



The Secretary of Energy  
Washington, DC 20585  
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MEMORANDUM FOR THE VICE PRESIDENT

FROM: SECRETARY BILL RICHARDSON *Bill Richardson*

SUBJECT: RECENT DEVELOPMENTS IN CLIMATE CHANGE

This memo responds to your request for an update of recent departmental activities in the area of climate change. As you know, the Department has been a leader for quite some time in the development and deployment of technologies that can help address climate change concerns. Moreover, for several years, the Department has helped shape Administration climate change policies, both domestic policies and our positions in the international negotiations. Recently, I have begun to focus particular attention on our initiative to increase developing countries' participation in worldwide efforts to reduce global greenhouse gas emissions.

**International Activities:** As a follow-up to the memo I wrote to the President and you, I want you to be aware that I have been refining a strategy for encouraging developing countries to participate more meaningfully in reducing greenhouse gas emissions. As you know, much of what developing countries are already trying to achieve in their energy sectors -- increased efficiency, development of natural gas markets, increased use of renewable energy sources, and development and use of new, cleaner energy technologies -- are all steps that will help reduce greenhouse gas emissions. I am trying to get my counterparts to recognize this, and, in some cases, realize that these energy sector policy changes will allow them to take on a greenhouse gas emissions target. I am focusing on three regional groups -- Latin America, Africa, and Island Nations -- and individually on five tough challenges -- China, Brazil, India, South Africa, Mexico. My goal over the next year and a half is to have several developing countries agree to take on an emissions target, much as Argentina and Kazakhstan did at the Buenos Aires negotiations last year.

This year, I am planning to host a regional conference for the energy ministers of Latin America in late July and one for African ministers in September in Atlanta, co-hosted with Secretary Slater. These conferences will be opportunities to examine the energy aspects of the climate change conversation. Each conference will focus on building energy infrastructure for the 21st Century through regional integration, private investment, and technological advancements. Sustainable energy policies and climate change will be key themes at each meeting. In advance of these conferences, my staff has been visiting the governments in the regions, making the pitch that developing countries can benefit economically as well as environmentally by taking on emissions targets and participating in an international emissions trading regime. In addition, I have been using, and will continue to use, my bilateral contacts to press our climate change agenda.

For the island nations, I understand there is consideration of a White House meeting for heads of state around the UN General Assembly meeting in September. Because of island states' particular vulnerability to the effects of climate change, I believe such a meeting would dramatize the human

entire



dimension of climate change for a sometimes skeptical American public. Moreover, if we can persuade a few of these nations to propose emissions targets (perhaps as a way to cement their moral leadership in the developing world on this issue), we will send a strong signal that worldwide participation in the effort to address climate change is becoming a reality. I am planning to appeal directly to some of the island heads of state to feel them out on this possibility.

For the toughest cases, simple recognition of the importance of climate change and the positive effect that appropriate changes in the energy sector can make would be a step forward. That is why I was proud we were able to negotiate a Joint Statement in support of Clean Energy and the Environment with South Africa during the Binational Commission meeting in February. We are also currently working with the Department of Interior, the Environmental Protection Agency, the Agency for International Development, and the State Department to establish a permanent climate change working group with South Africa. In October, I established a similar working group on sustainable energy with Mexico. It will be meeting later this month under the leadership of Deputy Secretary Glauthier and his counterpart Undersecretary Chavez. With China, we have extensive cooperation on energy efficiency and renewable energy through our Energy and Environment Cooperation Initiative under the U.S.-China Forum on Environment and Development. We are working with Brazil as part of our Latin American strategy and are supporting some private sector efforts in India, which is perhaps the most difficult country to reach at this time as a result of sanctions. These efforts are not likely to bear fruit in the form of emissions targets in the next year or two, but at this stage, I believe the fact that we are holding this dialogue is helpful.

**Domestic activities:** In the past few months, we have announced several new initiatives that are designed, in part, to reduce domestic growth in greenhouse gas emissions. I want to highlight just four of these to give you a sense of the types of efforts we are undertaking.

- **EnergySmart Schools** -- In October, Secretary Riley and I announced an initiative to improve the energy efficiency of our Nation's schools. Using smart energy practices in our schools can produce energy savings of up to \$1.5 billion per year, money that can be used to improve local education systems. In January, I visited schools in Atlanta, Georgia, and Broward County, Florida, where this program is being implemented. I can report that the level of energy awareness exhibited by the children I met bodes well for the future of our country.
- **Industries of the Future** -- The Department's program to improve energy-efficiency in our most energy-intensive industries has expanded to cover nine industries, with the recent additions of mining, agriculture, and refining. Recently, I met with the Iron and Steel Institute, where I found out first-hand how much industry values our Industries of the Future program. Under this program, we work with industry to jointly determine technology roadmaps for a much more energy-efficient future and then work on the R&D necessary to turn these visions into a reality. This effort holds the promise of substantial emissions reductions in the 2010 time frame.
- **Consumer Information Office/Web site** -- Just a couple weeks ago, I opened our Consumer Information Office, which will help households become aware of the Department's resources that can help them save money on their energy bills. We also unveiled a Web site where



homeowners provide data regarding their location and energy use patterns in order to determine the best technologies to save both energy and money. In the first week of operation, the Web site received over 100,000 hits and was chosen a "Top Pick" by Yahoo.

- Energy Saving Performance Contracts -- Last month, I announced the last of our region-wide Energy Saving Performance Contracts (ESPCs), which brings to over \$5 billion the amount of contracting authority available to Federal facilities to improve their energy use. Under ESPCs, private sector companies invest their own capital for energy-efficiency investments and get repaid out of the resulting energy savings. The Federal agency does not put any money up-front and still gets access to state-of-the-art energy saving technologies. We estimate that Federal facilities can save 15-40 percent on their energy bills if they make use of these contracts, resulting in major savings for the Federal government, which spends \$8 billion per year on energy.

Finally, you should know that in mid-April, I will be releasing the Administration's revised electricity restructuring plan. We expect this legislation to lead to annual savings of about \$20 billion for American consumers and to substantially reduce annual greenhouse gas emissions. This is tangible evidence that we can improve the environment at the same time we grow the economy.

**Summary:** I hope these examples of our climate change activities give you a sense that the Department is taking a new and expanded leadership role in this area, because that is my intention. I would be happy to discuss any of these climate change efforts --domestic and international --in more detail at your convenience.

cc: Todd Stern, Assistant to the President for Special Projects  
Frank Loy, Undersecretary of State for Global Affairs  
Brian Atwood, Administrator of the Agency for International Development



Piece I should read that documents a lot of how federal policy has influenced growth of sprawl – not great but kind of good because it's short and summarizes stuff he's wanted to see summarized. 3 pp document. Written by Jerry Szatan.

Things he thinks:

### **T-21 – Transportation Efficiency Act of 21<sup>st</sup> Century**

#### 1. Second generation of ISTEA – 6/7 year program of appropriations

ISTEA was radical in a lot of ways, changing how transportation funds are appropriated and implementing a huge amount of flexibility in allowing states to use transportation funds interchangeably. States like Oregon could decide to use federal money to achieve greater access and improved tran efficiency rather than pay for new freeways. ISTEA also allowed state agencies – Metropolitan Planning Organizations(MPO's) – increased flexibility to spend money on ways that promoted diverse strategies. Required MPO's to come up with RTP's (Regional Transportation Plans – made every 2 years, usually cover 20 years). What ISTEA did was require that all funding be channeled through MPO's. Took out of control of state depts of transportation – gross freeway-planning entities, put power instead in MPOs. MPOs could come up with more innovative programs, build more interesting, interdisciplinary things. Radical – allowed inter-modal approaches.

T-21 has gone a lot farther.

Federal govt. could be a lot more aggressive re. MTPs. Supposed to be coordinated with regional air quality goals (under Clean Air Act). Supposed to work in conjunction to clean air – entire system of land use and environmental quality. But even under T-21 RTP's are written but they're not aggressive enough – plans aren't followed completely – they make mention of or tip their hats toward other goals like air quality. No real stick on part of federal government. RTP's are enforced by Transportation? MPO's have to demonstrate to Dept of Transp that they have written an RTP.

A huge policy ruling that would help – Gore should emphasize strengthening T-21 the RTP requirement. Should require land use and transportation funds to be coordinated – or communities won't be able to use federal funding. Linking federal funding of projects to specific, implementable land use or transportation plans. Require they demonstrate to fed govt they are using land-based transportation solutions for their problems. Like BART – not requiring density around Dublin/Pleasanton station – was never required by federal government to demonstrate coherent, planned reason for the expansion.

#### 2. 1980 Superfund Act – Comprehensive Responsibility Act

What it tried to do was create a fund to clean up contaminated sites.  
"Tarbaby law" – nature is searches for deep pockets to clean up.  
Downside – a lot of innocent or semi-innocent parties get nailed.



Flip-side – resulted in enormous quantity of legislation – has killed or slowed down redevelopment of brownfield sites – located in poorer areas. Developers are scared of touching these sites. Could be liable for cleanup. Penalizing courageous developers who are willing to take risk. Brownfield development then much riskier than greenfield. Infill development needs to be made much less risky. Superfund needs to be revised so that it encourages developers to attempt to reuse old toxic sites. Way to do this is: 1) guaranteed immunity against certain types of liability for developers – have to craft this carefully – state or feds would have to let developer know which standards he had to clean up to. Called "immunity from liability." 2) (more controversial) "Risk-based cleanup". Instead of having to clean up to an extremely high standard universally, you would have different levels of cleanup that would correspond to different needs. If you're building a factory, you don't need to same standards as a children's park. Allows flexibility, market to determine standards. EPA would approve more flexible standards.

**3. High-speed rail fund** – R&D unit should be established. R&D tax credit for high-speed transportation, rail technology. Federal demonstration projects. Priority funding list for states that implement high-speed rail – should be rewarded, not penalized. Right now, it's risky. Also, in terms of transportation allocations, rail's not treated any differently from freeway funding. Rail should receive slightly larger allocations. Lots of allocations are made politically every year – but there could be some sort of statutory mechanism that would automatically reward states.

**4. Overconsumption of housing.** Federal tax – deductibility of home mortgage interest coupled with deductibility of local property taxes on residential property – what it's done is amount to enormous subsidy to upper middle class. Not against subsidies if they're targeted. Can deduct up to \$500,000 on interest to mortgage. Second homes are also allowed. Policy reform: 1) Fed govt limit that deduction to certain income levels – to lower-income people. This is an incentive structure that pulls large house-buying people toward outskirts. 2) Location-efficient mortgage (NRDC – has done lots of work). Environmental groups have been trying to get banks to take location into account in giving out mortgages – people who relocate closer to city cores should be given more generous mortgages, or better tax deductions. Fed govt should give incentives to people who locate close to city cores. Attempting to argue that those people who live closer to core have lot less car expenditures, transportation-related expenses. Have more funds to devote to mortgages, can afford to give more to mortgage. \*\* People who locate nearer Livability Zones would get better tax deduction than people moving to greenfields