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P1 National Security Classified Information [(a)(1) of the PRA]
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 22, 1997

MEMORANDUM TO: DEPUTY SECRETARY SUMMERS

FROM: JONATHAN GRUBER

RE: Responses to Your Questions on Climate Change

You had asked nine questions related to the economic analysis of the administration's climate change proposal:

Variation in Gas and Energy Prices Over Time

Depending on the ultimate rise in carbon permit prices, the increase in gasoline prices expected from the President's plan may be no larger than the normal month-to-month and year-to-year variation in these prices.

Retail gasoline prices vary considerably from one month to the next. For example, in November 1995, new rules requiring oxygenated fuels in the winter months went into effect in Washington and several other metropolitan areas. This caused the price of gasoline at the pump in the Washington area jumped by 10 cents per gallon overnight -- an increase equivalent to a $40 per ton carbon tax, yet few consumers noticed. In the same way, the seasonal increase in summertime demand raises gasoline prices by several cents per gallon for several months each year.

Year-to-year changes have often been greater than the price change expected to result from the President's plan. We attach to this memo (TAB A) a graph of gas and energy prices since 1970, as well as a printout of the underlying data points.

- The table shows: real gas prices; the year to year change; the energy price index; and the year to year percentage change in that index.

- The average of the absolute value of year to year changes since 1970 for gas prices is 11 cents; this is equivalent to the gas price increase from a $42/ton price of carbon. There are five years over this period in which price changes exceeded 26 cents, or the equivalent of $100/ton

- The average from 1983 to 1997 is 8 cents, equivalent to a $31/ton price of carbon; there is only one large change overthis period.

- The changes in overall energy prices is much less pronounced year to year, and does not seem to make the point as well.

Moreover, the effects of the President's plan would not all be felt in one year, further dampening

The Potential for Worldwide Trading

We attach to this memo (TAB D) a qualitative analysis describing the great potential of international cooperation for reducing carbon abatement costs. In particular, the attachment discusses how the energy inefficiency and greater expected growth of non-OECD countries make joint implementation (JI) and permit trading important avenues for reducing costs. We note in particular that a World Bank study suggests that emissions reductions in China before 2020 could save roughly as much in carbon emission as the U.S. would have to reduce to achieve 1990 levels by 2010. Anecdotal evidence describes the untapped potential for efficiency gains in developing and transitional economies and also highlights the success of JI pilot projects.

How do we Distinguish Our "Phase I" Plan from the Climate Change Action Plan?

Phase I of the president's plan calls for new technology spending of roughly $1 billion per year, but no explicit price of carbon. The question is whether this represents a real step beyond the Climate Change Action Plan, which has been regarded by some as a failure. The White House has produced a good set of talking points on this issue, which we draw on and expand here:

- The President's plan includes substantially ***more funding***: $5 billion over 5 years--about 6 times as much funding as for the Climate Change Action Plan (Note on funding: the President's plan has about 3 times more funding than CCAP plus the Partnership for a New Generation of Vehicles).

- 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 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.

- The President has indicated his support for environmentally-friendly ***electricity restructuring***, which has the potential to reduce emissions significantly.

- The President has announced that the US will provide $1 billion over the next 5 years to ***help developing nations*** and countries in transition to reduce the threat of climate change.

What are the Assumptions of the Models that Generate Small Economic Effects?

The White House talking points cite model results that suggest that with worldwide permit trading, the United States could reach 1990 emissions levels by 2010 with a permit price of $25 in 2010, and a loss of only 0.1% of GDP.

These results come from Battelle's Second Generation Model (SGM), used in the IAT's work earlier this year. SGM is a 12-region model that includes 10 supply sectors (of which 8 are energy-related), with capital modeled as "putty-clay". SGM includes 2 end-use sectors, households and government, which consume final products, provide labor, land, and capital to the markets, and determine the savings rate. The model allows regions to trade goods. SGM models energy as a depletable, graded resource for both fossil and non-fossil fuels.

Can Other Examples be Used to Demonstrate that our Assumptions are Overly Pessimistic?

As you know, a recent article in the American Prospect highlighted a number of other environmental control programs where the initial cost estimates turned out to be overly pessimistic. Unfortunately, most of their examples have fundamental flaws in one way or another. There are three examples that do bear scrutiny:

- ***Cotton dust.*** Actual costs were below estimated costs in part because estimates were based on models that did not include the effects of technical change in the industry, which was accelerated by the new standards.

- ***Strip mining.*** Early costs estimates referred to reclamation at mines in operation at the time. In response to the law, however, producers expanded operations at sites where reclamation costs were lower, often on flatter terrain.

- ***Vinyl chloride.*** Early estimates were based on static cost models, and did turn out to be too high.

A number of examples are not relevant, as discussed in the attached memo. In particular, you asked about CFCs. EPA's estimates for the cost of reducing CFC production fell from $3.55 per kg (1988) to $2.45 per kg (1996), with the latter price for a more stringent standard. But the well-publicized problem of CFC smuggling indicates that control costs at the margin, which is what counts, are much higher than these estimates. CFC-12, the most common form, now has a street value of about $50/kg. By one estimate, 10 thousand tons of CFCs are now smuggled into the US every year; by comparison, legal production is 100 thousand tons this year.

We attach (**TAB E**) a memo that describes this conclusion in more detail, as well as the American Prospect article itself.

What Assumptions Underlie the Estimates of Massive Job Loss from the President's Plan?

The widely publized recent job loss estimates come from the EPI, a labor union think-tank, which projects job losses of 1.7 million by 2010. These estimates are implausible, for a number of reasons:

- Many IAT reviewers, including Nordhaus and Jorgenson, note that short-term macro models, such as the EPI-GRI model, are not appropriate for long-term predictions.

- The DRI model used in this study is very sensitive to changes in assumptions. In this study. DRI ran a short-term macro model with assumptions that would provide a worst-case result: a $200 permit price, increased emissions baseline, and decreased rate of efficiency improvements.

- The study also ignores Annex I trading, JI, or worldwide trading; worldwide trading has been estimated to lower costs by 50-75% in other models.

- A key contributor to the large unemployment effects appears to be large trade effects, which are inconsistent with other models and probably reflects weak trade modelling.

- It is worth noting that this is not the first time that EPI has staked out this position on job loss; their estimates of the effects of NAFTA have been proven to be wildly pessimistic.

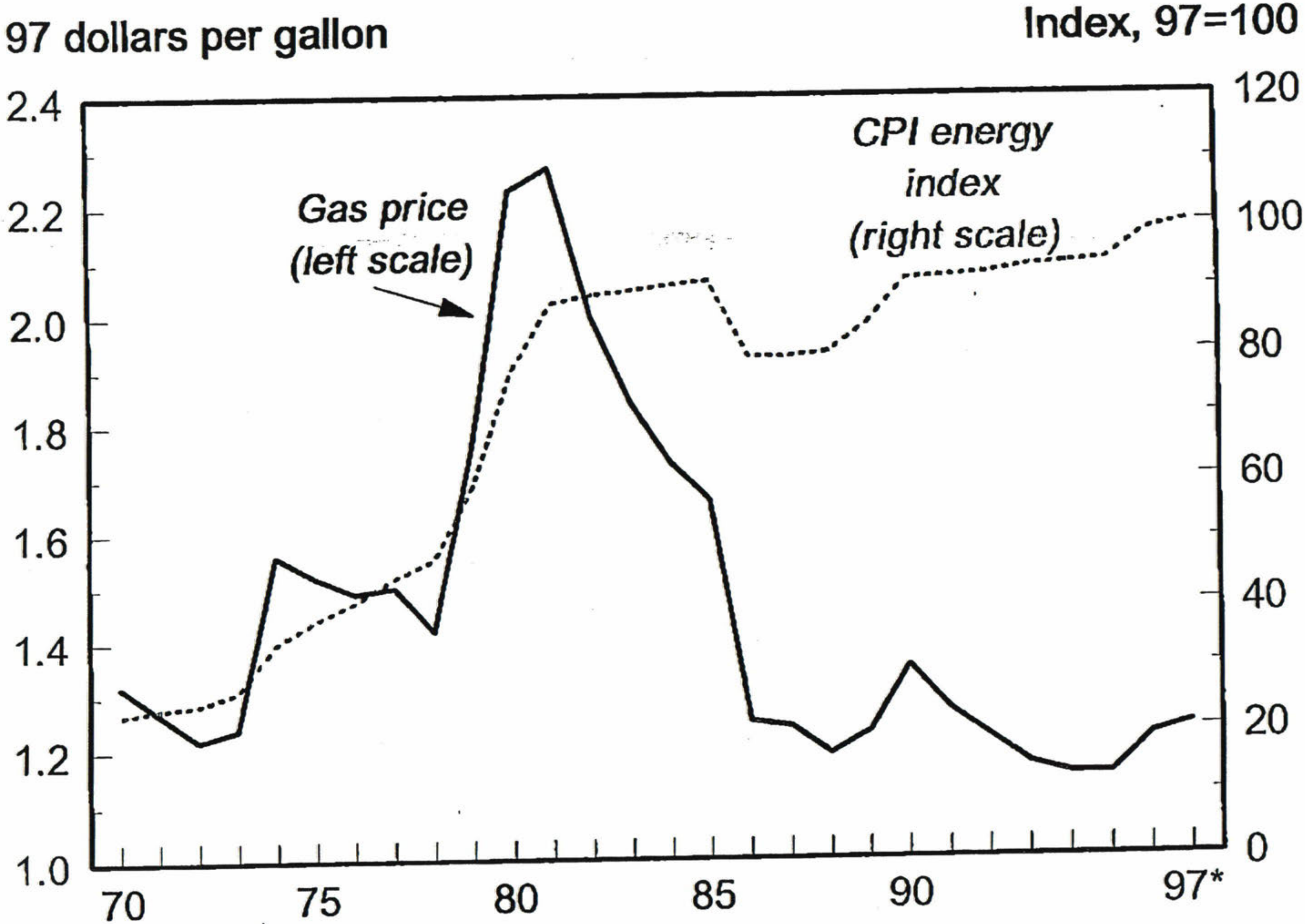
We attach a detailed critique of the EPI-DRI study as TAB F.

To What Extent can the Cost Savings from Electricity Deregulation Offset Price Increases Due to our Climate Change Plan?

- Electricity restructuring would reduce electricity prices by 0.5 to 1.1 cents per kw-hour; a carbon tax of $30 to $70 per ton would raise electricity prices by the same amount. This comparison is misleading, however, since the price reduction from electricity restructuring falls only on the electricity sector, while the price increase from a carbon tax would increase prices for other carbon-based fuels as well.

- Electricity restructuring is expected to save the average 4-person family about $232-$488 per year; a carbon tax of roughly $15 to $35 per ton would cost the average family about the same amount.

RETAIL ENERGY PRICES



* 1997 based on 7-month average

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RETAIL PRICES OF GASOLINE AND TOTAL ENERGY

	Gasoline (1997 price per gallon)	Year-to-year change	Consumer energy price index (1997=100)	Percent Change
1970	1.32		22.911	
1971	1.27	-0.04	23.824	1.0
1972	1.22	-0.06	24.483	1.0
1973	1.24	0.02	26.453	1.1
1974	1.56	0.32	34.179	1.3
1975	1.52	-0.04	37.803	1.1
1976	1.49	-0.02	40.544	1.1
1977	1.50	0.01	44.385	1.1
1978	1.42	-0.08	47.207	1.1
1979	1.77	0.35	59.097	1.3
1980	2.23	0.46	77.321	1.3
1981	2.27	0.03	87.781	1.1
1982	2.00	-0.26	89.091	1.0
1983	1.84	-0.16	89.727	1.0
1984	1.73	-0.11	90.618	1.0
1985	1.66	-0.07	91.240	1.0
1986	1.25	-0.41	79.283	0.9
1987	1.24	-0.01	79.298	1.0
1988	1.19	-0.05	79.889	1.0
1989	1.23	0.04	84.419	1.1
1990	1.35	0.11	91.375	1.1
1991	1.27	-0.08	91.742	1.0
1992	1.22	-0.05	92.206	1.0
1993	1.17	-0.05	93.299	1.0
1994	1.15	-0.02	93.688	1.0
1995	1.15	0.01	94.227	1.0
1996	1.22	0.06	98.637	1.0
1997 (7-mo	1.24	0.02	100.000	1.0

	Standard Deviation	Average of Absol. Valu Deviation of Yr/Yr Change	Standard Deviation	Average of Absol. Value of Yr/Yr Change
1970-97	0.32	0.11	26.80	1.06
1983-97	0.22	0.08	6.28	1.01
1985-97	0.13	0.08	6.74	1.01

B

DIRE PREDICTIONS THAT WERE PROVED WRONG

1. In 1972, The Club of Rome published in *The Limits of Growth* dire predictions that the world would run out of gold in 1981, mercury in 1985, tin by 1987, zinc by 1990, **petroleum by 1992**, and copper, lead, and natural gas by 1993. None of these predictions came true. Indeed the real prices of natural resources have been steadily dropping. For example, the price of crude petroleum in 1992 dollars, as measured by the composite of domestic and imported crude oil refiners acquisition costs, was $10.69 per barrel in 1972, rose with the oil price shock in 1974 to $23.56, and reached a high of $53.47 in 1981 before more or less steadily declining to $18.82 in 1996. (See reference A.)

2. On March 31, 1979, President Jimmy Carter predicted " There is a dwindling supply of energy sources. The prices are going to rise in the future no matter which party occupies the administration in Washington, no matter what we do." Subsequently, prices fell for 5 straight years from 1981 through 1986. (See reference B.)

3. Secretary of Energy Schlesinger was quoted by the *U.S. News and World Report* on July 10, 1978: "What we face I the middle 1980s is a notional worldwide shortage of about 5 million barrels of oil a day." Instead, there was a crude petroleum glut and price collapse. (See reference B.)

4. Kenneth Arrow, quoted in *Forbes* magazine on February 4, 1980, predicted that "We're heading into a world of considerably higher prices. There will be a major impact on housing by 1983, and I'd be surprised if gasoline is less than $2 per gallon plus whatever inflation adds." Housing prices actually dropped in the late 1980s and during the 1990s. The actual price of a gallon gasoline was about $1.16 in 1983 and has not reached $2 plus inflation since. (See reference B.)

5. In 1979, the Annual Report to Congress (ARC) forecast for oil prices per barrel for 1990 ranged from $39.47 to $64.32 (in 1987 dollars). All were substantially above the actual oil price in 1990. 1980 projections by the Energy Information Administration (AEI) were also badly off the mark: their 1985 projection was 70.9 percent too high; their 1990 projection was 194 percent too high; and their 1995 projection was an astounding 385 percent too high. Its 1985 projections for 1990 and 1995 were a little better, 71.7 percent and 239 percent too high, respectively.

A.) Joseph Blast, Peter Hill, and Richard Rue, *Eco-Sanity*, 19xx.

B.) Malcom Shealy of decision Focus Inc., *A Review of Energy Forecasts: What Have We Learned?* February 16, 1989.

TAB C
Version That was "almost" agreed to last night

DRAFT**DRAFT**DRAFT**DRAFT

The Impact of Retail Restructuring and Federal Legislation on Carbon Emissions in 2010

An ad hoc agency staff group from DOE, EPA, and CEA considered the carbon reductions that are likely to occur in 2010 if DOE's proposed restructuring bill becomes law. Per discussion at the principals level, we attempt to separate the emissions effect of the explicit carbon friendly provisions of the DOE proposal from the effects of retail restructuring itself, which would be accelerated by, but is not entirely dependent on, Federal restructuring legislation. This memo reflects a quick-turnaround effort. Analyses are continuing at both agencies.

a. The Emissions Impact of Explicit "Carbon Friendly" Provisions of the DOE Proposal

There is agreement between DOE and EPA staff that the explicit "carbon friendly" provisions of the bill (Renewable Portfolio Standard, Public Benefits Fund, and Information Disclosure, the latter of which supports marketing of "green" power from renewable resources to interested customers. The estimated impact of these provisions is a carbon reduction of 13 to 36 million metric tons (MMT) of carbon in 2010 -- see summary table for components.

b. The Emissions Impact of Retail Restructuring Itself

Both DOE and EPA staff agree that substantial retail restructuring is likely to occur with or without Federal legislation. Indeed, major states such as California and Pennsylvania have already implemented retail competition, and other states are in various stages of developing such plans. The effect of retail competition on carbon emissions outside of the explicit "carbon friendly" provisions noted above is subject to considerable dispute, in part because the evolution of service offerings under incentives in the future competitive market are not presently known.

On the emissions-increasing side, retail competition should lower electricity prices, which will increase demand, and increase incentives for economically efficient dispatch, which could result in more use of existing coal plants in cases where capacity is available. Restructuring could also increase pressures for early retirements of nuclear power plants.

On the emissions-reducing side, retail competition will provide a financial incentive for generating plant owners to improve their heat rate, reducing the amount of fuel burned to generate each kilowatt-hour of electricity. In addition, competing retailers will likely increase value of their product to buyers by creating packages of electricity and efficiency services that take advantage of cost-effective efficiency opportunities (such as those identified in the recent "five lab" study), or by selling "green power" derived from renewable sources to environmentally-conscious consumers. Finally, some of the increased demand for electricity will reduce end-use consumption of primary fuels, reducing emissions outside the electric sector.

Given the number of factors involved, the ad hoc agency staff group settled on a range of estimates from an emissions reduction of 48 MMT to an emissions increase of 33 MMT in 2010 for all of the components discussed in the previous two paragraphs and included under headings "b1" and "b2" of the summary table. If, as EPA staff believes, no increase in efficiency services can be expected from differentiated product competition among competitive suppliers under any plausible circumstances (i.e. both the high and low estimate of this component are zero) then the range of estimates for emissions impacts due to restructuring are an emissions reduction of 25 MMT to an emissions increase of 33 MMT, as presented under heading "b1" of the summary table. In both cases, these emissions changes are "over and above" the reductions presented

"almost" agreed
p #2

above in section a of the memo and the summary table.

c. Caveats
There is considerable two-sided uncertainty regarding many of these estimates. For example, green power may be more attractive, heat rate improvements may be lower or greater than projected, and efficiency oriented marketing of electricity services may be greater or less than the range presented above. Notwithstanding these uncertainties, the ranges presented above reflect the best estimates of reasonable ranges of emissions impacts based on available information.

In addition, the distinction of "carbon friendly" provisions of the DOE bill and restructuring itself is somewhat fuzzy, given that the DOE bill is expected to speed the transition to retail competition. An indeterminate portion of the emissions impacts identified in Section (b) of this note are probably attributable to the DOE bill.

Summary Impacts of Restructuring and the DOE Bill on Carbon Emissions in 2010

Factor	Change in Carbon Emissions in 2010 (MMT)
a. Explicit "Carbon Friendly" Provisions, *including:*	-36 to -13
Renewable Portfolio Standard	-12 to -6
Public Benefits Fund	-11 to -4
Information Disclosure (supports "green marketing" – reflects ½ of total green power estimate)	-13 to -3
b1. Retail Restructuring, *including:*	-25 to +33
Electricity Demand Increase / Fuel Mix Change	+25 to +32
Nuclear Unit Retirement due to Retail Competition	+3 to 10
Green Pricing (½ of total "green power" estimate)	- 13 to -3
Generation Efficiency (heat rate) improvements	-15 to -5
Demand Reduction for Direct Use of Primary Fuels	-2 to -1
b2. Efficiency Marketing by Energy Service Companies	-23 to 0
SUM OF COMPONENTS (a +b1 +b2)	-84 to +20

D

The Potential Benefit from Worldwide Trading

Lesser-Developed Countries (LDCs) and Economies in Transition (EITs) offer low-cost opportunities for reducing carbon emissions. Joint implementation and international trading mechanisms can help the world mitigate global warming in the most efficient manner.

Great Potential Benefits

There are three fundamental reasons why non-OECD countries offer the world such great opportunities for reducing carbon emissions:

Energy Efficiency. LDCs and particularly EITs are much less energy efficient than OECD countries. In many cases, these relative inefficiencies provide *negative cost* opportunities to reduce carbon emissions. For example:

- Chinese coal-fired boilers are only 2/3 as efficient as US boilers. Retro-fitting Chinese plants with US boilers saves more money than it costs.

- Retrofitting Khrushchev-era Russian apartments saves 30% of heat use and saves more money than it costs. Many other negative cost efficiency improvements have been identified for Russian industry, including the use of quality insulation around steam piping, improved energy control systems, and more efficient motors.

Overall, the possibilities from energy efficiency improvements provide large opportunities for carbon reduction. For example, a $2 million study conducted by the World Bank and Chinese officials found that China could reduce its carbon emissions nearly 15% from its projected 2020 levels through zero and negative cost energy efficiency improvements.

- That is, we *could reduce total emissions by roughly 333 MMT through these low or no cost improvements; this amounts to roughly the reduction required by the U.S. to reach 1990 levels in 2010.* Approximately 2/3 to 3/4 of these improvements would come as a result of market oriented restructuring, while the remainder would come from specific, technical projects.

New Capacity. Due to their high growth rates, developing countries have an advantage over the OECD in their ability to meet their reduction targets by installing new, carbon-efficient plants rather than by retrofitting existing plants.

- Loosely speaking, OECD countries will have to balance the costs of building new, natural gas plants against simply continuing to operate existing coal plants -- large coal price adjustments will clearly be required to make building the new natural gas plant the preferable option. Developing countries, however, will balance the costs of installing new natural gas plants against the costs of installing new coal capacity. For these countries, little if any coal price adjustment would be required to make natural gas the economic choice.

Energy Subsidies. Recent World Bank estimates indicate that developing countries could reduce carbon emissions by 7 - 9% by eliminating energy subsidies.

For all of these reasons, the cost of carbon reductions is much lower in developing and transitional economies. For example, if the US, instead of reducing its own emissions to 1990 levels by 2010, transferred its reduction burden in entirety to China, China could accomplish these reductions at only 35% of the costs (this result comes from the mainstream SGM model).

Tapping the Potential: Current Success in JI Pilot Projects

Since its foundation in 1993, the US Initiative on Joint Implementation (USIJI) has accepted 25 project proposals which help US firms tap the potential outside the OECD for low-cost carbon reduction. Some of these projects have already begun to reduce carbon concentrations by implementing new, carbon-efficient power plants, improving energy efficiency, or through other methods such as planting new forests. For example:

- A project in the Czech Republic converted a district heating plant from coal to natural gas and built a cogeneration plant to provide both steam and electricity. This project is projected to reduce carbon emissions by 165,000 tons over 25 years.

- A project in Costa Rica has replaced fossil-fuel burning power sources with a 20 MW wind farm which is expected to reduce carbon emissions by 72,000 tons over 15 years.

- A project in Russia planted 506 hectares of trees and is expected to reduce carbon concentrations by 35,000 tons over 60 years.

Other projects, in various stages of implementation, include:

- A large forest management project in progress in Bolivia combines forest regeneration and protection with the promotion of sustainable forest-product enterprises to reduce atmospheric carbon by an estimated 14.5 million tons over 30 years.

- A project in Russia will improve heating efficiency in Zelenograd simply by installing new heat exchangers, pumps, and control equipment. This project can reduce carbon emissions by 440,000 tons over 30 years.

Joint Implementation, while very valuable in helping to efficiently reduce carbon emissions, can serve other useful purposes including: the opening of overseas markets, the wider dissemination of advanced technologies, and the creation of local health and environmental benefits.

Tapping the Potential: The Future

The success of JI pilot projects shows that they can work. Once countries face binding emissions limits -- and are allowed to acquire offsets from other countries -- JI and more general mechanisms for international cooperation will become essential in meeting common goals at the least cost. Many analysts believe that international permit trading and JI can reduce costs by 50% or more.

If LDCs and EITs sign on to binding agreements, international permit trading will allow the world to focus its carbon reduction efforts in the most efficient places. A portion of the easy reductions possible in developing and transitional economies stem from possible market oriented reforms and the elimination of energy subsidies. Reductions through these means will be of great benefit to other countries in an international permit trading regime, but will be difficult to tap in a project-oriented joint implementation setting. Insofar as developing countries and others choose to remain outside an international agreement -- so that they could not take part in a permit trading program -- JI will be relied on to play an important role.

The World Bank is exploring the possibility of a carbon investment fund to act as a market intermediary for JI projects. The fund, on behalf of its investors, would undertake JI type projects and sell the resulting carbon offsets to make a profit. Such a fund would improve on the efficiency of today's bilateral JI pilot projects by reducing transaction and search costs, providing efficient administration, and pooling risk. The Bank is continuing to investigate this and other mechanisms to help in international carbon offset trading.

E

October 21, 1997

MEMORANDUM FOR DEPUTY SECRETARY SUMMERS

FROM: Jonathan Gruber
Deputy Assistant Secretary (Economic Policy)

SUBJECT: Do we always overestimate environmental control costs?

In "Polluted Data: Overestimating Environmental Costs," *(The American Prospect,* Nov/Dec 97), Eban Goodstein and Hart Hodges argue that most pollution control programs turn out to be far less costly than had been estimated beforehand. They claim that "reducing pollution emissions at the source ... is almost certain to be (substantially) cheaper than we think it will be." But why, one might ask, are the experts always wrong -- and always in the same direction? "The reason, of course, is technology forcing," answer the authors. "When industry is required to lower pollution output, it usually doesn't just slap a new filter on an existing process; it often invents new technology."

The authors give a list of environmental programs in which, they claim, technical innovation came to the rescue and dramatically reduced costs, compared to initial estimates. Some of these examples lend credence to the authors' thesis, but many do not.

Convincing Examples:

Cotton dust. Actual costs were below estimated costs in part because estimates were based on models that did not include the effects of technical change in the industry. As the standards were introduced, the textile industry was about to replace its older capital stock with new machines that, among other things, markedly reduced the amount of cotton dust in the air. The standard accelerated this change.

Strip mining. The authors quote compliance cost estimates in the range of $6 to $12 per ton of coal, as against actual costs of 50 cents to $1 per ton. Early costs estimates referred to reclamation at mines in operation at the time. In response to the law, however, producers expanded operations at sites where reclamation costs were lower, often on flatter terrain. Thus, these early "static" estimates overstated costs.

Vinyl chloride. The authors say that control cost estimates fell from about $100 million per year to $20 million per year. John Morrall of OIRA reports that the earlier estimates, which were based on static cost models, did turn out to be too high. We should note, however, that the authors also claim that the 1 ppm standard was met with a price increase of only about 6 percent. The US vinyl chloride market today is about $1 billion, so 6 percent implies $60 million annually

Prepared by Ray Squitieri

in direct control costs, undercutting their $20 million estimate.

Problematic Examples

Asbestos. The paper says that one study by a consulting firm in the early 1970s estimated control costs that turned out to be too high by a factor of two. This refers only to the earliest estimates, done in support of OSHA's proposal in the early 1970s. Two later OSHA cost estimates, in the late 1980s and early 1990s, did not substantially overestimate control costs, according to John Morrall, now a branch chief at OIRA, who was responsible for reviewing all three sets of estimates.

Benzene. The paper cites a process that substituted other chemicals for benzene, "and virtually eliminated control costs." Benzene is one of the most widely used organic chemicals, with over $2 billion in sales last year. The new process alluded to (using maleic anhydride) replaced benzene in only a small portion of its uses.

CFCs. The paper correctly quotes EPA's price estimates for reducing CFC production, which fell from $3.55 per kg (1988) to $2.45 per kg (1996); the latter price was for a more stringent standard. On the other hand, the well-publicized problem of CFC smuggling indicates that control costs at the margin, which is what counts, are much higher than these estimates. When the US ceased CFC production in January 1996, a CFC smuggling industry was already in place. CFC-12, the most common form, now has a street value of about $50/kg. By one estimate, 10 thousand tons of CFCs are now smuggled into the US every year.

Coke ovens. The paper quotes a 1974 study that gave a range of $200 million to more than $1 billion, and says that a later study by the Council on Wage and Price Stability (COWPS) estimated the actual cost of the standard at $160 million. The author of the COWPS estimate, John Morrall of OIRA, says that he did not make an independent estimate, but simply took the low end of the industry estimate that OSHA was using, on the grounds that industry had an incentive to overstate control costs. He also says that the authors' range ($200 million to more than $1 billion) appears to be the range in the industry study he used, with $160 million rounded upward to $200 million. Moreover, the OSHA standard was never met.

More General Critique

The authors are correct in their general claim that many cost estimates come from models that do not factor in technical innovation. But their argument is incomplete, and sometimes wrong.

First, analysts are often mistaken about the costs of environmental controls, but not just on the high side; this article has clearly selected its examples to illustrate its point, downplaying examples which cut the other way. For example:

- The National Ambient Air Quality Standards (NAAQS), set by the original Clean Air Act (CAA) of 1970, were estimated to be achievable in 7 years. Twenty-seven years later, we still do not know how, when, or even if the original goals will ever be met. At the time EPA tightened the ozone NAAQs earlier this year, 75 areas did not even meet the standard then in place, which is looser than the original standard set a quarter century ago. These non-attainment areas contain 75 million people, and include most of the country's major cities: Los Angeles, Houston, Dallas, St. Louis, Chicago, Pittsburgh, Cleveland, Boston, New York, Philadelphia, Baltimore, Washington, and Atlanta.

- The Clean Air Act Amendments of 1990 established a program for "clean-fuel vehicles" in California, with a target of 150,000 vehicles to be purchased annually in model years 1996, 1997, and 1998, and 300,000 vehicles (about 25% of sales) in model years 1999 and after. The writers of this technology-forcing law seriously underestimated the cost of producing this vehicle. As of now, there appears to be no way to produce this car at a price consumers will accept, and EPA has, in effect, allowed the program to lapse.

- The authors make a false distinction between controlling pollution and the source, and treating soil and water after it has been contaminated. They concede that some programs, such as Superfund and the Clean Water Act, have been far more costly than anticipated. But they assert that this occurred because cleaning up existing contamination is not subject to the same forces of innovation as preventing pollution at the source. The authors offer no support for this claim.

Second, most ex-post cost estimates, including all those cited by the authors, include only direct compliance costs. Indirect costs, which are borne elsewhere in the economy, are harder to measure, but no less real. An often-cited 1990 study by Kopp and Hazilla of Resources for the Future estimates that indirect costs of environmental rules are roughly equal to direct compliance costs. In a 1993 study of the paper, oil refining, and steel industries, Gray and Shadbegian estimate that for every $1 in compliance costs, total factor productivity is reduced by $3 to $4. In a series of papers this decade, Jorgenson and Wilcoxen calculated that environmental regulations have reduced the US capital stock by 4.3 percent, increased the cost of capital by 5.5 percent, and reduced real GDP by more than 3 percent annually, with indirect costs accounting for most of this burden.

Third, the authors do not support their claims about technology forcing. They quote Michael Porter, who has written that environmental regulations often yield "innovation offsets." But they try to prove their case with anecdotes. Anecdotes alone do not prove an assertion, because we have no guarantee that the speaker has not selected only those that support his position. Moreover, we have survey evidence that runs the other way. When the BEA conducted its surveys of environmental compliance costs, it asked about "product offsets," resulting from compliance with the regulation in question. In contrast to Porter's claims, only two percent of respondents identified any "product offsets."

Fifth, the same market forces that drive down compliance costs also drive down benefits. For example, several years ago OSHA estimated very large benefits for its new rules intended to control the spread of tuberculosis. But at the same time that OSHA's program was being put in place, tuberculosis rates were falling, as the Centers for Disease Control (CDC) increased its focus on tuberculosis. This slowed the spread of the disease and reduced the benefits of OSHA's program. Similarly, OSHA's recent rules on blood-borne pathogens aimed to limit transmission of AIDS and, especially, hepatitis-B. The recent vaccine for hepatitis-B has considerably lowered the value of OSHA's rule.

More fundamentally, program costs can get wildly out of control when EPA takes a program with modest goals, and sweeps into it activities that were not intended to fall into its purview. Superfund is an example of this driftnet approach. Superfund began life as a program to clean up a few big sites on the order of Love Canal, but metamorphosed into "a behemoth, towering over American environmental policy, gobbling vast quantities of public and private cash and management time." [Francis Cairncross, environment editor of *The Economist*, in her book *Costing the Earth*]. On a smaller scale, EPA's rule on toxicity characteristics provided a way that a waste stream could be designated as hazardous. The agency estimated its cost in the low hundreds of millions of dollars per year. These estimates failed to anticipate that EPA would then insist on regulating many items posing low or negligible risk, including fluorescent light bulbs and telephone poles; as a result, the rule has been far more expensive than anticipated in these initial estimates.

Todd Mtgs

FAX TRANSMISSION

EMBASSY OF JAPAN
2520 MASSACHUSETTS AVE., NW
WASHINGTON, DC 20008
(202) 238-6786
FAX: (202) 265-9473

To:	Scheduling Assistant to Mr. Stern	**Date:**	November 19, 1997
Fax #:	456-2215	**Pages:**	1, including this cover sheet.
From:	Stacia Maher		
Subject:			

COMMENTS:

To whom it may concern:

Thank you for attempting to schedule an appointment between Ambassador Tanabe and Mr. Stern on November 26. However, we are also attempting to schedule appointments with other individuals. Since Ambassador Tanabe is coming all the way from Japan for just a day, we would like to schedule as many appointments as possible, therefore we are also considering November 21 as a possible meeting day. Could Mr. Stern be available for a meeting on the 21st? Please contact me and let me know if this is possible. Thank you for your assistance.

- Linny S.
- Elena

Todd Mtgs

CEO ENVIRONMENTAL TECHNOLOGY COALITION MEETING
BRIEFINGS ON FEDERAL PROGRAMS
November 5, 1997

Place:	*White House Conference Center* *726 Jackson Place, NW* *Washington, DC*
8:30	Coffee
9:00 - 10:00	Greeting, Overview, Updates: Coalition Co-Chair Ralph Peterson Coalition Co-Chair Don Deieso Coalition Members
10:00 - 11:30	Briefings and discussion Todd Stern, The White House (Message, Outreach, Policy) Dan Reicher, Department of Energy (R&D) Jeff Seabright, USAID (Global Climate Export Strategy) Gary Hirshberg, CEO, Stonyfield Farms
11:30 - 12:15	Lunch Meeting with Katie McGinty, Chair, Council on Environmental Quality *Climate Change Update*
1:15	*Move to the Indian Treaty Room, Old Executive Office Building*
2:00 - 2:45	Meeting Fred Hansen, Deputy Administrator, EPA *Discussion of near-term regulatory reinvention and technology agenda.*
2:50 - 3:30	Meeting with Secretary Pena, Department of Energy *Discussion of climate change technology and R&D agenda.*
3:30	Adjorn

2

REQUEST FOR PARKING

OFFICIAL APPOINTMENT *on West Executive Avenue*

THIS FORM MUST BE RECEIVED AT LEAST 2 HOURS IN ADVANCE

or by 5:00 p.m. Friday for weekend parking.

OEOB 145, FAX 6-1655

	ARRIVAL	DEPARTURE
Date Parking Needed: 11/17 **Time:**	5:30 pm	6:30pm

Name of Driver: Jane Cahoon

Names of Passengers: Jane Cahoon

Reason Parking Needed: To facilitate the transportation of large and bulky items for a meeting with Todd Stern.

Make of Car: Isuzu Trooper

State and License #: D.C. AB5010

Requester's Name/Contact Person: Todd Stern / Jonathan Adashek

Requester's Office: Staff Secretary

Phone Extention: 456-2702

- ★ All information must be provided.
- ★ It is the requesting office's responsibility to contact WAVES to clear in the driver and all passengers in the car.
- ★ Management and Administration reserves the right to deny any request for appointment parking.

Todd mtgs

CEO ENVIRONMENTAL TECHNOLOGY COALITION MEETING
AGENDA

November 5, 1997

Location:	*White House Conference Center* *726 Jackson Place, NW* *Washington, D.C*	
8:30	**Coffee**	
9:00-9:30	**Greeting and Overview:**	**Co-Chair, Ralph Peterson** **President & CEO, CH2M HILL**
	Challenge to Coalition:	**Co-Chair, Don Deieso** **President & CEO, EA Engineering, Science & Technologies**

9:30-10:00 **Coalition Subgroup Updates**
Subgroups include Clean Air, Regulatory Reinvention, R&D, Exports and Climate Change.

10:00-11:30 **Specific Identification of Where the Coalition Can Help.**
-11:00 *A panel to discuss major challenges on climate change over the next six months and areas where the coalition could play a key role.*

Gary Hirshberg, CEO, Stoneyfield Farms
Todd Stern, The White House (Message, Outreach, Policy)
Dan Reicher, Asst. Sec. Energy Efficiency (R&D)
Jeff Seabright, USAID (Global Climate Export Strategy)

11:30-12:15 **Working Lunch**
Determine Action Items for Climate Change

12:15-1:15 **Meeting with Katie McGinty, Chair, Council on Environmental Quality**
Report Climate Change Action Items and Make Recommendations to Administration

1:15 ***Move to the Indian Treaty Room, Old Executive Office Building***

2:00-3:00 **Meeting with: Fred Hansen, Deputy Administrator, EPA**
Secretary Federico Peña, Department of Energy*
Possible Meeting with Vice President Gore

3:00-3:30 **Discussion of Next Steps**

CEO Coaltion Meeting
November 5, 1997

Participants

Ralph Peterson
President & CEO
CH2M HILL
P.O. Box 22508
Denver, CO 80222-0508
Phone: (303) 771-0952, ext. 2400
Fax: (303) 771-0879

Mr. Don Deieso
President & CEO
EA Engineering, Science and Technology
11019 McCormick Rd.
Hunt Valley, MD 21031
Phone: (410) 584-7000
Fax: (410) 527-1840

Mr. Ben Henneke
President
Clean Air Action Corp.
6505 Clagett Ave. Ste. 2
Fair Haven, Maryland 20754
Phone: (410) 286-2995
Fax: (410) 286-3463

Mr. Lee McIntire
President
Bechtel
Post Office Box 193965
San Francisco, Ca. 94119-3965
Phone: (415) 768-6110
Fax: (415) 768-3521

Dr. Alvin Trivelpiece
President
Oak Ridge National Laboratory
Post Office Box 2008
Oak Ridge, TN 37830
Phone: (423) 576-2900
Fax: (423) 241-2967

Alan Liby
President & CEO
Manufacturing Sciences Corporation
804 Kerr Hollow Road
Oak Ridge, TN 37830
Phone: 423-481-0455
Fax: 423-481-3142

Mr. Wally Hayes
COO
The Gillette Corporation
Prudential Tower Building
Boston, MA 02199
Phone: 617-421-7380
Fax: 617-421-7360

Mr. Ken Winger
President & CEO
Laidlaw Environmental Services, Inc.
220 Outlet Point Blvd.
P.O. Box 210799
Phone: 803-798-2993
Fax: 803-551-4348

Mr. Ed Harper
COO
Commodore Environmental Systems
Phone: 703-748-0200
Fax: 703-748-0201

Mr. Joseph Boren
President
AIG Environmental
70 Pine Street
New York, NY 10270
Phone: 212-770-7700
Fax: 212-809-0638

Mr. Larry Cody
President & CEO
Public Service Electric & Gas of New Jersey

Ms. Rose McKinney-James
CEO
CSTAR
6863 West Charleston
Las Vegas, Nevada 89117
Phone: (702) 869-3610
Fax: (702) 869-3614

Mr. Gary Hirshberg
President & CEO
Stoneyfield Farms
10 Burton Drive.,
Londondarry, New Hampshire 03053
Phone: (603) 432-4820
Fax: (603) 437-8915

Mr. Tom Hoog
President & CEO
Hill & Knowlton
466 Lexington Ave, 3rd Floor
New York, New York 10017
Phone: (212) 885-0500
Fax: (212) 885-0585

Admiral Richard Truly
Director
NREL
1617 Cole Blvd.
Golden, Co. 80401
Phone: (303) 275-3000
Fax: (303) 275-3097

Al Narath
Lockheed Martin
1155 University Blvd., S.E
Albuquerque, NM 87106-4320
Phone: (505) 843-4021
Fax: (505) 843-4041

Mr. Ray Anderson
President & CEO
Interface, Inc.
2859 Paces Ferry Road
Atlanta, GA 30339
Phone: 770-437-6802
Fax: 770-437-6822

Roger Little
President
Spire Corporation
Fax: 617-275-7470

Dr. Edward Kern
President
Ascension Technology, Inc.
Fax: 781-890-2050

Mr. Bob Stemple
CEO
Energy Conversion Devices, Inc.
1675 West Maple Road
Troy, MI 48084
Phone: 248-280-1900
Fax: 248-280-2697

Michael Bergey
President
Bergey Wind Power
2001 Priestley Avenue
Norman, Oklahoma 73069
Phone: 405-364-4212
Fax: 405-364-2078

Mr. John Cirello
President & CEO
Florida Water Services Corporation
P.O. Box 609520
Orlando, Florida 32860-9520
Phone: 407-880-0058
Fax: 407-880-5998

Mr. Jonathan M. Weisgall
V.P. (Attending for CEO David Sokol)
CalEnergy Company, Inc.
2101 L Street, N.W.
Washington, D.C. 20037
Phone: 202-828-1378
Fax: 202-828-1380

Mr. Bob Kelly
Chairman
Enron Renewable Energy Corporation
Phone: 713-853-6947
Fax: 713-646-8870

Mr. John McTague
V.P. Technical Affairs
Ford Motor Co.
American Road
Deerborn, MI 48121-1899
Phone: 313-322-7105
Fax: 313-845-0512

Mr. Mike Driver
Partner
Patton Boggs, L.L.P.
1660 Lincoln St., Ste. 1975
Denver, Co. 80264
Phone: 303-830-1776
Fax: 303-894-9239

Deana M. Perlmutter
Sr. Policy Advisor
Patton Boggs, L.L.P.
1660 Lincoln St., Ste. 1975
Denver, Co. 80264
Phone: 303-830-1776
Fax: 303-894-9239

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. list	[Personally Identifiable Information] [partial] (6 pages)	11/00/1997	b(6)

COLLECTION:

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

FOLDER TITLE:

Meetings- Todd [2]

2019-0774-S
rs3421

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]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
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RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Todd Mtgs
66742

Embassy of Japan
(Economic Office)
2520 Massachusetts Ave., NW
Washington, DC 20008
Telephone (202) 238-6741 **Fax (202) 265-9473**

Date: November 4, 1997
Total pages: 1 (including this page)

To: Mr. Jonathan Adashek
Special Assistant to the Staff Secretary
Office: Office of the Honorable Todd Stern
Assistant to the President and Staff Secretary
Phone: 456-2702
Fax: 456-2215

Shozo Saito
[redacted] (b)(6)

From: Ms. Hiromi Uehara, Executive Assistant to the Minister for Economic Affairs

Dear Jonathan:

I sincerely appreciate your setting up the appointment for Mr. Koumura to meet with the Honorable Todd Stern at 2:00 pm this afternoon. They will enter through the Southwest Gate.

The followings names will be attending the above meeting:

1. **Mr. Masahiko Koumura (Born 03/15/42) (Passport # ..to be informed later)** MA3009974
   State Secretary for Foreign Affairs; Special Envoy of the Prime Minister

2. **Mr. Takehisa Nogami** [redacted] **(Passport # ..to be informed later.)** MA3011429
   Deputy Director-General of the Multilateral Cooperation Department, Ministry of Foreign Affairs, Tokyo

3. **Mr. Toshinori Shigeie** [redacted]**; (Diplomatic ID #3033-3447-51**
   Minister for Economic Affairs, Embassy of Japan

4. **Mr. Motosada Matano** [redacted]**; (Diplomatic ID #3104-4761-51)**
   Second Secretary (Interpreter)

Sincerely, Hiromi Uehara

Brief Personal History

Mar. 15, 1942	Born in Ehime Prefecture.
1965	Graduates from the Faculty of Law of Chuo University.
	Passes the national bar exam.
1968	Registered as a lawyer.
1980	Elected for the first time to the House of Representatives. Is now serving his sixth term.
1987	Appointed Parliamentary Vice-Minister, Defense Agency.
1989	Appointed Parliamentary Vice-Minister of Finance.
1990	Appointed Director, National Defense Division, LDP Policy Research Council.
1991	Appointed Chairman, H.R. Special Committee on Disasters.
	Appointed Chairman, H.R. Committee on Agriculture, Forestry, and Fisheries.
1992	Appointed LDP Deputy Secretary General.
1994	Appointed Director General, Economic Planning Agency (Minister of State).
1995	Appointed Deputy Chairman, Research Commission on the Tax System, LDP Policy Research Council.
	Appointed Acting Chairman, LDP Party Organization and Public Relations Headquarters.
	Appointed Head, Public Relations and Planning Council, LDP Party Organization and Public Relations Headquarters.
1996	Appointed Chairman, Investigative Committee on Utility Rates, LDP Administrative Reform Promotion Headquarters.
Nov. 1996	Appointed State Secretary for Foreign Affairs.
Dec. 1996	Visits United Arab Emirates.
	Attends Bosnia Peace Implementation Council (PIC) meeting in London.
Feb. 1997	Attends Japan-Peru Summit in Toronto.
Mar. 1997	Visits Peru, Cuba, the Dominican Republic.
Apr. 1997	Visits Cambodia.
May 1997	Attends Chemical Weapons Conference in the Hague.
	Meets with U.N. General Assembly President Ismail Razali in New York.
	Attends APEC Ministerial meeting in Montreal.
June 1997	Attends Bosnia PIC meeting in Sintra, Portugal.
	Visits Slovakia, Romania, Austria.
July 1997	Visits China.
Aug. 1997	Visits Laos, Myanmar, Vietnam.
Sept. 1997	Attends the Universal Congress on the Panama Canal in Panama City.
	Reappointed State Secretary for Foreign Affairs.

Profile of
State Secretary for Foreign Affairs
Masahiko Koumura

Masahiko Koumura, a member of the Liberal Democratic Party, was reappointed State Secretary for Foreign Affairs in Prime Minister Ryutaro Hashimoto's new cabinet, reshuffled on September 11, 1997. Koumura, whose task is to assist and advise Minister for Foreign Affairs Keizo Obuchi, is a sixth-term member of the House of Representatives who has previously served in the cabinet as Minister of State in the post of Director General of the Economic Planning Agency. He is a policy expert widely considered to have a very promising future.

Koumura was appointed the first State Secretary for Foreign Affairs in November 1996, when Prime Minister Hashimoto created the post, to be filled by a former cabinet minister, to strengthen the ministry functions. The State Secretary's duties entail giving substantial support to the activities of the Foreign Minister; Koumura's valuable work at the post earned him reassignment this September.

Koumura was born on March 15, 1942. After graduating from Chuo University in March 1965, he passed the national bar exam the same year. He continued his studies at the Legal Training and Research Institute for two years and became a registered lawyer in April 1968. During this period, he served as secretary of the LDP headquarters' defense counsel and a lawyer for the national association of mayors. In addition, he was also selected to serve on the board of trustees for Tokuyama University in Yamaguchi Prefecture.

In June 1980 he made his first run for the House of Representatives from the Yamaguchi Prefecture's Second District. Koumura went on to win a seat, and in the October 1996 general election, he was reelected for his sixth consecutive term. The most recent contest was the first held under the electoral system combining single-seat constituencies and proportional representation; Koumura won the single-seat race, outgaining his closest rival by nearly 100,000 votes.

In November 1987 he was appointed Parliamentary Vice-Minister of the Defense Agency in the cabinet of Prime Minister Noboru Takeshita and in June 1989 was named Parliamentary Vice-Minister of Finance under Prime Minister Sousuke Uno, remaining in that post when Prime Minister Toshiki Kaifu succeeded Uno in August 1989. He became director of the National Defense Division of the LDP Policy Research Council in March 1990, in which post he played a central role in formulating and coordinating the party's security policy. At around this time he formed a study group on Asian security with Taku Yamasaki, now Chairman of the LDP Policy Research Council, serving as the group's secretary general. He was also the secretary general of an LDP policy group comprising mid-ranking and junior Diet members, placing him at the head of a movement to pass the party reins to a new generation of leaders.

In December 1992 he was appointed LDP Deputy Secretary General and supported Secretary General Seiroku Kajiyama (until September 1997 Chief Cabinet Secretary) in the management of the party.

When the LDP, Social Democratic Party, and New Party Sakigake formed a coalition government in June 1994 under Prime Minister Tomiichi Murayama, Koumura's policy expertise landed him a cabinet post as Minister of State in the post of Director General of the Economic Planning Agency. In this capacity he gained wide international experience, attending a ministerial meeting of the Organization for Economic Cooperation and Development in Paris and visiting the United States, China, and other countries for policy dialogue with economic ministers. After his cabinet credentials landed him the newly created post of State Secretary for Foreign Affairs, he represented Japan in a number of foreign visits, exchanging views with governmental leaders; his duties also extended to appearing in several Diet sessions, taking the place of the Foreign Minister. His solid work earned him reassignment as State Secretary for Foreign Affairs in the second reshuffle of Hashimoto's cabinet.

Koumura lives with his mother, wife, two sons, and one daughter.

Request for Parking

OFFICIAL APPOINTMENT *on West Executive Avenue*

THIS FORM MUST BE RECEIVED AT LEAST 2 HOURS IN ADVANCE

or by 5:00 p.m. Friday for weekend parking.

OEOB 145, FAX 6-1655

Date Parking Needed: 11/4/97 **Time:** ARRIVAL 5:15 DEPARTURE 6:15

Name of Driver: Shozo Saito

Names of Passengers: Mr. Masahiko Koumura
Mr. Toshinori Shigeie
Mr. Takehisa Nogami
Mr. Motosada Matano

Reason Parking Needed:

Make of Car: Cadillac Limosine

State and License #: L-2956 - D.C.

Requester's Name/Contact Person: Todd Stern / Carol Cleveland

Requester's Office: Staff Secretary

Phone Extention: 456-2702

- ★ All information must be provided.
- ★ It is the requesting office's responsibility to contact WAVES to clear in the driver and all passengers in the car.
- ★ Management and Administration reserves the right to deny any request for appointment parking.

'97 OCT 30 PM3:35

Facsimile Cover Sheet

To: **Jonathan**
Office of the Hon. Todd Stern
Office: Office of the Staff Secretary
Phone: 456-2702
Fax: 456-2215

From: Hiromi Uehara, Executive Assistant to Minister for Economic Affairs
Office: Embassy of Japan, Wash. DC, USA
Phone: (202) 238-6741
Fax: (202) 265-9473

Date: October 30, 1997
Total pages: 4

Dear Jonathan:

As a follow-up to our conversation of this afternoon, I am sending this fax requesting an appointment for Mr. Masahiko Koumura to meet with the Honorable Todd Stern.

Name: Mr. Masahiko Koumura (Born March 15, 1942)
Special Envoy of the Prime Minister Hashimoto.
State Secretary for Foreign Affairs, Ministry of Foreign Affairs, Tokyo
Member of the House of Representatives, The Diet. (now serving his 6th term)

Date: Nov. 3rd (Mon.) '97 - any time between the hours of 11:00 am-7:00 pm; (except 3:30-4:30 pm), or,
Nov. 4th (Tue.) '97 - any time all day (except 10:00-10:30 am)

Subject: COP 3 - Exchange of views regarding the December Kyoto Summit Meeting of the United Nations Framework Convention on Climate Change.

Mr. Koumura's profile is attached for your review. Looking forward to hearing your favorable reply. I can be reached at (202) 238-6741.
Sincerely, Hiromi Uehara

Todd Meetings

THE SMITH-FREE GROUP

Suite 325
1500 K Street, NW
Washington, DC 20005

TELEPHONE
202/393-4760

FACSIMILE
202/393-3516

October 28, 1997

MEMORANDUM

VIA FAX: 456-2215
Total # pages, including this cover: 3

To: TODD STERN

From: JIM FREE

This is to confirm our appointment on Thursday, October 30, at 3:00 p.m. Clearance information is listed below and the bios on Mr. Boyce and Mr. Steinbeck are attached as you requested. I look forward to meeting with you.

Mr. Greg Boyce
President
Kennecott Energy Company

DOB (b)(6)
SS#

Mr. Alan C. Steinbeck
Director, Federal Government Affairs
Kennecott

DOB
SS#

Mr. James C. Free
President and CEO
The Smith-Free Group

DOB
SS#

GREGORY H. BOYCE

President and Chief Executive Officer, Kennecott Energy Company

Gregory H. Boyce is President & CEO of Kennecott Energy Company. Mr. Boyce is responsible for all North American energy related business of Rio Tinto Energy, the global energy company of Rio Tinto, plc in London, primarily coal and uranium. Kennecott Energy Company manages five producing Powder River Basin coal mines, one producing coal mine in Colorado and also is managing the reclamation of several Eastern U.S. coal properties.

Prior to his appointment as the head of Kennecott Energy Company, Boyce was President of Kennecott Minerals Company and was responsible for all of the U.S. Mines group properties and all new mine developments throughout North and Central America.

Mr. Boyce began his career with Kennecott in 1977 at the Ray Mines Division in Arizona. During his career, Mr. Boyce has held numerous senior management positions including Bingham Canyon Mine Operations Superintendent; Director of Kennecott's Health, Safety and Environmental Affairs; General Manager of the Barneys Canyon Mine; Mining Manager at the Bingham Canyon Mine; and Director of Government and Public Affairs.

Mr. Boyce is a member of the Board of the National Mining Association, National Coal Association, Western Regional Council, The Center for Energy and Economic Development (CEED), National Coal Council and Mountain States Employers Council.

Mr. Boyce holds a B.S. Degree in Mining Engineering from the University of Arizona and an Advanced Management Degree from the Harvard University Graduate School of Business.

ALAN C. STEINBECK

Director, Federal Government Affairs, Kennecott Services Company

Alan Steinbeck joined Kennecott in April 1994 as Director of the Washington Office of Kennecott and U.S. Borax. The Washington Office represents the legislative and regulatory interests of U.S. Borax and the Kennecott group business units, including Kennecott Energy Company, Kennecott Utah Copper Corporation, Kennecott Minerals Company, and Kennecott Exploration Company. The Kennecott group companies and U.S. Borax are wholly owned American subsidiaries of Rio Tinto plc.

Prior to joining Kennecott, Mr. Steinbeck served four years as Legislative Assistant, Energy and Natural Resources, for United States Senator Frank H. Murkowski (R-AK). In this role he drafted natural resource legislation as well as developed and implemented strategies for passage. Primary areas of focus included mining law, wetlands regulation, forest practices, national energy policy, and public land policy.

Mr. Steinbeck's past work experience includes six years with the U.S. Department of the Interior as a park ranger for the National Park Service and as natural resources specialist for the Bureau of Land Management. He has also worked several years as an environmental and resources policy analyst for two environmental engineering firms.

Mr. Steinbeck holds a B.S. Degree in Conservation of Natural Resources from the University of California, and an M.F.S. Degree in Natural Resources Policy and Law from Yale University.

Todd Mitas

COLUMBIA UNIVERSITY
OFFICE OF THE PRESIDENT

FOR YOUR INFORMATION

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK

PRESIDENT'S ROOM

'97 NOV 3 AM11:30

October 29, 1997

Dear Todd:

I wanted to make sure that you had the materials from the briefing on climate change that Chairman Ben Gilman organized with Mr. Rangel and Mrs. Lowey. Attached is the notice of the October 30, 1997 meeting and the four fact sheets developed by Earth Institute Vice Provost Peter Eisenberger and Professor Graciela Chichilnisky.

Please let me know if there is any additional material you need.

Sincerely,

George Rupp

Mr. Todd Stern
Assistant to the President and Staff Secretary
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Attachments

Low Library, Room 202 Mail Code 4309 535 West 116th Street New York NY 10027 212-854-2825 Fax 212-854-6466

Columbia University
Office Of The President

For Your Information

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK

PRESIDENT'S ROOM

'97 NOV 3 AM 11:30

October 29, 1997

Dear Todd:

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Please let me know if there is any additional material you need.

Sincerely,

George Rupp

Mr. Todd Stern
Assistant to the President and Staff Secretary
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Attachments

Low Library, Room 202 Mail Code 4309 535 West 116th Street New York NY 10027 212-854-2825 Fax 212-854-6466

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK

COLUMBIA EARTH INSTITUTE

CONTRIBUTORS TO CLIMATE CHANGE

Greenhouse Gases:

- Greenhouse gases warm the Earth by preventing heat from escaping our atmosphere. Carbon dioxide is most important; methane is second in terms of impact on global warming.
- Concentrations have continued to increase since 1750.
- Carbon dioxide (30%), methane (145%)
- Increase is mostly due to human activities.
- Contribute to heating atmosphere (increase of 2.45 watts per square meter of the earth's surface compared to 240 watts per square meter of the earth's surface provided by the sun).
- Temperature rise takes a long time (centuries) because of slowness of response, due to transfer into deep layers of the ocean.
- The rate and magnitude of the temperatures rise from greenhouse gases is uncertain due to uncertain impact of ocean mixing and difficulty of determining some greenhouse gases contributions like ozone.

Aerosols:

- Small particles produced by combustion and burning of forests.
- They cool the earth by scattering solar radiation back into space and their impact on cloud formation.
- Only stay in the atmosphere a short time.
- Have a more localized impact being the largest in industrial areas.
- Magnitude of cooling is uncertain but might be as large as warming of greenhouse gases.
- Natural volcanic eruptions also produce cooling impact because of the particles they send into the atmosphere.

Natural Variations:

- Due to changes in solar output and earth's orbit around the sun.
- Also due to chaotic natures of climate (it varies naturally even without change in solar input).
- Most large natural changes are over very long time scale (thousands of years).
- Uncertainty in human induced changes created by existence of natural variations of the same magnitude.
- Recent results also reveal large changes in the past on 20 to 30 years time scales. This raises the possibility of rapid human induced climate change.
- Possibility also exists that human induced warming may impact natural variations like El Niño.

For more information, contact: Peter Eisenberger, Vice Provost for the Columbia Earth Institute & Director of Lamont-Doherty Earth Observatory, Fourth Floor, Low Library Columbia University, 535 West 116th Street, New York, NY 10027, 212/854-3830 fax 212/854-6309, email petere@ldeo.columbia.edu

HUMAN INDUCED CLIMATE CHANGE PROCESSES: DEVELOPED AND DEVELOPING COUNTRIES' CONTRIBUTIONS

Climate Change Process:

- Human activities change greenhouse gas and aerosol concentrations.
- Greenhouse gas impacts are 49% from energy use, 29% from industrial processes, 14% from deforestation, 13% from agriculture.
- Each type of greenhouse gas contribution introduces gases into the atmosphere which can undergo further chemical changes while in the atmosphere (nitric oxide biggest impact is on changing ozone concentrations).
- The greenhouse gas concentrations in the atmosphere are further determined by the length of time it stays in the atmosphere (carbon dioxide centuries, methane decades).
- Impact is further determined by how much heat is absorbed by gases (e.g. methane is about 100 times more effective than carbon dioxide).
- Currently human induced contributions to greenhouse gas warming are carbon dioxide 50%, chloroflourocarbons 20%, methane 16%, ozone 8%, nitrous oxide 6%.
- Aerosols are short lived and concentrated near industrial activity. They produce a different pattern of cooling then the well mixed greenhouse gases.

Greenhouse Gas Impact on Global Warming of Developed and Developing Countries

- Determined by amount of energy use, industrial processes, deforestation, and agriculture (developed countries have greater human activity, increasing their impact on global warming).
- Dependent upon cleanliness and efficiency of energy and industrial processes (developing countries have less clean and lower efficiency processes, which increases their impact on global warming).
- Both together determine amount of greenhouse gas emissions.
  - -United States 18%
  - -Confederation of Independent States (Soviet Union) 13%
  - -European Community 11%
  - -China 9%
  - -Japan 4%
  - -India 4%
  - -Brazil 4%
  - -Mexico 2%
  - –Indonesia 2%
  - -Canada 2%
- The United States emits 12 times per person more than China.

For more information, contact: Peter Eisenberger, Vice Provost for the Columbia Earth Institute & Director of Lamont-Doherty Earth Observatory, Fourth Floor, Low Library Columbia University, 535 West 116th Street, New York, NY 10027, 212/854-3830 fax 212/854-6309, email petere@ldeo.columbia.edu

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK

COLUMBIA EARTH INSTITUTE

POLICIES TO PREVENT CLIMATE CHANGE

Carbon Taxes

A mechanism to reduce carbon emissions is a carbon tax -- a tax levied on all fossil fuels in proportion to their carbon contents.

• By raising the cost of fuels and energy intensive products, this tax would discourage all fossil fuel use in proportion to their carbon contents and encourage the development of less carbon-intensive alternatives.

• A recent statement by leading economists favors taxes over a regulatory approach. However, taxes increase government's intervention in the economy and are out of public favor in today's market-oriented environment.

Joint Implementation

• This is a mechanism that allows a firm in one country to invest in a project that reduces emissions in another country,and to receive credit for those reductions at home. It was proposed by President Clinton on Oct. 22, 1997. An example might involve Norway and Poland. International joint implementation of CO2 emissions reductions would allow a utility in Norway to achieve an emissions reduction by contracting to pay a factory in Poland to install more fuel-efficient furnaces.

Tradable Permits

• President Clinton has proposed a tradable permits program in which permits will be required in order to sell or use fossil fuels. First suggested in 1994 to the Framework Convention on Climate Change by Columbia University's economists, it works as follows. By limiting the total number of permits, the regulatory authority controls global carbon emissions, for example, to 1990 levels. The limited number of permits combined with a market for trading them increases overall efficiency by encouraging development of more efficient technologies and by directing activity to the most efficient providers. If permits are bought and sold, the permit price in the market place signals how much firms should reasonably spend on abatement measures.

• This is the most market-oriented and efficient approach, which is already used for sulfur dioxide permits in the Chicago Board of Trade.

• One argument for tradable permits is the perceived political difficulty of proposing a change in the tax structure.

• The most difficult issue in the use of tradable permits is how to allocate them to potential users. For small fuel users tradable permits could cause administrative burdens.

For more information, contact: Graciela Chichilnisky, Director of the Program on Information and Resources and UNESCO Chair of Mathematics & Economics at Columbia University. Fourth Floor, Low Library, Columbia Earth Institute, Columbia Universtiy, 535 West 116th Street, New York, NY 10027 212/854-7277 fax 212/854-6309 email gc9@columbia.edu

THE INTERNATIONAL BANK FOR ENVIRONMENTAL SETTLEMENTS

The International Bank for Environmental Settlements (IBES) is a market-oriented institution that acts as an intermediary, organizes, and regulates the global trading of emissions permits and other environmental assets. Its governance and operating budget are decided by the nations of the world as in the World Bank or the IMF.

The IBES Mandate

The mandate of IBES is to enhance wealth generation while protecting the environment. It will accomplish this by providing liquidity and economic return from environmental assets (such as forests) for their owners while ensuring judicious use. A more familiar example is an equity source account, which also provides capital while requiring owners not to alter the property without approval.

How IBES Operates

Once the world's ceiling of emissions is agreed upon, permits can be allocated following a sliding rule. The rule starts from the current situation in industrial and developing nations (a grandfather allocation) and moves toward an incentive system allocating more permits to those who emit less. Auctions can be used to allocate permits in the most efficient way.

Preserving national sovereign rights, IBES will:

-- Act as an intermediary in multilateral borrowing and lending of permits.
-- Trade options on carbon permits in the future.
-- Clear and settle multinational transactions.
-- Ensure market integrity and efficient price mechanisms (such as SEC, CFTC)
-- Enter into open market operations and set discount rates to smooth prices (much like the Federal Reserve)
-- Offer credit enhancement to facility trade.
-- Set targets and monitor compliance.
-- Renegotiate targets as scientific understanding advances.

The IBES: A Win-Win Solution

The industrial nations have more capital. The developing nations are richer in the environmental account. They emit less carbon and have most of the world's forests and 80% of its biodiversity. According to economic models, there are gains to be made from trade while insuring judicious use of environmental assets. Trading permits will encourage more exports from industrial countries to developing countries. It will fuel world markets without inflationary pressures.

For more information, contact: Graciela Chichilnisky, Director of the Program on Information and Resources and UNESCO Chair of Mathematics & Economics at Columbia University. Fourth Floor, Low Library, Columbia Earth Institute, Columbia University, 535 West 116th Street, New York, NY 10027 212/854-7277 fax 212/854-6309 email gc9@columbia.edu

United States Department of State

Bureau of Oceans and International Environmental and Scientific Affairs

Washington, D.C. 20520

Mtgs outside

October 29, 1997

IMMEDIATE ATTENTION Fax Transmission: 1 page

'97 OCT 29 PM12:33

TO: EB - Al Larson/Bill Ramsay - 647-5713
White House - Todd Stern - 456-2215
NSC - Jim Steinberg - 456-9490
DOD - Sherri Goodman - (703) 693-7011
EPA - David Gardiner - 260-5275
David Doniger - 260-5155
CEQ - David Sandalow - 456-2710
DOE - Abe Haspel - 586-3047
Mark Mazur - 586-9626

FROM: OES - Rafe Pomerance
Deputy Assistant Secretary for Environment

SUBJECT: Invitation to U.S.-EU Troika Meeting on Climate Change, Tues., Nov. 4 at State Department

Tim Wirth will be hosting a senior-level meeting of EU-troika members from the Netherlands, the UK and Luxembourg on Tuesday, November 4 from 9-11 (plus a luncheon) to discuss outcomes from the 8th AGBM meeting and where we go from here on the road to Kyoto.

You are being asked to participate in these discussions. Please get back to George Herrfurth (ph. 736-4660; fax: 647-5947) on my staff by noon tomorrow, Thursday, Oct. 30, to inform us of your availability to participate, or whether you plan to send a representative in your stead. (In order to ease your clearance into the State Department on Tuesday, please also be sure to provide us with social security numbers and dates of birth if you or a representative will be attending.)

I will also intend to conduct a conference call with you all on Monday, Nov. 3 at 4 pm to go over strategy for the Tuesday meeting.

Research
'97 OCT 24 AM10:38

REDEFINING PROGRESS
1633 CONNECTICUT AVE., N.W. • 2ND FLOOR • WASHINGTON, D.C. 20009
Telephone 202.588.8900 • Facsimile 202.588.9711

October 22, 1997

The White House
Washington, DC 20502

Dear Mr. Stern,

Enclosed is a copy of Stephen DeCanio's Background Paper, "The Economics of Climate Change." This paper reviews the economic and risk factors associated with unchecked greenhouse gas emissions including health problems, biodiversity loss, changes in weather patterns and sea level rise. It also includes an introduction to the technical literature comparing the implementation costs and benefits of policies designed to avert global climate change.

Both the Economists' Statement on Global Climate Change and the Background Paper emphasize the significance of the climate change issue and the utility of market-based policy approaches in the future to meet domestic targets for greenhouse-gas reductions.

As always, Redefining Progress appreciates your work and commitment to this important issue. If you would like additional copies of the enclosed document please call Jill Chopyak in our Washington, D.C. office at (202) 588-8900.

Sincerely,

Maureen Kennedy

Maureen Kennedy
Executive Director

HEADQUARTERS • ONE KEARNY STREET • FOURTH FLOOR • SAN FRANCISCO, CALIFORNIA 94108
Telephone 415.781.1191 • Facsimilie 415.781.1198 • www.rprogress.org

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THE SMITH-FREE GROUP

Suite 325
1500 K Street, NW
Washington, DC 20005

TELEPHONE
202/393-4760

FACSIMILE
202/393-3516

October 28, 1997

MEMORANDUM

VIA FAX: 456-2215
Total # pages, including this cover: 3

To: TODD STERN

From: JIM FREE

This is to confirm our appointment on Thursday, October 30, at 3:00 p.m. Clearance information is listed below and the bios on Mr. Boyce and Mr. Steinbeck are attached as you requested. I look forward to meeting with you.

Mr. Greg Boyce President Kennecott Energy Company	DOB (b)(6) SS#
Mr. Alan C. Steinbeck Director, Federal Government Affairs Kennecott	DOB SS#
Mr. James C. Free President and CEO The Smith-Free Group	DOB SS#

GREGORY H. BOYCE

President and Chief Executive Officer, Kennecott Energy Company

Gregory H. Boyce is President & CEO of Kennecott Energy Company. Mr. Boyce is responsible for all North American energy related business of Rio Tinto Energy, the global energy company of Rio Tinto, plc in London, primarily coal and uranium. Kennecott Energy Company manages five producing Powder River Basin coal mines, one producing coal mine in Colorado and also is managing the reclamation of several Eastern U.S. coal properties.

Prior to his appointment as the head of Kennecott Energy Company, Boyce was President of Kennecott Minerals Company and was responsible for all of the U.S. Mines group properties and all new mine developments throughout North and Central America.

Mr. Boyce began his career with Kennecott in 1977 at the Ray Mines Division in Arizona. During his career, Mr. Boyce has held numerous senior management positions including Bingham Canyon Mine Operations Superintendent; Director of Kennecott's Health, Safety and Environmental Affairs; General Manager of the Barneys Canyon Mine; Mining Manager at the Bingham Canyon Mine; and Director of Government and Public Affairs.

Mr. Boyce is a member of the Board of the National Mining Association, National Coal Association, Western Regional Council, The Center for Energy and Economic Development (CEED), National Coal Council and Mountain States Employers Council.

Mr. Boyce holds a B.S. Degree in Mining Engineering from the University of Arizona and an Advanced Management Degree from the Harvard University Graduate School of Business.

ALAN C. STEINBECK

Director, Federal Government Affairs, Kennecott Services Company

Alan Steinbeck joined Kennecott in April 1994 as Director of the Washington Office of Kennecott and U.S. Borax. The Washington Office represents the legislative and regulatory interests of U.S. Borax and the Kennecott group business units, including Kennecott Energy Company, Kennecott Utah Copper Corporation, Kennecott Minerals Company, and Kennecott Exploration Company. The Kennecott group companies and U.S. Borax are wholly owned American subsidiaries of Rio Tinto plc.

Prior to joining Kennecott, Mr. Steinbeck served four years as Legislative Assistant, Energy and Natural Resources, for United States Senator Frank H. Murkowski (R-AK). In this role he drafted natural resource legislation as well as developed and implemented strategies for passage. Primary areas of focus included mining law, wetlands regulation, forest practices, national energy policy, and public land policy.

Mr. Steinbeck's past work experience includes six years with the U.S. Department of the Interior as a park ranger for the National Park Service and as natural resources specialist for the Bureau of Land Management. He has also worked several years as an environmental and resources policy analyst for two environmental engineering firms.

Mr. Steinbeck holds a B.S. Degree in Conservation of Natural Resources from the University of California, and an M.F.S. Degree in Natural Resources Policy and Law from Yale University.

Mtgs ø Todd

'97 NOV 3 PM 7:28

U.S.-EU Troika
Consultations on
Climate Change Negotiations

9:00 - 11:00 am
Tuesday, November 4, 1997
Room 1105 - Department of State

NOTIONAL AGENDA

1. Opening and Introductions

2. Outcomes of the 8th AGBM Meeting

3. Exchange of Views on Specific Negotiating Issues

    -- QELROS
    -- Developing Countries
    -- Policy flexibility (budgets, emissions trading, joint implementation, EU bubble)
    -- Compliance
    -- Other Issues

4. Informal Ministerial-Level Meeting in Tokyo (Nov. 8 & 9)

5. Other Matters, As Appropriate (e.g., future U.S.-Troika meetings)

6. Concluding Remarks

U.S.-EU Troika
Consultations on
Climate Change Negotiations

Tuesday, November 4, 1997
Room 1105 - Department of State

U.S. PARTICIPANTS

U.S. Representatives

Staurt Eizenstat
Under Secretary for Economic, Business, and Agricultural Affairs

Timothy Wirth
Under Secretary for Global Affairs
Department of State

Advisors

Executive Office of the President

Todd Stern
Director, White House Task Force on Climate Change

David Sandalow
Associate Director for the Global Environment
Council on Environmental Quality

Department of State

Rafe Pomerance
Deputy Assistant Secretary for Environment

William Ramsay
Deputy Assistant Secretary for Energy, Sanctions and Commodities

Mark Hambley
U.S. Negotiator for Climate Change

Daniel Reifsnyder
Director, Office of Global Change

Rodrigo Prudencio
Special Assistant to Under Secretary for Global Affairs

Victoria Greenfield
Senior Economist, Bureau of Economic and Business Affairs

Jonathan Pershing
Deputy Director, Office of Global Change

Stephen Muller
Chief, Energy and Natural Resources Division
Bureau of Economic and Business Affairs

George Herrfurth
Office of Environmental Policy

Frank Finver
Office of Science and Environmental Initiatives

Mario Merida, Economist, Energy and Natural Resources Division, Bureau of Economic and Business Affairs

Kristina Kvein
Office of European Regional Affairs

Department of Defense

Sherri Goodman
Deputy Under Secretary for Environmental Security

Roy Salomon
Advisor to the Deputy Under Secretary

Department of Energy

Abraham Haspel
Deputy Assistant Secretary for Energy, Environmental and Economic Policy Analysis

Mark Mazur
Special Assistant to the Secretary

U.S. Environmental Protection Agency

David Gardiner
Assistant Administrator for Policy, Planning and Evaluation

William Nitze
Assistant Administrator for International Activities

David Doniger
Counsel to the Assistant Administrator for Air and Radiation

U.S.-EU Troika
Consultations on
Climate Change Negotiations

Tuesday, November 4, 1997
Room 1105 - Department of State

EU MEMBER PARTICIPANTS

LUXEMBOURG

Mr. Johny Lahure
Minister of Environment

Mr. Henri Haine
Senior Advisor to the Minister of Environment

Mr. Carlo Krieger
Deputy Chief of Mission
Embassy of the Grand Duchy of Luxembourg, Washington, D.C.

UNITED KINGDOM

Mr. Michael Meacher
Minister of State for the Environment

Mr. Craig Jones
Assistant Private Secretary to the Minister

To be determined

THE NETHERLANDS

Mr. Kees Zoeteman
Deputy Director-General
Ministry of the Environment

EUROPEAN COMMISSION

Mrs. Ritt Bjerregaard
Commissioner for the Environment

Mr. Peter Jorgensen
Spokesman

Mr. Jorgen Henningsen
Director-General
Directorate of Environment Quality and Natural Resources

Meetings
Past

Dinner w/ Sec. Albright
8/13/97

KRISTEN E. PANERALI
08/13/97 05:41:07 PM

Record Type: Record

To: Jonathan H. Adashek/WHO/EOP

cc:
Subject: tonite's list for dinner

following is the list....

eizenstat
wirth
sherman
rubin
bill woodward
daley
babbit
moeler
yellen
sperling
stern
tarullo
dr. john holdren
dr. robert repetto

Events - Sept 26

AT&T

Braden R. Allenby, J.D., Ph.D.
Environment, Health & Safety
Vice President

Room 4B42
20 Independence Blvd.
Warren, NJ 07059-6746
908 580-5800
FAX 908 580-6633
EMAIL ballenby@att.com

October 9, 1997

Todd D. Stern
Assistant to the President and Staff Secretary
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

'97 OCT 14 AM 11:12

Dear Mr. Stern:

Thank you for including AT&T as a member of the industry advisory meeting on global climate change held at the White House on September 26.

In response to your request for additional input on how further corporate initiatives could reduce carbon emissions we wish to offer the following:

- Significant voluntary actions are in place and are being monitored for effectiveness. These include Climatewise, GreenLight and Energy Star Buildings.
- The voluntary contributions should be acknowledged and factored into future goals established in Kyoto.
- One of the ways in which a corporation can demonstrate voluntary reduction in carbon emissions is through adopting telecommuting policies for their employees. Last year alone, over 45,000 AT&T employees used teleworking arrangements, reducing carbon output by an estimated 80,000 tons. Savings accrued from these policies should be included in overall corporate contributions to carbon reductions.

Thank you for the opportunity to comment as you work through the complex issues of negotiating an international treaty to address global climate change.

Sincerely yours,

Brad Allenby

Mtgs Columbia C

'97 SEP 25 AM11:31

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Please deliver Fax to: Jonathan
Todd Stern

From: Ellen S. Smith
Assistant Vice President and Director of Federal Relations

Comments: **Michael Crow's Bio**

Please report any problems with this transmission to the above voice number.

MICHAEL M. CROW

Michael M. Crow serves as the Vice Provost of the University and Professor of Science and Technology policy at Columbia University in the city of New York. At Columbia he coordinates university efforts in research, innovation and technology transfer and strategic initiatives. Previously he served as Director of the Institute for Physical Research and Technology, and Institute Professor of Technology Management at Iowa State University. A graduate of Iowa State University, he holds the Ph.D. in Public Policy (Science and Technology) from the Maxwell School at Syracuse University.

The author of three texts in science and technology policy he has most recently published on policy issues related to the design of R&D systems, technology development and science policy in; Science and Public Policy, Technovation, Revue d' Economie Francais and the Journal of Technology Transfer. His forthcoming manuscript (with Barry Bozeman) entitled Limited by Design: Chaos in the U.S. R&D Laboratory System will be available late in 1997.

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From: Ellen S. Smith
Assistant Vice President and Director of Federal Relations

Comments: **Security Clearance Info for Thursday, Sept. 25th.**

Please report any problems with this transmission to the above voice number.

Michael Crow
SS# [redacted]
D.O [redacted] (b)(6)

Ellen S. Smith
SS# [redacted]

Alan J. Stone--possibility that will attend meeting
SS# [redacted]
D.O [redacted]

~~WAVES~~
mtgs – Columbia

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK

Columbia University in the City of New York | *New York, N.Y. 10027*

'97 SEP 15 AM10:19

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To Fax Number: (202) 456-2215 **Pages:** 2
(Including Cover Sheet)

Boylston Orange

Please deliver Fax to: **ATTN: Jonathan**
Todd Stern

From: Ellen S. Smith
Assistant Vice President and Director of Federal Relations

Comments: **Security Clearance Information for Wednesday, September 17, 1997 meeting at 1:00 p.m. with Rupp, Stone and Smith. Thank you!**

Please report any problems with this transmission to the above voice number.

President George Rupp
SS# [redacted] (b)(6)
D.O

Alan J. Stone
SS# [redacted]
D.O

Ellen S. Smith
SS# [redacted]
D.O

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Elgie Holstein
Mark Chuptk

Fax Number: 586-0861
586-7644

Phone Number: 586-5800

FROM: Todd Stern

SUBJECT: Press Release/Letter

DATE: 7-11-97

NUMBER OF PAGES (including cover sheet): 5

MESSAGE: A few suggested edits. Let me know if they seem OK & please let me see revised versions before they're released.

If all pages are not received, please call 202/456-2702

Insert A

In the process of developing policy that will meet our environmental objectives in a realistic, balanced way, without disrupting our economy, this Administration has assumed the need for a variety of market-oriented, flexible measures both at home and abroad, accelerated research and development into new technologies, and an international regime involving the participation of all nations.

Insert B

The report confirms the wisdom of the Administration's basic approach to climate change, namely that, in developing policy to meet our environmental objectives in a realistic way, without disrupting our economy, we need to employ a variety of market-oriented, flexible measures both at home and abroad, accelerated R&D into new technologies, and an international regime involving the participation of all nations. This report shows that, unless these elements are part of our policy, several energy-intensive sectors such as basic chemicals, iron and steel, petroleum refining, paper, aluminum and cement could suffer.

NEWS MEDIA CONTACT:
Bill Wicker, 202/586-5806

FOR IMMEDIATE RELEASE
July 11, 1997

Insert B

Report Affirms U.S. Direction in Formulating Climate Change Policies

The Impact of High Energy Price Scenarios on Energy Intensive Sectors: Perspectives from Industry Workshops, was released today. This report summarizes a series of workshops conducted by Argonne National Laboratory in 1996 under contract to the Department of Energy.

The workshop participants examined the impact of hypothetical large energy price increases on these ~~six energy-intensive~~ industries ~~--basic chemicals, iron and steel, petroleum refining, paper and allied products, aluminum, and cement.~~ but The price scenarios ~~considered--which were~~ based on analyses of other countries' ~~greenhouse gas reduction~~ proposals as of early 1996--do not reflect key policies that ~~subsequently advocated by the~~ Clinton administration ~~in~~ international negotiations on climate change. Submitted in January, 1997, the administration's proposals call for developing countries to join in reductions of greenhouse gas emissions ~~by a certain date~~ and would provide developed countries maximum flexibility in how they can reduce emissions ~~(i.e., by~~ for example, by allowing for multi-year emissions budgets, international emissions trading, and credit for "joint implementation" projects that reduce emissions in developing countries). These approaches can assure that climate change goals are met in the most cost-effective ways.

has advocated since that time

"The findings in this report reinforces our commitment to pursue climate change policies that reduce emissions and avoid the kinds of negative economic impacts described in the workshops," said Marc Chupka, Acting Assistant Secretary for Policy and International Affairs. "By examining various high energy price scenarios, workshop participants identified important economic risks in key industrial sectors. What we've learned affirms the wisdom of this administration's approach -- to negotiate an agreement based on a set of flexible policies and the participation of all nations ~~-- which will ensure that the U.S. climate change response has a minimal impact on our economy and competitiveness.~~"

in order to

Media can obtain a copy of the report's executive summary and cover letter by calling the DOE Press Office at 202/586-5806. Others can request a copy from DOE Public Inquiries at 202/586-5575.

- DOE -

R-97-063

July 11, 1997

Sec'y. Pena [or else memo to distribution]

Insert A

Dear ~~Reader~~:

and global

Climate change is an important national issue ~~which must be addressed in a balanced way~~. Our policy approach must take into account our Nation's competitiveness by establishing realistic goals over reasonable time periods; by providing flexibility in the way we attain those goals, including international emission trading and joint implementation; and including the maximum participation of all nations in a long-term strategy. The attached report confirms ~~the view~~ that, unless ~~these~~ elements are part of our policy, ~~then~~ several key energy-intensive sectors could experience serious negative ~~impacts~~. ~~effects~~ impacts.

the basic wisdom of our approach, indicating

such

The report, *Impacts of High Energy Price Scenarios on Energy-Intensive Sectors: Perspectives from Industry Workshops,* is based on a series of workshops conducted in June and July of 1996 by Argonne National Laboratory under contract with the Department of Energy. The views contained in this report are those of the workshop participants ~~and do not reflect the position of the Department of Energy~~.

The workshops explored the possible effects of new climate change commitments on six energy-intensive industries (basic chemicals, iron and steel, petroleum refining, paper and allied products, aluminum and cement) that are subject to significant foreign competition. For each sector, Argonne selected a panel of industry representatives, experts from academia, environmental groups, organized labor, the financial community and government. These panels were then asked to assume a projection of energy price increases that incorporated specific assumptions about the energy price effects of a postulated climate change agreement, and to reflect on the possible industry responses. Participants in each sector met for separate half-day workshops to discuss the ~~impacts these~~ energy price scenarios would have on industry output, employment, energy usage, industry costs, industry prices, imports and exports. Based on the restrictive, and at this point outdated energy price scenarios described above,

~~Overall,~~ the panelists reported negative impacts on the six industries ~~under the assumed price increases~~. Under the given scenarios, panelists predicted the industries would experience reductions in output and employment from projected baseline levels. Less-developed countries -- which were assumed in the workshops not to adopt binding commitments to lower greenhouse gas (GHG) emissions in the timeframe considered -- would capture an increasing share of the respective markets. Some industry representatives reported that it would be necessary to relocate under the hypothetical situation, and some reported that industry composition would change.

~~It is important to emphasize, however, that~~ The ~~negative~~ conclusions ~~expressed by the participants and~~ summarized in this report are predicated on ~~the~~ specific restrictive energy price scenarios assumed in mid-1996, which were based upon interagency analyses of proposals advanced by other countries at that time. As such, these price scenarios do not reflect key policies advocated in international negotiations by the U.S. government in the intervening year. For example, the assumed fuel price scenarios do not take into account the impact of multi-year emission budgets,

move to next page

international emission trading and joint implementation. If adopted, these provisions would lower the costs of achieving emission reductions in the U.S. and other developed countries, and would significantly lower the energy price increases assumed in the workshop scenarios. Nor did the workshop participants consider the acceleration of energy efficient and low-carbon technology development from expanded R&D efforts by the public and private sector, which could cushion the impact of energy price increases. Finally, the Administration has argued that developing countries should assume additional obligations in the near future to reduce their projected rapid growth of GHG emissions. No such actions are reflected in the workshop scenarios.

A. Despite these limitations, & taken in context,
~~Despite these limitations, and taken in context,~~ the workshops provided valuable information that has reinforced the need to pursue sensible climate change policies. The environmental and socio-economic issues surrounding the stabilization of GHG emissions have been the subject of considerable debate, but are especially sensitive now as participating nations are engaged in a new round of negotiations for further commitments within the Framework Convention on Climate Change that will conclude in December of 1997 in Kyoto, Japan. The U.S. position taken in these negotiations stresses that international agreements to combat the threat of climate change must be flexible, cost-effective, realistic, achievable, and ultimately global in scope. By examining scenarios that do not reflect such policies, the workshop papers have identified important economic risks in key industrial sectors that reaffirm the wisdom of the U.S. approach.

I hope that you find this report a useful contribution to the debate surrounding this important issue.

Sincerely,

Marc W. Chupka
Acting Assistant Secretary
Policy and International Affairs
U.S. Department of Energy

C# Insert from previous page

Department of Energy
Washington, DC 20585

'97 JUL 11 AM 10:00

Office of Policy and International Affairs
1000 Independence Ave., S.W.
Room 7C-016
Washington, DC 20585
Phone: 202/586-5800 Fax: 202/586-0861

DATE 11 JULY

TO TODD STERN FAX NO 456-[redacted] 2215

FROM MARC CHUPKA

MESSAGE THANKS FOR YOUR HELP IN GETTING THIS OUT. ELGIE AND I THOUGHT THAT A MEMO TO PEÑA WOULD NOT BE APPROPRIATE — AND WE SUGGEST A TRANSMITTAL LETTER INSTEAD, INCORPORATING YOUR COMMENTS.

PLEASE CALL ASAP — WE NEED TO MOVE SOON.

Pages to follow 3

'97 JUN 27 PM4:15

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

THE CHAIRMAN

June 27, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: JANET L. YELLEN Janet L. Yellen

SUBJECT: The World Bank's "Green Top Ten"

Attached is the information you requested regarding the World Bank's "Green Top Ten."

Attachment

FOR IMMEDIATE RELEASE

The World Bank

News Release No. 97/1377 S

Contacts: Phil Hay (202) 473-1796
Clare Fleming (202) 473-2874
Kristyn Schrader (202) 458-2736

WORLD BANK OFFERS "GREEN TOP TEN" IN ADVANCE OF UN EARTH SUMMIT

Calls for renewed efforts to safeguard environment

WASHINGTON, June 5, 1997—Today, on World Environment Day, the World Bank presents ten measures which, it believes, can exert real impact on improving and protecting the environment. The call comes as world leaders, including President Clinton, and other dignitaries such as World Bank President James D. Wolfensohn, prepare to attend a Special Session of the UN General Assembly on the Environment in New York later this month.

The Earth Summit+5, as the UN session is called, will assess how much progress has been made on environmental priorities such as global warming, depletion of tropical forests, air pollution, and water conservation, since the first Earth Summit was held in Rio de Janeiro in 1992.

The World Bank says that despite encouraging progress in some of these areas, for example, reducing lead in gasoline and cutting the use of ozone-depleting chemicals, the current state of the global environment remains cause for profound concern. It notes that carbon dioxide emissions in developing countries have jumped by nearly 25 per cent since Rio, that pollution continues to worsen in many world cities, with 1.3 billion people still affected by poisonous air, and that tropical plants and bird life continue to be lost at a rapid rate.

According to the **World Bank's Managing Director of Operations, Caio Koch-Weser,** the bank is deeply concerned about the lack of momentum since the Rio Summit. He says the time has come for greater global partnership between industrialized and developing countries, UN agencies, private business, universities, international banks, local communities, non-governmental organizations, and other groups to forge a more strategic approach for safeguarding the environment.

"As central to this approach," says **Andrew Steer, Director of the Bank's Environment Department**, *"we are presenting a list of ten measures which could make a real difference to the environment in the long-term."*

- Phase out Lead in Gasoline Within Five Years
- Move Toward More Aggressive Elimination of CFCs
- Build Global Carbon Markets to Reduce Climate Change
- Make Water an Economic Asset
- Make Cities More Livable

- Conserve and Manage Critical Ecosystems on Land and at Sea
- Commit New Money for the Global Environment Facility (GEF)
- Build Alliances to Transform the Marketplace
- Adopt Greener Accounting and Eliminate Harmful Subsidies
- Apply Environmental and Social Assessment Consistently

"As the new millennium approaches, we must step up efforts to work together as partners in this critical pursuit of protecting the environment," says **Caio Koch-Weser.** *"Together we must take steps to transform the marketplace so that environmental and social concerns are addressed right from the very beginning. No less than the future of the planet, and the quality of life it affords mankind, are at stake."*

Echoing the call for greater partnership, Andrew Steer adds that the Bank has developed a close working relationship with many of the leading environmental groups, including the World Conservation Union (IUCN), which is the largest umbrella group of conservation organizations in the world. Steer says he was especially gratified that the president of the IUCN, Yolanda Kakabadse of Ecuador, and its assistant director-general, George Greene, were able to attend today's press conference.

The World Bank is now the world's leading financier of environmental reforms in the developing world, with $11.5 billion in loans for 153 projects in 62 countries. Bank Group President, James Wolfensohn, will address the UN Earth Summit +5, June 23-27, to appeal for a renewed campaign to protect the world's natural heritage, and outline the World Bank's efforts in support of the goals of the Rio Summit.

TOP 10 FOLLOWS

WORLD BANK "GREEN TOP TEN"

The World Bank

- **Phase out Lead in Gasoline Within Five Years**—The Bank calls for a global conversion from leaded to unleaded fuel to reduce air pollution and health problems associated with lead exposure. Phased-out so far in 18 countries, including Brazil, Canada, Thailand, and the United States, leaded gasoline is believed to be responsible for neurological damage and heart disease among children, especially in developing countries. The Bank says that countries could recover their costs of conversion 5 to 10 times over through reduced health care costs and economic savings. The United States, for example, saved more than $10 for every $1 invested in its conversion. The Bank would stand ready to assist governments in introducing policies and programs to assist in the complete phase-out of leaded fuel.

- **Move Toward More Aggressive Elimination of CFCs**—The Bank says helping Russia curtail its production and use of chlorofluorocarbons, or CFCs, could arrest further depletion of stratospheric ozone. With help from a $60 million joint World Bank-Global Environment Facility initiative, the Russian Federation has now agreed to phase out CFCs by the year 2000—but needs modest financial support from the industrial countries. The Bank says this could be repeated in China, India, Korea, Venezuela, Brazil, and Mexico, the world's other significant CFC producers, if the international donor community can provide the necessary financial support.

- **Build Global Carbon Markets to Reduce Climate Change**—As an agency closely involved in putting the Climate Change Convention into practice, the World Bank is exploring innovative remedies for the growing problem of climate change. One promising avenue is the concept of building global markets for trading greenhouse gas emissions. In other words, a company in one country may meet the Convention's emission standards by investing in pollution reduction in another country. This mechanism could lower the costs of reducing global emissions, and promote more ambitious global climate policies. Recent pilot projects by countries such as Costa Rica should be widely supported. The Bank is also encouraging private companies to finance renewable energy development in countries such as Indonesia and India.

- **Make Water an Economic Asset**—Water has long been considered a special commodity and not a normal economic resource. Subsidies to households, farmers, and other users have been commonplace throughout the world. This approach has proved to be unfair since it is always the rich who benefit from these subsidies, while the poor often miss out. About 1 billion people still lack access to formal water supply services. In urban areas the poor, who mostly lack domestic running water, typically have to buy their water from vendors, paying 10 times more for a gallon of water than someone with a municipal water connection. Furthermore, subsidies mean that water is wasted. With water scarcity a fact of life in many developing countries, it is imperative that water be treated as a precious, economic, resource. This means that the price of water should reflect the actual costs involved in delivering water, that the private sector should play a greater role in financing and managing water systems, and that market mechanisms (such as tradable water rights and pollution charges) need to become more universal.

- **Make Cities More Livable**—The World Bank warns that in developing countries, where millions of people are leaving rural areas for the cities, urban environmental problems impose considerable costs, especially in damage to the personal health of mostly poor residents. After nearly 25 years of helping the developing world cope with urban problems, during which it has supported more than 50 projects worth $6 billion in 30 countries, the Bank believes that making cities more livable depends on tackling environmental problems which cause the greatest harm and can be solved at modest cost. For example, the harmful effects of inhaling dust and soot from vehicle exhaust, power plants, cooking, and trash burning can be greatly reduced in industry with modest investments in dust collection and filters, and greater vigilance on the shopfloor. The Bank notes that 18,000 fewer people would die prematurely in 18 Central and Eastern European cities, with annual savings of more than $1.2 billion in working time gained, by achieving European Union air pollution standards. The Bank also argues that microbial diseases in drinking water contaminated by rats, flies, and mosquitoes cost billions of dollars in lost lives and bad health in developing countries' cities. With modest investment in cleaner water supplies, together with efforts to improve urban air quality, the Bank believes that cities can be made more livable for millions of the world's people.

- **Conserve and Manage Critical Ecosystems on Land and at Sea**—Many areas of unique natural value continue to degrade due to lack of protection. A targeted approach is required. Recently the Bank has partnered and supported organizations such as Conservation International, Worldwide Fund for Nature, and IUCN in identifying priorities for action. On land and sea, the Bank is providing widespread support for establishing and managing protected areas around the world. The partnership between the Bank and IUCN has produced a number of innovative biodiversity initiatives, including the Global Representative System of Marine Protected Areas. The Bank is helping developing countries make projects in agriculture, forestry, energy, tourism, coastal zone management, and urban and infrastructure projects more "biodiversity friendly". For example, projects in Honduras, Nicaragua, and Panama promote sustainable agriculture to alleviate poverty and discourage the expansion of farming activities into the Atlantic forests of the Meso-American Biodiversity Corridor. Other projects like Indonesia's COREMAP promote conservation, and sustainable use of some of the world's richest coral reefs and other coastal ecosystems.

- **Commit New Money for the Global Environment Facility (GEF)**—The World Bank calls for a substantial new cash injection for the Global Environmental Facility, or GEF. Created in 1991 with a $2 billion inaugural fund, the GEF provides grants to developing countries to help them reduce the risk of climate change; promote biodiversity; protect international waters; and phase out ozone-depleting substances, such as CFC's. With GEF-sponsored success stories growing throughout the developing world, such as a biodiversity protection project in Belarus and an energy efficiency project in Thailand, the Bank says the Facility should be replenished with new money. Discussions among governments concerning replenishment are currently underway.

- **Build Alliances to Transform the Marketplace**—Moving from present to sustainable practices is hampered in many economic sectors by high risks, lack of knowledge and finance, wrong economic incentives, and the absence of "green" markets. The World Bank believes that removing such barriers throughout the value chain will require active partnerships among private investors, NGOs, governments, financiers, and local communities. Toward this end, the Bank will be supporting such "Market Transformation Initiatives" in forestry, marine industries, and solar energy.

- **Be Consistent with Environmental and Social Assessment**—Techniques are currently available to ensure that environmental and social concerns feature prominently in policy and project design, yet these are inconsistently applied. The World Bank calls on international financial institutions (including export credit agencies) to harmonize their standards and apply them consistently. The Bank is currently actively strengthening its own practices and—in partnership with IUCN and other groups—has embarked on a major training and capacity-building program in Africa. Ensuring consistently high standards is especially important for potentially damaging investments in infrastructure and energy. The establishment of an independent "commission" on large dams, agreed upon last month at a meeting convened by the World Bank and IUCN, is an important effort to ratchet up performance in this sector.

- **Adopt Greener Accounting and Eliminate Harmful Subsidies**—Traditional measures of economic progress ignore the depletion of natural resources and the subsequent costs of environmental damage. The Bank has been in the vanguard of efforts to link economic and environment issues by expanding the measure of a country's wealth to include natural resources—using a greener measure of wealth will improve both economic and environmental policy-making. The Bank calls for increasing the application of greener accounts that can serve as indicators of the economic benefits of reducing environmental damage and the costs of depletion. In addition, the World Bank, together with the Earth Council and other concerned agencies, urges the rapid phase-out of subsidies on natural resource consumption. The Bank estimates that subsidies on fossil fuels have dropped by 50 percent since 1992, but still stand at $58 billion. The Earth Council has estimated that total subsidies still amount to $800 billion, including $45 billion on water, $150 billion on transport, and $2 billion on pesticides. These subsidies rarely benefit the poor and invariably harm the environment.

-###-

THE PRESIDENT HAS SEEN
6-25-97

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Expansion Continues in All Fed Regions But at a Slower Pace. The Federal Reserve's Beige Book on regional conditions reports that all 12 district economies continued to expand in May and early June. Labor markets tightened, with some districts reporting wage increases. Furthermore, although the prices for energy, some metals, and real estate rose, few districts reported upward pressure on final goods prices. Agricultural reports were largely favorable, with localized pockets of weakness caused by unseasonably cool weather. Manufacturing activity appeared to remain at high levels and was growing in many districts. Overall, demand for commercial loans was high during this period, but consumer lending activity was mixed. Consumer spending growth appears to have slowed since April, with retail and auto sales exhibiting particularly slow growth rates in several districts.

World Bank Presents "Green Top Ten." On World Environment Day, June 5, the World Bank released 10 suggestions for a healthier, greener planet. The first suggestion is to phase out lead from gasoline within the next 5 years—a procedure the Bank says could save 5 to 10 times the cost of conversion through reduced lead-related health care expenditures and other economic savings. The United States, for example, saved more than $10 for every $1 invested in its conversion, according to the Bank. Some of the other proposals include building global carbon markets to reduce climate change; making water an economic asset by removing subsidies so that the price of water reflects the actual cost of delivery; and addressing market failures that impede the adoption of sustainable practices in a wide variety of circumstances. The Bank also proposed adopting greener accounting and eliminating harmful subsidies on fossil fuels. The Bank is offering these recommendations in advance of the coming Earth Summit+5 as ones that could make a real difference to the environment in the long term.

Get her these

Assisted Living Grows in Popularity. Assisted living facilities (ALFs) are residential care settings that provide an additional emphasis on autonomy and personalized living arrangements as an alternative to nursing homes. Falling somewhere between independent living and nursing home provided care, assisted living facilities generally attract single or widowed females who average 84 years in age and possess some need for assistance with mobility and/or continence. However, because these individuals may not require the services of a professional nurse, assisted living is generally less expensive than placement in a nursing home. *Fortune* magazine has identified assisted living as one of the top three potential growth industries for 1997. A recent GAO study reported that most oversight and regulation of AFL care is done by states. One concern is that the rapid increase in the number of assisted living facilities may outstrip many states' ability to monitor and regulate care.

Oct 23 '97 mtg w/ Senate Ag. Staff
(also EPW)

~~JEFF~~ BURNAM	~~LUGAR~~	44814
DAVID FRENCH	SANTORUM	224-6324
Walt Lukken	Lugar	4-7444
Mike Carlson	Santorum	4-6324
Page Faulk	Santorum	4-6322
Sarah Lister	Senate Agr. Democratic	4-5929
Eric Washburn	Daschle	4-2321
Ginny Worrest	Sen. Snowe	4-8672
Ben Thinnes	Sen. Kyl	4-4521
Stephanie Mercier	Sen. Ag. (Harkin)	4-0014
Keith Yehle	Sen. Roberts	44774
Julia Hathaway	Sen Graham	4.1546
Angela Marshall	Sen. Baucus	4-2651
Kira Finkler	Sen. Energy Demo.	4.8164
Gerry Gilligan	Sen. Sessions	4-4124
Wayne Hammon	Craig	4-2752
Ethan Brady	Craig	4-4242
PAUL BURGESS	ENZI	4-3424
DEBBIE REED	BOB KERREY	43518
Karl Glasener	Ag. Cmte	4-593.
JOHN RODRIGUEZ	~~RODRIGUEZ~~ LOTT	4-~~3135~~ 625
Dave White	Ag Cmte	4-2468
Richard Pouyat	Moynihan	4-445
Melissa Carey	Moynihan	4-4451
Linda Delgado	Boxer	4-355
Sally Kane	Lieberman	4-7203
John Hemphill	Env. & Public Works Minority	4-7069

Mtgs ~~Temp~~ Todd C

Embassy of Japan
(Economic Office)
2520 Massachusetts Ave., NW
Washington, DC 20008
Telephone (202) 238-6741 Fax (202) 265-9473

Revised for Addional NAME

Date: September 26, 1997
Total pages: 2(including this page)

'97 SEP 29 AM9:16

To: Mr. Robert Kapla
Office: Office of the Honorable Kathleen McGinty
Council on Environmental Quality, The White House
Phone: 456-6224
Fax: 456-2710

From: Ms. Hiromi Uehara, **Executive Assistant to the Minister for Economic Affairs, Economic Office**

Dear Mr. Kapla:

Re: Ambassador Tanabe's meeting with the Honorable Kathleen McGinty.
Date: Monday, September 29, 1997
Time: 10.00 am
Place: OEOB, Room 360 (Ms. McGinty's office)

Officials who will be attending the above meeting.

1. Ambassador Toshiaki Tanabe (b)(6)
   Ambassador for Global Environmental Affairs, Ministry of Foreign Affairs.
2. Mr. Masami Tamura
   Deputy Director, Global Issues Division, Ministry of Foreign Affairs
3. Mr. Kazuhito Sakurai
   Director for Global Environmental Affairs, Ministry of International Trade and Industry.
4. Mr. Hitoshi Ozawa
   First Secretary, Embassy of Japan

I am adding one more person for the above list.

5. Mr. Hiroshi Oe
Counselor, Embassy of Japan

If you have any question, please call me at 238-6741. Hiromi Uehara

Mtgs – Todd

'97 SEP 26 PM 7:00

Fax Cover Page

To: **Todd Stern**

Subject: Oct. 1 meeting with Vice President Postponed
Date: 09/26/97 06:57 PM
Pages: 2 , including cover page

From: Donald R. Arbuckle
Agency:
Organization:

Office Phone:
Fax Phone:

MEMORANDUM FOR WHITE HOUSE REGULATORY ADVISORS

FROM: DON ARBUCKLE

SUBJECT: OCTOBER 1ST MEETING WITH VICE PRESIDENT POSTPONED

The Vice PresidentIs meeting with agency heads to discuss the forthcoming Regulatory Plan, scheduled for Wednesday, October 1st, has been **POSTPONED**. We are working with OVP to reschedule for the following week, October 6-10. I am sorry for this moving target.

We will let you know as soon as we have a new meeting date and time, and will be back in touch regarding an agenda. If you have any questions, please call me (x55897) or Joe Lackey (x57316). Thanks.

Todd Meetings

From the TelePort of: Tom Peterson - WH Climate Change Task Force

Date: Tuesday, September 9, 1997

Number of Pages: 5

'97 SEP 9 PM5:43

To: Todd Stern, WH
Fax Number: 202 456-2215

Memo: To: Todd Stern/Jonathan
From: Tom Peterson
Re: Talking Points for Byrd/Hagel meeting tomorrow

Draft 9/9/97

Talking Points for Byrd/Hagel/Senate Congressional Observer Group Meeting 9/9/97

Congressional involvement

- **The White House recognizes that the creation of a Senate Observer Group is a very significant act by the US Senate that has only been done a few times in the last 10 years or so. We take this group and its role in Kyoto very seriously as a central part of the advice and consent process. We are doing a number of things to involve this group in the Kyoto process and its aftermath.**

- WH Leg and WH Task Force staff have met with staff of the Senate Congressional Observer Group (SCOG) regarding coordination, and will be meeting every Monday afternoon at 4:30 to exchange information. This group is cooperatively organizing a series of SCOG members' briefings prior to Bonn (October 20) that will cover science and impacts, economics and policy implementation, and international issues.

- WH Leg is encouraging House leadership to designate an observer group ASAP.

- The WH conference is scheduled October 6 with the intent of dialog, input and information exchange. It's focus will be 20 percent problem/80 percent solution, and will flesh out implementation issues as they might affect a wide variety of US constituencies and the American public - both positively and negatively.

- SCOG will be invited [proposed by WH Leg and WH Task Force] to a Congressional breakfast the morning of the WH Conference to engage in dialog with President, VP and cabinet. Other key committee representatives will be invited also (chairs, ranking members). SCOG and committee staff will be invited to attend the conference as observers, and participate in breakout sessions.

- The conference will significantly involve members of labor, coal, agriculture, local and state leaders, and others who represent key constituencies, so that direct dialog can occur with the President, VP and cabinet.

- A variety of other member and staff briefings, and discussion sessions, are planned between now and Bonn.

Draft 9/9/97

- The President, VP and cabinet are also meeting with several key constituencies in DC and other regions of the country prior to the WH conference in an effort to reach out to many of the constituencies you heard from during the development of the Byrd/Hagel resolution.

- We encourage the SCOG to attend the Bonn and Kyoto meetings. The WH/State Department will recognize a CoDel for Bonn so that vote protection can be requested for members attending the Bonn meeting.

- A WH policy has not yet been set (either on targets and timetables, or on the sequencing of agreements), although the most obvious range of these options is fairly well developed. A final decision will not be made before congressional consultation. The concerns raised in the Byrd/Hagel resolution will be seriously considered - including developing countries commitments and market flexibility provisions (JI and trading).

International issues

- The issue of targets and timetables for developing nations (article 16), and JI, remain sticking points in negotiations. The lack of a US policy has contributed somewhat to this logjam, but we felt it best not to act prematurely on policy - particularly in light of the need for better consultation with congress and constituencies.

- Congress can be helpful on resolution of both issues by communicating congressional concerns to US constituencies and other national delegations, such as the CoDel group recently did in London. Market flex provisions such as JI and Annex 1 trading would benefit from stronger US industry and labor support.

- The administration regards developing nations commitments and full market flex as essential to any agreement.

- A variety of options exist for a Kyoto agreement, ranging from a full agreement of all parties, to a partial agreement of developed nations followed by an agreement by developing nations, to a complete breakdown in negotiations (which we do not favor). International discussions are opening up on these options. Ambassador Hambley discussed the status of these with the CoDel in Bonn in August. The SCOG will [proposed] be closely advised of these options and their status throughout negotiations, and it is important for us to dialog about them adequately prior to Bonn.

Draft 9/9/97

- Apparently, the Berlin mandate expires prior to the Kyoto meeting. Technically, this may free us from some of its constraints, yet from a practical political standpoint it is likely to viewed as a binding constraint by many nations for the Kyoto negotiation. This remains a large issue that US negotiators are seriously engaging. The effect of the Byrd/Hagel resolution has been to increase focus on this issue further and enlighten other nations to the seriousness of it to the US.

- Flexibility in implementing a resolution to the developing nations issue will be critical, and Senator Byrd's remarks on this issue have been helpful.

- Funding of the Global Environmental Facility (GEF) at a stronger level (it has been funded at only a fraction of the US agreement by congress - background by State) would help soften up some opposition to US position on developing nations. There may be other legislative actions that can help further that we should identify and explore.

New administration information

- The Administration is preparing an economic analysis that will be available prior to Bonn [suggested, work in progress by Rubin/Yellin]. We are also preparing a discussion of policy options and tools [in draft by EPA/DOE/Treasury et al, suggested].

- We will provide a complete update on the status of negotiations on a faction by faction basis for the SCOG [suggested, assignment to State].

- We will release an update of the state of scientific knowledge on the issue soon, along with a full transcript of the President's East Room Science ceremony. The scientific case for action continues to grow each year with new research findings and assessments.

- The IPCC continues to work toward its next assessment in 2000. The administration (OSTP) has been facilitating regional university conferences to improve the state of US knowledge on the impacts of the issue. Several have been conducted this year, and several more will be conducted next year. We expect further definition of the problem from this process, but no less call for action.

- The IPCC 2000 assessment is likely to affirm even stronger need for action. We do not think it is necessary or advisable to wait for this assessment to begin the long term agreement process, but we should provide flexibility an agreement to incorporate new science and assessment.

- The President's Council on Sustainable Development is holding a meeting in Tulsa in late September to address the climate change issue, and will be involving its members in consensus building on the issue over the long term.