already said in answer to an earlier question about this that there are no binding agreements to that effect.

But the specific question that has been raised to me was whether or not the budgetary proposals having to do with \$6 billion in tax credits are in effect a way to implement the protocol without ratifying it? I'd appreciate if you would respond to that.

EIZENSTAT: First of all, on your first question or statement with regards to targets. The target we agreed to represents at most a 3.0 percent real reduction and possibly less below the target that the president had initially set before the negotiations. The remaining percent or so results from changes in the way the gasses are treated. We benefited by having six gasses in rather than three.

And particularly benefited by a factor of 3.0 percent or more by the inclusion of carbon absorbing sinks, that is forests (ph) and things which will remove a burden from Wisconsin and other industries that they otherwise might have had to assume.

Second, I want to reiterate -- we are not implementing binding obligations on this country without Senate ratification, period.

Third, with respect to the president's program of tax credits and R&D incentives, these are to get us in a position where we will be further down the road and won't have to make the kind of drastic reductions that otherwise might be called for. These are voluntary. Congress has to fully debate and approve them. They're good energy practices. They are incentives for industry to do more similar to what other presidents have done in other circumstances.

They're not some covert effort to implement obligations or assume binding obligations. They're really to make this country more energy efficient. And by doing so, we'll be in a better position if and when the Senate ratifies, to meet our obligations. We'll have gotten a head start.

FEINGOLD: Is it fair to say then that we could have expected those tax credits or incentives to have been in the budget regardless

Whether the Kyoto court had been entered into?

EIZENSTAT: Yes, because the president talked about those before there was a Kyoto protocol. We've enhanced them by another billion dollars to show our earnestness in moving forward. But they already were being planned and talked about well before the Kyoto protocol was signed.

FEINGOLD: Secretary, I appreciate your...

EIZENSTAT: Oh, excuse me, was negotiated.

FEINGOLD: I appreciate your directly addressing that because it is being mentioned to me.

Mr. Secretary, do you see any chance that the protocol will enter into force without the U.S. ratifying it?

EIZENSTAT: No.

FEINGOLD: OK.

Well, how will the administration be seeking additional involvement of developing countries? I think you've touched on this, but if you could say a little more.

EIZENSTAT: We're going to undergo a full diplomatic press. This include the following: using multi-lateral fora, like the G-8, to encourage our developed country partners to get into swing with us in encouraging developing countries to be involved. Doing the same in the OECD. Using international financial institutions like the World Bank and the regional development banks to agree only to fund projects abroad in the energy area which are greenhouse gas friendly.

Bilateral efforts, because Senator Kerry I'll tell you -- if there is one lesson I drew out of this -- is that if you go back into a G-77 context and try to get this done, it won't get done. We have to deal country by country with the key countries involved. And we will be doing that bilaterally.

We already have, for example, with China the beginnings of that. It's only the beginnings. The beginnings Vice President Gore negotiated through a bilateral environmental agreement.

We also will use sub-regional and regional fora whether it's the Summit of the Americas working with MERCOSUR to get them to do so. And we're going to do the education job. We're going to point out to them the advantages of assuming real limitations. Or at least, limitations on their growth to their own economy.

In addition, we're going to point out to them that if they want take advantage of the benefits of emissions trading, which is a potentially huge advantage for them that they cannot do that without assuming binding emissions targets. They're going to see, Senator

Feingold, I'm absolutely certain of this over time, when they see how emissions trading works and how profitable it is for the company's selling credits, they're going to want to be part of that.

We're also going to work on the joint implementation with credits concept, the clean development mechanism to implement that. So it will be a multi-faceted effort. It is one that will take time but we're committed to do it. We know how important it is to the Senate. But may I say, if the Senate had never passed Hagel-Byrd, if it had never passed Hagel-Byrd, we would be doing the same thing. Because, we believe that this is a global problem. It can't be solved by the developed countries alone.

FEINGOLD: Thank you, Mr. Chairman.

HAGEL: Senator.

Mr. Secretary, you alluded to this earlier, but take us through how this works with the UN. UN now has over 50,000 employees. Much of the concern -- at least from the people I think many of us here from across this country -- is my goodness, we are going to allow the United Nations to administer, to enforce, and what else, what we are doing? Would you reassure us how this is going to work? Who enforces? Who administers? What's the recourse? My farmer out in Nebraska has somebody come in and test soil. And by the way, this is not an exaggeration, as you know.

HAGEL: You know what the appendix look like in this document, and you know that Article 2 deals with agriculture, and you know very specifically that what that soil composition is suppose to be. So somebody comes in and tests soil, I don't know how it works, but you tell us. And then, what's the recourse? Do we go to the Hague, or, how does that happen?

EIZENSTAT: I want to assure every farmer in this country, every person who works in an industry in this country, that there will be no visits by any international body to which the United States government doesn't invite them, and, that they themselves, permit that to occur. It's very important to understand.

Second, ...

HAGEL: Well, I'm a little confused. If there are legally binding mandates, you are then going to say that if the farmer wants to be tested, even though the United States is part of a legally binding mandated forum here that he can or can't be?

EIZENSTAT: What I'm saying, Senator, is that compliance under this agreement, and this is something we insisted on, is essentially national. It relies on the United States to do the heavy compliance work.

Now, there will be teams. These will be intergovernmental teams. They will be review teams that will look at data that we supply, we,

United States of America supply.

HAGEL: Teams of, United Nations teams? When you say there will be teams, you mean, what kind of teams -- United Nations teams?

EIZENSTAT: Well, they will be not from any secretariat. They will be chosen by the countries who will be participating in the reviews. For example, the ANNEX-1 (ph) countries. So there will be Canadians on the team, and so forth. But, what does the team do?

HAGEL: So we have the possibility of a multinational team visiting ...

EIZENSTAT: No, sir.

HAGEL: ... sites and ...

EIZENSTAT: Not unless, not unless we invite them, and not unless the person on whose property they wish to go, invites them.

HAGEL: And so, if a farmer in Nebraska does not want to invite United Nations team in to look at his soil, that's all he has to say is, "I don't want 'em in."

EIZENSTAT: That is exactly correct. What will this team, this intergovernmental team do? They will meet with U.S. government officials, just as they've already met with congressional Staffs under They will look at our data. They will try to verify the data we supply. But they will not be able to have the capacity to do intrusive investigations of sites without the approval of our government and without the approval of the person involved. And that's a very important thing to recognize.

This is essentially self-reporting, and it does not impose some UN secretariat swooping down on people, not only not unannounced, but uninvited or unwanted.

HAGEL: But how is this enforced? If these are legally binding mandates, how, in fact, if that is the case, which is, as you said, how do you enforce this? Any other signatory to the treaty says I'm not interested in having you come look at my coal mine or my farm. So where is the enforcement here?

EIZENSTAT: OK. First of all, ANNEX-1 parties have to have in-place a measurement system for greenhouse gas emissions. We already basically have ours. Most of the developed countries do. But, this will be something that will provide a baseline for measurement.

Second, there will be this intergovernmental process, nominated by governments, who will take data from and meet with our officials.

Third, we will try to ensure compliance with the obligations by making it clear that countries that are not in compliance with the reporting requirements can't receive credits for joint implementation

ects.

Now fourth, there is a need, and this will be elaborated also, and this is why we call it, "a work in progress." This will also have to be elaborated. The precise rules that will govern compliance and enforcement, because we have this kind of an outline, it needs to be filled in.

HAGEL: So we don't yet know, how it is to work.

EIZENSTAT: We know, what we do know is there won't be any intrusive unwanted uninvited visits. What we do know is that it relies largely on national compliance. What we do know is that there's not going to be some international secretariat insisting on compliance. It will be done through an intergovernmental process in which we are fully involved.

Filling out the details of that framework, and that's why I call this a "framework for action," will be the work over the next months and years. But, we have taken out those concerns that people had, Senator Hagel, that there would be again, some intrusive U.N. mandated search swooping down unannounced, uninvited and unwanted. That will not happen.

HAGEL: When you say you've taken them out, you took 'em out of what?

EIZENSTAT: We assured that that was not in the protocol.

HAGEL: So, those are unfounded concerns across America?

EIZENSTAT: They are completely unfounded concerns.

HAGEL: OK. Senator Kerry?

KERRY: Thank you, Mr. Chairman. Mr. Secretary, in response to the chairman's comment and inquiries simultaneously about some of the 134 developing countries, and the atmosphere, and us being pushed around by that, it struck me that, to the contrary, we were remarkably successful in holding our ground in achieving sort of a common sense conclusion based on the merits of our arguments. And I thought you might just sort of summarize, if you would please, what you thought were the lists of sort of accomplishments with respect to what we went in to fight for and what we came out with. Just to make sure we're clear on the record.

EIZENSTAT: I think it's very important in response to Senator Kerry's comments, and Senator Hagel, you obviously saw that as well. That we recognize what was accomplished.

The United States of America doesn't allow itself to be pushed and by anybody. And we didn't. We got multi-year budgeting rather than having one year which other countries did not want. We got our budget period, 2008 to 2012, rather than the secretariats and the EUs

Japan's and the developing countries' earlier budgets, which they had. We got the joint implementation with credit concept through the clean development mechanism. We got emissions trading.

All of these, and the kind of enforcement and compliance -- all of these were done, notwithstanding the opposition because we had clear positions, we had clear negotiating instructions from the president and vice president. We stuck to those. We achieved reasonable targets and timetables. We got flexible mechanisms. All of those were achieved.

Now, you are absolutely right, Senator Hagel. We did not get the binding obligations by developing countries. That's what we have to work on. But by goodness, when you look at the opposition that we had to all of these other things, Senator Kerry, we got all of these, notwithstanding not only the objection of developing countries but by the European Union. The six-gases-is-another example. We, this is something that not only our environmental community, but the business community that was Kyoto insisted on. The EU and Japan didn't want six gases. They only wanted three because it made their numbers look better, number one. And number two, they knew that they had rapidly growing gases in the other three areas more so perhaps than we did. They didn't want to cover it. We said, no deal unless six gases. We got six gases covered. That also gives us at least a percent off of our commitment.

The sinks is another example. Again, this is a novel concept, notion that good forestry practices would somehow count in-favor of our target so that we could take them as credits. And again, we'd probably get at least, 4 percent or so on that. 3, 4 percent. Was a new concept. Not something that was immediately approved by either developed or developing (OFF-MIKE). We worked through that opposition.

Let me put it very bluntly. Every country, however anti-American their rhetoric may have been, there wasn't gonna to be an agreement unless the United States of America was a player, and as essential requirements were provided for. That didn't mean we got everything we wanted. But we got virtually everything that we came looking for, except the developing country piece. We got a down payment on that with joint implementation with credits and with other provisions that I've mentioned, and that's what we've had to work on.

KERRY: Thank you very much. In addition, there were many CEOs, there are many CEOs of various companies in this country who are very, very excited about the prospects of what this treaty can accomplish. There are businesses that are very supportive of it, as there are some that are concerned about it. And you can draw the lines fairly clearly about what interests are represented there.

But I wonder if you would share with the committee and those interested, for the record, why joint implementation emissions trading the clean development mechanism are in fact, cause for business to view this positively and what you think the upside for business is as

sult.

EIZENSTAT: There are several upsides. First of all, when I was Under Secretary of Commerce for International Trade, one of the areas that is the fastest growing U.S. export are environmental exports. We, indeed, created a whole new unit for environmental exports.

And with Kyoto, we are going to find that the demand under the clean development mechanism -- under joint implementation with credits, as developing countries want more of this technology -- is going to be fantastic. The number of jobs that will be created through environmental exports -- measurement devices and the like -- is just going to be tremendous. It's really going to be an enormous growth area.

Second, what our industry said to us is don't impose carbon taxes. Don't put a top down regulatory systems. Give us the flexibility to meet these targets by market driven mechanisms. And that's what emissions trading really does. It gives a company -- a utility in Nebraska or in Massachusetts -- the opportunity to joint venture in India, or Pakistan, or South Korea or China.

And not only provide that country with an incentive to begin to get involved in cleaning this problem up, but in getting a credit to boot. So that they don't have to put an additional scrubber on, perhaps. They don't have to take additional demands on their own shoulders. In other words, it's the cheapest, most efficient way economically. And it's environmentally sound because it will encourage developing countries who want to sell these credits and develop countries under Annex 1 (ph) to do as much as possible to have excess credits as they can sell.

And the same with the joint implementation clean development mechanism. This is a bridge between the developed and the developing world. It's a partnership.

And, again, a company in Nebraska or in Massachusetts can do one of two things. It can invest in that particular power plant or for (ph) a street project in a developing country. But if it doesn't want to invest, it can just purchase the credit that comes from it. So in all of these ways, we've done what industry wanted which is provide flexible non-governmentally driven, non-tax driven mechanisms.

KERRY: Mr. Chairman, I know my time is up. Can I have just one more question, because I have to leave. I'd appreciate that.

Recently, there was a letter -- the so-called Compass (ph) letter to the president from a number of former national security personnel. And this letter signed by Jane Kirkpatrick, Richard Cheney, Caspar Weinberger and others suggested that the Kyoto treaty threatens to limit the exercise of American military power, quote, "by exempting U.S. military exercises that are multinational and humanitarian and lateral military action." It says, and Grenada, Panama and Libya will become politically and diplomatically more difficult.

I know that is not in fact the case. But I'd like to ask you for record if you would address that question so we can try to ...

EIZENSTAT: Well, first of all, there's not one person on that list that I don't respect. Each has served his country, or her country, in very positive ways, and what they say has to therefore be taken seriously. It's unfortunately completely incorrect.

Everybody is entitled to at least one mistake in life. If they would have checked with our uniform military and with our Defense Department, they would know that every requirement the Defense Department and the uniformed military who were at Kyoto, by my side, said they wanted, they got.

This is self-defense peace keeping humanitarian relief. And they even mention in there that this wouldn't have covered Grenada. That's not so. It covers not only ~~multilateral operations expressly~~ authorized by the security council like Desert Storm and Bosnia, it also covers multi-lateral operations we initiate pursuant to the right of self-defense under the UN Charter. It does not have to be authorized by the UN. And a perfect example of that is Grenada.

When President Reagan went into Grenada to relieve that island of its communist dictators, it was a multilateral effort that we initiated. It wasn't done pursuant to the UN, but it was in effect pursuant to the charter but not authorized by them. That's perfectly permissible.

We got bumper fuels covered. There was also a concern by our military, because of our unique situation with NATO, where we have troops based in South Korea and in Europe, and many other countries, that somehow countries would want to throw out U.S. troops because they'd be concerned that somehow the emissions coming from bases and so forth would count against them. We got that taken care of by allowing a negotiation. We are willing to assume that ourselves.

So I think it's a fair statement to say that our military really believes that we did what they wanted, that we produced what they wanted. And if there is anything else that is required, which I don't believe there to be, that can certainly be taken care of in implementing legislation.

KERRY: Mr. Secretary, thank you. I know that people in public life are easy targets these days, and public servants don't get a lot of credit. But I will say that you and your entire team -- I wish people in this country could have seen how hard and expertly and diligently you all labored on our behalf there. I thought it was a terrific job and I thank you for its.

EIZENSTAT: Thank you, Senator.

KERRY: Thank you, Mr. Chairman.

HAGEL: Senator Kerry, thank you.

Mr. Secretary if I could pick up on where Senator Kerry left off the military issue -- the Compass (ph). And you probably saw the full page ad in the paper this morning. And there's another aspect of it -- it's national sovereignty. And I'd like very much to ask you to respond to that as well.

But let's keep on the military point for a moment. Are you saying that what essentially we've agreed to here would cover all United States unilateral military activity. That there is, in fact, a blanket exemption for our national defense forces.

EIZENSTAT: What I'm saying is that we took care of those concerns the military had, and that includes those actions we unilaterally initiate that have a multilateral component, as almost everything we do does. For example, in Grenada, we didn't go to the security council. President Reagan didn't go to the security council, but he involved some of the Caribbean countries in that process, because we obviously want to have that kind of coalition. Those are fully covered even if the UN security council never approves it.

HAGEL: So, in essence, there is a blanket exemption for the United States military here?

EIZENSTAT: There is the kind of exemption that they wanted, yes, sir.

HAGEL: Does that mean a blanket exemption? Did they ask for a blanket exemption?

EIZENSTAT: They asked for what we gave them. That's what they asked for. I'm not trying to be coy.

HAGEL: They asked for what you gave them?

EIZENSTAT: I'm not trying to be coy. We asked them what do you need, and this is what they told us, and this is what's...

HAGEL: So if I would ask any of our commanders, they would give me the same answer.

EIZENSTAT: Well, if they are the same ones that were with me they certainly would. And I hope that that is the case.

HAGEL: You hope it's the case.

EIZENSTAT: Yes, sir. Because...

HAGEL: I want a little more precise answer than that, Mr. Secretary. I'm asking you a question, whether, in fact, they asked for a blanket exemption, and I don't know that answer.

EIZENSTAT: I can tell you that in the meetings I participated in don't know what happened in Virginia -- I can tell you that in the meetings I participated in, we asked them what do you need? They

us and we got them for us.

I also understand, although I was not privy to this, that there was briefing by our uniformed military and our Defense Department of the committee that is responsible to the armed services committee, in either the Senate or House, that asked these questions, and that our military said that they were satisfied. I have only that to go on.

HAGEL: Would you do this for me, Mr....

EISENSTEIN: That is a precise answer as I can give you. They told me this is what they needed. This is what they produced. And I'm told they're satisfied with it.

HAGEL: When we say they, or you say they, who does that mean? Does that mean the chairman of joint chiefs of staff, or each of the chiefs of the various services, or you don't know?

EISENSTEIN: I know that there was in Kyoto, a representative of the joint chiefs of staff, who represented himself as representing the views of the joint chiefs of staff. And I wouldn't say he kissed me, but he came darn close to it in terms of telling me how much he appreciated what we had done, and that they were satisfied with what was done.

HAGEL: Well, if you would provide for the record, since there's, I think, some unclear communication here as to number one, what in was requested by the military? Number two, who in fact requested it from the military? Number three, was there any change or deviancy from that request? And I think we got those three questions answered that give us a clearer understanding of what exactly did they ask for, and who asked for it. Thank you.

May I go back, Mr. Secretary, to a previous conversation we had on administration implementation of this -- and you made it pretty clear that the United Nations is still unclear as to what exactly their role is. But, you made it very clear that they would not be administering or implementing this treaty. So that then leads me to believe that there would be agencies of our government that would be implementing the treaty. I suspect agencies such as the EPA.

If that, in fact, is correct, and please direct me in the right area here as to how we comply.

HAGEL: What new rules and regulations will be required and how will you move on those new laws and regulations in order for us to be in compliance?

EISENSTEIN: That is something that we'll be working on in the coming months and we'll be able to give you a more precise indication of that.

I can give you one example of something that would require legislation -- if you ratify the treaty. And that is we would want to

Not only an international trading regime, but we would have to do a massive trading effort and that would require legislation.

In terms of the enforcement process I'm not immediately aware of anything that would require new legislation. I think it can all be done with an existing authorities but certainly if something arises we will be working very closely to tell you but I'm not aware of any enforcement area that we require any new laws.

HAGEL: And, as you said earlier -- we don't need to worry about that now because that won't happen and it will not happen until the President will sign the treaty and the Senate would ratify it. Is that correct?

EIZENSTAT: That is correct.

HAGEL: Any idea on the cost of compliance by industry or by region? Do we have any of those numbers? Have we looked at any of those things?

EIZENSTAT: With your permission again -- I'm not an economist. I've got enough problems being a lawyer and don't have to take that additional burden on. But Janet Yellin will be testifying at the next available opportunity again.

She -- she would have been able to testify here had we been able to work the timing out with the economic report and we'll try to give the best macro economic analysis we can.

HAGEL: But surely, Mr. Secretary as you negotiated this and those prior to your tenure would have had to factor in some cost -- I mean, costs --

EIZENSTAT: Yes we did and we had with us a representative John Greuber (ph) from the Treasury Department who had his handy computer -- who had every turn every time we made any significant proposal or we received one -- factored the cost in. He was in constant contact with Washington, with Treasury and with the Council of Economic Advisors. And we didn't sneeze without getting an economic analysis of it.

HAGEL: You know, that's all interesting. But I -- but I find it even more interesting that -- that you used those numbers and you used some format for modeling -- had to -- certainly there's something available but yet we have never been able to get any of that.

EIZENSTAT: Well, as the World Resources Institute has indicated, there are scores of models. The models depend on different assumptions and...

HAGEL: But I'm talking about the ones that you use...

EIZENSTAT: Yes sir...

HAGEL: ...to negotiate the deal on Kyoto. And that's the only I've ever been interested in -- and I think my colleagues is too. How did you then use the economic piece of this and how is that factored in and what number did you use and where'd they come from?

EIZENSTAT: They came from Treasury and the Council of Economic Advisors which in term relied on other models which they will be prepared -- which Janet Yellin will be prepared to testify on in great detail.

HAGEL: Mr. Secretary, we've kept you a long time. And as always we're grateful for you and the work you do for this country.

EIZENSTAT: Thank you, sir.

HAGEL: And thank you. Am I supposed to do anything else? Oh, I guess just to remind you that ~~all comments~~, additional points -- anything for the record we'll keep it open for a couple of days and then I'll be sending up some additional questions if you will.

EIZENSTAT: Thank you for your courtesy.

HAGEL: Mr. Secretary, thank you.

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There are no more items to read.