

THE BROOKINGS INSTITUTION

COUNTDOWN TO COPENHAGEN: OPPORTUNITIES AND
CHALLENGES FOR THE GLOBAL CLIMATE NEGOTIATIONS

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P R O C E E D I N G S

MR. TALBOTT: My name is Strobe Talbott, and I have the honor of succeeding Bruce MacLaury as being the President of the Brookings Institution. I want to welcome all of you here.

I hope that in the course of the discussion today, one or more of our panelists will maybe take advantage of the fact that we have an opportunity, if you look outside, to see why we talk about "climate change" rather than "global warming."

It's hard to imagine -- it is impossible to imagine -- a more important topic than we're going to be discussing today. And it is hard to imagine a better group to lead us in this discussion.

And I want to first say how grateful all of us at Brookings are for the support of Ambassador Friis Arne Petersen and the Danish Embassy, and all that they have done to enable us to be a part of the dialogue of which today's proceedings is a part. And it is obviously particularly appropriate that that support should come from our Danish friends here in Washington, given the role that our Danish friends in Copenhagen -- one of whom we have with us today -- are playing in the international leadership on the issue of climate change.

I want to particularly welcome here to Washington Minister Connie Hedegaard, Minister for Climate and Energy of the Danish

Government, and who impressed deeply on my colleague Carols Pascual -- whom I'll introduce in a moment -- when they were together in Delhi recently, the extent to which she is a master of this subject, in both its scientific and its geopolitical and geo-economic dimensions.

And we're also very fortunate to have with us Yvo de Boer, of the U.N. Framework Convention, and Janusz Reiter, a good and old friend of mine, who is an Ambassador, and the Polish special representative on this issue.

A quick word about my two Brookings colleagues who will be joining us in the discussion.

David Sandalow is our Environment Fellow, and he has been spearheading much of our work on this issue across the street. And he's been doing so hand-in-glove with Carlos Pascual, who I think is well-known to many of you. He is not only the Vice President and Director of our Foreign Policy program at Brookings, but he has also been instrumentally involved in the leadership of our energy security initiative which, of course, pertains to much that we'll be talking about today. And also, along with partners at New York University and Stanford University, has led an ongoing project called "Managing Global Insecurity," which is dedicated to coming up with bold and yet pragmatic ideas on how to make more effective the international system as a whole on a whole range of

issues, but obviously with very special emphasis on the question of climate change.

I guess the last thing I would say before turning the proceedings over to Carlos and to David to start the discussion up here which in due course will involve all of you, is just to meditate for a second on the way in which the names of cities take on meaning that goes well beyond geography.

If you look back over history, place names like Maastricht, Shanghai, Potsdam, Lisbon mean a lot more than just places on the map. They mean something profoundly important and consequential -- for better or for worse, I might say -- about the way in which the human community governs itself.

And one way to look at today's discussion is as a kind of a meta-geographical map, and a route that we are taking from Tokyo to Bali to Copenhagen. And Copenhagen is a particularly important point on that map. It's not quite a destination. But unless the word "Copenhagen" means not only a beautiful city, the capital of an important member of the European Union, and the capital of an important ally of the United States - - but unless the word "Copenhagen" also means success and effectiveness in the journey that we humanity are on in trying to address, over the next decade -- and perhaps we have even less than a decade --

to dealing with the problem of climate change, then beautiful as Copenhagen is as a place, the name will have melancholy ring.

Which is to say: we don't have much time. And I mean the big "we" -- 6.6 billion of us. We don't have much time to deal with this.

And, of course, the panel will be discussing, just as a smaller group of us did upstairs over the past hour, the inauspiciousness of this issue of climate change coming to a head precisely at a time when the world is understandably so preoccupied with yet another crisis.

Rahm Emanuel, who is now very much in the news, has a wisecrack, which is "A crisis is a terrible thing to waste." And by that he had in mind the international financial crisis. And he meant, of course, that the international financial crisis gives us an incentive to do something about it, including in fundamental ways in which we govern ourselves.

But it would be not just a shame but a tragedy if that crisis were to elbow aside the incentive that we also have to deal with the climate change issue. Because that issue involves nothing less than the survival of our civilization -- and perhaps even our species.

So on that somewhat melancholy note -- but I think that's the only one to strike, although perhaps my colleagues can make it not only a little bit more sophisticated, but also give us some reason for hope -- I turn

the proceedings over to Carlos and to David. And I thank all of you for being with us this morning.

MR. SANDALOW: Thank you very much, Strobe.

For those of you who have not read Strobe's latest book, *The Great Experiment*, I highly commend it -- not only for its broad themes, but particularly for its last chapter, which takes up the issue of climate change and nonproliferation together. Under Strobe's leadership not only has Brookings thrived, but Brookings' work in this area very specifically has thrived.

So thank you very much, Strobe, for all your leadership in this area.

Gordon Brown was in town yesterday, as was Tony Blair. In their honor, I would like to declare this a Charles Dickens moment when it comes to fighting climate change -- both the best of times and the worst of times.

It is the best of times, in the sense that we have new leadership which is conveying an exciting sense of possibility in this city. We have leadership around the world at the head-of-state level focusing on climate change in a way that has never happened before. We have leading businesses that are engaged in fighting climate change and promoting clean energy in very, very new ways.

At the same time, the world's scientists are issuing dire warnings and, in many of their views, the most ambitious plans of governments -- many of which may be exceedingly difficult to achieve -- will be inadequate to addressing this problem.

And we, of course, face the biggest economic crisis since the 1930s, which will be inevitably the focus of heads of state and publics over the course of the next year or two.

So, against that backdrop, we could not have a better panel to discuss the international climate negotiations.

And what we're going to do today, over the next, roughly, hour and 15 minutes is the following.

We're going to go from this direction down the table -- and I'll invite our extremely esteemed panelists to go up to the podium and make some remarks for about five or 10 minutes each, then have a little bit of a dialogue up on stage, and then throw it open to you all for questions.

And it's my great honor to start by introducing my old friend, and a real leader on this issue, Yvo de Boer. His complete bio, as every speaker's bio, is in your package.

But Yvo, well known to everybody here, is the U.N. Secretary General's Executive Secretary of the U.N. FCCC. Yvo, good to see you. And welcome (inaudible).

MR. DE BOER: Thank you, David. And good morning, everyone.

I think I'll stick with the melancholy tone.

(Laughter.)

Because about the only thing that I'm absolutely sure of is that 2009 will go down in history as the year of climate change -- either because we've failed to seek what I really see as a unique opportunity, or because we took a decision to ride the wave of change. And let me explain a bit further.

I think all of you would agree that the Intergovernmental Panel on Climate Change at the end of 2007 came with a very clear message that, yes, we're causing climate change. Yes, if we fail to act, the impacts are going to be very severe. And, yes, we have many of the technologies and the solutions at our disposal today to go a long way towards coming to grips with this issue.

And what the IPCC basically said is that in terms of avoiding the most severe impacts of climate change, we have, in the form of Copenhagen, a very small window of opportunity, which we really need to seize.

So that's the science case. And that's the technology case.

I believe that the world is beginning to come together towards a solution in Copenhagen towards a significant advance. But I also believe that it is only going to happen if we manage to deliver on four political essentials that need to be the cornerstones -- the four cornerstones -- of a Copenhagen agreement.

And the first one of those cornerstones is leadership by industrialized countries.

I think that unless industrialized nations step up in Copenhagen, announce ambitious emission-reduction targets for 2020, there will not be an inclination on the part of the rest of the world to follow. And without that industrialized country leadership, we will not get to the kind of emission paths that the IPCC, the scientific community, is telling us we need to be working towards.

The second political essential is that we also see significant announcements from major developing countries that they intend to deviate their emissions path away from business-as-usual towards a greener form of economic development. And that developing country engagement is necessary for the same reasons that the rich-nation leadership is needed because of what science is telling us is necessary, but it is also necessary from a political point of view in order to catalyze action on the part of industrialized countries.

So -- leadership on the part of rich nations, and engagement by major developing countries.

Now, that takes me to the third political essential, because I believe it is not realistic to expect the engagement of developing countries on this issue unless we manage to mobilize significant financial resources. That's at the heart of the negotiating mandate that was provided in Bali, but it is also at the heart of the economic realities of today. You cannot expect developing nations, whose overriding concern is economic growth and poverty eradication, to put those issues aside and to embark on a climate change agenda.

So the third political essential for me is significant, stable, predictable finance that will allow developing countries to engage both to limit the growth of their emissions, and to adapt to the inevitable impact of climate change.

And the fourth political essential for me is that we come, under the climate change convention, to a governance structure to manage those financial resources that developing countries feel is reflective of their interests. We cannot embark on a climate journey where you expect full engagement from developing nations, without treating those countries as equals as part of the governance process.

So -- four political essentials: rich-country leadership, developing-country engagement, stable and predictable finance, and a governance structure that shows respect.

Now, those four political essentials are difficult to deliver on at this moment in time. We are in the middle of a financial crisis. We're in a period where politicians, where world leaders, where business leaders are trying to deal with the issues and concerns of today, and perhaps less inclined to deal with longer-term concerns like climate change.

But having said that, I'm very encouraged to see that the issue of green economic growth, the issue of a low-carbon economy, the issue of climate change is at the heart of many economic recovery packages around the world -- not just those of the European Union and the United States, but also very much at the heart of the economic recovery package of China, where very significant financial resources are being allocated to seize this opportunity and turn to a low-carbon economy.

And that, I think, is reflective of a realization that to invest more in the technologies of today will turn you into the industrial rust belt of tomorrow; that this really is an opportunity to change direction significant, internationally.

At the same time, I have the feeling that that broad change of direction is only going to come about if we manage to achieve significant international cooperation, especially in the area of technology -- in the area of technology cooperation -- to drive the technologies that we need to deliver on what the scientific community is telling us in necessary around the globe.

And I'm encouraged to see that especially in Europe, but in other countries as well, this is the issue that people are beginning to come to grips with as they get ready for Copenhagen: how can we really turn the Copenhagen Agreement into a partnership that moves forward together.

I don't think that this is a time to step up to the market, the international level, and ask what others can do for you. This is the time to step up to the negotiations and indicate what you can do for others.

Copenhagen will be a success if Copenhagen is representative of international cooperation.

I'm very encouraged to be in this country and to see how the United States is returning to the negotiating table. It's returning to the negotiating table, not just with an international ambition, but with a very clear indication that this country wants to put an ambitious domestic policy package in place; that this country wants to show leadership at the national level; that this country wants to seize this opportunity to change

the direction of economic growth at the national level, but also that this country wants to return to the international negotiating table and work together with other nations towards and agreement in Copenhagen.

As I indicated in the beginning, I think that this, either way, will be an incredible year for climate change. We have this opportunity now, from a scientific point of view and from a political point of view, really a unique opportunity to turn a corner.

At this moment in time, as a result of the economic crisis, 10 million migrant workers in China -- at least -- have lost their jobs. At this moment in time, 400 million people in India are hoping to one day get access to electricity. And these people, I think, have to be part of a cooperative solution. Copenhagen has to mean a future for them.

Thank you.

(Applause.)

MR. SANDALOW: Thank you very much, Yvo.

Connie Hedegaard is Denmark's first Minister for Climate and Energy, and will be in the hot seat all year long, including in December.

MINISTER HEDEGAARD: Thank you very much, David Sandalow, for this warm welcome. It's always a pleasure to be here.

One could wonder why on earth has Denmark offered to host the conference this year. And maybe as an explanation, I can say that was back in 2006. And why did we do that?

Because at that time, the international climate negotiations were in an absolute deadlock. Something had to be done, we thought. And we thought that if we sort of calculated backwards, and compared to the Kyoto and the figures and the math, then we had to end an international agreement by the end of this year.

So by sort of announcing this at a very early stage, we hoped that we could sort of make the whole world accept that we must set a common deadline -- which we actually did in Bali. Some of us can recall it was a quite dramatic day in Bali that we set the deadline, even with the U.S. on board. The last thing took quite a while, but we did so.

Now, of course, we are positioned in a very, very different economic situation -- a situation that none of us could have foreseen back then. So, of course, it's logic to say, "Well, couldn't we then postpone these issues for better times?"

But I would say, on the contrary -- not only because we need to tackle climate change, but also because how often are we provided with an opportunity to rethink business-as-usual? To rethink the way we build

our societies, our energy systems, the way that we sort of provide our commodities and all these kind of things?

We have to use this opportunity, not only due to climate change, but because we know that at the middle of this century we will not be 6.6 billion, as Strobe Talbott was mentioning, but we will be 9 billion people on the planet Earth -- all striving for the good life.

So we must invent more energy-efficient, resource-efficient solutions, and to tackle climate change is a very good chance to do so.

So this agenda is not working against our lifestyle. I would say it's the opposite. It's the only way. Only if we tackle this, we can have any dreams of protecting this modern lifestyle.

What it's all about is to try to invent more intelligent solutions, more smart solutions, more energy and resource-efficient solutions. And, for instance, to set up some targets will sort of give the right incentives to go in this direction.

So I must say that it's encouraging to see how green investments and clean energy sources and things like that are coming into the different stimulus packages here, in China, in Europe. So I believe that there is really a good chance now to make the change that we need.

I'm not going to bother you a lot with the Danish case because I want to say something about, of course, the international

negotiations. Just to say that in Denmark we actually can prove that it's not just words if you say that you can create jobs by taking this agenda seriously.

Thirty years ago we had almost no renewables. We imported all of our energy. Today we are self-supplying -- and we created thousands and thousands of jobs, particularly in the more rural areas. And we will have created a lot of exports, strongholds now, so that our exports in the energy-efficient field trebled in only the last 10 years. Just to say to the Americans here, that it is true that there will be jobs in focusing on energy-efficient solutions, renewable new technologies. It's not just something that you would argue in theory.

Then you could say, "Well, will this account for the U.S.?" I really believe it does. I'm not a specialist on domestic U.S. policies, but I would say that what is also at stake here, as I see it, is the strategic role that the United States wants to play in the world of the 21st Century.

I went recently to Saudi Arabia and there, their minister of oil was telling me that in only a few decades, they expect to export more solar than today they are exporting oil. In the United Arab Emirates, the day before, they set a target on 7 percent renewables in 2020. In China, very recently, you can see that they expect to be the world's largest exporter of energy-efficient technologies in this year.

Just to say that the world is definitely changing. And I think that what is being decided right now is also who will be the strategic leaders of the 21st Century, who will get the new markets in this field, and that is also who will prosper economically later on in this century.

That is also, as I see it, what is at stake here.

But just like Yvo de Boer was just mentioning, I must also say it's extremely encouraging to be here, not only to listen to what comes out of your Administration -- we know that in Europe we hear that. But I must say yesterday at Capitol Hill, to sit in on some of the committees for some hearings, and listening to what was being asked, that is just profoundly different from only some few months ago.

We do not really hear "if" something should be done, but "how" will we best do something. That is really a very important shift, and I think it's very stimulating.

If we go into the more specifics -- on the carbon market, both industrialized countries and developing countries are waiting for U.S. signals in relation to national emissions trading, and the Administration's plans on how to make use of the flexible mechanisms such as a clean-development mechanism.

I urge the U.S. to enact a nationwide cap-and-trade system, with an absolute cap covering all sectors, and to use auctioning of emission allowances.

The development of a national cap-and-trade system is an important signal to the rest of the world of an ambitious commitment to tackling climate change. It opens for the possibility for a global carbon market, and for putting a global price on carbon.

Such linking will not be negotiated in the U.N. FCCC process, but linking can be obtained through bilateral agreements between regions and countries. Linking regional and national emissions trading schemes can ensure increased and potentially cheaper reduction options. It increases the liquidity of the market.

I also urge the U.S. policy-makers to participate in the International Carbon Action Partnership, which is a forum of governments and states that exchange best practices -- the EU, the U.K., Denmark, others, are members -- and several of the U.S. states also participate, including Maine, Maryland, Massachusetts, and others.

Reinvesting in the competitiveness of the U.S. economy through climate-friendly investments can be a way out of the crisis. A high carbon price creates a strong incentive for the industries to procure and use the least polluting technology to minimize cost. The cap-and-trade

system helps to get private companies involved in mitigation efforts. Such involvement can spur innovation, and enhance U.S. competitiveness.

I've often heard in recent days, "Why not just a carbon tax?"

Well, there are numerous reasons, but I will just give you one or two.

You know, with a carbon tax, the rich countries can just pay the tax, and then we will have no sort of guarantee than anything is really happening, that you can see quantitative reductions. But also, there is a downside to it for business, because it gives no incentive for business to do things right. Why should they? Why not just pay your tax?

So I think that the cap-and-trade is key.

But then on the other hand, some would argue, "But does it work? Didn't Europe have different bad experiences?" Yes. EU experience since 2005 is a mixed thing. But it proves that emissions trading can be an effective and cost-effective mechanism to reduce emissions.

Of course we learned some important lessons. First, allowance shortage must be ensured -- which was not the case in the EU in the first trading period, which was from '05 to '07, which caused the carbon price to collapse. The revised emissions trading scheme for 2013 does ensure significant shortages. That's one lesson learned.

Secondly, the highest possible share of allowances must be auctioned to ensure the carbon-price signal trickles through to all consumers, and to avoid huge windfall profits for power producers. And from 2013, allowances for most electricity production in the EU will be auctioned. Yet free allowances most likely still have to be used in order to compensate energy-intensive industries exposed to third-country competition for the loss of competitiveness, unless other major economies adopt similar restrictions on competing industries.

That's just to say we stand ready to pass, in EU, the lessons learned on to you. The U.S. doesn't have to make the same (inaudible) as we did.

Then on targets, we all know what the IPCC tells us. And I'll say many capitals around the globe, governments are now calculating how they can best contribute to our common architecture for climate protection. If the group of developed countries, as a whole, move ahead with ambitious reductions, that commitment can inspire the confidence of the large developing countries to step up their action.

It is sad but true that we in the industrialized world cannot make this alone. Maybe that would be the fairest thing, but we cannot do it. We will have some of the developing economies, of course, to

contribute, but so far it has been very easy for others to hide behind the American position.

Some countries in the negotiations have presented proposals for an international registry on mitigation actions. An international registry may provide visibility and recognition to what is already being done and intended. The developing countries can contribute by differentiating their actions from renewable energy targets, to energy-intensity goals, to new energy-efficient building regulations. The nationally appropriate mitigation actions are many, and they all matter to the overall goal of climate stabilization.

When these actions are measures, reported and verified, we are on our way to visibility and recognition of actions in the developing world. And this helps developed countries to better provide funding for these actions. We need the right balance here between voluntary actions and financial assistance.

In conclusion, I would just say one thing. We had a meeting recently with all the member states of the U.N. And my impression is that the discussion is changing now, so that some of the G7 countries would say, "Okay, we know that we have to come up with something also, when we talk about mitigation. But you must come up with truly new and additional funding to make that happen for us."

And I think that an American audience -- and with all you guys being very interested in this -- that is absolutely key, that you also take care that there will be new and additional funding that will be a prerequisite for the developing countries actually to engage in this.

My final point should just be this: that to make a deal in Copenhagen we need political involvement on all levels -- not only ministers of the environment or climate or energy or whatever it is, also heads of state, and also ministers of finance, due to what I just said, that it must sort of enter the budgets.

Here, I think we have a very huge task to make it a very political process. But we should take care, no matter how many different forums that will be discussing these matters, that we take care that it will be a very transparent process and that, in the end, it must come into the U.N. FCCC process. That is the only one who has the legitimacy for everyone.

So I just want to finish with that, because it's so good that there will be major economists meetings and all kind of things, the Secretary General from the U.N. will do his thing. All this we need, and much more -- the G8 process -- that we must try to help one another to take care that it is a transparent process, leading into the U.N. FCCC. That's the only way we can have a deal in Copenhagen this year.

Thank you.

(Applause.)

MR. SANDALOW: Thank you very much, Minister.

Ambassador Janusz Reiter is the Ambassador-at-Large in the Republic of Poland for Climate Change. His country was host to last year's annual meeting of the U.N. FCCC, and Poland plays a very central role in the EU's discussions on this topic.

Thank you, Mr. Ambassador.

AMBASSADOR REITER: Thank you so much. It's good to be here. And thank you for mentioning Poznan.

When the Minister asked, "Why did we accept hosting the conference in Copenhagen?" I asked myself why did we accept to host the conference in Poznan, knowing that everybody would, so to speak, jump from Bali to Copenhagen and forget Poznan. And that is happening again and again.

And before this meeting, I was wondering whether I should Poznan, someone told me, "Well, come on, if you don't praise yourself, who's going to praise you?" Well, I think we have to praise ourselves. But this is not going to be my main message.

Let me just say a few words about Poznan, which I believe was a reasonable, modest success -- reasonable -- reflecting what could

be achieved, and achieving what could be achieved. And that couldn't be taken for granted.

If you remember the year 2008, the mood getting worse and worse, people complaining about stalemates in the climate process, a lot of negative scenarios. The uncertainty about the future course of the U.S. -- a lot of hope, but still, uncertainty what the future course of the U.S. would be.

So we could easily get a conference that would reflect that mood. And the ambition was not to get a conference that reflected that mood, but a conference that reflected, well, the possibilities or the hope of the year 2008 for the future. And I think that's exactly what we got.

There is the saying, "Before you run, you must walk." In 2008, we were, so to speak, in a walking mode. In 2009, we can be, we can switch to a running mode.

We didn't have very much choice in Poznan. The choice was not walking or running. The choice in Poznan, in 2008, was walking or stopping and staying. And I think we, the international community, made the good choice, the right choice, of not stopping, but walking.

Well, what could be achieved? Certainly the lack of strong commitment of the U.S. was a perfect excuse for many not to do anything. It was objectively a problem of the process, but it was also -- it also

served, or could be used, or misused, as an excuse for not doing anything.

Our ambition was, so to speak, to use the time to get done what could be done, in order not to waste time for these things in the year 2009, after the return of the U.S. to the process in a new political mood.

And, well, so the question now is can we now start running? After two days in Washington, and after a lot of conversations in Europe, I believe yes, now we can start running.

My sense is that, well, even though the U.S. team is only being completed, they have a clear guidance from the chief coach, they have a sense of mission, and they are warming up. And maybe very soon we can start running.

If I were in the Administration in the U.S., I would be delighted with that. But maybe I would also be a little frightened by that -- by the expectations of the world towards the United States. And I think it's fair enough to remind that just nine months are left. That is not a very long period of time. And, of course, Todd Stern mentioned yesterday in his speech at another event, there is a lot of domestic constraints in the process that can't be just ignored. They must be taken into account.

And, well, nine months, in June, in Bonn, a new -- the first negotiating draft is expected to be presented. If we fail to do so, well, we

will be under even bigger time pressure, and I don't know whether we will be able then to buy time after that.

So what can be done?

I fully agree with what the Minister said about the need to, so to speak, politicize the process. There is a great deal of negotiating routine in the (inaudible) process. And I'm not criticizing that, but we need that this is not the way to come to a new deal in Copenhagen. We need a strong political commitment on all possible levels, from -- as you said -- ministers of finance, prime ministers, presidents. I know that the Secretary General, Ban Ki Moon, is planning an event with a group of heads of states and governments to exert pressure, so to speak, on the process. And I think that this is absolutely crucial.

There are two good -- two pieces of good news, and one bad news. Well, the good news is certainly that the U.S. is back. Everybody is hoping that that will change the dynamics of the process.

The bad news is, however, that the crisis this year is even deeper. If you compare that to where we were in December 2008, there is now an overwhelming sense of not only financial but also economic crisis in the world.

But the good news again is that the U.S., like the European Union, is trying to make the transition to the low-carbon economy part of

the crisis management. If they succeed, if we succeed, that will be an extremely powerful message to the world.

I think if we get people to the point to believe that the transition to the low-carbon economy cannot be stopped, that it is inevitable, that will be the greatest success. Because then no one will want to be on the loser side. So once people start believing that this train is leaving, or has left, they will try to get in.

Are we at this point? No, we are not. But with a strong push from the U.S. and from Europe, I think we can get to this point in this year.

Finally, what we need in this year is a concerted action of the U.S. and of the European Union. And let me say that I believe whatever we do in the European Union, we should ask ourselves the question: does it make it for the U.S. more or less difficult to re-engage? So we should consult with our friends in Washington. Our actions should not only reflect our ambitions, but they also should reflect the level of cooperation with the United States.

And some people say that maybe the return of the U.S. will also have another implication -- namely that a sort of flexibilization of the process will happen, sort of mix of the top-down and bottom-up approach. Unlike in last year, no one will have the suspicion that the U.S. administration has a hidden agenda and is trying to undermine the U.N.

FCCC process. It is not. But if they come up with ideas that make the process more flexible, I think we can only welcome that.

Thank you very much.

(Applause.)

MR. SANDALOW: Ambassador Carlos Pascual had a distinguished 23-year career in the U.S. government, including serving as Ambassador to the Ukraine. He is also my friend and my boss.

Ladies and gentlemen, Carlos Pascual.

MR. PASCUAL: David, thanks.

I find myself in a very uncomfortable and unenviable position, which is as American on this panel, to talk about some of the very difficult, great difficulties that we have in addressing these issues. And I raise it as someone who is passionate about the issue of climate change, and the urgency to address this question.

But I think part of the problem is that neither the calendar nor the economy is our friend right now. And we can't let the calendar, in fact, actually become something that ends up defeating us -- which makes it even more difficult, because you have a real event in December that you're going to have to deal with. And the international community has to face up to it.

This group doesn't need a talk on the technology parameters of climate change, but I want to emphasize one thing. We all have now learned from the IPCC that we've got to keep the temperature of the planet from rising more than two degrees Centigrade by 2050, that in order to do that, we have to keep the level of carbon concentrations, total greenhouse gas emissions within certain levels. Those parameters are somewhere between 425 and 450 ppm of carbon dioxide equivalent.

And where are we right now? Well, depending on which estimate you look at, we're somewhere between 415 and 425.

Why do I say that? Because we have no room for maneuver. What it also means is that we cannot be putting more carbon into the atmosphere.

And so in order to do this -- this isn't just a question of moderate changes in what we do. It is a radical transformation of our economies and the way that we consume energy, and the way that we produce electricity, and the way that we run our transport systems.

It's important to digest that, because economic stimulus packages are critical contributions. They are not enough. And the only way that we're going to achieve this is if we put a price on carbon, to radically change the way that we consume energy, and radically reduce it,

and create the necessary incentive for technological innovation, and a transformation of our economy.

And putting a price on carbon, in the short term means that it has an impact on carbon-intensive industries -- coal, steel, aluminum, cement, glass, automobiles. We all live in the midst of the worst economic recession that we've had in a century, and what are the industries that are most affected? You can replay what I just said -- right?

So how are we going to handle this? And this is where the schizophrenia comes in. Because we have a President, and former President, and a former Vice President, and Speaker of the House, and the Majority Leader in the Senate all coming together and making a huge push on climate change legislation, setting a new tone. -- "It absolutely has to happen. We have to educate the public." And at the same time we have this other reality. And how are we going to deal with those two things? And what can be done?

I am absolutely confident that we are eventually going to get to a new regime on climate change. I don't know if we are going to get there by Copenhagen.

And so one of the things that I strongly ask, or just to think about, is that we begin thinking about Copenhagen as not the conclusion of a process, but as a launching point for a new era on how we deal with

climate change and environmental issues and how the globe deals with these questions. Because they will not be finished there.

Anything that we do will not be finished. Technology will change. Economic factors will change. We will continue to need to revise this, and we need to begin to think about this issue differently.

The ideal thing, obviously, in Copenhagen is to push for a comprehensive solution that deals with the questions of technological transformation and financing on the one hand, and mitigation of emissions on the other hand. We need to keep educating people in that regard. The two of you, in particular, need to keep pushing on this issue as far as we can, but we also need to think about how we deal with the situation if we can't get the kind of comprehensive solution that we want.

The worst case scenario in Copenhagen is that we finally have the United States that is interested and engaged on this issue, and we come there and, boom, we have this clash and we go in opposite directions, and we actually destroy the momentum for change. That's the worst case scenario.

The second case scenario is that we have a rerun of Kyoto. We go to Copenhagen. The United States makes all sorts of commitments on national emission targets. We come back here and we can't pass them through the Senate in the current environment. And what

does that do to the momentum in this country and our international (inaudible)?

Or the other thing -- which Minister Hedegaard had mentioned earlier, sort of an implicit statement -- is we agree on the lowest common denominator, and we pat ourselves on the back for feeling like we actually got an agreement. And you know what? Science tells us that it's not going to produce the results that we actually need.

So let me move from being critically analytical, to maybe suggesting some things that maybe might be positive.

I think that perhaps we need to think about Copenhagen as a two-track process. And one track of this is technology, finance and investment, the dissemination of new technologies and acceleration of the transformation of our economies in the way that we need to. And the second is on the mitigation and reduction of emissions. The two of them are obviously related, they're obviously connected by price. But they can, in fact, be separated in a sense that they move on parallel tracks.

Neither of them is easy. But let's look at the technology dissemination and mitigation track.

And one of the things that was raised in the discussion earlier is that there's a real demand on the part of developing countries to say, "Where is the money?" And that is a very real issue.

But here's the positive part of this message. I was shocked when I went to China about a year-and-a-half ago, and the discussion that we had wasn't that, "You the industrialized world put the carbon in the atmosphere, and therefore you fix it, and you deal with it." It was, "You know, if we keep up the discussion that we've been having, that we all have the same right to pollute, we're all going to die. So let's talk about technological transformation and financing, and how do we shift technologies and get them to the emerging countries? Because we have to transform our economies."

The fact that that was coming out of China was radical. India isn't quite there yet. But in talking with their climate negotiator, that is exactly what he said. His country isn't there, but that's what he said.

And so what can we do to begin to build on that?

And here, I think, we need particular pressure on the G8, or the G-something meeting -- it's going to be more than the G-9 -- that's going to take place in Italy in July? Because this has to provide a particular momentum in saying that if the international community can focus on coming up with \$2.5 trillion worth of stimulus packages, can we, in fact, actually make a commitment to put a down payment, that out of those stimulus packages we are going to set aside some small percentage to be able to support technological transformation on energy and climate

change issues, and particularly target that to developing countries and emerging economies. I think that is key.

Secondly, can we make some form of a commitment or pledge at a level of leaders' beginning to say that as we look forward to the fact that carbon will be priced in some way in most developed economies, can we indicate that we are willing to agree to some form of minimal target of a percentage of that which will go into a stream for financing? Not necessary create the fund -- we can't necessarily say what it is, but can we at least create the principle to begin to move us forward? I think that is within the parameters of what the G8 leaders have to be thinking about if they are going to, in fact, step up to the fact that they are these leaders of the developed world.

The third thing that I think we need to think about is on how we collaborate in partnerships on the development of new technology.

Minister Hedegaard talked about her visits to Saudi Arabia and UAE. I was recently in UAE and had a chance to talk with -- you also met with -- the head of Mostar. It's absolutely fascinating what they're doing in investing in solar, in wind and in carbon-capture and storage.

But let me stick with carbon-capture and storage for a minute. They are putting in tens of millions of dollars -- probably more than that -- into the development of carbon-capture and storage

technology. Norway has also putting in tens of millions of dollars into this technology. Their governments have become willing to absorb part of the risk of what might happen if there is, in fact, a leakage of carbon -- something that we haven't been doing in the United States, and it's actually stalled the progress on this technology.

Can we bring India and China in as partners, together with the UAE and Norway? Can we create new partnerships here, so that countries like India and China feel like they are at the beginning points of the development of these technologies and can apply them to their own economies? That's going to be key to getting their buy-in into some of these options.

And then, finally, can we take some of the most effective mechanisms that we have seen for financing, and build on those, and target those?

And here I come back to the work that the IFC has done in China -- a very simple program, where the IFC has basically taken 50 percent of the risk on bank loans that are made for energy efficiency and green energy technologies, loans that are made on a for-profit basis. On the basis of this, the IFC started with \$50 million, went to 100 went to 500 went to a billion, and it is leveraging 30 to 40 times that amount in financing -- out of the Chinese banking system.

And so what this has done is targeting the funding in a way that begins to leverage the resources that countries themselves have. Obviously, we've all got problems with our banking system, but China is still lending. And if we can do that in China, if we can do that in India, it can, in fact, be a mechanism to leverage significant amounts of capital.

Let me take a minute on the mitigation side. What can we do there?

Yvo De Boer has rightly -- and he has to be drumming the message that came out of Bali -- national targets, national targets. Can we get there? I think it's going to be hard for the United States to get here. And let me say something about that, just as an aside.

You know, I think we are going to pursue cap-and-trade legislation. But we haven't had the debate of whether we're going to auction the permits, whether we're going to give them away, what the division is going to be, what we're going to do with the revenues, what we're going to do for cost containment measures. If there are too many pressures on the economy, are there going to be safety-valve measures?

There's a debate on cross-border carbon taxes which hasn't been had yet. And we have a Waxman Bill, which is supposed to come out of the House by the end of May. It's going to defer on many of these kinds of issues and say that it should be actually developed by the

implementing authority. The Senate is going to take a very different approach and is going to argue that those things have to be put into the legislation. The reconciliation of those bills is going to be difficult. I don't see how it's going to happen by the end of the year.

And so if that is a potential reality of what we're facing, what is it that we can commit to in terms of mitigation targets?

Well, what we can go back to is a reaffirmation, at a minimum, of global targets that were set by the IPCC, the 2 percent temperature cap for the planet, the global caps on carbon concentration that we have throughout the world -- ideally, agreeing, as well, that we have to peak emissions by 2015 in order to be able to manage the path afterwards on the reductions of total emissions throughout the world.

Can we commit to that nationally? We can commit to measures to move in that direction. We can agree to renewable fuel standards, renewable fuel-efficiency standards, renewable portfolio standards, greater action on the part of the states. We can talk more eloquently and specifically about the impact of stimulus packages as a down payment toward getting that endpoint. And then if we put this in the context of launching a new era on climate change, then potentially have a significant package.

I'll end with one final note on something which I hope will be taken as sort of an optimistic element of this discussion, and that is the importance of the private sector and the NGO community, because we haven't talking about, but it has to be a critical ingredient for success.

And I'll give you a number which may seem absolutely mundane -- but remember it. ISO 14064. The International Standard Organization -- all of you are now familiar with International Accounting Standards.

Imagine 20 years ago, if we had said that before any major international transaction, companies had to have -- had to be certified according to the International Accounting Standards. You would have said, "Aaah, that's not going to happen." Now it's absolutely the case that you can't complete any major international transaction without this.

The International Standards Organization, based on the work of their members and companies, has come up with a methodology for reporting emissions of carbon. And let's say you began to make it a requirement that for any company to compete for a contract with a multilateral development bank, you had to be ISO certified on your emissions of carbon. Let's say if, in the United States, we said that you cannot compete for a construction contract or a defense contract unless you were ISO certified. And if you start getting that information into the

marketplace and made it available to individuals and NGO groups throughout the world, maybe could we replicate what happened in the 1980s after the Bhopal incident, where there was a massive movement against the dumping of toxic waste.

And so what we need to be thinking about is not just what we do from the top down, but let's also be thinking about those mechanisms that can empower organizations from the bottom up so that between the two of them, we not only get the pressure to change, but accountability for the actions that we propose.

Thanks.

(Applause.)

MR. SANDALOW: Yvo de Boer and Connie Hedegaard, would you like to react to some of Carlos' cautionary notes, and in particular in the context of the history of the international negotiations here. The negotiations that will happen over the next year are not a blank slate. There is a history here, and there are lessons to be learned from what happened at Kyoto, and what happened in the years since.

Yvo, maybe starting with you -- you were there, you've been part of these negotiations for awhile. What lessons do you draw from the experience of the negotiations to date as we look forward?

MR. DE BOER: Well, maybe before I get to that -- I mean, what Carlos is saying is not good enough for me. You can't go to Copenhagen and mumble. There has to be a clear answer. There has to be a clear way forward. There has to be a clear commitment to emission-reduction on the part of industrialized countries.

President Obama has already made that commitment. And I see absolutely no reason to go back to it, to go back on that in Copenhagen.

On your question on the relationship, or the lessons that we can learn from Kyoto, I think that the main lesson for me is that there be a solid connect between the Administration and the Senate. The big mistake of Kyoto was to agree something that President Clinton knew didn't have -- knew would not have a hope in hell of making it through the Senate.

And I'm very encouraged to see how now both the Congress and the Senate -- and especially the Senate Foreign Relations Committee, chaired by Senator Kerry -- are engaged on this issue, are engaged in the debate, are engaged in achieving a commitment and results in Copenhagen that can make it through the U.S. Senate, that will have the support of legislators in this country.

So the most important lesson from Kyoto for me is: maintain the connect between the Administration and the Senate.

MR. SANDALOW: Minister?

MINISTER HEDEGAARD: Thank you. I think I'm a bit on the line, but I would just mention, if I may tease you a bit, Carlos Pascual, you said, well, there could be this worst scenario -- there could be sort of the scenario with a rewind of Kyoto -- or there could be sort of a common lowest denominator. And then I sort of expected, okay, what is then the alternative strategy? And I thought that what you said -- it sounds as if you would be more ambitious.

But on the other hand, I also think that you provide your Administration and your politicians on the Hill with very many excuses for not delivering right now.

And I must say I'm very concerned if we miss this opportunity. Who would believe that things are easier in '10? or '11? Who would believe that if we close this window of opportunity then there will be a new opportunity? I'm not sure there will.

And what I learned from Bali -- and others can talk about Kyoto -- but what I learned in Bali was we had never had a Bali action plan, unless the political pressure had gone so strong that the political price not to be part of that was too high for anybody wanting to pay it. And

I would say that Saturday morning, the U.S. started being against the Bali action plan in the plenary, final plenary session. Then the reaction was so strong, so fierce and some of us sort of thought of another way to legitimize, with some wording, that the U.S. could go into that, and then they chose to -- the then Bush Administration.

That's also how political results are coming by, that you build up the pressure.

Why is it that even despite our financial turmoil and economic recession, that the whole world right now is still talking about climate issues, energy issues, energy dependency and all these kind of things? It does not come out of the blue. It's because we've sort of kept it there. A lot of people have been working so that makes the public know some of the sort of interlinkages between some of these agendas.

And I think that we should not lose momentum now, and that's why we really need the U.S. to deliver.

MR. SANDALOW: Carlos, any thoughts?

MR. PASCUAL: First of all, I think that Yvo de Boer and Connie Hedegaard said exactly what they need to say. And I think they're going to keep saying it, and they should keep saying it. And they can't allow a space for excuses. And the intent is, in fact, not to have excuses.

The question that we have to face up to is what legislation can realistically be passed, and injecting a degree of realism that as we work through these negotiations and try to get that legislation to move forward, let's be realistic about where it stands, and what we're going to have. And if we're not there, what's our fallback? What's our fallback?

And they can't talk about that, but we have to. Because if we don't have to, and we allow Copenhagen to be a point that blows up the momentum on these issues, then we're not doing any of us a service.

I'll just say one other thing. The economic pressures on these issues -- even in comparison to where we were in December -- are so much greater. I wonder if today you can, in fact, get the harmony on the European position that President Sarkozy managed to actually get in December, given the pressures that you're facing in your country, and in Hungary, and in Bulgaria and in Rumania. I think it's even going to be hard for the European Union to keep it together.

And so I'm not saying that we should back up. I'm not saying that we should try to pass up the opportunity. But we should understand the realism of the political environment and the economic environment that we're working with, and understand how we're going to deal with where we are in September, October, and make December a successful outcome, whatever that takes.

MR. DE BOER: I've got a question back for Carlos, which is will it be easier to get legislation adopted in this country if you can show, black-on-white, that industrialized countries and major developing nations have made a commitment, or if that situation is unclear?

192 countries, including this one, signed the Kyoto Protocol in 1997. Not a single one of them had the domestic policy package in place at that moment in time. All of them used the Kyoto outcome and the instruments that were created there to put their domestic policy package in place.

I'm very enthused by the conversations I've had here, and the enormous sense of urgency on the part of this Administration to get legislation adopted before we all pack our backs and go to Copenhagen. But I think that actually a strong result in Copenhagen might make it easier to get that legislation adopted.

MR. PASCUAL: I think, actually, committing to targets in Copenhagen without having the domestic legislation behind it in advance is the kiss of death for it here in the U.S. environment. I just don't see how we can do it.

And so I very much think that we have to debate this and resolve it as a domestic issue in light of a global challenge. And if we commit, make commitments based on the global challenges and then

bring it back to the United States to try to push those numbers through, I think that's almost a guarantee for failure in the current economic and political climate.

MR. SANDALOW: Let me bring Ambassador Reiter in, before going to the audience for questions.

Your country is coal-dependent, as is much of the industrial mid-west here in the United States. Carlos has already talked about the role of Eastern European countries in the Union.

Could you just offer some thoughts, first about Poland's domestic plans for addressing climate change, and then the dynamics within the Union and Eastern European countries, in terms of getting a position?

AMBASSADOR REITER: Thank you.

First, that was interesting, this debate. And we may get more of that. And maybe —

MR. PASCUAL: And we're the advocates.

(Laughter.)

AMBASSADOR REITER: Maybe we need more of that. The question will be, well, how do we understand political pressure. The political pressure by whom? On whom? Joint political pressure? Or do

we need pressure from one side on the other side? It's a question -- these are a lot of questions we have to discuss, we have to address.

You have asked me about Poland and the other new EU members.

Certainly there are differences -- not divides, but differences -- in the European Union. They reflect the different historical experiences of these countries. They reflect the different economic realities of these countries. Nevertheless, we've come -- we came to an agreement in December in Brussels, an agreement that is felt by everybody as fair.

And why was that important? Not because we can export, so to speak, this agreement to the outside world. The world is not a larger EU. The EU is different from many regions. But I think it was important, and it was watched by many countries, because the way the concerns of countries like Poland, Hungary, Rumania, the Czech Republic were addressed was important for the overall judgment of this deal.

If we, so to speak, authorized the EU package and said, "That's fair," it has a higher credibility than if we sat by -- well, people from the western part of the EU. And the message was a common one, from the old and the new EU members, "Yes, this is a fair package."

We did accept the rules. We did accept the goals. We -- what's the difference between us and the other countries?

Well, we have, so to speak, bought a little more time to get to where we want to get. And a little more freedom in defining the way, the avenue, to achieving the goals. But we share the goals, and there are no exceptions in the European Union.

Now, how shall we use this time to solve the problems? Also reflecting the different historical experiences, the different ways of socialization, we need different languages.

You have to understand that for the generation who has now responsibility, the political responsibility -- in Hungary and the Czech Republic and Poland -- the key experience was in 1989, 1990, the experience of freedom, and not the experience of environment -- which doesn't make them, well, so to speak, immune against environmental messages. But that was the formative experience. The freedom experience, for obvious reasons, didn't have the same rank, the same value, in the western part of the European Union.

So we have to accept the different experiences of these two parts of the European Union -- not to, so to speak, to divide the EU into two entities, but just to always have in mind that even if we use the same language -- which is English, today -- well, actually we use different languages.

But I think we can be proud of the agreement in Brussels in December 2008. And now we are facing a huge modernization program in these countries. It is going to be a generational revolution, almost equal to the revolution of 1989 -- maybe not as romantic, but not less important.

And more and more, environmentalists and a sense of global responsibility is a part of this revolution. And if we succeed, I think that will also be a very strong and positive message to the outside world because - - and this is my last sentence -- because these countries are somehow closer to the world than some other countries in the European Union. And this is why they are watched closer by the outside world.

MR. SANDALOW: Thank you very much. Very thoughtful comments.

Questions?

Alden?

SPEAKER: (Off mike) I want to come back -- Alden Meyer, Union of Concerned Scientists. I want to come back to Yvo's opening points about what we need politically (inaudible) deal from the industrialized countries, the targets and the financial package.

I think on the targets we have good news. As you said, President Obama has laid one out. Many of us think it needs to be a little

more aggressive on the 2020 timeframe, but certainly the 2050 is in line. Japan is considering six options. Australia has got its out there. The level of ambition has to go up, but people are making the generic commitment.

And I think most importantly, President Obama had a compelling story line in his speech to Congress, that a cap on emissions is not only not harmful to economic growth, it's the centerpiece of restoring our economy by driving the clean-energy revolution. There's a compelling message there.

On the financial package, I think it's a much more dismal scene. I mean, you don't see Japan, the U.S. -- the European Council is having trouble with its financial package for the Council meeting this month. It wasn't even mentioned in President Obama's speech, in the use of revenues from the cap-and-trade regime, the need to devote billions and billions of dollars for adaptation, reducing deforestation and clean technology.

And I don't see any political leader stepping up to the plate and providing a compelling story line to the American public, the European public, the Japanese public, about why those kind of investments are in our self-interest. I mean, we know they are from a security point of view, in terms of water wars and environmental refugees. We know they can be, in terms of export platforms for clean technologies that our companies

produce. And yet it's counterintuitive for Americans, in this time of economic crisis, to say why we should be taking billions of dollars of company or taxpayer money and exporting it for these essential international purposes to get the deal in Copenhagen.

I'm just wondering what any of you see as a compelling story line that President Obama, President Barroso, the Prime Minister of Japan and others can be telling their publics and opinion leaders about why this is in our self-interest, to have the financial part of the package on the table at an adequate scale, going into Copenhagen?

MR. SANDALOW: Yvo, there's a nice easy question for you. You want to take it?

MR. DE BOER: Well, Alden's raised a very important point. And that is the weakest link in the chain. And it's very much at the heart of the discussions that I'm having here.

I think I would make three arguments.

The first is that I don't think it's a good idea to rewrite what was agreed in Bali. What we agreed in Bali, and what is at the heart of the Framework Convention on Climate Change, is that developing countries' first concern is economic growth and poverty eradication. So if you want them to engage on climate change, then they need help.

I don't think that China needs money from the United States. I don't think China needs money from anyone. I think China wants to cooperate. The story for other developing countries is different, and they do need support.

So my first point would be, don't try and rewrite the language of Bali. That will set us back.

My second point -- and I think that's the point that Connie was making, as well, in terms of the change in the Danish economy -- is that it actually represents a huge opportunity to change the direction of economic growth. And I think that there are very practical things that the United States can do with developing countries that are in the economic interest of the United States.

I think if the United States -- I think that coal will be an essential part of the energy future of countries like China and India. If you can export American clean-coal technology to China and India and make money, and top that up with public finance to go the next step, to carbon-capture and storage, then you're not doing anything to change international competitiveness. You're not doing anything to make production in China more efficient, but you are doing something to export your technology and lower global greenhouse gas emissions.

And my third point, I think, would be that -- and there I do agree with Carlos that we're at the beginning of a journey, that Copenhagen is not going to be the answer to absolutely everything. Hopefully, Copenhagen will take us to minus-25 to 40 for industrialized countries, but it's not going to take us to minus-80. We will need more steps beyond Copenhagen.

And I think international -- I honestly believe that international solidarity, including finance cooperation on technology -- and perhaps even more importantly, helping developing countries adapt to the impacts of climate change -- is an essential part of that solidarity, that international solidarity package moving forward.

I saw this country put aside -- well, I didn't, I wasn't born -- but I saw this country put aside 2 percent of its GDP in the context of the Marshall Plan to help Europe back on its feet. And I think that there is, and there has to be, a huge willingness on the part of the international community to do something similar in the context of climate change.

MINISTER HEDEGAARD: Can I just add to that, I mean, the whole cap-and-trade system will sort of activate the market forces. I know that the market is being sort of bashed quite a bit these days, but still that must also mean a lot -- also, when it comes to job creation, export possibilities and so on and so forth.

I would say the energy independence argument, particularly here, but now we heard from Mr. Reiter, the former Eastern European countries, that is also a very, very strong argument, that -- do we want to be dependent on Russian gas in Bulgaria, or Rumania or whatever? Do we want to pour still more money into the Middle East? I mean, that argument must also be saleable, it must be possible to communicate that.

And the last sort of thing I would add, also, on sort of the "saleable" thing -- we have, for instance, proposed that we could have a levy on bunker fuels for shipping and aviation. That would generate billions of dollars each year, without having each country to pledge on an annual basis. I think that's possible to communicate to the public that, of course, why should shipping and aviation, the only truly international means of transportation that we have, why should they be exempted?

So I think that when we take, think these innovative financial mechanisms, there will be some ideas there that it's also possible to sell to the public.

And may I just say one thing about the Kyoto. We are -- you know, people who have been working with this for decades, they have gone down through the history, and they can see that where we are now, eight or nine months prior to Copenhagen, we are longer than at the same stage prior to Kyoto. It's just important to know that it's not so that, "Oh,

it's impossible." Because actually they were not as far as we are now, in the deliberations, the negotiations, the papers, the drafting, as is right now the case.

MR. SANDALOW: Back of the room. Wait for a minute, please, for a microphone.

MR. GRAVES: Hi. Richard Graves, Link TV.

This past weekend I was filming the Power Shift Conference, where over 12,000 young people from around the country came to lobby about Federal climate legislation -- which I think is a new development.

In response to, sort of, Mr. Pascual's argument about political realities, do you think the emergence of a broad citizen-based, rather than sort of an elite institution-based advocacy on climate change is going to change the dynamic in 2009, leading into Copenhagen?

MR. PASCUAL: I think the citizen base has to be part of it.

The political dynamics obviously vary completely across the country. You go to some states that are going to be under water, like Florida, and you get a huge push for climate-change action and legislation. You go to other states, like the southern mid-west, or the southern western parts of the country -- Nevada, for example -- and there is again a huge push for climate-change legislation.

The big issue here is going to come down to the mid-western states, and the industrial states -- and, in particular, Democrats in those states. I wouldn't argue so much even the Republicans. This isn't going to be a Democrat-Republican issue, it's going to be: can you keep those Democrats in those mid-western, industrial states -- Ohio, Kentucky, Illinois, Michigan -- I mean, that's where it's really going to come down to. And there, a citizens movement is going to be critical.

But the other part of this that's going to have to be key is that, as much as we might argue that this transformation is absolutely critical for the future of the American economy -- a point that I absolutely agree with -- there's the reality of what do you do with the workers in the next 18-month period, in helping them through this transitional process?

And if we don't have a good answer for that, the political pressures against this, against a near-term solution, are going to be very, very powerful. And so these are the kinds of things that we have to address.

I'm not saying that we can't get it done. I hope we push on it, I hope we move to try to get it done sooner rather than later. But these are the political realities that we have to address. And if we don't open our eyes to these political realities, then we will fail.

And if I've had any purpose on this panel, it's to just reinforce the political realities and the economic realities that we're going to have to contend with in order to get an effective solution.

MR. SANDALOW: All right, unfortunately our time is just about done. I can tell there's a large desire for questions from the floor. Let me do the following.

First, we started about 10 minutes late, so I'm going to run it about 10 minutes from now. If anybody needs to leave, we won't be offended.

I'm going to take about three or so, or four, questions from the floor all at once, and then just run down the row here, starting with Yvo, and giving Carlos the last word. And people can answer any question they want, duck any question they want, and offer any concluding thoughts.

So -- starting right here. And then after Caitlin, to Jeff.

SPEAKER: I actually just have a quick statement in response to Mr. Pascual.

You framed two questions: how do we design a cap-and-trade system, and then how do we finance the technology?
And then how do we finance the technology?

I don't think they're necessarily separate. I think the question to be framed is, how do we design a cap-and-trade system that finances and creates revenue for technology?

And the answer is: that can be a 100 percent auction of permits, which can generate \$100 billion.

I think how we frame this question, particularly to Congress, can help generate some political discussion that we need.

MR. SANDALOW: Thank you.

Right behind you.

MR. BURNHAM: I'm Jeff Burnham at Georgetown University. But I, for many years, represented a prominent Senator from the mid-west and worked on this issue. And there are two things I'd like some comments, I think from the European representatives in particular.

First of all, what about deforestation? A very common method of make climate change agreements easier for the United States to comply with is to allow firms to buy carbon credits, perhaps from underdeveloped countries -- developing countries, excuse me -- who may want to avoid deforestation, or plant trees, or do other methods of carbon sequestration? That's the first issue.

And the second thing is these energy-intensive industries, which are in Eastern Europe, the mid-west, China, in many places, there

aren't that many automobile companies or steel companies in the world. Why are we putting all our eggs in the cap-and-trade basket? Who don't we move towards some international standard that all energy-intensive industries in the developing world, at least -- or in the industrial world -- would have to meet? That would seem to make it a lot easier politically for politicians from Poland or from the industrial mid-west to see that the climate change agreement might be in their best interest?

MR. SANDALOW: Thank you.

Right here.

MS LAKATOS: Hi, I'm Christina Lakatos from the International Food Policy Research Institute.

I was wondering what role you think agriculture will play in the climate change negotiations, given agriculture's huge contribution to climate change, especially in developing countries, as well as the importance of helping small farmers in developing countries adapt to climate change?

MR. SANDALOW: Thank you.

All right, we've got two questions -- right behind you, two rows right behind you. Yep. And then, with apologies to others, we'll have to close out.

MR. EBINGER: Charles Ebinger from Brookings.

I wanted to ask if any of you have any detailed thoughts on the mechanisms whereby we will get our industries to truly transfer technology, while dealing with intellectual patent protection and so forth.

MR. SANDALOW: And our last question, right here.

SPEAKER: Hi. Thank you for the comments. And I approach this on an admittedly naive basis.

But I see such an emphasis on the U.S. taking the initiative. I haven't heard much about the European Union joining with that. I haven't seen any strident comments at least, on Japan joining that.

I haven't seen any emphasis on the developing countries' spending their own money to control this. I think you've all been to Beijing and Shanghai, Delhi. You've seen the pollution there, which is worse than any city that we ever had -- and we used to complain about Los Angeles.

Why are we not putting an emphasis on getting those people to be stronger, to spend their own money, to control this. I don't understand why the concession in the Kyoto Protocol and others have not addressed that situation.

MR. SANDALOW: Thank you very much.

We have a number of interesting comments. I hope that our panelists will, in particular, take up the deforestation and agriculture issues

which were raised by a couple of questioners, and a very interesting question on intellectual property, as well.

We'll just go down the row. And any final thoughts you have, as well. Thanks.

Yvo de Boer.

MR. DE BOER: Well, I want to start with the last point first.

In fact, it's one of the biggest myths that we have to contend with, that developing countries are doing nothing to address climate change. In fact, they're doing a great deal -- maybe not out of huge concern over climate, but out of healthy self-interest that has an economic origin.

If you look at China, India, Brazil, Mexico, South Africa, Egypt -- a host of developing countries -- they have very significant domestic policy packages in place to move towards a clean-energy future. And I think that this insufficiently understood and appreciated at the international level, and used as an excuse for a number of countries not to act.

And that takes me to the second point, which is the public movement.

What I would really like is the address of the media advisor that helps the previous administration to convince the majority of people in

this country, for eight years, that climate change is a myth, and that is not in the interest of the U.S. public or the U.S. economy to act on this issue.

I think that that is changing. I think that public momentum is building. I think we need people out on the streets in Copenhagen.

Connie might not be happy to hear me say this, but —

(Laughter.)

MINISTER HEDEGAARD: Maybe before Copenhagen.

MR. DE BOER: -- before Copenhagen. Somewhere else.

But I think that that public voice needs to be heard, that the politicians need to hear that public voice.

But I think it's also important, in that context, that there are also many people out there who need to be convinced of progress in Copenhagen, whose primary preoccupation at this moment in time is where their next meal is going to come from.

And I think it's important to convincingly say to those people that acting on climate change means that the next meal will come, that it will come on time, and that it won't be more expensive. That, at the end of the day, is the case that we have to make.

And that takes me to the business point. I think it would be foolish and untruthful to pretend that we can all come out at the end of this smelling of roses, that we're all going to make money addressing the issue

of climate change. There will be losers, at the end of the day. It will make things more difficult for energy-intensive industry.

And that's why I find it so encouraging that at the heart of President Obama's economic recovery package is creating new jobs, creating green jobs, and transforming the power sector, and transforming industry.

On the issue of agriculture and forestry, I think that those are two areas where you can make a very important case in developing countries to the people that are wondering where their next meal is coming from. We see agricultural practices coming more and more onto the agenda, and I think can be a way forward for many developing countries to engage.

And I think that dealing with deforestation has a win-win-win benefit in addressing a very important source of greenhouse gas emissions, in preserving biodiversity, in offering people an economic alternative to being engaged in deforestation. So that definitely has to be part of the solution.

On the question of intellectual property rights, I think that many companies already are seeing international action on climate change as an export opportunity, as a possibility to create new markets internationally. So I don't think it's an issue of giving away technology, of

giving away things that you've spent a lot of research and development money to put in place.

I do think that there are real opportunities out there through international business cooperation to get more intellectual property into a larger international market.

Thank you.

MINISTER HEDEGAARD: I would say to do deforestation right, that is probably one of the most crucial issues also. And to do that, a lot of technical groups have been sat down to try to find out how can that be done in a measurable, portable and very viable way, and how can it be enforced? And in particular, the enforcement is very, very tough. And also the statistics.

But we will not make an international agreement with a lot of very strong forestry countries, unless this will be part of that -- just to mention, for instance, Brazil or Russia, big players around the negotiation table. And they would say it's absolutely crucial that this is sort of taken care of. We have people working on that. And I think it will be main issues at the technicians meeting already later this month, the next two-week session for technicians.

Why cap-and-trade instead of, for instance, standards and regulations?

Well, it's not an either-or -- definitely not. We need, of course, standards, regulations. That's why the EU has been doing, that's what a lot of nations have been doing. And I wonder why -- maybe we should cooperate a bit more in this field.

For instance, the Chinese, they will normally, when it comes to Euro standards for cars, they will very quickly adopt the same standards. Maybe that could be sort of a model. Could we sort of make some -- share the standards, whether it's for electrical appliances, cars, building codes, whatever. There is a lot to be done there, and to be gained there.

On the agriculture, not to repeat what Yvo just said, but just to say that when it comes to adaptation, I think that best practices within the agricultural sector in the developing countries, that is probably the lowest hanging fruit when it comes to adaptation. And there is a lot of knowledge that needs to be spread faster there. And there we should be better. And we must build some structure so that knowledge can be disseminated much faster, also, when it comes to adaptation.

And then just finally, why are we talking about the U.S.?
Well, I just take it that that's because, one, the U.S. is very important in these negotiations, but also because right now we are in Washington, D.C. That's one reason.

EU is doing a lot, actually. With the 20 percent going to 30 percent, provided we get an international deal -- that's the most ambitious target set by any region in the world.

Japan is coming out with their climate policy and proposal this summer, we hope, and that's what they're waiting for -- reduction targets in it. Australia has come up with theirs, and so on and so forth.

And as Yvo just said, in India and China they are doing a lot. But I agree with your point, that they have a lot to gain for their own sake - - also for pollution reasons -- and the only way they can continue the growth rates will be to address the pollution challenges. And that is basically also why I believe that the Chinese leadership, for instance, are setting out energy-intensity targets, renewable targets, and all these kind of things. But, of course, it's crucial to the whole world what can China bring to the table.

And there I can end with your first question, David, on what could we learn from Kyoto.

Well, we can learn that in the world of the 21st Century, it makes absolutely no sense to make a global deal without the major global economies into that deal. And that's actually what we're working very hard to achieve.

And I still take it that the Brookings Institution will help us to achieve that goal.

MR. SANDALOW: Ambassador, any -- alas, our time is short, but any final thoughts?

AMBASSADOR REITER: Thank you very much. Just two very brief points.

First, the international standards -- yes, we need what is sometimes called a (inaudible) approach. And I think this is not the panacea for everything, but it is a part of the solution.

Because we have to address the problem of competition, and we have to address the problem of the fear of carbon leakage. And unless we address these problems, we will get no commitment from the industries.

And whether it's China or Ukraine, in Eastern Europe -- well, people say, well we cannot (inaudible) ourselves. If we impose rules that are, well -- that are in opposition to the realities, well, our industries will move to Ukraine, just as a signal.

Last point, on the role of the public, and the public voice, I do believe very much in the power of idealism, and I believe in the power of idealism both in Europe and in the United States -- and in other countries, in other regions. But I also believe in the power of self-interest. And what

we need is a balance between these two powers. And maybe sometimes, sometimes, we need to rely a little more on self-interest, but I wouldn't give up idealism as a driver of change.

But I think it is the U.S. government's job to decide how much they want to rely on idealism, and how much they need to translate the idealistic messages in self-interest messages. This is something that we cannot do in Europe for the U.S.

Thank you very much.

MR. SANDALOW: Carlos, final thoughts?

MR. PASCUAL: Briefly, on three things.

On standards -- sector-related standards -- that was proposed by the Japanese at the last G8 meeting, and it was completely rejected by all of the members of the international community. Because, for example, depending on whether your electricity base is nuclear, or hydro or coal or gas radically changes your competitiveness and your energy intensity, and your carbon intensity production for steel. And so you might end up just completely, as a basis of adopting those standards, radically transforming which countries are competitive in different products.

Instead, you can use standards as a way of pushing countries toward what can be achieved. But it's a very sensitive issue on how it's actually done.

On the question of a securities market that Caitlin had raised -- absolutely, you're right, the questions of technology, finance, and how those interlink in the development of cap-and-trade system, I agree with you completely.

What we need to recognize and remember is that what we're talking about is the creation of a new securities market that's going to be worth trillions of dollars. And we're going to have to figure out how to create the securities, how to issue the securities, how to charge for them, how to use the revenues, how to regulate the market how to be able to deal with that market and how it intersects and interrelates with other markets globally.

I'm not saying that we shouldn't do this. We have to get it right. We have to make it work.

And, in fact, when Connie asked the question, "Are we focusing attention on these issues?" -- absolutely. Because we want to see this succeed. But those are the kinds of questions that we have to address.

In closing, I also just want to thank Yvo de Boer, Connie Hedegaard and Janusz Reiter, because we need this kind of discussion here in the United States. They're bringing an urgency to this problem. They're saying that the world has an opportunity to be able to go forward.

And what they're telling us is that, yes, there are tough problems here, and we can't simply ignore them. We have to put them on the agenda. And the faster we put them on the agenda, the better, and the more important, because there is a scientific reality that we're operating against that if we don't deal with this problem, it's going to hurt all of us. Our sustainability, our viability, our competitiveness, our security systems are all interlinked with these issues.

And so if we have these debates -- and one of the things Brookings will continue to do is continue to sponsor these debates, not because we want to be a voice of skepticism, but because we actually want to come up with viable solutions and get them onto the political calendar in a way that allows us to make Copenhagen a success. Thank you.

MR. SANDALOW: Thank you.

And a big hand for all our panelists, please.

(Applause)

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