



July 21, 2003

Thomas J. Donohue  
President and CEO  
U.S. Chamber of Commerce  
1615 H Street, NW  
Washington, DC 20062-2000

Dear Mr. Donohue:

As co-founders of Environmental Entrepreneurs (E2) we write to respectfully request that the U.S. Chamber of Commerce stop disseminating its report, "*Reality Check: Straight Talk About Climate Change*." The report does a disservice to the responsible business community by misrepresenting the scientific consensus about global warming, overstating the costs of beginning to address the problem, ignoring the economic opportunities presented by expanding markets for "climate friendly" technologies, exaggerating the benefits of voluntary commitments to address climate change that have been undertaken by some businesses, and neglecting the harmful effects of currently pending energy legislation.

E2 is a national community of business and professional leaders who believe in protecting the environment while building economic prosperity. The economic risks that climate change poses to the U.S. economy are enormous, and E2 believes we must address this issue without further delay.

Our concerns about "*Reality Check: Straight Talk About Climate Change*" are detailed in the attached statement, "Distorted Reality: Problems with the U.S. Chamber of Commerce's "*Straight Talk About Climate Change*." For further information about our organization, please see the attached fact sheet, or visit our website, [www.e2.org](http://www.e2.org).

Sincerely,

A handwritten signature in black ink that reads 'Bob Epstein'.

Bob Epstein  
Co-Founder, E2  
[Bob@BobEpstein.to](mailto:Bob@BobEpstein.to)  
(510) 207-5945

A handwritten signature in black ink that reads 'Nicole Lederer'.

Nicole Lederer  
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## **DISTORTED REALITY:**

### **Problems with the U.S. Chamber of Commerce's “Straight Talk About Climate Change”**

The document “*Reality Check: Straight Talk About Climate Change*” (“*Straight Talk*”) carefully follows the advice of political strategist Frank Luntz’s memo outlining ways politicians can improve their environmental image without actually advocating environmental protection, not coincidentally called “Straight Talk.”<sup>1</sup> Rhetoric aside, the report issued by the U.S. Chamber of Commerce ignores sound science and economic reality. As a result, it provides a distorted picture of the global warming issue, misrepresenting the scientific consensus about global warming, overstating the costs of beginning to address the problem, ignoring the economic opportunities presented by expanding markets for “climate friendly” technologies, exaggerating the benefits of voluntary commitments to address climate change that have been undertaken by some businesses, and neglecting the harmful effects of currently pending energy legislation. Some of the most egregious problems with the document are detailed below.

#### **Misrepresenting the Science**

“*Straight Talk*” ignores more than a decade of carefully conducted scientific reviews by the U.S. National Academy of Sciences, the Intergovernmental Panel on Climate Change and many other highly respected scientific organizations, relying instead on three recent press releases to claim that there are “serious questions about whether the world’s current climate is significantly warmer than other periods of recorded history.” This distortion of the available body of scientific literature about climate change threatens the Chamber’s credibility.

The National Academy of Sciences concluded in 2001 that the temperature increases “observed over the last several decades are likely mostly due to human activities.”<sup>2</sup> This finding has only been strengthened by the preponderance of recent research. Recently, this evidence was reviewed by Michael Mann of the University of Virginia and twelve coauthors in a paper published by the American Geophysical Union.<sup>3</sup> They specifically reject the claims made in the paper relied on by “*Straight Talk*,” pointing out that the authors of that article did not develop a

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<sup>1</sup> The Luntz Research Companies, “Straight Talk” pp. 131-146  
(<http://www.luntzspeak.com/graphics/LuntzResearch.Memo.pdf>)

<sup>2</sup> NAS, 2001. *Climate Change Science: An Analysis of Some Key Questions*. National Academies Press (Washington, DC).

<sup>3</sup> Mann, M.E. et al., 2003. On Past Temperatures and Anomalous Late-20<sup>th</sup> Century Warmth. *ECOS in press*.

coherent quantitative analysis of historical temperatures. Instead, they classified previous studies as providing evidence for a “medieval warm period” if they showed indications of unusually *wet or dry* periods for any 50-year period between 800 and 1300. Furthermore, by selecting a 50-year interval for comparisons they inherently ignore the unprecedented warmth of the 1980s and 1990s.

## Overstating the Costs of Action

“*Straight Talk*” claims that regulating carbon dioxide will harm the economy based on the findings of a WEFA report commissioned by the American Petroleum Institute in 1998. Yet, this report was heavily criticized at the time for adopting a series of dubious assumptions that inflate its estimate of the cost of complying with the Kyoto Protocol.<sup>4</sup> Recent economic analyses show that the projected cost of complying with any specific limits on global warming pollution depend strongly on assumptions made about how the pace of innovation responds to policy signals, the role of complementary policies, such as energy efficiency standards, and the compliance flexibility built into the policy.<sup>5</sup> Moreover, the proposals currently before Congress are simply not the same as the Kyoto Protocol. The distorted economic argument put forward in the Chamber’s report do a disservice to responsible businesses.

The most comprehensive global warming emission reduction program currently before Congress is S.139, the Climate Stewardship Act, offered by Senators McCain and Lieberman. This Act would control emissions from sources that account for about 85 percent of U.S. global warming pollution and would limit their emissions to year 2000 levels in 2010 and 1990 levels in 2016. While such emission reductions will not in themselves stop global warming, they are a critical step to putting the United States on a path consistent with stopping the buildup of heat-trapping gases in the atmosphere and preventing dangerous global warming.

The Act allows for extensive compliance flexibility, including unlimited emissions trading among covered sources, banking of unused emission allowances, and substantial (but not unlimited) use of emission credits from non-covered sectors. A recent study by MIT economists found that complying with this proposal would have negligible economic impacts—about 0.1% of GDP in their most realistic scenario.<sup>6</sup> Another study of the McCain-Lieberman proposal, which examined the effects of adopting significant complementary energy efficiency and renewable energy policies, found that net energy bill savings would exceed the incremental investment costs to comply with the proposal, implying macroeconomic costs even lower than those projected by MIT or even macroeconomic benefits.

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<sup>4</sup> Barrett, J. 1999. The High Cost of Distorted Economic Modeling. Economic Policy Institute (Washington, DC). [http://www.epinet.org/content.cfm/webfeatures\\_viewpoints\\_distorted](http://www.epinet.org/content.cfm/webfeatures_viewpoints_distorted)

<sup>5</sup> Edmonds, J., J. Roop, and M. Scott (2000). Technology and the Economics of Climate Change Policy. Pew Center on Global Climate Change. (Arlington, VA). [http://www.pewclimate.org/projects/technology\\_economics.cfm](http://www.pewclimate.org/projects/technology_economics.cfm)

<sup>6</sup> Paltsev, S., et al. 2003. Emissions Trading to Reduce Greenhouse Gas Emissions in the United States: The McCain-Lieberman Proposal. MIT Joint Program on the Science and Policy of Global Change (Cambridge).

## Ignoring Economic Opportunities

In claiming that action to curb global warming pollution will harm the economy, “*Straight Talk*” simply ignores the entrepreneurial opportunities that would be created by such policies. The deployment of existing “climate friendly” technologies and the development of new ones will result in new markets and create new jobs. Buildings and appliances that waste less energy, transportation systems that meet our needs with reduced global warming emissions, and energy systems that make expanded renewable resources economically viable and offer ways to use fossil energy without releasing carbon dioxide—all these are key to our economic and environmental future. These advances will stimulate economic growth and give the United States the competitive edge in bringing these products to market.

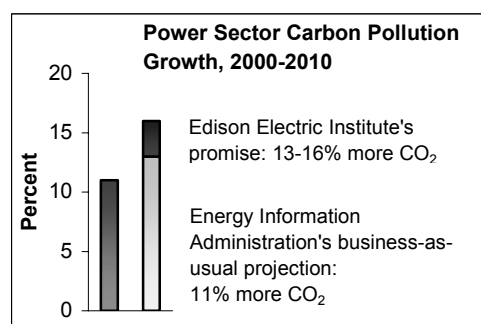
## Exaggerating Voluntary Initiatives

“*Straight Talk*” suggests that standards for global warming emissions are unnecessary because businesses are voluntarily taking steps to reduce their emissions. However, voluntary approaches will not stop – or even slow – the steady increase in carbon pollution.

The administration’s current policy includes a voluntary target, phrased as a reduction in the nation’s “emissions *intensity*” – the amount of carbon pollution per dollar of economic output. Yet this target lets total carbon pollution keep increasing every year. In fact, even if this target is met, total U.S. global warming emissions will *increase by 14 percent* between 2002 and 2012 – exactly the same rate as they grew in the 1990s.<sup>7</sup>

Past voluntary efforts have failed to cut carbon pollution. In one Department of Energy program, power companies claimed to have made nearly 140 million tons of “reductions” even as their total global warming emissions skyrocketed by *420 million tons*. Instead of making real investments to reduce their overall pollution, most power companies simply claimed credit for business-as-usual actions – and thus made no real difference in rising emission trends.<sup>8</sup>

In response to the administration’s most recent initiative to promote voluntary action the electric power industry pledged to increase its carbon pollution *even more* than the government’s own business-as-usual projections. The Edison Electric Institute plan, announced in February 2003, would increase power plant carbon emissions *by 13 to 16 percent* between 2000 and 2010 – even more than the 11 percent growth forecast in January by the Energy Information Administration.<sup>9</sup>



<sup>7</sup> NRDC (2002), “Untangling the Accounting Gimmicks in White House Global Warming, Pollution Plans,” <http://www.nrdc.org/globalWarming/agwcon.asp>.

<sup>8</sup> NRDC (2001), “Reported ‘Reductions,’ Rising Emissions: The Failure of Voluntary Commitments and Reporting to Reduce U.S. Electric Industry CO<sub>2</sub> Emissions,” <http://www.nrdc.org/globalWarming/reductions/execsum.asp>.

<sup>9</sup> Compare Edison Electric Institute (2002), “EEI, Industry Allies Launch ‘Power Partners’ to Support President Bush’s Climate Initiative,” <http://www.eei.org/issues/news/releases/030212.htm>, with Energy Information Administration (2003), *Annual Energy Outlook 2003*, Reference Case Forecast, Table 19.

## **Neglecting the Harm from Pending Energy Legislation**

“*Straight Talk*” suggests that the energy legislation now pending before Congress would contribute to responsible climate policy. In fact, it would take us backward, not forward.

The House-passed energy bill would do nothing to reduce, or even recognize, global warming pollution from fossil fuel combustion, nor reduce our dependence on foreign oil, nor increase our country's use of renewable energy. It includes \$20 billion in subsidies to established energy companies, and an additional \$30 billion in loan guarantees for the nuclear industry with a permanent cap on their liabilities. Finally, the bill threatens sensitive public lands and coastal areas, including the Arctic National Wildlife Refuge, by emphasizing fossil fuel development at the expense of sound safeguards for our land, water, and wildlife.

The bill pending before the Senate is substantially similar. Although an amendment was adopted to require oil savings of one million barrels per day by 2013, the bill includes nothing to require reductions, or even reporting, of global warming pollution, nor increase renewable energy production. While the Senate bill does not include drilling in the Arctic Refuge, it does threaten other sensitive public lands and coastal areas.