

MEMORANDUM FOR: Todd Stern

FROM: Bill Antholis
Michelle Forrest

DATE: 20 October 1997

RE: Input from Breakout Sessions

Key Points:

- **Joint Implementation.** Participants often cited JI, including both credit for preserving 'sinks' as well as energy-efficient projects, as very important to a climate treaty.
- **Public Awareness.** Attendees expressed concern that the average American did not understand climate change adequately and was not convinced of the need to act.
- **Energy Efficient Products.** Many felt that our consumer psyche is not adequately attuned to the long-term savings that can be generated by energy-efficient technology.
- **Developing Countries.** There was concern in most breakout sessions that developing countries be included in a climate treaty and that the U.S. not be disadvantaged.
- **Regulation.** Some regulatory intervention was suggested, both in terms of restructuring utilities and as an occasional supplement to market-based policies.

Discussion:

Joint Implementation/Sinks.

Businesses seem to be enamored of joint implementation, and JI was often cited as being critical to a climate treaty. Businesses mentioned JI both as a real opportunity for U.S. technology and an essential way to reduce costs, especially since a full-blown international emissions trading system may take time to set up. Business and environmental groups also commented that many businesses were interested in the idea of JI, but lacking spelled-out benefits they are wary of investing. JI was also seen as an important measure to help developing countries develop responsibly and with energy-efficient technology; this was regarded as particularly essential in the case of China.

Allowing firms to earn emissions credits for the preservation and 'building' of sinks (forests, etc.) was often mentioned as an inexpensive way to reduce carbon. A representative from Senator Lugar's office supported key aspects of Administration policy protection of forests and JI.

Public Awareness.

A feeling expressed in several of the breakouts was that average Americans are not convinced about climate change, that the issue has come on too fast. Representative Boehlert and his staffer both asserted that more time is needed to build the public's understanding of the credibility of the science; they believe that only after this exists can you get a focus on the economics. People are not clear on the impact of climate change. Convincing the public of a need for energy efficiency is especially difficult when the economy is doing well and energy is cheap. The public may also be confused by arguments in the press and the sustained ads by both opponents and supporters of action to address climate change.

Representative Farr said that communities are leading and that we are missing the local and state agendas, but he is the only one who seemed to think so. There are some unique projects state-to-state that could be replicated, but on the whole it seems that few voters and communities are educated on the issue.

Energy Efficient Products.

President Clinton's light bulb analogy struck a chord, and many feel the Government needs to lead on turning consumer attention to energy-efficient products. One of Senator Leahy's former advisors noted that there is often a disconnect within a firm between those who know about energy-efficient products and those who make purchases. He also commented on the lack of wide availability of energy efficient products; this "dispersion problem" was mentioned by others as well. Incentives were suggested as a possibility to close the price gap. Representatives of state and local interests pointed out that for families living paycheck to paycheck, investing in energy-efficient technologies is even less practical in the short term; but these families are in many ways the key to making climate change policy work, both in public support and in making efficient local choices, such as transportation.

On a related point, participants noted that we are losing our lead in energy-efficient technologies to Europe and others. If we don't fill the niche that comes along, others will; it was mentioned that a price push would spur development here.

Developing Countries.

People in almost every breakout expressed concern about how developing countries can be brought in and thought that the U.S. should not bear an unfair share of the burden, but there was not any consensus and/or novel suggestions on how to do this. Some felt we should lead, others felt that everyone must go at once. It was widely accepted that developing countries need help to develop in an efficient manner. Several attendees also stressed that all developing countries are not key to an agreement, just the major growth states/emitters. Labor predictably expressed concern about job losses if nothing is done to protect them.

Businesses felt that the populations of developing countries must be educated on climate change and comprehend more than just the immediate effects of pollution. There must be popular support in these countries for the need to develop in an environmentally-friendly manner. They need to understand that "the path to growth has options."

Regulation.

While market-based mechanisms are widely embraced, there was talk of regulation to some degree being helpful. A revenue neutral tax and incentives for energy efficient products were suggested most often; people said "government mandates must drive the market." An author on climate issues suggested we might want to divert the \$25 billion subsidy to the petroleum and coal industries to energy efficient R & D.

Electricity restructuring was frequently brought up, but without any specific ideas. Representative McCarthy said this "offers opportunities for discussion," which was typical. Some warned that lower electric prices could create an incentive to produce power at less clean utilities, citing some Clean Air Act provisions that allowed old, polluting factories to operate and only put restrictions on new factories. It was also brought up that our energy infrastructure is 50 years old and 30% less efficient than current technologies; how can that be replaced?

Alternative Energy.

To encourage restructuring that would protect the environment, several businesses suggested a Renewable Portfolio Standard in any restructuring legislation. A businessman in renewables suggested a new fossil carbon/energy unit with a tax structured on that, and reduce the target by 4% per year. Nuclear energy was mentioned frequently as well. When the existing nuclear plants reach the end of their lifespan, the carbon-free energy they produce will have to be taken over by some source, and that has not been thought about enough.

Early Credit.

There was a push by environmentalists for early credit, and businesses were enthusiastic about engaging in early action as long as they had assurances they would not be penalized, and might be rewarded, for doing so. Businesses, as with JI, are reluctant to commit completely absent any incentives.

Health and Family Safety.

While many participants, especially in the health sector, noted that health concerns could help to "sell" climate more effectively as a real concern that needs to be addressed, no significant suggestions on how to address it or make it more central.

Need to Move Forward.

One last item which was frequently mentioned, though not elaborated upon, was that regardless of Kyoto we must move forward-- even if we don't get an agreement it's important to try and develop technologies and change behavior for the future.

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'97 OCT 17 PM 2:58

THE WHITE HOUSE

OFFICE OF LEGISLATIVE AFFAIRS
HOUSE LIAISON
--FAX COVER SHEET--

DATE: 10/17

TO: Todd Stern

FAX #: 456-2215

FROM: ☐ JANET MURGUIA
☐ AL MALDON
☐ DAN TATE
☒ LUCIA WYMAN
☐ PETER JACOBY
☐ STACEY RUBIN

☐ ANDY BLOCKER
☐ JEFF FORBES
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☐ JESSICA GIBSON
☐ PETER GREENBERGER

(202)456-6620 (TELEPHONE)
(202)456-2604 (FAX)

SUBJECT: _____

To: Stern, Sperling, McGinty, Hilley
 From: Wyman

SENATE VISITS
 October 17, 1997

Department Secretary	Agency Contact	Member	Response/Date
Erschine Bowles		Lott	
Babbitt	Amy Holley 208-7693 ok	Bumpers B. Kerrey Inouye B. Graham	strg support 10/9 need grassroots 10/9 not engaged 10/9 offer treaty to Senate early b/f '98 campaigns 10/9
Pena	Gary Faut 586-5450 ok 10/10 lm	Bingaman Baucus Breaux Rockefeller	call made. wants legally binding agreement, must incl dev countries, give to senate 1999 or 2000, no taxes. made call. No feedback.
Glickman	Dave Carlin 720-7095	Lugar Dorgan Daschle	go slowly, little support 10/9 large lignite \$ on scrubbers/must bring China & India "fairness" 10/9 agreed to call Monday, 10-20.
Browner	Diane Hicks ok	Chafee	meeting 10/10
Cohen (Kris Balderston) (Calls next week)		McCain Jeffords	

Daley	Craig Lee 482-3281	Stevens
(traveling, I have asked that call be made from road)		
	lm 10/17	
Shalala	Kevin Burk 690-7627 lm/10-17	Kohl (call placed 10/9) Moseley-Braun (call placed 10/9)
Summers	Rick Sinkfield 622-1900 lm	Moynihan D'Amato Roth
Slater	Cresence Massey 366-9714 366-3675 fax lm/10-17	Snowe (call placed) Frist (call placed)
Goldin	Mary Kerwin 358-1948 agreed to call monday, traveling w/potus	Glenn
McGinty Stern		Lieberman Harkin???? Conrad
State Department Wendy Sherman		office meeting 10/9
Not assigned: Hollings, Robb, Cleland, Leahy		Mikulski

15 October 1997

MEMORANDUM TO

TODD STERN

FROM

JONATHAN ADASHEK

SUBJECT

POLICY ROLLOUT MTG

Todd, here are the notes from today's meeting on the policy rollout.

1. Validators

- List of those to be called will be decided by Todd, Bill, Nicholas
- Call to be made by Bill, Nicholas and Todd
- Nicholas is developing talking points

2. Hill outreach

- Bill is putting together the list of supporters from House and Senate
(Lucia, Dirk and Dan input)
- Calls to be made by?
- Nicholas is developing talking points
- Bill is developing list of "second set" of House and Senate to be notified

3. Press

- Q and A for Katie and Gene
- Talking points for cabinet to editorial boards (Nicholas)
- Press roundtable on Wednesday with enviro writers
 - list of who should be invited from Natalie, Jake and Elliott
- Meeting with Sunday talk show pundits on Thursday
 - list of who should be invited from Natalie, Jake and Elliott
- Story to the nationals and the wires
- USA Today* "pro and con" section for Thursday
 - who from the administration

4. Outreach

- Not bringing in any groups for outreach prior to event
- Notification on Wednesday morning



DEPARTMENT OF ENERGY
Washington, DC 20585

Henry
97 OCT 21 PM 6:53

OFFICE OF THE SECRETARY

U.S. DEPARTMENT OF ENERGY

PHONE: 586-7700

FAX: 586-9626

TO:

Carol Cleveland

Phone:

Fax:

456-2215

FROM:

Mark Maurer

Phone:

Fax:

PAGES:

9 (including cover)

COMMENTS:

Carol - Here's the technology document
I e-mailed to Todd -

Mark

STABILIZING CARBON EMISSIONS IN 2010 AT LOW COST

The U.S. can meet a goal of stabilizing carbon emissions at 1990 levels by 2010 at low cost (about \$25 per ton of carbon) by investing in technological innovation; by applying intelligent policies here at home to encourage markets to adopt new technologies; and by taking advantage of opportunities to purchase or obtain low cost carbon credits internationally through trading and joint implementation.

Using this approach, we would cut U.S. domestic emissions by 260 MMT relative to forecast levels for 2010, and obtain another 130 MMTs from international transactions.

All sectors of the U.S. economy would be able to make use of technological advances to reduce carbon emissions. What follows is just a sketch of the technological possibilities available.

ELECTRIC UTILITY SECTOR SAVINGS

We can cut carbon emissions from the utility sector by between 75 to 91 MMTs in 2010, at \$25 per ton by using the energy we now waste, by using cleaner fuels, by using more efficient generating technologies, and by increasing the efficiency of our existing systems. Some of the technologies and strategies to accomplish this are:

Using "Wasted" Energy: The efficiency of the US utility sector stands at about 34%, meaning that about 3 units of fossil fuel energy we had to produce 1 unit of electrical energy. The U.S. throws away about 21 quadrillion BTUs of energy each year -- that's an amount equal to the energy used by Japan's entire economy. We can use this heat energy in combined heat and power (CHP) systems. Overall, by developing a comprehensive CHP initiative, the US could cut carbon emissions by 20- 30 MMT in 2010.

Increasing the Use of Efficient, Natural Gas Power Plants: Converting existing coal based power plants to efficient combined cycle natural gas systems can double the efficiency with which we generate electricity, and reduce carbon emissions by nearly 70% per unit of electricity. Nationally, this would enable us to cut carbon emissions in 2010 by 9-15 MMT produced.

Using More Renewable Energy: Federal investments in renewable energy technologies are paying off in steadily declining prices for wind, solar and biomass combustion. The "Five Lab Study" scenario where carbon is priced at \$25 per ton, indicates that these clean energy alternatives could cut carbon by 9 MMT.

Increasing Plant Efficiencies: Southern Utility set out to increase their plant efficiency and saved \$108 million and reduced their emissions 35 million tons of carbon over a ten year period. Nationally, such approaches could cut emissions by 8 MMT in 2010 in a competitive marketplace.

INDUSTRY SECTOR SAVINGS

The industrial sector is projected to produce 548 MMTs of carbon emissions in 2010 under a business as usual scenario. We can cut emissions between 64 to 74 MMTs by 2010, by increasing energy efficiency in the industrial sector and using low carbon technologies. The right mix of tax incentives, utility deregulation, and environmental regulatory reinvention would enable us achieve such reductions.

Increasing Energy Efficiency: Expanding successful programs in energy audits, motor efficiency, and manufacturing extension centers could result in a 5-10 MMT annual cut in carbon emissions by 2010.

- *Energy audits* encourage systematic approaches to energy efficiency that typically have high yields. For example, Southwire Corporation, a large manufacturers of wire, rod, and cable, cut their use of natural gas by 60% and cut electricity use by 40% per pound of product produced.

- *Motors* consume 70% of industrial electricity used, and there is room for improving their efficiency. The Greenville Tube Company, for example increased productivity by 15%, increased energy efficiency by 30%, reduced scrap by 15%, and achieved a \$77,000 per year savings by improving the efficiency of their motors.

Cogeneration and Combined Heat and Power: New technologies available in the industrial sector will allow us to capture the waste heat the U.S. now throws away. The right kinds of environmental regulations and other supporting policies could allow us to cut annual carbon emissions 20 to 30 MMTs by 2010 by using industrial cogeneration of natural gas or biomass

- *Advanced turbines* developed by DOE in conjunction with industry will be available in three years (orders are already being taken). They have an overall efficiency of 80% to 90%, produce steam together with low-cost electricity and significantly reduce NOx emissions. These turbines can run on natural gas or biomass.

- Some industries have their own low-cost biomass feedstocks (for example, black liquor gasification in the pulp and paper industry), which makes possible cogeneration with nearly zero net carbon emissions.

Expanding Industries of The Future: An aggressive expansion of the Industries of the Future program sponsored by DOE could enable the U.S. to cut carbon emissions in 2010 by 44 MMTs by itself. The seven most energy-intensive industries—steel, aluminum, petroleum refining, chemicals, pulp and paper products, glass, and metal casting—account for about 80% of the carbon emissions in U.S. manufacturing and more than 90% of the hazardous waste. The Department of Energy has formed partnerships with each of these industries in which the industry takes the lead in developing visions of energy-efficient, low-polluting, highly competitive "Industries of the Future" as well as technology roadmaps to identify an R&D and deployment pathway to achieving the vision. These industry visions typically foresee annual energy efficiency improvements of 1.0% to 1.5% for two decades.

BUILDINGS SECTOR SAVINGS

The buildings sector is projected to produce 571 MMTs of carbon emissions in 2010 assuming business as usual. The 5-lab study projects emissions reductions of 47 to 52 MMTs in 2010. Of that, 42 MMTs are from energy efficiency and 5 to 10 MMTs comes from expanded use of combined heat and power. Almost all of these savings come from deploying existing technology.

Energy Efficiency: There is substantial opportunity to improve the energy efficiency of our buildings and the appliances in them. Many of these technologies improve the quality of service delivered (i.e., higher quality lighting) and have been documented in a number of cases to improve productivity.

Standards: About half of the 42 MMTs of carbon emissions reductions in 2010 can be achieved through existing authority of DOE to establish efficiency standards for appliances, such as refrigerators and air conditioners. DOE uses a consensus-based approach in which manufacturers, environmentalists, consumer advocates, and the states work together to develop applicable standards.

Voluntary Programs: The other half of the 42 MMTs of carbon emissions reductions in 2010 will be achieved primarily by the expansion of voluntary programs, such as the joint EPA-DOE Energy Star program. The Energy Star labeling program has already transformed a number of markets, for instance cutting the energy used by computers, monitors, and printers by 50% at virtually no incremental cost and is being to dozens of other products.

Plugging Leaking Electricity: Electronic equipment consumes electricity in stand-by mode (even when not being used) generating 12 MMTs of carbon emissions each year. Preliminary analysis suggests that up to 90% of that could be saved through adopting best engineering practices without reducing service.

Research And Development: Designing new buildings with advanced technology can reduce energy consumption by 25% to 50% without increasing the building's initial cost. The extra cost of some of the energy-efficient equipment is paid for by the smaller required heating and cooling

system. A partnership for 21st Century Housing can achieve 2 to 3 MMT of carbon emissions reductions in 2010 (and far more in later years as more new buildings are constructed).

Combined Heat And Power: As in the case of industry, we can reduce the carbon intensity of the buildings sector by accelerating the use of combined heat and power. Two CHP technologies -- small turbines and proton-exchange membrane (PEM) fuel cells -- have the potential to cut carbon dramatically in this sector. With accelerated R&D, these technologies have the potential to cut 2-3 MMT of carbon emissions by 2010 (with substantially larger savings in subsequent years).

TRANSPORTATION SECTOR SAVINGS

The transportation sector is projected to produce 616 MMTs of carbon emissions in 2010 assuming business as usual. The 5-lab study projects emissions reductions of 88 MMTs. Of that, 74 MMTs results from energy efficiency (greater fuel efficiency) and 14 MMTs results from increased use of low-carbon fuels (primarily ethanol).

High Efficiency Cars And Light Trucks: The President's Partnership for a New Generation of Vehicles is aiming at cars that are three times more efficient than current vehicles with no compromises in size, safety, comfort or cost. The goal is a production prototype 80 mpg vehicle in 2004 and commercial availability soon after. A variety of efficient technologies such as hybrid vehicle design, advanced engines, regenerative braking, and lightweight materials are under development. These technologies are also applicable to light trucks and sport utility vehicles, so that a PNGV for these heavier passenger vehicles is quite possible with an expanded research effort. If the efficiency of new autos is 40 mpg and the efficiency of new light trucks and sport utility vehicles is 29 mpg in 2010, carbon emissions would be reduced by about 46 MMTs in 2010.

High Efficiency Heavy Trucks: Ongoing Federal R&D on advanced diesel engines and lightweight materials could substantially reduce carbon emissions from heavy trucks. These technologies are projected to be available by about 2003 and be quickly adopted by trucking manufacturers since energy is a major cost component of freight transportation (a truck typically gets 7 to 8 miles per gallon while traveling over 50,000 miles a year). The 5-lab study estimates carbon emission reductions of about 12 MMTs in 2010.

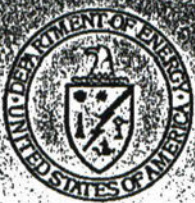
Advanced Efficient Aircraft and Rail: Ongoing Federal research on advanced aircraft engines lightweight materials, and improved aerodynamics have the potential to improve aircraft engine energy efficiency by 40%, and reduce carbon emissions by 12 MMTs in 2010, with an additional 4 MMT of carbon emissions reductions achieved by increasing the efficiency of trains.

Low-carbon Fuel: Government-industry R&D partnerships have brought the cost of ethanol from cellulosic waste (such as waste paper or crop waste) and dedicated crops such as switchgrass or hybrid poplar trees— from \$3.60 per gallon in 1980 to \$1.20 per gallon today. Such fuels are carbon neutral

because the crops capture carbon dioxide when they grow and release it during combustion. Continued R&D in bio-engineered organisms and fast-growing crops is expected to produce ethanol for under 70 cents a gallon by 2005, competitive with oil-based fuels at current prices. By using ethanol to replace 5% of gasoline in 2010 (e.g., through blending) 14 MMTs in carbon reductions can be achieved.

Summary of Potential Carbon Emissions Reductions in 2010
(Needed for stabilization: 390 MMT)

	Emissions Reductions (MMT)
5-Lab Study at \$25/ton	234
Additional Reductions from Electricity Restructuring and Other Policies	40-71
International Trading and JI	130
Total	404 - 435



DEPARTMENT OF ENERGY
Washington, DC 20585

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'97 OCT 20 PM 7:55

FACSIMILE TRANSMISSION SHEET

To	TODD STERN	From	ELGIE HOLSTEIN
Office		Date	OCT-20, 1997
Fax Number	456-2215	Fax Number	202/586-7644
Office Number		Office Number	202/586-6210

Comments:

Pages: 3, including this cover sheet.IF TRANSMITTAL IS INCOMPLETE, PLEASE PHONE Carolyn AT 202/586-6210.



The Secretary of Energy
Washington, DC 20585

October 20, 1997

MEMORANDUM FOR GENE SPERLING

FROM:

FEDERICO PEÑA *JP*

SUBJECT:

Thoughts on the Climate Change Decision Memo

Thank you for sharing the decision memo with me. In general, I think it fairly portrays the positions of the President's advisors on this subject. However, I have a few concerns with the substance of the memo and some suggestions for the President's announcement of his climate change position.

Substantive Concerns: The R&D section of the memo contemplates a package of spending and tax cuts (totaling \$5 billion over 5 years) to support research, development, and deployment of technologies that will support the President's climate change initiative. The memo emphasizes the tax cut portion of this package, and tax cuts are probably an appropriate support for technology deployment. However, additional Federal spending on research and development is crucial for achieving the magnitude of emissions reductions contemplated in the "Five-Lab" study. In my opinion, a 50-50 split of spending and tax cuts would provide the minimum support necessary for the R&D programs to have a reasonable chance of achieving the necessary emissions reductions, and more tilting toward spending would increase the chances of success further. While tax cuts are politically popular and keep pressure off the discretionary spending caps, if this climate change initiative is going to be a Presidential priority, we will need to demonstrate that commitment with significant increases in R&D spending.

In addition, the memo mentions reducing existing fossil fuel tax subsidies as a way of "paying for" the tax cuts. This is problematic for two reasons. First, there is a sense of contradiction in establishing a permit trading system that will raise fossil fuel prices and, at the same time, promoting tax cuts that will make certain types of fossil fuel consumption cheaper than implied by the permit trading system (e.g., tax subsidies for certain efficient fossil-fuel generating facilities). Second, and more importantly, reducing fossil fuel production incentives would be viewed as a "double hit" on producers. And this step would be inconsistent with the draft energy strategy recently submitted to the White House, where maintaining domestic fossil fuel production at approximately current levels is key to preventing the U.S. from excessive reliance on unstable sources of energy. Moreover, we believe the political firestorm accompanying an attempt to reduce fossil fuel production tax incentives would seriously damage the overall promotional effort for a climate change initiative.



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Suggestions for Announcement: When the President makes his announcement of the climate change initiative, there will be criticism from both sides. One way to rise above the fray is to emphasize that the emissions reductions are both realistic and achievable. As President, he would be irresponsible for setting as goals politically-popular targets that are either unreachable or insufficient to address the problem of climate change. The President can fend off some attacks on the initiative by saying that his targets (unlike the European proposals) can be achieved without harming the U.S. economy. In addition, the President would be helped by including in his announcement a number of "action items" that could demonstrate his commitment toward meeting the emissions reduction targets. In a previous memo to the President (copied to you), I outlined some of these action items. They include: announcing plans to unveil a comprehensive national energy strategy in the Spring; using the National Laboratories to develop a long-range technology strategy; and using the "bully pulpit" to challenge the CEOs of major appliance firms both to emphasize energy efficiency through promotion of the Energy Star program and to redesign appliances so that they use less electricity when turned off (or when in stand-by mode).

I hope that you are able to address my substantive concerns in your discussions with the President and that you can incorporate some of the suggested items into the President's announcement. Please let me know if you want to discuss these issues further.



DEPARTMENT OF ENERGY
Washington, DC 20585

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FACSIMILE TRANSMISSION SHEET

To	TODD STERN	From	ELGIE HOLSTEIN
Office		Date	OCT. 17, 1997
Fax Number	456-2215	Fax Number	202/586-7644
Office Number	456-2702	Office Number	202/586-6210

Comments:

Pages: 3, including this cover sheet.IF TRANSMITTAL IS INCOMPLETE, PLEASE PHONE Carolyn AT 202/586-6210.



The Secretary of Energy
Washington, DC 20585

October 17, 1997

MEMORANDUM FOR GENE SPERLING

FROM: FEDERICO PEÑA ^{FP}

RE: Possible Language in Announcing Action to Address
Climate Change

As you know, I offered the President six action items for possible announcement at the time he states the United States position on climate change (especially targets and timetables). The NEC has already considered the issue of electricity restructuring and how it should be included as part of the climate change announcement. For your consideration, I offer language on the other five action items for possible inclusion in the announcement.

I hope these suggestions are helpful in crafting the President's statement on climate change. Please call me if I can be of further assistance.

Implementing the PCAST Recommendations

"My Committee of Advisors on Science and Technology has recommended that the Federal government undertake a large-scale energy R&D effort focused on technologies to reduce greenhouse gases at the lowest possible economic, environmental, and social cost. This effort should cover all aspects of bringing research from the laboratory into the larger economy -- including applied energy research, development, and deployment. In line with my Advisors' recommendations, I propose to increase energy R&D efforts by \$500 million above current levels in FY 1999 and growing to \$1 billion above current levels by FY 2003. The proposed figure for FY 2003 would return the Administration's inflation-adjusted applied energy R&D budget to about where it was in the early 1990s."

National Climate Technology Strategy

"Today, I am launching an Administration-wide Climate Change Technology Strategy that will provide the nation's longer-term roadmap to developing and deploying cost-effective technologies to reduce greenhouse gas emissions. This Strategy will be guided by several recently completed scientific reports, including Department of Energy's recent 'Five-Lab Study' and the report from my science and technology advisors. I challenged our National Laboratories in June to work on a long-range technology strategy. They have already developed a framework for this strategy. Now, I am directing the Laboratories and the Department of Energy to begin holding public meetings on their strategy and to report back to



me by March on the key technologies that will be most important in reducing greenhouse gases in the longer term."

Comprehensive National Energy Strategy

"I also plan to issue a new Comprehensive National Energy Strategy in the Spring of next year. The Department of Energy will lead the Administration in designing this Strategy to improve the efficiencies of our energy systems and to mitigate the effects of energy use on the overall environment. We intend this Comprehensive Strategy to guide us in integrating the economic goal of increased standards of living and the environmental goal of reduced greenhouse gas emissions."

Federal Buildings Initiative

"As the largest single user of energy in our country, the Federal government has an enormous opportunity to reduce greenhouse gases by reducing fossil fuel use. My Administration will undertake a government-wide energy efficiency initiative, where we will improve energy efficiency in owned and leased facilities, reduce energy use in government transportation, and develop creative ways to finance energy-efficient investments. In addition, we will reinvent Federal purchasing practices so that energy-efficient products are not overlooked. Finally, we will commit to having 20,000 solar systems installed at Federal facilities by 2010, as part of the Million Solar Roofs initiative I announced in June. These actions will demonstrate the Federal government's commitment to reduce greenhouse gas emissions and will pay dividends well before any international emissions limits are in place."

Bully Pulpit

"In addition, I challenge the major appliance companies to aggressively market home appliances under the Energy Star program, sponsored by the Department of Energy and the Environmental Protection Agency. I will be inviting the top executives of these companies to the White House to discuss how best to promote the Energy Star program. This program labels the most efficient appliances in a given category with a "star" to indicate superior energy efficiency performance. Americans want to do what is right -- all they need is the right information, which they can get by simply looking for the Energy Star."

"At the recent White House conference on climate change, I was impressed by the potential energy savings in a typical home. For example, many electronic appliances in our homes (televisions, VCRs, audio devices, battery chargers, faxes and answering machines) use substantial amounts of electricity even when turned off. I will invite the top executives of the major appliance manufacturers to the White House and challenge them to adopt best engineering practices to reduce energy use when these appliances are off. This requires no regulation, little capital investment, and could save consumers billions of dollars a year."



DEPARTMENT OF ENERGY
Washington, DC 20585

Memos

C

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FACSIMILE TRANSMISSION SHEET

To	Todd Stern	From	Don Reichen
Office		Date	
Fax Number	456-2215	Fax Number	202/ 586-0148
Office Number		Office Number	202/ 586-9500

Comments:

Pages: 14 , including this cover sheet.

IF TRANSMITTAL IS INCOMPLETE, PLEASE PHONE Matt/Kathy AT 202/ 586-9500.

DRAFT

10/20/97 - 12:00pm

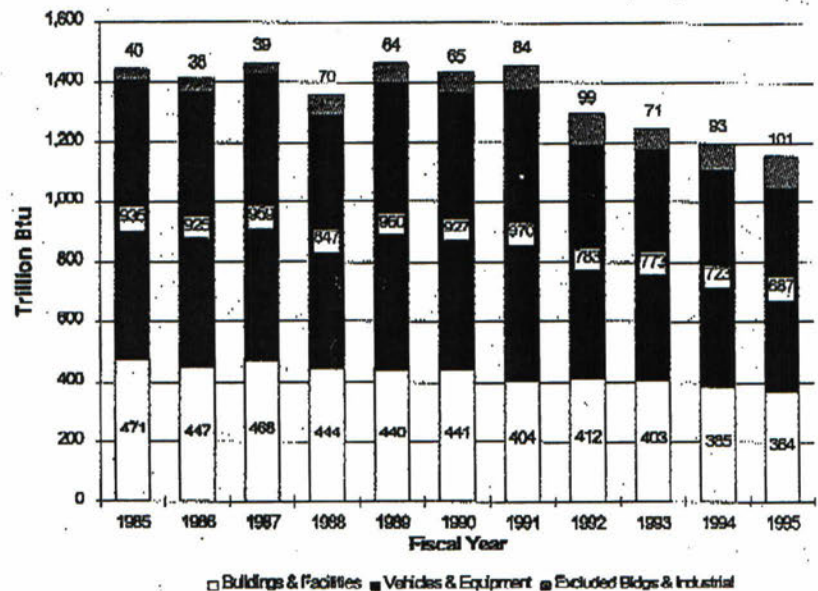
Federal Government Energy Management

Introduction

Aggressive energy management can substantially reduce carbon emissions from the activities of the Federal government, the nation's largest energy consumer. Reductions in government energy use from the strategies discussed below in combination with the decreases currently anticipated under existing Federal energy management goals can reduce carbon emissions by more than four million tons annually by 2010.

Figure 1

Federal Energy Consumption, 1985 through 1995



Overview of Federal Energy Use

The Federal Government is the single largest energy consumer in the Nation with a widely dispersed pattern of consumption in approximately 500,000 buildings with over 3 billion square feet of floor space. Energy is also used to support vehicle mobility and industrial operations. In total, this represents 2 percent of all energy used in the United States. The cost of this energy was just under \$8.0 billion in FY 1995, with \$3.6 billion spent in buildings and facilities, \$3.4 billion for vehicles and equipment, and \$0.9 billion for energy-intensive industrial operations. Figure 1 shows a 20.3% reduction in overall government energy use since FY 1985.

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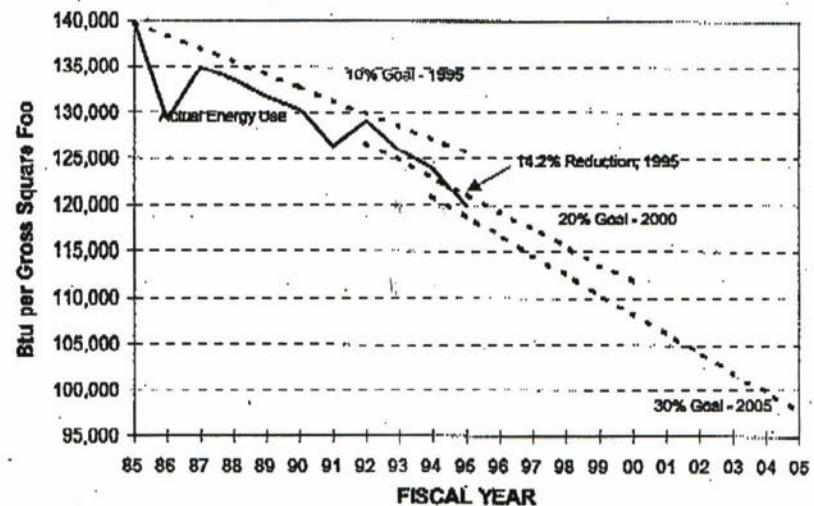
10/20/97 - 12:00pm

Principal Federal Energy Management Goals

Federal legislation and executive orders set the following goals for energy use:

- Reduce energy use in buildings by 30 percent per gross square foot by the year 2005, compared to a 1985 baseline.
- Reduce Federal industrial energy use by 20 percent by the year 2000, compared to 1990.
- Install in Federal buildings all cost-effective energy and water conservation measures with payback periods of less than 10 years.
- Significantly increase the use of solar and other renewable energy sources.
- Expand the use of innovative financing and contractual mechanisms such as utility incentive programs and energy savings performance contracts.
- Provide information to state and local governments and the public on beneficial energy management processes

Figure 2
Federal Performance Toward Building Energy Reduction Goals

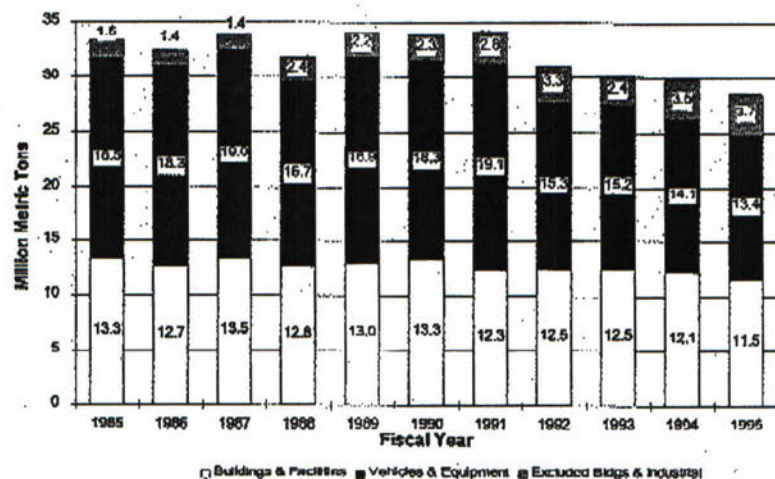


Progress

In FY 1995, the Federal government's energy consumption in buildings and facilities was 14.2 percent per gross square foot lower than in FY 1985. The Government's annual performance toward its energy reduction goals is illustrated in Figure 2. This performance follows an earlier 16.6 percent reduction from FY 1975 to FY 1985.

Figure 3

Carbon Emissions from Federal Energy Consumption, 1985 through 1995



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From FY 1985 to FY 1995, reductions in Federal energy consumption avoided cumulative emissions of 13.0 million metric tons of carbon into the atmosphere. Figure 3 illustrates this trend for those years.

Federal Energy Management Coordination Efforts

Each Federal agency is responsible for management of the energy use in its own buildings and operations.

Direction and coordination of this effort across all agencies is assigned to the Department of Energy's Federal Energy Management Program (FEMP) and two inter-agency coordinating bodies: the Energy Policy Committee and the Energy Management Task Force.

FEMP's mission is to reduce the use of energy and the cost of government by advancing energy efficiency, water conservation, and renewable energy sources. FEMP accomplishes its mission by leveraging both Federal and private sector resources to provide financial and technical assistance to other Federal agencies, collecting Government-wide energy consumption and cost data and reporting on the Government's progress in meeting energy reduction goals.

The Energy Policy Committee (established by the Department of Energy Organization Act) is comprised of agency principal energy conservation officers designated at the Assistant Secretary or Assistant Administrator level. The Committee was formed to develop and coordinate Federal energy management policy. The Energy Management Task Force (established by the Federal Energy Management Improvement Act) serves as an implementing arm of the Energy Policy Committee. It establishes working groups to resolve specific technical or programmatic issues, develops new initiatives for Federal implementation, and addresses legislative requirements and other topics to improve energy management.

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Each agency implements its own unique energy management plan to achieve the above energy goals. These plans generally contain the following key elements.

Project Financing—Reduced congressional appropriations for energy efficiency at Federal facilities (See table) necessitates the increased use of private sector capital to finance efficiency and renewable energy projects.

Agency	FY95	FY96	FY97	FY98 Request	FY98 Estimate
Department of Defense	221	69	47	40	40
General Services Administration	13	7	20	0*	0
Department of Energy	25	0	0	0**	0

*GSA did not request any FY98 energy management funds in order to help reduce the deficit in the agency's Federal Buildings Fund.

**Congress eliminated DOE's In-House Energy Management Program in FY96 and directed that no program should be funded in FY97.

The use of private capital and expertise allows Federal facilities to accomplish energy and cost saving projects at minimal up front cost to the taxpayers. Under an Energy Savings Performance Contract (ESPC) a private firm invests its own capital to make efficiency upgrades or install renewable energy technology. When a project is completed, the government and the private sector firm share the energy cost savings. When the private sector firm is fully repaid from its share of the delivered savings, the remaining savings accrue totally to the government. Agencies have issued several small contracts using this alternative financing method. Large regional contracts recently put in place by DOE and DOD simplify the procurement process for agencies and energy service companies and are speeding the introduction of energy projects and cost savings at Federal facilities.

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Technical Assistance—FEMP assists other agencies as they identify and implement cost-effective energy efficiency, renewable energy, and water conservation projects. Components of technical assistance include transforming the procurement process to incorporate energy efficiency, pre-screening and audit activities that lead to project development, design assistance for new construction, training for Federal energy managers, and new technology demonstrations.

Planning, Reporting, and Evaluation—Implementing Congressional and Executive Branch energy policy requires evaluation of programs and overall agency performance in energy and cost savings and emissions reduction. In addition, communications and outreach efforts help transfer Federal energy management successes to other agencies as well as state and local governments.

Agency Energy Management—The final responsibility for the day-to-day energy efficient operation of Federal facilities, is the responsibility of thousands of Federal energy managers across the country and around the world. Ultimately, their actions deliver the energy and cost savings at the Federal sites. Each Agency needs to provide support for these managers within the agency's own organization to help them do their jobs. That support requires dedicated staff, funding and management support to ensure these savings are delivered.

Continuing Challenges and Opportunities

- The use of Energy Savings Performance Contracts to leverage private financing is currently limited to a select set of Federally owned buildings. Opportunities exist to expand its use to all Federal buildings as well as, vehicles, water conservation projects and state and local government facilities.

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- Current procurement of energy consuming products and appliances favors purchase of the lowest-cost product without accounting for energy expenses over the product life. Opportunities exist to lower energy use and the total cost to the government by reinventing the procurement of energy efficient products and appliances.
- Making Federal buildings energy and cost efficient requires a systems engineering approach to improving building envelopes and mechanical systems and supporting building operations and maintenance. Using sustainable technologies in the design of new Federal buildings, and renovation of existing ones and supporting the growth of community-based resources to build, operate, and maintain these systems can save energy and lower the cost of operating Federal facilities.
- Federal energy management goals have focussed on buildings and facilities while vehicle fuel efficiency has received lesser attention. Increasing the efficiency of medium and heavy diesel engines for trucks, tanks, and heavy equipment, making improvements to aircraft turbine engines, expanding vehicle efficiency retrofits and increasing the use of alternative-fueled vehicles can cut vehicle energy use and improve mission performance.

Recommended Federal Energy Management Activities

To Reduce Carbon Emissions

The following initiatives address the continuing challenges and opportunities in Federal energy management. They will reduce emissions of greenhouse gases through enhanced focus on energy efficiency and renewable energy in the Federal sector.

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The initiatives address areas of Federal energy management which can:

- deliver the greatest energy savings,
- best leverage private sector funding and expertise,
- transform the Federal acquisition and procurement system to stimulate the purchase of energy efficient and cost effective products,
- upgrade the performance of Federal buildings to be more energy and cost efficient,
- improve the energy efficiency and mission capability of government vehicles.

Expand Energy Savings Performance Contracting

- *Seek early reauthorization of the Energy Savings Performance Contracting (ESPC) Authority* which expires in May of 2000, pursuant to the Energy Policy Act of 1992. ESPC uses private capital and expertise to accomplish energy and cost saving projects in Federal facilities. When the private sector firm is fully repaid from its share of the delivered savings, all the remaining savings accrue to the government. Agencies have issued several small contracts using this alternative financing method. Large regional contracts recently put in place by DOE and DOD simplify the procurement process and are beginning to speed the introduction of billions of dollars of energy projects and cost savings at Federal facilities. The current authority is part of a 5 year pilot program which has demonstrated the usefulness of the ESPC approach. Early reauthorization can be combined with additional authority extending the use of this valuable contracting method to other areas which could also generate additional energy and cost savings.
- *Extend the ESPC authority to cover all Federal buildings* including leased buildings where the Government either pays for the energy use directly or where the Government can negotiate a reduction in lease costs based on assisting the landlord in reducing the energy cost of operating the building.

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- *Extend the ESPC authority to cover mobility energy and water conservation.* Current ESPC authority allows use of these contracts only for building energy savings. Mobility energy savings are savings from more efficient energy use in aircraft, ships and vehicles and are estimated by DOE to offer savings of several hundred million dollars per year. These savings can be delivered while improving the mission capability of several classes of aircraft, ships and heavy vehicles. Water conservation projects save energy because each gallon can contain embedded energy from pumping, heating, chilling and treatment. ESPC will be extended to such projects as low flow plumbing fixture retrofits and upgrading irrigation system efficiency.
- *Extend the ESPC authority to non-federal facilities where the Government makes indirect payment of energy expenses.* These include: state hospitals which provide utility services to adjacent Veterans hospitals; National Guard facilities which the state owns but where the Federal Government covers utility expenses; and public housing facilities which are Federally supported but owned by numerous small public housing authorities.
- *Extend ESPC to state and local government facilities.* There are two models that can deliver the benefits of ESPC to states and localities. One would allow states and local governments to access ESPC services directly for their facilities. Another model would provide resources for transferring the ESPC techniques to State Energy Offices which could become contracting offices for their own state and local facilities.

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Reinvent Federal Procurement

- *Accelerate the development of Product Energy Efficiency Recommendations.* These cover products that are in the top 25% of their class for energy efficiency or have Energy Star ratings. They provide a guide to Federal purchasers of the energy efficiency level to request in a specification or procurement. FEMP has developed 22 recommendations for products such as motors and air conditioning chillers. A total of approximately 60 are planned. Accelerating the development of the remaining recommendations will allow product purchasers to save energy in their near-term product purchases.
- *Establish as standard practice, the purchase of energy efficient products for all Government use.* Government purchasing decisions for many energy-consuming products have traditionally been based on a lowest purchase price and often ignored the tremendous savings that would accrue in energy usage and cost over the life of the more efficient product. The Federal Procurement Challenge, signed by 22 agencies in 1995, began a voluntary program to buy only those products that were in the top 25% of their class for energy efficiency or conformed to Energy Star standards. As mentioned above, FEMP is developing the Product Energy Efficiency Recommendations to identify such products. The early signs of success of this program indicate that the purchase of energy efficient products should be made standard practice. However, in cases where mission performance would be compromised or life cycle cost would be increased, exceptions could be made. The Office of Management and Budget, in coordination with the Interagency Energy Policy Committee, would lead the effort to transform the procurement system. [DOD Alternative: "The early signs of this program indicate that the purchase of energy efficient products has been very successful and should be extended while maintaining the benefits of acquisition reform. The Office of Management and Budget would lead the interagency effort to transfer the acquisition system to take account of these newly-available products."]

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- *Expand outreach and training efforts for Federal purchasers.* To help incorporate energy efficiency into purchasing decisions: increase the number of training courses offered, provide customized sessions with individual agencies, support better, more precise labeling in supply schedules and catalogues, and encourage manufacturers to use the 'Federal top 25%' and Energy Star labeling in their product marketing efforts.
- *Expand outreach and training to include state and local governments.* State and local governments represent a significant volume of purchasing in the U.S., nearly equal to the buying power of the Federal Government. Tools and strategies used at the Federal level will be deployed to state and local governments to expand their use of energy efficiency criteria in purchasing decisions.
- *Use consolidated purchasing to stimulate markets and lower prices.* Consolidated purchasing can lower prices and stimulate markets for new and emerging products which offer greater energy efficiency and lower operating costs. Consolidated purchasing can stimulate development of new energy efficient products by demonstrating a Federal (and possibly State and local government) demand for a product with a higher efficiency level than is currently on the market. Consolidated purchasing can also aggregate government demand for an existing energy efficient product to lower the production cost. Often these energy efficient products are developed by small businesses for which an aggregated demand can attract investment, increase production, and reduce cost. Both of these approaches to consolidated procurement will benefit the Federal government, the taxpayer, and the consumer by making higher efficiency products more readily available from both large and small business at lower price and across the entire market. Agencies will implement these and other approaches to consolidated purchasing.

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- *Increase Federal procurement of renewable energy.* In states that have implemented retail competition in their electricity industry, Federal facilities when purchasing electricity will be required to purchase competitively supplied non-hydro renewable energy at levels equivalent to the greater of: (i) the percentage specified in that state's retail competition legislation or (ii) two percent. [DOD would limit this requirement to the percentage specified in state legislation, if any.] The two percent figure approximates the proportion of non-hydro renewable electricity currently available within the U.S. from technologies such as solar, geothermal, wind, biomass, and municipal solid waste plants. Facilities will also be required to procure additional percentages of electricity from renewable energy where it is the most economical energy source and meets mission requirements.

- *Report Federal Agencies' Contributions to Reduction of Carbon Emissions.* This initiative will develop an appropriate measurement methodology to convert currently available data on Federal energy use to carbon emissions to aid national carbon reduction efforts. Using the energy consumption data collected from the agencies on an annual basis, the reduction of carbon as a result of energy efficiency and renewable energy technologies applications at Federal facilities would be determined. This information would be provided annually to the Energy Information Administration, under Section 1605 of the Energy Policy Act of 1992 regarding voluntary reporting of greenhouse gas emissions.

Building for the 21st Century

- *Establish a new level of excellence for Federal building construction and renovation that incorporates energy efficiency, quality, affordability, and sustainability.* By using the latest construction techniques and tapping the knowledge of the building community and local partners, agencies will ensure that new

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Federal buildings achieve energy efficiency increases of 30-50% by 2000 as compared to existing facilities in 1996. This will be accomplished through a systems engineering or "whole building" approach that treats buildings as integrated systems rather than a series of independent component selections. This integrated approach will assist decision makers in optimizing siting, design, material, equipment selection, and financing of both new construction and renovation. The initiative will actively involve the buildings industry as a way to improve their business. It will lower Federal facility construction and operating costs through, among other things, reduced energy use and cost. The initiative will establish the concepts and principles of systems engineering in all phases of building design, construction, financing, and operation and implement them in several future Federal building projects. This effort will be headed by those agencies with the largest construction, renovation and demolition/reconstruction programs including DOD, DOE, HUD, Postal Service, and GSA.

- *Expand Federal leadership in deploying solar and renewable technologies in buildings.* Show Federal leadership by installing solar photovoltaic and solar thermal systems on 20,000 Federal roofs by 2010 in support of the President's 'Million Solar Roof Initiative'. Utilize alternative financing methods to provide the rapid infusion of investment necessary to support the cost-effective installation of these systems.

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- *Expand the use of combined heat and power generation at Federal facilities.* Combined heat and power makes greater use of the waste heat produced in the generation of electricity. Combined heat and power could be expanded by connecting Federal buildings to existing district heating systems. Additionally, for new construction, advanced gas turbines can provide electricity and heat in Federal buildings at significantly increased efficiency.
- *Use biomass fuels in Federal boilers.* Biomass would come from agricultural and wood waste and methane from landfill and treatment plant operations. The use of such fuels would take advantage of local renewable energy sources to displace fossil energy sources. The process will require survey and evaluation of Federal energy systems to support project development.
- *Expand public awareness of energy efficient technologies by showcasing them at National Parks, Federal offices, embassies, military bases, and other facilities.* Expand the number of energy efficient showcase projects at Federal facilities and increase the distribution of interpretive materials to stimulate replication of these energy saving projects in other Federal and non-Federal facilities.
- *Expand the role of interagency energy groups in bringing greater energy efficiency focus to the activities of Federal agencies.* There are many collaborative opportunities among agencies which can further the implementation of energy efficiency nationally. Different agencies fund training programs, provide financing for building upgrades, and provide payment of building energy expenses in low income communities. Expanding the role of the Energy Policy Committee and Interagency Energy Management Task Force and other organizations to coordinate these diverse agency activities will cut Federal energy use and expenses.

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Increase civilian agency budgets and staffing to expand energy management activities and complete energy efficiency projects. In recent years budgets for energy management in several key agencies have been cut by more than 80%. These Federal appropriations often provide the most cost-effective funding for Federal energy efficiency projects. They also provide the necessary resources for Federal energy managers to identify opportunities and undertake contracting actions using ESPCs and other private financing methods. In some agencies, where facilities are operated by contractor personnel, the energy managers are being reassigned to non-energy jobs because there are no funds to maintain these positions.

Improve aircraft, ship, and heavy vehicle fuel efficiency

Improve the energy efficiency of Federal aircraft, ships and vehicles. Energy use in Federal aircraft, ships and vehicles, predominantly in the military services, is responsible for 43% of the \$8 billion Federal energy bill. This initiative would improve the energy efficiency of main propulsion systems, with particular emphasis on medium and heavy diesel engines and high performance turbine technology. It seeks to develop, test and demonstrate technologies that increase energy efficiency. In addition this initiative will focus on near-term energy efficiency opportunities such as lighting retrofits on ships. The initiative -- designed along the lines of the Partnership for a New Generation of Vehicle -- would involve a partnership between Federal offices such as the DOD Tank and Automotive Command, the Department of Energy, and the private sector including medium and heavy diesel engine manufacturers. Advances under this initiative will have significant application in commercial markets.

Increase the use of low-carbon alternative fueled vehicles (AFV's) in the Federal fleet. Federal agencies are increasing the use of alternative fuel vehicles to meet the requirements of the Energy Policy Act of 1992 and the Clean Air Act Amendments of 1990. This initiative would increase the focus of the

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current program on low-carbon AFV's such as electrics, hybrid-electrics, natural gas and renewable-fueled vehicles. The Interagency Energy Policy Committee would lead the effort to increase the use of low-carbon vehicles in the Federal fleet in conjunction with the Interagency Alternative Fuel and Low Emission Vehicle Committee and the Office of Management and Budget.

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Memos

THE WHITE HOUSE
WASHINGTON

July 23, 1997

MEMORANDUM FOR THE VICE PRESIDENT

FROM: TODD STERN *TS*
CC: ERSKINE BOWLES
SUBJECT: Climate Change Plan to Date

Last month, the President accepted a staff recommendation that he postpone announcing specific commitments on climate change in Denver or New York in part because no adequate foundation had been laid with the public, key constituencies or the Hill. This memo sets forth a preliminary plan for a communications and outreach effort designed to lay as much of that foundation as possible in the few months before the U.S. articulates its position for Kyoto.

COMMUNICATIONS

The Message. Here is a tentative cut:

- ▶ There are those who would do nothing in the face of the clear scientific evidence of climate change. There are others who say the sky is falling and that we must take action so severe that it would seriously disrupt our economy. The President rejects both these extremes. He understands that it is his responsibility to take appropriate action now that will both preserve economic growth and protect our children and grandchildren.
- ▶ The President's actions will be grounded in the following principles:
 - In addressing climate change, we will not damage the U.S. economy. Environmental protection and economic growth can and should go hand in hand.
 - The United States will emphasize solutions based on flexible, market-based policies, not government regulation.
 - The United States will invest in research and development to promote the technology that can help provide solutions to climate change.

• Climate change is a global problem that requires all nations -- industrial and developing -- to participate in a common solution.

• The United States will only support international agreements that set realistic goals and require all nations to do their part.

[• The American people will be asked to support responsible action to address this problem, but there will be no net tax increase.] [NB: We are not here yet, but this may well be a principle we get to.]

Getting the message out. The message will be disseminated by the President, Vice President, Cabinet and sub-Cabinet officials and outside surrogates.

The President. The President will carry our message through several events culminating in a White House Conference on Climate Change in early October. We will also need to plan some additional activity for the period leading up to Kyoto after the President announces our specific policy positions. In addition, all of his speeches on environmental issues, such as the speech he'll make at the Lake Tahoe event, should include a climate change paragraph.

The President's schedule should mix educational, environmental, and economic events. Ideally, I would do some "counter-scheduling" -- perhaps even having him go with Sen. Byrd to a clean-coal facility in West Virginia. However, at the moment, it does not appear as though his schedule can accommodate that. Current plans:

July 24. This is to be an open press round table in the East Room with the President, Vice President and a group of seven eminent scientists, including three Nobel Prize winners. The message of the event will be that climate change is a real problem that must be addressed in a serious way; that there is a broad scientific consensus about that fact; and that this is an issue of major concern to the President. We will set the event with a briefing Thursday featuring Dan Albritton of NOAA. The invited audience will include representatives from the environmental, health care, religious, and business communities as well as Members of Congress and members of the Cabinet.

August. We are working with Scheduling on a sea level event either on Block Island (August 8) or, more likely, at Woods Hole during the President's vacation at Martha's Vineyard.

September events. September should be a month of concentrated activity that builds public awareness in the lead up to the White House Conference. We are working on a major event for the week of September 8 that would bring local tv weathermen to Washington for briefings with senior people at NOAA and a meeting with the President and Vice President. Such an event would both get great local coverage around the country and allow us to get the weather people revved up to do segments on climate change when they returned home. We are also exploring with the NEA and the School Boards Association a week of classroom focus on climate

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change. This could be kicked off by a Presidential Proclamation declaring the week of September 15 Climate Change Awareness Week and by the Vice President teaching a science class in an elementary or middle school. The President also has a potential slot in his schedule on September 20 in California, which we could use for a visit to an appropriate industrial facility to carry the message that climate change can be done without hurting our economy. We also understand that Nightline has some interest in this issue, and we will explore whether they might be interested in a Presidential Townhall Meeting, which we might be able to do in California after a plant visit. (ABC is definitely interested in climate change, with a one-hour Peter Jennings Report in the works for October.)

*mini
text
industry
grip
insurance*

Set up speech

White House Conference. We are in the initial stages of thinking about the conference, but it clearly represents our best opportunity to command public attention. We will work to get press from networks or news weeklies in the week or two leading up to the conference. The President should do a stage-setting speech in the days before the conference and should be available for some interviews. We are likely to seek an initial meeting or reception at the White House, with the actual conference held off-campus at a site that can be set up with an appropriate table, have break-out rooms, good audio-visual capabilities, etc.

Vice President. The Vice President will play an important role in getting out our message. He is identified with this issue and can speak knowledgeably and passionately about it. As with the President, the Vice President's schedule should convey a balance of educational, environmental and economic messages. Some possible VP events:

- A visit to Glacier National Park on August 16.
- A visit to a clean energy facility, such as a new solar plant. Could be August or September.
- Visit to a Midwestern, smokestack, industrial facility.
- Visit to the Oakridge Lab.
- Teaching a science class in the tie-in described above. (September)
- Speech to the Chicago Board of Trade or similar venue in New York emphasizing emissions trading and joint implementation.
- Speech to Washington diplomatic corps. (Probably later October or November, after we have made policy decisions.)

The Vice President also has a meeting scheduled for August 5 with labor leaders which he could use, at least in part, as a counter-scheduling opportunity to talk about climate change.

Cabinet. Cabinet Secretaries will be enlisted to do events, speak out about climate change, meet with editorial boards, and do radio and tv. I have asked each relevant Cabinet Chief of Staff to produce a short plan proposing activities that their bosses can engage in around the country during the next 100 days, as well as a list of possible executive actions that are either in the pipeline or could be proposed. We are also planning three regional climate change conferences during September, each to be chaired by two Cabinet Officers, in the weeks leading up to the White House conference. Many agencies have a role to play here: State, Treasury, Commerce, Energy, Transportation, EPA, Interior, HHS, HUD, Labor, FEMA, DoEd.

We will also try to get some better press mileage out of the remaining regional workshops on climate change that have been going on since May under the auspices of the National Science and Technology Council (Jack Gibbons).

Outside surrogates. We will have a surrogate program of third party validators around the country who can do op-eds, radio, tv, and speaking engagements. This list will include prominent scientists, economists, former senior government officials and others with credibility on this issue. We will aim for op-eds in both the national and regional press on several different themes -- e.g., broad scientific consensus about this problem; it can be dealt without damaging the economy; the President is committed to charting a sensible, middle course, etc.

Specialty media. We will also try to work with program directors of relevant specialty channels, such as the Weather Channel, Discovery Channel and Learning Channel.

CONSTITUENCY OUTREACH

The objective of our outreach effort should be to build up a "constructive middle" of those who (1) recognize that climate change is a real problem that must be dealt with in a serious, balanced way, (2) are supportive of the general principles the President articulates for dealing with this problem, and (3) are positioned to support the President once he embraces a specific policy.

President/Vice President. We are planning to kick off our outreach effort August 4 with a meeting between the President and a group of major CEOs who are already in the constructive middle and who can help us expand it. A meeting with these executives would send a powerful message of Presidential involvement; would give the President a useful opportunity to make clear where he stands and to hear from the constructive part of the business community; and, ideally, would serve to enlist these executives as a core group who could speak out or engage in more private diplomacy to expand the corporate middle. A tentative list for such a meeting (subject to further vetting):

John Browne (British Petroleum)
Linn Draper (American Electric Power)
Ken Lay (Enron)
Norm Augustine (outgoing at Lockheed Martin)

John Krol (DuPont)
Michael Bonsignore (Honeywell)
Pete Corell (Georgia Pacific)
Paul Yhouse (Holnam, Inc.)
Jason Kelly (UPS)
Robert Burt (FMC Corp.)
John Welch (General Electric)
Kaj Ahlman (Employers Reinsurance)

Following such a meeting, I am proposing three or four meetings with CEOs organized roughly by sector, plus a meeting with labor leaders and one with environmental leaders. These would be Roosevelt or Cabinet Room meetings with our top policy people (including Gene, Katie, Dan) and relevant Cabinet Officers (such as Daley, Pena or Summers), and would include a drop-by by the President, Vice President or Erskine, depending on availability. These meetings would include executives who are sympathetic as well as those who are not. The purpose would be (1) to signal the openness of our process, and (2) to bring as many CEOs as possible into the constructive middle. As follow up, on a selective basis, we will arrange for stakeholders to meet with our policy people at a lower, working level.

Cabinet. Beyond these White House meetings, Cabinet Secretaries will do outreach to their own constituencies. These meetings will be tracked and coordinated by my team, which will also collect any useful feedback. And, where appropriate, Cabinet outreach should include White House participation -- e.g., at the CEO dinners that Bill Daley is planning.

President's Council on Sustainable Development. The PCSD, created by the President in 1993, includes a mix of corporate CEOs, labor leaders, environmentalists and Cabinet secretaries. I have talked to them about ways they might help and they are preparing a short plan.

THE HILL

On the short-term front, I recently accompanied the State Department team to meet with Sen. Byrd's chief staff person to discuss his sense of the Senate resolution regarding developing country participation in a Kyoto agreement. The State effort to modify the resolution got nowhere, and I fully expect that the resolution -- which has 65-70 co-sponsors -- will pass overwhelmingly. Our best approach on this is to say that we agree with the spirit of the resolution (as we do) and recognize that it is non-binding. But the resolution does tell us some powerful things about the depth of the developing country problem.

Beyond the short-term Byrd issue, our goal on the Hill, as in the case of the business community, must be to build up a constructive middle of those -- especially in the Senate, since we are dealing with a treaty -- who recognize the problem and are willing to work with us on reasonable, balanced policy. I don't have a road map for this effort yet. At this writing, I still need to add a seasoned congressional hand to my team.

July 30, 1997

MEMO TO: Todd Stern
FROM: Kevin Fay
SUBJECT: Climate Change Options

You have asked for our private thoughts on the climate change issue and suggestions for paths forward. I wanted to give you the following perspective.

The Administration has energized its activity on climate change and moved into campaign style activities on the issue. This is succeeding in raising the visibility, and the ante, on climate change, but also appears to offer several challenges.

Challenge #1 - Forging Scientific Consensus

It is important that some consensus be developed among the public, policymakers, and a broad array of industry and labor groups that climate change must be dealt with. Key elements are missing among the Congress, industry and labor. The most significant message from the passage of Byrd resolution is that the Senate unanimously agreed that climate change is an important scientific issue.

Some industry groups, represented by ICCP and the Business Council for Sustainable Energy, have conceded that it is an important scientific issue. It is necessary to continue to maneuver other groups into this position, at least to the point where, while they may not publicly support the science, they will quietly move in the direction of action. Engaging them in dialogue is constructive.

The Global Climate Coalition, in its recent Senate EPW testimony, actually conceded that the issue should be dealt with, but more slowly. Once these groups are in this position, the debate is only about timing and specifics, not the broader issue of whether something should be done.

It is important to find ways of continuing to move these groups into positions of endorsement of climate change as an important issue that must be dealt with.

Challenge #2 - Delivering a Good Treaty Result or No Treaty

The United States has advocated the best policy framework in the treaty negotiation process. However, because the US has refused to discuss specific targets, it has done little to create the credibility or negotiating leverage it needs in order to attain the policy framework being advocated. If the US is unable to advance a target number until late October, it is too late to significantly change the tenor of the negotiations for December's Kyoto meeting.

Most observers of the negotiating process, including those of us who have worked on other global environment negotiations, consider the chances of obtaining the provisions we have outlined to be near zero.

The most likely treaty outcome in Kyoto is a very modest target with a few lines on emissions trading, no agreed credit for joint implementation, no clear outline of a specific negotiating

schedule for developing countries, and confusing rhetoric on the Europeans "Policies and Measures" proposals. This result will be roundly criticized by most in the business community, including the moderate companies who are trying to be helpful.

The current domestic political focus on the negotiations relates to the developing countries. By all accounts, the developing countries are simply not in a position to agree to anything substantive regarding their current commitments or the negotiation of future commitments. There may be ways to satisfy the requirements of the Byrd resolution, but they are probably unachievable between now and Kyoto.

The next issue that the opponents will focus on is the EU bubble. Like developing countries, it is another easy issue for Congressional opponents to demagogue.

It is probably too late to turn the issues to more substantive discussion in time for Kyoto. The other options available might be to continue the discussions for a year or more, presumably under the continuation of the Berlin mandate; or to have a cooling off period, workshops, educational sessions etc., with a resumption of negotiations in a year or two. This is similar to what happened in 1985 with the Vienna Convention to Protect the Ozone Layer.

A simple continuation is probably not desirable because it would continue the unfortunate formulation of the Berlin Mandate, and could become a continuing problem, particularly with the 1998 Congressional elections. It could also raise expectations of treaty completion just prior to the Presidential election. A more desirable outcome would probably be a cooling-off period with a resumption of negotiations to be completed in December 2000 or January 2001.

If the US was interested in pursuing the "cooling-off" period strategy, it requires that groundwork be laid for it in the near future with negotiating partners. The public stance of the government should be to aggressively pursue all pieces of its policy framework and to also announce steps it is taking domestically to ready itself. In this manner it can deflect criticism that it does not care about the issue.

Challenge #3 -Forging Domestic Consensus

Many in the private sector are very disenchanted with the current state of policy development on the issue. After being promised analysis and information for more than a year, they have now been told it is too hard. Hundreds of these companies have already pursued voluntary programs in good faith, but now have difficulty receiving assurance that they will receive credit for early action. Many have commented on the public relations nature of last week's science event, and expressed concern that they not simply be used as props in a campaign-style march to Kyoto.

At the same time, the industry sector probably falls into three general categories:

- those who see an economic opportunity and want to see the process move forward;
- those who are willing to be helpful, generally supportive of the Administration's international policy framework, but are frustrated with the Administration's lack of communication, and skeptical of the ability of the Administration to deliver that framework; and
- those who would give anything to delay the process for 1 year, 3 years, or indefinitely.

If one accepts the proposition that the only likely treaty outcome is agreement on a target, with only a wink and a promise on other parts of the US proposal, then the only industry category that is satisfied is the first group. That group of industry is not likely to give enough political cover for ratification of the agreement and passage of implementation legislation. Furthermore, other

constituencies, e.g., environment NGOs, will also be unhappy because whatever target that could be agreed to is going to be very modest.

If one accepts the second scenario, i.e., a continuation of the negotiations under the Berlin Mandate, it appears to leave much of the status quo, with no one particularly happy from the business community, and the environment community also frustrated.

It seems that the third scenario, a cooling-off period, may provide an opportunity to build credibility with all three business groups and some of the environment community, if the Administration signals that it is truly intent on getting the structure right; it also could be a signal to the Byrd-Hagel followers that the administration is serious about properly defining the developing country role.

In order to provide environmental cover, and to engage the private sector in the consensus building process alluded to earlier, the President could make a series of announcements of domestic steps to show action on the issue and ask the private sector for their help.

Examining some of the points made by your opposition, they have frequently mentioned the need for a "Manhattan project"-type technology initiative, including things like the PNGV program. They have also called for the examination of changes in tax rules to encourage more rapid capital stock turnover.

The President could embrace these proposals and call for a 12-month effort for experts from the private sector and the government to identify Manhattan projects for 3 or 4 key technology areas, and to explore what investment changes to encourage capital stock turnover and R&D for protection of the global climate.

In return for that, the President might want to ask the private sector to support greenhouse gas reporting (this is already done by the utility.) Some may balk at this but they may be willing to support it if they think they are getting a delay in the climate treaty.

Additionally, I would consider asking the industries to suggest what else can be done as part of the current voluntary climate change action plan to continue achieving reductions (the private sector has already given over 80 million metric tons of carbon dioxide reduction voluntarily and is pledging to do more in the future) and commit to ensuring that those who act early will be rewarded.

Finally, I would announce a Cabinet-level committee to develop within 12 months an outline of existing authority and new authority necessary to implement a program to achieve a x% reduction from business as usual in US greenhouse gas emissions by some target date or in combination with some longer-term objective. Such an announcement would show that the President is serious about moving forward on the issue, signal that reductions are part of the plan, and engage the private sector in a numbers debate.

The current feeling among many in the business community is that the Administration is going to veer sharp left and agree to anything in Kyoto. If the White House wants to be constructively engage the private sector in the debate, these steps will go a long way towards such a goal.

The meeting on Monday would be a good opportunity to explore some of these concepts.



United States Department of State

Bureau of Oceans and International
Environmental and Scientific Affairs

Washington, D.C. 20520

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MESSAGE:

Memo



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INFORMATION MEMORANDUM

S/S

July 15, 1997

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You know of the EU's proposal for a 15% reduction below 1990 levels in 2010. The EU also has a 2005 target (of 7.5% below 1990 levels) on the table. At the present time, there is no movement by others on a target. The U.S. has no target (although we have said that the EU targets are not possible for us), and neither does Japan, Canada, or others in Annex I. We have also been explicit about not accepting a target date of 2005, since it would be unlikely that we could ratify a treaty, obtain implementing legislation and promulgate the rules and regulations that would be required in time for a 2005 date. This issue is complicated by the EU position that it will not discuss other parts of the U.S. proposal until we put a target on the table.

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This community is also split on this issue. All environmental NGOs are concerned about the kind of target that the U.S. will propose. They have all supported targets beginning in 2005 (which the Administration has said is too early), and levels of reduction close to or resembling the EU. Some groups support trading and joint implementation (EDF in particular), while other have insisted on increased auto efficiency standards (the Sierra Club). If our target is too modest and does not go beyond stabilization, we will be heavily criticized by all.

3. The Congress

The most telling example of where we are in the Congress is the Byrd Resolution. This resolution, drafted by the coal industry, was a personal project of Senator Byrd, and now has more than 60 signatures. It stipulates that if developed countries have binding targets agreed in Kyoto, so must the developing world. Although this idea has

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not been tested in the House, it is likely that we would see a similar line up. The reality is that there are too few Hill supporters of action on climate change to deal with this issue. The Administration has not engaged the Congress over the past six months, and we see little support emerging based on NGO lobbying. This has left the field completely open to the naysayers, and the result is pretty clear.

4. Domestic Implementation of a Treaty

of the Senate. It will also require Congressional passage of implementing legislation and the promulgation of rules and regulations by the Executive Branch. Even if the ratification hurdle is passed, developing and passing implementing legislation will be extremely difficult. Like The Clean Air Act, there will be different regional and sectoral

impacts from efforts to reduce greenhouse gases. Decisions on how to distribute the burden between the transportation sector, the utility sector, and the household and commercial sector will have to be made. Legislators will have to focus on what to do with the coal industry and coal miners, the industry and labor group that will be most affected. Finally, we will have to look at different implementing mechanisms. The notion that a domestic "cap and trade" program will be all that we need is short-sighted. While such a system will work well for utilities (1/3 of our carbon dioxide emissions), it is not clear how the system can be made to work for transportation, or for the other greenhouse gases (methane, nitrous oxide, etc.) that we will have to regulate.

THOUGHTS FOR A STRATEGY

The task facing the Administration and the international community is enormous, given the timetable for decision, the difficulty of the issues to be decided, and the politics associated with those issues. But certain items must be faced immediately:

1. Building a Domestic Base

Nothing will substitute for an earnest dialogue, including a discussion of possible and realistic targets, timetables and impacts of those targets and timetables. This must be conducted at all levels, and with all

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constituencies. It will only work if we are open, and share the results of our analyses, whether it is our economic analysis, or our analysis of long-term pathways leading to different atmospheric concentrations of greenhouse gases. The President must hold some meetings with selected CEOs (perhaps through the Business Roundtable) who are engaged in this issue, as well as with some Members of Congress. Others will also have to be heavily engaged. We will need to listen, as well as to share information and ideas. The only time frame that works is for this to occur over the summer.

Some groups will never be satisfied with a solution, since they wish only for there to be no solution. But there should be some members of all communities who could unite behind a realistic proposal. In particular, we need to build a core group from the Business Council, the ICCP, and those parts of EEI that are most forward looking. It may be possible to move the auto companies if they are assured that domestic implementation will not fall on them in the form of CAFE standards. Some oil companies, particularly those with heavy investment in alternative energy sources may also be willing to engage.

We will also have to try to see if there can be common ground between the Administration and organized labor. This will not be an easy task. The Mineworkers have been strong and vocal on this issue, and it is not clear that their views can be reconciled with ours. However, there are others within the AFL-CIO who are more positive (including the Steelworkers and the Oil, Chemical and Atomic Workers), and we should attempt to work with all of them together.

Similarly, we will have to work closely with those members of the environmental community who are prepared to accept a reasonable solution. EDF, NRDC and WWF are obvious candidates. But even with those who are unlikely to be sympathetic, a good dialogue that covers what is possible and what is not might blunt some of the expected criticism.

If the outreach effort culminates in a White House Conference, it is critical that everything be programmed well enough in advance to assure a positive result. A White House Conference that does not result in a shared consensus on the need for action, combined with an acceptance of the principles that will form the basis of our negotiating position would not be helpful.

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2. Making our Way Through the International Maze

The end game, of course, is the international negotiation. Even if we are successful in building some support domestically, the critical question is whether a deal can be struck in Kyoto. Key players include the EU, Japan, China, Brazil, India and the OPEC countries. We will need to engage all of these countries (or groups of countries) separately from the negotiating fora. A meeting at a high level with the EU and Japan could be useful after the October negotiating session. It must be kept small, and should, in essence, be an attempt to see if a deal is possible. High level visits to Saudi Arabia, India, Brazil and China are also important, and should be conducted before November. Again, these should be designed to assess whether a deal could be reached in December.

No matter how good the preparation, reaching a satisfactory conclusion in Kyoto will be extremely difficult. It is worth some time and effort to determine what follow-on process would be desirable if a deal is not achieved. The key will be keeping the issue alive. Those who oppose any agreement should not come away from Kyoto thinking that they were victorious. Tough questions that we will need to face if no agreement is possible include: if the stumbling block is developing country actions, do we need a change of mandate? If the stumbling block is the strength of the reduction commitment, can we put forward a package that cuts more deeply, but over the long term? And if that is the solution, what interim steps can be agreed? If the issue is the flexibility provisions, particularly joint implementation, are there different options for working with developing countries that could be introduced? Finally, we will need to decide what the best timetable is for an agreement. Certainly, it would be best to reach an agreement in Kyoto. It is early in the Administration's second term, and bold steps are easier the farther they are from an election year. But if the projected schedule is closer to the year 2000, is that something we can live with?

cc:

CEQ - KMcGinty
White House - TStern
NEC - DTarullo

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**United States Department of State****Bureau of Oceans and International
Environmental and Scientific Affairs****Washington, D.C. 20520**DATE: 7/15/97-15-90NUMBER OF PAGES TO FOLLOW: 9

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FAX TO: Todd SternTELEPHONE: 456-2702 FAX: 456-2215

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This community is also split on this issue. All environmental NGOs are concerned about the kind of target that the U.S. will propose. They have all supported targets beginning in 2005 (which the Administration has said is too early), and levels of reduction close to or resembling the EU. Some groups support trading and joint implementation (EDF in particular), while other have insisted on increased auto efficiency standards (the Sierra Club). If our target is too modest and does not go beyond stabilization, we will be heavily criticized by all.

3. The Congress

The most telling example of where we are in the Congress is the Byrd Resolution. This resolution, drafted by the coal industry, was a personal project of Senator Byrd, and now has more than 60 signatures. It stipulates that if developed countries have binding targets agreed in Kyoto, so must the developing world. Although this idea has

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not been tested in the House, it is likely that we would see a similar line up. The reality is that there are too few Hill supporters of action on climate change to deal with this issue. The Administration has not engaged the Congress over the past six months, and we see little support emerging based on NGO lobbying. This has left the field completely open to the naysayers, and the result is pretty clear.

4. Domestic Implementation of a Treaty

of the Senate. It will also require Congressional passage of implementing legislation and the promulgation of rules and regulations by the Executive Branch. Even if the ratification hurdle is passed, developing and passing implementing legislation will be extremely difficult. Like The Clean Air Act, there will be different regional and sectoral impacts from efforts to reduce greenhouse gases. Decisions on how to distribute the burden between the transportation sector, the utility sector, and the household and commercial sector will have to be made. Legislators will have to focus on what to do with the coal industry and coal miners, the industry and labor group that will be most affected. Finally, we will have to look at different implementing mechanisms. The notion that a domestic "cap and trade" program will be all that we need is short-sighted. While such a system will work well for utilities (1/3 of our carbon dioxide emissions), it is not clear how the system can be made to work for transportation, or for the other greenhouse gases (methane, nitrous oxide, etc.) that we will have to regulate.

THOUGHTS FOR A STRATEGY

The task facing the Administration and the international community is enormous, given the timetable for decision, the difficulty of the issues to be decided, and the politics associated with those issues. But certain items must be faced immediately:

1. Building a Domestic Base

Nothing will substitute for an earnest dialogue, including a discussion of possible and realistic targets, timetables and impacts of those targets and timetables. This must be conducted at all levels, and with all

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constituencies. It will only work if we are open, and share the results of our analyses, whether it is our economic analysis, or our analysis of long-term pathways leading to different atmospheric concentrations of greenhouse gases. The President must hold some meetings with selected CEOs (perhaps through the Business Roundtable) who are engaged in this issue, as well as with some Members of Congress. Others will also have to be heavily engaged. We will need to listen, as well as to share information and ideas. The only time frame that works is for this to occur over the summer.

Some groups will never be satisfied with a solution, since they wish only for there to be no solution. But there should be some members of all communities who could unite behind a realistic proposal. In particular, we need to build a core group from the Business Council, the ICCP, and those parts of EEI that are most forward looking. It may be possible to move the auto companies if they are assured that domestic implementation will not fall on them in the form of CAFE standards. Some oil companies, particularly those with heavy investment in alternative energy sources may also be willing to engage.

We will also have to try to see if there can be common ground between the Administration and organized labor. This will not be an easy task. The Mineworkers have been strong and vocal on this issue, and it is not clear that their views can be reconciled with ours. However, there are others within the AFL-CIO who are more positive (including the Steelworkers and the Oil, Chemical and Atomic Workers), and we should attempt to work with all of them together.

Similarly, we will have to work closely with those members of the environmental community who are prepared to accept a reasonable solution. EDF, NRDC and WWF are obvious candidates. But even with those who are unlikely to be sympathetic, a good dialogue that covers what is possible and what is not might blunt some of the expected criticism.

If the outreach effort culminates in a White House Conference, it is critical that everything be programmed well enough in advance to assure a positive result. A White House Conference that does not result in a shared consensus on the need for action, combined with an acceptance of the principles that will form the basis of our negotiating position would not be helpful.

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2. Making our Way Through the International Maze

The end game, of course, is the international negotiation. Even if we are successful in building some support domestically, the critical question is whether a deal can be struck in Kyoto. Key players include the EU, Japan, China, Brazil, India and the OPEC countries. We will need to engage all of these countries (or groups of countries) separately from the negotiating fora. A meeting at a high level with the EU and Japan could be useful after the October negotiating session. It must be kept small, and should, in essence, be an attempt to see if a deal is possible. High level visits to Saudi Arabia, India, Brazil and China are also important, and should be conducted before November. Again, these should be designed to assess whether a deal could be reached in December.

No matter how good the preparation, reaching a satisfactory conclusion in Kyoto will be extremely difficult. It is worth some time and effort to determine what follow-on process would be desirable if a deal is not achieved. The key will be keeping the issue alive. Those who oppose any agreement should not come away from Kyoto thinking that they were victorious. Tough questions that we will need to face if no agreement is possible include: if the stumbling block is developing country actions, do we need a change of mandate? If the stumbling block is the strength of the reduction commitment, can we put forward a package that cuts more deeply, but over the long term? And if that is the solution, what interim steps can be agreed? If the issue is the flexibility provisions, particularly joint implementation, are there different options for working with developing countries that could be introduced? Finally, we will need to decide what the best timetable is for an agreement. Certainly, it would be best to reach an agreement in Kyoto. It is early in the Administration's second term, and bold steps are easier the farther they are from an election year. But if the projected schedule is closer to the year 2000, is that something we can live with?

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