Franklin Center for Global Policy Exchange Kicks Off 2007 with Policy Session on Global Climate Change

Congressional Leader and EU Environmental Counselor Discuss Outlook, Challenges and Benefits of Government Action

March 1, 2007, WASHINGTON, DC – The Franklin Center for Global Policy Exchange today held its first policy session of 2007: *Global Climate Change and U.S. Competitiveness*. The session featured comments and discussion from U.S. Representative Rick Boucher *(D-VA)*, the Chairman of the Energy and Air Quality Subcommittee of the House Energy and Commerce Committee, and Mr. Robert Donkers, Environmental Counselor for Delegation of the European Commission to the U.S.

Terri Pazarindeh, President of the Franklin Center, began the discussion, introduced the panelists, and gave a special welcome to students from George Washington University in the audience, noting the educational aspects of the Center's mission. "As we all know, climate change and all the other international challenges we face won't be solved by one generation," she said. "So we have an obligation to not only educate, but to engage and listen to the leaders of tomorrow."

Chairman Boucher then delivered his remarks, which essentially covered two broad areas: the challenge of diversifying the U.S. fuel mix so that the country is less dependent on imported petroleum for its transportation fuels, and the benefits of moving a mandatory climate change legislative program now.

On fuel diversification, Chairman Boucher noted that the U.S. currently imports at least 60% of its petroleum, mostly from nations which can be unstable at times. This over-reliance on imported oil often leads to situations where our "hands are tied diplomatically," he said, and argued it would be far better to develop technologies that use abundant domestic resources to deliver more of our energy needs.

Noting that current annual ethanol production in the U.S. was approximately 7.5 billion gallons, Chairman Boucher credited President Bush for calling in his State of the Union Address to increase production to 35 billion gallons and to pursue promising technologies for cellulosic ethanol, which is made from non-feedstock crops. Chairman Boucher recalled a recent visit to Ottawa, Canada, where he and other Members of Congress reviewed operations at Iogen Corporation, the largest producer of cellulosic ethanol in North America. "This technology is available today, and it is in all of our interests to pursue it," he said.

He then turned to technology much closer to his southwestern Virginia district, where coal is plentiful. Coal-to-liquids technology, said Chairman Boucher, would allow the U.S. to use coal, its largest domestic energy source, to fuel transportation. One creative idea to push the technology is a price-guarantee measure that the Chairman has written into legislation and introduced in the House of Representatives, with co-sponsor and Republican Committee Member John Shimkus *(R-IL)*.

Under the legislation, the Department of Energy would enter agreements with up to 6 coal liquefaction projects to establish a federal price guarantee. If the price of crude oil were to fall below an agreed upon price, $40 per barrel for example, the federal government would make a payment to the facility owner, thereby establishing a price floor for the facility's product. Chairman Boucher noted that in today's oil market, the prospects for oil dropping below $40 per barrel were highly unlikely.

However, if the price of crude oil were to rise above a certain ceiling closer to today's market price near $80 per barrel for example, the facility operator would pay the federal government. Given this far more likely scenario, Chairman Boucher and Congressman Shimkus believe that the cost to the federal government from the program would be negligible, or quite possibly even a source of revenue. They are holding discussions with the

Congressional Budget Office along these lines. For more information about the legislation, visit Chairman Boucher's website at www.boucher.house.gov

The Chairman next discussed the current status of legislation on climate change in the U.S. Congress, beginning with his own candid assessment of the landscape: "I will tell you that I have been a skeptic, but I believe the time has now come for a mandatory program that can be enacted into law."

He set out principles that will guide him and Energy and Commerce Committee Chairman John Dingell *(D-MI)* as they move legislation through their committee and onto full consideration in the House of Representatives. Among other things, Chairman Boucher said that his legislation will not displace a single economic sector, enjoy industry support, and make emissions reduction requirements contingent on technology being available to meet targets. Despite guarding against economic dislocation, the Congressman did suggest that regulation might impact some product prices: "without question, energy-based items will cost more," he said.

Chairman Boucher closed by discussing the positive aspects of passing legislation which will require bipartisan support and the support of the Bush Administration. "It is good to have backstops in the Senate and at the White House," he concluded.

After hearing about plans for writing a climate change program in the U.S., Mr. Donkers of the European Commission shared with the audience the experiences of the European Union (EU).

The EU has had a climate program for close to 10 years, although it is in a pilot phase, explained Mr. Donkers. He said that one prevailing view from the European side was that technology "will not fall from heaven and fix the problem," and that the EU believed it needed strong regulatory measures to meet emissions reductions targets. The EU has implemented a "cap and trade" system for emissions, which is currently a $19 billion market.

Some of the changes are just common sense and easy to implement, said Mr. Donkers, noting that buildings in Washington are lit up around the clock. "Who are those lights on for?" he asked. Other measures are more difficult, but he argued that the U.S., which is responsible for 25% of greenhouse gas emissions, must play a major role.

Like Chairman Boucher, Mr. Donkers said that more environmentally-friendly transportation fuels were part of the answer, but that efficiency was also critical. He said new fuel efficiency standards for automobiles in China could not be met by U.S., Japanese, or even European auto manufacturers. He noted, however, that China would rather use petroleum to drive its economy and not its cars, and that it faces much more serious environmental challenges like new power plants being built daily with little to no pollution control equipment.

One of the primary challenges for the EU in reaching consensus on cutting emissions was dealing with member countries at different stages of development. This was addressed by allowing some less-developed countries to grow faster and emit more, while requiring more developed nations to meet more stringent emissions requirements. "This is how developed countries lead, by helping the underdeveloped," said Mr. Donkers.

Founded in 1978, The Franklin Center for Global Policy Exchange (Franklin Center) is a non-partisan, non-profit 501(c)(3) organization committed to enhancing global understanding of important international issues. The Franklin Center brings together Members of the U.S. Congress and their international parliamentary counterparts as well as experts from the Diplomatic corps, foreign officials, senior private sector representatives, scholars, and other public policy experts. Through regular conferences and events where leading international opinion leaders share ideas, the Franklin Center promotes enlightened, balanced, and unbiased international policy discussion on major international issues. For more information, please visit our website at www.franklincenter.us

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