Business Roundtable℠

Climate Change

Business Roundtable Supports Actions to Address Global Warming

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Business Roundtable (www.businessroundtable.org) is an association of chief executive officers of leading U.S. companies with over $4.5 trillion in annual revenues and more than 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock market and represent more than 40 percent of all corporate income taxes paid to the federal government. Collectively, they returned more than $112 billion in dividends to shareholders and the economy in 2005.

Roundtable companies give more than $7 billion a year in combined charitable contributions, representing nearly 60 percent of total corporate giving. They are technology innovation leaders, with $90 billion in annual research and development (R&D) spending — nearly half of the total private R&D spending in the U.S.

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The Consequences of Global Warming for Society and Ecosystems Are Potentially Serious and Far-Reaching

According to leading scientists, there is increasing evidence that the Earth's climate has been warming over the last century and that increases in the Earth's temperature are affecting many global ecosystems, especially the polar areas. At the same time that warming has been occurring, greenhouse gas (GHG) concentrations in the atmosphere have increased due to rising worldwide emissions of GHGs. Major sources of these emissions include the combustion of fossil fuels, tropical deforestation and other land use changes.

Because the consequences of global warming for society and ecosystems are potentially serious and far-reaching, steps to address the risks of such warming are prudent even now, while the science continues to evolve. Business Roundtable supports collective actions that will lead to the reduction of GHG emissions on a global basis with the goal of slowing increases in GHG concentrations in the atmosphere and ultimately stabilizing them at levels that will address the risks of climate change.

These actions need to be coordinated with efforts to address other urgent world priorities, such as reducing poverty, improving public health, reducing environmental degradation and raising living standards. Reliable and affordable world supplies of energy are essential for meeting these challenges.

Although Business Roundtable supports actions to address global warming, our members have a range of views and preferences about the policy tools that will best achieve that objective. Some companies support mandatory approaches; others do not. Recognizing that legislation and regulation are under consideration, Business Roundtable supports an open and constructive dialogue about the principles that should shape climate policy and the pros and cons of various options. As a starting point for this dialogue, our members agree on the following policy objectives:

Taking Action and Reporting Progress

Building on the leadership efforts of many U.S. companies, more companies should commit to making emission reductions a priority and report publicly on their progress in achieving these reductions. An improved national registry for reporting emissions and documenting reductions would stimulate additional progress by industry. Government policies should encourage early action and investment to reduce emissions and improve energy efficiency. This will motivate more companies to step forward and provide public recognition to those companies that have reduced their carbon footprints.

Improving Energy Efficiency

A proven and cost-effective strategy for reducing emissions is improving efficiency in the production, distribution and use of energy. Opportunities to achieve greater energy savings using existing technologies exist throughout the economy. To capture these savings, Business Roundtable's recent report *More Diverse, More Domestic, More Efficient: A Vision for America's Energy Future* advocates a goal of improving the energy intensity of the U.S. economy by 25 percent. To achieve that goal, U.S. companies should work collaboratively with the government to improve energy efficiency in buildings, equipment, appliances and manufacturing, as well as in the electricity sector. Energy and carbon efficiency in the transportation sector should be increased by improving the fuel efficiency of vehicles through development and deployment of energy efficient vehicle technologies, increased use of renewables, and the pursuit of policies that reduce growth in vehicle miles traveled. All levels of government should demonstrate leadership by committing to improve energy and carbon efficiency in their buildings and fleets and partnering with business to enhance public education about the benefits of energy conservation. Governments should also encourage business and consumers to adopt energy efficiency technologies and eliminate regulatory impediments to their deployment.

Developing and Deploying Low-GHG Technologies

The development and global deployment of new, efficient low-GHG technologies is vital to an effective long-term response to concerns about global climate change. These technologies are essential to reducing GHG emissions while meeting rising energy demands to support economic growth. Any legislative or regulatory framework must stimulate private sector innovation and investment, as well as consumer awareness and acceptance of new technologies in the marketplace. Expanding penetration of these technologies in developing economies where GHG emissions are rapidly increasing should be an urgent priority, along with emission reductions from major contributing countries in the developed world.

Increasing RD&D Investment

Research, development and demonstration (RD&D) investment in new low-GHG technologies must be increased in the public and private sectors to levels commensurate with the magnitude of the climate challenge. RD&D programs should be better coordinated across economic sectors and focused on technologies with the greatest promise in reducing GHG emissions on a life-cycle basis. We will need to educate and train a new generation of scientists and engineers equipped to lead the rapid technological advances that will be required to address the climate challenge.

Investing in Climate Science

Scientific uncertainties remain regarding the relative impact of human activities on warming trends as compared to natural phenomena and the precise magnitude, time and regional distribution of temperature and climate changes that can be expected over the next century. Investment in climate science therefore must continue at a high level so that we can better understand and predict the

magnitude and timing of future warming of the planet, its potential effects on ecosystems and human activities, its impacts on the economy, the role of different factors in causing global warming, and the potential benefits and costs of mitigation and adaptation strategies. A continued U.S. leadership role in climate science is essential.

Aligning Reduction Timelines with the Trajectory for New Technologies

As we continue to reduce emissions, the steps we take should be aligned with the expected timelines for developing and commercially deploying advanced technologies in the United States and globally. Our steps also should be aligned with the ability of our economy to reduce its carbon footprint in an economically sustainable manner, without increasing shortages of energy and raw materials, price spikes or competitive imbalances that threaten economic growth.

Following a Flexible Step-Wise Approach

Longer-term measures should be based on a flexible step-wise approach that allows us to adjust our goals and strategies over many decades as climate science evolves and we become more certain about the potential magnitude and causes of future warming trends, learn more about the technologies required for continued progress, and better understand the environmental and economic consequences of climate policies. Our policy framework should be sufficiently flexible to allow the nation to make a course correction if the economic impacts of achieving specific levels of emission reduction are unacceptable.

Selecting the Right Policy Tools

Different policy tools for achieving emission reductions are being considered, including carbon taxes, cap-and-trade programs and standards that dictate carbon content or maximum allowable emissions for fuels, products or technologies.

Business Roundtable believes policymakers should judge the potential value of these tools by whether they (1) are effective in reducing projected emissions, (2) are flexible and maximize use of markets, (3) encourage technology solutions, (4) minimize complexity and transaction costs, (5) are cost-effective, (6) operate in a transparent manner, (7) provide predictability and certainty to business, (8) minimize undesirable competitive imbalances in the domestic or global economy, and (9) foster innovation and business opportunities. An effective set of policy tools will be one that provides a clear and stable long-term, economy-wide framework for emission reductions that enables rational business planning and investment.

Applying Policy Solutions Equitably

Policy solutions should be economy-wide in scope and framed equitably to avoid unwarranted impacts on particular industry sectors, technologies or regions of the country. The social, economic and environmental impacts of policy options must be openly and understandably communicated to the American public.

Maximizing Access to Limited Feedstock and Energy Supplies

Carbon constraints can increase competition between different sectors over limited feedstock and energy supplies. An equitable policy framework should account for and mitigate the resulting employment, social and economic impacts. As Business Roundtable has previously emphasized, this will require increasing the supply and diversity of domestic energy sources (including renewables, clean coal, nuclear and natural gas) and removing market barriers to innovative high-efficiency technologies that reduce energy/feedstock demand and increase supply. For example, accelerating investment in promising carbon capture and sequestration technologies will help ensure that coal remains an essential fuel and feedstock for manufacturing and energy production while dramatically lowering GHG emissions.

Adopting Global Solutions to a Global Problem

Climate change is global in both its causes and impacts and requires a global response. Focusing on the United States alone will not reduce worldwide GHG emissions or stabilize atmospheric concentrations. An equitable and effective global framework for addressing climate change should be put in place, under which all major emitting countries (including China, Brazil and India) are committed to appropriate emission reduction goals. It should also address tropical deforestation, which contributes roughly 20 percent of total anthropogenic GHG emissions. U.S. leadership in establishing this global framework is essential.

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