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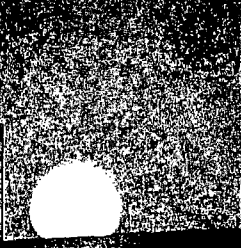
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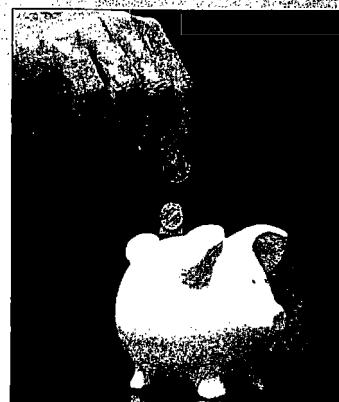


Cool It!



**Cut \$10 Billion in Subsidies that Fuel Global Warming to
Fund Energy Alternatives and Economic Solutions**

A report by Friends of the Earth
November 1997



Climate Change Technology Initiative (CCTI)

Last fall, the President announced a nine-point plan to begin addressing climate change, including a five-year, \$5 billion package of tax incentives and research and development spending to spur energy efficiency and help develop low-carbon energy sources. With the historic agreement in Kyoto in December 1997 to reduce greenhouse gas emissions, the President is now proposing a \$6.3 billion initiative over 5 years -- \$2.7 billion in increased spending and \$3.6 billion in tax incentives. (See Table 1.) For FY 1999, the budget shows \$473 million in increased spending on climate-change related technologies (\$1.292 billion vs. \$819 million in FY 1998) and \$421 million in tax incentives, for a total first-year initiative of \$894 million.

TABLE 1

Direct Programs & Tax Incentives		Dollars in Millions			
BY AGENCY	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Total Increase 1999-2003
Energy	657	729	1060	+331	+1,899
Environmental Protection Agency	86	90	205	+115	+677
Housing and Urban Development	--	--	10	+10	+10
Commerce	--	--	7	+7	+38
Agriculture	--	--	10	+10	+86
R&D Program Total	743	819	1,292	+473	+2,710
Tax Incentives	--	--	421	+421	+3,635
Climate Change Technology Total	743	819	1,713	+894	+6,345

TABLE 2

Direct Programs		Dollars in Millions	
BY AREA OF EFFORT	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999
Buildings	146	264	+118
Industry	156	216	+60
Transportation	246	356	+110
Electricity	220	332	+112
Carbon Sequestration and Cross-Cutting Research	0	42	+42
Policy Analysis, Market Incentives	6	26	+20
Program Direction	45	57	+12
Climate Change Technology Direct R&D Total	819	1,292	+473

Columns may not add due to rounding.

The principal focus of the initiative is an R&D portfolio that covers the four major carbon-emitting sectors of the economy (buildings, industry, transportation, and electricity), plus carbon removal and sequestration, Federal facilities, and crossing cutting analyses and research. (In Table 2, Federal Facilities are included under Buildings.)

BUILDINGS

- ***Accelerate the deployment of existing technologies.*** Major improvements in the energy efficiency of both residential and commercial buildings can be obtained through better labeling of highly efficient technologies and appliances (such as the easily identified Energy Star label), through demonstrations and partnerships with builders and developers, and through two related tax credits:
 - one that encourages the purchase of certain highly efficient building equipment (electric heat pumps, natural gas heat pumps, advanced central air conditioners, and fuel cells for power generation); and,
 - one that provides a credit for the purchase of highly-efficient new homes.
- ***Partnerships for Advanced Technologies in Housing (PATH).*** HUD will lead a team that includes DOE and EPA to work with the building industry to develop, demonstrate, and deploy housing technologies and practices that are inexpensive, highly efficient, and attractive to consumers. This effort will also focus on streamlining Federal, state, and local codes and regulations, education outreach, and creating local markets for PATH housing using pilot sites and demonstrations.
- ***Million Solar Roofs.*** In June of 1997, the President announced an initiative to encourage the installation of one million solar hot water and solar photovoltaic (PV) installations on buildings over the next 10 years. DOE will fund cost-reduction R&D for solar thermal and rooftop PV systems, and will establish partnerships with communities, builders, and other Federal agencies to promote the use of building-mounted solar systems.
 - In addition, a tax credit is proposed to encourage the purchase of rooftop solar thermal and PV systems.
- ***Increased R&D.*** In addition to encouraging the deployment of the best available technologies, DOE is also increasing its research on building systems modeling, to help architectural engineers, and on major components such as next-generation heat-pumps, cooling systems, furnaces, and lighting.

INDUSTRY

- ***Partnerships with industry.*** DOE works closely with industry on technology roadmaps and plans to reduce energy consumption and secure early reductions in greenhouse gas emissions. Industries already engaged in this effort include aluminum, steel, glass, paper and forest products, metal casting, and chemicals. These technology roadmaps form the basis for cost-shared R&D with industry teams and consortia.
 - This work will be enhanced within DOE, and complementary efforts will be undertaken by EPA, USDA, and DOC (NIST), which will lead to voluntary greenhouse gas reduction programs within industry.
- ***Combined heat and power.*** This is an advanced form of cogeneration that integrates power generation with the provision of useful thermal energy in a factory or building.
 - R&D will be accelerated on advanced turbines, fuel cells, and other technologies, and new approaches to capturing useful work or heat through several temperature stages (e.g. electric generation, industrial process steam, steam building heat) in factories or commercial buildings will be demonstrated. When commercially accepted, these systems will allow us to capture the waste heat the Nation now throws away.
 - A 10 percent tax credit is also proposed for investments in combined heat and power systems that have depreciation recovery periods of 15 years or longer.
 - Tax credits are also proposed for certain investments to remove or recycle fluorine and fluorocarbon compounds that act as highly-potent greenhouse gases.

TRANSPORTATION

- ***Partnership for a New Generation of Vehicles (PNGV).*** A government-industry effort to develop an attractive, affordable car that meets all applicable safety and environmental standards and gets up to three times the fuel efficiency of today's cars, or roughly 80 miles per gallon. Five agencies participate in PNGV -- DOE is the largest player, followed by EPA, DOC, NSF, and DOT.
 - The program will lead to "concept cars" in the year 2000 and production prototypes in 2004.
 - This winter, industry and the government have announced the designs that they will pursue -- hybrid vehicles that combine a power source (a piston engine or fuel cell) with battery storage and electric motors.

- In FY99, the combined request for PNGV-related work in those agencies is \$277 million, up from \$227 appropriated in FY98.
- Tax credits are proposed to encourage the purchase of this type of highly-efficient vehicle, and to help make them more affordable. A \$3,000 credit will be available starting January 1, 2000 for vehicles that are twice as efficient as the norm for their class, and a \$4,000 credit will become available January 1, 2003 for vehicles that are three times as efficient as the norm. (The \$3,000 credit would phase out by 2006, and the \$4,000 credit would phase out by 2010.)
- ***Partnerships for Light and Heavy Trucks.*** Similar government-industry efforts are proposed to develop more efficient diesel engines for both light trucks and heavy trucks.
 - DOE has been engaged in R&D on more efficient large truck engines for several years, and that effort will be stepped up in FY99, in coordination with increased work on large diesel engines at EPA and DOD.
 - A government-industry partnership is currently being formed for R&D on smaller diesel engines suitable for light trucks and sport-utility vehicles (SUVs), which are the fastest-growing class of passenger vehicles. A clean, efficient diesel engine could improve the fuel-economy of light trucks and SUVs by 50 percent.
- ***Sustainable Transportation.*** This initiative would promote alternatives to single-occupancy vehicle travel using pilot projects in selected communities modeled after the highly successful approach adopted by the Portland, Oregon metropolitan region.
 - The sustainable transportation programs in EPA and DOE will be coordinated with existing and planned DOT programs. (DOT is not funded within the Climate Change Technology Initiative, however.)
 - An amendment is proposed to current tax law to equalize treatment of parking and transit benefits. To encourage public transportation and vanpools, employers would be allowed to provide tax free transit and vanpool benefits in lieu of compensation, up to the same amount that they can provide for parking.

ELECTRICITY

- ***Renewable energy.*** Expand research partnerships for key renewable technologies such as wind, photovoltaics, geothermal, biomass, and hydropower to accelerate price reductions and improve performance. The same programs will also be supporting increased R&D in hydrogen production and storage and in superconductivity.
 - The FY99 budget proposes a \$100 million increase in DOE for solar and renewable energy R&D -- a 37 percent increase over FY98.

- A 5-year extension is proposed for the tax credit for electricity produced from wind and biomass.
- The photovoltaic (solar electric) component of the Million Solar Roofs initiative (described above under "Buildings") also can be described as an electricity-sector initiative, providing "distributed generation."
- ***Electricity Restructuring.*** DOE and EPA will work with States and utilities on the restructuring of the electricity sector, to ensure that the restructuring does not create barriers to the adoption of renewable and low-carbon generating technologies.
- ***Nuclear power-plant life extension.*** DOE will initiate an R&D effort addressing the critical technology needs to allow currently-operating nuclear power plants to safely extend their operating lifetimes by 10 to 20 years.
 - Under current NRC licences, approximately 60 gigawatts of electric generating capacity would have to be retired between now and 2015. (Most of that comes between 2005 and 2015.)
 - Providing the technologies necessary to safely operate these plants for another 10 to 20 years will make the transition to other low-carbon energy sources, such as solar and renewable energy, much easier.
 - (NRC has indicated that they would probably not grant any plant more than one life extension.)
- ***Innovative coal combustion technologies.*** In FY99, DOE will initiate a research program on innovative new approaches to coal combustion that offer the possibility of much lower carbon emissions than existing technologies.

CARBON REMOVAL AND SEQUESTRATION.

- ***Sequestration R&D.*** Research initiatives are being funded in both basic and applied research to find ways to remove carbon dioxide (CO₂) from combustion gases and sequester (store) the carbon so that it does not enter the atmosphere.
 - DOE's basic science office will engage in biochemical and microbial research.
 - DOE's fossil energy office will conduct an applied sequestration R&D program, jointly managed with the basic science office.
 - USDA will initiate research on enhancing the carbon-sequestering capabilities of agricultural species. NIST will support complementary biotechnology work on plant metabolism and carbon use.

CROSSCUTTING ANALYSIS AND RESEARCH

- ***Emissions credits, incentives, and trading.*** EPA will lead an effort, assisted by DOE, to evaluate options for a domestic trading system and early reduction program in industry. The Federal government will work with stakeholders to understand their views and interests, and to build the institutional capacity needed to implement a carbon emissions credit and trading system.
- ***Program and science assessments.*** DOE will lead efforts to assess the implications of new research results produced by the Global Change Research Program, in order to determine what geographic and technological responses may be appropriate.