

Transcript of press roundtable with
Daniel M. Price, Assistant to the President for International Economic Affairs;
James L. Connaughton, Chairman, White House Council on Environmental Quality;
C. Boyden Gray, U.S. Special Envoy for EU Affairs.

Tuesday, February 26, 2008
Berlin, Germany

Press Attaché Robert Wood: We're very fortunate to have with us today three very distinguished U.S. government representatives. We have Dan Price, here in the middle, who is the assistant to President Bush for international economic affairs, and he's also co-chairman of the Transatlantic Economic Council. We have James Connaughton here, who is the chairman of the White House Council on Environmental Quality. And over here on the right we have U.S. Ambassador C. Boyden Gray, U.S. special envoy to the European Union. All three will make some opening remarks and then take your questions. Before asking your questions, if you could just identify yourselves and your news organizations we would greatly appreciate it. Mr. Price, welcome.

Daniel M. Price: Thank you very much, and thank you all very much for coming. We'd like to cover three topics this morning. First, some words on the TEC, the Transatlantic Economic Council; second, some thoughts on the Major Economies process and the post-2012 framework more generally that we are working towards; and, third, we'd like to focus on the U.S. domestic programs that have been enacted into law that address climate change and energy security.

First, let me start with the TEC. As you know, together with Vice President Verheugen, I co-chair the TEC, and I can tell you, from the White House perspective, from the perspective of our government, the TEC is critically important to transatlantic relations. We regard it as a very, very significant forum and, together with Commissioner Verheugen, we have agreed that we are going to focus on three broad categories of issues. The first is the horizontal issue of regulatory approach. This is not in respect of any specific sector or specific impediment, rather this element of the TEC is a discussion of how our regulatory approaches either converge or differ; we intend to discuss cost-benefit analysis, risk-assessment, transparency, public participation in the regulatory processes, to see how we can better align our regulatory outlook as well as our regulations in particular areas. So issue number one, this horizontal issue of regulatory approaches.

Second, we have agreed to focus the TEC time, that is when the commissioners and the U.S. cabinet officers get together, only on the most contentious and difficult issues, and not have sessions where the two sides are kind of just going over matters that have been covered or resolved, but rather to focus the TEC's time on, as I say, the contentious issues. And these are real impediments, those items which we consider to be real impediments to transatlantic trade or investment and that are not only important in and of themselves but are illustrative; they are problems that are illustrative of perhaps broader divergences of approaches, so that if we make progress on one of these contentious issues, it could help pave the way for others.

Third category of issues. We'd like to use the TEC to develop common approaches to either third-country issues - say the issue of China, or Russia - where we can discuss and update each other on our conversations that we're having; our engagement respectively with China and Russia, or not in respect of any particular country, a kind of problem outside that we face

in common, such as the problem of import safety or product safety. So let me stop there with TEC and move on to the second item.

The second thing we'd like to talk about is the Major Economies process and climate change. As you know, President Bush advanced the idea of the Major Economies process in May of last year. It was endorsed in Heiligendamm by the G-8. It proceeds from the simple proposition that if you gather together at one table those countries which together constitute 80 percent of emissions and 80 percent of energy consumption and try to find common ground, you can advance and support the UN negotiations. So I emphasize that this is not a parallel process to the UN negotiations, it is in support of those negotiations. That's point number one. Point number two, where are we heading? We've had two meetings, one in Washington, one in Hawaii; we are having a third working-group meeting in Chiba, Japan, in connection with the Gleneagles dialogue, and then we're having a Major Economies meeting at the leaders' representatives level in Paris in mid-April. What we are trying to do, I think what all of us are trying to do, is reach consensus on a series of recommendations to the UN negotiations, and we see this as covering a handful of key elements. One, we will try collectively to reach agreement on a long-term goal for reduction of greenhouse gases. That is a long-term goal that all major economies can support and recommend for consideration of the broader UN negotiations.

Second, we are seeking to arrive at a recommendation - that is, all the major economies - on the utility of mid-term targets, mid-term goals, supported by national plans that are sufficiently detailed to show the possibility of achieving those goals. And we recognize the principle of common but differentiated responsibility and, in our view, what that means is the character of our commitment among the major economies must be common, even if the content of that commitment is differentiated. So, for some countries, it may be appropriate to take an economy-wide mid-term reduction goal; for other countries, it may be appropriate to do a series of sectoral mid-term goals; for some countries it may be appropriate to take an energy-intensity goal, and then have these mid-term targets, have these national plans reflected, bound, in the international framework. And we think that the architecture of that framework should be such that it encourages and does not deter participation by the major developing economies.

Let me move on to the third element that we hope will be reflected in a leaders' declaration, and that is a recognition of the importance of cooperation in technology development and cooperation in key sectors. As Jim Connaughton will explain as he lays out the U.S. domestic plan and elaborates on some of these comments, there are a number of key sectors which, if we globally handle correctly, really address the problem of climate change. In brief, those are fossil fuel power generation, it is personal transportation - that is, cars, it is deforestation, and then it breaks down further, as Jim will explain - steel, cement, building efficiency, etc. So one of the points that we'd like to pursue through the Major Economies process is exploring the utility of sectoral agreements that can advance our work in addressing climate change.

The fourth element in financing. We recognize that the developed world needs to assist in financing the deployment of clean technologies in the developing world, and that we, the United States, are prepared to do so. The President announced an initiative, called the Clean Technology Fund. The United States has committed two billion dollars to that and we're working with others - the British, the Japanese - and we're reaching out to other G-8 members to fund this initiative, recognizing that we wish to assist financially in the deployment of

technologies in respect of those countries who have developed mid-term plans and are prepared to have those reflected in the international framework.

There are a few other elements that we've been discussing among the Major Economies, including the importance of continued work measurement of greenhouse gases at the entity and the facility level so we can actually begin to track progress. We are working towards a leaders' declaration reflecting these recommendations in conjunction with the G-8 summit in July in Japan. Let me emphasize that we are not working towards a fully fleshed-out agreement by July, but rather the leaders' declaration that would contain a series of recommendations and consensus views on the elements I just discussed.

One of the things that we are also emphasizing in connection with financing is the importance of eliminating tariff and non-tariff barriers to clean energy goods and services. One of the things that developed and developing countries alike can do immediately to address climate change is remove, reduce and eliminate the tariff and non-tariff barriers to clean energy goods and services. And so the United States and the EU have made a proposal in this regard in the WTO and we are working with our trading partners and others to garner support for this.

I think I'll stop there in the description of the Major Economies process and turn to Jim Connaughton for some observations on the U.S. domestic plan.

James L. Connaughton: Let me take the hand-off by just emphasizing this last point on tariffs. This was a big proposal by the U.S. and the EU, a great sign of transatlantic cooperation, much over-looked. The scale of what could be achieved immediately in terms of the transfer of clean energy technologies would be unprecedented. The World Bank has estimated that we could increase global trade in clean energy technologies by up to 14 percent per year. The U.S., as it happens, is a net importer of such technologies, so we would be purchasing even more technology even as we sell technology. Germany is in a similar position, they are a major exporter of technology but Germany is also a major purchaser of such technology. So this would lower the costs of implementing this technology for everybody. And we could do it immediately; there's no barrier to accomplishing this other than political will. So, you had a question on that?

Question: I was wondering what kind of levels of tariffs are we talking about? Things like wind turbines, for example?

James L. Connaughton: What we've done is we've got two lists. We've proposed a fast-track for voluntary reduction of tariffs on 43 categories of goods, it includes ...

Daniel M. Price: The World Bank ...

James L. Connaughton: The World Bank, it's a World Bank list, and it's a public list and we can provide it to you. But it's things like energy efficient motors, wind turbines and the parts for the turbines, advanced heating and cooling systems. It's a list of very familiar items, you'll see what it is, it's common items. The tariff schedules in some categories are as high as 70 percent, and one can imagine, you know, the issue is governments aren't collecting these tariffs because the tariffs are prohibitive. Many of these products have profit margins that are well below the tariff.

Question: So even in industrial countries the tariffs are up to 70 percent?

James L. Connaughton: Yeah. What's happened is, the tariffs in Europe and America are, our schedule is medium-range, but our actual tariffs are relatively low.

Question: Right.

James L. Connaughton: In the developed countries, the schedule's very high and the actual tariffs are sort of medium range. And so we tend to have lower tariffs in Europe and America and accept some inequity, but this is a huge impediment to the ability of China and India both to purchase clean technology at a lower price but also to sell their new production of clean technologies at a lower price.

Daniel M. Price: Let me just offer an additional thought here, it's related to the Clean Technology Fund and the elimination of tariffs. When the developed world industrialized, we did not have these clean technologies in existence. These technologies now exist, so a cleaner development path is now available to the developing world, and what we must do, through financing, is bridge that gap between the cost of non-clean, so to speak, and clean technologies, so that the development path of the developing world can be a lower carbon development path and still fulfill the perfectly legitimate aspirations of the developing world for economic growth.

Question: So it is up to the developing countries to reduce their tariff barriers on clean technology?

James L. Connaughton: Yeah, and I'll give you an example, so in the developed world the actual tariffs range from one to five percent; in the developing world their tariffs on these technologies range from a low of four percent to a high of 30 percent - I'm sorry, a high of 34 percent. And so, you know, I was just looking at one - water-saving showers. You know, why is it that key developing countries have an 18 percent tariff on water-saving showers when the tariff is virtually low in the developed world? So, again, as we indicated, the macro-economic benefit of this would be hundreds of billions of dollars of additional sales, two-way, on these technologies that otherwise won't be occurring.

Question: How do you define clean technology? So Mercedes is not clean technology, but the Smart, a small car, is clean technology?

James L. Connaughton: No, actually, what we've done, the World Bank zeroed in on a list of common products which they believed could very easily be addressed, and then we've also brought to the WTO - and that's a list of 43 categories - we've then also brought to the WTO a bigger list of 180 categories of environmental goods and services, so it's climate change plus other sustainable development products, and so it's a very, very broad list.

Daniel M. Price: As you will hear from Jim, it is often said that United States policy on climate change, our domestic measures, are all about voluntary. And what Jim will do is lay out our measures that are reflected in domestic law, that are as mandatory as any other federal law.

James L. Connaughton: So let me walk you through, since I last sat down with many of you last year in Heiligendamm, we've had a huge step forward on national legislation, on

state legislation, and on budgeting in the climate change area, so I want to give you an outline of that and maybe draw some supporting contrasts to what's occurring here in Europe.

We now have mandatory requirements in eight, in the eight most significant sectors that relate to climate change. In December of this past year, the President signed legislation that he called for in his State of the Union a year ago. This is legislation that is produced by the Democratically led Congress, so this is bipartisan legislation with overwhelming majority support, with a lot of pushing on industry. Let me just run through the mandates and they are summarized in the materials that I provided you. So we now have a renewable fuel requirement by which we have to increase our use of renewable fuels by 500 percent by 2022. That means 36 billion gallons - which is about 15 percent - of our projected consumption of fuel. To draw a contrast, I think the European Union mandate is ten percent, and there have been some recent concerns about the capacity to get to that number, but this is an example of where the U.S. ambition is much, much more aggressive than Europe's. There will be others where Europe is more aggressive than us, and that reflects our differences in circumstances. But both Europe and the U.S. are making huge commitments to alternative fuels.

Our vehicle fuel economy. We now have a new mandate that will require a 40 percent improvement in vehicle fuel efficiency by 2020. By the way, this is efficiency across all categories of vehicles, so no longer will you be able to sell a lot of small cars to offset the inefficiency of large ones. Efficiency must be achieved in all categories and classes of vehicles. That will result in an overall average of 35 miles per gallon, bringing it in line with the fuel economy of the European fleet, and will avoid about 8 1/2 billion gallons of needed fuel a year, which is about five percent of supply. So these two mandates will be a 20 percent displacement of our use of CO₂-emitting petroleum. We then have a lighting efficiency - and, by the way, both of those use a cap-and-trade mechanism; and so you trade renewable fuel credits in the first, you trade vehicle fuel efficiency credits in the second. So they are both cap-and-trade programs. Lighting efficiency, we just have a technology mandate, a 70 percent improvement of lighting efficiency by 2020. That means that we, like many of our European counterparts, will be phasing out incandescent bulbs very, very rapidly. We will have a series of 45 new appliance efficiency standards in every major energy-consuming appliance category. And then the federal government itself is now mandated to achieve a 30-percent efficiency in energy use and a 20-percent renewable fuel use by 2015. I just want to underline, the federal government, the U.S. government is bigger, the government is bigger than most countries, and so a 30 percent improvement of our energy utilization is a massive, a massive reduction of associated greenhouse gases. These five new mandates in the Energy Bill are projected; we have early estimates, to prevent six to ten billion tons of CO₂ from going into the atmosphere. That's gigantic in scale.

The next mandate, which becomes U.S. law by force of international agreement, is, working with key developing countries - we have accelerated by ten years the phase-out of the refrigerant hydro chlorofluorocarbons. This phase-out should achieve emission reductions equivalent to the Kyoto Protocol; depending on the substitutes, it will probably exceed the total emissions reductions of the Kyoto Protocol. And I just want to underline this one because China and India agreed to an internationally binding outcome in this setting, which is a sector-based setting. So this is an example of where China and India will make internationally binding commitments. In addition, we have 26 of our states covering most of our generation capacity - that's all our large states - now have renewable power requirements. This has led to a 500 percent increase to date in renewable power installations in America,

with the federal government providing a substantial tax incentive to further accelerate that. I would observe that the United States last year installed more wind power than Germany; we eclipsed Germany for the first time, with the state of Texas leading the way - the President's home state of Texas, which was one of the first states to adopt this requirement. And then, finally, we are working with all of our states to achieve new building codes that would result in a 30-percent improvement of all new buildings and retro-fits.

I would invite you to compare these mandates to the proposals that just emerged in December from the German government. I have gone through and checked; it looks to me like there is 95 percent alignment in both category of activity as well as level of ambition with the new proposed German Energy Plan. I would just note, we actually have this passed in national legislation now, so we have eight mid-term goals that have already been identified and are in law.

As important though is on the budget side, the key categories that Dan mentioned. We are dedicated to advancing a new generation of more affordable and more effective technologies. The big categories of future emissions: coal will represent about 50 percent of future emissions, coal use. So we have to find a way to improve carbon capture and storage. The United States is way down the road in the financing of this; Germany and the UK are also making contributions. Together though our efforts will not be enough; we need the other major coal-using countries to step up on that. Personal transportation is the other category; it may be as much as 20 percent of future emissions. I'm talking about people and cars. Aviation's two percent of emissions, people and cars is, you know, eighteen percent of emissions, so we really need to focus on alternative fuels, which include electricity, bio-fuels, and hydrogen, as well as more fuel-efficient vehicles. And so, we are orienting our budgets toward achieving major breakthroughs in the categories where we need it most. And I just want to give you a - when we started, in 2001, our technology budget was about three billion dollars; today, our technology budget, annual, is about 40 billion dollars. Now we have direct spending that rises, you'll see here on this chart, direct spending of about 4.3 billion dollars and then we now have new loan-guarantee authority that has just been appropriated in our national legislation for 2008 that will provide 38.5 billion dollars in 2008 that will help incentivize the construction of new, more advanced commercial power-generation facilities. That will cover new nuclear, highly advanced coal plants, as well as gigawatt-scale renewable power, so massively scaled-up renewable power. You will see I've summarized some of the other categories of technology advancement. The United States and Japan account for most of the direct public spending on advancing technology; Germany and the UK come in behind, and, after that, no countries are spending significantly at all on this subject. Japan's emphasis is mainly on nuclear, so we really need a renewed and enhanced commitment by all of the major technology-using countries to advance research and development of these technologies.

Finally, I just wanted to show you, later in this presentation I've got some statistics on trends in CO₂ emissions. You will see that among the developed countries, in terms of our actual emission performance since 2000, we are all performing in similar measure. There's always some perception that somehow were out of sync. That is incorrect. So you'll see Germany, which had relatively low economic growth, had a net decline in emissions during this period; the United Kingdom, Russia, the United States, France, Japan and Canada - we all had slight increases in our emissions. But if you compare that to economic growth, that is a very significant transition away from increasing emissions associated with economic growth. And then that shows in the next chart in terms of the efficiency of our economic output; again, the

United States compares very favorably. Our efficiency of output improved by 9.2 percent; the European Union as a whole improved by 8.1 percent, for example, so we are right in the exact same ballpark. Finally, I have at the back of this presentation information that we used at the Major Economies meeting. So what you have here was presented at the Major Economies meeting, and what it demonstrates is the dramatic future rise of emissions in the key developing countries. Most of the future growth of emissions will be in the developing world; their emissions will exceed ours, the developed world's, collectively very early in the next decade. And then, if the pathway does not change, their emissions will be two, three, four times greater than those in the developed world, and this brings me to this point: We could take our emissions to zero in Europe and America, but if we do not find a shared commitment and a shared success in breakthrough technologies, we will have no effect on long-term temperature trends, simply by taking developed countries' emissions to zero. That's why we all need to move together, and it will also help with air pollution, it'll help with energy security as well.

I've given you a little bit further information on what it means to cut emissions, how many gigatons you need to cut. We need to cut about nearly 50 gigatons of emissions against projections

Daniel M. Price: Who's the we?

James L. Connaughton: The globe. If we want to cut emissions in half, you've heard proposals that we want to cut emissions in half, that would require, if you take projected demand, require changing our profile of energy production by about 50, nearly 50 gigatons. And I've given you a set of slides that shows you what one gigaton is. One gigaton is 136 new nuclear power plants, for example; that's one of the nearly 50 that we need. One gigaton is, fuel efficiency, 273 million cars going to 40 miles per gallon instead of 20 miles per gallon. Well, the new law that the U.S. just passed will achieve that, it will get us about one gigaton. You need to do that several times over. One gigaton is four times the current installed global wind generation, that's one gigaton. So if you want to get, let's say, four gigatons, you need one million new wind turbines and go through the process of (inaudible) them and getting all the approvals for that scale of installation. So this is a huge challenge, and that's why it requires collective effort. And it cannot be met without a major transformation in some of these energy technologies and the transformation of the cost of these technologies.

So I'll end there and happy to take your questions.

Question: Just to follow up, all these six to ten billion metric tons, how much is it relative to the output right now? Is it minus 20 percent? Because you said it's nearly the shape of the German project, and we try to get rid of minus 36. So is there also ...

James L. Connaughton: We're starting from a different place, so we're in the middle right now of doing the preliminary estimates of the annual reductions, and then we have to work that against our business-as-usual, so we haven't finished that analysis yet. We have the issue of scale, and we have the issue of the different baseline, right. Our emissions were rising steadily and now they're beginning to slow down and level off. So we are looking to see when the peak year comes, it looks like it will come pretty fast, and then we're trying to sort out, depending on what happens with some of the other policies, what the rate of decline is going to be. But as you have heard from Mr. Price, we are going to work constructively

toward agreement on a long-term goal for absolute reductions in emissions. So really, for America, the question is just the shape of that curve; how soon can we peak. We're not going to increase significantly. This will dramatically reduce the increase - you know, there's been an increase - this will dramatically flatten that. It may stop it all together, we're just not sure yet. And then there's the question of when we can begin to come down. I think there's been some unrealistic expectation of significant declines within the next ten years, and that's largely due to the power production issues. For us, we have significant electricity demand growth because we have a growing population. Our population is expected to grow over time; Europe's is expected to decline over time. So we have a demographic issue we have to confront. But as you can appreciate here in Germany, for us to achieve a significant decline in CO2 emissions, we need to install a lot more nuclear power plants. We're on the way to doing that, but we won't see our first one until 2015 or so, and you won't see a lot until after 2020. And then the same is true on carbon capture and storage: We all agree - Germany, the U.S., the UK - we all agree it's going to take us about 10 to 15 years to prove the concept in a reliable, commercially viable way, and so we can't look forward to carbon capture and storage at scale until some time after 2020. So between now and 2020, we can make real progress in flattening our growth, and after 2020 we have to then begin to understand how we can bring the curve down.

Question: That sounds all very interesting and exciting, but the Europeans tell you you are not ambitious enough.

James L. Connaughton: What I found interesting is when we go sector by sector, you see quite, you see comparability of effort, and so we say to the Europeans, why aren't you being ambitious enough on alternative fuels when that accounts for 20 percent of future emissions; so the United States is much more aggressive. Europe has an advantage on vehicle fuel efficiency over us, and so we have committed to catching up, and there's an example going the other way. And I haven't had any of my European colleagues question that level of ambition; they're delighted to see us working to catch up. My European colleagues are completely impressed with the level of incentive and the level of money that we are putting in to actually developing the technologies that will solve this problem over the long term. Our commitment is well beyond rhetoric and it's in actual budgets. And so this is an area where I think the European Council adopted a very important set of new commitments last year, but they have yet to be translated into programs and budgets - but that is coming. And so there's an example of a shared vision. We just managed to get out ahead a little bit on the incentives and budgets. Certainly, a 30-percent improvement in building efficiency - I mean, that is the same as what Japan's pushing for, it's the same as what Europe's pushing for. So, if you take every sector, you see this significant alignment. It is only when we get into the realm of political rhetoric that we end up with this disconnect, and we need to move beyond that because our main task together is to find ways to encourage much more rapid and thoughtful action by our counterparts in the key emerging economies, because if we wait 20 or 30 years for them to act, our investment today will not have been worthwhile.

Question: To what extent do you think this Clean Technology Fund that you've come up with is going to address the desires and wants of the developing nations to get enough from the developed world? What more do they want, and what would you expect to hear from them?

Question: And who would be eligible for it?

James L. Connaughton: There's great enthusiasm for the new fund, the new technology fund, in particular by the countries that are going to be investing several hundred billion, actually, several trillion dollars in new energy systems and services. What we are doing with the fund is we want it to be highly leveraged, so what we would like to do is, we want to take the best of today's technologies that have a slight price premium to them and use this fund to provide low-cost financing and perhaps loan guarantees that can then be paired with private sector financing; and so we reduce the risk of the financing, and then, if we link that with the elimination of tariffs, the systematic elimination of tariffs on the goods and services being financed, all of a sudden you've dramatically changed the cost profile of these technologies. And so you can expect a massive uptake. So we've, China, we had bilaterals with them just a short time ago and they expressed, they were very welcoming of this new activity. Now, importantly, when I talked about leverage, this fund - we're putting in two billion, the UK and Japan are coming up with contributions, we'll be reaching out to Germany and the other G-8 countries - importantly, this does reflect, you know, what will be a much bigger market of private finance, and so we have to harness both. Public finance alone will not achieve the task. So that's where we're heading with this. We think that by doing the work on sectors, if we can get sectoral commitments, that will help further define opportunities, and I will give you an example of that: We already have sector agreements in the area of methane capture from mining, and as a result we've done an inventory of those opportunities in China, and China has created a state-owned company whose sole function is to install new technologies to capture methane from mining, and they've got 30 or 40 major projects identified. So here's an example of a small amount of public financing creating a brand new market for a new application of clean energy development. That just didn't happen until we got it moving.

Question: Excuse me, coming back to my question, who would be eligible and who would administer this fund?

James L. Connaughton: We're working on that right now. We have a high emphasis on scaleable projects, we want to invest in projects that can then be replicated over and over again and where the private sector can take over, because we want big results out of this. So, you know, countries interested in doing that. The second piece is who's going to administer. We're sorting that out. We need to be very efficient and we need to administer it in a way where it will link up well with other sources of funding, like our export-import banks - you have one here in Germany, we have one - we want to be able to link up with other sources of funding to, so we need a ...

Question: But it would be multinational, not a World Bank organization?

James L. Connaughton: It will be multilateral; we just don't know who will administer it.

Daniel M. Price: We are discussing where it will be housed.

Question: Did I get it right, you are helping to spread your American green technology through the world?

James L. Connaughton: Well, it's all ways, it's two-way.

Question: And it, you put it positively it's a contribution to improve the world climate. Negatively one can say you're subsidizing your exports and it could be unfair for the European exports. So what do you think about that?

James L. Connaughton: No, actually, if you, we have some information we'll provide to you, but we are a net importer of this technology. Right now, most of the main trade is between Europe and America, you know, with Canada and Japan. We have low tariffs and we do a lot of technology exchange among us ...

Question: But you're going to support American exports to developing countries ...

James L. Connaughton: Right, so let me give me an example ...

Daniel M. Price: It's not just American exports, I think ...

James L. Connaughton: Let me give you the data. Last year, we imported 18 billion dollars of the technology that's on the World Bank list. We exported 15 billion dollars. I think the ratio is similar for Europe as well, because we are big developed countries, so we need a lot of this technology. So by freeing up the tariffs and by providing the low-cost financing, we'll facilitate both imports - our purchases of technologies and services - from more countries, but also the sales of these technologies and services. We are already selling it to Europe; we're not selling as much as we could be selling to Asia. So Europe is happy to buy some of our technologies, we're happy to buy European technologies. So this is to open the trading for everybody. The World Bank has done estimates - take a look, I mean, they see a significant internal benefit to key developing countries with these policies.

Daniel M. Price: Could I be clear on this: We are working towards a joint fund among the G-8, a pool of money, which obviously is not and should not be tied as a pool of G-8 money to finance solely the exports ...

James L. Connaughton: That's correct.

Daniel M. Price: ... of one country's goods or services. So ...

James L. Connaughton: This will not have that dimension.

Question: So this will be a G-8 initiative, not an American ...

James L. Connaughton: You're suggesting this like tied aid, and it's not. This is a fund that has no preference for country of origin when it comes to technology.

Daniel M. Price: Correct. At the moment, the intensive discussions are among Japan, the UK, and the United States, each of which has announced a financial commitment to this kind of fund. We, our Treasury representatives have been in conversations and will intensify those conversations with the other G-8 members to support this Clean Technology Fund and hopefully we will be able to stand that up by the time of the G-8 summit.

Question: And this fund, to put it correct, this fund is on top of this fund which is planned in the Bali process, because, you know, there is also a fund ...

James L. Connaughton: There's an Adaptation Fund. That deals with a completely different set of issues, that's infrastructure issues. Adaptation is about how you adjust your more vulnerable areas.

Question: And your fund is just for technology?

James L. Connaughton: This is just the technology.

Daniel M. Price: Focused on mitigation, which is supporting national plans and actions taken by developing countries to reduce the growth or slow the growth of greenhouse gases.

James L. Connaughton: This is to take advantage of the technologies that are in commerce today but at not nearly the scale, with the key developing countries, that we could be achieving. So we don't have to wait 20 years for any of this, this stuff exists today; in fact, some of it's commodified, which is why it has low profit margins; which is why, if we can eliminate the tariffs and lower the costs of financing, you could see an explosion in transactions. So that's the philosophy behind it.

Question: What is the scale of the contribution that you're looking at to come from Germany?

James L. Connaughton: We would not presume. We hope significant.

Question: Are you meeting somebody in the Kanzleramt, for example to discuss this?

Daniel M. Price: Jim and I are not. We will be touching on this, but representatives of the U.S. Treasury will be coming out to meet with colleagues here in Germany.

James L. Connaughton: Yeah, the President asked Secretary of Treasury Hank Paulson to help pull this together. He has a lot of experience with investing in clean technologies, and he will bring that experience into this process because - I don't know the situation here in Germany - but even as the government has scaled up its public, the availability of public funds for clean technology, our private sector is now into the tens of billions of dollars of capital that's been organized to do private sector investment as well, annually. I mean, these are big funds that are being created.

Press Attaché Robert Wood: We have time for one last question.

Question: If I could change the topic. Obviously a big discussion right now among private industry is they need to have a very sort of, you know, rigorous and definitive idea of where the price of carbon is going, and of course that comes down to a carbon tax or a cap-and-trade market, and I'm just wondering, you mentioned cap-and-trade. Is that the direction we can assume that the U.S. is going to go, and not towards a carbon tax?

James L. Connaughton: Well, actually, I gave you the eight mandates in the U.S.? There's nearly complete certainty, there's still a little lingering debate about what more could be done in the power generation sector; but if you are a fuel producer, you have complete certainty of your pathway. If you are a vehicle manufacturer in America, you have complete certainty, at least through 2025, 2030. Lighting efficiency, appliance efficiency; the federal government, HEFCs, renewable power, and building codes - so, we now have it. Now, inside each of these policies is a massive CO2 reduction - massive, not small, massive; inside each of these policies is an applied price of carbon. Okay, it's just structured differently. It's not a CO2 target, it's a target that addresses a number of issues. I mean I could give you, you know, the

implied price of carbon in each of these and it will be significantly different, because, in America, we've chosen a different philosophy. We want to be sure that our policies are producing investments in technology, and we want to advance the technology curve, so we have not settled exclusively on the idea of the cheapest reductions and the only way forward. So in some categories, we've gone after very, very expensive reductions, and if we had a cross-the-board economy like cap-and-trade, we wouldn't be getting these investments in new technologies. But we do, we have long supported the market-based (inaudible) ..

Question: There's this figure of about 23 trillion dollars in reinvestment in the energy sector in the next ...

James L. Connaughton: But you can also get huge dislocations, and let's use the European example. Europe itself has already determined that an across-the-board approach actually creates some challenges, so the European emission trading system applies only to 40 percent of emissions; and they've just taken three decisions that further diminish the applicability of that because they've excluded the large energy-intensive sectors for a period of time, they allow a significant amount of compliance to be achieved through CDM rather than through real reductions in Europe through purchases of technology, and they're excluding bio-fuels and then readjusting the bio-fuel mandate. So, while in the academic world the idealized vision is of one global market for CO₂, in the real world you've got to do a lot before you could get to that outcome. We do not do that in any other setting. We do not have a single price for ozone-depleting substances; we have dealt with that on a sector-by-sector basis. Europe does not have a single price on nitrogen-oxide emissions; okay, they do not have a single price on sulphur-dioxide emissions. We must be realistic, but also we need to be technology-focused. And so these market mechanisms are good, but we want to tailor them so they are being used most effectively, and I think you are seeing convergence, that's why I wanted to lay this out. There's a remarkable convergence going on when the new vehicle fuel economy mandate that the Commission is looking at - they are redesigning it so that it looks nearly identical to the one America just enacted, because it will deal with all classes of vehicles. It's a remarkable convergence that's going on, it's just things are different from what was first proposed.

Daniel M. Price: And that's really a key point. When one looks beyond kind of the political rhetoric or headlines, one finds much more common ground than would first appear, including the growing recognition that a post-2012 framework, to be effective, must entail not only actions and commitments by the developed world, but also by the major developing economies.

Question: You said yesterday in Paris that "the United States is ready for a binding international agreement on the reduction of greenhouse gas emissions, which could be announced in July." That's how you were quoted ... Is that correct?

Daniel M. Price: That is not correct. Here's what I said: I said ..

James L. Connaughton: Nearly correct ...

Daniel M. Price: It is nearly correct. What we are hoping to be, what we are hoping to announce in July is a leaders declaration of the major economies covering those elements.

Question: The three elements you mentioned?

Daniel M. Price: Well, four. One, long term goal; two, a recommendation on the utility of nationally articulated mid-term goals supported by national plans; and, in our vision - in our vision - those would be - those nationally articulated mid-term plans and goals - would be binding as part of the new framework; third, sectoral agreements and the role of cooperative technology; and the element concerning financing. So the press report yesterday that said that this is all going to be done, right, that the new climate agreement will be done by July, was wholly inaccurate. What I think we, what I know we said is that we are looking to have the leaders' declaration done in July in conjunction with the G-8 summit.

James L. Connaughton: Wait, let me be clear, let me do this. First, we hope we will have a figure and a long-term goal.

Question: We will have one?

James L. Connaughton: We hope so, but that depends on a number of other countries who are deeply resistant to it, okay. But, two, Europe, Canada and the United States have now all announced figures for their mid-term strategies, okay, those three, and they are all quite substantial, and this is what's missing. So, for us, we now have a full portfolio of mid-term goals in national legislation, subject to penalties and sanctions. For us, the issue is our willingness to have them bound into an international treaty depends on the willingness of the other countries to have their goals and commitments bound into, or some agreement, bound into an agreement as well. And so I want to be, you know, there's been some sort of misperception - the United States has now declared and enacted specific goals, just like Europe is doing. And now, Japan hasn't yet, Australia hasn't yet, Russia hasn't, I mean none of the other countries have, and most of them won't by July ...

Daniel M. Price: But to answer the question, we do not envision that in July each of the major economies would state numerically a mid-term goal. Rather, they would recognize and recommend the utility and importance in a post-2012 agreement of doing so.

James L. Connaughton: And the other context is, the agreement occurs in Copenhagen at the end of next year. We keep getting ahead of ourselves; we're trying to lay down the negotiating framework toward ultimate agreement on all of those metrics in Copenhagen.

Question: But then what's the progress measured on Heiligendamm? I mean, we have ...

James L. Connaughton: Well, first of all, huge progress on Heiligendamm, okay ...

Question: Your plans?

James L. Connaughton: Yeah, but here's why. Think of Heiligendamm, it launched the Major Economies process - got off to a little bumpy start and now there's universal support for it, okay. That was a huge leadership moment for your chancellor. Two, Heiligendamm targeted the key sectors for advanced technology development and called for exploring these financing mechanisms. As a result, you have three countries now who have made specific commitments to the fund and Germany and the others exploring their contribution to that. That's a big step in just six months.

Daniel M. Price: And, could I say, if you go through the Heiligendamm declaration, you will find the roots of the key elements that we have been discussing, in that declaration. Each of them is there - the Major Economies initiative itself, the long-term global goal for greenhouse gas reduction, the national plans setting mid-term goals as part of a post-2012 framework, technology development and deployment in key sectors, support for the adoption of existing clean technologies and the elimination of tariffs - right, it's all foreshadowed in the Heiligendamm declaration.

James L. Connaughton: And, by the way, it's now all in the Bali Action Plan. Chancellor Merkel moved it from the G-8 to the Major Economies, and now it's in the Bali Action Plan, endorsed by all 190 countries. So this is actually, you know, in the world of these things, what's occurred in this six-to-eight month window, it's been rocket speed actually.

Question: But what is differentiating content that you're expecting from the emerging countries? I think it's ...

James L. Connaughton: Well, we are hopeful that soon they will all step up and begin to articulate their national strategies, just like we have. Australia said that they won't have theirs 'til the end of the year; Japan is working on its, so we still have ... they're developing their positions, they're seeing what we're doing, they're going to develop what they're doing.

Daniel M. Price: But it's differentiated in that we do not expect them to do exactly the same thing that developed countries are doing.

James L. Connaughton: But we don't expect developed countries necessarily to be doing exactly the same thing ...

Daniel M. Price: ... as each other

James L. Connaughton: France has a lot of nuclear power, so they have a very limited power generation challenge. America and Canada use a lot of coal, eastern Europe uses a lot of coal. We have a very particular coal challenge that we've got to work on, and so we are going, we would expect even among developed countries significant differences of points of emphasis.

Daniel M. Price: That's why we come back to this point, that the character of our commitment must be common. The content of that commitment, specifically what each of the major economies does, may be differentiated.

Press Attaché Robert Wood: Okay, well on that note, thank you all very, very much.