



Evolving U.S. Policy on Climate Change

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Thank you for the opportunity this morning to address the new U.S. climate change policy.

To briefly summarize, President Bush's climate change policy announced on February 14, 2002, established a national goal to reduce greenhouse gas (GHG) intensity 18% by 2012. This policy has seven basic components—six domestic and one international—that I will discuss in more detail:

1. Business engagement: EPA Climate Leaders/Sector Challenges;
2. New tool to measure and credit emissions reductions; protect and provide transferable credit for them;
3. Expanded use of clean energy technologies, and transportation sector improvements;
4. Unprecedented funding for climate change-related programs;
5. Incentives for carbon sequestration;
6. Review progress and take additional action if necessary in 2012; and
7. Enhanced support in the developing world and for international cooperation.

National Goal: Reduce Greenhouse Gas (GHG) Intensity 18% by 2012

President Bush's policy commits the United States to reduce its GHG emissions relative to the size of its economy. The U.S. will do this by cutting its GHG intensity—how much it emits per unit of economic activity—by 18 percent over the next 10 years, 2002-2012. The Energy Information Administration (EIA) recently (December 2001) estimated that under their most likely business-as-usual (BAU) scenario for the U.S., GHG intensity would decline by 14 percent over the next 10 years. Therefore, The President's goal is a 4% improvement over BAU. This goal translates into a 4.5 percent GHG emissions reduction from BAU, and will achieve 100 million metric tons (MMT) of reduced in GHG emissions in 2012 alone, with more than 500 MMT in cumulative savings over the entire decade—equivalent to taking some 70 million cars off the road.

Focusing on GHG intensity sets the U.S. on a path to slow the growth of GHG emissions, and, as the science justifies, to stop and then reverse that growth. As we learn more about the science of climate change and develop new technologies to mitigate emissions, this annual decline can be accelerated. When the annual decline in intensity equals the economic growth rate (currently, about 3% per year), emissions growth will have stopped. When the annual decline in intensity exceeds the economic growth rate, emissions growth will reverse. Reversing emission growth will eventually stabilize atmospheric concentrations as emissions decline.

As the President stated, it is the common sense way to measure progress. The United States and, indeed, all nations of the world, must have economic growth—growth to create opportunity, and growth to create a higher quality of life for its citizens. Growth is also what pays for investments in clean technologies, increased conservation, and energy efficiency.

To achieve the President's goal, the United States must move forward on many fronts, looking at every sector of our economy.

1. Business Engagement: EPA Climate Leaders/Sector Challenges

Many corporations are already making great strides in reducing their GHG emissions through participation in U.S. Environmental Protection Agency (EPA) programs like ENERGY STAR®, WasteWise and the Green Power Partnership.

The Administration will challenge U.S. businesses to further reduce emissions through such programs as the EPA's Climate Leaders program, a new voluntary EPA industry-government partnership that encourages companies to develop long-term comprehensive climate change strategies. Under this program, a Climate Leader will: (1) develop a corporate-wide GHG inventory using the Climate Leaders' GHG Emissions Inventory Protocol based on the World Resource Institute-World Business Council for Sustainable Development's GHG Protocol; (2) work with EPA to set corporate-wide GHG goal; and (3) report progress toward the goal annually. By reporting inventory data to EPA, partners create a lasting record of their accomplishments. Partners also identify themselves as corporate environmental leaders and strategically position themselves as climate change policy continues to unfold. There are currently 18 charter companies and one U.S. Government laboratory—

the Department of Energy's National Renewable Energy Laboratory—in the program.

We will also be encouraging more industry-wide agreements, such as those that have already been entered into with the semiconductor and aluminum industries—agreements that have dramatically cut emissions of some of the most potent GHGs, as well as.

2. New Tool to Measure and Credit Emissions Reductions; Protect and Provide Transferable Credit for Them

The second domestic component of the policy provides a new tool to measure and credit emissions reductions and to protect and provide transferable credit for emission reductions. The U.S. Government will also move forward immediately to create world-class standards for measuring and registering emission reductions by improving the current Federal GHG Reduction and Sequestration Registry that recognizes GHG reductions by non-governmental organizations, businesses, farmers, and the Federal, State and local governments. Registry participants and the public will have a high level of confidence in the reductions recognized by this Registry, through carbon capture and sequestration projects, mitigation projects that increase energy efficiency and/or switch fuels, and process changes to reduce emissions of potent GHGs, such as methane. An enhanced registry will promote the identification and expansion of innovative and effective ways to reduce GHG emissions, and will encourage participation by removing the risk that these actions will be penalized—or inaction rewarded—by future climate policy.

The President directed the Secretary of Energy to recommend reforms within 120 days to ensure that businesses and individuals that register reductions are not penalized under a future climate policy, and to give transferable credits to companies that can show real emissions reductions. These protections will encourage businesses and individuals to pursue innovative strategies to reduce or sequester GHG emissions, without the risk that future climate policy will disadvantage them.

3. Expanded Use of Clean Energy Technologies, and Improvements in the Transportation Sector

The third domestic component of the U.S. policy is expanded use of clean energy technologies. The President also committed to promoting renewable energy production and clean coal technologies, as well as nuclear power, which produces no GHG emissions, and greater efforts to safely improve fuel economy for our cars and our trucks.

4. Unprecedented Funding for Climate Change-Related Programs

The fourth domestic component of the President's policy is unprecedented funding for climate change-related programs. Overall, his FY 2003 budget devotes \$4.5 billion to addressing climate change—more than any other nation's commitment in the entire world—an increase of more than \$700 million the current year's budget.[attachment 1 includes budget details] This includes almost \$1.8 billion for climate change science, of which \$40 million is for the Climate Change Research Initiative (CCRI), and \$1.3 billion for climate change technologies, of which \$40 million is for the National Technology Research Initiative (NCCTI).[attachment 2 contains additional information on the CCRI and NCCTI]

The President's comprehensive energy plan, which is currently under consideration by Congress, provides \$4.6 billion over the next five years and \$7.1 billion over the next 10 years in clean energy tax incentives to encourage purchases of hybrid and fuel cell vehicles, to promote residential solar energy, and to reward investments in wind, solar and biomass energy production.

5. Incentives for Carbon Sequestration

The fifth domestic component addresses incentives for carbon sequestration. The Administration will look for ways to increase the amount of carbon stored by America's farms and forests. President Bush's FY 2003 budget requests \$3 billion—a \$1 billion increase above the baseline—over 10 years (2002-2011) for a new, conservation-focused Farm Bill that will enhance the natural storage of carbon. He also directed the Secretary of Agriculture to recommend new targeted incentives for landowners to increase carbon storage.

6. Review Progress and Take Additional Action if Necessary in 2012

By doing all these things, by giving companies incentives to cut emissions, by diversifying our energy supply to include cleaner fuels, by increasing conservation, by increasing research and development and tax incentives for energy efficiency and clean technologies, and by increasing carbon storage, the President is absolutely confident that America will reach the goal that he has set.

If, however, by 2012, our progress is not sufficient and sound science justifies further action, the United States will respond with additional measures that may include broad-based market programs as well as additional incentives and voluntary measures designed to accelerate technology development and deployment.

Addressing global climate change will require a sustained effort over many generations. The President's approach recognizes that economic growth is the solution, not the problem. Because a nation that grows its economy is a nation that can afford

investments and new technologies.

7. Enhanced Support in the Developing World and for International Cooperation

Finally, the President's policy also recognizes our international responsibilities. So in addition to acting at home, the United States will actively help developing nations grow along a more efficient, more environmentally responsible path, as well as expand our international cooperation in climate change.

The hope of growth and opportunity and prosperity is universal. It is the dream and right of every society on our globe. The United States wants to foster economic growth in the developing world, including the world's poorest nations, along a more efficient, more environmentally responsible path. We want to help them realize their potential, and bring the benefits of growth to their peoples, including better health, and better schools and a cleaner environment.

It would be unfair—indeed, counterproductive—to condemn developing nations to slow growth or no growth by insisting that they take on impractical and unrealistic GHG targets. Yet, developing nations already account for a majority of the world's net GHG emissions, and it would be irresponsible to absolve them from shouldering some of the shared obligations.

The GHG intensity approach President Bush put forward gives developing countries a yardstick for progress on climate change that recognizes their right to economic development—a goal that, unlike that of the Kyoto Protocol's, takes account of differing levels of economic growth in differing circumstances. The U.S. approach encourages reductions without threatening the economies of either developing or developed nations. In addition, the U.S. enhanced focus on science and technology research, development and transfer has a significant international component, which will help countries plan more effectively for a cleaner energy future.

The President's FY 2003 budget includes over \$220 million for the U.S. Agency for International Development and the Global Environment Facility to help developing countries better measure and reduce emissions, and to help them invest in clean and renewable energy technologies. Many of these technologies, which we take for granted in our own countries, are not being used in the developing world. We can help ensure that the benefits of these technologies, which bring jobs and environmental benefits, are more broadly shared.

The President's new budget also provides \$50 million for tropical forest conservation, including \$40 million under the Tropical Forest Conservation Act to help countries redirect debt payments towards protecting tropical forests, forests that store millions of tons of carbon. And, the U.S. is following through on the President's June 11, 2001, commitment to provide \$25 million for climate observation systems in developing countries that will help scientists better understand the dynamics of climate change.

The United States is also seeking to focus the development agenda of the World Summit on Sustainable Development (WSSD) around the core issues of good governance and building the institutional infrastructure in developing countries required to attract and mobilize private-sector investment and trade for sustainable development.

President Bush committed to work with other nations to show the world that there is a better approach, and that we can build our future prosperity along a cleaner and better path. Consequently, there is an increased emphasis in international cooperation, particularly on climate science and technology. Since last June, the U.S. has engaged CONCAUSA—the seven Central American countries, Japan, Italy, the EU, Australia, Canada, India, China, Russia, and Brazil in bilateral discussions focusing on enhanced opportunities for enhanced cooperation.

We do not have specific views about the evolving global approach at this point. We do, however, believe that any effective global approach must involve a partnership between countries from all regions, in particular major emitters from both North and South, and we will be working actively to build these partnerships in a collaborative and collegial manner.

Thank you.

Attachment 1: FY 2003 Climate Change-Related Programs

	FY 2003
	Request
Climate Change Science	(\$ Million)
US Global Change Research Program (USGCRP)	
National Aeronautics and Space Administration (NASA)	1,109
National Science Foundation (NSF)	188
U.S. Department of Energy (DOE)	126
U.S. Department of Commerce (DOC)	100

National Institutes of Health (NIH)	68
U.S. Department of Agriculture (USDA)	66
U.S. Department of Interior (DOI)	28
U.S. Environmental Protection Agency (EPA)	22
Smithsonian Institution (SI)	7
Total, USGCRP	1,714
Climate Change Research Initiative (CCRI)	
DOC	18
NSF	15
NASA	3
DOE	3
USDA	1
Total, CCRI	40
Total, Climate Change Science	1,754
Climate Change Technologies	
US Department of Energy (DOE)	
Energy Conservation R&D	588
Renewable Energy R&D	408
Office of Science	35
Energy Information Administration (EIA)	3
Total, DOE	1,034
U.S. Agency for International Development (USAID)	155
U.S. Environmental Protection Agency (EPA)	108
U.S. Department of Agriculture (USDA)	7
Total, Climate Change Technologies	1,304
Other Climate Change Programs	
U.S. Department of Energy (DOE)	
Weatherization and State and Local Programs	316
Fossil Energy R&D	398
Nuclear Energy R&D	25
Total, DOE	739
GEF Climate Change Funding	68
Tropical Forest Conservation	50
International Assistance (UNFCCC/IPCC)	6
Tax Incentives	555
Total, Other Climate Change Programs	1,418
Total, Climate Change-Related Programs	4,476

Attachment 2: Climate Change Research Initiative (CCRI) and National Technology Research Initiative (NCCTI)

The CCRI and NCCTI were announced by President Bush on June 11, 2001, as a new commitment to developing a science-based climate change policy, and a new commitment to funding research on "breakthrough technologies" that will help meet the long-run climate change challenge.

The President created the CCRI to study areas of scientific uncertainty and identify priority areas where investments can make a difference. The CCRI promotes a vision focused on the effective use of scientific knowledge in policy and management decisions, and continued evaluation of management strategies and choices. The President's FY 2003 budget requests \$40 million for CCRI to be shared among five agencies—U.S. Department of Agriculture (USDA), U.S. Department of Commerce National Oceanic and Atmospheric Administration (NOAA), U.S. Department of Energy (DOE), National Aeronautical and Space Administration (NASA), and National Science Foundation (NSF)—to focus on answering key questions identified by the National Academy of Sciences in its June 2001 report, "Climate Change Science: An Analysis of Some Key Questions." The CCRI will improve the integration of scientific knowledge, including measures of uncertainty, into effective decision support systems and will adopt performance metrics and deliverable products useful to policymakers in a short time frame (2-5 years).

Specific CCRI priorities identified for FY 2003 include:

- **Understanding the North American Carbon Cycle**—An intensive research effort will be focused on understanding North American terrestrial and oceanic carbon sources and sinks, to improve monitoring techniques, reconcile approaches for quantifying carbon storage, and elucidate key controlling processes and land management practices regulating carbon fluxes between the atmosphere, land, and the ocean. This effort will develop automated carbon dioxide and methane sensors, and improve ground-based measurements and inventories of forest and agricultural lands.
- **Developing Reliable Representation of the Global and Regional Climatic Forcing by Atmospheric Aerosols**—Aerosols and tropospheric ozone play unique but poorly quantified roles in the atmospheric radiation budget. CCRI investments will implement plans developed by the interagency National Aerosol-Climate Interactions Program to define and evaluate the role of aerosols that absorb solar radiation, such as black carbon and mineral dust. Proposed activities include field campaigns (including aircraft flyovers), *in situ* monitoring stations, and improved modeling and satellite data algorithm development.
- **Investing in Computer Modeling**—The continued development and refinement of computer models that can simulate the past and future conditions of the Earth's climate system is important for providing more accurate projections of future climate change. NOAA will establish a Climate Modeling Center within the Geophysical Fluid Dynamics Laboratory (GFDL) at Princeton, New Jersey, to focus on model product generation research, assessment, and policy applications.
- **Ensuring High-Quality, Long-Term Climate Data Records**—This is a long-term effort to develop high fidelity climate data records from satellite observing systems. Initial work will target calibration and validation of instruments planned for the National Polar-orbiting Operational Environment Satellite System (NPOESS) to ensure a smooth transition and guarantee climate-quality data.

The President created the NCCTI to advance and bring focus to technologies that offer great promise to significantly reduce GHG emissions.

The President charged the Secretaries of Commerce and Energy, working with other agencies, to:

- **Evaluate the State of U.S. Climate Change Technology Research and Development and Make Recommendations for Improvement**—The U.S. government funds many different technologies that can help mitigate GHG emissions. Some are designed to improve energy efficiency or create opportunities to switch to fuels, products, and processes that emit lower amounts of GHGs. Others enhance carbon removal or storage in terrestrial, ocean, and geological sinks, or explore innovative concepts and breakthrough technologies.
- **Provide Guidance on Strengthening Basic Research at Universities and National Laboratories, Including the Development of Advanced Mitigation Technologies that Offer the Greatest Promise for Low-Cost Reductions of GHG Emissions.** There are many scientific and technological challenges regarding costs, environmental impacts, and public acceptability that must be resolved before climate change mitigation technologies can reach their full potential. Federal research efforts can help meet these challenges.
- **Develop Opportunities to Enhance Private-Public Partnerships in Applied Research and Development to Expedite Innovative and Cost-Effective Approaches to Reducing GHG Emissions.** The U.S. government has established partnerships with the private sector to advance technologies that mitigate GHG emissions. It is critical to enhance this role and ensure that partnerships with industry are directed toward the most mutually beneficial outcomes.
- **Make Recommendations for Funding Demonstration Projects for Cutting-Edge Technologies.** Cutting-edge technologies hold the promise of significantly reducing GHG emissions.
- **Evaluate Improved Technologies for Measuring and Monitoring Gross and Net Terrestrial GHG Emissions.** Private sector investors are reluctant to participate in projects without reliable and credible quantification of the uncertainties associated with different land management practices. Cost-effective measurement systems will not only

increase the attractiveness of agricultural GHG projects to investors, but can also provide valuable information to individual farmers and ranchers optimizing the use of fuel, fertilizers, and other substances.

The President's FY 2003 Budget requests \$40 million within the DOE to begin work on NCCTI. Specific research areas are being identified through an interagency review process. The NCCTI will build on an existing base of research and development in climate change technologies, primarily at the DOE, the Environmental Protection Agency (EPA), and the USDA. A complete report on the findings and recommendations of the NCCTI will be issued soon.

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