

THE WHITE HOUSE

WASHINGTON

March 28, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN ~~TS~~

SUBJECT: Climate Change Weekly Report

I thought it would be useful to start giving you a weekly report on our climate change efforts. In this report, I will provide an overview on domestic, diplomatic, congressional and communications activity. In subsequent reports, we'll just give you updates.

Domestic Policy

There are three principal climate change initiatives, as well as a number of smaller initiatives and ideas on the drawing board. The major initiatives are (1) the \$6.3 billion budget package (\$3.6 billion tax/\$2.7 billion spending); (2) our federal energy usage and procurement effort; and (3) our industry by industry collaboration. As you know, our electricity restructuring proposal was also announced this week, with some anticipated environmental criticism on climate change (reiterated by the *Washington Post* on its editorial page). See CEQ Report for more on this.

*Budget package.* The action on the budget package is on the Hill, reported below. Like your other initiatives, this one faces tough sledding.

*Federal energy.* There are a number of interesting ideas on the federal energy side -- such as expanding Energy Saving Performance Contracts (e.g., to leased federal and subsidized non-federal facilities, or assisting state and local governments to adopt ESPCs); doing a new executive order on federal procurement to speed the acquisition of energy efficient equipment; a new partnership to improve the energy efficiency of federal aircraft, ships and vehicles (43% of the government's \$8 billion energy bill); an executive order to promote combined heat and power (the Trigen idea); electrifying the federal postal fleet. We need a unified plan for federal energy built around these or other good ideas, to be rolled out over the next several months. I am pushing to get this developed rapidly.

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*Private sector collaboration.* This initiative will be ready to launch soon. Preliminary meetings have been going on for several weeks, both internally, and with several industries and labor. The basic idea, patterned in part on DOE's successful Industries of the Future program, is to collaborate with the key energy intensive industries on establishing ambitious goals for reducing emissions as well as roadmaps for achieving those goals. The dialogue will include exploring ways the government can remove barriers or otherwise promote energy efficient activity. We are likely to begin consultations with the steel, aluminum, pulp and paper, chemicals, cement, electric

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power and airlines industries, all of whom have expressed interest. We will work with scheduling to set up a meeting for you and the Vice President with top CEOs in the key industries to help launch this effort and underscore its importance.

**Diplomatic Situation**

The Kyoto agreement was an historic step forward, but it left a substantial unfinished diplomatic agenda. Developing countries must be engaged; rules for emissions trading must be written; the "Clean Development Mechanism" must become a reality. Work is underway on many fronts. The next full-scale international meeting following Kyoto will be in November in Buenos Aires, with a preparatory mid-year meeting in Bonn in June.

Last month, Stu Eizenstat hosted a meeting of the "umbrella group" -- like-minded developed nations not in the EU who share our interest in a robust emissions trading regime. Key players include Russia, Japan, Canada, Australia and New Zealand. Bilateral meetings are scheduled between many key countries, including Russia, Chile, Brazil, India, Japan and others. In early May, key Chinese officials will be in Washington under the auspices of the Vice President's environmental dialogue with Li Peng, with climate change high on the agenda.

Climate change is on the agenda at the Summit of the Americas in Santiago (April 18-19) and G-8 Summit in Birmingham (May 15-17). In preparation for your Santiago state visit, we are working intensively with the Chileans to fashion a forward-leaning statement on climate change similar to the "Declaration of Bariloche" you signed in Argentina last fall. We expect climate change to be an important topic of discussion during your China trip in June.

**Congressional Situation**

The first period of post-Kyoto hearings was reasonably successful. Katie McGinty testified before the House Science Committee; Stu Eizenstat testified before the Senate Foreign Relations and Agriculture Committees and the House Science and Commerce Committees; Janet Yellen testified before Senate Ag. and House Science. Janet's economic testimony went relatively well, although there continues to be a clamor for more details concerning economic analysis. The criticism of her testimony so far has tended to be that her scenario is overly optimistic about potential costs.

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We face challenges this year on two fronts. First, the Senate budget resolution zeroes out our \$6.3 billion climate change initiative (as it zeroes out your other new initiatives). In addition, the resolution includes Sense of the Senate language saying that no funds shall be provided "to put into effect" the Kyoto Protocol -- language that is, thanks to Sen. Gorton, actually better than what Sen. Gramms initially proposed. The Sense of the Senate language is, of course, non-binding on the tax-writing and appropriating committees. We are pursuing a strategy to frame our budget requests as making good economic and environmental sense -- even independent of climate change -- and seeking bipartisan support for our distinct budget requests. We hope to have a bipartisan Dear Colleague letter and perhaps a bipartisan Sense of the Senate amendment

on the floor in support of the energy R & D portions of our requests. In the House, we are similarly seeking bipartisan support for our budget proposals in the face of unwarranted criticism that such requests are merely a "back-door" attempt to implement Kyoto prior to ratification.

Second, we are receiving extensive document requests. We are working with Counsel's Office to fashion a response that will protect the integrity of our internal policy-development process without creating unnecessary additional controversy on the Hill over our climate change initiative.

### Communications/Upcoming Events

*PATH/Energy Star Buildings/Houses.* We are working on an event -- potentially for Earth Day -- featuring three building sector announcements: (1) launch of DOE/HUD Partnership for Advanced Technology in Housing (PATH), bringing the federal government together with construction, insurance and financial industries to develop new technologies for building houses that will be far more energy efficient and durable, and cost less to own and operate than conventional houses; (2) announcement that Energy Star label will be available for retrofitting houses with a checklist of energy efficient technologies; (3) announcement that Energy Star label will be available for commercial buildings.

*Bethlehem Steel.* On April 30, Bethlehem plans to be the 400th organization to sign on to EPA's Climate Wise program at its Burns Harbor, Indiana steel mill, described as the newest integrated mill in the country and one of the world's most efficient. The event will occur in conjunction with a DOE Steel Technology Showcase, demonstrating around a dozen technological advancements made through partnership activities between DOE and the steel industry.

*NOAA.* We are working with NOAA on interviews for NOAA Administrator Dr. James Baker with some of the weather forecasters who visited the White House last fall. The theme would be to report on this winter -- the warmest and wettest ever -- noting the effects of El Nino and stressing that, although we cannot say at this time that climate change contributed to El Nino, we can say that El Nino has shown us the kind of severe weather events we could anticipate in the warmer, wetter world that climate change is expected to bring.

*Science workshop.* On March 23, NOAA's Dr. Baker participated in a workshop in New York examining potential regional impacts of climate change -- the latest in a series of regional workshops cosponsored by OSTP. Stories appeared in local tv, radio and print media.

*Foreign Affairs.* We arranged with *Foreign Affairs* to have them publish a response by Stu Eizenstat to a negative piece on Kyoto in the current issue, and worked closely with State on preparation of the response. It will run in the next issue.

*Foreign Policy Validators.* We are working to arrange a VP/Secretary of State dinner with major players from the foreign policy establishment to build support for the need for action on climate change and for our basic approach.