

Todd Stern Remarks as Prepared
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Thanks John. It's a great pleasure to be back at CAP. I'm one of only, say, 3 or 400 people in this town who owe more than they can say to John Podesta – although I probably have a longer and richer pedigree in that department than most. In a nutshell, when it comes to commitment, integrity, toughness and smarts, John writes the book and the rest of us just do our best to keep up. I am honored to be here.

John and the CAP team have been at the forefront of the climate and clean energy debate for years, taking the fight to those who say we can't, we shouldn't, we don't need to, it will cost too much, we should go slow; and promoting a comprehensive vision of a low-carbon future that strengthens the U.S. economy and protects our security and environment. It might seem second nature now to many of us to think of climate change as the spur to a low-carbon transformation of the global economy – a transformation rich with economic opportunity. But it wasn't always so, and it was CAP that led the way toward this new understanding.

Of course, the need for action could hardly be more evident. With every passing month, the news from the natural front seems to get worse. Broadly speaking, we are seeing a convergence of two problematic sets of numbers – those showing global CO₂ concentrations rising substantially faster than even the worst case scenarios of recent models and those indicating that dangerous climate impacts are likely to happen sooner than scientists used to think.

And we are all too familiar with the accumulating evidence of change: Among many other things, Arctic sea ice is disappearing faster than expected. The melting of permafrost in the tundra raises the risk of a huge methane release, with dangerous feedback potential. The Greenland Ice Sheet is steadily shrinking. Sea level now threatens to rise much more than previously anticipated, and water supplies are increasingly at risk with the melting of glaciers in Asia and the Western Hemisphere.

These facts on the ground send a simple and stark message: the status quo is unsustainable. That may seem obvious, but you'd be surprised how often the obvious is resolutely overlooked. It seems to me that anyone who wants to argue about how policy measures – such as the Waxman-Markey bill for example – are in some way too onerous should be required to explain what they would propose instead. Because the unspoken assumption of these critics – that we can carry on as we are – is just not so.

Let me turn now to our diplomatic challenge, which occupies most of my time and attention. Climate change, of course, is a quintessentially global issue that demands a global solution. So while the critical first step must be to put our own house in order with a comprehensive, mandatory national program – which the President and his congressional allies are endeavoring to do – the problem can only be solved globally.

Broadly speaking, we are pursuing our strategy on three related fronts. First, we are fully engaged now in the Framework Convention negotiating process itself. We have a team in Bonn right now for the second of several negotiating sessions this year. You can't get a global deal done relying only on the Framework Convention process, but you also can't get there without it. It is an essential part of the whole.

Second, we have established an invigorated dialogue among 16 of the largest economies – including China, India, Brazil, Mexico, South Korea, South Africa and Indonesia – through our Major Economies Forum on Energy and Climate, which will meet in July in Italy immediately after the G8 meeting. We have now had two preparatory sessions – one in Washington, and one, last week, in Paris – and a third will take place later this month in Mexico City. I have long been persuaded – and wrote about it back in my CAP Fellow days – that it is crucial to have a small forum of the major economies that can meet on a more intimate basis and at a higher level than is possible in the Framework Convention negotiating sessions. These meetings can't pull a rabbit out of a hat, but they do allow for an important, candid dialogue.

Third, we are focusing on key bilateral relationships, and none is more important than China. China may not be the alpha and omega of the international negotiations, but it is close. Certainly no deal will be possible if we don't find a way forward with China. And here, as in so many aspects of climate change, we are faced with both great challenge and great opportunity.

This year marks the 30th anniversary of normalization of US-China relations, and since President Carter and Vice Premier Deng Xiaoping signed that historic document, China has undergone an astonishing, world-changing transformation.

Over the past 30 years the Chinese economy has grown at 10% per year, raising per capita income from \$400 to \$5000, lifting 600 million people out of poverty.

Beijing and Shanghai now have per capita incomes topping \$10,000, which rivals or exceeds that in many Eastern European countries.

China is now the world's 2nd largest economy and 2nd largest trading power after the United States.

China has also become America's largest foreign creditor, with \$2 trillion in foreign exchange reserves.

This burst of economic activity has been driven by the largest domestic migration in human history. Every year, 15-20 million rural residents move to the city in search of a better way of life. Housing these people has made China the locus of fully half of global construction, with China building two Bostons worth of housing - every month.

Urbanization also creates massive employment needs and a strong commitment among Chinese leadership to maintain economic growth. Yet in recent years, Chinese growth has become less sustainable, both environmentally and economically, and Beijing's ability to meet its long-term development goals pursuing a business-as-usual strategy is now very much in doubt.

And all this economic growth of course has had far-reaching consequences for China's greenhouse gas emissions. In 1992, when China signed the Framework Convention on Climate Change, China emitted 2.5 Gt of CO₂, half of the U.S. total. Today, China emits over 7 Gt of CO₂ per year, surpassing the US as the world's largest emitter.

Moreover, China is rocketing up the emissions curve, while the United States is flattening out. Based on recent trends, the IEA predicts Chinese CO₂ emissions will reach 12 Gt by 2030, a 60% upward revision from their estimates just a few years ago.

These numbers are so large that they will profoundly affect the ability of the world even to come close to holding the global concentration of greenhouse gases to a level most climate scientists advise. Consider: according to recent modeling done for Project Catalyst, even if every other country in the world besides China reduced its emissions by 80% between now and 2050 – a thoroughly unrealistic assumption by the way – China's emissions under business-as-usual assumptions would alone be so large as to put us on a track to global concentrations of 540 ppm of CO₂, and a 2.7 degree centigrade temperature increase – far above what scientists consider safe.

And this energy-intensive, coal-driven growth has had toxic consequences for China's environment and public health. Sixteen of the world's 20 most polluted cities are in China, particulate pollution in Beijing is six times higher than in New York, and premature deaths from respiratory disease are estimated in a joint World Bank/China research project at 750,000 per year. Water pollution is just as bad -- 90 percent of the aquifers in China's cities are polluted, and more than 75 percent of river water in urban areas is unsuitable for drinking or fishing. Moreover, on any given day, 25 percent of the particulate pollution in Los Angeles is made in China, as is the acid rain problem in Japan and Korea. Pan Yue, a former Vice Minister of the Ministry of Environmental Protection, famously said a few years ago – “The economic miracle will end soon because the environment can no longer keep pace.”

Chinese leadership has increasingly come to recognize the importance of changing course, for many reasons – climate change, energy security and the pressing need to clean up its environment, but also because of the country's daunting employment needs. With U.S. consumers tightening their belts and Chinese exports declining, Beijing needs a new engine of job creation. And the industries responsible for most of China's emissions growth don't create many jobs. The five most energy-intensive industries in the country account for nearly half of China's CO₂ emissions, but employ only 14 million people combined. That's less than they did a decade ago and a drop in the bucket in a labor pool of 770 million.

And so China has taken significant steps to rebalance its economy towards labor-intensive services and manufacturing, improve its energy efficiency and reduce its emissions. For example, China's current five-year plan includes the goal of reducing the energy intensity of the economy 20% by 2010, and the aim of increasing the share of renewable energy in the primary energy supply to 15% by 2020. China has implemented increasingly stringent auto emissions standards, stronger than our own, and its domestic stimulus package contained substantial clean energy investments. And there are many other initiatives underway, including an intensive focus on producing electric vehicles, and a new commitment to develop solar power. Already, China is one of the world's leading producers of both wind and solar technology.

Thus, the impression that China refuses to take action is both inaccurate and unfair. Yet China can and will need to do much more if we are to have any hope of containing climate change.

In essence, China faces a choice. It can stick to its time-honored talking points and cite provisions of the Framework Convention, Kyoto Protocol, or Bali Roadmap to support the proposition that, as a developing country, it isn't required to commit to significant measures to bring down its greenhouse gas emissions. This approach, indeed, is at least partly reflected in the Submission China sent in to the Secretariat of the Framework Convention in late April. Alternatively, China can take a new path, recognizing the need to make significant international commitments, against the backdrop of a robust, productive collaboration with the United States, among others.

While I think the right choice is clear, we shouldn't underestimate the dilemma for China. Though China now, in effect, straddles the developed/developing country divide – a developed country in its big cities, a much poorer, developing country in the far-flung countryside – it has always been and seen itself as a developing country. The developed/developing country separation is deeply woven into the fabric of climate change diplomacy. The Montreal Protocol (on ozone depleting substances), by contrast, provided that developing countries would assume the same kind of obligations as developed countries, with just a 10-year delay. But the working assumption of even the advanced developing countries in the world of climate change is that they should enjoy at least a decades-long exemption from the kinds of obligations accepted by developed countries.

In addition, many in China fear that limits on emissions would constrain economic growth, job creation and the country's capacity to continue its impressive rise.

And yet the choice of clinging to the old principle of assuming no obligations is not sustainable.

It is not sustainable environmentally because China and the other major developing countries are on a track to produce more than 80% of the growth in emissions during the next several decades. If they don't develop genuine low-carbon pathways for growth, the climate change problem will spin out of control.

It is not sustainable economically because the economic race in the years and decades ahead will be won by those who have reacted nimbly to the imperatives of the low-carbon transition. Those who seek to hold back the tides will lose out: as the evidence of climate change grows increasingly dire, high-carbon goods and services will, before too many passing years, become untenable, replaced by the low-carbon alternatives of a new era.

It is not sustainable politically because developed countries who do agree to take strong action won't long accept a world in which economic competitors are allowed to free-ride with respect to CO2 emissions.

China, and other developing countries, do not need to take the same actions that developed countries are taking, but they do need to take significant national actions that they commit to – internationally – that they quantify, and that are ambitious enough to be broadly consistent with the lessons of science.

While this choice may be the more difficult one in the immediate term, it is in fact the road to prosperity and success. China has abundant opportunities in the short term to reduce energy demand through improving efficiency and rebalancing its economy. Right now, China emits about 4 times as much CO2 as the United States and 6 times as much as Japan or the EU for every unit of GDP. Partly this reflects an economy much more heavily weighted to energy intensive manufacturing than services, partly it reflects inefficiency, partly an over-dependence on coal.

What China can do – and many in Chinese leadership clearly recognize this – is not to stop growing, but to grow smarter. The only way China will meet its development needs in the long run is to a) rebalance its economy away from polluting industry towards job-creating services, b) increase the efficiency with which industry and buildings consume energy and c) find alternatives to coal or ways to use it cleanly. In short, it is not a tradeoff between economic growth and environmental protection. China must do both.

What the United States must be willing to do, for its own sake as well as China's, is to meet China halfway and develop a genuine, collaborative partnership on climate change and clean energy.

If the two goliaths on the world stage can join hands and commit each other – at the highest levels – to a long-term, vigorous climate and energy partnership, it will truly change the world.

So we need to press forward with our own efforts to enact a broad-based, mandatory program to drive the clean-energy transition and limit our emissions. And that includes promptly enacting strong legislation to cap carbon pollution.

We need to listen and not just lecture.

We need to make clear that we support China's growth and development and have no desire to constrain it through climate change commitments or in any other way.

We need to acknowledge the impressive steps the Chinese have already taken to promote low-carbon development and the new ones that will be coming off drawing boards soon.

We need to set our minds to joining with China in an active, real partnership, on the principle of mutual benefit.

And we need to recognize that if we aren't careful, we may spend the next few years pushing China to do more, but will then spend all the years after that chasing them, as they hurtle profitably down the road to the low-carbon transformation.

On Saturday I will be leaving for China with John Holdren, the President's Science Advisor, David Sandalow, DOE's lead international official, and others from Treasury and EPA. We aim to get just this kind of partnership started. It's the kind of partnership Secretary Clinton discussed with the Chinese during her trip in February, on which I joined her. It is a partnership that can form the basis of a global transition to clean energy. And it is a partnership that can become a constructive, positive anchor in our long-term bilateral relationship with China.

There is much work to be done. China has an important choice to make. And so, in different ways, do we.

Thank you very much.