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The Secretary of Energy
Washington, DC 20585

August 23, 1999

MEMORANDUM FOR THE VICE PRESIDENT

FROM: BILL RICHARDSON 
SUBJECT: Climate Change Strategies for the Next Year

How to proceed over the next year on the issue of climate change is currently the subject of debate among the different agencies with an interest in this issue. In order to get the Kyoto Protocol ratified, we need a dual-track approach -- pursuing effective domestic and international strategies. I believe if we act aggressively now, we could consider submitting the Kyoto Protocol for ratification in 2001 and have a reasonable expectation of success.

As you know, the Byrd-Hagel Sense of the Senate Resolution stated that the United States should not enter into a legally binding agreement to reduce greenhouse gas emissions unless: (1) there would be no serious economic costs to the United States; and (2) developing countries agreed to take substantial steps to reduce their greenhouse gas emissions in the same time period as developed countries (generally viewed by Senators as adopting emissions targets). While the terms of the Byrd-Hagel resolution are not binding on the Administration, it is clear that the hurdle for ratification of the Kyoto Protocol will be quite high unless the conditions of the resolution are adequately addressed.

Domestic Concerns

The main thrust of this portion of the overall strategy is to reduce the cost to the United States of meeting the emissions targets contained in the Kyoto Protocol. We must be able to demonstrate that the United States can meet these emissions targets while maintaining vigorous economic growth. This strategy must involve efforts to address climate change issues during the upcoming budget discussions with Congress, as well as various policy initiatives that the Administration is or soon will be pursuing.

First, we need to be aggressive in our discussions with Congress on budget matters related to climate change. We must not let accusations that we are implementing the Kyoto Protocol prior to ratification deter us from seeking funding for



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important environmental and energy programs. The budget discussions this Fall, covering Fiscal Year 2000, will provide an opportunity to frame the issue of global climate change as an increasingly important matter that should receive an appropriate level of attention from congressional appropriators. At this time, virtually all agencies are looking at inadequate funding levels for their climate change activities. In the Department of Energy, many of our offices have received indications from Congress that FY 2000 funding will be below FY 1999 levels and substantially below levels in the President's Budget Request. This is the year to press Congress to get serious about climate change funding and to support the Administration's request if we think we can successfully seek ratification.

In a similar manner, we need to think strategically about the Fiscal Year 2001 Budget Request. We should pursue increased investments under the Climate Change Technology Initiative (in line with prior year plans) and use the recent report from the President's Committee of Advisors on Science and Technology on International Energy R&D as support for further investments in these areas. This report demonstrates how important it is for the United States to promote the use of our companies' energy technologies in other countries. As in prior years, climate change should be one of the Presidential Priorities that gets specific attention in the Budget Request.

Second, this Fall we need to push our proposal for electricity restructuring legislation. This legislation, among all the policy initiatives we are pursuing, has the best chance of providing significant environmental benefits while making consumers better off at the same time. We estimate that the Administration's proposal would save American consumers at least \$20 billion per year by 2010 while reducing annual greenhouse gas emissions by an estimated 40-60 million tons of carbon equivalent (about 1/10 of the total reductions needed to meet our Kyoto Protocol target) by 2010.

Third, we must show the American public that the Federal government is making serious efforts to address climate change as well. The President has issued Executive Orders to substantially reduce energy use in Federal facilities and to increase use of bioenergy. We have established Energy Saving Performance Contracts for the entire country, so that private companies will invest capital in energy-efficiency projects in Federal facilities and be paid back out of energy savings, leveraging our scarce Federal budget resources. The Federal Energy Management Program at the Department will be a key player in spreading highly

effective energy efficiency techniques throughout the Federal complex. We need to raise the profile of energy efficiency efforts in the Federal government to show that energy savings can come from being smarter about energy use and need not require sacrifices in safety or comfort.

Fourth, we must set ambitious goals for the Nation to increase use of renewable energy technologies and to improve energy efficiency. The President set the tone by establishing the Million Solar Roof program. I have set a goal of generating 5 percent of the Nation's energy from wind power by 2020, an ambitious goal in our Wind Powering America program. And the recent Executive Order seeks to triple the amount of bioenergy used in our economy by 2010. These activities should be fully implemented and elaborated upon where appropriate (by adding new energy sources, for example). We have to show success toward meeting these goals over the next year to demonstrate their credibility.

Finally, we need to more successfully reach out to industry to engage them in taking steps to reduce their net greenhouse gas emissions. In my discussions with major oil and natural gas companies, I have seen a shift in position regarding climate change. Where once there was skepticism over the science, I now detect the beginnings of preparations for reducing emissions both here and abroad. We should be able to build upon the efforts of companies like BP Amoco to measure and reduce emissions in ways that encourage others to follow suit. I am willing to reach out to selected companies in this industry to challenge them to take steps to reduce their emissions as part of our national effort in this area.

If we can pull together these various efforts, we will be well on our way to meeting one of the conditions of the Byrd-Hagel resolution — meeting the emissions targets with “no serious harm” to the United States.

International Concerns

Our work in the international arena focuses on two items: getting the rules right in the Kyoto Protocol negotiating process and ensuring that developing countries “meaningfully participate” in the global effort to reduce greenhouse gas emissions.

Clearly, we need to demonstrate that the specific rules contained in the Kyoto Protocol address our need for market-based flexibility mechanisms. Specifically, we must avoid limitations or caps on international emissions trading and on the use of the Clean Development Mechanism (in which companies or countries can get

credit for deploying projects that reduce greenhouse gas emissions). We also must secure a reasonably expansive definition of sinks (whereby forestry and land management practices that sequester carbon dioxide are counted as reducing greenhouse gas emissions). Equally important is avoiding the addition of any "poison pill" provisions, such as paying compensation to oil-producing nations for reduced demand from activities to lessen emissions. The negotiating team led by the State Department continues to make progress. If we are not successful in this endeavor, however, there is little chance that the Kyoto Protocol can eventually obtain Senate ratification.

Regarding developing countries, we need to develop a "portfolio" of actions on the part of a range of countries to demonstrate their "meaningful participation". We need some, perhaps ten, to voluntarily take on binding emissions targets (perhaps a growth target or an indexed target). Others, including the largest emitters, are unlikely to do so, but virtually all will have taken significant actions that we can point to that improve their environment and reduce emissions. Finally, we need to show that large numbers of countries recognize the problem of climate change and the need to take steps to address it. I have been working aggressively in each of these areas. At present, Argentina and Kazakhstan have announced their intention to voluntarily adopt emissions targets. We are working hard to bring on board a few other countries in the Western Hemisphere and Africa. We can be successful in this regard if we have a concerted inter-agency effort. Of the big developing country emitters, I have targeted India, China, South Africa, Brazil, and Mexico for special attention. In each case, the strategy involves getting the governments to recognize the importance of the energy-efficiency programs we have with them or that they are doing themselves as constituting climate change-related actions. I have used DOE's participation in your bi-national committees to develop this message and I believe we could be ready to make the case that many of these governments are taking significant actions to address the issue of climate change. Finally, as I host regional energy conferences – we just held a very successful Western Hemisphere Energy Ministers Conference in New Orleans and I have plans for similar African and Asian programs – I consider it important to have these regions issue "clean energy statements," similar to the one I signed with South Africa during the binational commission meeting. I was pleased with the language we were able to negotiate with the 30 countries in the Hemisphere in New Orleans, which recognized the right of developing countries to voluntarily adopt emissions targets. These statements will allow us to demonstrate that each

region as a whole is committed to taking actions to address climate change. I believe that, while none of these individual pieces alone constitute "meaningful participation" on the part of developing countries, put together, they make a very persuasive case.

Conclusion

The approach of pursuing dual domestic and international strategies on climate change provides us with the greatest chance of success in the climate change arena. I would be happy to discuss these proposals with you as we develop the Administration's core strategies for this important issue.

cc: The Honorable George Frampton
The Honorable Leon Fuerth
The Honorable Roger Ballentine