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## **U.S. Companies and States Launch Initiatives to Combat Climate Change**

### **Firms create trading program to reduce greenhouse gas emissions**

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Washington -- A growing number of U.S. corporations and states are taking actions aimed at sharply reducing emissions of carbon dioxide and other greenhouse gases that trap heat within the Earth's atmosphere.

A group of the nation's biggest corporations recently launched a trading program to reduce their emissions of greenhouse gases and more than half the states have adopted voluntary or mandatory programs for reducing carbon emissions in recent years.

According to a report by the Energy Information Administration released in February, a total of 228 U.S. companies have voluntarily undertaken more than 1,700 projects to reduce or sequester greenhouse gases in 2001. The emission reductions equaled about 300 million metric tons of carbon dioxide equivalent, which represents more than 4 percent of total U.S. greenhouse gas emissions. Company emission reductions increased by about 20 percent compared to 2000 levels.

The creation last January of the Chicago Climate Exchange -- a program for reducing and trading greenhouse gas emissions -- marks the first time that major companies in multiple sectors have made a voluntary commitment to use market-based steps to cut emissions linked to global warming.

The 14 founding members, which include American Electric Power, DuPont Company, Ford Motor Company, International Paper Company, Motorola and the city of Chicago, have agreed to reduce average greenhouse-gas levels from 1998 to 2001 by 4 percent over the next four years. Discussions are underway with more than 50 other potential members.

Exchange members will receive credit for emissions reductions above 4 percent, and can sell or trade these credits to other member companies that are having difficulty meeting this goal. The price of the credits would be set by bids on the exchange. NASD, a securities industry self-regulatory body, has been hired to monitor compliance by exchange members. A similar U.S. trading program, which is mandatory, has contributed to large-scale reductions in sulfur dioxide, a source of acid rain pollution.

Chicago Climate Exchange Chairman Richard Sandor says that companies that have joined the exchange "really believe that a proactive approach to climate change advances everyone's long-term interests. It's simply good business."

A bipartisan bill being considered by the Senate Environment and Public Works Committee would require U.S. power plants and industries to set targets for limiting greenhouse emissions. In addition, U.S. companies operating internationally may face

requirements for emissions cuts under the Kyoto Protocol, an international accord to reduce global greenhouse emissions through a system of legally binding limits on industrialized countries. The Bush administration has opposed any policy that mandates reductions in emissions, arguing that mandatory targets could harm economic growth.

In February, the Bush administration announced a program called Climate VISION, which stands for Voluntary Innovative Sector Initiatives: Opportunities Now. This partnership unites American businesses and the federal government in a coordinated effort to promote innovations and technologies to reduce the projected growth of the nation's greenhouse gas emissions.

Under the program, participating industries, which include automakers, chemical companies, mining operations, electric power companies, and oil and gas companies, have voluntarily set a specific goal for reducing greenhouse gas intensity or increasing energy efficiency.

For example, the American Petroleum Institute has pledged to increase the aggregate energy efficiency of its U.S. refinery operations by 10 percent from 2002 to 2012. And the Edison Electric Institute and six other power sector groups, representing 100 percent of U.S. electricity generation, have pledged to reduce the power sector's carbon impact in this decade by the equivalent of 3 to 5 percent through increased natural gas and clean coal technology, increased nuclear generation, and expanded investment in wind and biomass projects.

Climate VISION is the cornerstone of President Bush's commitment to reducing the nation's greenhouse gas intensity -- the ratio of emissions to economic output -- by 18 percent in the next decade. The U.S. Department of Energy, which is coordinating the program, says the company initiatives also build upon progress made by the industrial sector in the past decade. The agency reports that from 1990 to 2001, while the economy grew by almost 40 percent, greenhouse gas emissions in the industrial sector were constant.

Many industry leaders have praised the administration for focusing on voluntary efforts rather than mandates to reduce greenhouse gas emissions. "By encouraging voluntary, cost-effective solutions, it will curb emissions without undermining our energy supply or putting the brakes on economic growth," said Thomas Kuhn, president of the Edison Electric Institute.

At the same time, many U.S. states are taking efforts to mitigate climate change, according to a recent report by the non-profit Pew Center on Global Climate Change. Entitled "Greenhouse & Statehouse: The Evolving State Government Role in Climate Change," the report says states have a variety of interests in addressing climate change, including the potential for rising sea levels, the effect of changing climate patterns on agriculture and the need for stable, renewable energy supplies.

"The trend is unmistakably towards more states taking an active role in climate change," said Barry Rabe, a professor of environmental policy at the University of Michigan and chief author of the Pew report. He said that while there are obvious limitations to what can be done at the state level, "all of this could provide potential models for future action at the federal level."

According to the report, 16 states have now enacted legislation requiring utilities to increase their use of renewable energy sources such as wind power or biomass in generating a portion of their overall electricity. Texas, for example, passed an energy restructuring bill requiring that 3 to 4 percent of its electricity come from renewable energy sources, especially wind power, by the end of the decade.

California has passed landmark legislation aimed at sharply reducing automobile and truck emissions of carbon dioxide and other greenhouse gases by 2006 -- legislation that could be a model for New York, New Jersey and other Northeast states.

New Jersey, mainly due to concern of how sea level rise might affect this low-lying state on the Atlantic Ocean, has established a goal of reducing its greenhouse gas emissions to 3.5 percent below 1990 levels by 2005. State initiatives include obtaining signed pledges from several private companies as well as all of New Jersey's 56 colleges and universities to reduce their greenhouse gas emissions in line with the state goal.

In 1993, Wisconsin began mandatory reporting requirements for large generators of carbon dioxide, giving state and reporting firms a clear measure of their emissions. Wisconsin is also developing a registry that will allow any firms in the state to report reductions of carbon dioxide, with the intent of allowing them to obtain credit for reductions in any future federal or state greenhouse gas program.

Despite these initiatives, Rabe said funding is a primary barrier facing state-led efforts, and increasing budgetary pressures could imperil future climate change policies. He said there is also the potential that a "patchwork quilt" of state regulations and policies could increase compliance costs and create reporting and monitoring difficulties.

"It's encouraging to see so much state activity," said Eileen Claussen, president of the Pew center. "But in the long run, state programs are no substitute for a comprehensive national policy."

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[back to top](#) ▲

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