



Role of the U.S. in the World Order

Sanderstølen Conference on Energy Policy

John D. Podesta February 4, 2009

Good evening.

Thank you for that great introduction.

First, I would like to thank Harald Norvik for the introduction and the Energy Policy Foundation of Norway for inviting me to speak at this important event, the 37th Sanderstølen Conference on Energy Policy

This conference comes at a very exciting time. Two weeks ago we inaugurated our 44th president and in so doing changed America forever. As co-chair of President Obama's transition team, I have had the distinct honor of working closely with him since last summer and have gotten to see how he thinks and operates. What I can tell you is this: In spite all of the challenges that we face, my time working on the transition has left me more optimistic than ever about what can be achieved under President Obama's leadership.

In particular, after a long eight years of inaction, I am optimistic that the United States will begin to address the core energy and climate challenges of our time. President Obama has already made it abundantly clear that he understands the urgency of the situation and the need to act quickly. Indeed, his very first public policy statement after the election was to a bipartisan governor's summit on climate change where he recommitted to a federal cap-and-trade system that would put the United States on a path to reduce emissions to their 1990 levels by 2020 and reduce them by 80 percent by 2050.

And just last week, he signed executive orders allowing California and 16 other states to impose auto emissions standards that are more stringent than the federal requirement, and he put into effect new fuel efficiency targets for automakers.

The president also appointed Todd Stern as the special climate envoy to lead international climate negotiations on behalf of the United States. Mr. Stern is a longtime friend and colleague, a Senior Fellow at the Center for American Progress, and was the coordinator of Kyoto Protocol negotiations back when I was chief of staff for President Bill Clinton.

At the event announcing his appointment, he said the following: “President Obama and Secretary Clinton have left no doubt that a new day is dawning in the U.S. approach to climate change and clean energy. The time for denial, delay, and dispute is over. The time for the United States to take up its rightful place at the negotiating table is here.”

I believe his appointment during the first week of the new administration underscores the importance and urgency President Obama places on this issue and I am hopeful for the progress Mr. Stern and his team can make.

All this excitement, however, is tempered by the fact that today the United States and the international community face many challenges. The United States is fighting two wars, we are in a financial crisis, the federal budget deficit is going to reach over \$1 trillion this year, we are facing an energy crisis, our alliances around the world are frayed, and we are starting to feel the devastating effects of climate change.

The world seems to be spinning out of control and it’s difficult to determine where the new administration should start. But I believe we can begin tackling many of these pressing challenges if we focus closely on one overarching issue: the crisis of global warming and our unsustainable use of energy.

Rethinking our relationship to the climate crisis opens a dialog on each of these issues: building a more prosperous global economy, rethinking and modernizing our infrastructure to unleash new productivity, creating safer and more secure relationships among developed and developing nations, and investing in the long-term stewardship of the planet. Global warming offers a point of entry into the most pressing issues, and it also creates a context for new and more exciting solutions to these long-standing structural problems of war and recession, poverty and pollution.

These problems are united through a common solution: The transition to a clean energy economy. Both in my home country, the United States, and globally today, we see clearly how building a low-carbon economy can be a source of increased business opportunities, innovation, and competitiveness; job creation; stronger, more prosperous communities; and improved energy and national security. This is a moment when we desperately need progress and renewal, and in the solution to this global crisis, we have a project around which to organize the best of our efforts.

As a recent European Commission report put it: “Around the world, governments are announcing major public investment programmes. These investments can stimulate innovation, foster growth and create jobs, while reducing global greenhouse gas emissions and saving energy costs.”

This clean energy transition must be at the heart of America’s energy policy, at the core of our efforts to re-engage the global community of nations, and at the center of a strategy for economic recovery and reinvestment.

Immediately investing in this transition will put us on a long-term path toward reducing emissions and reducing our energy dependence. But these investments will yield short-term dividends as well by helping to solve many closely interrelated challenges: an economic recession, job loss, shrunken credit markets, volatile energy prices, insecure energy supplies, and a growing climate crisis. In short, at the Center for American Progress, which I founded, and in the Obama White House which I have helped to build, there is an increasing recognition that clean energy is at the foundation of any sound strategy for the growth of the economy.

But before I go into the details of what this transition entails for the United States, which will be the focus of my speech today, let me paint a picture of the economic challenges my country currently faces.

The U.S. economy is spiraling into what has been called “the most dangerous economic crisis since the Great Depression.” The total number of jobs lost in 2008 reached 2.6 million, with more losses expected in the coming months. To put that number in perspective, this is the biggest one-year employment loss since World War II. Today the unemployment rate stands at 7.2 percent, the highest level since January 1993. In its latest analysis of the budget and economic outlook, the Congressional Budget Office of the United States estimates that without a stimulus plan the unemployment rate could rise above 9 percent by early 2010, and remain high for years after that.

The United States is also facing the worst new home sales market since the Census Bureau started collecting statistics about the housing market in 1963.

Moreover, the social safety net of our nation is being overstretched and will tear if we don't turn the economy around. According to the Kaiser Family Foundation, every increase of 1 percentage point in unemployment means that 1.1 million more people will go without health insurance.

Today, the United States faces enormous challenges. But the American people are sober, realistic, and, as the recent election has shown, eager for just the kind of bold, transformative change that we need to address these problems. As American families and businesses face increasingly volatile energy costs and the looming effects of global warming, the United States is poised to take action to fundamentally change the way it produces and consumes energy, to shore up its energy security, to significantly reduce its greenhouse gas emissions, and to create millions of jobs rebuilding communities and driving technological progress.

Climate change is *the* defining challenge of our time, and it requires that all nations work together to tackle it. While in recent years, Europe and others have moved forward without us, the inescapable truth is that the world cannot solve this challenge without the commitment, leadership, and full engagement of the United States. As the world's second

largest greenhouse gas emitter, and by far the largest emitter on a per capita basis, the United States is at the heart of the climate problem; but I think we can and must also be at the heart of the solution.

For the past eight years, our oil addiction continued and our greenhouse gas emissions rose. Today the United States is releasing carbon dioxide and other global warming pollutants into the atmosphere at record rates. And the U.S. Department of Energy projects that world energy consumption will increase by 57 percent by 2030, while oil production is only projected to increase by 40 percent during the same period.

Even without considering the global warming costs, the price we pay for our addiction to oil is high, both in terms of the uncertainty we face at the pump and the national security price we pay for being tied to unstable or hostile regimes. Today the oil markets are suffering from whiplash, and the price volatility of oil has people filled with a sense of confusion and uncertainty. This price volatility is sending waves of anxiety up and down the oil investment chains causing disruption in both production and investments.

Yet, these economic challenges will pale in comparison to the direct security challenges that global warming is starting to pose. Failure to prepare for additional consequences of global warming presents severe national security challenges, particularly in the Middle East, South Asia, and the Horn and West Africa.

Within the next two decades we will feel the very real consequences of global warming. We will experience it in the form of crop losses, wild fires, climate-induced human migration, increased food shortages, water scarcity, and the spread of disease.

According to the Intergovernmental Panel on Climate Change, in coming decades, intense tropical cyclones will become increasingly frequent, forcing the resettlement of people from coastal areas.

In our backyard, northern Mexico will be subjected to increasingly severe water shortages that will drive immigration into the United States and cause further border stress. Climate change was a topic in President Obama's meeting with Mexican President Felipe Calderon.

And while most African and South Asian migration will be internal or regional, the expected decline in food production and fresh drinking water supplies, combined with the increased conflict sparked by resource scarcity, will force more Africans and South Asians to migrate further abroad. This will likely result in a surge in the number of Muslim immigrants to the European Union, which could exacerbate existing tensions and increase the likelihood of radicalization among members of Europe's growing—and often poorly assimilated—Islamic communities.

Simply put, the cost of inaction is too high, environmentally, socially, and economically. We will pay one way or another.

The challenge we are faced with today is one of transforming our economy from one fueled by high-carbon energy—putting our economic prosperity, our national security 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.

As I mentioned before, the United States cannot solve the climate crisis alone, but the international community cannot solve the climate crisis without the United States. In order to re-engage in international climate change negotiations and provide leadership—and effective partnership—on this issue of grave importance to us all, the United States must first get its own house in order by taking decisive and rapid steps to reduce greenhouse gas emissions and transform the way it produces and consumes energy.

Simultaneously, the United States must resume cooperation with the global community on energy policy and climate change. The foreign minister spoke insightfully this morning about the role of Russia, but I believe that nowhere will this cooperation require more skill and diplomacy than in our relationship with China. I am under no illusion that winning China's support here will be easy, particularly as the global economic downturn will lead both countries to take an increasingly hard and skeptical look at one another's trade practices.

Already, Treasury Secretary Timothy Geithner's charge that China is manipulating its currency, coupled with a "buy America" provision in the House-passed Recovery and Reinvestment package, has provoked some harsh words and veiled threats in return, including comments by Premier Wen Jiabao raising the prospect that China's commitment to purchasing United States government debt might be wavering. If cap-and-trade legislation in the United States is accompanied by a border adjustment tax on carbon-intensive goods—which it likely will, in one form or another—then you can be sure that the Chinese will make their displeasure known.

Cooperation is more difficult when the specter of a trade war looms. But this does not change the fact that the need for cooperation is paramount and there is a growing awareness in China—both among the leadership and the general public—that their environmental crisis is rapidly worsening. China recently released its annual survey of public attitudes about the environment, and a full 76 percent of the respondents ranked environmental problems in the country as "very serious" or "relatively serious," which is up 20 percent from a decade ago. Likewise, satisfaction with China's environmental protection efforts is rapidly declining.

This growing domestic pressure to address environmental problems, in conjunction with intensified international pressure for China to be a "responsible stakeholder" in the global effort to combat climate change, provides a very real opportunity for constructive engagement and progress toward an effective post-Kyoto Protocol agreement.

One country that the United States and China can look to for guidance on how to meet the energy and environmental challenge head on is Norway.

While a major world supplier of oil and natural gas, particularly to the European Union, Norway has invested in clean energy as well. In 2004, for example, Norway generated 107.7 billion kilowatt hours of hydropower, or about 99 percent of the country's total electricity generation. And as you know, Norway is also looking to harvest its windy seas with huge offshore wind parks that could help power large parts of Europe. This investment could help the European Union reach a goal of getting 20 percent of its electricity from renewable sources by 2020. Moreover, Norway will also double its national research fund for clean energy to \$3.4 billion this year, a prioritized investment we hope will be emulated the world over. I also think it is particularly important to note Norway's leadership and investment in developing carbon capture-and-sequestration technology, which could be a critical piece of the clean energy puzzle.

The United States has already put many policies in place at the state and local level to begin tackling this problem, but to capture the opportunities provided by a low-carbon energy transformation, the United States needed a leader who was willing to put energy at the center of our nation's economic growth. I believe today we have such a leader.

President Barack Obama understands that our nation's economic woes need immediate, bold action and has put forth a plan to make sweeping changes to our nation's infrastructure and our energy sectors.

First he named an all-star team to deal with energy and climate issues: Nobel Prize winner Steven Chu as secretary of energy, Carol Browner as White House coordinator of energy and climate policy, Ken Salazar as secretary of the interior, John Holdren as science advisor, Lisa Jackson as EPA administrator, and Nancy Sutley as chair of the White House Council on Environmental Quality.

And even before he was sworn in, President Obama was working closely with Congress to develop an economic stimulus plan to jumpstart our economy. On January 28, the House of Representatives passed the American Recovery and Reinvestment Act of 2009, a \$825 billion spending plan to stimulate the economy and create jobs by funding essential energy, infrastructure, education, and other needs. The act also has tax cuts designed to spur investments by businesses and increase the income of households. This is about more than stimulating the economy in the short term, however: It is part of a larger strategy to build the foundation for long-term prosperity by making much needed invests in key areas.

This economic stimulus and recovery plan is grounded in the recognition that to address our short-term economic crisis, we need to get the economy moving. But just as surely, to address the deeper crises of global warming, war, and inequality, we need to get it moving.

in the right direction. In order to invest today in building for long-term progress, this bill includes many long overdue projects that will help lay the foundation for a commitment to implementing solutions to global change.

This recovery plan includes an unprecedented \$90 billion for clean energy programs. It will create nearly half a million new jobs and make federal buildings 75 percent more energy efficient. It will pay to weatherize and retrofit over 2 million low-income households. Under this plan, 3,000 miles of high performance transmission lines will be built to transport renewable electricity generated by the sun and wind to major cities, and help put the United States on the path to achieving our own Department of Energy's goal of achieving 20 percent of our electricity from wind. It will rehabilitate rail and public transit systems to restore the flow of commerce and mobility while saving consumers money. And it will restore badly needed funding to research, development, and deployment of clean technology. The Senate could pass a similar companion bill this week, with a final recovery bill signed into law by President Obama by February 13.

At the Center for American Progress we applaud this effort by the federal government and the focus on clean energy programs, because there are many ways that government spending can boost the economy and create good jobs, but dollars directed toward renewable energy and energy efficiency yield more jobs than spending in most all other areas.

A few months ago, the Center published a report in collaboration with the Political Economy Research Institute at the University of Massachusetts. It outlines how a \$100 billion investment in clean energy and efficiency technologies and infrastructure could create 2 million jobs over two years. This amount is nearly four times as many jobs created by a similar level of investment in oil and gas production, and importantly, three times as many jobs at decent wages earning over \$16 an hour. This is because these investments flow to skilled workers instead of wasted resources, and they are grounded locally within communities. A green recovery plan offers more immediate stimulus and a better plan for jobs and growth.

Last week Norway also announced its own stimulus package. You are investing \$2.9 billion to dampen the impact of the global financial crisis with tax cuts and increased spending. This package will include money for such projects as road and railway construction, and renewable energy as well.

We know that a stimulus program is a vital step toward economic health, but it is not the only one. There are two additional steps to achieve long-term economic health and prosperity—recovery and growth.

At the Center we recommend investing in programs with an existing and effective delivery mechanism so that businesses and households can promptly spend the money. Existing programs could include:

- Fully funding the Weatherization Assistance Program to weatherize low-income households
- Providing \$2 billion in assistance to transit agencies to reduce transit fares and expand services, and begin construction on ready-to-go rail and other projects
- Fully funding the manufacturing extension partnership program that helps small- and mid-sized industrial plants increase their energy efficiency

But continuing our economic recovery past the stimulus phase must include a mix of both existing and new programs. We must take immediate steps, but we must also recognize that this work will require sustained effort and a commitment to innovation. This will involve policies that boldly take on new challenges, and it will involve trying fresh new strategies to take on entrenched problems. One promising idea is to create a “Clean Energy Corps” for young people, which would stir interest in national service while at the same time training workers for “green-collar” jobs. Another intriguing idea is a rebate program that creates a tax incentive for consumers to trade in older, inefficient vehicles for new, more fuel-efficient cars. Germany is experimenting with a similar program.

Several other programs would also help spur long-term growth and a reduction in oil and energy use.

- One is a Renewable Electricity Standard that requires utilities to generate 20 percent of their electricity from wind, solar, geothermal, and other renewable energy sources. Twenty-eight states have similar programs, and the House of Representatives twice passed a 15 percent Renewable Electricity Standard in the 110th Congress. We need to build clean renewable energy as a thriving industry for environmental reasons, but also for the long-term competitiveness of our economy. We see the great examples of European wind and solar, and we want to participate in this innovation. I expect a national standard to be enacted this spring.
- A second useful policy would be an Energy Efficiency Resource Standard to require utilities to achieve a certain reduction in electricity use. Eighteen states have such programs. And today, we use nearly twice the energy for every unit of GDP we produce in the United States compared to Europe or Asia. This is not only untenable, but it is foolhardy. Our waste is an untapped resource for new economic productivity and growth. We can harness these savings just as surely as we can tap new energy supplies.
- And critically, we understand that investing in infrastructure must extend beyond our recovery package, so we are now laying out a plan for an energy bill that builds a truly national Clean Energy Smart Grid, enabling the backbone of our energy transmission grid with advanced information technology, and planning a system that is designed to make the best use of our nation’s vast potential for wind, solar, and efficiency. It has become cliché to say that the United States could be the Saudi Arabia of wind, but the truth is that we lack a grid that can bring the energy produced by this resource to our homes and businesses.

Today we are making a new commitment to a better future powered by clean energy. We want a future where wind farms power green buildings, but we must build the transmission system to connect the two.

In addition, there is growing support for a proposal to convert our heavy duty truck fleet from one that runs on diesel to one that runs on natural gas. The benefits of such a conversion—both in terms of reduced carbon emissions and reduced dependence on imported oil—would be very meaningful.

These and other programs would sustain and increase employment in the renewable, manufacturing, and construction industries. But above all else, the United States needs to put a price on global warming pollution by establishing a carbon cap-and-trade program that will curb our emissions and spur significant new investment in clean energy technologies.

If we were to auction all pollution allowances in the United States under a cap-and-trade system, we could generate up to \$200 billion annually. Half these revenues could be returned to moderate- and low-income households to offset higher energy prices, and the remaining revenue could be invested in advanced clean energy technologies, creating millions of permanent well-paying jobs.

Many opponents of a cap-and-trade program in the United States argue that its costs would slow our economic growth. In fact, McKinsey & Company determined that investments in energy efficiency would save money while reducing greenhouse gases. In the words of the report: “Almost 40 percent of abatement could be achieved at ‘negative marginal cost,’ meaning that investing in these options would generate positive economic returns over their lifecycle.” “Negative costs” is a funny term. In the business world, I think they call it “profit” and we understand that this can drive tremendous innovation.

These last eight years of disenchantment and discontent have allowed many grave crises to fester. Everyone in this room recognizes the serious challenges ahead of us. But I have confidence that the United States is poised to once again provide strong and constructive international engagement, and even leadership. I believe that no issue has the potential to revitalize our transatlantic alliances and create more opportunities for success than energy and climate change.

Today we face enormous challenges, but with these challenges come the potential for powerful, transformative change. We must rise to the challenge and realize this potential as a nation and as a global community. I am here to tell you that with the leadership of a new president, and a renewed political will, the United States is back as an ally and partner.

I look forward to your questions.

Thank you.