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> 9th Conference of the Parties to the Climate Convention Meeting Milan, Italy December 4, 2003

10 THINGS ALL DELEGATES SHOULD KNOW ABOUT US PROGRESS ON CLIMATE CHANGE THAT ARE OCCURING DESPITE THE BUSH ADMINISTRATION'S LACK OF CREDIBLE, SUBSTANTIAL ACTION

Since taking office, the Bush Administration has consistently rejected a responsible approach to climate change, preferring to increase support for some of the most emitting sectors of the economy and hope that future technologies will allow us to address the problem. Regardless of the Administration's opposition to action on climate change, however, many states, municipalities, companies and Congresspeople are stepping up to address climate change.

1) **States are passing laws to begin to reduce greenhouse gas emissions. 5** states have imposed mandatory limits on CO2 emissions, including 3 policies directed at electric sector emissions, one at mobile sources and one state-wide target. 13 states have passed legislation mandating that a specified portion of their electricity be generated by non-emitting renewable energy resources.

2) States are joining together in regional approaches that allow greater reductions along with increased flexibility. The 6 New England states and Eastern Canadian Premiers have agreed to establish a regional plan which includes a long-term goal of 75-80 percent reductions. New York Governor Pataki has invited the New England states and Delaware, New Jersey, Pennsylvania and Maryland explore establishing regional cap and trade program to reduce greenhouse gas emissions from power plants. Recently, the West Coast Governors have announced their own cooperative program.

3) **Support is growing for Congressional bills to reduce greenhouse gas emissions.** A recent Senate vote on mandatory carbon restrictions fell just short of majority support and some bills to cut carbon emissions have more than 100 cosponsors in the House of Representatives.

4) Law suits have been filed against the Bush Administration for their failure to regulate CO_2 and to take climate change into account in environmental assessments. Recently a number of states and NGOs have filed suit against the Bush Administration challenging the Administration's interpretation of the Clean Air Act and its failure to include climate change in environmental assessments.

5) Mayors from more than 150 cities, representing 46 million Americans, signed a statement calling for the federal government to act on climate change. The mayors urge action now as municipalities are already feeling impacts in the form of heat waves, shrinking water supplies and snow pack, increased rates of asthma, floods and storms, and coastal erosion.

6) Americans favor reductions in global warming emissions by four to one. A recent poll conducted by Zogby International revealed that 79 percent of those polled say they favor a reduction in greenhouse gases like carbon dioxide. This is consistent with findings last year in a poll by Harris Interactive showing that of the people in the US who have heard about the Kyoto and Bonn agreements, a large majority (73 percent) approves of them and a majority, 54 percent think that the U.S. government was wrong not to accept these agreements.

7) **2003 was a record year for shareholder resolutions relating to climate change.** Shareholders filed a record 31 global warming resolutions in the 2003 proxy season with 28 companies. This year also saw record support for these resolutions with-- record 32 percent at ChevronTexaco, 27 percent at AEP and 22 percent at ExxonMobil.

8) 28 organizations from Environmental Justice, religious and policy background have called on the Bush Administration and Congress to take action on climate change. Citing the

disproportionate impact of climate change on people of color, indigenous people, low income people, and workers, these organizations support energy efficiency, renewable energy, and conservation policies while seeking equitable measures to protect and assist the communities most affected by climate change.

9) **1,000 US Scientists write to the Senate to reinforce the scientific consensus on climate change.** The letter warns that "the longer emissions increase, the faster they will ulimately have to be decreased in order to avoid dangerous interference with the climate system."

10) **Despite lack of regulator clarity, many US companies are acting now to prepare for future emissions restraints.** A number of major multinational companies have committed to emissions reductions now, some higher than those required by the Kyoto Protocol, rather than risk new investement in carbon emitting capital which will ultimately be subject to carbon restraints.

INTRODUCTION

Though it is home to only four percent of the world's population, the United States accounts for approximately a quarter of human-caused emissions of heat-trapping greenhouse gases like carbon dioxide (CO₂). These gases, released primarily from burning fossil fuels such as coal, oil and gas, build up in the atmosphere, trapping in heat and causing global warming. Since pre-industrial times, concentrations of CO2 in the atmosphere have increased by approximately 30 percent, already resulting in harmful changes to the natural world. Many are warning that if the total amount of warming is allowed to exceed beyond 2 degrees C there will be severe harm to wildlife and human communities. In order to ensure warming stays below this threshold, reductions in CO2 emissions must begin immediately. Therefore, it is essential that the U.S. put in place meaningful policies to guarantee near-term emission reductions.

Since taking office, the Bush Administration has consistently rejected a responsible approach to climate change, preferring to increase support for some of the most emitting sectors of the economy and hope that future technologies will allow us to address the problem. From rejecting the Kyoto Protocol, which contains many elements specifically requested and designed by U.S. industry, to promoting an energy bill and clean air policies that would extend America's reliance on coal, the Bush Administration has time and again picked short term gains for big business over the long-term stability of the planet. Faced with such an approach, and the vital necessity of ensuring the U.S. participates in global action to address climate change, many countries are trying to determine if they should lower their standards and negotiate an approach to climate change that would satisfy the Bush Administration or continue on a path toward meaningful emissions reductions leaving the U.S. behind. Fortunately, the choice is not as stark as it appears.

Regardless of the Bush Administration's opposition to action on climate change, and in some cases perhaps precisely because of this opposition, many states and municipalities across the U.S. are stepping up to address climate change. They are implementing policies that cap and reduce emissions of CO2 and other greenhouse gases, mandating that renewable energy provide a growing portion of power supply, and passing standards to increase energy efficiency. States and cities recognize that there is not an inherent conflict between a stable environment and a sound economy—in fact, many see climate-friendly energy technologies as an area of economic growth and are trying to position themselves as leaders in this field. Polls reveal that there is broad public support in the U.S. for such action. Many U.S. companies see climate change legislation as inevitable and are taking action now, even in the face of regulatory uncertainty, in order to prepare for future requirements.

For those familiar with social change movements in the U.S. it is really not a surprise to see states and cities leading the federal government. Indeed, America's most important social movements, from civil rights and women's suffrage to the environmental movement itself, were the result of activism at the state level which ultimately brought about a strong federal response. It is clear that a patchwork of state climate change regulations is not the preferred approach to climate change. However, states are determined to pursue such an approach unless and until the federal government implements responsible climate change policies. In this context, **countries wishing to engage the U.S. on the issue of climate change must familiarize themselves with what is happening outside of Washington, DC and plan their future engagement with the U.S. based on the reality of what is happening in the nation rather than the pronouncements of the Bush Administration.** This paper gives a brief overview of some of the signs that there is growing momentum towards action on climate change in the U.S.

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1.0 State Legislation

Growing increasingly impatient with Washington's lack of progress toward a federal policy to control greenhouse gas emissions nationwide, many states have chosen to take matters into their own hands. At least 15 states have passed laws that will reduce greenhouse gas emissions, including policies that limit or cap CO_2 emissions and others that require a specific portion of their state's electricity be generated by non-emitting renewable energy resources. While they can't create national emissions reductions, these measures do impact some of the largest population centers in the country. As with many other political movements in the United States, the regulatory approaches that are being developed on a state level could someday serve as a model for a national global-warming policy.

Mandatory CO₂ Emissions Reductions

To date, 5 states have imposed mandatory limits on CO_2 emissions, including 3 policies directed specifically at electric sector emissions, a vehicle emissions policy and a state-wide reduction policy.

In June of 2003, Maine became the first U.S. state to enact legislation requiring a statewide reduction in GHG emissions. The new law requires the state's Environmental Protection Department to create a "climate change action plan" by July 2006 to reduce in-state CO_2 emissions to 1990 levels by 2010, with further reductions to 10 percent below 1990 levels by 2020, and eventually by as much as 80 percent.²

In July of 2002, California became the first state to mandate reductions in CO_2 emissions from passenger cars and trucks. California law will require automakers to achieve "the maximum feasible and cost-effective reduction" of greenhouse gas emissions starting with 2009 models.³

In 2002, New Hampshire passed a law to regulate power plant emissions of CO_2 through a multiple pollutant reduction program. The program requires a reduction of CO_2 emissions to 1990 levels by 2010 with a lower future cap to be recommended by 2004.⁴

In 2001, Massachusetts passed legislation requiring that six of its oldest, dirtiest power plants reduce their emissions of key air pollutants. The law requires the power plants to reduce their carbon dioxide emissions by 10 percent below a 1997-1999 baseline by 2006 (or 2008 if the plant chooses to comply by repowering).⁵

In 1997, Oregon enacted legislation requiring all new power plants to reduce, avoid, sequester or displace their CO_2 emissions. The law requires new power plants to meet a standard equal to 17 percent less CO_2 than the most efficient plants operating in the country.⁶

¹ Lee, Jennifer, 2003. The Warming is Global but the Legislating, in the U.S., is All Local. *New York Times*, 29 October.

² Maine Statutes: *Title 38* §576: <u>http://janus.state.me.us/legis/statutes/38/title38sec576.html</u>

³ California: *Assembly Bill 1493*, signed into law by Governor Gray Davis 22 July, 2002. <u>http://www.energy.ca.gov/global climate change/documents/ab 1493 bill 20020701 enrol.pdf</u> ⁴ *HB 284 FN*: <u>http://www.gencourt.state.nh.us/legislation/2002/hb0284.html</u>

⁵ Massachusetts Department of Environmental Protection (DEP) *Regulation 310 CMR 7.29*: http://www.state.ma.us/dep/bwp/daqc/daqcpubs.htm#regs

⁶ Oregon Energy Laws and Facility Siting Regulations - http://www.energy.state.or.us/siting/rules.htm

Mandatory Renewable Energy Programs

13 states have passed legislation mandating that a specified portion of their electricity be generated by non-emitting renewable energy resources:

- Arizona: 1.1% by 2007, 60% Solar
- California: 18% by 2012; 20% by 2017
- Connecticut: 13% by 2009
- Iowa: 2% by 1999
- Maine: 30% by 2000
- Massachusetts: 4% by 2009
- Minnesota: 4.8% by 2012
- Nevada: 15% by 2013, 5% Solar
- New Jersey: 6.5% by 2012
- New Mexico: 10% by 2011
- Pennsylvania: Varies by Utility
- Texas: 2.2 by 2009
- Wisconsin: 2.2% by 2011 ⁷

2.0 Regional Approaches to Climate Change

Melting snow packs, flooding, threats to coastal communities and increased public health risks are just some of the consequences of climate change that have many states looking to partner with their neighbors for regional solutions.

Seeking to protect their economy and public health, in 2001, the governors of the six New England states joined five Eastern Canadian Premiers in pledging to cut greenhouse gas emissions back to 1990 levels by 2010, with a further 10 percent reduction by 2020. Within several decades, their Climate Change Action Plan aims to cut emissions 75 to 85 percent below current levels.⁸

This agreement directs each state and province to develop its own implementation plan. Working to ensure the agreement leads to real action, NGO's in the region have joined together in the New England Climate Coalition and set forth elements the coalition contends each plan must contain to make "meaningful progress toward the deep long-term reductions needed to limit or avoid harmful climate change." The following is a brief outline of these elements:

- By 2010, reduce greenhouse gas emissions to levels 10 percent below 1990 levels;
- Establish a schedule and process for developing the timelines for meeting the long-term reduction goals of 75-85 percent;
- Each consuming sector should be responsible for at least its proportionate share of the targeted emission reductions;
- The region and each of the states should establish a system of mandatory reporting of CO₂ and other greenhouse gases emissions by 2005;
- Reducing emissions from the electricity sector as a whole by 40 percent from current levels;

http://www.mtpc.org/RenewableEnergy/public_policy/climate_change_action_plan_2001.pdf

⁷ For more information on state renewable portfolio standards see

http://www.ucsusa.org/clean_energy/renewable_energy/page.cfm?pageID=47

⁸ New England Governors/ Eastern Canadian Premiers. The Committee on the Environment and Northeast International Committee on Energy. 2001. *Climate Change Action Plan*. August 2001.

- The region and each of the states should set a target of 10 percent of electricity consumption from new, clean renewable sources by 2010, and 20 percent of electricity consumption from new, clean renewable sources by 2020;
- Every plan should include a target of increasing energy efficiency in each sector by 20 percent by 2010;
- Each state should commit to purchasing 20 percent of state facility electricity from clean, renewable sources by 2010, reducing state government's energy use by 25 percent overall by 2010;
- Each plan should include long-term plans for controlling sprawl, which is one of the primary factors raising emissions from transportation and buildings; and,
- Each plan should recognize the economic development and job creation benefits of strategies to reduce greenhouse gas emissions.

New York's governor, George Pataki, subscribing to a "strength in numbers" approach, this past May invited 10 Northeastern and Mid-Atlantic states to join New York in a regional market for greenhouse gas reductions.⁹ The states are Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New Jersey, Delaware, Pennsylvania and Maryland. These 10 states were included because, along with New York, they constitute the three major electricity systems (Independent System Operators) in the northeast and Governor Pataki recognizes the importance of designing a program that does not interfere with the free flow of interstate electricity markets. The proposed plan calls for a regional trading network where power plants could buy and sell carbon dioxide credits in a an effort to lower overall emissions.

The East Coast is not alone in exploring regional climate change policies. Hoping to succeed with a collective strategy, the governors of California, Oregon and Washington in September of 2003 announced a joint strategy to reduce global warming, which includes using their combined purchasing power to buy fuel-efficient vehicles for official use; developing uniform appliance-efficiency standards; collaborating to measure and report greenhouse-gas emissions; reducing the use of diesel generators on ships.¹⁰

These Pacific Coast states have already undertaken extremely ambitious measures to curb in-state greenhouse gas emissions, but they see additional benefits to a combined effort. "Our current federal policies will not lead to a reduction in emissions of the greenhouse gasses associated with climate change," said Washington Governor Locke. "The governors of the West Coast states have concluded that in the absence of meaningful federal action, we must act individually and regionally to address the sources of global warming."¹¹

3.0 Congress on Climate Change

Progress in Congress is well behind that being witnessed in many of the states. One hears scientific arguments during Senate debates that are so far behind the current state of scientific knowledge on this issue they would be laughed at anywhere else in the world. Despite this, careful consideration of the trend over the last few years shows that even in Congress, support for action is growing. Though it extremely unlikely that any legislation with binding emissions reduction caps would pass in the 108th Congress, there are signs that momentum is building which could lead to binding limits in the next Congress which takes office in January, 2005.

⁹ Press Release. Office of Governor George E. Pataki. 2003. GOVERNOR ANNOUNCES COOPERATION ON CLEAN AIR INITIATIVE Leaders of Northeast States Will Participate in Regional Strategy to Curb Emissions. 23 July, 2003. http://www.state.ny.us/governor/press/year03/july24_03.htm

¹⁰ National Governors Association. Center for Best Practices. 2003. West Coast Governors Announce Tri-State Strategy to Reduce Global Warming. 10/16/2003.

http://www.nga.org/center/frontAndCenter/1,1188,T_ENVIRONMENT_EMERGENCY%5ED_6015,00.html ¹¹ Press Release. Office of Governor Gary Locke. 2003. *West Coast Governors Unite on Global Warming Strategy*. 22 September 2003. http://www.governor.wa.gov/press/press-view.asp?pressRelease=1430&newsType=1

Those who do not follow Congressional politics on climate change full time should be forgiven for thinking that Congress is uniformly opposed to taking any action. This is primarily due to a misleading public relations effort by Kyoto Protocol opponents which has tried to portray a single Senate vote on the Byrd-Hagel resolution in 1997 as the final word.

Many mistakenly think that the Byrd-Hagel vote was a Senate vote to reject the Kyoto Protocol. In fact, the Protocol has never been submitted to the Senate for ratification and the vote on the Byrd-Hagel resolution took place in July of 1997, prior to the conclusion of the Kyoto agreement. While it did set out some broad areas of concern in regard to any climate treaty, it did not address the responsibilities, targets or flexibility mechanisms incorporated in the actual agreement. Having passed by a vote of 95-0 this resolution has often been characterized as conclusive evidence of Senate consensus against the Protocol. However, a vote in favor of the resolution did not indicate opposition to the Protocol. The resolution was written so broadly that even strong supporters of the Kyoto Protocol, such as senators Joseph Lieberman and John Kerry, voted for it.¹²

Recently, Senator Byrd, the primary sponsor of the resolution, saw a need to go on the record to correct mischaracterizations of the resolution. During an October 2003 vote on a climate change bill, Senator Byrd stated, "This administration has attempted to hide behind S. Res. 98 to defend its current do-nothing and know-nothing policies on climate change, and I strongly object to that. The difference between my view and that of this administration is simple. I believe the problem is real and demands action. The administration does not." Later he stated, "I am compelled to observe that it is the height of hypocrisy for this administration or its supporters in industry to claim that they are defending the goals and provisions of S. Res. 98. They cannot make such a claim in the debate today or in any international forum. Nothing could be further from the truth. This administration can no longer hide behind the mantle of that resolution."¹³

A number of bills addressing Climate Change have won bipartisan support in the 108th Congress. The following are a selection of bills and resolutions that have been introduced in the current session.

Seeking to guarantee specific reductions within a set timeframe, several members of Congress have offered bills with mandatory caps on carbon dioxide and other greenhouse gases. These bills range from measures focused specifically on the electricity sector to economy-wide caps.

The Clean Power Act and the Clean Smokestacks Act are companion bipartisan bills in the Senate and House that would reduce carbon dioxide emissions from power plants to 1990 levels by 2009. Both bills received significant support in the 107th Congress. This session, the Clean Power Act (S.366) was reintroduced in January by Senators James Jeffords (I-VT), Susan Collins (R-ME) and Joe Lieberman (D-CT) and has 19 cosponsors. The Clean Smokestacks Act (H.R. 2042) was reintroduced in the House in May by Representatives Henry Waxman (D-CA) and Sherwood Boehlert (R-NY) and has 94 cosponsors. Senator Tom Carper (D-DE) followed a similar model when he introduced the Clean Air Planning Act of 2003 in April with three cosponsors. The Carper bill (S. 843) has a significantly lower target for carbon dioxide reductions, requiring utilities to be at 2001 emissions levels by 2013.¹⁴

In the Senate, 2003 marked the first floor vote on mandatory caps on carbon dioxide. Senators John McCain (R-AZ) and Joe Lieberman (D-CT) introduced the bipartisan Climate Stewardship Act (S 139) in the first few days of the 108th Congress.¹⁵ In October, there was a vote on the senate floor on a modified

http://thomas.loc.gov/cgi-bin/bdquery/D?d105:1:./temp/~bdZYtJ:@@@L&summ2=m&|/bss/d105query.html| ¹³ Congressional Record__Senate. 30 October 2003. S13585-S13586. *Statement of Senator Robert Byrd on S. 139*.

http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=2003_record&page=S13585&position=all ¹⁴ Bill Summary and Status. 108th Congress. 2003. S. 843.

¹² Bill Summary and Status. 105th Congress. 1997. S. Res. 98.

http://thomas.loc.gov/cgi-bin/bdquery/z?d108:SN00843:@@@L&summ2=m&

¹⁵ Bill Summary and Status. 108th Congress. 2003. S. 139. http://thomas.loc.gov/cgi-bin/bdquery/z?d108:s.00139:

version of the bill, which would have created a mandatory economy-wide cap to return national greenhouse gas emissions to 2000 levels by 2010. Although the bill failed to pass, 43 senators voted to begin imposing mandatory requirements to restrict greenhouse gas emissions. This number has political significance due to the arcane rules covering debate in the U.S. Senate. When one or more senators wish to delay action on a specific piece of legislation, they can "filibuster"—meaning they block consideration of another issue by going to the floor of the Senate and taking advantage of the Senate's rules regarding unlimited debate. In order to cut a filibuster short, 60 senators must vote to end it. With 43 votes in favor of mandating carbon limits, this raises the specter of potential future filibusters in order to ensure inclusion of carbon dioxide limits in energy or clean air legislation.

These bills are not the only sign that some in Congress are tiring of the "just say no" approach to climate change. Committees in both Congressional bodies passed resolutions addressing climate change in State Department reauthorization bills.¹⁶ These resolutions were non-binding and were not passed into law but showed significant support for action to reduce US emissions and reengage in international negotiations.

4.0 Climate Change Litigation

"The EPA's recent flip-flop regarding its authority to regulate greenhouse gas emissions ignores the Clean Air Act and all the problems that global warming will cause. We just want the EPA to do its job. It shouldn't be too much to ask."

— Maine Attorney General, Steven Rowe¹⁷

Many have dismissed climate change litigation as an empty threat, assuming that new legislation was necessary in order to legally require action on climate change. However, with precedent beginning to emerge that indicates climate change issues should be considered in environmental assessments, and with a growing number of states, cities and NGOs filing suits to challenge the Bush Administration's interpretation of existing statutes, this is now one of the most exciting areas to watch.

In the U.S., cases to date fall into two categories: 1) failure to take climate change into account in environmental assessment processes required under the National Environmental Policy Act; and 2) challenging EPA's interpretation of the Clear Air Act to exclude limits on carbon dioxide.

National Environmental Policy Act Cases

In August 2002, Friends of the Earth, Greenpeace and the City of Boulder filed suit against two U.S. government agencies - the Export Import Bank (ExIm) and the Overseas Private Investment Corporation (OPIC). The suit alleges that OPIC and Ex-Im illegally provided over \$32 billion in financing and insurance for oil fields, pipelines and coal-fired power plants over the past ten years without assessing their contribution to global warming and their impact on the U.S. environment as required under key provisions of the National Environmental Policy Act (NEPA).

A recent NEPA case establishes a very useful precedent for other NEPA suits. In October, the U.S. Court of Appeals for the Eighth Circuit recently ruled that the federal government improperly failed to take into account the long-term effects on air pollution, including carbon dioxide emissions, for a proposed railroad to transport coal from Wyoming to Minnesota. The Sierra Club, one of several groups fighting the

¹⁷ Press Release. Office of Massachusetts Attorney General. 2003. *Massachusetts, Connecticut and Maine to Challenge EPA's Refusal to Regulate Greenhouse Gas Emissions*. 3 September, 2003.

http://www.ago.state.ma.us/txt/202petition.htm

¹⁶ H.R. 1950 § 730 (as reported from committee)

http://thomas.loc.gov/cgi-bin/cpquery/?&dbname=cp108&maxdocs=100&report=hr105p1.108&sel=TOC_247174& S 925 § 813 (as reported from committee) http://thomas.loc.gov/cgi-bin/query/C?c108:./temp/~c108Hb9AI8

railway, argued that the project would increase emissions of pollutants including carbon dioxide and mercury. The decision in Mid States Coalition for Progress vs. Surface Transportation Board states, "We believe it would be irresponsible for the Board to approve a project of this scope without first examining the effects that may occur as a result of the reasonable foreseeable increase in coal consumption."¹⁸

Clean Air Act Cases

Among the lawsuits currently making their way through U.S. courts, those with the greatest potential to force responsible action to reduce greenhouse gas emissions are the cases based on EPA's authority to regulate carbon dioxide under the Clean Air Act.

In October 2003, twelve states, several cities, and more than a dozen environmental groups joined forces to challenge the Bush Administration's continued failure to confront global warming. The plaintiffs are contesting the unprecedented ruling by the Environmental Protection Agency (EPA) late last summer that summarily disavowed the agency's longstanding jurisdiction under the Clean Air Act to regulate global warming emissions. The states, cities and groups challenged the EPA decision in the Court of Appeals for the D.C. Circuit.

The EPA ruling, released in August 2003, was issued in response to an administrative petition asking the EPA to regulate greenhouse gas emissions from cars and other mobile sources to help address global warming. The original petition was filed in 1999 by the Center for Technology Assessment, Greenpeace and other environmental groups. A public comment period on the 1999 petition received 50,000 comments—the vast majority of which supported the call for action against global warming. When, more than three years later, the Administration had not taken any action the groups sued EPA for its failure to respond.

States challenging EPA's decision are geographically dispersed across the country, including: California, Connecticut, Illinois, Maine, Massachusetts, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont, and Washington. The cities of Baltimore, and New York filed a separate petition as did a group of more than a dozen of the nation's largest environmental organizations.

5.0 Municipal Mobilization

"As Mayor of Houston, I've prioritized environmental matters affecting families in our region. Protecting citizens from the impact of continued global warming has been a great concern of this administration and we've worked to address the issue thoroughly."

— Mayor Lee P. Brown of Houston, Texas¹⁹

Municipalities were the early actors on climate change in the U.S. Cities for Climate Protection, a global campaign of the International Council for Local Environmental Initiatives (ICLEI)) works with more than 140 cities and counties in the United States to implement solutions to climate change.²⁰

Local governments play a crucial role in addressing climate change because they directly influence and control many of the activities that produce greenhouse gas emissions. Decisions about land use and development, investments in public transit, energy-efficient building codes, waste reduction and recycling programs all affect local air quality and living standards as well as the global climate. By participating in Cities for Climate Protection municipalities can receive valuable assistance, and learn from one another's

¹⁸For a link to full text of Midstates Coalition for Progress vs. Surface Transporation Board see: <u>http://www.me3.org/issues/coaltrain/</u>

¹⁹ Press Release. International Council for Local Environmental Initiatives. 2003. *155 Mayors from Around the U.S. Call on Federal Government to Join Them in Their Fight to Reduce Global Warming*. 21 October, 2003. http://www.iclei.org/us/mayors_statement/pressrelease.pdf

²⁰ For more information on Cities for Climate Protection see: http://www.iclei.org/us/ccp/

experience, in order to implement programs and policies which improve energy efficiency and result in greenhouse gas emissions reductions in all sectors: buildings, manufacturing and industrial facilities, municipal fleets, waste management, land-use planning, renewable energy applications, transportation, and local government operations.

In some cases municipal leaders have joined together to try to influence federal policy-makers. Hoping to influence passage of the McCain-Lieberman "Climate Stewardship Act", in October 2003, 155 U.S. Mayors sent the following signed statement to Congress urging federal leadership in the fight against global warming:

"Mayors from across the U.S. are concerned about the impacts of global warming on our communities. Many of us are actively pursuing reductions at the municipal level, but know it will take leadership at the national level to slow the rate of global warming. We urge the Federal Government to focus attention and policy efforts on this critical issue.

Global warming poses significant threats to communities across the country. We are already feeling impacts in the form of heat waves, shrinking water supplies and snow pack, increased rates of asthma, floods and storms, and coastal erosion.

The scientific community is very clear in its warning -- we must act now to significantly reduce greenhouse gas emissions below current levels or we will quickly reach a point at which global warming can not be reversed. This issue requires an effective response from the U.S. Federal Government.

Many local governments across the country have made it a policy priority to reduce greenhouse gas emissions. As mayors, we know that actions that promote energy conservation and efficiency, sustainable transportation (such as expanded mass transit, alternative fuel vehicles, and bike and pedestrian safety amenities) and reduce solid waste also reduce greenhouse gas and criteria pollutants emissions and bring a host of benefits to our communities. These actions reduce financial waste for local governments, businesses and citizens; they make our communities more livable; they increase spending and economic investment in our communities; and they increase the quality of life for current and future generations.

In addition to these benefits, two other reasons have recently emerged that put reducing greenhouse gas emissions at the top of the policy priority list. The first is energy security. Switching to cleaner energy sources, practicing conservation and maximizing energy efficiency will ease U.S. dependence on foreign fossil fuel-based energy, and at the same time improve local air quality and public health.

The second driver is the simple fact that the people in our communities are calling on us as elected leaders to address global warming. A public mandate is emerging in cities and towns across the country calling for governments at all levels to protect the global climate.

As Mayors responsible for the well being of our communities, we urge the federal government to maintain, enhance and implement new domestic policies and programs that work with local communities to reduce global warming pollution."²¹

6.0 Public Consensus on Global Warming

Polls conducted in the last two years reveal that the vast majority of the U.S. public believes that global warming is a real threat and supports legislative efforts to reduce greenhouse gas emissions.

The most recent poll conducted by Zogby International poll in October of this year revealed that Americans feel strongly that the U.S. should reduce its greenhouse gas emissions. It found that

²¹ Mayors' Statement on Global Warming. 2003. http://www.iclei.org/us/mayors_statement/statement.pdf

Americans by a 4 to 1 ratio support action to reduce GHG emissions. The poll, conducted on the eve of the Senate vote on the McCain-Lieberman Climate Stewardship Act (see section 3.0 above), revealed the following results.

- Three-fourths (74 percent) of the respondents support legislation proposed by Senator John McCain (R-AZ) and Joseph Lieberman (D-CT) to require major industries to reduce greenhouse gas emissions to year 2000 levels within the next seven years. One in five (18 percent) said they oppose such legislation.
- Two in three (67 percent) respondents agree with the statement that 'addressing global warming by requiring major industries to reduce greenhouse gas emissions can improve the environment without harming the economy.' One fourth (27 percent) disagree, according to the poll.
- Reduction of greenhouse gas emissions is favored equally in all regions of the nation. People ages 65+ (71 percent) don't feel as strongly as respondents under 65 (83 percent average). More than four in five (84 percent) of union households favor a reduction, as do 77 percent of non-union households.
- Democrats strongly support a reduction (89 percent), followed by Independents (84percent), and Republicans (65 percent). Women favor a reduction more than men, 84 72 percent. More than seven in ten (72 percent) self-described members of the 'investor class' favor greenhouse gas reduction, compared to 81 percent of non-investors.
- Nine in ten (89 percent) of Democrats say they support the McCain-Lieberman legislation addressing global warming, as do 83 percent of Independents. Slightly more than half (56 percent) of Republicans say they support the legislation.²²

The Zogby poll is consistent with a poll conducted by Harris Interactive in September of 2002 which found that a large majority of the public believes that global warming is a real threat. Moreover, it revealed that most people who have seen, heard or read of the Kyoto and Bonn agreements to limit the emissions of carbon dioxide and greenhouse gases approve of them. And a clear 54 percent majority of respondents thinks that the government is wrong not to accept the international agreements.²³

- Most people (85 percent) say they have seen, heard or read about the theory of global warming.
- The great majority (74 percent) of those who have seen heard or read about global warming say that they believe in the theory that increased carbon dioxide and other gases will lead to global warming and an increase in average temperatures.
- Of those who have seen, heard or read about global warming, approximately half (52 percent) say they have seen, heard or read about recent international agreements in Kyoto and Bonn to limit emissions of greenhouse gases. However, this represents a decline from previous year, when 58 percent said they had heard of these agreements.
- Of the people who have heard about the Kyoto or Bonn agreements, a large majority (73 percent to 20 percent) approves of them.
- Of those who have heard of the Kyoto and Bonn agreements, a 54 percent to 30 percent majority now thinks that the U.S. government was wrong not to accept these agreements.
- Feelings about the U.S. government position on global warming vary substantially by party, with 70 percent of Democrats and 56 percent of Independents thinking that the U.S. government position is wrong, while a 49 percent to 37 percent plurality of Republicans

²² Zogby International. 2003 Americans Favor Reduction in Global Warming by 4-1, New Zogby International Poll Reveals, October 22, 2003. http://www.zogby.com/search/ReadNews.dbm?ID=749

²³ Harris Interactive. 2002. *Majorities Continue to Believe in Global Warming and Support Kyoto Treaty*, Harris Poll #56, October 23, 2002. http://www.harrisinteractive.com/harris_poll/index.asp?PID=335

thinks the U.S. government position is right. However, it should be noted that half of the Republicans who answered this question did not think that the government position was right.

7.0 Growing Investor Concern

One sure sign that concern over global warming is spreading beyond the environmental community is the growing concern among investors about whether the companies they invest in are prepared to deal with the challenge of climate change. For the 2003 proxy season, shareholders filed a record 26 resolutions relating to climate change with U.S. companies.²⁴

Because of the inherent challenge in building significant support for shareholder resolutions over objection of company management, a small amount of support for a resolution allows shareholders to bring it again the subsequent year. According to SEC rules, a resolution must receive 3 percent of the vote the first year it is filed, 6 percent in year two and 10 percent thereafter in order to be included on the proxy the following year. Votes on global warming resolutions this year blew these targets out of the water. A first-time global warming resolution filed with American Electric Power, the largest emitter of carbon dioxide in the U.S., received nearly 27 percent of the vote, the highest ever vote on a global warming resolution at an electric power generator. Other electric utilities, TXU and Southern, received 24 and 23 percent respectively. Even at ExxonMobil, perhaps the most active corporate opponent of action on climate change, 22 percent of shareholders voted in favor of a global warming resolution. The highest vote was a renewable energy related resolution at Chevron Texaco, which garnered 32 percent of the vote.

Just as shareholders are requesting the companies quantify their risk, independent studies analyzing risk are also beginning to emerge. Recent analyses seek to quantify the potential financial risk to specific sectors of the economy. A report from World Wildlife Fund and Innovest Strategic Value Advisors shows that some of the world's largest power companies are facing a major financial threat and could face costs equivalent to over 10 percent of 2002 earnings if they fail to take steps to prepare for upcoming global warming regulation.²⁶ Another recent report by The World Resources Institute and Sustainable Asset Management analyzed how emerging climate change policies, or carbon constraints, will affect the financial performance and competitiveness of ten leading global auto companies. While some companies' earnings could increase by up to 8 percent because of carbon constraints, others may decline by as much as 10 percent -- indicating just how important this issue is for investors and portfolio managers.²⁷

A recent Investors Summit on Climate Change at the UN in New York showed that this issue if finally beginning to get the attention of major investors such as state pension fund managers and Wall Street investment firms. The meeting was convened by a group of financiers that oversee or advise nearly \$1 trillion in investments including the Treasurer of California, the Managing Director of Goldman Sachs, and the CEO of Swiss Re, among many others. The meeting attracted high level political participation as well from UN officials such as Kofi Annnan and Klaus Toepfer, former Vice President Al Gore and former Undersecretary of State Timothy Wirth, and high level union representatives such as Andrew Stern, President of Service Employees International Union.

In their invitation to the more than 200 principals invited to attend, the conveners noted that, "In surveying the challenges to sustained economic prosperity, we believe that climate risk deserves closer review and analysis. We are particularly concerned that many companies in which our funds are invested

http://www.irrc.org/company/05192003_Scorecard.html

²⁴ Investor Responsibility Research Center, 2003 Proxy Season Scorecard.

²⁵ Investor Responsibility Research Center, 2003 Proxy Season Scorecard. – Global Warming, May 19, 2003. http://www.irrc.org/company/global.html

²⁶ For More information on *Power Switch: Impacts of Climate Policy on the Power Sector* see http://www.worldwildlife.org/news/headline.cfm?newsid=587

²⁷ For more information on *Changing Drivers: The impact of climate change on competitiveness and value creation in the automotive industry*, see: http://newsroom.wri.org/newsrelease_text.cfm?NewsReleaseID=267

have not publicly disclosed, or possibly even considered, the material risk to which they may be exposed." They noted that scientific and economic studies have already suggested that there will be potent impacts on the energy, transportation, real estate, agriculture, manufacturing, chemicals, and real estate sectors. Given the recent crises on Wall Street due to failures in corporate governance, these fears are likely well founded. The conveners conclude that, "Prudence, common sense, fiduciary responsibility and legal duty thus impel us to examine such emerging risks with care and, where appropriate, to act."

8.0 Environmental Justice Community Concerned about Climate Change

There is growing concern about climate change within the environmental justice community. In early 2002, a coalition of twenty-eight U.S. environmental justice, climate justice, religious, policy and advocacy organizations called on the Bush Administration and Congress to take action on climate change. The coalition, which calls itself the Environmental Justice and Climate Change Initiative, is seeking immediate and just steps on climate change policy with a focus on energy efficiency, renewable energy, and conservation policies while seeking equitable measures to protect and assist the communities most affected by climate change. They note that people of color, indigenous people, low-income people and workers bear a disproportionate impact of climate change. For decades, extreme and unnecessary social, health, and economic impacts of American society's dependence on fossil fuel have harshly impacted these communities.²⁸ In particular, the group has drawn attention to the current climate change impacts being felt by First Nations in Alaska for whom hunting, fishing and gathering activities have been disrupted.²⁹

This coalition includes well respected organizations with a long history of work on environmental justice issues including: Black Leadership Forum, Church Federation of Greater Indianapolis, Communities for a Better Environment, CorpWatch, The Corporate for Enterprise Development, Deep South Center for Environmental Justice at Xavier University, EcoEquity, Environmental Justice Resource Center at Clark Atlanta University, Georgia Coalition for the Peoples' Agenda, Indigenous Environmental Justice Network, Kids Against Pollution, Native Village of Unalakleet, New York Public Interest Research Group, North Baton Rouge Environmental Association, Redefining Progress, Southern Organizing Committee for Economic and Social Justice, Southwest Network for Environmental and Economic Justice, Southwest Workers Union, United Church of Christ Justice and Witness Ministries, United Methodist Church, West County Toxics Coalition, and West Harlem Environmental Action.³⁰

In addition to its focus on the need for US action on climate change, the Environmental Justice and Climate Change Initiative has participated in international climate change negotiations. At climate change negotiations in Marrakech the coalition drew attention to a lack of transparency and public participation in the climate change negotiations that will further worsen conditions for Indigenous Peoples, people of color and workers in the U.S. and U.S.-Mexico boarder.

9.0 Scientific Contact Congress to Confirm Scientific Consensus

More than 1,000 scientists from across the nation endorsed the following "State of Climate Science Letter" sent to the U.S. Senate in early October of this year—in advance of the vote on the McCain-Lieberman "Climate Stewardship Act"—re-confirming the science community's consensus on climate

²⁸ Press Release. Environmental Justice and Climate Change Initiative. 2002. *Leading Environmental Justice, Climate Justice, Religious and Policy Organizations Unite to Call for Action on Climate Change*. 28 January, 2002. http://www.ejcc.org/releases/020128.html

²⁹ Environmental Justice and Climate Change Initiative. 2002. *Alaska Statement of Solidarity*. 28 January, 2002. http://www.ejcc.org/statements/AlaskaStatement3.13.02.pdf

³⁰For details on Environmental Justice and Climate Change Initiative membership see: http://www.ejcc.org/aboutus.html.

change, including the proliferation, causation and range of impacts of global warming. The letters warns of the consequences of not employing immediate measures to curb greenhouse gas emissions.

THE STATE OF CLIMATE SCIENCE: OCTOBER 2003

A Letter from U.S. Scientists

October 1, 2003

United States Senate Washington, DC 20510

Two years have elapsed since the publication of the most recent reports by the Intergovernmental Panel on Climate Change (IPCC) and the National Research Council (NRC) on the state of the science of climate change and its impacts on the United States and the rest of the world. As scientists engaged in research on these subjects, we are writing to confirm that the main findings of these documents continue to represent the consensus opinion of the scientific community. Indeed, these findings have been reinforced rather than weakened by research reported since the documents were released.

In brief, the findings are that:

1) Anthropogenic climate change, driven by emissions of greenhouse gases, is already underway and likely responsible for most of the observed warming over the last 50 years—warming that has produced the highest temperatures in the Northern Hemisphere during at least the past 1000 years;

2) Over the course of this century the Earth is expected to warm an additional 2.5 to 10.5 °F, depending on future emissions levels and on the climate sensitivity—a sustained global rate of change exceeding any in the last 10,000 years;

3) Temperature increases in most areas of the United States are expected to be considerably higher than these global means because of our nation's northerly location and large average distance from the oceans;

4) Even under mid-range emissions assumptions, the projected warming could cause substantial impacts in different regions of the U.S., including an increased likelihood of heavy and extreme precipitation events, exacerbated drought, and sea level rise;

5) Almost all plausible emissions scenarios result in projected temperatures that continue to increase well beyond the end of this century; and,

6) Due to the long lifetimes of greenhouse gases in the atmosphere, the longer emissions increase, the faster they will ultimately have to be decreased in order to avoid dangerous interference with the climate system.

Evidence that climate change is already underway includes the instrumental record, which shows a surface temperature rise of approximately 1°F over the 20th century, the accelerated sea level rise during that century relative to the last few thousand years, global retreat of mountain glaciers, reduction in snow cover extent, earlier thawing of lake and river ice, the increase in upper air water vapor over most regions in the past several decades, and the 0.09°F warming of the world's deep oceans since the 1950's.

Evidence that the warmth of the Northern Hemisphere during the second half of the last century was unprecedented in the last 1000 years comes from three major reconstructions of past surface

temperatures, which used indicators such as tree rings, corals, ice cores, and lake sediments for years prior to 1860, and instrumental records for the interval between 1865 and the present.

On the subject of human causation of this warmth, the NRC report stated that, "The IPCC's conclusion that most of the observed warming of the last 50 years is likely to have been due to the increase in greenhouse gas concentrations accurately reflects the current thinking of the scientific community on this issue." Indeed, computer simulations do not reproduce the late 20th century warmth if they include only natural climate forcings such as emissions from volcanoes and solar activity. The warmth is only captured when the simulations include forcings from human-emitted greenhouse gases present in the atmosphere.

In summary, the main conclusions of the IPCC and NRC reports remain robust consensus positions supported by the vast majority of researchers in the fields of climate change and its impacts. The body of research carried out since the reports were issued tends to strengthen their conclusions.³¹

10.0 Businesses Taking Action Despite Regulatory Void

Companies make business and investment decisions based on signals that they receive in the marketplace and some of the strongest market signals are regulatory requirements. In the U.S., this puts companies in a difficult position. While the federal government continues to postpone action on climate change, most multinational companies have significant holdings in parts of the world that are establishing carbon constraints, renewable energy mandates, and/or emissions trading systems. More than 100 nations, including Canada, Japan and the European Union (EU) states, have already ratified the Kyoto Protocol and are in the process of implementing policies to meet its targets. The EU already has a directive on renewable energy in place (22 percent by 2010) and an Emissions Trading Directive that will start functioning in 2005, placing a value on global warming emissions.³² While the US has not ratified the Kyoto Protocol or established a national framework for reducing greenhouse gas emissions, there are a number of state efforts underway that apply to operations and products sold in the leading economies in the U.S.³³ For companies that must make decisions about long-lived capital investments, it is necessary to make some assumptions about future carbon constraints.

Due to international and state climate change policies, many U.S. companies are facing a cost associated with high carbon emitting processes and products in at least part of their operations. Adding to the business concerns surrounding regulatory scenarios for carbon emissions, there was a record number of climate change-related shareholder resolutions filed at U.S. companies in 2003. Close to thirty CO_2 -related shareholder resolutions were filed against companies in the oil and gas, automotive, appliance, and electric utility sectors, requesting the companies disclose the financial risk of its carbon dioxide emissions, assess the economic benefit of reducing the company's emissions, and utilize clean, renewable energy technologies.

Many U.S. business leaders say they know that global warming regulation in the U.S. is coming, but they are reluctant to take action without greater certainty about what will be required. Coalitions of U.S. business and industry leaders have supported inclusion of market mechanisms in global, national and state climate regulation to allow business the flexibility to meet regulator requirements in the least-cost manner. Ironically, though this approach was incorporated in the Kyoto Protocol, U.S. companies will

³¹ For more information on signatories to this statement

see:http://www.ucsusa.org/global_environment/global_warming/page.cfm?pageID=1264

³² DIRECTIVE 2001/77/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL. 27 September 2001. <u>http://www.climnet.org/EUenergy/re_dir_27_09_01.pdf</u>.

For detailed information about the emissions trading directive see: http://www.climnet.org/EUenergy/ET.html ³³ For more detail see section 1.0 of this paper.

not be able to apply this mechanism to their actions to reduce emissions within the U.S. until the U.S. ratifies the treaty.

Despite the current uncertainties about future regulatory requirements, and their inability to participate in the global carbon market, many U.S. companies are preparing themselves to be more competitive under future carbon regulations by taking voluntary action to reduce emissions now. A number of companies have already established comprehensive climate management strategies that consider the role and potential value of global warming gases when making investment decisions, inform electricity and energy use decisions, increase investments in on-site and cleaner power purchases, drive decisions towards other emissions-reducing strategies, and move the company towards establishing specific emission reduction targets.

There are companies in many economic sectors taking on voluntary targets--such as American Electric Power which has voluntarily committed through the Chicago Climate Exchange to reduce its emissions by four percent over four years or Johnson and Johnson which has committed through World Wildlife Fund's Climate Savers Program to reduce its emissions to 7 percent below 1990 levels by 2010. A couple of clear messages are emerging from the early actors. First, those that have looked into the opportunities they have to reduce emissions from their products, in their processes, and from upstream sources will be at an advantage when it comes to identifying methods to comply with future regulations. Second, many of the steps companies have taken to reduce emissions have actually been good for the company's bottom line and helped them position themselves as leaders in the emerging market for low emissions technologies—belying the claims of the Bush Administration and Congressional nay-Sayers that meaningful climate action must harm the U.S. economy.

Companies report that improved practices when it comes to energy management, product portfolio changes, facility and process design are saving them millions of dollars. For example, over a 12 year period, IBM cut 11.3 billion kilowatt hours of electricity, avoided 7 million tons of CO2 emissions, and saved \$660 million in expense (equivalent to 69 percent of 2001 dividends paid to IBM shareholders).³⁴ Johnson & Johnson's investments in energy conservation and implementation of the company's Enhanced Best Practices have resulted in \$22 million annual savings for the company.³⁵

While these success stories are encouraging, it is clear that voluntary business efforts will simply not be sufficient to make the emissions reductions needed to stabilize atmospheric carbon concentrations at safe levels. Despite the promotion of an extensive array of voluntary programs, over the past decade emissions within the United States climbed approximately 14 percent. It is clear that mandatory emissions limits are the only way to send a strong market signal that will ensure that enough U.S. companies make the changes necessary to move forward to a low-emissions future.

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³⁴ IBM. 2003. *Energy Management and Climate Savers Program @ IBM Corporation*. Proceedings of Annual Climate Savers Conference. March 12, 2003, Washington, DC.

³⁵ Johnson & Johnson. 2003. *Climate Savers Greenhouse Gas Update*. Proceedings of Annual Climate Savers Conference. March 12, 2003, Washington, DC.