

THE WHITE HOUSE

WASHINGTON

November 19, 1998

MEMORANDUM FOR SECRETARY RICHARDSON

FROM: TODD STERN ~~TDS~~

SUBJECT: Climate Change

At our meeting in September, you asked for a memo outlining my thoughts about how you could play a leadership role on climate change. As I was preparing that memo, your memo to the President on developing countries arrived. The response to those very interesting suggestions necessitated some coordination with State and NSC.

**International Efforts**

As your recent memorandum to the President rightly notes, much work remains to secure greater developing country participation in the Kyoto process. As your memorandum suggests, you could play an important role in this area and the President is interested in your playing such a role. To this end, I have discussed your proposal with Jim Steinberg, Stu Eizenstat and Frank Loy. The consensus is that State should continue to direct our diplomatic strategy, with active White House and NSC direction and in close consultation with DOE and other key agencies working on this issue. With your personal dynamism, international experience and Cabinet-level stature, you could play a key role as a top-level climate change emissary in developing countries. I would suggest that State, the White House, NSC, your representative and other relevant agencies work to identify countries where your engagement, including foreign travel, could pay real dividends.

As you have noted, we need to reach beyond the foreign ministries (which often see this issue in the ideological terms of the north-south debate) and environmental ministries (which sometimes place little emphasis on achieving environmental goals cost effectively via market mechanisms). Your active involvement would be a tremendous asset to this effort. We need to make inroads with a broad range of senior officials in developing country governments, including energy and industrial planning ministers. From your current seat, you are especially well-positioned to help senior officials understand that the steps necessary to mitigate climate change are also elements of a sound energy policy. In addition, you could highlight the potential technology transfer benefits of Clean Development Mechanism (CDM) projects, particularly in the energy sector. You could, moreover, draw attention to the potential economic benefits of emissions trading, drawing on energy and economic analysis prepared by your staff and the economic agencies. You could be a powerful voice for our message on climate change.

**Country Studies.** It is very important that the Department of Energy expand its technical and

financial assistance under the Administration's Country Studies Program. This program has been and should remain central to our efforts to lay the groundwork for robust steps by developing countries. The Country Studies Program helps developing countries inventory greenhouse gas emissions, as well as create and implement national action plans. With your support, the Administration could sustain the program through the end of the fiscal year. With an additional \$5 million from DOE, for example, we could expand our support for national action plans to 30 additional countries.

**Energy Sector Exchanges with Developing Countries.** DOE could also host reciprocal visits by public officials, NGOs, and industry groups in the energy sector to foster greater understanding abroad of our domestic climate change activities and emphasize sustainable energy policies. In cooperation with the Department of Commerce and others, DOE could showcase American climate-friendly technologies. You could propose these visits in your foreign travels, and perhaps even announce a broader series of "energy sector exchanges" with developing countries. You could target developing nations that have begun to show some interest in taking further steps on climate change, such as by participating in emissions trading or the CDM. Central American nations, small island states, and sub-Saharan African countries may warrant particular attention.

### **Domestic Efforts**

Our diplomatic and domestic strategies are closely linked. Kyoto helped place climate change squarely in the focus of U.S. industry, media, environmentalists and other constituency groups. Conversely, making progress on domestic efforts to reduce greenhouse gases is critical to demonstrating international leadership. In particular, there are four key areas of opportunity on domestic policy for your activity in coming months.

- **Electricity restructuring.** Environmental groups criticized our electricity restructuring plan for not having included a cap and trade program for carbon dioxide. As you know, we project that our proposal will produce real environmental benefits, both by providing incentives for utilities to be more energy efficient in producing electricity, and by including provisions for a public benefits fund and a renewable portfolio standard. In the coming months, it will be important for you to use appropriate opportunities to highlight climate-related elements of our plan.
- **Climate Change Technology Initiative.** In the face of considerable Congressional opposition to Kyoto, we succeeded in adding over \$200 million in new investments in clean energy research and development, delivering the first installment of the President's \$6.3 billion climate technology initiative -- much of which will go to DOE programs in Dan Reicher's shop. As we seek funding for subsequent years, beginning with FY 2000, you can play an important role in selling the DOE part of the President's initiative on the Hill.
- **Industry Consultations.** Among our most important domestic undertakings will be demonstrating progress in getting major American industries to support efforts to combat

climate change. You could play an important role in encouraging major companies to follow the progressive lead taken by companies like British Petroleum, United Technologies and IBM, which have all made specific pledges to reduce emissions below 1990 levels before 2010.

In addition to these individual pledges, we have been conducting the consultations that the President called for last fall. We are asking industries to review their energy practices and to develop voluntary goals for reducing emissions, while offering help in removing barriers or taking other action to assist business. Our interagency team has met with a dozen or so industries, including six at the CEO level: electric power, aluminum, steel, forest products, cement and natural gas pipelines. As we move forward, you may well have a role to play with industry CEOs to try to bring these discussions to the point of an actual agreement with the Administration.

- **Federal Energy Management.** Within the cabinet, you can help change the way all other agencies use energy. In a July radio address, the President made a personal priority of having the federal government lead in promoting energy efficiency and reduction of greenhouse gas emissions. The July address launched a number of efforts headed up by DOE's Federal Energy Management Program (FEMP) within Dan Reicher's office. These included FEMP-led efforts in promoting the better and expanded use of contracting authority for energy saving retrofits, launching a campaign to install hundreds of thousands of compact fluorescent light-bulbs, and initiating new efforts by several agencies to use sustainable design criteria in building new federal facilities. Together, these efforts can help save \$1 billion in energy costs annually. You can help underscore the importance of the federal government leading on the energy efficiency front by encouraging other Cabinet officers to use DOE's services in seeking these cost and energy savings and by speaking out on this topic in appropriate forums.