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7/7/93

Summary of Advantages of JI

Credible Joint Implementation actions:

- -- are specifically encouraged in the Climate Convention;
- -- would help reduce the buildup of global concentrations, which is the environmental issue of concern;
- -- could dramatically assist developing countries toward sustainable development and lower-emissions growth paths;
- -- could help spread American environmental technology in growing overseas markets;
- -- could make a real difference in protecting threatened forests, a most serious and immediate global environmental crisis;
- -- would face up to the global challenge with American leadership and partnership, not isolationism
- -- and, last but not least, would improve cost-effectiveness, thereby:
  - -- fulfilling the President's directive;
  - -- doing the most to protect the climate with our limited resources; and
  - -- easing costs and reducing opposition, thus increasing the prospects that the Administration's climate protection plan will be applauded, not rejected as a dead-on-arrival, high-cost embarrassment.

7/7/93

Advantages of including JI in US NAP

1. More cost-effective climate protection

Greenhouse gases mix globally and have global effects, so reductions obtained anywhere on the planet are of global significance. International cooperation affords the opportunity to find the most cost-effective actions worldwide.

Likely cost savings: Costs of emissions abatement vary considerably across countries, so cost savings would be substantial.

- Cost savings from allowing JI under the proposed EC carbon tax have been estimated at over a factor of *50* -- marginal cost savings of over *95%* (Barrett, cited in Jones 1993).
- U.S. electric utilities are currently investing in emissions reduction actions overseas at a cost of \$1-\$5 per metric ton of CO_2, cost savings of *over 90%* compared to the cost of abatement (or state 'adder' rules) here.
- Total costs to meet a more stringent target (a Toronto-type target, in which OECD member countries must reduce their emissions by 20% below the 1990 level by 2010): allowing JI cuts total costs by over 50% (Bruniaux et al., OECD 1992).

Cost-effectiveness means:

- Protecting the climate most with limited resources
- Saving resources for investment in other social goals, including more climate protection
- Easing opposition to the Action Plan and climate protection generally, as the cost burden on domestic constituencies is reduced; thus increasing the prospects for effective climate protection.
  - -- Without the opportunity for JI, business and labor are sure to oppose the Action Plan; with JI, progressive industry members will endorse it. Major electric utilities and the United Mine Workers have been explicit on this point.
  - -- Key Democrats in Congress, including Phil Sharp and Robert Byrd, have said the Action Plan is a non-starter without JI.

2. Resource flows for cleaner development

- Best hope for helping developing countries make the transition to sustainable development; establishes private capital flows for lower-emissions development path

- Helps address largest future share of greenhouse gas emissions (developing countries)

- Gives developing country tangible incentive to participate in reducing global emissions; worth more to climate protection than symbolic action by industrialized countries

3. Environmental side benefits

- Forest & Biodiversity conservation. JI investments are the largest likely source of resources to protect the world's forests, which cover less than ten percent of the earth's land area but harbor half its species. Forest loss is ongoing at high rates; barring JI until after 2000 would write off much forest biodiversity to permanent loss.

- Local air pollution. Reducing GHG emissions in developing and Eastern European countries through energy efficiency programs and methane recovery can help reduce other air pollutants, such as SOx, NOx, and urban ozone.

- Gains for local populations. JI projects can contribute to prosperity, education and advancement for local populations in project host countries.

4. Global leadership on global issue

The Climate Convention specifically encourages JI activities.

In the post-Cold War world, a central organizing principle of our national security must be protection of the global environment. A Climate Action Plan that adopts a self-focused Fortress America approach would be unconscionable.

Excluding JI would be tantamount to environmental isolationism in the midst of a global challenge.

7/2/93

Disadvantages of including JI in the US NAP ?

1. "Reductions overseas may be uncertain" (risks of project failure, fraudulent claims, etc.)

   - Although there are some uncertainties, they are not unacceptably high. Measurement techniques can do a reasonable job of discerning credible reductions. Moreover, the cost of improving measurement is far lower than the cost (in environmental as well as financial losses) of excluding JI altogether.

   - Any uncertainties in JI projects apply equally to domestic actions; all actions face uncertainty, and all need to be credible (the only difference with JI is co-financing).

   - Uncertainty can be addressed through criteria, monitoring, crediting rules, insurance, etc. (Again, these tools apply to uncertainty in all actions, e.g. domestic voluntary/green efficiency programs.)

     - For example, policies can be designed to encourage improved measurement, such as by assigning benchmark credit for certain types of actions and putting the burden of proof on the project proponent to demonstrate greater effectiveness.

     - For example, credit for reductions can be recognized annually rather than "all up front," to avoid the risk of project failure after credit is claimed.

   - Ignoring emissions overseas will not make them go away. JI starts to help reduce global emissions.

   - Can't say "precautionary approach: uncertainty is no excuse for inaction on climate change," and then object to action because of some uncertainty!

2. Appearance that US is not achieving its own reductions; "disincentive to technical change in the US"; "escape from responsibility"

   - The US would be responsible for all the reductions in the NAP. US entities would finance the JI actions for which they are credited. There is no escape or free lunch.

   - Global reductions are what count to the climate. If the goal is protecting the climate, the issue is not whose pain, but how much emissions reduction.

   - Fundamentally shaping technical change in developing countries toward a lower-emissions path will do far more to protect the climate than somewhat accelerated technical change in the US. The issue is emissions reduction, not using climate as a vehicle to engineer an agenda for social change.

- In persuading developing countries to reduce emissions, financial assistance matters more than symbols. Does anyone expect developing countries to start adopting targets just because the US acted alone? US action with some JI will do far more to reduce the future path of global emissions than will the symbol of US action without JI.

3. "It'll buy up all the developing countries' cheap reductions"

- All transactions need to be informed and voluntary. Developing countries will only invite JI projects and offer emissions reduction credits if they believe the investment offer is worth it. If they think the price is too low, they'll ask a higher price. The Convention negotiations show that the developing countries are intelligent, careful and effective bargainers, not pushovers.

- Developing countries will receive payment (in financial assistance, technology, etc.) for reduction credits, making them richer and better off. Emissions reductions they make in the future may actually be easier for them as they grow richer.

- Spending now to obtain low-cost reductions helps the climate. Early reductions are worth more environmentally than are later reductions. Barring JI would forestall climate protection.

4. "No agreed international criteria"

- The US can proceed with JI under its criteria for its NAP, while proposing these criteria to the INC/COP.

  - Once international criteria are established, some JI projects might be partially disqualified, but that is a risk firms always take; indeed right now firms are starting to invest in JI even under the risk of total disqualification. Insurance and mutual funds can spread some of this risk.

- US leadership will help shape the international criteria and build a body of experience.

- Other countries are doing the same.

5. "Monitoring and verification raise issues of sovereignty."

- All actions, domestic or JI, require monitoring and verification. If Country A claims to reduce its emissions by some amount through a domestic action, other countries will want proof. Any international body conducting verification would want to investigate all actions, not just JI actions. JI simply adds the element of international co-financing.

6. "JI projects may result in 'leakage' (shifts in emissions to other locations, e.g. protecting one forest means more cutting elsewhere)."

- "Leakage" applies to all actions bearing on internationally traded commodities, not just JI actions. Emissions reduction actions in the US, for example, may shift emissions-intensive activities overseas.

  - If protecting foreign forests would shift cutting elsewhere, so would protecting US forests (e.g. Pacific Northwest) -- with offsetting biodiversity losses as well as carbon losses. What real evidence of such shifts exists? Presumably the propensity for such shifts would depend on the characteristics of the specific project.

  - "Leakage" seems more likely to result from reductions in US energy consumption, which reduces world fuel prices and thus increases consumption overseas, than from protecting forests. Hence, e.g., Green Lights' claimed emissions reduction estimates would have to be reduced by the increase in fuel consumed elsewhere.

7. "JI project emissions reductions need to be real reductions, compared to where the world would have been; we can't be sure the reductions obtained are real; host countries need baselines."

- JI reductions do need to be real reductions. So do all reduction actions, domestic and JI.

- Baselines can in many cases be established for each project, without a strict necessity of a national baseline. One can forecast where the facility/land and related areas would have been without the JI project. That is effectively what Green Lights does domestically, and what one country, e.g. the US, does when it limits national emissions without requiring both an agreed global baseline and monitoring of the effect of US actions on others' emissions.

- The Country Studies initiatives can help establish baselines for developing countries.

- The option of JI gives potential host countries an incentive to adopt credible baselines. Without JI, developing country emissions would still continue to affect the climate, but without good inventory and forecasting.

- Can't say "precautionary approach: uncertainty is no excuse for inaction on climate change," and then object to action because of some uncertainty!

1 Sylvia — re Gym
GAITT TI

2 Rosabeth - Bob
Conference in Chicago

3 Office - Dickens
- Furniture
Office Change

4 CPI

Staffing

Hillary Hines
McCauley students
Public Finance / Expenditure Staff

Adriana

Steve Goldman

GROWTH IN A GLOBAL ENVIRONMENT

GLOBAL CLIMATE COALITION

July 26, 1993

Laura D'Andrea Tyson
Chair
Counsel of Economic Advisors
Old Executive Office Building
Room 314
Washington, D.C. 20503

Dear Ms. Tyson;

I thought you might interested in the attached letter on joint implementation.

Sincerely,

John Shlaes
Executive Director

1331 Pennsylvania Avenue, NW • Suite 1500 - North Tower • Washington, DC 20004-1703
Telephone: (202) 637-3162 • Fax: (202) 638-1043 • Fax: (202) 638-1032

GLOBAL CLIMATE COALITION

July 19, 1993

Mr. Thomas F. McLarty
Chief of Staff to the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. McLarty:

Over the next several weeks you and other officials of the Administration will be making decisions regarding policies to meet the goals announced April 21 by President Clinton when he said:

> "Today, I reaffirm my personal, and announce our nation's commitment, to reducing our emissions of greenhouse gases to their 1990 levels by the year 2000."
>
> "I am instructing my administration to produce a cost-effective plan by August that can continue the trend of reduced emissions. This must be a clarion call, not for more bureaucracy or regulation or unnecessary costs, but instead, for American ingenuity and creativity, to produce the best and most energy-efficient technology."

This is indeed a challenge as the decisions that you will make will effectively drive energy and economic policy in our country for years to come. Members of the Global Climate Coalition have been pleased to participate in the series of workshops which have been held to discuss options available to meet these goals and want very much to continue to work with you as you develop the plan and prepare to implement it.

We urge you to include options in the plan only after a careful analysis of their costs and possible effects on our domestic economy and employment. And, we urge you _not_ to foreclose an option which could, if properly defined without overly restrictive parameters, prove to be the most cost effective and best option available, the option of joint implementation.

This concept -- as yet to be precisely defined -- was included in the Framework Convention on Climate Change as a means to facilitate economic development in developing countries while containing the growth in _global_ greenhouse emissions by the most cost effective means. The way that joint implementation will work domestically cannot be determined at this point as it will depend in large part on the way that the international definitions are constructed by parties to the framework convention. This will not be resolved for some time. The drafters of the convention, however, clearly recognized that pursuit of joint implementation programs to achieve net greenhouse gas emissions reductions in developing countries would be regarded as just as significant as domestic reductions of emissions and should be given equal consideration.

Properly defined, joint implementation can meet several goals as it can:

- help address environmental and economic challenges that already exist in developing countries (including countries with economies in transition), where the opportunities for reducing the rate of growth in greenhouse gas emissions far exceed that in the mature, efficient economies of developed countries;

- reduce greenhouse gas emissions globally at a lower cost than domestic controls;

- create new job opportunities for U.S. industry by deploying technological and managerial expertise in countries where it is desperately needed;

- lead to long-term economic development by accelerating the advancement and utilization of more efficient energy technologies with reduced environmental impacts.

We understand that there is a debate within the Administration as to whether joint implementation should be a part of the August National Action Plan and the options put forth at that time. We hope that you do not foreclose this option which could be effective in the short term as well as over a longer term in reducing global emissions.

Because of population growth the legitimate and understandable desire for economic progress in the developing countries will lead to rapid growth in greenhouse gas emissions in these nations, and reductions in greenhouse gas emissions made in the U.S. or other OECD nations will be quickly overwhelmed. This rate of growth could be reduced by a program of technological cooperation between OECD nations and developing countries. Alternatively, if this option is foreclosed the financial capability of OECD nations to assist these countries in their quest for a better economy could be hampered.

The benefits that can accrue to this nation and the world by a well structured policy of joint implementation cannot be underestimated. A national action plan focused solely on domestic programs could threaten the continued economic growth and competitiveness of the U.S. economy. A plan that combines cost effective domestic measures, including voluntary measures, with a properly defined joint implementation program, could foster this nation's economic growth and international competitiveness while providing the means for the developing countries to enjoy a level of prosperity and environmental protection that has heretofore eluded them.

There is still substantial scientific uncertainty regarding whether global climate change is occurring and if so how fast and what impacts might be. The members of the Global Climate Coalition support actions to reduce greenhouse gas emissions or to increase greenhouse gas sinks that are justified for other economic or environmental reasons. If properly defined joint implementation can be one of those actions. We stand ready to assist you in your efforts.

Sincerely,

John Shlaes
Executive Director

cc: Interagency Climate Change Mitigation Group
Interagency Analysis Team

LDT

JES

JW

THE WHITE HOUSE

WASHINGTON

June 14, 1993

MEMORANDUM

TO: Climate Change Mitigation Group

FROM: Katie McGinty

SUBJECT: Possible Questions and Suggested Answers

Here are some Q&As on climate change and our policy deliberation process. Please review and provide comments if you wish. Our next meeting is scheduled for June 24 at 4:00.

Distribution:

Dr. John H. Gibbons
Bowman Cutter
Dr. Laura D'Andrea Tyson
Dr. Alice M. Rivlin
Eileen B. Claussen
Kathy Way
Richard Rosenzweig
Robert Sussman
Joseph Canny
Kathryn Sullivan
James Lyons
Brooks Yeager
Alicia Munnell
Tim Wirth

POSSIBLE QUESTIONS AND SUGGESTED ANSWERS ON THE GREENHOUSE GAS REDUCTION PLAN

International Considerations

QUESTION: How does the President's August Plan fit into the Framework Convention on Climate Change National Action Plan process?

ANSWER: This is not a revised U.S. National Action Plan pursuant to the Framework Convention on Climate Change. The August plan is a domestic policy initiative, although one which will have significant implications for subsequent Action Plans for the Convention. We are trying to produce a dynamic plan of action to reduce greenhouse gas emissions. We are not trying to produce yet another glossy brochure that is dedicated primarily to excuses for inaction. This will be a blueprint for progress.

QUESTION: Are you timing the release of the plan to coincide with the International Negotiating Committee meeting in August?

ANSWER: The President made it clear in his Earth Day speech that the U.S. greenhouse gas commitment will help restore U.S. leadership on global environmental issues. We think that developing a greenhouse gas policy by the August INC meeting will send a powerful signal that the U.S. intends to lead the world, and will enable us to emphasise to other countries at the meeting that we expect them to embark on similar initiatives to fulfill the commitments that they have already made.

Process Questions

QUESTION: How will you succeed in developing a cost-effective plan where past Administration efforts have failed?

ANSWER: Unlike past policy development, our process will be designed to identify the best policy options for attaining a specific goal. Past attempts have largely provided a justification for existing policies. By bringing in ideas from interests outside of the Administration in a more inclusive process, we can tap into the creativity of the private sector and translate some of their best ideas into effective public policy.

QUESTION: Why is the Administration committed to public participation?

ANSWER: It is time to get to work on a real plan that will get us past the rhetoric of the past. Opponents of action have aired some legitimate concerns that need to be addressed, but these should not simply be accepted for excuses for inaction on such a vitally important issue. We need to have access to the views and creativity of all interests in developing a viable plan.

There are many business leaders who believe that policies that enhance markets for energy efficient products will promote economic growth and reduce emissions at the same time. We should listen to their views. Some of the most progressive companies have already undertaken the kind of actions that could, if widely adopted by other companies, significantly reduce greenhouse gas emissions from the private sector. We need their insights on how to stimulate more of these actions without heavy-handed government mandates. We need private sector input to identify federal policies that will encourage the widespread adoption of economically attractive greenhouse gas reduction technologies and processes. By developing these policies in coordination with the private sector, we can best achieve the goals of protecting the environment and fostering economic growth.

QUESTION: How are you selecting the public participants?

ANSWER: We are canvasing the private sector, labor, environmental groups, state and local officials for constructive suggestions. The climate change issue has attracted considerable debate, and we are confident that a broad range of views will be heard. At the same time, we are focusing on concrete solutions, not general policy discussions. Therefore, we will select participants who have experience in developing or implementing policies and programs that have a proven track record of reducing greenhouse gas emissions in cost-effective ways.

QUESTION: What role will Congress be given in the August Plan development?

ANSWER: First, we will encourage Congressional staff -- and the public -- to attend our workshops so that they can see firsthand the kind of input that we are receiving. In addition, we will actively solicit input from the key Committees in both the House and the Senate on the legislative prospects for contemplated policy initiatives. Finally, we will actively inform Congress throughout the process on where our deliberations are heading.

QUESTION: Why not allow Congressional staff to formally participate in your workshops?

ANSWER: In order to be an effective forum for getting information, the workshops must balance two competing objectives: getting a diversity of views while keeping the number of participants to a workable size. Selecting Congressional staff for participation would require us to attain balance across several other dimensions -- across the House and the Senate, among the key Committees, and between majority and minority representatives. These balancing requirements would take too many workshop seats from private sector stakeholders, and prevent us from hearing a broad diversity of viewpoints, especially from those likely to implement actions.

Elements of the Plan

QUESTION: Will the greenhouse gas plan guarantee stabilization after 2000 and further emission reductions?

ANSWER: The plan will fulfill the President's commitments:

> Today, I reaffirm my personal, and announce our nation's commitment, to reducing our emissions of greenhouse gases to their 1990 levels by the year 2000. I am instructing my administration to produce a cost-effective plan by August that can continue the trend of reduced emissions. This must be a clarion call, not for more bureaucracy or regulation or unnecessary costs, but instead for American ingenuity and creativity, to produce the best and most energy-efficient technology.

The President gave two commitments -- to return U.S. greenhouse gas emissions to the 1990 levels by the year 2000 and to develop a plan that can continue cost-effective reductions thereafter. In August, the Administration will announce the plan that will meet the two commitments.

QUESTION: How detailed is the August plan likely to be?

ANSWER: The plan will outline the steps we believe are necessary to fulfill the President's commitment. In the August plan, we intend to:

-- Clarify Administration analyses regarding emission trends under existing and proposed economic policies.

-- Present the economic framework for our analysis of emission reductions and costs associated with specific policy options.

-- Identify the most cost-effective policies that would reduce greenhouse gas emissions.

-- Propose an integrated package of policy initiatives that will fulfill the President's commitment.

-- Identify additional policies to continue the trend of reduced emissions after the year 2000.

QUESTION: Are you going to pursue a "no regrets" strategy?

ANSWER: That depends on the definition of "no regrets." The Bush Administration used "no-regrets" rhetoric to enshrine the status quo -- by defining a "no regrets" policy as actions that made sense even if climate change were not even a **potential** threat. A true "no regrets" position takes into account the fact that climate change represents a real threat. If climate change begins to have calamitous impacts on the global economy, then a do-nothing policy will lead to tragic "regret" because we would have lost precious time and maybe closed out some cost-effective opportunities. If, on the other hand, we have cost-effective policies in place that put the U.S. and global economy on a less carbon-intensive path, then we will have reduced the ultimate cost of solving the problem. To the extent that we implement policies that accelerate cost-effective investments and technology development, we will have fulfilled the President's commitment with an honest "no regrets" policy rule.

QUESTION: Do you think that we can really stabilize greenhouse gas emissions with "no regrets" policies?

ANSWER: We won't know what the plan will entail precisely until we make a serious effort to identify the most economically attractive opportunities. However, we believe that our efforts will yield significant improvements upon the proposals made thus far. The Bush Administration <u>never</u> focused on developing policies -- and even tried to downplay the potential success of their own policies lest they actually make a greenhouse gas commitment look economically attractive. That's the real difference here -- if you approach the issues with the belief that a potentially significant problem exists, then you will find more effective solutions. In contrast, the Bush Administration literally ran away from a lot of good ideas. We do not expect that the process of developing or implementing policies will be easy -- it represents a significant challenge -- but we know that there are good ideas in the private sector and being developed by many in the agencies who the previous Administration did not care to listen to. We are determined to hear those policies out.

QUESTION: What kinds of policies will be on the table for consideration?

ANSWER: Like Ross Perot said, there are "plenty of plans lying around" to address problems, and climate change is no exception. Many proposals have been made, and we plan to evaluate them for emission reduction potential and cost effectiveness. But we also hope to tap into new ideas and fresh thinking. In other words, our minds are open, but not empty. In addition, we will not evaluate policies in a vacuum -- public acceptance, the status of the economy, and legislative feasibility will influence our decisions. We are going to develop a plan that we can implement to realize the President's objectives -- not just to satisfy our intellectual curiosity.

QUESTION: Will greenhouse gas sinks be included in the August plan?

ANSWER: The President's commitment is not conditional on actions to enhance greenhouse gas sinks. However, even though the commitment does not specifically require the inclusion of sink options, sink enhancement options are on the table for full and fair consideration. The Rio Treaty signals the international community's interest in these options, and the greenhouse gas provisions of the Energy Policy Act shows Congress' interest as well. And, many analyses suggest that sinks show considerable promise as a greenhouse gas mitigation strategy.

We have established a working group to examine the role that sinks can play in reducing the concentrations of greenhouse gases in the atmosphere. This group will evaluate the current status of biological measurement and mass balance methodology which are needed to confirm the efficacy of sink enhancement approaches. The working group will also examine the debate over the cost effectiveness of sink strategies, so that we can legitimately compare the economics of sink enhancement programs to emission reduction options.

QUESTION: Will the Administration consider joint implementation strategies in developing the August Plan?

ANSWER: Although the President's commitment was not conditional on pursuing international "joint implementation" strategies, we intend to consider the opportunities that these strategies may offer. Joint implementation is a relatively new concept that will need careful development in order to achieve net emission reductions and expanded economic trade opportunities. Joint implementation will become especially attractive when the international community can agree on a set of rules by which one country can obtain emission reduction credit for projects or technical assistance that helps another country reduce net greenhouse gas emissions.

The President has directed international negotiators to give top priority to these issues in the August International Negotiating Committee meeting in August. In developing the August plan, the Department of State is chairing a working group to examine these issues in order to develop a negotiating position, They will examine the issues regarding measurement, monitoring, and international accounting frameworks.

QUESTION: Will an increase in CAFE standards be considered?

ANSWER: One cannot analyze transportation sector emissions in a public forum without expecting some proposals that would include an increase in CAFE. Some analysts, however, contend that CAFE is not as cost-effective as some other approaches. There are some interesting proposals to improve the CAFE system to make it more flexible while increasing automobile efficiency, and we will look at those as part of our analysis.

QUESTION: Will you consider a CO_2 tradable permit scheme as a policy instrument?

ANSWER: Tradable allowances, such as the Clean Air Act program for sulfur dioxide emissions, have some clear advantages for environmental certainty and cost-effectiveness. We think that tradeable permits should be given an opportunity to develop under the Clean Air Act program, and we will evaluate their potential effectiveness for long-run CO_2 emission control. Using tradeable permits in the context of a greenhouse gas program raises a host of issues that have not yet been fully addressed -- including emission measurement, compliance, accounting, and how a market for greenhouse gas allowances might evolve. Nevertheless, several firms have already begun to implement voluntary greenhouse gas stabilization measures under an accounting methodology that could form the basis for tradeable permits.

QUESTION: How can we be assured that the August Plan will meet the President's commitment of returning greenhouse gas emissions to 1990 levels by the year 2000?

ANSWER: We will design the plan to meet the President's commitment given our best estimate of the effectiveness of the policy options included. Since projections of energy usage and greenhouse gas emissions are uncertain, meeting the President's commitment requires that we monitor our greenhouse gas emission levels and trends, and respond appropriately if we make less progress to our goals than initially anticipated by the analysis. Meeting the President's commitment will require new policies now and periodic re-evaluation of their effectivenes.