

NATIONAL PRESS CLUB LUNCHEON WITH SENATOR JOHN KERRY

SUBJECT: AMERICA AND CHINA ON THE ROAD TO COPENHAGEN: TOWARD A CLIMATE CHANGE PARTNERSHIP

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DONNA LEINWAND: (Sounds gavel.) Good afternoon. Welcome to the National Press Club. My name is Donna Leinwand. I'm a reporter for *USA Today*, and I'm President of the National Press Club. We are the world's leading professional organization for journalists, and we are committed to a future of journalism by providing informative programming and journalism education, as well as fostering a free press worldwide. For more information about the National Press Club, please visit our website at www.press.org.

On behalf of our 3,500 members worldwide, I'd like to welcome our speaker and our guests in the audience today. I'd also like to welcome those of you who are watching us on C-SPAN. We're looking forward to today's speech, and afterwards I will ask as many questions from the audience as time permits. Please hold your applause during the speech so we have time for as many questions as possible. I'd like to tell our broadcast audience that if you hear applause, it may be from the guests and members of the general public who attend our luncheon, and not necessarily from the working press.

I'd now like to introduce our head table guests and ask them to stand briefly when their names are called. From your right, Skip Kaltenheuser, independent journalist and write of the Letter from Washington column for "Gatsby," a European magazine; Rodrigo Valderrama, independent freelance columnist, Grazia Salvermini of the McLaughlin Group where she is a writer and assistant producer; Eleanor Clift, a contributing editor for *Newsweek*; George Sakellaris is CEO of Ameresco, an energy company based in Framingham, Massachusetts, and a guest of our speaker.

Skipping over the podium, Angela Greiling Keane of Bloomberg News and chair of the NPC Speaker's Committee; skipping over our speaker for just a moment, Kathy Bonk, Communications Consortium Media Center, Executive Director and the Speaker's Committee member who organized today's event. Thank you very much, Kathy.

Bob Crowe, a partner at the law firm of Nelson Mullins. He is the co-director of their federal government relations practice in Washington, and the managing partner of the Boston office, and also a guest of our speaker; Coral Davenport, a reporter for *Congressional Quarterly* where she covers energy and environment; and Myron Belkind, Chair of the National Press Club's International Correspondents' Committee and the Secretary on the Board of Governors. He's also a former foreign correspondent for the Associated Press. (Applause)

1971, Lieutenant John Kerry, the first Vietnam War veteran to testify before the Senate Foreign Relations Committee withstands a two-hour grilling from then-committee chair, J. W. Fulbright, about ending that war. Fast forward 38 years. Senator John Kerry, who chairs that same committee now has oversight power over wars in Iraq and Afghanistan, and a wide array of other global issues including climate change.

Senator Kerry enlisted in the Naval Reserve just after graduation from Yale. On active duty, he received three Purple Hearts, a Bronze Star with a combat V, and a Silver Star. He survived swift boats, a bout with cancer, being swift-boated, and the 2004 presidential campaign as the Democratic nominee. His Senate career now spans five terms, yet he still is the junior senator from Massachusetts. (Laughter) His colleague, Senator Ted Kennedy, outranks him.

Senator Kerry has authored and passed major legislation on international drug trafficking, global aids, humanitarian aid, small business concerns, education, and a host of veterans benefits. Environmental issues are near and dear to his heart, literally. Senator Kerry first met his wife, Teresa Heinz, at an Earth Day rally in 1990 when her husband and Kerry's best friend in the Senate, Senator John Heinz introduced them. They met again after Heinz's untimely death; this time, it was at the 1992 United Nations Earth Summit in Rio de Janeiro.

Earlier this year, Senator Kerry returned from a visit to China more convinced than ever of the need for international cooperation on climate change at the upcoming U.N. climate change conference in Copenhagen. Today, he'll talk about steps the U.S. and the world should take. Please join me in welcoming to the National Press Club Senator John Kerry. (Applause)

SENATOR JOHN KERRY: Thank you very, very much. Appreciate it. Donna, thank you very much for a wonderful, generous introduction. And I want to assure everybody here that she really didn't have to dispel any of us of the notion that if anybody is applauding about anything I say, it will not be the working press. (Laughter) And I

don't say that-- You know, it's not negative about them, but they just don't do that in Washington. It would be a first.

I want to cut straight to the chase here. It's a great privilege for me to be here. This is one of America's great fora and it's a privilege to be able to speak again at the National Press Club and I'm honored to be part of the proud tradition of doing so.

Let me also say that time is of the essence here. We have, I've learned, this very strictly adhered to protocol with respect to these events. We have a small amount of time in which to try to compact a lot of ideas and hopefully a lot of thinking. So, I'm going to go straight to the heart of the substance here and look forward very, very much to any questions that any of you may have with respect to this enormously challenging issue that we all face.

When Richard Nixon first visited China back in 1972, that journey seemed far longer than the 7,000 miles that actually separate Washington from Beijing. He was bridging an enormous gap between two worlds that had separated our countries for a generation. And President Nixon understood that such a moment demanded a dramatic signal to drive home a new diplomatic reality. To do that, he chose a simple gesture, but one that was laden with very significant meaning.

Chou en-Lai, China's premier, had nursed a grudge ever since Secretary of State John Foster Dulles refused to shake his hand back in 1954. And so Nixon knew that, and when he walked out onto the tarmac in Beijing, he took several steps towards Chou with his hand very obviously and very unmistakably outstretched. The message was clear, and it was powerful and it marked a watershed in U.S.-China relations.

Now again, we find ourselves at a moment for that kind of a watershed. Our two nations have just met at the Strategic and Economic Dialogue, the most important forum in our bilateral relationship. Only this time, it's not just our geopolitics that are changing, but the Earth itself. Global climate change poses a real and present danger of environmental destruction and human dislocation on a scale that we've never seen. Just recently before the Foreign Relations Committee, we had a group of retired admirals testifying to what they and retired generals perceive as a major national security threat, because global climate change is a threat multiplier and it will present our military and our strategic thinkers with major challenges.

America and China must therefore seek to change the world again. Once again, we need to send a strong signal, but a handshake alone is not going to get the job done. Nothing less than a complete and collaborative transformation of the global energy economy is going to be enough to tackle this crisis. This week, China's leaders traveled to Washington eager to meet with familiar colleagues and to continue a well-established dialogue. But between our peoples, i.e., the populations of both of our countries, between our peoples, especially on the subject of climate change, there is still a mistrust and a misunderstanding. Too many Americans are convinced that China won't lift a finger to fight climate change, or that China will hurt is economically if we do.

Similarly, too many people in China fear that the United States is merely attempting to smother China's economic rise, and too many in the world believe that neither country will take credible and necessary action. Well personally, I believe that all the doubters are wrong. But it's up to us to craft a partnership with China that proves them wrong. That's the challenge.

What's needed are simple gestures backed by strong actions and concrete decisions to move forward in a new direction. Senator Lugar and I hosted the Chinese delegation this morning for breakfast, and we had a very frank, direct discussion, productive discussion, I might add, about what was accomplished at this week's strategic economic dialogue and where we stand now. Both countries recognize that imbalances in our economies have fed the global economic crisis and that we need to work together in order to correct them.

For China, that means adjusting the high savings rate to allow for a more consumption-driven economy. For America, it means reinvigorating our export industries and encouraging our consumers to actually save more. I'm pleased that Vice Premier Wang Qishan and Secretary Geithner agreed so clearly and publicly on the path forward.

China also deserves credit, a lot of people aren't aware of this, but China deserves enormous credit for taking dramatic steps to insure a more open market for U.S. goods and services and for treating foreign invested enterprises equally in government procurement processes. These are, frankly, major steps forward and they are a signal of China's good faith.

Politically, we made cautious, but important, moves to coordinate our foreign policies. On North Korea, China and America are working more closely than ever before. On Afghanistan, Pakistan and Iran, we put in place a framework for a greater partnership going forward. Secretary Clinton and others did not shy away from difficult, but necessary, conversations about human rights, ethnic minorities, especially those in Tibet and Qiang-yong (?). Overall, as Secretaries Clinton and Geithner, I think, have helped to shore up the relationship and have developed strong ties with their Chinese counterparts. That's the good news.

So what's the bad news? On climate change, perhaps the single greatest challenge that we face with the most tangible impacts occurring in ways that science is measuring on a daily basis, we face more challenges, and I believe more could have been done, and more should have been achieved. We did sign a Confidential Memorandum of Understanding including language on climate change. But I have to tell you, as somebody following this extremely closely and having been involved in it now for 20 years and having come back from these meetings in China, the dates, the timelines, the roadmap, the specific steps that need to be taken towards an agreement in Copenhagen, the fully defined mutuality of our effort between our two countries was not clearly articulated and did not materialize.

To build the trust and the momentum necessary, and this is nothing different from what I said to the State Counselor this morning at the meetings, or to their Environment Secretary who was sitting to my left, and I think it's critical for us to understand that the momentum necessary to make December's Copenhagen International Climate Negotiations a success, we need to emphasize formally, publicly and immediately, concrete agreements that convey our seriousness of purpose. I believe there are great opportunities to do this coming up, particularly in September and November as we meet in the G-20 and in a summit.

Let me share with you the reality of what we are dealing with right now very quickly and why this is so compelling. And I won't spend too long on this, I promise you. But unless we act dramatically and act fast, science tells us that our climate and our way of life are literally in jeopardy. I'm not going to dwell on that science, but review just for a moment the basics. In the industrial era, atmospheric carbon dioxide levels have risen from 280 to 380 parts per million. Scientists have drawn a red line at 450 parts per million, actually moving it backwards from 550 where it was a few years ago, but the evidence is coming at us so fast they've become more cautious. And there are some scientists even arguing that it ought to be 350.

But the 450 represents what to their best certainty is a warming of two degrees Celsius. Anything beyond that presents an unacceptable risk. And as you know, at the G-8 meeting, which is really G-8 plus-plus, as you know, in Italy, they embraced the two degree centigrade (sic) as a target. Unless we take dramatic action now, we are actually heading to 1,000 parts per million by the end of the century. And today, over 40 percent of those emissions belong to two countries: the United States and China.

Now, those are the facts, and the reality is we are simply not doing enough to address them. And I'll tell you the hard truth: nobody is. The Heinz Center, MIT and the Fletcher School recently developed a state of the art model to analyze the impacts of fully implementing all 17 national climate change policies that have been proposed by countries to date, ours included. They found that even if we met all of these ambitious currently on the table 17 different climate proposals, including President Obama's target of 80 percent reductions by 2050, even if we hit that, we are still projected to hit 600 to 700 parts per million by the end of the century. That's disastrous.

The bottom line is that none of the current proposals get the job done, which is why the challenge is growing more, not less, urgent. And that is why Copenhagen is so critical; not that we will meet the scientifically specified goal that we know we have to get, but that we will come together globally and agree to start. And by starting, embrace a set of technological and other kinds of energy efficiency changes that will compound on themselves and ultimately make it easier and possible to meet the larger goal.

Undeniably, all of us must do more to meet that goal. But ladies and gentlemen, China and America, the world's largest emitter today, China, and history's largest cumulative emitter, the United States, we have a special responsibility. One hundred and ninety-two nations will gather this December in Copenhagen to hammer out a new global

climate treaty. But two have the capacity to set the tone and define what is possible. The crucial question is can America and China forge a partnership capable of acting boldly enough to prevent a climate catastrophe? Science tells us that the answer to that has to be yes.

The good news is we have a strong foundation on which to build. We've developed a broad set of ongoing, close collaborations with China on energy, on the environment, and even on climate change itself. One example of the kind of success that we've had and the kind that we need to replicate is the pilot energy efficiency project that the Lawrence Berkeley National Lab created with two steel plants in Shandong. And the project has actually gone so effectively that Beijing got excited about it and took notice of it, and they've expanded the pilot project into a nationwide program covering China's top 1,000 energy consuming enterprises. These companies account for one-third of China's total energy consumption. And the government-mandated reductions will be roughly 16 times the total electricity consumed by New York City. That's significant, and we need to take note of it.

Successful collaborations like this is the one that helped to convince the Chinese leaders to embrace a ten-year framework for U.S.-China energy cooperation last year, as well as the agreement that was signed just last week by Commerce Secretaries Steven Chu and Gary Locke in China to build joint energy research centers. These are important.

In May, I visited China and I met with political and military leaders, with energy executives, with scientists, with students, with environmentalists, and I gauged China's seriousness and willingness to build momentum in order to move towards this deal in December. And what I found was a country that had undergone a sea change. Today, Chinese investment in renewable capacity is second in the world only to Germany. They're investing \$12.5 billion an hour, way more than we are in the United States. They've tripled their wind capacity goals in just the last two years. In the last three years, China has improved its energy intensity by 10 percent. China has publicly announced that it's intending to become the world's number one producers of electric cars.

Leaders who weren't even willing to entertain this discussion ten years ago are now equally and unequivocally committed to moving forward, only this time they are arguing that they grasp the urgency and is "ready to be a positive and constructive player in the international climate talks in Copenhagen." That's an impressive turnaround, and I wish that just by itself it were enough. But it isn't. Why? Because, quite simply, aspirational statements cannot stand in for legal commitments on the international stage. That's why I went to China this spring, to communicate that America understands that we do have an obligation to lead. We have a new administration, we have a Democratic House and a Democratic Senate, and I believe people understand that we need to take the lead.

But China needs to understand that we will not enter into a global treaty, as we learned with Kyoto, without a meaningful commitment from China to be part of the solution. And that goes for the rest of the developing world also. If we want to arrive

where all of us know we need to go, we've got to be practical about how we get there. And this is going to happen in stages. The debate that we ought to be having now is what schedule and what scale will China act on? And will it be enough?

We need to persuade China that quick and decisive action is actually in China's own interest. And to get there, we need to build a broad and deep collaboration based on what China can and will do now. Here is why. To get China to act, we need to understand how China sees this issue, not something that we always do the best. Their narrative of how our two nations reached this point in time, is very different from ours. Where we see an economic powerhouse, Chinese still see 500 million or more people of their countrymen living on less than \$2 dollars a day.

Where we see a rising power, they see a proud nation that is only now emerging from 200 years of attacks and exploitation. Where we see the greater global emitter of the future, China sees itself as a country that has emitted less than its share historically, and far less than what the United States of America has.

So, when we ask China to cap its emissions, those who want to pass the blame or minimize the threat have a pretty ready-made storyline. Of course, neither side has a monopoly on the truth here, folks. The reality that I saw in China is deeply at odds with the way China is depicted in our domestic policy debate over climate change, which is essentially a country unwilling to recognize the threat of climate change or alter its energy use and response. It's just not true. The image of China conjured up by politicians and pundits is in a country that I don't recognize from my trips there.

Our challenge has been, and remains, to arrange and change these narratives. We need to replace them with a successful collaboration that has benefits on both sides by addressing the reality and then improving it. And I'll tell you something, great power politics alone is not going to get this done. We need joint leadership on global issues.

Step by step, we can shift our focus from the difficulty of compromise to the inescapable reality of a clean energy future. That's why the research and development partnership that was negotiated by Secretary Tsu(?) and Secretary Loch is so important. And eventually, we need China to be in a position to fully accept that, while our energy futures may be linked, China need not and must not emulate our energy past.

A century before Nixon's visit, the Chinese found that the telegram was impractical for their system of writing. So they leapfrogged technologies, and they went straight for another new American invention, the telephone. Today, what we need is for China to forego the carbon-intensive industrial processes that fueled the west in the 19th and 20th centuries, but have done all the damage that we're aware of, and then pioneered clean technologies of the 21st century.

We should use the strategic and economic dialogue and major economies forum and other venues to convince China to take concrete and tangible steps forward. We should fully support new R & D efforts and also launch high profile, clean energy

demonstration projects. Together, we could bring to scale and commercialize new technologies, especially carbon capture and storage for coal fired power plants.

And today's crisis also demands that we invest in developing the skills and capacity of the American and Chinese workers, so that they can help move us to this new energy economy and grab the low-hanging fruit. Let me tell you about the low-hanging fruit. According to the McKinsey Company study of carbon reduction, 40% of America's potential reductions in emissions actually pay for themselves.

The first 20 years in which you're grabbing at that 40% pay for themselves. It's free if you do what a lot of companies are doing. And the fellow sitting right here, George Sakolaris(?), knows exactly what I'm talking about. Maybe in the Q and A, opportunity will come for me to describe it to you. McKinsey Company also found that a \$70 billion dollar investment in energy saving emissions would actually take place in China, and it would pay for itself.

Clean energy solutions will require new expertise for builders, engineers and contractors and entirely new professions, from energy auditors to retrofitting experts. To advance energy efficiency, we will have to train a clean energy core in each of our countries. And transforming our energy use can't just happen in Washington and Beijing. It has to be implemented locally by people in cities and villages all across both nations. And guess what-- That's going to create jobs. And it's going to move us out of this recession and into the economies of the future.

Building such a capacity, and working from the bottom-up is not an alternative to a global deal. It's a prerequisite for getting a deal done because it helps China make the long-term decision about emission reduction commitments that we all know both China and the less developed world are ultimately going to have to accept.

And while we work with China, we also need to begin talking intensively about climate and development with nations in Africa, Asia, Latin America. We've learned, in our discussions with the Chinese, we need to offer countries win-win choices. And we have to figure out what matters to each of those countries in our bilateral relationships and build on these core areas in order to achieve a lasting partnership on climate.

Ultimately, my friends, we are all going to have to be part of a global deal. But getting from here to there will require a great deal of tough diplomacy and hard work. Secretary Clinton's visit to India this last month offered a fresh reminder of the challenges. India's rhetoric was as strident(?) as we ever heard China's. So we need to build a climate partnership with India, too, working from the same principles but respecting the massive differences.

If India took full advantage of its energy efficiency opportunities, experts say it could substantially reduce its construction of new power plants. Some even suggest that it wouldn't have to build another power plant for a decade if it took advantage of those energy efficiencies. That's why state department-funded joint efficiency labs are already

working in Delhi and Mumbai. And it's why they will soon expand their collaboration to all of the states in India.

With China focused on energy efficiency and coal technology, for India and energy efficiency, they're sort of equally important in both countries. But India's geography and grid suggests that we focus even more on thermal technology, which could provide 10% of India's electricity as soon as a decade from now.

Ultimately, ladies and gentlemen, our climate diplomacy depends on building a framework that is flexible enough to accommodate individual countries' wants and needs but firm enough to bring all of us on board and hold all nations accountable. That's the challenge we face. And it's one that's going to be made easier as people everywhere begin to realize that, in the 21st century, the challenge of developing clean energy sources is not a break on economic growth. It is the engine.

This is good news, because the global economy needs that kind of an engine right now, which is why, alongside American entrepreneurs like John Dorr, Vinot(?) Posla(?), China too is racing to embrace these technologies. China has expanded its solar capacity, goals from less than two gigawatts to 20 gigawatts, with a new increase just last month. Twenty gigawatts is more than triple the amount of solar power installed in the entire world during 2008.

China now produces one-half of all the solar capacity in the world. And those who say China will act in its economic self interest have a point. But they fail to see that, when China builds wind farms, China is acting in its self interest.

New York Times columnist Tom Freedman has been watching this closely. And he's seen how aggressive clean energy standards in China and Germany have led to burgeoning industries, with tens of thousands of jobs. Meanwhile, of the top 30 companies in the world in solar, wind and advanced batteries, technologies we invented here in the United States, just five are now based in America.

That's why Tom Freedman takes the argument that climate legislation will cost American jobs, that argument people try to make. He flips it on its head, folks, which is where it ought to be. He makes it convincing that, unless we significantly ramp up our efforts, China's clean energy industry will-- and I quote-- "clean our clock."

I believe that the pie is large enough for America and China's economies to grow green together. But I know that, no matter what any other country does by acting to address climate change, we can secure America's place and American jobs in the energy economy of the future.

Ultimately, we're going to be measured by what we can achieve together. Sixty years ago, when China went in the direction we could not understand, a single acute story question cast a shadow over our foreign policy debate for years. Who lost China? Back then, we were naïve enough to believe that we could single-handedly control the destiny

of a country of a billion people. But truly, if we fail today to create a partnership that we need to, if we fail to persuade China to stave off climate change, then we risk facing another “who lost China” moment of regret and incrimination.

We now understand China isn't ours to lose. But all of us will lose out if we do not act to protect the health of our climate and the security of our people. Twenty years from now, folks, I do not want to be debating “Who lost earth?”. When we look back on these years, I want to be able to tell a different story, one in which America’s climate partnership with China becomes the clear beginning of the new era, where Americans embrace clean energy, where a 21st century energy grid, cutting edge energy technology modernizes America, creates millions of new jobs, where billions of Indians are lifted out of poverty and see clean energy as an opportunity for development, and where diplomacy warms up but the planet doesn’t.

Because the world’s two largest emitters came together to take responsibility and deliver change. Those are the stakes-- and this can be our world. But it’s not going to happen by accident. When Nixon visited China, he quoted some writings from China’s leader. Time passes. Ten thousand years are too long. Seize the day. Seize the hour. Well, we’ve made real progress at this week’s meetings. But we don’t have 10,000 years to fix the problem of climate change. We don’t even have ten years.

If we want to create the U.S.-China climate partnership the world needs, China needs, and America needs, we have to seize the day. We have to seize the hour. We have to act. And we can. And I hope we will. Thank you.

(applause)

MS. LEINWAND: We’re doing great on the time. And we have a load of questions. So, I’ll put this down a little bit. It’s a little bit of a height difference, I think. Are you suggesting that, if we cannot get China to take significant action, that the U.S. will not act either?

KERRY: No. What I’m saying is that if China doesn’t act, it will be very hard to translate whatever happens in Copenhagen, if it even happens, into law here. And the experience of Kyoto tells us that. The Byrd-Hagel Amendment passed 95 to nothing on the floor of the United States Senate. And it basically was a reaction to the fact that, out of Kyoto came this agreement, whereby Europe, Japan, the United States and other major emitting countries were going to undertake to reduce emissions. But the less developed world was completely out of the deal.

And so, local politics began to overpower whatever rationale there was for taking action because people said “Well, we’re not going to take action and put a burden on our businesses to reduce their emissions while the others are just filling the hole that we, you know, create by taking those emissions out.” And that’s common sense. There is no way the United States of America, acting alone, can solve this problem.

So we have to have China. We have to have India. We have to have the less developed countries as they bring their power grids online. And they should. We all recognize and respect that they have to grow their economies. They have to grow jobs. They have to take care of their people. All we're asking, in ways that don't replicate the mistakes that the industrial world made for the last 150 years.

And we have a responsibility to try to help some of those who cannot afford any new technology, who are the poorest countries of the world, to be able to afford to get access to those technologies and technical assistance, so they can have power in a local village that powers a water pump that isn't a diesel engine spewing fumes into the atmosphere, but rather is one of the new modern, small-scale solar technologies that can provide power and electricity where it's never existed before and power water pumps where water has never been clean or even been running before.

Those are the opportunities. And so, what we're saying is, that it is critical, we believe-- and I believe-- the United States has to lead. I believe we need to pass our climate change legislation, which is essentially a jobs legislation. We are going to pass a bill, I hope-- or we're going to propose a bill that is the foundation of economic transformation. And this energy economic transformation I described, that's a clean energy jobs bill, that reduces pollution and helps America be energy-independent.

And, in doing so, we're also going to wind up taking care of the climate issues. And we are going to put that before the Congress, we hope, in the fall, and hopefully go to Copenhagen and have led by example. Now, we may or may not, because of the healthcare debate, be able to get it squeezed in before then. I can't tell you that today.

As long as we're on a track, and we go to Copenhagen, and the Chinese and the less developed world, they don't have to do the same thing that we're doing, but they have to show their good faith in major reductions to get them on a path where we all join up somewhere down the near-term future, that's the key to success in Copenhagen. And that's what we hope to achieve.

MS. LEINWAND: In the past, as you mentioned, the economic growth argument doomed some of these climate change bills. Why is this different now?

KERRY: It's different for a number of reasons now. First of all, people know a lot more about this issue now. Secondly, the science is far more compelling than ever before. The evidence is coming back in dramatic and even frightening ways. I hear our top scientists of our country, when they are asked about the state of the art of the science, describing things to me in more alarmed terms, with greater urgency than they sometimes do in the public, because they're even worried about how to translate it in the public.

But the truth is that, for example, the Siberian ice shelf study recently came back and showed that there are columns of methane gas bubbling up under the ocean because of the melting of the permafrost lid. And those columns of methane gas, if you were to light a match at the place where they pop out into the open air, it would ignite. That gas is

20 times more damaging and dangerous than CO2 and carbon. So, that's happening because of the melting of the permafrost. We've actually-- We're moving villages in Alaska today because of the melting of the permafrost.

We had the governor of Colorado in the other day, describing to us the loss of a million acres in Colorado, of forest to a beetle that used to die off because it got cold enough in the fall that the cycle was truncated. But they haven't had that kind of freeze, now, for six or seven years. And so, the beetle didn't die. And so, the beetle has now infested millions of acres-- not just there, but north into Alaska and through Canada, millions of acres of forest gone.

There are similar kinds of impacts. For instance, in the Arctic a few years ago, they were predicting the melting of the Arctic ice by the year of 2030. Now it's by 2013, folks, 2013. Yeah. It's-- And what happens is, as the Arctic ice melts, it doesn't change the displacement in the ocean. Therefore sea level rise because it's already floating. But what happens is, it exposes huge amounts of the ocean, which is dark, and therefore absorbs sunlight, it exposes it to a more rapid cycle of warming. Because it used to be that, when it was frozen, the sunlight bounced off of it and reflected off the ice and snow, went back upstairs. Doesn't happen anymore.

And, as that cycle of warming accelerates, we don't know the consequences with respect to the ice sheet on Greenland, which is now melting faster, and at a rate that is alarming to scientists. You can stand on the Greenland ice sheet and see a river, torrent of water, pouring out underneath it into the oceans. And sometimes there's fears that that might even act as a slide for major portions of the ice just to slide into the ocean. I can't tell you if it will or won't. But, as a public person with a responsibility to think about things that scientists tell you might happen, you need to start factoring those things into the proportionary principle that the policies that we make or don't make.

There are many other, many other indicators. In the deserts, you know, you've already seen dislocation of people in various parts of Africa. In Sudan, some of the violence there was induced by the fact that there was less rainfall and more desertification. So tribes that used to be able to live in certain places could no longer live there. Then they moved, and you have tribal conflict and killing. This is the--This is a threat multiplier that the generals and admirals are talking about.

So the bottom line is that we need to be very, very thoughtful about where we are with respect to the science and respond to the science appropriately.

MS. LEINWAND: I can't remember what I asked. So--

KERRY: That's good. That's a good answer. [laughter]

MS. LEINWAND: So, if an energy bill is not passed in time for Copenhagen, what will the U.S. have to do to be taken seriously in the meetings in Copenhagen?

KERRY: Well, I'm not going to contemplate that we're not going to pass an energy bill. I believe we can, at the very least, pass an energy bill. My hope is that we pass a more comprehensive bill. But the-- If we're acting in good faith, and the President is pushing, the House has already passed legislation, and the Senate committee has passed it out, we have a leadership bill that has been brought together.

And we just don't have time to take it up because of the press and of the healthcare and so forth. I believe, and I met just yesterday with the British foreign minister, and I talked today to Yvo de Boer at the United Nations, I'm convinced-- he's the person responsible for leading these talks for the U.N. in Copenhagen-- I believe that folks in Copenhagen are going to be able to act, and that we will be able to get action there.

Obviously if we were to take action here and fail, that will have a dramatic negative impact on what might or might not come out at Copenhagen. But we're not going to let that happen; we're going to keep working until we have the votes. And when we have the votes, we're going to pass it.

LEINWAND: Analyze the politics for me on cap and trade in the Senate.

JOHN KERRY: Well, I'm trying to analyze them everyday. It's gotten a bad name because people have played games with it. We already have a system of trading for emissions in the United States. We have one right now. We've been doing it since 1990 in American. And there have been no scandals in that marketplace. It has worked extremely efficiently. And we have reduced the sulfur dioxide that we put up into the atmosphere as a consequence. I helped design that when I was Lieutenant Governor back in the 1980s. And I chaired a governor's task force on something called "Acid Rain." And I worked with John Sununu, then Governor of New Hampshire and Dick Celeste, then Governor of Ohio, and we came up with concept of being able to trade emissions and reduced emissions accordingly.

When I became a senator, we were able to put that into The Clean Air Act in 1990. And I remember the arguments, ladies and gentlemen, the same arguments we hear today from people who just ideologically, automatically oppose this. Those arguments were back in 1990. Don't do this to us, it's going to cost too much. You're going to bankrupt us; you're going to put us out of business; you're going to make us non-competitive. We can't afford to do it. And they said it would cost \$8 billion dollars and take about eight years to achieve. That was the industry and its supporters. The environment community came up, and said, "No, no, no, no, no. They're all wrong. That's just scare tactics. It's going to take about four years. And it will cost about \$4 billion dollars, and we'll show you the studies and show you what it really costs."

To the credit of President George Herbert Walker Bush, Republican, and to the credit of his Chief of Staff then, John Sununu, and Bill Riley, then at the EPA, they agreed to do it And we signed this into law. And guess what? It cost about \$1 to \$2

billion economy-wide, and it was achieved in about two years. Why? Because nobody has the ability to predict what happens when you set a global or national goal and your economy, your scientists, your universities, your creative entrepreneurs all move towards that goal, and private capital begins to move towards that goal, and innovation, and ingenuity moves towards that goal.

And, suddenly, just Moore's Law in computers, we are compounding our capacity to do things faster and cheaper. Because the technology moves in ways that nobody can predict. I predict this: that we will see, if set this goal, a remarkably transformation. And, already, I mean, I hear major companies talking about how they're waiting to invest in the new grid in America, because if we connect the new grid that allows clean energy produced in Nevada to actually get to New England, you're going to have an unbelievable return-on-investment ladies and gentlemen. You know, the internet market, that is the market that fuel the wealth creation of the 1990s in American is a \$1 trillion dollar market, it was then, and it served about a billion-plus people. The energy market is a \$6 trillion dollar market, serving about \$4 and a half billion, potentially. This is the mother of all markets.

And if we commit with a certainty on the pricing of carbon to move in that direction, you're going to see more products come online, more technologies that will become cheaper, will do it faster. That's I'm confident that in going to Copenhagen, even though we're going to set a target that I know is less than what science tells me we have to do, it doesn't worry me. Because I believe in that ingenuity and creativity, and I'm confident that, all of us together with the Chinese and Europeans and others, are going to move in ways that are going to reduce the cost and get this job done so much easier than people think. The fact is that in sulfur, we've been training all these years.

The units of sulfur are way less than people predicted they would be. The trading has been very simple. And I'm confident that we can do the same with respect to carbon. In fact, there's a gentleman sitting up here who's a part of the carbon market. We have a carbon market in America today. I don't know about you, but I buy offsets, my wife and I buy offsets for some of the things that we do that produce carbon, because that's one of the ways in which you can reduce carbon intensity.

And so we need to begin to set that price. One final comment: Major corporate chieftains of America are saying "Do this now." Jim Rogers of Duke Energy; George Nolan Of Siemens, which has just over the last year or so made \$17 billion dollars of acquisitions, one of the fastest growing companies in America. They want this done. Chad Holliday, the CEO of DuPont Company, came to talk to our caucus the other day. John Doerr, one of the major investors of one of the most successful, high tech investment firms in American that did Google and Sun Microsystems and countless numbers of technologies, Microsoft and others you use today. I mean, you talk to smart people who understand the economy, John Chambers of Cisco, you run a list of these guys, they all say, "We need to do this now. America needs to lead." Because see that marketplace in the future and the jobs of the future, and they see a certainty in the

marketplace, that then they can do business plans and pricing and begin to have a sense of where we're heading. And that's why we have to do it.

LEINWAND: Senator Lugar has been an ally in a number of Obama Administration initiatives, but he said emphatically last week, when asked by the press whether he would have voted for Waxman-Markey, "if I had been in the House, my answer is 'no.'" If you don't have people like Lugar on your side on the climate change legislation, can you have any hope for Republican support?

JOHN KERRY: Well, hope springs eternal. The answer is yes. And I have hopes that Senator Lugar will ultimately come on this legislation. We're working with him very closely as well as other senators. The fact is that Indiana is one of those states where we can show precisely how the jobs could be created and how minimal the impact is. In fact, CBO, the Congressional Budget Office and the EPA have both done an estimate of the bill that as passed in the House, which shows that the cost, for the lowest income-earners in American, the lowest 20 percent of income-earners in American, is actually positive, net positive. It's 40 cents, \$40 dollars excuse me, to every person in that quintile income-earner. They actually plus money for these changes.

In the middle-income area, the cost is somewhere, depending on the study, currently assessed at about \$75 to \$170 dollars over an entire year. But that is without taking into account, which we have now asked them to do, without taking account energy efficiency gains and new technologies. And none of the studies to day tell the American taxpayer what it's going to cost them if we don't do this. Let me tell you folks, that will dwarf all the other things. If you don't move now, we're going to lose jobs, we're going to lose opportunity, we're going to see more impacts that negative on crops, on water loss, on weather, other kinds of things. And ultimately they say all the experts tell us it costs much more to come to this later and try to get more out of atmosphere at a later time.

And Nicholas Sterns or Nicholas Stern who was the lead economist for Tony Blair's government did a critical study that showed what the costs are globally in terms of our GDP. It's less than an entire percentage point ladies and gentlemen, but the costs of not doing it are up in the double digit percentage points. So I believe that ultimately we're going to be able to appeal to a number of people on the Republican side with facts that show how their states are helped and how our country, ultimately, this pays for itself. Final comment: Please go see the McKinsey Company study. They spent millions of dollars doing this analysis. It's called "The Carbon Cost Abatement Curve."

It takes every single possibility of what someone can do as an individual or business to reduce emissions, and it factors in the costs. And it shows that over the first 25 to 30 years, the first 35 or 45 percent of these reductions pay for themselves. Now George Sakellaris, who is sitting here — look at him nodding — this man had built a business. You know what he does? He walks into a company, and he says to the company, "I can reduce your cost of doing business. I can reduce your energy costs. And guess what? I can not only do it, but I'm going to pay for it. I'll finance it. It doesn't cost

you anything to do up front. And if I don't do any savings, you don't have to pay me anything. But if I do the savings, this is what you give me, x amount." That's a win-win proposition; I don't think anybody's ever said no to him. He's doing the Congress now folks. Now that's how sure a bet it is. And I'm not going to review his personal wealth, but this man is very successful doing the right thing, doing the right thing.

So I've got to tell you, this is such a winning proposition, and people are kind of catching onto that. Major companies, Texas Instruments was going to move from Dallas. The workers came to them, and said, "Please don't do this. You know, this is our jobs." They were going to go to China for all the reasons people go to China. The management said to them, "Well, you've got to show us how you can make us competitive with China?" So what did they do? They got Amory Lovins from The Rocky Mountain Institute to come down and look at their plans for the new plant. And they redesigned it. They locked a floor off it; they made it lower; they made it longer; instead of curved pipes that take more energy to move the fluids through them, they made them straight; they used new materials; they created climate control, et cetera, et cetera, et cetera.

And in the end, they are net saving x millions of dollars a year that more than pay for staying here and allowed them to stay and be competitive. So wake up American business is the message from these mega companies like DuPont and Siemens and Duke Energy and these others who are saying, "This is winning proposition for American business. And I believe that the bill that we've designed both in the House and we're going to do it in the Senate, make it a winning proposition for America.

LEINWAND: Are you concerned that a cap and trade law will create a vast new financial derivatives market in carbon credits given the recent collapse of such markets on Wall Street?

JOHN KERRY: Good question, and I'm glad it's asked. The answer is I am now concerned, because we're going to forbid it. There will be no derivatives, there will be no credit swaps. This will be a completely open, transparent market. We have some very strict market regulatory that was not in the House bill. I'm not going to go into the details now because they're not out. We're not going to put them out until later. But there will be a tighter regulatory control on this so that it will be impossible to play any of those kinds of games.

LEINWAND: After the Indian Environmental Minister told Secretary Clinton that India would not agree to cut emissions, what are the prospects for negotiating a climate treaty with India in Copenhagen?

JOHN KERRY: Well, what I understand the Indians, I met with Prime Minister Singh, and I've been over there. I'm going to go back. And we're going to keep working at this. But I understand the Indians. I did not read that as a new statement at all. The Indians and the Chinese and other less-developed countries have continually said, "We're not signing up to the same deal that you are." Because that's what we all agreed on Kyoto. It's what we agreed on in Bali, it's what we agreed on Poznan in Poland. And it's

true. The framework which was created back in Berlin prior to even going to Kyoto in the 1990s was that the less-developed countries are over here in a group and the major emitting countries are over here in a group. They're called "The Annex 1 Countries."

Now things have changed since then. China is now the number one emitter in the world. And so clearly we've got to find sort of the mid station for China in terms of definitions. I told you about their journey and how they perceive themselves. China still has these 500 to 800 million people living out in agrarian society, and that's an enormous challenge. Even though if you went to Beijing or Guangzhou or Shanghai, you're going to see some of the richest, most growing enterprising cities in the world. But there's a dichotomy there. And we still need to work together in a joint effort on the technology and the other things that make this feasible.

The bottom line is that India, I believe, will simply reasserting the notion that it's not part of the Annex 1. I don't think that means India is not going to embrace new technologies or new energy efficiencies or other things that they won't even embrace a goal that they set. Here is the standard that applies: Everybody agreed that we would all accept what's called "Common but differentiated responsibilities." That's the language of agreement. And within that, we have agreed that there will be measurable, reportable and verifiable, MRV, measurable, reportable and verifiable reductions.

So China and India don't have to sign up to the exact same percentage that we're going to in the exact same manner. I believe they do have to come and set out what their plan is what their reductions will be, and they have to measurable, reportable and verifiable. That's the key to Copenhagen, that's the key to success. And that will still work within the framework of the language the Indians are currently using.

LEINWAND: Okay. We really are almost out of time. But before we ask a last question, I have a couple of matters to take care of. First of all, let me remind our members about future speakers. On August 24th, Nick Jonas, singer, songwriter and member of the Jonas Brothers will discuss the fight against juvenile diabetes. On September 28th, Ken Burns, the documentary filmmaker will be here. And on September 12th, the National Press Club will host the 12th Annual 5K Run and Auction benefiting the National Press Club Scholarship Fund For Diversity In Journalism. For more information on that, please go to www.press.org. And second, I'd like to give our guest the coveted NPC mug. (applause.)

Okay, so you've got three minutes to answer this last question. Can you do it? Okay. All right. In order to get China's reduction commitments, do you plan to support US providing and technological assistance to China?

JOHN KERRY: Well, I'm standing here contemplating from Kerry to Jonas. It's an interesting transition. (laughter.) The answer is that that's a little bit complicated. The answer is yes, we will do technology transfer. I think that's critical. And we will work in joint ventures, et cetera. I think direct expenditure would be very difficult to explain to the American people at a time when we have a \$2 trillion dollar currency

surplus in China and we're borrowing as much money as we are from them. It's pretty hard to sort of understand how we borrow from them in order to lend to them or give to them.

So that's a hard sell, and I don't see that. But I do see us working out a formula for adaptation in technology, transfer to less-developed countries, and sort of how it gets divide will be part of the negotiation at Copenhagen. I think it's very important for the United States to help some of the less-developed nations, smaller nations, to be able to embrace what they would like embrace as development policies, but simply don't have the ability to do. In the conversations with Yvo de Bur today, we talked about the types of money that may be necessary from all of the major economies of the world, not just the United States.

And I'm not going to go into those figure now, that'd be inappropriate. But it has to be a fund made available that helps certain countries to make the transition. And in the case of China, I think we have to negotiate out a very special kind of definition of that relationship. We do need to do technology work together, technology transfer, technical assistance, all those things can be done, to great avail. And I think we could find some credit mechanism for which we can deal with some of the other issues between us. The bottom line is, folks, that act in good faith, not to be driven by ideology, to recognize that the world is looking to all of us for leadership, and to, as I said a few moments ago, seize this moment.

I am absolutely convinced, beyond any doubt-- and I've been following-- Al Gore and I held the first hearings together on climate change in 1988 in the Commerce Committee. I listened to Jim Hanson tell us then-- he's the NASA scientist-- tell us then that climate change is happening, in 1988.

In '92 I went down to Rio, as you heard in the introduction, Al Gore, myself, Tim Worth, Frank Lautenberg, John Chaffey, Larry Pressler(?), others-- and we were there for a discussion of how to deal with climate change. And we came up with a voluntary framework. Here we are, 17 years later, and the voluntary has not worked. And the issue has gotten more compelling, more urgent. The evidence is greater. And we need to do this. As a matter of human responsibility for the stewardship of Planet Earth, as well as for the commonsense, practical, rational aspects of our politics and our economies, our jobs, our security, our health.

I mean, the bottom line is-- and I'll end on this-- what if we're wrong? What if Al gore and everybody, all these scientists are wrong? What's the worst that can happen if we decide to do this? Well, the worst that can happen is, you got a lot of green jobs, you got a lot of new technologies, you got cleaner air, less children going to the hospital during the summer with asthma attacks that are induced by air quality. You got energy independence because you're producing energy at home. Therefore, your security is greater. And gee, guess what? You may have reduced poverty in certain parts of the world, elevated the standard of living. And you may have lived up to your responsibility for the environment as a generation. That's the worst that can happen. What's the worst

that happens if they're wrong? If they delay and we can't get back from the tipping point? As yourselves that question, and I think you'll join the legions that are going to fight to make this happen at Copenhagen. Thank you. (applause)

MS. LEINWAND: I'd like to thank you all for coming today. I'd also like to thank National Press Club staff members, Melinda Cooke, Pat Nelson, JoAnn Booz and Howard Rothman for organizing today's lunch. Also thanks to the NPC Library for its research.

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Thank you and we are adjourned. (Gavel sounds.)

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