

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. paper	re: Meeting with Japanese Prime Minister Ryutaro Hashimoto (4 pages)	06/00/1997	P1/b(1)
001b. talking points	re: Points to be Made with Prime Minister Hashimoto (3 pages)	06/00/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 11463

FOLDER TITLE:

Climate-Talking Points/Questions and Answers [1]

2019-0774-S

rs3429

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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Kyoto Talking Points

November 25, 1997

I. U.S. Goals

- ▶ The U.S. is going to Kyoto to advocate a strong and comprehensive framework for meeting the global challenge of climate change.
- ▶ Any new climate change agreement must include realistic and achievable emissions targets, flexible and market-based implementation mechanisms, and meaningful participation from developing countries.
- ▶ The combination of these three elements is critical to an effective global response that provides real environmental benefits consistent with economic growth and development.

II. The U.S. Proposal

- ▶ The U.S. proposal on climate change -- as announced by President Clinton on October 22nd -- is tough and realistic, representing our commitment to do what we promise not promise what we cannot do.
- ▶ The proposed U.S. target of reducing U.S. greenhouse gas emissions to 1990 levels over the period 2008-2012 is both responsible and ambitious. For example, the most recent U.S. Government estimate predicts that domestic carbon emissions will be 34% higher than 1990 levels by 2010 on a business as usual path.
- ▶ The President has proposed an extensive set of domestic measures to reduce U.S. emissions. These include a \$5 billion package of tax cuts and new spending to encourage energy efficiency and renewable energies, environmentally sound restructuring of our electricity industry, reform of federal energy procurement, industry-by-industry plans to cut emissions, and a domestic emissions trading system.
- ▶ The U.S. also proposes the adoption of international emissions trading and joint implementation to reduce the costs of cutting emissions. As the world has only limited resources to tackle this problem, it is absolutely imperative that countries be encouraged to seek out the most cost-effective reductions.
- ▶ Lastly, the U.S. has insisted on meaningful participation from developing countries. Developing country emissions will exceed those of the industrialized world within the next two decades, making it environmentally irresponsible not to include them in an agreement.

III. International Reaction

- ▶ The U.S. position has been criticized by other countries for being too weak. This criticism is ill-founded.
- ▶ Looking at our target from the standpoint of “effort”, the reductions we propose are comparable to any now on the table, including those put forward by the European Union. U.S. carbon emissions on a business as usual path are predicted to be 34% above 1990 levels by 2010.
- ▶ The U.S. does not have the advantages that the 1990 emissions baseline provides to others. Consider the windfall Germany gained from reunification. The Germans are able to support a stringent target at Kyoto in large part because of the enormous emissions reductions that were a consequence of their shutting down heavily polluting factories in the East.
- ▶ Under the EU proposal, member countries pool their emissions in a so-called “bubble,” thereby allowing some countries to increase their emissions while others reduce. The EU has opposed granting such flexibility to others.
- ▶ When carefully examined, the U.S. emissions target is in fact very much in line with a number of others that have been put on the table, including those from Canada and Japan.

IV. Prospects for an Agreement

- ▶ Climate change is a top priority for the President and Vice President. The U.S. will go to Kyoto and make an all-out effort to win support for our proposal and to negotiate the best agreement possible.
- ▶ Nevertheless, we must remember that nations remain today quite far apart in their positions, and achieving success in Kyoto will be an extremely difficult challenge.
- ▶ It is also important to keep Kyoto in perspective. Climate change is a long-term problem that will take decades or more to solve. The challenge now is to get the world on the right path so that a solution is ultimately possible. Kyoto is one step in that process.

THE WHITE HOUSE

Office of the Press Secretary
(Vancouver, British Columbia)

For Immediate Release

November 23, 1997

PRESS BRIEFING BY
MIKE MCCURRY,
DEPUTY NATIONAL SECURITY ADVISOR JIM STEINBERG,
AND U.S. TRADE REPRESENTATIVE CHARLENE BARSHEFSKY

Waterfront Centre Hotel
Vancouver, British Columbia

11:03 A.M. (L)

MR. MCCURRY: Good morning, Vancouver. President Clinton and Prime Minister Chretien, as you could gather from their news conference, had a very spirited, friendly, useful, productive, warm -- what else do we say at the State Department -- stimulating, textured, fluid -- they had a good bilateral meeting and it lasted about an hour, and they told you much about it. But in the structure of that conversation, both leaders spent a fair amount of time at the beginning talking about the work that's been done in advance of the Asian economic leaders meeting that begins tomorrow.

As you know, President Clinton parachuted in here just after midnight last night, and was delighted to learn that so much productive work had been done at the ministerial level in preparation for the leaders' discussions. The table has been set in a very splendid way for some of the discussions they've had, contrary to what some of the conventional wisdom might have led one to believe.

I think a large part of that work, as the President noted, should be credited to Secretary Rubin, Deputy Secretary Summers, and then the excellent work that was done on trade liberalization in the past several days by Ambassador Barshefsky and her team. He said that, you just missed it.

So I've asked Ambassador Barshefsky to talk a little bit about that, particularly for those of you who arrived with the President late last night might not have followed all the deliberations in advance of our arrival. And then I've asked Deputy National Security Advisor, Mr. Steinberg, to give you a fuller readout on the bilateral meeting, if you need it. I'll tell you, from my impression, the two leaders covered just about everything that they discussed, and then some, in their press conference.

So with that, Ambassador Barshefsky.

MR. STEINBERG: You got the order wrong, Mike. For those of you who don't know, I am not Ambassador Barshefsky.

Let me just say a word or two about the bilateral meeting, and then Charlene can talk about the trade issues that have been discussed by the ministers before the leaders' meeting.

This was another in a long series of very good exchanges between the President and the Prime Minister. They have an unusually close relationship; they talk regularly on the phone so they're able to sort of pick up very quickly into the conversations on issues that they have been discussing regularly.

They began, as Mike said, talking about the financial and economic trade issues that have led up to this

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MR. STEINBERG: With President Jiang Zemin -- one of the longest discussion during the bilateral in Washington with president Jiang was on climate change. The President discussed this. President Jiang noted that he was actually an engineer who had been involved in some conservation work. They had a long discussion. And I would be fairly certain that at almost every, and perhaps every bilateral that's held here that the climate change issue will be very much on the minds of President Clinton and the other leaders.

Q Jim, who is going to represent the United States at the Kyoto summit?

MR. STEINBERG: The President has asked Stu Eizenstat to head the U.S. delegation to Kyoto.

Q What about Vice President Al Gore?

MR. STEINBERG: Stu is going to head the delegation. I know of no decisions or anything concerning the Vice President.

Q Was there a decision made that it should be at that level?

MR. STEINBERG: It's a ministerial conference, and was the expectation all along that that would be the level in which the head of the delegation would take place.

Q Are you ruling out an appearance by Vice President Gore at Kyoto?

MR. STEINBERG: I don't speak for the Vice President. I can just tell you that he certainly made --

Q You speak for the National Security Council.

MR. STEINBERG: He has nothing planned and no decision has been made to do that.

Q Are you ruling out any sort of agreement coming out of APEC from the developing nations saying that they will sign on?

MR. STEINBERG: The issue is an issue for negotiation in Kyoto. This is not a negotiating session. And, in fact, what Prime Minister Chretien and President Clinton both said is we're not looking for outcomes here, we're looking for a better understanding.

I think President Clinton feels very strongly that some of the leaders in the developing countries may have a misapprehension about what it is that we're seeking, a fear that somehow we're trying to hold down their growth or that this is a strategy that would impact their own strategies for development.

The President has a very strong conviction that if these countries early on adopt efficient clean energy technologies, they will actually be on a more efficient growth path and that over time they will have a higher rate of growth, rather than relying on less efficient carbon sources that the United States and other developed countries had used.

Q Let me ask the question a little more precisely then. Do you expect the same of statement to come out of the APEC leadership that we got from Menem in Argentina?

MR. STEINBERG: I don't expect there to be any statement. The Leaders Statement, as you've heard from Prime Minister Chretien with respect to other topics, will focus on the things that are formally on the agenda. I think that it will be important that we have these individual discussions. I know that President Clinton is not looking for any specific statement here

MORE

CLIMATE CHANGE

Goals for the Meeting

- Determine whether there is any room for negotiation on the part of other countries coming out of Bonn.
- Continue to advocate our flexibility provisions, and identify ways that others might be inclined to support developing country commitments (other than ODA).
- Pursue private conversations, if possible, with Germany and Great Britain on whether President Clinton's discussions with leaders have engendered any forward movement.

Discussion

Your meeting will be the first high-level discussion following the Bonn meetings, among the major players at Kyoto. Reports from Bonn suggest we are in deadlock, with the EU and G-77 alligning against a rough grouping of other Annex I countries. Our own oversight group is only beginning to determine a full negotiating strategy to address these groupings in the run-up to Kyoto. In this context, you can use this as a key opportunity to continue to advocate the comprehensive nature of the President's proposals (T&T, JI and trading, developing country commitments), and assess others' reactions to the President's announcement and to the Bonn meetings.

In particular, you should welcome countries to air issues where others may be inclined to show some flexibility (e.g. if Japan or Canada seek to raise differentiation, to explore whether the EU is flexible on these issues, and if not why not). You might use less formal opportunities to probe others on how much consensus exists within their own governments on these issues, and may also want to follow up in private conversation with a few key European Sherpas (UK, Germany), as well as the three other Sherpas whose position is closest to ours (Japan, Canada, Russia).

Assessing Bonn

From the U.S. perspective, attention at Bonn focused on our target and timetable, with no progress on joint implementation. No country has come forward to support the U.S. target; support for joint implementation is very limited; our position on developing country participation has won no backers. At the same time, no other proposal (EU, Japan, G-77) seems headed for consensus support. The blocks are lining up as follows:

- There is potential for common ground with a group of non-EU Annex I countries, including Canada, Australia, New Zealand, and the FSU. None of these countries have embraced the EU targets. However, none have embraced our calls for developing country participation either. Several are insisting on "differentiated targets." **Japan's proposal would place it in this group, but as the conference host, it will continue to play an "honest broker" role.**
- The EU is seeking to claim the moral high ground with its steep reduction targets. It disputes vigorously our claim that their targets are unachievable and has held briefings

(and have distributed a document) in Bonn to explain how they plan to achieve their targets. The EU is not joining our call for developing country participation.

- G-77 has united disparate elements (small island states, OPEC) behind a proposal with steep reduction targets (the EU numbers plus a 35% reduction from 1990 levels in 2020) and “compensation” proposal (under which Annex I countries would pay the G-77 for lost revenues associated with meeting any target). Key developing countries (e.g. China, Brazil and India) emphatically reject our proposal that they agree at Kyoto to negotiate emissions limits in the future.

Your interlocutors will vary in how closely they have followed the Bonn discussions. Germany and France each used Denver as an opportunity to score points against us on this issue. With respect to Germany, the President has had a phone conversation with Chancellor Kohl in the interim, and your meeting will be an opportunity to see whether that conversation has combined with the deadlock at the Bonn meetings to generate some flexibility -- particularly on JI and international trading. The President also spoke at length with Prime Minister Blair about these issues, who may also be inclined to show some flexibility -- though domestic politics may make it difficult for him to let the US appear to do less than the UK.

Exploring others' positions:

EU: The EU wants three things: a target below 1990 levels, their bubble, and an interim target for 2005. Our best opportunity is to push back on the environmental damage that will come without developing country commitments, on the hypocrisy of their bubble position, and to explore opportunities for flexibility directly with Germany and the UK on the subjects which the President discussed with their heads of state. A few key points with the Europeans:

- By 2035, developing nations will surpass the industrialized world's emissions. If we don't adopt a comprehensive package to address this, all of our emissions savings will come to nothing over the long term. *How do you see evolution proceeding?*
- The EU is demanding a bubble (i.e. the fact that their proposal would allow Portugal's and Greece's emissions to grow by 40% and 30% respectively; France would be required to make no reductions) but still opposing joint implementation and international trading because it allows the US to gain reductions without taking severe domestic reductions. *Why is the EU insisting on a bubble while not allowing JI and international trading, particularly when the latter mechanisms expand (rather than limit) the flexibility available to nations and firms in seeking reductions?*
- The EU wants badly to deliver emissions reductions. We are only contemplating these reductions in the second budget period -- though additional reductions may prove difficult for the EU in that period, especially if (at that future date) “new EU economies” from the former-Warsaw bloc begin to expand rapidly. *What do think would be an appropriate level of reductions in the second budget period?*
- The UK, privately, is not a staunch supporter of the EU bubble, as they have doubts that their fellow Europeans will be able to reach their targets in a timely manner. *We are worried that if one country fails to meet its budget, the entire EU will fail to comply.*

Will the EU have a community-wide enforcement mechanism to make sure that each country does its part?

- The President's conversations with Chancellor Kohl and Prime Minister Blair stressed the importance of joint implementation and trading. We should see whether this conversation produced any meaningful movement on their parts. ***U.S. businesses -- including multinationals like British Petroleum that operate here -- enthusiastically support JI and trading. Is there no such support within your countries?***

Japan and Canada: Japan and Canada are generally supportive of the US position on targets and timetables, though (as of tomorrow) both will support differentiation of targets. Also, Japan has stated that it supports emissions trading and JI "under certain conditions", and Canada supports moving forward to a JI with credit system. The Sherpa meeting could give us an opportunity to emphasize that we are not isolated, rather there is a legitimate difference between our position and theirs. However, neither has overtly supported our position on developing countries yet, and we are unlikely to get such support at the Sherpa meeting.

- If Japan or Canada choose to discuss differentiation of targets, encourage the Europeans to discuss their opposition. Many observers and participants at Bonn -- including Estrada, the conference chair -- feel there is almost no way to gain an agreement at Kyoto without this principle. Japan has tabled formulas for differentiation, but none of these are likely to work for us. ***Your ideas on differentiation are interesting ... how might some of them work? Would it be possible to differentiate as to equalize effort?***

Russia: We have worked extensively with the Russians to develop strategies in the negotiation, particularly on emissions trading and the use of sinks. The negotiators asked us to consider whether "paper tons" -- emissions reductions that have occurred since 1990 as a result of policy initiatives or economic conditions not related to climate change -- could be eligible for emissions trading, where they could be used to help meet another Party's obligation. This issue is raised mostly because Russia is unlikely to rise to its 1990 emissions level by 2010 (because of its economic collapse), and would thus gain a windfall of emissions credits. Russia wants assurance of our support for these credits, in return for support of our target and timetable. Though no decision has been made by the oversight group, the working group generally does not oppose paper tons -- mostly because we don't see how this could be stopped if a common target and timetable are adopted. However, we should oppose any Russian suggestion that they should also get credit for paper tons *prior* to the budget period (i.e. credit for early emissions collapse).

Key Country Positions – Climate Change Negotiations (As of 10-30-97)

	U.S.	Japan	Australia	NZ	Canada	EU	G77/China*	Russia	Brazil
Budget periods	yes	yes	yes	yes	yes	probably	maybe	yes	yes-diff. form
Target: Uniform or Differentiated	uniform	differentiated	differentiated	differentiated	uniform, but hinting at differentiation	uniform, but EU "bubble"	uniform, for Annex I only	differentiated, in Annex I "bubble"	differentiated
Has Country or Group Tabled Its Target?	yes (0%)	yes (0-5%)	no	no	no, but announcement expected 10/31	yes (15%)	yes, for Annex I only	yes (?)	yes (?)
Baseline	1990	1990	1990	1990	1990	1990	1990	1990	multi-year
International Emissions Trading	yes	yes, w/conditions	yes	yes	yes	no, limited JI in Annex I only in lieu of trading	no	yes**	yes
Carbon Taxes	no	no	no	maybe	no	maybe	no	no	no
Joint Implement. w/Credit	yes	yes, w/conditions	yes, but light	yes, but light	yes, but light	limited JI in Annex I only	clean development fund	?	clean development fund
Developing Country Commitments/ Evolution***	yes	light	yes	yes	yes	conditional, tied to early review	no	yes	no
Harmonized Policy & Measures	no	yes, but light	no	yes, but light	yes, but light	yes	no	no	no
Annex B	yes	light	yes	yes	yes	Annex X****	no	yes	no
Compensation	no	no	no	no	no	no	yes	no	yes

* G77/China has put forth a unified position, but that position masks substantial differences within its ranks.

** Russia would like trading to include "paper tons" for its below-baseline emissions *prior* to the first budget period.

*** Chairman has omitted evolution from the text of the protocol, but not ruled out possibility of inclusion in a "Kyoto Mandate."

**** Annex X is the EU's name for a proposal that is very similar to the U.S. proposal.

DRAFT

POSITIONS ON KEY ISSUES:

Targets

Russia - supports stabilization at 1990 levels.

Canada - supports U.S. approach, although they will likely endorse differentiation on Oct 31.

Japan - has proposed 0-5% reductions with differentiation.

EU "Bubble" - has proposed 7.5% reduction by 2005 and 15% by 2010. Italy (-7%), France (0%), UK (-10%), and Germany (-25%).

G-77/China - supports stabilization by 2000, the EU numbers as interim points, plus an additional 20% to equal a total of 35% by 2020.

We view the G-77/China target as a "poison pill" since this overall position - with OPEC support, we note - includes not only this unworkable target but also two financial mechanisms, compensation and a clean development fund.

Bubbles

EU - We continue to oppose the EU bubble, because it lacks individual accountability. The EU has resisted our suggestion that consideration be given to implementation of a system of binding emissions targets within the bubble. We remain uncomfortable with the assumption that if a member exceeds its target, another EU member would simply absorb the overrun with increased reductions. We believe the bubble hides the fact that a number of EU members would be allowed to increase their emissions -- Portugal, for example, may increase by 40%. The EU's target presents a major obstacle because it has created an expectation around reduction targets that no non-European, OECD country can come close to. The UK has stated that the EU offer is not unilateral -- the EU will only reduce by 15% if other countries match this number.

Russia - wants an Annex I bubble. Countries would sign on to the agreement using the targets in their respective current proposals and then trade emissions rights.

Bubbles vs. Differentiation

We have argued from the beginning that the EU bubble is in and of itself a system of differentiation, since each member will be taking on obligations based on their perceived abilities. The EU has disagreed with this assessment. Thus far we have opposed differentiation. In addition, Canada, Japan, and Russia have all strongly attacked the bubble. Nevertheless, the EU is adamant in its support.

Flexibility: Emissions Trading/JI

Canada - supports a decision in Kyoto to progress to JI w/credit. Also supports trading.

Russia - spoke favorably on taking action in Kyoto, and is supportive of emissions trading.

Japan - is supportive of emissions trading and JI.

EU - would rather deal with JI in the future than now. The EU is opposed to emissions trading (with the bubble, this may happen without outside knowledge).

AGBM Chairman Estrada - JI w/credit is dead letter for COP-3 - "not ready for prime time."

G-77/China - U.S. Del in Bonn has recently secured G-77/China blessing to a proposed decision which does not speak to the issue of inclusion of credit, but instead permits the credit issue to be raised again (this is a fallback plan, not the desired outcome).

JI with credit has been strongly supported by the President in his conversations with the leaders of Canada, Japan, the UK, and Germany, yet it remains the most vulnerable of all our key negotiating points. We want an acknowledgment of credit for JI right now, the EU and G-77/China/OPEC want to defer the decision.

Developing Countries/Evolution

EU - we have mild support here, but the EU has tied evolution to a periodic review of commitments.

AGBM Chairman Estrada - indicated that evolution has a chance if crafted as either a decision of the COP or as part of a Kyoto mandate, but is a non-starter as part of the protocol itself.

Developing Countries - are adamant in their opposition.

Japan and Canada - may have put together a discussion paper on evolution - which they may release and explain in Bonn on Thursday, 30 October, to a group including the U.S. and other Annex I parties who will be at the Tokyo Ministerial meeting Nov 8 & 9.

UK - The newly released Edinburgh Commonwealth Summit Communiqué calls on the COP to recognize that, after Kyoto, "...all countries will need to play their part by pursuing policies that would result in significant reductions of greenhouse gas emissions if we are to solve a global problem that affects us all."

We have two realistic options on developing countries/evolution:

1. There is an agreement in a "Kyoto Mandate" for further negotiations to this end.
2. There is a review of further commitments incorporated into COP-4 and then a decision for further negotiation.

We strongly prefer the first option.

Gases To Be Included In The Protocol

We have suggested that all gases and all sinks be included in the agreement. Russia and Canada have been supportive of this. The EU, however, has only been interested in including Nitrous Oxide, Methane, and CO₂ from energy. Nevertheless, we may have reached a convergence in views within the last few days, to include all gases.

Press Guidance
November 19, 1997

Tim Wirth's Departure

- Q: Is it true that Tim Wirth is leaving the State Department to head up a new foundation to oversee Ted Turner's \$1 billion gift to the UN? If so, when is he leaving?
- A: This is not yet official. Mr. Wirth has not announced a departure date. We won't have anything further on this until there's an announcement. I understand that an announcement is expected soon.

[Mike -- I understand that an announcement could come as early as tomorrow and conceivably even later today, though I doubt that. Wirth's office has promised to keep us advised.]

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OFFICE OF TIMOTHY E. WIRTH
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TO: TODD STERN

FROM: Rodriguez

DATE: _____

FAX: 456-2215

Number of Pages (including cover): 6

COMMENTS: FYE

TO: The Secretary

FROM: Melinda Kimble, Acting

SUBJECT: Working Climate Change at the November 24-26 APEC meeting

Important
Summary: The November 20-25 APEC Summit provides you with an unparalleled opportunity to work our climate change goals. At APEC, you should: 1) solidify the emerging

JUSCANZ coalition; 2) press China (again) on its critical role; and 3) press the more advanced APEC developing countries (especially Korea, Singapore, Chile, and Mexico) to voluntarily adopt binding emissions commitments. Getting the President engaged would give us a big boost.

Discussion

The JUSCANZ COALITION: A main element of our Climate negotiation strategy is to build a coalition with Japan, Canada, New Zealand, Australia (JUSCANZ), and Russia at or near our emissions reduction target, thereby pushing the EU toward our position, and to press the developing countries to assume a meaningful role. In meetings last week in Tokyo, we moved toward that goal. In Vancouver, you should stress the need for the JUSCANZ countries to join in a common position so that we can collectively move the EU and G-77 towards our approach. [Ideally, a joint statement on climate by JUSCANZ leaders would give our efforts in Kyoto a major boost.]

China: China is the key to beginning to sway the G-77. Unfortunately, to date, the Chinese have shown little willingness to play a meaningful role in Kyoto. At Kyoto, we will push for agreement on subsequent negotiations to achieve quantified emission limits for key developing countries (including China). While we may not convince them

voluntarily to adopt targets now, we should push hard to get them to approve our post-Kyoto approach. Also, their support for joint implementation would be a major achievement.

Advanced Developing Countries: Developing countries are not required to accept binding targets at Kyoto. However, we have been pushing certain advanced developing countries voluntarily to accept targets. Declarations by Korea, Singapore, Chile, and Mexico would send a powerful message to the G-77 on the necessity for their meaningful participation at Kyoto. Their support for the post-Kyoto effort to include key developing countries will be needed as well.

The Source of the Message: The President should be encouraged to use the opportunity of the APEC leaders' informal meeting to push the climate agenda. His efforts on forging a JUSCANZ coalition and on raising climate again with Jiang Zemin might be critical.

We have attached talking points for your use.

Talking Points on Climate Change for APEC

JUSCANZ (Japan, Canada, Australia, New Zealand)

- All of us are working hard to produce a successful result in Kyoto.
- Our negotiators have been making progress, and I am encouraged by the results of last weeks meetings in Tokyo.
- It will be especially important for Japan, Canada, New Zealand, Australia, and the U.S. to work together on realistic targets.
- If JUSCANZ countries could agree on a common target, we could - together - send a powerful message to both the EU and the G-77.
- At Kyoto, we envision agreement on a subsequent negotiation to achieve quantified emission limits for key developing countries by a certain date - taking into account the need for economic growth. Our collective agreement on this approach will also be very important.
- If we can reach agreement, we should consider making a joint announcement either here, or perhaps, at the beginning of Kyoto, on our common approach.

China

- As the two largest emitters of greenhouse gases, China and the U.S. share a special responsibility to address climate change. Climate change is a global problem. It requires a global solution.
- At Kyoto, we envision agreement on a subsequent negotiation to achieve quantified emission limits for key developing countries by a certain date - taking into account the need for economic growth. We need your support for such an approach.
- Newly developed and advanced developing countries can lead the way for other developing countries in addressing climate change.
- These countries can voluntarily adopt binding emissions targets that provide for clean and responsible growth. I hope China will consider supporting this approach.
- Joint Implementation !

Korea/Singapore/Chile/Mexico

- The United States has proposed an ambitious and realistic goal to address climate change.
- But, climate change is a global problem. It requires a global solution. It is very important that your country joins in the global effort.
- At Kyoto, we envision agreement on a subsequent negotiation to achieve quantified emission limits for key developing countries by a certain date - taking into account the need for economic growth
- Newly developed and advanced developing countries can lead the way for other developing countries in addressing climate change. You can voluntarily adopt binding emissions targets that provide for clean and responsible growth.
- Your voluntary adoption of binding emissions targets will send a powerful and critical message to the rest of the developing world. I urge you to consider adopting such targets at Kyoto.



Drafted: 11/14/97 - OES/SEI:JMargolis;APEC.doc
Cleared: OES:MKimble
G:Rprudencio
P:Dshear
EB:Vgreenfield
E:Pbass

United States Department of State *Talking FYs**11/2-State*
Bureau of Oceans and International
Environmental and Scientific Affairs

Washington, D.C. 20520

DATE: 11/12

'97 NOV 12 PM 12:03

NUMBER OF PAGES TO FOLLOW: 2FAX TO: Todd SternTELEPHONE: 456-2702FAX: 456-2215

OFFICE: _____

FAX FROM: Rafe PomeranceTELEPHONE: 647-1554FAX: 647-0217

OFFICE: _____

MESSAGE: Draft for your clearance. ASAP. (URGENT)

November 12, 1997

UNCLASSIFIED
MEMORANDUM

TO: G - Mr. Wirth

FROM: OES - Melinda L. Kimble, Acting

SUBJECT: Do's and Don'ts for Your Meeting with the Press
Today, November 12

Do

--Reiterate the mantra:

- U.S. goal is to protect the earth's atmosphere and climate system and avoid climactic disruption.
 - President Clinton's proposal is sound and realistic.
 - 1. US - huge reduction -- 22 percent; therefore greatest benefit.
 - 2. Includes all gases and sinks, unlike EU and Japan.
 - 3. Concrete domestic implementation plan.
 - 4. Market mechanisms which allow us to achieve the greatest emissions reductions at the lowest cost.
 - Kyoto is one step on the way to stabilize concentration of greenhouse gases. This will require many steps.
 - This is a global problem requiring a global solution.
 - Long term problem - "intergenerational". No easy fix.
 - This global solution is the point of diplomatic activity.
- Emphasize that in the aftermath to Bonn and Tokyo, the international community is fully engaged.
- Good participation at Tokyo, EG, Russia, EU, Canada, Brazil, AOSIS. But, China and India not present.

UNCLASSIFIED

-2-

- --Note that we are deeply involved in very hard policy technical discussions necessary for an international consensus.

Significant differences still exist on many issues, but we understand each other better.

- Targets.

--But, far more at issue than targets are:

- JI.
- Trading.
- Developing country participation.
- Policies and Measures (menu or harmonized).
- Budget periods(dates of implementation).

--Still have a long way to go.

Don't

--Do not be enthusiastic about the likelihood of a success at Kyoto. Kyoto is part of a process - not the end of the story.

--Do not raise article 10 issues.

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Talking Pts

THE WHITE HOUSE
Washington, DC

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

To: The Honorable James Florio

Fax Number: 908-562-8557

Telephone Number:

From: Todd Stern

Subject: Talking points on climate change

Date: 12 November 1997

Number of Pages (including cover sheet): 25

Message:

Here are the talking points that we discussed.

(If all pages are not received, please call (202) 456-2702.)

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Talking Points on President's Climate Change Proposal

October 22, 1997

The President has proposed an ambitious climate change plan that is environmentally strong and economically sensible. Based on the President's conviction that global climate change is the premier environmental challenge of the 21st century, the President's plan will proceed pragmatically -- in three stages and with periodic economic and scientific reviews -- to cut greenhouse gas emissions by almost 30% from levels projected for 2010.

In the first stage, the President's plan will provide funding, create incentives, build partnerships and give credit for early emissions reductions. The second phase, beginning around 2004, will review, evaluate and extend the efforts of the first phase while laying the groundwork for phase three. In phase three, an international and domestic emissions trading system would begin.

The President's plan includes the following key elements:

- **A binding, realistic target to reach 1990 emissions levels by 2008-2012.** This target is part of a comprehensive framework for agreement in Kyoto that also includes flexible, market-based mechanisms and the participation of developing countries. The President is also committed to reductions below 1990 levels in the five-year period that follows.
- **A \$5 billion program of tax cuts and R&D for new technologies.** To spur energy efficiency and the development of new technologies, the President proposes a major new package of tax cuts and R&D spending amounting to \$5 billion over five years.
- **Active consultations over the next 9 months on an industry-by-industry basis, with early credit for companies making early reductions.** The President is committed to working with business to get their best ideas on how they can best reduce their own emissions, and to rewarding firms that act early.
- **Developing countries must participate.** Climate change is a global problem, and requires a global solution. That's why the President has committed that the United States will not adopt binding obligations without developing country participation.
- **A domestic and international emissions trading system.** Such a system can harness the power of the market to reduce emissions, as it has with great success in the case of acid rain.
- **Encouraging the use of energy-efficient products.** The President will engage in a broad-based effort to expand the use of existing energy-efficient technologies.
- **Federal procurement and energy use.** The Department of Energy will spearhead a comprehensive effort to reduce greenhouse gas emissions from Federal sources.
- **Electricity Restructuring.** To deliver a significant down payment on emission reductions, while saving consumers billions, we will pursue a bold plan for electricity restructuring.
- **Setting a concentration goal.** With advice from the National Academy of Sciences, the U.S. supports developing a specific, long-term concentration goal for greenhouse gases in the atmosphere.
- **Transition assistance.** The President is committed to working with Congress and labor to ensure a just transition for any workers dislocated by the changes in energy usage inherent in any climate change plan.

**PRESIDENT CLINTON ANNOUNCES THE UNITED STATES
CLIMATE CHANGE POLICY**



**NATIONAL GEOGRAPHIC SOCIETY
GILBERT H. GROSVENOR AUDITORIUM
Washington, D.C.**

October 22 1997

PRESIDENT CLINTON'S CLIMATE CHANGE PROPOSAL

October 22, 1997

Global climate change is the premier environmental challenge and opportunity of the 21st century, and the risks it poses justify sensible preventive steps. Addressing this issue is one of the United States' greatest imperatives, for this and future generations. Recognizing the solid foundation of climate science, President Clinton is committed to strong and sensible action to reduce greenhouse gas emissions -- including realistic and binding emissions targets.

Key elements of President Clinton's climate change proposal include:

- **Binding Targets to Reach 1990 Emissions Levels by 2008-2012 and Reductions Below 1990 Levels in the 5-Year Period That Follows.** A critical component of the President's comprehensive framework is a realistic, achievable, and binding target of reducing greenhouse emissions to 1990 levels by 2008-2012 and reductions below 1990 levels in the 5-year period that follows.
- **\$5 Billion Program of Tax Cuts and R&D for New Technologies.** To spur energy efficiency and the development of new technologies, the President proposes a major new package of tax cuts and R&D spending amounting to \$5 billion over five years.
- **Industry-by-Industry Consultations and Early Credit.** The Administration challenges key industries to prepare plans over the next 9 months on how they can best reduce emissions. To provide an incentive for near-term actions to cut emissions, the President is committed to ensuring appropriate rewards for firms that act early.
- **Developing Countries Must Participate.** Climate change is a global problem, and requires a global solution. That's why the United States has spear-headed joint implementation projects, and the President has committed that the United States will not adopt binding obligations without developing country participation.
- **Broad-Based Domestic and International Emissions Trading System Begins After A Decade of Experience Has Accumulated.** The President is committed to a market-based emissions trading system, both domestically and internationally, that will harness the power of the market to reduce emissions to 1990 levels by 2008-2012. The trading system would begin after a decade's worth of experience with tax incentives, R&D, early credit, electricity restructuring, Federal efforts, and other measures.

BINDING TARGETS: The U.S. binding target is realistic: It seeks to return U.S. emissions to 1990 levels in the period 2008-2012 and reduce them further thereafter. We reject the European proposal for more stringent early reductions, as well as the "do-nothing" approach of some interests. The target is achievable: By providing incentives for early action to reduce emissions, attacking domestic energy inefficiencies, and putting in place a market-based emissions trading system, we can reach 1990 levels in the proposed time frame with minimal economic costs. And it is meaningful: Achieving 1990 levels in the period 2008-2012 would amount to almost a 30 percent reduction off a business-as-usual path, an important first step on the road toward stabilizing greenhouse gas concentrations in the atmosphere.

SOLID PRINCIPLES: The President's five climate change principles include: that the policies should be guided by science, rely on market-based, common-sense tools; that we should seek win-win solutions, that global participation is essential to addressing the global problem of climate change, and that we must have regular common-sense reviews of the economics and science of climate change.

SOUND AND SENSIBLE THREE-STAGE APPROACH: Reflecting his five key principles, the President's plan includes three stages: Stage 1 includes priming the pump through programs such as R&D, tax incentives, incentives for early action, and Federal leadership, and industry consultations. Stage 2 builds upon the first stage by including a review and evaluation in preparation for the permit trading system. Stage 3 -- which does not occur for a decade -- involves meeting binding targets through a domestic and international emissions trading program. The President is committed to working with labor and Congress to insure that we give proper assistance to any workers dislocated by the changes in energy usage inherent in any climate change plan.

INITIAL ACTION PLAN: The President's immediate action plan includes 9 elements:

1. *\$5 Billion in Tax Cuts and Federal R&D:* To spur energy efficiency and encourage the development and deployment of lower-carbon energy sources, the Administration supports a major new package of tax cuts and R&D spending amounting to \$5 billion over five years.
2. *Credit for Early Action:* To provide an immediate incentive for near-term actions, the President is committed to ensuring that firms acting early are rewarded appropriately.
3. *Industry-by-Industry Consultations:* The Administration challenges key industry sectors to prepare plans over the next 9 months on how they can best reduce emissions.
4. *Encouraging the Use of Energy-Efficient Products:* The President will complement his tax incentives, commitment to early action credit, and industry consultations by engaging in a broad-based effort to expand the use of *existing* energy-efficient technologies.
5. *Federal Procurement and Energy Use:* The Department of Energy will spearhead a comprehensive effort to reduce greenhouse gas emissions from Federal sources.
6. *Electricity Restructuring:* To deliver a significant downpayment on emission reductions, while saving consumers billions, we will pursue a bold plan for electricity restructuring.
7. *Setting a Concentration Goal:* The United States supports developing a specific, long-term concentration goal with the assistance of the National Academy of Sciences and other bodies.
8. *Bilateral Dialogues:* In addition to pursuing agreement in Kyoto, the Administration will pursue bilateral dialogues with key developing countries to promote clean energy.
9. *Economics and Science Reviews:* The President proposes regular scientific and economic reviews. These reviews will ensure that policy-makers have the best possible information on climate change.

WIN-WIN: There are numerous win-win solutions to reducing carbon emissions. For example, a breakthrough in fuel cell technology announced yesterday will clear the way toward developing cars that are three times as efficient as today's models -- cutting pollution while also cutting driving costs.

INITIAL CLIMATE CHANGE ACTIONS

October 22, 1997

President Clinton has proposed nine immediate actions to begin addressing climate change:

1. Tax Cuts and Federal R&D: To spur energy efficiency and the development of lower-carbon energy sources, the Administration supports a major new package of tax cuts and R&D spending amounting to \$5 billion over five years. Many of the ideas from the recent report of the President's Committee on Science and Technology (PCAST) will be considered in constructing this package.

2. Credit for Early Action: To provide an immediate incentive for near-term actions to cut emissions, the Administration is committed to ensuring that firms which act early are rewarded appropriately. We will work with companies to build a program that appropriately rewards those who take prompt and early actions before the beginning of the mandatory emissions budget period in Stage 3.

3. Industry-by-Industry Consultations: The Administration challenges key industry sectors to prepare plans over the next 9 months on how they can best reduce emissions, including how the Federal government can remove regulatory hurdles that discourage energy efficiency. The Administration will work in partnership with industry to develop sensible efficiency standards in a variety of areas.

4. Encouraging the Use of Energy-Efficient Products: As the Department of Energy's 5-Labs study illustrates, many existing technologies produce win-win solutions to reducing carbon emissions -- but nonetheless are still not widely used. The President is committed to expanding their reach. He will therefore complement his other programs by engaging in a broad-based effort to expand the use of *existing* energy-efficient technologies -- while also spurring the development of *new* technologies.

5. Federal Procurement and Energy Use: To reduce greenhouse gas emissions from Federal sources, DOE will spearhead a comprehensive effort that includes expanded performance contracting to make Federal buildings more energy-efficient, improved Federal procurement of energy-efficient technology, and partnerships to improve the energy efficiency of Federal aircraft, ships and vehicles. Federal agencies will also be called upon to assess emissions in major initiatives.

6. Electricity Restructuring: To spur further efforts to clean our air and deliver a downpayment on greenhouse gas emission reductions, while saving consumers billions, we will pursue a bold plan to restructure the energy sector. It is time to change the rules that are often more than 70 years old -- stifling innovations that can save money and impede newer, cleaner technologies.

7. Setting a Concentration Goal for Greenhouse Gases in the Atmosphere: The goal of the existing climate treaty is to stabilize concentrations of greenhouse gases, but the specific concentration has never been defined. The U.S. supports developing a specific, long-term goal, with the assistance of the National Academy of Science and other appropriate bodies.

8. Bilateral Dialogues: In addition to pursuing agreement in Kyoto, the Administration will pursue bilateral dialogues with key developing countries to promote clean energy.

9. Economics and Science Reviews: The President proposes regular scientific and economic reviews, to ensure that policy-makers have the best possible information on climate change.

BACKGROUND INFORMATION

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PRESIDENT CLINTON'S FIVE CLIMATE CHANGE PRINCIPLES

October 22, 1997

Global climate change is the premier environmental challenge and opportunity of the 21st century, and the risks it poses justify sensible preventive steps. Addressing this issue is one of the United States' greatest imperatives, for this and future generations. Recognizing the solid foundation of climate science, President Clinton is committed to strong and sensible action to reduce greenhouse gas emissions -- including realistic and binding emissions targets.

President Clinton's climate change plan is based on **five key principles**:

- **Guided by science.** The vast majority of the world's scientists have concluded that if the countries of world do not work together to cut greenhouse gas emissions, temperatures will rise and disrupt the global climate. Indeed, most scientists say this process has already begun. But there is much we still don't know about how the climate and human health will react to increased greenhouse gas concentrations. That's why the President's plan includes regular science reviews, to ensure that our policies are guided by the best science available.
- **Market-based, common-sense tools.** We have learned that the costs of protecting the environment is substantially lower if we harness the power of markets to do so. That's why the President's plan emphasizes flexible and market-based mechanisms. His plan includes a domestic and international permit trading system for greenhouse gas emissions, similar to the highly successful permit trading system that has dramatically cut acid rain at a fraction of the predicted cost.
- **Seek win-win solutions.** There are a multitude of win-win solutions to reducing carbon emissions, that can improve our energy efficiency and save consumers money. For example, a breakthrough in fuel cell technology announced yesterday will clear the way toward developing cars that are twice as efficient as today's models -- cutting pollution while also cutting driving costs. The President believes that we must seek such win-win solutions to addressing climate change.
- **Global participation.** Climate change is a global problem, and requires a global solution. A ton of carbon emitted in Argentina has just as much effect on the global climate as a ton of carbon emitted in the United States -- and within the next few decades, emissions from developing countries are expected to exceed those from developed countries. And many win-win opportunities exist to reduce greenhouse gas emissions in developing countries. That's why the United States has spear-headed joint implementation projects and the President has committed that the United States will not adopt binding obligations without developing country participation.
- **Common-sense economic reviews.** Our knowledge of the challenges and opportunities we face will grow over time. Therefore, the President is calling for regular 5-year economic reviews and updates, to ensure that policy-makers, both in the Administration and in Congress, have the best possible information on how the economy is responding to the effort to address climate change, how other countries are performing relative to their own commitments, and how the climate is changing in response to human activities.

THE PRESIDENT'S THREE-STAGE PLAN ON CLIMATE CHANGE

October 22, 1997

Reflecting his five key principles, the President's plan will proceed in three stages:

- **Stage 1: Priming the Pump Through R&D, Tax Incentives, Incentives for Early Action, Federal Leadership, and Industry Consultations.** The first stage of the President's package includes a 9-point action plan -- including \$5 billion in tax incentives and spending for R&D and energy efficiency, incentives for early action, a set of Federal government energy initiatives, and industry-by-industry consultations to explore their best ideas on how to reduce emissions in a cost-effective manner (including market-oriented standards for energy efficiency). The first economic review would occur near the end of Stage 1.
- **Stage 2: Review and Evaluation.** The second stage, which would begin around 2004, will build upon the programs adopted in Stage 1, by including a review of our progress and an evaluation of next steps as we move toward a market-based permit trading system for carbon emissions. During this second stage, the details of the permit system would be refined and perhaps tested. Such a permit system is similar in concept to the one that dramatically cut acid rain emissions -- although the scale would be significantly larger than the current acid rain program. The second economic review would occur near the end of Stage 2.
- **Stage 3: Meeting Binding Targets Through Domestic and International Emissions Trading Program.** In the third stage, we would reduce emissions to 1990 levels by 2008-2012, and below 1990 levels in the 5-year period after that, through a market-based domestic and international emissions trading system. Before beginning this third stage, the second economic update and review would allow Congress and the President to evaluate how the economy had responded to a decade's worth of experience in the first two stages of the President's plan. The President is committed to working with labor and Congress to insure that we give proper assistance to any workers dislocated by the changes in energy usage inherent in any climate change plan.

This three-stage program recognizes the long-term nature of the effort to address climate change in three ways:

- By adopting a graduated approach to emissions reductions, it allows us to exploit the tremendous opportunities for win-win reductions first.
- By adopting a system of regular scientific and economic updates and reviews, it allows us to monitor our progress and re-assess our success in reducing emissions, the state of scientific knowledge, and how the economy is responding to our efforts. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period.
- By insisting that the United States will not adopt binding obligations without developing country participation and by emphasizing the importance of an international trading system and joint implementation, we take advantage of low-cost reduction possibilities wherever they occur -- either here or abroad.

COMPREHENSIVE FRAMEWORK FOR EFFECTIVE, SENSIBLE ACTION

October 22, 1997

GREENHOUSE GAS EMISSION REDUCTION TARGET

Under the current international climate change agreement (signed in Rio de Janeiro in 1992), industrialized countries accepted a non-binding emissions reduction goal. Most nations, including the United States, will fall short of meeting it. This fact, coupled with better scientific evidence on the seriousness of the climate change threat, led the U.S. to propose last year that a new agreement set binding limits on emissions. The proposed U.S. emissions target is designed to provide important environmental gains while maintaining strong economic growth. It is:

- **Realistic.** Seeks to return U.S. emissions to 1990 levels in the period 2008-2012 and reduce them further thereafter. Rejects European proposal for more stringent early reductions, as well as the "do-nothing" approach of some interests.
- **Achievable.** By providing incentives for early action to reduce emissions, attacking domestic energy inefficiencies, securing flexible international implementation mechanisms, and putting in place a market-based domestic emissions trading system, the U.S. can reach 1990 levels in the proposed time frame with minimal economic costs.
- **Meaningful.** Achieving 1990 levels in the period 2008-2012 would amount to almost a 30 percent reduction off a business-as-usual path, an important first step on the road toward stabilizing concentrations of greenhouse gases in the atmosphere. Emissions accounting will include all greenhouse gas sources and sinks (including reforestation).

FLEXIBLE, MARKET-BASED IMPLEMENTATION

Just as the effects of climate change will be felt globally, so too are the causes of climate change global in nature. Greenhouse gas emissions do equal harm to the atmosphere whether they come from a coal plant in China or a bus in Boston. For this reason, any regime to reduce greenhouse gases must be global. It must also allow all nations the ability to seek out the most efficient way of reducing emissions so that the greatest gains are achieved at the least cost. For these reasons, the United States strongly supports the inclusion in a new climate change agreement of two innovative, flexible mechanisms for reducing emissions:

- **International Emissions Trading --Using Markets to Lower Costs.** The principle of emissions trading is to use the efficiency of the market place to achieve environmental objectives at the lowest possible cost. Under an international emissions trading regime, a country (or firm) would be able to meet its emissions reduction target by reducing pollution itself, purchasing reductions from another country (or firm) that was able to achieve excess gains, or some combination of both.
- **Joint Implementation --A Global Solution to Low-Cost Reductions.** Joint Implementation (JI) is an innovative, market-based approach for addressing global climate change that uses international partnerships to achieve low-cost reductions in greenhouse gas emissions. Under JI, a company in the United States invests in a project which reduces emissions in another country and uses those reductions as a less expensive means of meeting its own target.

PARTICIPATION OF DEVELOPING COUNTRIES

In addition to its non-binding emissions reduction aim for developed countries, the Rio climate change agreement required all countries to take policies and measures to reduce emissions. Many developing countries have made real strides, through, for example, reducing energy subsidies. Nevertheless, given that developing country emissions will eclipse those from the developed world within several decades, these countries need to do more. Accordingly, the U.S. calls on developing countries to strengthen their existing commitments and to agree that their obligations must increase over time to include binding emissions limits. Our principles include:

- **Global Participation.** All countries must participate. Every nation would be required to take meaningful actions to limit emissions. The U.S. will not assume binding obligations until developing countries agree to participate meaningfully in the challenge of addressing climate change.
- **Equity.** The obligations of poorer and less developed countries should take into account their state of economic development and their relative contribution to the climate change problem.
- **Assistance.** While insisting that developing countries take meaningful actions to address climate change, the U.S. recognizes that many of these countries face significant development challenges that hamper their ability to reduce emissions. President Clinton is reemphasizing his commitment to working with these nations to help build more sustainable energy futures. This includes a \$1 billion package of assistance from USAID and a renewed commitment to provide financial assistance through the Global Environment Facility, as well as our pathbreaking joint implementation proposals.

FACT SHEET ON INTERNATIONAL EMISSIONS TRADING

October 22, 1997

Description

The principle of emissions trading is to use the efficiency of the market place to achieve environmental objectives at the lowest possible cost. Under an international emissions trading regime, a country (or firm) would be able to meet its emissions reduction target by reducing pollution itself, purchasing reductions from another country (or firm) that was able to achieve excess gains, or some combination of both.

Given an effective international regime, emissions trading provides a powerful incentive for nations to reduce below the amount required and then sell excess reductions to others who in turn avoid more costly actions. The U.S. has proposed that emissions trading be permitted among all countries that agree to a binding emissions target.

How it would work

Consider a simplified example for how international emissions trading might work. Country A and Country B must reduce emissions by 100 tons each. It might cost each country \$1,000 to reduce 100 tons individually for a total cost of \$2,000. However, if Country A could reduce its emissions by 200 tons for a total cost of \$1,500 and sell half of these reductions to Country B, the overall target would be achieved for \$500 less, a savings of 25 percent.

U.S. experience

Emissions trading is being used successfully at the domestic level to reduce sulfur dioxide emissions (which cause acid rain) under the Clean Air Act. Achieving targeted reductions was originally estimated to cost \$5 billion annually if traditional controls had been required and \$4 billion with emissions trading. A GAO estimate after the initial stage of emissions trading now puts the cost at \$2 billion per year, or 60 percent below the original estimate with pollution reductions significantly ahead of schedule. Emissions trading has also been successful in cutting the costs of phasing out leaded gasoline and in curbing the production of chlorofluorocarbons which deplete the ozone layer.

Cost savings

According to the 1997 Economic Report of the President, international emissions trading for carbon dioxide could lower the cost of reductions by 50 percent below the minimum achievable using purely domestic programs.

FACT SHEET ON JOINT IMPLEMENTATION

October 22, 1997

Description

Joint Implementation (JI) is an innovative, market-based approach for addressing global climate change that uses international partnerships to achieve low-cost reductions in greenhouse gas emissions. Under JI, a company in the United States invests in a project which reduces emissions in another country and uses those reductions as a less expensive means of meeting its own target. The U.S. has proposed that a formal regime that gives credit for JI projects be part of a new climate change agreement.

How it would work

Consider the example of a project announced today as part of a pilot program on joint implementation instituted by the United States. Two U.S. companies (Solar Electric Power and Light of Washington, D.C. and Trexler and Associates, Inc of Oak Grove, Illinois) will work with Renewable Energy Services Company of Asia, Ltd. to market and install 812,000 solar home systems in Sri Lanka. These systems will replace the use of kerosene lamps for lighting and the use of diesel-electric charging of lead-acid batteries for powering small home appliances. The result will be a 1.5 million metric ton reduction in greenhouse gas emissions and cleaner energy for tens of thousands of people.

U.S. experience

Under the U.S. pilot program on JI (formed under the existing climate change convention), 28 projects have been approved in 12 countries, including Costa Rica, Bolivia, the Czech Republic, and Russia. These projects span a range of technologies, including solar, geothermal, and wind power; fuel switching for district heating; biomass energy; and reforestation. U.S. companies and organizations already participating include Commonwealth Edison, Wisconsin Electric Power, Kenetech Windpower, Sealweld Corp., American Electric Power, PacificCorp, Detroit Edison, Clean Air Coalition, and many others.

Benefits

Lower costs: JI provides a strong incentive for companies and countries to search the globe for the lowest cost ways of reducing greenhouse gas emissions.

Expanded exports of U.S. technology: The enormous potential for JI projects around the world creates major opportunities for the increased sale of U.S. energy efficiency and alternative energy technologies.

Technology transfer: Increased reliance on more energy efficient technologies and less carbon-intensive energy alternatives will help developing countries meet their growing energy needs with more environmentally sustainable solutions.

FACT SHEET ON ELECTRICITY RESTRUCTURING

October 22, 1997

As part of his climate change initiative, President Clinton announced his support for appropriately crafted electricity restructuring legislation that will save consumers billions of dollars while reducing carbon emissions.

Description

The electricity sector is our nation's most capital intensive industry -- and has sales of over \$200 billion. Under electricity restructuring, competition would be the primary mechanism to set electricity generation prices. Utilities would open up their distribution and transmission wires to all qualified sellers. The transmission and distribution of electricity would continue to be regulated because they will remain monopolies for the foreseeable future. The system would be restructured, not deregulated. Done correctly, this process can save consumers in their utility bills and reduce carbon emissions. A properly structured retail competition system can deliver electricity more efficiently, and just as reliably, as our present system of regulated monopolies.

Cost savings

Most experts are confident that restructuring will reduce the cost of electricity, although there is a diversity of views over the potential size of the savings. Because the industry is so large, even modest savings represent billions of dollars. DOE economists estimate potential savings of \$20 billion a year, which would mean average direct savings of about \$100 a year to a typical family of four and indirect savings to such a family through lower cost goods and services of about another \$100 a year. Other studies predict far larger savings.

Carbon reductions

With appropriate market-based provisions, electricity restructuring legislation could reduce carbon emissions by creating incentives to produce and use electricity more efficiently and with less pollution. As emphasized at the White House Conference on Climate Change, two-thirds of the energy used to produce electricity is currently wasted. Restructuring should introduce incentives for reducing this waste heat. Restructuring legislation could also include other provisions -- such as various incentives and mandates to promote energy efficiency and renewable energy -- that offer potential carbon savings.

Next steps

The Administration looks forward to working with interested parties on crafting comprehensive electricity restructuring legislation.

FACT SHEET ON FEDERAL ENERGY MANAGEMENT

October 22, 1997

Aggressive energy management can substantially reduce carbon emissions from the activities of the Federal government, which has the nation's largest energy bill at almost \$8 billion per year. Significant strides have already been made --energy consumption per square foot in Federal buildings is down 15 percent and energy use in civilian and military vehicles is down about 27 percent from 1985 levels. However, we can do much more.

The initiatives below will reduce Federal emissions of greenhouse gases through enhanced focus on energy efficiency and renewable energy. They address areas which can deliver the greatest energy savings, best leverage private sector funding and improve the Federal procurement system.

1. Expand Energy Savings Performance Contracting

- Expand use of Energy Savings Performance Contracts. ESPC uses private investment capital and expertise to accomplish energy and cost saving projects in Federal facilities. When a private sector firm which has invested in federal energy efficiency improvements is fully repaid from its share of the delivered savings, all additional savings accrue to the government. Streamlined ESPC contracts put in place by DOD and DOE are beginning to speed large investments in energy projects at Federal facilities. However, use of ESPC's is still limited in the Federal government. The Office of Management and Budget will lead an effort to increase their use. It will include new policy and budget guidance for agencies. ESPC authority can also be extended to other areas including:
 - *Leased Federal buildings.* These include buildings where the Government either pays for the energy use directly or in other building where ESPC can provide a better lease for the Government.
 - *Federal mobility.* There may be great potential for energy savings from more efficient energy use in aircraft, ships and vehicles.
 - *Water conservation.* Water conservation projects save energy because each gallon contains energy from pumping, heating, chilling or treatment.
 - *Non-federal facilities* where the Government makes indirect payment of energy expenses. These include, for example, 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 public housing authorities.
 - *State and local government facilities.* Federal energy experts can help transfer ESPC techniques to state and local governments so they can access this important approach to energy efficiency.

2. Improve Federal Procurement of Energy Efficient Technology

- *Accelerate the development of Product Energy Efficiency Recommendations.* These cover products that are in the top 25 percent of their class for energy efficiency or have Energy Star ratings, for example electric motors and air conditioning chillers. They provide a guide to Federal purchasers

of the energy efficiency level to request in a specification or procurement.

- *Establish as standard practice, the purchase of energy efficient products for Government use.* Traditionally, federal purchases have been based on lowest price, ignoring the substantial savings many energy efficient products can achieve over their life. The Executive Office of the President will lead an interagency team to streamline and update Executive Orders and procurement practices to encourage the acquisition of these products. Use of alternative contracting vehicles to acquire energy-efficient products will be encouraged, and purchase of products in the top 25 percent of class for energy efficiency or conforming to Energy Star standards will become standard practice, subject to necessary exceptions. The initiative will be augmented by publication of a “best practices” buying guide and expanded training of purchasing decision-makers.
- *Use consolidated purchasing to stimulate markets and lower prices.* Consolidated Federal purchasing can stimulate commercial markets for new and emerging products which offer greater energy efficiency, lower operating costs, and sales opportunities for small businesses that produce these products.
- *Increase Federal procurement of renewable energy.* In states that have implemented retail competition in their electricity industry, Federal facilities will work with their suppliers to ensure that the facilities purchase competitively supplied non-hydro renewable energy at levels equivalent to the percentage specified in that state’s retail competition legislation.
- *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.

3. 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 work to ensure that new Federal buildings achieve energy efficiency increases of 30-50 percent by 2000 as compared to existing facilities. This will be accomplished through a “whole building” approach that treats buildings as integrated systems rather than a series of independent component selections.
- *Deploy solar technologies in Federal 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.
- *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.
- *Use biomass fuels in Federal boilers.* Biomass would come from agricultural and wood waste and methane from landfill and treatment plant operations.
- *Expand public awareness of energy efficient technologies.* By showcasing energy efficient and

renewable energy technologies at National Parks, Federal offices, embassies, military bases, and other facilities the public will be more aware of their potential to reduce pollution and lower costs.

- *Seek increased resources for civilian agency 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 percent. These Federal appropriations often provide the most cost-effective funding for Federal energy efficiency projects.

4. Improve Aircraft, Ship, and Heavy Vehicle Fuel Efficiency

- *Public-Private partnerships to 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 percent 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. The initiative -- designed along the lines of the Partnership for a New Generation of Vehicles -- would involve a partnership between Federal agencies and the private sector. Advances under this initiative will have significant application in commercial markets. In addition, the initiative will focus on near-term energy efficiency opportunities such as lighting retrofits on ships.
- *Increase the use of alternative fueled vehicles (AFVs) in the Federal fleet.* Federal agencies are increasing the use of alternative fuel vehicles which, among other things, helps reduce emissions of greenhouse gases. This initiative would enhance the focus of the current program on AFVs such as electrics, hybrid-electrics, natural gas and renewable-fueled vehicles.

5. Greenhouse Gas Assessments

- Federal agencies will be required to assess their greenhouse gas emissions in major actions they undertake.

FACT SHEET ON U.S. GLOBAL CHANGE RESEARCH PROGRAM

October 22, 1997

Background: The U.S. Global Change Research Program (USGCRP) is a National Research Program conducted under the auspices of the National Science and Technology Council (NSTC) Committee on Environment and Natural Resources. The NSTC is a cabinet-level council established by President Clinton in November 1993 to coordinate Federal science and technology efforts. The program's fundamental purpose is to increase understanding of the Earth system, and of human and naturally induced changes in the Earth's environment, and thus provide a sound scientific basis for decision making on global change issues. The USGCRP began as a Presidential Initiative, and was codified by the Global Change Research Act of 1990. The overall FY 1997 USGCRP budget was \$1.81 billion.

The core program of the USGCRP is focused on four key scientific areas:

- *Seasonal to Interannual Climate Variability:* The development and refinement of forecasts of seasonal and interannual climate variability, including study and prediction of the El Niño phenomena.
- *Climate Change Over Decades to Centuries:* Analysis and projection of the effects of long-term climate change on natural resources, public health, and socio-economic sectors.
- *Changes in Ozone, UV Radiation, and Atmospheric Chemistry:* Research on the causes, rate, magnitude, and human health and ecological consequences of changes in stratospheric ozone, UV radiation, and atmospheric chemistry.
- *Changes in Land Cover and Terrestrial and Aquatic Ecosystems:* Research on the causes and consequences of land-cover changes, and on basic processes governing the functions and structure of terrestrial, aquatic, and marine ecosystems.

New Research Directions: Global change research is providing the information about the changing Earth system, and in particular, about climate change, that is needed to achieve a sustainable future. New research efforts include:

- *A National Assessment of Climate Change Impacts* to aggregate information across regions and sectors, analyze national-scale consequences, and support development of mitigation and adaptation strategies.
- *Improved Regional-scale Analyses*, including regional estimates of the rate and magnitude of climate change, analyses of the environmental and socio-economic consequences of climate change in the context of other stresses, and integrated assessments of the implications for society and the environment of climate change.
- *Regional Workshops* to examine the vulnerabilities of various regions of the United States to climate change.

FACT SHEET ON PNGV

October 22, 1997

Announced at the White House on September 29, 1993 by President Clinton, Vice President Gore, and the CEOs of the domestic auto makers, the Partnership for a New Generation of Vehicles (PNGV) is a partnership between the U.S. Federal government (7 agencies and 20 federal laboratories) and Chrysler, Ford, and General Motors that aims to strengthen America's competitiveness by developing technologies for a new generation of vehicles. Its programs include research support for over 350 automotive suppliers, universities, and small businesses.

PNGV's long-term goal is to develop production prototypes of an attractive, affordable car that can meet all applicable environmental and safety times and achieve up to three times the fuel efficiency of a comparable automobile sold today. This would mean that a typical midsize car would be able to achieve 80 mpg. The partnership also aims to (i) improve automotive manufacturing, and (ii) introduce efficiency technologies into production vehicles as soon as they are economically justified.

There are numerous reasons for pursuing PNGV, including:

- **Environmental:** Automobiles are a major contributor to atmospheric carbon dioxide, a major greenhouse gas. Already, concentrations of carbon dioxide are 25 percent higher than pre-industrial levels and are expected to double within the next century. Since the number of registered vehicles in the United States is expected to climb from 194 million in 1993, to as many as 270 million in 2010, PNGV's success is critical to any program of controlling US and world greenhouse gas emissions. It will also result in low cost methods for controlling the emissions that contribute to urban air pollution.
- **Reducing U.S. Dependence on Foreign Oil:** The United States currently imports 50 percent of the oil we consume -- this share is expected to grow to more than 60 percent by 2010. Petroleum imports make up ten percent of our country's import inventory and account for a large chunk of the nation's trade deficit. This dependence on foreign oil makes the United States vulnerable.

PNGV Status Report: The industrial partners are now in the process of selecting technologies that will be included in concept vehicles that will be completed by the turn of the century. The federal agencies are working to revise their research priorities to support both technologies that can be incorporated in production prototypes for 2004 and that can be integrated into even more advanced vehicles that would be designed in later years.

The goal of the program, while extremely ambitious, still seems possible given the advances in key technology that have been achieved during the life of the program. These include advances in production of low-cost, light-weight materials for the vehicle body and frame; electrical control systems, batteries; and compact, inexpensive fuel cells -- including the new technology for using gasoline to power fuel cells announced yesterday; and, advanced internal combustion engines for use in hybrid vehicles.

FACT SHEET ON FUEL CELLS

October 22, 1997

THE BREAKTHROUGH: A gasoline-powered technology that would allow you to double the fuel efficiency of a car and emit half the greenhouse gases and virtually no other air pollution. For the first time, gasoline was used to produce electricity from a pollution-free fuel cell, allowing the use of the existing gasoline infrastructure. Previously, fuel cells have been powered by hydrogen or methanol, which are less convenient for use in cars.

The Department of Energy, together with Los Alamos National Laboratory, and A.D. Little, have developed a breakthrough fuel processor, which can extract hydrogen from gasoline and other fuels such as ethanol and natural gas. Last week, this fuel processor was combined with a fuel cell from Plug Power to demonstrate for the first time that a fuel cell electric car could be fueled by gasoline or ethanol. This eliminates the limited driving range and lengthy recharging times associated with electric cars that run on batteries.

WHAT IS A FUEL CELL: The fuel cell converts the chemical energy of a fuel directly into usable electricity and heat without combustion. Fuel cells are similar to batteries in that both produce a direct current by means of an electrochemical process, but fuel cells can operate indefinitely as long as fuel is supplied to them. Fuel cells can provide power for cars and other applications, such as electricity and hot water for buildings.

The Department of Energy working with its partners has brought down the cost of proton exchange membrane (PEM) fuel cells by a factor of twenty in the last ten years. Continued R&D, coupled with the economies of scale from mass production of fuel cells as they enter the marketplace, should allow us to maintain this pace of cost reduction for another decade.

PARTNERSHIP FOR A NEW GENERATION OF VEHICLES (PNGV): The fuel cell breakthrough was accomplished as part of President Clinton's PNGV initiative, an innovative partnership between the government, the national laboratories, the big three automakers, and their suppliers. PNGV's goal is to develop a family-sized vehicle with triple the fuel efficiency of today's cars, without compromising cost or convenience.

POTENTIAL GREENHOUSE GAS REDUCTIONS: One-third of the nation's carbon dioxide emissions comes from the transportation sector, primarily cars. Fuel cell technology alone can directly double fuel efficiency and cut carbon dioxide emissions in half. In combination with other PNGV advances, such as lightweight materials and regenerative braking, fuel cells will allow a tripling of fuel efficiency and a further reduction in greenhouse gas emissions. Powering the fuel cell with renewable fuels, such as ethanol, could eliminate automotive greenhouse gas emissions entirely in the long run. The buildings sector also generates one-third of the nation's emissions of carbon dioxide. A building that uses the electricity and hot water from a fuel cell fueled by natural gas would have about half of the greenhouse gas emissions of the average building today. Plug Power expects to introduce fuel cells for homes and other buildings in 2000 that will provide electricity for less than the current residential rate. By 2010, fuel cells in buildings could be providing emissions savings of five million metric tons of carbon.

FACT SHEET ON PATH

October 22, 1997

What is PATH? We are working to develop a partnership for 21st century housing bringing together government and industry to develop, demonstrate and deploy housing technologies, designs and practices that can significantly improve the quality of housing without raising the cost of construction. The **Partnership for Advancing Technologies in Housing** includes government (DOE, HUD, EPA, Labor, Commerce, FEMA, and DOD) and industry working together develop, demonstrate and deploy housing technologies and practices so that homes can be built cheaper, more environmentally sustainable, more disaster resistant, and provide a safer working environment.

PATH has a five-part approach:

- Industry-driven research on new technologies and practices
- Working with industry on pilot programs building thousands of marketable houses
- Streamlining of federal, state and local codes and regulations
- Judicious use of existing authority on standards
- Information campaign to influence consumer demand

R&D: Support more funds for accelerated research and demonstration of inexpensive, highly efficient, highly attractive housing. Link with million solar roofs program.

Standards: The success of PATH will in some part be based on utilizing existing authorities on standards for a select few products that have the potential for great savings. There are five appliance/products currently under review by DoE; Clothes Washers, Ranges/Ovens, Ballasts, Residential water heaters, transformers. Of these, the Clothes Washers and Water Heaters seem to have greatest potential.

Creating Markets: The key to making the Partnership successful will be the ability to create markets and consumer demands for homes that meet the PATH goals. The Partnership will work with states and communities to help them understand the benefits of building these homes, and the opportunities it affords the communities for economic growth. The Partnership will attempt to gain agreements between communities that PATH homes can go through an expedited permitting process.

Education and Outreach: Marketing the benefits of these homes to consumers and to encourage consumers to begin to ask for homes that are built to the quality level of >PATH= homes. This will need to be an intensive campaign of getting the message out to communities, builders and developers. This will provide incentives for more and more builders to want to build these homes.

Pilots: The pilots will play an important role in the success of PATH. The pilot sites will begin of developing the markets and demonstrate the feasibility of the homes. The pilot sites can also act as training sites for builders and community leaders to learn about the benefits of the technologies and as a classroom for training on how to use the technologies. Sites under consideration are Stapleton Airport, Denver (Redevelopment of old airport site near downtown) and Florida (Working with the State to link energy and environment to disaster resistance and affordability).

Regulatory Streamlining: Working with states and communities on making the code approval process more efficient and less time consuming.

FACT SHEET ON POTENTIAL INDUSTRY SECTOR SAVINGS

October 22, 1997

The industrial sector produces approximately one-third of total U.S. emissions. We can cut emissions substantially in this sector through the right mix of tax incentives, accelerated research and development, electricity restructuring, and environmental regulatory reinvention. According to a recently released report from five of the nation's energy laboratories, programs such as the ones below can reduce emissions in the industrial sector in 2010 by 28 million metric tons even with no increase in energy prices.

Increasing Energy Efficiency: Energy audits encourage systematic approaches to energy efficiency that typically have high yields. Southwire Corporation, a large manufacturer of wire, rod, and cable, cut their use of natural gas by 60 percent and cut electricity use by 40 percent per pound of product produced. Motors consume 70 percent of industrial electricity used, and there is room for improving their efficiency. The Greenville Tube Company, for example, increased productivity by 15 percent, increased energy efficiency by 30 percent, reduced scrap by 15 percent, and achieved \$77,000 per year savings -- a 6 month payback -- by improving the efficiency of their motors.

Cogeneration (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. With the right policies, industrial cogeneration of natural gas or biomass could cut annual carbon emission significantly by 2010. Advanced turbines developed by DOE with industry will be available in three years (orders are already being taken). They have an overall efficiency of 80 percent to 90 percent, 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 carbon emissions.

Expanding Industries of the Future: The seven most energy-intensive industries—steel, aluminum, petroleum refining, chemicals, pulp and paper products, glass, and metal casting—account for about 80 percent of the carbon emissions in U.S. manufacturing and more than 90 percent of the hazardous waste. Industry, partnering with the Department of Energy, has developed long-term 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. Visions typically foresee annual energy efficiency improvements of 1.0 percent to 1.5 percent for two decades.

FACT SHEET ON POTENTIAL BUILDINGS SECTOR SAVINGS

October 22, 1997

The buildings sector also produces approximately one-third of total U.S. emissions. 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 also been documented in a number of cases to improve productivity. According to a recently released report from five of the nation's energy laboratories, programs such as the ones below can reduce emissions in the buildings sector in 2010 by 25 million metric tons even with no increase in energy prices.

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

Voluntary Programs: Significant carbon reductions in 2010 could also be achieved by expanding voluntary programs such as the joint EPA-DOE Energy Star program. Energy Star labeling has already transformed a number of markets. For example, it has cut the energy used by computers, monitors, and printers by 50 percent at virtually no incremental cost. It is now being extended to dozens of other products.

Adopting Best Electricity Engineering Practices: Electronic equipment consumes electricity in stand-by mode (even when not being used) generating 12 MMTs of carbon emission each year. Preliminary analysis suggests that 80 percent of that could be saved through adopting best engineering practices without reducing service.

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

Combined Heat and Power: As in industry, we can reduce the carbon intensity of the buildings sector by accelerating the use of combined heat and power (CHP). Two CHP technologies—small turbines and proton-exchange membrane (PEM) fuel cells—can convert natural gas to useful energy with 80 to 90 percent efficiency, significantly cutting carbon emissions from a building.

FACT SHEET ON POTENTIAL TRANSPORTATION SECTOR SAVINGS

October 22, 1997

The transportation sector produces approximately one-third of total U.S. emissions. According to a recently released report from five of the nation's energy laboratories, programs such as the ones below can reduce emissions in the transportation sector in 2010 by 73 million metric tons even with no increase in energy prices.

High Efficiency Cars And Light Trucks: The goal of the President's Partnership for a New Generation of Vehicles is to produce cars that are three times more efficient than current vehicles with no compromise in size, safety, comfort or cost. The objective is a production prototype vehicle with a fuel efficiency of 80 mpg 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.

High efficiency heavy trucks: Ongoing federal R&D on advanced diesel engines and lightweight materials have the potential to 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).

Advanced Efficient Aircraft and Rail: Ongoing federal R&D on advanced aircraft engines, improved airframes, and air traffic control have the potential to improve aircraft energy efficiency by 35 percent, with an additional increment 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 crop waste) and dedicated crops (such as switchgrass) 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.

Michael,

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CLIMATE CHANGE

Goals for the Meeting

- Determine whether there is any room for negotiation on the part of other countries coming out of Bonn.
- Continue to advocate our flexibility provisions, and identify ways that others might be inclined to support developing country commitments (other than ODA).
- Pursue private conversations, if possible, with Germany and Great Britain on whether President Clinton's discussions with leaders have engendered any forward movement.

Discussion

Your meeting will be the first high-level discussion following the Bonn meetings, among the major players at Kyoto. Reports from Bonn suggest we are in deadlock, with the EU and G-77 alligning against a rough grouping of other Annex I countries. Our own oversight group is only beginning to determine a full negotiating strategy to address these groupings in the run-up to Kyoto. In this context, you can use this as a key opportunity to continue to advocate the comprehensive nature of the President's proposals (T&T, JI and trading, developing country commitments), and assess others' reactions to the President's announcement and to the Bonn meetings.

In particular, you should welcome countries to air issues where others may be inclined to show some flexibility (e.g. if Japan or Canada seek to raise differentiation, to explore whether the EU is flexible on these issues, and if not why not). You might use less formal opportunities to probe others on how much consensus exists within their own governments on these issues, and may also want to follow up in private conversation with a few key European Sherpas (UK, Germany), as well as the three other Sherpas whose position is closest to ours (Japan, Canada, Russia).

Assessing Bonn

From the U.S. perspective, attention at Bonn focused on our target and timetable, with no progress on joint implementation. No country has come forward to support the U.S. target; support for joint implementation is very limited; our position on developing country participation has won no backers. At the same time, no other proposal (EU, Japan, G-77) seems headed for consensus support. The blocks are lining up as follows:

- There is potential for common ground with a group of non-EU Annex I countries, including Canada, Australia, New Zealand, and the FSU. None of these countries have embraced the EU targets. However, none have embraced our calls for developing country participation either. Several are insisting on "differentiated targets." **Japan's proposal would place it in this group, but as the conference host, it will continue to play an "honest broker" role.**
- The EU is seeking to claim the moral high ground with its steep reduction targets. It disputes vigorously our claim that their targets are unachievable and has held briefings

(and have distributed a document) in Bonn to explain how they plan to achieve their targets. The EU is not joining our call for developing country participation.

- G-77 has united disparate elements (small island states, OPEC) behind a proposal with steep reduction targets (the EU numbers plus a 35% reduction from 1990 levels in 2020) and “compensation” proposal (under which Annex I countries would pay the G-77 for lost revenues associated with meeting any target). Key developing countries (e.g. China, Brazil and India) emphatically reject our proposal that they agree at Kyoto to negotiate emissions limits in the future.

Your interlocutors will vary in how closely they have followed the Bonn discussions. Germany and France each used Denver as an opportunity to score points against us on this issue. With respect to Germany, the President has had a phone conversation with Chancellor Kohl in the interim, and your meeting will be an opportunity to see whether that conversation has combined with the deadlock at the Bonn meetings to generate some flexibility -- particularly on JI and international trading. The President also spoke at length with Prime Minister Blair about these issues, who may also be inclined to show some flexibility -- though domestic politics may make it difficult for him to let the US appear to do less than the UK.

Exploring others' positions:

EU: The EU wants three things: a target below 1990 levels, their bubble, and an interim target for 2005. Our best opportunity is to push back on the environmental damage that will come without developing country commitments, on the hypocrisy of their bubble position, and to explore opportunities for flexibility directly with Germany and the UK on the subjects which the President discussed with their heads of state. A few key points with the Europeans:

- By 2035, developing nations will surpass the industrialized world's emissions. If we don't adopt a comprehensive package to address this, all of our emissions savings will come to nothing over the long term. *How do you see evolution proceeding?*
- The EU is demanding a bubble (i.e. the fact that their proposal would allow Portugal's and Greece's emissions to grow by 40% and 30% respectively; France would be required to make no reductions) but still opposing joint implementation and international trading because it allows the US to gain reductions without taking severe domestic reductions. *Why is the EU insisting on a bubble while not allowing JI and international trading, particularly when the latter mechanisms expand (rather than limit) the flexibility available to nations and firms in seeking reductions?*
- The EU wants badly to deliver emissions reductions. We are only contemplating these reductions in the second budget period -- though additional reductions may prove difficult for the EU in that period, especially if (at that future date) “new EU economies” from the former-Warsaw bloc begin to expand rapidly. *What do think would be an appropriate level of reductions in the second budget period?*
- The UK, privately, is not a staunch supporter of the EU bubble, as they have doubts that their fellow Europeans will be able to reach their targets in a timely manner. *We are worried that if one country fails to meet its budget, the entire EU will fail to comply.*

Will the EU have a community-wide enforcement mechanism to make sure that each country does its part?

- The President's conversations with Chancellor Kohl and Prime Minister Blair stressed the importance of joint implementation and trading. We should see whether this conversation produced any meaningful movement on their parts. ***U.S. businesses -- including multinationals like British Petroleum that operate here -- enthusiastically support JI and trading. Is there no such support within your countries?***

Japan and Canada: Japan and Canada are generally supportive of the US position on targets and timetables, though (as of tomorrow) both will support differentiation of targets. Also, Japan has stated that it supports emissions trading and JI "under certain conditions", and Canada supports moving forward to a JI with credit system. The Sherpa meeting could give us an opportunity to emphasize that we are not isolated, rather there is a legitimate difference between our position and theirs. However, neither has overtly supported our position on developing countries yet, and we are unlikely to get such support at the Sherpa meeting.

- If Japan or Canada choose to discuss differentiation of targets, encourage the Europeans to discuss their opposition. Many observers and participants at Bonn -- including Estrada, the conference chair -- feel there is almost no way to gain an agreement at Kyoto without this principle. Japan has tabled formulas for differentiation, but none of these are likely to work for us. ***Your ideas on differentiation are interesting ... how might some of them work? Would it be possible to differentiate as to equalize effort?***

Russia: We have worked extensively with the Russians to develop strategies in the negotiation, particularly on emissions trading and the use of sinks. The negotiators asked us to consider whether "paper tons" -- emissions reductions that have occurred since 1990 as a result of policy initiatives or economic conditions not related to climate change -- could be eligible for emissions trading, where they could be used to help meet another Party's obligation. This issue is raised mostly because Russia is unlikely to rise to its 1990 emissions level by 2010 (because of its economic collapse), and would thus gain a windfall of emissions credits. Russia wants assurance of our support for these credits, in return for support of our target and timetable. Though no decision has been made by the oversight group, the working group generally does not oppose paper tons -- mostly because we don't see how this could be stopped if a common target and timetable are adopted. However, we should oppose any Russian suggestion that they should also get credit for paper tons *prior* to the budget period (i.e. credit for early emissions collapse).

Key Country Positions – Climate Change Negotiations (As of 10-30-97)

	U.S.	Japan	Australia	NZ	Canada	EU	G77/China*	Russia	Brazil
Budget periods	yes	yes	yes	yes	yes	probably	maybe	yes	yes-diff. form
Target: Uniform or Differentiated	uniform	differentiated	differentiated	differentiated	uniform, but hinting at differentiation	uniform, but EU "bubble"	uniform, for Annex I only	differentiated, in Annex I "bubble"	differentiated
Has Country or Group Tabled Its Target?	yes (0%)	yes (0-5%)	no	no	no, but announcement expected 10/31	yes (15%)	yes, for Annex I only	yes (?)	yes (?)
Baseline	1990	1990	1990	1990	1990	1990	1990	1990	multi-year
International Emissions Trading	yes	yes, w/conditions	yes	yes	yes	no, limited JI in Annex I only in lieu of trading	no	yes**	yes
Carbon Taxes	no	no	no	maybe	no	maybe	no	no	no
Joint Implement. w/Credit	yes	yes, w/conditions	yes, but light	yes, but light	yes, but light	limited JI in Annex I only	clean development fund	?	clean development fund
Developing Country Commitments/ Evolution***	yes	light	yes	yes	yes	conditional, tied to early review	no	yes	no
Harmonized Policy & Measures	no	yes, but light	no	yes, but light	yes, but light	yes	no	no	no
Annex B	yes	light	yes	yes	yes	Annex X****	no	yes	no
Compensation	no	no	no	no	no	no	yes	no	yes

* G77/China has put forth a unified position, but that position masks substantial differences within its ranks.

** Russia would like trading to include "paper tons" for its below-baseline emissions prior to the first budget period.

*** Chairman has omitted evolution from the text of the protocol, but not ruled out possibility of inclusion in a "Kyoto Mandate."

**** Annex X is the EU's name for a proposal that is very similar to the U.S. proposal.

DRAFT

POSITIONS ON KEY ISSUES:

Targets

Russia - supports stabilization at 1990 levels.

Canada - supports U.S. approach, although they will likely endorse differentiation on Oct 31.

Japan - has proposed 0-5% reductions with differentiation.

EU "Bubble" - has proposed 7.5% reduction by 2005 and 15% by 2010. Italy (-7%), France (0%), UK (-10%), and Germany (-25%).

G-77/China - supports stabilization by 2000, the EU numbers as interim points, plus an additional 20% to equal a total of 35% by 2020.

We view the G-77/China target as a "poison pill" since this overall position -- with OPEC support, we note -- includes not only this unworkable target but also two financial mechanisms, compensation and a clean development fund.

Bubbles

EU - We continue to oppose the EU bubble, because it lacks individual accountability. The EU has resisted our suggestion that consideration be given to implementation of a system of binding emissions targets within the bubble. We remain uncomfortable with the assumption that if a member exceeds its target, another EU member would simply absorb the overrun with increased reductions. We believe the bubble hides the fact that a number of EU members would be allowed to increase their emissions -- Portugal, for example, may increase by 40%. The EU's target presents a major obstacle because it has created an expectation around reduction targets that no non-European, OECD country can come close to. The UK has stated that the EU offer is not unilateral -- the EU will only reduce by 15% if other countries match this number.

Russia - wants an Annex I bubble. Countries would sign on to the agreement using the targets in their respective current proposals and then trade emissions rights.

Bubbles vs. Differentiation

We have argued from the beginning that the EU bubble is in and of itself a system of differentiation, since each member will be taking on obligations based on their perceived abilities. The EU has disagreed with this assessment. Thus far we have opposed differentiation. In addition, Canada, Japan, and Russia have all strongly attacked the bubble. Nevertheless, the EU is adamant in its support.

Flexibility: Emissions Trading/JI

Canada - supports a decision in Kyoto to progress to JI w/credit. Also supports trading.

Russia - spoke favorably on taking action in Kyoto, and is supportive of emissions trading.

Japan - is supportive of emissions trading and JI.

EU - would rather deal with JI in the future than now. The EU is opposed to emissions trading (with the bubble, this may happen without outside knowledge).

AGBM Chairman Estrada - JI w/credit is dead letter for COP-3 - "not ready for prime time."

G-77/China - U.S. Del in Bonn has recently secured G-77/China blessing to a proposed decision which does not speak to the issue of inclusion of credit, but instead permits the credit issue to be raised again (this is a fallback plan, not the desired outcome).

JI with credit has been strongly supported by the President in his conversations with the leaders of Canada, Japan, the UK, and Germany, yet it remains the most vulnerable of all our key negotiating points. We want an acknowledgment of credit for JI right now, the EU and G-77/China/OPEC want to defer the decision.

Developing Countries/Evolution

EU - we have mild support here, but the EU has tied evolution to a periodic review of commitments.

AGBM Chairman Estrada - indicated that evolution has a chance if crafted as either a decision of the COP or as part of a Kyoto mandate, but is a non-starter as part of the protocol itself.

Developing Countries - are adamant in their opposition.

Japan and Canada - may have put together a discussion paper on evolution - which they may release and explain in Bonn on Thursday, 30 October, to a group including the U.S. and other Annex I parties who will be at the Tokyo Ministerial meeting Nov 8 & 9.

UK - The newly released Edinburgh Commonwealth Summit Communiqué calls on the COP to recognize that, after Kyoto, "...all countries will need to play their part by pursuing policies that would result in significant reductions of greenhouse gas emissions if we are to solve a global problem that affects us all."

We have two realistic options on developing countries/evolution:

1. There is an agreement in a "Kyoto Mandate" for further negotiations to this end.
2. There is a review of further commitments incorporated into COP-4 and then a decision for further negotiation.

We strongly prefer the first option.

Gases To Be Included In The Protocol

We have suggested that all gases and all sinks be included in the agreement. Russia and Canada have been supportive of this. The EU, however, has only been interested in including Nitrous Oxide, Methane, and CO₂ from energy. Nevertheless, we may have reached a convergence in views within the last few days, to include all gases.

Draft from the State Dept. Talking Pts 10-29 JA ©

**TALKING POINTS FOR MELINDA KIMBLE
CLIMATE CHANGE**

10-29-97

I. Key Elements of the U.S. Climate Change Proposal

- Binding Targets to reach 1990 emissions levels by 2008-2012 and reductions below 1990 levels in the 5-year period that follows.
- \$5 billion program of tax cuts and R&D for new technologies.
- Industry-by-industry consultations and early credit. (Plans over next 9 months on how industries can reduce emissions; rewards for firms that act early.)
- Developing Countries must participate. (Global problem requires global solution.)
- Market-based domestic and international emissions trading system.

II. The U.S. Position is a Strong Position

- The U.S. position is constructive and reflects the U.S. leadership on global environmental issues: providing a framework for the long-term (not just a "quick fix"), and offering responsible and workable options (not grandstanding).
- The five primary strengths of the proposal are:
 - (1) It provides a concrete domestic implementation plan. It clearly sets forth specific programs to accomplish reductions. The EU proposal presents general sector approaches, but does not provide specific country-by-country plans. The Japanese proposal is general and the G-77 proposal includes no details as to how reductions of such a magnitude could be managed realistically.
 - (2) It is comprehensive in that it includes all gases.
 - (3) It incorporates "sinks," which provide significant ancillary environmental benefits (forest protection; water quality).
 - (4) It represents nearly a 30% reduction from the U.S. baseline (BAU: 1990-2010), whereas the EU proposal in fact represents only a 16% reduction to achieve stabilization. (DOE estimates. Note that the EU claims that it would need to reduce its emissions by only 7.5%-EC Staff Working Paper.)
 - (5) It is flexible, relying on market-based techniques and other programs to ensure that reduction occurs at the lowest possible cost.

- 2 -

III. Issues Dividing Us Present Tremendous Diplomatic Challenge

- Policy Flexibility - Allows the use of market-based tools to keep the costs low. Japan, Russia, New Zealand, Canada and Australia support emissions trading in the agreement. JI with credit has very limited support; the G-77 aggressively opposes.
- EU Bubble - Europe's differentiation proposal would allow Portugal's and Greece's emissions to grow by 40% and 30%, respectively; France would be required to make no reductions. Is this fair? Why wouldn't trading solve the EU problem? But, most importantly, who would be accountable for reductions under a Bubble?
- Policies and Measures - The EU continues to insist on common policies and measures. The issue is again domestic flexibility to meet reductions. While Australia and the G-77 oppose an explicit obligation, the U.S., Japan, Canada, and New Zealand could live with some obligation (maybe a "menu" approach).
- Evolution - Meaningful developing country participation is essential before the U.S. assumes binding obligations. (China is already second to the U.S. in gross emissions, and will surpass the U.S. early in the Next century.) The EU does not support and is pushing consideration of the issue under the COP in 1998. The G-77 and China strongly oppose any form of evolution.
- Annex X (what we previously referred to as Annex B) - As a mechanism to bring in developing countries, on a voluntary basis, Annex X has support from the U.S., Australia, New Zealand, Canada, and light support from Japan. The EU has proposed a similar mechanism. However, the G-77 opposes any such approach.
- Compensation Fund - is one component of the G-77 and China proposal, and is pushed strongly by OPEC. This proposed fund is intended to compensate developing countries against loss resulting from inadequate action (e.g., loss from sea level rise), as well as from loss resulting from Annex 1 party effort (e.g., lost oil revenues). It would create a regime in which Annex 1 countries would face a perpetual state of non-compliance.
- Targets - positions range from no support of binding targets to an extreme proposal introduced last week by the G-77 and China. The G-77 proposal calls for a 35% reduction in Annex 1 emissions from 1990 levels by the year 2020, with interim reductions of stabilization by 2000, a 7.5% reduction by 2005, and a 15% reduction by 2010. This proposal, which is promoted by OPEC, is considered a "poison pill" - it is not achievable, and makes negotiation impossible. Unfortunately, these kind of proposals have been encouraged by the EU's setting of unreasonable expectations. (The EU will be able to meet a 15% target because the 1990 baseline gives Germany all the reductions gained by closing inefficient, East German coal-fired generators as

part of the reunification effort. Further, the UK shift from domestic coal to domestic gas provides a "windfall" to the EU Bubble.)

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Talking Pts
10-28-97

DRAFT

For Melinda
to use with
Press.

**TALKING POINTS FOR MELINDA KIMBLE
CLIMATE CHANGE
10-28-97**

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- The five primary strengths of the proposal are:
 - (1) It provides a concrete domestic implementation plan. It clearly sets forth specific programs to accomplish reductions; neither the EU or most other country proposals demonstrate the "how."
 - (2) It is comprehensive in that it includes all gases.
 - (3) It incorporates "sinks," which provide significant ancillary environmental benefits (forest protection; water quality).
 - (4) It represents a 22% reduction from the U.S. baseline (BAU: 1990-2010), whereas the EU proposal in fact represents only a 16% reduction to achieve stabilization. (DOE estimates. Note that the EU claims that it would need to reduce its emissions by only 7.5%-EC Staff Working Paper.)
 - (5) It is flexible, relying on market-based techniques and other programs to ensure that reduction occurs at the lowest possible cost.

Talking Points on President's Climate Change Proposal

October 22, 1997

The President has proposed an ambitious climate change plan that is environmentally strong and economically sensible. Based on the President's conviction that global climate change is the premier environmental challenge of the 21st century, the President's plan will proceed pragmatically -- in three stages and with periodic economic and scientific reviews -- to cut greenhouse gas emissions by almost 30% from levels projected for 2010.

In the first stage, the President's plan will provide funding, create incentives, build partnerships and give credit for early emissions reductions. The second phase, beginning around 2004, will review, evaluate and extend the efforts of the first phase while laying the groundwork for phase three. In phase three, an international and domestic emissions trading system would begin.

The President's plan includes the following key elements:

- **A binding, realistic target to reach 1990 emissions levels by 2008-2012.** This target is part of a comprehensive framework for agreement in Kyoto that also includes flexible, market-based mechanisms and the participation of developing countries. The President is also committed to reductions below 1990 levels in the five-year period that follows.
- **A \$5 billion program of tax cuts and R&D for new technologies.** To spur energy efficiency and the development of new technologies, the President proposes a major new package of tax cuts and R&D spending amounting to \$5 billion over five years.
- **Active consultations over the next 9 months on an industry-by-industry basis, with early credit for companies making early reductions.** The President is committed to working with business to get their best ideas on how they can best reduce their own emissions, and to rewarding firms that act early.
- **Developing countries must participate.** Climate change is a global problem, and requires a global solution. That's why the President has committed that the United States will not adopt binding obligations without developing country participation.
- **A domestic and international emissions trading system.** Such a system can harness the power of the market to reduce emissions, as it has with great success in the case of acid rain.
- **Encouraging the use of energy-efficient products.** The President will engage in a broad-based effort to expand the use of existing energy-efficient technologies.
- **Federal procurement and energy use.** The Department of Energy will spearhead a comprehensive effort to reduce greenhouse gas emissions from Federal sources.
- **Electricity Restructuring.** To deliver a significant down payment on emission reductions, while saving consumers billions, we will pursue a bold plan for electricity restructuring.
- **Setting a concentration goal.** With advice from the National Academy of Sciences, the U.S. supports developing a specific, long-term concentration goal for greenhouse gases in the atmosphere.
- **Transition assistance.** The President is committed to working with Congress and labor to ensure a just transition for any workers dislocated by the changes in energy usage inherent in any climate change plan.

Questions and Answers on President's Climate Change Proposal
DRAFT -- 11:30 a.m. October 22, 1997

Q: Don't economic models suggest that this effort will cost more than 1.5 million jobs and tank the economy?

A: Some models may suggest that, but only by ignoring several key elements of the President's plan:

1. They ignore the President's \$5 billion package of tax cuts and Federal R&D: To spur energy efficiency and the development of lower-carbon energy sources, the Administration supports a major new package of tax cuts and R&D spending amounting to \$5 billion over five years.

2. They ignore the potential for increased use of existing energy-efficient products: As the Department of Energy's 5-Labs study illustrates, many existing technologies produce win-win solutions to reducing carbon emissions -- but nonetheless are still not widely used. The President is committed to expanding their reach. The models referenced assume little change in the penetration rate of existing energy-efficient equipment.

3. They ignore the President's Federal energy initiative: To reduce greenhouse gas emissions from Federal sources, the Department of Energy will spearhead a comprehensive effort that includes expanded performance contracting to make Federal buildings more energy-efficient, improved Federal procurement practices, establishment of a new level of excellence for Federal building construction and renovation, and partnerships to improve the energy efficiency of Federal aircraft, ships and vehicles.

4. They ignore electricity restructuring: To spur further efforts to clean our air and deliver a down payment on greenhouse gas emission reductions, while saving consumers billions, we will pursue a bold plan to restructure the energy sector. It is time to change the rules that are often more than 70 years old -- stifling innovations that can save money and impede newer, cleaner technologies.

5. They ignore international emissions trading. Two key components of the President's plan are his support for an international system of emissions permit trading, and his commitment that developing countries must participate in the international effort. International trading can substantially reduce the costs of emissions reductions.

6. They ignore the economic costs associated with climate change itself. Climate change will lead to increased flooding, sea-level rise, and other dislocation. So looking just at the impact of reducing emissions on GDP is misleading.

Finally, we all must admit there is much uncertainty over cost projections that are a decade or more in the future -- after all, a decade ago, we could never have predicted that we would now have an unemployment rate below 5 percent, core inflation below 2.5 percent, and a budget deficit substantially under \$50 billion. That's why the President has proposed a graduated, three-stage approach with regular reviews -- starting with a period of voluntary action, tax incentives, R&D, and Federal efficiency improvements, and followed by an evaluation period before the internationally binding period. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period.

Q: Didn't the 5-labs study conclude that carbon prices would have to rise by \$50 to reach 1990 levels by 2010, and isn't that on the optimistic side?

A: The 5-Labs study examined a scenario in which there was no international trading and no electricity restructuring legislation, and concluded that the permit price would have to be \$50 to reduce emissions to 1990 levels by 2010 without such elements. But the President's plan emphasizes international trading and developing country participation, and includes a commitment to properly crafted electricity restructuring. [A DOE analysis that combines international permit trading and electricity restructuring with the results of the 5-Labs study suggests that a permit price of \$25 or lower in 2010 would allow the country to meet its target and timetable.]

Q: Doesn't the President's plan amount to the largest energy tax increase in history -- \$200 billion a year or more?

A: Not at all. The President's plan includes tax *cuts*, not tax increases. It does not involve tax increases at all.

Follow: but isn't a permit system just like a tax?

A: No. There are several critical differences between a permit system and a tax. [For example, a permit system provides insurance that a given quantitative target will be met, whereas a tax does not.] In any case, the permit system does not begin until we have accumulated ten years of experience with tax incentives, R&D, Federal energy efforts, early credit, and the other components of the President's initial action plan.

Q: How can you possibly reduce emissions to 1990 levels by 2008-2012 without imposing excessive costs on the economy?

A: • The President believes that climate change is a critical challenge facing the country, and that if we make this a top priority, we can accomplish significant emissions reductions at low cost. In this effort, it would be irresponsible not to explore all possible avenues for low-cost emissions reductions. That's why the President has

proposed a graduated, three-stage approach -- starting with a period of early credit, tax incentives, R&D, and Federal efficiency improvements, and followed by an evaluation period around 2004. He has proposed regular economic reviews, to ensure that the economic costs are not excessive. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period.

Q: Won't this plan lead to massive shifts of U.S. industry and jobs abroad?

- A:
- No. The President has made very clear that we will not assume binding obligations without the participation of developing countries.
 - I would also note that non-tradeable sectors account for a substantial share of carbon emissions. Transportation and buildings, for example, account for roughly two-thirds of U.S. emissions. For these sectors, the "competitiveness" argument seems largely irrelevant.
 - In most manufacturing sectors, furthermore, energy costs are a small percentage of total costs. According to the 1995 Annual Census of Manufactures, energy costs for manufacturing industries averaged just 2.2 percent of total costs.

Q: How is the president's initial action plan different from the Climate Change Action Plan that the Administration has already adopted?

A: The first stage of the President's climate change proposal differs from the Climate Change Action Plan in four critical ways:

- It includes substantially more funding. The President's proposal includes funding for carbon-reducing activities of \$5 billion over 5 years -- substantially more than current funding for the climate change action plan. Activities under the Climate Change Action Plan are estimated to reduce CO2 emissions by 95 million metric tons in 2010 -- and doubling the funding should lead to more reductions. [Total reductions needed in 2010 are 390 million metric tons.]

[Funding for the Climate Change Action Plan in FY 1995 was \$184 million, in FY 1996 \$158 million, and in FY 1997 \$163 million. Total funding for climate-related activities is somewhat higher -- but still less than \$500 million per year -- because items such as PNGV are not included in the Climate Change Action Plan definition.]

- Crucially, the President's proposal now includes binding targets. In expectation of these binding targets, firms and households will begin to adjust their behavior today -- a factor that was not present in the climate change action plan.

- To provide further incentives for firms to take action now, the President has indicated his strong support for developing an early credit program of appropriate rewards for those who take prompt early action.
- Finally, the President has indicated his support for environmentally-friendly electricity restructuring, which has the potential to reduce emissions.

Q: Hasn't the climate change action plan failed to reduce emissions?

A: Total emissions are higher than anticipated when the Climate Change Action Plan was adopted several years ago, because of stronger economic growth, lower energy prices, and reduced funding for Congress. But the *partial* effect of the activities under the current Climate Change Action Plan is to still estimated to be a reduction in CO2 emissions of 32 million metric tons in 2000 and 95 million metric tons in 2010 (and *all* greenhouse gas emissions of 76 million metric tons in 2000 and 169 million metric tons in 2010). The President's three-stage plan includes substantially more funding than the Climate Change Action Plan -- and thus could produce substantially more reductions in carbon emissions. [390 million metric tons of CO2 reductions are needed in 2010 to move from business-as-usual to 1990 emissions levels.]

Q: Will you submit any agreement reached at Kyoto to the Senate for its advice and consent?

A: • We honor and respect the U.S. Senate's important role in providing advice and consent to the ratification of treaties. We would anticipate the need for Senate advice and consent to any international agreement adopted in Kyoto that would impose binding commitments on the U.S. to control emissions.

Q: Will the President or Vice-President go to Kyoto?

A: • We have not made final decisions about the membership of our delegation in Kyoto.

Q: What is the President proposing that developing countries do as part of his proposal?

A: • Today, the President emphasized that the United States will not assume binding obligations under the climate treaty without developing country participation.

• The President believes we can engage developing countries on this issue in ways that are good for them and good for us. He believes that developing countries have an opportunity to chart a different energy future -- one based on clean and cheap technologies.

- The President spoke about this issue in each country he visited in Latin America last week. Throughout his trip, he shared his conviction that we can and must work together on this problem, in ways that benefit us all. He plans to raise this issue with Jiang Zemin next week.

Q: Why did the U.S. propose such a modest target and timetable, which is weaker than any of the proposals to date, including from the European Union and Japan?

- A:
- The President has put forward a strong target that is realistic, achievable and pragmatic, not just rhetorical. We have backed up those proposals with a three-stage domestic implementation plan. And we have called for a comprehensive international framework that will ensure that all countries participate in a global effort to reduce emissions at the least cost.
 - Keep in mind that some of these other targets aren't all they seem to be. The EU derives enormous benefits from a 1990 baseline -- Germany, for example, gets to claim credit for all the cheap reductions that were a fortuitous consequence of reunification.
 - With regard to Japan, a careful examination of their proposal shows that we are not so far apart.

Q: Isn't it true that this proposal doesn't actually reduce emissions at all but instead just stabilizes them at a certain level?

- A:
- No. Our proposal involves real and meaningful reductions. Consider that under a business-as-usual scenario, U.S. emissions are predicted to be 28% above 1990 levels by 2010.
 - We also stipulate that further reductions, below the 1990 baseline, would be achieved in a second emissions budget period.

Q: Given how far apart countries seem to be in their stated positions, is it realistic to expect any kind of agreement in Kyoto?

- A:
- We are hopeful that all countries will come to Kyoto with an open mind, prepared to negotiate an agreement that provides real and achievable gains.
 - No agreement is better than a bad agreement. The U.S. will continue to insist that any international framework include realistic, achievable targets; flexible implementation mechanisms like emissions trading and joint implementation; and

the meaningful participation of developing countries.

Q: What happens if there is no deal in Kyoto?

- A:
- We are hopeful that all countries will come to Kyoto with an open mind, prepared to negotiate an agreement that provides real and achievable gains.
 - Even if we cannot reach agreement in Kyoto, climate change will remain a top priority issue for this President. The U.S. will continue to work on building support for a comprehensive international framework that involves all countries in a common effort to meet this important challenge.
 - And we will get busy on the elements of the President's plan that we can start right away.

Q: Does the climate change science justify near-term action? Aren't the uncertainties still too great?

- A:
- No. The fundamental science of climate change is clear. Greenhouse gas concentrations in the atmosphere are rising as a result of human actions. These increased concentrations are warming the planet, and unless we reduce our emissions, the effects on our climate are likely to become increasingly severe.
 - Uncertainties do remain. We are not sure exactly how fast the planet will warm or which regions of the world will suffer the worst impacts. Yet what we do know is more than enough to justify taking the kinds of sensible actions the President has proposed.
 - As for the skeptics who would have us do nothing, they represent a tiny fraction of the scientific community. On the other hand, the Intergovernmental Panel on Climate Change, including 2,000 of the world's premier climate experts, has underscored the seriousness of the climate change problem and the need for action.
 - As part of his proposal, the President has called for additional scientific studies focused on key areas, including a call to the National Academy of Sciences to examine the issue of establishing a long-term goal for stabilizing atmospheric concentrations of greenhouse gases.

PRELIMINARY AND INCOMPLETE: CLOSE HOLD
Questions & Answers
October 21, 1997

OVERVIEW

Q: WHAT IS THE ECONOMIC LOGIC OF THE PRESIDENT'S PLAN?

- A:
- As the President has emphasized, the risks posed by global climate change are real and sensible preventive steps are justified. The effects of addressing this critical issue depend on whether we do it smart or we do it dumb. Doing it smart means using market mechanisms, ensuring global participation, and relying on regular common-sense economic reviews.
 - The President's program begins with a set of tax incentives, R&D programs, and industry-by-industry consultations; includes an evaluation period beginning around 2005; and then moves to the internationally binding period with a market-based permit system between 2008 and 2012. It is intended to ensure that we explore all possible avenues for low-cost carbon reductions.

Q: COULD YOU DESCRIBE THE THREE-STAGE PLAN IN MORE DETAIL, AND EXPLAIN HOW IT WORKS?

A: Yes:

- In the first stage, his package includes tax incentives and spending for R&D and energy efficiency, a set of Federal government energy initiatives, and industry-by-industry consultations to explore their best ideas on how to reduce emissions in a cost-effective manner.
- In the second stage, which would begin around 2005, the program reviews our progress and evaluates next steps as we move toward a market-based permit trading system for carbon emissions. During this second stage, the details of the permit system would be refined and perhaps tested. Such a permit system is similar to, at least in concept, the one that currently applies to sulfur dioxide emissions -- although the scale of the carbon trading system would be significantly larger than the current sulfur dioxide program.
- Then, finally, in the third stage -- to reduce emissions to 1990 levels by 2008-2012 and below 1990 levels after that -- we would reduce emissions to 1990 levels. Before beginning this third stage, Congress and the President would review how the economy had responded to the first two stages. And a critical component of this third stage is the inclusion of developing countries in an international system.

Q: HOW DOES THIS THREE-STAGE PLAN RECOGNIZE THE UNCERTAINTY INVOLVED IN CLIMATE CHANGE?

A: This three-stage program recognizes the uncertainty involved in the effort to address climate change in three ways:

- By adopting a graduated approach to emissions reductions, it allows us to grab the “low-hanging” fruit first.
- By adopting a system of regular economic reviews, to monitor our progress and re-assess how the economy is responding. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period.
- By insisting that the United States will not adopt binding obligations without developing country participation and by emphasizing the importance of an international trading system. This allows the U.S. to take advantage of low-cost reduction possibilities abroad. As a letter signed by 2500 economists -- including 8 Nobel prize-winners -- argues, “In order for the world to achieve its climatic objectives at least cost, a cooperative approach among nations is required -- such as an international emissions trading agreement.”

Q: HOW DOES THIS PLAN RELATE TO LESSONS LEARNED FROM ECONOMIC MODELS?

A: The economics literature on climate change suggests several lessons, including:

- Efforts to address climate change involve substantial uncertainties, in terms of both the economy and the environment;
- A “cap and trade” system in which emission permits are issued and then traded among firms can substantially reduce the cost of meeting an emissions target by creating incentives for emissions to be reduced by those firms and in those activities where costs are lowest;
- International emission permit trading substantially lowers costs by applying the same cost-minimizing principle globally; and
- Joint implementation, whereby US firms would receive credit for undertaking emission reductions in countries with low abatement costs, would also lower the domestic burden.

The President's plan reflects these crucial lessons:

- It reflects the underlying uncertainties involved by adopting a graduated, three-stage approach to reducing emissions and instituting regular economic reviews.
- It includes a market-based emissions trading system that can substantially reduce costs relative to command-and-control approaches.
- It emphasizes international permit trading, and
- It conditions U.S. binding obligations on the participation of developing countries in the international system.

CLIMATE CHANGE ACTION PLAN

Q: HOW IS THE FIRST STAGE DIFFERENT FROM THE CLIMATE CHANGE ACTION PLAN THAT THE ADMINISTRATION HAS ALREADY ADOPTED?

A: The first stage of the President's climate change proposal differs from the Climate Change Action Plan in four critical ways:

- It includes substantially more funding. The President's proposal includes funding for carbon-reducing activities of \$5 billion over 5 years -- substantially more than current funding for the climate change action plan. [Funding for the Climate Change Action Plan in FY 1995 was \$184 million, in FY 1996 \$158 million, and in FY 1997 \$163 million. Total funding for climate-related activities is somewhat higher -- but still less than \$500 million per year -- because items such as PNGV are not included in the Climate Change Action Plan definition.]
- Crucially, the President's proposal now includes binding targets. In expectation of these binding targets, firms and households will begin to adjust their behavior today -- a factor that was not present in the climate change action plan.
- To provide further incentives for firms to take action now, the President has indicated his strong support for developing an early credit program of appropriate rewards for those who take prompt early action.
- Finally, the President has indicated his support for environmentally-friendly electricity restructuring, which has the potential to reduce emissions significantly.

Q: HAVEN'T SIMILAR PROGRAMS FAILED TO REDUCE EMISSIONS?

A: Total emissions are higher than anticipated when the Climate Change Action Plan was

adopted several years ago, because of stronger economic growth, lower energy prices, and reduced funding for Congress.

But estimates still suggest that the partial effect of the activities under the current Climate Change Action Plan is to reduce emissions by 76 million metric tons in 2000 and 169 million metrics in 2010. The President's three-stage plan includes 6 times the funding level of the Climate Change Action Plan -- and thus could produce substantially more reductions in carbon emissions. [390 million metric tons of reductions are needed in 2010 to move from business-as-usual to 1990 emissions levels.]

ECONOMIC COSTS OF CLIMATE CHANGE ITSELF

Q: WHAT ARE THE ECONOMIC COSTS OF CLIMATE CHANGE ITSELF? IS THERE AN ECONOMIC BENEFIT TO REDUCING CARBON EMISSIONS?

A: Yes. Several prominent economists, including Bill Cline and Bill Nordhaus, have examined the economic impact of *not* acting at all. They study the costs of climate change in terms of agriculture, sea-level increases, life and morbidity, hurricane damage, and other factors. Their general conclusion is that the cost of allowing climate change to continue unabated could amount to losses of about 1 percent of GDP -- equivalent to about \$8 billion -- in the United States. [Nordhaus, *Managing the Global Commons*, Table 4.1; Cline, *The Economics of Global Warming*, Table 3.4.] Other analysts believe that the effects could be even larger.

[Note: By itself, reducing emissions to 1990 levels would not avert all -- or even most -- of the damages. So the partial benefit to reducing emissions to 1990 levels is *much* smaller than the figures listed above.]

TARGET AND TIMETABLE

Q: HOW DID YOU CHOOSE 1990 BY 2008 TO 2012, RATHER THAN ANY OTHER ALTERNATIVE?

A: The President carefully weighed a wide variety of different targets and timetables. Because of the multitude of economic, environmental, and diplomatic factors involved in each approach, this decision was very difficult. He decided that the best balancing of all these factors, and one that would represent a credible first step in addressing climate change, would be to set a target and timetable of reducing emissions to 1990 levels by 2008 to 2012. That is the proposal we will be bringing to Kyoto. The President feels that his graduated approach strikes the proper balance between those who wish to do more, at the possible risk of imposing significant costs on the economy, and those who wish to do less, at the possible risk of imposing significant costs on the environment.

Q: HOW EXACTLY IS THE TIMETABLE MEASURED? WHAT DOES 2008 TO 2012 MEAN?

A: The proposal means that the objective is to reduce average greenhouse gas emissions between 2008 and 2012 to their level in 1990. In 1990, *net* U.S. emissions of all greenhouse gases -- CO₂, methane, nitrogen oxide, etc. -- amounted to 1.46 billion metric tons of carbon equivalent. Total CO₂ (carbon dioxide) emissions amounted to 1.34 billion metric tons, and *net* carbon dioxide emissions amounted to 1.23 billion of this total. (Net means gross emissions minus sinks, such as forests.)

[The U.S. position is that the international agreement should be stated in terms of total net emissions.]

Q: WHAT WILL U.S. EMISSIONS BE IN 2008-2012 UNDER BUSINESS-AS-USUAL? HOW ABOUT OTHER COUNTRIES?

A: We don't have a precise answer for 2008-2012, but we do have estimates for 2010 -- which is likely to be close to the average for 2008 to 2012. According to projections from DOE's Energy Information Administration, U.S. CO₂ emissions under business-as-usual are expected to increase from 1.34 billion metric tons in 1990 to 1.72 billion in 2010 -- an increase of 29 percent.

Western Europe CO₂ emissions are projected to rise from 1.02 billion metric tons in 1990 to 1.21 billion in 2010 -- an increase of 19 percent.

[Japanese emissions are expected to rise from 308 million metric tons to 466 million -- an increase of 51 percent. That estimate, however, does not fully reflect the recent slowdown in growth in Japan, and may therefore be substantially overstated.]

World emissions are expected to rise by 46 percent, from 6.0 billion metric tons in 1990 to 8.8 billion metric tons in 2010.

Q: WHY DID YOU CHOOSE A MULTI-YEAR TIMETABLE?

A: As press reports earlier this week indicated, carbon emissions often fluctuate significantly from year to year, based on economic growth, the weather, and other variables. The purpose of the multi-year timetable is to average over several years and thus minimize the impact of year-to-year fluctuations on meeting our international obligation.

Q: DOESN'T RESEARCH (BY MANNE AND RICHEL) SHOW THAT THE PRESIDENT'S TARGET AND TIMETABLE IMPOSES SUBSTANTIALLY HIGHER ECONOMIC COSTS FOR NO ADDITIONAL ENVIRONMENTAL BENEFIT, RELATIVE TO A MORE GRADUAL ADJUSTMENT PATH?

A: Some economic research does suggest that relative to the plan proposed by the President, a more backloaded approach to emissions reductions could reduce the costs involved, even while resulting in the same ultimate concentration of carbon in the atmosphere. But the emissions paths called for under such a plan rely on very steep -- and perhaps implausible -- declines in the out-years to ensure that the same concentration goal is met. [If we had proposed such a path, we would undoubtedly have been criticized for proposing a plan that was too backloaded.]

The President feels that his graduated approach, which includes regular reviews, strikes the proper balance between those who wish to do more, at the possible risk of imposing significant costs on the economy, and those who wish to do less, at the possible risk of imposing significant costs on the environment.

GDP AND EMPLOYMENT

Q: WHAT IS THE EFFECT ON GDP?

- A:
- The precise effect on GDP is very difficult to assess. To provide some perspective: as you all know, it is difficult to gauge exactly what impact the balanced budget agreement will have on the U.S. economy's growth rate, levels of employment, interest rates and consumption over the next five years. But with global climate change, it is orders of magnitude more difficult to gauge the effects on the economy. Global climate change involves not just the next five years and not just the American economy, but, rather economic and physical processes that operate globally and over decades.
 - To reflect this uncertainty, the President has proposed a graduated, three-stage approach to emissions reductions -- starting with a period of voluntary action, tax incentives, R&D, and Federal efficiency improvements, and then followed by an evaluation period around 2005. He has also proposed regular economic reviews, to ensure that the economic costs are not excessive. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period.
 - President Clinton's top priority, since his first days in office, has been revitalizing the U.S. economy, creating jobs and investing in people and technology to enhance long-term growth. We have made tremendous progress, and the President is not going to jeopardize that progress. Nor would we expect any future President or

Congress to do so.

- As for specific estimates of the impact on GDP -- which again are highly uncertain -- I would emphasize that two key components of the President's plan are that developing country participation and an international permit trading system. As 2500 economists -- including 8 Nobel prize-winners -- have argued, "In order for the world to achieve its climatic objectives at least cost, a cooperative approach among nations is required -- such as an international emissions trading agreement."
- With these two components -- developing country participation and international trading -- economic analysis suggests that the effect on GDP is likely to be minimal -- and much less than the typical variation in growth from quarter to quarter or year to year. [With worldwide trading, economic models suggest that the effect on GDP in 2010 is likely to amount to less than 0.1 percent of GDP.]

FOLLOW: BUT DON'T SOME MODELS SHOW DECLINES IN GDP OF 1 TO 2 PERCENT? IS THAT "MINIMAL"?

A: Some models do indeed show declines of those amounts, but they ignore several key issues:

- First, there is much uncertainty over cost projections that are a decade or more in the future -- a decade ago, we could never have predicted that we would now have an unemployment rate below 5 percent, core inflation below 2.5 percent, and a budget deficit substantially under \$50 billion.
- Second, to reflect the uncertainty involved in addressing climate change, the President has proposed a graduated, three-stage approach to emissions reductions -- starting with a period of voluntary action, tax incentives, R&D, and Federal efficiency improvements, and then followed by an evaluation period before the internationally binding period. He has also proposed regular economic reviews, to ensure that the economic costs are not excessive. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period.
- Third, most models ignore the economic costs associated with climate change itself -- increased flooding, sea-level rise, and other dislocation. So looking just at the impact of reducing emissions on GDP is misleading.
- Finally, those estimates are based on model runs that assume that developing countries do *not* participate and that there is no international permit trading -- even though both are key components of the President's plan. When those components are included in the analysis, the effects on GDP are predicted to be substantially

lower. [With worldwide trading, economic models suggest that the effect on GDP in 2010 is likely to amount to about 0.1 percent of GDP.]

Q: WHAT IS THE EFFECT ON OVERALL EMPLOYMENT?

A: Same as answer to GDP question above, but substituting “employment” for “GDP.” [With worldwide trading, the effect on employment is likely to be about 75,000 jobs -- about one-third the average *monthly* job creation since President Clinton took office.]

Q: DIDN'T AN EPI REPORT SHOW THAT OVERALL EMPLOYMENT WOULD FALL BY MORE THAN 1.5 MILLION UNDER THE PRESIDENT'S PLAN?

A: No. The EPI report assumed no international trading and no developing country participation -- key components of the President's plan. Other results suggest that such omissions produce grossly misleading results. The President's plan also includes regular economic reviews, precisely to ensure that the economic costs are not excessive.

After all, President Clinton's top priority, since his first days in office, has been revitalizing the economy, creating jobs and investing in people and technology to enhance long-term growth. And we have made tremendous progress: growth is strong, unemployment is down to 4.9 percent, and over 13 million jobs have been created since January 1993. He is not going to jeopardize that progress.

Q: WHAT ABOUT EMPLOYMENT IN SPECIFIC SECTORS?

A: President Clinton's top priority, since his first days in office, has been revitalizing the economy, creating jobs and investing in people and technology to enhance long-term growth. And we have made tremendous progress: growth is strong, unemployment is down to 4.9 percent, and over 13 million jobs have been created since January 1993. He is not going to jeopardize that progress.

As the President has emphasized, the risks posed by global climate change are real and sensible preventive steps are justified. It is likely that in the effort to address this substantial challenge, some sectors will gain and some will lose. The regular economic reviews that are a critical part of the President's plan, and his commitment to developing a system of transition assistance for any affected workers, are intended to minimize any costs.

FOLLOW: WHICH SPECIFIC SECTORS WILL BE HURT?

A: We would expect that the impact would be more significant in carbon-intensive and energy-intensive sectors. But we do not have precise modeling results, showing which industries will gain and which will be hurt. I should note, however, that the President has

expressed his commitment to working with interested parties to develop a system of transition assistance, to reduce the burden on workers in affected industries.

PERMIT PRICES AND ENERGY PRICE INCREASES

Q: DON'T MOST MODELS SUGGEST THAT CARBON PRICES WILL HAVE TO RISE BY \$100 TO \$200 PER TON TO REDUCE EMISSIONS TO 1990 LEVELS BY 2010?

A: Many models have concluded that permit prices would need to be in that range to reduce emissions to 1990 levels by 2010 with no international trading. But such trading, along with developing country participation, is a key component of the President's plan. The economics literature suggests that if international trading were to develop, the costs involved would be substantially reduced.

I should also note that there is much uncertainty over cost projections that are a decade or more in the future -- a decade ago, we could never have predicted that we would now have an unemployment rate below 5 percent, core inflation below 2.5 percent, and a budget deficit substantially under \$50 billion.

To reflect the uncertainty involved in addressing climate change, the President has proposed a graduated, three-stage approach to emissions reductions -- starting with a period of voluntary action, tax incentives, R&D, and Federal efficiency improvements, and then followed by an evaluation period around 2005. He has also proposed regular economic reviews, to ensure that the economic costs are not excessive. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period.

FOLLOW: HOW MUCH OF A DIFFERENCE DOES INTERNATIONAL TRADING REALLY MAKE?

- A:**
- I hesitate to give a precise answer because of the substantial uncertainties involved in the analytical effort, and because of the institutional difficulties in making international trading a reality. But many reports suggest that international trading *could* substantially reduce the cost.
 - The World Bank is already working on designing a system for international trade in permits. Some experiments have already been conducted -- including one in the Nordic countries that suggested that international trading "can be an important means of reducing the costs to achieve a greenhouse gas objective." [Peter Bohm, "A Joint Implementation as Emission Quota Trade: An Experiment Among Four Nordic Countries," Nordic Council of Ministers, February 7, 1997.]

- Over 2500 economists -- including 8 Nobel prize-winners -- have signed a letter emphasizing that "In order for the world to achieve its climatic objectives at least cost, a cooperative approach among nations is required -- such as an international emissions trading agreement."
- A recent report written by several leading climate change economists and published by the Pacific Northwest National Laboratory this month suggests that worldwide permit trading would allow us to reach 1990 levels by 2010 for a permit price of approximately \$25 per ton in 2010 -- or an increase of about 6 cents per gallon of gasoline after 13 years. [JA Edmonds, SH Kim, CN MacCracken, RD Sands, MA Wise, "Return to 1990: The Cost of Mitigating United States Carbon Emissions in the Post-2000 Period," Battelle, October 1997.]

Q: DIDN'T THE 5-LABS STUDY CONCLUDE THAT CARBON PRICES WOULD HAVE TO RISE BY \$50 TO REACH 1990 LEVELS BY 2010, AND ISN'T THAT ON THE OPTIMISTIC SIDE?

A: The 5-Labs study examined a scenario in which there was no international trading, and concluded that the permit price would have to be \$50 to reduce emissions to 1990 levels by 2010 with no such trading. But the President's plan emphasizes international trading and developing country participation. The economics literature suggests that worldwide trading substantially reduces the costs involved.

[An DOE analysis that combines international permit trading with the results of the 5-Labs study suggests that a permit price of \$25 or lower in 2010 would allow the country to meet its target and timetable.]

Q: ISN'T \$25 PER TON OF CARBON STILL A SUBSTANTIAL INCREASE IN ENERGY COSTS?

A: As the President has emphasized, the risks posed by global climate change are real and sensible preventive steps are justified. Some increase in the relative price of energy is necessary to address climate change. Under the President's plan, any relative price shifts involved would not take effect until 2005 or later.

[Note: \$25 per ton translates into about 6 cents per gallon of gasoline, and approximately \$200 per year for the average family.]

Q: DON'T SOME ADS SUGGEST THAT GAS PRICES WOULD HAVE TO RISE BY 50 CENTS?

A: Those ads are misleading. They seem to be based on especially pessimistic views about

what could happen if we attempted to reduce emissions to 1990 levels without international trading. But such trading, including with developing countries, is a key component of the President's plan. Since the economics literature suggests that worldwide trading substantially reduces the costs involved, those ads are misleading. And remember that the President's plan includes regular economic reviews, to ensure that the costs do not become excessive.

CREDIBILITY

Q: HOW CAN YOU POSSIBLY REDUCE EMISSIONS TO 1990 LEVELS BY 2008-2012 WITHOUT IMPOSING EXCESSIVE COSTS ON THE ECONOMY?

- A:
- Climate change is a critical challenge facing the country, but there is substantial uncertainty surrounding how costly it will be to address. Given this uncertainty, it would be irresponsible not to explore all possible avenues for low-cost emissions reductions before undertaking any effort that would be excessively costly.
 - The President's graduated, three-stage approach therefore recognizes that there is substantial uncertainty over any project that is a decade or more in the future -- a decade ago, we could never have predicted that we would now have an unemployment rate below 5 percent, core inflation below 2.5 percent, and a budget deficit substantially under \$50 billion.
 - To reflect the uncertainty involved in addressing climate change, the President has proposed a graduated, three-stage approach to emissions reductions -- starting with a period of voluntary action, tax incentives, R&D, and Federal efficiency improvements, and then followed by an evaluation period around 2005. He has proposed regular economic reviews, to ensure that the economic costs are not excessive. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period.
 - I don't know for sure that we can succeed in this effort, but I'll tell you one thing: After the first two stages of the President's program, we will have made a credible first step and we'll know a lot more than we do now about both the science and economics of climate change.

SAFETY VALVE, ECONOMIC REVIEWS, AND "BINDING" TARGET

Q: IS THE TARGET AND TIMETABLE BINDING?

- A: Yes, but it would not be reasonable to expect this President, or any future President or Congress, to impose excessive costs on the economy to meet that target.

Q: THEN HOW CAN YOU CLAIM THAT THE TARGET AND TIMETABLE IS BINDING, WHEN MOST ECONOMIC MODELS SUGGEST THAT YOU CAN'T REDUCE EMISSIONS THAT MUCH WITHOUT INCURRING EXCESSIVE COSTS?

- A:
- First, there is much uncertainty over any cost projections that are a decade or more in the future -- a decade ago years ago, we could never have predicted that we would now have an unemployment rate below 5 percent, core inflation below 2.5 percent, and a budget deficit substantially under \$50 billion.
 - Second, the models to which you refer assume no worldwide permit trading. But such trading, including with developing countries, is a key component of the President's plan. The economics literature suggests that worldwide trading substantially reduces the costs involved.
 - Finally, it is unreasonable to ignore the reality that future Congresses will always have the option to protect the economy or to undertake more environmental action. We should therefore recognize that decisions about whether the United States was willing to bear the costs that could be necessary to meet the target and timetable goal will, in a sense, have to be made at that time.

Q: HOW CAN YOU ENSURE THAT THE COSTS ARE NOT EXCESSIVE?

- To ensure that the costs are not excessive, the President has proposed a graduated, three-stage approach to emissions reductions -- starting with a period of voluntary action, tax incentives, R&D, and Federal efficiency improvements, and then followed by an evaluation period around 2005. He has proposed regular economic reviews, precisely to ensure that the economic costs are not excessive. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period.
- The President has also emphasized the participation of developing countries, and an international system of trading permits, as key components of his climate change plan. Such factors should substantially reduce the costs involved.

Q: WILL THESE REVIEWS FORM PART OF THE INTERNATIONAL TREATY?

- A: No, although the treaty already includes broad language that preserves a country's right to take protective action if the costs involved become excessive.

Q: HOW CAN YOU SIGN AN INTERNATIONAL TREATY THAT DOESN'T REFLECT THE PROTECTIONS YOU ARE CLAIMING DOMESTICALLY?

A: No country would ever be expected to sacrifice its national interests -- including either its national security or its economic well-being -- on the basis of an international treaty. So let me put it this way: We would be just as committed to this treaty, if we get an adequate agreement, as any other we have ever adopted.

Q: DO YOU INTEND TO MEET YOUR BINDING OBLIGATION?

A: We certainly intend to meet any binding obligation under the treaty, should the terms of that treaty be adequately negotiated. The issue is a critical one, and the President feels strongly that we must begin to take corrective action. But there are understandably a host of imponderables involved in this undertaking -- which involves actions over a decade or more. So I am also confident that if the costs of action are excessively high, the Congress and the President will make appropriate adjustments.

Q: DOES YOUR PROPOSAL INCLUDE A "SAFETY VALVE"?

A: That term has unfortunately become a bit maligned. Our proposal includes a variety of mechanisms to ensure that the economic costs involved are not excessive -- including the graduated, three-step approach with regular economic reviews and the commitment to an international trading regime. You can call them what you want.

Q: DIDN'T THE ADMINISTRATION PROPOSE A "SAFETY VALVE" INVOLVING A MAXIMUM PERMIT PRICE?

A: The issue of whether it would make sense to impose a ceiling on the permit price in the internationally binding period (Stage 3) has been raised by researchers at Resources for the Future, and was discussed during the President's climate change conference. The Administration never proposed such a safety valve, however.

FOLLOW: WHY DIDN'T THE ADMINISTRATION ADOPT SUCH AN APPROACH?

A: We felt it was unnecessary to impose a formal ceiling price during the internationally binding period at this time. We are confident that our graduated approach, with its regular economic reviews and scope for adjustments by future Presidents and Congresses, provides sufficient protection against excessive economic costs.

Q: WHO WILL CONDUCT THE ECONOMIC REVIEWS?

A: The reviews will be conducted by relevant experts and officials. It is possible that we

would form a commission to conduct them.

Q: WHAT IMPACT WILL THE REVIEWS HAVE ON POLICY?

A: The reviews will help to ensure that policy-makers, both in the Administration and in Congress, have the best possible information on how the economy is responding to the effort to address climate change, how other countries are performing relative to their own commitments, and how the climate is changing in response to human activities. That information will then undoubtedly be used to make any adjustments that seem appropriate to policy-makers in the future. It doesn't seem wise for me to speculate about what form such adjustments would take -- whether in terms of more aggressive environmental action, or less aggressive.

STANDARDS

Q: ARE YOU PROPOSING ANY INCREASE IN CAFE STANDARDS TO IMPROVE FUEL EFFICIENCY AND REDUCE EMISSIONS?

A: In the DOT appropriations bill that was just passed and signed into law, Congress precluded any change in CAFE standards for FY 1998. So we do not currently have the authority to change CAFE standards.

Q: ARE YOU PROPOSING ANY OTHER STANDARDS AS PART OF YOUR PACKAGE?

A: As part of our industry-by-industry consultation process, we will be working with interested parties to explore all possible opportunities for reducing carbon emissions. That could include energy-efficiency standards if appropriate. But we are not putting out any specific proposals at this time. We want to elicit industry views on the subject.

TAX INCREASES

Q: DOESN'T THE PRESIDENT'S PLAN AMOUNT TO THE LARGEST ENERGY TAX INCREASE IN HISTORY -- \$200 BILLION A YEAR OR MORE?

A: Not at all. The President's plan includes tax *cuts*, not tax increases. It does not involve tax increases at all.

FOLLOW: BUT ISN'T A PERMIT SYSTEM JUST LIKE A TAX?

A: No. There are several critical differences between a permit system and a tax. For example, a permit system provides insurance that a given quantitative target will be met, whereas a tax does not.

FOLLOW: BUT IF YOU AUCTION THE PERMITS, ISN'T THAT A TAX?

A: First, we have not decided to auction the permits. Second, just for the record, there are still several critical differences between such an auctioned permit system and a tax. For example, the permit system provides insurance that a given quantitative target will be met, whereas a tax does not. And any revenue from the auctions could be used to *reduce* other taxes -- so that the entire effort would be revenue-neutral.

Q: WON'T ENERGY PRICES INCREASE, JUST AS IF YOU IMPOSED A TAX?

A: Climate change is a critical issue, and some increase in the relative price of energy will ultimately be necessary to address it. But it would be irresponsible not to explore all possible alternatives before resorting to moderate relative price change. The President has therefore proposed a graduated approach to emissions reductions -- starting with a period of voluntary action, tax incentives, R&D, and Federal efficiency improvements, and then followed by an evaluation period around 2005. He has also proposed regular economic reviews, to ensure that the costs are not excessive. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period. The President has also emphasized the participation of developing countries, and an international system of trading permits, as key components of his climate change plan. Such factors should substantially reduce the costs involved.

Q: HOW DOES THIS EFFORT COMPARE TO THE BTU TAX?

A: This effort is not a tax, so it is not directly comparable. And energy price increases would not occur for a decade or more. But in terms of oil prices, the effect of a \$25 carbon permit price is approximately the same. Remember, however, that the internationally binding permit program would not begin until 2008.

[A \$25 permit price is equivalent to approximately 60 to 70 cents per million BTUs. In 1993, the Administration proposed a tax of 26 cents per million BTUs plus a 34 cents per million BTUs tax on oil.]

DETAILS OF PERMIT SYSTEM, INCLUDING GRANDFATHERING VERSUS AUCTIONING

Q: HAVE YOU DECIDED WHETHER THE PERMITS WOULD BE AUCTIONED OR GRANDFATHERED?

A: No. That is a very important issue that we will explore with Congress and other interested parties when the time comes for developing domestic implementation legislation.

Q: WHERE WOULD THE PERMIT REQUIREMENTS BE IMPOSED?

A: That is a very important issue that we will explore with Congress and other interested parties when the time comes for developing domestic implementation legislation.

COMPETITIVENESS

Q: WON'T THIS PLAN LEAD TO MASSIVE SHIFTS OF U.S. INDUSTRY AND JOBS ABROAD?

- A:
- No. The President has made very clear that we will not assume binding obligations until the developing countries make adequate commitments in terms of their own obligations.
 - I would also note that non-tradeable sectors account for a substantial share of carbon emissions. Transportation and buildings, for example, account for roughly two-thirds of U.S. emissions. For these sectors, the "competitiveness" argument seems largely irrelevant.
 - In most manufacturing sectors, furthermore, energy costs are a small percentage of total costs. According to the 1995 Annual Census of Manufactures, energy costs for manufacturing industries averaged just 2.2 percent of total costs.

DEVELOPING COUNTRIES AND INTERNATIONAL TRADING

Q: WHAT SPECIFIC MODELS SHOW THAT WORLDWIDE INTERNATIONAL TRADING ALLOWS RELATIVELY LOW-COST REDUCTIONS?

- A:
- According to JA Edmonds, SH Kim, CN MacCracken, RD Sands, MA Wise, "Return to 1990: The Cost of Mitigating United States Carbon Emissions in the Post-2000 Period," Battelle, October 1997, the cost of reaching 1990 levels by 2010 with worldwide trading would be a permit price of \$26 per ton in 2010.
 - The models used by the Interagency Analytical Team to produce its draft report suggest that the permit price needed to reduce emissions to 1990 levels by 2010 would be between \$9 and \$20 in 2010.

Q: DOESN'T INTERNATIONAL TRADING MEAN THAT WE ARE ESCAPING OUR OBLIGATION TO REDUCE EMISSIONS?

- A: No. A ton of carbon emitted from Argentina is just as damaging to the global climate system as a ton of carbon emitted from the United States. So we are contributing just as much to the effort to address global climate change if we facilitate reductions abroad as if we reduce here. The U.S. position has therefore always emphasized the efficiency of allowing least-cost reductions wherever they occur in the world.

Q: WON'T INTERNATIONAL TRADING MEAN THAT WE ARE SENDING BILLIONS OF DOLLARS ABROAD, AND EXPANDING OUT TRADE DEFICIT?

A: First, it is difficult to predict precisely how large the trade in these permits will be. Second, the estimates we do have suggest that such trade could amount to a few billion dollars a year -- a relatively modest amount. Third, our balance of payments statisticians have not determined whether such trade would show up in the trade deficit at all, or would be more appropriately handled in other parts of the balance of payments (e.g., other elements of the current account, or within the capital account). Finally, our oil imports should decline as a result of efforts to address climate change. Some estimates suggest that our trade deficit could therefore *narrow* as a result of the effort.

Q: IS INTERNATIONAL TRADING REALLY FEASIBLE, ESPECIALLY WITH DEVELOPING COUNTRIES?

A:

- Creating a system of international trading will undoubtedly be a challenge for the United States and other parties to any climate change treaty. But the President is firmly committed to the concept, because it is an efficient, market-based approach to emissions reductions -- it substantially reduces the costs of meeting our target.
- The World Bank has already begun work on how such an international trading system could function.
- And some carbon trades are already occurring under our pilot Joint Implementation program.

Q: HOW CAN WE EXPECT COUNTRIES LIKE INDIA AND CHINA TO PARTICIPATE IN AN INTERNATIONAL TRADING REGIME?

A: Such countries already participate in international trade in other products. The President has made clear that we will not adopt binding obligations until the developing countries make adequate commitments in terms of their own obligations. And once they have made such commitments, there is no reason to suspect that they would be unwilling to be guided by economic incentives in deciding whether to sell carbon emissions permits on an international market.

PROCESS ON ECONOMIC MODELING AND ECONOMIC ANALYSIS

Q: WHAT ECONOMIC ANALYSIS AND MODELS DID YOU USE IN EVALUATING DIFFERENT POLICIES?

A: We relied on a wide variety of published analyses and outside experts, as well as the

professional judgment of the Administration's top economists. Given the uncertainties involved, it would have been imprudent to rely on one single model or set of models. So we wound up relying on a large number of analyses and views -- including the results from the Energy Modeling Forum at Stanford University, the Intergovernmental Panel on Climate Change, and others.

Q: WHAT IS THE INTERAGENCY ANALYTICAL TEAM? DOES ITS REPORT REFLECT THE ADMINISTRATION'S OFFICIAL ECONOMIC ANALYSIS?

- A:**
- When the Administration evaluates possible policies, it normally sets up a variety of staff-level working groups to inform the principals' discussions. The Interagency Analytical Team (IAT) was one such group -- an informal group of modelers from various agencies in the Federal government.
 - Once the relevant principals within the Administration looked over the staff work and the peer review comments on it, it was decided that further activity would be futile because of the difficulty of developing a model or set of models that can give us a definitive answer as to the economic impacts of a given climate change policy. So the IAT report is *not* the Administration's official economic analysis on this issue.
 - The working group's draft report, which was released on July 15, summarizes the preliminary results of the modeling effort. That modeling effort produced some useful lessons, but -- as illustrated by comments from peer reviewers -- it also suffered from shortcomings.
 - As Janet Yellen emphasized in her testimony on July 15, the lessons and the shortcomings of the exercise point to one clear conclusion: the effort to develop a model or set of models that can give us a definitive answer on the precise economic impact of a given climate change policy is futile. Rather, we are left with a set of parameters and relationships that influence estimates of the impacts. As she indicated, it is more productive to employ a broad set of economic tools to analyze policy options than to seek to develop a single definitive model. So that's what we did.

ECONOMIC TEAM RUMORS

Q: ISN'T IT TRUE THAT THE ECONOMIC TEAM OBJECTED TO THE PRESIDENT'S CHOICE OF EMISSIONS REDUCTIONS?

- A:** I'm sure that you can understand that the advice given by any Administration officials to the President must remain confidential. But I can assure you that the economic team supports the President's package, especially its emphasis on a market-based approach and

on international trading.

Q: BUT DOESN'T YOUR OWN ANALYSIS SHOW THAT REACHING 1990 BY 2010 WOULD INVOLVE SUBSTANTIAL COSTS?

A: It seems inappropriate for me to reveal the analysis and views that I have shared with the President. I can say that I have informed him of the results from conventional economic models available in the public domain, and discussed both the benefits and limitations of such models. Given the importance I attach to frank internal discussions, I would prefer not to elaborate beyond that -- except to note once again, that there is much uncertainty involved in the estimates and that worldwide international trading, a key component of the President's plan, reduces the costs involved significantly.

COMPONENTS OF STAGE 1

Q: WHAT DOES STAGE 1 OF THE PRESIDENT'S PLAN ENTAIL?

A: The first stage, which applies until 2005, includes:

- **\$5 billion for tax cuts and R&D:** A package of carbon-reducing tax incentives and other programs amounting to \$5 billion over 5 years. For example, the package may include tax credits for carbon-saving technologies such as renewable energy sources.
- **Federal energy efficiency improvement:** A Federal government energy efficiency initiative is being developed by the Department of Energy, in conjunction with the Department of Defense, OMB, and other relevant agencies. It includes expanding the use of Energy Savings Performance Contracts, reinventing federal procurement, taking a "sustainable design" approach to federal facilities, and developing more efficient military propulsion systems. The effort would also include a review of existing Executive Orders on purchases, and preparation of a new Executive Order to fill any gaps.
- **Industry-by-industry consultation:** We will encourage businesses, on an industry by industry basis, to prepare plans for reductions that they believe they could achieve on their own and how they could best achieve them. Each relevant industry would prepare a plan over the next 6-12 months.
- **Credit for early action:** The President and Vice President strongly support appropriate rewards for those who promptly take early action to reduce emissions. The details of how such an early credit system would operate, however, are complex and can't be fully articulated until the details of an overall permit trading system are worked out. We should state our support for early action and indicate

that early actors will be appropriately rewarded.

- **Electricity restructuring:** The President has announced his support for restructuring the electricity industry, which -- if done properly -- could help to reduce carbon emissions, save consumers billions of dollars, and improve the efficiency of our economy.
- **Transition Assistance.** We will work cooperatively with labor and Congress to insure that we give proper assistance to any workers who are dislocated by the changes in energy usage inherent in any climate change plan.

Q: WHAT ARE THE PAY-FORS ON THE \$5 BILLION IN TAX INCENTIVES AND R&D?

A: We will be developing the detail of that package as part of the FY 1999 budget process. The proposals will clearly be fully paid for, but we are still working out the details of what will be included in the package itself. It doesn't make sense to identify precisely the pay-fors before identifying the items themselves.

Q: WHAT IS THE SHARE OF TAX CUTS IN THE \$5 BILLION?

A: That will be decided as part of the FY 1999 budget process.

Q: HOW MUCH DO WE CURRENTLY SPEND ON ACTIVITIES LIKE THIS?

A: The President's proposal includes funding for carbon-reducing activities of an additional \$5 billion over 5 years -- substantially above the current funding for the climate change action plan. Funding for the Climate Change Action Plan in FY 1995 was \$184 million, in FY 1996 \$158 million, and in FY 1997 \$163 million. (Total funding for climate-related activities is somewhat higher -- but still less than \$500 million per year -- because items such as PNGV are not included in the Climate Change Action Plan definition.)

COMPONENTS OF STAGE 2

Q: WHAT DOES STAGE 2 OF THE PRESIDENT'S PLAN ENTAIL?

A: In stage 2, which begins in 2005, experience under Stage 1 would be evaluated, proposals for the emissions trading system would be developed and perhaps tested, and a review of other countries' actions would be undertaken.

ELECTRICITY RESTRUCTURING

Q: WHAT EFFECT DOES ELECTRICITY RESTRUCTURING HAVE ON CARBON EMISSIONS?

A: If done properly, electricity restructuring has the potential to reduce carbon emissions by rewarding pursuit of greater efficiency in the generation and use of electricity. According to conservative estimates, restructuring could save U.S. residential and industrial consumers \$20 billion per year. A well-crafted restructuring package could also produce significant carbon emissions reductions. As we heard at the President's climate change conference, we currently waste two-thirds of the energy used to produce electricity -- and restructuring could help to reduce that waste. Other potential elements of a restructuring package, including a renewables portfolio standard and green labeling, could also reduce carbon emissions.

Q: WHAT IS THE PRESIDENT'S PLAN FOR ELECTRICITY RESTRUCTURING? WHEN WILL THE DETAILS BE AVAILABLE?

A: We will be refining our thinking on this issue over the coming months, and we look forward to working with all interested parties to ensure that we can craft a restructuring package that saves American consumers money and is good for the environment.

DIPLOMATIC/TREATY Q's & A's

Q: Is this proposal on targets and timetables your bottom line?

A: • This is a negotiation. It would not be helpful to discuss our bottom line here today. However, I would like to emphasize two points. First, the President believes the targets he proposed today are realistic and achievable. Under no circumstances would he accept a target that failed to meet these criteria. Second, these targets are part of a comprehensive framework to which the President is deeply committed and which must form a part of any agreement at Kyoto. Other parts of the framework include flexibility in meeting targets, through tools like joint implementation, and the participation of all countries.

Q: Do you expect an agreement at Kyoto?

A: • The United States hopes an agreement can be reached at Kyoto. We cannot solve this problem unless countries around the world work together.

• These are very difficult negotiations. One of the experts at our White House Conference on Climate Change called them the most difficult international

negotiations, ever. But we believe the world must find a way to address this problem, for our children and grandchildren.

Q: Will the President raise climate change next week with Jiang Zemin?

- A:
- Absolutely. The President has spoken to the Chinese leadership about this issue before, and will do so again. The United States and China are the number one and two emitters of greenhouse gases in the world. The President believes that China and other developing countries have an opportunity to chart a different energy future -- one based on clean and cheap technologies.
 - Under the leadership of Vice President Gore, we have been discussing cooperation with China on energy and the environment. We hope to use the summit to strengthen our cooperation in this area.

Q: Did the President speak with any foreign leaders before making this announcement?

- A:
- The President has consulted widely with other heads of state on this issue. Last week, he raised climate change in his meetings in Venezuela, Brazil and Argentina. This week, he spoke by phone with several leaders [do we want to name them?].

Q: Does the United States support the EU bubble?

- A:
- No. The United States does not believe that any countries should receive special treatment under the Convention. The United States believes that members of the European Union should agree to comply with obligations agreed at Kyoto on the same terms as the United States.

Q: What does the President think of the recent Japanese proposal?

- A:
- President appreciates Japan's leadership in hosting the Kyoto conference and their efforts to help forge an agreement in Kyoto. The President believes that the targets and timetables set forth in his proposal are realistic and achievable and hopes that Japan will support them.

Q: Does the United States support the differentiation elements contained in the Japanese proposal?

- A:
- The United States does not believe it will be possible to negotiate a complex differentiation scheme before Kyoto.

Q: What does binding" mean? How will the climate treaty be enforced?

A: • “Binding” means that this will be a treaty obligation of the United States. The United States has entered into hundreds, if not thousands, of binding treaties, with a broad range of enforcement mechanisms. For this treaty, the United States has proposed an enforcement regime under which countries that fail to comply would first receive technical assistance; then might officially be declared to be out of compliance with the treaty; and finally would lose the right to sell emissions permits and/or have their emissions permits devalued. Enforcement mechanisms remain a topic for negotiation.

Q: **Will you submit any agreement reached at Kyoto to the Senate for its advice and consent?**

A: • We honor and respect the U.S. Senate’s important role in providing advice and consent to the ratification of treaties. We would anticipate the need for Senate advice and consent to any international agreement adopted in Kyoto that would impose binding commitments on the U.S. to control emissions.

Q: **Korea and Mexico are not currently Annex I countries. Will the graduation of countries to Annex I be part of any agreement at Kyoto?**

A: • This is a topic for negotiation. The treaty has a regular review mechanism, under which the Parties examine annexes. The Parties are scheduled to review the membership Annex I in 1998.

Q: **Will the President or Vice-President go to Kyoto?**

A: • We have not made final decisions about the membership of our delegation in Kyoto.

Q: **Sources within the Pentagon are concerned that the climate treaty could hurt our military readiness. What are you doing to address this concern?**

A: • Under no circumstances will this treaty in any way impair military readiness. We are exploring the concerns that have been expressed, to be sure they are fully and adequately addressed, but do not anticipate any difficulties in addressing these concerns.

• I would note that the Department of Defense has an impressive record of environmental leadership. In areas ranging from ozone depletion to hazardous waste cleanup to energy efficiency, the record of our armed services in responding to environmental challenges is superb. President Clinton is deeply proud of the men and women in uniform and their efforts to ensure a better world for our children and grandchildren.

Q: What is the President proposing that developing countries do as part of his proposal?

- A:
- The President believes that developing countries must be part of this global regime. Without them, we cannot solve this problem. The President believes we can engage developing countries on this issue in ways that are good for them and good for us. He believes that developing countries have an opportunity to chart a different energy future -- one based on clean and cheap technologies.
 - The President spoke about this issue in each country he visited in Latin America last week. Throughout his trip, he shared his conviction that we can and must work together on this problem, in ways that benefit us all. He plans to raise this issue with Jiang Zemin next week.
 - Today, the President emphasized that the United States will [not assume binding obligations under the climate treaty unless] developing countries participate in this global regime. The United States and other developed countries will lead, but developing countries must also be part of the solution. In particular, the President emphasized the importance of joint implementation [and of additional negotiations over emissions limits for key developing countries].

TARGET & TIMETABLE

Q: The U.S. target and timetable is the weakest of any of the proposals put forward to date, including from the European Union and Japan. Why?

- A:
- I would argue that in many ways our target is the strongest that has been put forward. We have proposed emissions reductions that are realistic, achievable, and meaningful. We have backed up those proposals with a three-stage domestic implementation plan. And we have called for a comprehensive international framework that will ensure that all countries participate in a global effort to reduce emissions at the least cost.
 - Keep in mind that some of these other targets aren't all they seem to be. The EU derives enormous benefits from a 1990 baseline -- Germany, for example, gets to claim credit for all the cheap reductions that were a fortuitous consequence of reunification.
 - With regard to Japan, a careful examination of their proposal will reveal that we are not so far apart.

Q: How can you suggest that the u.s. is taking a leadership role on climate change when

you will be 13% over the rio objective of reducing emissions to 1990 levels by 2000 and are now effectively postponing the rio goal by a further ten years?

- A:
- Our goal is real progress, not rhetoric.
 - The U.S. has proposed emissions reductions that are realistic, achievable, and meaningful. We have backed up those proposals with a three-stage domestic implementation plan. And we have called for a comprehensive international framework that will ensure that all countries participate in a global effort to reduce emissions at the least cost.

Q: The target and timetable you have proposed appears to be the most environmentally stringent that was seriously considered. Given the far more aggressive european proposal, how do you expect to be able to negotiate a deal in Kyoto?

- A:
- We are hopeful that all countries will come to Kyoto with an open mind, prepared to negotiate an agreement that provides real and achievable gains.
 - We are not interested in signing an agreement that includes unnecessarily stringent targets and that ignores the other elements that are critical to a successful global effort to reduce emissions.
 - That is why the U.S. has proposed emissions reductions that are realistic, achievable, and meaningful; why we have backed up those proposals with a three-stage domestic implementation plan; and why we have called for a comprehensive international framework that will ensure that all countries participate in a global effort to reduce emissions at the least cost.

Q: Isn't it true that this proposal doesn't actually reduce emissions at all but instead just stabilizes them at a certain level?

- A:
- No. Our proposal involves real and meaningful reductions. Consider that under a business-as-usual scenario, U.S. emissions are predicted to be 28% above 1990 levels by 2010.
 - We also stipulate that further reductions, below the 1990 baseline, would be achieved in a second emissions budget period.

PROSPECTS FOR KYOTO

Q: Given how far apart countries seem to be in their stated positions, is it realistic to expect any kind of agreement in Kyoto?

- A:
- We are hopeful that all countries will come to Kyoto with an open mind, prepared to negotiate an agreement that provides real and achievable gains.
 - No agreement is better than a bad agreement. The U.S. will continue to insist that any international framework include realistic, achievable targets; flexible implementation mechanisms like emissions trading and joint implementation; and the meaningful participation of developing countries.

Q: Can you explain exactly what it would take for the U.S. to sign an agreement in Kyoto? For example, would you accept agreement in principle on emissions trading if the details were not yet worked out?

- A:
- The U.S. believes any agreement should include realistic, achievable targets; flexible implementation mechanisms like emissions trading and joint implementation; and the meaningful participation of developing countries. These three elements form the core of a comprehensive international framework for reducing emissions at the least cost.

Q: What happens if there is no deal in Kyoto?

- A:
- We are hopeful that all countries will come to Kyoto with an open mind, prepared to negotiate an agreement that provides real and achievable gains.
 - Even if we cannot reach agreement in Kyoto, climate change will remain a top priority issue for this President. The U.S. will continue to work on building support for a comprehensive international framework that involves all countries in a common effort to meet this important challenge.
 - And we will get busy on the elements of the President's plan that we can start right away.

POLITICAL

Q: Isn't it true that under your plan any increases in energy prices wouldn't kick in until after the first term of a possible gore presidency?

- A:
- The President has proposed a three-stage domestic implementation program intended to ensure that we phase-in emissions reductions and explore all possible avenues for low-cost carbon reductions.
 - This approach was chosen because it represents the most economically sensible

way of achieving meaningful emissions reductions.

Q: Is it true that the president rejected a first set of options as not environmentally strong enough and requested new ones?

A:

- No. That is not an accurate characterization.
- It is true that the President and Vice President have been very engaged in this process and have met with their senior advisers on a number of occasions to discuss various options.

Joint Implementation and Trading

Q: How is *international trading* supposed to work?

A:

- Under an international emissions trading regime, a country or firm would be able to meet its emissions reduction target by reducing pollution itself, purchasing reductions from another country that was able to achieve excess gains, or some combination of both.
- An effective trading regime would provide a powerful incentive for nations to reduce emissions below the amount required and then sell surplus reductions to others who in turn avoid more costly actions.
- The U.S. has proposed that emissions trading be permitted among all countries that agree to a binding emissions target.

Q: How is *joint implementation* supposed to work?

A:

- JI would allow U.S. companies to gain credits by investing in overseas projects that reduce greenhouse gases.
- U.S. companies benefit because reductions are often less expensive than they would have been at home.
- Countries (and companies in the host countries) benefit because they get more immediate access to environmentally friendly technologies and resources.

Q: The Administration has not been very successful in getting developing countries to agree to these types of projects. Many have criticized JI for giving credits for the easiest reductions to US companies, while then requiring developing countries to be responsible for the hardest reductions on their own. Do you think developing

countries will really accept these schemes as fair?

- A:
- JI is based on the idea that in a worldwide market of emission reductions, companies and countries will search the globe for the least cost ways to reduce greenhouse gas emissions.
 - Joint implementation will allow many developing countries, quite literally, to advertise and market their pollution reduction opportunities as attractive areas for US investment. Central American nations, for instance, are attracted to the idea of having foreign companies invest in local reforestation projects as an inexpensive way to offset carbon emissions from overseas plants.

Q: Are you prepared to sign an agreement and get details later? Will that hurt your leverage in getting a complete agreement at a later date? Will lack of progress on JI and trading be sufficient to kill U.S. agreement to a treaty in Kyoto?

- A:
- Seeking flexible, market based mechanisms is one of the central principles in President Clinton's approach, and this includes international trading and joint implementation.
 - We believe that these elements are critical if we are to reduce carbon emissions in the lowest cost way possible. We expect that when all countries recognize the potential benefits that these elements provide, they will also find them to be very attractive.

Q: Will you sign onto a target and timetable and not negotiate these mechanisms?

- A:
- In our view, the flexibility provided by domestic and international market mechanisms are essential to finding the least cost way of reducing greenhouse gas emissions.
 - Our proposal for a target and timetable, for developing country obligations, and for international flexibility together make up a comprehensive, cost-effective and environmentally strong plan. Taken together, all three elements form a coherent package.

Q: Will you be able to trade with countries that have not taken on binding obligations?

- A:
- The US proposal for international trading only applies to countries that have taken on binding targets. Joint implementation, by comparison, is designed to allow US

businesses to seek emission reductions in countries that have not yet taken on binding obligations.

Q: Many critics say that the actual details of international trading and joint implementation schemes will be difficult to establish and monitor. Will the details of these mechanisms be negotiated at Kyoto and does the Administration have specific plans for establishing these mechanisms? Who will monitor and maintain the trading regime? If the US has a domestic trading regime and Europe doesn't, can companies still trade across borders?

- A:
- We are currently exploring a number of ways to establish an international trading regime.
 - Joint implementation can work. Through the US Initiative on Joint Implementation, American companies have already begun a number of pilot projects with developing nations to help lower greenhouse gas emissions. Projects already have been established in Costa Rica, Bolivia, Czech Republic and Russia.
 - Argentina, for example, has recently endorsed joint implementation for credit as part of the Kyoto negotiations, and will soon begin pilot projects aimed at lowering greenhouse gas emissions.

SCIENCE

Q: Does the climate change science justify near-term action? Aren't the uncertainties still too great?

- A:
- Absolutely not. The fundamental science of climate change is clear. Greenhouse gas concentrations in the atmosphere are rising as a result of human actions. These increased concentrations are warming the planet, and unless we reduce our emissions, the effects on our climate are likely to become increasingly severe.
 - Yes, uncertainties do remain. We are not sure exactly how fast the planet will warm or which regions of the world will suffer the worst impacts. Yet what we do know is more than enough to justify taking the kinds of sensible actions the President has proposed.
 - As for the skeptics who would have us do nothing, they represent a tiny fraction of the scientific community. On the other hand, the Intergovernmental Panel on Climate Change, including 2,000 of the world's premier climate experts, has

underscored the seriousness of the climate change problem and the need for action.

- As part of his proposal, the President has called for additional scientific studies focused on key areas, including a call to the National Academy of Sciences to examine the issue of establishing a long-term goal for stabilizing atmospheric concentrations of greenhouse gases.

Q: DON'T MOST MODELS SUGGEST THAT CARBON PRICES WILL HAVE TO RISE BY \$100 TO \$200 PER TON TO REDUCE EMISSIONS TO 1990 LEVELS BY 2010?

A: Some models have concluded that permit prices would need to be in that range to reduce emissions to 1990 levels by 2010, but only by ignoring several key aspects of the President's plan:

- First, they ignore international trading. But such trading, along with developing country participation, is a key component of the President's plan. The economics literature suggests that if international trading were to develop, the costs involved would be substantially reduced.
- Second, they ignore the President's \$5 billion R&D and tax incentive package. Such a program, which was not assumed by the models you cite, has the potential to reduce carbon emissions significantly.
- Third, they ignore the impact of electricity restructuring. The President has indicated his support for a properly crafted electricity restructuring package, which could save consumers billions of dollars and reduce carbon emissions substantially.
- Fourth, they ignore the impact of industry-by-industry consultations to explore market-oriented standards that can encourage energy efficiency.
- Fifth, most models ignore the economic costs associated with climate change itself -- increased flooding, sea-level rise, and other dislocation. They therefore overestimate the *net* economic cost of reducing emissions.

I should also note that there is much uncertainty over cost projections that are a decade or more in the future -- a decade ago, we could never have predicted that we would now have an unemployment rate below 5 percent, core inflation below 2.5 percent, and a budget deficit substantially under \$50 billion.

To reflect the uncertainty involved in addressing climate change, the President has proposed a graduated, three-stage approach to emissions reductions -- starting with a period of voluntary action, tax incentives, R&D, and Federal efficiency improvements, and then followed by an evaluation period around 2005.

Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period. I don't know for sure that we can succeed in this effort, but I'll tell you one thing: After the first two stages of the President's program, we will have made a credible first step and we'll know a lot more than we do now about both the science and economics of climate change.

~~Policy~~
Talking Pts

Talking Points on President's Climate Change Proposal

October 22, 1997

The President has proposed an ambitious climate change plan that is environmentally strong and economically sensible. Based on the President's conviction that global climate change is the premier environmental challenge of the 21st century, the President's plan will proceed pragmatically -- in three stages and with periodic economic and scientific reviews -- to cut greenhouse gas emissions by almost 30% from levels projected for 2010.

In the first stage, the President's plan will provide funding, create incentives, build partnerships and give credit for early emissions reductions. The second phase, beginning around 2004, will review, evaluate and extend the efforts of the first phase while laying the groundwork for phase three. In phase three, an international and domestic emissions trading system would begin.

The President's plan includes the following key elements:

- **A binding, realistic target to reach 1990 emissions levels by 2008-2012.** This target is part of a comprehensive framework for agreement in Kyoto that also includes flexible, market-based mechanisms and the participation of developing countries. The President is also committed to reductions below 1990 levels in the five-year period that follows.
- **A \$5 billion program of tax cuts and R&D for new technologies.** To spur energy efficiency and the development of new technologies, the President proposes a major new package of tax cuts and R&D spending amounting to \$5 billion over five years.
- **Active consultations over the next 9 months on an industry-by-industry basis, with early credit for companies making early reductions.** The President is committed to working with business to get their best ideas on how they can best reduce their own emissions, and to rewarding firms that act early.
- **Developing countries must participate.** Climate change is a global problem, and requires a global solution. That's why the President has committed that the United States will not adopt binding obligations without developing country participation.
- **A domestic and international emissions trading system.** Such a system can harness the power of the market to reduce emissions, as it has with great success in the case of acid rain.
- **Encouraging the use of energy-efficient products.** The President will engage in a broad-based effort to expand the use of existing energy-efficient technologies.
- **Federal procurement and energy use.** The Department of Energy will spearhead a comprehensive effort to reduce greenhouse gas emissions from Federal sources.
- **Electricity Restructuring.** To deliver a significant down payment on emission reductions, while saving consumers billions, we will pursue a bold plan for electricity restructuring.
- **Setting a concentration goal.** With advice from the National Academy of Sciences, the U.S. supports developing a specific, long-term concentration goal for greenhouse gases in the atmosphere.
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- **Developing countries must participate.** Climate change is a global problem, and requires a global solution. That's why the President has committed that the United States will not adopt binding obligations without developing country participation.
- **A domestic and international emissions trading system.** Such a system can harness the power of the market to reduce emissions, as it has with great success in the case of acid rain.
- **Encouraging the use of energy-efficient products.** The President will engage in a broad-based effort to expand the use of existing energy-efficient technologies.
- **Federal procurement and energy use.** The Department of Energy will spearhead a comprehensive effort to reduce greenhouse gas emissions from Federal sources.
- **Electricity Restructuring.** To deliver a significant down payment on emission reductions, while saving consumers billions, we will pursue a bold plan for electricity restructuring.
- **Setting a concentration goal.** With advice from the National Academy of Sciences, the U.S. supports developing a specific, long-term concentration goal for greenhouse gases in the atmosphere.
- **Transition assistance.** The President is committed to working with Congress and labor to ensure a just transition for any workers dislocated by the changes in energy usage inherent in any climate change plan.

Talking Points on President's Climate Change Proposal

October 22, 1997

The President has proposed an ambitious climate change plan that is environmentally strong and economically sensible. Based on the President's conviction that global climate change is the premier environmental challenge of the 21st century, the President's plan will proceed pragmatically -- in three stages and with periodic economic and scientific reviews -- to cut greenhouse gas emissions by almost 30% from levels projected for 2010.

In the first stage, the President's plan will provide funding, create incentives, build partnerships and give credit for early emissions reductions. The second phase, beginning around 2004, will review, evaluate and extend the efforts of the first phase while laying the groundwork for phase three. In phase three, an international and domestic emissions trading system would begin.

The President's plan includes the following key elements:

- **A binding, realistic target to reach 1990 emissions levels by 2008-2012.** This target is part of a comprehensive framework for agreement in Kyoto that also includes flexible, market-based mechanisms and the participation of developing countries. The President is also committed to reductions below 1990 levels in the five-year period that follows.
- **A \$5 billion program of tax cuts and R&D for new technologies.** To spur energy efficiency and the development of new technologies, the President proposes a major new package of tax cuts and R&D spending amounting to \$5 billion over five years.
- **Active consultations over the next 9 months on an industry-by-industry basis, with early credit for companies making early reductions.** The President is committed to working with business to get their best ideas on how they can best reduce their own emissions, and to rewarding firms that act early.
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Qel A
Oct 22

Questions and Answers on President's Climate Change Proposal
DRAFT -- 11:30 a.m. October 22, 1997

Q: Don't economic models suggest that this effort will cost more than 1.5 million jobs and tank the economy?

A: Some models may suggest that, but only by ignoring several key elements of the President's plan:

1. They ignore the President's \$5 billion package of tax cuts and Federal R&D: To spur energy efficiency and the development of lower-carbon energy sources, the Administration supports a major new package of tax cuts and R&D spending amounting to \$5 billion over five years.

2. They ignore the potential for increased use of existing energy-efficient products: As the Department of Energy's 5-Labs study illustrates, many existing technologies produce win-win solutions to reducing carbon emissions -- but nonetheless are still not widely used. The President is committed to expanding their reach. The models referenced assume little change in the penetration rate of existing energy-efficient equipment.

3. They ignore the President's Federal energy initiative: To reduce greenhouse gas emissions from Federal sources, the Department of Energy will spearhead a comprehensive effort that includes expanded performance contracting to make Federal buildings more energy-efficient, improved Federal procurement practices, establishment of a new level of excellence for Federal building construction and renovation, and partnerships to improve the energy efficiency of Federal aircraft, ships and vehicles.

4. They ignore electricity restructuring: To spur further efforts to clean our air and deliver a down payment on greenhouse gas emission reductions, while saving consumers billions, we will pursue a bold plan to restructure the energy sector. It is time to change the rules that are often more than 70 years old -- stifling innovations that can save money and impede newer, cleaner technologies.

5. They ignore international emissions trading. Two key components of the President's plan are his support for an international system of emissions permit trading, and his commitment that developing countries must participate in the international effort. International trading can substantially reduce the costs of emissions reductions.

6. They ignore the economic costs associated with climate change itself. Climate change will lead to increased flooding, sea-level rise, and other dislocation. So looking just at the impact of reducing emissions on GDP is misleading.

Finally, we all must admit there is much uncertainty over cost projections that are a decade or more in the future -- after all, a decade ago, we could never have predicted that we would now have an unemployment rate below 5 percent, core inflation below 2.5 percent, and a budget deficit substantially under \$50 billion. That's why the President has proposed a graduated, three-stage approach with regular reviews -- starting with a period of voluntary action, tax incentives, R&D, and Federal efficiency improvements, and followed by an evaluation period before the internationally binding period. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period.

Q: Didn't the 5-labs study conclude that carbon prices would have to rise by \$50 to reach 1990 levels by 2010, and isn't that on the optimistic side?

A: The 5-Labs study examined a scenario in which there was no international trading and no electricity restructuring legislation, and concluded that the permit price would have to be \$50 to reduce emissions to 1990 levels by 2010 without such elements. But the President's plan emphasizes international trading and developing country participation, and includes a commitment to properly crafted electricity restructuring. [A DOE analysis that combines international permit trading and electricity restructuring with the results of the 5-Labs study suggests that a permit price of \$25 or lower in 2010 would allow the country to meet its target and timetable.]

Q: Doesn't the President's plan amount to the largest energy tax increase in history -- \$200 billion a year or more?

A: Not at all. The President's plan includes tax *cuts*, not tax increases. It does not involve tax increases at all.

Follow: but isn't a permit system just like a tax?

A: No. There are several critical differences between a permit system and a tax. [For example, a permit system provides insurance that a given quantitative target will be met, whereas a tax does not.] In any case, the permit system does not begin until we have accumulated ten years of experience with tax incentives, R&D, Federal energy efforts, early credit, and the other components of the President's initial action plan.

Q: How can you possibly reduce emissions to 1990 levels by 2008-2012 without imposing excessive costs on the economy?

A: • The President believes that climate change is a critical challenge facing the country, and that if we make this a top priority, we can accomplish significant emissions reductions at low cost. In this effort, it would be irresponsible not to explore all possible avenues for low-cost emissions reductions. That's why the President has

proposed a graduated, three-stage approach -- starting with a period of early credit, tax incentives, R&D, and Federal efficiency improvements, and followed by an evaluation period around 2004. He has proposed regular economic reviews, to ensure that the economic costs are not excessive. Only after we have accumulated ten years of experience with the first two stages of the program would we enter the internationally binding period.

Q: Won't this plan lead to massive shifts of U.S. industry and jobs abroad?

- A:
- No. The President has made very clear that we will not assume binding obligations without the participation of developing countries.
 - I would also note that non-tradeable sectors account for a substantial share of carbon emissions. Transportation and buildings, for example, account for roughly two-thirds of U.S. emissions. For these sectors, the "competitiveness" argument seems largely irrelevant.
 - In most manufacturing sectors, furthermore, energy costs are a small percentage of total costs. According to the 1995 Annual Census of Manufactures, energy costs - for manufacturing industries averaged just 2.2 percent of total costs.

Q: How is the president's initial action plan different from the Climate Change Action Plan that the Administration has already adopted?

A: The first stage of the President's climate change proposal differs from the Climate Change Action Plan in four critical ways:

- It includes substantially more funding. The President's proposal includes funding for carbon-reducing activities of \$5 billion over 5 years -- substantially more than current funding for the climate change action plan. Activities under the Climate Change Action Plan are estimated to reduce CO2 emissions by 95 million metric tons in 2010 -- and doubling the funding should lead to more reductions. [Total reductions needed in 2010 are 390 million metric tons.]

[Funding for the Climate Change Action Plan in FY 1995 was \$184 million, in FY 1996 \$158 million, and in FY 1997 \$163 million. Total funding for climate-related activities is somewhat higher -- but still less than \$500 million per year -- because items such as PNGV are not included in the Climate Change Action Plan definition.]

- Crucially, the President's proposal now includes binding targets. In expectation of these binding targets, firms and households will begin to adjust their behavior today -- a factor that was not present in the climate change action plan.

- To provide further incentives for firms to take action now, the President has indicated his strong support for developing an early credit program of appropriate rewards for those who take prompt early action.
- Finally, the President has indicated his support for environmentally-friendly electricity restructuring, which has the potential to reduce emissions.

Q: Hasn't the climate change action plan failed to reduce emissions?

A: Total emissions are higher than anticipated when the Climate Change Action Plan was adopted several years ago, because of stronger economic growth, lower energy prices, and reduced funding for Congress. But the *partial* effect of the activities under the current Climate Change Action Plan is still estimated to be a reduction in CO2 emissions of 32 million metric tons in 2000 and 95 million metric tons in 2010 (and *all* greenhouse gas emissions of 76 million metric tons in 2000 and 169 million metric tons in 2010). The President's three-stage plan includes substantially more funding than the Climate Change Action Plan -- and thus could produce substantially more reductions in carbon emissions. [390 million metric tons of CO2 reductions are needed in 2010 to move from business-as-usual to 1990 emissions levels.]

Q: Will you submit any agreement reached at Kyoto to the Senate for its advice and consent?

A: • We honor and respect the U.S. Senate's important role in providing advice and consent to the ratification of treaties. We would anticipate the need for Senate advice and consent to any international agreement adopted in Kyoto that would impose binding commitments on the U.S. to control emissions.

Q: Will the President or Vice-President go to Kyoto?

A: • We have not made final decisions about the membership of our delegation in Kyoto.

Q: What is the President proposing that developing countries do as part of his proposal?

A: • Today, the President emphasized that the United States will not assume binding obligations under the climate treaty without developing country participation.

• The President believes we can engage developing countries on this issue in ways that are good for them and good for us. He believes that developing countries have an opportunity to chart a different energy future -- one based on clean and cheap technologies.

- The President spoke about this issue in each country he visited in Latin America last week. Throughout his trip, he shared his conviction that we can and must work together on this problem, in ways that benefit us all. He plans to raise this issue with Jiang Zemin next week.

Q: Why did the U.S. propose such a modest target and timetable, which is weaker than any of the proposals to date, including from the European Union and Japan?

- A:
- The President has put forward a strong target that is realistic, achievable and pragmatic, not just rhetorical. We have backed up those proposals with a three-stage domestic implementation plan. And we have called for a comprehensive international framework that will ensure that all countries participate in a global effort to reduce emissions at the least cost.
 - Keep in mind that some of these other targets aren't all they seem to be. The EU derives enormous benefits from a 1990 baseline -- Germany, for example, gets to claim credit for all the cheap reductions that were a fortuitous consequence of reunification.
 - With regard to Japan, a careful examination of their proposal shows that we are not so far apart.

Q: Isn't it true that this proposal doesn't actually reduce emissions at all but instead just stabilizes them at a certain level?

- A:
- No. Our proposal involves real and meaningful reductions. Consider that under a business-as-usual scenario, U.S. emissions are predicted to be 28% above 1990 levels by 2010.
 - We also stipulate that further reductions, below the 1990 baseline, would be achieved in a second emissions budget period.

Q: Given how far apart countries seem to be in their stated positions, is it realistic to expect any kind of agreement in Kyoto?

- A:
- We are hopeful that all countries will come to Kyoto with an open mind, prepared to negotiate an agreement that provides real and achievable gains.
 - No agreement is better than a bad agreement. The U.S. will continue to insist that any international framework include realistic, achievable targets; flexible implementation mechanisms like emissions trading and joint implementation; and

the meaningful participation of developing countries.

Q: What happens if there is no deal in Kyoto?

- A:
- We are hopeful that all countries will come to Kyoto with an open mind, prepared to negotiate an agreement that provides real and achievable gains.
 - Even if we cannot reach agreement in Kyoto, climate change will remain a top priority issue for this President. The U.S. will continue to work on building support for a comprehensive international framework that involves all countries in a common effort to meet this important challenge.
 - And we will get busy on the elements of the President's plan that we can start right away.

Q: Does the climate change science justify near-term action? Aren't the uncertainties still too great?

- A:
- No. The fundamental science of climate change is clear. Greenhouse gas concentrations in the atmosphere are rising as a result of human actions. These increased concentrations are warming the planet, and unless we reduce our emissions, the effects on our climate are likely to become increasingly severe.
 - Uncertainties do remain. We are not sure exactly how fast the planet will warm or which regions of the world will suffer the worst impacts. Yet what we do know is more than enough to justify taking the kinds of sensible actions the President has proposed.
 - As for the skeptics who would have us do nothing, they represent a tiny fraction of the scientific community. On the other hand, the Intergovernmental Panel on Climate Change, including 2,000 of the world's premier climate experts, has underscored the seriousness of the climate change problem and the need for action.
 - As part of his proposal, the President has called for additional scientific studies focused on key areas, including a call to the National Academy of Sciences to examine the issue of establishing a long-term goal for stabilizing atmospheric concentrations of greenhouse gases.

Talking Points
Global Climate Change
October 17, 1997

- Addressing the problem of global climate change is one of President Clinton's top priorities.
- Scientists predict that human emissions of greenhouse gases will warm the Earth's climate by 2.0-6.5 degrees in the next century. By way of comparison, a cooling of only 9 degrees caused the last Ice Age. Unless we take action to address this problem, the likely impacts of global warming could have serious implications for the American people.
- This December, over 150 nations will meet in Kyoto, Japan to try to reach agreement on an international treaty to reduce the greenhouse gas emissions that cause global climate change.
- The United States will likely be prepared next week to announce its proposal for the Kyoto meeting.
- While I am not yet in a position to discuss the specifics of the proposal, they will closely track the four principles President Clinton laid out at the White House Conference on Climate Change on October 6th.
- First, the science of climate change is real. While a number of uncertainties remain, we know enough to justify taking sensible actions to address the problem.
- Second, the Administration is committed to proposing a binding limit on greenhouse gas emissions. We feel this is the best way to ensure that countries take serious measures to reduce their emissions.
- Third, we will focus on measures for addressing climate change which are flexible and cost-effective and fully consistent with this President's commitment to ensuring a healthy and robust economy.
- Fourth and finally, the Administration will not sign any agreement that does not include all nations. While developing countries cannot be expected to take the same obligations we do, it would be environmentally and economically reckless to advance a treaty without their meaningful involvement.

CLIMATE CHANGE QUESTIONS AND ANSWERS

October 17, 1997

Timing of Policy Announcement

Q: When do you expect to have a U.S. proposal? The Wall Street Journal reported that the President will make an announcement on Wednesday of this week.

A: **We're working actively to put forward the best position possible for the Kyoto round. We're hopeful that we will be able to do this within the next week.**

- **The President has not yet made a policy decision. Any announcement we make will follow that decision.**

Kyoto Negotiations/Targets and Timetables

Q: How can you expect an agreement in Kyoto? The major industrialized nations seem no closer now to an agreement than they were at Denver. The EU has proposed a 15% reduction of emissions from 1990 by the year 2010, and have criticized the Japanese proposal for a 5% reduction. With less than two months before Kyoto, the U.S. has not yet tabled a proposal, and according to press reports, the U.S. is only considering options that are weaker than the Japanese proposal. Isn't time running out?

A: **We want to reach a meaningful agreement at Kyoto.**

- **We have said that we will bring a strong, realistic, and achievable proposal to Kyoto, one that both protects the environment and is economically sound.**
- **We still hope that all nations will come to Kyoto with a realistic, constructive and open frame of mind.**

Q: Is it true, as press reports have suggested, that the President is not going to consider any proposal more aggressive than 1990 levels by 2010?

A: **We're not yet ready to make an announcement. We plan to do so soon, and that proposal will include a strong realistic target that protects the environment and is economically sound.**

Q: Will the President or the Vice President go to Kyoto?

A: **No decisions have been made.**

Escape Hatch/Safety Valve

Q: Reports in the U.S. press suggest that you are considering a so-called “escape hatch” or “safety valve”. Isn’t this inconsistent with your stated support for binding targets?

A: **The U.S. remains committed to realistic, achievable, and binding emissions targets as part of the Kyoto round.**

- **The target and policies we announce will protect the environment and be economically sound.**

Energy Taxes

Q: Will the President rule out raising energy taxes?

A: **We are considering a number of ways to reduce greenhouse gas emissions.**

- **Energy taxes are not part of our current thinking, but it is not the President’s practice to make categorical pledges, and I am not going to do that now.**

Developing Countries

Q: At the White House Climate Change Conference last week, President Clinton was quoted as saying that developing countries needed to take on meaningful commitments as part of a Kyoto agreement. How can you ask them to do so when the U.S. hasn’t yet announced a target and timetable, and will fall short of the commitments it made at Rio?

A: **The climate change problem is global in nature, and cannot be solved without the participation of both industrialized and developing countries.**

- **While it is appropriate for developing countries to have a different level of commitment, we won’t be able to solve this problem unless they take an active role.**

Q: Is your position a violation of the Berlin Mandate? [*The Berlin Mandate stipulated that developing countries would not be asked to take on new commitments as part of a Kyoto treaty.*]

A: **No. We are exploring a variety of ways to enlist developing country participation and to ensure that they do their fair share, consistent with the Berlin Mandate.**

Science

Q: Aren't you overstating the degree of scientific consensus that exists on this problem?

A: **No. The basic science of climate change is overwhelmingly agreed by the world's pre-eminent scientists. Greenhouse gases are building up in the atmosphere at very rapid rates because of human actions. These increases are warming the planet, and threaten disruptive impacts on the Earth's climate.**

- **We are not suggesting that we have all the answers. For example, we do not know exactly how fast temperatures will rise or exactly where the most severe impacts will be felt. What we do believe, and what I think is pretty clear, is that we know enough to justify taking this problem seriously.**

9/16/97
Talking Pts

Talking Points for Validator Calls

- I am calling to let you know that we are getting quite close to finalizing the U.S. policy position on global climate change. We expect that the President will make an announcement sometime next week.
- While I cannot at this point provide you with many specifics, we believe that the U.S. proposal will represent an environmentally strong and economically sound approach.
- It will underscore the need for real and achievable emissions reductions and emphasize the use of flexible, market-based implementation mechanisms.
- Furthermore, it will recognize the long-term nature of the climate change problem by focusing on the establishment of a lasting international framework that is truly global in nature. *(Depending on the individual, more details could be discussed -- i.e. we're looking at a 2010-2015 timeframe, a beefed up R&D program, etc.)*
- In light of your strong interest in this issue and the helpful input you have provided, we are hopeful that you will be able to support the package we put forward.
- When we are in a position to discuss the specifics of the U.S. proposal, we will give you a call, and, if you are inclined, we would like to send interested media your way for comment after the policy has been announced.