

SENATOR JOHN HEINZ
REMARKS TO THE INTERNATIONAL ENVIRONMENTAL BUREAU
SEPTEMBER 11, 1989

THANK YOU, DAVE, FOR YOUR VERY KIND INTRODUCTION. I AM PLEASED TO MEET WITH YOU ON AN ISSUE OF MUTUAL CONCERN -- THE FUTURE OF OUR ENVIRONMENT. THE IEB HAS ALREADY MADE A VALUABLE CONTRIBUTION AND THERE IS A LOT MORE WORK AHEAD.

YOU HAVE HELPED INDUSTRY WORLD-WIDE ON POLLUTION CONTROL TECHNOLOGY, REDUCTION OF POLLUTION DISCHARGE, RECYCLING WASTES, AND PREVENTING POLLUTION IN THE FIRST PLACE.

YOU HAVE DEMONSTRATED THAT ECONOMIC GROWTH AND DEVELOPMENT DO NOT HAVE TO BE IN CONFLICT WITH ENVIRONMENTAL PROTECTION; THAT WE CAN SAFEGUARD THE HEALTH OF THE PLANET WHILE ENHANCING ECONOMIC EFFICIENCY AND GLOBAL PRODUCTIVITY.

IN SHORT -- ENVIRONMENTAL PROTECTION CAN BE GOOD FOR THE BOTTOM LINE. THAT WAS THE PHILOSOPHY BEHIND "PROJECT 88," A JOINT EFFORT BY SENATOR WIRTH AND ME -- AND I'LL ADDRESS THAT IN A MOMENT. OUR ENVIRONMENTAL PROBLEMS, SUCH AS GLOBAL WARMING, TRANSCEND NOT ONLY NATIONAL BOUNDARIES BUT ALSO THE LIMITS OF EXISTING METHODS OF POLLUTION CONTROL.

AND GLOBAL WARMING -- WHICH IS DRIVEN BY THE WORLD'S VORACIOUS APPETITE FOR ENERGY -- ILLUSTRATES THE POINT.

THE U.S., WITH 5% OF THE PLANET'S POPULATION, IS THE MOST PROFLIGATE ENERGY USER IN THE WORLD, ACCOUNTING FOR FULLY 20% OF THE WORLD'S GREENHOUSE GAS EMISSIONS. THE SOVIET UNION, AT 18%, IS JUST ABOUT AS BAD. IT IS WITHIN OUR POWER TO SIGNIFICANTLY REDUCE OUR GREENHOUSE GAS EMISSIONS. BUT IT IS LESS CLEAR HOW COUNTRIES THAT NEED MORE ENERGY TO DEVELOP, COUNTRIES WITH FOUR OR FIVE TIMES THE U.S. POPULATION EACH, INDIA OR CHINA, ARE TO AVOID BECOMING LARGER POLLUTERS THAN WE ARE TODAY. ADD TO THAT THE LATEST ESTIMATE THAT THE EARTH'S POPULATION IS EXPECTED TO DOUBLE FROM 5 TO 10 BILLION PEOPLE WITHIN 40 YEARS.

TO MAKE MATTERS WORSE THE WORLD'S RAIN FORESTS, THE LUNGS OF THE EARTH BECAUSE THEY ABSORB CARBON DIOXIDE AND TRANSPIRE OXYGEN AND WATER, ARE BEING DESTROYED. IN MADAGASCAR, INDONESIA AND THE PHILLIPINES THE RAINFORESTS ARE ALL BUT GONE. IN THE VAST AMAZON, A SEEMINGLY UNENDING RAINFOREST IS CRITICALLY ENDANGERED. EACH YEAR AN AREA OF THE AMAZON THE SIZE OF PENNSYLVANIA IS SLASHED, BURNED AND IRREVOCABLY DESTROYED, WITH THE BURNING ALONE ADDING AS MUCH AS 10% TO WORLD CARBON DIOXIDE EMISSIONS EACH YEAR. AT PRESENT RATES, IT IS ESTIMATED THAT THE ECOLOGY OF THE AMAZON RAINFOREST WILL BE SO COMPROMISED WITHIN 7 TO 10 YEARS THAT ITS DISAPPEARANCE WILL BE ASSURED.

JUST AS WORLD GOVERNMENTS ARE ACTING TO ACCELERATE THE PHASE-OUT OF CFC'S THAT ARE DEPLETING THE OZONE LAYER, SIMILAR STEPS MUST BE TAKEN ON GREENHOUSE GASES AND GLOBAL WARMING.

WE ARE BUILDING COALITIONS WITH OUR COLLEAGUES IN THE CONGRESS; I HAVE RECENTLY TRAVELLED TO BRUSSELS AND TOKYO TO HELP ESTABLISH A WORKING GROUP AND CLEARINGHOUSE FOR INFORMATION AND LEGISLATION WITH EUROPEAN AND JAPANESE PARLIAMENTARIANS; WE ARE STRONGLY URGING THE ADMINISTRATION TO TAKE A LEADERSHIP ROLE WITH THE U.S. BEING CHAIRMAN OF THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE RESPONSE STRATEGIES WORKING GROUP.

JUST FIVE WEEKS AGO, THE SENATE PASSED MY AMENDMENT TO THE STATE DEPARTMENT AUTHORIZATION REQUIRING MULTI-LATERAL DEVELOPMENT BANKS TO ESTABLISH ENVIRONMENTAL DEPARTMENTS AND ENVIRONMENTAL GUIDELINES FOR LENDING. THE AMENDMENT WOULD ALSO ENCOURAGE ENVIRONMENTAL LENDING AND NEW ASSISTANCE FOR NATIONS WHICH PURSUE SUSTAINABLE DEVELOPMENT POLICIES. SIMILARLY, WE LAST DECEMBER WE ISSUED PROJECT 88, ON HOW TO HARNESS MARKET FORCES AN ALLY IN ENVIRONMENTAL PROTECTION.

BUT THERE IS NO QUESTION THAT ENVIRONMENTAL PROTECTION INVOLVES TRADE-OFFS. AND THE REASON WE SPONSORED AND PUBLISHED PROJECT 88 IS BECAUSE WE BELIEVE THAT MARKET FORCES CAN BE HARNESSED TO MINIMIZE THE COST OF ANY TRADE-OFFS. IN SOME CASES LETTING MARKET FORCES OPERATE MAY RESULT IN EVERYBODY WINNING.

IN SPITE OF INCREASINGLY GOOD REASONS TO DO SO, THE POLITICAL PROCESS HAS BEEN STYMIED IN MOVING FORWARD ON IMPORTANT AND NECESSARY ENVIRONMENTAL PROTECTION MEASURES -- MOSTLY DUE TO THE LIMITATIONS AND GROWING COST OF TRADITIONAL APPROACHES TO ATTACKING ENVIRONMENTAL PROBLEMS. SINCE FEDERAL BUDGET DEFICITS DO NOT PERMIT ANY SUBSTANTIAL ADDITIONAL USE OF TAXPAYERS FUNDS FOR ENVIRONMENTAL PROTECTION, AND SINCE INDUSTRIES LIKE YOURS MUST COMPETE IN A GLOBALIZED MARKET PLACE, POLITICAL RESISTANCE TO SUCH APPROACHES HAS BEEN STRONG AND SUCCESSFUL. YET THIS STALEMATE CANNOT CONTINUE.

OUR BELIEF IS THAT NEW THINKING IS NECESSARY, AND HENCE PROJECT 88: 70 PAGES AND 30 SPECIFIC RECOMMENDATIONS PROPOSING NEW APPROACHES TO 13 OF OUR MOST PRESSING ENVIRONMENTAL PROBLEMS, INCLUDING GLOBAL CLIMATE CHANGE, CLEAN AIR, ACID RAIN, SOLID AND HAZARDOUS WASTE, AND DESTRUCTION OF PUBLIC LANDS, TO NAME A FEW.

LET'S TAKE SOME SPECIFIC EXAMPLES.

SINCE 1983 CONGRESS HAS GRAPPLED WITH THE PROBLEM OF ACID RAIN. ALL PREVIOUS PROPOSALS REQUIRED UTILITIES TO REACH A SPECIFIC LEVEL OF REDUCTION REGARDLESS OF THE COSTS INVOLVED AND REGARDLESS OF WHICH UTILITIES COULD EFFICIENTLY REACH THE GOAL AND WHICH COULD NOT. THE ANNUALIZED COSTS OF THESE PROPOSALS RANGED FROM \$3 TO \$6 BILLION DOLLARS IN NEW POLLUTION CONTROL EXPENDITURES.

PROJECT 88 RECOMMENDS THAT ACID RAIN REDUCTION CREDITS BE PROVIDED TO THOSE UTILITIES WHICH NOT ONLY MEET BUT EXCEED THE TARGETTED REDUCTION LEVELS. THESE CREDITS WOULD BE FULLY MARKETABLE FOR USE BY OTHER POWER PLANTS. IN OTHER WORDS, IF THE GOAL IS REDUCE SO2 EMISSIONS TO 2.5 POUNDS OF SULFUR DIOXIDE PER MILLION BTU'S, AND BY SWITCHING FUELS OR INSTALLING TECHNOLOGY A SOURCE OF SO2 GETS DOWN BENEATH THAT LEVEL, THEY WOULD BE CREDITED FOR THE DIFFERENCE. THE CREDIT COULD BE APPLIED TO THE REDUCTIONS REQUIRED BY ANOTHER POWERPLANT OWNED BY THAT SAME UTILITY, OR IT COULD BE SOLD OR LEASED TO ANOTHER UTILITY WHICH FACED EXTRAORDINARY COSTS IN MEETING THE TARGET.

IN THIS WAY, REDUCTIONS ARE APPLIED TO THOSE PLANTS WHICH CAN MOST EFFICIENTLY MEET THE GOAL OF ACID RAIN REDUCTION, AND EXTREME COSTS FOR THOSE PLANTS WHICH CANNOT AFFORD THE GOAL -- SUCH AS OLDER POWERPLANTS WHICH ARE SCHEDULED TO BE RETIRED AND FOR WHICH THE COSTS OF INSTALLING A SCRUBBER WOULD BE OUTRAGEOUS -- ARE AVOIDED.

ON JUNE 12 THE PRESIDENT ANNOUNCED HIS NEW CLEAN AIR PROPOSALS. IN HIS SPEECH THE PRESIDENT STATED, "I TAKE NO PRIDE OF AUTHORSHIP. LET ME COMMEND PROJECT 88...FOR BRINGING CREATIVE NEW SOLUTIONS TO LONG STANDING PROBLEMS, FOR NOT ONLY BREAKING THE MOLD BUT HELPING TO CREATE A WHOLE NEW ONE."

THE PRESIDENT'S PROPOSAL CONTAINS THE ARRC APPROACH. IN FULL.

POWERPLANT EMISSIONS CAN BE CONTROLLED IN ANOTHER COST EFFECTIVE WAY: COMPETITION BETWEEN ENERGY CONSERVATION AND ENERGY PRODUCTION. ONE UTILITY THAT ~~WTRIED THIS APPROACH~~ GOT A PLEASANT SURPRISE. THEY ORIGINALLY FIGURED THAT PROJECTED DEMAND - AN INCREASE OF 6,000 MEGAWATTS - REQUIRED THE EQUIVALENT OF TWELVE COAL FIRED PLANTS AT A COST OF ONE AND THREE-QUARTERS BILLION DOLLARS.

INSTEAD, THEY ADOPTED A DEMAND MANAGEMENT PROGRAM, GOING TO THEIR CUSTOMERS, ASSESSING THEIR ENERGY USE, AND OFFERING INCENTIVES FOR SPECIFIC CONSERVATION STEPS.

THE RESULT: THE UTILITY SUPPLIED THE SAME 6,000 MEGAWATT DEMAND AT A COST OF ONLY 250 MILLION DOLLARS, OR ONE SEVENTH THE ORIGINAL EXPECTED COST! AND MAJOR INCREASES IN CO2 EMISSIONS HAVE BEEN AVOIDED. SINCE THE CONSERVATION MEASURES WERE IMPLEMENTED, CONSUMERS HAVE AVOIDED HIGHER UTILITY BILLS.

FEDERAL AND MOST STATE REGULATIONS DISCOURAGE UTILITIES FROM ADOPTING ENERGY CONSERVATION STRATEGIES BECAUSE PROFIT IS BASED ONLY ON POWER PRODUCTION AND DISTRIBUTION INVESTMENTS, NOT SOUND MANAGEMENT. PROJECT 88 PROPOSES NATIONWIDE CHANGES TO REWARD UTILITIES WHICH TAKE A LEAST COST APPROACH AND MEET ENERGY DEMANDS THROUGH INVESTMENTS IN CONSERVATION.

EARLIER I MENTIONED THE DESTRUCTION OF THE RAINFORESTS.

TO PUT IT MILDLY, WE PUT OURSELVES IN A WEAK POSITION TO ASK BRAZIL OR ANY OTHER NATION TO SAVE ITS RAINFORESTS WHEN THE FEDERAL GOVERNMENT IS PAYING LOGGERS TO DESTROY SOUTHEASTERN ALASKA'S TONGASS NATIONAL FOREST, THE LAST TEMPERATE RAINFOREST IN NORTH AMERICA.

IN 1986 ALONE, THE FOREST SERVICE SPENT \$48 MILLION ON ROADS TO FACILITATE THE CUTTING OF ALMOST 12,000 ACRES OF THE TONGASS FOREST. THE LOGGERS PUT UP ABOUT \$250 AN ACRE, NOT CASH BUT MOSTLY IN KIND. THE RESULT: THE FOREST SERVICE -- AND THE TAXPAYER -- SPENT \$4000 AN ACRE TO GET LOGGERS TO COME IN AND CUT DOWN OUR RAINFOREST. AND SINCE THERE IS NO MARKET FOR THIS TIMBER LOCALLY IT IS ALL SOLD TO JAPAN. AND, SINCE THE EXPORT OF LOGS IS PROHIBITED, THESE INCREDIBLE FOREST GIANTS, SPRUCE AND HEMLOCK 200 FEET HIGH AND UP TO 700 YEARS OLD, ARE TURNED INTO WOOD PULP AND PLYWOOD.

SINCE WITHDRAWING THESE SUBSIDIES MAKES SO MUCH SENSE, WHY HAVEN'T WE DONE SO?

THE ARGUMENT MADE IS JOBS. THERE ARE 2 SAWMILLS WHICH SUPPORT EMPLOYMENT 1,420 PEOPLE IN THE TONGASS TIMBER INDUSTRY. IN OTHER WORDS, THE GOVERNMENT IS PAYING \$55,752 ANNUALLY TO MAINTAIN EACH AND EVERY JOB. ALL TO DESTROY OUR LAST TEMPERATE RAIN FOREST.

PROJECT 88 CALLS FOR A CHANGE IN THINKING. IT RECOMMENDS THAT WE GET THE MARKET PRICE FOR OUR NATURAL RESOURCES, IF WE MUST HARVEST THEM, AND THAT WE ELIMINATE WASTEFUL SUBSIDIES, LIKE THE TONGASS SUBSIDY, WHICH HARM OUR ENVIRONMENT.

PROJECT 88 RECOMMENDS MANY OTHER PUBLIC POLICY INNOVATIONS:

- TRADEABLE PERMITS TO REDUCE CFC'S AND INDUSTRIAL POLLUTANTS

- DEBT FOR NATURE SWAPS AND EMPHASIS ON SUSTAINABLE DEVELOPMENT TO ACHIEVE RAINFOREST PRESERVATION

- DEPOSIT-REFUND SYSTEMS FOR CONTAINERIZED HAZARDOUS WASTE

- LEAST COST AND OPEN BIDDING FOR SOLID WASTE MANAGEMENT THAT ALLOWS RECYCLING TO COMPETE

IN THESE RECOMMENDATIONS THERE IS ONE STRONG COMMON THREAD: USING THE MARKETPLACE CREATIVELY.

FOR TOO MANY YEARS THE ENVIRONMENTAL DEBATE HAS ONLY BEEN ABOUT WHAT OUR GOALS SHOULD BE. THAT DEBATE REMAINS RELEVANT.

BUT, IN MY VIEW, UNLESS WE BEGIN TO FOCUS ON HOW WE ACHIEVE OUR ENVIRONMENTAL GOALS, AND DO SO AT FAR LESS COST, THEN OUR GOALS, NO MATTER HOW DESIRABLE, WILL BE RENDERED UNOBTAINABLE.

THAT IS A PRICE OUR ENVIRONMENT CANNOT AFFORD.

AT THE SAME TIME, REMAINING WEDDED TO TRADITIONAL APPROACHES THAT ARE NOT COST EFFECTIVE AND WHICH IMPOSE BURDENS THAT JEOPARDIZE SURVIVAL IN THE POWERFULLY COMPETITIVE INTERNATIONAL MARKETPLACE ARE NOT ACCEPTABLE EITHER.

PROJECT 88 OFFERS AN ALTERNATIVE.

THE KINDS OF RECOMMENDATIONS WE HAVE MADE, PROPERLY IMPLEMENTED, CAN ENLIST THE EVERYDAY ECONOMIC DECISION MAKING OF MILLIONS OF INDIVIDUALS AND BUSINESSES AS POWERFUL FORCES FOR ENVIRONMENTAL PROTECTION AND ENGAGE THE INNOVATIVE CAPACITY OF OUR ENTREPRENEURIAL SYSTEM IN ENVIRONMENTAL PROGRESS.

TOO OFTEN THE MARKETPLACE IS CITED AS THE ADVERSARY OF ENVIRONMENTAL PROGRESS. WE BELIEVE THE FREE MARKET PLACE IS TOO VALUABLE TO BE EITHER A FOE OR BYSTANDER. IT IS OUR HOPE THAT PROJECT 88 WILL MAKE THE MARKETPLACE AN ENDURING ALLY OF THE ENVIRONMENT INSTEAD.

THE WORK OF THE INTERNATIONAL ENVIRONMENTAL BUREAU CAN PROVE TO BE INSTRUMENTAL IN BRINGING HOME THIS MESSAGE. YOU ARE ALREADY PROVING THE THESIS. I HOPE THAT WE CAN WORK TOGETHER TO ENSURE THAT OUR GLOBAL ENVIRONMENT AND OUR GLOBAL ECONOMY WORK HAND IN HAND. THANK YOU.