

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Gene Sperling to President Clinton, re: Climate Change Recommendations (18 pages)	10/4/1997	P5 <i>Dup</i>
002. memo	Gene Sperling to President Clinton, re: Climate Change Work Plan (5 pages)	9/26/1997	P5 <i>4239</i>
003. draft	Remarks for President Clinton at the WH Conference on Climate Change (17 pages)	10/6/1997	P5

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COLLECTION:

Clinton Presidential Records
Speechwriting
Lowell Weiss
OA/Box Number: 17200

FOLDER TITLE:

[Climate Change Conference 10/6/97] [2]

Whitney Ross
2006-0470-F
wr680

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

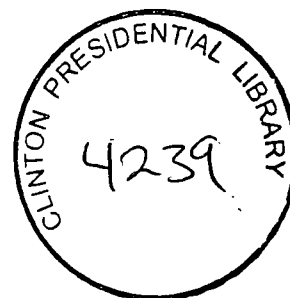
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COPY

THE WHITE HOUSE

WASHINGTON

September 26, 1997



MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
KATHLEEN McGINTY
DANIEL TARULLO

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Subject: Climate Change Work Plan

Following our meeting with you last week, we thought it would be helpful to provide you with this work plan for the climate change process. We have discussed this process with Erskine, who has approved our approach. Our plan has four components:

- **Refining options/major issues (White House oversight team).** Over the next week, we will chair a series of intense White House oversight meetings to refine specific options on key issues and shape discussions with the NEC/CEQ principals. Among others, the topics will include technology, revenue recycling, diplomatic strategy, and targets and timetables. We will also meet with your political advisers to obtain their assessments of the likely reaction to different strategies (e.g., whether a revenue recycling package is viable).
- **Cabinet.** We will hold two Cabinet-level meetings -- one today and one on Monday. Friday's meeting will discuss the role of technology in reducing emissions, and the relative merits of grandfathering and auctioning. The Monday meeting will allow the principals to present their views on our overall policy approach. The principals will also have the opportunity to submit their specific, written recommendations to you.
- **Memos to you.** We will submit two additional memos to you over the next week. The first, which we will submit this Friday, will provide substantive information on a variety of topics that you had asked about in our meeting of September 18. The second memo, which we will submit next week following Monday's principals meeting, will give you specific policy recommendations from key White House staff and Cabinet members.
- **Meetings with you.** Following submission of the recommendations memo next week, we will be available for meetings with you to help formulate your final decision. The Bonn negotiations, which are the penultimate set of negotiations before Kyoto and the "deadline" at which we are expected to present our policies, begin on October 20. *We therefore need basic negotiating instructions before you leave for Latin America on October 12 -- since you will not return from that trip until immediately before the Bonn negotiations begin.*

Attached please find a schedule of the climate change decision-making process, and a detailed task list.

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Schedule

Friday, September 19 White House oversight meeting on WH Conference

Tuesday, September 23 Initial draft of follow-up memo to POTUS written by Sandalow, Orszag, and Gruber. Submitted to Sperling, McGinty, and Tarullo. Taskings to agencies for appendices.

Wednesday, September 24 Oversight meeting in Gene's office to cover diplomatic strategy, economic analysis, and short-term Hill strategy.

Thursday, September 25 Oversight meeting in Gene's office to clear on POTUS memo and prepare for principals meeting.

Sperling holds meeting with Klain, Podesta, Begala, Rahm, Hilley, Stern, and McGinty to discuss political ramifications of different domestic implementation strategies

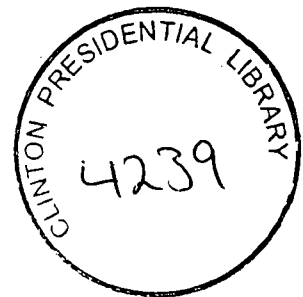
Friday, September 26 Principals meeting led by Sperling, McGinty, and Tarullo on:

- Technology,
- Auctioning vs. grandfathering, and
- Tasking for recommendations

Memorandum from Sperling, McGinty, and Tarullo submitted to POTUS following up on questions raised during September 18 meeting:

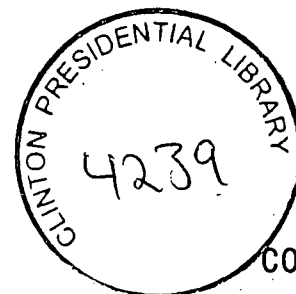
- Emissions sources,
- Technology potential and options,
- Mandates vs. permits,
- Grandfathering vs. auctions,
- Costs of gradual and aggressive actions,
- Escape clauses, and
- Enforcement mechanisms.

Appendices from Treasury on why grandfathering is problematic, and from EPA on how it could work. Sperling section on domestic politics.



Monday, September 29	Principals meeting led by Sperling, McGinty, and Tarullo to cover: -- Recommendations regarding specific options on targets and timetables, domestic implementation (auctioning vs. grandfathering), and other policy options to achieve target and timetable (including technology package).
Tuesday, September 30	Oversight meeting led by Sperling, McGinty, and Tarullo.
Wednesday, October 1	Briefing book submitted by Sperling, McGinty, and Tarullo to POTUS with summary NEC/CEQ recommendations memo. Attach as an appendix individual submissions from Cabinet secretaries, and other background papers (e.g., from Assistant Secretaries working group) as appropriate. Memorandum from NEC/CEQ/NSC on diplomatic strategy submitted either as part of briefing book or separately.
Monday, October 6	White House conference on climate change
October 6-10	POTUS makes final decisions on U.S. position for Kyoto and beyond
Friday, October 10	Decision on U.S. Negotiating Position for Kyoto
October 12-19	POTUS visit to Latin America
Monday, October 20	Negotiations begin in Bonn
Tuesday, October 21	Potential announcement of U.S. position for Kyoto
Wednesday, October 29	Chinese state visit
November	Intense diplomatic campaign, formulating precise negotiating instructions, and working with domestic constituencies
DECEMBER 1-12	KYOTO

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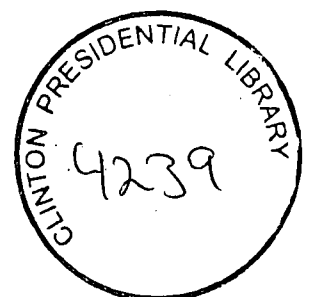


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TASKS

- Sandalow, Orszag, and Gruber draft memorandum following up on POTUS questions. Sperling, McGinty, and Tarullo submit memo on Friday, September 26.
- DOE, Orszag, and TJ organize technology discussion and options.
- Treasury and CEA discuss economic analysis with oversight team.
- Sperling to flesh out domestic political reaction to various implementation strategies.
- Dan Tarullo to work with Jim Steinberg on diplomatic strategy.
- Sperling, McGinty, and Tarullo submit recommendation memo on Wed., October 1.
- McGinty and Sandalow facilitate EPA paper on grandfathering and draft early credit paper.
- Frankel analyzes impacts of various targets and timetables on European economies.
- Treasury to develop revenue recycling proposals.
- Treasury and NEC to develop tax cut proposals that could spur R&D and dissemination on renewable energy and other carbon reduction options.

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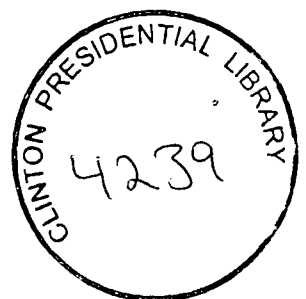


COPY

I'm proud that in 3 years,
lowest 20% have seen
income increase ^{faster} ~~than~~ the
nation. But last year

welfare to work
enforcement cases

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Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001: memo	Gene Sperling to POTUS, re: Social Security Process (4 pages)	1/23/98	P5 4240

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COLLECTION:

Clinton Presidential Records
Speechwriting
Lowell Weiss
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FOLDER TITLE:

Social Security

Whitney Ross
2006-0470-F
wr590

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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January 23, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: Social Security process

As we have discussed in previous meetings and memos, your State of the Union address will include a three-part message on Social Security reform:

1. We should not spend any of the projected surpluses until we have addressed Social Security;
2. We must engage in a national dialogue during 1998, to explore and discuss the issues with bipartisan regional forums and a White House Conference in December 1998
3. You will call for bipartisan Social Security negotiations to begin in January 1999.

The purpose of this brief memorandum is to obtain your guidance on the second step -- the national dialogue -- as well as on one other remaining issue about our approach.

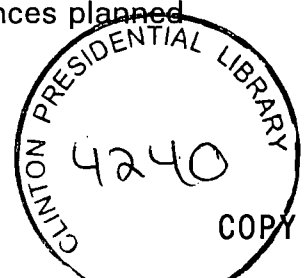
I. NATIONAL DIALOGUE DURING 1998

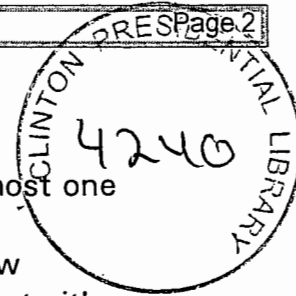
The challenge during your State of the Union address is to provide enough specificity to the national dialogue to make it credible, without committing the White House to excessive administrative burdens or substantive entanglements.

Proposal

Your advisers recommend that in your State of the Union address, your statement about the 1998 process would be something like:

1. I recognize and applaud the wide variety of forums and conferences planned across the country during 1998 on this important issue.





2. I call on every American to participate in one of these forums, or to host one yourself if none is planned in your local area.
3. I have asked the Concord Coalition and the AARP [along with the Pew Foundation], to host four bipartisan regional conferences. I pledge that either I or the Vice President will attend each of these conferences.
4. I have also asked my Cabinet over the coming year to participate actively in a wide variety of discussions across our nation on this issue.
5. And to wrap up our year-long dialogue, I will host a White House Conference in December, at which we will bring together a wide variety of views gleaned from the national discussion over the next year.
6. Finally, after the culmination of the national dialogue with the White House Conference in December, we will begin bipartisan negotiations over Social Security reform in January 1999.

Background

In our previous meetings on this issue, we had discussed the possibility of naming a few prominent Americans to lead a series of regional forums. In subsequent discussions, many of your advisers have become concerned that without the sponsorship of some outside institution, we would inevitably become ensnarled in choosing delegates, preparing or editing presentations on controversial issues, and other contentious activities. In particular, the concern is that without some outside structure, the discussions could either become stultified, or any of the topics discussed could carry some implicit Administration imprimatur -- and too politicized.

The Concord Coalition, the AARP, and the Pew Foundation are already planning to hold bipartisan forums across the nation in 1998. Your advisers therefore recommend that you highlight four bipartisan regional forums that would be organized and staffed by the Concord Coalition and the AARP (and potentially the Pew Foundation). The groups would be eager to do so. You would commit that either you or the Vice President would attend the four regional forums, which would lead up to the White House conference.

The benefits of this approach are that it relies on two people we trust (Martha Phillips and John Rother), that it provides cover for Democrats (through the AARP) as well as moderate Republicans (through the Concord Coalition, which includes Pete Peterson and Warren Rudman), and that it provides an acceptable amount of distance between the White House and the discussions to ensure that politics doesn't undermine the effort from the beginning. The principal cost of the approach is your time: it commits you to attending some of the conferences (you

could attend two, and the Vice President could attend the other two). (In addition, we will be sponsoring the White House Summit on Retirement Security in July -- which will deal with non-Social Security retirement issues).

Your advisers also recommend that you should challenge the American people, by encouraging them to attend one of the many forums or conferences that are being organized to discuss this critical issue. You would be showing the way by attending some of the conferences yourself, as well as hosting the final one at the White House in December.

Recommendation

Your advisers recommend that you approve the basic approach outlined above (which will be wordsmithed to fit appropriately into the speech).

_____ Approve

_____ Disapprove

_____ Discuss

II. NAMING PROMINENT AMERICANS TO LEAD THE EFFORT

To boost the prominence of the educational process, the AARP and Concord Coalition may be willing to name two prominent co-chairs for the series of regional forums. For example, you could ask Bob Dole and George Mitchell or Warren Rudman and George Mitchell to act as hosts of the first forum, and then ask other bipartisan sets of leaders to act as hosts of subsequent forums.

Ron Klain is opposed to this step, which he believes provides redundant validation and could possibly allow Republican extremists to influence Dole and others in a way that would undermine our efforts. Erskine fully agrees with Ron. He thinks Concord and Pew gives us enough bipartisanship without the headaches that could be caused if Bob Dole participates. Frank also notes that Nunn might be offended if we chose Rudman and not him.

Gene believes that the additional bipartisan validation provided by having prominent bipartisan honorary co-chairs, such as Rudman and Mitchell, as hosts of the first conference would work and strengthen the bipartisan validation message -- particularly since many Americans will better see bipartisanship reflected through two ex-Senators of different parties rather than trying to understand the politics of the Concord Coalition.

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_____ Ask Bob Dole and George Mitchell to play key role in first forum,
and other leaders to host subsequent forums

_____ Do not name them as leaders

_____ Discuss further

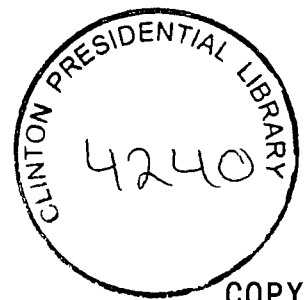
III. PRINCIPLES

Another issue that we have discussed is whether you should promulgate principles for Social Security reform in the State of the Union. On one hand, such principles provide more substance to the effort -- and allow Administration officials to field a wide variety of questions on the topic. On the other hand, principles could put the focus more on your substantive direction for Social Security instead of your surplus announcement and the bipartisan national dialogue message. Many of your advisors believe that even if you do not announce principles in the State of the Union, we will need to have them soon to assist in testimony or respond to the press. Bruce Reed and Erskine think that they could even be more general, though several of your other advisors think they are about the right level of specificity. All agree that the principles should rule out a radical privatization of Social Security but leave open the possibility of a small individual account within the structure that preserves the basic progressive and universal structure of Social Security.

The principles we have been considering include:

- Strengthen and protect Social Security for the 21st century;
- Maintain universality and fairness;
- Provide a benefit people can count on;
- Help to lift the retired, the disabled, and their survivors out of poverty;
- Preserve fiscal discipline.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Bruce Reed to President Clinton, re: Tobacco Legislative Strategy (3 pages)	2/6/1997	P5 4241
002. memo	Ellen Cooper to WH Speechwriters [partial] (1 page)	2/3/1998	P6/b(6)
003. email	Sarah Finkelstein to Lowell Weiss [partial] (1 page)	2/6/1998	P6/b(6)
004. bio	Rita Colwell [partial] (1 page)	n.d.	P6/b(6)

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Speechwriting
Lowell Weiss
OA/Box Number: 17200

FOLDER TITLE:

Remarks to AAAS [American Association of the Advancement of Science] Annual Meeting 2/13/98 [2]

Whitney Ross
2006-0470-F
wr690

RESTRICTION CODES

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ago.
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February 6, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Larry Stein
Elena Kagan

SUBJECT: Tobacco Legislative Strategy

talking points

→ Sen. Conrad
meets 5 principles
added to momentum

→ need compreh.
legis.

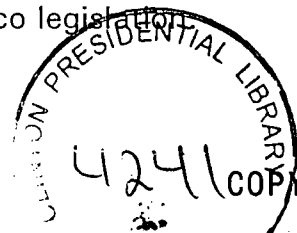
substantial
price
increase
my \$1.500
Tracy

We have met in recent weeks with Erskine, OVP, HHS, OMB, NEC and Counsel's Office to review our legislative strategy on tobacco. This memo lays out a consensus approach. In brief, we will use the next six weeks to lay the groundwork for a possible summit by (1) attacking Republican plans to enact piecemeal legislation; (2) praising comprehensive bills that meet your principles, particularly Senator Conrad's; and (3) holding meetings with the Democratic Caucus and quiet conversations (led by Erskine) with key Republicans in both the House and Senate. At the end of this time, we will evaluate whether to call a bipartisan summit to negotiate comprehensive tobacco legislation.

Background

As you know, prospects for passing comprehensive tobacco legislation this year are uncertain. The major obstacles are (1) the complexity and scope of such legislation and the sheer number of egos and committees involved, and (2) the special difficulty of reaching agreement on liability limits, which many Members see as necessary, but few will vocally support.

Republicans appear to be divided into three camps. Some Republicans, especially in the Senate (e.g., Hatch, McCain, Hyde, and probably Lott), want to pass comprehensive legislation modeled on the June 20 settlement. Others (e.g., Gingrich, Kasich) are leaning toward a simple excise tax increase, with the proceeds funding an income tax cut. Still a third -- and growing -- group (e.g., Nickles, Armey, Delay) supports a bill without any significant price increase, ostensibly aimed at youth smoking (through provisions on access, marketing, etc.), but unlikely to accomplish any of your objectives. The difficulty of the liability issue cuts against the first group and plays into the hands of the second and third. In particular, the proponents of a money-free bill hope that by allying themselves with liberal Democrats on liability limits, they can effectively curtail tobacco legislation.



Many, if not most, Democrats will coalesce around a bill that Sen. Conrad intends to introduce within the next week. (Rep. Fazio will probably introduce a companion bill in the House.) This bill will meet your five principles for tobacco legislation. It will have a large price increase (though the allocation of the proceeds is only partly consistent with our budget); a strong section on FDA jurisdiction; good marketing and access provisions, etc. It will not include any liability limits (except that it will allow states to settle their tobacco suits for a share of the money). The Democrats most likely not to sign on to this bill will be those from tobacco states.

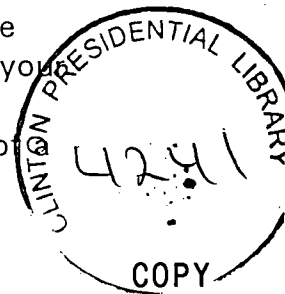
So far, no bipartisan bill has emerged in either chamber. Senators Harkin and Chafee are working on a comprehensive bill with some liability limits, but they still have much work to do; in addition, it is questionable whether these two Senators (whatever the merits of their bill) can attract significant support. Reps. Bliley and Waxman have had some discussions about a comprehensive bill, but the two remain very far apart on many critical issues.

Recommendation

Our recommended strategy is to use the next six weeks to place pressure on Republicans to negotiate on a comprehensive bill, while conveying to them the genuineness of our desire to enact such legislation. At the end of six weeks, if the legislative process remains bogged down, we will call Republican and Democratic leaders to a budget-like summit process.

1. Attack Republican plans to enact piecemeal legislation. We will enlist other Democrats and the public health community in strenuously opposing Republican plans to enact piecemeal legislation. Through events, statements, and testimony, we will demonstrate the need for comprehensive legislation -- involving, most notably, substantial price increases -- to reduce youth smoking. We will make the case that the proposed Republican approach of enacting a "youth" bill without substantial price increases has no hope of achieving our objectives. In our first salvos on this subject next week, the Vice President may take part in an event with Koop and Kessler, and you can announce new estimates of the effect of comprehensive legislation on youth smoking.

2. Support comprehensive legislation, especially Sen. Conrad's bill. We expect Sen. Conrad to introduce his bill next week, and we believe you should greet it warmly. You should make the point that it is a comprehensive bill consistent with each of your five principles. At the same time, you should stress the importance of bipartisanship on this issue and encourage others to come forward with comprehensive legislation. This invitation should ensure that your support for Conrad's bill does not polarize the issue along partisan lines. If additional comprehensive bills meeting your principles emerge -- especially of



bipartisan nature -- you should express support for them as well.

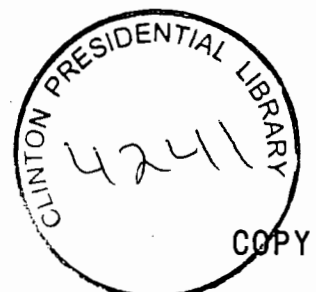
3. Talk to Democratic caucuses and key Republicans. Erskine, Donna, Larry, and Bruce will talk to the Democratic Caucus in both the House and the Senate to assure them that we will insist on tough legislation -- that we will not compromise too much or too early. At the same time, Erskine will begin quiet conversations with key Republicans to persuade them that we are serious about enacting legislation -- that we do not intend to use tobacco as a political issue.

4. Keep liability limits on the table, without supporting them. To maintain our ability to work out a compromise, we will try to keep liability limits on the table, without ourselves supporting them. Our consistent line -- we have used it for the last six months -- is that (1) we would prefer a comprehensive bill without any liability limits, but that (2) if we get everything we want -- if we get a comprehensive bill that satisfies each of the President's five principles -- then reasonable limits on liability "would not be a dealbreaker."

Justice Department testimony to this effect caused consternation among some Democrats this week; they argued that we should not yet (or, perhaps, ever) indicate a willingness to compromise on this issue. We disagree; we think that in order to preserve our ability to craft a comprehensive bill that can pass the Congress, we must prevent liberal Democrats and conservative Republicans from joining to make liability limits unacceptable. In the main, however, we will try not to talk about the liability issue. We will make the point that it is a sideshow and that the real battle is between comprehensive and piecemeal legislation.

5. Call a summit, if still appropriate. We believe that we may well have to call a budget-like summit to enact comprehensive tobacco legislation. A summit will remove complications arising from multiple committee jurisdiction and provide cover for all parties on difficult issues like liability. The steps described above will lay the groundwork for a summit, by placing intense pressure on the Republicans to agree to comprehensive tobacco legislation, while convincing them that we will not play politics with the issue. It is of course possible that no summit will be necessary -- that these steps will get the legislative process rolling without any special intervention. We will continually reassess this issue, but place ourselves in position to hold a summit in about six weeks.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a: letter	President George Bush to President Clinton (1 page)	10/24/97	P5 4242
001b: letter	President Ford to President Clinton (1 page)	10/10/97	P5 4243
001c: letter	President Carter to President Clinton (1 page)	10/14/97	P5 4244

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COLLECTION:

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Speechwriting
Lowell Weiss
OA/Box Number: 17192

FOLDER TITLE:

International Markets

Whitney Ross
2006-0470-F
wr574

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

COPY

GEORGE BUSH

October 24, 1997

Dear Mr. President:

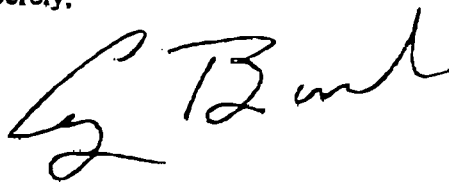
I am writing to express my strong support for Congressional passage of fast track negotiating authority.

Fast track authority is critical to America's continued economic prosperity. It will enable the United States to lead on important bilateral and multilateral trade negotiations. With fast track authority, the President and Congress can work together to conclude trade agreements which will increase American exports, thus creating additional skilled jobs for American workers.

I strongly believe that fast track authority is also essential to maintaining American leadership on a wide range of issues beyond trade. Indeed, how the Congress votes on this important legislation will send a clear signal to the world about America's continuing ability and willingness to lead on economic, foreign policy and security issues. America has unique global responsibilities which do not permit us to turn our backs on the world. Passage of fast track legislation will send a clear message that the United States will continue to exercise the global role for which it is uniquely equipped, and uniquely trusted by others.

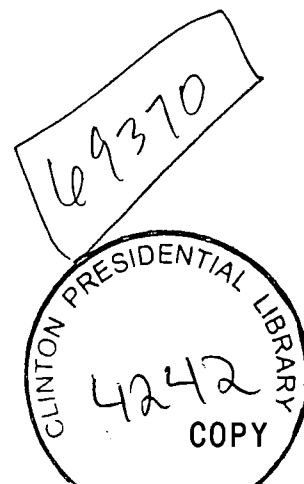
I supported fast track authority when I was in Congress. As Vice President, I worked hard to secure fast track authority for President Reagan. While President, I worked successfully with Congress to renew the authority. Today, I am convinced that it is essential that Congress again provide the President with fast track authority. I believe it is strongly in our national interest that the Congress pass this legislation promptly.

Sincerely,



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10000 MEMORIAL DRIVE · HOUSTON, TEXAS 77024





GERALD R. FORD

'97 OCT 20 PM 1:27

October 10, 1997

CLINTON LIBRARY PHOTOCOPY

Dear Mr. President:

I write to give my strong endorsement for Congressional approval of Fast Track authority. I was the first President to have this negotiating authority and every President since me has used Fast Track to open markets for American products. Congressional passage of Fast Track is deeply in our national interest.

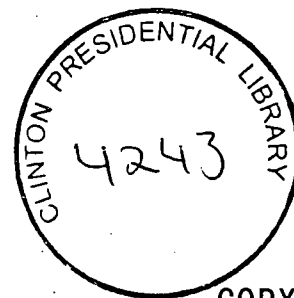
The United States, more than any other nation, will benefit from new market opening trade agreements. We are the most competitive nation on earth and the leading export power. As you know, trade represents over thirty percent of our nation's GDP and over one-third of our job growth. Yet there is a fundamental imbalance in the economic relationship between the United States and many of our key trading partners. Our market is open to their products, yet their markets are closed to ours. Fast Track will enable you and future Presidents to level the playing field for U.S. exports.

It is vital for the Congress to understand Fast Track is also essential for a successful U.S. foreign policy, for American influence is not divisible. America's leadership cannot press countries to stop the flow of narcotics or weapons of mass destruction without engaging with these nations on economic issues. Yet without Fast Track, the United States cannot lead on trade issues. As the only military and economic superpower, the United States must lead the world toward peace and prosperity. Without Fast Track, our hands will be tied.

U.S. trade policy has enjoyed bipartisan support for more than 60 years -- as it should. In this tradition, Congress should expeditiously approve Fast Track on a bipartisan basis.

Sincerely,

The Honorable William J. Clinton
The President of the United States
The White House
Washington, D.C. 20500



COPY

THE
CARTER CENTER

CLINTON LIBRARY PHOTOCOPY



October 14, 1997

To President Bill Clinton

I support the Reciprocal Trade Agreements Act of 1997, and urge Congress to approve it so that your Administration can begin to negotiate a Free Trade Area of the Americas, new sectoral agreements, and outstanding issues in the World Trade Organization like procurement and services.

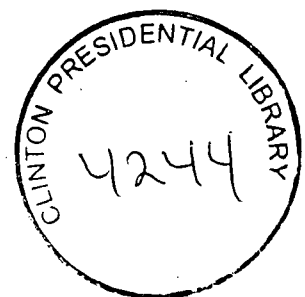
As our country becomes more dependent on world trade, each request for renewing fast-track trade negotiating authority has generated a heated debate between those who are confident that we can compete in the world and those who fear increasing competition. You have spoken eloquently for a confident America, and I commend you for your unwavering support for freer trade.

We both know that freer trade benefits our nation as a whole, but we also know that not every group benefits. For our nation to sustain a freer trade policy, we need to find ways to address the legitimate concerns of working people. Important steps already have been taken in this regard with transitional adjustment assistance, dislocated worker training, the earned-income tax credit, one-stop career centers, and the North American Development Bank. All of these reflect your commitment to working people and to those of us who care about the environment. I encourage you to continue working with the trade unions and environmental groups to find additional ways to show that their interests will not be neglected in future trade talks.

Your trip to South America will show Americans how important the region is to our country. I hope that soon after you return, Congress will approve the trade bill and permit you to implement the promise of the Summit of the Americas in Miami.

Sincerely,

The Honorable Bill Clinton
The President
The White House
Washington, D.C. 20500-2000



Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a: memo	Helen Howell to President Clinton, re: Lake Tahoe Event (1 page)	04/15/1997	P5 4245
001b: memo	Kathleen A. McGinty et al. to President Clinton, re: Lake Tahoe Event (3 pages)	04/07/1997	P5 4246
002. note	Lisa G. phone no. [partial] (1 page)	n.d.	P6/b(6)
003. fax	Cindy Mitchum to Nancy Hernreich [partial] (1 page)	04/17/1997	P6/b(6)

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COLLECTION:

Clinton Presidential Records
Speechwriting
Lowell Weiss
OA/Box Number: 17192

FOLDER TITLE:

Lake Tahoe 7/26/97 [2]

Whitney Ross
2006-0470-F
wr567

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
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THE PRESIDENT HAS SEEN

4-16-97

THE WHITE HOUSE

WASHINGTON

April 15, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: HELEN HOWELL *Helen*

SUBJECT: Lake Tahoe Event



The attached McGinty/Skelton/Palmieri memo recommends a format for a series of Lake Tahoe events, and seeks your decision on a proposed schedule for your visit.

Event Summary. The primary goal of these events is to showcase a successful example of government action to achieve an integration of environmental protection and economic development. The secondary goal is to assist Sen. Reid and other Nevada and California delegation members whose constituencies care deeply about Lake Tahoe's environment and wish to see additional Federal attention and aid directed to the lake's needs.

Phase I will involve significant participation by Federal agencies. During the 60 days prior to your visit to Lake Tahoe, agencies will conduct five or six conferences in the Tahoe region, e.g., Agriculture will conduct one on forest ecosystem restoration, and the EPA will host a session on improving water quality. **Phase II** will consist of a "wrap-up" meeting by the VP with leaders from the various conferences in Tahoe, and the VP will hike a trail or undertake a similar outdoor/environmental event. **Phase III** will consist of a visit by you, the VP and bipartisan political leadership from the region to a photogenic natural setting on Lake Tahoe (probably by boat) -- where you will announce specific measures to help protect Lake Tahoe. Afterwards, on land, you and the VP will meet with local leaders of efforts to protect Lake Tahoe and the Sierras -- to thank them for their hard work. Based on a preliminary review of programs and taking into account budget limitations, your morning announcement is likely to include measures to improve the health of the Tahoe-area forests, reduce pollution of the Lake, improve Tahoe basin transportation planning, restore native wetlands and aquatic habitats, improve intergovernmental coordination, and help other areas learn from Tahoe's example.

Proposed Schedule. The memo recommends (and John, Sylvia and Stephanie concur) that you depart for Lake Tahoe on Saturday morning, April 26, participate in a morning message event with the VP and chair the afternoon event meetings. Upon the conclusion of the Tahoe events, you would depart for a Saturday overnight in L.A. On Sunday, April 27, you would attend a morning church service in L.A. and a DCCC fundraiser in the evening. You would overnight in L.A., and on ~~Monday morning, April 28~~, you would fly to Las Vegas to address the National Governors Association. You would return to the White House Monday evening. *Note that the proposed schedule avoids an overnight in Lake Tahoe in an effort to limit disruptions to travelers during the height of Tahoe's tourist season.*

☒ Approve

☐ Disapprove

☐ Discuss

OK - our press 0 - overnight in Vegas? - for further review -

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

April 7, 1997

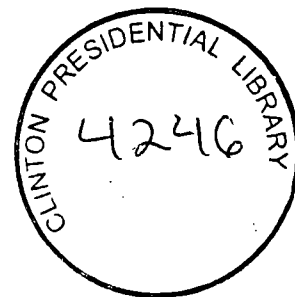
JD

MEMORANDUM TO THE PRESIDENT AND VICE PRESIDENT

CC: ERSKINE BOWLES

FROM: KATHLEEN A. MCGINTY
KAREN SKELTON
JENNIFER PALMIERI

SUBJECT: LAKE TAHOE EVENT



Introduction

This memorandum presents a recommended format for the Lake Tahoe event, and seeks your decision on a proposed schedule. Our recommendations reflect consultations among your senior staff, appropriate agencies, the offices of Senators Reid, Bryan, Boxer, Feinstein, Congressman Vic Fazio, and others.

Event summary

Lake Tahoe's stunning beauty has been a natural magnet for development and for conservationist advocacy. For almost 30 years, local and state government, with appropriate federal help, have worked to strike a balance between those pressures and they have done a remarkably good job. The Tahoe basin's high-quality environment is the engine of the region's strong tourism and lifestyle-based economy. There are some issues to tackle, but overall the Lake Tahoe basin presents a good news story that offers lessons for other areas in the region and across the nation.

The primary goal of the Lake Tahoe event is to showcase a successful example of government action to achieve an integration of environmental protection and economic development. Lake Tahoe is an ideal setting to profile the Administration's environmental philosophy, namely, that a healthy environment goes hand-in-hand with a strong economy.

The secondary purpose of the event is to assist Senator Reid and other Nevada and California delegation members whose constituencies care deeply about Lake Tahoe's environment and wish to see additional federal attention and aid directed to the lake's needs.

Our recommended approach for the "Lake Tahoe event" has three parts, culminating in a final day that will feature the President at Lake Tahoe. The event will involve significant participation by the departments of Agriculture, Transportation, and the Interior, the Environmental Protection Agency, and Army Corps of Engineers.

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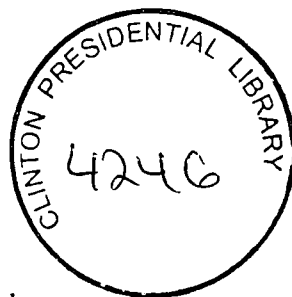
As the first step, during the 60 days prior to the President's event, federal agencies will conduct five or six topically-focused conferences in the Tahoe region. For example, the Department of Agriculture will conduct a conference on forest ecosystem restoration; the Department of Transportation will hold a conference on improved transit systems in the Tahoe basin; the Environmental Protection Agency will host a session on improving water quality. These conferences will provide for outreach and help frame federal actions that the POTUS will later announce.

Second, on the day before the final event, the Vice President will chair a "wrap-up" meeting with leaders from the various preceding conferences. The Vice President will "collect the message" coming out of the topical conferences and be understood to be conveying that message to the President. Also, on the same day, the Vice President will hike a Tahoe-area trail or undertake a similar outdoor/environmental event.

Third, the President will come to Lake Tahoe for the final event. The event will occupy most of one day and have two basic parts. In the morning, the President will visit a photogenic natural setting on Lake Tahoe (probably by boat). The President will be accompanied by the Vice President and bipartisan political leadership from the region. During this stage of the event, the President will announce specific measures to help protect Lake Tahoe.

Those measures are being defined through consultations now underway among our agencies and with the delegation, states, and stakeholders. It is likely, based on our preliminary review of available programs and resources (taking into account present budget limits), that the President will be able to announce measures to:

- improve the health of Tahoe-area forests;
- reduce pollution of the lake;
- improve Tahoe basin transportation planning;
- restore native wetlands and aquatic habitats;
- improve intergovernmental coordination; and
- help other areas learn from Tahoe's example



Other measures may come to light as our planning and consultations and the regional conferences proceed.

Afterwards, on land, the President and Vice President will meet with local leaders of efforts to protect Lake Tahoe and the Sierras, including political leadership from California and Nevada, business interests, environmentalists, and others. The President will thank them for their hard work. We believe that the conferences held in advance, and the announcements earlier in the day, will create a friendly environment for this meeting, such that comments from the various attendees will be positive and thankful.

We believe the event will draw national attention to the President's actions to help Lake Tahoe and the environment, as well as to the Administration's environmental philosophy. This is also a

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very important event for Nevada and California elected representatives. The event will also improve federal, local, and state efforts to aid the lake.

Proposed Schedule

We recommend that the Lake Tahoe event be held on Saturday, July 26, as part of a western trip that would include a DCCC fundraiser in Los Angeles on Sunday, July 27, and an appearance at the National Governors Association's annual summer meeting in Las Vegas on Monday, July 28.

The proposed schedule is for you to depart for Lake Tahoe on Saturday morning, participate in a morning message event with the Vice President, and chair the afternoon event meetings. Upon conclusion of the Tahoe event, you would depart for a Saturday overnight in Los Angeles, perhaps attend a church service in Los Angeles on Sunday morning, attend a DCCC fundraiser Sunday evening and overnight in Los Angeles Sunday night. On Monday morning you would fly to Las Vegas to address the NGA and then return to the White House Monday evening.

The schedule is designed to avoid an overnight in Lake Tahoe in an effort to limit disruptions to travelers during the height of Tahoe's tourist season.

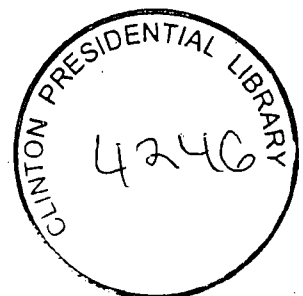
Recommendation

That the Lake Tahoe event be held on Saturday, July 26, followed by travel to Los Angeles for a DCCC fundraiser on Sunday July, 27, and travel to Las Vegas for a speech before the NGA on Monday, July 28.

____ Approve

____ Disapprove

____ Discuss



Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001 ~~memo~~	Gene Sperling to President Clinton, re: Future Direction of Your G.I. Bill for America's Workers (12 pages)	4/18/1997	P5 4247

CLINTON LIBRARY PHOTOCOPY

COLLECTION:

Clinton Presidential Records
Speechwriting
Lowell Weiss
OA/Box Number: 17194

FOLDER TITLE:

Job Training Bill 8/7/98

Whitney Ross
2006-0470-F
wr652

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

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April 18, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: FUTURE DIRECTION OF YOUR G.I. BILL FOR AMERICA'S WORKERS

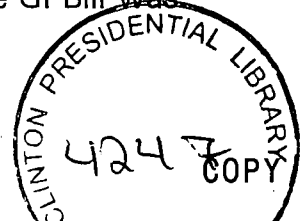
This memorandum presents options for a decision on the content and structure of the second-term G.I. Bill for America's Workers initiative. The memo contains two parts; the first section provides the relevant background. The second section presents options and recommendations.

I. BACKGROUND

THE INITIAL FY 1996 PROPOSAL. In December 1994, you proposed a Middle Class Bill of Rights to empower working Americans to pursue a lifetime of learning through education and training tax deductions, tax credits for families with children, and expanded IRAs. The fourth point of your Middle Class Bill of Rights was the G.I. Bill for America's Workers. In your 1995 State of the Union message, you articulated your vision:

"The New Covenant approach to governing is as different from the old bureaucratic way as the computer is from the manual typewriter The old way dispensed services through large, topdown, inflexible bureaucracies. The New Covenant way should shift these resources and decision-making from bureaucrats to citizens, injecting choice and competition and individual responsibility into national policy We should pass a G.I. Bill for America's workers. We propose to collapse nearly 70 federal programs, and not give the money to the States, but give the money directly to the American people; offer vouchers to them so that they can get a voucher worth \$2,600 a year for up to two years to go to their local community college or wherever else they want to get the skills they need to improve their lives. Let's empower people in this way. Move it from government directly to the workers of America."

The actual proposal, as outlined in your FY 1996 Budget, was far more complex. It included significant consolidation, but the workforce development system, while rationalized, retained five discrete parts (see consolidation schematic at Tab A). The budget request for FY 1996, including all elements of the GI Bill was \$14.3 billion.



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INSERT TABLE

(1) Adult Workforce System: This component envisioned a Skill grant for non-degree adult training administered by the Labor Department and Pell grants for degree programs administered by the Education Department. As proposed, these two elements consolidated 27 separate programs.

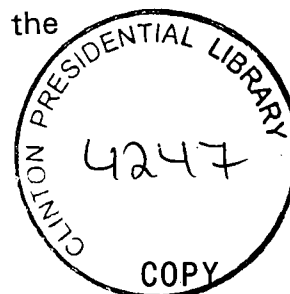
(a) **Skill grants.** The FY 1996 budget requested \$3.6 billion for the Labor Department to implement skill grants of up to \$2,620 for "technical education" for dislocated workers and low-income adults. The skill grant for non-degree training included most adult JTPA programs and added non-degree training funded (then and now) by Pell grants into one program, managed by the Department of Labor. The \$3.6 billion budget request included a \$2.1 billion transfer of Pell grant funds for non-degree skill training from the Education Department to the Labor Department. The FY 1996 budget request was sufficient to serve all dislocated workers whom we expected to want training, and some of the economically disadvantaged adults who needed and wanted training. As a result under the initial proposal, State and local grantees were required to ration Skill grant resources.

(b) **Pell grants.** The FY 1996 budget requested \$4.5 billion for the Education Department budget, to operate Pell grants of up to \$2,620 to defray the costs of associate's and bachelor's degree courses. As mentioned above, the proposal assumed that Pell grants would no longer be used for non-degree training and transferred the \$2.1 billion referred to above to the Labor Department.

(2) One Stop: A grant to States for adult services other than training. The FY 1996 budget requested \$2.7 billion for the Department of Labor budget to support a State and local private sector-led workforce development system of job placement and training-related services (counseling, skills assessment, etc.) provided through one-stop career centers. The proposal also envisioned a limited fund administered nationally for activities such as grants for multi-State mass layoffs and natural disasters, and research.

(3),(4) Two State grants for youth. The FY 1996 budget requested \$2.9 billion for the two state grants for youth. One grant was designed to support vocational education for in-school youth through the Education Department; a second grant for at-risk and out-of-school youth was designed to offer second chance training and work experience through the Labor Department. The FY 1996 proposal called for all activities to be structured within the School-to-Work framework.

(5) A State grant for adult and family literacy. The FY 1996 budget



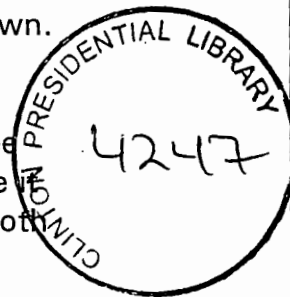
requested \$490 million for the Education Department to provide GED, ESL, and basic skills instruction, as determined by the States.

LEGISLATIVE HISTORY. The Administration decided not to transmit legislation to authorize the G.I. Bill reforms, except for separate bills in May 1995 to reauthorize the vocational and adult education programs of the Department of Education. We chose instead to work informally with the 104th Congress on bills Republicans were moving through both chambers. Our judgment was that specific Administration bill language on categorical program consolidations (which would be seen as terminations) would raise issues our supporters could not accept and would provide fodder for Republicans to criticize our proposal before offering their own. Senator Kennedy supported this approach.

The proposal to transfer the \$2.1 billion in Pell resources for non-degree training to the Labor Department was abandoned almost immediately because it was opposed by the higher education community and many in Congress on both sides of the aisle.

In the Fall of 1995, training reform bills -- known as "CAREERS" (Goodling) and "The Workforce Development Act" (Kassebaum) passed both Houses of Congress with overwhelming bipartisan support (345-79; 95-2). The Administration expressed conditional support for both bills, and organized Democratic and interest group support, despite concerns with each. We wanted to keep the issue alive in Congress and looked to conferees to address our concerns. Supporting reform in principle, and not alienating key constituency groups wedded to specific categorical programs, also helped us in the appropriations fight, where we could argue that it made no sense to cut funding deeply with a major reform on the horizon.

Of the two bills, Rep. Goodling's CAREERS was closer to fulfilling your G.I. Bill principles and the Administration's support for the Kassebaum version was essentially a tactic for keeping the reform conversation alive. CAREERS required: vouchers for adult training (with an exception for training run by community-based organizations), "report cards" and performance standards for training programs, the one-stop and school-to-work frameworks for adult and youth programs (although it would have repealed the School-to-Work Act), and private sector involvement in workforce development programs. By contrast, the Kassebaum bill did not require skill grants and would have made vouchers available only at State option; authorized a single State grant with one quarter reserved for broadly defined State-determined workforce development activities, which could include supporting company training of the employed; weakened accountability by permitting States to define success in their own terms; and greatly diminished the role of local communities in determining training needs.



The conference process on training reform was swamped by the FY 1996 and then FY 1997 appropriations struggle, and the Administration's reform proposals took a backseat to our efforts to preserve funds for categorical training and education programs (dislocated workers, summer jobs and vocational education) under attack. Although we blocked large cuts in the categorical training programs, both the pressures of negotiations with Congress and the need to rally constituency groups who are indifferent or hostile to vouchers and consolidation, led to a blurring of the Administration's principles for changing the way training gets delivered.

In a May 1996 letter to the conference leadership (attached at Tab B), you called for earmarked funding of at least \$1.3 billion for dislocated workers and "properly targeted" resources for a summer jobs program, adult education, in-school youth, at-risk youth, and the labor exchange. Your original G.I. Bill principles had never explicitly singled out these features as essential components of your reform vision.

Pressured by conservative "family groups" to resist compromise, and for other reasons, Republican conferees excluded the Administration and the minority from the negotiations. Some of the majority conferees believed the Administration was negotiating in bad faith, or defending the status quo. The partisan conference produced a bill that resembled Kassebaum's flawed block grant approach, unacceptable because it required only a 50-State training voucher "pilot," failed to ensure that adequate resources would be available for adult training, included weak accountability provisions and repealed School to Work. Former Chief of Staff Panetta made an effort to reopen negotiations. The last effort, a June 17th offer from the Administration representing our "bottom line," (attached at Tab C), received no response from the conferees. Emerging in July 1996, without the support of a single minority conferee or the Administration, the bill never reached a floor vote.

CONSOLIDATION AND OTHER ADMINISTRATIVE REFORMS. As we consider strategy for a new effort, it is important to recall that we already have made some progress toward achieving your G.I. Bill objectives. The Labor and Education Departments have aggressively pursued training and employment reforms through administrative changes and other statutory authorities, separable from fundamental legislative reform. Both Departments have made progress toward consolidating the tangle of federal employment and training programs.

As you recall, prior to your G.I. Bill announcement, the GAO identified 163 separate employment and training programs in 14 agencies spending nearly \$25 billion in what it called an uncoordinated system.

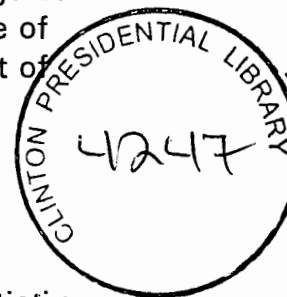
While the GAO called attention to an important problem, their reports overstated it. Sixty-seven of the 163 programs are targeted at specific non-employment and training problems and do not belong in the education and training system. For example, included in their list of employment and training programs were: the Foster Grandparent and Senior Companions programs (volunteer programs for the low-income elderly); State Legalization Impact Assistance Grants; Women's Business Ownership Assistance, and Health Care for Homeless Veterans.

Of the remaining 96 programs, the administration determined that 70 of them reasonably could be consolidated into a coordinated system such as the schematic at Tab A suggests. (The 26 programs not targeted for consolidation are aimed at special populations -- e.g. Native Americans -- and are most appropriately administered nationally.) The GI Bill proposed consolidating these 70 programs into the system described above.

In spite of legislative obstacles to enactment of the GI Bill, the Departments of Education and Labor have consolidated 33 of the original 70 programs targeted through administrative reform, appropriations, and other means. Another five of the 70 programs have been dropped from our consolidation efforts as a result of policy or other considerations.

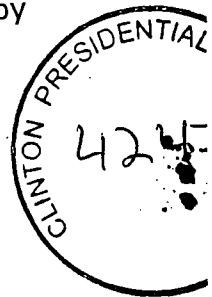
Other administrative reform successes include:

- **One-stop career centers.** Begun in 1994, this Department of Labor initiative consolidates multiple training and employment programs at the "street level" through competitively awarded State implementation grants. The number of States implementing one-stop systems will grow from 16 currently, to 43 by the end of 1997, to 50 by the end of 1998.
- **America's Job Bank and America's Talent Bank.** These two rapidly expanding Department of Labor Internet websites now provide access to 600,000 job openings and resumes of two million job seekers.
- **School-to-Work opportunities.** Since enactment in May 1994, the School-to-Work Act has provided the "seed capital" to spur State school-to-work systems that connect secondary education to work-based learning, postsecondary training, and career opportunities. Currently 37 States are receiving implementation grants; in 1998, all States are expected to be implementing their School-to-Work systems.
- **Waivers and funding transfers.** With the Administration's support, the FY 1997 appropriation for the Department of Labor provided unprecedented



flexibility for State and local employment and training programs. (You had already obtained significant new waiver authority for Education Department programs in 1994.) The Budget which continues this flexibility in FY 1998, includes:

- **Authority** for the Labor Secretary to waive a wide range of JTPA and Wagner-Peyser Act (i.e., Employment Service) statutory and regulatory provisions pursuant to a request submitted by a State, in return for improved performance.
- **"Work-Flex" partnership demonstration** (modeled on the 1994 "Ed-Flex"), in which up to six States are authorized by the Labor Secretary to waive JTPA and Wagner-Peyser provisions, pursuant to a plan describing the local waiver process, outcomes to be achieved, and assurances of fiscal accountability.
- **Funding transfer authority** to permit Governors to approve requests by local programs to transfer up to 20% of funds for the dislocated worker and low-income adults between the two JTPA programs. Since FY 1996, unlimited funding transfers have been permitted between the JTPA Summer Jobs and year-round youth training programs.



G.I. BILL IN THE FY 1998 BUDGET AND 105TH CONGRESS. The FY 1998 Budget reiterates support for the G.I. Bill principles, characterizes training reform as "essential," and anticipates working with the 105th Congress to produce a bill. The FY 1998 Budget proposes an increase of \$400 million over the FY 1996 request for the relevant Labor and Education Department budgets. The details are as follows:

INSERT CHART

In the 105th Congress, training reform legislation is a priority for the Republican chairmen of the House (Goodling) and Senate (Jeffords) Committees. Both chambers have begun hearings and the House Committee is drafting a bipartisan bill for markup next week. In the Senate, although Chairman Jeffords has not begun drafting legislation, he is planning to report a bill out of Committee by the end of June.

The draft House bill, prepared by Congressman McKeon, Chair of the subcommittee on Chairman of the Subcommittee on Postsecondary Education, Training and Lifelong Learning, is similar to last year's bill, but assures that funding

for dislocated workers will be maintained and does not repeal School to Work. As it did last year, it requires vouchers for adult training (with an exception for training provided by community-based organizations), "report cards" and performance standards for training programs, the one-stop and school-to-work frameworks for adult and youth programs, and private sector involvement in workforce development programs. And, as was the case last year, it maintains local agencies' discretion in allocating skill grants.

Legislation will so be under development in the Senate under the leadership of Senator DeWine, who heads the Subcommittee on Employment and Training. While Chairman Jeffords is expected to be less hostile to skill grants than was his predecessor, there is still skepticism among Democrats on the panel.

The House bill is expected to include a title reauthorizing adult education programs, while vocational education will be considered separately. In the Senate, it is unclear whether vocational and adult education will be addressed separately or as part of larger workforce development legislation. In an effort to maximize the prospect for reforms, and as a hedge against the possibility that training reform legislation stalls again, the Education Department is sending separate reauthorizing legislation to Congress again this year. Secretary Riley is proposing to consolidate 23 vocational education programs into 3, and 12 adult educational programs into 2.

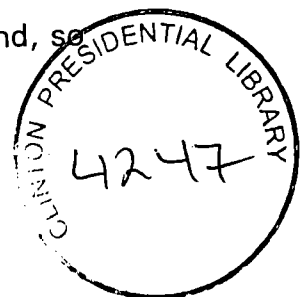
Given the legislative context, there is an opportunity to make progress toward your central goals -- more choice and less bureaucracy for workers who need training -- but we need to decide where to compromise, and where to draw lines, with Congress and constituencies.

II. OPTIONS

This section of the memo lays out some second-term options for you, "GI Bill for America's Workers" initiative.

There's no (internal) dispute on the basics:

- Abolishing the JTPA practice of contracting for training slots and then steering trainees into the slots;
- Giving trainees more choice in employment options and training providers;
- Bolstering information about training providers and skills in demand, so trainees can make good choices;
- Tightening provider accountability;
- Barring bad providers from the skill-grant system.



But the Administration needs to sort out two issues in order to best engage with Congress in the push toward reform:

Cost: Liberal eligibility rules for skill grants would cost several billion dollars more than your current budget covers.

Choice: The "purer" the voucher approach, the greater the risk of bad training choices -- especially in the short run (as the data systems ramp up) and especially among low-income trainees.

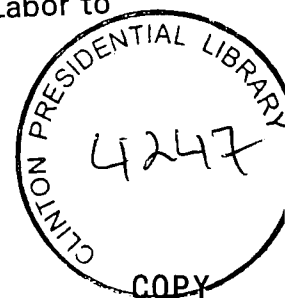
We've framed three skill grant options, each embodying a different resolution of the "cost" and "choice" issues. The options all share baseline features.

SHARED FEATURES

1. All options use the term skill grants; all feature some progress toward making skill grants the form of access to training.
2. People can use the grants as they choose for training from any approved provider.
3. State and local delivery systems are altered, but not abolished. Existing programs are reorganized around the "One Stop" model to provide job-search, counseling, and other training-support services. Two of the three options sharply scale back the current system's role in allocating resources to individuals; the third envisages a major State and local role.
4. Skill grants could be used at 2-year, 4-year, and trade schools approved for Pell and student loans, and at "non-traditional" suppliers like the Urban League, union training programs, and community action agencies -- all subject to the same accountability standards.
5. The dollar value of skill grants (like Pell grants) would be based on the trainees' income and the cost of training, up to the maximum of \$3,000, as in the FY 1998 budget. Unlike Pell grants, skill grants can be used for training that doesn't lead to a degree, and dislocated workers' eligibility would be based on their "prospective income," not on their pre-layoff earnings.
6. All options assume a nationally administered fund for the Secretary of Labor to use in response to mass layoffs.

SKILL GRANT OPTIONS

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Option 1: Universal Eligibility

All dislocated workers and economically disadvantaged adults (as defined by current JTPA rules) would be eligible for skill grants. As is now the case for Pell grants, discretionary BA would be requested according to best estimates of how many eligibles would actually use the grants, but outlays would be driven by actual use. Eligibility rules include, in theory, 11 million dislocated workers and 29 million disadvantaged adults. Only a small fraction will seek training. But reasonable assumptions about take up rates still point to outlays of \$4.2 billion -- far more than the \$1.37 budgeted for comparable JTPA efforts.

Within this option, a federal clearinghouse could be set up to establish income eligibility, leaving people the option, as in the Pell program, of going directly to training providers without checking in at state and local agencies. Alternatively, individuals could establish their eligibility at the state and local One-Stop institutions which also provide information, oversight, and support services.

Nothing like Option 1 is currently on the table in the legislative debate. We include it in part to help you calibrate the other options' degree of compromise, but also to offer you the opportunity to stake out a clean vision as a contingency in case the budgetary context changes or (conceivably) as a lever for changing the budget constraints.

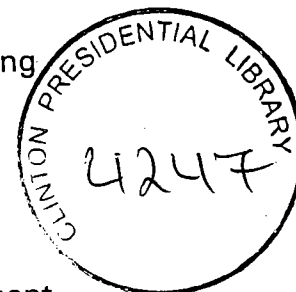
Pros of Option 1:

- Clearly delivers on the message of empowering individuals with training resources they can use as they see fit.
- Dramatic break with the past.
- Minimizes rules and bureaucracy; maximizes the role of market signals and individual choice.
- Abolishes JTPA practice of contracting training slots and then steering trainees into the slots.

Cons of Options 1:

- Well outside the current budget.
- While technically discretionary, could be criticized as a new entitlement.
- Unconstrained choice (especially for workers with little labor market experience) will lead to some, and potentially much, waste and inefficiency.
- State and local stakeholders (Governors, Mayors, CBOs and labor unions) will oppose "federalization" of the job-training system.

Option 2: Limit Skill Grant Eligibility, and Deal Differently with Dislocated and Disadvantaged Workers.



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This option structures eligibility to stay within the \$1.37 billion budget for training under current rules while giving dislocated workers (who presumably have more labor market savvy) more wide-open choice than disadvantaged adults in how skill grants are used. Under this option eligibility for dislocated workers could be determined either through a federal clearinghouse or at state and local One-Stop centers, offering additional training-related assistance. The One-Stop centers' role is concentrated on service to disadvantaged workers.

There are several ways to tighten eligibility for dislocated workers. One option is to offer skill grants only to workers laid off after 3 years in a job, on the grounds that short-tenure workers have fewer job-specific skills to replace and aren't strictly speaking "dislocated." Another option is to exclude the long-term unemployed, who are often eligible for Pell grants. These two screens would shrink the pool of eligible dislocated workers from 11 million to 643,000. (Your original proposal included \$1 billion more than the FY 1998 budget and envisioned serving several hundred thousand additional workers.)

For disadvantaged adults, eligibility could be limited in practice, in one of the two following ways, while addressing concerns that a weak attachment to the job market makes people especially prone to bad training choices.

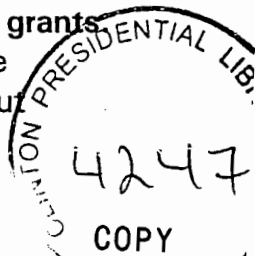
Sub-option A would require **counseling and assessment** at a One-Stop center before disadvantaged adults can get a skill grant, but once they complete the required counseling, they would be served on a first-come, first-served basis. Nevertheless, they could then use the skill grant as they choose.

The tougher **sub-option B** would give state and local agencies discretion to decide which disadvantaged adults can best make use of limited skill grants.

Relative to Option 1, this option represents a strategic compromise. In the face of budgetary limits, and some plausible worries about the uniform workability of a pure voucher approach, it falls back to make the stand for the skill grant principle on the terrain where that principle is strongest -- dislocated workers with labor-market experience. And it preserves the local workforce-development system in its most plausible role -- guiding disadvantaged who may have special problems making good choices on their own.

Pros of Option 2:

- Lives within current budget estimates.
- Avoids the "new entitlement" charge **while delivering training via skill grants**
- Addresses concerns (based on Pell and student loan histories) that the disadvantaged often have trouble making good training choices without



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- guidance.
- Abolishes JTPA practices of contracting training slots and reduces the role of the system in steering trainees into training programs.

Cons of Option 2:

- Eligibility screens as the rationing mechanism for training resources reduce state and local elected officials ability to respond to variations in the local labor market, and reduce the system's responsiveness to individual needs.
- Heavy reliance on local agencies to steer disadvantaged adults and (under sub-option B) a sharp increase in local discretion relative to Option 1.
- State and local stakeholders (Governors, Mayors, and labor unions) will oppose what they will characterize as federalization of dislocated workers training system and advocates for the disadvantaged will object to be treated differently.

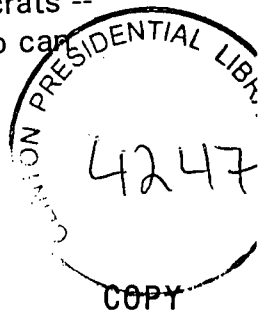
Option 3: Local Rationing of Skill Grants

This option does away with new national eligibility rules as the rationing mechanism for disadvantaged and dislocated workers alike, and instead relies on local agencies to allocate skill grants, just as they now allocate JTPA training funds. As with Option 2, skill grants are limited by the amount of funding available. *But the discretion state and local agencies exercise over which disadvantaged workers get skill grants under sub-option 2-B becomes universal here;* One-Stop officials award skill grants based on aptitude, local labor market conditions, and judgments about who can best benefit. Skill grants, once awarded, would still be under individuals' control.

For disadvantaged workers, this option is the same as Option 2B. The two options differ in the treatment of dislocated workers: under this option, local discretion is the rationing mechanism for skill grants for dislocated workers; whereas under Option 2B new federal eligibility screens substitute for that discretion.

This option preserves skill grants but in practice would be far from a vision empowering individuals not just to select training providers, but also to manage their own career decisions about where employment opportunities might lie and whether or not to seek training.

(Legislation taking shape in the House is very similar to this option, but includes many more exceptions -- adopted at the insistence of Congressional Democrats -- expanding local agencies' authority over what training is allowable and who can provide it.)

Pros of Option 3

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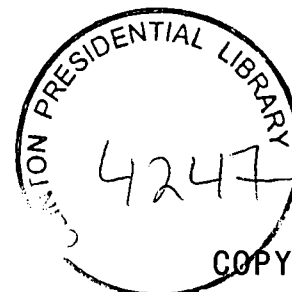
- Lives within current budget estimates.
- Addresses concerns (based on Pell and student loan histories) that the disadvantaged often have trouble making good training choices without guidance.
- Avoids differential treatment of dislocated and disadvantaged adults.
- Obviates the need for new Federal eligibility screens to ration training dollars.

Cons of Option 3

- Does not adopt "entitlement-like" skill grant approach of other options.
- Relies heavily on the JTPA system to steer clients into training and thus does not fully empower individuals.

RECOMMENDATIONS

OMB recommends Option 3. Consistent with the principles the Administration enunciated during the debate last year, Option 3 explicitly recognizes the reality of resource constraints, adopts the widely desired guidance and help for disadvantaged adults and dislocated workers who want it, maintains the goal of a thoroughly reformed private-sector-based local service system, and preserves the key skill grant vision of individual control over training providers



Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Eric Liu to President Clinton, re: SOTU (3 pages)	12/18/1998	P5 4248
002. list	SOTU Contributors [partial] (2 pages)	1999	P6/b(6)
003. list	SOTU Contributors [partial] (2 pages)	c. 1999	P6/b(6)
004. list	Nominations for First Lady's SOTU Box (11 pages)	c. 1/1999	P5
005. list	First Lady's SOTU Box (1 page)	c. 1/1999	P5
006. memo	Maria Echaveste for Distribution, re: SOTU - First Lady's Box (4 pages)	1/8/1999	P5
007. list	First Lady's SOTU Box (2 pages)	1/7/1998	P5
008. list	Military Nominees for FLOTUS Box at SOTU (2 pages)	c. 1/1999	P5
009. email	Thomas Freedman to Michael Waldman, re: The Box (1 page)	1/7/1999	P5
010. list	First Lady's SOTU Box (1 page)	c. 1/1999	P5
011. letter	Lou Hurlbert to President and Hillary Clinton [partial] (1 page)	7/15/1998	P6/b(6)
012. list	First Lady's SOTU Box (1 page)	c. 1/1999	P5

COLLECTION:

Clinton Presidential Records
Speechwriting
Lowell Weiss
OA/Box Number: 17199

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FOLDER TITLE:

SOTU [State of the Union] Environment 1/99 [3]

Whitney Ross
2006-0470-F
wr677

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
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COPY

MW → Speedwriter

MEMORANDUM

TO: President Clinton
FROM: Eric Liu *EL*
DATE: December 18, 1998
SUBJ: State of the Union

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Introduction

I have been sitting at my desk the last few days trying to articulate a "big" idea that I might offer for your speech. But as I write this memo, Iraq is under attack and the House debate is underway. Watching all this unfold, I wonder whether a standard State of the Union, stuffed with rhetoric and perfunctory policy nods, will seem at all appropriate. I know -- it's still a very long time between now and late January; maybe politics will have returned to "normal" by then. But whatever the situation in January, I believe this speech must be something different. Something personal and from the heart.

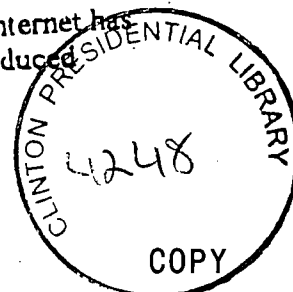
I urge you, Mr. President, to speak of *politics*. Not elections, not polls or procedure, but the deeper meaning and the original purposes of politics. I want to know, in your own words, why you chose to enter public life. I'd like you to tell me about your earliest days in the public square, the people you met, the people who helped you, the people you helped. I want to hear you tell Americans -- especially young Americans -- why politics still matters; why, even today, you still believe in its possibilities.

This would be a speech about you, yes. But it would really be about all of us. It would be about the things that we have taken for granted about our common life. It would remind us of the good that can be done through politics -- that can be done, indeed, *only* through politics -- whether it is giving the voiceless a voice, the unskilled a skill, the hopeless hope. And indirectly, perhaps, it would send the message that amidst the madness of our day you have held fast to first principles.

Why Talk About Politics

Let me say right off. I am not proposing a sorrowful valedictory, or a self-serving plea for redemption. Far from it. I am proposing a speech of character, of strength, one that will make its mark whether the situation a month hence is good or bad. For the reality is that even if in January all that is unhappy for you now has turned happy, the causes of popular disaffection and disgust toward the political process will not have abated.

The catalog of those causes is long and familiar: The cost and the triviality of campaigns have made elections seem an irrelevance. The language of political debate has become utterly predictable, a lifeless array of code words and stiff verbal postures. Meanwhile, the economy has our minds mainly on markets. The importance of government feels diminished. The 24-hour media has made news mere background noise. The Internet has truncated attention spans. And the dominance of the entertainment ethos has reduced what remains of political life to just another segment on just another talk show.



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Ever since I left Washington four years ago, I have been watching this devolution with an eerie sense of detachment. Now I have begun to feel real fear: fear that an entire generation is learning that it can do without politics; fear that the habits and customs of a meaningful democratic existence are atrophying; fear that "public life" now means only celebrity and exposure; and, perhaps worst of all, fear that I am in the minority for feeling such fear at all. That is why I wish to hear you speak of politics.

How to Talk About Politics

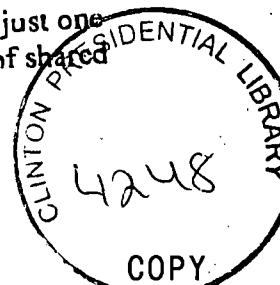
Tell us stories – vivid, particular stories. Tell us, say, about an elderly woman you met in your first run for office. Or a young man you met when you first ran for President. Tell us how you saw the world when you'd become a father, what you thought a person could do for the next generation if he could bring together enough of his countrymen. Tell of the impulse you had to be part of something greater than just yourself. Tell of a time when public service, when the very idea of the public sphere, meant something – and meant something positive. Take us back to why you got involved at all.

Then remind the country of the ways in which we still need politics, and use as your leitmotif *The Great Gaps*. The still-widening gap between the richest citizens and the poorest. The gap in educational opportunities that perpetuates itself in a gap of life chances. The gap in empathy that boxes us up by ideology, or race, or religion. The gap in experience that makes one generation tune out another.

In times of national privation, we feel these gaps acutely. In times like these, of relative comfort and security, we have to be careful not to forget them. What will close these gaps? Mere trust in the market? Mere chat on the gossip line? Mere absorption with the immediate needs of self? No – what will close these gaps is only politics: talking, arguing, nudging, inspiring. Politics: stepping into another's shoes and asking why they see things as they do. Politics: gathering people to reach a greater sense of their potential and commonality than they'd had before.

Politics is sometimes nasty and brutish. *I know this well*, you can say. Politics can appear absurd, annoying, or fiercely beside the point. *And it often is*, you might add. But perhaps more powerfully than anyone, you can make the case that we mustn't abandon politics. For politics, properly defined, is not the "who's up-who's down" of the Beltway circus. It is the work of making our freedom add up to something; of showing that a citizen is more than a consumer, and a republic more than a call-in show. It is directing our own destinies – as individuals, as families, as a community.

In making this case, I would avoid lofty, Kennedyesque tones. Borrow a few lines, perhaps, from Havel or Mandela (or Wei Jingsheng) on the obligations of liberty. But speak quietly, plainly. Speak as if you were sitting down for a conversation with just one American, one cynical American who has given up on the very idea of a public, of shared purpose and endeavor. Melt his shell of apathy, locate him in a bigger storyline, convince him to *believe* again. Go back, in short, to the beginning.



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What This Will Do

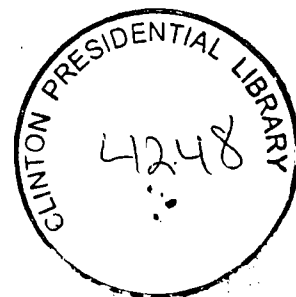
I think a State of the Union speech that incorporates such reflections can achieve several things for you tactically. It will reveal the trumped-up theater of impeachment for what it is: trumped-up theater. It will underscore the fact that your opponents know only "small-p" politics, the pettiness and the angling for momentary advantage. It will reinforce one of the mandates of the election, which was for Washington to get back to work.

It will accomplish something else, I hope. For the millions of people watching you, it will offer a moment's pause. By the time you deliver this speech, the American people will have been bombarded with oratory about the Constitution and the "duties" of politicians. We will have heard overwrought lessons about the form and formalities of democracy. But I suspect we will not have had the lesson we really need, which is about the *spirit* and *soul* of democracy. This is the side of civic life I hope you will address.

A Final Word

One of my first memories of working for you was your reaction one day as you were being briefed on the contents of an upcoming policy speech. "Words, words, words," you said, with a wave of the hand. "What do we really mean? What are we trying to say?" Good questions, never more relevant than now. A speech on the "American Century," or "the six ways to build the three pillars of opportunity," will be forgotten as it is delivered. A speech on *why the public should even care anymore*, on why, despite it all, we must still engage each other with civility, will be better, and better remembered.

I write as someone who was once idealistic about what politics meant, and who wants to be idealistic again. I want to be reminded, as I believe you are uniquely able to remind us, of the weave of obligation and understanding that connects us all. Tell us the proper name for the weaving of that net: *politics*. And show us that politics still has a future.



Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Neal Lane to President Clinton, re: OSTP Weekly Report (2 pages)	3/19/1999	P5 4249
002. note	To Carol, re: Budget (1 page)	n.d.	P5

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Speechwriting
Lowell Weiss
OA/Box Number: 17196

FOLDER TITLE:

Electronic Industries Alliance - Policy Info [3/30/99]

Whitney Ross
2006-0470-F
wr665

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

95 MAR 19 PM 4:36

March 19, 1999

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entire report
Lane, Podesta

pg. 1
JP Podesta,
Burhardt

MEMORANDUM FOR THE PRESIDENT

FROM:

NEAL LANE

CC:

JOHN PODESTA

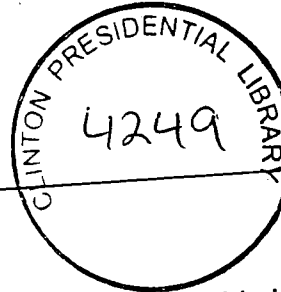
SUBJECT:

OSTP WEEKLY REPORT

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pg. 2
Podesta

cc: Gwin
ADS
Smith
Mungrate
Parker
G. Brown



IT² Validation & Amplification

On Tuesday (3/16), I was the lead witness at the first hearing on your IT² initiative. The hearing of the House Science Committee's Basic Research Subcommittee was successful, with witnesses from the academic community and the private sector all supporting the emphasis and importance of the initiative. Although Republicans on the Science Committee have been generally supportive of the initiative, given Chairman Sensenbrenner's obvious desire to politicize any Administration effort, we have been seeking substantial outside validation.

Thirty-seven Executives from TechNet Companies have co-signed a letter supporting your IT² initiative. The letter will be sent to Congressional leaders asking for support of your initiatives funding and focus. Several of those same executives recently published an op ed in the San Jose Mercury News supporting IT² and calling for doubling the federal investment in fundamental science

Domenici Budget Slashes Science, Space and Technology Accounts

The Senate Budget allocation announced by Senator Domenici on Tuesday (3/16), and reported in the *NY Times* the following day, will slash the budget accounts for General Science, Space and Technology. Domenici's numbers for Science, Space and Technology are roughly \$1.3 billion below what your budget calls for, which is nearly an eight percent decrease. Cuts of this size would short-change your priorities on information technology, improving environmental quality, and maintaining world leadership in science, engineering, and mathematics.

Meeting with Ranking Members of House Science Committee

David Beier (OVP), Elgie Holstein (OMB), Tom Kalil (NEC), and I met with the Ranking Members of the House Science Committee on Thursday (3/18) to discuss common themes, strategies, and tactics to reinforce each other's agendas. The meeting was a good first step in our attempts to more fully include our Congressional allies in Administration S&T efforts. It is expected that the group will meet again within the month to discuss a game-plan for the next six months on using S&T to broadly advance Democratic efforts.

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Postcard

3-22-99

Breakthroughs in fuel cell technology for a new line of non-polluting vehicles were recognized this week by the federal government and automobile industry. On Wednesday (3/17) Mayor Winograd and I awarded medals to 15 scientists from the federal government, the automobile industry, and automotive suppliers for their pioneering work in fuel cell technology. The winners are members of a government-industry research team representing Argonne National Laboratory, Argonne, IL; Arthur D. Little/Epyx Corporation, Cambridge, MA; General Motors Corporation, Detroit, MI; Los Alamos National Laboratory, Los Alamos, NM; and Plug Power LLC, Albany, NY. The researchers developed technology that will permit the nation's gasoline refining and distribution infrastructure to be used to supply fuel for fuel cell-powered vehicles. Fuel cells have the potential to become a very clean, highly fuel-efficient power source for automobiles. These accomplishments help push technology closer to the development of clean, highly fuel efficient automobiles for the future, and underscore the importance of your leadership in this critical area.

I met this week with Francis Collins, director of the Human Genome Project, to discuss their announcement of an accelerated timetable for determining the sequence of the 3 billion bases that make up entire human genome. Original plans formulated in 1990 called for the human genome sequence to be completed within 15 years. However, the results of successful pilot studies have shown that it will be feasible and useful to construct a "working draft" by next spring, and a complete and accurate final version by the end of 2002. The HGP sequencing grants require that DNA sequence data be deposited in a publicly available database within 24 hours of generation, which is the source of weekly reports of identification of new genes like those found to be responsible for breast cancer, Alzheimer's disease or muscular dystrophy. Unfettered, rapid access to sequence data (while the work is ongoing rather than at the end of the project) is one reason why public/private interactions in genome research tend to be sensitive.

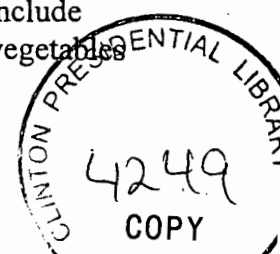
In related news, genome researchers reported in today's issue of *Science* that the new DNA sequencer on which Celera Genomics based its projected completion of the human genome sequence in a way that is faster and cheaper than the federal effort does not represent a significant improvement over existing technology. The new machine will require further optimization to meet expectations.

On Monday (3/15), your Council on Food Safety released its assessment of the NAS report "Ensuring Safe Food from Production to Consumption." The assessment supported all of the NAS recommendations and committed the food safety agencies to a review of statutes, analysis of structural models for reorganization, and risk assessment of the nation's food supply. Senator Durbin is expected to introduce a bill calling for a single food safety agency (not to include pesticides) and Senator Harkin a bill calling for safety standards for fresh fruits and vegetables that can be applied both domestically and internationally.

C-1 Book

I don't
know
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game.
I have
no idea
of the
score.

Rick
Lewin
Bz



Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. polling	Livability Polling Summary (5 pages)	1/7/1999	Personal Misfile
002. memo	Michael Waldman to President Clinton, re: State of the Union - Context & Purpose (2 pages)	11/23/1998	P5 4250

CLINTON LIBRARY PHOTOCOPY

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Lowell Weiss
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FOLDER TITLE:

SOTU [State of the Union] Environment 1/99 [2]

Whitney Ross
2006-0470-F
wr676

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
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Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
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*Please
circulate
to speechwriters —
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MW*

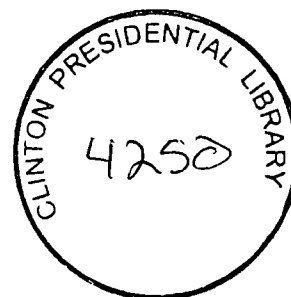
November 23, 1998

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA
DOUG SOSNIK

FROM: MICHAEL WALDMAN

SUBJECT: STATE OF THE UNION -- CONTEXT & PURPOSES



This memorandum reflects initial discussions among Paul Begala, Maria Echaveste, Mark Penn, and myself.

The 1999 State of the Union comes at a signal time for you and your administration. In raw political terms, you enter your seventh year in office stronger than any comparable President this century -- stronger than Roosevelt, stronger than Eisenhower, stronger than Reagan. Your support in the country is strong. The Democrats' election success not only represents the first such gain by a President's party since 1822; it also narrows the party divide in the House. The public has endorsed your 'third way,' New Democrat policies -- an endorsement seen not only in the Democrats' election success (on a platform of saving Social Security, fiscal responsibility, HMO reform, and education), but also in the success of moderate Republican Governors and in the success of reformed center-left parties in the UK, Italy, Germany, and Brazil. And the press and pundits are now willing to admit that you were the pioneer of this approach.

At the same time, this address marks the last opportunity before Election Year 2000 to command the public's attention as only a strong State of the Union can. (The Year 2000 State of the Union will be held two weeks before the New Hampshire primaries.) And with less than a year to go before the new millennium, there is added urgency to your call to strengthen the nation for the 21st Century.

This speech should be viewed as having four principal goals.

First, it should demonstrate that you continue to have a vigorous agenda, one that can define the political playing field. You did this very successfully in last year's speech, and in the blizzard of policy announcements that led up to it. We believe you should announce an array of small- to medium-sized policies in January, as part of the roll-up to the State of the Union.

Second, more than recent State of the Union addresses, it should explicitly focus on the

COPY

economy -- spelling out what we must do to advance our prosperity. A key element will be Social Security (Should we put forward a plan? Convene negotiations) and the surplus. The address should also include significant discussion of how to steer the economy through international economic turbulence; this would be an opportunity to spell out your vision for an international economy with a human face that you have talked about at the WTO and Council on Foreign Relations. And it should press forward on education and health care as part of an economic strategy.

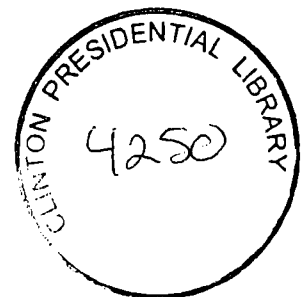
Third, it should reach out to centrist Republicans to build a governing majority (on terms that you define). Thus, you should press for action on those items (such as the Patients' Bill of Rights, campaign finance reform, and other matters) that have notably bipartisan support.

Finally, the speech is an opportunity to address specific constituencies and shore up areas of political weakness. There should be a renewed focus on crime; specific attention to rural issues and the elderly; a full discussion of military readiness. In addition, we would appreciate your guidance on what you want to say about race.

* * *

We will forward to you some possible thematic approaches for discussion tomorrow.

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Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Erskine Bowles to President Clinton, re: State of the Union Meeting (4 pages)	12/7/1997	P5 4251
002. memo	Lowell Weiss to Michael Waldman, re: SOTU Ideas (1 page)	1/8/1998	P5
003. email	Elliot Diringer to Michael Waldman, re: CEQ/SOTU (2 pages)	1/20/1998	P5

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FOLDER TITLE:

SOTU [State of the Union] 1/27/98 [6]

2006-0470-F
wr688

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
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Freedom of Information Act - [5 U.S.C. 552(b)]

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THE WHITE HOUSE
WASHINGTON

December 7, 1997

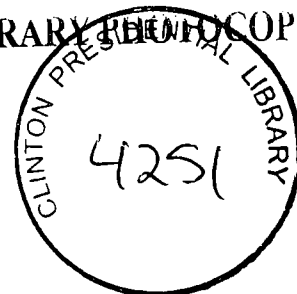
MEMORANDUM FOR THE PRESIDENT

THROUGH: ERSKINE BOWLES
SYLVIA MATHEWS

FROM: MICHAEL WALDMAN *MW*

SUBJECT: STATE OF THE UNION MEETING

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The 1998 State of the Union Address – your sixth – comes at a critical time in the Presidency. It will be your first major statement of purpose to the country since the completion of the balanced budget; it will be an opportunity to frame the issues that can dominate the 1998 elections; it can enable you to set large national goals and posit a new role for government in the new era.

The purpose of this memorandum is to prepare you for our first meeting with you on the State of the Union, to be held Monday morning. In this meeting, we propose to:

- discuss the overall strategic goal of the speech,
- focus, in particular, on how best to frame the role for government and the new bonds between government and people -- which you have called the "new social compact for a new economy," and
- present some overarching thematic approaches for your initial reaction.

This memorandum reflects discussions among Sylvia Mathews, John Podesta, Rahm Emanuel, Paul Begala, Sid Blumenthal, Ann Lewis, Gene Sperling, Bruce Reed, Sandy Berger, Frank Raines, Elena Kagan, Maria Echaveste, John Hilley, Ron Klain, Tony Blinken, Doug Sosnik and Mark Penn.

I. GOALS AND CONTEXT

Goals. First and foremost, it must set forth an ambitious agenda of programs and goals for the nation and world over the next three years, and even beyond. More than most such speeches, this can aim for far horizons.

Second, it should express the philosophy underlying that agenda, and link your many proposals as part of a new vision of government in the new economy. This speech should

COPY

express a clear "storyline" about the history of the country, the values you are working to uphold, and the purpose of your Presidency.

Third, it should highlight the different approaches of Democrats and Republicans. The overall purpose of the speech cannot be merely to unite the Democrats, but rather, to lead them and the country by expressing your public philosophy and summoning them to action on compelling issues.

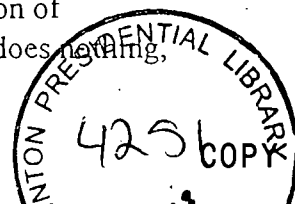
The context. This Address comes at a turning point in your Presidency -- the beginning of a new phase that may encompass your final three years in office. America has fundamentally succeeded in meeting the challenges placed before it when you were elected. You addressed the budget deficit (a legacy of the 1980s), and the crises of crime and the persistence of the underclass (legacies of the 1960s and 1970s). More broadly, the policies you have put in place have gone far to guide the transition to a prosperous new economy that is information-based and technology-powered . . . through the shoals of the post-Cold War world . . . and toward an increasingly integrated global marketplace and community. The public is plainly ready to regard these changes, which once seemed only omens of disruption, as heralding a new and hopeful time. You have put in place a platform of progress on which to build.

Ironically, this very record of success creates a vacuum, and hence an opportunity. We believe there is a willingness, even an eagerness, on the part of the public to be challenged to the next agenda. Many of your most memorable speech lines have been those of negation -- "end welfare as we know it," "the era of big government is over." This is an occasion for focusing on "construction" -- for a distinctly positive vision.

This argues strongly that the policies advanced should be bolder, painted in more vivid colors, than we are perhaps accustomed to doing. They should paint a vision of the changes we seek, even if the enactment of some of those changes are unlikely in the short term. Each of your previous States of the Union revolved around a single, looming issue -- the economic plan (1993), health care (1994), the unfolding fight with the Republicans on how to balance the budget (1995-1997). The array of smaller policies were accompanying notes to the dominant theme. This time, thus far, no single policy proposal or debate rises to the level of the economic plan, the health care plan, or the balanced budget. (Some of the entitlement reform proposals recently presented to you would possibly rise to this level.)

II. "THE NEW SOCIAL COMPACT FOR A NEW ECONOMY"

Regardless of whether it is an overarching structure for the speech, or merely an extended passage, it may well make sense to talk at length about your vision of the new social compact for a new economy. In recent weeks, you have discussed the new forms of "social security" we need to give people the confidence they need to seize the opportunities of the new economy, as well as the "new social compact" you discussed at the DLC speech. It speaks to your vision of government -- "neither a government that does everything, nor a government that does nothing,



but a government that gives people the tools to make the most of their own lives.”

This could be a way to frame those domestic policy initiatives that involve updating the welfare state:

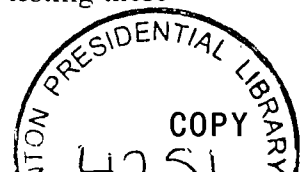
“America’s mission has always been to keep our most fundamental values alive in each new time. Now, as we enter a new century, America must renew the ties that bind us to each other and our country. During the Industrial Age, we gave life to our values by forging a social compact that protected our people and shielded them from economic dislocation. Today, the unfolding new economy offers wide new opportunities -- but rapid change has made the old social contract less effective. As we enter a new century with a new economy, we need a new social compact/contract as well. One based on individual empowerment, not big institutions. That means more and better education, a lifetime of learning to stay current in the ever-changing economic market, policies that encourage portability of health care and pensions as people change jobs, and an update of important programs like Social Security and Medicare so they can work better in the 21st Century.”

Regardless of the precise wording, there is a more fundamental question that would benefit from your input.

- What, precisely, do we mean? Does this mean, in effect, a modernized welfare state in which people are given the tools to help themselves (e.g., portable health care, IRAs, training) rather than given blanket assurances of “security”, or does it speak more broadly to a change in the relationship between individuals and government? How do we discuss the new habits of the heart needed in this new social compact?
- How does the important theme of “helping people meet their responsibilities at home and at work” fit in?
- Are there specific policy areas -- e.g., a more aggressive approach to unemployment insurance and training -- that need to be developed to bolster the theme?
- Are there approaches or phrases to use or avoid? (Can we talk about the social contract without the words “social” or “contract”?)

III. OVERARCHING THEMES AND STRUCTURES

We are currently discussing several thematic approaches to the speech, and would like to get your initial reaction and guidance before we proceed further. Mark Penn will be testing these various formulations, among others. Two, in particular, seem promising:



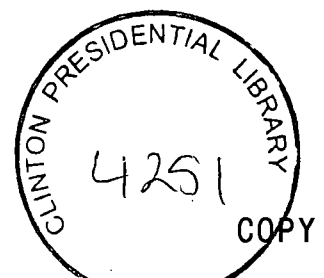
Preparing America for the 21st Century. There is a new economy taking shape around us, the product of the progress put in place by your administration. We must act to give our people the tools to seize this new moment. That means a new social compact for the new economy, so all our people can seize the opportunity of this time (or, "new opportunity" for the new economy). It means acting to spur the development of miraculous new medical and scientific breakthroughs. It means working to create new security in the new world, as America faces new threats of terrorism, chemical and biological weapons, and ethnic warfare. It means building a new American community -- uniting the races through an ethic of service, and building a new sense of social cohesion.

Note: This theme, a more rigorous update of the 1997 State of the Union, has the advantage of being relentlessly future oriented and visionary.

The New American Dream (alternately, "Renewed American Dream," "21st Century American Dream," or "an American Dream for the 21st Century"): The American Dream has always been at the heart of the American experience. A good job, owning a home in a safe and clean community. Giving your children a good education, seeing a doctor when you're sick, retiring in dignity. Now our mission must be to strengthen those enduring values in a new time. But as we enter a new century we need less bureaucratic and more effective means of enabling people to achieve the American Dream of earning a good living and living a good life. That means an economic policy that invests in people's skills and pays down the debt and deficit of the past. It means tax cuts that are targeted where they're needed most -- retirement, child care, education -- rather than the old days of unfair tax cuts that exploded the deficit and hurt the economy. It means an education policy that reforms and improves public education -- reducing class size, restoring discipline, testing new teachers to make sure they're competent. It means a health care policy that protects the rights of patients, an environmental policy that punishes polluters and ensures clean air and water. And a retirement system that's flexible enough to protect senior citizens in changing times.

Note: This theme has the advantage of being concretely tied to the aspirations of people in their everyday lives.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION	
001a. note	Todd Stern to President Clinton, re: Climate Change Memo (1 page)	10/5/1997	P5	4252
001b. memo	Gene Sperling to President Clinton, re: Climate Change Recommendations (18 pages)	10/4/1997	P5	4253
002. memo	Gene Sperling to President Clinton, re: Climate Change Decision Memo (9 pages)	10/14/1997	P5	4254
003. memo	Gene Sperling to President Clinton, re: Climate Change Decision Memo (14 pages)	10/18/1997	P5	4255

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FOLDER TITLE:

Climate Change 10/22/97 Decision Memos

Whitney Ross
2006-0470-F
wr681

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
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10-6-97

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THE WHITE HOUSE

WASHINGTON

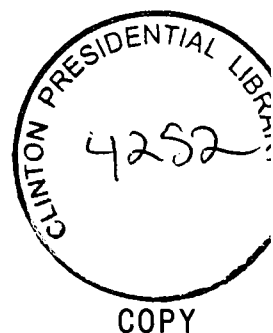
October 5, 1997

MR. PRESIDENT:

This is a decision memo on climate change. I am forwarding it to you now because you may want to look it over before the White House Conference on Monday. *However, you should under no circumstances actually check off a decision before the White House Conference is held, since that Conference is intended to be a forum that is still able to inform your policy thinking.* In addition, since the memo was just finished late tonight, other relevant White House staff, like Erskine, Rahm, John Podesta and John Hilley, haven't had a chance to comment on it yet. I also expect that you may want to have one more meeting on this subject before reaching a final decision. Because of the late hour at which it was finished, and the fact that it is not yet ripe for decision, Phil hasn't done a summary of it yet.

Todd Stern

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THE PRESIDENT HAS SEEN
10-6-97

THE WHITE HOUSE
WASHINGTON

October 4, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM:

GENE SPERLING
KATHLEEN McGINTY
DANIEL TARULLO
JIM STEINBERG
TODD STERN

*Up to Clinton
Gene*

SUBJECT: Climate Change Recommendations

Together with principals, we have worked hard over the past several weeks to put together options for you on climate change. As we note below, we have reached consensus in many areas -- such as our general stance towards developing countries, and a preliminary package of policies that we could embrace independently of the international negotiations. But reflecting the magnitudes of the tradeoffs involved in this issue, we have not been able to reach full Cabinet consensus on some fundamental aspects of our policy stance. This memorandum therefore presents three different plans, with their supporters and their pros and cons.

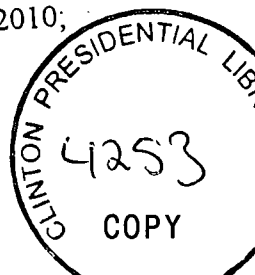
The memorandum is organized into four sections:

- I. Summary of difficulties we face
- II. Developing country policy
- III. Common components of all three options
- IV. The three options

I. SUMMARY OF DIFFICULTIES

As we have emphasized in previous memos and meetings, the complexity of the issue is reflected in four different constraints:

- Environmental. This issue is the premier environmental challenge of our generation. The environmental community is pushing for strong, early action to reduce greenhouse gas emissions.
- Diplomatic. Much of the world is calling for deep, early emissions reductions. The European Union is proposing 10-15 percent cuts from 1990 emissions levels by 2010; Japan is proposing 0-5 percent cuts in the same period.



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- Economic. Costs are substantially higher the earlier emissions reductions are required. The cost of deep, early emissions reductions could be very large.
- Business/Labor/Hill. Aggressive approaches would expose us to well-financed campaigns -- by major corporations and labor unions -- that demagogue our policies as excessively costly and as a large energy tax increase.

In essence, the three different plans represent different views about the importance of the first two constraints relative to the second two constraints:

- The first plan moves away from the 1990 target and substitutes a lower-cost approach for achieving emissions reductions. This strategy emphasizes the third and fourth constraints by allowing a more gradual adjustment period.
- The second plan commits the nation to 1990 by 2015 or 2020 -- while capping the economic cost. It tries to address all four constraints, but could be viewed as not meeting any of them adequately.
- The third plan, which involves a commitment to 1990 levels by 2010 or 2015 while capping the cost at a higher level than under the second plan, emphasizes the importance of our environmental responsibilities and maximizes our chances for (but does not in any way guarantee) a successful agreement at Kyoto.

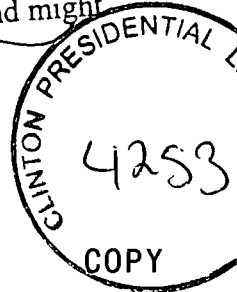
II. DEVELOPING COUNTRY POLICY

Given domestic political realities and the underlying environmental imperative, your advisers favor a tougher line on developing countries than we have taken to date. It is important to emphasize that developing countries are unlikely to agree to even our current demands, let alone tougher ones, in the foreseeable future. Furthermore, we will get little (if any) support from other developed countries for our position. *The position recommended by your advisers on this issue could very well endanger an agreement being signed this December in Kyoto.*

In particular, your advisers favor pushing for a "Kyoto Mandate" this December. The mandate would set the terms for a new round of negotiations with respect to:

- Binding emissions targets for key developing countries (China, India, etc.); and
- A "graduation mechanism," under which countries automatically assume additional obligations as they develop.

Developing country targets would be less stringent than those for developed countries, and might include a ceiling on costs.



There is some disagreement among your advisers on exactly how to proceed as we seek greater commitments from developing countries.

Under the "two-step approach," which is favored by the State Department, Energy Department and your environmental team, we would try to reach agreement among developed countries in Kyoto, but not seek to implement that agreement until negotiations with respect to developing country commitments are complete (several years, at a minimum). One possibility would be for you to issue an authoritative statement that we would not submit a treaty for ratification until the Kyoto Mandate was met. Another possibility would be to take a formal reservation to any agreement in Kyoto for the same purpose.

Under the "one-step approach," which is favored by some on the economics team, we would decline to adopt an agreement in Kyoto, and not adopt any new agreement with respect to developed country commitments until developing country commitments are agreed as well.

The two-step approach offers the possibility of maintaining momentum in the international negotiations (although even this approach will provoke a negative reaction abroad and could preclude an agreement in Kyoto). The cost is that we will have committed to a target and timetable before we know what we'll get from developing countries. It is unclear how the Senate would react to such a strategy.

Our best approach may be to maintain some ambiguity about our precise intentions: to emphasize that we won't bring back a treaty without real commitments from the developing countries. Since we don't know precisely how other countries will react to the one-step or two-step approach, it may be best to emphasize the general point -- and to maintain some flexibility for our negotiators in Kyoto.

Regardless of our approach, however, demanding binding targets from key developing countries implies that we will not be ratifying any international climate agreement for at least several years. Furthermore, insisting on a Kyoto Mandate may produce an extremely negative reaction abroad, and that reaction could preclude any agreement in Kyoto even under the two-step approach.

III. COMMON COMPONENTS OF ALL THREE PLANS

In addition to toughening our stance on developing countries, your advisers agree that the following policy components should form part of any plan on climate change:

1. Tax cuts

There is much interest in a Climate Change Tax Plan package of tax cuts in the near term

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to spur energy efficiency and lower-carbon technologies. But there are two critical questions about such a tax package:

- An overall strategic question, given the budget agreement, is whether we want to offer tax cuts in any area. A potential danger with proposing a Climate Change Tax Plan -- emphasized in particular by Secretary Rubin -- is that we could open up a bidding war over tax cuts generally. If we decide to include tax cuts in our FY 1999 budget anyway, this is clearly less of a problem.
- A specific question, if we decide to offer a tax cut package, is how best to design the package. Treasury is working with DOE, EPA, and other agencies to put together a package of tax cuts amounting to perhaps \$1.5 billion per year. But according to Treasury staff, the options are unlikely to produce carbon reductions for less than \$100 per ton.

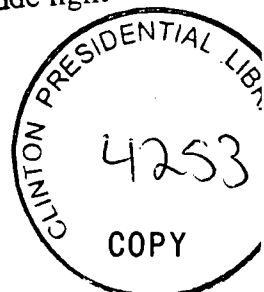
Some of the preliminary ideas include: tax subsidies to convert coal-fired power plants to gas; extension of the existing tax incentive for wind and "closed loop" biomass energy; tax credits for purchases of "superstar" energy-efficient devices and fuel-efficient cars; investment credits for energy-efficient buildings; and an expanded research tax credit for energy-efficiency research. The package will be further developed and refined over the next week. The goal is to be prepared in case you want to announce the broad outlines of a tax cut plan when you announce our overall policy package later this month.

2. Federal R&D effort

Your advisers support an aggressive Federal technology and R&D effort, including an additional \$500 million per year starting in FY 1999 and ramping up to an additional \$1 billion by FY 2003. The Department of Energy's 5-Labs study, the Department of Energy's 11-Nation Labs draft study, and the recent report from the President's Committee of Advisors on Science and Technology (PCAST) have all studied potential technologies that could help to reduce the cost of carbon emissions reductions.

The effort would focus on promising areas including:

- Energy efficient equipment (e.g., a public service campaign to attract attention to the "Energy Star" label);
- 21st Century Housing (streamline federal, state, and local building and utility regulations in ways that encourage innovation in construction);
- Expanded Partnership for the Next Generation Vehicle (expand work on the next generation vehicle technologies including fuel cells; and expand PNGV to include light trucks/sport-utility vehicles);



- PNGV for Heavy Trucks (partnership with engine manufacturers to double the efficiency of heavy-duty trucks for civilian and military applications);
- Industries of the Future (enhance industry/government research partnerships in areas such as chemicals, aluminum, forest products and steel manufacturing technologies); and
- Renewables R&D (expand research partnerships in key renewable technologies such as wind, photovoltaics, geothermal, biomass and hydropower to accelerate cost reductions).

DOE and EPA believe that such a package could have a substantial effect on carbon emissions by 2010. Others believe that the package will be beneficial, but that its results will only manifest themselves over a longer period of time.

3. Federal procurement system

The federal government spends more than \$7 billion per year on energy. While Federal energy consumption is a tiny fraction of the total U.S. energy consumption, we are still the nation's single largest consumer of energy. Significant strides have already been made during the past decade -- energy consumption per square foot in federal buildings, for instance, is down by 15 percent from the 1985 level, and energy use in federal vehicles (both civilian and military) is down about 27 percent from 1985. We can still do more, for example by expanding the use of Energy Savings Performance Contracts, reinventing federal procurement, taking a "sustainable design" approach to federal facilities, and developing more efficient military propulsion systems. This effort could include a 6-12 month review of existing Executive Orders on purchases and a directive to federal agencies to prepare greenhouse gas reductions plans.

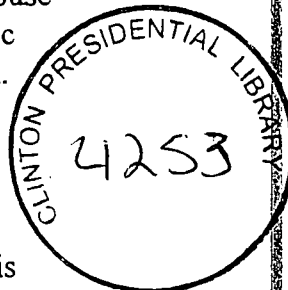
4. Industry out-reach

Several industries have approached us recently to offer cooperation in reducing greenhouse gases. Steel, for example, believes it could reduce emissions 10 percent below 1990 levels by 2010 with a sectoral plan. The cement industry believes it can significantly reduce emissions in the same time frame.

Your advisers recommend that you ask leading industrial sectors to prepare greenhouse gas reduction plans over the next 6-12 months. These plans could help inform our domestic implementation strategies, including the design of our domestic emissions trading program. It could also help build a constituency for action among moderate business groups.

5. 5-Year Science Reviews

Under the existing climate treaty, the Intergovernmental Panel on Climate Change is charged with reviewing the state of the science every five years. Several corporate and Congressional leaders have suggested supplementing these reviews with additional studies by the



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National Academy of Sciences or your Committee of Advisors on Science and Technology (PCAST), on a similar 5-year cycle.

6. Emphasize long-term goal of stabilizing concentrations

The goal of the existing climate treaty is "to stabilize concentrations of greenhouse gases in the atmosphere at levels that avoid dangerous anthropogenic interference with the climate system." However, the Parties to the climate treaty have never defined precisely what levels are dangerous. Support for a specific, long-term goal would be well-received in both the business and environmental communities. Many business constituencies have advocated focus on the long-term goal, to assist with planning. Environmental constituencies believe such a focus would help educate the public.

Your advisers believe the United States should announce support for a specific, long-term goal. The task of defining the goal (e.g., to keep concentrations of greenhouse gases from significantly exceeding twice pre-industrial levels, or roughly 550 ppm) could be assigned to the National Academy of Sciences as part of the first five-year scientific review mentioned above.

7. Global Environmental Facility

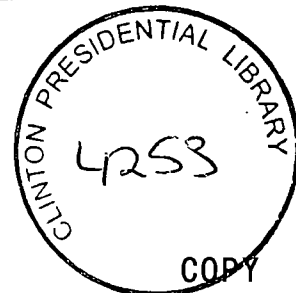
The United States is significantly in arrears to the Global Environmental Facility, which assists developing countries in reducing greenhouse gas emissions. (Of the \$430 million pledged for FY93-FY97, we have been able to contribute roughly \$185 million.) These arrears reduce our leverage with developing countries in negotiations under the climate treaty.

Your advisers recommend you reemphasize your strong commitment to the Global Environment Facility and support clearing U.S. arrears at the earliest practical date. Funding for the Global Environment Facility should be pursued as a top priority.

8. Bilateral dialogues

We are pursuing bilateral dialogues with key developing countries (including China, Brazil and India) to promote clean energy. Often, interest in energy efficiency and renewable energy is greater in these settings than in the politicized, multilateral setting of the Climate Convention. Discussions focus on regulatory structures for clean energy development, technical assistance, export credit and related items.

You or members of your Cabinet will sign several agreements of this type during your upcoming trip to Latin America. Work is underway in this area in connection with the Jiang Zemin state visit later this month. Your advisers recommend that we pursue these dialogues with increased effort in the years ahead.



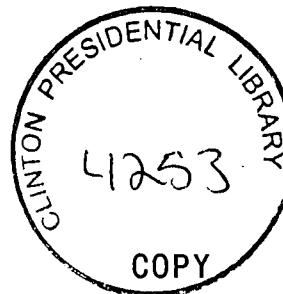
9. Other possibilities

Other possible elements, which have not yet been fully vetted, include a renewable portfolio standard and other carbon-reducing policies in electricity deregulation, National Environmental Policy Act (NEPA) guidance with respect to greenhouse gas emissions; common energy-efficiency guidelines for export credit agencies; a corporate greenhouse gas reporting system modeled after Toxic Release Inventory; and streamlined standards to improve energy efficiency, where appropriate.

calls for

- easier to do heat + power*
- renewables get boost (through fed. mandate)*
- green labeling*
- greater competition ↑ efficiency*

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IV. THREE OPTIONS

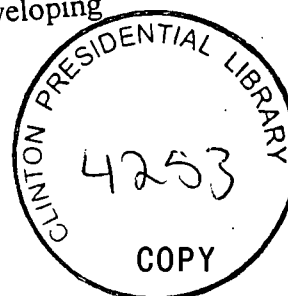
PACKAGE 1

OVERALL STRATEGY

- The long-term goal of the treaty is to *stabilize concentrations* of greenhouse gases in the atmosphere at a level that will prevent dangerous anthropogenic interference with the climate system. This goal could be achieved with concentrations at or somewhat above a doubling of pre-industrial levels in the next one hundred years.
- The strategy here is to propose the least-cost approach, both in terms of timing and developing countries, to stabilizing concentrations over the long run. The logic is that only by proceeding in this least-cost approach could we get domestic agreement to undertake a serious climate change policy.

TARGETS AND TIMETABLES

- Concentrations can be stabilized through the following targets and timetables:
 - Reduce emissions growth* in the United States in the near term (for example, growth from 2000-2010 less than growth over 1990-2000); then
 - Eliminate emissions growth* in developed countries 10 to 20 years after treaty is signed (e.g., 2010-2020); then
 - Reduce emissions levels* in developed countries gradually to reach — and then to decline below — 1990 levels in later years to be decided, stabilizing concentrations.
- This timetable begins effective action soon to establish Presidential leadership.
- The schedule of reducing emissions and emissions growth is determined by the degree of economic cost that is acceptable, coupled with the rate of improvement in emissions-reduction technologies that results from increases in carbon prices.
- As in the second plan (see below), there would be periodic review of the underlying science, the data on the path of emissions, and the economic impact, to allow for adjustments in the policy.
- Insist on the current U.S. flexibility positions of international trading, multiple multi-year targets, joint implementation (subsidies of non-carbon energy sources in developing countries), banking, and borrowing.



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DEVELOPING COUNTRIES

- The goal is the least-cost global approach to stabilization of carbon concentrations in the atmosphere.
- Negotiate and begin a new Kyoto Mandate, requiring developing country participation (in stages), starting with more-advanced (Annex B) developing countries, with graduation as countries develop. Developing countries commit to reduce the rate of growth of emissions consistent with stabilizing carbon concentrations and continued economic growth, with ceilings on costs.
- One-step: the U.S. will not initial agreement until Annex B countries have binding commitments.

DOMESTIC IMPLEMENTATION

- Develop a tradable permits system, with auction of all permits (rather than grandfathering), in the near term; impose the system at a level of emissions near the baseline (for example, with an implied permit price of perhaps \$10 per ton). The system could take effect while the Kyoto Mandate was negotiated, to emphasize U.S. leadership and credibility; or it could be postponed until the treaty was ratified, as an incentive for developing-country compliance. (A carbon tax, if feasible, would be an alternative method of implementation.)
- Change the number of permits in small, gradual, predetermined steps, based on economic cost and aggressive technological progress (with the implied permit price rising to perhaps \$22 per ton or more by 2015). As in the second plan below, review domestic implementation system periodically.
- A portion of funds raised would be used for cost-effective technology research and diffusion programs, including basic research. The bulk would be available for a range of domestic priorities (tax relief for individuals; business investment incentives; the solution to the fiscal effects of the demographic imbalance; infrastructure; etc.) chosen to make the program attractive.
- Begin a series of voluntary industry programs to develop plans to meet the targets.
- Provide for banking and borrowing to deal with short-term fluctuations. Borrowed permits would be issued at a premium cost, and banked permits could be resold later at higher prices.
- Provide economic growth insurance or a cost cap on permits that would allow the sale of additional permits. The price would be set consistent with our estimate of the acceptable

economic cost, and would be high enough to encourage emissions-efficient investment choices in the near term. (If the cost cap were in effect over an extended period, the target would not be met.)

- These policies are market-oriented. There would be no inefficient, command-and-control regulations used to reduce emissions.
- Include common components listed above.

SUPPORTERS

Larry Summers, Janet Yellen, Frank Raines, Secretary Daley, and Secretary Herman.

PROS

- The principal benefit of this approach is that it reduces the cost of beginning to address climate change by allowing more time for the economy to adjust gradually to the new constraints being placed on it.
- Business and labor groups would support this approach.
- The approach would also be strongly supported by leading economists, such as William Nordhaus of Yale. It is consistent with the economics consensus on the least-cost path to the environmental goal of stabilizing concentrations in the very long run.

CONS

- This approach would be completely unacceptable to the environmental and international communities. We could respond that if the emissions path it envisions is met, it would stabilize concentrations and thus produce the same climate benefits as other paths that are substantially more economically costly.
- This option depends on steep -- and possibly implausible -- emissions reductions in distant decades to achieve our environmental goals.
- It would be awkward to reconcile this approach with previous statements made by both you and the Vice President. We could respond that we are starting over with a new Kyoto Mandate, and that part of that mandate will be to achieve environmental goals through the least-cost approach.
- There is no chance of an international agreement in Kyoto or the near future with this proposal. But if an agreement is reached that incorporates this approach, it may be much easier to ratify.

OVERALL STRATEGY

• This approach involves a hybrid plan that includes a commitment to reduce emissions to 1990 levels by 2015 or 2020 with a safety valve to cap economic costs.

Below 2025.
The approach begins with the tax cuts, R&D, and other initial steps in the common components section above, before the permit system becomes effective.

• The safety valve would ensure that permit prices could never rise above some ceiling, by allowing the U.S. Government to sell an open-ended number of additional permits at that price. This approach thus allows you to set an ambitious goal for the country while insuring that the costs are not excessive. But with a relatively low ceiling price, the overwhelming majority of economists will claim that we could not possibly avoid having to trigger the safety valve and thus fail to meet the stated goal of 1990 by 2015 or 2020. Opponents could attack the approach as lacking in credibility.

TARGET AND TIMETABLE

- 1990 by 2015 or 1990 by 2020, with a safety valve (explained below). The purpose of the safety valve is to allow us to adopt a relatively aggressive target and timetable, with the understanding that we will only meet it if possible to do so at reasonable cost.
- An issue that needs to be resolved is how the safety valve would be handled in the international negotiations, if at all.
- Additional reductions (to be determined) after 2015 or 2020.
- Support international trading and joint implementation.

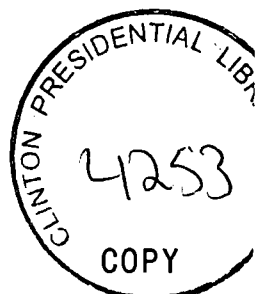
DEVELOPING COUNTRY

- Kyoto Mandate for negotiations, with a goal for them to be completed by 1999.

DOMESTIC IMPLEMENTATION

Initial actions

- Common components plan. Emphasize tax cuts and R&D to build corporate support.
- Emphasize commitment to market-oriented policy tools to reduce emissions.



- Avoid decisions about grandfathering vs. auctions. Instead appoint commission to suggest structure of domestic emissions trading program -- auctioning with tax cuts, or grandfathering with an excess profits tax.

- The commission would work with industry groups to evaluate their vision of the trading system.

- The commission would also study possible adjustment programs for areas and sectors that will bear a disproportionate burden from emissions reductions.

- One possibility would be to give the commission's recommendations base-closing legislative treatment, although there may be concerns about such a mechanism given the scope and importance of the commission's work.

- Deadline for commission to report would be early 1999 or 12 months following treaty.

Domestic emissions trading program (with safety valve) starts in 2005

- Commission decides on structure of permit program.

- The permit requirements between 2005 and the first review in 2008 could be set slightly below business-as-usual levels.

- Ceiling on permit price, as defined below, to cap economic costs

Safety valve (ceiling on price) in permit trading system

- The tradeable permit system would include a safety valve: the U.S. government would stand ready to sell a potentially unlimited number of permits at a given price, ensuring that the permit price could not rise above that level. *This safety valve is absolutely essential to the domestic viability of this approach.*

- The price would start at \$10 per ton in 2005 and rise in real terms by \$1-\$2 per year (0.25-0.5 cents per gallon) until it reaches \$30 per ton in 2015 or 2020.

- If any funds are raised from the safety valve mechanism, they could be devoted to further emissions reductions -- additional tax cuts for families, for carbon-reducing investments by businesses or families, tax cuts for R&D, Federal investments in R&D or energy-efficiency, or for investments in carbon-reducing efforts in other countries.

5-Year review process

- The Clean Air Act requires EPA to undertake a regular 5-year review of air quality

standards, and other statutes require similar reviews. Similarly, every five years, a commission -- which builds on the implementation commission above -- would review progress on emissions reductions, and how the economy was responding. It would then make recommendations to the President and Congress about how to adjust the policy stance toward climate change.

The commission to report on domestic implementation (mentioned above) would be the first of these commissions. The first report would thus occur in 1999 or 12 months following the treaty. The second report would be in 2004, and the third in 2009. The third commission report would be able to evaluate the operation of the domestic permit system after four years of experience (since the permit system will begin in 2005).

SUPPORTERS

Gene Sperling and Katie McGinty constructed this compromise plan, as requested by Erskine. They worked closely with Todd Stern in developing a package that the three of them support with one difference. Gene supports a 1990 by 2020 timetable, while Katie supports the 1990 by 2015 timetable.

Gene feels that the 2020 date is important for three reasons:

1. It boosts the credibility of the relatively low price ceiling in the plan, by allowing more time for the economy to adjust before the timetable binds and thus raising the probability that the safety valve would not have to be invoked;
2. It attenuates corporate and union opposition to the plan; and
3. It allows us some room to bargain from at the international negotiations in Kyoto and beyond.

Katie feels that the 2015 date is important for three reasons:

- ✓ 1. Your announcement of any date after 2015 would pose unacceptable risks of immediately cratering the Kyoto negotiations.
- ✓ 2. With any date later than 2015, there is little or no chance that we will be able to convince the international community to accept other components of our position (e.g., joint implementation, Annex I international trading, the safety valve, and our developing country stance).
- ✓ 3. A 2015 timetable offers at least some possibility of support from moderate environmental groups -- especially if we also commit to some reductions, even small ones, from 1990 levels by 2020.

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Secretary Pena and Secretary Slater both support the package. Todd Stern supports it with a 1990 by 2015 timetable.

Dan Tarullo supports a hybrid of Package 1 and Package 2. As in Package 1, he supports starting the domestic implementation package immediately upon agreeing to a treaty, not in 2005. He also believes strongly in auctioning permits or some other mechanism of raising revenue, rather than grandfathering permits. But he believes that we can commit to 1990 levels by 2020, with the explicit acknowledgment that the uncertainties of technological development and diffusion, as well as consumer behavior. He favors a reassessment in 2007 to see if the targets and timetables need to be adjusted.

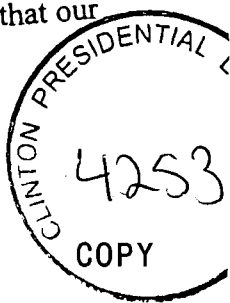
Your economic team urges that if you choose this option, you should choose the 2020 timetable and emphasize that you will *not* use command-and-control regulations to avoid invoking the safety valve. They would also urge a careful analysis of the best level for the trigger price.

NOTES

The fundamental strategy here is four-fold:

- First, we will focus our entire policy efforts up to 2005 on tax cuts, R&D efforts, Federal energy efficiency improvements, and the other components of the policy package listed in Section III of the memo.
- Second, the permit system would start in 2005 -- so that the debate over energy price increases explicitly pertain only to 2005 and beyond. At the same time, environmental groups will appreciate that the permit system begins within the next 10 years.
- Third, the plan puts a ceiling on the permit price to limit the economic downside and stunt opposition attacks about the economic costs involved.
- Finally, the plan still gives the nation a goal of reaching 1990 emission levels by 2015 or 2020 -- a goal that is subject to a cost cap, but is more binding than the non-binding aim agreed at Rio.

The main problem with this option is that it may be harshly criticized as promising more than the implementation plan can deliver. Current models almost uniformly suggest that we would not be able to meet our target and timetable at a price below \$30 -- i.e., that we could not avoid triggering the safety valve. To put the point another way, this approach will limit the permit price to \$10 to \$30 per ton (\$15 to \$45 billion year). But economic models almost uniformly suggest that permit prices would have to be substantially higher to achieve 1990 emissions levels in 2015 or 2020. Therefore we could be attacked on our credibility -- that our plan did not contain enough restraint to meet its stated emissions reduction goal.



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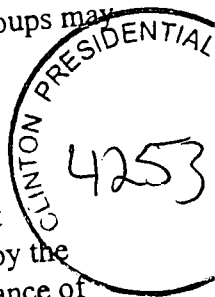
Those who support this option believe that the answer to the credibility argument is not a fight over economic models. Rather, they argue that in the face of incredible uncertainty over events twenty years away, it is best to put forward a sound -- even if highly optimistic -- plan for the nation. In particular, we should not unnecessarily impose economic hardship when technological breakthroughs, new scientific understandings or successful international trading could lower costs. If we take on the economic model debate directly, we will almost certainly lose. The best tact is to emphasize the uncertainty, and to note that future administrations and Congresses will assess new information every 5 years and make appropriate adjustments. We could get some outside validation for our emphasis on uncertainty from those who believe that international trading is possible, from those who believe that economic models tend to exaggerate the costs of meeting environmental goals, and from those who believe that technological development and diffusion could respond strongly to even a limited price signal. The safety valve idea could also receive outside validation: similar ideas have been embraced by Resources for the Future and Brookings, although they may not agree with our trigger price.

Another key aspect of defending this plan is to emphasize that we are not supporting using command-and-control measures if the ceiling price does not produce the full reductions needed to hit the emissions target. Specifically, when asked about whether setting an optimistic target with the ceiling price would mean that higher energy taxes or command-and-control regulations in the future, we should state that we are against such measures and that we would assume that future Congresses would also oppose such measures. Without this guarantee, opponents may feel threatened instead of comforted by our reasonable ceiling. Furthermore, we would point out that such scenarios would not take place for a decade, and that we would not expect future Congresses to support such command and control alternatives as well.

With this posture, we would be arguing that we are committed to reaching 1990 levels by 2015 or 2020 -- but not at any cost. We would not expect future administrations or Congresses to allow the costs of complying with the treaty to become extreme or excessive. We would also note that the 5-year reviews would allow us to adjust our policy stance as more information becomes available. Finally, it is important to note that we would still taking real steps to reduce emissions even if the safety valve is triggered. Indeed, the *policy steps* under this approach if the safety valve were triggered are equivalent to those proposed under Plan 3. Even with the cap, the cost to polluting would be higher than today, and thus we would divert emissions from the business-as-usual path. We would also start the emissions trading program by the relatively early date of 2005, which should help to address some of the concerns environmental groups may have with this approach.

PROS

- Seeks to hit a middle ground -- still proclaims a target and timetable, but only at reasonable economic cost. With a target of 1990 by 2015 or 2020 -- tempered by the safety valve, but still stronger than our Rio commitment -- we would have a chance of remaining "in the game" in the international and environmental communities. By limiting the economic costs, we could avoid undue disruption to the economy and stunt potential attacks.



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- Permit system starts in 2005, so that we begin to deflect from business-as-usual path within a decade. The early start date would also help utilities to integrate their planning for reductions of NOX (under EPA's recent clean air rule) and carbon emissions.
- Consistent with our language of "binding but *realistic*" and "reducing emissions while we grow the economy."
- Starting with only tax cuts and R&D for 7 years, and not beginning the permit system until 2005, *may* make it harder for the Administration to be demagogued on tax increases.

CONS

- Risks splitting the loaf and pleasing no one:
 - Business groups may still demagogue the plan, arguing for example that \$20 per ton is approximately the same size as the BTU tax proposed in 1993. If we decide that the plan would be revenue-neutral, we could respond with that point, and note that it would not become effective for several years.
 - Business groups could also charge that the combination of a relatively tight target and timetable with a low trigger price would imply that command-and-control regulations would be used to fill the gap. We could respond by emphasizing our commitment to market-based solutions.
 - Many environmental groups will oppose, arguing that the 2015 or 2020 date is too late and that the safety valve undermines our environmental commitment. We could respond that on their optimistic predictions about new technologies, the safety valve would not be needed. We could also respond that our policy is a politically realistic way of addressing the climate change problem. Some more moderate groups may support the package, especially in light of the 2005 start for the permit system and if the package includes further reductions beyond 2015 or 2020. Although environmental groups are calling for reductions below 1990 levels by 2010, a relevant threshold for many of them is reductions below 1990 levels at least by 2020.
- Mainstream models almost uniformly suggest that without worldwide international trading, there is little likelihood that we could avoid triggering the safety valve at \$30 per ton. Some of your advisers could be forced to admit that the overwhelming weight of conventional economic analysis suggests that the safety valve would be triggered.
- Will seriously complicate international negotiations. In combination, the 2015 or 2020 date, our domestic cost cap and our insistence that developing countries do more will be perceived as lack of U.S. leadership.

PACKAGE 3

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OVERALL STRATEGY

- This package is similar to Package 2 in containing a safety valve, but it involves steeper emissions reductions and higher economic costs than under Package 2. In this sense, it conforms most closely to the first two constraints noted in the first section above (environmental and international). It involves less dramatic reductions than those proposed by the EU or Japan, but has some chance of being accepted internationally. Despite provisions that cap the permit price at about \$50 per ton, this package would likely be strongly opposed by much of the U.S. business community. And as above, the cost cap comes with a real risk: it implies that we could fail to reduce emissions to 1990 levels by 2010 or 2015.

TARGET AND TIMETABLE

- 1990 levels by 2010 with safety valve *or* 1990 levels by 2015 with safety valve
- Further reductions at a later date.
- The permit price would be capped at roughly \$50 per ton by allowing the U.S. Government to sell an unlimited number of additional permits at that price.
- Require adequate provisions for international emissions trading, joint implementation and banking.

DEVELOPING COUNTRIES

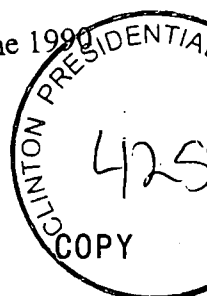
- Two-step approach as outlined above. Kyoto Mandate for negotiations, with a goal for them to be completed by 1999.

DOMESTIC IMPLEMENTATION

- Domestic permit trading system, with a safety valve that ensures a ceiling of about \$50 on the permit price.
- Common components plan. Emphasize tax cuts and R&D in near term to build corporate support.

SUPPORTERS

Carol Browner, Secretary Babbitt, and Brian Atwood support the plan -- but only with the 1990 by 2010 timetable.



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Jim Steinberg supports this package, emphasizing the importance of a credible trigger price (one set high enough that it could be defended as a reasonable estimate of the cost of meeting the target).

Jack Gibbons supports this approach, but emphasizes the importance of a significant reduction in the 2020-2030 timeframe linked to a long-term stabilization goal.

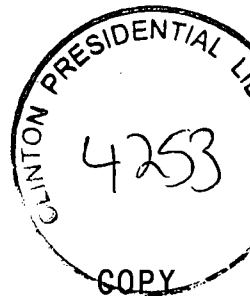
Strobe Talbott supports this general approach. He could also be supportive of Plan 2. Secretary Glickman supports this package, but is also willing to support Plan 2.

PROS

- Kyoto agreement perhaps possible (especially if 1990 by 2010), although not guaranteed -- especially given the safety valve and our position with respect to developing countries.
- Some support from environmental groups (especially if 1990 by 2010), although some will consider the emissions reductions to be too weak and the safety valve to be problematic.
- Stronger start in addressing environmental problem limits need to depend on steep -- and arguably implausible -- emissions reductions in distant decades to reach environmental goals.

CONS

- The commitment would be attacked as the largest energy tax hike in history -- costing \$75 billion per year. Despite the safety valve, many would charge that a commitment of this nature could have substantially adverse effects on the economy.
- Strong corporate opposition -- especially if 1990 by 2010 -- for not allowing enough time for the economy to adjust.
- Relative to the \$30 ceiling in Plan 2, this plan would produce greater economic dislocation and more powerful ammunition for opponents that want to attack the economic costs of the plan.
- The ceiling poses many of the same tensions as in Plan 2. A \$50 ceiling may prove inadequate to meet a target of 1990 by 2010.



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DRAFT #2: October 14, 1997

MEMORANDUM FOR THE PRESIDENT

FROM:

GENE SPERLING
KATHLEEN MCGINTY
DANIEL TARULLO
JIM STEINBERG
TODD STERN

SUBJECT:

Climate change decision memorandum

This memorandum follows up on our earlier climate change memoranda and meetings with you. It requests specific decisions from you on various elements of our overall climate change policy. Your responses will allow us to put together a climate change policy package that you could then announce in approximately a week, while the penultimate negotiations take place in Bonn.

I. Target, timetable, and safety valve

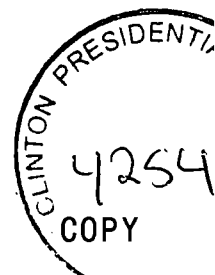
The most difficult decision you must make involves the target and timetable, and whether to include a ceiling price as part of our proposal. We believe that you are well aware of the pros and cons of different courses of actions.

Beginning date for permit system

Your advisers -- including Gene, Katie, and Todd -- generally support starting the permit system in 2005. The first few years of the permit system -- before any internationally binding obligation would take hold -- could involve auctioning or grandfathering enough permits for the permit price to be relatively low. (If the difference between the number of permits in a given year and the business-as-usual emissions level is small enough, the permit price will remain low. The flipside of obtaining that low price, however, is that the deflection from business-as-usual would have to start small.) As discussed below, we could also impose a ceiling price on the permit system for the first few years of its operation.

The benefit of an early start is that it allows time for the system to become operational in the run-up to the internationally binding goal, and begins to deflect emissions from the business-as-usual path. The cost is that in order to affect emissions, it moves forward the time at which energy prices will rise from their business-as-usual path.

_____ Approve starting the permit system in 2005



_____ Do not approve

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_____ Discuss further

First budget period: target and timetable

A critical policy question, and one which we have all struggled with, is the first budget period -- the period at which we will pledge to return emissions to 1990 levels. There are three alternatives:

- 1990 levels by 2008-2012
- 1990 levels by 2010
- 1990 levels by 2010-2015

Assuming that 2010 emissions are equal to the average emissions level between 2008 and 2012, the first proposal is in a sense equivalent to a goal of 1990 levels by 2010. But the multi-year budget period -- aiming to reduce the average emissions level between 2008 and 2012 to 1990 levels -- protects against a cyclical economic fluctuation or other anomaly in one specific year. And whatever the underlying reality, it involves an apparently earlier year (2008), which may be a benefit with environmental groups but a cost with business.

A second possibility that forgoes some of the benefits of a multi-year budget, but could prove easier to explain to the public at large, is 1990 levels by 2010.

A final possibility, and one that is slightly more permissive than 1990 by 2010, is a multi-year budgets to reach 1990 levels by 2010-2015. Todd believes it important to have the 2010-2015 timeframe to attenuate the sharp corporate opposition that a plain-vanilla 2010, or the 2008-2012, proposals would encounter.

talk to Kevin

_____ 1990 by 2008-2012

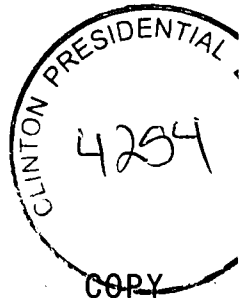
_____ 1990 by 2010

_____ 1990 by 2010-2015

_____ Discuss further

Second budget period

You have also indicated your support for a second budget period, in which emissions fall below 1990 levels by some given time. Again, there are three possibilities:



- 1990 minus 5 percent by 2020
- 1990 minus 10 percent by 2020
- 1990 minus 10 percent by 2025

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[ADD DISCUSSION]

- _____ 1990 minus 5 percent by 2020
- _____ 1990 minus 10 percent by 2020
- _____ 1990 minus 10 percent by 2025
- _____ Discuss further

Price ceiling

There are four crucial questions involved in a price ceiling or safety valve:

- Should we have one?
- Should we include it in the Kyoto text if we do?
- Should it be stated in terms of permit prices or some other variable?
- Should we specify the trigger level now or not?

The costs and benefits of a safety valve

Including a safety valve in the international document

How to define the safety valve

Specifying the trigger level

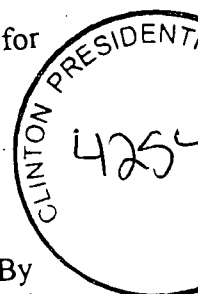
A. Specify the trigger level: Under this approach, we would propose a *specific* trigger price for the safety valve (e.g., \$20)

PROS

- **Beats back \$200 per ton (50 cents per gallon) attack.** Opponents will use the uncertainty in the cost projections to argue that our policy will be very expensive. By specifying the maximum price for the permits, we protect ourselves from this possibility. *We defang the argument that addressing climate change would tank the economy.*
- **Adds to the credibility of the safety valve concept.** Corporations looking for insurance will not be satisfied with a vague promise -- without the price, there's little credibility.

PRE mandate
OK post?

Decision:
give floor
of how
unrealistic
\$20 may be



• **Allows economists to defend the plan.** Economists believe the best response to climate change is to raise the price of carbon by \$10 per ton -- and that the adverse effects on the economy from such a policy would be minimal. *Specifying the trigger price at \$20 per ton allows the economics team to defend the policy as a solid first step that combines environmental responsibility with economic responsibility.* Without a specific price, they will have a harder time defending the policy against economic attacks.

- **Forces opponents to argue that meeting the target will cost more than \$20.** By specifying the price, we force opponents of the safety valve to admit that they think the costs will be higher than the trigger price.

CONS

- **Gives opponents a specific figure to attack.** *Specifying the ceiling price allows opponents to attack on that basis:* for example, a \$20 per ton price translates into about 5 cents per gallon of gas, about 75,000 jobs, and higher family costs of about \$200 per year.
- **Presents credibility problem on target and timetable.** Specifying a \$20 per ton price ceiling allows outside experts to criticize us for being unlikely to meet our target and timetable. *Giving the price allows modellers to plug that price into their models.*
- **Utility industry opposition, because it identifies a price before the permit system starts.** Their argument is that many of their JI program partners will demand the ceiling price -- but they would not demand the expected permit price without the ceiling -- over the next decade.

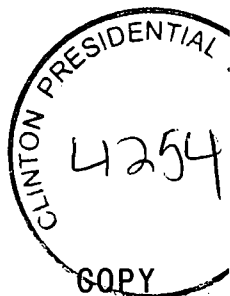
Approach B: Do not specify trigger level. Under this approach, we would *not* propose a specific trigger price for the safety valve. Rather, we would announce our support for the *concept* -- but not give a specific price -- and note that we would work out the precise level after consultation with Congress and others.

PROS

- **Doesn't put out a specific Administration figure to attack.** By keeping the specific trigger price vague, this approach would preclude attacks like: "The Administration admits that its policy would cost at least \$X." Any figures about the likely cost of the policy would come from outside sources -- and we could try to distance ourselves from them.
- **Allows us to try to play to both sides.** Keeping the trigger price fuzzy allows us to try to play both sides -- that the trigger price could be low (which would please business) or high (which would please environmental groups).

CONS

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- *All sides could assume the worst. Not specifying the price allows all interested parties to assume the worst -- corporate groups that the safety valve will be high, and environmental groups that it will be low. We thus lose the protection that naming a specific price wins us with business, without necessarily gaining anything from the environmental side.*
- *Could be difficult to hold the fort against even naming a range. We would likely come under intense pressure to name at least a range for the trigger price, if not a precise price. If we will ultimately be forced into coming out with a figure, it may be better to come out with it sooner.*
- *May undermine credibility of safety valve approach. By not specifying the trigger price, we may undermine the overall credibility of the approach -- the entire concept may seem too vague.*

Ceiling price of \$25 for 2005-2008, later ceiling price TBD

- _____ Approve
- _____ Do not approve
- _____ Discuss further

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II. Developing country stance

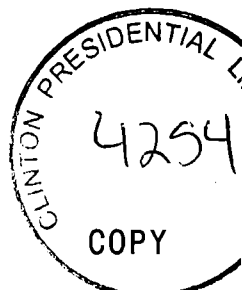
As we have noted before, your advisers favor a tougher line on developing countries than we have taken to date. In particular, your advisers favor pushing for a "Kyoto Mandate" this December. The mandate would set the terms for a new round of negotiations with respect to:

- Binding emissions targets for key developing countries (China, India, etc.). These targets would be less stringent than those for developed countries, and might include a ceiling on costs.
- A "graduation mechanism," under which countries automatically assume additional obligations as they develop.

In pursuing this mandate, our public stance would be to emphasize that "The United States will not assume binding obligations until developing countries make adequate commitments in terms of their own obligations." *The position recommended by your advisers on this issue could very well endanger an agreement being signed this December in Kyoto.*

[NEED MORE INFORMATION ON LETTER TO STATE]

- _____ Approve developing country stance and pursuit of Kyoto Mandate



_____ Do not approve developing country stance and pursuit of Kyoto Mandate

_____ Discuss further

III. Tax cuts

There is much interest in a Climate Change Tax Plan package of tax *cuts* in the near term to spur energy efficiency and lower-carbon technologies. But there are two critical questions about such a tax package:

- An overall strategic question, given the budget agreement, is whether we want to offer tax cuts in any area. A potential danger with proposing a Climate Change Tax Plan -- emphasized in particular by Secretary Rubin -- is that we could open up a bidding war over tax cuts generally. If we decide to include tax cuts in our FY 1999 budget anyway, this is clearly less of a problem.
- A specific question, if we decide to offer a tax cut package, is how best to design the package. Treasury is working with DOE, EPA, and other agencies to put together a package of tax cuts amounting to perhaps \$1.5 billion per year.

Some of the preliminary ideas include: tax subsidies to convert coal-fired power plants to gas; extension of the existing tax incentive for wind and "closed loop" biomass energy; tax credits for purchases of "superstar" energy-efficient devices and fuel-efficient cars; investment credits for energy-efficient buildings; and an expanded research tax credit for energy-efficiency research.

The package will be further developed and refined this week, and the Treasury Department will be sending you a separate memo on the specifics. The goal is to be prepared in case you want to announce the broad outlines of a tax cut plan when you unveil our overall policy package later this month.

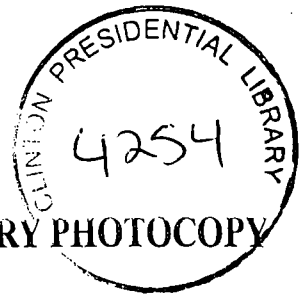
_____ Approve broad outlines of tax cut package

_____ Do not approve

_____ Discuss further

IV. Federal R&D effort

Your advisers support an aggressive Federal technology and R&D effort [including an additional \$500 million per year starting in FY 1999 and ramping up to an additional \$1 billion by FY 2003]. The Department of Energy's 5-Labs study, the Department of Energy's 11-Nation Labs draft study, and the recent report from the President's Committee of Advisors on Science and Technology (PCAST) have all studied potential technologies that could help to reduce the cost of carbon emissions reductions.



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The effort would focus on promising areas including: energy efficient equipment (e.g., a public service campaign to attract attention to the "Energy Star" label); 21st Century Housing expanded Partnership for the Next Generation Vehicle; Industries of the Future; and renewables R&D. DOE and EPA believe that such a package could have a substantial effect on carbon emissions by 2010. Others believe that the package will be beneficial, but that its results will only manifest themselves over a longer period of time.

_____ Approve broad outlines of R&D and technology package [including \$500 million additional funding level for FY 1999]

_____ Do not approve

_____ Discuss further

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V. Federal procurement system

The federal government spends more than \$7 billion per year on energy. While Federal energy consumption is a tiny fraction of the total U.S. energy consumption, we are still the nation's single largest consumer of energy. Significant strides have already been made during the past decade -- energy consumption per square foot in federal buildings, for instance, is down by 15 percent from the 1985 level, and energy use in federal vehicles (both civilian and military) is down about 27 percent from 1985.

We can still do more, for example by expanding the use of Energy Savings Performance Contracts, reinventing federal procurement, taking a "sustainable design" approach to federal facilities, and developing more efficient military propulsion systems. This effort would include a review of existing Executive Orders on purchases, preparation of a new Executive Order to fill any gaps, and a directive to federal agencies to prepare greenhouse gas reductions plans.

_____ Approve aggressive Federal energy efficiency initiative

_____ Do not approve

_____ Discuss further

VI. Industry out-reach and early credit

Several industries have approached us recently to offer cooperation in reducing greenhouse gases. Steel, for example, believes it could reduce emissions 10 percent *below* 1990 levels by 2010 with a sectoral plan. The cement industry believes it can significantly reduce emissions in the same time frame.

Your advisers recommend that you ask leading industrial sectors to prepare greenhouse gas reduction plans over the next 6-12 months. These plans could help inform our domestic



implementation strategies, including the design of our domestic emissions trading program. It could also help build a constituency for action among moderate business groups.

[MORE FROM TODD STERN]

VII. 5-Year Science Reviews

Under the existing climate treaty, the Intergovernmental Panel on Climate Change is charged with reviewing the state of the science every five years. Several corporate and Congressional leaders have suggested supplementing these reviews with additional studies by the National Academy of Sciences or your Committee of Advisors on Science and Technology (PCAST), on a similar 5-year cycle.

- _____ Approve 5-year science reviews
- _____ Do not approve 5-year science reviews
- _____ Discuss further

VIII. Emphasize long-term goal of stabilizing concentrations

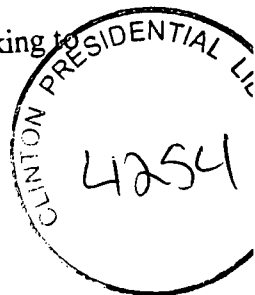
The goal of the existing climate treaty is "to stabilize concentrations of greenhouse gases in the atmosphere at levels that avoid dangerous anthropogenic interference with the climate system." However, the Parties to the climate treaty have never defined precisely what levels are dangerous. Support for a specific, long-term goal would be well-received in both the business and environmental communities. Many business constituencies have advocated focus on the long-term goal, to assist with planning. Environmental constituencies believe such a focus would help educate the public.

Your advisers believe the United States should announce support for a specific, long-term goal. The task of defining the goal (e.g., to keep concentrations of greenhouse gases from significantly exceeding twice pre-industrial levels, or roughly 550 ppm) could be assigned to the National Academy of Sciences as part of the first five-year scientific review mentioned above.

- _____ Emphasize long-term goal of stabilizing concentrations and approve tasking to National Academy of Sciences to define concentration goal
- _____ Do not approve
- _____ Discuss further

IX. Global Environmental Facility

The United States is significantly in arrears to the Global Environmental Facility, which assists developing countries in reducing greenhouse gas emissions. (Of the \$430 million pledged



for FY93-FY97, we have been able to contribute roughly \$185 million.) These arrears reduce our leverage with developing countries in negotiations under the climate treaty.

Your advisers recommend you reemphasize your strong commitment to the Global Environment Facility and support clearing U.S. arrears at the earliest practical date. Funding for the Global Environment Facility should be pursued as a top priority.

_____ Support strong commitment to Global Environmental Facility

_____ Do not approve

_____ Discuss further

X. Bilateral dialogues

We are pursuing bilateral dialogues with key developing countries (including China, Brazil and India) to promote clean energy. Often, interest in energy efficiency and renewable energy is greater in these settings than in the politicized, multilateral setting of the Climate Convention. Discussions focus on regulatory structures for clean energy development, technical assistance, export credit and related items. Work is underway in this area in connection with the Jiang Zemin state visit later this month. Your advisers recommend that we pursue these dialogues with increased effort in the years ahead.

_____ Pursue bilateral dialogues aggressively

_____ Do not approve

_____ Discuss further

XI. Electricity deregulation

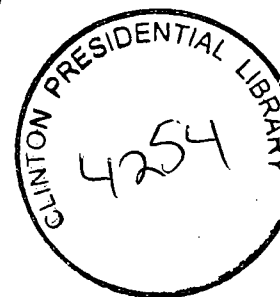
Many participants in the climate change debate have noted that electricity restructuring offers the potential for reduced carbon emissions -- for example, through the increased use of combined heat and power facilities, and through requirements for increased use of non-hydroelectric renewable energy. But the issues involved in electricity restructuring go well beyond their impact on climate change.

[INSERT MORE FOLLOWING WED. PRINCIPALS MEETING]

_____ Approve general support for electricity restructuring

_____ Do not approve

_____ Discuss further



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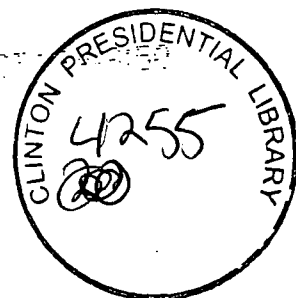
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THE WHITE HOUSE
WASHINGTON

October 18, 1997



MEMORANDUM FOR THE PRESIDENT

FROM:

GENE SPERLING
KATHLEEN McGINTY
DANIEL TARULLO
JIM STEINBERG
TODD STERN

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SUBJECT:

Climate change decision memorandum

This memorandum follows up on our earlier climate change memoranda and meetings with you. It requests specific decisions from you on various elements of our overall climate change policy. We are not looking for final decisions on the precise details of all the elements, but rather for key decisions that could form the basis for a five-point or ten-point plan. Your responses will allow us to put together a climate change policy package that you are scheduled to announce on Wednesday, October 22, while the penultimate negotiations take place in Bonn.

The decisions identified in this memo may be some of the most important and difficult of your Presidency. There does not appear to be any way fully to reconcile four constraints we have previously identified to you -- the environmental imperative, diplomatic realities, economic costs, and political opposition from business, labor and the Hill.

We think it is imperative to think beyond next week's announcement, to the management of this issue for Kyoto and beyond. In the short-term, any decision you make will draw more censure than praise. We can modulate the criticism from different quarters by moving to different points on the policy spectrum, but there is no package that wins universal acclaim. It is important, therefore, to sketch a vision of how your policy will play out in the months and years ahead.

The package we present to you today rests on several premises. First, we understand that you wish to position the United States as a leader on this issue. We present a set of policies that show that the United States is taking this problem seriously and that you are working to build the domestic consensus necessary to address this problem. Second, we recommend that an agreement in Kyoto, while desirable, should not become the measure of success of our policy. The concessions required to reach agreement there could endanger the long-term management of this issue at home. Finally, we believe that our policy can unfold with time. We should advance

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a framework that is sufficiently supple to adjust to political, diplomatic, economic, and scientific developments as they occur.

I. Confirmation of your instructions on several elements

Based on your reactions to our previous memos and our meetings with you, we understand that you support the following items as components of an overall climate change policy. The purpose of this section is to confirm that our understanding is correct.

- **Tax cuts and R&D:** We held a very productive meeting on Thursday with Secretary Rubin, Director Raines, Deputy Secretary Summers, Chair Yellen, and others to discuss the budget and our climate change proposal. The focus of the meeting was how to structure a package of carbon-reducing tax incentives and other programs that would amount to perhaps \$5 billion over 5 years. Given the constraints on discretionary spending, we decided to explore how to move as many of the initiatives as possible on to the tax side. Treasury is working intensively with DOE, EPA, and other agencies on this front. Some of the preliminary ideas include: a tax credit for the purchase of certain highly efficient equipment for buildings; a tax credit for high fuel economy vehicles; a tax credit for photovoltaic rooftop systems; a tax credit for retiring inefficient electric generating capacity; and a tax credit for industrial cogeneration. The specific proposals could be more fully developed, and final decisions about which activities to encourage through spending or which through tax incentives, as part of the budget process. The offsets for the tax cuts could take the form of reducing current tax preferences for fossil fuels; such offsets would ensure that both the tax cuts and their "pay-fors" advance the effort to reduce carbon emissions.

- **Federal energy efficiency:** The federal government spends more than \$7 billion per year on energy. A Federal government energy efficiency initiative is being developed by DOE staff, in conjunction with Defense and other relevant agencies. It would include expanding the use of Energy Savings Performance Contracts, reinventing federal procurement, taking a "sustainable design" approach to federal facilities, and developing more efficient military propulsion systems. The effort would also include a review of existing Executive Orders on purchases, preparation of a new Executive Order to fill any gaps, a directive to federal agencies to prepare greenhouse gas reductions plans and a requirement that all federal agencies assess the greenhouse gas impacts of major federal actions.

- **Industry out-reach:** Although we are committed to a binding, rather than voluntary target, it would still make sense to encourage businesses, on an industry by industry basis, to prepare plans in which they tell us what reductions they believe they could achieve on their own and how they could best achieve them. We would ask each relevant industry to prepare a plan over the next 6-12 months and would work cooperatively with industries where appropriate. (For example, the cement industry claims it could reduce CO₂

emissions by 10 million tons/year -- over 2 percent of the total national reduction needed to reach 1990 levels by 2010 -- with a regulatory change in how the industry is permitted to mix cement. We would work with the industry to facilitate such a change, if it proved to be appropriate.)

- **Credit for early action:** We would declare that it was crucial that there be no discrimination against firms that take early action to reduce emissions (e.g., that any baseline that might be established would be set prior to any early action -- so that they would not suffer from taking early action and then seeing the baseline moved). Furthermore, we would declare that we would strongly favor appropriately rewarding those who promptly take early action. The details of how such an early credit system would operate, however, are complex and can't be fully articulated until the details of an overall permit trading system are worked out. We should state our support for early action and indicate that early actors will be appropriately rewarded.

- **5-year science reviews:** Under the existing climate treaty, the Intergovernmental Panel on Climate Change is charged with reviewing the state of the science every five years. Several corporate and Congressional leaders have suggested supplementing these reviews with additional studies by the National Academy of Sciences or your Committee of Advisors on Science and Technology (PCAST), on a similar 5-year cycle.

- **Emphasize long-term goal of stabilizing concentrations.** The goal of the existing climate treaty is "to stabilize concentrations of greenhouse gases in the atmosphere at levels that avoid dangerous anthropogenic interference with the climate system." However, the Parties to the climate treaty have never defined precisely what levels are dangerous. Your advisers believe the United States should announce support for developing a specific, long-term goal. The U.S. would urge the Intergovernmental Panel on Climate Change, as well as the National Academy of Sciences, to undertake this task.

- **Global Environmental Facility.** The United States is significantly in arrears to the Global Environmental Facility, which assists developing countries in reducing greenhouse gas emissions. (Of the \$430 million pledged for FY93-FY97, we have been able to contribute roughly \$185 million.) These arrears reduce our leverage with developing countries in negotiations under the climate treaty. Your advisers recommend you reemphasize your strong commitment to the Global Environment Facility and support clearing U.S. arrears at the earliest practical date. Funding for the Global Environment Facility should be pursued as a top priority.

- **International Financial Institutions.** We would work with the international financial institutions (e.g., World Bank and IMF) to boost the importance of carbon reduction efforts in the context of both concessional and non-concessional lending decisions. The purpose would be to ensure that the activities of the international financial institutions provide the proper incentives for countries to undertake efforts to address climate

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change.

Bilateral Dialogues. We are pursuing bilateral dialogues with key developing countries (including China, Brazil and India) to promote clean energy. Often, interest in energy efficiency and renewable energy is greater in these settings than in the politicized, multilateral setting of the Climate Convention. Discussions focus on regulatory structures for clean energy development, technical assistance, export credit and related items. Work is underway in this area in connection with the Jiang Zemin state visit later this month. Your advisers recommend that we pursue these dialogues with increased effort in the years ahead.

Transition Assistance. While we should not dwell on transition assistance as a major focus of your plan, you should nonetheless state as one of your principles that we will work cooperatively with labor and Congress to insure that we give proper assistance to any workers who are dislocated by the changes in energy usage inherent in any climate change plan. This both makes sense and is very important to labor.

_____ Approve the above components

_____ Do not approve

_____ Discuss further

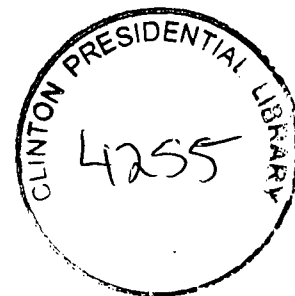
II. Overall policy approach, including targets and timetables

The most difficult decisions you must make involve targets and timetables under the climate treaty, and how explicit to make the protections against excessive economic costs as part of your announcement. You have already heard the pros and cons of different courses of action.

To put the target, timetable, and safety valve discussions in context, it may be helpful to examine the overall vision that we have for your policy package. The sections below then describe possible variations on this basic package.

The plan involves three stages. Only after we had accumulated experience during the first stage (of tax cuts, R&D, and industry out-reach) and accumulated more experience during the second stage (of a trial trading program), would we enter the period under which we would be bound by the international treaty to reaching 1990 levels. Possible budget periods are explored below.

Our approach recognizes the novelty of the task that we are undertaking, and the uncertainty surrounding its potential impact, by creating regular reviews of how effectively the economy was responding to the carbon emissions reduction effort, and how effectively other



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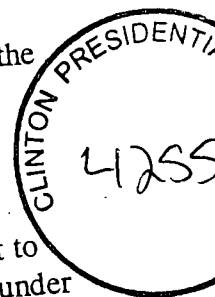
countries were responding. Such a review would include the impact of the effort on overall energy prices, an analysis of how technology was developing to meet the need for low-cost carbon reductions, an evaluation of progress toward an international permit trading regime, an assessment of the Federal government's own efforts to conserve energy, an evaluation of the efforts undertaken by other countries to meet their targets, and a recommendation on how best to proceed. The review could be conducted every four years, starting with one in 2004 and another in 2008.

In addition to these regular reviews, the basic vision involves three stages:

- **Beginning as soon as possible: Tax cuts, R&D, and industry outreach.** Before 2005, we would start with the policies that we have outlined above: tax cuts, R&D, federal energy efficiency, industry out-reach, and a commitment to rewarding early action.
- **2005-2008 or 2005-2010: Trial emissions trading program.** The emissions trading system would start in 2005, as a trial project that would allow us to learn how the system operates before entering the period in which our binding international obligations would hold. Gene would prefer that we include an explicit ceiling in this period, to ensure that the permit price does not rise above \$25 per ton. Katie opposes naming a specific ceiling price. This issue is explored in more detail below.
- **2008-2014 or 2010-2015: Return to 1990 emissions levels.** Only after we had accumulated experience during the first stage (of tax cuts, R&D, and industry outreach) and accumulated more experience during the second stage (of a trial trading program), would we enter the period under which we would be bound by the international treaty to reaching 1990 levels. Possible budget periods are explored below. We would also commit to further reductions, to levels below 1990, after the end of the first budget period.

This structure is designed to phase-in implementation of the program, thereby minimizing costs. We thus start with two periods -- amounting to a decade's worth of experience -- in which the pain is relatively low, and the economy has a chance to adapt to some of the new constraints being imposed on it. Only after reviewing our experience under these two periods would we determine precisely how we would make adjustments in the binding international period.

But it is crucial to recognize that even with this strategy, we are still very exposed to attacks about the credibility of our plan or the potential costs involved in meeting the target and timetable. The vast majority of outside, credible *economists* will predict that reaching 1990 levels by the 2010 or 2015 timeframe will involve significant economic costs -- making it awkward for top Administration economists to simultaneously argue that we will meet our target and avoid significant economic costs. Other experts, such as those who look at the unused technological potential in many sectors, will be prepared to support these claims. We



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will be forced to face very difficult questions about whether we are willing to accept the costs that most credible outside analysts believe will be necessary to reduce emissions to 1990 levels by the 2010 or 2015 timeframe. But if we try to protect ourselves against such attacks, we will expose ourselves to attacks that the target is not truly binding. Gene's view is that our best hope is to argue that future Congresses and Presidents will decide how best to proceed at the relevant point (see further discussion below).

At the same time, we will also face strong attacks from the environmental and international community on the ground that our target and timetable are too weak. Two weeks ago, Japan proposed 0-5 percent reductions from 1990 levels by 2008-2012, and was harshly criticized. The vast majority of the environmental community expressed outrage when press reports indicated that you were not even considering reductions below 1990 levels in the 2010 timeframe.

Within this overall framework, there are several possible variations:

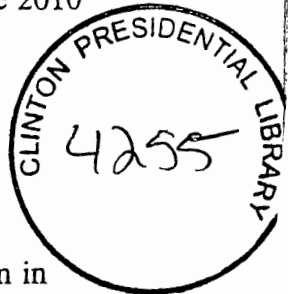
A. Trial emissions trading program (2005-2008 or 2005-2010)

The framework delineated above would start a domestic emissions trading system in 2005. The first few years of the system -- before any internationally binding obligation would take hold -- would involve a relatively mild constraint (i.e., only a small reduction off the business-as-usual emissions path).

The benefit of an early start is that it allows time for the system to become operational in the run-up to the internationally binding goal, and begins to deflect emissions from the business-as-usual path. The cost is that in order to affect emissions, it moves forward the time at which energy prices will rise from their business-as-usual path.

Gene would prefer to impose a ceiling price on the permit system during this trial period, to ensure that the constraint was mild. The principal benefits of this specificity are that it builds credibility and provides a way to beat back the \$200 per ton (50 cents per gallon) attack. In response to such attacks, we could argue that the price increase would be limited until after the trial budget period (at least 2008) and, that after that date, we would not expect a future President or Congress to impose excessive costs on the economy. To environmental groups, we would argue that the \$25 ceiling applies only to the trial trading period, before the first internationally binding period.

Katie opposes naming a ceiling price. The cost of the \$25 ceiling approach is that it gives opponents a specific, Administration-approved figure to attack. Specifying the ceiling price for the trial period allows opponents to attack on that basis (\$25 per ton of carbon translates into approximately almost \$40 billion per year), and these figures would continue to be identified with the Administration's climate change program even if there is no agreement in Kyoto. We could argue that the figures would explicitly be a *ceiling* and that the prices

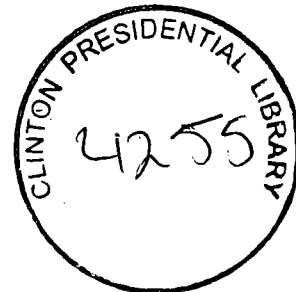


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could be lower. A specific price would also be opposed by some in the moderate business community at least in part because they think such a price would interfere with their ability to do lucrative joint implementation projects in developing countries. Some in the business community are already arguing that any price of this kind would, whether correctly or not, be perceived as a *floor*.

During the last several days, opposition to a trial program has begun to emerge from utilities and others. We are consulting and will pass along further information as soon as we receive it.

- _____ Approve starting the permit system in 2005
- _____ With \$25 ceiling on permit price
- _____ Without specific ceiling on permit price
- _____ Do not approve
- _____ Discuss further



B. Targets and timetables under the climate treaty

It is vital to keep in mind that we should discuss targets and timetables as only one part of a three-piece international agreement that must also include provisions for international emissions trading and joint implementation, as well as clear obligations for developing countries. Arguing for this three-part framework allows you to take the high ground by calling for a truly global approach to the problem.

The integrity of this framework is also critical to the economic and political defense of our position. For one, the flexibility for low-cost reductions that trading and JI afford is key to our ability to defend as achievable any target that seeks to reduce emissions to 1990 levels in the 2010 timeframe. As for developing countries, insisting on their meaningful participation deflects the criticism that U.S. competitiveness is at risk and also makes the strong environmental point that the problem cannot be solved without all major greenhouse gas emitters doing their fair share.

The targets and timetables will inevitably remain the focus of enormous attention at home and abroad. Constituencies and other countries will pay more attention to this piece of our policy package than to any other. Based on our meeting with you, we understand that you would like to support a position within the current international mainstream, that you are inclined toward a first target of 1990 levels by roughly 2010 or 2015, and that you would support additional reductions in roughly the 2020 or 2025 timeframe. Based on this understanding, we suggest two possible approaches. (There are, of course, many variations that would accomplish similar goals.) Both

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approaches reflect the U.S. position in support of multi-year targets, intended to smooth out annual variations in emissions caused by weather, business cycle, and other factors.

- 1990 levels by 2008-2014; reductions below 1990 levels in the next budget period
- 1990 levels by 2010-2015; reductions below 1990 levels in the next budget period

The basic dynamic is that an earlier timetable would please the environmental and international communities more, while a more gradual timetable would be less opposed by business and labor. Neither of these approaches is likely to win actual praise from the environmental groups or your negotiating partners.

Internationally, the EU and much of the rest of the world will criticize either of these options, since neither calls for reductions below 1990 in the first budget period. (The Japanese were criticized for their plan by much of the international community; we could expect even stronger criticism.) 2008-2014 would be received better than 2010-2015. Similarly, environmentalists will be very disappointed by the absence of reductions below 1990 in the first budget. The commitment to reductions below 1990 levels during the second budget period could help somewhat.

Most business and labor will not be happy with either of these options. The hard-core business opposition will attack either of them with great vigor, but more moderate companies and utilities, of the kind you hosted in the Cabinet Room in August, would feel much better about a more gradual approach (e.g., 2010-2020), but could probably live with 2010-2015 -- if we made clear that we were insisting on a full international package as part of the deal: joint implementation, international trading and developing country participation. The AFL-CIO has argued for a 2020 timetable.

Some of your advisers -- including Gene, Dan, and Todd -- would prefer to see a target and timetable more in the 2015 or 2020 range, and the economic agencies would prefer something beyond that. Others -- including Katie, Jim Steinberg, Jack Gibbons and Madeleine Albright -- are inclined toward an earlier target, closer to the 2010 timeframe. It is our understanding that you would prefer something closer to 2010. We have therefore presented two options in that range. Not surprisingly, those who favor something in the 2015-2020 range or beyond would prefer the option below that is less stringent.

Over the weekend, Katie has been engaged in intensive efforts to shape a coalition of business and environmental concerns that might stand up to support your policy next week. Key players are BP, several utilities, and the Environmental Defense Fund. The key components of a policy that might win support from these groups and companies appears to be: (1) 1990 levels by 2008-2014; 1990 levels minus 5 percent by 2015-2021; (2) strong commitment to credits for early action (i.e., before 2008); (3) strong support for existing elements of the U.S. position (flexibility in meeting targets and participation of developing countries), (4) no "safety valve" or

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"escape clause", and (5) no trial permit period as above. At this writing, the results are uncertain. We will keep you closely apprised.

Gene notes that while initial validation is important, we must carefully weigh any possible benefits from policy changes intended to capture initial validation against possible cons from those changes if they might expose us to attacks in a larger political arena.

_____ 1990 levels by 2008-2014; reductions below 1990 levels in the next budget period

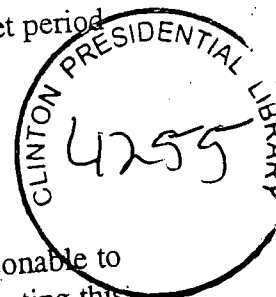
_____ 1990 levels by 2010-2015; reductions below 1990 levels in the next budget period

_____ Discuss further

C. Protecting against excessive costs during the international target period

At a minimum, we would announce a general principle that it would be unreasonable to expect you or any future President to impose excessive costs on the economy in implementing this program. The question is whether we go beyond a statement of principle, by announcing some mechanism for protecting the economy against significant damage. *The fundamental tension involved is how to balance the need for protection against charges of high economic costs against the "binding" nature of the international target.* The statement of principle provides the least protection against charges of high economic costs, and the most protection against charges that the target is not binding. In addition to that approach, there are three different visions that build upon a simple statement of principle to provide somewhat more protection against the economic damages argument; the visions vary in trading off protection against charges of substantial costs versus protection against charges that the obligation is not truly binding. You should also keep in mind how any of these approaches influence the effectiveness of your economic team in advocating our policy package.

- Announcing support for a ceiling price in the internationally binding period (e.g., 2008-2014 or 2010-2015). The ceiling price could be defined now or decided in the future following consultation with Congress and other interested parties.
- Announce support for a discretionary safety valve, which would be invoked if costs are judged to be excessive or other countries were not meeting their obligations. This discretionary safety valve would not explicitly specify the criteria (e.g., permit price, GDP growth, unemployment, international trade in permits, other countries' performance, etc.) that would be used in evaluating the costs of the program.
- Announce support for having the Congress and the President review the program immediately before the binding international period, and decide how to proceed at that point. This approach reflects the reality that future Congresses will always have the option to protect the economy or undertake more environmental action -- and thus recognizes that



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decisions about whether the United States was willing to bear the costs that could be necessary to meet the target and timetable goal will have to be made at that time.

Approach 1: Ceiling price in internationally binding period

The first approach would involve a statement to the effect that even during the internationally binding period (2008-2014, or 2010-2015), the government would stand ready to sell additional permits at some price, which could be specified now or set after appropriate consultation with Congress and other interested parties. Such a ceiling price would provide the most protection against charges that the costs involved would be excessive, but it would also provide the most ammunition for those who want to charge that the target is not truly binding.

This idea has emerged in the public dialogue on this issue very recently. Last week, due in part to a general discussion of this issue at the White House conference, there was a flood of constituency interest. Environmental groups wrote criticizing the idea in very strong terms. Several corporate leaders (including Tom Casten of Trigen, BP, and several leading utilities) voiced *opposition*. On the other hand, Gene and others believe that it is reasonable to surmise that as many business groups evaluate a specific safety valve proposal, they will be supportive to the extent that such a proposal caps overall costs.

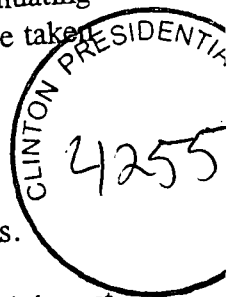
Approach 2: Discretionary approach which would be invoked if costs are judged to be excessive or other countries are not performing

This discretionary safety valve would not explicitly specify the criteria (e.g., permit price, GDP growth, unemployment, international trade in permits, etc.) that would be used in evaluating the costs of the program. Instead, we would announce now that protective steps would be taken under either of two conditions:

- First, if the effort were imposing substantial economic damage on the country.
- Second, if some percentage of other countries were not meeting their obligations.

The principal benefit of this approach is that it would allow us to fend off the high cost estimates of our opponents, without creating a specific Administration figure to attack. In a related vein, this approach frustrates efforts to plug official Administration figures into conventional economic models, in an attempt to show that our policies are unlikely to achieve their objectives. It also offers the most protection against the concern that non-market mandates will be used to fill the gap between a specific ceiling price and the target and timetable.

On the other hand, it could allow all sides to assume the worst: Corporate groups would worry that the safety valve would never be triggered, and environmental groups (which strongly dislike the idea to begin with) would worry that it would be triggered too easily. We are also likely to be faced with a barrage of questions, from those armed with credible outside analysis,



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about how we expect to meet the target for a price that was not "excessive." We could be forced into reacting to specific model results -- and thus quickly pressed into specifying the precise conditions under which the safety valve would be used. For example, we would likely face questions such as: "Is a \$100 increase in carbon prices 'excessive'?" If we responded that \$100 was excessive, we could soon fall into the trap of defining the boundary of "excessive."

Approach 3: Announce support for having the Congress and the President review the program immediately before the binding international period

This approach reflects the reality that future Congresses will always have the option to protect the economy -- and thus recognizes that decisions about whether the United States was willing to bear the costs that could be necessary to meet the target and timetable goal will have to be made at that time.

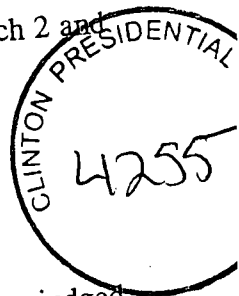
The benefit of this approach is that it provides some protection against the likely attacks, but still allows us to underscore our commitment to the target. But we could be criticized for avoiding the difficult choices involved, and it could allow all sides to assume the worst: Corporate groups that we had committed to the target and timetable, and that the momentum behind the internationally binding treaty would allow environmentalists to win the debate in a decade; and environmental groups that we were not truly binding the country now.

Katie supports announcing a general principle. Larry Summers supports approach 2 and Gene and Todd support approach 3.

- _____ Announce general principle
- _____ Approach 1: Ceiling price in internationally binding period
- _____ Approach 2: Discretionary approach which would be invoked if costs are judged to be excessive or other countries were not performing
- _____ Approach 3: Announce support for having the Congress and the President review the program immediately before the binding international period
- _____ Discuss further

How to define the safety valve

Another question that you had about the safety valve was whether it could be triggered if the economic performance suffered because of the carbon emissions reduction effort. In response to this question, NEC staff have worked with Treasury and CEA to explore different possibilities. They have concluded that it is not technically possible to construct a credible safety valve that triggers



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only if the carbon emissions reductions adversely affect economic growth: the baseline issues are simply too complicated. For example, suppose that such a policy reduces GDP growth by 0.25 percentage points in each year. If the economy is otherwise booming, so that growth in the absence of this policy would have been 3.5 percent, then the result of the policy will still be a 3.25 percent growth rate. Given the enormous uncertainties, even after the fact, regarding the effects of environmental regulation on the economy, CEA and Treasury believe that it would be impossible to separate out the role of climate change policies on the economy's growth rate with any degree of confidence.

Including a safety valve in the climate treaty

A final question is whether to reflect a safety valve in the climate treaty. Any attempt to do so would meet with fierce resistance and charges that the United States was backtracking from its call for "binding commitments." But if we fail to seek a safety valve under the treaty, there is a risk that our domestic mechanism would put us out of compliance with our international obligations -- thus causing business leaders to fear that we would not invoke our safety valve if necessary.

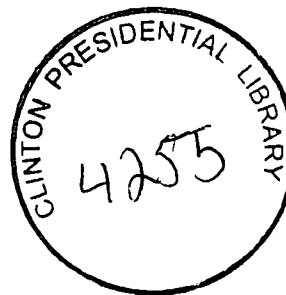
Gene, Katie, Dan, Jim, and Todd do not recommend seeking a safety valve under the treaty. The costs of doing so would be high and the need is unclear. In the event a domestic safety valve appears likely to cause the United States to exceed emissions limits under the treaty, the United States could adjust domestic programs, renegotiate the treaty or accept the treaty's non-compliance provisions (which are unlikely to be severe).

- ☐ Negotiate a safety valve under the climate treaty
- ☐ Do not negotiate a safety valve under the climate treaty
- ☐ Discuss further

III. Grandfathering and auctioning

Another issue related to a permit system, and one we touched upon in our meeting, is whether the permits should be auctioned or grandfathered. Your advisers suggest that we not declare at this point our position on auctioning or grandfathering. Announcing either approach could entail considerable costs, and there is little to be gained from taking a position at this time. We would state that the structure of the domestic emissions trading program is important, and that we will work with Congress and other interested parties as we developed our domestic implementing legislation.

- ☐ Agree: announce that we will develop approach in consultation with key constituencies.
- ☐ Discuss further

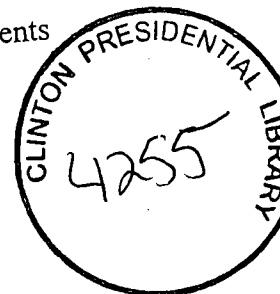


IV. Developing country stance

As we have noted before, your advisers favor a tougher line on developing countries than we have taken to date. In particular, your advisers favor a linkage between the United States' willingness to make commitments and the willingness of key developing countries to do the same. Under the "two-step" approach, we would make a strong statement that the United States would not assume binding obligations under the climate treaty until key developing countries assume adequate obligations in terms of their commitments. This linkage with developing country commitments might be reflected in a "Kyoto Mandate," establishing a new round of negotiations under the treaty.

The position recommended by your advisers on this issue could very well endanger an agreement being signed this December in Kyoto. Even the current U.S. position on developing countries, which seeks additional commitments but does not draw this linkage, has won little if any support abroad. State Department negotiators believe that developing countries are unlikely to agree to a "Kyoto Mandate," and that the odds of such a mandate are close to zero unless the United States accepts targets with *reductions* below 1990 levels in roughly the 2010 timeframe.

- ☐ Approve linkage of U.S. commitments to developing country commitments
- ☐ Do not approve linkage
- ☐ Discuss further



V. Electricity restructuring

We have held two NEC principals meetings on electricity restructuring. Our recommendation is that one of the elements of your climate change proposal should be the announcement of support for electricity restructuring, which if properly structured, could reduce carbon emissions. It is the unanimous opinion of your advisers, however, that it would not make sense to announce your entire restructuring package in the context of climate change -- because it would be drowned out by other aspects of the package, because the Hill is consumed with Fast Track, and because we have not worked out all the details of our proposal.

One remaining issue is whether you would announce some specific examples of restructuring provisions in your climate speech. There is internal consensus in support of several provisions that could help reduce emissions, such as a "renewables portfolio standard" to promote wind, solar, geothermal and biomass and "green labeling" to provide consumers with the information to evaluate the environmental consequences of various sources of electricity. The principal benefit of mentioning these specific examples is that it provides more connection to the climate change issue. However, outsiders following the electricity restructuring issue may wonder why other environmental provisions were *not* mentioned. We are working to resolve this issue.

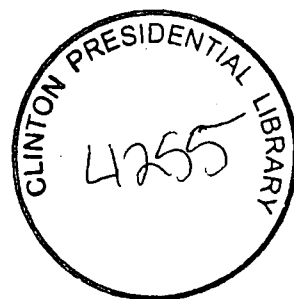
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- _____ Approve statement of environmentally-friendly program for electricity restructuring
- _____ Do not approve
- _____ Discuss further

VI. National Security Exemption

You should be aware that the Defense Department is seeking a "national security exemption" under the climate treaty. The Pentagon puts a high priority on this issue, due to concerns that fuel reduction requirements could hamper military operations. The issue has attracted attention on the Hill.

There is consensus among your advisers that some form of "national security exemption" is warranted. However, there may be disagreement concerning the scope of the exemption. We are working to clarify issues and resolve differences, and expect to provide additional information on this issue early next week.



Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	Michael Waldman to Lowell Weiss, re: afcio (1 page)	09/23/97	P5
002. memo	Gene Sperling to President Clinton, re: Low-Wage Workers (4 pages)	09/12/97	P5 4256

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COLLECTION:

Clinton Presidential Records
Speechwriting
Lowell Weiss
OA/Box Number: 17192

FOLDER TITLE:

AFL-CIO [1]

Whitney Ross
2006-0470-F
wr571

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

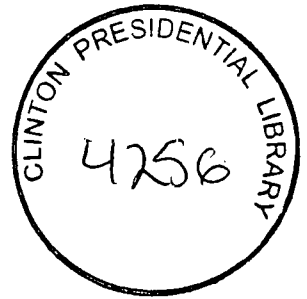
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

COPY

September 12, 1997



MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

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SUBJECT: Low-Wage Workers

There is no doubt that low-wage Americans suffer disproportionately from economic change. There is also no doubt that serious challenges still remain for them. Overall, though, low-wage workers have benefitted enormously under your economic strategy, which has included reducing the deficit, investing in the people, *and opening markets*. The facts and statistics below outline the positive impact your economic-growth strategy has had for low-wage workers and the challenges that still remain.

In talking about this to our supporters, I recommend that you (1) give people the impressive statistics, while recognizing the magnitude of the remaining problems; (2) remind supporters that the policies they supported and fought for (e.g., 1993 economic plan, EITC, minimum wage, education funding) are partly responsible for these improvements and they should be proud of their efforts; and (3) that we are not satisfied and we believe that there is still a lot of work to be done.

OVERALL:

- **Family Income Up 10 Percent -- \$1,000 -- In Last 2 Years For Poorest 20%!** Since the 1993 Economic Plan passed, the real average income of the poorest 20 percent of families has increased \$994 -- or 9.7 percent -- from \$10,275 in 1993 to \$11,271 in 1995. Over the same time period, the incomes of wealthy American households -- the top 20 percent -- increased 2.0 percent, from \$117,086 in 1993 to \$119,453 in 1995.
- **The Largest Decline In Income Inequality In 27 Years!** In 1995, household income inequality fell, as every income group -- from the poorest to the most well-off -- experienced a real increase in their income for the second straight year. One measure of inequality -- the Gini coefficient -- dropped more in 1995 than in any year since 1968.
- **The Number Of People In Poverty Fell By 1.6 Million -- Largest Drop In 27 Years.** The number of people in poverty dropped 1.6 million, from 38.06 million in 1994 to 36.43 million in 1995 -- that's the largest one-year decline since 1968.
- **Poverty Rate Fell To 13.8 Percent -- Biggest Drop In Over A Decade.** In 1995, the poverty rate dropped from 14.5 percent in 1994 to 13.8 percent -- that's the largest one-year fall in the poverty rate since 1984. Since President Clinton's Economic Plan was signed into law, the poverty rate has declined from 15.1 percent in 1993 to 13.8 percent last year -- that's the biggest two-year drop in the poverty rate since 1973.

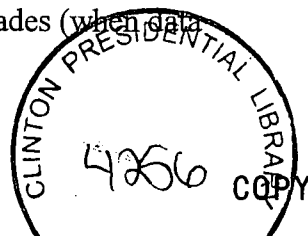
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BY RACE:

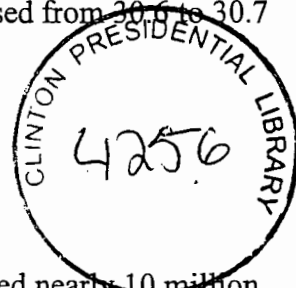
These statistics show clearly that African-Americans have benefitted from the recent economic growth. However, the African-American poverty and unemployment rates remain far above that for all workers. And while the increase in African-American median family income has out paced the rise for all families, African-American median family income level is still just 64 percent of overall median income. For Hispanics, the current prosperity has provided both good and bad news. The good news is that Hispanic unemployment and poverty have fallen. The bad news is that Hispanic median family income has declined too.

- **The African-American Poverty Rate Dropped To It Lowest Level On Record.** In 1995, the African-American poverty rate declined from 30.6 percent to 29.3 percent -- that's the first time it dropped below 30 percent and its lowest level since data were first collected in 1959. However, the African-American is still more than twice the overall poverty rate of 13.8 percent.
- **A Higher Share of African-Americans Are Working Today Than Any Time In History.** A larger percentage of African-Americans are now employed -- 59.6 percent -- than at any time in history.
- **Under President Clinton, The Typical African-American Family's Income Is Up \$3,000.** Since 1992, the median income of African-American families has increased from \$22,923 to \$25,970 -- that means their income was \$3,047 higher in 1995 than the year before President Clinton took office. This compares to a \$1,631 increase for *all* families. However, the African-American median family income is still 64 percent of the median income for all families, which was \$40,611 in 1995.
- **Lowest African-American Unemployment Rate in 24 Years.** The unemployment rate for African Americans has dropped from 14.1 percent in January 1993 to 9.3 percent today -- that's the lowest the African-American unemployment rate has been in 24 years. The African-American unemployment rate, though, still remains at nearly twice the overall rate of 4.9 percent.
- **African-American Teen Unemployment Rate Is Down.** In January 1993, the African-American teenage unemployment rate was 37.0 percent. Today, it is down to 29.4 percent. But this is still significantly higher than the current overall teen unemployment rate of 16.4 percent.
- **Home Mortgage Lending and African-American Homeownership Have Increased.** Since 1993, home-mortgage lending to African-Americans has increased by 70%. And the homeownership rate for African-Americans has increased from 42.6 percent in 1992 to 44.9 percent in the second quarter of 1996. This is significantly below the overall homeownership rate of 65.7 percent.
- **Highest Share of Hispanics Working In Two Decades.** The share of the Hispanic population working as high today -- 63.3 percent -- as any other month in the last two decades (when data were first collected).



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- **Lowest Hispanic Unemployment Rate in 8 Years.** The unemployment rate for Hispanics has dropped from 11.3 percent in January 1993 to 7.2 percent today -- that's the lowest it's been since 1989. The Hispanic unemployment rate is still nearly 50 percent higher than the overall unemployment rate.
- **Income DOWN for Hispanic Families.** The median family income for Hispanics fell from \$25,007 in 1994 to \$24,570 in 1995. This fall follows a slight increase in median Hispanic family income between 1993 and 1994 (from \$24,947 to \$25,007).
- **Poverty Down for Hispanics.** In 1995, the Hispanic poverty rate fell slightly from 30.7 percent to 30.3 percent. NOTE: In 1994, the Hispanic poverty rate increased from 30.6 to 30.7 percent.



PROGRAMS:

- **Minimum-Wage Increase.** The minimum wage increase directly benefited nearly 10 million workers. For someone working full-time at the old minimum wage of \$4.25, the 90-cent an hour increase means an additional \$1,800 per year. The increase directly benefitted 1.3 million African-American workers.
- **Increased Earned Income Tax Credit.** The expanded Earned Income Tax Credit provided tax relief for 15 million working families -- the average family with two kids who received the EITC got a tax cut of \$1,026. *In 1995, the EITC lifted over 810,000 African Americans, including almost 450,000 African American children, out of poverty.*
- **AmeriCorps College Support.** The AmeriCorps program has enabled 70,000 volunteers to earn money for college by serving their communities and their country, with African Americans comprising *one-third of all participants*.
- **Increased WIC Nearly \$1 Billion.** President Clinton increased funding for WIC -- which provides nutrition packages, nutrition education and health referrals to low-income pregnant women, infants, and children -- by nearly \$1 billion or 34% to \$3.83 billion in FY97. The program's participation has expanded by 1.7 million since 1993, from 5.7 to 7.4 million women, infants, and children.
- **Expanded Head Start -- \$1 Billion Higher Each Year.** President Clinton has increased funding for Head Start by 43%, from \$2.8 billion in FY93 to \$4.0 billion in FY97. He also created the Early Head Start program in 1994 to support zero-3 year olds and their families. And the Balanced Budget agreement increases funding so that 1 million kids will be enrolled in 2002.
- **Doubled Dislocated Worker Funding.** The funding for dislocated workers has been doubled, from \$651 million in FY93 to \$1,286 million in FY97. This year, the dislocated worker program will assist 580,000 workers, up about 300,000 since President Clinton took office.

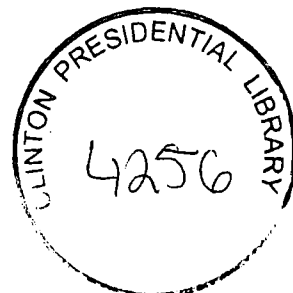
- **Largest Pell Grant Increase in Two Decades.** The Balanced Budget agreement boosts the maximum 1998 Pell grant from \$2,700 to \$3,000, and expands the program to more poor independent students -- that's the largest increase in two decades.
- **Fought for Child Tax Credit That Benefitted Low-Wage Workers.** When congressional Republicans tried to deny the child tax credit to as many as 7.5 million* children from families with incomes below \$30,000, President Clinton fought to ensure that they benefitted. *Comparison to House passed bill; vs. Senate bill: 5.9 million.

EXAMPLES OF HOW HYPOTHETICAL LOW-INCOME FAMILIES ARE BETTER OFF SINCE 1993:

- **Mother With Two Kids -- \$3,094 Better Off.** A mother with two kids earning the minimum wage. This family would have benefitted from both the increased minimum wage and the expanded Earned Income Tax Credit. The increased minimum wage the President fought for will raise the mother's earnings by \$1,800 per year, while the expanded EITC provides a \$1,294 larger tax credit than the family would have received under previous law. Thus, this family is \$3,094 better off today than they would have been without President Clinton's economic strategy.
- **Rookie Police Officer With Two Kids -- \$3,119 Better Off.** A family of four with two children; the father is a rookie police officer making \$23,000, and the mother has chosen to stay at home. Both congressional bills would have denied this family, and millions of others, the child tax credit. Under tax bill signed into law, this family will receive a child tax credit of \$675. Income for families such as this one have experienced a \$1,286 increase in their family income, adjusted for inflation, since 1993. In 1992, this family would have not qualified for the Earned Income Tax Credit. In 1996 -- as a result of the expansion signed into law by President Clinton -- this family received an EITC of \$1,158. In total, therefore, this hypothetical family is approximately \$3,119 better off now than when President Clinton took office.

cc: Sylvia Mathews
Michael Waldman
Terry Edmonds

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Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	Elliot Diringer to Lowell Weiss, re: deliverables (1 page)	6/10/1998	P5
002. memo	Kathleen McGinty to President Clinton, re: Outer Continental Shelf Oil & Natural Gas Leasing Moratorium (9 pages)	6/5/1998	P5 4360

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FOLDER TITLE:

Policy [National Ocean Conference 6/12/1998]

Whitney Ross
2006-0470-F
wr646

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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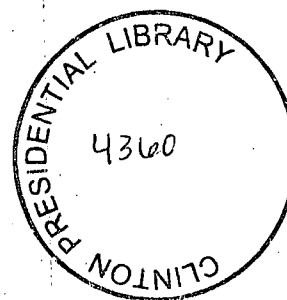
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

June 5, 1998



MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. MCGINTY

SUBJECT: OUTER CONTINENTAL SHELF OIL & NATURAL GAS LEASING
MORATORIUM

Purpose

In preparation for the Oceans Conference that you and the Vice President will attend late next week, we have reviewed the status of oil and natural gas leasing on the outer continental shelf (OCS) to consider whether any additional action is necessary. This memorandum sets out the current status of the issue as well as four possible options for the future.

Background

A significant portion of the federal waters are currently off limits to offshore oil and natural gas activity through the combination of a directive by President Bush, annual congressional enactments, and the Department of the Interior's five year plan. This combination of actions protects all of the affected areas through 2002. President Bush's directive, which expires in 2000, withdrew all lands not under lease in 1990 off the North Atlantic, California, Washington, Oregon, and southwest Florida coasts. Various annual congressional moratoria beginning in 1982 have placed off limits additional areas, including New England, the Mid-Atlantic states, and southern Alaska (North Aleutian Basin). The Department of the Interior's five-year leasing program, effective from 1997-2002, prohibits leasing in all areas covered by the Bush Directive and congressional moratoria.

Today, the majority of new offshore leasing activity and production occurs in the Central and Western Gulf of Mexico. There also are existing leases off Alaska, and in the Atlantic and the eastern Gulf of Mexico, but no production at the current time. Bonuses, royalties and rent payments to the Treasury from these leases totaled \$5 billion in FY 97, some of which was directed to the Land and Water Conservation and Historic Preservation Funds. All of the Administration's budget submissions have assumed continuation of the moratoria, as have budget receipt

estimates through 2008. Extension of the moratoria beyond 2002 will not impact existing Administration budget planning.

Federal offshore production currently accounts for 20% of domestic oil production and 27% of domestic natural gas production. The Department of the Interior's Minerals Management Service estimates mean undiscovered resources in the OCS to be 45.6 billion barrels of oil and 268 trillion

cubic feet of gas, although not all of this is believed to be economically recoverable at current prices. The relevant goals of the Comprehensive National Energy Strategy recently issued by the Department of Energy call for reversing the decline in domestic oil production by 2005, and for an increase of six trillion cubic feet of domestic natural gas production by 2010.

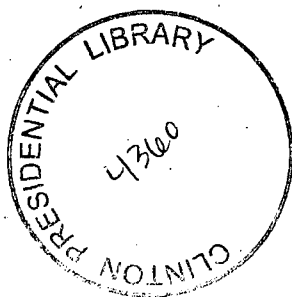
Options

Options for action, set out in more detail below, range from continuing to address this issue through the Department of Interior's five year planning processes to extending the moratorium for an additional period of time and withdrawing particularly sensitive areas permanently. You have broad discretion under section 12 of the Outer Continental Shelf Lands Act to "... from time to time, withdraw from disposition any of the unleased lands of the Outer Continental Shelf." Such a withdrawal is a standing directive until reversed by the President or overturned by Congress. You do not have the authority to withdraw areas currently under lease. None of the agencies or policy advisors would recommend extending the moratorium to areas not currently under moratorium.

(1) Continue Department of the Interior Planning and Efforts to Build Consensus

Under this option, consensus building efforts would continue, and existing moratoria would continue to apply. The Department of the Interior's management plan would protect areas currently withdrawn through 2002. Administration policy in this area has included a commitment to resolving conflicts, building consensus as to where new leasing and development should proceed, and making decisions based on sound science and environmental protection. The current 5-Year OCS Oil and Gas Leasing Program for years 1997 through 2002 is a reflection of that approach. Under this option, that planning process would continue and the development of the 2002-2007 plan would begin next year in accordance with those principles.

Pros:

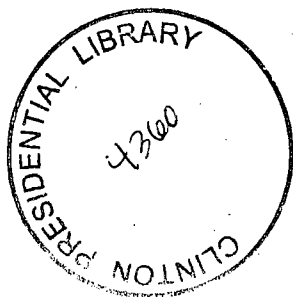


- Continues a consensus-based approach to oil and gas development that does not preclude providing access to offshore areas when justified by good science and environmental protection.
 - Lays the foundation for protecting state and environmental concerns without precluding potentially substantial additional energy and economic benefits from the OCS.
 - Will be viewed by the oil industry as pursuing a non-partisan, science-based, balanced approach to OCS development rather than a return to what they viewed as an ad hoc moratorium process in the 1980s and early 1990s.
 - Supports the goals of the Comprehensive National Energy Strategy
- Cons:
- Many environmental and state and local interests believe that offshore drilling is inappropriate in many areas, and will criticize the status quo as inadequately protective of the environment.
 - Concerns will be raised that future Administrations will not continue the consensus based approach we've taken, and could open areas for leasing regardless of stakeholder views.

(2) Appoint a Presidential Commission to Investigate Need for
Modifications to the
Status Quo

Under this option, a Presidential Commission would be appointed to review existing scientific information and advise the President on future actions with respect to OCS leasing, including the need for permanent withdrawal of particular areas and any need for additional research. The status quo would continue in accordance with the Department's five year plan through 2002, and could be reinforced by a Presidential directive under Section 12.

OCS oil and gas activity in Federal waters has been underway for over 50 years. A great deal of scientific information has been gathered, but there never has been a comprehensive review on the issue of whether certain areas should be permanently off limits to oil and gas drilling from an environmental standpoint. A commission report could provide significant additional scientific support for future action.



Pros:

- Reinforces a process based on sound science for making these decisions, and establishes a process for resolving future issues quickly.
- Provides a clear recognition that there may be some OCS areas that may require permanent protection from offshore oil and gas activity.

Cons:

- Some environmental and state and local interests believe that additional information is unnecessary, and that more immediate and permanent action is warranted. They will criticize this as unnecessary delay.
- Issues to be addressed are not easy. Any advisory group may have trouble reaching consensus or providing unequivocal recommendations, or may provide advice ultimately inconsistent with the expertise and policy judgement of the Administration.

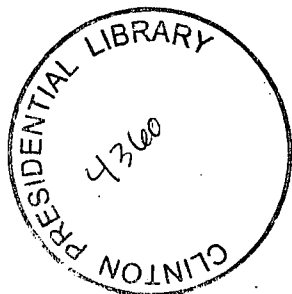
(3)

Extend Existing Moratoria for Either Five or Ten Years

Under this option, the President would issue a Directive under Section 12 of the OCS Lands Act extending the moratoria in all areas currently withdrawn for either an additional five or ten years beyond the protection provided by DOI's five year leasing plan, through either 2007 or 2012. Any such directive should include an exception for national security purposes, as the Bush Directive did.

Pros:

- Extends the current patchwork of protections in a unified way for an additional period for all protected areas.
- Maintains the current levels of protection while allowing for continued research and informed dialogue on how best to resolve issues in the future.
- Provides a greater degree of protection to those areas where there is apprehension about offshore oil and gas activity without permanently foreclosing promising oil and gas resources.
- A five year extension is more consistent with the current



Administration practice and planning process; a ten year extension is a bolder step still consistent with the planning approach while responsive to claims that significant and possibly permanent protection is warranted.

Pegging the extension to the Department's planning period as opposed to the expiration of the Bush moratorium in 2000 is most consistent with the Administration's planning process, and emphasizes that the current most comprehensive protection is provided by this Administration's action, and not by the Bush directive.

Cons:

Industry and certain members of Congress will criticize the Administration for putting areas off limits for additional periods of time without any new scientific basis, arguing that it is arbitrary and inconsistent with the Administration's five year planning process.

Risks press criticism as a political, as opposed to substantive, act similar to the Bush Directive on the eve of the 1990 election.

Those who believe permanent protection is warranted will argue that this does not go far enough. Those same stakeholders will argue that a five year extension is not bold enough, and that President Bush imposed a ten year moratorium and we should do no less.

(4) Extend All Existing Moratoria for Either Five or Ten Years and Withdraw Certain Sensitive Areas Permanently

Under this option, the President would issue a directive under Section 12 extending the time period of all current moratoria as discussed above; and would also withdraw particularly sensitive areas permanently. Alternatively, the directive could simply issue the permanent withdrawal for selected areas and retain the status quo on the remainder of the moratoria, leaving them in place through 2002.

While some have suggested that all existing moratoria should be made permanent, it is hard to square this with the science and locality based reviews that have been Administration policy to date, or with the Administration's Comprehensive National Energy Strategy. However, it is possible to distinguish particular areas in which it is clear based on



existing scientific information that oil and gas activity is incompatible with environmental values.

Absent any specific scientific review dedicated to this issue, the choice of such areas could be controversial, with areas not selected arguing that they should have been included. This is avoided by limiting the permanent withdrawal to the federal waters not currently under lease within the existing marine sanctuaries. (Some sanctuaries include state-owned waters not subject to your withdrawal authority). These areas were specifically created to protect distinctive natural and cultural resources in the marine environment. They include the Florida Keys, Monterey Bay and Channel Islands in California, and the Olympic Coast in Washington State. A complete list of the sanctuaries is attached.

With some very minor exceptions, oil and gas drilling is currently precluded in these areas through either statutory prohibition or agency regulations, but permanent withdrawal would guarantee an additional measure of protection. In a very few areas leasing that predated the creation of the sanctuary permits some limited oil drilling to occur. Since you do not have the authority to unilaterally withdraw areas currently under lease, that leasing would continue.

Pros:

- In addition to those stated above for Option 3, addresses concerns about the need for some permanence with respect to moratoria, and minimizes claims that selection of the areas of permanent withdrawal is arbitrary or without scientific basis.
- Reduces the risk that a future Administration or Congress would revise existing protections for those areas.

Cons:

- In addition to those stated above for Option 3, may be perceived as unnecessary because oil and gas leasing is already prohibited in all areas through 2002 and by agency action in all marine sanctuaries.
- Some states without marine sanctuaries may react negatively to being excluded from permanent moratorium protection.

Recommendations



The Department of Energy and the Department of the Interior recommend Option 1. CEQ recommends Option 4 with a 10 year extension.

Decision

☐ Option 1--Retain status quo: current moratorium in place through 2002.

☐ Option 2 -- Appoint Presidential Commission to provide scientific advice on future, including possible permanent, moratoria.

☐ Include with Option 2 a Presidential Directive reinforcing existing moratoria through 2002.

☐ Option 3 -- Issue Presidential Directive to extend existing moratoria for an additional time period.

☐ Five year extension

☐ Ten year extension

☐ Option 4 -- Issue Presidential Directive permanently withdrawing marine sanctuaries from oil and gas leasing and extending existing moratoria.

☐ Include five year extension of existing moratoria

☐ Include ten year extension of existing moratoria

☐ Permanent withdrawal of marine sanctuaries only. No other extension of existing moratoria.



NATIONAL MARINE SANCTUARY PROGRAM

Designated Marine Sanctuaries and Date of CreationCalifornia

Channel Islands (9/80)

*Cordell Bank (5/89)

Gulf of Farallones (1/81) (100% state-owned waters, so not subject to
Presidential withdrawal)

*Monterey Bay (9/92)

Florida

*Florida Keys (11/90)

Georgia

Gray's Reef (1/81)

Hawaii

Hawaiian Islands Humpback Whale (11/92)

Massachusetts

Stellwagen Bank (11/92)

North Carolina

Monitor (1/75)

Texas

Flower Garden (1/92)

Washington

*Olympic Coast (7/94)

American Samoa

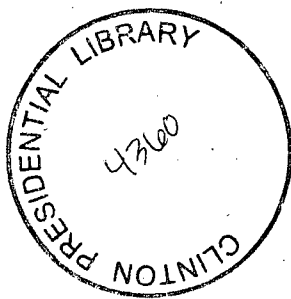
Fagatele Bay (4/86)

Authority

Title III of the Marine Protection, Research, and Sanctuaries Act of 1972, authorizes the designation of discrete areas of the marine environment as National marine Sanctuaries to protect distinctive natural and cultural resources whose protection and beneficial use requires comprehensive planning and management.



* These sanctuaries currently have oil and gas leasing prohibited by statute as well as agency regulation. All other sanctuaries have prohibitions by regulation only.



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