

Events - Aug 4

THE WHITE HOUSE

WASHINGTON

August 3, 1997

Meeting with CEOs on Climate Change

DATE: August 4, 1997

LOCATION: Cabinet Room

TIME: 10:15-11:15 a.m.

FROM: Todd Stern and Katie McGinty
DS

I. PURPOSE

To engage in a substantive dialogue on climate change with ten CEOs of major corporations. These are the kind of business leaders whose support you will need for any position we ultimately take into Kyoto.

Objectives for meeting: (1) That the CEOs see you as personally engaged on this issue; (2) that they understand the Administration to be open to their input and ideas, rather than just engaged in an effort to sell pre-cooked policy decisions; (3) that you probe their thinking to get a better sense of what kinds of emissions targets and policies can win their support; and (4) that you get their help in the form of their (a) committing to voluntary actions now, and/or (b) spreading the message that climate change is a real problem that needs to be addressed in a serious and constructive manner.

II. BACKGROUND

This is the first of what we intend to be a series of small, outreach meetings on climate change between you or your senior advisers and business, labor and environmental leaders.

In the past few months, attention to this issue in the business community has risen sharply. In general, heavy industry, oil and coal, transportation, and electric utility interests are opposed to a treaty and concerned that we might adopt a position that would hurt the economy and their businesses. Major lobbying and public relations efforts are apparently planned for this fall.

As attention to this issue has grown, some in the business community have complained about a lack of openness in our decision-making process. Rumors of "secret plans" have circulated. You should reassure the CEOs in this meeting that you, your Cabinet and members of your senior staff will work closely with constructive business leaders to develop an approach to this issue consistent with your belief that environmental protection and economic growth should go hand in hand.

Topics for discussion: We have attached suggested questions to get the dialogue going on each of several topics. Of course, the conversation is likely to be a bit more free form, but we

would recommend proceeding in roughly the following way:

General views. During the pool spray, you will make some opening remarks articulating the principles that guide your approach to climate change. You could start the discussion after the pool leaves by asking Ken Lay of Enron to give an overview of how he sees this issue and our approach to it. You could ask the same question of BP's John Browne.

Voluntary actions. The framework we have endorsed for the international negotiations includes (1) realistic, **binding targets**; (2) flexibility measures; and (3) participation of all countries. Thus you cannot be in a position of accepting or even considering voluntary steps **instead of binding targets. Nevertheless, having companies sign on for meaningful voluntary steps now, before any treaty takes effect, could be very important, demonstrating that these companies recognize the climate change problem and understand the need for action.** For example, companies could commit to making an inventory of their emissions and pledging x% reductions, with "early credit" for such actions. Our intelligence indicates that several of the CEOs, including Alcoa's Paul O'Neill and FMC's Robert Burt (head of the BRT's Environmental Task Force) might be willing to commit to such voluntary steps.

Targets and timetables. These CEOs may resist endorsing any specific target and timetable, either because they don't want to go on record accepting any binding limit or because they don't want to box themselves in with specific numbers. Nonetheless, it is worth your trying to get a broad sense of what appears to be potentially acceptable or unacceptable -- e.g., 1990 in 2010, 1990 in 2020, a different baseline than 1990, etc.

International issues. Main ones are the flexibility measures -- international emissions trading and joint implementation and developing country participation. (See Background attachment.)

Domestic implementing policies. These are the domestic means -- such as emissions trading or technology -- for achieving whatever reductions we agree to. Several of the CEOs may want to talk about how technology can help address climate change. Your advisers are currently considering policies to promote development and diffusion of useful technologies. Partnerships with the private sector, similar to the Partnership for a New Generation of Vehicles, are likely to be among the options identified for serious consideration.

III. PARTICIPANTS

Pre-brief Participants:

The Vice President, Secretary Rubin, Secretary Pena, Janet Yellen, Todd Stern, Katie McGinty, Gene Sperling, Dan Tarullo, Jim Steinberg, Jack Gibbons and Maria Echaveste.

Event Participants:

The Vice President, Secretary Rubin, Secretary Pena, Janet Yellen, Todd Stern, Katie McGinty, Gene Sperling, Dan Tarullo, Jim Steinberg, Jack Gibbons, Maria Echaveste and Commerce Department's Chief Economist Lee Price, filling in for Secretary Daley.

Hank Barnett (Bethlehem Steel)

John Browne (British Petroleum)

Michael Bonsignore (Honeywell)

Fred Buckman (PacifiCorp)

Robert Burt (FMC Corp; Chairman of Environmental Task Force for Business Roundtable)

Pete Correll (Georgia-Pacific)

Bob Denham (Salomon Brothers)

Linn Draper (American Electric Power)

Ken Lay (Enron)

Paul O'Neill (Alcoa)

IV. PRESS PLAN

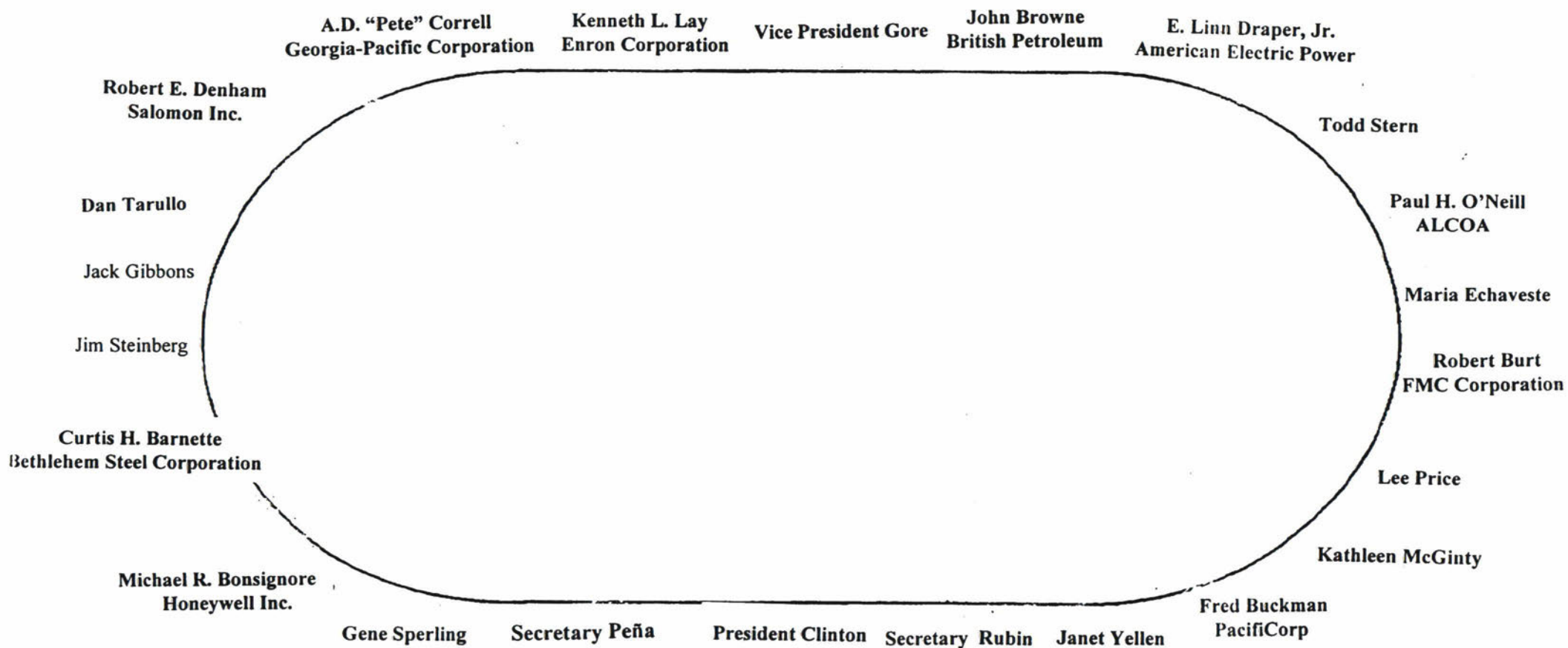
Pool spray at top of meeting.

V. SEQUENCE OF EVENTS

- You and the Vice President enter Cabinet Room.
- You make remarks to pool.
- Pool departs.
- You lead a discussion.
- You and the Vice President depart.

VI. REMARKS

Attached.



CEO CLIMATE CHANGE SEATING CHART

Discussion Points for Climate Change CEO Meeting (Revised)

Welcome

- Thank you all for coming, particularly on short notice. **[Mr. President: you should recognize the Vice President, who may want to say a few words. Also, if you recognize Secretaries Rubin and Pena (who are *not* expecting a speaking role), you should note that Sec. Daley wanted to be here, but had a commitment to be in Canada.]**

General Views [Recommend asking Ken Lay/Enron and/or John Browne/BP]

- You've just heard a little about the principles that guide my approach to this issue. But I'm most interested in hearing from you. Ken, how do you see this issue right now and what do you think about our general approach?

Voluntary Steps [Start with Paul O'Neill/Alcoa.]

- Paul -- are there any steps that Alcoa might be willing to undertake soon?

We understand that O'Neill is prepared to have Alcoa inventory its greenhouse gas emissions and develop a plan to reduce those emissions voluntarily. We understand that Burt may be open to this as well.

- **[If O'Neill makes such a commitment, you can ask Burt:]** Bob -- do you think BRT member companies would be willing to make a similar commitment?
- **[You should see if others are willing to make voluntary action commitments and when they could report back or announce their plans.]**

Binding targets and timetables

- In the international negotiations, we have endorsed a framework of binding emission targets, flexibility, and the participation of *all* countries. On targets and timetables, the Europeans support a 10-15% cut from 1990 emissions levels by 2010, which we think is unrealistic. I know some of you might prefer no binding targets, but recognizing that we *will* support some target, I'd like to hear what you all consider to be realistic. **[If no one picking this up, you can turn to Linn Draper/American Electric Power.]**

International Flexibility

- Many analysts believe that flexibility measures such as international emissions trading and joint implementation offer the potential for significant cost savings. I know that a number of you are already engaged in joint implementation projects. How important is it to you for a treaty to include such measures? **[If no one is picking this up, you can turn to Browne, Draper, or Michael Bonsignore/Honeywell]**

Developing Country Participation

- The role of developing countries may be the most difficult issue in the current round of negotiations. Developed countries are responsible for more than 75% of the increase in greenhouse gases since the beginning of the Industrial Revolution, but developing country emissions are rising rapidly and will catch up to developed country emissions in the next 40 years or so. The US has insisted that developing countries be part of the solution, and the US Senate has recently spoken clearly on this issue (the Byrd Resolution).

What commitments do you think developing countries should be required to make? **[If no one is picking this up, you can turn to Pete Corell/Georgia Pacific]**

- How concerned are you that if developing countries do not have obligations, companies would relocate from the United States to the developing world?

Domestic Policy -- Technology

- Technology obviously will have an important role to play, and I believe we must work in partnership with business to develop these technologies. How do you think the Federal government can (1) best spur your investments in R&D and (2) best leverage its investment in clean energy technologies? **[You can turn to Bonsignore]**

Where do you see the most promise for developing clean energy options?

Bonsignore will likely urge us to pay attention to deploying current technologies. Ken Lay and John Browne may emphasize renewable energy. Brown and Draper may suggest a "Manhattan Project" initiative aimed at breakthroughs in key technologies.

Domestic Policy -- Domestic Emissions Trading

- Some of you are very familiar with emissions trading programs. We've had such a program in place for utilities for several years, to deal with the problem of acid rain. What do you think about emissions trading? **[Fred Buckman/PacifiCorp; Bob Denham/Saloman; Draper/AEP can all be asked about this.]**

Buckman will likely speak favorably about emissions trading, citing experience under the acid rain program. Draper also has experience with this program. Denham may wish to comment from a financial market perspective.

Conclusion -- Asking for their help

- I appreciate you all coming here for this discussion. I look forward to working with you as we go forward. I hope you can help us by moving forward on voluntary actions right away and by going out and speaking -- whether publicly or privately -- in support of constructive, market-based action. We *can* deal with this problem the right way, without hurting the economy, and I hope you can help us do it.

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Domestic Policy -- Domestic Emissions Trading

- Some of you are very familiar with emissions trading programs. We've had such a program in place for utilities for several years, to deal with the problem of acid rain. In order to address global warming, we might well need a much bigger program. What do you think about emissions trading? **[Fred Buckman/PacifiCorp; Bob Denham/Saloman; Draper/AEP can all be asked about this.]**

Buckman will likely speak favorably about emissions trading, citing experience under the acid rain program. Draper also has experience with this program. Denham may wish to comment from a financial market perspective.

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Background on Issues

INTERNATIONAL NEGOTIATIONS

The Framework Convention on Climate Change was signed at the Rio "Earth Summit" in 1992. The current round of negotiations is scheduled to conclude in Kyoto this December. To date, the United States has advanced a three-part framework for the negotiations. We have argued for (1) binding emissions targets, (2) flexibility in achieving those targets (for example, through emissions trading among developed nations and "joint implementation" with developing nations), and (3) the participation of all countries. We have not yet proposed any specific targets or timetables. A relatively low-level negotiating session has been going on this week in Bonn and will continue next week.

Targets and Timetables

The European Union has proposed that developed nations cut back emissions 10-15% from 1990 levels by 2010. We have stated publicly that we believe this proposal is unrealistic. Other nations, including Australia, Japan and Canada, have expressed concerns about moving too far too fast, but have not put forward any specific targets. Several countries (including Australia, Japan and Norway) have supported "differentiated" targets, under which different developed countries would take on different obligations. The United States has opposed these proposals as unworkable.

Flexibility

The term "flexibility" has been used to refer to international emissions trading, joint implementation, banking and borrowing (applying extra emissions reductions from one period in another period) and multi-year targets (setting emissions targets for periods of two or more years, such as 2010-2020). Such policies can substantially reduce costs of compliance.

Our proposal for emissions trading among all developed countries has met with only limited support. However, the EU has proposed that its members be allowed to trade emissions among themselves (the "EU bubble"). We have insisted that all countries that all developed countries be allowed to trade emissions.

Closely related to international emissions trading is "joint implementation." In a typical case, a company in the developed world would invest in a renewable energy, energy efficiency or forestry project in a developing nation. Emissions avoided as a result of this investment could be applied to that company's obligations at home. Since emissions reductions are typically much cheaper in the developing world than they are in the developed world, significant efficiencies could result. Developing countries would gain benefits in the form of technology transfer and private sector

investment flows as well.

In spite of the potential benefits, most developed countries remain opposed to joint implementation (although support has grown significantly in Latin America). Many of these countries see joint implementation as a way for developed countries to avoid taking responsibility for reducing greenhouse gas emissions. In addition, some environmentalists are concerned that measuring project-based emissions reductions will be too difficult, and some in Congress are concerned that joint implementation will result in significant transfers of wealth overseas.

The U.S. business community has strongly supported joint implementation. Utilities have been among the most active participants in pilot projects to explore the feasibility of joint implementation.

Developing Country Commitments

This is the most difficult issue in the current round of negotiations. There is a vast gulf between the dialogue abroad (where the U.S. proposals for developing country participation are almost uniformly considered too aggressive) and at home (where Senator Byrd's resolution, calling for commitments beyond the U.S. proposal or the 1995 Berlin Mandate under which this treaty is being negotiated, passed the Senate recently 95-0).

Developed countries are responsible for more than 75% of the increase in greenhouse gas concentrations since the beginning of the Industrial Revolution. In the decades ahead, however, emissions from developing countries are expected to grow sharply. By 2035, developing country emissions are expected to exceed those from the developing world.

Per capita emissions vary widely. Carbon emissions from the United States are roughly 5 tons per person; from the OECD as a whole, roughly 3.5 tons per person; and from developing countries as a whole, roughly 0.5 tons per person.

The 1992 climate treaty established differentiated levels of commitments for developed and developing countries. It called upon developed countries to take the lead in addressing climate change and to aim to return emissions to 1990 levels by the year 2000. It called upon developing countries to adopt policies and measures to address climate change, but provided no aim for developing countries similar to the year 2000 goal. These differentiated commitments were intended to recognize both the unequal contribution of developed and developing countries to global greenhouse gas concentrations and the unequal capacity of those countries to control emissions.

In 1995, in Berlin, the Parties to the climate treaty agreed to negotiate further steps for controlling greenhouse gas emissions. The negotiating mandate calls on developed countries to set quantified emissions limits for the "medium term (e.g. 2005, 2010 and 2020)." In Berlin, the United States argued strongly that developing countries must participate meaningfully in negotiations over next

steps. There was little support for the U.S. position on this point, with many Parties noting the failure of most developed countries to take significant steps toward meeting the year 2000 goal. The Berlin Mandate states that there will be "no new commitments" for developing countries in the current round of negotiation, but that developing countries will be required to "advance the implementation of" their existing (non-binding) commitments.

In January, 1997, the U.S. submitted a draft protocol proposal. Provisions on developing countries included three elements, the most important of which is the "evolution" concept, which would require developing countries to enter into an agreement by 2005 to adopt legally binding emissions targets and would include a "graduation mechanism" under which developing countries would automatically incur obligations as their living standards increase.

DOMESTIC POLICIES

Your Cabinet and staff are currently in the process of shaping domestic policies options to address greenhouse gas emissions. Among the options receiving close attention are domestic emissions trading and technology programs.

Domestic Emissions Trading Programs

Under emissions trading programs (sometimes referred to as "cap and trade"), companies would be allowed to buy and sell the right to emit greenhouse gases. The US has had more experience with emissions trading than any other country. Examples include the Clean Air Act's acid rain program, under which utilities are allocated permits based on historical emissions of sulphur dioxide. Permits may be traded. Compliance costs under this program have been much less than expected, due to unforeseen factors. (Prior to passage, industry estimated compliance costs would be over \$1,000/ton. Government studies estimated costs would be around \$600/ton. Currently, allowances are trading on the Chicago Board of trade for around \$100/ton).

Among the issues to be addressed in designing a domestic emissions trading program:

- Where the constraint is imposed. A "primary fuel" trading program would limit the production or import of fossil fuels. A "sectoral" trading program would limit emissions from one or more key sectors (e.g., utilities, transport or heavy manufacturing).
- How permits are distributed. For example, permits could be parceled out to emitters based on historical emissions, auctioned, or some combination of the two. If auctioned, substantial revenues would be raised which, for example, could be recycled through a consumer and/or business tax cut, or used for transitional or technology programs).

An emissions trading program for greenhouse gases could potentially be bigger in scope (by an order of magnitude) than any existing emissions trading program. We are currently exploring

feasibility and implications.

Technology Programs

The cost of reducing greenhouse gas emissions between now and 2020 depends greatly on the ability to accelerate use of existing energy-efficient technologies. Over the longer-term, the solution to the climate change problem depends on developing and deploying new technologies that are even more efficient or are based on non-carbon energy sources.

A range of government programs might help accelerate technological change. Research and development programs generally aim to improve technologies by lowering production and operating costs. Large opportunities for cost-lowering research and development exist in buildings, transportation, combustion, renewables and sequestration (e.g., fuel cells, advanced industrial turbines, advanced diesel engines, and transportation biofuels). In addition, information dissemination programs assist businesses and consumers in identifying opportunities to reduce the energy intensity of their products or services (e.g., using more energy efficient light bulbs, insulation, appliances, etc.).

You have strongly supported technology programs with significant climate change benefits. Examples include:

Partnership for a New Generation Vehicle (PNGV)

The PNGV program joins the big three U.S. auto makers, federal agencies and many suppliers of materials and equipment in an effort to develop a more efficient car. The program's goal is to triple the fuel efficiency of passenger cars with no decrease in comfort or safety.

The Climate Change Action Plan (CCAP)

CCAP began in 1993 with a goal of returning total US greenhouse gas emissions to their 1990 levels by the year 2000. The plan includes about 50 initiatives covering all major greenhouse gas producing sectors of the US economy, including Energy Demand, Energy Supply, and Forestry. CCAP programs have reduced the rate of emissions growth, but not enough to achieve the programs goals. CCAP is a voluntary program that relies on partnerships and cooperation with industry and includes both government and private sector investment in new low-emissions, high-efficiency technologies. Agency participants include DOE, EPA, and USDA.

Biomass Energy Initiative

DOE and USDA are working with companies to demonstrate power projects for rural development and to improve technologies for converting crops to liquid and gaseous fuels. Pilot projects are running in New York, Minnesota and Iowa.

Million Solar Roofs Initiative

In your recent UN speech, you announced that DOE will lead an effort to place one million solar energy systems on the roofs of buildings and homes across the US by the year 2010. This will be accomplished by using existing federal grants, procurement, and other programs, and by working with local communities, businesses, state governments, utilities, and other groups to spur the sales of solar energy systems. In 2010, this initiative will avert emissions of carbon dioxide equivalent to those produced by 850,000 cars and will produce the same electrical generating capacity as 3-5 coal-fired power plants.

PCAST Energy R&D Panel

In response to your request, the President's Council of Advisors on Science and Technology is conducting a comprehensive and strategic review of U.S. energy R&D policies and practices "to ensure the United States has a program that addresses its energy and environmental needs for the next century". The group is examining energy efficiency, fossil, nuclear (fission and fusion), and renewable energy programs and budgets across the Federal government. Their assessment, including recommended actions, is expected by October.

Partnership for Advancing Technologies in Housing (PATH)

Our planned PATH initiative will have HUD, DOE, and NIST working with building suppliers, assemblers, insurance companies, and state and local regulators in an effort improve the quality of housing and meet ambitious environmental goals without increasing prices. Buildings are responsible for about a third of US greenhouse gas emissions (this total is rising) and 2/3 of US electricity consumption.

DOE's Industries of the Future Program

This is an industry/government partnership with the seven most energy-intensive U.S. industries, including chemicals, paper and pulp, steel, aluminum and petroleum. The program has reached technology agreements with each industry that focus the R&D expertise of our national labs on cutting energy use and pollution in each industry.

CEO Meeting on Climate Change -- Company Profiles

Hank Barnett, Bethlehem Steel.

Bethlehem Steel is headquartered in Bethlehem, PA, with major plants in MD, IN, PA, upstate NY, and MS, and a coal mine in West Virginia. In 1996 revenues were about \$4.7 billion. Since 1978 they have reduced their energy use by 40% and have recently restructured. Barnett is the Chair this year of the American Iron and Steel Institute. He is also a member of the President's Trade and Advisory Committee, having been appointed both by President Bush and by President Clinton. On climate change, he is concerned about developing countries and interested in flexibility measures. He is probably not supportive of any binding emissions cap, but may support voluntary activities.

John Browne, British Petroleum

With major production in Alaska and the Gulf of Mexico, BP America, based in Cleveland, is the largest crude oil producer in the United States. The British parent, with holdings in 70 countries and assets of \$67 billion, is the 20th largest company in the world. It has begun to diversify its energy portfolio into the solar power business (investing more than \$100 million to date) -- including manufacture of photovoltaic panels in California. In May, Browne unveiled BP's new approach to climate change in an influential speech at Stanford University in May. After concluding that the science of climate change could not be ignored, Browne launched an action plan closely aligned with the U.S. policy framework. This plan emerged from a year-long internal evaluation of climate science and policy options.

Michael Bonsignore, Honeywell

One of the world leaders in energy efficiency equipment, Minneapolis-based Honeywell manufactures everything from residential thermostats to power plant controls, oil exploration and refining equipment and automobile components. Honeywell participates in the Green Lights and Energy Star voluntary programs at EPA. It is active in 95 countries on six continents and had 1996 sales of \$7.3 billion. Climate change mitigation -- as it drives greater energy efficiency -- opens new business opportunities for Honeywell. While it is poised to grow its business with climate policy, it is careful in the political debate to avoid offending its major customers in the automobile, oil and utility industries.

Fred Buckman, PacifiCorp

PacifiCorp is a major energy holding company based in Portland, OR, with electric utility or coal mining operations in seven western states and several foreign countries. Having electric generation capacity that is 80% coal, PacifiCorp is the largest single CO₂ emitter west of the Mississippi River. Recently, it announced plans to purchase UK-based Energy Group, with holdings that include St. Louis-based Peabody Coal, the largest coal mining firm in the free world, second only to China's national coal company. Even with its strong coal base, PacifiCorp committed itself to voluntary reductions in DOE's Climate Challenge program and intends to be constructive on climate change, believing that in a deregulated future where customers can choose an electricity provider, it must demonstrate environmental excellence. PacifiCorp supports emissions trading -- given its positive

experience on acid rain -- and is already engaged in greenhouse gas emissions trading under an Oregon state law. PacifiCorp is a partner in a joint implementation pilot project in Bolivia, as mentioned above, and is convinced of the viability of this policy approach for climate mitigation.

Robert Burt, FMC Corp.

Based in Chicago, FMC is a diversified supplier of chemical products, agricultural chemicals, precious metals, defense systems, automobile components, food machinery, petroleum equipment and specialized machinery, with annual sales of over \$3 billion. Burt chairs the Business Roundtable's Environment Committee and climate change initiative. Burt is unconvinced that we need targets and timetables and has generally been skeptical thus far on climate change.

Pete Correll, Georgia-Pacific

Georgia-Pacific, headquartered in Atlanta, is one of the nation's biggest paper and pulp companies, with around \$13 billion in annual revenues. On climate change, Correll is concerned about the impact of climate change policy on its international competitiveness, but is interested in working constructively on a reasonable outcome. Georgia-Pacific has certain opportunities it could take advantage of with regard to reducing emissions, such as forest sequestration and producing energy from biomass waste or crops.

Bob Denham, Salomon Brothers

In 1996, Salomon Brothers of New York increased its revenues by a third to almost \$4 billion. Salomon is actively working to develop financing packages for numerous independent power projects in developing countries. Until recently, Salomon was the owner of the fourth largest independent oil refiner in the United States. Denham just returned from a trip to Asia, where he gained some insights into how the climate issue is perceived there. Denham is very knowledgeable about oil issues as the largest oil trading firm in the world (larger than Exxon) and knows a lot about trading generally, but is not an expert on global warming.

Linn Draper, American Electric Power

Based in Columbus, Ohio, American Electric Power is the one of the nation's largest electric utilities, with facilities and some seven million customers in seven states. AEP's electricity generation resources are 85% coal. Having significant experience in emissions trading of sulphur dioxide, AEP consistently advocates market-based approaches to environmental controls. CEO Linn Draper has shifted the company toward a more positive approach to the environment. On climate change, Draper has been an industry leader. He helped convince others in his industry to enter voluntary commitments in the Energy Department's "Climate Challenge" program, which now has more than 600 companies actively reducing emissions. To demonstrate that international flexibility can work, AEP teamed with the Nature Conservancy and the government of Bolivia in a joint implementation project to protect and enhance an endangered rain forest. Recently, both BP and PacifiCorp joined as partners in this venture.

Ken Lay, Enron

Based in Houston, Enron is a diversified energy company -- with holdings that include one of the world's largest natural gas pipeline (36,000 miles), a wholesale electricity brokerage, an emissions trading brokerage -- and revenues of over \$13 billion. Several recent acquisitions include Portland General Electric Utility in Oregon, Zond Windpower (the largest wind turbine manufacturer) in CA and a joint venture with Amoco in manufacturing photovoltaic panels in Virginia. Internationally, Enron is an independent power producer with projects under development in several countries.

Enron's orientation to climate change is to embrace it as a new business opportunity -- for gas, solar, wind and emissions offsets/credits. It advocates free market approaches, such as emissions trading. Enron is a strong supporter of joint implementation, though it has not invested in any pilot projects, because credits are not allowed in the pilot phase.

Paul O'Neill, Alcoa

Headquartered in Pittsburgh, Alcoa is one of the world's leading producer of aluminum and alumina and has sales of \$13.1 billion. Alcoa has been an active participant in two of EPA's voluntary programs: Green Lights (energy efficient lighting) and the Voluntary Aluminum Partnership (reducing chemical emissions from the smelting process). Alcoa has experience in the acid rain emissions trading program -- it opted in as a large industry generator. O'Neill does not want to be an obstructionist on climate change and views the business-as-usual approach of some in industry as unhelpful. He may be somewhat skeptical on aspects of the science. Alcoa is also concerned about potential effects on competitiveness if developing countries are not required to assume any obligations. O'Neill hopes this meeting is the beginning of a process where they can work with us to help shape policy on climate change.

THE PRESIDENT HAS SEAT 8-497

A.D. "Pete" Correll Georgia-Pacific Corporation
"KEN" Kenneth L. Lay Enron Corporation
Vice President Gore
John Browne British Petroleum
E. Linn Draper, Jr. American Electric Power

"BOB" Robert E. Denham Salomon Inc.

Todd Stern

Dan Tarullo

Paul H. O'Neill ALCOA

Jack Gibbons

Maria Echaveste

RAINES
M. Steinberg

"BOB" Robert Burt FMC Corporation
(BRT TASK FORCE)

"HANK" Curtis H. Barnette
Chlehem Steel Corporation

Lee Price

Mike
Michael R. Bonsignore Honeywell Inc.

~~Michael R. Bonsignore~~
LEON FUERTH

Fred Buckman PacifiCorp

Gene Sperling Secretary Peña President Clinton Secretary Rubin Janet Yellen

BOULES

CEO CLIMATE CHANGE SEATING CHART

Pool Spray Q&A on Climate Change
(8/3/97)

Q: What issues will you be discussing today?

A: We will discuss a number of issues relating both to the international negotiations and to domestic policies for reducing greenhouse gas emissions.

Q: Are you going to talk about energy taxes or other means of raising energy prices?

A: I expect that we will talk about market-based policies that can help us reduce emissions while continuing our robust economic growth. It has always been my belief that we can make environmental protection work for us economically if we do it right and we do it smart.

Q: Will you take energy taxes off the table now?

A: It has never been my practice to make pledges of this kind and I'm not going to start now. But I would remind you that I have just spent the last many months fighting for a tax *cut* and working with the Congress to get a tax cut passed. I expect that we will talk about market-based policies that can help us reduce emissions while continuing our robust economic growth.

Q: Taking serious action to reduce the emission of greenhouse gases inevitably means driving up the price of fossil fuels such as coal and oil. Don't you think that would hurt the economy? And -- remembering what happened to your proposed Btu tax in 1993 -- don't you think policies that would, in effect, impose a "carbon tax" would be dead on arrival in Congress?

A: We have not yet decided on specific targets or timetables or the policies to achieve such targets. As I have said, I am not going to endorse policies that will disrupt our economy. Whatever measures we ultimately decide upon will of course have to be supported by the American people and the Congress.

Q: The European Community's proposal would cause huge disruption to our economy and send jobs overseas. You're not going to support anything that threatens our economy, are you?

A: The watchwords of my entire Administration have been economic growth and job creation and I am not going to endorse climate change policies that will disrupt our economy. The policy we develop on climate change will include a commitment to realistic, binding limits on greenhouse gas emissions; will emphasize flexible, market-based solutions to the maximum extent possible; and will be fully consistent with maintaining our vigorous economic growth. It is our responsibility to take appropriate action now that will both preserve economic growth and protect our children and grandchildren.

Q: The Byrd Amendment says we should not sign any treaty in Kyoto that doesn't require developing countries to take on binding obligations too. Don't you agree that it would be foolish for the industrial world to accept tough, binding obligations on greenhouse gases while letting countries like China off scott free?

A: I share the sentiment underlying the Byrd resolution that all nations - - whether developed or developing - - need to be part of a common solution to global climate change. Our negotiators will continue working hard to bring back an agreement that the American people and the U.S. Congress will overwhelmingly support.

Q: What is your policy on climate change?

A: We have not yet endorsed any specific target or timetable. What I can say is that we are committed to realistic, binding limits on greenhouse gas emissions; that we will emphasize flexible, market-based solutions to the maximum extent possible; and that the actions we take will be fully consistent with maintaining our vigorous economic growth. It is our responsibility to take appropriate action now that will both preserve economic growth and protect our children and grandchildren.

Q: I understand that there isn't even scientific agreement that global warming is happening. Shouldn't we wait for more research before we saddle ourselves with burdensome obligations that are going to hurt our economy and damage our competitive position?

A: The science on this issue is compelling. While no science is ever *certain*, this science tells us that appropriate action is called for now. Unless we change our business-as-usual path, serious consequences are in store for us and our children. And strong evidence suggests human activity has *already* started to change the climate. So the message to political and business leaders in this country is to get together and work out a sensible plan for reducing our greenhouse gas emissions.

Q: Are you going to be having more meetings like this one as part of your effort on climate change?

A: We are engaged in an intensive policy process to develop the position we will take into the Kyoto negotiations, and as part of that process we are reaching out to interested, knowledgeable parties to get their views and their best ideas. We will continue doing that and the Vice President and I, members of the Cabinet and other senior Administration persons will participate in those meetings.

Additional Q&A on Climate Change
(8/3/97)

Q: I agree that climate change is a problem that needs to be addressed. My concern is that I think American business should have an opportunity to do this in a voluntary way that will not disrupt the economy, throw people out of work, or transfer factories and capital to China and India. Why can't we start on a voluntary basis?

A: I think voluntary action is important, I encourage it, and I think early credit should be given for it. At the same time, the non-binding treaty that was agreed to in Rio in 1992 has not reduced emissions enough, so it is clearly time to move to the next level, with binding commitments.

Q: While many scientists think that enough is known to act now, other scientist say that too much is still uncertain. Shouldn't more research be done before we undertake costly measures?

A: The overwhelming majority of scientists agree that we are changing the earth's climate and that if we don't act to curb emissions, carbon dioxide in the atmosphere will reach levels unseen on this planet for millions of years. The potential impacts scientists warned me about at the Roundtable discussion we had recently at the White House include increased droughts and floods and changing patterns of disease. Some think we are already seeing signs of these.

We must start to change the emissions paths we are on now for 3 reasons: (1) the longer we continue on "business as usual" before deciding to reduce emissions, the more severe and expensive later reductions will have to be; starting the process will spur new technologies that we will need to address this problem; and (3) slowing the rate of climate change will make it more likely human and ecological systems can adapt to that change;

Q: How can humans have such a big effect when natural sources account for 97% of the carbon emissions in a year? (Chrysler CEO Eaton raised this question in a recent Wash. Post editorial.)

A: Humans add about 7 billion tons of carbon to the atmosphere each year-- faster than oceans and trees can absorb them. This is why the concentrations of such gases are rising. **The Earth's carbon budget is out of balance**, and getting more so each year as we continue to add CO₂ to the atmosphere.

Q: How can any projections of impacts be accurate when climate models don't give an accurate picture of regional changes?

A: Although detailed predictions of what might happen in specific regions of the world are not yet possible, plausible estimates of possible changes are starting to emerge. Climate change is already contributing to more rainfall in intense downpours and warmer temperatures, and affecting water resources, agriculture, low-lying coastal regions, natural ecosystems, the potential range of disease-carrying insects, and many other sectors of the environment and society. We can extrapolate these effects into the future, even though we cannot yet accurately simulate future climates on a regional-scale.

Q: Isn't it true that most of the scientists who signed the "scientists letter" aren't climate specialists? What makes them qualified to speak out on this subject?

A: A wide variety of researchers signed the Scientists Statement on Global Climate Disruption (dated June 18, 1997). Many of them are climate researchers; all of them are individuals trained in the evaluation of evidence and theory, and their opinion should not be taken lightly. The highly inter-disciplinary nature of climate change means that "climate specialists" include people trained in biology, ecology, physics, sociology, chemistry, geology, economics, geography, oceanography, meteorology, medicine, political science, and other disciplines, as well as climatology.

THE WHITE HOUSE

WASHINGTON

August 2, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN ~~TS~~

SUBJECT: Climate Change

Enclosed is a packet of materials relating to your Monday morning climate change meeting with 10 CEOs of major corporations. I wanted to get these to you a little early because there is a good deal of substance and it is important for you to be familiar with it. The full set of materials for the event will, of course, be included in your Monday briefing book.

This is an important meeting, with the potential to send a message not just that you are engaged, but that you have a mind open to the ideas and input of constructive players. Many in business fear that our policy is already cooked and that the exercise we are engaged in now is just marketing. A serious, substantive dialogue with these CEOs can help turn that view around.

Business is divided into essentially three groups on climate change. The largest and most well-organized -- coal, railroads, autos, much of oil, electric utilities, and heavy industry -- is adamantly opposed to action in Kyoto. A second group includes those who would most clearly gain from a treaty, such as renewable and solar energy producers. Enron is the most influential. The third group are major corporations in the "constructive middle" who agree the science is compelling and would support what they see as reasonable action, but worry that we will accept targets and timetables that are too tight, or a treaty that doesn't include, in adequate detail, the flexibility measures they see as crucial. **Many of the CEOs attending the Monday meeting are in this last category.**

I have attached the following materials: (1) the event memo; (2) suggested questions to ask the CEOs; (3) background on the major topics for the meeting; (4) John Browne's (BP CEO) influential speech on climate change at Stanford in May; (5) an excellent memo Eileen Claussen wrote just prior to her departure as Assistant Secretary of State a couple weeks ago. One or two elements are dated in Eileen's memo (e.g., we have now released the draft staff-level economic analysis she refers to), but the memo is the best synopsis I have seen about the very difficult substantive and political issues that remain. It is a sober analysis indeed, but worth reading.

THE WHITE HOUSE

WASHINGTON

August 3, 1997

Meeting with CEOs on Climate Change

DATE: August 4, 1997

LOCATION: Cabinet Room

TIME: 10:15-11:15 a.m.

FROM: Todd Stern and Katie McGinty
DS

I. PURPOSE

To engage in a substantive dialogue on climate change with ten CEOs of major corporations. These are the kind of business leaders whose support you will need for any position we ultimately take into Kyoto.

Objectives for meeting: (1) That the CEOs see you as personally engaged on this issue; (2) that they understand the Administration to be open to their input and ideas, rather than just engaged in an effort to sell pre-cooked policy decisions; (3) that you probe their thinking to get a better sense of what kinds of emissions targets and policies can win their support; and (4) that you get their help in the form of their (a) committing to voluntary actions now, and/or (b) spreading the message that climate change is a real problem that needs to be addressed in a serious and constructive manner.

II. BACKGROUND

This is the first of what we intend to be a series of small, outreach meetings on climate change between you or your senior advisers and business, labor and environmental leaders.

In the past few months, attention to this issue in the business community has risen sharply. In general, heavy industry, oil and coal, transportation, and electric utility interests are opposed to a treaty and concerned that we might adopt a position that would hurt the economy and their businesses. Major lobbying and public relations efforts are apparently planned for this fall.

As attention to this issue has grown, some in the business community have complained about a lack of openness in our decision-making process. Rumors of "secret plans" have circulated. You should reassure the CEOs in this meeting that you, your Cabinet and members of your senior staff will work closely with constructive business leaders to develop an approach to this issue consistent with your belief that environmental protection and economic growth should go hand in hand.

Topics for discussion: We have attached suggested questions to get the dialogue going on each of several topics. Of course, the conversation is likely to be a bit more free form, but we

would recommend proceeding in roughly the following way:

General views. During the pool spray, you will make some opening remarks articulating the principles that guide your approach to climate change. You could start the discussion after the pool leaves by asking Ken Lay of Enron to give an overview of how he sees this issue and our approach to it. You could ask the same question of BP's John Browne.

Voluntary actions. The framework we have endorsed for the international negotiations includes (1) realistic, **binding targets**; (2) flexibility measures; and (3) participation of all countries. Thus you cannot be in a position of accepting or even considering voluntary steps *instead of* binding targets. **Nevertheless, having companies sign on for meaningful voluntary steps now, before any treaty takes effect, could be very important, demonstrating that these companies recognize the climate change problem and understand the need for action.** For example, companies could commit to making an inventory of their emissions and pledging x% reductions, with "early credit" for such actions. Our intelligence indicates that several of the CEOs, including Alcoa's Paul O'Neill and FMC's Robert Burt (head of the BRT's Environmental Task Force) might be willing to commit to such voluntary steps.

Targets and timetables. These CEOs may resist endorsing any specific target and timetable, either because they don't want to go on record accepting any binding limit or because they don't want to box themselves in with specific numbers. Nonetheless, it is worth your trying to get a broad sense of what appears to be potentially acceptable or unacceptable -- e.g., 1990 in 2010, 1990 in 2020, a different baseline than 1990, etc.

International issues. Main ones are the flexibility measures -- international emissions trading and joint implementation and developing country participation. (See Background attachment.)

Domestic implementing policies. These are the domestic means -- such as emissions trading or technology -- for achieving whatever reductions we agree to. Several of the CEOs may want to talk about how technology can help address climate change. Your advisers are currently considering policies to promote development and diffusion of useful technologies. Partnerships with the private sector, similar to the Partnership for a New Generation of Vehicles, are likely to be among the options identified for serious consideration.

III. PARTICIPANTS

Pre-brief Participants:

The Vice President, Secretary Rubin, Secretary Pena, Janet Yellen, Todd Stern, Katie McGinty, Gene Sperling, Dan Tarullo, Jim Steinberg, Jack Gibbons and Maria Echaveste.

Event Participants:

The Vice President, Secretary Rubin, Secretary Pena, Janet Yellen, Todd Stern, Katie McGinty, Gene Sperling, Dan Tarullo, Jim Steinberg, Jack Gibbons, Maria Echaveste and Commerce Department's Chief Economist Lee Price, filling in for Secretary Daley.

Hank Barnett (Bethlehem Steel)

John Browne (British Petroleum)

Michael Bonsignore (Honeywell)

Fred Buckman (PacifiCorp)

Robert Burt (FMC Corp; Chairman of Environmental Task Force for Business Roundtable)

Pete Correll (Georgia-Pacific)

Bob Denham (Salomon Brothers)

Linn Draper (American Electric Power)

Ken Lay (Enron)

Paul O'Neill (Alcoa)

IV. PRESS PLAN

Pool spray at top of meeting.

V. SEQUENCE OF EVENTS

- You and the Vice President enter Cabinet Room.
- You make remarks to pool.
- Pool departs.
- You lead a discussion.
- You and the Vice President depart.

VI. REMARKS

Attached.

Discussion Points for Climate Change CEO Meeting

(Revised)

Welcome

- Thank you all for coming, particularly on short notice. **[Mr. President: you should recognize the Vice President, who may want to say a few words.** Also, if you recognize Secretaries Rubin and Pena (who are *not* expecting a speaking role), you should note that Sec. Daley wanted to be here, but had a commitment to be in Canada.]

General Views [Recommend asking Ken Lay/Enron and/or John Browne/BP]

- You've just heard a little about the principles that guide my approach to this issue. But I'm most interested in hearing from you. Ken, how do you see this issue right now and what do you think about our general approach?

Voluntary Steps [Start with Paul O'Neill/Alcoa.]

- Paul -- are there any steps that Alcoa might be willing to undertake soon?

We understand that O'Neill is prepared to have Alcoa inventory its greenhouse gas emissions and develop a plan to reduce those emissions voluntarily. We understand that Burt may be open to this as well.

- **[If O'Neill makes such a commitment, you can ask Burt:]** Bob -- do you think BRT member companies would be willing to make a similar commitment?
- **[You should see if others are willing to make voluntary action commitments and when they could report back or announce their plans.]**

Binding targets and timetables

- In the international negotiations, we have endorsed a framework of binding emission targets, flexibility, and the participation of *all* countries. On targets and timetables, the Europeans support a 10-15% cut from 1990 emissions levels by 2010, which we think is unrealistic. I know some of you might prefer no binding targets, but recognizing that we *will* support some target, I'd like to hear what you all consider to be realistic. **[If no one picking this up, you can turn to Linn Draper/American Electric Power.]**

International Flexibility

- Many analysts believe that flexibility measures such as international emissions trading and joint implementation offer the potential for significant cost savings. I know that a number of you are already engaged in joint implementation projects. How important is it to you for a treaty to include such measures? **[If no one is picking this up, you can turn to Browne, Draper, or Michael Bonsignore/Honeywell]**

Developing Country Participation

- The role of developing countries may be the most difficult issue in the current round of negotiations. Developed countries are responsible for more than 75% of the increase in greenhouse gases since the beginning of the Industrial Revolution, but developing country emissions are rising rapidly and will catch up to developed country emissions in the next 40 years or so. The US has insisted that developing countries be part of the solution, and the US Senate has recently spoken clearly on this issue (the Byrd Resolution).

What commitments do you think developing countries should be required to make? **[If no one is picking this up, you can turn to Pete Corell/Georgia Pacific]**

- How concerned are you that if developing countries do not have obligations, companies would relocate from the United States to the developing world?

Domestic Policy -- Technology

- Technology obviously will have an important role to play, and I believe we must work in partnership with business to develop these technologies. How do you think the Federal government can (1) best spur your investments in R&D and (2) best leverage its investment in clean energy technologies? **[You can turn to Bonsignore]**

Where do you see the most promise for developing clean energy options?

Bonsignore will likely urge us to pay attention to deploying current technologies. Ken Lay and John Browne may emphasize renewable energy. Brown and Draper may suggest a "Manhattan Project" initiative aimed at breakthroughs in key technologies.

Domestic Policy -- Domestic Emissions Trading

- Some of you are very familiar with emissions trading programs. We've had such a program in place for utilities for several years, to deal with the problem of acid rain. What do you think about emissions trading? **[Fred Buckman/PacifiCorp; Bob Denham/Saloman; Draper/AEP can all be asked about this.]**

Buckman will likely speak favorably about emissions trading, citing experience under the acid rain program. Draper also has experience with this program. Denham may wish to comment from a financial market perspective.

Conclusion -- Asking for their help

- I appreciate you all coming here for this discussion. I look forward to working with you as we go forward. I hope you can help us by moving forward on voluntary actions right away and by going out and speaking -- whether publicly or privately -- in support of constructive, market-based action. We *can* deal with this problem the right way, without hurting the economy, and I hope you can help us do it.

Background on Issues

INTERNATIONAL NEGOTIATIONS

The Framework Convention on Climate Change was signed at the Rio "Earth Summit" in 1992. - The current round of negotiations is scheduled to conclude in Kyoto this December. To date, the United States has advanced a three-part framework for the negotiations. We have argued for (1) binding emissions targets, (2) flexibility in achieving those targets (for example, through emissions trading among developed nations and "joint implementation" with developing nations), and (3) the participation of all countries. We have not yet proposed any specific targets or timetables. A relatively low-level negotiating session has been going on this week in Bonn and will continue next week.

Targets and Timetables

The European Union has proposed that developed nations cut back emissions 10-15% from 1990 levels by 2010. We have stated publicly that we believe this proposal is unrealistic. Other nations, including Australia, Japan and Canada, have expressed concerns about moving too far too fast, but have not put forward any specific targets. Several countries (including Australia, Japan and Norway) have supported "differentiated" targets, under which different developed countries would take on different obligations. The United States has opposed these proposals as unworkable.

Flexibility

The term "flexibility" has been used to refer to international emissions trading, joint implementation, banking and borrowing (applying extra emissions reductions from one period in another period) and multi-year targets (setting emissions targets for periods of two or more years, such as 2010-2020). Such policies can substantially reduce costs of compliance.

Our proposal for emissions trading among all developed countries has met with only limited support. However, the EU has proposed that its members be allowed to trade emissions among themselves (the "EU bubble"). We have insisted that all countries that all developed countries be allowed to trade emissions.

Closely related to international emissions trading is "joint implementation." In a typical case, a company in the developed world would invest in a renewable energy, energy efficiency or forestry project in a developing nation. Emissions avoided as a result of this investment could be applied to that company's obligations at home. Since emissions reductions are typically much cheaper in the developing world than they are in the developed world, significant efficiencies could result. Developing countries would gain benefits in the form of technology transfer and private sector

investment flows as well.

In spite of the potential benefits, most developed countries remain opposed to joint implementation (although support has grown significantly in Latin America). Many of these countries see joint implementation as a way for developed countries to avoid taking responsibility for reducing greenhouse gas emissions. In addition, some environmentalists are concerned that measuring project-based emissions reductions will be too difficult, and some in Congress are concerned that joint implementation will result in significant transfers of wealth overseas.

The U.S. business community has strongly supported joint implementation. Utilities have been among the most active participants in pilot projects to explore the feasibility of joint implementation.

Developing Country Commitments

This is the most difficult issue in the current round of negotiations. There is a vast gulf between the dialogue abroad (where the U.S. proposals for developing country participation are almost uniformly considered too aggressive) and at home (where Senator Byrd's resolution, calling for commitments beyond the U.S. proposal or the 1995 Berlin Mandate under which this treaty is being negotiated, passed the Senate recently 95-0).

Developed countries are responsible for more than 75% of the increase in greenhouse gas concentrations since the beginning of the Industrial Revolution. In the decades ahead, however, emissions from developing countries are expected to grow sharply. By 2035, developing country emissions are expected to exceed those from the developing world.

Per capita emissions vary widely. Carbon emissions from the United States are roughly 5 tons per person; from the OECD as a whole, roughly 3.5 tons per person; and from developing countries as a whole, roughly 0.5 tons per person.

The 1992 climate treaty established differentiated levels of commitments for developed and developing countries. It called upon developed countries to take the lead in addressing climate change and to aim to return emissions to 1990 levels by the year 2000. It called upon developing countries to adopt policies and measures to address climate change, but provided no aim for developing countries similar to the year 2000 goal. These differentiated commitments were intended to recognize both the unequal contribution of developed and developing countries to global greenhouse gas concentrations and the unequal capacity of those countries to control emissions.

In 1995, in Berlin, the Parties to the climate treaty agreed to negotiate further steps for controlling greenhouse gas emissions. The negotiating mandate calls on developed countries to set quantified emissions limits for the "medium term (e.g. 2005, 2010 and 2020)." In Berlin, the United States argued strongly that developing countries must participate meaningfully in negotiations over next

steps. There was little support for the U.S. position on this point, with many Parties noting the failure of most developed countries to take significant steps toward meeting the year 2000 goal. The Berlin Mandate states that there will be "no new commitments" for developing countries in the current round of negotiation, but that developing countries will be required to "advance the implementation of" their existing (non-binding) commitments.

In January, 1997, the U.S. submitted a draft protocol proposal. Provisions on developing countries included three elements, the most important of which is the "evolution" concept, which would require developing countries to enter into an agreement by 2005 to adopt legally binding emissions targets and would include a "graduation mechanism" under which developing countries would automatically incur obligations as their living standards increase.

DOMESTIC POLICIES

Your Cabinet and staff are currently in the process of shaping domestic policies options to address greenhouse gas emissions. Among the options receiving close attention are domestic emissions trading and technology programs.

Domestic Emissions Trading Programs

Under emissions trading programs (sometimes referred to as "cap and trade"), companies would be allowed to buy and sell the right to emit greenhouse gases. The US has had more experience with emissions trading than any other country. Examples include the Clean Air Act's acid rain program, under which utilities are allocated permits based on historical emissions of sulphur dioxide. Permits may be traded. Compliance costs under this program have been much less than expected, due to unforeseen factors. (Prior to passage, industry estimated compliance costs would be over \$1,000/ton. Government studies estimated costs would be around \$600/ton. Currently, allowances are trading on the Chicago Board of trade for around \$100/ton).

Among the issues to be addressed in designing a domestic emissions trading program:

- Where the constraint is imposed. A "primary fuel" trading program would limit the production or import of fossil fuels. A "sectoral" trading program would limit emissions from one or more key sectors (e.g., utilities, transport or heavy manufacturing).
- How permits are distributed. For example, permits could be parceled out to emitters based on historical emissions, auctioned, or some combination of the two. If auctioned, substantial revenues would be raised which, for example, could be recycled through a consumer and/or business tax cut, or used for transitional or technology programs).

An emissions trading program for greenhouse gases could potentially be bigger in scope (by an order of magnitude) than any existing emissions trading program. We are currently exploring

feasibility and implications.

Technology Programs

The cost of reducing greenhouse gas emissions between now and 2020 depends greatly on the ability to accelerate use of existing energy-efficient technologies. Over the longer-term, the solution to the climate change problem depends on developing and deploying new technologies that are even more efficient or are based on non-carbon energy sources.

A range of government programs might help accelerate technological change. Research and development programs generally aim to improve technologies by lowering production and operating costs. Large opportunities for cost-lowering research and development exist in buildings, transportation, combustion, renewables and sequestration (e.g., fuel cells, advanced industrial turbines, advanced diesel engines, and transportation biofuels). In addition, information dissemination programs assist businesses and consumers in identifying opportunities to reduce the energy intensity of their products or services (e.g., using more energy efficient light bulbs, insulation, appliances, etc.).

You have strongly supported technology programs with significant climate change benefits. Examples include:

Partnership for a New Generation Vehicle (PNGV)

The PNGV program joins the big three U.S. auto makers, federal agencies and many suppliers of materials and equipment in an effort to develop a more efficient car. The program's goal is to triple the fuel efficiency of passenger cars with no decrease in comfort or safety.

The Climate Change Action Plan (CCAP)

CCAP began in 1993 with a goal of returning total US greenhouse gas emissions to their 1990 levels by the year 2000. The plan includes about 50 initiatives covering all major greenhouse gas producing sectors of the US economy, including Energy Demand, Energy Supply, and Forestry. CCAP programs have reduced the rate of emissions growth, but not enough to achieve the programs goals. CCAP is a voluntary program that relies on partnerships and cooperation with industry and includes both government and private sector investment in new low-emissions, high-efficiency technologies. Agency participants include DOE, EPA, and USDA.

Biomass Energy Initiative

DOE and USDA are working with companies to demonstrate power projects for rural development and to improve technologies for converting crops to liquid and gaseous fuels. Pilot projects are running in New York, Minnesota and Iowa.

Million Solar Roofs Initiative

In your recent UN speech, you announced that DOE will lead an effort to place one million solar energy systems on the roofs of buildings and homes across the US by the year 2010. This will be accomplished by using existing federal grants, procurement, and other programs, and by working with local communities, businesses, state governments, utilities, and other groups to spur the sales of solar energy systems. In 2010, this initiative will avert emissions of carbon dioxide equivalent to those produced by 850,000 cars and will produce the same electrical generating capacity as 3-5 coal-fired power plants.

PCAST Energy R&D Panel

In response to your request, the President's Council of Advisors on Science and Technology is conducting a comprehensive and strategic review of U.S. energy R&D policies and practices "to ensure the United States has a program that addresses its energy and environmental needs for the next century". The group is examining energy efficiency, fossil, nuclear (fission and fusion), and renewable energy programs and budgets across the Federal government. Their assessment, including recommended actions, is expected by October.

Partnership for Advancing Technologies in Housing (PATH)

Our planned PATH initiative will have HUD, DOE, and NIST working with building suppliers, assemblers, insurance companies, and state and local regulators in an effort improve the quality of housing and meet ambitious environmental goals without increasing prices. Buildings are responsible for about a third of US greenhouse gas emissions (this total is rising) and 2/3 of US electricity consumption.

DOE's Industries of the Future Program

This is an industry/government partnership with the seven most energy-intensive U.S. industries, including chemicals, paper and pulp, steel, aluminum and petroleum. The program has reached technology agreements with each industry that focus the R&D expertise of our national labs on cutting energy use and pollution in each industry.

CEO Meeting on Climate Change -- Company Profiles

Hank Barnett, Bethlehem Steel.

Bethlehem Steel is headquartered in Bethlehem, PA, with major plants in MD, IN, PA, upstate NY, and MS, and a coal mine in West Virginia. In 1996 revenues were about \$4.7 billion. Since 1978 they have reduced their energy use by 40% and have recently restructured. Barnett is the Chair this year of the American Iron and Steel Institute. He is also a member of the President's Trade and Advisory Committee, having been appointed both by President Bush and by President Clinton. On climate change, he is concerned about developing countries and interested in flexibility measures. He is probably not supportive of any binding emissions cap, but may support voluntary activities.

John Browne, British Petroleum

With major production in Alaska and the Gulf of Mexico, BP America, based in Cleveland, is the largest crude oil producer in the United States. The British parent, with holdings in 70 countries and assets of \$67 billion, is the 20th largest company in the world. It has begun to diversify its energy portfolio into the solar power business (investing more than \$100 million to date) -- including manufacture of photovoltaic panels in California. In May, Browne unveiled BP's new approach to climate change in an influential speech at Stanford University in May. After concluding that the science of climate change could not be ignored, Browne launched an action plan closely aligned with the U.S. policy framework. This plan emerged from a year-long internal evaluation of climate science and policy options.

Michael Bonsignore, Honeywell

One of the world leaders in energy efficiency equipment, Minneapolis-based Honeywell manufactures everything from residential thermostats to power plant controls, oil exploration and refining equipment and automobile components. Honeywell participates in the Green Lights and Energy Star voluntary programs at EPA. It is active in 95 countries on six continents and had 1996 sales of \$7.3 billion. Climate change mitigation -- as it drives greater energy efficiency -- opens new business opportunities for Honeywell. While it is poised to grow its business with climate policy, it is careful in the political debate to avoid offending its major customers in the automobile, oil and utility industries.

Fred Buckman, PacifiCorp

PacifiCorp is a major energy holding company based in Portland, OR, with electric utility or coal mining operations in seven western states and several foreign countries. Having electric generation capacity that is 80% coal, PacifiCorp is the largest single CO₂ emitter west of the Mississippi River. Recently, it announced plans to purchase UK-based Energy Group, with holdings that include St. Louis-based Peabody Coal, the largest coal mining firm in the free world, second only to China's national coal company. Even with its strong coal base, PacifiCorp committed itself to voluntary reductions in DOE's Climate Challenge program and intends to be constructive on climate change, believing that in a deregulated future where customers can choose an electricity provider, it must demonstrate environmental excellence. PacifiCorp supports emissions trading -- given its positive

experience on acid rain -- and is already engaged in greenhouse gas emissions trading under an Oregon state law. PacifiCorp is a partner in a joint implementation pilot project in Bolivia, as mentioned above, and is convinced of the viability of this policy approach for climate mitigation.

Robert Burt, FMC Corp.

Based in Chicago, FMC is a diversified supplier of chemical products, agricultural chemicals, precious metals, defense systems, automobile components, food machinery, petroleum equipment and specialized machinery, with annual sales of over \$3 billion. Burt chairs the Business Roundtable's Environment Committee and climate change initiative. Burt is unconvinced that we need targets and timetables and has generally been skeptical thus far on climate change.

Pete Correll, Georgia-Pacific

Georgia-Pacific, headquartered in Atlanta, is one of the nation's biggest paper and pulp companies, with around \$13 billion in annual revenues. On climate change, Correll is concerned about the impact of climate change policy on its international competitiveness, but is interested in working constructively on a reasonable outcome. Georgia-Pacific has certain opportunities it could take advantage of with regard to reducing emissions, such as forest sequestration and producing energy from biomass waste or crops.

Bob Denham, Salomon Brothers

In 1996, Salomon Brothers of New York increased its revenues by a third to almost \$4 billion. Salomon is actively working to develop financing packages for numerous independent power projects in developing countries. Until recently, Salomon was the owner of the fourth largest independent oil refiner in the United States. Denham just returned from a trip to Asia, where he gained some insights into how the climate issue is perceived there. Denham is very knowledgeable about oil issues as the largest oil trading firm in the world (larger than Exxon) and knows a lot about trading generally, but is not an expert on global warming.

Linn Draper, American Electric Power

Based in Columbus, Ohio, American Electric Power is the one of the nation's largest electric utilities, with facilities and some seven million customers in seven states. AEP's electricity generation resources are 85% coal. Having significant experience in emissions trading of sulphur dioxide, AEP consistently advocates market-based approaches to environmental controls. CEO Linn Draper has shifted the company toward a more positive approach to the environment. On climate change, Draper has been an industry leader. He helped convince others in his industry to enter voluntary commitments in the Energy Department's "Climate Challenge" program, which now has more than 600 companies actively reducing emissions. To demonstrate that international flexibility can work, AEP teamed with the Nature Conservancy and the government of Bolivia in a joint implementation project to protect and enhance an endangered rain forest. Recently, both BP and PacifiCorp joined as partners in this venture.

Ken Lay, Enron

Based in Houston, Enron is a diversified energy company -- with holdings that include one of the world's largest natural gas pipeline (36,000 miles), a wholesale electricity brokerage, an emissions trading brokerage -- and revenues of over \$13 billion. Several recent acquisitions include Portland General Electric Utility in Oregon, Zond Windpower (the largest wind turbine manufacturer) in CA and a joint venture with Amoco in manufacturing photovoltaic panels in Virginia. Internationally, Enron is an independent power producer with projects under development in several countries. Enron's orientation to climate change is to embrace it as a new business opportunity -- for gas, solar, wind and emissions offsets/credits. It advocates free market approaches, such as emissions trading. Enron is a strong supporter of joint implementation, though it has not invested in any pilot projects, because credits are not allowed in the pilot phase.

Paul O'Neill, Alcoa

Headquartered in Pittsburgh, Alcoa is one of the world's leading producer of aluminum and alumina and has sales of \$13.1 billion. Alcoa has been an active participant in two of EPA's voluntary programs: Green Lights (energy efficient lighting) and the Voluntary Aluminum Partnership (reducing chemical emissions from the smelting process). Alcoa has experience in the acid rain emissions trading program -- it opted in as a large industry generator. O'Neill does not want to be an obstructionist on climate change and views the business-as-usual approach of some in industry as unhelpful. He may be somewhat skeptical on aspects of the science. Alcoa is also concerned about potential effects on competitiveness if developing countries are not required to assume any obligations. O'Neill hopes this meeting is the beginning of a process where they can work with us to help shape policy on climate change.

Pool Spray Q&A on Climate Change
(8/3/97)

Q: What issues will you be discussing today?

A: We will discuss a number of issues relating both to the international negotiations and to domestic policies for reducing greenhouse gas emissions.

Q: Are you going to talk about energy taxes or other means of raising energy prices?

A: I expect that we will talk about market-based policies that can help us reduce emissions while continuing our robust economic growth. It has always been my belief that we can make environmental protection work for us economically if we do it right and we do it smart.

Q: Will you take energy taxes off the table now?

A: It has never been my practice to make pledges of this kind and I'm not going to start now. But I would remind you that I have just spent the last many months fighting for a tax *cut* and working with the Congress to get a tax cut passed. I expect that we will talk about market-based policies that can help us reduce emissions while continuing our robust economic growth.

Q: Taking serious action to reduce the emission of greenhouse gases inevitably means driving up the price of fossil fuels such as coal and oil. Don't you think that would hurt the economy? And -- remembering what happened to your proposed Btu tax in 1993 -- don't you think policies that would, in effect, impose a "carbon tax" would be dead on arrival in Congress?

A: We have not yet decided on specific targets or timetables or the policies to achieve such targets. As I have said, I am not going to endorse policies that will disrupt our economy. Whatever measures we ultimately decide upon will of course have to be supported by the American people and the Congress.

Q: The European Community's proposal would cause huge disruption to our economy and send jobs overseas. You're not going to support anything that threatens our economy, are you?

A: The watchwords of my entire Administration have been economic growth and job creation and I am not going to endorse climate change policies that will disrupt our economy. The policy we develop on climate change will include a commitment to realistic, binding limits on greenhouse gas emissions; will emphasize flexible, market-based solutions to the maximum extent possible; and will be fully consistent with maintaining our vigorous economic growth. It is our responsibility to take appropriate action now that will both preserve economic growth and protect our children and grandchildren.

Q: The Byrd Amendment says we should not sign any treaty in Kyoto that doesn't require developing countries to take on binding obligations too. Don't you agree that it would be foolish for the industrial world to accept tough, binding obligations on greenhouse gases while letting countries like China off scott free?

A: I share the sentiment underlying the Byrd resolution that all nations - - whether developed or developing - - need to be part of a common solution to global climate change. Our negotiators will continue working hard to bring back an agreement that the American people and the U.S. Congress will overwhelmingly support.

Q: What is your policy on climate change?

A: We have not yet endorsed any specific target or timetable. What I can say is that we are committed to realistic, binding limits on greenhouse gas emissions; that we will emphasize flexible, market-based solutions to the maximum extent possible; and that the actions we take will be fully consistent with maintaining our vigorous economic growth. It is our responsibility to take appropriate action now that will both preserve economic growth and protect our children and grandchildren.

Q: I understand that there isn't even scientific agreement that global warming is happening. Shouldn't we wait for more research before we saddle ourselves with burdensome obligations that are going to hurt our economy and damage our competitive position?

A: The science on this issue is compelling. While no science is ever *certain*, this science tells us that appropriate action is called for now. Unless we change our business-as-usual path, serious consequences are in store for us and our children. And strong evidence suggests human activity has *already* started to change the climate. So the message to political and business leaders in this country is to get together and work out a sensible plan for reducing our greenhouse gas emissions.

Q: Are you going to be having more meetings like this one as part of your effort on climate change?

A: We are engaged in an intensive policy process to develop the position we will take into the Kyoto negotiations, and as part of that process we are reaching out to interested, knowledgeable parties to get their views and their best ideas. We will continue doing that and the Vice President and I, members of the Cabinet and other senior Administration persons will participate in those meetings.

Additional Q&A on Climate Change
(8/3/97)

Q: I agree that climate change is a problem that needs to be addressed. My concern is that I think American business should have an opportunity to do this in a voluntary way that will not disrupt the economy, throw people out of work, or transfer factories and capital to China and India. Why can't we start on a voluntary basis?

A: I think voluntary action is important, I encourage it, and I think early credit should be given for it. At the same time, the non-binding treaty that was agreed to in Rio in 1992 has not reduced emissions enough, so it is clearly time to move to the next level, with binding commitments.

Q: While many scientists think that enough is known to act now, other scientist say that too much is still uncertain. Shouldn't more research be done before we undertake costly measures?

A: The overwhelming majority of scientists agree that we are changing the earth's climate and that if we don't act to curb emissions, carbon dioxide in the atmosphere will reach levels unseen on this planet for millions of years. The potential impacts scientists warned me about at the Roundtable discussion we had recently at the White House include increased droughts and floods and changing patterns of disease. Some think we are already seeing signs of these.

We must start to change the emissions paths we are on now for 3 reasons: (1) the longer we continue on "business as usual" before deciding to reduce emissions, the more severe and expensive later reductions will have to be; starting the process will spur new technologies that we will need to address this problem; and (3) slowing the rate of climate change will make it more likely human and ecological systems can adapt to that change;

Q: How can humans have such a big effect when natural sources account for 97% of the carbon emissions in a year? (Chrysler CEO Eaton raised this question in a recent Wash. Post editorial.)

A: Humans add about 7 billion tons of carbon to the atmosphere each year-- faster than oceans and trees can absorb them. This is why the concentrations of such gases are rising. **The Earth's carbon budget is out of balance**, and getting more so each year as we continue to add CO₂ to the atmosphere.

Q: How can any projections of impacts be accurate when climate models don't give an accurate picture of regional changes?

A: Although detailed predictions of what might happen in specific regions of the world are not yet possible, plausible estimates of possible changes are starting to emerge. Climate change is already contributing to more rainfall in intense downpours and warmer temperatures, and affecting water resources, agriculture, low-lying coastal regions, natural ecosystems, the potential range of disease-carrying insects, and many other sectors of the environment and society. We can extrapolate these effects into the future, even though we cannot yet accurately simulate future climates on a regional-scale.

Q: Isn't it true that most of the scientists who signed the "scientists letter" aren't climate specialists? What makes them qualified to speak out on this subject?

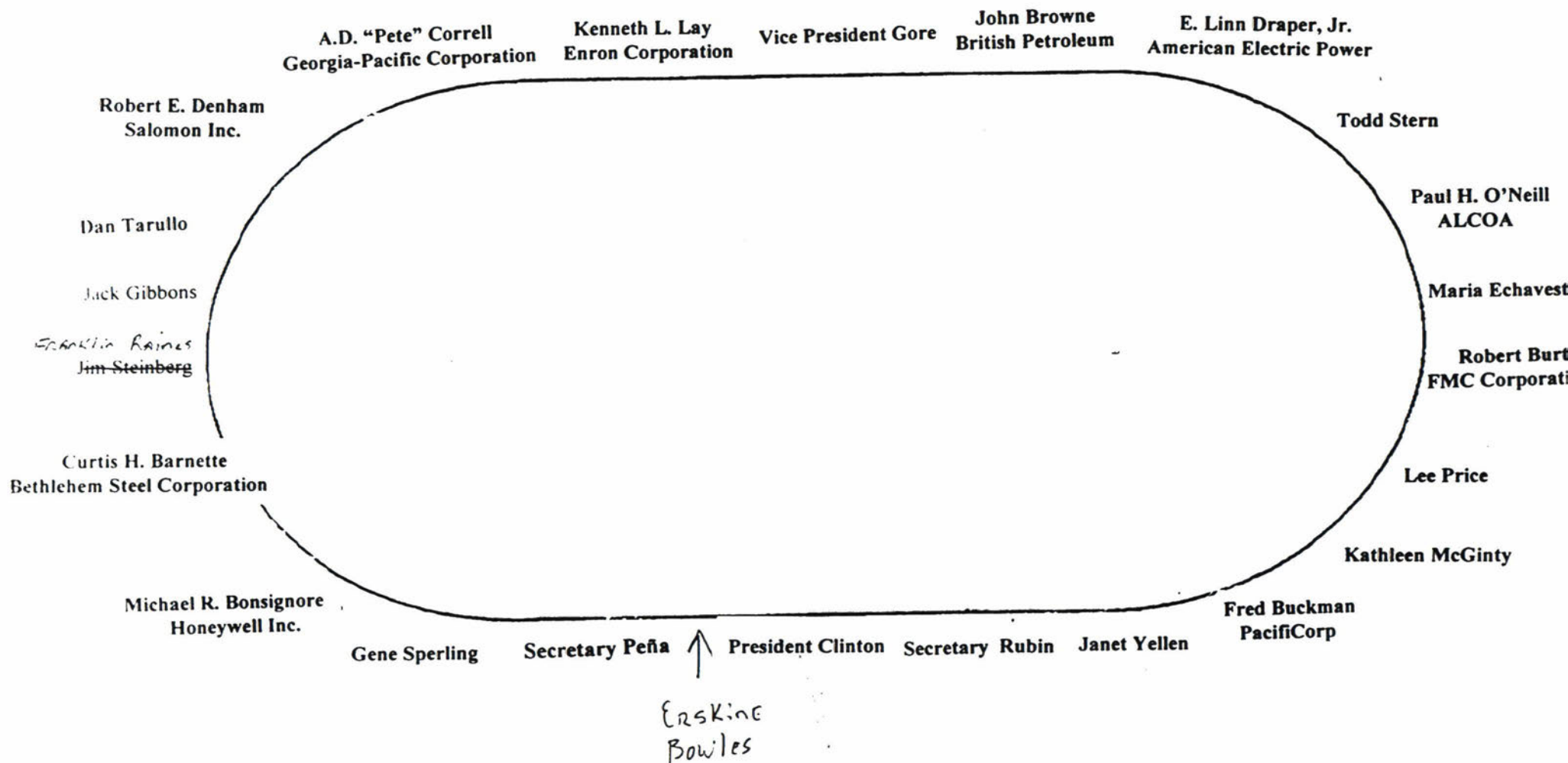
A: A wide variety of researchers signed the Scientists Statement on Global Climate Disruption (dated June 18, 1997). Many of them are climate researchers; all of them are individuals trained in the evaluation of evidence and theory, and their opinion should not be taken lightly. The highly inter-disciplinary nature of climate change means that "climate specialists" include people trained in biology, ecology, physics, sociology, chemistry, geology, economics, geography, oceanography, meteorology, medicine, political science, and other disciplines, as well as climatology.

CEO's in Brief

1. **John Brown - BP:** Most progressive oil company, by far. Member, ICCP. Committed to action (efficiency, solar, R&D, JI) in Stanford Speech. Likes US policy model.
2. **Linn Draper - American Electric Power:** Signed BRT Ad, but moderate & influential among big coal burning utilities. Climate Challenge: voluntary domestic actions & JI. Wants credit. Won't stand up & applaud binding target -- but if we get flexibility, he can live with it.
3. **Fred Buckman - PacifiCorp:** 7 western states & major coal burner. Past arguing on science, ready for pragmatic policy. Likes "comprehensive approach" -- all gases, sources & trees. Supports domestic emissions trading, but doesn't like auctions (same as tax). Strong on JI -- already in projects in Belize & Bolivia. Thinks he's too much a maverick to influence utility CEO's -- but wants to help w/ 14 western Senators.
4. **Ken Lay - Enron:** Positioning his company to compete w/ green image. Likes market based mechanisms, including JI & domestic trading. Member of ICCP & Business Council for Sustainable Energy -- which supports early target, JI & technology programs. Very active in developing countries w/ independent power projects.
5. **Paul O'Neill - Alcoa:** Signed BRT Ad. Wants us to continue climate research, but won't just oppose everything. Wants pragmatic steps forward. Major competitiveness concerns. Like emissions trading (opted into acid rain program). Active in buying inefficient aluminum plants abroad & upgrading them -- so int'l emissions trading could help him.
6. **Robert Burt - FMC:** Chairs BRT Environment Subcommittee. Championed BRT advertisement. Has become annoyed with Administration on climate -- wants more transparent process. After venting, he should be constructive -- doesn't believe in old adversarial model on environment. Has some competitiveness concerns re: chemicals, & auto CEO's pressure him as major auto supplier.
7. **Michael Bonsignore - Honeywell:** Climate = business opportunities for efficiency products. BRT member, but did not sign ad. Takes care not to annoy auto & oil CEOs -- some of his biggest customers. Member, Business Council for Sustainable Energy.
8. **Bob Denham - Salomon Bros.:** Company has begun environmental program to improve performance. New to climate change, wants to be helpful. Supports market based policy models. Active with oil industry -- could be influential there. Active in emerging markets abroad -- just returning from Asia & may have insights.
9. **Hank Barnett - Bethlehem Steel:** Signed BRT Ad. Concerns about competitiveness. Doesn't like binding targets & caps on emissions on US if developing nations don't have them. Influential with Steel industry.
10. **Pete Corell - Georgia-Pacific:** Did not sign BRT Ad. Past Member, PCSD. Likes "comprehensive approach" (allows forest growth as offsets). Strong supporter of pulp & paper industry R&D partnership with DOE. Doesn't want to be negative on environment.

**PRESIDENT WILLIAM J. CLINTON
REMARKS FOR POOL SPRAY
BEFORE CEO MEETING ON CLIMATE CHANGE
THE WHITE HOUSE
AUGUST 4, 1997**

- I am pleased today to welcome to the White House the chief executives of 10 Fortune 500 corporations -- from the oil and gas business to electric utilities, heavy industry, high technology and finance -- to talk about developing a responsible approach to global climate change.
- The science tells us that global climate change will have real and disruptive effects. If we don't take sensible action to reduce greenhouse gases, we and our children will pay a steep price. **We as political and corporate leaders must work together now so that we can both protect our environment and keep our economy strong.**
- I approach the climate change problem with several key principles in mind:
 - First, we must endorse realistic, binding limits to reduce greenhouse gas emissions.
 - Second, we can make the necessary reductions while preserving or enhancing economic growth. Our success during the past four years shows that environmental protection and economic growth go hand in hand.
 - Third, we should emphasize flexible, market-based policies to reduce emissions.
 - Fourth, we must invest in research and development to promote technologies that reduce greenhouse gases. America should remain a leader in the \$400 billion global market for environmental technologies.
 - Finally, climate change is a global problem that requires a global solution. All countries must participate.
- With the active involvement of business, we can chart a new course on greenhouse gas emissions that the American people and the world community can support.



CEO CLIMATE CHANGE SEATING CHART