

**ADDRESS BY EILEEN CLAUSSEN
PRESIDENT
PEW CENTER ON GLOBAL CLIMATE CHANGE**

**Berlin, Germany
February 2000**

Thank you very much. I am delighted to be here, and to take part in these very important discussions about how we can move forward to address what may be the most important global issue of the 21st century.

Whenever I appear before an international group such as this, with people from different countries who speak different languages, I am reminded of a joke I first heard long ago. We all know that if you can speak three languages, you're *trilingual*. And if you can speak two languages, you're *bilingual*. But what are you if you can speak only one language? Why, you're American, of course.

Today, I would like to speak to you *as* an American, but as an American who has been in close contact with others around the world on the topic of global climate change. And I would like to base my remarks on an American expression. That expression is "reality check." It means taking a moment to reflect on what is really happening in the world. And it means being truthful with ourselves and others about what we are capable of achieving. A reality check is an affirmation of yet another American expression—an expression that our mothers repeated again and again while we were young. "Honesty is the best policy," they would tell us. And, of course, there was no doubt that they were right. They were our mothers, after all.

And the reality is that honesty *is* the best policy when we are addressing the issue of global climate change. It was honesty about the risks of a changing climate that brought 150 nations together to negotiate a framework for reducing greenhouse gas emissions around the world. In the same way, today we all need to be honest about what we can achieve and when—and about how best to move forward so that future generations don't look back and wonder why we couldn't work together to meet this global challenge.

In the time that I have with you tonight, I want to talk about some of the issues that the United States, Germany and other nations need to be more honest about in order to achieve real progress in addressing the challenge of climate change. I also would like to offer a realistic view of what is happening on this issue in the United States—in both the public and private sectors, as well as among the media and the general public. And I will close with some recommendations about how to move the global dialogue on this issue forward and achieve real progress.

Getting Real: What We Can Achieve

So let us begin with a few reality checks. From my perspective, there are three issues that our governments need to be more honest about as the world addresses the challenge of climate

change in the months and years ahead. The first is the timeframe in which the world can achieve entry into force of the Kyoto Protocol. The German government—which, to its infinite credit, has been out front on this issue for years—is urging entry into force in 2002. Although this is surely an admirable goal, the honest truth is that it is unlikely to happen.

While it is certainly true that many European countries are anxious and willing to ratify the Protocol in the near term, some of them—such as the Netherlands—have said that the United States must ratify at the same time. Ratification by non-European countries such as Japan, Canada and Australia *also* is unlikely without U.S. action on this issue. And here is the reality check: Given the current mood and political situation in Washington, U.S. ratification of the Kyoto Protocol—in the near term at least—is about as likely as hell freezing over. And if hell *did* freeze over, I am certain that many in the U.S. Congress would make every effort to attribute it to nothing more than normal climatic variations.

Another reason why entry into force in 2002 is unlikely is the sheer volume of work that remains to be done. We should not diminish the complexity or the importance of establishing environmentally effective, private sector-friendly rules for the Kyoto mechanisms; or of determining how to handle the sequestration of carbon in trees or soils; or of establishing a compliance regime that is both meaningful and fair. It is absolutely essential that these issues be addressed in an honest and an effective way. The system we create is likely to be in place for many, many years. Completing all of these jobs *this year* to give countries the time that would be required for entry into force in 2002 is both unrealistic and unlikely.

The second thing that our governments need to be realistic and honest about is the ability to meet the targets in the Kyoto Protocol if entry into force comes later in this decade. Reality check number two, therefore, is this: For the United States at least, meeting the targets in the existing timeframe will be impossible.

Even if we saw a profound shift in Washington on this issue in the next one or two years, the United States will not be able to achieve the Kyoto targets as they are currently drawn for the simple reason that administrative process in our country can be enormously time-consuming. For the Kyoto Protocol to become U.S. law, the Senate would have to grant its advice and consent; both Houses of Congress would have to pass implementing legislation that would then have to be signed by the President; and a designated Agency would have to draft rules and regulations that would have to go through formal notice and comment procedures before they could be finalized and then implemented.

Given that such legislation and regulation would clearly result in regional and sectoral economic impacts, the odds of all this activity occurring by 2008 are very small indeed.

Lest you think that my doubts are reserved to my own country, I firmly believe that the United States will not be alone in its inability to move fast enough to meet the Kyoto targets. Surely, there is much effort on this issue in Europe and elsewhere, but even in the countries that have fully embraced the importance of reducing emissions, it is not a given that the targets can be met, particularly with current programs. And I would venture to say that the likelihood that these

targets *will* be met will decrease as people and governments become convinced that the United States will not be able to meet *its* targets.

This brings up the third issue that we all must be realistic and honest about, which is the serious engagement of the developing world. The reality, whether we like it or not, is that most developing countries are unlikely to agree to binding emission reduction targets that would take effect in this decade. This is based in part on their fear that emission limitations would place unacceptable constraints on their economic development. It is also based on their view that, even among environmental issues, climate change is less of a priority than such things as reducing local air and water pollution.

But the developing world's opposition to targets cannot be allowed to hide the fact there *is* movement on this issue among these countries. For example:

- Privatization of the electricity sector is moving forward in India, where competition is expected to increase the use of natural gas and lower greenhouse gas emissions.
- Korea is beginning to plan for opening up its power sector to competition, again with a projected increase in the use of natural gas.
- And China, which has dramatically lowered its energy consumption per unit of output over the last decade, is on a path to continue making significant energy-saving improvements over the decade to come.

In these and other developing nations, investment decisions made in the power and transportation sectors in the coming years will have a significant impact on global greenhouse emissions for decades to come. And the reality is that many opportunities exist for lowering these countries' emissions from a business-as-usual trajectory. In other words, binding commitments for these countries may not be possible, but significant action to lower emissions from their expected path may very well be. Indeed, this is already happening in some countries.

So there they are—three issues that the governments of the United States, Germany and other nations need to get real about in order to push this discussion forward. The timeframe for entry into force. Whether the existing Kyoto targets can be met. And the serious engagement of the developing world. If we follow our mothers' advice and are honest with one another about these issues, I believe we will go a long way to ushering in the next phase in the global effort to meet the challenge of climate change—a phase that will move us from rhetoric to reality and from discussion to action.

The View from the U.S.

Just as it is important to understand what is truly happening on this issue in developing countries, I believe it is also critical that everyone clearly understand the current situation in the United States. While there is still bickering within and outside the U.S. government about: 1) whether climate change is even real; and 2) what the United States should do about it and when, the reality is that the American news media is devoting more attention than ever before to the topic

of climate change, the American people accept that it is something that demands our government's attention, and American businesses are moving ahead on their own in the absence of government action.

Let me talk briefly about the news media first, because I believe this is a very important development. Based in part on the growing consensus among scientists that global climate change is real—and in part as well on the fact that 1997, 1998 and 1999 were the three hottest years on record—the U.S. news media has devoted increasing attention to this issue over the last year or two.

In a television news report just last month, CBS correspondent Jim Axelrod reviewed some of the likely effects of global climate change—including rising sea levels and shifts in water resources. He also made note of a likely increase in global temperatures that he suggested, rightly or wrongly, was already evident in the early January hot spell that hit much of the country and had residents of Washington, DC, jogging in shorts and t-shirts. The correspondent concluded his report with this observation:

“Such thoughts used to be called "doom and gloom" by many. Now, however, a growing number of scientists are hearing the critics, looking at the data, and saying it's a forecast that can't be ignored.”

The U.S. television networks are not alone in drawing fresh attention to the risks of global climate change. *The Washington Post*, in a January editorial entitled “Warming to Reality,” issued its own warning that—quote—“reckless inaction in the face of global warming is the costliest of all options.” And, in the American news media's turn-of-the-century rush to identify the critical issues of the new millennium, global climate change was always front and center.

No doubt in response to the news media's increasing attention to this issue, the American public is more willing than ever to accept that global climate change poses a real threat and that action is needed to avert a crisis.

A September 1998 survey conducted for the World Wildlife Fund revealed that nearly 60 percent of Americans believe global warming is happening now, and another 26 percent believe it will happen in the future. According to the survey, fully three-quarters of Americans want the United States to take action to reduce emissions of carbon dioxide as a way to address the problem.

In an effort to determine whether these opinions carry over into the realm of national decisionmakers and opinion leaders who influence U.S. policy, the Pew Center did its own survey in March 1999. We conducted nearly 450 interviews with staff members in Congress, industry association leaders, corporate decisionmakers in the affected industries, media representatives, economists, scientists and policy experts across the country—in short, a fairly comprehensive sample of the wide assortment of quote-unquote “elites” who are in a position to influence U.S. action—or inaction—on this topic.

What did we find? Well, to our surprise, we found that these elites are even *more likely* than the general public to believe that global warming is happening now. We also found broad support

among elites for U.S. action to reduce carbon dioxide emissions. Even the Kyoto Protocol—the target of often-harsh criticism from many in Congress—attracted strong bipartisan support. More than one-third said the agreement actually would *help* our economy and create *new* jobs because we would develop new technologies that would help reduce our greenhouse emissions.

Business Accepts the Challenge

The belief that progress on this issue can be compatible with sustained economic growth in the United States—and may even *contribute* to that growth—is one reason there is increasing acceptance among U.S. businesses of the need for strong action to reduce emissions.

In late 1999, as many of you may know, the Ford Motor Company announced it was resigning from a coalition of oil companies, auto makers, electric utilities and others who stubbornly argue that we still don't have enough evidence to know whether or not global warming is real—and that we shouldn't do anything serious about it until more is known. Word of Ford's decision was followed closely by the news that Daimler Chrysler also would be leaving the group known as the Global Climate Coalition. The companies' moves were seen as an indication of the growing acceptance of the reality and the urgency of this issue—even in the nation's corporate boardrooms—and as yet another sign of a growing consensus for rational action to reduce U.S. greenhouse gas emissions.

But the fact is that many American businesses have long been way ahead of the U.S. government—and even ahead of the media and the general public—in their willingness to acknowledge and work on the issue of global climate change. This progressive stance became obvious when a large group of mostly Fortune 500 companies became affiliated with my organization, the Pew Center on Global Climate Change, to help forge a consensus response to the problem.

The Pew Center's Business Environmental Leadership Council now includes 21 companies with combined annual revenues of more than \$550 billion. Working together, these companies developed a joint statement asserting that in the new millennium—quote—“one of our most important challenges at home and abroad will be addressing global climate change as we work to sustain a growing global economy.”

“One of our most important challenges.” That is an enormously powerful statement coming from these companies, which include such household names as American Electric Power, Boeing, BP Amoco, Lockheed Martin, Shell International, Toyota, Enron, United Technologies and Whirlpool. And, in making this statement, these companies announced publicly that they:

- 1) Accepted that there was enough known about the science of global climate change to warrant action;
- 2) Would establish their own emission reduction targets--*and meet them*;
- 3) Viewed the Kyoto Treaty as a first although incomplete step to addressing the issue internationally; and

- 4) Believed that addressing climate change can be compatible with sustained economic growth in the United States.

Some of the member companies of our Business Environmental Leadership Council already have announced their emission reduction targets, all of which are at least as stringent as those in the Kyoto Protocol. One large company affiliated with the Pew Center, DuPont, has established a goal of reducing emissions to *65-percent* below 1990 levels by 2010, with an additional commitment of obtaining 10 percent of its energy needs from renewable sources. This is a stunning target, far in excess of the 7-percent reduction required for the United States as a whole in the Kyoto Protocol.

The commitment of DuPont and these other companies is an important reminder that there are many steps industry can and should be taking now to reduce greenhouse gas emissions. Unfortunately, however, the fact that these forward-thinking companies are acting of their own volition and without a clear sense that their actions will be rewarded in the marketplace is a reminder of something else. And that something else is the lack of leadership the U.S. government has taken on this issue, particularly at home, where a government framework for reducing U.S. emissions is sorely needed.

The U.S. Government: A Lack of Leadership

The U.S. government's lack of leadership is especially unfortunate because the United States is the largest emitter of greenhouse gases in the world--responsible for 25 percent of global emissions in a nation that comprises less than 5 percent of the global population. If leadership on this issue should come from anywhere, it should come from the United States.

But leadership is not coming from the United States. It is rare both in Washington and on the presidential campaign trail for the discussion of this issue to get past the question of whether to support the Kyoto Protocol or whether to declare it dead. What the discussion has *not* touched on—and should—is the further development and implementation of programs that would change the expected trajectory of our nation's greenhouse gas emissions. The U.S. Congress, in particular, appears determined to let absolutely nothing happen that would even remotely suggest that the United States is concerned about this issue. Virtually every budget item that deals with emission reductions is viewed by many in Congress as a quote-unquote “backdoor” attempt to implement the Kyoto Protocol and is therefore voted down or pushed aside.

What, you may ask, is driving the U.S. government's reluctance to deal with this issue in a serious way? I would like to suggest that there are two issues at the heart of the debate. And, while these issues are significant, my belief is that they have not been framed in ways that are honest or open to solution. The first issue relates to the economic costs of action to reduce emissions; the second centers on developing country participation. In my view, these are the chief stumbling blocks to serious action on this issue in the United States. Only by confronting them head-on will we be able to mount an effective response to the challenge of global climate change—both in the United States and throughout the world.

So let me begin with the economics. There is a popular joke in the United States that says economists have predicted nine of the last five U.S. recessions. And it is hard to argue with the premise of the joke when one looks at the varying predictions that have been made about the potential impacts of achieving the Kyoto targets on the U.S. economy. Interest groups across the ideological spectrum have produced markedly different results from economic models that are often not that different in their structure but that use very different assumptions to achieve the results these groups want to achieve. And the only result that is truly achieved is confusion.

How do we get beyond this confusion? We get beyond it by admitting that the models we are using—even when stripped of assumptions that bear no resemblance to reality—are not infallible. The complexity and time frame of the climate change problem stretches the capabilities of even the most sophisticated economic models on the benefits side. And the ability of models to quantify the value of reducing the risks of climate change is still in its infancy. On the cost side, models are still confronted with a series of challenges, the most important of which is anticipating the pace and direction of technological progress. As far as I know, no economic model would have predicted the information technology or communications revolutions that we are now witnessing. Nor have any models anticipated the decoupling of economic growth and carbon emissions that has occurred in the United States in recent years.

I am not mentioning these things to suggest there will be no costs to the United States should it act decisively to reduce emissions. There is almost always a cost associated with major changes to the economy. What I *would* like to suggest is that a fixation with 10 or 20-year-out predictions of increases or decreases in the U.S. GDP really misses the mark. To argue, as some have done, that the costs will be catastrophic and that entire industrial sectors will immediately be wiped out is as dishonest as the assertion that the economy can effortlessly achieve major emission reductions at no cost. What the United States should be concerned about are the impacts that are likely to occur in certain industries, certain labor categories, and certain regions of the country. The question is how these impacts can be minimized over time--and with careful transitional planning.

The second issue that has become a roadblock to progress in the United States is that of developing country commitments. I call this the “fairness issue.” Is it fair, people ask, for the United States to have to abide by the Kyoto targets while competitors such as China, India and Mexico get a quote-unquote “free ride?” One fear is that American jobs will be lost to these and other countries because their production costs will be lower. But lost in the debate is the reality that fairness *demand*s a decisive U.S. response for two reasons. First, because the United States is responsible, both historically and currently, for more emissions than anyone else. And second, because the United States has the ability to pay the costs of reducing our emissions.

Also lost in the debate about global climate change in the United States—and this may be even more important—is the question of what the problem actually is, and how it can most effectively be addressed. As I suggested earlier, emissions in developing countries will grow as these nations industrialize, and the infrastructure that will support this growth--for power generation and transportation, in particular--will set in place the global emissions trajectory for decades to come. So the real issue is not how to pressure these countries into accepting binding emission reduction targets in this decade. Rather, the issue should be how to influence the character of

this infrastructure investment so that it becomes more climate friendly. We should look to our export credit agencies and to private investors for the tools to accomplish these objectives.

Moving Forward

So what is the world to do? We have all these difficult issues on the table, and yet we all understand—or at least most of us do—that we need to start acting to address this global challenge as soon as possible. I already have laid out some of the steps I believe need to be taken in order for this discussion to move forward and in order for Germany, the United States and other nations to move from discussion to action. These include being honest about the Kyoto targets and timetables even while working to complete the Kyoto framework; devoting more attention to encouraging progress on this issue in the developing world; and fostering discussion in the United States and elsewhere of some of the fairness and economic issues that must be resolved in order to build support for strong and decisive action.

But what about the Kyoto Protocol itself? I would not be honest if I didn't tell you there are many voices in the United States that have proclaimed that Kyoto is dead—some of them with the same satisfaction as the characters in the American movie “The Wizard of Oz” who dance and sing to celebrate the demise of the wicked old witch. But I believe it is important for all of us to remember that while some of those who have said Kyoto is dead come from industries that would be negatively affected by any regime to control greenhouse gases, others have much less, if anything, at stake. At issue for *these* critics are the complexity of the Kyoto framework, and the stringency of its targets and timetables.

Of course, the reality about the fate of the Kyoto Protocol is that it is unlikely to be cast aside even if it does not deliver on its first set of emission reduction targets. But at the same time, we all must accept that Kyoto remains a work in progress.

This leads me to one final reality check: Making the Kyoto Protocol into an agreement that can deliver on the promise of reducing the risk of global climate change will, in all likelihood, take longer than from now until the meeting this November in The Hague. The delegates should do what they can at that meeting, but they cannot and should not expect that all of these issues will be resolved. And, just because it takes longer than everyone hoped does not mean the Kyoto framework is not valuable and ultimately viable. In fact, I believe that structuring the framework more definitively into one that has realistic timetables and targets and is environmentally effective, economically sound, and—yes—fair will go a long way to improving its chances of success, whether we have agreement this year, next year or the year after that.

In the meantime, I am not suggesting that the governments of the world stand around and wait for a better document on which to base their work on this issue. The reality is that the United States and other governments should be implementing substantive programs now that seriously respond to the overall Convention goal of stabilizing atmospheric concentrations of greenhouse gases at levels that will prevent dangerous interference with the climate system. And it is heartening to see the initiatives that have been taken by Germany since the negotiation of the Kyoto Protocol.

A priority for the *United States*, I believe, should be to design a straightforward system that will recognize and give credit to corporations that want to take early action to reduce greenhouse gas emissions. Put very simply, these companies need to know that reducing their emissions now won't put them at a competitive disadvantage down the line.

In addition to addressing the early action issue, the United States must start planning seriously for how it will reduce greenhouse gas emissions over the long haul. I cannot state more emphatically that what is most important now is the trying. In the United States, in Germany, and throughout the world, we need to experiment with different approaches to reducing greenhouse gas emissions—for example, by testing both national and company-specific emissions-trading regimes, or by imposing carbon taxes. We need to establish clear procedures for inventorying and verifying emission reductions, something that many in the private sector are already working on. And we must begin to build the capabilities and the institutions we will need when a full-fledged international regime does come into effect.

These will not be easy or painless goals to achieve, but the reality is that we need to achieve them. There is no escaping our responsibility to address the challenge of global climate change in an effective and, of course, an honest way. We all have a higher authority to answer to on this issue. That's right, our mothers. And we all need to work together to make them proud.

Thank you very much.