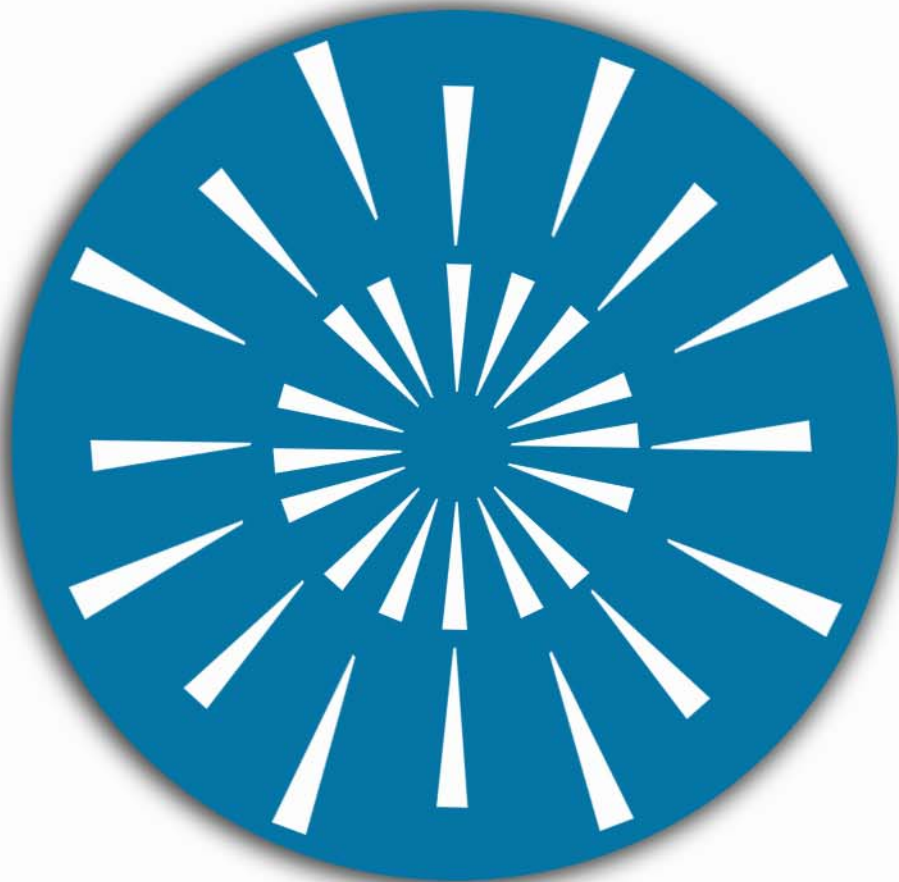


Land of Opportunity

The American Response to Climate Change

CONFERENCE FLOW



THE WILD CENTER, TUPPER LAKE, NY
June 25 & 26, 2008

USCLIMATEACTION.ORG

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Flow of The American Response to Climate Change Conference

A Conference of Peers Seeking a Solution to the U.S. Greenhouse Gas Problem

Ariadne's Thread

According to Greek myth, it was Ariadne who helped Theseus to escape the Labyrinth (which was the Minotaur's lair) by supplying the hero with thread used to navigate the tangled passages.

This memorandum presents a unifying concept (a “thread”) for the American Response to Climate Change Conference. It outlines how the various plenary sessions and working group sessions will flow and, hopefully, lead to an agenda for action that will be advocated by conference attendees.

The agenda for action will be presented in a post conference publication in the form of a “Message to the Nation” directed to officials in federal and state governments and other key “influentials.” Dissenting views will be noted as well. Conference participants can elect to associate themselves or their organizations with the agenda for action but are under no expectation or obligation to do so.

STARTING OBSERVATIONS

The United States must step up to world leadership on the issue of climate change in its role as the wealthiest nation, one of the highest per capita carbon polluters, and the home of many innovative corporations capable of supplying abatement solutions to other nations of the world.

While the issue of carbon abatement is complex and contains significant uncertainties, the agenda for action should nonetheless strive to offer a complete and timely solution to the problem, acknowledging the need for future adaptation in the solution as appropriate.

In light of uneven understanding and issues of political will, it is unclear whether the *de facto* U.S. greenhouse gas policy will be established at the national level through federal legislation (possibly a successor version of the Lieberman-Warner Bill) and regulation or will emerge over time as a patchwork of regional, state and local laws and regulations. While the momentum seems to be shifting to the federal level, supporters of a coherent U.S. GHG abatement policy must be willing to consider both avenues. The conference,

however, will focus on a unified program of federal action as the most effective approach.

The Conference will address the entire U.S. GHG emissions issue but will focus more deeply on energy provision and use in the buildings-and-appliances and power generation sectors (the two largest sources of U.S. GHG emissions). While the Conference will emphasize these sectors (as well as the carbon sink of forest management and land use), conference participants will be able to draw on a common research base that includes the other GHG-intensive sectors in developing policy recommendations.

The policy recommendations arising from the Conference should be based on a set of balanced design principles. Here is a starter list:

- **The policy set should acknowledge that the “mean expectation” forecast for climate change is for serious physical and economic harm to all nations**, but particularly to developing nations. Even if the world acted soon and strongly to address the problem, the forecast is for serious harm to the world even at today’s emissions levels, not considering the effect of rising emissions tied to expected economic growth.
- **The policy set should be consistent with the “precautionary principle,”** in recognition of the increasing possibility of unpredictable catastrophic climate outcomes. Climate scientists have demonstrated that man-made climate change is real and have forecast a narrow range pathway for rising temperatures. However, they have not been able to project the severity of climate change effects with confidence nor the likelihood and scale of major, low probability catastrophic events.
- **The policy set should be designed to bite deeply into the problem as quickly as possible**, since many energy savings opportunities are time perishable and many supply side solutions require long ramp up periods.
- **The policy set should be economy-wide and comprehensive** since no single solution exists (no “silver bullets”) and all economic sectors must contribute materially to the national solution. The possible exception is carbon capture and storage (CCS) which could be considered a “silver bullet.” Given the heavy reliance on fossil fuel-generated energy, a failure to make CCS technology effective and affordable would have grave implications for the outlook of climate change.
- **The policy set should be stable**, providing certainty and a level playing field for long-term investment decisions. Major, long-term capital commitments will have to be made by industry, thus requiring confidence in the future outlook for the regulatory structure and the price of carbon.

- **The policy set should be as fair and balanced as possible.** Some sectors will suffer transitional economic costs during the transition while others will benefit, so the concept of “rough justice” should be acknowledged in recognition that full fairness is not achievable. Special steps should be taken to cushion the transition for the nation’s low income households.
- **The policy set should be as market-based as possible.** Market-based solutions are generally recognized as being more efficient and self-correcting as compared to direct regulation. Many market failures can be addressed using a direct market-based solution—most notably putting a price on carbon pollution.
- **The policy set should recognize the legitimate role of direct regulation and other forms of government intervention** in solving the problem, in light of market limitations and the need for quick, effective action at minimum cost to the economy. Intelligent regulation at all levels of government has an important role to play, but federal performance “floor” standards should be preferred in order to promote simplicity, consistency and a level playing field (allowing state and local standards to exceed the federal floor).

Four Working Memorandums will be distributed to conference participants in advance of the Conference to provide a common base of facts and starter thoughts on the topics of: (1) Buildings-and-Appliances; (2) Power Generation; (3) Forestry/Land Use; and (4) Financing the Transition to a Low Carbon Economy.

The sections that follow outline the focus of each of the constituent sessions of the Conference and how conference findings and conclusions will be brought together in the final synthesis session.

CONFERENCE SESSIONS

Three initial plenary sessions will establish a common base of facts on which the problem solving aspects of the conference will be built

Plenary Session 1: The Science and the Physical Implications of Climate Change

(Presenters: John Holdren, Harvard University, and Tom Lovejoy, The Heinz Center for Science, Economics & the Environment)

The first plenary session will bring conference attendees current on the science of climate change, drawing on the latest IPCC report and other sources.

Plenary Session 2: Economic Impacts of Climate Change and the Global Outlook for Response (Presenter: Dimitri Zenghelis, Lead Author of The Stern Review of the Economics of Climate Change)

The second plenary session will examine the global economic and social impacts of climate change, and then explore the status of the current global policy situation.

Plenary Session 3: U.S. Outlook for GHG Emissions and the American Response

(Presenter: Ken Ostrowski, McKinsey & Co.)

The third plenary session will examine the reference case GHG emissions forecast for the U.S. and the range of abatement options that have been analyzed and synthesized into abatement supply curves (based on the recently-published McKinsey report, entitled *Reducing U.S. Greenhouse Gas Emissions: How Much at What Cost?*)

Energy Working Groups

The two energy working groups will each tackle their own agenda and then later gather as a collective working group to interrelate their findings and recommendations.

Energy Working Group 1: Residential and Commercial Building Energy Consumption (Session Leaders: Rick Duke and Peter Lehner, Natural Resources Defense Council)

The Buildings-and-Appliances Working Group will examine the opportunity to reduce energy use in buildings and appliances as found in existing and new construction (including building retrofits) for residential and commercial buildings and in related appliances (commercial and residential), considering the full range of possible incentives and regulatory initiatives.

Energy Working Group 2: Power Generation (Session Leaders: Jon Creyts and Hannah Grenade, McKinsey & Company)

The Power Generation Working Group will examine the opportunity to decarbonize power generation and the range of possible regulatory and incentive structures that would facilitate the intended outcome with minimum economic disruption to the power industry.

Forestry/Land Use Management Working Group (Session Leaders: Peter Stein, Lyme Timber Company, and Brad Gentry, Yale School of Forestry and Environmental Studies)

The Forestry/Land Use Working Group will examine the opportunity to increase forest cover (and thus the carbon sink) in the U.S., including direct programs of government action and indirect programs of incentives to motivate action by other levels of government and private sector organizations/individuals.

Plenary Session 4: Findings and Recommendations of the Council on Foreign Relations Independent Task Force on Global Climate Change. (Presenter: Michael Levi, Council on Foreign Relations)

This session will review the findings from CFR's Independent Task Force on Climate Change, which has addressed the international dimensions of climate policy. The Task

Force has examined the economics, science, and politics of climate change, and will propose a global strategy for addressing the challenges created by climate change.

Plenary Session 5: Sectors Not Covered in Conference Working Groups: Transportation, Industry, Agriculture, and Waste Management. (Presenter: Jon Creyts, McKinsey & Co.)

The fifth plenary session will give conference participants a base of facts on the emissions sectors and sinks not focused on during the conference, in order to facilitate consideration of the full range of policy options in Plenary 6: Toward an American Solution. Primary emphasis will be given to the transport and industry sectors as the largest remaining GHG emissions sectors.

Plenary Session 6: Financing the Transition to a Low Carbon Economy
(Presenter: Paul Ezekiel, Credit-Suisse Capital Markets)

The sixth plenary session will address opportunities to finance the transition to a low carbon economy, including the range of financing vehicles from project finance to private investment vehicles to venture capital to liquid carbon trading markets, to structures for transferring risk..

Plenary Session 7: Toward an American Solution (Session Leaders: Carter Bales, Conference Co-Chair, Rick Duke, NRDC, and Rob Socolow, Princeton University)

In this final plenary session, the Committee of the Whole will gather for a discussion on how to develop a unified set of policy recommendations for the United States.

The session will begin with a presentation of a draft unified policy set to serve as a “strawman” and give the various Working Groups a base on which to relate their central findings and conclusions.

Each of the Working Groups will then report on findings and conclusions from their working sessions. The discussion that follows will focus on relating best thinking on each source of GHG emissions and the carbon sink to the unified policy set and its possible revisions. Majority and minority views will be recorded by session interlocutors.

To make an abatement solution effective, affordable and politically acceptable, the proposed unified policy set will assert that the U.S. needs four broad policy “planks” to be adopted and implemented:

1. **A well-designed emissions cap that puts a price on CO₂ and other greenhouse gas emissions** to encourage least-cost transformation to a clean energy economy.

Suggested issues for discussion:

- Why a cap-and-trade system (vs. a carbon tax)?
- What cap? A single cap or a creeping cap?
- What emissions allowances distribution scheme?
- What trading regimen?
- What is included in allowable trades? Possible role of offsets?
- How to address the problem of imported carbon?
- Limitations of simply relying on an emissions cap

2. **Rapid adoption of strong measures to promote energy efficiency** in the face of non-price barriers such as lack of information about efficient technologies and split incentives. These measures will include a range of new regulatory initiatives and a set of standards and incentives to promote energy efficiency.

Suggested issues for discussion:

- How should each type of energy efficiency market imperfection be addressed?
- What mix of “push” and “pull” regulatory strategies are needed for energy efficiency? National performance “floor” standards? Top runner programs?
- What new regulatory regime is needed for quick action on energy efficiency opportunities? National vs. state vs. local?
- What roles should the power generation sector play? How should the power generation sector be regulated and incentivized to promote energy efficiency?

3. **Increased federal support for research, development and deployment of clean energy technologies** to ensure a strong pipeline of new low-cost solutions over time despite innovation spillovers that discourage companies from investing to bring new technologies to market in the complex and slow-moving energy sector.

Suggested issues for discussion:

- Carbon Capture and Storage (CCS) as a necessary priority. Its essential role? How to finance it? How to get CCS applications/permits approved?
- Solar as a necessary priority. How to finance it?
- Nuclear as a necessary priority. How to finance it? How to get applications/permits approved?
- Other necessary or plausible technologies?
- The broad public policy needed to move these important technologies forward

4. **Specific measures to unlock low cost abatement from the forestry/land use and agriculture sectors** which are difficult to include under an emissions cap.

Suggested issues for discussion:

- How large a role should the U.S. carbon sink play in overall U.S. GHG policy?
- What mix of direct program and indirect incentives will likely motivate strong action to protect and expand the U.S. carbon sink?

- How should the “three devils” of permanence, leakage and “additionality” be addressed in a practical and effective way?
- What is the case for maximizing U.S. forest cover?

Suggested additional topics for the Committee of the Whole to discuss:

- What does the “precautionary principle” tell us about a sensible policy set? To what worst plausible outcome should the nation be directing policy action? What end game ppm should be targeted by the nation? 450ppm? 500ppm? 550ppm?
- Are the strawman policy planks correct? Why are planks beyond a cap-and-trade system essential to a cost-effective solution? What are limits to cap and trade? Is a cap-and-trade system by itself likely to be slow in effect, more expensive than a four plank strategy, and likely to miss many low cost abatement opportunities? Are other policy planks needed?
- How do the findings from the Working Groups relate to the policy planks? How can the planks give animus to the solutions developed by the Working Groups (and vice versa)? What additional initiatives might be needed to support Working Group recommended policy initiatives?
- What major actions should underlie each policy plank? (See issues for discussion listed under each plank above.) How can the policy planks support each other to produce a workable total solution?
- How can the unified policy set be made more acceptable to political and business leaders in the U.S.?

Hopefully, a general consensus will emerge at the end of the session (minority positions will be recorded). If a consensus does not emerge, an effort will be made to characterize the competing policy sets, together with their associated pros and cons.

POST CONFERENCE TASKS

Following the conference, a small team will attempt to capture and integrate the synthesis thinking of the conference into a single policy paper as a *Message to the Nation* to be published, tentatively entitled **Toward a Solution to the U.S. Greenhouse Gas Problem.**

