

## **Event Summary**

U.S. Department of Commerce Briefing  
Outreach to Industry on International Climate Change Negotiations  
July 16, 2009

### **Introduction**

The U.S. Department of Commerce (DOC) hosted a half-day briefing for industry participants during which senior U.S. government officials discussed a potential new agreement to be negotiated under the United Nations Framework Convention on Climate Change (UNFCCC), provided updates on recent developments, and solicited individual input from participants. DOC plans to host events similar to this one in cities across the United States over the next few months including Milwaukee on August 26; San Francisco on September 10; Pittsburgh on October 8; and Little Rock later this fall.

### **Speakers**

**Jean Toal Eisen**, Deputy Director of Policy and Planning, Office of the Secretary of Commerce

**Jonathan Pershing**, Deputy Special Envoy for Climate Change, U.S. Department of State

**William A. Pizer**, Deputy Assistant Secretary, Environment and Energy, Department of Treasury

**Rick Duke**, Deputy Assistant Secretary for Climate Policy, Department of Energy

**Lisa Heinzerling**, Senior Advisor on Climate Change, Environmental Protection Agency

**Mary Saunders**, Acting Assistant Secretary, Manufacturing and Services, Department of Commerce

**Brian Flannery**, ExxonMobil; Representing the United States Council for International Business

**Carl Horton**, General Electric; Representing the Alliance for Clean Technology Innovation

### **Remarks Highlights**

#### **Jean Toal Eisen**

- Climate change is a priority for Commerce Secretary Locke, who was in China from July 14 to 17 with Energy Secretary Chu to discuss opportunities to cooperate on renewable energy and energy efficiency challenges.
- This industry briefing has three goals: 1) improve participants' understanding of the elements of the UNFCCC negotiations that could impact U.S. business competitiveness; 2) enable U.S. negotiators to collect and consider industry's concerns; and 3) highlight various U.S. agencies' role on climate change issues.
- Several DOC agencies are involved in the climate change negotiations including:

- The National Oceanic and Atmospheric Administration (NOAA) provides the science to understand past, present, and future climatic changes. NOAA also represents DOC at the UNFCCC negotiations.
- The Patent and Trademark Office looks at the intellectual property rights implications of climate change negotiations.
- The National Institute for Standards and Technology and the National Telecommunications and Information Administration are active on smart grid issues.
- The Economic and Statistics Administration collects and analyzes data such as data on green jobs.
- The International Trade Administration focuses on the international trade and economic competitiveness angles of climate change.

### **Jonathan Pershing**

- The antecedents of the current UNFCCC negotiations go back to a series of meetings and international agreements in the 1970s.
  - 1970s – A series of governmental and academic meetings were held to discuss the problem of climate change.
  - Late 1980s – The Intergovernmental Panel on Climate Change was created to improve the science on climate change. President George H.W. Bush hosted the first meeting of the intergovernmental negotiating committee, which began formal negotiations in February 1991; this led to the agreement on establishing the UNFCCC, which was adopted at the Rio De Janeiro Summit on Sustainable Development in 1992. The United States is a party to that agreement.
  - 1990s - Negotiations on the Kyoto Protocol concluded in 1997 with binding obligations on emission reductions between 2008 and 2012 of just over 5% below 1990. President George W. Bush decided not to become a party to the Kyoto Protocol based on competitiveness concerns and a belief that costs would outweigh benefits.
- Current UNFCCC negotiations aim to create a successor agreement to the Kyoto Protocol. The Bali Action Plan, agreed to in December 2007, sets a timetable for a series of meetings over two years to conclude in Copenhagen and it also:
  - Supported the concept expressed by some countries of differentiation between developed and developing countries, assuming that developed countries which have historically contributed greater greenhouse gas (GHG) emissions ought to act first and have greater commitments and obligations, since they have more resources. The United States Government does not find these stark divisions between developed and developing countries particularly helpful; it sets up a dichotomy based on a world view of 1990, which looks different from today.
  - Established a series of working groups to focus on key issues of a potential agreement.
- Different national circumstances should dictate different kinds of policy and actions, for instance using a different base year.

- While countries with less capacity and less historic responsibility should not be expected to take the same actions as the United States, they should still take actions. China, Indonesia, India, and Brazil will account for the vast majority of future growth of greenhouse gas emissions.
- The next UNFCCC negotiating session is in Bonn in August, followed by Bangkok in October, then Barcelona in November, and then Copenhagen in December. Many details will not be decided in the UN meetings, but rather in a series of bilateral meetings, regional groupings, and multilateral processes that feed into the negotiations on the side.
- The U.S. domestic process will also affect the outcome of UNFCCC negotiations. If the U.S. has strong climate change legislation at that time, we can push for more for other countries to take aggressive steps. If the U.S. doesn't have such climate change legislation in place by December, we likely will have a different outcome.
- The Major Economies Forum (MEF) brings together the 17 largest economies responsible for the largest share of global emissions. Substantial progress was made at this Administration's first MEF meeting on July 9 on the margins of the G8 session. MEF countries called for a peak year in which emissions would peak and then decline and agreed to set 2 degrees Celsius as benchmark for temperature increases.
- Our goal is to have an agreement that begins to constrain GHG emissions at a global level through policies, actions, and measures that individual countries will take.

### **Rick Duke**

- Cutting GHG emissions by 50% or more globally by 2050 is achievable. A study by the McKinsey Company<sup>1</sup> summarizes seven areas where improvements are feasible.
- Reducing GHG emissions will require active private sector leadership. To achieve a low carbon economy, the private sector needs policy stability and clarity.
- Domestically, the U.S. has clarity on Corporate Average Fuel Economy [spell out] standards, which will achieve major energy security benefits. The American Reinvestment and Recovery Act of 2009 provides approximately \$100 billion for energy efficiency and renewable energy (a third of the money for energy efficiency, a third for renewables, and a large amount for transit and vehicles).
- In addition to policy clarity and stability, the Waxman-Markey bill proposes a cap on emissions that will affect the landscape of energy prices.<sup>2</sup> In rough numbers, the legislation provides \$100 million in allowances (the value of the pollution permits under the legislation).

---

<sup>1</sup> The study, "Pathways to a Low Carbon Economy can be found at: [http://www.mckinsey.com/clientservice/ccsi/pathways\\_low\\_carbon\\_economy.asp](http://www.mckinsey.com/clientservice/ccsi/pathways_low_carbon_economy.asp)

<sup>2</sup> The U.S. House of Representatives passed The American Clean Energy and Security Act of 2009 on June 16, 2009.

- Under the Waxman-Markey bill, vulnerable industries would receive free allowances to adjust to emissions restrictions. There is a strong incentive for energy efficiency created by the current distribution of allowances of the bill.
- Carbon capture and storage (CCS) is also one of the major technologies that can help clean up our energy supply; the bill provides for approximately \$5 billion a year to help launch CCS.
- The Waxman-Markey proposal also calls for the creation of the Clean Energy Development Agency, which will provide new opportunities for the government to work with investors to accelerate the deployment of renewables and clean energy. Lastly, there is a major provision for offsets both domestically and internationally.

### **William Pizer**

- Developed countries will likely help finance some of the commitments we want from developing countries in Copenhagen.
- International financing for mitigation and adaptation is going to have multiple dimensions, multiple sources, and multiple needs. Investment flows will need to be channeled in ways that will get the most value for the money. At the same time, different countries and circumstances demand that there be different flows of finance.
- The U.S. views carbon markets as doing the bulk of the heavy lifting on mitigation (although not adaptation), in terms of financing new technology deployment.
- The term “carbon markets” refers to a variety of different mechanisms. There are traditional offsets such as the Clean Development Mechanism<sup>3</sup>, programmatic approaches that will leverage larger investments, sectoral caps or targets, and eventually linked systems. A couple of developing countries are seriously considering cap and trade systems.
- The Waxman-Markey proposal provides for one billion tons in annual international offsets; depending on what happens to the domestic market, this could increase to 1.5 billion annual tons. Assuming a price is set at \$15 per ton, \$15 billion is the largest financial flow from the U.S. that we can imagine in this initial phase.
- Public finance has to play a role where carbon markets cannot. The U.S. government wants to be flexible to take advantage of the capacity in different institutions. The landscape includes bilateral aid through USAID, as well as multilateral financing through the World Bank, the regional banks and the Global Environment Facility (GEF).
  - Treasury manages the GEF, which invests a third of its funds in climate change issues. The U.S. annual contribution to the GEF is about \$26 million. The Administration is currently in replenishment negotiations for the next four years to determine what levels the U.S. will fund the GEF and whether reforms will be made to its operation.

---

<sup>3</sup> An arrangement under the Kyoto Protocol which allows developed countries to meet their greenhouse gas reduction commitments by funding emission offset projects in the developing world.

- There were a number of funds created last year at the World Bank, which are jointly called the Climate Investment Fund (CIF). An initial \$6 billion launched the CIF. The United States government pledged \$2 billion for the Clean Technology Fund (CTF). This Administration announced its intention to fund a variety of funds including the CTF. The others are geared to adaptation, forestry, and energy for the poor. In the FY 2010 budget, the Administration requested \$500 million for CTF, \$80 million for adaptation, and \$20 million for forestry.

### **Lisa Heinzerling**

- President Obama and EPA Administrator Jackson have expressed a clear preference for new climate change legislation in lieu of using EPA's existing regulatory authority under the Clean Air Act. New legislation would be more flexible and comprehensive than current regulatory authority.
- At the same time, EPA is working to comply with its legal imperative under *Massachusetts vs. EPA*, which held that EPA has the authority to regulate GHGs under the Clean Air Act, and must regulate those emissions if EPA finds that greenhouse gases endanger public health.
- EPA has proposed to find that GHGs do endanger public health and welfare within the meaning of the Clean Air Act; that proposal is now under consideration and the public comment period has closed. If finalized, the finding would reflect a formal recognition by the United States Government that climate change is happening.
- EPA has proposed a national requirement that the largest sources (25,000 tons or larger) of GHGs monitor and report on their emissions.
- EPA has proposed a renewable fuels standard in compliance with the Energy Independence and Security Act of 2007. The most controversial part pertains to estimates of the international land use impacts of biofuels production.
- EPA has proposed new automobile standards which would take effect between 2012 and 2016 and that will reduce GHG emissions by 900 million tons.
- EPA has a proposed rule on protecting drinking water supplies in the context of underground carbon sequestration.
- EPA is not interested in proposing regulations that preempt legislation, impede it, or would be rendered moot with legislation.
- The international community is rightly focused on whether the United States has climate change legislation, but irrespective of that, we can take regulatory actions now that will support any future legislation and that demonstrate this Administration's seriousness in approaching climate change.

### **Mary Saunders**

- The Manufacturing and Services (MAS) unit of the International Trade Administration organized this briefing today to communicate to companies that 1) a new international understanding on climate change can be a boon to your company; and 2) we need sustained and specific engagement from the U.S. business community for an international climate change agreement to be successful.

- U.S. companies stand to benefit in a variety of ways from an international climate change agreement. Although low carbon energy companies operating in sectors such as renewable energy, nuclear, and clean coal have suffered during the financial downturn, a strengthened greenhouse gas regime will drive substantial demand for these technologies for the next several decades.
- Opportunities extend to numerous sectors beyond energy and energy efficiency. Forrester Research predicts that global demand for green information technology services will grow 60% per year through 2013. This is before either domestic or enhanced international GHG mitigation efforts are expected to take effect. Monitoring and evaluating GHG mitigation actions under an international agreement has the potential to be a significant growth sector for companies that specialize in associated technologies and services.
- Developing countries party to a future global climate change agreement will likely see a surge in demand for goods and services that will reduce GHG emissions or assist them in adapting to current climate change conditions (water remediation, green building, lean manufacturing, engineering, education, legal, and technical services.)
- The U.S. negotiating team understands that many U.S. companies have substantial concerns about the effects an agreement might have on their competitiveness.
- Perhaps the easiest method of engagement is for the U.S. delegation to share with the other negotiators your concerns about the potential negative consequences of an agreement. You can also bring your competitiveness concerns to the Department of Commerce to be transmitted to our interagency partners.
- More difficult, but just as important, is private sector assistance with the design and the implementation of the mechanisms under any future agreement designed to achieve greenhouse gas reductions through the deployment of technology.
- Government negotiators simply do not have all of the information necessary to create the right incentives without guidance from the private sector.

### **Brian Flannery**

- Business and industry are recognized as stakeholder constituencies in the UNFCCC process, under the acronym BINGO (business and industry non-governmental organizations).
- No industry association has wide enough membership or recognized authority to really engage in the process on behalf of industry interests; however, there have been proposals within the UNFCCC process to more formally engage industry, but none have been approved. Instead, business representatives informally consult with country delegations and through mechanisms like the committee of experts under the Subsidiary Body for Scientific and Technological Advice.
- There are a number of issues in the UNFCCC process that industry should be aware of: competitiveness, calls for relaxation of intellectual property rights, the sectoral approach to emissions reductions, financial flows (particularly preferences for state-run enterprises), and company obligations stemming from the measurement, reporting, and verification process.

- Representatives of BINGOs had begun brainstorming to create a business advisory process within the UNFCCC process, possibly similar to the Business/Industry Advisory Committee in the OECD.
- Business is well-placed to cooperate effectively within the UNFCCC process, including commercial research, development, and deployment; project management; investment; and adaptation (particularly risk management and disaster preparedness).

**Carl Horton**

- There is no technology transfer without research and development (R&D), and companies would not engage in R&D without being secure in their intellectual property (IP) rights.
- Innovation is critical to solving climate change; current technology can't solve the problem; even if it could, further innovation would be needed to reduce cost.
- Elements of successful technology transfer can include licensing, joint development and joint commercialization, and component outsourcing. Current proposals by the G-77 and China will not foster innovation, as they call for privately owned IP to be either purchased and transferred by developed governments, or compulsorily licensed.
- A common respect for the rule of law that is stably enforced across the globe is crucial to creating an environment where companies will innovate.

**U.S. INDUSTRY SHOULD SEND FEEDBACK FOR  
THE U.S. NEGOTIATING TEAM TO**

**[vockerodtap@state.gov](mailto:vockerodtap@state.gov) AND [frank.caliva@mail.doc.gov](mailto:frank.caliva@mail.doc.gov)**