



Seeking Pathways for U.S.-China Cooperation on Energy and Climate Change

John D. Podesta April 8, 2009

Good evening.

Thank you Mr. Shen for your comments.

First, I would like to thank China Meteorological, the Asia Society, Tsinghua University, and Peking University for inviting me to speak this evening and for hosting this important event.

It's truly an honor to be here.

This conference comes at quite a momentous time. World leaders met last week in London at the G20 summit to discuss the current financial crisis and come up with an agenda to reverse the current economic trend.

At that summit, President Hu Jintao met President Barack Obama for the first time, and they agreed to "strengthen ties at all levels." After their meeting, President Obama also said that the U.S.-China relationship "will help to set the stage for how the world dealt with a whole host of challenges in the years to come." This "G2 summit," as it was dubbed by reporters, decidedly shows that China has emerged as one of the key players in the world financial system.

China will be indeed a critical player in the current financial crisis and a critical partner to the United States. As Secretary of State Hillary Clinton said during her recent trip to China, "I don't think it's realistic to expect that we will see a global recovery without Chinese and American cooperation and leadership." And I certainly agree with Secretary Clinton. The rest of the world is looking to the United States for leadership right now, and our relationship needs to be grounded by strategic collaboration and focused on common goals.

Our leaders have taken a big step to broaden U.S.-China relations with the launch of a new dialogue that I hope we can continue today and tomorrow in our discussions on the roadmap for U.S.-China cooperation on energy and climate change.

I don't have to tell anyone in this room that we are facing very tough economic times. In fact, it's difficult to avoid bombardment from all sides with news about the financial crisis.

Last Friday, the United States released another depressing jobs report. Our economy has lost 5.1 million jobs since the recession began in December 2007, including 3.3 million jobs in just the last five months. The U.S. unemployment rate reached 8.5 percent in March 2009—the highest level since 1983. There are 13.2 million people unemployed—more than at any other time in history. More than 4 million Americans lost their health insurance last year. And overall, economists estimate that Americans have lost more than 2 trillion dollars in retirement savings—and more than that in home equity.

Economies around the world are reeling from the financial crisis. The European Commission predicts that the European Union's \$17 trillion economy will shrink 1.8 percent in 2009. Unemployment in the European region is also climbing toward 10 percent. Further, the global economy and the volume of global trade are both predicted to shrink this year for the first time since World War II.

And according to the Institute of International Finance, private money invested from developed countries into emerging countries plunged from \$928 billion in 2007 to \$466 billion last year, and is likely to fall to \$165 billion this year. The recession is tightening its grip on most developing economies, and this decrease in capital will affect their already fragile economies and the livelihoods of millions of people.

China has also suffered in this economic downturn. Chinese exports fell by 17.5 percent in January 2009 as compared to January of last year. In February they fell 25.7 percent, which amounted to a loss of \$64.8 billion. Experts forecast that a further decrease in exports is inevitable as demand from Europe and the United States declines.

Thousands of factories have closed and the Chinese government estimates that 20 million migrants have already lost their jobs, with officials forecasting that the number will grow to at least 25 million.

While our governments are facing these daunting economic obstacles and trying to restore global economic growth and stability, we are also confronted with another, equally urgent global threat: energy security and climate change.

There is no dispute—including, thankfully, at the highest levels of the U.S. government—that climate change is real, it's a threat, it's man-made, and it's accelerating, and that unless it's addressed, it will further devastate our economy, threaten our national security, and

put our very livelihood in jeopardy. We will experience it in the form of crop losses, wild fires, climate-induced human migration, increased food shortages, drought, floods, and the spread of disease.

While scientists caution us not to ascribe individual weather events to climate change, today's events can help us imagine the future plan for it. Just last month, Republican Governor Arnold Schwarzenegger of California declared a state of emergency because of a prolonged drought and warned of mandatory water rationing. This is of grave concern because California's economy is the biggest in the country—and among the 10 largest in the world—and it has a large, water-intensive agricultural sector. Economists predict that 30,000 to 60,000 jobs in the region could be wiped out by year's end, along with as much as \$1.6 billion in agriculture-related revenue.

It's projected that the economic costs of the droughts in the United States could be billions. They stunt crop yield, hurt businesses, cause wildfires that damage property, and affect the price of home insurance premiums.

And this is but one example.

China is also feeling the effects of a severe drought that has left millions of people without drinking water and caused major crop losses. Since October of last year, lack of rain has affected 229 million acres of land in China's top six grain producing provinces. The national Office of State Flood Control and Drought Relief Headquarters estimates that 3.7 million people in the region have been left without drinking water and that an estimated 43 percent of China's wheat product has been affected. As demand for water continues to rise and less water is available for agriculture, there could be a disastrous outcome.

We should take these as warning signs of what the future could hold. The challenge we face today is one of transforming the global economy from one fueled by high-carbon energy—which is putting our economic prosperity and our planet at risk—to one based on low-carbon, sustainable sources of energy, which can create new industries, new jobs, and a safer, healthier environment. And these efforts must begin *immediately*.

We face daunting obstacles, but what I want to emphasize is that those challenges also carry a host of opportunities that we can't afford to overlook. In fact, to sum up the attitude of the new administration, I'll quote my friend and the current chief of staff to President Barack Obama, Rahm Emmanuel: "Rule 1: Never let a crisis go to waste. They are opportunities to do big things."

The opportunity that the energy crisis presents allows for the United States and China to address this challenge head-on together and become partners and leaders in developing low-carbon and economically sound solutions. To prevail in this ambitious project, each country needs not only a strong set of national policy agendas, but also a groundbreaking strategy that forms a partnership between the two nations.

The current economic crisis only makes this partnership all the more pressing. As nations are trying to get their local economies—as well as the global economy—back on the right track through economic recovery packages, we should prioritize investments in greening our economies through efficiency and the production of clean renewable energy to ensure the long-term economic stability of our nations.

I recognize that the United States has in this bilateral collaboration solemn responsibility both as the largest historic emitter of greenhouse gases and because our emissions are still more than four times that of China on a per capita basis. But both of our countries must be guided by what the science is telling us and take actions commensurate with science. To be sure, the United States will not be able to lead until we ourselves take the necessary steps to reduce greenhouse gas emissions and *fundamentally* transform the way we produce and consume energy.

The good news is that the United States is no longer a drag on addressing this crisis. We have now elected a president who is willing to take bold action and place energy policy at the center of his economic policy. And we are ready to capture the opportunities presented and move toward a low-carbon energy transformation.

President Obama has already made it abundantly clear that he understands the urgency of the situation and the need to act quickly. That began during the transition to government, which I had the honor of leading. He selected an all-star roster of science and energy advisors to lead his government—Dr. Stephen Chu as secretary of energy; Carol Browner to run the White House Office on Energy and Climate; Senator Ken Salazar (D-CO) as secretary of interior; Lisa Jackson as the administrator of the Environmental Protection Agency; Todd Stern as special envoy to the Copenhagen talks (former Center for American Progress Senior Fellow); Dr. John Holdren as presidential science advisor; and Dr. Jane Lubchenco as head of the National Oceanic and Atmospheric Administration.

Even before he was inaugurated, the president-elect put forward a massive recovery and reinvestment package, the American Recovery and Reinvestment Act, to stimulate the economy that made unprecedented investments in clean energy. That bill, which was signed 25 days after his coming into office, includes \$71 billion for energy efficiency, wind and solar power, and more fuel-efficient cars —more than three times the current spending for these same programs. This bill also adds \$20 billion in clean-energy tax incentives.

The bill included \$10.8 billion to build and retrofit public buildings; \$5 billion to weatherize low-income housing; \$8.4 billion for transit projects; and an additional \$8 billion for high-speed rail. It also designates \$17 billion in spending and loan guarantees for “smart-grid” technology and 2,000 miles of new high-performance transmission lines, which can carry stranded renewable power to market.

The Recovery Act was a vital step toward economic health, but it is not the only step the administration has taken. The administration has taken early executive action to raise fuel economy standards to give California and other states the authority to reevaluate CO2 emissions from automobiles, and to begin the process of regulating CO2 as a dangerous pollutant under our Clean Air Act. The Obama administration understands the need to implement additional policies to achieve long-term economic recovery and sustainable growth, and the budget outline released last month built on the clean-energy investments in the recovery plan. It continues the commitment to develop breakthrough technologies for batteries and other systems of electricity storage, and for fourth-generation biofuel research, carbon capture and sequestration research and development, and smart-grid technologies.

But the most significant energy proposal in the president's budget is the inclusion of revenue in 2012 from the auction of all greenhouse gas emission allowances under a cap-and-trade system to slow global warming.

The budget assumes that this program will raise \$646 billion between 2012 and 2019 from the sale of pollution allowances. Some of these funds will create jobs through a \$120 billion investment in clean-energy technologies over the same period. Any remaining funds would go to families and businesses to offset higher energy prices.

The global economic downturn adds an additional layer of complexity to the matter of addressing climate change, but it is clear that the Obama administration is seizing this opportunity and making investments in clean energy that will address the twin challenges of climate change and our economic downturn while at the same time contributing to our economic recovery and laying the foundation for a new, prosperous, low-carbon economy.

In this effort the president has key and powerful allies in Congress, including Speaker Nancy Pelosi (D-CA), Senate Majority Leader Harry Reid (D-NV), and Chairman Henry Waxman (D-CA), who introduced comprehensive energy and climate legislation last week. His important committee will begin deliberations on that bill on Earth Day, April 22, and he pledges to complete action by the summer. Passing the bill through the Senate will be more difficult because of the needs for a supermajority vote. In other words, we have a long way to go, but the commitment and initial investments are there.

But we can't do this alone. We need the help of the international community if we're going to make this possible and China has to play a key role in that.

I want to applaud China's leadership for starting to move on this challenge by including investments in green technology in your stimulus plan. You too have recognized the importance of a stimulus package to grease the wheels of your economy and have moved on that front to make long-term investments.

Your \$585 billion (\$4 trillion yuan) plan is an important first step toward adding life into a staggering global economy. It's also encouraging that a portion of your funding looks like it will be going to energy-improvement measures, such as improving China's electrical grid system, as well as upgrading the insulation in many of China's buildings—measures that will undoubtedly reduce pollution and increase efficiency.

You also made headlines last week with your new plan aimed at turning China into one of the world's leading producers of electric and hybrid electric vehicles—with a goal of producing 500,000 hybrid or all-electric cars by the end of 2011.

This leadership is a great start, but more must be done. We can't let our immediate need for economic stimulus overshadow our global, long-term goals. Under the guise of immediate economic aid, many countries are scaling back their emission-cutting and renewable energy plans. You cannot let China follow that trend.

Recent reports say that the Chinese government has cut green aspects of the economic recovery package by 40 percent. The government has also announced plans to cut the time needed for projects to assess environmental impact from five days to a mere two days. These are worrisome signs.

Instead of shying away from clean-energy stimulus projects as hurdles, we need to be looking toward them as lynchpins of the solution.

Currently, coal makes up 80 percent of China's electricity production consumption, compared to 50 percent in the United States. Both countries have placed an emphasis on developing clean renewable sources of energy. Thanks in large part to renewable electricity standards passed in more than half of our states, the United States has added more capacity to produce electricity from wind than coal since 2005. And Congress is poised to pass a national renewable electricity standard to put our country on track to produce 25 percent of our electricity from wind, solar, and geothermal resources by 2025.

Likewise in the last four years, wind power production in China has grown at a rate of 100 percent annually. In 2008, the number of wind installations doubled. According to the Global Wind Energy Council, China's wind capacity is expected to double to 22 gigawatts this year. Furthermore, China is investing heavily to produce more electricity for solar power, including incentives announced just weeks ago.

This is a great start, but let me emphasize that more needs to be done on this front, especially as renewables can be used to ease the stress caused by pollution and the country's dangerous energy shortage.

What is needed to solve this climate crisis is for the United States and China to work together on designing a new international emissions reduction agreement in Copenhagen

later this year, as well as forming a strategic partnership to develop and deploy new technologies. This will take a serious commitment from both sides—a much more serious commitment than either of our countries has ever made before.

The United States and its well-developed national laboratory system can provide a strong basic science infrastructure, and the human and financial capital to move projects to the commercial phase. China offers a wealth of engineering and research talent, as well as flexible regulatory frameworks for setting achievable targets and keeping costs low.

What I'd like to propose today is that China and the United States make a political and scientific commitment to new clean-energy technologies that is backed by targeted and substantial economic investment.

An area where this investment could pay large dividends is carbon capture-and-sequestration from coal-fired electricity plants. Norway has been at the forefront of CCS research since the late 1970s. The oldest of its projects has been operational since 1996, and Statoil recently released reports indicating that captured carbon is spreading as predicted in the undersea rock bed and no leakage has yet been observed.

A number of countries, including Germany, Algeria, Australia, and the United Kingdom, along with the United States and China, are increasing funding for CCS research and development and designing demonstration projects.

But we still lag behind on what the world needs. Those projects have to get off the drawing board and be built on the ground: We *can* do better and we *must* do better, and it needs to happen now.

There are two necessary projects in both the United States and China to advance the feasibility of CCS on any timeframe:

- We need to fully assess the geological carbon storage capacity of both China and the United States, including fuller and more dynamic risk assessments of various formations.
- And we need to launch programs for the development and development of large-scale sequestration projects—a minimum of three projects in the United States and two in China—that would each inject a minimum of 1 million tons of CO₂ per year over a minimum range of five years.

Neither of these challenges is insurmountable, and surely our countries have the knowledge and skills to fill in the gaps in CCS research and technology within a decade.

At the conclusion of the G20 meeting last week, British Prime Minister Gordon Brown said, “This is the day the world came together to fight against the global recession. Our message today is clear and certain: We believe global problems require global solutions.”

China and the United States will be key players in that fight, so let’s make sure we are investing in sustainable solutions. Let’s ensure we are leading by example. And let’s work toward a stronger strategic collaboration from here on out.

Everyone in this room recognizes the serious challenges ahead of us. But I have confidence that the United States and China are poised to add a new dimension in their historic relationship: to step forward and take critical steps on energy and restore the fragile environmental balance of our earth.

We face an enormous moment in history. But with these challenges come the potential for powerful and transformative change. I am here to tell you that with the leadership of a new president and a renewed political will the United States is a ready and willing ally and partner. I have great confidence that China will join us in this effort. Thank you.