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Collection/Record Group: Clinton Presidential Records
Subgroup/Office of Origin: WH Task Force on Climate Change
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State of the Union 2000

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***Background on President Clinton's State of the Union Address
January 27, 2000***

RESPONSIBILITY, OPPORTUNITY AND THE ENVIRONMENT

Lands Legacy

To meet the conservation challenges of a new century, President Clinton is proposing a new category of dedicated, discretionary funding to protect America's land, coastal and wildlife resources. In FY 2000, the President secured \$652 million for Lands Legacy, a 42 percent increase. For FY 2001, the President is proposing another substantial increase and creation of a new budget category to preserve this higher level of funding in future years. The proposed FY 2001 funding would dramatically increase support for state, local and tribal efforts to protect farmland, forests, urban parks and other local green spaces. It also would provide significant increases for federal, state, local and tribal efforts to protect ocean and coastal resources. In addition, Lands Legacy would supported federal protection of natural and historic lands across the country, with priorities including Civil War battlefields, the Florida Everglades, the Mojave Desert, and New England forests and wildlife refuges.

Climate Change

Against a backdrop of growing scientific consensus that the Earth is warming – and that human activity is at least partly to blame – the President is proposing a series of new initiatives to address global climate change. The President's FY 2001 budget will propose a new effort to accelerate the development and deployment of clean energy technologies in developing countries; increased funding for the research and development of bio-based technologies that use crops, trees and agricultural waste to make fuels and products; and start-up funding for a Clean Air Partnership Fund to support state and local efforts that achieve early reductions in both greenhouse gas emissions and ground-level air pollutants. Other elements of the Administration's climate change strategy include continued increases in both investments and tax incentives to spur the development and deployment of clean energy technologies and energy-efficient cars, homes, and appliances; cutting energy use by the Federal government; working with Congress to reward companies taking early, voluntary action to reduce greenhouse gas emissions; restructuring the electricity industry; and continued diplomatic efforts to fill in key details of the Kyoto Protocol and secure more meaningful participation by key developing countries in the fight against global warming.

Tax credits for energy-efficient cars, homes and appliances

Cars and light trucks (including minivans, sport utilities, and pickups) currently account for 20 percent of U.S. greenhouse gas emissions. The President's FY 2001 budget will propose tax incentives to help curb these emissions by moving advanced technologies for electric, fuel cell, and hybrid vehicles from the laboratory to the highway. Tax credits would be offered for the purchase of qualifying hybrid vehicles from 2003 through 2006; and the current tax credit for electric vehicles and fuel cell vehicles would be extended through 2006. The President also is proposing a tax credits for the purchase of energy-efficient homes; for solar energy systems; for the purchase of energy-efficient heating and cooling equipment; and for wind and biomass power.

Clean Energy for the 21st Century

Energy technology markets in developing countries are projected to total \$4 trillion to \$5 trillion over the next 20 years. To accelerate the development and deployment of clean energy technologies around the world, President Clinton is proposing the Clean Energy for the 21st Century: International Initiative – a multi-agency effort to encourage remove market barriers to clean energy technologies in developing and transition countries and to provide new incentives for clean energy technology innovation and export. This initiative, which builds on a set of recommendations by the President's Committee of Advisors on Science and Technology (PCAST), will create as much as \$5 billion in new export revenues for U.S. companies and up to 100,000 new U.S. jobs, and will assist developing countries in powering their economic development while fighting air pollution and climate change.

Livable Communities

President Clinton and Vice President Gore are proposing to strengthen the Livable Communities initiative, which expands the choices available to communities to help them grow in ways that ensure a high quality of life and strong, sustainable economic growth. The Administration's FY 2001 budget will propose record funding for public transit and other programs to ease traffic congestion while reducing air pollution; matching grants to help neighboring communities develop collaborative "smart growth" strategies; and funding to provide communities with new information tools, and improve public safety by sharing crime data. The Administration also will propose tax credits for Better America Bonds, a new financing tool generating billions in bond authority for investments by state, local and tribal governments to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields (abandoned industrial sites). By delivering tools and resources to the local level, where issues of growth management are most appropriately addressed, this initiative helps empower citizens to build more "livable communities" for the 21st century.

President Clinton's FY 2001 Climate Change Budget

"The biggest impediment we have to dealing with the challenge of climate change is the old idea that we simply cannot have economic growth without Industrial Age patterns of energy use. The fact is that things we do today to reduce greenhouse gas pollution – with available technologies, not to mention those that are just ahead and almost within our reach – will reduce the threat of global warming and will create more jobs at higher incomes."

-- President Bill Clinton, March 4, 1999

Meeting the challenge of global warming. Against a backdrop of growing scientific consensus that the Earth is warming – and that human activities are at least partly to blame – President Clinton's FY 2001 budget is proposing a [50] percent increase in funding to combat global climate change. This includes a series of new initiatives, including accelerated efforts to develop clean energy sources both at home and abroad and a new Clean Air Partnership Fund to boost state and local efforts to reduce greenhouse gases and air pollution, as well as a five-year package of tax incentives to spur clean energy technologies, increased investment for R&D in energy efficient technology and renewable energy, and \$1.7 billion for global change research – a total package for FY 2001 of over \$4 billion.

Clean Energy for the 21st Century. The President proposes over [\$390] million for the stepped-up efforts to develop clean energy sources, both at home and abroad.

Bioenergy & Bio-based Products. The budget includes almost [\$290] million to accelerate the development of bio-based technologies, which convert crops, trees and other "biomass" into a vast array of fuels and products – an increase of [\$93] million over FY 2000 enacted levels. In addition to helping meet environmental challenges like global warming, this initiative will increase the viability of alternative energy sources, support farm incomes, and diversify and strengthen the rural economy.

International Initiative. To help accelerate the development and deployment of clean energy technologies around the world, President Clinton is proposing a \$100 million multi-agency effort to encourage open competitive markets; remove market barriers in developing countries to clean energy technologies; and to provide new incentives for clean energy technology innovation and export. The initiative will promote U.S. clean energy exports and create high-value jobs, and will assist developing countries in fighting air pollution and climate change.

Clean Air Partnership Fund. The President proposes \$[85] million for a new fund to provide grants to state and local governments for projects that reduce both greenhouse gases and pollutants like soot, smog, and air toxics.

Climate Change Technology Initiative (CCTI). The CCTI is a package of targeted tax incentives and investments aimed at increasing energy efficiency and spurring the broader use of renewable energy. The package will save consumers money and reduce greenhouse gas emissions at the same time. CCTI investments have risen substantially each of the past two years. The President's new budget proposes a still more accelerated effort.

\$4.0 billion in tax incentives over five years. The proposed package contains \$4.0 billion over five years in tax cuts (\$201 million for FY 2001) for consumers who purchase energy efficient products and for producers of energy from renewable sources. This year's CCTI tax package is \$400 million greater than last year's proposed package. Highlights include:

- Tax credits for energy efficient homes. Consumers can receive a \$1000-2000 credit toward the purchase of a new energy efficient home; a 20 percent tax credit for the purchase of selected energy efficient products for homes and buildings; and a \$1000-2000 credit for

installing a rooftop solar system.

- Tax credits for fuel-efficient cars. The package extends the current tax credit (of up to \$4000) through 2006 for qualified electric and fuel cell vehicles and also includes a tax credit of \$500-3000 for the purchase of a qualifying electric, fuel cell or hybrid vehicle from 2003 through 2006.
- Tax credits for clean energy. The package extends the 1.5 cent per kilowatt hour (kwh) tax credit for the production of electricity from wind and biomass; provides credits for open-loop biomass facilities and coal-biomass cofiring; and provides credits for electricity produced from methane from certain landfills.

\$1.4 billion for Energy Efficiency & Renewables. The proposed package contains nearly \$1.4 billion in FY 2001 to research, develop, and deploy clean technologies for the four major carbon-emitting sectors of the economy -- buildings, transportation, industry, and electricity -- nearly a 25 percent increase over the amount appropriated in FY 2000. Highlights include:

- Partnership for a New Generation of Vehicles. PNGV is a government-industry effort to develop comfortable, affordable cars that meet all applicable safety and environmental standards and get up to three times the fuel efficiency of today's cars. The combined proposal for PNGV in the FY 2001 budget is \$[] million, an increase from the \$[] million appropriated in FY 2000.
- Partnership for Advancing Technology in Housing . PATH is a government-industry partnership to improve the energy efficiency of new homes by more than 50 percent and to retrofit 15 million existing homes to make them 30 percent more energy efficient within a decade. The FY 2001 budget request for building efficiency efforts, such as PATH, Energy Star, and Building America, totals \$[] million, a [] percent increase over FY 2000 appropriations.
- Renewable Energy. The President proposes \$[] million for the Department of Energy's (DOE) solar and renewable energy programs, a [] percent increase over the amount appropriated in FY 2000. The package includes expanded efforts in key renewable technologies, such as wind, bioenergy, photovoltaics, and geothermal energy.

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

Weatherization & State Energy Grants. The budget request includes \$[191] million -- a \$[22] million increase over FY 1999 appropriations -- to deliver energy conservation services to low-income Americans and to assist state energy offices in addressing their energy priorities.

U.S. Global Change Research Program. The FY 2000 request includes over \$1.7 billion for scientific research to improve our understanding of human and natural forces that influence the Earth's climate system and to assess the likely consequences of global warming.

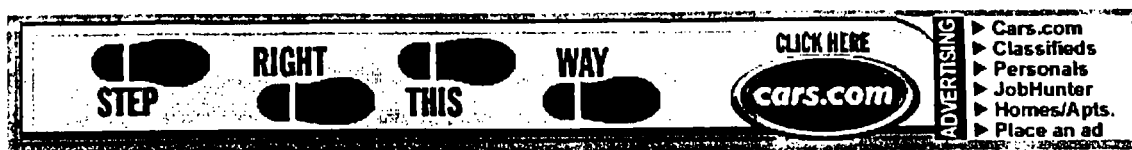
STATE OF THE UNION Roll-Out Schedule

- Jan. 8 Radio Address: Family Planning Money
- 10-11 Travel to Arizona, monuments; return through Texas
- 12 DLC Address: Increasing Opportunity, Big SOTU Theme
- 13 NYC, New Markets, Wall Street Project
- 14 POSSIBLE SLOT FOR MESSAGE
- 17 MLK Day; Service event
- 18 Boston guns (Upstate NY?)
- 19 Cabinet meeting - use for message (China WTO?)
- 20 HOLD for POTUS/FLOTUS joint event
- 21 California fundraising and Science and Technology speech
This is option one for climate
- 22 Saturday, Las Vegas, DNC fundraising events
- 23 Sunday. Could do something for Sunday papers, but it's just before the
Iowa Caucuses
- 24 POSSIBLE MESSAGE SLOT, DC - BEST OPPORTUNITY FOR CLIMATE
Clean Energy Export? Power Plants/Cars?
Or, Lands Legacy if postponed?
- 25 POSSIBLE MESSAGE SLOT
- 26 Day before SOTU, probably not a good message slot?
- 27 SOTU

POTUS goes to Davos

- Feb. 1 In and down returning from Davos
- 2 Day after NH Primary, probably not a good message oppty
- 3 Prayer Breakfast
- 4 Last message opportunity before budget release
- 7 Budget release

Basically, the above schedule leaves a couple of opportunities for a climate message event, and even a Lands Legacy release date just before the SOTU IF we want to postpone it from next week and if we want to advance it prior to the SOTU. No obvious slot for international forestry.



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Friday, January 7, 2000

The Detroit News

◀ **INDEX** ▶

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▶ [News Talk](#)
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[Lottery](#)
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[Metro/State](#)
▶ [Livingston](#)
▶ [Macomb](#)
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[Obituaries](#)
▶ [Death Notices](#)
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[Technology](#)
[Voices](#)

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[Sports Front](#)
▶ [Lions](#)
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▶ [Tigers](#)
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▶ [U-M](#)
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DaimlerChrysler quits global warming unit

But automaker plans to speak for itself in continued opposition to Kyoto Protocol

By David Mastio / Detroit News Washington Bureau

WASHINGTON -- DaimlerChrysler AG on Thursday withdrew from the Global Climate Coalition, a business group fighting an international global warming treaty. Ford Motor Co. had resigned last month.

The decision is a major blow to the powerful industry lobby for oil, auto and mining companies, which has seen two major oil companies leave the coalition in recent years as well.

The group's primary goal has been to oppose the Kyoto Protocol intended to stop global warming. The companies believe the protocol would have a devastating effect on the American economy without solving the global warming problem.

"We are at a stage in the climate change debate where we prefer to either speak for ourselves on this issue, or pursue a dialogue on the subject through broader-based business organizations," James Holden, president of DaimlerChrysler's U.S. operations, said in a letter to the group. The company had no additional comment.

Coalition executives said the move was expected and that DaimlerChrysler would continue to oppose the global warming treaty. "We figured Chrysler would have left right after the merger, since the political culture in Germany is so different," said Glenn Kelly, executive director of the coalition, who confirmed the company's decision to leave.

On Thursday morning, DaimlerChrysler Washington representatives began calling Michigan congressional offices to assure them the company would continue to oppose the climate treaty. "It's a disappointment when those with the most to lose decide to go another way," said Paul Welday, chief of staff to U.S. Rep. Joseph Knollenberg, R-Bloomfield Hills.

But environmentalists were ecstatic. "This is great news," said Dan Becker, director of global warming and energy programs for the Sierra Club. "It's the middle of a stampede to the door that will sound the death knell of this very anti-environmental organization."



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Front Page**News**

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Groups come together to fight global warming

Wednesday, January 5, 2000

The Associated Press

CONCORD, N.H. - Environmental organizations concerned about global warming came together Tuesday to warn that it's bad news for the state when the grass is greener in January than in August.

"We need to have some sense of urgency here and deal with it," said Steve Cochran, policy director for the Washington-based Environmental Defense Fund.

The groups, which include New Hampshire Citizens Alliance, the Appalachian Mountain Club and the Sierra Club, urged businesses and individuals to voluntarily reduce emissions of carbon dioxide and other greenhouse gasses by 10 percent.

They suggest using natural gas instead of oil and replacing old appliances with more efficient new ones. They also say people could save money on heating if they would build their homes facing the sun's southerly position in the winter.

Ken Colburn, director of air resources at the state Department of Environmental Services, said global warming is threatening New Hampshire's ski and tourism industries. He also said poor air quality causes 100 premature deaths in the state every year.

Other groups, including the state's Council of Churches and the League of Women Voters, have endorsed the efforts.

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First Night Concord, N.H.

own consulting firm, did not return phone calls, but the regulatory work continues.

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The Top Lobbying Firms

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Jan. 1 to June 30, 1999	Fees (in Millions)
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2. Patton Boggs	8.8
3. Verner, Lipfert, Bernhard, McPherson and Hand	7.3
4. Preston Gates Ellis & Rouvelas Meeds	6.7
5. Akin, Gump, Strauss, Hauer & Feld	6.3
6. PricewaterhouseCoopers	4.9
7. Hogan & Hartson	4.5
8. Williams & Jensen	4.3
9. Van Scoyoc Associates Inc.	4.0
10. Washington Counsel	3.8

LANGUAGE: ENGLISH

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8 of 32 DOCUMENTS

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The Christian Science Monitor

November 12, 1999, Friday

SECTION: USA; Pg. 1

LENGTH: 997 words

HEADLINE: For Bush, 'green' is a subtle hue

BYLINE: Scott Baldauf, Staff writer of The Christian Science Monitor

DATELINE: AUSTIN, TEXAS

HIGHLIGHT:

His environmental record has its roots in Texas's longstanding pro-business ethic.

BODY:

In an ordinary year, the news that Houston has become this year's US Smog Capital would merit just a few headlines - and perhaps a ticker-tape parade in Los Angeles, the usual titleholder.

But this is the year of presidential campaigns, and presiding over the dirtiest

air in the country could become a black mark for front-runner Texas Gov. George W. Bush.

While supporters and critics spar over whether Governor Bush's preference for corporate "self-regulation" has been good or bad for the air, it's clear that his overall environmental record is steeped in a certain Texan tradition - one that says more about Lone Star attitudes toward jobs and commerce than it does about the ideology of one man.

"There's a strong antigovernment sentiment in general, and when you're talking about environmental regulation, you're talking about government," says Bruce Buchanan, a political scientist at the University of Texas at Austin. "Although we've had Democratic governors, you'd have to say they were of a piece with the conservative center of Texas politics."

On paper, Bush's environmental record does not look especially strong. After measuring higher than usual levels of ozone, nitrogen oxide, and sulfur dioxide in Houston, federal authorities declared the city's air-pollution problem "severe" and bumped up Dallas's designation from "moderate" to "serious." To avoid losing federal highway funding, Dallas and Houston must come up with a plan to reduce pollution by a staggering 88 percent and 90 percent, respectively.

In his defense, Bush typically points out that the state has already reduced air pollution by 10 percent since 1994 and cut toxic pollution by 14 percent since 1995 - even though many of these reductions were enacted by Bush's Democratic predecessor, Ann Richards.

But the achievement that Bush considers the cornerstone of his environmental philosophy is a voluntary program that encourages polluters to find their own path to reducing emissions, without the help of state regulators.

Under this law, hundreds of oil refineries, electric utilities, and chemical plants are required to reduce toxic emissions, but they get flexibility in figuring out how to reach this goal. So far, companies holding about 15 percent of the 760 so-called "grandfathered" plants have signed up for this voluntary program.

"I believe we are doing things right in our state," said Bush, in a recent campaign speech in Dallas. "We have high standards, but we are also proving that government and citizens and business need not be enemies in the work of safeguarding our environment."

Two kinds of business contributions

For many critics, Bush's environmental record shows an all-too-cozy relationship with Texas industries, many of which have become Bush's top campaign contributors. According to ~~government and internal corporate documents obtained by environmentalists~~, Bush invited some of the state's biggest polluters - including Exxon and Marathon Oil Co. - to write the voluntary emissions-reduction legislation. By some counts, Bush's campaign has since then racked up \$ 2.5 million in contributions from affected industries.

"There's a pretty solid record showing acts by Governor Bush that made it harder

for the state to reduce emissions," says Peter Altman, director of the Austin-based Sustainable Energy and Economic Development Coalition, which obtained the documents. Bush's voluntary compliance plan has allowed industry to write the rules and stall for time, he adds.

That said, some environmentalists say Bush's pro-business approach is par for the course for most Texas governors, Democratic or Republican. Former Governor Richards, the tart-tongued darling of liberals, was also aggressive in attracting business to Texas, occasionally to the dismay of environmentalists.

It was Richards, after all, who approved the controversial plan to reprocess flammable napalm at a Houston-area plant; to dump New York City sewage in Hudspeth County in west Texas; and to dump nuclear-waste products from Vermont and Maine in an underground Hudspeth County facility. Bush eventually stopped the nuclear-waste project.

Environmental appointees

Some critics say the pro-business climate is present in the very state agencies that regulate industry. All three of Bush's appointees to the Texas Natural Resource Conservation Commission, which regulates industrial emissions and water quality, come from the oil and petrochemical industry. TNRCC commissioner Ralph Marquez, for example, is a former executive from the Monsanto Corp.

Houston-area environmentalist LaNell Anderson says she gets frustrated that local voters seem more interested in protecting jobs than in protecting the environment. But ultimately, she blames city and state leaders, Democratic and Republican, for not taking a tougher stance with industrial polluters. "We're the unwilling participants in a big laboratory," says Mrs. Anderson, who blames pollution for the premature death of her father, mother, and an infant granddaughter in the industrial suburb of Channelview.

Brandt Mannchen, an outspoken Houston air-quality inspector, says regulators need to "start the sanctions clock against Houston" to get industry to start complying with the Clean Air Act. "Houston is supposed to be a 'can-do city,' but when it comes to smog and nitrogen oxide, we say, 'Oh, we can't stop that.'"

But the pro-business stance that works in Texas may not go over well on the national political stage. "I was surprised that [Bush's advisers] didn't have him take a more aggressive stance on the environment" during the last legislative session, says Richard Murray, a political scientist at the University of Houston. "Just remember what Bush's father did to Mike Dukakis with the Boston Harbor."

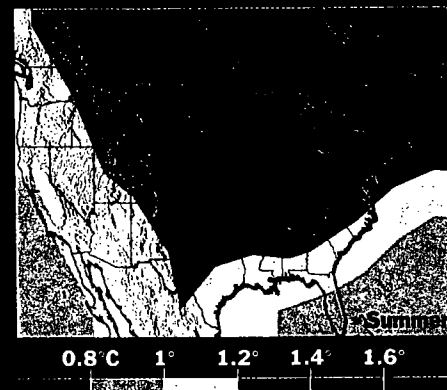
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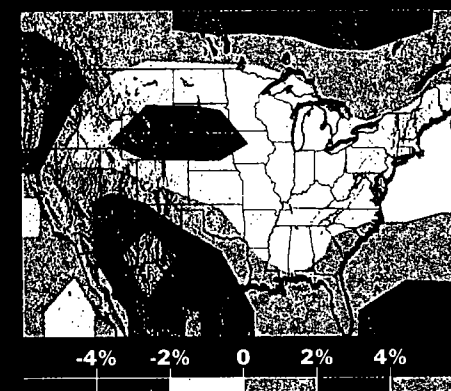
LOAD-DATE: November 11, 1999

IT'S HOT, AND GETTING HOTTER

What will summers be like in 2040? No one can say for sure, of course, but using the crystal ball of modern computer modeling, climatologists have produced this map showing how mean temperatures will rise in much of the Northern Hemisphere. In such northern-tier states as Minnesota and Maine, it will be noticeably hotter; even Canadians will feel the heat.



IT'S RAINY, AND GETTING DRIER



As any good weather forecaster knows, even tomorrow's showers are hard to predict. But that hasn't kept climate modelers from making some admittedly rough estimates of rainfall patterns in the summer of 2040. Their map shows less rain in the upper plains, California and the Midwest, but wetter summers in the Southwest and the already moist Northwest.

Source: Pew Center's *The Science of Climate Change* by Tom M. L. Wigley

ENVIRONMENT

CAPITOL HILL MELT

While the nation sizzles, Congress fiddles over measures to slow down

By **DICK THOMPSON** WASHINGTON

JAY GILBO, 21, MAY HAVE THE HOTTEST job on Capitol Hill. Each workday he puts on two suits, one over the other, both made of materials that seal out dust but trap heat. Then he wraps his wrists and ankles, pulls a rubber respirator over his head and climbs more than 200 ft. into the narrow space between the Capitol's inner and outer domes. Gilbo, who lives in Georgetown, Mass., is part of a 10-man crew removing poisonous lead paint from cast-iron walls in temperatures that regularly soar above 100°F. "It's a pretty hostile environment," says Gilbo, who says he

sweats off 4 lbs. during every 12-hour shift.

Millions of Americans last week knew the feeling; sauna-like conditions have gripped much of the country, from the East Coast to the Rockies. The sweltering heat has left at least 100 people dead since mid-July, mostly in the Midwest. Drought emergencies were declared in scores of counties, from Montana to Maryland. Roads buckled under a blazing sun. Crops shriveled after weeks without rain. And with air conditioners and fans at full tilt, utilities strained to meet electrical demand.

But for all the heat Gilbo and his fellow citizens were experiencing, the legislators working under those sizzling domes seemed remarkably cool—not just about

the weather outside but also about what it might portend. While a single heat wave doesn't make a worldwide meltdown (see *following story*), a great many scientists believe that by continuing to pump greenhouse gases into the atmosphere, humans are forcing drastic climate changes. Yet Congress seems determinedly indifferent. As the lawmakers prepare for their summer adjournment, legislative efforts to slow that warming by reducing greenhouse emissions have all but ground to a halt. Withering too, like so many cornstalks, are other major pro-environmental bills: increased funding for research on energy sources other than fossil fuels; incentives to encourage industries to cut emis-

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sions; efforts to clean up power plants; and measures to raise fuel-efficiency standards for gas-slurping suvs, vans and light trucks. Just about the only measure likely to pass is, of all things, an order requiring the Environmental Protection Agency to give equal time to dissenting views whenever it conducts educational programs on climate. Congress, says Environmental Defense Fund lobbyist Steve Cochran, has become "completely dysfunctional" on global warming. It is a case of dysfunction that has drawn scant public attention. Instead of putting together a large single proposal, Congress has been nibbling at the global-warming issue piecemeal, with opponents throwing up obstacles at almost every turn

in the form of directives and riders tacked on to major spending bills so they slip through the legislative process virtually unnoticed. This tactic has environmentalists, no slouches at publicity themselves, crying foul. "A lot of these [proposals] could never be moved in the light of day," says Greg Wetstone, a congressional watchdog for the Natural Resources Defense Council.

One example of congressional road-blocking involves attempts to raise fuel-efficiency standards for popular sport-utility vehicles and vans, which have long had a free ride by being classified as light trucks. For the past four years, opponents have annually attached a rider to the Department of Transportation's budget prohibiting the DOT from raising the standards to equal those for ordinary cars—a move environmentalists say would save 1 million bbl. of oil a day. Backers of the rider argue that they are protecting auto-industry jobs and giving consumers the vehicles they want, but now they are running into stronger opposition. Next week the Senate may consider a complicated parliamentary move proposed by three Senators—one Re-

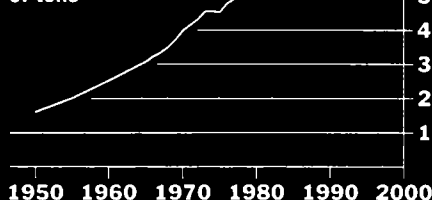
publican, Slade Gorton of Washington, and two Democrats, Dianne Feinstein of California and Richard Bryan of Nevada—that could finally overturn the rider, though at last count they were still three votes shy.

While Congress remains bitterly divided along party lines on other issues, opposition to climate-change initiatives has surprisingly broad support on both sides of the aisle. Some lawmakers dismiss worries about global warming as little more than "liberal claptrap," as California Republican Representative Dana Rohrabacher puts it. Others interpret the climate moves as a sly attempt by the Administration to enact by bits and pieces what the Senate declared it would not do when it voted 95-0 to oppose the Kyoto treaty, an international pact to reduce greenhouse-gas emissions that is strongly supported by Vice President Al Gore. Moreover, some politicians fall back on the uncertainty argument, asserting that the enactment of costly preventive measures now, before all the evidence is in, would invite economic disaster. Still others use the debate as an opportunity to portray Democratic presidential contender Gore,

GLOBAL WARMING: HOW IT WORKS, AND WHAT CONGRESS IS DOING

MORE GREENHOUSE GAS ...

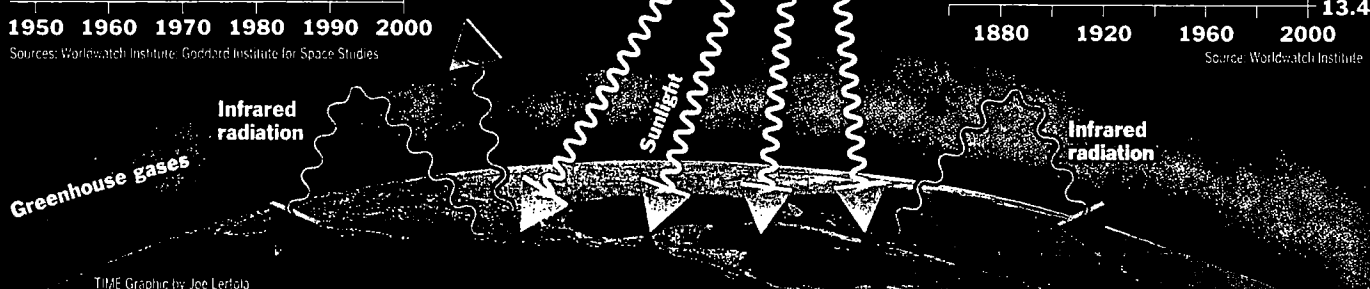
World carbon emissions from fossil-fuel burning in billions of tons



Sources: Worldwatch Institute, Goddard Institute for Space Studies

... TRAPS MORE HEAT ...

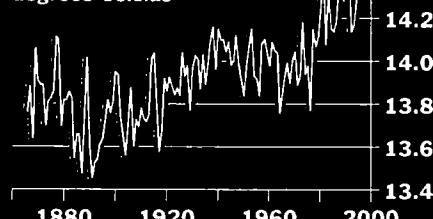
The sun's rays pass through the atmosphere, heating the earth's surface. The earth radiates the heat as infrared rays. Some escapes to space, but the rest is trapped by carbon dioxide and other gases in the atmosphere



TIME Graphics by Joe Lertola

... MAKING IT HOTTER

Average temperature at the earth's surface in degrees Celsius



Source: Worldwatch Institute

author of the environmental tract *Earth in the Balance* and the U.S. representative at Kyoto, as an environmental extremist.

The White House admits it has no grand strategy for pushing its climate-change initiatives on Capitol Hill, other than to wait for the evolving science and climbing temperatures to overwhelm the critics. Instead the Administration is concentrating on energy efficiency, which President Clinton calls a "win-win" approach, arguing that it is a win for the environment as well as the economy. But it also

has political drawbacks—offending such traditional Democratic constituencies as the miners who could lose their jobs if the demand for coal drops, and rallying the opposition of powerful industries like oil and the utilities, which would face traumatic changes by a switch away from fossil fuels.

As for the presidential candidates, they range from naysayers to true believers on global warming. Is it really happening? Undoubtedly, said Gore, his party's top contender, when *TIME* questioned the major candidates. He added, "There is

overwhelming scientific consensus that human activity is contributing to global warming." Former New Jersey Senator Bill Bradley, another Democratic hopeful, acknowledged that it was a "serious threat." But the G.O.P. candidates sounded less certain. Texas Governor George W. Bush, his party's front runner, and Elizabeth Dole both agreed that the earth is getting warmer but professed to be agnostic about the cause, saying only that the question should be taken "seriously." Steve Forbes, for his part, had no doubts: "I

THE CASE FOR A SHIFTING CLIMATE IS HEATING UP

FOR WELL IN EXCESS OF A thousand years, Peru's Quelccaya ice cap has sparkled like a trillion-carat diamond. But satellites reveal that a flaw has appeared on its frozen face. That, Ohio State University glaciologist Lonnie Thompson believes, signifies the incipient birth of an Andean lake, meaning that the ice may be melting faster than he had feared. During the past two decades, Thompson has watched Quelccaya's surface shrink nearly a fifth. Now that the pace appears to be accelerating, he says wor-

riedly, "it could be completely gone in another 20 years."

Is the earth warming? Few questions have provoked more noisy wrangling or more impassioned debate—or, during hot spells and droughts like those now affecting large swaths of the U.S., more overblown rhetoric. In the verbal heat, all too often the scientific case for warming gets lost. While one side overstates the certainty of cataclysmic change, reading doom into every rise of temperature, the other categorically dismisses any threat. In fact, the science

is more finely nuanced—and more firmly grounded—than either side will concede.

For starters, it seems indisputable that the earth's mean temperature has advanced about 0.6°C (1°F) over the past 120 years. The question scientists continue to debate is why. One possibility is that the worldwide warming so far is due entirely to natural long-term shifts, like changes in the sun's luminosity. The other possibility is that the warming bears the fingerprints of greenhouse gases.

The problem, observes

British climatologist Phil Jones of the University of East Anglia, is that it's not a simple case of either-or. That's because purely natural swings of climate can operate in both directions, enhancing or masking the greenhouse effect. To complicate matters further, scientists expect the buildup of heat-trapping gases to manifest itself in ways that mimic the natural variability of climate. Some places, in other words, may even grow colder.

Take, for example, the large-scale atmospheric feature known as the North Atlantic Oscillation, whose swings of pressure strongly affect the weather of northern

Economic Impact of the Kyoto Protocol

June 9, 1998

1. ***The WEFA study was funded by the Global Climate Coalition, a corporate group of fossil fuel and other interests that is leading the opposition to taking responsible action on global climate change.***
2. ***The model used to derive the WEFA numbers is flawed. It omits all the flexibility mechanisms included in the Kyoto Protocol and the Administration's policies.***
 - ***The WEFA analysis omits international emissions trading. This study assumes that no countries undertake emissions trading, even though the right to trade is explicitly stated in the Kyoto agreement. International trading among industrialized countries could reduce costs of emissions by half.***
 - ***The WEFA study does not include developing country participation in emissions reduction. This study assumes developing countries do nothing to reduce greenhouse gas emissions. However, the Kyoto Protocol establishes the Clean Development Mechanism, and even if developing nations only participate in this mechanism the costs to the United States could be 20 to 25% lower. If key developing countries participate more fully, for example by taking on emissions targets and undertake emissions trading, the costs to the United States could be reduced even more.***
 - ***The WEFA study does not account for six categories of greenhouse gases. This study assumes that emissions reductions would occur only through carbon dioxide reductions, even though all six major greenhouse gases are covered by the Protocol. Since the Kyoto agreement requires countries to reduce emissions to specific targets, on average across all kinds of greenhouse gases, the flexibility is available to reduce emissions of some gases more than others if it is cost-effective. Allowing for trading across gases could lower costs by about 10%.***
 - ***The WEFA analysis omits carbon sinks. This study assumes that no carbon sink opportunities for absorbing greenhouse gas emissions are available, even though the Kyoto agreement explicitly includes forestry activities. Low-cost carbon sink options provide another opportunity to achieve emissions targets at a modest cost.***

By ignoring these flexibility mechanisms, this analysis fails to assess accurately the Kyoto Protocol as well as the Administration's efforts to reduce greenhouse gas emissions. The Administration has always said that reducing emissions can be done smart or dumb. By failing to account for these flexibility mechanisms, the WEFA analysis illustrates the costs of doing it dumb. The Administration believes that by including market mechanisms it can be done smart.

The costs of meeting the challenge of climate change will be modest. The Administration is working to ensure that greenhouse gas emissions that contribute to global warming are reduced in common sense, cost-effective ways. The Administration believes that with effective market mechanisms -- international emissions permit trading, the Clean Development Mechanism joint implementation, timing flexibility during the commitment period, opportunities to trade across greenhouse gases, and carbon sinks -- as well as with meaningful developing country participation and flexible timetables, the economic cost to the United States of meeting the Kyoto targets will be modest.

WEDNESDAY FEBRUARY 10, 1999

THE JOURNAL OF COMMERCE

OPINION

The high cost of distorted modeling

BY JAMES P. BARRETT

In 1978, when Ohio, the home of Procter & Gamble, was on the verge of becoming the last state to ban polluting phosphates from detergents, a "detergent specialist" from the company pleaded to the media that reformulating laundry cleansers would cause washing machines to break down and people's clothes to scratch them.

Economic arguments by industry against environmental protection have come a long way since then. No more scary appeals to housewives. Nowadays we have complicated computer models purporting to show widespread economic devastation.

But the level of believability hasn't changed — it's just been obscured.

One of the most egregious examples of this occurs in the debate over global warming. In December 1997, most of the world's nations met in Kyoto, Japan, and agreed on a protocol to begin slowing the human contribution to the accumulation of gases — generated primarily through the burning of fossil fuels — that a consensus of reputable scientists believe is raising the Earth's temperature.

A series of efforts to use computer models to predict the impacts of this agreement on the U.S. economy soon followed. One, by Wharton Econometrics Forecasting Associates, WEAFA, has the distinction of projecting some of the highest costs of complying with the Kyoto Protocol.

The WEAFA study predicted a 3.2% decline in gross domestic product with a corresponding loss of 2.4 million jobs by 2010. Unfortunately, although the study has been widely cited in the media and the halls of Congress, those costs present a totally unrealistic estimate of the economic effects of meeting the goals set in Kyoto.

In order to generate its dire forecasts, Wharton Econometrics first completed a baseline run of their model to see what the economy would look like in the absence of any policies to reduce carbon dioxide and equivalent forms of global warming pollution (usually referred to simply as "carbon").

Then the firm ran the model with compliance policies plugged in, to show predicted impacts. The results of the second simulation, which appeared in foretell eco-

nomie hardship, relied on three critical assumptions, each of which is extremely dubious.

The first assumption concerns renewable energy.

As fossil fuel prices rise, renewable sources will play an increasingly important role in generating electricity. The rate at which this response happens will affect

This appears even more dubious when one realizes the nation has almost a decade to prepare for the final goals of the Kyoto Protocol, instead of being surprised by an OPEC-generated oil price shock.

Finally, the WEAFA model assumes that virtually no sensible policies will be used to implement the Kyoto Protocol.

This is actually a series of assumptions, whereby the model leaves out the beneficial effects of international trading of carbon permits, joint ventures with developing countries and the fostering of carbon "sinks" such as forests.

Naturally, this puts the economic model in a roadblock, cutting off viable avenues that would significantly lower the costs of reducing carbon emissions.

Replacing WEAFA's assumptions with conservative but more reasonable estimates can reduce the projected loss of GDP to almost zero for the target year of 2010.

Certainly, any macroeconomic policy change will cause disruption in specific sectors, even if the overall effort is positive. Such problems must receive individual attention but are insufficient reasons for rejecting sound initiatives, or else we would still be driving bargies instead of cars.

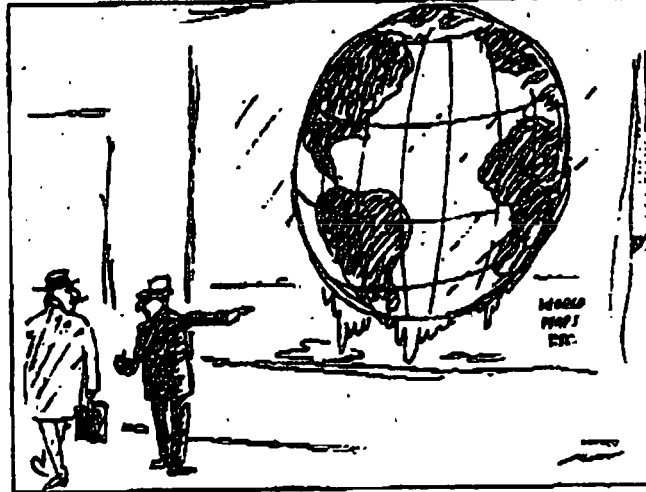
Furthermore, although a loss of even 1% of GDP is not trivial, it would occur in the context of doubling the GDP over 30 years.

Americans stand to gain much from enhanced energy efficiency and increased supply of non-polluting, renewable energy sources. Such developments will cut global warming pollution, reduce dependency on imported oil and improve our balance of trade, and will likely create little negative — or perhaps even a positive — impact on the economy.

Unfortunately, the WEAFA study and others like it only serve to cloud the debate over a crucial issue.

If we fail to solve the problem of global warming because of misplaced economic concerns, we may find ourselves paying a much higher price later on.

James P. Barrett is an economist with the Economic Policy Institute in Washington, D.C. This article was distributed by Scripps Howard News Service.



how much electricity the economy can consume while still meeting carbon-reduction goals.

WEAFA's model assumes a response rate 27% lower than actual historical experience, shows during energy price increases from 1973 to 1985.

The WEAFA study on the costs of complying with measures against global warming only serves to cloud the debate over a crucial issue.

The next factor models how fast energy efficiency would improve in response to increasing fossil-fuel prices.

As energy becomes more expensive, industry and consumers find ways to, in effect, go farther on the same tank of gas. But for Wharton Econometrics' gloomy economic scenario to hold true, this "delivered energy efficiency" would have to respond 43% slower than it did between 1973 and 1985.

To: OES/EGC - J. Miotke - 70191
 EB - V Greenfield - 75713
 E - Anna Perce - 79763

From MARIE MERIDA

To: Martha W.
 Fr. Joe A.

January 5, 2000

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

CC: GENE SPERLING
BRUCE REED
NEAL LANE

FROM: GEORGE FRAMPTON
ROGER BALLENTINE

RE: Proposed Climate Change Rollout

We believe that one of the remaining message opportunities between now and the rollout of our budget should be on climate change. In addition to the fact that this is a top priority issue for the President, it is an issue that is gaining increasing public and media attention, exacerbated by the record warm December. As pre-budget events help shape the President's priorities for his last year in office, the environment in general, and climate change in particular, merits such top-tier attention.

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

A rollout event could be combined with a number of other pieces, including a release of new weather/climate impact data (due out this month); an annual report from the nation's weather forecasters; or our new International Rainforest Initiative (preserving forests is a major piece of the fight against global warming). Ideas for an event outside the White House include touring a 500-worker solar technology company plant in Maryland (visuals with large solar panels/products) than exports 2/3rds of its products through the port of Baltimore to the developing world, thus creating jobs and protecting the environment.

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

January 5, 2000

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

December 9, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GEORGE T. FRAMPTON, JR.
 ROGER BALLENTINE

SUBJECT: PROPOSED STATE OF THE UNION INITIATIVES

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

CLEAN ENERGY FOR THE 21ST CENTURY

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

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

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

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

Specific initiatives include:

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

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

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

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

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

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

To those ends, you would propose major legislation to mandate reductions in conventional pollutants and – for the first time – greenhouse gas emissions. These reductions would be achieved by setting caps to be phased in over 15 years – while easing permitting requirements that might deter plant modernizations – and by allowing market-based emissions trading. In addition, you would propose incentives for early

action by utilities, in the form of a special class of tax-exempt “private activity bonds” to finance qualified clean energy investments.

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

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

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

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

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

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

A PERMANENT LANDS LEGACY

Action: You would again call on Congress to approve \$1 billion a year in permanent land conservation funding; announce new protections for selected federal lands; announce that you will conduct a Lands Legacy tour highlighting recent and new actions to protect natural

treasures; and set a goal of expanding the national wildlife refuge system to 100 million acres by 2003, the system's 100th anniversary.

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

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

Other initiatives include:

New Land Protections – Details are not yet available, but there may be opportunities to extend new protections to selected federal lands by executive action. Such lands would have natural, historic, or cultural values of national significance. Depending on the sites and the process employed, you would announce protections effective immediately or declare your intent to take such action within a certain time period (30-90 days).

Lands Legacy Tour – You would announce plans to visit some of the natural treasures the Administration has protected, and possibly sites where new protections will be announced. The tour – or the first in a series of trips – could be scheduled for the week leading up to Earth Day. Possibilities include opening Headwaters Forest to the public, completing acquisition of Baca Ranch, visiting a site along the Lewis and Clark trail, inspecting some of the places proposed for executive designation, dedicating an addition to Pelican Island National Wildlife Refuge in Florida (the nation's first refuge, established by Theodore Roosevelt), dedicating an addition to a Civil War battlefield, and announcing our draft roadless protection rule at a national forest.

Expanding Wildlife Refuges – You would set a goal of expanding the wildlife refuge system to 100 million acres by [2003], the system's 100th anniversary. The refuge system, established by Theodore Roosevelt, is the world's oldest and largest network of lands dedicated to protecting wildlife, with 93 million acres in all 50 states. A goal of 100 million acres would be an important milestone for the Lands Legacy initiative.

Cost: \$1.35 billion in FY 2001.

GREENING THE GLOBE

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

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

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

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

This initiative includes:

Global Forest Fund – You would propose \$100 million in FY 2001 for programs at USAID that forge partnerships with conservation organizations and developing countries to promote conservation-based development. Funds would support training and technical assistance in areas such as conservation planning, watershed improvement and reforestation, and would be targeted to regions where deforestation poses the greatest threat of biodiversity loss. Partnership agreements would be structured in a way to leverage significant private funding for these efforts. (Members of the public could be offered an opportunity to contribute directly to this fund through a check-off box on federal tax returns.)

Debt-for-Nature – You would propose \$50 million in FY 2001 to implement the Tropical Forest Conservation Act, which authorizes the reduction of debt to the United States in exchange for forest protection efforts. You requested \$50 million for this program in FY 2000 but Congress appropriated only \$13 million.

Eliminating Forestry Subsidies – You would propose multilateral negotiations, perhaps in the new WTO Round, to phase out subsidies that promote overlogging. This

complements our position at the WTO Ministerial, where USTR and CEQ declared our opposition to proposals on non-tariff measures that would undermine legitimate efforts to protect a country's forest resources.

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

Cost: \$150 million in FY 2001.

CLEAN WATERS ACROSS AMERICA

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

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

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

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

In recent years, your budgets have proposed reductions for the Clean Water State Revolving Funds that finance wastewater improvement on the assumption that the funds were approaching full capitalization at an adequate level. But recent surveys of wastewater infrastructure needs undercut that assumption, and mayors, governors and construction trade unions are pressing for increased funding. This year, Congress appropriated \$550 million more than you requested.

Future increases could meet these wastewater needs while also providing resources to address polluted runoff and critical regional issues.

This initiative includes:

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

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

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

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

Cost: \$15 billion over 10 years.

January 4, 2000

SCHEDULING PROPOSAL

_____ Accept _____ Regret _____ Pending

TO: Stephanie Streett
Assistant to the President and
Director of Presidential Scheduling

REQUESTED BY: Neal Lane
Assistant to the President for Science and Technology
Roger Ballentine, Deputy Assistant to the President for
Environmental Initiatives

REQUEST: The President would deliver a major address on solutions to global warming—and the economic and employment benefits which can result. The likely venue is a solar manufacturing plant employing 400-600 people. The President would discuss recent scientific findings which indicate that worldwide temperatures are rising much faster than previously thought—and that real impacts will be felt in the lifetimes of our children. He would note that even worse impacts will occur if we do not take action soon. His main theme will be solution-focused: We now have the technology to create economic growth without increasing fossil fuel emissions. We can reduce the threat of global warming and grow the economy at the same time. But to do so we must make wise public and private investments. The President would unveil his FY 2001 budget proposal, “Clean Energy for the 21st Century.” A key new element of the proposal is his International Clean Energy Initiative, a program to increase development of energy efficient and clean energy technologies to improve the environment and help America gain more of the \$20 trillion worldwide market that will exist for energy technologies over the next two decades.

PURPOSE: To highlight the President’s climate change budget request. The speech would demonstrate the President’s foresight and decisiveness in taking action against global warming while

maintaining strong economic growth.

BACKGROUND: Much of the groundwork for the International Clean Energy Initiative was detailed in June report by the President's Council of Advisors on Science and Technology. The US is now exporting roughly \$6 billion in clean energy technology and investment but has a chance to capture the huge new export market now emerging. This initiative would help expand US markets share while assisting developing countries in reducing greenhouse gas emission.

DATE & TIME: TBD (suggested between Jan.17 and Feb.7)

DURATION: 45 minute speech, 15 minute plant tour, plus transit time.

LOCATION: First Choice; Solarex photovoltaic manufacturing facility in Frederick, MD. Owned by BP Amoco, this plant off I-270 employs 400 workers in the manufacture of PV panels, over 2/3 of which are exported abroad through the port of Baltimore. The plant management could arrange good worker turn out and there are very strong visuals including large solar panel displays which are in fact built into the plant.

Second Choice: Astro Power, Inc, in Newark, DE, also a solar manufacturing facility, employing 600 people. US-owned and publically traded, this corporation exports 80 percent of its products.

PARTICIPANTS:

REMARKS: The President would mention new data about the stunning rate of global temperature increase over the last 25 years. At the same time, the President would emphasize our ability to combat climate change through new energy efficient technologies which our new budget proposal supports.

PRESS

PARTICIPATION: Yes

STAFF CONTACT: Roger Ballentine, 6-1782, and
Rosina Bierbaum,
Associate Director for Environment,
Office of Science and Technology Policy, 6-6077

where do these exports go?

January 3, 2000

SCHEDULING PROPOSAL

_____ Accept _____ Regret _____ Pending

TO: Stephanie Street
Assistant to the President and
Director of Presidential Scheduling

REQUESTED BY: Neal Lane
Assistant to the President for Science and Technology
Roger Ballentine, Deputy Assistant to the President for Environmental
Initiatives

REQUEST: The President hosts a briefing on important advances in climate change science. A number of research results during the last year have provided compelling new evidence that climate change is well underway and is already affecting natural ecosystems around the world. The President would then announce his climate change budget request for FY 2001, including several new initiatives.

PURPOSE: This briefing would provide the President with the latest scientific information, and permit him to engage in a dialogue with leading researchers about the implications of these new findings for U.S. and international policy making. (Note that while the New York Times ran a front page story on these recent findings, virtually no other media outlets—include network television—picked up on them.) The budget announcement would draw attention to the Administration's climate change program as a serious, thoughtful and forward-looking response to the challenges posed by climate change generally and the recent scientific findings specifically.

BACKGROUND: I. Major areas of scientific findings to be highlighted.

- A. New data shows that global temperatures have been rising at .35 degrees Fahrenheit per decade since the mid-1970's. In other words, rapid increases in worldwide temperatures *are already occurring, and have been for more than 20 years*. We are now facing a global temperature rise of 3.5 degrees Fahrenheit or more during the current century.
- B. Discussion of possible impacts of large temperature increases, including: sea level rise, harsher weather extremes (droughts, storms), expansion of zones of tropical diseases, among others.

II . New Budget Initiatives to be Highlighted – “Clean Energy for the 21st Century

A. Domestic Clean Energy in the 21st Century – Bioenergy/Clean Power Plants

B. International Clean Energy Initiative

DATE & TIME: TBD (suggested between Jan.17 and Feb.18)

DURATION: 1 hour, additional time TBD depending on the President’s plans and scheduling needs.

LOCATION: East Room.

PARTICIPANTS: POTUS, Advisor to the President for Science and Technology, Dr. James Baker, NOAA Director, and other advisors. Scientists could include John Harte (University of California at Berkeley); Doug Martinson (Columbia University); Pam Matson (Stanford University); Jorge Sarmiento (Princeton University), Michael MacCracken (USGCRP); Michael Mann (University of Virginia), and Stephen Schneider (Stanford University) (This is an old list from Rosina—we will update).

REMARKS: The President would mention new data about the stunning rate of global temperature increase over the last 25 years. At the same time, the President would emphasize our ability to combat climate change through new energy efficient technologies which our new budget proposal supports.

PRESS PARTICIPATION: Yes

STAFF CONTACT: Roger Ballentine, 6-1782, and Rosina Bierbaum, Associate Director for Environment, Office of Science and Technology Policy, 6-6077

State of Union
"Opportunity
Package"

Themes should
fall into that.

Radio Address
Family Planning?
News everyday

"You guys need
an education thing
for to succeed, right?"

- "we should come
up with something"

"we have a cabinet
meeting. What are
we going to use
that for."

Can put this on
paper.

Feb 3rd

Prayer Breakfast

Science - Nat'l

JSSCL

1/11-17

ESTC

Jackson

19

Chavez? Congress - little
WTO

Radio 15-22
still open

1/21

* Seizing Tech

speech in
California -

No regret yet

Slates Open

24th and 25th

Public Speech

1/22

Los Vegas?

THE WHITE HOUSE

WASHINGTON

December 6, 1999

MEMORANDUM FOR JACK LEW

GENE SPERLING

SYLVIA MATTHEWS

CC:

JOHN PODESTA

GEORGE FRAMPTON

NEAL LANE

MARTIN BAILY

ELGIE HOLSTEIN

BOB KYLE

FROM:

ROGER BALLENTINE 

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

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

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

- Domestic: promote clean power through implementation of the President's 1999 Bioenergy Executive Order and through cleaner and more efficient power production (\$149 million);
- International: focus on cleaner energy markets in developing countries, drawing on the recommendations of the President's Committee of Advisers on Science and Technology (PCAST) in their June 1999 report to the President (\$183 million).

SUMMARY: PROPOSED FY2001 BUDGET

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

I. GLOBAL CLEAN ENERGY IN THE 21ST CENTURY

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

-- President Clinton. October 14, 1999.

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

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

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

Electric power alone is now responsible for one third of global greenhouse gas emissions, with the fastest growth coming from developing nations. "Business as usual" expansion of electric power supply in developing countries is estimated to triple their emissions of CO₂ over 1995 levels by 2020 – and lead to significant increases in local air pollution from sulfur oxides, nitrogen oxides and particulate matter.

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

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

A. Coordination of Existing Programs.

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

B. Additional Funding and New Export Promotion Programs.

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

1. Clean electric power generation and use technology demonstration and R&D. The new R&D and demonstration funding will focus on large grid power systems (advanced coal, nuclear, natural gas and wind/biomass), as well as distributed generation technologies, including renewable energy. Included also are demonstration projects that prove the reliability, feasibility and desirability of cleaner power production technologies, as well as design and production techniques that save energy. (*Requested FY2001 funding: \$93 million*).
2. Policy reform and capacity building. Policy reform and capacity building includes existing programs by DOE and USAID in key developing countries to “open markets” for cleaner energy infrastructure and create greater demand for low-carbon options. Examples of policy reform include efforts involving electric industry restructuring, specification reform in proposal requests, and elimination of fossil fuel subsidies. (*Requested FY2001 funding: \$33 million*).

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

C. Multilateral Clean Energy Trade Diplomacy.

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

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

II. **CLEAN ENERGY AT HOME IN THE 21ST CENTURY**

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

A. Bioenergy – Clean Fuel For The 21st Century

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

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

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

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

B. Clean Power Plants For The 21st Century

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

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

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

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

1. Clean Air Act Reinvention.

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

2. The Clean Air Bond.

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

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

Millions in Dollars

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

GLOBAL CLEAN ENERGY – SUMMARY TABLE

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

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

*NA—Not Applicable

**FY2000

***FY1999

December 12, 1999

MEMORANDUM FOR GEORGE FRAMPTON

CC: ROGER BALLENTINE, OSINA BIERBAUM, TOM KALIL, LINDA LANCE, RON MINSK, WESLEY WARREN

FROM: DAVID GARDINER
JEFF SEABRIGHT

RE: CLEAN ENERGY/CLIMATE – FY2001/SOTU

This memo elaborates on the memo Roger sent to John Podesta earlier this week, and gives you the information you need to effectively advocate for climate funding in the context of discussions that you may have with other senior White House officials regarding the budget and State of the Union. In addition, we recommend that we brief you on the international clean energy initiative.

FOR NON-NEW INITIATIVE FUNDING: It is imperative that we maintain our funding commitment to goals and initiatives that the President has already announced. While we are waiting for the resolution of funding levels in the agency appeals process, we know that we will have two key goals:

- **Climate Change Technology Initiative:** Overall CCTI funding should not go below the levels of our FY2000 request or those set by the President in our 5-yr plan; anything less would be criticized as a retreat. *Passback is \$18 million below the 5 year plan level of 1.366 billion for FY2001. Specifically, DOE's Solar/Renewable Energy programs were cut \$17 million from the levels expected in the President's five year CCTI plan, while USDA's research at NRCS into sequestration of carbon in soils was cut \$5 million.* Solar programs are extremely popular with the public, and the sequestration work is important to establish the scientific underpinnings for including soils in the Kyoto Protocol and to build support for climate change in the agricultural community.

Also, our *Clean Air Partnership Fund* request needs to stay at least \$100 million – the level called for in passback. This was a SOTU announcement last year when we requested \$200 million. Congress gave us zero, but backing down below \$100 million would look bad. It has substantial backing from states and local governments.

- **Bio-Energy:** We must fully fund the Bio-Energy Initiative. Passback actually cut the 2001 base request from DOE – even as they are seeking over-target additional funding of \$128 million to implement the Executive Order announced by the President last August. The President called for tripling use of bioenergy and bio-based products by 2010 – equal to taking more than 70 million cars off the road. We need to put resources behind this commitment which marries farm interests, economic growth and environmental protection and enjoys bipartisan support, especially in the Senate. *DOE and USDA base request for FY2001 is \$242 million, and they propose an "over target" increase in funding of \$128*

million. DOE would receive \$53 million and USDA \$75 million. To meet the goal, we must reduce the costs of converting sustainable raw materials – crops, trees, and biological wastes – into fuels, electric power, chemicals, and building materials and consumer goods. The funds will be used for research and development, demonstration and commercialization.

FOR NEW INITIATIVE FUNDING: We need to lay claim to funding (beyond that settled out in the agency appeals) out of the “new initiative pot”. The request for an additional \$332 million for the “Clean Energy for the 21st Century Initiative” is described in Roger Ballentine’s memo of December 6 to Jack Lew. Of the \$332 million, \$128 million is for bioenergy. *We need to make it clear that the bio-energy funding is in fulfillment of an existing commitment/initiative and should not compete for the new initiative funding.* The new components (as distinct from fulfilling the President’s commitment on bio-energy) are:

- Jobs:
high wage
high income*
- **International Clean Energy Initiative:** *(Export)* We have crafted a bold new initiative to reflect the President’s repeated pronouncements about growing developing economies, reducing emissions, and promoting U.S. business. This international clean energy initiative builds on the recent report of the President’s Committee of Advisers on Science and Technology (PCAST) led by John Holdren. It is not a “Kyoto” proposal, nor exclusively a climate initiative. Targeted at the electric power sector, our “Clean Energy for the 21st Century” Initiative has a strong jobs/exports/environment message. PCAST recommended to the President an additional \$250 million in FY2001; we request \$183 in three categories:

1. *Research, development and demonstration* programs at DOE and AID. Programs will focus on large grid power systems (advanced coal, nuclear, natural gas and wind/biomass), and distributed generation, including fuels cells and solar. *Requested funding: \$93 million.*
2. Creating more effective demand for clean energy choices through *policy reform and capacity building* programs at DOE and AID. Examples of policy reform include electricity restructuring, regulatory reform and elimination of fossil fuels subsidies. *Requested funding: \$33 million.*
3. Expanded *trade promotion and finance* at Commerce, TDA, EXIM, and OPIC. To enable US technology exporters to compete for and win clean power projects, we propose boosting TDA’s funding for feasibility studies, EXIM’s financial risk insurance programs, and OPIC’s political risk insurance programs. *Requested funding: \$57 million.*

These funds would build on existing successes in programs that are today poorly funded. A more detailed description of this request is attached at TAB A. Note: program requests for AID, TDA, EXIM, and OPIC are in Bob Kyle’s PAD at OMB, while the Commerce funds are in Michael Deich’s PAD.

- **Tax expenditures.** As part of a legislative initiative to “reinvent” the Clean Air Act in order to clean up power plants, we are seeking a *Clean Air Bond* – an added incentive for action for utilities in the form of a special class of tax-exempt “private activity bonds” to finance

qualified clean energy investments. *Costs in FY2001 are expected to be \$21 million.* In addition, overall tax expenditures for the CCTI must not be below the \$3.6 billion five-year total called for in the President's climate change plan. We are working with Treasury on all these items.

YOU WILL NEED THE ATTACHMENTS BELOW TO MAKE THE CASE FOR OUR PRIORITIES. PODESTA, LEW, MATHEWS ET AL. HAVE ASKED FOR A RHETORICAL ARGUMENT FOR NEW INITIATIVES AS WELL AS SPECIFICS ABOUT WHAT THEY ACHEIEVE

TAB A

Global Clean Energy in the 21st Century

Why launch an International Clean Energy Initiative?

- Energy use by developing countries is expected to double from 1990 to 2020, passing OECD countries -- and quadruple by 2050, accounting for three-fourths of the increase in global energy use.
- As a result of this rapid growth, developing country greenhouse gas emissions will overtake OECD emissions by 2020; "meaningful participation" by developing countries in addressing this global threat is essential.
- Developing country energy technology markets will total \$4 to \$5 trillion over the next 20 years; survival of key parts of the U.S. energy technology industry depends on access to these markets.
- Polluting industry, transport, and energy supply infrastructure built in developing countries today will remain in place through much of the next century; the time to act is now.

What will the International Clean Energy Initiative do?

- Build the technical and policy foundation for a clean energy future to enable developing countries to leapfrog past the polluting fossil energy technologies used by the industrial countries.
- Double U.S. clean energy technology exports by 2005.
- Cut energy use in new buildings and appliances in half, reducing carbon emissions by as much as 250 million metric tonnes per year by 2020.
- Guide the reduction of methane emissions from pipelines and coal mines, stopping the equivalent of 330 million metric tonnes of carbon emissions over the period 2000-2015.
- Develop and demonstrate renewable energy technologies that can cost-effectively provide the full range of electricity services to the 2 billion people worldwide that do not now have access to electricity.

How can we achieve this?

- Place U.S. experts in key posts in developing countries to provide technical and policy assistance on energy sector restructuring, the development of competitive markets, and clean energy technology.

- Conduct collaborative R&D with key foreign research groups to accelerate advanced coal technology development .
- Develop and demonstrate integrated renewable energy. Link these pilot projects to large-scale in-country or multilateral development bank deployment programs.
- Expand U.S. project feasibility studies, strengthen market-based financing, and provide trade a range of trade supports to expand clean energy technology exports.

Can these investments be effective?

Examples of past experience demonstrate the impact these activities can have – and need for more resources.

Brazil

- *What we are doing now:* USAID, DOE and state energy regulators are working with the new federal energy regulatory body on environmental issues; successful in implementing a 1% wire charge for a federal energy efficiency fund. Recent policy work with government agencies led to World Bank efficiency loan and removal of tariffs on renewable energy imports.
- *What we are not doing:* Lack of funding prevents USG from taking full advantage of the new markets for clean energy we are helping create. Programs to build US ESCO presence in the marketplace, establish off-grid renewable concessions and other initiatives will not happen with private sector alone; and can yield significant trade benefits to US firms.

India

- *What we are doing:* USAID, DOE are working on restructuring of power sector in Orissa and Andra Pradesh and have been instrumental in opening markets for more efficient private power in those two states.
- *What we are not doing:* We are unable to respond to intense interest in US expertise on restructuring in remaining 25 states in India. Lost opportunity to shape a pro-American, pro-investment climate.
- *What we are doing:* USAID and DOE have worked closely with the National Thermal Power Corporation (generates 25% of India's power) to improve power plant efficiency. A DOE lab expert has spent two years in NTPC offices; Bechtel personnel have trained staff; a demonstration facility was funded. Result: NTPC today generates the same amount of electricity with 2 million less tons of coal.
- *What we are not doing:* Huge inefficiencies in India's electric transmission system lead to economic losses and environmental costs. Lack of funding prevents USG from engaging with government and private sector in a program to rationalize and modernize India's power grid; improve efficiency and reduce emissions; and expand US business opportunities.

This initiative is an important example of how protecting the environment and growing the economy can be mutually supportive. Developing countries need not repeat the mistakes of the industrial countries.

DRAFT 12/23/99

INTERNATIONAL CLEAN ENERGY INITIATIVE

Budget Summary

	PRINCIPAL ACTIVITIES*	PCAST Recommen- dation	Over-target Request FY2001	Target \$100M	Actual \$100M
Clean Power: Fossil	Powerplant improvements Combined Heat and Power Fuel Cells Advanced Coal/Hydrogen production/use Methane Leakage Reduction/Recovery Sequestration Policy support for gas grid development	35	32	18	
: Nuclear	International NERI Reactor Safety	10	8	2	
: Renewables	Resource Assessment Grid-Systems with biomass, PV, wind Off Grid/Mini-Grid systems	40	32	20	
: Building Efficiency	Energy Efficient Buildings, Appliances	20	19	10	
: Industry Efficiency	Energy Efficient Industry Best Practices	10	6	5	
Energy Sector Reform and Capacity Building	Power Sector Restructuring/Policy Reform: Regional Energy Innovation Networks: Institution Building	35	33	25	
Finance	Technical Assessments: Feasibility Studies Joint USAID/OPIC Financing Renewables MDB Technical/Financial Assistance International Market Development ExIm Exchange Risk Assistance Fund Revolving Fund: small business projects	80	53	20	
TOTAL		250	\$183	\$100	

AGENCY	Domestic FY2000 Base	International FY2000 Base	International In-Guidance Request FY2001	International Over-Target Request FY2001	Target \$100M	Actual \$100M
DOE	~800+	~25	~32+	72	40	46
USAID	NA	~225	~225**	67.5	43	30
DOC+				8	3	4
Ex-Im	NA	NA	NA	15	5	15
OPIC	NA	NA	NA	3.5	3	0
TDA	NA	15.7***	19.25	17	6	5

*NA—Not Applicable

**FY2000

***FY1999

+includes some support for TDA.

DRAFT 12/23/99

INTERNATIONAL CLEAN ENERGY INITIATIVE

Budget Line Items

Agency	ACTIVITY	PCAST Recommen- -dation	Over- target Request FY2001	Proposed @\$100M	Actual \$100M
	ENERGY EFFICIENCY--BUILDINGS	20	19	10	
DOE	Develop and apply whole building design tools and implement building codes and standards; develop and apply energy efficient building equipment and appliances standards		6	5	3
DOE	Develop cost-effective biomass-fuel-based stoves		2	0	0.5
USAID	Provide in-country policy and programmatic assistance Encourage energy efficiency at the MDBs		7	5	
DOE	ESPC Training (and Energy Star branding)		2 (+2)	0	1
	ENERGY EFFICIENCY--INDUSTRY	10	6	5	
DOE	Establish an industrial best practice program, and assist the development and harmonizing of standards;		3	3	2.5
USAID	Support industrial best practice program with in-country supports, and assist the development of policies to reduce barriers; provide support in development of regulatory/voluntary programs		3	2	
	ENERGY EFFICIENCY--TRANSPORT	20	0	0	
DOE	International Clean Cities		/4		
USAID	Remove leaded gasoline		/2.5		
	ENERGY SUPPLY --FOSSIL ENERGY	35	32	18	
	COMBINED HEAT AND POWER	10			
DOE	Develop and adapt analytical tools to assess potential CHP sites; Collaborate on prefeasibility assessments of potential CHP sites, Develop international performance based standards for CHP.		6	3	4
USAID	Address legal, regulatory, permitting and market barriers to CHP.		2.5/2	2	
	FOSSIL SUPPLY AND POWER	20			
DOE	Coal washing and repowering		0.5	0	0
DOE	Fuel Cells		6/8	5	0
DOE	Advanced coal power and hydrogen production and use		4/2	2	3
DOE	Sequestration		2/4	0	0
DOE	Methane leakage reduction.		5/3	3	5
USAID	Technical/policy support for reforms to support co-products		1/0	0	
	GAS GRID DEVELOPMENT	~5			
USAID	Support the use of natural gas and the development of gas grids:		3/5	2	
DOE	Promote the APEC Natural Gas Initiative		2	1	1
	NUCLEAR FISSION	10	8	2	
	Research and Development				
DOE	INERI (including pebble bed reactors, etc. if they compete successfully for research funds)		5	2	7
USAID	Improve safety and security of nuclear facilities worldwide,		3/2	0	
	RENEWABLES	40	32	20	
	Resource Assessment				
DOE	Develop tools for resource estimation/mapping, databases		1	1	1.5

USAID	Assess renewable energy resources by region		3	2	
	Grid Connected				
DOE	Distributed grid-connected PV, wind, biomass power/coproducts		8/6	4	6
USAID	Provide technical and programmatic support		5/4	3	
	Off Grid/Mini Grid				
DOE	Minigrid/Offgrid applications: PV, wind, biomass		8/6	6	6
USAID	Support demos, link integrated renewable systems to deployment		7/6	4	
	CAPACITY BUILDING and SECTOR REFORM	40	33	25	
DOE	Analytical Support, country-specific energy models		1.5	1	0.5
DOE	build long term relationships between US laboratories/ institutions		2.5	0	1
DOE	Technical assistance for regulatory reform, including support for the measurement/analysis of social/environmental costs		3	3	1.5
USAID	Expand existing and develop new training programs		14/12	9	
USAID	Expand government-to-government partnerships under TCAPP		2	2	
USAID	Provide technical assistance for legal and regulatory reform		12	10	
	FINANCE	80	53	20	
	Demonstration and Buydown	(40)	0		
	Technical Assessments (Pre-Feasibility)				
DOE	project assessments and prefeasibility technical assistance		2.5	1	2.5
TDA	Feasibility studies		5	4	
	Market Based Financing				
OPIC	Administrative cost for financing renewable energy (RE) projects:		1.2	1	
OPIC	Credit Funding cost of financing renewable energy projects:		2.3	2	
USAID	Joint USAID/OPIC financing of renewable energy projects		2	2	
USAID	Design/implementation of Clean Energy Technology Obligation		2	0	
?ExIm	ExIm Exchange Risk Assistance Fund Pilot		15	5	
?TDA	Revolving Loan Fund: small business project development Pilot		5	0	
	MDB Technical and Financial Assistance				
TDA	MDB Trust Funds		7	2	
	International Market Development				
USAID	Strengthen in-country capacity to structure private sector loans		3	0	
DOC	Trade Support/promotion of US exports of efficiency, renewable, fossil, nuclear technologies; facilitate partnering arrangements, promote foreign direct investment in restructured gas sector, form "clean energy private power project clearinghouse", cross-agency database of potential NSTC IEI projects		8	3	

DRAFT 12/23/99

INTERNATIONAL CLEAN ENERGY INITIATIVE

Activities

Agency	ACTIVITY (see Note ¹)	GOALS/METRICS
	ENERGY EFFICIENCY	
	--BUILDINGS <i>--Technical/policy assistance to develop/adopt efficiency standards, ratings, labeling of building equipment; assist testing programs, etc.</i> <i>--Testing/policy assistance to develop/apply building design tools/design competitions/energy codes/standards for new buildings; training; etc.</i> <i>--Encourage MDBs/GEF to support building/equipment efficiency</i> <i>--Develop/Disseminate Improved Cookstoves</i>	<i>The goal of this initiative is to support cooperative activities to reduce overall energy use of new appliances, homes, and commercial buildings by 50 percent over the next two decades compared to current performance.</i> <i>Support cooperative effort to develop and disseminate low-cost, low-polluting, and efficient cookstoves fueled by renewable energy resources.</i>
DOE	Adapt user-friendly US whole building energy design software to local building markets. Provide training of trainers and other technical and programmatic support, as appropriate. Help develop building codes based on local construction practices and resources that promote energy savings. Assist in establishing building energy design competitions. Provide technical support and analysis tools for establishing energy efficiency standards for consumer and commercial appliances and equipment. Partner with countries to establish national test facilities and test programs for appliances and equipment. Continue efforts to harmonize standards, test methods and rating procedures to facilitate international trade	Develop/adapt tools that have the potential to reduce energy use in new buildings by 50 percent compared to current practice. Adapt the tools for use in 5 countries, and train 250 architects, engineers, and builders in use of the tools. Assist the development of building energy performance codes in 5 countries. Help establish building design competitions in 5 countries. Support the development of standards for 6 key appliances in 10 countries. Help establish standards for 6 key appliances in 10 countries. Help establish test facilities/programs in 10 countries
DOE	Develop cost-effective biomass-fuel-based stoves with twice the efficiency and ten times lower emissions than traditional biomass stoves, conduct field, production, and marketing tests. Conduct RD3 on low-cost, low-polluting, high-efficiency cookstoves, particularly those fueled by biomass and biomass derivatives.	Year 1--demonstrate stoves with efficiency improvements of 40-60% by maximizing fuel combustion with high temperatures, maximizing radiative heat transfer to pots, maximizing convection by circulating hot gases over pots, and maximizing conduction by adding insulation. --Expand domestic production and distribution of higher performance stoves with rural development strategies.
USAID	Provide in-country policy and programmatic assistance through established development assistance infrastructure, such as community development partners, to support the in-country development and implementation of building energy policies, such as codes and standards, building and equipment and appliance energy efficient labels, and other mechanisms for improving energy performance in the buildings sector. Provide technical and policy support to encourage energy efficiency loans for the buildings sector at the MDBs and lending institutions in-country.	Assist establishment and implementation of improved energy efficiency standards, ratings, labeling, etc. in xx countries. Number of policies changed/adopted in support of building shells and equipment/appliance codes/standards Provide technical assistance for energy efficiency project development to the MDBs. Assist the entry of \$xx into the MDB project pipeline for EE
DOE	Develop training programs to apply energy savings performance contracts (ESPCs) and other innovative financial mechanisms to government and private commercial buildings using local private sector resources. Provide technical assistance to support targeted, bi-national efforts with key countries to share powerful non-regulatory, market-based program models -- such as the ENERGY	--Develop and conduct ESPC training programs in 6-10 countries, adapting the programs to the efficiency opportunities and financing resources of the host countries. --Establish in-country branding/labeling programs in 6-10 countries, adapting the programs to the product uses

	STAR branding strategy for energy efficiency. Share expertise in the design, implementation and evaluation of market transformation programs to achieve lasting expansion of markets for energy-efficient products and services.	and and marketing systems of the countries. --Initiate strategies to expand these technology dissemination programs to include additional countries in the future, as well as multicountry regions, in order to provide aggregated markets that attract additional investments in advanced technologies. EndNote ⁱⁱ
	INDUSTRY --U.S. Public/private/foreign cooperation to develop technology roadmaps for energy-efficient processing of energy-intensive materials --Cooperative development/implementation of technology roadmaps --Support for joint-venture creation, licensing, between U.S. firms/partners	<i>The goal of this initiative is to engage U.S. industry in partnerships to reduce the energy intensity of major energy-using industrial processes in key developing and transition countries over the next two decades by 40 percent compared to their current performance.</i>
DOE	Establish an industrial best practice program with developing countries to extend/adapt information, tools, software, and experience learned in the U.S. electric motors, compressed air, steam, and other programs to other countries.	--establish an industrial best practice program with outreach to 1 to 2 countries, and supporting activities that have the potential of saving 1 Quad of energy. --Initiate plans for expanding the program to additional countries in the following years and leveraging the U.S. activities with funds from IFIs and host countries.
USAID	Support the industrial best practice program with in-country supports, including technical and policy assistance, training and other capacity building, and partnership development. Assist the development of policies to reduce barriers to and support use of clean and efficient technologies in the industrial sector.	--as above --Number of people trained --Number of policies adopted/modified
	TRANSPORT --Integrate/expand RD ³ on low-cost, efficient, clean power for vehicles --Encourage GEF/MDBs to help finance production/use of clean vehicles --Assist in analysis/implementation of vehicle emissions testing/standards --(New Technologies for Public Transport Systems)*	<i>Help research, develop, and demonstrate clean, energy-efficient two- and three- wheel vehicles and buses, and help accelerate their deployment in developing and transition countries.</i>
DOE	Transfer the U.S. Clean Cities Program to developing and transition countries. Develop public-private partnerships to encourage the use of alternative fuels and transportation technologies with lower emissions. Provide technical assistance, information and training to urban cities in developing and transition countries. The Partnerships would include metropolitan transit officials, public vehicle equipment manufacturers, local utilities, natural gas suppliers, fleet vehicle owners, repair facilities, and universities and training institutions.	-- In year 1, initiate the transfer of the Clean Cities Program to 6-10 urban areas in developing and transition countries. -- Create partnerships within the new participating cities, linking the new foreign partnerships with the successful U.S. Clean Cities programs. -- Adapt the co-benefit analyses to the conditions of the foreign cities, to dramatize the full range of traffic management, environmental, and human health benefits of the Clean Cities program. -- Initiate plans to expand the Clean Cities initiative to other urban areas with alternative IFI and GEF financing, and the adoption of fuel emission standards.
USAID	Support elimination of leaded gasoline through the development and implementation of policies to ban leaded gasoline – USAID will provide technical assistance and training in developing effective policies, regulations, and standards which will help lead to the reduction or elimination of leaded gasoline. In 2-3 targeted countries, programs will be created or policies will be adopted	Number of lead reduction programs implemented, number of policies implemented, and amount of emissions reduced.

	that will lead to the elimination of leaded gasoline in those countries; over the longer term, this will lead to visible reductions of lead emissions. Leaded gasoline represents one of the most pernicious impacts of energy use. The impact of leaded gasoline on human health is well known. Policy changes to eliminate the use of leaded gasoline are relatively easy to implement, once accepted, and lead to highly visible and beneficial results. The U.S. is recognized as the international leader in this effort and there is a need to back up U.S. rhetoric with action.	
	ENERGY SUPPLY	
	FOSSIL ENERGY	
	COMBINED HEAT AND POWER <i>--Public/private U.S./foreign cooperation on information programs, etc.</i> <i>--Collaborative assessments of potential CHP sites, address regulatory and market barriers, attract funding for demonstrations, help secure finance</i> <i>--Support reforms to "level the playing field" for CHP and U.S. equipment</i>	<i>The goal of this initiative is to work with transition and developing countries to encourage the maximum use, where appropriate, of CHP. For developing countries the goal of this initiative is to develop 20 percent of new power generating capacity from CHP.</i>
DOE	Develop/adapt analytical tools with the private sector and develop specific in-country data to assess potential CHP sites. Collaborate on prefeasibility assessments of potential CHP sites, attract funding for demonstrations. Develop innovative finance packaging, market infrastructure. Develop CHP education programs and CHP based energy strategies to increase electrical capacity while meeting thermal loads. Provide information on successful CHP sites and on assessments of CHP sites in developing countries. Develop international performance based standards for CHP technologies that would ensure that US technologies can compete. Standards would include turbines and fuel cells with multi-fuel capabilities, control systems, instrumentation systems, and others	--adapt software tools for assessing potential CHP sites, adapt them to 3-5 countries --use software tools to identify potential CHP sites and apply them to 10-20 CHP cases. --provide technical/policy assistance in the development of innovative finance packages for 10-20 projects --develop information and education programs on CHP and provide information/training to 100 people in 3-5 countries. --develop international performance-based standards for CHP equipment and provide technical/policy assistance to 3-5 countries to adopt these standards. -- Initiate plan for expanding the CHP outreach program in the following years by prioritizing countries with CHP potential and identifying cost-sharing resources.
USAID	Address legal, regulatory, permitting and market barriers to CHP. Level the playing field for US Technologies and ensure energy/environmental performance, drawing on USG Agency expertise. Review tax/regulatory barriers and identify/help implement energy sector policy reform. Provide regulatory and permitting advice to assist in the application of CHP technology.	-- analyze tax/regulatory barriers in 3-5 countries and provide technical/policy assistance to 3-5 governments to understand and implement CHP systems. -- assist xx countries with permitting decisions
	FOSSIL SUPPLY <i>--Promote energy/environment reforms in support of coproduct strategies</i> <i>--RD&D on low-cost hydrogen production and byproduct carbon recovery</i> <i>--Carbon sequestration standards/regional assessments/reservoir analyses</i> <i>--(R&D to exploit energy of methane hydrates in climate-friendly ways)*</i>	<i>The goal of this initiative is to develop a broad multinational collaborative effort to develop fossil-fuel decarbonization and carbon dioxide sequestration technologies that would eventually make possible the economic use of fossil fuels with near-zero lifecycle carbon dioxide emissions and near-zero pollutant emissions.</i>
DOE	Powerplant Improvements: Conduct feasibility studies to increase inefficient coal plants in developing countries. One study will determine the feasibility of applying modern power plant management techniques to existing coal-fired power plants in India. Another will look at applying advanced coal washing techniques to Chinese power plants. Both studies are directed	India's existing powerplants typically operate at 26-30% efficiency, well below world class plants which average 33-35% efficiency. Applying advanced coal washing in China is expected to allow a 2-5% recovery of lost efficiency (e.g., from 30 to 32 or 35%) for plants which are using coal not meeting the original plant's design

	toward increasing efficiency, which could be extended to other plants, leading to significant reductions in emissions, including greenhouse gases, and create opportunities for U.S. suppliers. (Rewrite so that this is not country specific)	specifications. Applying these technologies in India and China would result in a decrease in carbon emissions totaling 60 million tons per year. These approaches could be demonstrated and widely deployed by 2006.
DOE	Fuel Cells: Demonstrate fuel cells to open possibilities for cleanly and efficiently producing heat and power in distributed applications. Time will be needed to complete development of advanced fuel cells and to increase production to significantly lower costs. Market acceptance can be accelerated by demonstrating fuel cells in different configurations/settings. Three demonstrations of US-made fuel cells. are proposed for deployment in sizes ranging from 250 KWe to 1 MWe, for both phosphoric and the more advanced solid oxide fuel cell.	This overseas experience will accelerate acceptance of the advanced, more efficient technology in countries which otherwise would lack experience with the technology. By 2030, the reduction in carbon emissions from non-US applications are estimated at 3 million tons per year (8 million TPY in 2050). Providing these technologies would generate 10,000 - 15,000 US jobs.
DOE	Advanced Coal: Conduct international collaborative pre-competitive R&D with key foreign laboratories, universities and industry research entities aimed at accelerating/broadening Vision 21 technologies development options for low cost, high efficiency hydrogen and oxygen separation membranes; catalysts and reformers for clean fuels, hydrogen and chemical production. Conduct feasibility studies on Vision 21 plant characteristics to address future transmission and distribution issues. Identify and develop opportunities for linking developing country chemical and power industries for producing coproducts and power from coal through a syngas strategy, with sequestration of onsite emissions.	These projects will result in accelerated international acceptance of advanced, low emission technologies overseas, and are projected to result in 6 million TPY of carbon reduction in 2030 (22 million TPY in 2050), and support 24,000 - 35,000 US jobs. -- Develop and test feasibility of two low-cost options for hydrogen and high volume oxygen separation; test and identify two classes of promising catalysts and low-cost reformers for clean fuels, hydrogen and chemical production; analyze a hydrogen fuel turbine and recuperative CO2 cycle configuration; identify set of Vision 21 plant characteristics to enhance electricity grid stability/reliability
DOE	Methane leakage reduction. Methane leaks from Russian oil and gas operations, estimated at 1 TCF year, are by far the highest of any country in the world. This project, complementing EPA work, would include technology development, demonstration, and transfer of natural gas video imaging systems to be used on aircraft, a sampler to measure methane leakage at gas processing plants and compressor stations, pipeline inspection sensors with an internal leak sealing method, and low-cost, structurally-reliable internal pipeline coating materials to inhibit the corrosive activity of gas. Apply Coalbed Methane Outreach Program Experience and expertise in developing projects for methane recovery and use in developing countries/Economies in Transition.	?? Aggregated emission reductions from these "Natural Gas Star" projects are estimated at 3 billion cubic feet of methane annually, or 0.3 MMTCE. Reduce methane emissions by recovering/using coalbed methane in six major projects to recover 5 BCF of methane annually, or 0.55 MMTCE/yr. Demonstrations would reach 330 mines, reducing cumulative emissions by equivalent of 330 MMTCE by 2015.
DOE	Carbon Sequestration: Enable the US to take a leadership role in sequestration research activities, particularly by development of integrated systems to provide multiple benefits, such as using CO2 to generate methane from unmineable coal seams	Two overseas projects will result in accelerated acceptance of carbon sequestration as a means to reach long-term climate change objectives. These projects are projected to result in 25 million tons per year reduction in non-US carbon emissions in 2030 (80 million TPY in 2050). (Not Australia?)
USAID	Provide technical/policy support for reforms to support co-product strategies; Programs in key developing and transition countries to overcome policy and institutional barriers to expanded markets for clean fossil technologies, especially in the power sector and in expanded use of natural gas.	??number of policy steps adopted to support co-products Policies adopted, regulatory institutions created/strengthened, steps toward policy reform.
GAS GRID DEVELOPMENT		
USAID	-Support the use of natural gas and the development of natural gas grids: Provide policy/regulatory assistance for gas sector development and expansion by establishing evolutionary regulatory frameworks for gas grids.	Reforms adopted and implemented Institutions strengthened -policy steps toward a publicly available natural gas policy;

DOE	--Promote the APEC Natural Gas Initiative that identifies policy and regulatory principles and best practices. The initiative recommends policy principles and best practices for improving investor confidence and mobilizing private capital in target regions' natural gas infrastructure. Multinational teams comprised of business, government, and institutional experts will travel to host countries for 3-4 day workshops open to as wide a local audience as possible. Target areas include: the Philippines, China, Peru, Indonesia, Vietnam, Papua New Guinea, Malaysia and Columbia.	Eight team visits to conduct 3-4 day workshops. --Reforms adopted --Natural gas consumption in target countries increase 50% by 2005 from 1998 level of 2.8 Tcf. -- One major new gas export project and one major gas export project expansion reach financial closure by 2005.
	NUCLEAR FISSION --Add international component to Nuclear Energy Research Initiative --Expand/strengthen international studies of spent fuel/high-level waste --(Improve safety and security of nuclear facilities worldwide)*	<i>The goal of this initiative is to preserve and enhance the possibility that nuclear power could play an expanding role in addressing climate change and other energy-related challenges in the next century.</i>
DOE	Conduct international scientific and engineering research with several foreign research institutions (laboratories, industries, and universities) under an International Nuclear Energy Research Initiative. INERI funds will be competed for on the basis of providing nuclear power technologies that address problems of cost-competitiveness, waste disposal, safety and nuclear proliferation	Initiate 12-13 new cooperative projects with foreign research institutions. Work done will include projects in areas such as proliferation-resistant fuels and reactor technology, advanced high-temperature/irradiation-resistant materials, high-burnup oxide fuels; long-lifetime core reactors; and nuclear materials and data. Work would begin in FY 2001 and could extend over three fiscal years. Progress would be tracked against milestones established in the research proposal. The impact of the work will be the leveraging of U.S. Research dollars to obtain more research on issues that are key to the success of next-generation nuclear power supply systems. The potential value of such research in assisting other countries to reduce carbon and pollution emissions and in increasing U.S. technology exports is very high.
USAID	Improve safety and security of nuclear facilities worldwide, support improving nuclear regulatory regimes and institutions. Funding supports NRC activities in other countries	Improved regulations adopted and implemented Institutions established or strengthened
	RENEWABLES --Develop integrated renewable/hybrid systems for rural areas --Accelerate deployment of grid-connected intermittent/hybrid systems --RD ³ on industrial-scale biomass power/coproducts; restore degraded land --(RD ³ on solar thermal electric; --Assess renewable energy resources by region	<i>The goal of this initiative is to accelerate the RD3 of renewable energy technologies, including for use in support of rural development in developing countries, such that in the 2nd quarter of the 21st century renewables could make contributions to world energy supply comparable to the contributions from fossil fuels today.</i>
	Resource Assessment	
DOE	Develop tools for resource estimation/mapping, database development, and remote sensing integration with GIS.	-- Inventory available renewable resource data for 2 or 3 multicountry regions, identify gaps and actions to close them using, identify technology and market opportunities, and initiate development strategies.
USAID	Support work with other countries, multilateral institutions, and host countries to assess renewable energy resources by region, including solar, wind, biomass, and others.	--develop global renewable energy resource maps and databases at spatial scales of 10-40 km and time scales of diurnal to interannual.
	Grid Connected	
DOE	Conduct RD3 on distributed grid-connected biomass (including biochemical and thermochemical [gasification] coproduct systems), PV, wind, or other intermittent technologies, including	-- Evaluate cost effectiveness of distributed grid-connected systems at 5 sites. -- Conduct pilot demonstrations at 2 sites.

	systems integration and coupling with other resources such as hydro, compressed air energy storage, and others, and conduct pilot demonstrations. Develop analytical tools for identifying/evaluating/developing country opportunities for distributed systems. Develop international equipment standards that assist open competition.	-- Develop analytical tools and apply/validate them in 3 cases. -- Initiate plan for expansion of grid-connected systems in 2002-06 to targets of opportunity in 15-20 priority countries. The plan will include monitoring progress and results, identifying fossil fuels displaced, GHG emission reductions, jobs created, economic results.
USAID	Provide technical and programmatic support on RD3 and accelerate deployment of grid-connected intermittent/hybrid systems, e.g., Mexico Renewable Energy Program. Identify and help resolve policy barriers to use of distributed grid-connected renewables. Build in-country capacity for developing, implementing, financing grid-connected renewable energy.	Number of renewable energy hybrid systems connected to the grid
	Off Grid/Mini Grid	
DOE	Develop integrated renewable energy systems using small scale biomass, PV, wind, and other renewable energy resources in hybrid systems with fossil or other resources where appropriate, for rural developing country isolated, village minigrid applications, including village industries, schools, clinics, clean water supplies, households, disaster assistance, refugee assistance, and others; and link them to demonstration and wide-scale deployment programs.	--Develop 10-20 cost-competitive applications. --Demonstrate 10 cost-competitive applications in 5-10 sites. -- Develop strategies that couple off-grid/mini-grid applications with rural development plans that optimize the mix of renewables based on local resources. -- Initiate plan for extending off-grid and rural development projects during 2002-06 to 6-10 multicountry regions. The plan will include monitoring progress and results, identifying fossil fuels displaced, GHG emission reductions, jobs created, economic results.
USAID	Support demonstrations and link integrated renewable systems to wide-scale deployment programs. Identify and help resolve policy barriers to use of off-grid/minigrid renewable energy systems. Build in-country capacity for developing, implementing, financing off-grid or minigrid renewable energy projects.	--Link applications for xx to \$xx in project funding for large scale deployment.
	FOUNDATIONS	
	CAPACITY BUILDING --Increase support for regional centers of ERD ³ --Expand existing and develop new training programs on energy --(Interdisciplinary research—monitoring/evaluation/ institutional change)	<i>The goal of this initiative is to build local capacity in energy technology and policy RD3 in developing and transition countries.</i>
DOE	Develop country-specific macro energy models, building on current capabilities, that integrate energy demand, supply, technologies, externalities, and other important factors. Develop in-country capacity to conduct sector-specific microeconomic analyses of technologies and policies focused on development of data conventions and methodologies.	Develop materials to guide counterparts on creating macro energy models in 4 countries. Build expertise in data collection and technology and policy analysts; provide technical/policy/analytical support and training to 4 countries to develop in-country capacity on pollution impacts.
DOE	Strengthen technical knowledge, capacity and R&D capabilities of knowledge institutions such as technology centers, research centers and universities and other institutions to address energy, economic, and environmental concerns. Activities include: (1) build long term relationships between US laboratories/ institutions and public sector institutes and research centers in developing and transition countries; (2) promote multidisciplinary understanding of energy use and associated technologies; (3) institutionalize monitoring/evaluation practices for energy projects; (4) support policy and technology options analysis and program delivery in areas of energy resource development; energy efficiency and renewable energy initiatives;	Conduct personnel and information exchanges --Facilitate approx. 80 two week technology information and expert exchange visits of scientists and officials from Sub-Saharan Africa, Latin America, Middle East and Northern Africa and the Caspian Region. -- Facilitate approx. 25 three-month intensive study programs for experts from the above regions.

USAID	Expand existing and develop new training programs and partnerships. USAID will principally focus on training energy sector policy makers, regulators, and utilities to further sector reform and improve sector operations, including increasing understanding of climate change issues and options. The number of training courses and number of participants as well as the number of study tours and regulatory/utility partnerships will be increased significantly. --Support technical assistance activities for energy sector restructuring by building the indigenous capacity to enable the transition to commercially owned and operated institutions. (1) Strengthen political institutions, regulators, others by providing technical assistance and training in policies, policy making and decision making, privatization, restructuring, etc. technology policy options analysis. (2) Build or strengthen NGOs that support or influence energy and environmental policy, implementation or impacts. (3) Strengthen or improve operations of gas and electric utilities and other energy companies. (4) Accelerate the transition to commercial ownership and operation of utilities through capacity building programs. (5) Provide capacity building to identify market barriers and evaluate policy, program, and investment actions needed to overcome them.	Design and implement xx new courses reflecting innovative technologies and policies. Train xx staff in xx; monitor fraction using their training and the impact of this training on their performance. Improved energy and utility sector efficiency and operations Number of regulatory bodies strengthened. Improved capacity to make market based decisions. Number of participants trained that return and apply their new knowledge.
USAID	Expand government-to-government partnerships under TCAPP – USAID will increase funding for the TCAPP program to expand the pilot phase to several selected countries to support the USG’s climate change and other environmental initiatives. The TCAPP pilot program will be expanded to 5-6 more key countries. The objective of USAID’s TCAPP activity will be broad based reforms and policy changes in the energy sector. Expand government-to-government partnerships with key developing countries to identify and promote key clean energy technologies. The partnerships work with <i>businesses</i>, government representatives and other experts in-country and from the US to develop consensus on key technology areas, then work to implement these priorities through: 1) In-country teams set the direction by preparing technology cooperation frameworks including assessment of market potential, identification of barriers to market development and policies and programs to overcome barriers, 2) Private firms and business/ investment organizations assist the country teams and international donor agencies with design/implementation of actions to mobilize investment in the priority technologies, and 3) International donors <i>help finance</i> country teams in implementing actions to remove market barriers. The Partnership Program helps to identify market barriers and <i>gain multi-party agreement on</i> policy, program and investment actions needed to overcome them. It provides a mechanism for strategically organizing training and other capacity building activities, institution building, policy and regulatory reforms and specialized financing approaches around specific technology priorities in specific countries.	Number of TCAPP reforms implemented Establish agreements with at least 12 trading partners; double exports of [4] selected U.S. technologies by 2005 Stimulate large and sustainable markets for priority clean technologies, which result in expanded US technology exports, reductions in pollution, improvements in public health and economic development in the partner countries.
	SECTOR REFORM WITH PUBLIC BENEFITS --Technical/policy assistance for sector reform that gets “prices right,” including externalities, and advances public benefits --Assistance establishing evolutionary regulatory frameworks for gas grids	<i>The goal of this initiative is to support/shape energy-sector reform/restructuring in developing/transition countries towards open competitive markets with improved financial performance, retaining incentives for energy-technology innovation that addresses public</i>

		goods and externalities.
USAID	Provide technical assistance for legal and regulatory reform, institutional development and privatization in the energy sector. --Promote clear and transparent regulations, data, and contract sanctity, <i>esp. to encourage private sector investment</i> --Provide technical assistance for privatization initiatives --Form regional associations of energy institutions and experts --Support utility and regulatory partnerships to address legal, financial, and investment issues in developing country power system --Provide technical/policy support to develop cost-based tariffs and remove subsidies --Provide assistance for regional and subregional energy systems integration, such as power pooling and optimization of regional energy resources.	Reforms adopted and implemented Regulatory institutions created Tariff reform implemented Subsidies eliminated Frequency and scope of actions taken by regional regulatory authorities to ensure transparent formulation of tariffs. Reduce amount of time for clean energy private power project development and approvals by xx. Establish regional networking activities that include existing regulatory authorities as well as newly-established regulatory agencies from Central and Eastern Europe and the NIS.
DOE	--Provide support for the measurement and analysis of the social costs of energy production, transportation, and consumption, and for the social costs of rural electrification programs in particular. --Provide state utility regulators with tailored, on the job training with US private sector utilities and state electric utility commissions.	Conduct two-to-three week tailored training programs for state electric utility regulators, natural gas sector regulators and statistical agencies. Approximately 30 programs will be conducted, directed at 10 countries targeting relevant agencies in the three areas (electricity, natural gas and social costs).
	DEMONSTRATION AND BUY-DOWN --Encourage development of a Demonstration Support Facility --Award production tax credits for demonstrations that meet criteria --Assist in establishing a Clean Energy Technology Obligation	<i>The goal of this initiative is to facilitate the demonstration, in foreign contexts, of advanced energy technologies with significant public benefits and to provide the means to "buy down" to competitive levels the costs of those technologies with learning-curve characteristics making this practical.</i>
	No Activities	
	FINANCE --Encourage MDBs to increase financing for clean/efficient energy technology; support activities with trust funds for using US experts --Facilitate market-based finance of clean/efficient energy technologies, including creating a fund administered by OPIC --(Technical, Financial, and Feasibility Analysis Assistance for US Firms)*	<i>The goal of this initiative is to overcome financial barriers to deployment of clean and efficient energy technologies in developing and transition countries.</i>
	Prefeasibility and Feasibility Studies	
DOE	To assist countries and regions in undertaking project assessments, to identify the unique mix of renewable and alternative energy technologies (e.g. wind, hydro, PV, biomass, solar thermal) and development strategies that fit their climates, resources, and local needs. To inform in-country analysts of models that could be used to identify cost effective conservation and fuel switching opportunities. Conduct technical analyses of potential clean energy projects with host country decision makers. These analyses will help determine whether to conduct project feasibility studies. To guarantee loans and cooperative agreements for U.S. companies to conduct such technical analysis.	Number of projects successfully identified and financed.
TDA	By identifying and informing U.S. firms about commercially viable project opportunities through definitional missions, TDA mobilizes private sector interest in the form of capital and equity through its cost sharing program, joint venture opportunities, and privatization/concession projects. TDA will apply these tools to	TDA will facilitate over \$xx million in U.S. exports in energy efficient goods and services. Number of projects developed, funded, and operating

	the following components of the PCAST matrix: Feasibility studies cover all aspects of project planning from project conceptualization to technical specifications to financing options. Technical assistance can range from advice regarding technical aspects of a project to legal and financial advice necessary to enable implementation of a project.	
	Market Based Financing	
USAID, OPIC	<i>Joint USAID/OPIC Financing of renewable energy (RE) projects:</i> Renewable energy projects will be identified by agencies participating in the PCAST initiative and recommended to USAID and OPIC for financing consideration. OPIC will review the proposed U.S. private sector-sponsored renewable energy projects for commercial viability and other OPIC policy considerations. If a project meets OPIC's statutory and underwriting guidelines, OPIC will move the project forward in the OPIC financing process. If the project has sound potential, but would be burdened by transaction or other costs to the point that the project would be unable to move forward, USAID will offer grant funding to mitigate the burden or to "buy down" the incremental renewable energy costs and make the project financially viable. This will enable the project to be considered for OPIC financing. USAID will make available \$10 million (\$2 million per year for 5 years) for such grant support. OPIC will make up to \$100 million in financing available to viable renewable energy projects, based on dedicated credit funding of \$11 million (\$2.2 million per year for five years) and dedicated administrative expenses funding of \$5.5 million (\$1.1 million per year for five years) provided to OPIC through the PCAST initiative. Projects that do not meet OPIC's statutory and underwriting guidelines will not qualify for either OPIC finance support or USAID grant funding. Using the above strategy, the U.S. government will provide financial support to commercially viable renewable energy projects that generate positive environmental and developmental effects and are sponsored by U.S. businesses.	Up to \$20 millions in OPIC financing will be made available in FY01, based upon OPIC receiving \$2.2 million in credit funding and \$1.1 million for administrative expenses in FY01. (see "credit funding" and "administrative cost" sections below)
OPIC, USAID	OPIC Administrative cost for financing renewable energy (RE) Projects: As funding allows, OPIC will target outreach to the U.S. renewable energy sector. Additionally, OPIC will deliver expertise in project finance evaluation to enable the financing of commercially viable renewable energy projects. This request is made in conjunction with the "Credit Funding cost of financing RE projects" request (see below).	\$1.1 million spent in FY01 (\$5.5 million over five years)
OPIC, USAID	Credit Funding cost of financing renewable energy projects: OPIC requests reimbursement for credit funding costs of loan commitments made in support of renewable energy technology projects. This request is made in conjunction with the "Administrative cost for financing RE projects" request (above).	\$2.2 million in FY01 (\$11 million over five years). Each year's credit funding will have four year availability; this corresponds to the four year availability of credit funding in OPIC's FY 01 budget request.
ExIm	Exchange Risk Mechanism: Local currency financing for clean energy technology exports, particularly renewable energy, would be provided in which ExIm risks would be minimized and fixed through use of options or other mechanisms and capped. Enhanced ExIm marketing and outreach.	
TDA	TDA is proposing a project development program to help small and medium companies that are in need of financial support in bidding on international energy and energy efficiency projects. This program would support companies competing for specific	Would generate \$70 million in exports

	contracts in this sector that have been pre-qualified -- or "short-listed" -- to bid and that face no other U.S. competition. Grant assistance would be limited to supporting contract negotiations, such as legal, financial, or technical assistance. To the extent possible, these grants will be subject to TDA's cost sharing and success fee reimbursement procedures. To be eligible for this grant assistance, the company must have a proven domestic or international track record in this sector and must be proposing a commercially viable technology that furthers the goals of the PCAST initiative.	
	MDB Technical and Financial Assistance	
USAID	Assist in the design and implementation of a Clean Energy Technology Obligation (CETO) at the GEF, building on the experience of the U.S. pilot program led by OPIC and USAID.	Amount of CETO established funds loaned out
TDA	Expand efforts to encourage MDBs to increase financing for clean/efficient energy technology; support activities with trust funds for using US experts, including through DOE and EPA for access to energy and environmental expertise. Provide analytical support to facilitate financing of renewable energy and energy efficiency projects. Fund resource assessment, technical assistance, technical symposia, prefeasibility assessments, feasibility assessments etc. in cooperation with the MDBs for energy projects with potential MDB financing. In addition to these core services, provide support to the MDBs for MDB-required independent project appraisals during the phases of project development pre-, during, and post- feasibility study.	Number of clean/efficient energy technology projects considered, approved and issued by the various MDBs; dollars leveraged in support of U.S. exports of RE/EE technologies
	International Market Development	
USAID	Strengthen in-country capacity to structure private sector proposals to local and international financing institutions. Strengthen capacity for in-country energy sector lending by training host country policy makers and entrepreneurs. With EPA and other Agencies.	Number of in-country initiated clean energy projects funded. Goal is to reach 10 countries.
DOC and TDA	Promote the export of US Clean Energy Supply and Efficient End-Use equipment through conferences, seminars, exhibitions, reverse trade missions, trade shows, feasibility studies, technical and policy assistance, etc. Promote <i>market-based finance (including Foreign Direct Investment)</i> of clean energy projects, including promotion of: USG clean energy loan guaranty funds; emission reduction credits; and in-country project finance. Promote energy sector reform. In conjunction with pertinent US trade and other private sector groups provide training for foreign private energy producers. Facilitate partnering between developing/transition and US companies where appropriate. Link with agency efforts, and work with MDBs to ensure consideration of Clean Energy Supply and End-Use in projects.	-Number of reverse trade missions/trade missions showcasing US clean energy technologies. -Number/Impact of annual technical seminars on advanced clean energy technologies/policies. -Policy changes realized to promote clean energy. --Support for joint ventures (i.e. specs that pre-qualify US firms, identify foreign equity partner, etc.) --amount of financing obtained for clean energy projects --support export of \$xx million in U.S. high efficiency, low polluting equipment (see Note ⁱⁱⁱ). TDA to facilitate over \$xx million in U.S. exports through the funding of feasibility studies (see Note ^{iv}).
DOC	Develop, maintain, and update a cross-agency "pipeline" database of potential "NSTC IEF" projects. Database will show project status from identification and feasibility study stages through to the financing and project completion stages. The "NSTC Pipeline" will be accessible to all NSTC agencies.	Project pipeline tracking database created and placed on Internet; number of users logging-on to database; number of projects initiated as a result of their consulting the database.
DOC	Assist the formation of "clean energy private power project clearinghouse" to keep track of and facilitate progress in approvals, development and implementation policies and regulations affecting clean energy private projects.	# of projects effectively tracked and constraints to project implementation identified Amount of new FDI

	Promote Foreign Direct Investment in the restructured energy sectors of developing/transition countries	
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Note that virtually all projects are assumed to be cost-shared with the foreign counterpart, perhaps in part on a competitive basis.

ⁱ Note that virtually all projects are assumed to be cost-shared with the foreign counterpart, perhaps in part on a competitive basis.

ⁱⁱ EPA/OAR Note: Market transformation activities are long term efforts, but eventually energy savings may be expected to be 10-20% of the energy use of new stock in the buildings sector in the specific countries chosen. For example, U.S. Buildings programs currently save 3 MMTCe and savings are growing at nearly 50% per year.

ⁱⁱⁱ XX companies visiting xx separate countries, plus xx conferences, seminars, and training, as well as additional FTE support. Trade Missions @\$50K; Seminars@\$50K; Conferences @\$300K (3 days, 500 people), FTE@\$100K.

^{iv} Funding of feasibility studies @\$275K and/or technical assistance @\$175K.

THE WHITE HOUSE
WASHINGTON

December 30, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER BALLENTINE 

RE: Climate Change

I want to pass along some information that you requested and other items that may interest you.

First, I attach a memorandum prepared for me by OSTP responding to your request for more information on the "Greenhouse Effects" article recently published in *Time* magazine. That article listed many "telltale signs" of climate change, and you asked for an evaluation of those claims.

Second, I recently received an advance copy of *New York Times* science reporter Bill Stevens' upcoming book *The Change in the Weather*. I thought you would like to have this.

Third, this month I had the privilege of traveling to Antarctica as a guest of the National Science Foundation. At the South Pole, I met with scientists conducting atmospheric/climate change research. They provided the attached materials, which I thought you would find interesting.

Finally, Amory Lovins provided me with numerous copies of *Natural Capitalism* with the hope that we would forward them to the Cabinet. I am happy to do so if you would like. I have already given a copy to Bill Richardson on your behalf.

cc: John Podesta
George Frampton
Neal Lane

ATTACHMENT ONE

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

December 23, 1999

MEMORANDUM TO ROGER BALLENTINE

FROM: Rosina Bierbaum

Subject: Further Information on Climate Indicators Map from Time Magazine

In response to the request from the President that you forwarded to me, OSTP reviewed the "Greenhouse Effects" article recently published by Time magazine. Overall, the article was a reasonably accurate description of various pieces of evidence that global warming is occurring and of the kind of "climate events" that may become more frequent in the future. We expect to obtain more information about the potential consequences of climate change for the US from the first National Assessment of Climate Change, which should be completed in spring of 2000.

An important caveat in any discussion of exemplary "events" is that it is not possible to say that any single event is caused by climate change. We can say that many of the unusual events of the last several years are examples of the conditions we expect to be more prevalent as climate continues to change. We can also say with a high degree of confidence that global warming is underway, and those human activities are playing a role in this change.

- Atmospheric concentrations of carbon dioxide are higher than they have been in the last 420,000 years, as shown by newly extended (from 160,000 to 420,000 years) long-term climate record from the Antarctic Vostok ice core.
- Human activities have increased CO₂ concentrations by about 30% in the last 150 years. This change is as large as the increases that occurred during changes from ice ages to warmer periods, as seen in the Vostok record.
- Over the last century, the global average surface temperature has increased by about 1 degree F, sea level has risen 10 to 25 cm (about 4 to 10 inches), and mountain glaciers have generally retreated.
- Of the 120 to 140 years for which thermometer records are sufficiently complete to define a global average temperature, the 12 warmest years have all occurred since 1983. The three warmest years on record were 1998, 1997, and 1995, in that order. 1999 is tied for the 5th warmest year.
- According to "proxy" temperature records from tree rings and coral growth, the last 10 years appear to have been the warmest decade (and 1998 appears to have been the warmest year) in the Northern Hemisphere in the last 1,000 years.
- Rainfall data for the last century show that global precipitation has increased. U.S. precipitation has increased by an average of 8 percent over the last century. To put this in perspective, this increase is equivalent to the annual amount of water that flows out of the Mississippi River.
- Furthermore, since the beginning of this century, the frequency of intense precipitation events, where more than two inches of rain falls in a 24-hour period, have increased. Such events lead to flooding, soil erosion, and even loss of life.

Following is a more detailed discussion of the "telltale signs" described in the Time magazine map.

Vanishing Animals

Climate change will force shifts in the range and distribution of many individual plant and animal species, and thus will alter many of the ecosystems, including forests and wetlands, which provide the support systems for life on Earth. In the future, as habitats shift with global warming, species that cannot migrate fast or far enough may face extinction.

- Some changes are occurring already. There is compelling evidence that the shrinking habitat and range of the Checkerspot Butterfly in the US and Europe is linked to observed temperature changes over time

However, the declines in numbers of Peary Caribou cannot be clearly attributed to climate change. We do expect that warming in far northern regions would lead to heavy snowfalls and ice storms, but we can't say that the snow and ice storm events that hurt the Peary Caribou were caused by climate change, so we can't say that climate change is responsible for this instance of caribou decline.

Storms and Floods

Climate change will lead to increased precipitation, and increases in the number of extreme rainfall events that often lead to flooding. We can expect more frequent "storms of the century" and "hundred-year floods" as average global temperature continues to increase. In addition, the overall increase in amount and intensity of precipitation that has been observed (globally and in the US) over the last century is some of the most robust evidence that climate change is occurring.

As far as the particular events referenced in the map, we can say that they provide examples of conditions that we expect to be more common in the future, but we cannot be sure whether any single storm or flood is due to global warming or simply part of the natural variability in weather extremes. For example, the El Nino-La Nina cycle also affects precipitation and this cycle and long-term climate change likely interact, so it is difficult to separate the effects of one from the other. The February 1998 record rainfall in California, listed in the map, was largely due to the El Nino event of 1997-98. The rainfall events in Korea and Australia, which occurred in August 1998, were record setting, but the year as a whole was only slightly wetter than average on a global basis.

Spreading Disease

The prevailing scientific view is that climate change could adversely affects human health through an increase in the rate of heat-related mortality and in the potential for the spread of vector-borne diseases such as malaria, dengue, yellow fever, and encephalitis and non-vector-borne diseases such as cholera and salmonellosis. More recent work has shown that warmer temperatures promote smog formation and increase levels of airborne pollen and spores, which exacerbate respiratory disease, asthma, and allergic disorders. However, if health care and surveillance systems are in place, society may be able to cope with these challenges.

The incidents of spreading malaria and increased range of mosquitoes cited in *Time* are best seen as examples of the kind of increased disease ranges we expect to see in the future. However, it is important to emphasize that factors other than climate play a role in the spread of diseases, including more rapid and frequent movement people and animals.

Droughts and Fires

We expect climate change to increase the frequency and intensity of both severe rainfall events and droughts. The extreme Midwestern drought of the late 1980's, and the 1995-96 drought in Texas, thus

provide us with a window on the what the climate-changed future could be like, even though we cannot attribute these specific events to climate change.

We also cannot clearly link the droughts and fires that occurred in Mexico and Indonesia in 1998 to global warming. The record El Nino of 1997-98 played a role in causing dry conditions and increasing vulnerability to wild fires, and the use of controlled burns for clearing cropland was also a factor. Nonetheless, with a warmer climate, droughts and floods could become more frequent, severe, and longer lasting, as could the wild fires that often accompany drought conditions.

Earlier Spring

A variety of recent scientific analyses have provided evidence of changes in the lengths and timing of growing seasons in northern latitudes, which is one of the expected consequences of warming. The items cited in *Time* are consistent with these findings and with analyses of Alaskan change that have been conducted as part of the ongoing National Assessment of Climate Change. The early thaws of the Tanana river in Alaska are part of an overall pattern observed in Alaska that also includes a longer growing season, earlier snow disappearance, and warmer temperatures in May and June. Examples of other findings that ecosystems may be responding to warming include:

- Satellite data from 1981-1991 show that high latitudes (between 45° and 70° North) sustained a longer growing season, and an advance of up to seven days in “greening” in spring and summer.
- A recent study of the behavior of trees and shrubs across Europe concluded that botanical spring is starting an average of six days earlier than it did three decades ago, while autumn has been delayed an average of about five days.

Heat Waves

Individual heat waves are not themselves proof of climate change, but again, provide a window on a climate-changed future. As the globe warms, heat waves are likely to become more frequent, and global average temperatures are rising. They have gone up about 1 degree F since 1880, with 1999 being the fifth warmest year.

The examples given of record heat during 1998 in Tibet and Egypt are examples of regional records set during the global record setting 1998. Similarly, the record heat in New York City during July 1999 was part of the second warmest year since 1900 when averaged throughout the US.

- A study of deaths associated with summer time heat stress and winter time illnesses in 44 US cities estimated that climate change could double the number of weather-related deaths, with the elderly at greatest risk. Urban populations in developing countries are also especially vulnerable to heat stress.
- Under a business as usual scenario, the likelihood of the 1995 Chicago heat wave increases from a 1 in 150-year event to a 1 in 25-year event.

Rising Seas

Sea level has risen 10 to 25 centimeters since 1900, forming one of the principal lines of evidence in support of global warming. Sea level rise occurs as water expands in volume with higher temperatures and as mountain glaciers and the Greenland ice sheet melt. By 2100, sea level is expected to rise another 6 - 38 inches (the best estimate is 20 inches), with effects that include erosion of shores and increases in saltwater intrusion. This will place ecosystems at risk, including the mangrove forests listed in the map for Bermuda.

- 20 inches of sea level rise would double the population at risk from storm surges, from roughly 45 million now to over 90 million worldwide. A 3-foot rise would triple the number of people exposed. Increased coastal area populations are likely to further increase the number of people at risk.
- In the US, approximately 7000 square miles of land would be lost from a three-foot rise in sea level. Areas most at risk include the gulf coast and Florida, where saltwater intrusion from sea level rise, combined with precipitation changes, could adversely affect the ecological communities of the Florida Everglades and degrade the habitat for many species of wading birds.

Melting Glaciers

Alpine glaciers have retreated worldwide over the last century and the rate of shrinkage is closely correlated with observed increases in temperature. Studies of glacier history have shown that many glaciers reached their maximum "post-ice-age" size during the last 500 years, culminating in major expansions from about 1750 to 1850, after which almost all have retreated.

- Outside of Greenland and Antarctica, most mountain glaciers have retreated during the last century.
- In the US, the glaciers of Glacier National Park have been steadily retreating during this century. The larger glaciers are now about 1/3 of their size as documented in 1850; many smaller glaciers have disappeared. Glaciers in the Park will disappear completely by 2030 unless temperatures begin to cool instead of warm.

Polar Warming

Climate change is expected to occur sooner and be of greater magnitude in Polar Regions, and indeed, the greatest observed changes to date have been in far northern latitudes. Alaska has warmed by about 5 degrees F since the 1950's, and the thickness of arctic sea ice has been reduced about 40% over this same period of time. Recently published work suggests that total Arctic sea ice extent has been decreasing by about 3 - 7% per decade.

There is emerging evidence that these observed high-latitude changes can at least partially be attributed to human activities. Recent research has shown, for example, that it is unlikely that natural variability alone – separate from global warming caused by man – can account for the observed declines in thickness and areal extent of arctic sea ice. In other words, there is evidence that the observed loss of ice is related to human induced global climate change.

Many other major changes have been observed in Polar Regions. Dramatic warming in a small region of Antarctica (the Antarctic Peninsula) in the last several years has led to icebergs as large as Rhode Island breaking off. The observed decrease in snowless days in Barrow, AK, is also suggestive of warming due to regional climate change, as is the widespread warming and slumping of discontinuous permafrost in Arctic regions. But in all of these cases, it is not yet possible to determine the relative influence of natural cycles and human causes. More sophisticated and consistent observations over a longer period of time are required to improve our understanding.

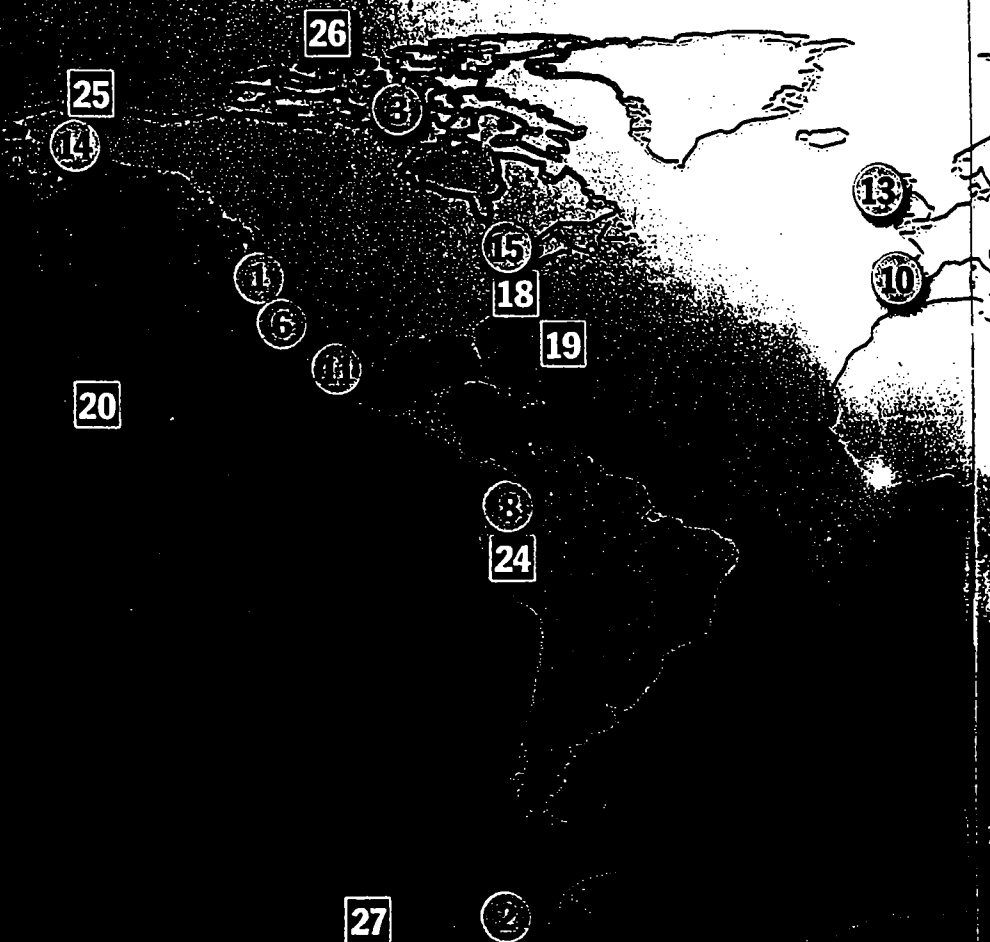
cc:

Neal Lane

Attachment

GREENHOUSE

Carbon dioxide and other gases from the burning of fossil fuels collect in the atmosphere and act like the glass walls of a greenhouse, trapping heat on the earth's surface. Scientists predict that the planet's average temperature could rise as much as 6.3°F (3.5°C) over the next century, and we are already seeing heat waves, melting polar ice and rising seas. Local impact remains unpredictable: some areas could suffer stronger storms and other places severe drought. Seven environmental groups—Environmental Defense Fund, Natural Resources Defense Council, Sierra Club, Union of Concerned Scientists, U.S. Public Interest Research Group, World Resources Institute and World Wildlife Fund—have put together a world map showing “early-warning signs” of global warming. Reviewed by a team of scientists, the signs fall into two categories: direct manifestations of warming, called fingerprints, and events that could become more frequent and widespread with climate change, which are labeled harbingers. Here's an exclusive advance look at the highlights of the map. A more detailed version will be posted on Dec. 15 at www.climatehotmap.org.



Vanishing Animals

- **CALIFORNIA** Edith's Checkerspot Butterfly has disappeared from the lower elevations and southern limits of its range
- **ANTARCTICA** Adelie penguin populations have declined 33% in 25 years because the sea ice where they live is shrinking
- **CANADIAN ARCTIC** Peary caribou numbers dropped from 24,000 in 1961 to as few as 1,100 in 1997, mostly because heavy snowfalls and freezing rain covered their food supply

Storms and Floods

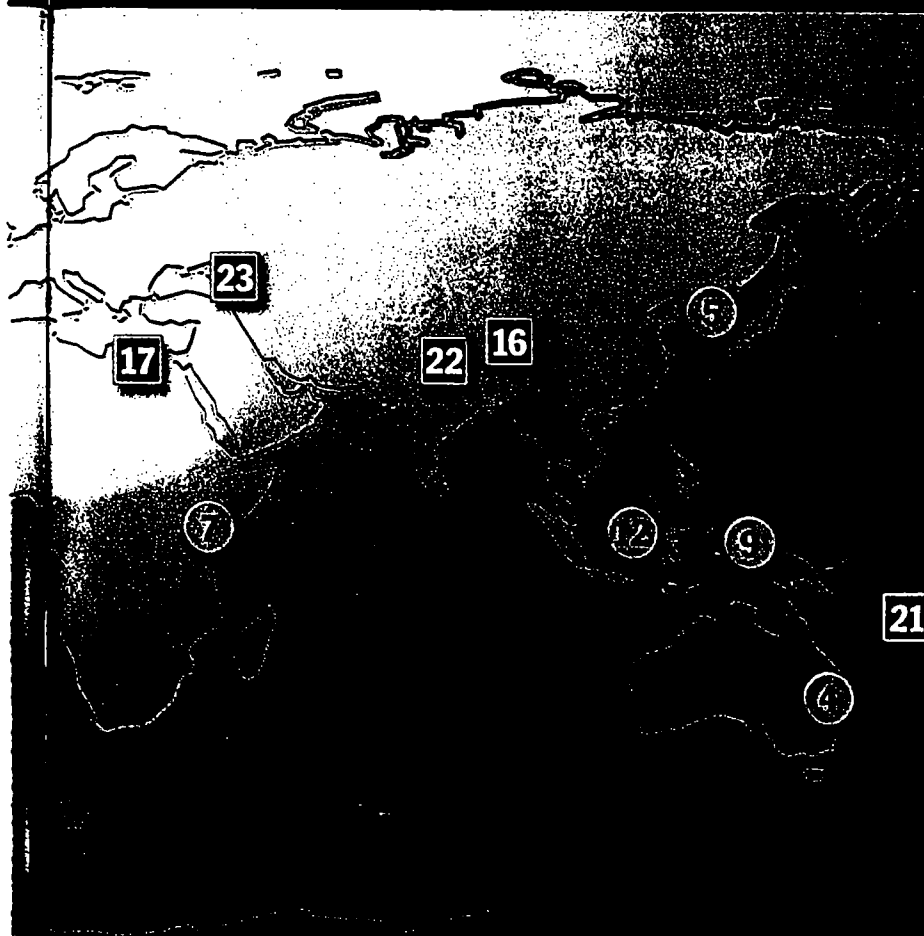
- **AUSTRALIA** During August 15 to 17, 1998, a storm dumped nearly 1 ft. (30 cm) of rain on Sydney, three times as much as normally falls during that entire month
- **KOREA** Severe flooding struck during July and August 1998. On some days rainfall exceeded 10 in. (25 cm)
- **CALIFORNIA** In February 1998, 21.74 in. (55.22 cm) of rain fell on Santa Barbara, its highest monthly total on record

Spreading Disease

- **KENYA** In 1997 hundreds of people died of malaria in highlands where the population had not previously been exposed
- **COLOMBIA** In the Andes, mosquitoes that can carry dengue and yellow fever, once limited to altitudes no higher than 3,300 ft. (1,000 m), appeared at altitudes of 7,200 ft. (2,195 m)
- **INDONESIA** In 1997 malaria was detected for the first time as high as 6,900 ft. (2,100 m) in Irian Jaya province

EFFECTS

Global warming is well under way. Here are some telltale signs



TIME Map by Ed Gittel

THE FINGERPRINTS

Heat Waves

- 16 TIBET** In 1998 Lhasa had its warmest June on record. Temperatures exceeded 77°F (25°C) for 23 days
- 17 CAIRO** 1998 brought the warmest August since data have been kept. Temperatures reached 105.8°F (41°C) on August 6
- 18 NEW YORK CITY** In 1999 the city had its warmest and driest July on record, with temperatures climbing above 95°F (35°C) for 11 days

Rising Seas

- 19 BERMUDA** Saltwater inundation from the intruding ocean is killing coastal mangrove forests
- 20 HAWAII** Sea-level rise at Waimea Bay, along with coastal development, has contributed to considerable beach loss over the past 90 years
- 21 FIJI** The shoreline has receded half a foot (15 cm) per year for 90 years, according to local reports

Melting Glaciers

- 22 INDIA** The Gangotri Glacier is retreating 98 ft. (30 m) per year
- 23 RUSSIA** In the Caucasus Mountains half of all glacial ice has disappeared in the past 100 years
- 24 PERU** The Qori Kalis glacier in the Andes Mountains is receding about 100 ft. (30.5 m) per year, a sevenfold increase in rate since the 1960s and 1970s

Polar Warming

- 25 ALASKA** In Barrow the average number of snowless days in summer has increased from fewer than 80 in the 1950s to more than 100 in the 1990s
- 26 ARCTIC OCEAN** The area covered by sea ice declined about 6% from 1978 to 1995
- 27 ANTARCTICA** Nearly 1,150 sq. mi. (2,980 sq km) of the Larson B and Wilkins ice shelves collapsed from March 1998 to March 1999

Droughts and Fires

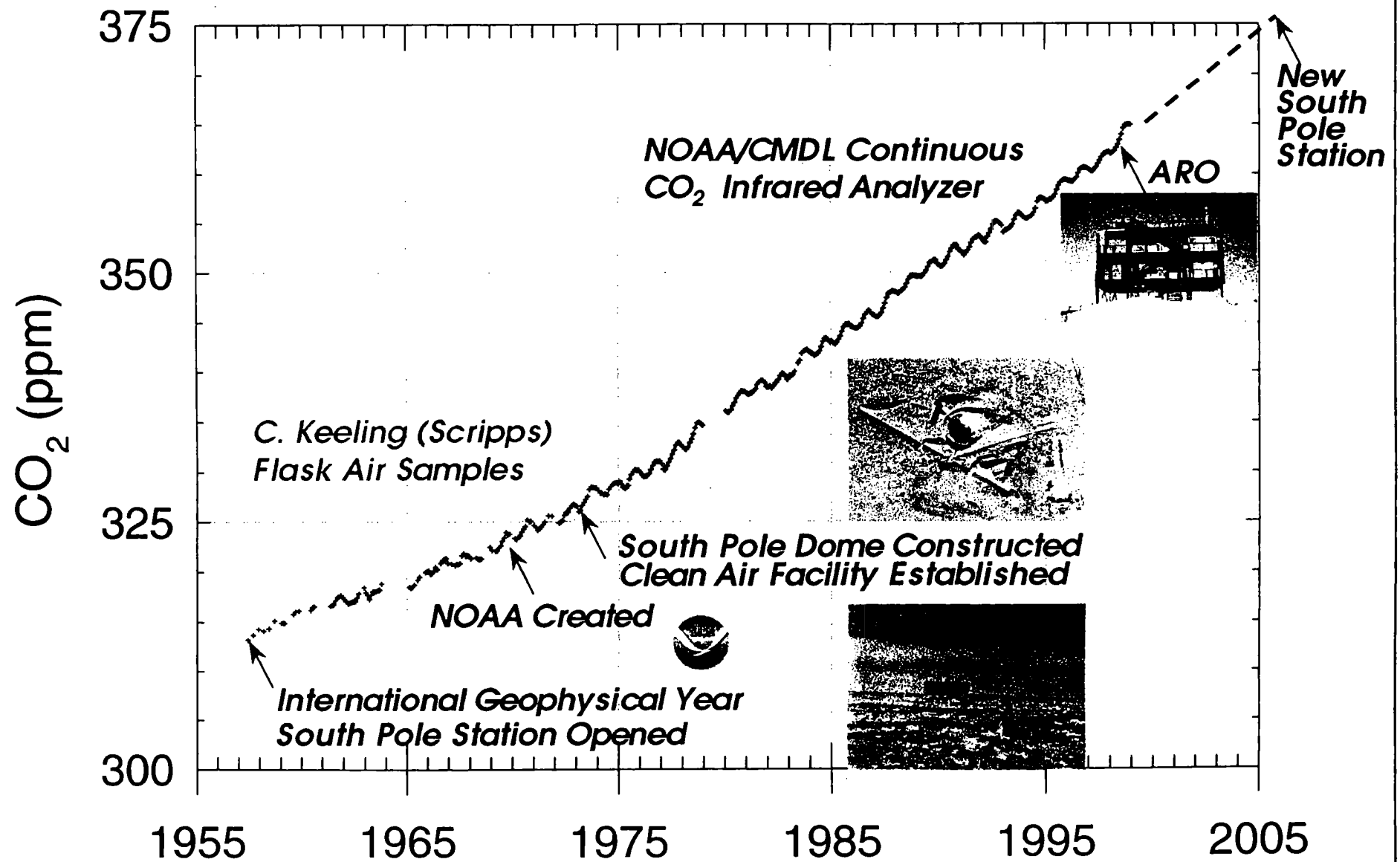
- 17 SPAIN** More than 1.2 million acres (500,000 hectares) of forest burned in 1994
- 23 MEXICO** In 1998 1.25 million acres (506,000 hectares) went up in flames during a severe drought
- 7 INDONESIA** Up to 2 million acres (800,000 hectares) of land burned in 1998, including parts of the already devastated rain-forest habitat of the Kalimantan orangutan

Earlier Spring

- 12 ENGLAND** 31% of 65 bird species studied in 1995 laid their eggs earlier than in 1971 by an average of 8.8 days
- 9 ALASKA** During 82 years on record, four out of the five earliest thaws on the Tanana River have occurred in the 1990s
- 4 NEW HAMPSHIRE** The length of time Mirror Lake is covered with ice has declined about half a day per year during the past 30 years

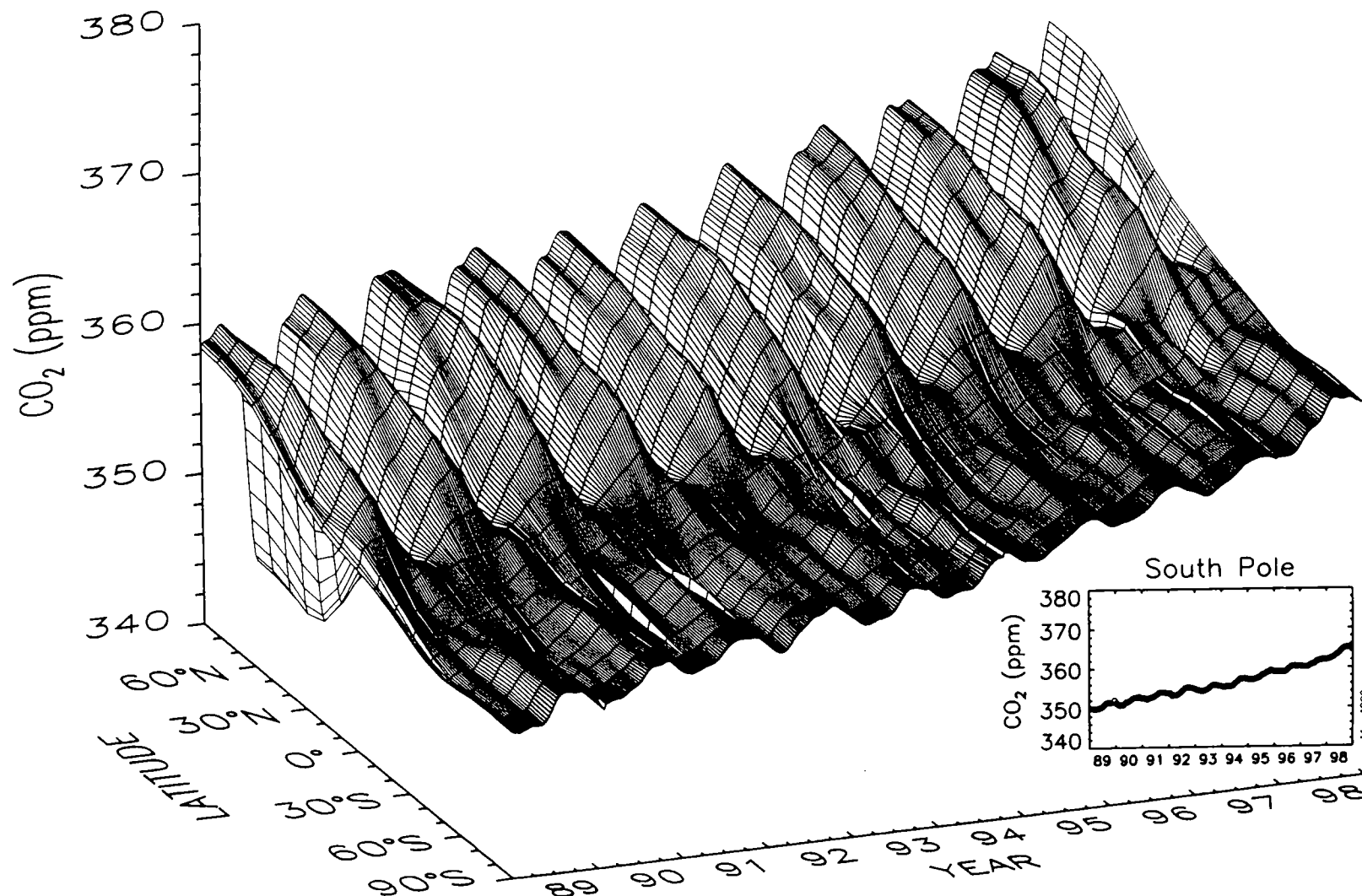
ATTACHMENT TWO

South Pole Carbon Dioxide Record





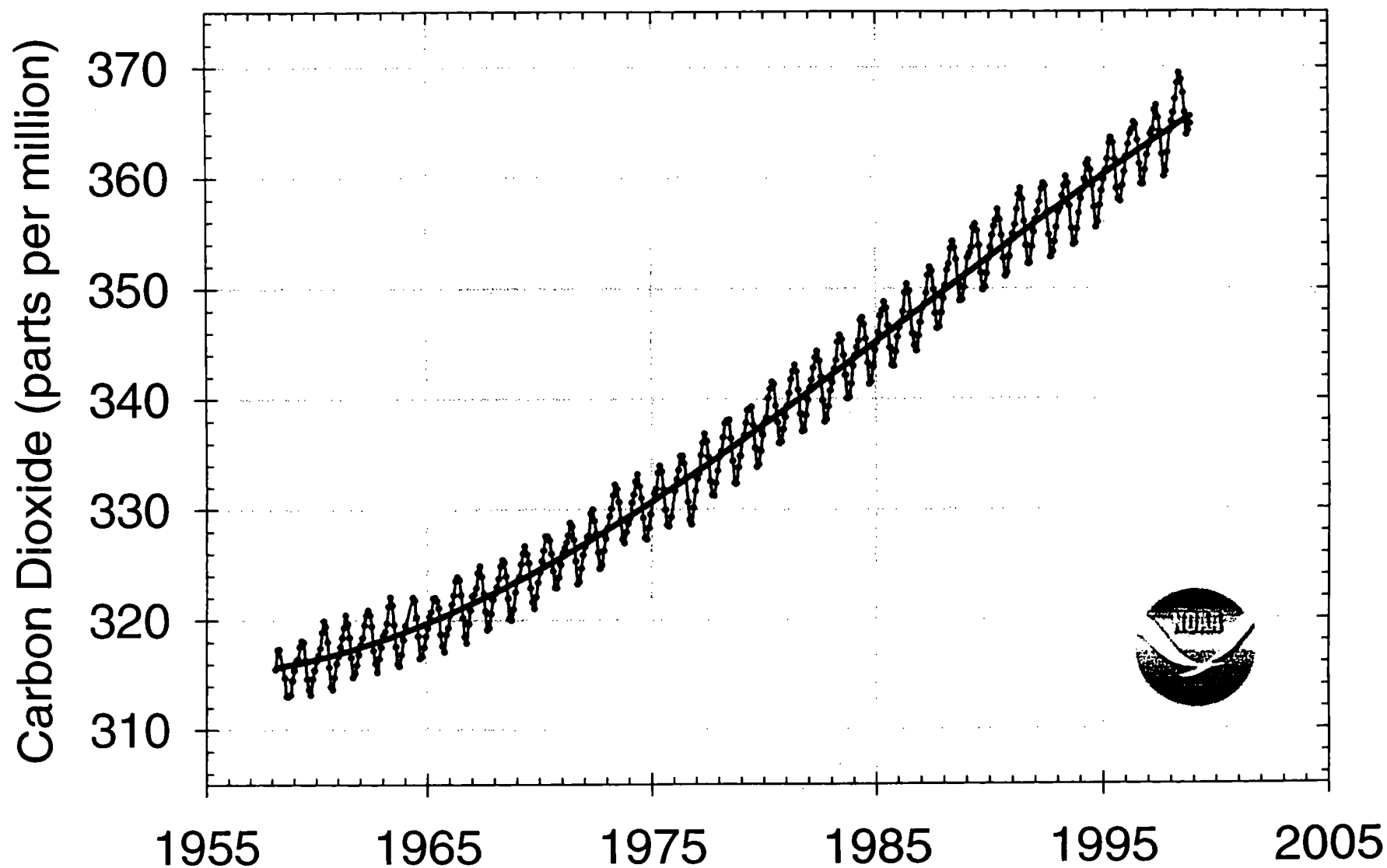
GLOBAL DISTRIBUTION OF ATMOSPHERIC CARBON DIOXIDE

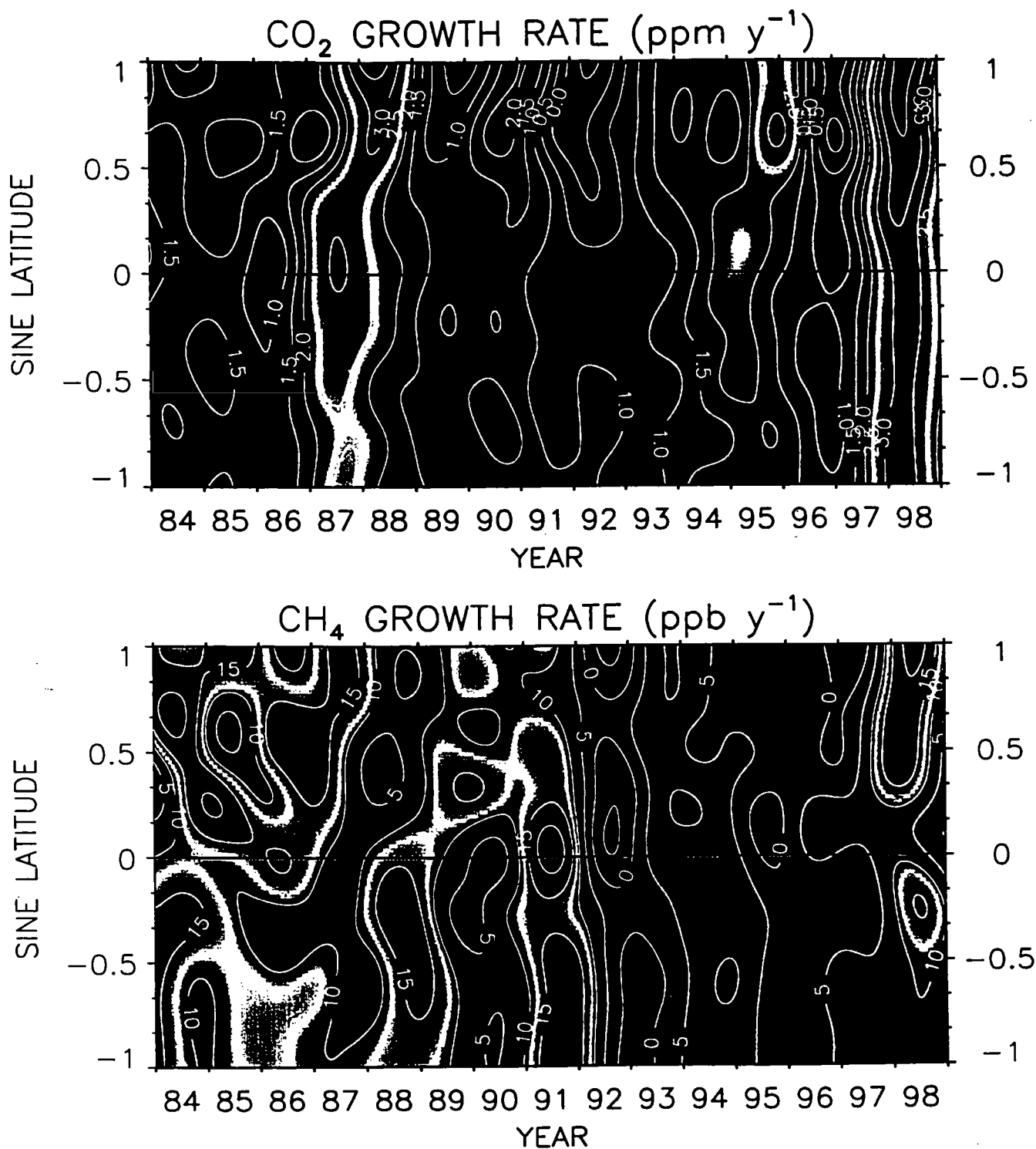


Three dimensional representation of the latitudinal distribution of atmospheric carbon dioxide in the marine boundary layer. Data from the NOAA CMDL cooperative air sampling network were used. The surface represents data smoothed in time and latitude. The contribution from the NOAA CMDL South Pole Observatory flask sampling effort is shown inset as flask monthly means. The 10 degree latitude zone in which South Pole resides is highlighted. Principal investigators: Pieter Tans and Thomas Conway, NOAA CMDL Carbon Cycle Group, Boulder, Colorado, (303) 497-6678.

40 YEARS OF CARBON DIOXIDE MEASUREMENTS

NOAA/CMDL MAUNA LOA OBSERVATORY





Contour plots showing the temporal and spatial variations in the atmospheric increases of carbon dioxide (top) and methane (bottom). The cooler colors (green, blue, violet) represent periods of lower than average growth rates and the warmer colors (yellow, orange, red) represent high growth rate periods. These plots are derived from measurements of thousands of samples collected at the CMDL cooperative air sampling network sites. The variations in the growth rates of these climatically important gases are due to interannual variations in the imbalances between sources and sinks, and also to variations in atmospheric transport. Because the major sources and sinks for carbon dioxide and methane are different, their patterns of growth rate variations are usually dissimilar. An exception to this is the period of low, and even negative growth rates of both gases in 1992-1993, a period when anomalous low temperatures were observed. These observations provide powerful constraints on attempts to model the global carbon cycle. Principal investigator: Pieter Tans, NOAA CMDL Carbon Cycle Group, Boulder, Colorado, (303) 497-6678. ptans@cmdl.noaa.gov.



CLIMATE MONITORING & DIAGNOSTICS LABORATORY



BASELINE OBSERVATORIES



Barrow, Alaska



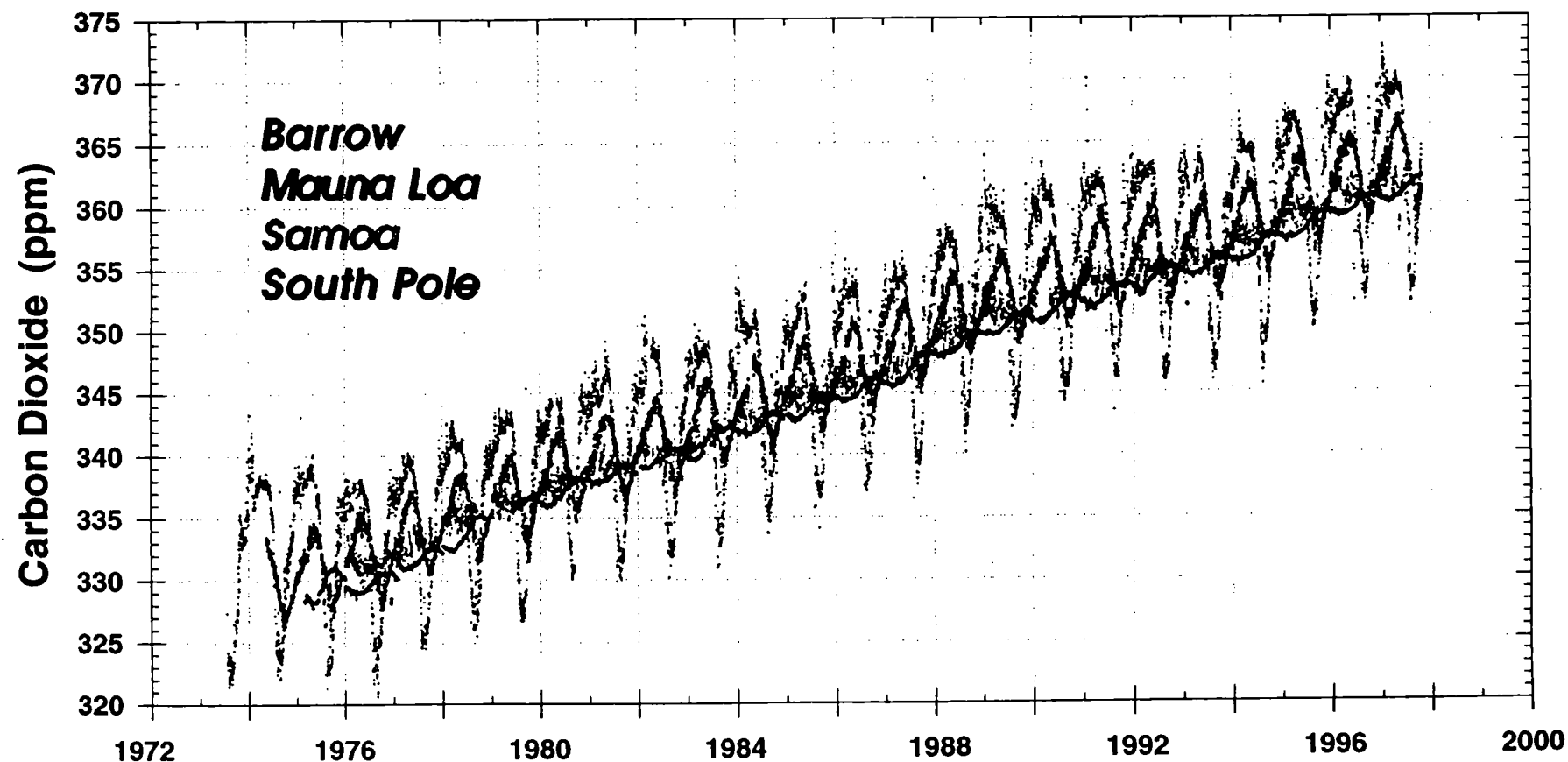
Mauna Loa, Hawaii



Cape Matatula, Samoa



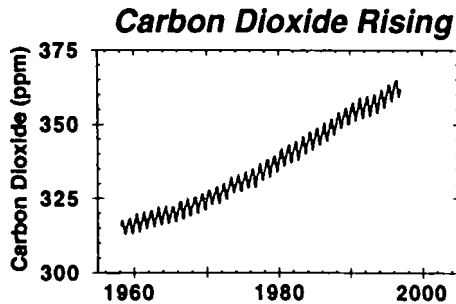
South Pole, Antarctica





NOAA's BASELINE OBSERVATORIES

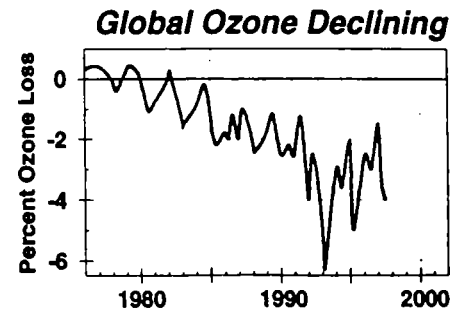
The Task of Keeping Watch on Atmospheric Gases that Affect Climate and the Ozone Layer has Become as Important as Keeping Watch on the Weather.



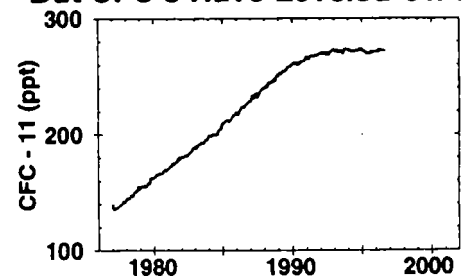
*Pt. Barrow, Alaska
Mauna Loa, Hawaii
American Samoa
The South Pole*

Carbon dioxide continues to increase, adding to the blanket warming the earth. NOAA measurements of greenhouse gases are providing the information needed for wise policy decisions.

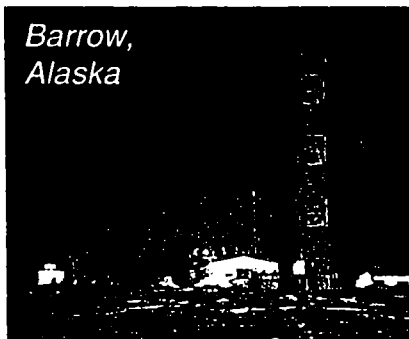
Due to regulations on human-made chemicals, the decline of global ozone and the increase in harmful ultraviolet radiation appears to have slowed. NOAA is prepared to make the global measurements, from Alaska to the South Pole, which will show that the ozone layer has begun recovery, thus reassuring the world that the regulations are working.



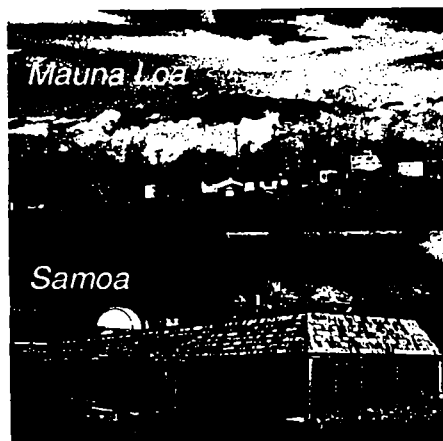
But CFC's Have Leveled Off !



NOAA's Baseline Observatories have been the sentinels of environmental change for 40 years. The FY2001 Climate Research and Services Initiative will allow upgrading and expanding the measurements of greenhouse gases, ozone-depleting gases and radiation.

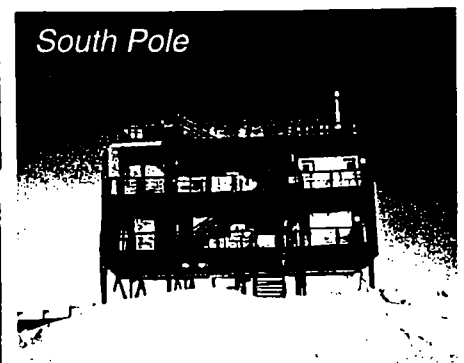


*Barrow,
Alaska*



Mauna Loa

Samoa

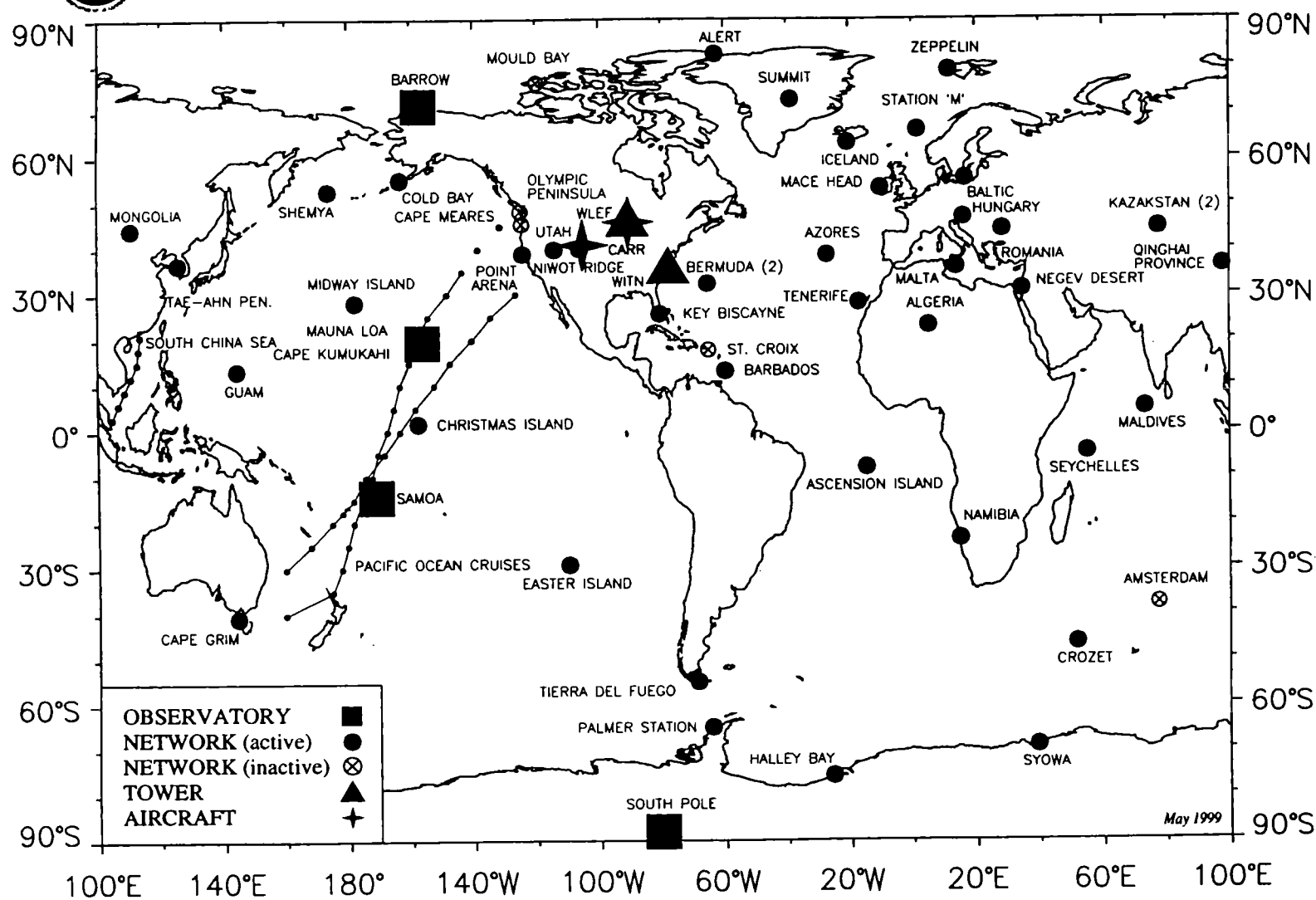


South Pole

NOAA Baseline Observatories



NOAA CMDL Carbon Cycle Group Measurement Programs



The NOAA CMDL Carbon Cycle Group operates 4 measurement programs. In situ measurements are made at the CMDL baseline observatories: Barrow, Alaska; Mauna Loa, Hawaii; Tutuila, American Samoa; and South Pole, Antarctica. The cooperative air sampling network includes samples from fixed sites and commercial ships. Measurements from very tall towers and aircraft began in 1992. Presently, atmospheric carbon dioxide, methane, carbon monoxide, hydrogen, nitrous oxide, sulfur hexafluoride, and the stable isotopes of carbon dioxide and methane are measured. Dr. Pieter Tans, Carbon Cycle Group, Boulder, Colorado, (303) 497-6678. ptans@cmdl.noaa.gov.

The Energy Daily

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26

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In Reporting

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Tuesday, January 4, 2000

ED Volume 28, Number 2

DOE Moves On NNSA Following Domenici Pledge To Seek Legislative Change

BY GEORGE LOBSENZ

After securing a commitment from a key Senate Republican to seek legislative changes regarding the new nuclear weapons agency, Energy Secretary Bill Richardson has formed a blue-ribbon panel to find a leader for the National Nuclear Security Administration.

In a December 30 announcement, Richardson said he agreed to establish the search committee following a pledge by Sen. Pete Domenici (R-N.M.) to support Richardson's effort to get Congress to change the law passed last year establishing the NNSA.

(Continued on page 2)

Failure Four Years In The Making

KCPL-Western Resources Merger Is Off Again

BY HOWARD BUSKIRK

Kansas City Power & Light Co. announced Monday it is pulling the plug on its proposed merger with Western Resources Inc. despite the pleas of Western Resource's top official to keep the deal alive.

KCPL cited Western Resource's slumping stock price and the dismal performance of Western's home security unit, Protection One, as reasons for scuttling the merger, which would have created the new Westar Energy.

KCPL also said it will now examine other strategies—including unbundling its transmission and generation operations to form separate subsidiaries.

Western Resources expressed official disappointment, but declined to discuss the matter further or comment on the company's plans.

A spokesman said Western Resources Chairman and CEO David Wittig probably will not have additional comment for at least a month.

In a letter to Wittig, KCPL Chairman and CEO Drue Jennings said his board met Sunday and decided not to proceed with the merger, which

(Continued on page 3)

BNFL Takes Over ABB Nuclear Businesses

In yet another nuclear industry consolidation, British Nuclear Fuels has bought ABB's nuclear power businesses for \$485 million, inheriting ABB's strong positions in the boiling water reactor sector and in fast-growing reactor programs in Asia.

Overall, state-owned BNFL will be taking over operations that reported \$500 million in revenues in 1998 while employing 3,000 people in the United States, Sweden, France and Germany.

The purchase, announced December 29, follows BNFL's acquisition of Westinghouse's nuclear business last year in association with Morrison Knudsen, the Idaho-based engineering company.

The new BNFL expansion also responds to the recently announced merger of Siemens and Framatome's nuclear operations, a deal which followed a substantial investment in Framatome by Cogema, the state-owned French nuclear services giant that is BNFL's main rival.

BNFL Chief Executive John Taylor said the ABB acquisition would further diversify BNFL's reactor, fuel and services product lines and provide new marketing muscle, particularly in Asia.

"The acquisition expands our technology portfolio by bringing ABB's boiling water reactor systems into our product mix," he said. "This move also allows us to further expand our activities in the United States, Europe

and Asia, enabling us to provide our customers with a broader range of product and service offerings supplied by an expanded global sales and service organization."

While ABB's nuclear businesses have stagnated along with the rest of the industry in recent years, the Swedish-Swiss company has scored new sales in Asia, including the delivery of eight pressurized water reactors to Korea. It also has aggressively lobbied to sell reactors to China.

ABB has had a substantial presence in the U.S. nuclear industry, providing reactors for the Palisades, Maine Yankee, Fort Calhoun, Palo Verde, Waterford, St. Lucie, Calvert Cliffs and Millstone nuclear power plants. The company also has been successful in marketing fuel and other nuclear services to a large number of non-ABB nuclear plants. ABB's nuclear businesses are headquartered in Windsor, Conn.

ABB's sale of its nuclear business is not surprising given the company's efforts to shift its strategic focus from power generation and other heavy industry to automation and other high-tech fields.

ABB last year merged most of its power generation business into a 50-50 joint venture with Alstom of France called ABB Alstom Power. Following the sale of its nuclear business, ABB's remaining power generation business will focus on renewable energy and distributed power.

—GEORGE LOBSENZ

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Following Pledge DOE Moves On NNSA...

(Continued from page one)

In particular, Domenici promised to back Richardson's desire for legislation to give the secretary of Energy direct authority over all personnel and operations in the NNSA, which is supposed to be a semi-autonomous weapons agency within DOE.

Under the current NNSA law, the secretary of Energy is only empowered to issue policy orders to the administrator of the NNSA, who will also hold the title of DOE under secretary. The NNSA administrator then has sole authority and discretion on how to carry out secretarial policy orders.

Richardson has objected to that arrangement on the grounds that he will be unable to directly order changes in the NNSA—even though he and future secretaries of Energy will be held accountable by Congress for all NNSA operations. He said the diffuse authority will lead to administrative confusion at best, gridlock at worst.

Richardson has balked at setting up the NNSA until Congress meets his concerns, a position that has angered some Senate and House Republicans, who say the Clinton administration is trying to strong-arm Congress into making changes in the law.

Domenici's backing for Richardson's position could change the political equation on Capitol Hill—and raise Senate-House tensions on the NNSA matter.

In a statement, Domenici noted the Senate initially passed NNSA legislation giving the secretary of Energy direct authority over the new weapons agency. However, the Senate later accepted House language providing for the secretary to have authority over NNSA "through the under secretary."

Domenici said he agreed to seek legislative changes to break the impasse slowing the establishment of the NNSA, which is supposed to be set up by March 1.

"The naming of a search committee is a very positive move and it is in the right direction," he said. "Let's hope it is the beginning of a good start to the process of getting this resolved."

"Secretary Richardson has asked for my support in changing one provision in the legislation, and I have agreed to pursue that change with my colleagues in the House and Senate.... Secretary Richardson would like the secretary's authority [over the NNSA]... to be direct, as it was in the Senate-passed bill, and I have agreed to support the secretary in seeking to return to the original Senate-proposed approach."

For his part, Richardson made it clear his decision to form the search committee was based on his deal with Domenici.

"I formed this panel after receiving assurances from Senator Pete Domenici that he would help with a legislative change to clarify roles and responsibilities in the new agency—change that will be important for NNSA to succeed,"

Richardson said.

The deal with Domenici appears unlikely to go down well with key House Republicans, who have said they expressly sought to limit the secretary of Energy's authority over the NNSA. Those lawmakers say the semi-autonomous nature of NNSA is designed to prevent meddling by DOE managers that might muddy lines of authority—a factor, they say, in the department's lapses in responding to allegations of nuclear espionage at Los Alamos National Laboratory.

Among those making such arguments has been Rep. Mac Thornberry (R-Texas), chairman of a task force created by the House Armed Services Committee to oversee DOE implementation of the NNSA law. A spokesman for Thornberry had no immediate comment Monday on Richardson's deal with Domenici.

Leading the NNSA search committee will be former Deputy Energy Secretary Charles Curtis. Other members of the committee are James Watkins, former secretary of Energy under President George Bush, Admiral Henry Chiles, who has studied DOE workforce issues, and Andrew Athy, chairman of the Secretary of Energy Advisory Board.

The search committee will submit the names of potential candidates to Richardson, who plans to interview them and make a final recommendation to President Clinton.

PEPCO Restructuring Plan Clears Last Major Hurdles

Potomac Electric Power Co.'s restructuring plan cleared its last regulatory hurdles in the final days of 1999, winning over a two-week stretch approvals from the District of Columbia Public Service Commission, the Maryland Public Service Commission and the D.C. City Council.

The plan calls for the company to sell its power plants and become a regional distributor of energy and telecommunications services.

The regulatory approvals also pave the way for Maryland and District customers to choose an electricity supplier after Jan. 1, 2001, and provides for a three-step, four-year, 7 percent rate decrease beginning Jan. 1, 2000, for the company's 194,000 residential customers in the District and 34,000 Maryland residential customers. The company's Maryland and District commercial and governmental customers will receive a three-step decrease of 6.5 percent over four years.

The D.C. PSC's December 30 approval followed the D.C. City Council's enactment earlier last month of legislation allowing the utility's District customers to choose their energy supplier. The Maryland PSC approved Pepco's divestiture plan and rate cuts on December 22, ushering in competition for the utility's 472,000 customers in suburban Maryland.

Pepco will immediately begin a two-stage, year-long auction process of its generating assets, which include a total capacity of 5,320 megawatts in four power plants and a 10 percent share in a Pennsylvania plant. Six purchase-power contracts totaling 735 MW also are available for sale. Pepco has agreed to retain ownership of two plants located in the District that supply about 1 percent of the company's energy needs.

Pepco hopes to recover all of its stranded costs from the proceeds of the sale. These costs include the company's investments for power plants and other facilities that regulators had approved over the years as necessary to provide reliable service. Any costs not recovered from the proceeds of the sale could be recovered from customers in connection with the move to a competitive market. If the plants sell for more than book value, Pepco will share the net proceeds with its customers.

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Statoil Sells Appalachian Gas Units To Equitable

Statoil Energy Monday announced the sale of its Appalachian Basin Gas exploration and production subsidiaries—Eastern States Exploration Company and Eastern States Oil and Gas—to Pittsburgh-based Equitable Resources Inc. for \$630 million.

The sale includes gas reserves totaling approximately 1.1 trillion cubic feet, 6,500 production wells, and 4,000 miles of pipeline network in Kentucky, West Virginia, Pennsylvania and Ohio.

Sale of the exploration and production business is the first step in The Statoil Group's overall plan of complete divestment of Statoil Energy, a substantial player in the U.S. energy market with 1999 sales of more than \$4 billion.

Statoil Energy's remaining businesses—power generation, energy marketing and trading—will be offered for sale in a separate process starting later this month. The goal

for closing sales on these units is March, a company spokesman told *The Energy Daily*.

The divestment plan announced in October is part of Statoil's overall restructuring program to concentrate on its core business activities: exploration and production in Norway and other selected areas of the world; the European gas and energy business; crude oil trading, refining and marketing; and petrochemicals.

The company said in October it preferred to sell its U.S. holdings in one piece. The spokesman said Monday that most bidder interest focused on the oil exploration and production units, the most mature divisions among Statoil's U.S. holdings.

Statoil, based in Norway, made its first investment in what formerly was the Eastern Group in 1994 and has been investing significant amounts of capital in addition to the

company's marketing operations while also proposing adding 1,000 megawatts of independent power plants. Statoil made an initial investment of \$15 million and then boosted its stake to \$566 million in 1997 when Statoil bought Eastern Group and changed its name.

Pittsburgh-based Equitable Resources is an integrated energy company with emphasis on natural gas production, transmission and distribution in the Northeast.

Statoil Energy, headquartered in Alexandria, Va., is one of the fastest-growing energy companies in North America, with 1999 estimated revenues exceeding \$4.0 billion. It is the largest owner of proved natural gas reserves in the Northeast, owns and operates power plants throughout the Northeast and Mid-Atlantic, and is one of the nation's leading traders of wholesale electricity.

—CHRIS HOLLY

KCPL-Western Resources Merger Is Off Again...

(Continued from page one)

has been in the works since 1996.

Jennings noted that Wittig had spoken to the KCPL board in October, to a joint meeting of members of the two companies' boards in December and to KCPL's financial advisors, Merrill Lynch & Co., on several occasions, to make the case for keeping the merger alive.

"At these meetings, as well as in other communications between our respective companies and their representatives, we have expressed our deep concern with the problems facing Protection One and their impact on Western as a whole," Jennings wrote. "These problems, and the related dramatic decline in Western's stock price since we signed the merger agreement in March 1998, obviously have a direct bearing on the value of the contemplated transaction to our shareholders, as well as the future prospects of Western and its affiliated companies assuming such transaction was consummated."

Jennings continued, "While we and our advisors have given careful consideration to the information you conveyed to us in these meetings, I regret to say that our board has concluded that the transaction contemplated by the merger agreement is no longer in the best interests of KCPL and its shareholders."

At the time of the March 1998 agreement, Western Resources was trading at \$43.13 a share. Its stock had fallen to \$16.94 a share at the close of 1999, a few pennies off the company's 52-week low.

In November, Western Resources reported last quarter earnings for the third-quarter of 72 cents per share—versus \$1.08 per share for the third quarter of 1998.

While earnings for the company's electric and gas operations were up over 1998, Western Resources lost 67 cents per share on its 85 percent interest in Protection One and took an additional charge of 26 cents for accounting changes and other non-recurring costs tied to the security subsidiary.

The on-again, off-again KCPL-Western Resources merger had long been rumored to be in trouble.

Western Resources, under former Chairman and CEO John Hayes, made a "bear hug" offer for KCPL on April 13, 1996. At the time, KCPL had a merger agreement with UniCorp United Inc.

Then, after almost a year of talks, the companies signed a merger agreement of their own in February 1997, which called for KCPL shareholders to receive \$2.20 of Western Resources common stock for every share of KCPL stock they owned.

On March 19, 1998, the companies cut a new deal on the grounds that Western Resources had overpaid in 1997. The new price for KCPL was set at \$23.50 of Western Resources stock for every share of KCPL stock, subject to a collar.

The merger also has encountered problems at the Federal Energy Regulatory Commission, where it has been one of the few mergers that the commission set for hearing prior to approval—a step that makes completing a merger substantially more difficult.

The Kan.-based Western Resources has two electric utility subsidiaries, KPL and KGE. Western Resources also owns 45 percent of Oneok Inc., the nation's eighth largest gas distributor. Kansas City, Mo.-based KCPL serves electricity customers in Kansas and parts of eastern Kansas and western Missouri.

It's The People, Stupid!



Competent project management poses a major challenge to the Energy Department's environmental management program. While the focus on project closure has received strong support in the Congress, there is considerably less confidence that DOE can manage projects effectively.

To remedy this problem, a number of prescriptions have been proffered by outside groups, as well as from within the department. These range from procedural changes to creation of a new independent office responsible for project management across the board.

Although these actions individually make sense, they do not address the key issue of how to improve the quality of contractor executives handling environmental management (EM) projects.

From the inception of the Manhattan Project, contractors managed the DOE nuclear weapons complex. Historically, they managed the work as a series of individual activities, not as discrete projects. In 1996, the focus was changed to managing the EM program as an aggregation of projects. This was designed to promote better project management, lower costs, increase accountability and facilitate "mortgage reduction"—cutting facility maintenance and operation costs.

By focusing on completion and project management, for example, the Rocky Flats site's estimated costs dropped from \$37 billion over 40 years to between \$6 billion and \$7 billion over a decade.

Despite the overall success of the new structure, EM has been plagued by a number of project failures, such as the Pit 9 project in Idaho, the in-tank precipitation facility at Savannah River and the K-Basins at Hanford. Moreover, project costs generally have been creeping up in recent years, threatening compliance and achievement of cleanup schedules.

These failures underscore the need to improve project management as an important objective of the EM program.

Four project management reforms are key to future success. These include upgrading the quality of project managers; creating the right incentives in contracts; holding periodic program reviews; and improving the quality of project baselines.

Upgrading the quality of project management personnel is by far the most important step. In general, competent project managers run projects competently, and vice versa. Good project managers know the tools of the trade, know how to deal with risk and know when to get help. They consistently bring projects in within budget and schedule.

The best opportunity to upgrade the quality of project managers is when contracts are being put up for bid. Choosing the project manager is not like a board replacing a CEO without a strong in-house candidate. DOE staff should interview the top contenders in some depth and diligently check their references. They should grill candidates on their experience and plans to manage the new contract.

Besides these questions, DOE should also check on

the historic ability of the company to replace project managers with equally competent staff.

DOE should also not hesitate to cajole or require contractors to change project managers when a project is failing. In the private sector, when companies lose money,

boards of directors generally choose a new CEO. When football teams lose games, they hire a new coach. EM must exercise this responsibility when a project is failing.

The worst option is to try to micro-manage a project. But sitting idly by a failing project is not much better.

Creating the right contractor incentives is a second key ingredient for project success. The best incentives are multi-year, providing the contractor maximum incentive to succeed and to assure that DOE achieves its objectives. Multi-year objectives also reduce the gamesmanship that can arise from annual targets.

The best target for any project is completion. The government stands to save millions or even billions in mortgage costs while the contractors stand to gain a substantial incentive fee as a reward for its performance and willingness to accept risk.

Independent project reviews can be a third important way to improve project performance. Just the holding of a review requires project management staff to take a hard look at progress, even if the review itself adds nothing. To achieve maximum success, the reviews should be non-confrontational, encouraging honesty from those under review and a willingness to take suggestions.

Finally, DOE needs to improve the quality of the baselines to assure they are both realistic and efficient. First, the baselines need to be updated as projects proceed through engineering. Second, a strong change management system must be in place. It is unacceptable to change baselines substantially with no accountability.

These four steps would improve EM's management of contracts dramatically. But while all four are important, improving the quality of project management staff is by far the most important.

In a phrase President Clinton's theme in his first presidential campaign, 'It's the people, stupid.' Choosing the right project managers is so important that it should give their selection over 50 percent of the weight in procurement decisions. I would also recommend that through the review process, EM require some contractors to upgrade the quality of project management under its contracts, sending a signal that EM is serious about upgrading project manager quality.

If these steps are taken, along with steps currently underway to establish the right incentives, conduct regular project reviews and improve baselines, progress in the next few years should be substantial.

William Alm, former assistant Energy secretary for environmental management, is president of Chambers Associates Inc., a public policy consulting firm.



AMERICA'S MILLENNIUM
A CELEBRATION FOR THE NATION

January 3, 2000

To the Best Team of the Millennium! —

The President and I thank all of you for the work each of you did to make the Millennium celebration such a success. The team effort demonstrated by every office was unmatched — and unprecedented, especially coming, as you know, right after the busy holiday season. We hoped America's Millennium would be a family celebration for our nation, and from the audiences we saw that certainly was the case. The feeling of goodwill that was in the air throughout the day and evening — and into the next morning! — was contagious.

Thanks also to all of you who worked on the Y2K challenge. What a blessing that the "bug" barely registered.

And, a special word of thanks to Ellen Lovell and the White House Millennium Council —
Hillary Rodham Clinton

December 22, 1999

To: Roger Ballentine, Jeff Seabright
Fr: Paul Bledsoe
Re: Proposed POTUS Climate Events: January - March

Possible Events:

- I. White House Event with Leading Climate Change Scientists Highlighting New Warming Studies; President Unveils New Budget Initiative.

A number of studies released in the last week demonstrate for the first time that global warming is proceeding at a pace—0.35 degree per decade since the mid-1970's—consistent with long range models predicting serious impacts in the next century. This seems to me the best news hook of all—global warming is happening now and quickly and we can expect large weather changes as a result. It fits in perfectly with the New Millennium stories which will be all the rage for at least another month or two.

The President could convene leading scientists, discuss the most recent findings, then announce the details of his 2001 budget initiative. The President could officially describe global warming as the most serious environmental challenge of the century.

Timing: Before or after SOTU.

- II. Meeting with Religious Leaders
- III. Meeting with Auto Industry Leaders (Timed with Transport EO)
- IV. Solutions: Industry Advances in Technology on Climate Change: Outside of Washington

CURRENT LIST OF POSSIBLE POLICY INITIATIVES

1. Clean Energy for the 21st Century
2. Transportation Executive Order
3. Power Plant Administrative Announcement/Legislation
4. Energy Efficient Schools Initiatives
5. Heavy Duty Trucks
6. National Assessment
7. Early Credit

CURRENT LIST OF POSSIBLE EVENTS *PRIOR* TO EARTH DAY

1. State of the Union
2. Meeting with Religious Leaders—Early March
3. Event with Industry (Automotive?) Leaders—Mid March
4. Release of National Assessment on Climate Change—Early April
5. Major Speech—30 years ago; 30 years from now; Big Idea Speech—Early April
6. WH Roundtable with business, science, environmental, religious leaders

Note: Mainstream press may be reluctant to cover our climate change events prominently during the primary season, feeling that we were staging them only to help the Vice President in the primaries (already this is a theme of some Republican Congressional criticism to possible additional resources protection designations).

This suggests we make an extra effort to time events to strong news hooks. It also suggests less partisan events may gain broader coverage.

cc: David Gardiner, Elliot Diringer, John Gibson

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cc: David Gardiner, Elliot Diringer, John Gibson

MEMORANDUM

TO: Roger Ballentine
Jeff Seabright

FROM: John Gibson

DATE: December 21, 1999

RE: Requirements for Climate Change Initiatives & Budget Rollout/State of the Union

We will need to move quickly in January to prepare for the roll out of any new climate change initiatives and the FY2001 climate change budget. Outlined below are a range of steps that will need to be taken, depending on where we end up on policy and money.

1. Seek a POTUS event announcing new climate initiatives. Elliot believes that they are looking at least one POTUS environmental event previewing a State of the Union announcement. Candidates include lands legacy, international forestry, cars/transport E.O. and climate. Climate alone could probably only sustain an event if we got something significant on international clean energy or power plants. For event purposes, we might consider marrying up anything we get on our international clean energy initiative with the international forestry initiative. The downside is that it would dilute the climate focus; the upside is might increase our chances of an event and also "green" up what some may see as pure export promotion. Regardless, we obviously need to be thinking creatively on what any such event would look like and start pitching.

Elliot believes that the POTUS will begin previewing State of the Union initiatives as soon as the second week in January (1/10 to 1/14). Paul believes there is a noticeable reticence on the part of the press to cover Administration climate announcements due to the election, which might argue for not pushing too hard for an event but for a "preview" day instead (see below).

2. Receive a sanctioned "preview" date for the climate change program. If we cannot sustain or do not receive a POTUS event, we should at least work hard to receive a designated date on which we can leak our initiatives and budget to selected members of the press. Last year we distributed materials quite widely (New York Times, Post, Wall St. Journal, wires, etc.) and got fairly good coverage from our designated leak date, which occurred in the two-week interim between last year's State of the Union and the official budget release. Presumably, different parts of the budget will be so "previewed" (with or without a POTUS event) both in the two-week period leading up to this year's State of the Union and in this year's *one*-week interim between the speech and budget release. When and if we do leak, we should simultaneously distribute our written materials to Hill allies and outside validators.

3. Prepare written materials on budget/initiatives. Regardless of whether or not we receive an event or a designated preview day, we will need written materials describing our budget package and any new initiatives. We should aim for the same general format as last year: a two pager and a longer piece that more fully describes:

- new initiatives (one page each);
- CCTI tax proposals;
- CCTI spending;
- other climate-related investments (advanced coal, state energy grants, etc.); and,
- USGCRP.

Last year this longer piece ran to 17 pages. I propose that we try to keep this year's to 10 pages. I will seek to have a solid first draft of these materials done by Friday, January 14. In order to meet this deadline, I will need full engagement from all relevant actors at OMB. Hence, I will need *your* support. This date may have to be moved up still further if we receive a POTUS event.

4. Mail materials to the world. Mailing would be coordinated with any event and/or preview and include one or two recent science press clips plus a cover letter from POTUS or Roger.

5. Written materials for State of the Union. In addition to the above package, we will need written materials describing this year's climate initiatives for the State of the Union. Based on past experience, we will need a one paragraph description and a one page description approximately one week out (1/18). I will seek to have these drafted by 1/14 as well.

6. Arrange for official climate budget briefing for NGOs, press, etc. This should take place on February 1st, the day that the budget is officially released. Last year, briefers included Sally Katzen, Elgie, Todd, Dirk, and Dan Reicher.

7. Arrange for Hill budget briefings as soon after February 1st as possible.

cc: Janet Anderson
Paul Bledsoe
Elliot Diringer
Shelley Fidler
David Gardiner
Jackie Krieger



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

December 9, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GEORGE T. FRAMPTON, JR. **GTFJ.**
ROGER BALLENTINE **RB**

SUBJECT: PROPOSED STATE OF THE UNION INITIATIVES

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

CLEAN ENERGY FOR THE 21ST CENTURY

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

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

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

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

action by utilities, in the form of a special class of tax-exempt "private activity bonds" to finance qualified clean energy investments.

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

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

Transportation accounts for roughly a third of U.S. greenhouse gas emissions and the average fuel economy of new vehicles has fallen to its lowest level since 1980.

Technology exists to significantly improve fuel economy. In fact, in Europe, auto makers (including Ford/Europe, GM/Europe, and DaimlerChrysler) have voluntarily committed to a 25 percent improvement in fuel efficiency by 2008. In Japan, the government has mandated a 23 percent improvement in gasoline vehicles, and a 15 percent improvement in diesel vehicles, by 2010.

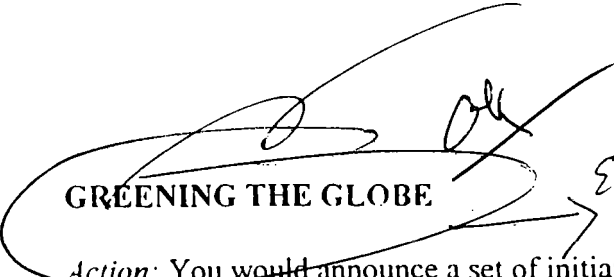
Yet, for the past three years, a rider on the Transportation budget bill has barred the Administration from even studying the possibility of raising fuel economy standards for light-duty trucks (including SUVs), which now represent half the new car market. Although this year environmentalists enlisted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

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

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

A PERMANENT LANDS LEGACY

Action: You would again call on Congress to approve \$1 billion a year in permanent land conservation funding; announce new protections for selected federal lands; announce that you will conduct a Lands Legacy tour highlighting recent and new actions to protect natural



GREENING THE GLOBE

ENERGY TECHNOLOGY/ EXPORT INITIATIVE

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

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

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

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

This initiative includes:

Global Forest Fund – You would propose \$100 million in FY 2001 for programs at USAID that forge partnerships with conservation organizations and developing countries to promote conservation-based development. Funds would support training and technical assistance in areas such as conservation planning, watershed improvement and reforestation, and would be targeted to regions where deforestation poses the greatest threat of biodiversity loss. Partnership agreements would be structured in a way to leverage significant private funding for these efforts. (Members of the public could be offered an opportunity to contribute directly to this fund through a check-off box on federal tax returns.)

Debt-for-Nature – You would propose \$50 million in FY 2001 to implement the Tropical Forest Conservation Act, which authorizes the reduction of debt to the United States in exchange for forest protection efforts. You requested \$50 million for this program in FY 2000 but Congress appropriated only \$13 million.

undercut that assumption, and mayors, governors and construction trade unions are pressing for increased funding. This year, Congress appropriated \$550 million more than you requested. Future increases could meet these wastewater needs while also providing resources to address polluted runoff and critical regional issues.

This initiative includes:

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

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

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

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

Cost: \$15 billion over 10 years.

BUILDING MORE LIVABLE COMMUNITIES

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

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

New efforts proposed for this year’s budget include: