GLOBAL CLIMATE COALITION • GCC • GROWTH IN A GLOBAL ENVIRONMENT

CLIMATE WATCH

THE BULLETIN OF THE GLOBAL CLIMATE COALITION

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GCC Comments on U.S. National Action Plan on Global Climate Change

In December 1992, the U.S. State Department released the U.S. National Action Plan (NAP) on Global Climate Change. The plan was prepared pursuant to the "prompt start" resolution adopted by the Intergovernmental Negotiating Committee (INC) and does not represent the official U.S. submission under the Framework Convention on Climate Change. GCC comments on the plan were submitted to the Council on Environmental Quality on March 8.

Michael Baroody, chairman of GCC and senior vice president of the National Association of Manufacturers, testified before the U.S. Senate on March 1 on the U.S. plan. Baroody testified that "There is neither an obligation nor a compelling reason for the administration to restructure the U.S. NAP at this time...The Global Climate Coalition believes that command and control measures, such as targets and timetables, are unnecessary and should be avoided in any national action plan."

In its current form, the plan estimates that implementation of the proposed actions would reduce projected carbon dioxide (CO_2) emissions in the year 2000 by 93-130 million metric tons of carbon, compared with projected levels without these actions. Even so, CO_2 emissions projected for the year 2000 increase 6 to 9 percent over 1990 levels.

GCC supports the U.S. NAP. The plan is comprehensive, flexible and international in scope. Most important, the plan takes a "bottom-up" approach that focuses on actions, rather than a "top down" approach based on specific, rigid targets and timetables. This is a critical distinction, because the estimates of greenhouse gas emission reductions are good-faith estimates, rather than specific, legally enforceable requirements.

The plan clearly demonstrates continued U.S. leadership on the issue of climate change. The GCC comments noted that while the plan is an excellent start, there are a number of areas where the plan can be improved and strengthened. The following are the most significant issues:

- **Need for a detailed economic assessment.** A detailed analysis of the economic impacts, including the impacts on economic growth, jobs and international competitiveness is needed. In the current debate over the Clinton administration economic packages, global climate change policies should enhance job creation and growth. The impacts on trade and competitiveness are critical. U.S. leadership on global climate change should promote the U.S. competitive position in world markets, not work against it.

- **Full implementation of the Energy Policy Act.** The Energy Policy Act of 1992 will have a significant impact on greenhouse gas emissions, but all the relevant provisions of the act have not been incorporated fully into the U.S. National Action Plan.

- **Importance of voluntary actions.** The plan does not fully capture all the voluntary actions under way in the business community, including actions by member organizations of the GCC. Major voluntary efforts are under way throughout the economy by companies and industries independently and in cooperation with government that could bring wide savings.

- **Emphasis on international actions.** Efforts to facilitate joint implementation

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GCC Releases Study Comparing Energy Efficiency Performance Of the G-7 Countries

The Global Climate Coalition has released a new study comparing energy efficiency performance in the G-7 countries. The study was prepared for the GCC by the EOP Group, Inc., a Washington-based consulting firm that specializes in scientific, economic, legal and political analyses of environmental, energy and technology issues.

The study compares past trends and current levels of energy efficiency in the seven major industrialized countries: Canada, France, Germany, Italy, Japan, U.K. and the United States. The report analyzes separately the transportation, residential and manufacturing sectors of the G-7.

The EOP Group report challenges conventional wisdom that the United States is relatively energy inefficient because it is the world's largest energy consumer and enjoys relatively low energy prices.

The report documents the historical trends showing that the United States has made the greatest improvement in energy performance over the past two decades. For example, U.S. energy consumption per unit of GDP declined by 30 percent, which is more than most other industrialized countries and comparable to Japan. The report also reviews current levels of energy intensity (i.e., energy consumption per capita or per unit of GDP), which shows that indeed the United States generally has the highest levels of energy intensity among the major industrialized countries. For example, energy consumption per dollar of value-added in manufacturing is about one-third higher

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Technology Cooperation Corps: Meeting the Challenges of Sound Economic and Environmental Development

The Global Climate Coalition and its members have long encouraged the U.S. government to develop a partnership with business by developing a Technology Cooperation Corps. The Climate Convention, signed last spring and ratified by the United States in the fall, calls for developed countries to work with developing countries and countries with economies in transition to assist in assessing their energy and environmental needs. Close cooperation must occur to ensure the development of sound, effective energy and environmental policies in these nations.

By John Shlaes

As early as February 1991 in Chantilly, Virginia, GCC addressed the United Nations Intergovernmental Negotiating Committee, stating, "... business and industry will be expected to have the major role in implementing any necessary response policies, and we believe that our practical knowledge in these matters is relevant and necessary.... Our organizations have expertise in our scientists, engineers, economists, analysts and planners." The coalition further expressed its views at subsequent INC meetings in Nairobi in September 1991 and in New York in February 1992, as well as in Rio in June 1992. In presenting its views on the U.S. National Action Plan, GCC pointed out that to begin the process of effectively moving technology from industries in the developed countries to others one must:

1. Identify conditions within a country that would create barriers to, or be conducive to, improvement of technology in both the private and public sectors.
2. Identify specific technological requirements or technologies available for direct reduction of emissions, improvements in energy efficiency, enhancements of greenhouse gas sinks or for other adaptation or mitigation requirements.
3. Identify systems that will support training, management systems, maintenance and repair systems, and financing requirements.
4. Address the issues of protection of copyright, patent and intellectual property rights, as well as the antitrust implications of private firm collaboration.

The Technology Cooperation Corps would be an innovative and positive step toward encouraging cooperation between the U.S. business and technical communities and the government. It would be a way to initiate a new international framework for addressing the complicated issues of moving ingenuity, know-how and systems to those countries that are looking for ways to meet the development needs of the future. Further, the corps would provide a means for those who have expertise, analytical skills and ready access to technology to work in partnership with host country representatives to determine a country's needs and the appropriate systems that are available or adaptable to accommodate those needs.

The Technology Cooperation Corps concept requires extensive coordination and cooperation within the U.S. government; its programs must bring together in one place access to, and coordination of all the resources necessary to support the Technology Cooperation Corps. The initial stages may call for engaging in pilot projects to refine the program and relationships among business representatives, the host countries and governments.

The full development of the Technology Cooperation Corps concept would be an important first step in developing national and international environmental technology cooperation. ●

Energy Efficiency

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in the United States than in Germany and Japan. Residential energy use per capita in the United States is about 1.5 times as high as in Germany and three times as high as in Japan.

These comparisons are most often used by those who argue that the United States is relatively energy inefficient. However, energy intensity levels do not distinguish among the unique geographic, demographic and socio-economic factors that affect energy consumption.

Where adequate data are available to permit a detailed and consistent comparison of unit energy efficiency levels, the United States is in fact a leader or among the leaders in energy efficiency. For example, the average U.S. residential heating efficiency for the existing housing stock is better than most other G-7 countries. Differences in per capita consumption are due to larger dwelling size and greater use of central heating. The unit energy efficiencies in primary aluminum smelting and cement manufacturing are very similar across the G-7. Differences in energy intensity (consumption per dollar of value added) are due to differences in raw materials, levels of capital investment and other factors.

The study results show that the United States is not lagging behind the other industrialized countries in energy efficiency, suggesting that future energy efficiency improvements be pursued on their own merits, and not on a "catch-up" basis. These results also suggest that changes in relative energy prices, though important in economic terms, may not have a significant impact on relative international energy efficiency performance. ●

World Bank Assuming New Role as "Green Banker"

Of the vast number of agreements and decisions to come out of last year's Earth Summit, one of the most crucial was the selection of a mechanism to fund international programs aimed at achieving the ambitious goals of sustainable development. The Global Environment Facility (GEF), a three-year pilot scheme that began in 1991, was given this responsibility, and the World Bank, which administers the GEF, was given a new mission.

The World Bank works jointly with the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP) through the GEF to assist developing countries in exploring new ways to ensure environmentally sound economic development. Economic development in developing nations will be a crucial factor in controlling future greenhouse gas emissions. The projects of the GEF are centered around four goals: (1) reducing and limiting emissions of greenhouse gases; (2) preserving biological diversity and maintaining natural habitats; (3) halting pollution of international waters; and (4) protecting the ozone layer. Thus far, nearly $700 million has been earmarked for projects to help achieve these goals.

Money for the projects comes from the GEF's Global Environmental Trust Fund, which is administered by the World Bank. The primary contributors to the trust fund have been industrialized nations, which already have put up more than $1 billion of the $1.3 billion currently in the fund. The remainder of these funds is to be committed by the end of the pilot phase in mid-1994.

GLOBAL ENVIRONMENT FACILITY

PARTNERS IN GLOBAL SOLUTIONS

While no rules exist for allocation of GEF funds, it is expected that 40 to 50 percent will be used to address global climate change concerns. Specifically, projects are expected to promote the adoption of cleaner fossil fuels and renewable energy technologies in power generation, mining and industry; to modify coal consumption patterns; to reduce the flaring of gas in oil fields; and to limit methane emissions from coal mining operations.

Projects eligible for World Bank/GEF funding must be aimed at achieving one of the GEF's four goals and must be in developing countries in which per capita incomes are less than $4,000 (in 1989) and in which a UNDP program is currently in place.

Managing the GEF's investment operations, the World Bank will employ its broad experience in project financing, design and implementation. With day-to-day responsibility for supervising a large portfolio of development loans and a large supervisory staff, the Bank provides both a knowledge of country projects and the ability to harmonize new GEF grants with existing efforts.

The Bank hopes to make use of private sector savvy in its development projects. In December, GEF officials met with the Business Council for Sustainable Development to discuss ways to coordinate private sector involvement in Bank projects in developing countries to help achieve sustainable development goals. ●

DOE Climate Research Facility Opens

The Department of Energy (DOE) recently opened the Cloud and Radiation Testbed on the Kansas-Oklahoma border. The facility, comprising 160 acres containing weather and climate instruments, is a key component in the DOE's Atmospheric Radiation Measurement (ARM) program.

The facility's instruments will collect data that will provide researchers with a better understanding of the roles of sunlight, radiated energy and clouds in determining global climate. The ARM program has been given top priority at DOE because of the information it is expected to provide on greenhouse gases and their impact on global climate change. ●

Action Plan

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actions in other countries need to be strengthened. Greenhouse gas emissions are projected to increase substantially in the developing countries, and emission reductions in those countries likely will be more cost effective.

- **Role of other greenhouse gases.** The sections in the plan dealing with methane and other greenhouse gases (NZ0) need to be strengthened to include additional cost-effective measures. This will promote a balanced approach to reducing emissions of all greenhouse gases, not just CO_2.
- **Improved technology cooperation.** The proposed technology cooperation actions can be strengthened through better coordination and increased promotion of various federal agency programs, establishment of a single point of contact for industry efforts, and implementation of the Technology Cooperation Corps long supported by the GCC.

The GCC believes that if the Clinton administration takes action on these recommendations, it can improve and strengthen the U.S. NAP without resorting to targets and timetables, a virtual cap on growth, or new command and control regulatory programs. The GCC plans to vigorously pursue these recommendations and hopes to engage in a constructive dialogue with the new administration on these issues. ●

Comments on the NAP are available from GCC at (202) 637-3158.

Joint Implementation and Emissions Offsets

The United Nation's Framework Convention on Climate Change recognizes that the challenges posed by a global issue, such as climate change, require global solutions. Aiming to create an environment that will foster global responses to climate change, the Framework Convention grants industrial countries credit for their actions to reduce greenhouse gas emissions in other parts of the world. This concept is known as "joint implementation."

The rationale behind joint implementation as a climate change response strategy is that the cost of removing a given quantity of emissions (e.g., one ton of carbon dioxide) in a developing country is often much lower than the cost of removing that same amount in an industrialized country. The net effect on atmospheric levels of greenhouse gases is the same, of course, but the reduction has been achieved at a lower cost.

Proponents of joint implementation say it could offer other benefits in addition to reducing global greenhouse gas emissions. For industrial nations, it could offer a number of cost-effective options for reducing emissions. And for developing countries, joint implementation will likely attract foreign investment, which will help developing economies grow in a more environmentally sound manner.

The joint implementation concept is not without its critics. Some observers believe the availability of cheap emissions offsets could distract some industries from efforts to make improvements domestically. Also the monitoring of projects and the granting of credits will certainly generate a massive bureaucracy, which could discourage some companies from engaging in such efforts.

Finally, some fear that developing countries may try to lure foreign investment by intentionally maintaining high emissions levels.

These questions will confront the Intergovernmental Negotiating Committee (INC) when it moves to develop internationally accepted criteria for joint implementation. Under the Framework Convention, criteria are to be established before the first Conference of the Parties. The INC is in the earliest stages of this process. Some governments, industries and environmental groups, however, already are researching and experimenting with joint implementation strategies. Their work will likely influence the INC's efforts.

The OECD, for example, recently commissioned three papers addressing joint implementation. In an interview with *Global Environmental Change Report,* the director of the OECD Center for International Climate and Energy Research said Germany, the Netherlands, Sweden, Japan, Canada and the United States are all researching joint implementation criteria and international emissions offsets.

In addition to requiring the development of joint implementation criteria, the Framework Convention also called for the establishment of an international clearinghouse for offsets and other joint implementation efforts.

Offering resources and expertise on joint implementation issues, the clearinghouse will help interested countries, as well as private companies, identify and evaluate opportunities to participate. Most likely, the Global Environment Facility (GEF), of the World Bank, will serve this function. The GEF would be a depository for joint implementation agreements.

A more controversial possibility is that the GEF could serve as a broker for joint implementation projects, providing portfolios of pre-approved joint implementation projects to countries looking to invest. Because the GEF is managed through the World Bank, some fear that the GEF may not be trustworthy as an impartial party. ●

EPA Recognition Program Encourages CEO-Level Environmental Commitment

The Environmental Protection Agency announced in January a new program that will recognize companies whose efforts to encourage environmentally sound business practices exceed the requirements of government regulations.

The Environmental Leadership Program's two main components are a corporate statement of environmental principles and a model facility program. The program looks for chief executive-level commitment to environmental quality, concern for pollution prevention, public accountability and excellent compliance records. The EPA will test the program in several states before launching it nationwide.

Companies recognized would be expected to have modern environmental management technology in place in their facilities, as well as design and marketing procedures that reflect a concern for environmental excellence. "Companies would be expected to demonstrate true national leadership through a statement of corporate commitment...and measurable reductions of the environmental impacts of their production processes or products," according to EPA.

In order to become a model facility, a company would have to submit an application for individual facilities. The screening process places a heavy emphasis on compliance. EPA would not recognize facilities found guilty of environmental crimes and is considering adding investigations into any civil, criminal or administrative enforcement actions to the evaluation criteria.

In assessing a facility, the EPA would place special importance on the adherence of management to corporate principles involving the environment but would not dictate to the company what those principles should be. The EPA is accepting comments on the program. Comments should be sent to:

EPA/OPPTS/TIMB (TS793) Public Document Office, Room G004 Northeast Mall, 401 M Street, S.W., Washington, DC 20460 (202)260-7099. ●

CLIMATE WATCH

Maurice Strong On Government Action In the Wake of Rio

The following are highlights from an article by Maurice Strong, secretary-general of the 1992 Earth Summit, from *The Earth Times,* January 20, 1993.

"There is no question that the Earth Summit...was unprecedented and historic as a political event. But its ultimate importance will depend more on what governments and others do now to follow up and implement its results than on what happened at the Conference itself...."

"While Rio provides a mandate for the transition to sustainable development at the highest possible political level, there is as yet little evidence that governments will in fact carry out these agreements. There has been a natural tendency to lapse back to 'business as usual,' particularly in light of the more immediate political and economic pressures competing for the attention of governments and their leaders...."

"The actions by governments and non-governmental organizations must therefore be enlightened by the best possible knowledge and expertise. This is why the highest priority must be attached to strengthening the institutional and professional capacities of developing countries through support for the Capacity '21 initiative and the Sustainable Development Networks of the United Nations Development Programme...."

"The principal source of added value and competitive advantage in the emerging global economy is knowledge, applied through technology, through design, marketing and management. The resource industries which have [*sic*] the mainstay of developing country economies must become more and more knowledge oriented. But the main new industrial opportunities will be in the knowledge-based industries such as information processing, telecommunications, production of 'green' consumer goods, industrial processes which reduce or eliminate pollution and make more efficient use of energy and raw materials...."

"The financial resources needed to implement Agenda 21, including the additional assistance required by developing countries, cannot be expected to come through mere additions to already overtaxed national budgets or additions to foreign aid in traditional terms. Rather they require a radical reorientation of existing policies and priorities and redeployment of resources to provide positive incentives for sustainable development...."

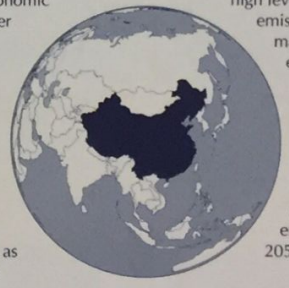
"The global partnership for which Agenda 21 establishes the framework must not be limited to relationships amongst governments and intergovernmental organizations. A whole series of partnerships must now develop amongst individual communities, amongst voluntary organizations, professional associations, universities and, of course, industry...." ●

China: Industrialization Efforts Carry Heavy Environmental Price Tag

China's efforts to transform its economy are severely threatening the nation's air and water quality, according to a recent report by the World Bank. China's drive to become self-sufficient is creating "economic inefficiencies that hamper environmental improvement," according to the report.

The report cited artificially low prices for energy sources such as coal, a lack of pollution control technologies and the absence of long-term environmental planning as the chief reasons for the country's poor environmental report card.

In addition to causing air and water pollution, the same problems are also responsible for disproportionately high levels of greenhouse gas emissions in China and in many other nations with economies in transition. The U.S. National Academy of Sciences estimates that these nations will be responsible for 77 percent of greenhouse gas emissions by the year 2050. ●



European Community At a Standstill Over Carbon Tax

The Clinton administration's proposal for a U.S. energy tax has been encouraging to those in the European Community pushing for a carbon-based energy tax. But EC Environment Commissioner Ioannis Paleokrassas in an article in the *Financial Times* (Feb. 8, 1993) still called measures to control carbon emissions "a very long-term project...it will certainly not be finished by the end of the year," he said.

The tax, proposed by the European Commission to reduce emissions of carbon dioxide, would be directed at carbon-based energy sources and would be based on the carbon content of the sources. The tax, however, is conditional on the adoption of similar measures by Europe's competitors and has recently met with growing opposition.

Paleokrassas said that reaching an agreement with other industrialized countries and reconciling disagreements among EC members are currently a significant roadblock to moving ahead on the issue.

Less prosperous members of the EC have pushed for the taxes to be levied only on the industrialized nations, which are responsible for a greater portion of the emissions. But, high-level officials in the British government have indicated that Britain has not accepted the tax as a necessary or appropriate response to climate change concerns.

The commissioner has described his lack of optimism for a swift resolution of these issues as "realistic." ●

Business-Government Cooperation More Effective Than Command and Control Measures

The National Chamber Foundation has released a study critical of command and control environmental regulations and supportive of a new cooperative approach to achieving environmental goals.

The study cites EPA statistics showing the costs of environmental control and cleanup activities exceeding $100 billion yearly. A promising alternative to traditional regulatory approaches, the study suggests, is "organizational self-regulation," whereby businesses establish standards of conduct where neither regulatory requirements nor standards exist to help firms comply with regulations.

The study's author says self-regulation can be effectively implemented with some federal oversight. He called on the Federal Trade Commission to draft an industry guide for codes of conduct "recognizing the realities of the new, global economy." The guide, he said, is a "necessary prerequisite for the increased utilization of cost-effective, self-regulation regimes."

CLIMATE CALENDAR

Upcoming Conferences on Global Climate Change

April 4-8 (Graz, Austria)

"25th International Symposium on Remote Sensing and Global Environmental Change: Tools for Sustainable Development." Sponsored by Consortium for International Earth Science Information Network et al. Contact: ERIM, (313) 994-1200, ext. 3234.

April 5-8 (Chicago)

"Third Global Warming Science and Policy International Conference." Contact: Global Warming International Center, (708) 910-1551.

May 18-21 (Portland, Maine)

"A Regional Response to Global Climate Change: New England and Eastern Canada." Contact: University of Maine, (207) 581-1419.

May 25-28 (Louisville, Kentucky)

"From Rio to the Capitols: State Strategies for Sustainable Development."

May 26-29 (Beijing, [redacted])

"Climate Change, Natural Disaster and Agricultural Strategies." Contact: Beijing Agricultural University, Fax 86-01-2582323.

JUST IN!

As this newsletter went to press, the U.S. State Department asked the GCC to join the official U.S. delegation to the Intergovernmental Negotiating Committee (INC) in New York (March 15-19). GCC International Committee chair, Connie Holmes, will represent the coalition.

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