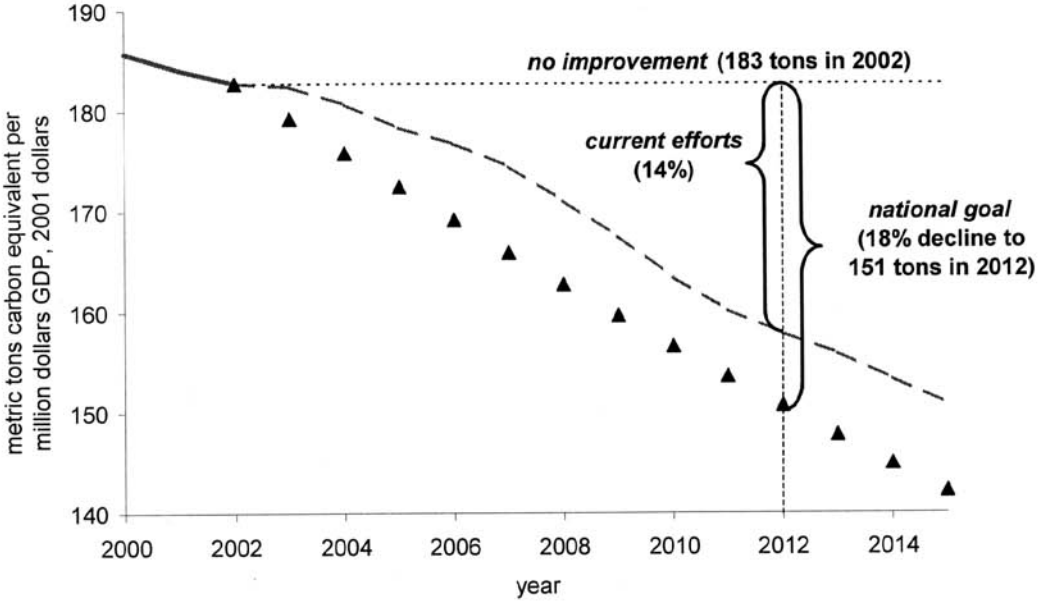
NATIONAL GOAL

The President set a national goal to reduce the greenhouse gas intensity of the U.S. economy by 18 percent over the next ten years. Rather than pitting economic growth against the environment, the President has established an approach that promises real progress on climate change by tapping the power of sustained economic growth.

- **The President's Yardstick – Greenhouse Gas Intensity – is a Better Way to Measure Progress Without Hurting Growth**. A goal expressed in terms of declining greenhouse gas intensity, measuring greenhouse gas emissions relative to economic activity, quantifies our effort to reduce emissions through conservation, adoption of cleaner, more efficient, and emission-reducing technologies, and sequestration. At the same time, an intensity goal accommodates economic growth.

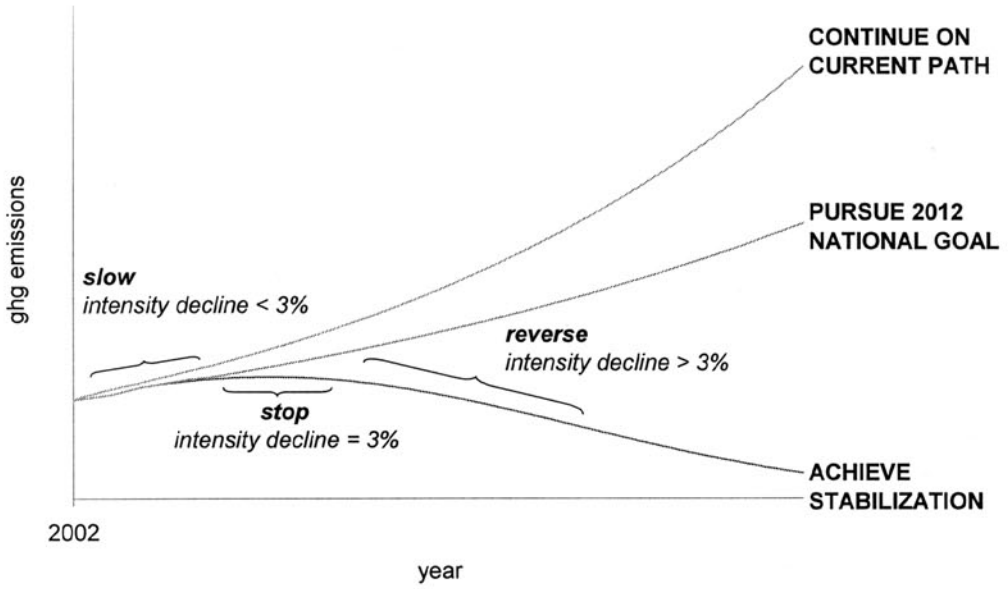
- **Reducing Greenhouse Gas Intensity by 18 Percent Over the Next Ten Years is Ambitious but Achievable**. The United States will reduce the 183 metric tons of emissions per million dollars GDP that we emit today to 151 metric tons per million dollars GDP in 2012. We expect existing trends and efforts in technology improvement to play a significant role. Beyond that, our commitment will achieve 100 million metric tons of reduced emissions in 2012 alone, with more than 500 million metric tons in cumulative savings over the entire decade.

Reduce GHG Emission Intensity 18% Over the Next Decade



- **Focusing on Greenhouse Gas Intensity Sets America on a Path to Slow the Growth of Greenhouse Gas Emissions, and – as the Science Justifies – to Stop and Then Reverse That Growth**. As we learn more about the science of climate change and develop new technologies to mitigate emissions, this annual decline can be accelerated. When the annual decline in intensity equals the economic growth rate (currently, about 3% per year), emission growth will have stopped. When the annual decline in intensity exceeds the economic growth rate, emission growth will reverse. Reversing emission growth will eventually stabilize atmospheric concentrations as emissions decline.

Path to Long-Term Stabilization



- **As We Advance Science and Develop Technology to Substantially Reduce Greenhouse Gas Emissions in the Long Term, We Do Not Want to Risk Harming the Economy in the Short Term.** Over the past 20 years, greenhouse gas emissions have risen with economic growth, as our economy benefited from inexpensive, fossil-fuel based – and greenhouse gas emitting – energy. While new technologies promise to break this emission-economy link, a rapid reduction in emissions would be costly and threaten economic growth. Sustained economic growth is essential for any long-term solution: Prosperity is what allows us to dedicate more resources to solving environmental problems. History shows that wealthier societies demand – and can afford – more environmental protection.

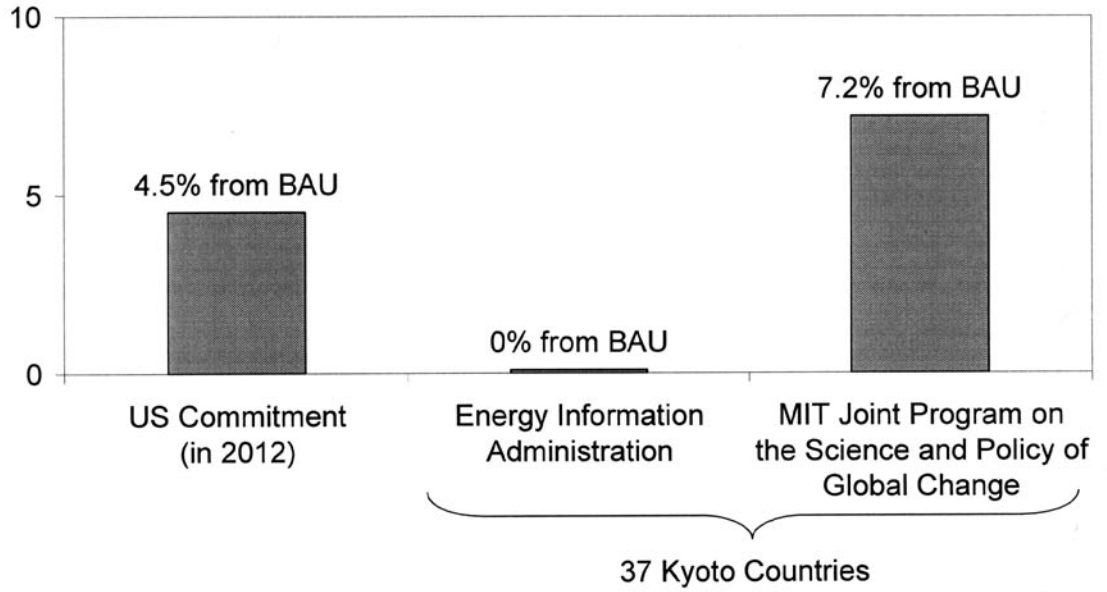
- **The Intensity Based Approach Promotes Near-Term Opportunities to Conserve Fossil Fuel Use, Recover Methane, and Sequester Carbon.** Until we develop and adopt breakthrough technologies that provide safe and reliable energy to fuel our economy without emitting greenhouse gases, we need to promote more rapid adoption of existing, improved energy efficiency and renewable resources that provide cost-effective opportunities to reduce emissions. Profitable methane recovery from landfills, coal mines and gas pipelines offers another opportunity — estimated by the EPA at about 30 million tons of carbon equivalent emissions. Finally, carbon sequestration in soils and forests can provide tens of millions of tons of emission reductions at very low costs.

- **The Intensity Based Approach Advances a Serious, but Measured Mitigation Response.** The President recognizes America's responsibility to reduce emissions. At the same time, any long-term solution – one that stabilizes atmospheric concentrations of greenhouse gases at safe levels - will require the development and deployment of new technologies that are not yet cost-effective. The President's policy balances the desire for immediate reductions with the need to protect the economy and to take advantage of developing science and technology.

The President's Goal is Ambitious and Responsible

- **Reducing Greenhouse Gas Intensity by 18 Percent Over the Next Ten Years is Comparable to the Average Progress that Nations Participating in the Kyoto Protocol are Required to Achieve.** Our goal translates into a 4.5 percent reduction beyond forecasts of the progress that America is expected to make based on existing programs and private activity. Forecasts of the average reductions required by nations implementing the Kyoto Protocol range from zero to 7 percent.

Forecast US Reductions from Business as Usual (BAU)
Consistent with Other Countries Under the Kyoto Protocol



- **While Producing Results Similar to What the Kyoto Protocol Participants Are Required to Achieve on Average, the President's Approach Protects the Economy and Develops Institutions for a Long-Term Solution.** The focus on greenhouse gas intensity separates the goal of reducing emissions from the potential economic harm associated with a rigid emission cap. By measuring greenhouse gas emissions relative to economic activity, we have a solid yardstick against which we can measure progress as we pursue a range of programs to reduce emissions. As we develop technologies to produce more goods with fewer greenhouse gas emissions, this yardstick does not penalize economic growth.

- **Greenhouse Gas Intensity Is a More Practical Way to Discuss Goals with Developing Countries.** The close connection between economic growth, energy use and greenhouse gas emissions implies that fixed appropriate emission limits are hard to identify when economic growth is uncertain and carbon-free, breakthrough energy technologies are not yet in place. Such targets are also hard to identify for developing countries where the future rate of emissions is even more uncertain. Given its neutrality with regard to economic growth, greenhouse gas intensity solves or substantially reduces many of these problems.

Enhanced National Registry for Voluntary Emissions Reductions

The Administration will improve the current federal GHG Reduction and Sequestration Registry that recognizes greenhouse gas reductions by non-governmental organizations, businesses, farmers, and the federal, state and local governments. Registry participants and the public will have a high level of confidence in the reductions recognized by this Registry, through capture and sequestration projects, mitigation projects that increase energy efficiency and/or switch fuels, and process changes to reduce emissions of potent greenhouse gases, such as methane. An enhanced registry will promote the identification and expansion of innovative and effective ways to reduce greenhouse gases. The enhanced registry will encourage participation by removing the risk that these actions will be penalized – or inaction rewarded – by future climate policy.

- **Improve the Quality of the Current Program.** A registry is a tool for companies to publicly record their progress in reducing emissions, providing public recognition of a company's accomplishments, and a record of mitigation efforts for future policy design. This tool goes hand-in-hand with voluntary business challenges, described below, by providing a standardized, credible vehicle for reporting and recognizing progress.

  - ✓ Although businesses can already register emission reductions under section 1605(b) of the 1995 Energy Policy Act, participation has been limited.

  - ✓ The President directed the Secretary of Energy, in consultation with the Secretary of Commerce, Secretary of Agriculture, and the Administrator of the Environmental Protection Agency, to propose improvements to the current voluntary emissions reduction registration program within 120 days.

  - ✓ These improvements will enhance measurement accuracy, reliability and verifiability, working with and taking into account emerging domestic and international approaches.

- **Protect and Provide Transferable Credits for Emissions Reduction.** The President directed the Secretary of Energy to recommend reforms to ensure that businesses and individuals that register reductions are not penalized under a future climate policy, and to give transferable credits to companies that can show real emissions reductions. These protections will encourage businesses and individuals to pursue innovative strategies to reduce or sequester greenhouse gas emissions, without the risk that future climate policy will disadvantage them.

- **Background on Current Registry Program.** The Energy Policy Act of 1992 directed the Department of Energy (with EIA as the implementing agency) to develop a program to document voluntary actions that reduce emissions of greenhouse gases or remove greenhouse gases from the atmosphere.

  - ✓ Under the Energy Policy Act, EIA was directed to issue "procedures for the accurate reporting of information on annual reductions of greenhouse gas emissions and carbon fixation achieved through any measures, including fuel switching, forest management practices, tree planting, use of renewable energy, manufacture or use of vehicles with reduced greenhouse gas emissions, appliance efficiency, methane recovery, cogeneration, chlorofluorocarbon capture and replacement, and power plant heat rate improvement."

  - ✓ In 1999, 207 companies and other organizations, representing 24 different industries or services, reported on 1,722 projects that achieved 226 million metric tons of carbon dioxide equivalent reductions - equal to 3.4 percent of national emissions. Participating companies included Clairol,

AT&T, Dow Chemical, Johnson & Johnson, IBM, Motorola, Pharmacia, Upjohn, Sunoco, Southern, General Motors and DuPont.

- ✓ EIA released a February 2002 report demonstrating that this program continues to expand. In 2000, 222 companies had undertaken 1,882 projects to reduce or sequester greenhouse gases. These achieved 269 million metric tons of carbon dioxide equivalent reductions – equal to 3.9 percent of national emissions.

- ✓ A number of proposals to reform the existing registry – or create a new registry - have appeared in energy and/or climate policy bills introduced in the past year. The Administration will fully explore the extent to which the existing authority under the Energy Policy Act is adequate to achieve these reforms.

Progress Check in 2012

The domestic programs proposed by the President allow consumers and businesses to make flexible decisions about emission reductions rather than mandating particular control options or rigid targets. If, however, by 2012, our progress is not sufficient, and sound science justifies further action, the United States will respond with additional measures that may include a broad, market-based program, as well as additional incentives and voluntary measures designed to accelerate technology development and deployment.