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Enclosed for your review and approval is the final version of the proposed Climate Change Strategy. We ask that you make sure that your comments and position on the plan reflect the views of your CEO and appropriate senior executives. This will provide us with valuable guidance in taking the plan to the Public Policy Committee.

To aid in your internal discussion, the attached plan includes a two-page executive summary, a more detailed account of each objective and supporting activities, and a draft set of recommendations to the PPC. The cost of the plan, which is estimated to be around \$30 million, involves activities that run over several years, although a major commitment of funds is anticipated in 1998. API's share may need to be as much as one-sixth, or \$5 million, both to ensure that core activities such as the ad campaign and grassroots activities are undertaken and to encourage other business groups to participate.

This plan represents a higher level of effort than was anticipated when the 1998 climate change budget was being developed. API's original climate action plan for 1998--budgeted at \$685,000--was created before the pre-Kyoto advertising campaign and before the Kyoto outcome. However, it is now clear that we must strengthen our coalition activities and step up our overall activity level to avoid the Kyoto Protocol being accepted as a realistic approach for addressing greenhouse gas emissions. If we are to achieve that objective, we must begin changing public opinion now, both through grassroots activities and advertising on a sustained basis.

Please discuss the enclosed plan with your CEO and let me know your company's reaction by March 10th. Only then will the plan be advanced to the Public Policy Committee and the Management Committee for a final decision.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Bill', is written below the word 'Sincerely,'.

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Coordinated Climate Change Strategy and Action Plan

EXECUTIVE SUMMARY

The Kyoto Protocol contains three major flaws. First, it sets mandatory targets and timetables for reductions in greenhouse gas emissions—and fossil energy use—that are impractical and inconsistent with maintaining a strong economy. Second, negotiators delayed important decisions on emissions monitoring and enforcement, the role of market mechanisms in reducing costs (emissions trading, Joint Implementation and the Clean Development Fund), and the use of sinks in meeting national targets. Third, the Kyoto Protocol laid the foundation for global economic management by way of actions to stabilize greenhouse gas concentrations. UN efforts to implement such a regime pose a significant challenge to U.S. sovereignty and national interests.

The strategic plan outlined here addresses all three concerns and presents the framework for a constructive alternative. Specifically, the plan envisions a major, coordinated advocacy initiative supported by business, industry, labor and agriculture that will influence public opinion. The goal is to advocate a prudent, constructive policy response to the global climate change controversy that will sustain a strong, competitive economy and demonstrate to Congress and the American public that the Kyoto Protocol is inconsistent with this objective and is infeasible. Care must be taken to maintain bipartisan support of Senate Resolution 98 and to lay the groundwork for a Senate ratification battle and/or congressional checks on backdoor implementation. It is important that action begin now to improve our chances of influencing COP-4 this November.

This coordinated plan has five objectives, each with specific implementing actions. While the actions begin in 1998, a number of them will continue over several years:

1. Demonstrate to Congress, media and American public that the Kyoto Protocol is fundamentally flawed and harmful to the American economy [\$22-27 million]:
 - o Update and humanize national and state impact studies.
 - o Strengthen labor, agriculture, business and other alliances and expand grassroots campaign.
 - o Undertake public education/advertising campaign in targeted states.
 - o Conduct media outreach and run rapid response operation.
2. Demonstrate the value of a constructive, alternative approach [\$3-4 million]:
 - o Strengthen reliance on voluntary efforts and private-public partnerships, document these efforts, and encourage CEOs and senior executives to communicate them to company employees, annuitants, shareholders, suppliers, customers and other business leaders.

- o Promote well-focused climate science research, greater understanding of the limits of current climate models, and recognition that current scientific knowledge does not justify actions that would significantly alter lifestyles or harm economic growth.
 - o Promote research and analysis to address the huge sums invested in existing capital stock and the prospects and timeframes for developing viable, cost-effective future technologies.
 - o Participate in the debate over emissions trading mechanisms to help ensure that the rules and guidelines are cost-effective, workable and verifiable.
3. Focus attention on governance, sovereignty and national security implications [up to \$1 million]:
- o Encourage congressional hearings and develop expert legal analyses.
 - o Support COMPASS and activate veterans groups.
4. Analyze and publicize the gaps, costs, complexity and ineffectiveness of the Kyoto Protocol [\$200,000 - \$300,000]:
- o Analyze Protocol's complexity and gaps, including lack of decisions on enforcement, sinks, emissions trading, Joint Implementation and the Clean Development Fund.
 - o Publicize through congressional hearings, media, and state and local activities.
 - o Demonstrate ineffectiveness by developing an analytic tool to track and estimate emissions by country/gas from 1990-2010.
5. Redouble efforts to engage international business groups and trade, finance and energy ministers [\$200,000 - \$300,000]:
- o Update and increase international awareness of the Charles River Associates model.
 - o Redouble efforts to educate and activate international business groups and trade, finance and energy ministers.

A small steering group comprised of key constituent leaders who secure funding will oversee the implementation of the plan through appropriate organizations, including the Global Climate Coalition and the grassroots Coordinating Council. If the plan is approved by the Public Policy Committee and the Management Committee, other industry and business groups would be asked to help fund it.

DRAFT RECOMMENDATIONS TO THE PUBLIC POLICY COMMITTEE

The API Global Climate Change Steering Group recommends that the Public Policy Committee:

- 1) Support the development and implementation of the coordinated climate change strategy and action plan described here.
- 2) Ask member company CEOs to agree to develop and maintain a carbon dioxide inventory for their company operations and to publicize progress in managing emissions.
- 3) Ask member company CEOs to initiate their own voluntary greenhouse gas mitigation activities or participate in voluntary government programs.
- 4) Ask member company CEOs to communicate with their employees, annuitants, shareholders, suppliers and customers the flaws of the Kyoto Protocol and appropriate information regarding their voluntary company initiatives to limit greenhouse gas emissions, and to regularly share that data and information with API for its use when communicating with the media, Congress and other interested organizations.
- 5) Use information and data supplied by company members in any petroleum industry response to Administration requests that U.S. energy producers and consumers develop a plan to limit greenhouse gas emissions and to report these results, by sector, on a regular basis.
- 6) Encourage member CEOs not now engaged in the climate change debate to become more active, both by participating in civic and media outreach efforts and by encouraging other business and industry colleagues to speak to this issue.
- 7) Endorse and support efforts to recruit other organizations and to encourage the application of appropriate funding by those organizations to the climate change issue.
- 8) Recommend to the Management Committee that API's fair share for this coordinated effort be no more than one-sixth of the total effort, up to \$5 million.

DISCUSSION OF STRATEGIC PLAN

Goal: To advocate a prudent, constructive policy response to the global climate change controversy that will sustain a strong, competitive economy and demonstrate to Congress and the American public that the Kyoto Protocol is inconsistent with this objective and is infeasible.

Implementation: A coordinated climate strategy requires: maintaining an alliance among labor, agriculture, industry, business and allied groups that supports bipartisan congressional opposition to the Kyoto Protocol; a sustained advocacy campaign aimed at the public and policymakers that encompasses advertising; increased attention to the science debate; analytic work on the economic and social impacts of implementing the Kyoto Protocol; selective participation in international trade and economic conferences; and demonstrating that there is a better way to achieve responsible climate policy objectives. Care must be taken to maintain bipartisan support for Senate Resolution 98. If the strategy is approved by the Public Policy Committee, other industry and business groups would be asked to provide major funding. Once adequate funding has been secured, a small steering group comprised of key constituent leaders, including API, will oversee the implementation of the plan through appropriate organizations, including the Global Climate Coalition and the Coordinating Council.

Timing: It is unlikely that the Kyoto Protocol will be submitted for Senate ratification this year and the timing of possible ratification is highly uncertain. However, the groundwork must be laid this year for that battle and to address the ongoing international negotiating process, including the November meeting of the Conference of the Parties. Organizations must take forceful action to help prevent backdoor implementation of the Protocol. The Administration is actively capitalizing on opportunities to gain support for its position. NOAA announced--prematurely--that 1997 was "the warmest year on record." President Clinton outlined a \$6 billion research and subsidy plan in his State of the Union Message. Vice President Gore focused media attention on new technologies in a visit to California. EPA has held or scheduled 10 regional climate impact and policy workshops. The first were in Pennsylvania and Maryland. EPA is also funding workshops on implementing the Kyoto Protocol in Massachusetts and other states and, in New Jersey, has even funded the development of a pilot emissions trading/banking program. Administration officials are actively trying to split industry, weaken coalitions, and undermine support for SR 98. These efforts are being complemented by environmental organizations, which identified climate change as their top priority for 1998 in a recent letter to Congress.

The President can elevate climate change on the Administration's agenda by timing when he signs the Kyoto Protocol—e.g., Earth Day—and still avoid a Senate vote by not submitting it for ratification. The Administration is actively pursuing bilateral voluntary climate agreements with several developing nations to create the appearance of meaningful developing country participation. The Administration will promote new energy technologies and emissions trading to create the impression that implementing the Protocol will not be unduly expensive. Internationally, the Administration can encourage European governments and the EU to exert political pressure on international petroleum companies. Domestically, the Administration is encouraging labor, agriculture and other traditional Democratic allies to distance themselves from industry coalitions, while enticing companies with tax credits and subsidies.

On the other hand, while opinion polls confirm the public's commitment to environmental progress, they also confirm that the public will only support actions that do not impose large direct costs on it or seriously constrain its freedom. Since the actions required to achieve the Kyoto commitments do not satisfy these standards, public opinion on climate change can be influenced to oppose the Administration initiatives and support a more reasonable and constructive alternative.

Objectives, Supporting Actions, Timing and Estimated Costs

Objective 1: Advocates of rational climate policy must show that the Kyoto Protocol is flawed, impractical, and would harm the prosperity of consumers, workers, farmers and businesses without producing meaningful climate benefits [\$22-27 million]:

- a) *Update and humanize analytic studies* by WEFA, Charles River Associates and others that convincingly demonstrate the Protocol's impracticality and adverse impact on families, workers and state, local and national economies.
- b) *Strengthen alliances* with labor, urban, minority, agricultural and consumer organizations, public policy groups and think tanks; expand the membership of the Coordinating Council; and work with these groups to maintain opposition to the Protocol and to communicate clearly the Protocol's adverse impacts on state and local economies, workers, businesses, farmers, families and governments [Appendix A discusses "Coalitions and Alliances"].
- c) *Expand grassroots activities undertaken by these groups* by working with them to organize workshops to educate state and community leaders; monitor federal and state legislation/regulation to prevent backdoor implementation; mobilize

at the state level to counter federal and state efforts to implement climate action plans; organize regional conferences similar to "America Speaks Out" to reach media and the public; enhance networks with (and communications channels through) think tanks, agricultural groups and radio talk shows; and, possibly, retain Direct Impact or a similar direct contact organization in 20 to 25 states.

d) *Undertake public education campaign* to counter Administration and environmental group efforts and to increase public understanding of the Protocol's economic impacts, the true state of climate science and the Protocol's impact on sovereignty [Appendix B discusses "Public Opinion and the Need for a Sustained Education/Ad Campaign"]. Activities include message testing, ad development and limited ad placement, in Tier 1 states (states that hold a primary, have high electoral/swing votes, or are regional centers where Senate opposition may be soft): Iowa, Colorado, Missouri, Illinois, New Hampshire, Florida, Pennsylvania, Ohio, California and possibly New York; and Tier 2 states (states with congressional leaders/key committee chairs or are agricultural, Democratic and/or have a split delegation): Georgia, Louisiana, Maryland, Nebraska, Arizona, South Dakota, North Dakota, and, possibly, Arkansas, Washington, Oregon and Nevada. This is the most expensive part of Objective 1.

e) *Develop and implement a campaign-style "rapid response" team* that works with the Global Climate Coalition, grassroots members of the Coordinating Council and others to respond to op-eds that make exaggerated claims about climate science, policy and technology; and to media events staged by government officials and/or environmental organizations seeking to tie extreme weather events to possible human impacts on global climate.

f) *Significantly expand media outreach activities*. This would include editorial board visits, the staging of periodic news events, the coordinated announcement and distribution of new studies, the placement of op-ed articles by third-party authors in daily and weekly newspapers, the establishment of a program of regular briefing sessions for reporters (using third-party organizations as sponsors), and the creation of a rapid response plan for dealing with fast-breaking developments. These activities would be conducted by the Global Climate Coalition, third-party allies and, in some instances, API.

Objective 2: Demonstrate the value of a constructive, alternative approach to do the following [\$3-4 million]:

A. Strengthen reliance on voluntary efforts and private-public partnerships, document these efforts, and encourage CEOs and senior executives to communicate these achievements with company employees, annuitants,

shareholders, suppliers, customers and other business leaders. (Attachment C contains additional information on developing a long-term constructive alternative to mandates, including expanded voluntary emission reduction programs; increased investment in research to reduce scientific uncertainties; increased research and development of cost-effective, energy efficient technologies; creation of an investment climate conducive to the diffusion of existing and new technologies to developing countries; and the economic turnover of existing capital stock) [\$100,000];

- 1) *Document voluntary initiatives*, using case studies and aggregate data.
- 2) *Publish and distribute the results of voluntary action and R&D initiatives* (via publications, press conferences and websites) to the public, Congress and media.
- 3) *Set up and maintain a clearinghouse*, possibly through a university, to document various sequestration and carbon-limit technologies and to serve as a link for those companies who wish to partner with government or industry on climate technology research and implementation.
- 4) *Encourage CEOs and senior executives to be more active* by contacting other business leaders, participating in media activities, and communicating with company employees, annuitants, shareholders, suppliers and customers.

B. Promote well-focused climate science research, greater understanding of the limits of current climate models, and recognition that current scientific knowledge does not justify actions that would significantly alter lifestyles or harm economic growth [\$2-3 million over the 1998-2000 timeframe];

- 1) *Work with key universities*, think tanks and others to demonstrate that the science remains far from compelling and many scientists are reconsidering the role of solar activity, oceans and natural variability.
- 2) *Conduct media briefings and educational outreach* on climate science, severe weather events and health issues.
- 3) *Commit two or three scientists and/or technology experts* to track and, as appropriate, participate in activities of the Intergovernmental Panel on Climate Change, including serving on expert panels and helping to review draft IPCC documents.

4) *Keep a spotlight on the Intergovernmental Panel on Climate Change* by educating the media about IPCC activities and publications; commenting on draft documents; and participating, when appropriate, on expert panels.

C. Promote research and analysis to address the huge sums invested in existing, productive capital stock and the prospects and timeframes for developing viable, cost-effective future technologies [\$1 million];

a) *Work with respected universities and research organizations to demonstrate that existing and near-term technologies cannot meet the Kyoto Protocol, and to provide this information to Congress, the media and the public.*

b) *Work with appropriate university and research organizations to document the limited potential of near-term technologies and the likely costs and time needed to bring on line new energy technologies that are consistent with a flexible, global strategy.*

c) *Using this material, work with third parties to educate the public, state government officials and local business groups.*

D. Participate in the debate over emissions trading and Joint Implementation mechanisms to help ensure that rules and guidelines are cost-effective, workable and verifiable [\$100,000];

a) *Participate, when appropriate, in government-industry discussions regarding emissions trading and Joint Implementation program design, implementation and monitoring.*

b) *Provide congressional members with a list of potential expert witnesses and questions on domestic and international emissions trading.*

c) *Work with international business and industry organizations to help develop studies and a position on international emissions trading and Joint Implementation that could be advanced during COP-4 negotiations.*

Objective 3: Focus attention on governance, sovereignty and national security implications [up to \$1 million];

a) *Encourage congressional hearings and continue to meet with affected federal agencies.*

b) *Develop legal analysis of the Protocol's intrusiveness on U.S. constitutional and legal processes.*

c) *Work with COMPASS. and other third parties, to assess and communicate the Protocol's impact on U.S. national security and sovereignty [up to \$1 million].*

d) *Educate and activate veterans groups.*

Objective 4: Analyze and publicize the gaps, costs, complexity and ineffectiveness of the Kyoto Protocol [\$200,000 - \$300,000]:

a) *Analyze gaps in the Kyoto Protocol--including sinks, difficulties of emissions trading, JI, the Clean Development Fund, and monitoring and enforcement--by working with the Business Roundtable and other business, industry, think tank and public policy groups.*

b) *Develop an analytic tool to track and estimate by gas, country and year the (in)ability of industrialized countries to meet their Kyoto emissions target.*

c) *Publicize this information through congressional hearings and media outreach so that the public, media, and state and local officials recognize that the Kyoto Protocol is infeasible and costly, producing only marginal emission reductions.*

d) *Demonstrate that the absence of developing countries from the Protocol will result in only minuscule greenhouse gas concentration reductions while imposing greater competitive impacts on the United States than on other industrialized nations.*

Objective 5: Redouble efforts to engage international business groups and trade, finance and energy ministers [\$200,000 - \$300,000]

a) *Educate and activate trade, finance and energy ministers by supporting presentations on Kyoto's economic impacts at key international economic conferences and by direct contact of appropriate executives and country thought leaders.*

b) *Update Charles River Associates' "International Impact Assessment Model" to demonstrate that drastic reductions in industrial countries would have an adverse trade impact on most developing country economies.*

c) *Increase international awareness to the IIAM and other analytic tools and studies by placing them on the worldwide web, and alerting key (developing) countries of their availability.*

d) *Continue to work with international business and industry organizations to educate and activate their membership on this issue.*

Preserving broad opposition to the Protocol is essential and can be increased by strengthening ties to grassroots and grassroots coalitions, state and local officials, market-oriented think tanks and organizations, key universities, and business groups and their employees. A well-targeted, sustained grassroots campaign to educate the public and to retain strong bipartisan opposition to the Protocol or its backdoor implementation will be needed.

Grassroots and grassroots activities launched before Kyoto must be expanded to counter Administration efforts to win labor, urban and minority support. This involves funding cost-effective mechanisms for working with state and local labor union leaders, public policy organizations, and senior citizen and veterans groups. State and local government officials are being encouraged to pass resolutions opposing the Kyoto Protocol and to monitor efforts to raise efficiency standards and increase gasoline or other fossil fuel excise taxes as a means of lowering greenhouse gas emissions. Public policy groups would be encouraged to focus local attention on more pressing state and local issues. The goal would be to address known current problems, not distant, hypothetical ones.

Protocol critics also would build on existing ties with national think tanks as part of the outreach to state and local organizations and academic institutions. Increased support for well-developed climate change research programs at the Massachusetts Institute of Technology, Carnegie-Mellon University, Stanford University, the Electric Power Research Institute and other research centers would provide results and spokespersons who would add credibility to the views of industry and its allies. Results would support efforts to educate the media and thought leaders on the economic impacts and the uncertain state of the science. Expanded contacts within the science and public health community would seek to help balance media coverage and develop a broader reserve of expert spokespeople. Special attention would be paid to identifying state climate experts and regional scientists, encouraging dialogue and identifying related research that may complement industry's messages. Industry experts would be consulted to identify the best local message delivery opportunities.

Business groups already active--including the Global Climate Coalition, Business Roundtable, U.S. Chamber of Commerce and National Association of Manufacturers, among others--must be encouraged to make every effort to educate and engage other business organizations. Industry associations and their member companies also need to increase communications with their employees, shareholders, annuitants, suppliers and customers.

Appendix B

Public Opinion and the Need for a Sustained Education/Ad Campaign

Opinion polls show that climate change is important but not a top priority for most Americans. When positions are communicated in a sustained manner, as the Global Climate Information Project did with television and newspaper advertising just before Kyoto, people react and express significant concerns about actions that raise energy costs, unfairly exempt nations, or threaten U.S. sovereignty. The Kyoto Protocol heightens these concerns. Business, labor, industry and agriculture can help shape the domestic climate debate, defeat Administration efforts to win Senate ratification of the Kyoto Protocol, and demonstrate more responsible ways to address the climate change threat.

A sustained political campaign funded by industry and supported by labor, agriculture and grassroots organizations is required to inform public opinion. Modeled on the highly successful campaign that defeated the Clinton health care initiative, the 1998 campaign should identify target states, test key messages, and begin placing its first ads before the earliest date the President could sign the treaty (March 16). These ads should focus on the Protocol's costs and flaws without injecting a partisan tone. The campaign managers would need to decide--based on research and resources--whether to focus only on Congress and thought leaders inside the beltway, more broadly on the American public, or both. Sufficient funds would have to be raised and used early in the year to make it difficult to turn climate change into a bipartisan issue, all the while recognizing that some of those funds may be needed at election time to counter Administration and environmental group efforts to raise the partisan banner.

Moreover, managers would need to identify appropriate spokespersons, organize media events, schedule editorial board visits and put in place a rapid response system to handle attacks and misinformation about climate change. Op-eds, letters to the editor and speeches before civic and other groups would be carried out by a diverse group of leaders from agriculture, industry, labor, business and consumer organizations. Special attention should be paid to the Administration's possible use of National Ambient Air Quality Standards and other legal authority and regulation as vehicles to implement the Kyoto Protocol without submitting it for Senate ratification.

Business and industry can play an important role in addressing long-term climate change concerns. Not only do business leaders make strategic decisions regarding the installation of new energy technologies, U.S. companies also oversee the development of new technologies, employ and train many of the people who have helped build a robust U.S. economy, and are responsible for decisions regarding capital stock retirement, the location of new facilities and plants, and with whom licensed technologies will be shared, leased or sold. Moreover, some reports on emission reduction efforts credit U.S. companies with cutting the growth in greenhouse gas emissions by almost one-half in recent years. Business and industry leaders are convinced that their technological and financial resources, commitment to environmental progress and continued willingness to participate in a long-term, cost-effective climate strategies are important components in developing a constructive alternative to the Kyoto Protocol. Such a program would include:

- 1) *The adoption of flexible, voluntary emission reduction programs*--Build on current voluntary initiatives, this effort would replicate the most successful projects and encourage companies to publicly report their progress in managing emissions.
- 2) *Increased investment in research programs to narrow the range of scientific uncertainty*--Additional research is needed to better understand natural variability, the role of oceans and clouds, and solar activity. A number of companies current fund major research projects at MIT, Carnegie-Mellon University, the Edison Electric Institute, and Stanford University, among others.
- 3) *Increased research and development of cost-effective technologies that use energy more efficiently*--This is an ongoing effort, both within companies and through corporate sponsorship of major university and research centers. Private-public partnerships might also be developed to help accelerate this effort.
- 4) *Creation of an investment climate conducive to the diffusion of existing and new energy-efficient technologies in developing countries*--Discussions could be held with appropriate government officials on ways to reduce political and other risks to companies interested in investing in or transferring technologies for credit to countries exempt from Kyoto Protocol requirements.
- 5) *The economic turnover of existing capital stock*--Depreciation rules that discourage the timely turnover of energy-intensive equipment and facilities should be revised, as should similar disincentives that may have resulted from Superfund, Clean Air Act or other regulations.

Appendix C

Public Opinion and the Need for a Sustained Education/Ad Campaign

Opinion polls show that climate change is important but not a top priority for most Americans. When positions are communicated in a sustained manner, as the Global Climate Information Project did with television and newspaper advertising just before Kyoto, people react and express significant concerns about actions that raise energy costs, unfairly exempt nations, or threaten U.S. sovereignty. The Kyoto Protocol heightens these concerns. Business, labor, industry and agriculture can help shape the domestic climate debate, defeat Administration efforts to win Senate ratification of the Kyoto Protocol, and demonstrate more responsible ways to address the climate change threat.

A sustained political campaign funded by industry and supported by labor, agriculture and grassroots organizations is required to inform public opinion. Modeled on the highly successful campaign that defeated the Clinton health care initiative, the 1998 campaign should identify target states, test key messages, and strategically place ads, in appropriate media outlets, throughout the year. These ads should focus on the Protocol's costs and flaws without injecting a partisan tone. The campaign managers would need to decide--based on research and resources--whether to focus only on Congress and thought leaders inside the beltway, more broadly on the American public, or both. Sufficient funds would have to be raised and used early in the year to make it difficult to turn climate change into a partisan issue, all the while recognizing that some of those funds may be needed at election time to counter Administration and environmental group efforts to raise the partisan banner.

Moreover, managers would need to identify appropriate spokespersons, organize media events, schedule editorial board visits and put in place a rapid response system to handle attacks and misinformation about climate change. Op-eds, letters to the editor and speeches before civic and other groups would be carried out by a diverse group of leaders from agriculture, industry, labor, business and consumer organizations. Special attention should be paid to the Administration's possible use of National Ambient Air Quality Standards and other legal authority and regulation as vehicles to implement the Kyoto Protocol without submitting it for Senate ratification.