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July 25, 2008

Dear Senator,

I write to urge your support for the “International Clean Development Technology Fund Act of 2008” (S.3273), sponsored by Sen. Biden and cosponsored by Senators Lugar, Menendez and Hagel. The Pew Center believes the proposed legislation establishes a sensible framework for providing bilateral and multilateral assistance for the deployment of climate-friendly technologies in developing countries, including via the new Clean Technology Fund (CTF) at the World Bank. We also support the authorization of funds for these purposes, as proposed by President Bush.

As you know, both the Senate and the House are actively engaged in developing legislation to establish mandatory limits on U.S. greenhouse gas emissions. We fully support these efforts and believe it is imperative that such legislation be enacted as soon as possible. We also believe that, as an essential complement to mandatory domestic legislation, the United States must work with other nations to establish binding international commitments ensuring that all major economies contribute equitably to the global climate effort. To achieve such an agreement, the United States and other industrialized countries must be prepared to provide appropriate and effective incentives for stronger action by the major emerging economies.

Under the 1992 U.N. Framework Convention on Climate Change, the United States and other industrialized countries committed to provide financial and technological assistance to developing countries. This commitment is underscored in the Bali Action Plan adopted last year by the United States and other Convention parties. In framing negotiations toward a new global climate agreement, the Bali plan states that future mitigation actions by developing countries are to be “supported and enabled by technology, financing and capacity-building.”

Early and sustained action by the United States to deliver this support will greatly enhance prospects for an effective post-2012 agreement with binding commitments by all major economies. A key focus of this support should be facilitating the deployment of clean energy technologies that can slow and ultimately reverse the growth of greenhouse gas emissions in developing countries.

From a strategic standpoint, we believe such incentives will be most effective if structured as a phased program delivering immediate assistance for capacity building and greater support for technology deployment once countries demonstrate or commit to effective climate policies. This assistance should be provided through bilateral programs and through multilateral mechanisms such as the CTF, and should be supported by appropriations and by revenues from the auction of emission allowances.

Further details follow:

### Phased Assistance Strategy

S. 3273 would establish a phased program of bilateral and multilateral support. Under this approach, immediate assistance would be directed primarily to capacity building – helping to position developing countries to adopt clean energy policies and technologies. Specific areas should include: measuring emissions and verifying emission reductions; modeling emissions trends and mitigation potentials; developing nationally appropriate emission reduction policies; and assessing technology options.

A second stage of support, focused on technology deployment, would be authorized upon entry into force of a new international climate agreement. This would, in effect, condition such assistance on the acceptance by developing countries of reasonable commitments (as determined *de facto* through negotiation and ratification). As an alternative, assistance also would be authorized upon determination by the United States that a country has adopted an effective national climate strategy.

To maintain flexibility, the allocation of funds among specific bilateral and multilateral programs would be decided annually, subject to Congressional review, by a board of Cabinet Secretaries and other agency heads chaired by the Secretary of State. Governments receiving assistance would be required to make an “appropriate financial contribution” to the project; we believe that some countries should be able to meet this requirement through in-kind contributions.

Under S. 3273, assistance would be supported initially through appropriations. We believe that, following enactment of a greenhouse gas cap-and-trade system, appropriations should be supplemented or replaced by revenues from the auction of emission allowances.

### Clean Technology Fund

Authorizing and appropriating funds for U.S. participation in the World Bank’s Clean Technology Fund, as part of this phased assistance strategy would help signal Congress’ willingness to address clean energy technology needs in developing countries.

It is our understanding that more than 30 countries – both donor and recipient countries, including many of the major emerging economies – helped shape the basic terms of the Fund approved unanimously by the Bank’s Board of Executive Directors on July 1. Importantly, these terms provide for equal representation by donor and recipient countries on the Fund’s governing Trust Fund Committee, with decisions to be taken by consensus. Also, in order not to prejudice ongoing negotiations under the U.N. Framework Convention, the terms include a sunset clause closing the Fund once a new international climate agreement takes effect, unless that agreement provides for its continuation.

As a general matter, we believe such support should be technology-neutral, so that each dollar invested can achieve maximum return in emissions reduction. With respect to coal-related projects, we believe the general criteria proposed by the bank (i.e., “best available coal

technologies with substantial improvements in energy efficiency and readiness for implementation of carbon capture and storage”) provide a reasonable framework within which to operate in the short term. A further specification of these criteria would help ensure that funded projects are truly additional. However, it would be a mistake to categorically exclude coal projects, as large numbers of coal-fired power plants are in the pipeline and will be built, and the Fund can leverage both public and private resources to help minimize their impact on the climate.

We share concerns about the World Bank’s past record on energy finance, and believe that in authorizing U.S. participation in the Fund, Congress should direct the Secretary of the Treasury to seek to ensure that the multilateral development banks, in which the United States participates, implement procedures across their portfolios ensuring the full assessment and disclosure of the potential greenhouse gas impacts of major projects proposed for funding.

I appreciate the opportunity to share the Pew Center’s views on these matters. Please have your staff contact James Warner (703-516-0633; warnerj@pewclimate.org) or Elliot Diring (703-516-4146; diringere@pewclimate.org) with any questions you might have.

Sincerely,

A handwritten signature in black ink, appearing to read "Eileen Claussen", with a long horizontal flourish extending to the right.

Eileen Claussen  
President