FOIA Number: 2017-1094-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: WH Task Force on Climate Change

Series/Staff Member: Roger Ballentine; Paul Bledsoe; Julie Anderson

Subseries:

OA/ID Number: 41300

FolderID:

Folder Title:
Buenos Aires

Stack:	Row:	Section:	Shelf:	Position:
S	100	3	10	1

Wall Street Journal "Washington Wire"
10/16/98

esident Clin-

ial aide lives
the 32-acre
the Capitol.
nnocent rev-
narkers, the
same local
f the Capitol
strict of Co-
ance, and a
es the Ana-

e

eyond—and

s is the Pub-
iron doors,
ncy Adams
aylor law for
ved for our-
was there,
ore finding
r burial ap-
for her next
ories about
gambler,"
able to do

t Lincoln's
for several
plosion. He
by painter
soldier who
ed the Mex-

manager of
om, stum-
a quixotic
th-century
umn 1

velopment
e, A12.
ale talks
e of a
n
use

lawyers for Paula Jones's attorneys pro-duces NPR records of four calls. Bakaly says, "We have no record of her calling." Totenberg retorts: "What? Phone records are good enough for the president" in Starr's report, "but not for me?"

Starr's office sees an effort to undercut his probe. "That effort will fail," says Bakaly, "because the facts gathered by the grand jury will remain the facts."

PERJURY PROBE: Federal campaign-finance investigators question witnesses about former Democratic Party Chairman Don Fowler's contacts with "Bob of the CIA" on behalf of donor Roger Tamraz. Fowler told the Senate he couldn't recall calling Bob but didn't deny it. He insists he had no reason to lie.

THE JUSTICE DEPARTMENT considers whether to refer its campaign-finance investigation to independent counsel Carol Elder Bruce. She is already probing whether Interior Secretary Babbitt misled Congress about his dealings with an Indian tribe that donated to Democrats, but she could do both.

SPARKS FLEW at a Chicago Federal Reserve Bank gathering last week. Carnegie Mellon economist Allan Meltzer attacked the International Monetary Fund's response to Asia's economic woes. Security was called after the IMF's Michael Mussa followed Meltzer out of the room to heatedly rebut the attack.

WIDE GAPS remain over the global-warming treaty as talks resume next month in Buenos Aires. The Clinton team will push its complex global emissions-trading program, but Europeans want most emissions cuts to be made at home. Japan frets that cuts already agreed on can't be met.

THE PENTAGON FEUDS with its top supplier, mulls cuts in weapons programs.

Continuing woes with Lockheed Martin's THAAD antimissile program raise concerns that Lockheed's rapid expansion thinned the ranks of senior managers. Army generals are irate over the $3.2 billion the program has spent so far—while failing in its last five tests. Officials would like to trim the THAAD budget, but think congressional support is too strong.

Instead, Pentagon officials consider trimming or delaying Lockheed's $63 billion, F-22 Air Force fighter program. In either case, the plane's "per copy" price could rise to as much as $200 million, raising red flags in Congress. The F-22 costs, warns the Army War College's Williamson Murray, could "soak up funding" for other, more important programs.

The Air Force is expected to fight to protect the F-22 program. Lockheed insists that its relations with the Pentagon are "excellent."

MINOR MEMOS: Czech mate: Clinton has supporters in Prague, where a big billboard shows an American flag with these words in Czech, "We are with you, Billy."... In the October issue of the Marine Corps Gazette, a new book about Ulysses S. Grant is reviewed by a Col. Robert E. Lee ... Wi-

omy, and its inflation rate, though down from the early 1990s, still exceeds that of the U.S. Those measures suggest to Harvard University economists Jeffrey Sachs and Steven Radelet, among others, that the real is overpriced by about 25%.

But an equally strong case can be made against devaluation: Look what happened to Thailand, Korea, Indonesia and Russia. Devaluation was followed by recession, high interest rates, widespread bankruptcies and panic. Mr. Cardoso knows that pushing down the real could lead to higher import prices and risk rekindling the devastating inflation he worked so hard to conquer.

With money flowing across international borders more easily than it did a decade ago, devaluation is trickier. Rich-country investors and banks lend and invest billions in faraway markets; companies, banks and wealthy families in those faraway countries borrow heavily from abroad. When their governments reduced the value of their currencies, Thais or Koreans or Indonesians who had borrowed from abroad (in dollars) to invest or lend at home (in baht, won or rupiah) got smashed. A Thai borrower that owed $1 million to foreigners on June 30, 1997, just before the government devalued, owed the equivalent of 24.7 million baht; a month later, it owed the equivalent of 31.5 million baht.

Roosevelt and Nixon

And when the borrowers are banks, as many have been, the heavier debt burden can push them into insolvency. That, in turn, makes it almost impossible for local exporters to get the credit they need to take advantage of devaluation to increase their sales abroad. In short, the pain of devaluation is worse than it was in the old days, and the benefits to exporters are elusive.

Devaluation isn't merely an issue for emerging-market economies. Franklin Roosevelt devalued the dollar in 1933, and the U.S. economy bounced back from the Depression—temporarily. Richard Nixon devalued the dollar in 1971; critics say that helped produce a decade of inflation. Treasury Secretary James Baker encouraged a steep decline in the dollar's value in 1985; U.S. manufacturers cheered. Britain's Prime Minister John Major devalued the pound in 1992, and his economy soared. Much the same happened to Italy, Spain and Sweden.

To emerging-market economies, devaluation may be discomforting. But the alternatives can be worse, or even nonexistent. Mexico, Korea and Thailand devalued only after spending all their foreign-currency reserves trying to support the price of their currencies, U.S. Deputy Treasury Secretary Lawrence Summers regularly reminds critics. Those countries didn't have the means to stop their currencies from falling; indeed, they might have been better off letting their currencies go sooner, he says.

A Dirty Word

To avoid devaluation altogether, most economists believe, Mexico, Thailand and Korea would have been forced to raise interest rates to excruciatingly high levels,

By Larry Downing, Reuters

Senate Majority Leader Trent Lott, Sen. Strom Thurmond and Speaker ed win an $8 billion increase in the military budget.

By Joe Marquette, AP

Democrats: From left, Rep. Vic Fazio, House Minority Leader Dick Gephardt and House Minority Whip David Bonior helped win dozens of budget disputes with the GOP, including one over a package of $20 billion in "emergency" spending.

soured prospects for major Social Security reform next year — a goal of Clinton. "I don't know that I have enough trust in the president to deal with him on such a big issue," Lott said. "We may have to wait until the next president."

Obey said liberals have the conservatives to thank for refusing to compromise earlier and increasing Clinton's leverage in negotiations carried out against the specter of a government shutdown.

"I don't think we could have gotten this without them," Obey said of the conservatives.

▶ Deal reached, 1A

BUDGET HIGHLIGHTS

USA Today 10/16/98

Here are some of the major items in the $500 billion spending measure for fiscal 1999:

▶ **Education:** $1.1 billion to help local school districts hire teachers to reduce class size.

▶ **Agriculture:** $6 billion emergency package to help farmers hurt by low crop prices.

▶ **Emergency spending:** $20 billion in all for so-called emergencies, including the agriculture aid and $7.9 billion for the military. Funds also would help upgrade government computers for the year 2000, deal with storm damage and beef up security for embassies and other federal buildings.

▶ **Taxes:** $9.2 billion worth of tax credits for businesspeople, the self-employed and farmers extended.

▶ **IMF:** $17.9 billion for the International Monetary Fund, at the president's request. Republicans won language to ensure future IMF loans would be more open to public scrutiny.

▶ **Drugs:** $690 million in emergency spending for the interdiction of illicit drugs, a GOP proposal.

▶ **Congress:** $100 million to build a visitors center at the Capitol.

▶ **Medical research:** A 14%, $1.9 billion increase for the National Institutes of Health for research into diabetes, cancer, genetic medicine and AIDS.

▶ **Global warming:** A 25% increase, to more than $1 billion, to fight global warming.

▶ **Census:** The two parties agreed to put off any decision on whether the 2000 Census would be a strict count, as Republicans want, or use scientific sampling, as Democrats want. Funds for the Census were provided until June 15, permitting time for the Supreme Court to rule on the issue.

▶ **Contraceptives:** Federal employee health care plans would be required to cover prescription contraceptives, a Democratic priority. At Republican urging, individual doctors participating in the plans can decline to write the prescriptions on moral grounds.

▶ **Internet:** A three-year moratorium would block state and local governments from levying new taxes on Internet sales or access. Another provision would require commercial sites to block access by children to harmful or pornographic material.

▶ **Visas:** Thousands more visas would be available for foreign workers with high-tech skills.

▶ **Tobacco:** States did not win the right to keep all the money they receive from settlements with tobacco companies. The federal government would be able to recoup its share, based on federal Medicaid spending. Mississippi, Florida, Texas and Minnesota have settled cases so far, but negotiations between other states and tobacco companies are continuing.

Here are some items not included in the bill:

▶ Clinton's request for $1 billion a year in tax credits to finance school construction bonds.

▶ Republican-backed vouchers that would allow students in the District of Columbia to receive public funds to help pay the cost of private-school tuition.

▶ A House-passed bill that would cut taxes $80 billion over five years.

▶ A proposal to increase pensions for military personnel who joined after 1985.

'sonal goodies

the bill went
its, however.
ler Trent Lott
Republican
million add-
e to help Mis-
ers recover
ed after they
s to Russia,
imed — and

ceutical maker Schering-Plough's patent on Claritin, a popular decongestant, and other drugs. Claritin brought Schering-Plough an estimated $870 million in sales last year.

But the all-purpose spending bill wasn't the last refuge for vulnerable lawmakers looking to boost their re-election bids. Thursday, House Republicans pushed through party-line

National Journal

After Argentina

CLINTON'S PLAN FOR TACKLING GLOBAL WARMING BEGAN WINNING CONVERTS AT THE INTERNATIONAL NEGOTIATIONS IN BUENOS AIRES. BUT WILL HIS MARKET-BASED SOLUTIONS WORK?

BY MARGARET KRIZ ■

For a while last month, it looked as if the Clinton administration couldn't do anything right in Buenos Aires, where delegates from 150 nations were meeting for negotiations on fighting global warming. First, the White House infuriated leaders from poorer, developing nations by insisting that those countries join the richer, industrialized nations in slashing emissions of global-warming gases. The administration's stance was designed to mollify U.S. business executives unhappy with the 1997 Kyoto global-warming treaty, which calls for pollution limits on industrialized nations but not on the developing countries. But world leaders protested that the U.S. position was self-serving, arguing that the United States has long been the world's worst polluter and should therefore take the lead in cutting emissions.

RICHARD A. BLOOM

STUART EIZENSTAT: "In Kyoto, emissions trading was a novel concept to most nations."

Then, at the end of the conference, the American delegation—headed by Undersecretary of State Stuart E. Eizenstat—upset U.S. business and political critics by signing the 1997 treaty. Although this action was largely symbolic (the global-warming pact can't become law in the United States until the Senate ratifies it, and because of staunch GOP opposition, that probably won't happen), it nonetheless enraged critics who say the treaty should be scrapped, not endorsed.

Those controversies notwithstanding, Buenos Aires may end up being remembered as something of a milestone for the Clinton administration. It appears that the administration made important progress in advancing its approach to tackling global warming. The administration has two uniquely American, market-based environmental programs it wants to sell to reluctant developing nations and U.S. businesses that rely on fossil fuels, the primary source of warming gases.

The White House is promoting these two innovative economic programs to curb world emissions of warming gases:

- Emissions trading, which allows countries that can cheaply cut their pollution to sell their "pollution allowances" to other countries. The pollution allowances permit certain levels of pollution.
- A so-called Clean Development Mechanism, which rewards companies in industrialized nations for investing in technolo-

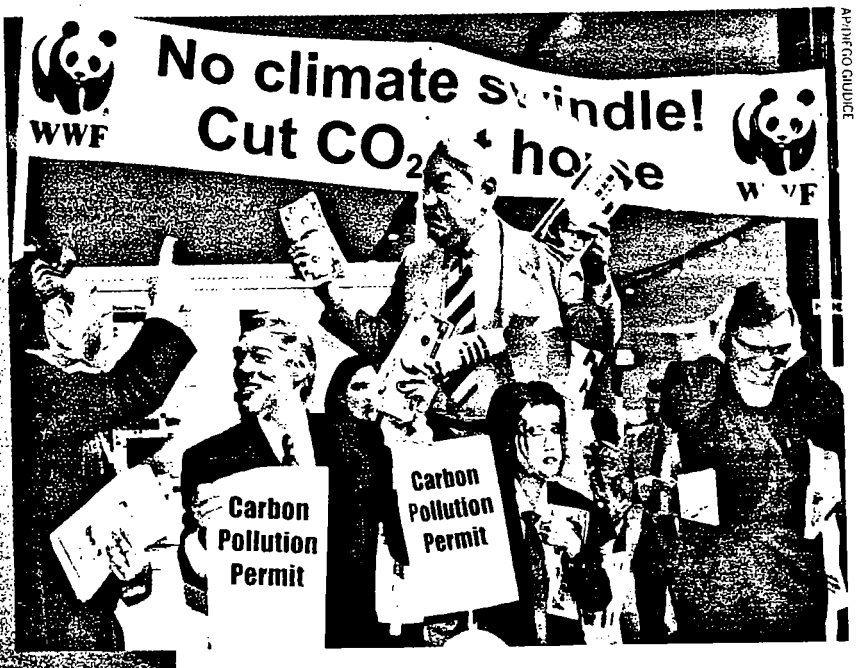
CONTINUED

National Journal

gies that reduce pollution in developing countries. The companies would receive pollution allowances from an international certification agency.

The most significant breakthrough occurred in the closing days of the Buenos Aires talks, when two developing countries—Argentina and Kazakhstan—agreed to voluntarily adopt limits on their warming-gases emissions. In effect, the countries are moving beyond the 1997 treaty negotiated in Kyoto, Japan, which applies only to 38 of the world's most-industrialized nations.

Until those two countries agreed to pollution caps, negotiators from developing countries were uniformly opposed, arguing that the rich nations should meet their own pollution reduction targets before the poor nations are required to move. That opposition is beginning to evaporate, and more than a dozen developing nations are considering adopting pollution caps.



AP/INEGO GIUDICE

AP/REMY DE LA MAUVINIERE

AIR WARS: Environmentalists mock emissions trading by depicting Boris Yeltsin selling pollution permits. Near right, smog obscures the Eiffel Tower.

Analysts say that Argentina and Kazakhstan reversed course because they want to participate in the "Clean Development Mechanism" program. Not everyone is convinced that these market-based incentives are a good idea. Some wary environmental activists and world leaders fear that rich countries will use the programs to try buying their way out of the global-warming problem rather than cracking down on polluters back home. But an increasing number of developing countries are looking at the clean-development and emissions-trading proposals as a way to solve their environmental problems while attracting new high-technology investment.

"The poor countries are jumping onto the bandwagon with these enticements," said Agus Sari, a member of the Indonesian delegation to the talks.

And the bandwagon's getting crowded, as more U.S. businesses are also acknowledging the need to control warming gases. They, too, recognize the potential economic benefits of the market-based programs. Some analysts predict that the global-warming accord will trigger development of a $300 billion market for environmentally friendly technologies.

"Companies that were expected to oppose this to the bitter end are now talking about what they're going to do to cut their emissions," said Michael L. Marvin, executive director of the Business Council for Sustainable Energy, a Washington-based business trade association.

More than a dozen *Fortune* 500 companies have joined with the Pew Center on Global Climate Change to promote the incentive programs. The Environmental Defense Fund, the World Resources Institute, and other environmental groups are also working with U.S. companies on similar initiatives.

Eizenstat argues that the American economic incentive programs are helping to bridge the gap between the rich and poor nations and between businesses and environmental groups. "In Kyoto, emissions trading was a novel concept to most nations," he said at a Nov. 14 press briefing in Buenos Aires. "A year later, there is growing recognition that trading will help us achieve maximum environmental gain for each dollar, peso, euro or yen invested in greenhouse gas reduction. In Kyoto, many developing countries resisted creation of the Clean Development Mechanism," he added. "A year later, countries from Senegal to China are expressing great interest in using this powerful tool to

CONTINUED

National Journal

help meet both their environmental and their economic needs."

GETTING SERIOUS

After two weeks of talks in Buenos Aires, negotiators emerged early on the morning of Nov. 14 with an ambitious timetable for developing and implementing the rules needed to cut international emissions of warming gases. The plan gives nations two years to work out the mechanics of the market-based incentive programs and to decide how to handle countries that don't meet pollution targets.

The Buenos Aires meeting was the latest step in more than a decade of international talks on global warming. Scientists say carbon dioxide and other pollutants are accumulating in the earth's atmosphere, causing the world climate to warm. Some researchers say evidence links global warming to recent dramatic shifts in the weather and an increased incidence of weather catastrophes.

PHOTOS BY AP/NATIONAL ENVIRONMENTAL TRUST

UNDER WATER: The National Environmental Trust says this is how Martha's Vineyard will change if global warming causes sea levels to rise three feet.

In the United States, roughly two-thirds of the warming emissions come from electric power plants, cars, trucks, and airplanes. Because those gases can persist in the atmosphere for a century, the scientists warn that today's pollution will haunt generations to come.

In December 1997, world leaders responded to those concerns by hammering out the Kyoto treaty, which requires the worst-polluting nations, from 2008 to 2012, to cut their cumulative emissions of warming gases to 5 percent below 1990 levels.

The United States, as the worst polluter of all, is being asked to cut its pollution rate to 7 percent below its 1990 levels. Negotiators said America should be held to a tougher standard because it has 4 percent of the world's population, but produces 21 percent of the warming pollutants.

Past efforts to persuade U.S. businesses to voluntarily slash pollution levels have been only moderately successful. In 1997, U.S. emissions continued to rise, although at a slower pace than in the past, according to a Nov. 3 report by the Energy Department's Energy Information Administration. Americans are emitting the equivalent of a whopping 1,791 million tons of carbon per year—10 percent more than in 1990.

Some U.S. business leaders warn that Americans will have to drastically change their ways of living if this country is to abide by the standards set in Kyoto. "The treaty puts a limit on emissions, and that means a limit on the nation's energy use," said William F. O'Keefe, executive vice president at the American Petroleum Institute. He predicted that meeting the Kyoto goal would cause U.S. energy prices to skyrocket, severely damaging the nation's economy.

O'Keefe and Republican leaders cite an October study that concludes that the Kyoto pollution limits could send gasoline prices soaring by anywhere from 14 to 66 cents a gallon and cause the nation's gross domestic product to shrink by $61 billion, to $397 billion. The study was conducted by the Energy Information Administration at the request of Republican congressional leaders.

But White House officials complain that Republicans directed regulators to ignore the potential savings from the administration's market-based incentive proposals. With the incentive programs in place, U.S. gasoline prices won't increase by more than 5.5 cents a gallon and the gross domestic product won't decline by more than $1 billion to $5 billion, White House officials counter.

Some market trading specialists side with the administration. "The economic models don't allow for the kinds of technological changes that we're going to see," said Richard L. Sandor, chief executive officer of the Chicago-based Environmental Financial Products. "By comparison, if you had modeled the personal computer that way in the early days of computers, you never would have gotten to a price of $1,100, which is what we have today."

Even today, environmentally friendly technologies are leapfrogging forward, prodded in part by worries about global warming. For example, Toyota Motor Corp. recently unveiled the Prius, a sedan that can get 80 miles per gallon of gasoline, using a hybrid electric/gasoline engine. Meanwhile, German manufacturers are developing a car powered by a new fuel-cell technology, in which hydrogen and oxygen combine to produce electricity to run the car. Both vehicles emit dramatically less pollution than American

CONTINUED

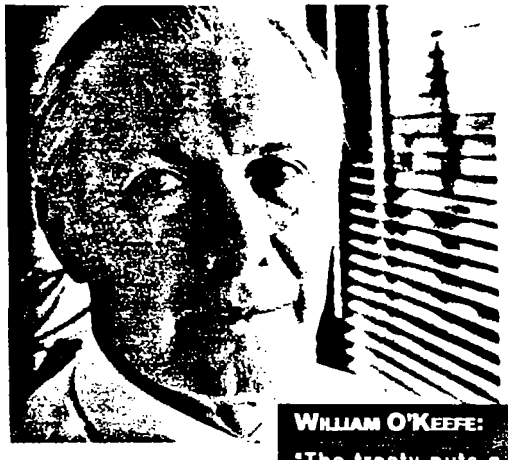
National Journal

cars. Those breakthroughs have sent U.S. automakers scrambling to develop high-tech cars that won't spew warming gases.

In the face of world pressure, domestic companies are increasingly dropping their assertions that global warming simply doesn't exist, and joining the debate over how best to resolve the problem. These companies seem to sense that the Kyoto treaty is gaining momentum. And corporate leaders are recognizing low-cost environmental improvements they can make within their own firms, argued Marvin of the Business Council for Sustainable Energy.

"There are indications from some of the largest companies in the world that they can get further than the emissions reductions that the United States has pledged," Marvin said. "To me, that's an indication that the first round of pollution reductions is not as draconian as some might have you believe."

But Eileen Claussen, executive director of the Pew Center on Global Climate Change and a former negotiator on global warming, cautioned that reducing U.S. pollution levels wouldn't be a painless process. "The administration is trying to show that it isn't going to cost anything to deal with the climate change issue," she said. "But we're talking about serious change, and that doesn't come for free."



RICHARD A. BLOOM

WILLIAM O'KEEFE: "The treaty puts a limit on emissions, and that means a limit on the nation's energy use."

A SUCCESS STORY

The Clinton administration's proposed market-based solutions to the global-warming problem are not without precedent.

In 1990, the United States embarked on a grand experiment that combined economics with environmental protection: a nationwide emissions-trading program aimed at cutting sulfur dioxide (SO_2) pollution, which causes acid rain, precipitation that can kill trees.

Created under the 1990 amendments to the Clean Air Act, the program established a national cap on all SO_2 emissions generated by the nation's electric power plants. Utilities that could easily cut their pollution levels were allowed to sell their emissions permits to firms with costlier environmental problems.

That program has been a great success. Since it first kicked in, America's power plants have reduced their sulfur dioxide emissions by more than 30 percent.

Emissions-trading enthusiasts concede that setting up a similar global system will be tricky. "It's not an easy system to set up, and when you make it global, it's going to be 10 times as difficult" as the SO_2 program, Claussen said. For example, a carbon dioxide (CO_2) program would be vastly larger than the U.S. SO_2 trading program. The SO_2 program applies only to 136 domestic utilities; the CO_2 program could eventually include any company or country in the world that burns fossil fuels.

That could translate into thousands of pollution trades, and the result could be a global headache. For example, the owner of a coal-fired power plant in the United States might seek to buy emissions permits in Russia, where a broad economic decline has led to lower demands for energy, and lower pollution levels, for now. Under the Kyoto treaty, trading would be allowed only among the industrialized nations. But American officials and business leaders are pushing for unfettered global trading. They also want to give countries pollution credits for planting new forests or maintaining their young-growth forests, because trees absorb carbon dioxide as they grow. The countries could then sell those credits to companies from other nations.

The hurdles could be insurmountable, according to some environmentalists and industry officials. "You're never going to be able to fix the problems with emissions trading," said Daniel Becker, a Sierra Club staff attorney. "There is no one around who can police the system and make sure the trades are honest. My pessimistic prediction is that trading will be such a fiasco that it will have to be abandoned after 10 years."

Becker worries that the trading program will induce U.S. companies to buy cheap emissions permits overseas, rather than investing in costlier new technology at home. "They'll rob the future of the technology that the U.S. needs to clean up its act," he said.

European leaders want to prevent rich U.S. firms from buying all their emissions credits from overseas, by requiring companies to get at least half of their pollution credits at home. That provision is steadfastly opposed by American lawmakers and businesses. "The United States has such a large reduction to achieve that it's not going to be economical to buy all the credits to meet our goals," said Sen. Joseph I. Lieberman, D-Conn., in a press conference in Buenos Aires. Lieberman, a member of the Senate Environment and Public Works Committee, was part of the U.S. congressional delegation at the negotiations. "Our companies," he said, "are going to want to be seen as the solution, to want to be seen as green."

Trading supporters say putting a price on air pollution will give companies economic incentives to rethink their own production processes back home. "Emissions trading gives companies the right to earn a return on reducing their pollution," argued Annie Petsonk, international counsel with the Environmental Defense Fund.

Sandor said that U.S. companies are already zeroing in on potential emissions reductions domestically and overseas. "There are enough people who believe that this is an important issue," Sandor said. "If the markets can solve these environmental problems at a cheap enough cost, we'll get it solved. The politics may be extensive, but the march has already begun."

GREEN POWER

While the industrialized nations debate emissions trading, the developing countries are clamoring to be part of any program that brings investment within their borders. "The Clean Development Mechanism is the preferred option of most developing countries because there'd be

CONTINUED

National Journal

DEC 5 1998

money for adaptation, to reduce the pollution," said Indonesian delegate Sari.

"People want economic progress, and they also want a clean environment," added Rep. Dennis J. Kucinich, D-Ohio, who also attended the Buenos Aires meeting as part of the congressional delegation. "Now we're setting the stage for putting the mechanisms in place to help them do that."

Under the Clean Development Mechanism, a company based in an industrialized nation might build a state-of-the-art power plant in a developing country. Because the high-tech plant would produce less pollution than the developing country's conventional technology would, the project would be eligible for pollution credits, which the firm and the country could share.

When the Clean Development Mechanism was first outlined at the Kyoto meeting, developing nations' negotiators were skeptical. They feared that the Northern, industrialized nations would use the system to take advantage of the Southern, poorer countries.

Now all of that has changed. "Eleven months ago, nobody knew what a Clean Development Mechanism was," noted Marvin of the Business Council. "Now in Buenos Aires, the African delegation was reaching out and asking us how they can best position themselves to get these projects."

Like the emissions-trading program, the Clean Development Mechanism has the potential for unintended (and unfortunate) consequences, according to business and environmental critics. For example, the Sierra Club's Becker fears that the program would encourage government officials in the Côte d'Ivoire to harvest and sell their rain forest's mature trees, which are no longer absorbing as much carbon dioxide as when they were growing. Then the country could invite industrialized nations to earn emissions credits by planting new trees. "If the Ivory Coast wants to maximize

VINDICATED, AFTER ALL THESE YEARS

Economist Allen Kneese thought he had a great idea in the early 1960s. Why not charge corporate America for the pollution it spews into the air and water?

"As long as you have one large resource that is not priced—common property, like air and water—you're going to be biased in favor of using that resource," he said in a recent interview. "The economist's view is that resource problems are a failure of pricing."

RICHARD A. BLOOM

ALLEN KNEESE

Kneese, a researcher at the Washington think tank Resources for the Future, was one of several economists who promoted that economic theory of environmentalism. In 1968, he co-authored *Managing Water Quality*, a book that was translated into several languages and helped persuade France and Germany to start imposing fees on industry for discharging pollution into waterways.

But in the United States, these ideas of Kneese's got nowhere. Environmental advocates and their champions on Capitol Hill were more interested in halting toxic chemical emissions altogether and punishing the polluters. "We have a heritage of legalistic approaches to various problems of public policy," Kneese noted. "The emissions charges and market-based incentives idea didn't sit very comfortably in that context. [People] felt that if there were things wrong, you should forbid them."

During the 1960s and '70s, Congress crafted a long line of environmental laws that ordered U.S. industry to stop polluting and spelled out what kinds of controls the firms should install—an approach referred to as "command and control."

Market-based incentives didn't get a second hearing in the United States until 1990, when Congress sought to cut emissions of acid-rain-causing sulfur dioxide, primarily from power plants. Lawmakers embraced an emissions-trading program that allows companies that can cheaply cut their pollution to sell their emission "allowances" to other firms with costlier pollution problems. The program has been a huge success, and Clinton administration officials are now trying to persuade world leaders to accept a similar plan for controlling carbon dioxide and other gases that cause global warming.

Kneese, a low-key intellectual who looks like Benjamin Franklin in a polo shirt, naturally enough contends that the United States missed the boat in the 1960s when it dismissed his market-based proposals for protecting the environment. "My personal belief is that if we had followed the economic-incentives approach in the early period of basic policy-making, we would have accomplished more improvements at a much lower cost," he said.

According to Kneese, economic incentives are the perfect vehicle for controlling global-warming gases, because all of the pollutants have a global, not regional, impact. "It really doesn't matter where the pollution comes from," he said. "The benefits of reducing it are global, so it makes sense for the world to find the least expensive ways to limit the pollution."

CONTINUED

National Journal

its dollar value for its people, this would be financially rewarding," Becker noted. "But losing the rain forest would be an environmental disaster."

POLITICAL CONSTRAINTS

Despite the rest of the world's focus on how to reduce international emissions of warming gases, some business lobbyists and politicians in the United States still argue that the science backing global-warming studies is inconclusive. "I am one who believes that the clear, sound science isn't even close to being there," said Sen. Chuck Hagel, R-Neb., who headed the Senate side of the delegation to the Buenos Aires meeting. Hagel argued that the administration's market-based incentives are "interesting theories," but are too sketchy to be taken seriously.

But Democrats and environmental advocates argue that Republicans will pay a political price if they don't respond to the growing support for action on global warming from American businesses and the American public.

"American industry is making a powerful statement about the need to not only deal with climate change, but also to protect their ability to be competitive in the future," argued Kucinich. "If the Republican majority fails to recognize that, they're not going to be the majority much longer."

LIZ LYNCH

MICHAEL MARVIN: "The African delegation was reaching out and asking us how they can best position themselves to get these projects."

During the 105th Congress, lawmakers increased support for energy-efficiency and renewable-energy projects. But Congress also barred the administration from requiring carmakers to build more-efficient vehicles. And Republican leaders pushed through a measure that prevents the Environmental Protection Agency from taking any regulatory action to implement the Kyoto treaty. That provision, argued the Sierra Club's Becker, "will let the nutball fringe in Congress, the [Indiana GOP Rep.] David McIntoshes of the world, hold an inquisition every time anything is done that has the impact of reducing emissions."

Environmental activists and business executives alike say that in the next Congress, they will support legislation guaranteeing international credit for U.S. companies that take steps now to cut their warming-gas emissions. Such a measure was introduced late in the 105th Congress by Sen. John H. Chafee, R-R.I., who chairs the Environment and Public Works Committee.

Chafee's bill was co-sponsored by moderate Democrat Lieberman and conservative Republican Sen. Connie Mack III of Florida. Mack supported the bill even though he isn't convinced that the science on global warming is conclusive. In an Oct. 10 floor statement, Mack said "It makes sense to provide some appropriate encouragement [to] those who want to invest in improved efficiency, those who want to find ways to make cars and factories and power production cleaner."

For its part, the administration has promised to adopt tougher efficiency standards so that home appliances require less energy. And in a Nov. 12 speech to the Buenos Aires meeting, chief U.S. negotiator Eizenstat said that deregulating the electricity industry will result in environmental improvements. Environmental advocates note, however, that President Clinton's 1998 electricity deregulation proposal included few steps to curb carbon dioxide emissions.

Environmentalists are urging the administration to press the GOP for action on global warming. "We need willpower on the administration's part to put the Republican Congress on the defensive on global warming," argued Philip Clapp, president of the National Environmental Trust. "So far, the president and vice president have confined themselves to being weather reporters," Clapp said, noting that Clinton and Gore mention the possible link between bad weather and global warming whenever either visits a flood or hurricane site. But, he continued, they never talk about solutions.

Clapp and other environmental advocates want the White House to crack down on coal-fired power plants in the United States, many of which are exempt from the Clean Air Act's pollution limits. They also want Clinton to push carmakers to produce cleaner and more-efficient vehicles.

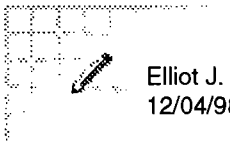
But a primary target of the environmental community remains the electricity industry, which now emits a third of the nation's carbon dioxide pollution. According to Lieberman, that means electricity deregulation legislation should include tough pollution-control language. "The environmental consequences of electricity deregulation should be at the center of the discussion," he said.

Senate Democrats say that even though businesses are increasingly backing the Kyoto treaty, there is almost no chance that the treaty will be ratified by the Senate anytime soon. Sen. John F. Kerry, D-Mass., suggested that the chamber will remain hostile to the treaty until more of the developing countries cut their emissions of warming gases.

But environmental advocates said politics is at the heart of the Senate's standoffishness. "This issue is so closely linked to Vice President Gore [a prospective presidential candidate in 2000], that it is unrealistic to think a Republican Senate would be willing to sign the protocol before the presidential elections," said Katherine Silverthorne, staff attorney for U.S. Public Interest Research Group.

Nonetheless, these days some congressional Republicans are using somewhat less-vitriolic rhetoric in criticizing the White House's stand on global warming. After the administration signed the Kyoto treaty, for example, Senate Energy and Natural Resources Committee Chairman Frank H. Murkowski, R-Alaska, described the treaty as "doomed." But he added that "we should shift the focus to efforts to reduce global emissions with a mix of 21st-century technology, market-oriented approaches and American ingenuity"—a description that echoes the White House rhetoric.

The Clinton administration's greatest successes continue to be in inching reluctant nations, entrenched U.S. businesses, and Republican lawmakers away from a fossil-fueled economy and toward market-based solutions to the world's global-warming problem. ■



Elliot J. Diringer
12/04/98 12:40:34 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Nancy Marlow/CEQ/EOP
Subject: Good post-BA piece in Natl Jrnl

ENVIRONMENT

After Argentina

By Margaret Kriz, National Journal

Saturday, Dec. 5, 1998

For a while last month, it looked as if the Clinton administration couldn't do anything right in Buenos Aires, where delegates from 150 nations were meeting for negotiations on fighting global warming. First, the White House infuriated leaders from poorer, developing nations by insisting that those countries join the richer, industrialized nations in slashing emissions of global-warming gases. The administration's stance was designed to mollify U.S. business executives unhappy with the 1997 Kyoto global-warming treaty, which calls for pollution limits on industrialized nations but not on the developing countries. But world leaders protested that the U.S. position was self-serving, arguing that the United States has long been the world's worst polluter and should therefore take the lead in cutting emissions.

> Then, at the end of the conference, the American delegation -- headed by Undersecretary of State Stuart E. Eizenstat -- upset U.S. business and political critics by signing the 1997 treaty. Although this action was largely symbolic (the global-warming pact can't become law in the United States until the Senate ratifies it, and because of staunch GOP opposition, that probably won't happen), it nonetheless enraged critics who say the treaty should be scrapped, not endorsed.

Those controversies notwithstanding, Buenos Aires may end up being remembered as something of a milestone for the Clinton administration. It appears that the administration made important

progress in advancing its approach to tackling global warming. The administration has two uniquely American, market-based environmental programs it wants to sell to reluctant developing nations and U.S. businesses that rely on fossil fuels, the primary source of warming gases.

The White House is promoting these two innovative economic programs to curb world emissions of warming gases:

> Emissions trading, which allows countries that can cheaply cut their pollution to sell their "pollution allowances" to other countries. The pollution allowances permit certain levels of pollution.
>
> A so-called Clean Development Mechanism, which rewards companies in industrialized nations for investing in technologies that reduce pollution in developing countries. The companies would receive pollution allowances from an international certification agency.

The most significant breakthrough occurred in the closing days of the Buenos Aires talks, when two developing countries -- Argentina and Kazakhstan -- agreed to voluntarily adopt limits on their warming-gases emissions. In effect, the countries are moving beyond the 1997 treaty negotiated in Kyoto, Japan, which applies only to 38 of the world's most-industrialized nations.

Until those two countries agreed to pollution caps, negotiators from developing countries were uniformly opposed, arguing that the rich nations should meet their own pollution reduction targets before the poor nations are required to move. That opposition is beginning to evaporate, and more than a dozen developing nations are considering adopting pollution caps.

Analysts say that Argentina and Kazakhstan reversed course because they want to participate in the "Clean Development Mechanism" program. Not everyone is convinced that these market-based incentives are a good idea. Some wary environmental activists and world leaders fear that rich countries will use the programs to try buying their way out of the global-warming problem rather than cracking down on polluters back home. But an increasing number of developing countries are looking at the clean-development and emissions-trading proposals as a way to solve their environmental problems while attracting new high-technology investment.

"The poor countries are jumping onto the bandwagon with these enticements," said Agus Sari, a member of the Indonesian delegation to the talks.

And the bandwagon's getting crowded, as more U.S. businesses are also acknowledging the need to control warming gases. They, too, recognize the potential economic benefits of the market-based programs. Some analysts predict that the global- warming accord

will trigger development of a $300 billion market for environmentally friendly technologies.

"Companies that were expected to oppose this to the bitter end are now talking about what they're going to do to cut their emissions," said Michael L. Marvin, executive director of the Business Council for Sustainable Energy, a Washington-based business trade association.

More than a dozen Fortune 500 companies have joined with the Pew Center on Global Climate Change to promote the incentive programs. The Environmental Defense Fund, the World Resources Institute, and other environmental groups are also working with U.S. companies on similar initiatives.

Eizenstat argues that the American economic incentive programs are helping to bridge the gap between the rich and poor nations and between businesses and environmental groups. "In Kyoto, emissions trading was a novel concept to most nations," he said at a Nov. 14 press briefing in Buenos Aires. "A year later, there is growing recognition that trading will help us achieve maximum environmental gain for each dollar, peso, euro or yen invested in greenhouse gas reduction. In Kyoto, many developing countries resisted creation of the Clean Development Mechanism," he added. "A year later, countries from Senegal to China are expressing great interest in using this powerful tool to help meet both their environmental and their economic needs."

Getting Serious

After two weeks of talks in Buenos Aires, negotiators emerged early on the morning of Nov. 14 with an ambitious timetable for developing and implementing the rules needed to cut international emissions of warming gases. The plan gives nations two years to work out the mechanics of the market-based incentive programs and to decide how to handle countries that don't meet pollution targets.

The Buenos Aires meeting was the latest step in more than a decade of international talks on global warming. Scientists say carbon dioxide and other pollutants are accumulating in the earth's atmosphere, causing the world climate to warm. Some researchers say evidence links global warming to recent dramatic shifts in the weather and an increased incidence of weather catastrophes.

In the United States, roughly two-thirds of the warming emissions come from electric power plants, cars, trucks, and airplanes. Because those gases can persist in the atmosphere for a century, the scientists warn that today's pollution will haunt generations to come.

In December 1997, world leaders responded to those concerns by hammering out the Kyoto treaty, which requires the worst-polluting nations, from 2008 to 2012, to cut their cumulative emissions of warming gases to 5 percent below 1990 levels.

The United States, as the worst polluter of all, is being asked to cut its pollution rate to 7 percent below its 1990 levels. Negotiators said America should be held to a tougher standard because it has 4 percent of the world's population, but produces 21 percent of the warming pollutants.

Past efforts to persuade U.S. businesses to voluntarily slash pollution levels have been only moderately successful. In 1997, U.S. emissions continued to rise, although at a slower pace than in the past, according to a Nov. 3 report by the Energy Department's Energy Information Administration. Americans are emitting the equivalent of a whopping 1,791 million tons of carbon per year -- 10 percent more than in 1990.

Some U.S. business leaders warn that Americans will have to drastically change their ways of living if this country is to abide by the standards set in Kyoto. "The treaty puts a limit on emissions, and that means a limit on the nation's energy use," said William F. O'Keefe, executive vice president at the American Petroleum Institute. He predicted that meeting the Kyoto goal would cause U.S. energy prices to skyrocket, severely damaging the nation's economy.

O'Keefe and Republican leaders cite an October study that concludes that the Kyoto pollution limits could send gasoline prices soaring by anywhere from 14 to 66 cents a gallon and cause the nation's gross domestic product to shrink by $61 billion, to $397 billion. The study was conducted by the Energy Information Administration at the request of Republican congressional leaders.

But White House officials complain that Republicans directed regulators to ignore the potential savings from the administration's market-based incentive proposals. With the incentive programs in place, U.S. gasoline prices won't increase by more than 5.5 cents a gallon and the gross domestic product won't decline by more than $1 billion to $5 billion, White House officials counter.

Some market trading specialists side with the administration. "The economic models don't allow for the kinds of technological changes that we're going to see," said Richard L. Sandor, chief executive officer of the Chicago-based Environmental Financial Products. "By comparison, if you had modeled the personal computer that way in the early days of computers, you never would have gotten to a price of $1,100, which is what we have today."

Even today, environmentally friendly technologies are leapfrogging forward, prodded in part by worries about global warming. For example, Toyota Motor Corp. recently unveiled the Prius, a sedan that can get 80 miles per gallon of gasoline, using a hybrid electric/gasoline engine. Meanwhile, German manufacturers are developing a car powered by a new fuel-cell technology, in which hydrogen and oxygen combine to produce electricity to run the

car. Both vehicles emit dramatically less pollution than American cars. Those breakthroughs have sent U.S. automakers scrambling to develop high-tech cars that won't spew warming gases.

In the face of world pressure, domestic companies are increasingly dropping their assertions that global warming simply doesn't exist, and joining the debate over how best to resolve the problem. These companies seem to sense that the Kyoto treaty is gaining momentum. And corporate leaders are recognizing low- cost environmental improvements they can make within their own firms, argued Marvin of the Business Council for Sustainable Energy.

"There are indications from some of the largest companies in the world that they can get further than the emissions reductions that the United States has pledged," Marvin said. "To me, that's an indication that the first round of pollution reductions is not as draconian as some might have you believe."

But Eileen Claussen, executive director of the Pew Center on Global Climate Change and a former negotiator on global warming, cautioned that reducing U.S. pollution levels wouldn't be a painless process. "The administration is trying to show that it isn't going to cost anything to deal with the climate change issue," she said. "But we're talking about serious change, and that doesn't come for free."

A Success Story

The Clinton administration's proposed market-based solutions to the global-warming problem are not without precedent.

In 1990, the United States embarked on a grand experiment that combined economics with environmental protection: a nationwide emissions-trading program aimed at cutting sulfur dioxide (SO2) pollution, which causes acid rain, precipitation that can kill trees.

Created under the 1990 amendments to the Clean Air Act, the program established a national cap on all SO2 emissions generated by the nation's electric power plants. Utilities that could easily cut their pollution levels were allowed to sell their emissions permits to firms with costlier environmental problems.

That program has been a great success. Since it first kicked in, America's power plants have reduced their sulfur dioxide emissions by more than 30 percent.

Emissions-trading enthusiasts concede that setting up a similar global system will be tricky. "It's not an easy system to set up, and when you make it global, it's going to be 10 times as difficult" as the SO2 program, Claussen said. For example, a carbon dioxide (CO2) program would be vastly larger than the U.S. SO2 trading program. The SO2 program applies only to 136 domestic utilities; the CO2 program could eventually include any company or country in the world that burns fossil fuels.

That could translate into thousands of pollution trades, and the result could be a global headache. For example, the owner of a coal-fired power plant in the United States might seek to buy emissions permits in Russia, where a broad economic decline has led to lower demands for energy, and lower pollution levels, for now. Under the Kyoto treaty, trading would be allowed only among the industrialized nations. But American officials and business leaders are pushing for unfettered global trading. They also want to give countries pollution credits for planting new forests or maintaining their young-growth forests, because trees absorb carbon dioxide as they grow. The countries could then sell those credits to companies from other nations.

The hurdles could be insurmountable, according to some environmentalists and industry officials. "You're never going to be able to fix the problems with emissions trading," said Daniel Becker, a Sierra Club staff attorney. "There is no one around who can police the system and make sure the trades are honest. My pessimistic prediction is that trading will be such a fiasco that it will have to be abandoned after 10 years."

Becker worries that the trading program will induce U.S. companies to buy cheap emissions permits overseas, rather than investing in costlier new technology at home. "They'll rob the future of the technology that the U.S. needs to clean up its act," he said.

European leaders want to prevent rich U.S. firms from buying all their emissions credits from overseas, by requiring companies to get at least half of their pollution credits at home. That provision is steadfastly opposed by American lawmakers and businesses. "The United States has such a large reduction to achieve that it's not going to be economical to buy all the credits to meet our goals," said Sen. Joseph I. Lieberman, D- Conn., in a press conference in Buenos Aires. Lieberman, a member of the Senate Environment and Public Works Committee, was part of the U.S. congressional delegation at the negotiations. "Our companies," he said, "are going to want to be seen as the solution, to want to be seen as green."

Trading supporters say putting a price on air pollution will give companies economic incentives to rethink their own production processes back home. "Emissions trading gives companies the right to earn a return on reducing their pollution," argued Annie Petsonk, international counsel with the Environmental Defense Fund.

Sandor said that U.S. companies are already zeroing in on potential emissions reductions domestically and overseas. "There are enough people who believe that this is an important issue," Sandor said. "If the markets can solve these environmental problems at a cheap enough cost, we'll get it solved. The politics may be extensive, but the march has already begun."

Green Power
While the industrialized nations debate emissions trading, the

developing countries are clamoring to be part of any program that brings investment within their borders. "The Clean Development Mechanism is the preferred option of most developing countries because there'd be money for adaptation, to reduce the pollution," said Indonesian delegate Sari.

"People want economic progress, and they also want a clean environment," added Rep. Dennis J. Kucinich, D-Ohio, who also attended the Buenos Aires meeting as part of the congressional delegation. "Now we're setting the stage for putting the mechanisms in place to help them do that."

Under the Clean Development Mechanism, a company based in an industrialized nation might build a state-of-the-art power plant in a developing country. Because the high-tech plant would produce less pollution than the developing country's conventional technology would, the project would be eligible for pollution credits, which the firm and the country could share.

When the Clean Development Mechanism was first outlined at the Kyoto meeting, developing nations' negotiators were skeptical. They feared that the Northern, industrialized nations would use the system to take advantage of the Southern, poorer countries.

Now all of that has changed. "Eleven months ago, nobody knew what a Clean Development Mechanism was," noted Marvin of the Business Council. "Now in Buenos Aires, the African delegation was reaching out and asking us how they can best position themselves to get these projects."

Like the emissions-trading program, the Clean Development Mechanism has the potential for unintended (and unfortunate) consequences, according to business and environmental critics. For example, the Sierra Club's Becker fears that the program would encourage government officials in the C™te d'Ivoire to harvest and sell their rain forest's mature trees, which are no longer absorbing as much carbon dioxide as when they were growing. Then the country could invite industrialized nations to earn emissions credits by planting new trees. "If the Ivory Coast wants to maximize its dollar value for its people, this would be financially rewarding," Becker noted. "But losing the rain forest would be an environmental disaster."

Political Constraints

Despite the rest of the world's focus on how to reduce international emissions of warming gases, some business lobbyists and politicians in the United States still argue that the science backing global-warming studies is inconclusive. "I am one who believes that the clear, sound science isn't even close to being there," said Sen. Chuck Hagel, R-Neb., who headed the Senate side of the delegation to the Buenos Aires meeting. Hagel argued that the administration's market-based incentives are "interesting theories," but are too sketchy to be taken seriously.

But Democrats and environmental advocates argue that Republicans will pay a political price if they don't respond to the growing support for action on global warming from American businesses and the American public.

"American industry is making a powerful statement about the need to not only deal with climate change, but also to protect their ability to be competitive in the future," argued Kucinich. "If the Republican majority fails to recognize that, they're not going to be the majority much longer."

During the 105th Congress, lawmakers increased support for energy-efficiency and renewable-energy projects. But Congress also barred the administration from requiring carmakers to build more-efficient vehicles. And Republican leaders pushed through a measure that prevents the Environmental Protection Agency from taking any regulatory action to implement the Kyoto treaty. That provision, argued the Sierra Club's Becker, "will let the nutball fringe in Congress, the [Indiana GOP Rep.] David McIntoshes of the world, hold an inquisition every time anything is done that has the impact of reducing emissions."

Environmental activists and business executives alike say that in the next Congress, they will support legislation guaranteeing international credit for U.S. companies that take steps now to cut their warming-gas emissions. Such a measure was introduced late in the 105th Congress by Sen. John H. Chafee, R- R.I., who chairs the Environment and Public Works Committee.

Chafee's bill was co-sponsored by moderate Democrat Lieberman and conservative Republican Sen. Connie Mack III of Florida. Mack supported the bill even though he isn't convinced that the science on global warming is conclusive. In an Oct. 10 floor statement, Mack said "It makes sense to provide some appropriate encouragement [to] those who want to invest in improved efficiency, those who want to find ways to make cars and factories and power production cleaner."

For its part, the administration has promised to adopt tougher efficiency standards so that home appliances require less energy. And in a Nov. 12 speech to the Buenos Aires meeting, chief U.S. negotiator Eizenstat said that deregulating the electricity industry will result in environmental improvements. Environmental advocates note, however, that President Clinton's 1998 electricity deregulation proposal included few steps to curb carbon dioxide emissions.

Environmentalists are urging the administration to press the GOP for action on global warming. "We need willpower on the administration's part to put the Republican Congress on the defensive on global warming," argued Philip Clapp, president of the National Environmental Trust. "So far, the president and vice president have confined themselves to being weather reporters," Clapp said, noting that Clinton and Gore mention the possible link

between bad weather and global warming whenever either visits a flood or hurricane site. But, he continued, they never talk about solutions.

Clapp and other environmental advocates want the White House to crack down on coal-fired power plants in the United States, many of which are exempt from the Clean Air Act's pollution limits. They also want Clinton to push carmakers to produce cleaner and more-efficient vehicles.

But a primary target of the environmental community remains the electricity industry, which now emits a third of the nation's carbon dioxide pollution. According to Lieberman, that means electricity deregulation legislation should include tough pollution-control language. "The environmental consequences of electricity deregulation should be at the center of the discussion," he said.

Senate Democrats say that even though businesses are increasingly backing the Kyoto treaty, there is almost no chance that the treaty will be ratified by the Senate anytime soon. Sen. John F. Kerry, D-Mass., suggested that the chamber will remain hostile to the treaty until more of the developing countries cut their emissions of warming gases.

But environmental advocates said politics is at the heart of the Senate's standoffishness. "This issue is so closely linked to Vice President Gore [a prospective presidential candidate in 2000], that it is unrealistic to think a Republican Senate would be willing to sign the protocol before the presidential elections," said Katherine Silverthorne, staff attorney for U.S. Public Interest Research Group.

Nonetheless, these days some congressional Republicans are using somewhat less-vitriolic rhetoric in criticizing the White House's stand on global warming. After the administration signed the Kyoto treaty, for example, Senate Energy and Natural Resources Committee Chairman Frank H. Murkowski, R-Alaska, described the treaty as "doomed." But he added that "we should shift the focus to efforts to reduce global emissions with a mix of 21st-century technology, market-oriented approaches and American ingenuity" -- a description that echoes the White House rhetoric.

The Clinton administration's greatest successes continue to be in inching reluctant nations, entrenched U.S. businesses, and Republican lawmakers away from a fossil-fueled economy and toward market-based solutions to the world's global-warming problem.

Message Sent To:

Michael V. Terrell
10/28/98 12:02:55 PM

Record Type: Record

To: Martha L. Wofford/WHCCTF/EOP

cc:
Subject: Reuters Buenos Aires piece (per Elliot's request)

Wednesday October 28 10:19 AM EDT

Warming World Drags Feet To Crucial Climate Talks

By Jason Webb

BUENOS AIRES (Reuters) - A reluctant world will try to commit itself to strict controls on greenhouse gas emissions to slow global warming next week, but many governments are seeking ways to look green without paying the price.

The United Nations global climate talks in Buenos Aires from Nov. 2-13 are meant to begin to agree ways to implement greenhouse gas emission cuts pledged by rich nations in Kyoto, Japan, last December.

Many scientists say the targets are too modest to prevent possibly calamitous climate change anyway, but environmental campaigners have accepted them as better than nothing.

Led by the United States, some governments are arguing for mechanisms to allow them to technically meet Kyoto commitments without actually hurting economic growth by forcing industry and car drivers to cut down drastically on their carbon habit.

The world financial crisis could also dampen enthusiasm for taking on potentially expensive commitments, even though billions of people are already feeling the heat -- with this decade being the hottest since the Middle Ages.

Most scientists believe that a rising concentration in the atmosphere of gases like carbon dioxide (CO2) is largely responsible for a steep rise in temperatures this century.

If the world keeps burning fossil fuels, which emit such gases, at anything like its present rate, they fear massive flooding from melting icecaps and an invasion of tropical diseases in Europe and North America.

In Kyoto, industrialized nations promised to bring output of carbon dioxide and five other greenhouse gases down to an average 5.2 percent below 1990 levels by around 2008-2012.

Faced with a strong industrial lobby which argues emissions cuts could cost jobs, the United States has been lobbying hard for a system of pollution trading. This would allow rich nations to pay poorer countries to reduce their emissions, and have the cuts counted to the rich nations' own Kyoto targets.

Environmentalists fear the system could be abused, with sales of nonexistent emissions, or "hot air," by poorer countries which purposely exaggerate their CO2 output.

"One of the problems is the emissions target Russia has set itself, which is too large. In effect they are creating emissions on paper which they will be able to sell to the United States or Japan, which don't have the political stomach to do anything at home," said Andrew Kerr, spokesman for the World Wide Fund for Nature.

The European Union, where public opinion is more sensitive to environmental issues than in most other regions, wants a limit to emission trading, so that countries have to put most of their effort into emitting less at home.

The U.S. Congress, which has so far refused to ratify the Kyoto accord, is largely opposed to a cap on emissions trading. The United States is the world's largest greenhouse polluter, emitting much more CO2 per head than Europe or Japan.

The United States also wants developing nations to promise to cut emissions too. Countries such as China counter that their per capita emissions are a fraction of those in rich countries and they cannot afford to restrict economic growth.

Other countries, like hosts Argentina, want "carbon sinks" -- newly planted forests which absorb carbon dioxide -- to be discounted from measurements of their greenhouse emissions.

Despite their enthusiasm for trees, green campaigners are unsure how much C02 new forests really suck up.

"This is still controversial. There is meant to be scientific assessment of this in the next two years and we say wait until then," said Bill Hare, director of climate policy for Greenpeace.