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William F. O'Keefe  
Executive Vice President

March 20, 1996

The Honorable Laura D'Andrea Tyson  
Assistant to the President for Economic Policy  
The White House  
2nd Floor, West Wing  
Washington, D.C. 20500

Dear Dr. Tyson:

In response to your request at our meeting on March 6, I have attached an API list of "Additional U.S. Actions to Address Greenhouse Gas Emissions".

I hope these ideas stimulate further White House discussion of this complex issue and that industry can continue to contribute in a positive way to the domestic and international climate change policymaking process.

Please call me if you would like further elaboration or clarification of the attached list. I look forward to opportunities in the future to continue the dialogue on the climate policy issue.

Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read 'W. O'Keefe', written over a circular stamp.

Enclosure

cc E. Holstein  
E. Seidman  
R. Brown

## **Additional U.S. Actions to Address Greenhouse Gas Emissions**

U.S. industry recognizes the legitimate concerns about the potential long-term effects of increasing greenhouse gas emissions on the Earth's climate system. Increased energy efficiency reduces greenhouse emissions and most companies have sought to improve energy efficiency--and lower costs--since the 1970s. The EOP Group, for example, reported in 1993 that the U.S. achieved a 30 percent reduction in total energy consumption per unit of GDP from 1970 to 1990.

More recently, companies have launched their own initiatives or joined in government/industry voluntary programs aimed at limiting carbon dioxide, methane and other fossil fuel emissions, both in response to the Framework Convention on Climate Change, which entered into force on March 21, 1994, and to the U.S. Climate Change Action Plan that was released in October 1993. To date, while overall results of industry's efforts are positive, the magnitude remains uncertain, both because the greenhouse gas programs are so new and because the federal reporting system does not capture all private sector actions.

Some have responded to this uncertainty and to statements that we face catastrophic consequences if emissions are not reduced promptly by proposing policies and measures that would mandate substantial near-term emission reductions. This strategy is inconsistent with the current state of climate science and with a growing body of economic analyses. Current proposals for near-term emission reductions would be extremely harmful to the U.S. economy, reducing output, costing jobs and placing U.S. industry at a competitive disadvantage. Moreover, the only way to achieve such reductions in a 10-15 year timeframe is by a large energy tax.

A more productive approach would include the following actions:

- o government and industry cooperatively identify and assess cost-effective, flexible voluntary programs;
- o a policy and investment environment that would be conducive to increased private investment in new technologies and processes;
- o impediments to the economic turnover of energy-inefficient capital stock should be identified, reviewed and modified or removed;
- o tax rules should be reviewed to explore the possibility of fostering greater investment in new energy-efficient R&D; and,

- o an investment climate should be developed to encourage the export of U.S. energy-efficient technologies to developing nations.

The following list identifies several opportunities for government/industry cooperation.

### **o Identify, Expand and Report Cost-Effective Near-Term Actions**

- work with government to expand vehicle scrappage programs aimed at reducing emissions from older vehicles
- work with government officials to identify, assess and expand the most cost-effective programs within the U.S. Climate Change Action Plan
- ensure intellectual property rights and patents protection for climate change technologies and discoveries
- remove impediments to the voluntary reporting of company programs and public/private programs aimed at limiting emissions

### **o Stabilize the Policymaking and Investment Environment**

- focus funding of policy-relevant research on reducing major uncertainties about the climate system and on improving the accuracy of climate models, particularly with respect to possible regional impacts, and the role of oceans, clouds and water vapor
- encourage private investment in climate change research
- encourage corporations to include climate change considerations in their long-range business plans

### **o Accelerate Capital Stock Turnover**

- reduce corporate tax rate
- revise depreciation rules to remove any disincentives to the early retirement of energy-intensive equipment and facilities



- change regulations that now discourage capital stock turnover (e.g., Superfund and impediments in the Clean Air Act to new investments)

### **o Stimulate Investment in Climate Change R&D**

- explore the desirability of incentives aimed at increasing private sector R&D in energy-efficient technologies
- request the Treasury Department identify tax barriers that discourage investment in new energy-efficient R&D technologies and processes
- identify ways to encourage corporations to review current R&D plans and budgets and to consider enhancing investments in new energy-efficient technologies and processes
- explore ways to identify promising private technologies and whether accelerated commercialization would help limit greenhouse gas emissions

### **o Strengthen Climate Change Technology Investment Abroad**

- take steps to remove "additionality" as a criteria for "Joint Implementation" activities
- work with international bodies to broaden "sovereign risk insurance" to cover political and other risks to foreign direct investment in technologies aimed at reducing greenhouse gas emissions
- examine export restrictions to see if any unnecessarily constrain the export of U.S. climate technologies
- work with foreign governments to increase direct investment opportunities in a way that provides an opportunity to earn an adequate return on investment
- protect intellectual property rights and patents on technologies transferred