

## **Politics Abhors a Vacuum: Regional, State, Municipal and Corporate Action on Climate Change**

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The past year has brought mounting evidence of the impact of climate change: melting of the Arctic ice pack, intense tropical Atlantic hurricanes and other storms through the end of 2005, and yet another unusually warm year in a decade of warm years. The atmosphere is warming, and the release of greenhouse gas pollution from the burning of fossil fuels is a primary cause. While the fact of global warming is no longer in doubt in the scientific community, the scientific debate now focuses on how much time we have to reverse course, U.S. national policy lags far behind. In the absence of meaningful national leadership on this critical issue, and as the challenges of global warming become increasingly clear, large and growing numbers of municipal, state, regional and corporate actors in the United States are providing leadership within their various spheres. Many are taking significant steps reduce their greenhouse gas emissions through increased efficiency, use of alternative energy, advocacy and other strategies. These state, local and corporate initiatives achieve a positive end in their own right, and they serve as laboratories for potential national strategies.

Nonetheless, the absence of clear national policy to reduce carbon emissions hinders real progress. Without a uniform federal policy, municipal and state policy will create a patchwork approach to this critical challenge. This patchwork approach is particularly difficult for corporations, which struggle to satisfy a range of state and local standards. In addition, in the absence of clear national policy, there remain significant economic disincentives for corporate leaders to be among the first in their industries to make changes to reduce their carbon emissions.

This report provides an overview of global warming-related policy developments on the regional, state and municipal level in the United States, and offers a brief snapshot at the efforts underway in corporate boardrooms in this country. Today, several regions, more than 40 states, and almost 200 municipalities are taking actions to address global warming concerns.<sup>1</sup> They employ a variety of strategies including setting targets for greenhouse gas emission reductions, increasing energy efficiency, requiring investment in renewable energy, advocating for federal policy and exploring other innovative approaches. These governmental entities are not waiting for the U.S. federal government to act, though new mandatory national and international policies will be ultimately required to manage the risks to society posed by global warming. At the same time that state and local policy makers are taking action, many corporate CEOs have taken actions

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<sup>1</sup> For a comprehensive inventory of state actions on climate change, see the Pew Center on Global Climate Change report released February, 2006. The new report is an update of Pew's previous 2004 inventory of state policy relating to climate change. Both the original inventory and the update contain excellent graphic representations of state actions. The reports can be found at [http://www.pewclimate.org/policy\\_center/policy\\_reports\\_and\\_analysis/state/index.cfm](http://www.pewclimate.org/policy_center/policy_reports_and_analysis/state/index.cfm).

to put their companies on course to lower their emissions thru increased efficiency and the use of alternative energy. In addition, some in the corporate sector are advocating for federal policy to reduce carbon emissions, serving as real leaders on the issue of climate change.

As this overview indicates, states and municipalities are pursuing a variety of approaches, including: (1) participating in regional initiatives; (2) developing state climate plans with emissions reduction targets; (3) reducing greenhouse gas emissions from the electricity sector (e.g. renewable energy mandates); (4) reducing greenhouse gas emissions from the transportation sector (e.g. California GHG vehicle standards). Corporations are developing other initiatives to decrease the emissions and increase energy efficiency, often simultaneously increasing profitability.<sup>2</sup>

Some of these policies are explicit climate change policies while others are energy efficiency or renewable energy policies that will result in reductions of greenhouse gas emissions. All of these strategies are designed to accomplish the same goal, less burning of fossil fuel. While increasing energy efficiency in buildings, transportation and industry is a crucial strategy, the nation must also promote the acceleration to alternative energy and fuel sources because of the limits to the emissions reductions that can be achieved through improving energy and fuel efficiency alone.

Municipal, state, regional and corporate action cannot substitute for a coordinated national response, but they can act as laboratories, and they will provide the policy foundation for a national response. These various strategies are already demonstrating that limiting greenhouse gases can be economically beneficial for states and regions, and profitable for companies. These actions produce many benefits for the United States, and growing numbers of business leaders and elected officials are embracing this course.

## **I. Regional-Level Policy Activity**

**Northeast:** Seven Northeastern states, Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York, and Vermont have banded together to build a cap-and-trade system for carbon dioxide (CO<sub>2</sub>) emissions from electric plants (more than 600 facilities) called the Regional Greenhouse Gas Initiative (RGGI). According to the details of the proposal that are currently available, emissions would be capped 150 million tons of CO<sub>2</sub>/per year and would be enforced starting in 2009. By 2015, states would be required to begin reducing emissions. Maryland, Maryland, Pennsylvania, Rhode Island, the District of Columbia, the Eastern Canadian Provinces and New Brunswick are observers in the RGGI process. Officials have said they hope to offset the potential increase in energy prices through subsidies and the development of new technology that would be funded through the sale of emissions credits. In addition, the New England Governors and Eastern Canadian Premiers (NEG-ECP) prepared a climate action plan in 2001 that includes short- and long-term emissions reduction goals. This international state-level

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<sup>2</sup> *Carbon Down, Profits Up*, The Climate Group, Second Edition, 2005. [www.theclimategroup.org](http://www.theclimategroup.org).

pact aims to further reduce regional emissions by 10% below 1990 levels by 2020 and ultimately greatly reduce those emissions.

**West:** The West Coast states, Washington, Oregon, and California, are cooperating on a strategy to reduce GHG emissions known as the West Coast Governors' Global Warming Initiative, which addresses both transportation and power plants. The Western Governors' Association (WGA) Clean and the Diversified Energy Initiative, representing 18 western states,<sup>3</sup> will develop both efficiency and renewable energy sources in their electricity systems. The WGA is also creating the Western Renewable Energy Generation Information System (WREGIS) to track renewable energy credits (RECs) across 11 western states in order to facilitate trading to meet renewable energy portfolio standards.<sup>4</sup>

**Great Plains/ Upper Midwest:** Several Great Plains and upper Midwest states and the Canadian Province of Manitoba are collaborating on policies for energy and agriculture to reduce global warming.<sup>5</sup> They are working to create the Midwest Regional Energy Tracking System (M-RETS), which will be a renewable energy tracking system similar to WREGIS, a push towards coal gasification with CO2 sequestration, and investment towards developing renewables and hydrogen infrastructure.

**Great Lakes Plus:** State legislators from Illinois, Iowa, Michigan, Minnesota, Ohio and Wisconsin pledged to band together to fight climate change. The National Caucus of Environmental Legislators brought the bipartisan group together and many have introduced legislation ranging from limits on emissions to setting energy efficiency standards in their home states. The group has indicated that in addition to reducing emissions in their regions, they hope to send a collective message about the importance of the issue of climate change.

**Southwest:** Most recently, the governors of Arizona and New Mexico announced that they will collaborate on a number of climate change-related actions, including: development of consistent approaches for measuring, forecasting and reporting greenhouse gas emissions; giving credit for greenhouse gas reduction actions; identifying options for reducing greenhouse gas emissions; promoting climate change mitigation actions, energy efficient technologies and clean and renewable energy sources that enhance economic growth; and advocating for regional and national climate policies that reflect the needs and interests of Southwestern states.<sup>6</sup>

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<sup>3</sup> AL, AZ, CA, CO, HI, ID, KS, MT, NE, NM, NV, ND, OR, SD, TX, UT, WA and WY; see [www.westgov.org/wga\\_energy.htm](http://www.westgov.org/wga_energy.htm)

<sup>4</sup> AZ, CA, CO, ID, MT, NV, NM, OR, UT, WA and WY; see [www.westgov.org/wga\\_energy.htm](http://www.westgov.org/wga_energy.htm).

<sup>5</sup> IL, IA, MN, ND, SD and WI; see [www.state.sd.us/puc/energy/MRETS/Background%20MRETS.pdf](http://www.state.sd.us/puc/energy/MRETS/Background%20MRETS.pdf).

<sup>6</sup> See AZ press release at [http://www.governor.state.az.us/press/2006/0602/022806\\_SouthwestClimateChangeInitiative.pdf](http://www.governor.state.az.us/press/2006/0602/022806_SouthwestClimateChangeInitiative.pdf).

## II. State Level Policy Activity

**Global Warming Litigation:** Eight states, California, Connecticut, Iowa, New Jersey, New York, Rhode Island, Vermont, and Wisconsin, and New York City have joined together to file the first ever global warming lawsuit against a corporation. The defendants are the nation's five largest emitters of greenhouse gases and are all electric power generating companies; collectively they are responsible for 10% of all carbon dioxide emissions in the U.S. from human activity. The plaintiffs allege that the pollution is a public nuisance, and ask the court to require the companies to reduce their carbon emissions by approximately 3% a year over a ten year period.

**Climate Action Plans.** Twenty-eight states now have some form of climate plan.<sup>7</sup> Comprehensive climate plans combined with enforceable GHG emissions targets provide the highest certainty of significant emissions reductions.

- California Governor Arnold Schwarzenegger signed an executive order in June, 2005 setting greenhouse gas emissions targets for the state. The order directs state officials to develop plans that would reduce California's greenhouse gas emissions by 11% below current levels over the next five years, then 25% by 2020, and 80% by 2050. (These targets are equivalent to reaching 2000 GHG emissions levels by 2010 and 1990 levels by 2020). In collaboration with a variety of state agencies, the Secretary of the California Environmental Protection Agency will develop strategies to achieve the targets.
- In New Jersey, former Governor Richard J. Codey adopted regulations classifying carbon dioxide as an air contaminant. The new classification was announced October 18, 2005, and amends several air pollution control rules. New Jersey had already committed to reducing the state's total GHG emissions to 3.5% below 1990 levels by 2005.
- Maine and New York also have adopted comprehensive state climate change action plans. For example, in the summer of 2003, Maine enacted a law requiring state officials to develop a climate action plan that would reduce CO2 emissions to 1990 levels by 2010, cut them by 10% more by 2020, and eventually reduce them by a total of 80%.
- North Carolina became the first Southern state to formally address climate change when Governor Mike Easley signed a bill establishing the Legislative Commission on Global Climate Change on September 27, 2005. The commission is charged with addressing the threats posed by global warming and determining the costs and benefits of the various mitigation strategies adopted by state and national governments. The commission will also assess the state's potential economic opportunities in emerging carbon markets. Based on its findings, the commission will determine the desirability of a statewide greenhouse gas emission goal and make recommendations for an appropriate path forward. Findings and recommendations are due to the General Assembly by November 1, 2006.

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<sup>7</sup> AL, CA, CO, CT, DE, HI, IL, IA, KY, ME, MD, MA, MN, MO, MT, NH, NJ, NM, NY, NC, OR, PA, RI, TN, UT, VT, WA and WI; see [www.pewclimate.org/what\\_s\\_being\\_done/in\\_the\\_states/](http://www.pewclimate.org/what_s_being_done/in_the_states/).

- New Mexico Governor Bill Richardson signed an Executive Order on June 9, 2005. The Governor set New Mexico's targets at achieving 2000 emissions levels by 2012, 10% below 2000 levels by 2020, and a 75% reduction below 2000 emission levels by 2050. These goals supplement New Mexico's suite of climate-friendly policies that includes a renewable portfolio standard, a renewable energy tax credit, and a goal to increase energy efficiency. New Mexico is a major coal, oil and gas producing state, so this is an encouraging sign to set targets for cutting global warming emissions. New Mexico also is the first state in the nation to enter a legally binding agreement to lower its emissions through the Chicago Climate Exchange, a voluntary cap-and-trade partnership.

**Automobile Greenhouse Standards:** Transportation accounts for between 25% and 30% of all U.S. greenhouse emissions. In 2003, California adopted legislation directing the California Air Resources Board to achieve the maximum feasible and cost-effective reduction of greenhouse gases from California's motor vehicles. Beginning with new 2009 model year cars and trucks, these regulations mandate a 22% reduction of tailpipe greenhouse gas emissions by the 2012 model year and a 30% reduction by the 2016 model year. While this policy is being challenged by automakers in federal courts, other states have chosen to follow the California standards.

The Clean Air Act allows states to choose between complying with federal vehicle emission standards and adopting the state of California's more protective Clean Cars Program. To date ten states, California, Connecticut, Maine, Massachusetts, New Jersey, New York, Oregon, Rhode Island, Vermont and Washington, have adopted the Clean Cars Program. Pennsylvania has also adopted elements of the Clean Cars Program and is now engaged in a rulemaking to update and enforce the standards. In addition, Canada has adopted a standard that is similar to the California standard. Significantly, this confederation of states and Canada represent approximately 30% of all vehicles sold in North America.

According to a report by U.S. Public Interest Research Group (U.S. PIRG), clean cars programs adopted by these ten states will reduce global warming emissions by 64 million metric tons per year in 2020, an amount greater than the national emissions of more than 140 nations. By 2020, the Clean Cars Programs in these states will eliminate as much carbon dioxide pollution annually as is produced by 63 coal-fired power plants generating enough power for nearly a quarter of U.S. homes.<sup>8</sup>

**Mandatory Reporting of Greenhouse Gases.** Several states have begun to require the comprehensive reporting of GHG emissions. Under federal law, utilities are required to report their CO<sub>2</sub> emissions to the U.S. Environmental Protection Agency, but other GHG emission sources are not. New Jersey and Wisconsin have already implemented mandatory GHG reporting for other sources. The Northeast States for Coordinated Air Use Management is presently developing a Regional Greenhouse Gas Registry (RGGR)

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<sup>8</sup> <http://uspirg.org/uspirg.asp?id2=21888>.

to support the Northeast Regional Greenhouse Gas Initiative (RGGI) as well as voluntary and mandatory reporting requirements for individual states in the region.<sup>9</sup>

**Renewable Energy Mandates.** Twenty-two states and the District of Columbia have also mandated that electric utilities generate a specified amount of electricity from renewable sources. These requirements are known as “renewable portfolio standards,” or “RPS’s, which mandate a certain percentage of a utility’s power plant capacity or generation to come from renewable sources by a given date. The use of renewable energy does deliver significant GHG reductions and can help meet future electricity demand.

Texas has one of the nations’ most effective renewable portfolio standards, responsible for more than 1,700 MW of new wind power capacity since 1999, allowing the state to meet its goal of 2,000 MW from renewable resources by next year. Texas is expected to avoid 3.3 million tons of CO2 emissions annually with its RPS. Texas increases this capacity requirement to 5,880 MW by 2015, which will meet about 5% of the state’s projected electricity demand. The legislation also sets a cumulative target of installing 10,000 MW of renewable generation capacity by 2025. In an effort to diversify the state’s renewable generation portfolio, the measure also includes a requirement that the state must meet 500 MW of the 2025 target with non-wind renewable generation. In fact, there is much more wind power available on the plains of north and west Texas. Indeed, the whole of the Plains states from the Dakotas through Oklahoma could support a vast new infrastructure of wind energy.

**States with renewable energy mandates:**

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<sup>9</sup> States participating in the RGGI: CT, ME, MA, NH, NJ, NY, PA, RI and VT.

AZ:	1.1% by 2007	MN:	1125 MW wind by 2010
CA:	20% by 2017	MT:	15% by 2015
CO:	10% by 2015	NV:	15% by 2013
CT:	10% by 2010	NM:	10% by 2011
DE:	10% by 2019	NJ:	6.5% by 2008
HI:	20% by 2020	NY:	25% by 2013
IL:	8% by 2013	PA:	18% by 2020
IA:	105 MW by 2008	RI:	16% by 2019
ME:	30% by 2000	TX:	2000 MW new by 2009
MD:	7% by 2017	WI:	2.2% by 2011
MA:	4% new by 2009	VT:	Equal to load growth 2005-2012
District of Columbia: 11% by 2022 <sup>10</sup>			

Other background information on state RPS actions and incentives for green power are as follows:

- Colorado voters took the matter into their own hands and passed a renewable standards package in the November 2004 election. This was done in the face of serious opposition from utilities and the GOP establishment in the state. It puts Colorado as a leader in renewable development. California will also consider another ballot initiative promoting renewables in November 2006.
- Connecticut increased its RPS in 2003, extending the standard to all utilities in the state.
- Iowa met its standard in 1999, and is expected to revisit the issue.
- Illinois Commerce Commission recently adopted Governor Rod Blagojevich's two-part Sustainable Energy Plan. On July 19, 2005 the Commission passed a resolution that called for both Renewable Energy and Energy Efficiency Portfolio Standards. To implement the RPS, Illinois utilities have agreed to acquire 2% of their electricity from renewable sources by the end of 2006, add another 1% every year, and reach the goal of 8% by 2013. Electricity generated from wind, solar thermal energy, photovoltaic cells and panels, biomass, and existing hydropower are considered renewable energy under this resolution. Under the Energy Efficiency Portfolio Standard, utility companies will create new programs to reduce the increase in electricity demand 10% by 2008. This standard increases to an ultimate goal of reducing Illinois' growth in electricity demand 25% by 2015. Both Commonwealth Edison and Ameren Corporation, the state's largest utilities, have said they will comply with the new standards.
- Montana recently passed Senate Bill 415, the Renewable Power Production and Rural Economic Development Act. The law requires that 10% of the electricity sold in Montana come from renewable sources by 2010 and 15% by 2015. Montana Governor Brian Schweitzer signed the bill, which also calls for a renewable energy credit tracking system and leaves open the option to trade renewable energy credits outside of the state. The legislation contains a cost cap that encourages utilities to invest in renewable generation that is cost competitive

<sup>10</sup> See [www.pewclimate.org/what\\_s\\_being\\_done/in\\_the\\_states/](http://www.pewclimate.org/what_s_being_done/in_the_states/)

with conventional generation. This is significant for a state with so many coal resources. The Governor is also promoting environmental uses of “clean” coal as a liquid fuel.

- Washington and Oregon now require that new power plants mitigate their anticipated new CO<sub>2</sub> emissions. There are different options utilities can employ but the mandate stands. Washington Governor Christine Gregoire just signed two bills that will increase both supply and demand for renewable energy generation. On the supply side, it offers tax breaks to companies that manufacture and sell solar equipment. On the demand side, it offers the first state feed-in credit for solar and wind energy production. A credit provides performance-based tax breaks for small-scale renewable energy generation to “feed” electricity into the grid; a similar German law spurred high levels of investment in renewables.
- To facilitate the connection of small clean energy systems to the power grid, most states have enacted net-metering and uniform interconnection standards.
- Utilities in 34 states now offer customers “green pricing.”<sup>11</sup> The public can pay a small premium on their electric bills to have a portion or all of their power provided from renewable sources. While the electricity generated by renewable sources is not delivered directly to the individual customers, the utility certifies that renewable energy has been generated in an amount equal to the customer’s purchase.

### **State Treasurer and State Pension Fund Leadership on Climate Change.**

In November 2003, major state pension funds, U.S. state treasurers and other leading institutional investors held a historic meeting at the United Nations in New York City to consider the portfolio risks posed by global climate change. The Institutional Investor Summit on Climate Risk, organized by Ceres, brought together dozens of U.S. state investment leaders to explore the connection between climate risk and their fiduciary responsibilities. At the meeting’s conclusion, ten leading US. institutional investors -- including State Treasurers and Comptrollers from California, Connecticut, Maine, Maryland, New York, New York City, New Mexico, and Oregon – issued a 10-point “Call for Action” demanding tough new steps by U.S. corporations, Wall Street firms and the U.S. Securities and Exchange Commission to increase corporate disclosure of the risks that climate change poses for business and investors. These 10 investors also announced the creation of the Investor Network on Climate Risk (INCR) to coordinate investor actions to address climate change.<sup>12</sup>

A few examples of recent investor actions:<sup>13</sup>

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<sup>11</sup> States with green pricing programs: AL, AZ, CA, CO, CT, FL, GA, HI, ID, IL, IN, IA, KY, MA, MI, MN, MS, MO, MT, NE, NM, NC, ND, OH, OK, OR, SC, SD, TN, TX, UT, VT, WA, WI and WY; see [www.pewclimate.org/what\\_s\\_being\\_done/in\\_the\\_states](http://www.pewclimate.org/what_s_being_done/in_the_states)

<sup>12</sup> For more information on investor actions, visit the Investor Network on Climate Risk (INCR) website at [www.incr.com](http://www.incr.com)

<sup>13</sup> Information on investor action provided by Ceres, [www.ceres.org](http://www.ceres.org).

- On December 1, 2005 twenty investors in the Investor Network on Climate Risk co-signed a letter to 30 of the largest, publicly-held insurance companies urging them to disclose their financial exposure from climate change and the steps they are taking to reduce that exposure. Coordinated by Ceres, the signatories include state treasurers and comptrollers from California, Oregon, New York, Maryland, Kentucky, North Carolina, Connecticut, and the New York City Treasurer. INCR members have successfully placed climate change on the agenda of the National Association of Insurance Commissioners (NAIC). In December 2005 the NAIC quarterly meeting agenda included, for the first time, forum on climate change, bringing together weather modeling experts and insurance leaders to discuss the implications of predicted weather patterns on insurers and consumers.
- California “Green Wave” – In 2003, the California Treasurer proposed the “Green Wave” initiative, an effort to improve long-term financial returns for pensioners and taxpayers through investments in energy efficiency and clean technologies, while reducing risks to pension funds posed by climate change. The state treasurer called on state pensions to increase investment in clean technologies, invest in stocks of environmentally responsible companies, conduct energy audits of their real estate portfolios, and encourage companies to improve their corporate governance practices on climate change and other environmental issues. In response CalPERS and CalSTRS, the first and third largest U.S. pension funds, respectively, are in the process of earmarking \$1.5 billion of the funds’ assets for investments in climate-friendly technologies and other environmental technologies.
- New York City Pension Funds – The New York City Comptroller has taken a strong role in addressing climate risk in the electricity sector, the source of 40 percent of U.S. carbon dioxide emissions. The New York City pension fund filed shareholder resolutions with six electric power companies in 2005, and just announced victories with 4 companies that have agreed to produce new reports to shareholders on climate change. The NYC pension fund has also taken a lead role in engaging with the NY Stock Exchange and Wall Street fund managers to consider the financial risks of climate change. Ceres President and INCR Director Mindy Lubber and Ken Sylvester, the Assistant Comptroller for Pension Policy for the NYC Comptroller’s Office, addressed more than 100 senior executives at the New York Stock Exchange (NYSE) on the business implications of climate change in December 2005. NYC took the lead role in authoring a request from state pension funds to 50 leading financial services firms regarding their capabilities to assess climate risk.
- Connecticut– In 2003, the state treasurer filed a shareholder resolution with American Electric Power (AEP), which received 27 percent of the vote (the highest vote ever on a climate change resolution at the company). Connecticut refilled the resolution in 2004, and then withdrew its resolution when the company agreed to a special report to shareholders on climate. The report reaches several key conclusions, including that “mandatory reductions of greenhouse gas emissions are likely in the next decade...AEP could meet a reasonable constraint

at significant but manageable costs-provided the program was efficiently designed....the central challenge the company faces is that of making decisions about large investments in long-lived assets in a setting of uncertain public policy and rapidly evolving technology.” The Connecticut Treasurer has also co-chaired the 2003 and 2005 Investor Summits at the United Nations, and recently co-hosted an insurance and climate change summit in Hartford with the Connecticut insurance commissioner and Connecticut environmental commissioner.

**Public Benefit Funds.** Twenty-three states have “public benefit funds,” which support energy efficiency and renewable energy projects.<sup>14</sup> The funds represent a surcharge on the bill of every electric customer or mandated contributions from utilities. Publicly managed clean energy funds from 12 of these states have formed the Clean Energy States Alliance to coordinate public benefit fund investments in renewable energy.<sup>15</sup>

**Carbon Capture and Storage Research.** Two states are investigating the potential to store carbon by injecting it into geologic formations within their borders. Given the environmental cost of coal its use should be minimized unless investments are made to both reduce mercury and greenhouse emissions. This will require both subsidies and regional economic development policies in coal producing areas.

**Building Codes.** Most states have adopted residential building codes that are at least as stringent as the national model code; and many states have done so for industrial buildings as well. There is a new model, the Green Building Code in Washington. This requires all new state and school buildings over 500 square feet to minimize energy use and maximize use of recycled products. Adopting or updating building codes is a way for states to save money while reducing emissions.

**Improving Efficiency of State Facilities and Vehicles.** Given high gas and oil costs, many states have instituted extended programs to promote efficiency in state buildings. There are vast cost savings to be had, particularly in older buildings. To reduce greenhouse gas emissions from the transportation sector, states and municipalities can use their purchasing power to create a market for “cleaner” vehicles, including buses and fleet vehicles. Several states have policies requiring that a certain percentage of state-owned vehicles run on alternative fuels, such as ethanol or natural gas, or that the state fleet meet a fuel efficiency standard. Some states offer tax breaks for alternative fuels, gasoline/ethanol blends, alternative fuel vehicles, low-emission vehicles, or for converting traditional vehicles to run on alternative fuels. Some states allow, or have proposed to allow, hybrid vehicles to use High Occupancy Vehicle (HOV) lanes during rush-hour traffic. The U.S. Department of Transportation recommended legislative

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<sup>14</sup> States with public benefit funds: AZ, CA, CT, DE, IL, ME, MD, MA, MI, MN, MT, NV, NH, NM, NJ, NY, OH, OR, PA, RI, TX, VT and WI; see [www.pewclimate.org/what\\_s\\_being\\_done/in\\_the\\_states/](http://www.pewclimate.org/what_s_being_done/in_the_states/).

<sup>15</sup> States with funds in the Clean Energy States Alliance: CA, CT, IL, MA, MN, NJ, NY, OH, OR, PA, RI and WI; see [www.pewclimate.org/what\\_s\\_being\\_done/in\\_the\\_states/](http://www.pewclimate.org/what_s_being_done/in_the_states/).

changes in 2003 that would allow this under certain circumstances. Many other states are considering procurement of hybrid vehicles.

### **III. Municipal-Level Climate Activity**

Mayors around the country are taking significant actions to increase energy efficiency and decrease their carbon emissions. Working to fill the leadership vacuum at the national level, Seattle Mayor Greg Nickels embarked on a campaign at the municipal level. Nickels sponsored the Climate Protection Agreement, which the U.S. Conference of Mayors voted unanimously to support in June of 2005. The U.S. Conference of Mayors represents 1,183 cities from all 50 states. The Climate Protection Agreement mirrors the Kyoto Protocol's goal of reducing GHG emissions 7% below 1990 levels by 2012. It includes a proposal for the federal government to ratify Kyoto and enact policies to reduce carbon emissions. In the absence of national action, signers of the agreement pledge to reduce their cities' emissions to Kyoto standards. As of January 2006, 199 mayors from around the country had signed onto the agreement.<sup>16</sup>

In addition to actions taken pursuant to the US Mayors Climate Protection Agreement, cities across the country have joined the Cities for Climate Protection (CCP), a project of the International Council of Local Environmental Initiatives (ICLEI).<sup>17</sup> There are 157 participating cities in 35 states ranging in size from Los Angeles and Chicago to university towns like Ann Arbor. Cities that join CCP are encouraged to adopt policies and implement programs to achieve quantifiable reductions in local greenhouse gas emissions. Salt Lake City participates in the CCP initiative, and has implemented a series of strategies including: alternative transportation such as light rail and bike lanes, energy reduction programs replacing traffic lights with LED, purchasing 130,000 kwh of wind energy per month, and energy conserving building ordinances. Chicago, another CCP member, purchased 20 new diesel-electric hybrid buses in 2005m and it plans to tests the fleets' fuel saving potential in 2006.

Just as states are forming regional pacts, mayors are working with others in their region to share innovations and address challenges. The Great Lakes Cities Climate Protection Working Group includes leaders from Ann Arbor, Buffalo, Chicago, Duluth, Milwaukee, Minneapolis, Saint Paul, Toledo and Toronto. Similarly, mayors across Texas have met to share strategies for increasing efficiency and reducing greenhouse gas emissions.

In addition, individual cities around the nation have taken a range of steps to meet the Kyoto goals. For example, Seattle has purchased nearly 150 hybrid government vehicles, reducing fuel usage and the accompanying costs. Keene, NH developed and enacted a local climate action plan, with a goal of reducing the city's carbon emissions from transportation, energy use and solid waste by ten percent. Santa Monica, CA has implemented a program in which employers who lease their parking will pay the

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<sup>16</sup> For a visual picture of the cities around the country where the Mayor has signed on to the Climate Protection Agreement, go to [www.seattle.gov/mayor/climate](http://www.seattle.gov/mayor/climate).

<sup>17</sup> [www.iclei.org/index.php?id=1118](http://www.iclei.org/index.php?id=1118).

employee the cost of the parking space to give it up and rideshare to work, reducing the total miles traveled by 544,000 per year. Minneapolis, MN recently turned the challenge of an over-crowded police precinct into an innovative green building, reducing energy costs by \$10,000 per year.<sup>18</sup> Portland, Oregon adopted a carbon dioxide reduction strategy in 2003, and has continued to thrive economically even as it has reduced emissions to 1990 levels.

#### **IV. Corporate Level Activity**

A growing number of U.S. companies are reducing greenhouse gas emissions from their companies' operations and products and are calling for national climate change policy to be enacted.

In the 2005 update of *Carbon Down Profits Up*, the Climate Group reports on 74 global companies, including many U.S. based companies, that are taking actions to increase their energy efficiency and/or decrease their carbon emissions through the use of renewable energy, offsets and other strategies.<sup>19</sup> The companies profiled in the Climate Group report have found that contrary to popular belief, reducing carbon emissions, whether through increased efficiency, use of alternative energy or offsets, has led to increased profitability, with a gross savings of \$11.6 billion among the 74 profiled companies.

Other examples of corporate leadership in the U.S. include the following:

- GE has launched an ecomagination campaign, which is dedicated to developing innovative solutions to global warming and other current environmental and energy challenges. GE has committed to developing alternative sources of energy, asserting that “green is green,” and that cleaning up the environment will be good for GE customers as well as GE investors.<sup>20</sup>
- British Petroleum is leading the way in the energy industry, having achieved an absolute reduction of 14% in carbon emissions between 1998 and 2004. In addition, BP has invested in research and public education about on climate change, and has made addressing the issue a major business strategy.<sup>21</sup>
- Bill Ford, CEO of Ford Motor Company, has taken a strong public position that actions are needed today to address climate change and that developing vehicles with dramatically lower greenhouse gas emissions will be a key factor in the

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<sup>18</sup> These four examples were collected by NRDC for use in a press release announcing the Mayoral participation in the UN conference on climate change in December 2005 in Montreal.  
[www.nrdc.org/media/pressreleases/051208](http://www.nrdc.org/media/pressreleases/051208).

<sup>19</sup> The Climate Group, *Carbon Down, Profits Up*, Second Edition.  
[http://www.theclimategroup.org/assets/CDPU\\_2005\\_v2.pdf](http://www.theclimategroup.org/assets/CDPU_2005_v2.pdf)

<sup>20</sup> See [www.ge.com](http://www.ge.com).

<sup>21</sup> See [www.bp.com/subsection.do?categoryId=4451&contentId=3072030](http://www.bp.com/subsection.do?categoryId=4451&contentId=3072030).

company's long-term competitiveness. In a recent report on the Business Impact of Climate Change, Ford stressed that that government action on climate change could help America stay competitive in the face of globalization pressures.<sup>22</sup>

- Several financial services leaders including JPMorganChase, Goldman Sachs and HSBC have pledged to reduce their own carbon emissions footprint, and HSBC has committed to being carbon neutral by 2006. In November 2005, Goldman Sachs issued a new Environmental Policy Framework for its investment banking operations, and said it would integrate climate change in its share valuation models. Goldman Sachs's policy states that "the government can help the markets in this regard by establishing a strong policy framework that creates long-term value for greenhouse gas emissions reductions and consistently supports and incentivizes the development of new technologies that lead to a less carbon-intensive economy."

According to Ceres, a coalition of investors and environmental groups that promotes investor and corporate leadership on global warming, U.S. companies are increasingly saying publicly that governments must set mandatory limits on greenhouse gas emissions in order to reduce investor uncertainty and provide confidence in strategic planning.

Duke Power Chairman and CEO Paul Anderson said in May 2005: "I believe U.S. public policy on global climate change should encourage a transition to a lower-carbon-intensive economy through a broad-based, mandatory approach. And I believe the best approach is a carbon tax, which addresses greenhouse gas emissions from all sectors of the economy."<sup>23</sup>

In July 2005, the CEOs of two dozen companies, including Alcan, Hewlett-Packard, Ford Motor, Siemens, Rio Tinto and Toyota, issued a statement urging leaders of the Group of Eight industrialized nations who were meeting in Scotland to set climate-stabilization targets and adopt global trading systems to control greenhouse gas emissions.

Such messages appear to be resonating in Congress. In drafting the 2005 Energy Bill, a solid majority of the U.S. Senate adopted a resolution stating that "Congress should enact a national mandatory, market-based program to slow, stop and reverse growth of these emissions." While the resolution is non-binding, it shows that the Senate is preparing for the United States to join other nations in regulating greenhouse gas emissions.

## **Conclusion**

During the last few years, climate change has emerged as a top tier concern for local and state governments and businesses in the United States. Given the growing interest of municipalities, states and businesses in reducing emissions, it is only a matter of time

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<sup>22</sup> See [www.ford.com/go/sustainability](http://www.ford.com/go/sustainability) for the Ford Report on the Business Impact of Climate Change, released December 20, 2005.

<sup>23</sup> Douglas G. Cogan of Investor Responsibility Research Center, *Unexamined Risk*, January 2006, p. 9. Report available at [www.ceres.org](http://www.ceres.org).

before the U.S. enacts federal carbon constraints. However, given NASA scientist James E. Hansen's recent statements that we cannot continue with the status quo for another ten years, every day counts in the effort to reduce emissions and begin to slow climate change.<sup>24</sup>

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<sup>24</sup> Juliet Eilperin, *The Washington Post*, January 29, 2006.

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