CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

U.S.-CHINA CLIMATE CHANGE COOPERATION

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JESSICA MATHEWS: Good afternoon. I'm Jessica Mathews, president of the Carnegie Endowment for International Peace. Before I say anything else, may I ask everybody please to turn off cell phones and Blackberries for the particular reason, in this room, that they mess up the sound system. And if we hear anybody buzzing – if you hear buzzing in the sound system, you will know that somebody else sitting near you has failed to turn off their – (laughter) – communication device and we will find you.

We are most honored today to welcome here Minister Xie Zhenhua, vice chairman of China's national development and reform commission and China's top climate negotiator. We are really most proud, Mr. Minister, also to host your important remarks here today. Minister Xie has been in Washington meeting privately this week with counterparts in the Obama administration to explore possibilities for additional U.S.-China cooperation on climate.

Today's event marks a major milestone – (coughs) – excuse me – on work that began two years ago as a partnership between the Carnegie Endowment and Beijing's independent NGO the Global Environmental Institute, which is represented here today by its executive director, Jin Jiaman, whom you will meet shortly. Together, we have launched and facilitated a U.S.-China track two climate dialogue where the planning began in mid-2007 and the bilateral sessions began in Beijing in July, 2008.

The goal of the dialogue was to see whether we could establish a framework for U.S.-China cooperation that would move beyond the accepted lists of areas of "what" we might do together to grapple with the concrete "how"s of agreed areas in which we might actually proceed. The dialogue reached agreement on two priorities: First, the need to build human capacity to accelerate the market deployment of existing energy efficiency technologies, and secondly, the need for joint development on key new technologies, specifically carbon capture and storage and automobile fuel economy.

We are also enormously pleased to have with us one of the Senate's leaders on China and U.S.-China cooperation and one of its leading voices on energy and climate, Senator Maria Cantwell. She serves as the chairman of the energy subcommittee of the Energy and Natural Resource Committee of the Senate and also serves as a member of the Commerce, Science and Transportation Committee. She has been a strong voice in the Congress on energy, and particularly on alternatives and energy efficiency. And under her leadership, the state of Washington has built constructive partnerships with China, for example partnerships between the port of Seattle and the port of Tacoma with Chinese counterpart ports, focusing in particular on energy efficiency.

So we are please and honored, Senator Cantwell, to have you with us today. She has a very tough voting schedule in the Senate, but she's carved out some time. And we hope that the bells in the Senate will give her some peace for a little while. (Laughter.) Before we – I just want to sketch our plan. Minister Xie will speak, followed by Senator Cantwell. And then we will have ample time for Q & A from all of you to both of them. And after we adjourn here at about 5:40, we will have a reception downstairs, to which you're all invited and I hope you will all come. The stairs are down at that end of the hallway.

I also want to particularly acknowledge that we have with us today leaders of two foundations whose funding has made this work possible, the Blue Moon Fund and the Rockefeller Brothers Fund. And we are deeply grateful to Diane Miller and to the leaders of RBF as well. Let

me now introduce Jin Jiaman, who will introduce Mr. Xie. As I said, she's the executive director of GEI, has had 20 years-plus of experience in the environmental field and has played an absolutely essential role in facilitating this dialogue that I briefly described to you. So Jin, we're eager to hear from you.

JIN JIAMAN: (Simultaneously translated from Chinese.) Ladies and gentlemen, good afternoon. My name is Jin Jiaman and I'm from Beijing, China, Global Environmental Institute. It is a nongovernmental and nonprofit research institute. In the past year, the GEI cooperated with Carnegie Endowment for International Peace and we successfully facilitated a dialogue between China and the U.S. on climate change.

And here, I would like to take this opportunity to thank my partners, Jessica Mathews and William Chandler. I want to thank you both. I also thank my board member [who is in the audience], Amal-Lee Amin. Thank you for your support for our work. Also, we want to thank the Blue Moon Fund and the Rockefeller Brothers Fund. Thanks for your support to our work. And last, I want to tell everyone that we are very glad and honored to invite the vice chairman of the National Development and Reform Commission, Minister Xie Zhenhua, and his delegation. And I want to thank him for taking time to come here to meet us after meeting U.S. government officials and giving a speech on his discussions with the administration.

Minister Xie Zhenhua once was the minister of the State Environmental Protection Administration and he had been an award recipient of the United Nations' Sasakawa Environment Prize, their highest award in the field of environmental protection, the Global Environment Facility (GEF)'s Global Environment Leadership Award, and the World Bank's Green Award.

His contribution to the environment in China also parallels the whole development process of China's environmental protection cause. Now, I will give the floor to Minister Xie Zhenhua. (applause)

XIE ZHENHUA: Honorable Senator, distinguished guests, ladies and gentlemen, good afternoon. In order to save some time, I will read my speech text and I will leave more time to answer your questions on climate change. So now, I would just like to read the text and then save more time to discuss, to have a dialogue with you. I'm very glad to be here today. First, please allow me to thank the Carnegie Endowment for International Peace and the Global Environmental Institute for your hospitality.

I'm very happy to have this opportunity to meet with U.S. senators, enterprises and representatives from research institutes and the nongovernmental organizations and to discuss how we can further cooperate to address climate change. A lot of people attending this meeting are my old friends. I'm very glad to see you again. My U.S. visit has three purposes. First, it's to further promote an understanding of each others' positions and policies, to promote understanding and cooperation. And the second, to discuss the mechanism – arrangement on the dialogue and cooperation to address climate change. Third, is to prepare for the leaders' meeting in April.

In the past several days, I have met several people – climate change envoy Todd Stern; the Chair of the White House Council on Environmental Quality Nancy Sutley; Secretary of Energy Steven Chu; Presidential Science Advisor John Holdren; Deputy National Security Advisor Michael Froman; EPA Administrator Lisa Jackson; President Obama's special assistant on energy and

climate change Carol Browner; and Senator John Kerry, among other senators. We have conducted both an in-depth and broad discussion on climate change.

Our meetings have deepened our understanding and the dialogue and cooperation on climate change has seen some positive responses. And we have reached a consensus, or similar opinions, in a lot of areas. So I comment positively on these meetings; they have fulfilled the goals I had set for this visit. And I can say that, with all the leaders in the new administration, we have had very pleasant talks with you.

Climate change is a serious challenge affecting people's survival and development. The international community has paid close attention to climate change. Taking active measures to address climate change is in the interest of mankind and requires the cooperation of all countries. As the largest developing country and the largest developed country in the world, respectively, it is inevitable that China and the U.S. have a dialogue and strengthen cooperation on the issue of climate change. Conducting dialogue and pragmatic cooperation on climate change, China and the U.S. will not only improve bilateral relations, but also international cooperation and actions to address climate change.

The Chinese government is willing to cooperate with the United States in this regard. Ladies and gentlemen, as a country very vulnerable to the effects of the climate change, China has always attached great importance to addressing the problem of climate change, viewing it as a responsibility to fulfill for Chinese people, for the world and for future generations. As we promote sustainable development, China has adopted active measures and policies to address climate change and we have made unremitting efforts and made contributions to address climate change. In the past several years, China has strengthened – stepped up – its efforts to address climate change.

In 2007, the Chinese government established a national climate change leaders group, headed by the premier, Wen Jiabao; the NDRC will assume the responsibility of implementing these measures. My delegation consists of officials from NDRC and the Ministry of Foreign Affairs – all the major members of this team are here and they're looking forward to meeting all of you tonight.

The Chinese government has put forward a Chinese national program for climate change with the goal that China's per-unit GDP energy consumption will decrease 20 percent by the year 2010, compared with the year 2005. This is, by far, the most ambitious goal in the world. President Obama said that this is historically the largest scale effort to increase energy efficiency. The Chinese government also published the mid- and long-term goal development plan for renewable energy to increase the share of renewable energy to 10 percent by the year 2010 and to reach 15 percent by the year 2020. So in the past two days, a lot of people are very interested in the 20 percent decrease goal. Can China reach this goal? And I said I'm very confident that China can reach this goal.

In order to guarantee the realization of these goals, China is actively adopting actions and policies to mitigate climate change. To adjust economic structures and transform the growth model to promote energy efficiency and conservation, we have adopted a series of measures and policies. We have focused on both the guidance role of the government, and also, taking full advantage of the market to promote or encourage the entire society to conserve energy, to reduce greenhouse gas emissions.

In terms of price policies, we have adjusted refined oil and natural gas prices and we eliminated the subsidy for high-energy-consumption enterprises – also, lowered the power generated by small thermal plants and have the preferential electricity price for power plants that are using clean energy.

In terms of financial policies, we started to implement energy-saving technology innovation policies – saving energy in building, transportation – with clean fuel and hybrid cars; promotion of highly energy-efficient lighting equipment, and other highly energy-efficient products like engines, air conditioning units; and saving energy in government office buildings – policies that provide incentives for saving energy.

And in tax policies, we eliminated the tax rebate, or lowered the tax rebate rate, for those high-energy-consumption exports. And for those enterprises that have energy conservation projects, we give them preferential tax treatment. We give them tax credits or deduct certain taxes to lower energy taxes and fees. In government procurement policies, we have fully launched a government green procurement project. In terms of financial policies, we give more credit to energy conservation and emissions reduction technologies, and we encourage those enterprises to issue bonds.

As we implement the national climate change program, combined with energy conservation and reduction we – through phasing out backwards capacity and developing an economy of recycling economy – China has achieved certain goals, and I would like to cite a few figures here. First, to lower per-unit GDP energy consumption, we have annual, steady progress. From 2006 to 2008, we decreased GDP energy consumption by 1.79 percent, 4.04 percent, and 4.59 percent, respectively. And it is hopeful that, by the year 2010, we can reduce our per-unit GDP energy consumption by 20 percent, compared with the year 2005, according to our plan.

According to our original plan, to achieve this goal, we need to save 620 million tons of coal, equivalent to the reduction of 1.7 billion tons of CO_2 emissions. However, this plan was based on the average annual growth rate of 7.5 percent, but the actual growth rate is more than 9 percent, so if we want to achieve the same goal, we need to conserve even more energy and reduce more CO_2 emissions. From 2006 to 2008, we shut down small thermal power plants – about 38.26 million kilowatts; phased out backward iron-making capacity – 60.59 million tons; steelmaking – 43.7 million tons; and cement – 140 million tons. We need to phase out these backward capacities. The government has invested 3 billion RMB every year to give subsidies for these enterprises.

Thirdly, from 2000 to 2008, the total installed capacity of China's wind power increased from 340,000 kilowatts to 10 million kilowatts and it ranked number fourth or fifth in the world. Hydropower capacity increased from 79.35 million kilowatts to 163 million kilowatts. Solar power utilization also ranked number one in the world. The installed capacity of nuclear power increased from 2.1 million kilowatts to 9 million kilowatts, and there are about 22.9 million kilowatts under construction. It is expected, through the year 2010, that the nuclear power capacity can reach 80 to 100 million kilowatts.

Fourthly, by the end of 2007, total Chinese households that use biogas reached 26.5 million – equivalent to 16 million tons of CO_2 – which has caused a reduction in CO_2 emissions equivalent to 44 million tons. 370 billion RMB has been allocated to develop the agricultural sector, and a lot of the money will be used to develop biogas.

Fifthly, forested area has increased from 12 percent at the beginning of the 1980s to 18.21 percent. From 1980 to 2005, reforestation activity in China has absorbed 3.06 billion tons of CO_2, and the forest management activities have, in total, absorbed 1.62 billion tons of CO_2. The reduction in deforestation has absorbed 430 million tons of CO_2, efficiently increasing the capability to absorb greenhouse gases.

Also, in our 4 trillion economic stimulus package, we allocated 210 billion RMB to energy conservation, emissions reduction and ecological projects; 370 billion was allocated to adjust the economic structure and technology innovation; and all of these measures are directed to address climate change, accounting for 14.5 percent of the stimulus package. The project to improve people's livelihoods was allocated 400 billion RMB – they will use more energy-efficient building materials in housing construction. Because we started to use new energy-saving standards in construction in 2006, compared with old houses, new houses will conserve 65 percent more energy. So this has a great potential too.

In rural areas, 370 billion is used to improve people's lives, including safe water, integration of power grids and biogas construction in rural areas. Power grid innovation and biogas construction will directly contribute to reduce greenhouse gas emissions. In infrastructure projects and disaster relief after the Wenchuan earthquake, in these two areas we allocated 1,500 billion RMB and 1,000 billion RMB, respectively. And in other projects, we will also consider environment protection and energy conservation. All of these measures have sent a clear signal that when we address climate change, China is taking a down-to-earth approach and is really moving forward.

What we have done to address climate change has been recognized by the international community. In the Poznan meeting in Poland, almost all countries – all representatives – first acknowledged what the Chinese government has done to address climate change. And in this trip, I'm very happy to see that all the leaders from this new administration, the first thing they said when they met me is that China has done a lot and has achieved a great deal in addressing climate change. So I'm very glad to see this development.

At the same time, the international community has to have a very objective understanding of China's development level and a reasonable expectation for China's work. China is still a low-income country. The per capita GDP is $3,000 USD. According to China's own criteria, we still have 4.3 million people in poverty. According to the United Nations standard, the poverty populations in China reached 1.5 billion. At China's current level of industrialization, greenhouse gas emission per person is less than one-fifth of that of the United States. The accumulative total emission is even lower, and the majority of the emissions are to secure people's livelihoods, as well as industrial emissions. At the same time, when facing the dual challenges of eliminating poverty and reducing greenhouse gas emissions, we are facing a tremendous strain.

For the past 200 years, developed countries have faced various environment-related problems throughout the different stages of industrialization and development. Problems that took developed countries more than 50 years to solve, must be solved in several years by us. However, as a responsible country, while we are eliminating poverty, improving living standards and developing our economy, at the same time, we will put forth our greatest efforts to reduce greenhouse gas emissions.

We will definitely not repeat the traditional high-pollution, high-emission development path of developed countries. This is an objective need of China's development, also an objective requirement for the implementation of a scientific development concept to build an energy-saving and environment-friendly society. Guided by sustainable development strategies, we work aggressively and actively to reduce the greenhouse emissions and make a contribution to the world.

Ladies and gentlemen, right now, we have the Bali Roadmap and accompanying discussions. In Copenhagen, we have reached consensus about necessary cooperation, or, the goal we should reach about climate change by 2012. The key point is that we should stringently abide by the Bali Roadmap, the core of which is to strengthen the UNFCCC and Kyoto Protocol. The emphasis is on reduction, adaption, technology and funds.

First of all, developed countries need to drastically reduce certain amount of greenhouse gas emissions. Secondly, developed countries need to keep their promises on providing technology and capacity transfer to the developing countries to enable the developing countries to face the challenge of climate change. Lastly, developing countries should continue developing under the sustainable development framework adapted to the particular characteristics of the country to reduce greenhouse emissions.

Right now, the financial crisis is spreading around the world; economic development has slowed down dramatically. Economic development and people's livelihoods are facing great challenges; but compared to the financial crisis, climate change is an even more serious and long-term challenge.

On November 7th at the Beijing High-Level Conference on Technology Development and Technology Transfer for Climate Change, Chinese Premier Wen Jiabao appealed to the international community that it not weaken determination nor detain action to tackle climate change at this difficult time. We should increase investment in emission-reduction measures, and make it part of our plan to weather through the financial crisis: make this challenge an opportunity. Developed countries should not use the financial crisis as an excuse to relax their commitment to the Kyoto Protocol and U.N. conventions, as well as their promises on foreign aid and technology transfer to developing countries.

In international negotiations following the Bali Roadmap, China and other developing countries have provided detailed suggestions and perspectives on issues of adoption, technology transfer, financial issues, forestation, and etc. We hope developed countries can use a very sincere and responsible attitude to respond to our request. Jointly, we can reach a sensible outcome at the Copenhagen meeting.

President Obama has said that by the year 2020, the U.S. will reduce its greenhouse emissions to a 1990 level, and by 2050 U.S. greenhouse gas emissions will be reduced to 80 percent compared to that of the 1990. This goal is a significant step forward and has been applauded by the international community. We think this is a farsighted strategic choice, however, the United States can pursue more ambitious, short-term actions to reduce greenhouse gas emissions. In the past two days, while I've been in meetings with various people, I continuously conveyed my hope that under the current climate change quota-trading framework the U.S. adopt a more aggressive attitude. If current goals were set higher, President Obama's long-term strategic consideration in tackling the

current financial crisis and developing a green economy could then be realized; I have conveyed this perspective repeatedly.

China hopes that the U.S. will follow the Bali Roadmap, and after 2010, adopt comparable emissions reduction goals to other developed countries and provide developing countries with funding, technology and capacity-building supports. We should strengthen our collaboration to help achieve substantial results at the Copenhagen meeting. China will put forth continued efforts, as always, to implement the Bali action plan.

Ladies and gentlemen, during this visit, I have felt the great strength and ability of the U.S. to fight the climate issues. I'm very optimistic about the prospect of Sino-U.S. cooperation on the climate issue. I think China and the U.S. could find a lot of common ground on the issue of climate change. We share extensive common interests on this issue. We could enhance mutual understanding through dialogue and promote trust. Additionally, we could pursue practical cooperation and let our cooperation on this issue become the new highlight of Sino-U.S. cooperation.

In terms of specific cooperation areas –clean coal, carbon capture and storage, increasing energy efficiency, and use of renewable energy–these areas have the most potential. In addition to the central government's collaborative efforts, we should also explore collaboration between states and provinces. At the same time, the U.S. and China – we should work together to address climate change – at the same time, we also need to pay attention to the differences of these two countries with respect to current development level and historical responsibilities and capabilities.

I believe the participants of today's events are all active promoters of Sino-U.S. climate change cooperation. I hope that we can nurture friendship amongst ourselves and work together to facilitate Sino-U.S. dialogue and cooperation on climate change to benefit the people of the world and address climate change.

I have finished reading my text, so please know that I look forward to discussing these climate change issues with you. I'm also very willing to answer any questions you might have in this regard. Thank you very much.

(Applause.)

MS. MATHEWS: We will now hear from Senator Cantwell, and then we will have questions.

SENATOR MARIA CANTWELL (D-WA): Well, thank you, Jessica, and I want to thank the Carnegie Endowment and the Global Environmental Institute for putting this important forum on together. And it's an honor to be here today to speak with such a distinguished audience and help welcome Minister Xie to America on his first trip as the top climate negotiator for China. I want to tell the Minister that we recently had a meeting in Seattle of about 200 U.S. and Chinese businesses to discuss the issue of clean energy.

And at that forum, I told my visiting friends from China that in the Pacific Northwest – I know in China, you have a statement about that women hold up half the sky – well, in the Pacific

Northwest, where we have two women senators and a woman governor and the local sheriff happens to be a woman and the only basketball team we have professionally is a women's team – that, in the Northwest, we hold up more than half the sky. (Laughter.)

But it was a very successful forum and, just so the men understand, we have very talented men in the Northwest, too, and – (laughter) – today, I was very happy to attend a confirmation hearing for former governor Gary Locke, who I hope is on his way to being our next commerce secretary, and was the first Chinese American to become governor of a state in the United States. So we have both.

We all know that the U.S. and China are the world's largest producers, consumers and importers of energy. And together, our two great nations account for 36 percent of the world's primary energy use and released 41 percent of global carbon dioxide emissions. And both our nations have become increasingly dependent on foreign sources of oil, mostly from volatile regions of the world, including Sudan and Iran, and we are also the largest consumers of coal, which produces the majority of our electricity, in both our countries.

And the U.S. and China both need to find ways to meet the demand for strong growth and the demand for electricity. In fact, the International Energy Agency has estimated, to match China's demand, it needs to invest $3.7 trillion by 2030 to build over 1300 gigawatts of new electricity-generating capacity. That's more than the current installed capacity in the entire United States. I understand that China is planning to invest 79 billion between 2007 and 2012 with the goal of generating 1,000 megawatts (sic), and that's enough power to power 1,000 cities the size of Seattle.

The good news is that clean energy technologies can provide solutions for both our nations. One way to achieve that aim is to recognize that the United States and China have complementary strengths and common goals. Generally speaking, the U.S. enjoys a lead in terms of basic science research, high-tech manufacturing and an established process for commercialization of the research and for breakthroughs.

China has its own substantial technological capabilities and a better understanding of what technologies work in the developing world. And China can often manufacture products more rapidly and cheaply than the United States. But a robust U.S.-China partnership has the potential to catalyze development and drive down the costs of a diverse array of clean energy technologies. I call this strategy "coopetition," where we agree to work cooperatively in some areas, knowing we will compete in others. Rather than competing with China for an ever-shrinking foreign energy reserve, we could combine our market opportunity and turbocharge promising, nascent clean energy technologies.

Looking at the possibilities, it is crystal clear that clean energy investments will not only create jobs now, but create jobs in the future. After all, the energy market is a $6 trillion annual market, and that number is only going to grow. Energy is the mother of all markets and the largest economic opportunity of the 21st century. In fact, many investors see green technology as revolutionizing in the world as the way the Internet has changed it in the last 20 years. I will note, by the way, that the Internet is only a $1 trillion market.

Clean energy technologies can transform our economy the same way the Internet did in creating the same types of opportunity. According to a recent McKinsey report, the market for

electric vehicles in North America, Europe and Asia could reach $120 billion by 2030. And the global solar market could reach $100 billion in 2013, and up from what is a $33 billion market today. And if we make the right choices, working together, both U.S. and China can benefit from that expansion. Already, the Obama administration has signaled that they are committed to a deepening and expanding U.S.-China energy and environment cooperation, started by the Bush administration through the U.S.-China strategic economic dialogue, as well as a 10-year energy and environmental cooperation framework.

I know there are people here that worked on that agreement. We were glad the first meeting of that agreement took place in the Pacific Northwest. And recently, Secretary of State Clinton's decision to visit China as her first overseas mission demonstrates the administration's commitment to a U.S.-China clean energy cooperation and making it a top priority. So where do we go from here? Both our countries have moved to increase investments in clean energy technologies and reduce greenhouse emissions. There are three things, I believe, we should do additionally.

First, we need to bring down tariffs on clean energy and environmental goods and services. Hundreds of billions of dollars in exports of clean energy and environmental goods and services are needed in the future, but around the globe, the tariffs on clean energy and environmental goods and services can be as high as 35 percent. A few weeks ago, three former U.S. trade representatives, both Democrats and Republicans, wrote to the president urging him to work with China to reduce or eliminate tariffs and non-tariff barriers to clean energy goods and services. To further that effort, tomorrow I am introducing a Senate resolution with one of my colleagues calling on the U.S. to work with China on that effort of eliminating clean energy and environmental tariffs around the globe.

Second, I know that we can continue to work in dialogue about our trade policies, but we can, today, work on a clean energy free trade zone in both China and the United States. Clean energy trade zones could serve to stimulate economic growth in this critical industry, build business and government relationships between our countries and illustrate how eliminating tariffs can accelerate both trade and development opportunities for the latest green energy technology.

In the Pacific Northwest, the Pacific Northwest Labs recently got a Department of State grant to help China with energy efficiency in their building code. In the next 10 years, 50 percent of all the buildings that are going to be built on this planet are going to be built in China. That cooperation between the United States and China shows that working together on cooperation can help us reach our goals in energy efficiency sooner.

Third, we should work together on a larger U.S.-China energy bilateral. And I know that that idea has much bipartisan support. Last month, I wrote to President Obama, along with 14 of my Senate colleagues, including Senator Murkowski, who's the ranking member of the Energy Committee, urging him to establish a cooperative, mutually beneficial bilateral agreement between the United States and China. This agreement could spur joint financing mechanisms for research and development, large-scale demonstration projects and joint energy efficiency efforts. I look forward to working with President Obama and his cabinet and my colleagues in the Congress to make this agreement a reality.

If we put our heads together and combine the resources of our public and private sectors – our laboratories, our think tanks, our universities – we can harness the power of good ideas and

innovation. By taking these steps and going down the road together, we can focus on the opportunity of clean energy solutions and we can show the world a global agreement on climate change is not only possible, but mutually beneficial. Thank you very much.

(Applause.)

MS. MATHEWS: Okay, before I just turn the event over to all of you, I want to just take a minute to introduce the leaders of Carnegie's Energy and Climate team, Bill Chandler, who is the director of it and who had led the work in China on this Track II dialogue and Taiya Smith here in Washington, and in Beijing, Bill's distinguished colleague, Zhou Dadi. So both Mr. Xie, as he said, is eager to take questions, and Senator Cantwell as well. I ask that you please introduce yourselves as a courtesy to our guests. Who would like to begin?

MR. XIE: (In Chinese, laughter.)

MS. MATHEWS: Please.

Q (MR. XIE): (Simultaneously translated from Chinese.) I'm willing to answer questions from all of you, but first, I would like to raise a question to Senator Cantwell. President Obama proposed a cap-and-trade system to address climate change. That's President Obama's idea. And my question is, what's your comment on this proposal and what is the possibility that the Congress will ratify or pass this legislation? And is it possible to pass this legislation before the Copenhagen meeting this year? That's my question. Thank you.

(Laughter, applause.)

SEN. CANTWELL: Well, I'm only one United States senator – (laughter) – but I can tell you that there have been many attempts to pass climate change legislation in the United States Senate, so many of my colleagues are well-informed about these policies. And this is a new Congress and a new administration and the President has raised this as an important priority and objective to get done this year. So we will be working on that proposal in earnest. But as you know, we are facing challenging times and each of my colleagues will set their own priorities and commit to having the dialogue, but we have a lot of work to achieve that goal before Copenhagen.

MS. MATHEWS: Okay. Right here, we'll take three right – wait, there is a microphone right over your shoulder.

Q: Oh, thank you. Hi. My name is Lisa Friedman. I'm with ClimateWire. Sir, yesterday, Secretary Chu explicitly left the door open to the possibility of a border adjustment tax, a tax on imports from countries that don't cap emissions if the United States caps emissions. It seems incongruous, perhaps, to the spirit of cooperation that you discussed and that you found when talking to administration officials. I'm wondering if you were surprised by the administration's position on this, what you think of the idea of a border adjustment tax and what China's response might be if the U.S. did that. I'd also love to get Senator Cantwell's thoughts on this as well. Thank you.

MS. MATHEWS: Thank you.

(Laughter.)

SEN. CANTWELL: Well, I just spent time discussing what is a $6 trillion market opportunity. I guess I look at the problem that we're trying to solve a little differently. I look at it as the leveraged opportunity that the United States and China can do together that, creating a market among themselves and investing in these technologies would benefit the economies of both our countries. So we should proceed, I believe, on cooperative efforts and start there, because it will provide a rich economic opportunity for both our countries.

MR. XIE: (Simultaneously translated from Chinese.) I will attempt to answer your question. In terms of climate change and charging carbon taxes on imports, I think these are two issues in two areas. I hope that the climate change issues should be negotiated within the area of climate change, and for those countries which haven't made efforts to reduce carbon emissions and charge taxes on their imports, I think we can start that negotiation under the WTO framework. But I'm opposed to using climate change as an excuse to practice protectionism on trade.

My second point is that China has taken a series of measures and actions to reduce greenhouse gas emissions. China is not a country that does nothing, however on the contrary, we have done a lot. And our goal is to reduce the emissions by 20 percent by the year 2010. It is equivalent to a reduction of CO_2 by 170 million tons. During the same period, however, the U.S. hasn't done much to reduce the CO_2 emissions, so I think these figures clearly tell us who is doing a good job in this regard. And the Chinese imports to the United States, they use the resources of China, they emit CO_2 in China. Is this reasonable? I don't think so. So how to solve this question? We should solve these questions through negotiation. That's my answer to your question.

MS. MATHEWS: Thank you. Okay, we'll take from the gentleman right there and the gentleman right here, please. Go ahead while you have it.

Q: Thank you. Dan Newman with Inside U.S. Trade. One idea that was suggested by the Peterson Institute last week was, in order to reach consensus on climate change policies is to create a WTO exemption for climate change policy, so any changes to tariff rules or any type of global cap-and-trade system would be exempt from normal WTO rules on tariffs. Would China suggest that – support that – and does Senator Cantwell support such an idea as well?

SEN. CANTWELL: You're saying the net effect would be what?

Q: The net effect would be that any policy actions aimed at climate change that deal with trade rules would be exempt from normal WTO restrictions on tariffs or non-tariff barriers – you know, technical barriers to trade – things like that.

Q: I'm from the Peterson Institute. Let me clarify the proposal before they respond.

MS. MATHEWS: All right.

Q: Thanks. This is Trevor Houser from the Peterson Institute. My colleagues, Gary Hufbauer and Steve Charnovitz, put out a proposal in a book issued last week to, since the U.S. is looking to make reductions in CO_2 emissions and want to be able to do that without outsourcing dirty industry to China, as Minister Xie mentioned, that we should look at a multilateral approach to

deal with these issues. To make sure that trade doesn't undermine any of our individual attempts to reduce emissions, their proposal was a new, multilateral WTO code where countries, as Minister Xie said, meet through the WTO to discuss how we should deal with this intersection between climate policy and trade policy.

SEN. CANTWELL: I'm for a bilateral. I think it's the quickest and simplest way for us to get traction. The legislation that we've done in the last two years has, not as aggressively as I wanted in the United States, but will result in a 15 to 20 percent reduction in greenhouse gases by the policies we put in renewable fuel standards and efficiency standards on automobiles. And if we can get similar policies and an agreement with China and take care of 40 percent of the CO2 emitting market and get those policies in place now, I think we should do that.

I'm not opposed to looking at broader schemes, but I think the opportunity for us to get action on that, while the climate change debate may rage on for months and then face whatever terms in Copenhagen, I am convinced that the United States and China could reach agreement on these kinds of issues by the end of this year. I think the likelihood of that is in the 90th percent, in my opinion.

MR. XIE: (Simultaneously translated from Chinese.) I will answer your question. In China, in order to reach those goals in emission reduction, we use price, tax and financial incentives, along with other policies. And they are all very effective. In other words, use the markets – use economic measures – to encourage energy conservation. And I think that is very effective. However, in multilateral mechanisms, through international trade, how to set up a rule to encourage energy conservation or encourage environmental protection, I think we need to study more, because this is not a simple trade issue; this is a more complicated issue. So when we set up these rules, we need to abide by the principles of common, but differentiated responsibility as they are spelled out in the convention. If these rules abide by the rules in the convention, I fully agree with it.

Q: Steve Lark in the Aluminum Association. You both mentioned tech transfer and pilot programs – demonstration programs. What role do you see for the Asia-Pacific Partnership in fostering either tech transfer or demonstration programs?

SEN. CANTWELL: Well, I think the Asia-Pacific Partnership could be a vehicle beyond the U.S.-China energy bilateral for larger cooperation with that region and their energy needs. And I think the larger challenge that we've been discussing, obviously, is how to protect intellectual property while having that technology transfer happen. That's why a closer relationship and a bilateral might be able to address the relevant issues to that in a more comprehensive policy as opposed to just a one-off kind of decision.

But I'm convinced that, if the Chinese government has more – let's just say – skin in the game, as a holder of intellectual property or other countries' governments feel incentivized to protect intellectual property that that will be a motivator for us for getting a larger framework on technology that we can work and share cooperatively. And again, if you create something, as I was discussing, either a free trade zone – what I think about the United States really is, or has been, the leader in battery technology. From a research and development perspective, we've been the leader. From a manufacturing perspective and implementation, China has been the leader.

Is there something we could do cooperatively on the market opportunity of moving off of fossil fuel onto the electricity grid as a source of transportation? My guess is, if the two great nations work together on that, we can figure out how to solve the technology transfer issue as well as the economic opportunity.

MR. XIE: (Simultaneously translated from Chinese.) I will answer your question. In terms of Asia-Pacific Partnership, this is a regional partnership, and under this framework, we should adopt active measures to protect the environment and address climate change. In terms of technology transfer, through the past negotiations, China has proposed certain suggestions. Last year, there was a high-level seminar on technology transfer on developing China along with other developing countries that proposed that, through the guidance of the government and the participation of enterprises and the market, to achieve climate-friendly technology transfer.

I will explain it: this means the government has to create certain policies to encourage enterprises to do more research and development on climate-friendly technology, and they have to have certain policies to support technology transfer among enterprises. How to combine the technology transfer with IPR –

(Cross talk.)

MR. XIE: Our position is that the IPR has to be protected and enterprises have to have those returns on those technologies. But who will pay for the enterprises to guarantee those returns? According to the convention, the developed countries should pay for part of it and the recipient countries, they should also pay for part of it and they should buy some affordable and practical technology. And using this model we can achieve technology transfer.

So when we talk about technology transfer, we're not opposed to IPR protection. On the contrary, we want to focus more on the protection of IPR, but how to address those issues. Our negotiators, I think, we have the capacity to come up with a solution to address those issues. And Senator Cantwell has mentioned that China and the U.S. are both great nations. We're all smart people; we can find a solution. Thank you very much.

MS. MATHEWS: Thank you. Anybody across the aisle who would like to – no, okay, we'll have questions here.

Q: My name's Yan Wen from CSIS. Just a very quick question about the – what's the significant challenge for both China and the U.S. may face in cooperation in the area of climate change? Thank you.

MS. MATHEWS: The most significant problem – is that what you said?

Q: Challenge.

MS. MATHEWS: The most significant challenge.

MR. XIE: (Simultaneously translated from Chinese.) Ladies first? (Laughter.) Oh, okay, I will go first. In this trip, I talked with Secretary Steven Chu and talked with other leaders. We said, are there certain areas on which we need to cooperate? First is energy conservation. Second is

improving energy efficiency, including the building materials and transportation and industry energy conservation. In these areas, improving energy efficiency is very important and these are all immediate goals.

And the second area is renewable energy – wind power, solar power, bio-power and also nuclear power. We have cooperated with the United States on the third-generation nuclear power technology, but I think there should be more of the latest technology in this regard, so in these areas, we all need cooperation. And we need to come up with a solution to conduct joint research and development and to realize technology transfer.

Yesterday, I read that a U.S. institute has proposed that you can divide the technologies into product types and different types of technology will use different modes of technology transfer. I certainly agree with this proposal for the next step, when we cooperate with the United States – when we discuss with the United States how to cooperate in technology transfer. We also pay a lot of attention – are very interested in a multilateral technology transfer mechanism, because developing countries need a lot of help in technology transfer.

SEN. CANTWELL: I'm glad to hear Minister Xie talk about his meeting with Secretary Chu and mentioning energy efficiency. I'm not sure if your question was what challenges we face, but the issue of energy efficiency, as I mentioned, on building codes, is a big example of one of the challenges we face as China continues to grow and as we hope to reinvigorate our economy and their demand for energy. The footprint for Chinese homes, at this point, versus U.S. homes on energy efficiency is a much different picture. And the amount of energy consumption based on that current building standard is a big driver of China's energy consumption. So it is a perfect place for us to focus our attention. And if you look at what grid efficiency can do in taking better use of current electricity sources and utilizing it in a more efficient way, this could reduce China's demand for coal-fired power plants by using the sources of electricity in a much more efficient fashion. So the energy efficiency platform is a challenge that is right there on the horizon as we try to meet, hopefully, future growth demands, and do so in a more efficient fashion than the high CO2 emission of coal.

MS. MATHEWS: Yes, the gentleman there.

Q: Hi. My name is Kong Bo or Bo Kong from Johns Hopkins SAIS. Minister Xie, I have a couple questions for you. I wonder if you could share with us your view on China's outlook for a global climate change regime. And also, in upcoming Copenhagen negotiations, to what extent will China commit to some voluntary target? Do you think this is likely at all? And finally, you spoke of the current approach, namely carbon emissions are calculated on the producer approach – and obviously, a lot of emissions are embedded in trade between China and other countries – and I wonder if you can comment on China's proposed approach to this producer approach. And also, Senator Cantwell, to what extent will the United States and other countries in the West accept a consumer-based approach? Is that politically feasible at all? If not, do you have any other suggestions? Thank you.

MR. XIE: (Simultaneously translated from Chinese.) As for the expectations of the Copenhagen meeting and the promises made by China, according to the requirements in the Kyoto Protocol and the Paris Roadmap, these few tasks must be accomplished by the end of this year. Number one is to confirm the emission reduction quota of developed countries by the year 2020.

Right now, the European Union and some other countries have published their CO_2 emissions reduction quota. The second task is to start negotiating on funding and technology transfer. Mechanisms for developed countries to carry out their promises regarding funding and technology support to the developing countries should be set up. The number three task is that, for the developing countries, under the condition of receiving the technology and funding support, they should publish sustainable development policies and measures to slow CO_2 emissions increases according to their various abilities.

These are the confirmed issues on the agenda of the Copenhagen meeting. The most difficult one is the first one, how to get developed countries committed to a mid-term (by 2020) emission reduction goals. As of now, Japan and Canada have not yet published their emissions commitment or their work plan. The United States talked about it but there was only talking. Making a final promise still needs the approval of the Congress. That's why I asked Senator Cantwell just now whether the Congress will pass the bill or not. If the bill can pass the Congress before the Copenhagen meeting, that's at least a promise made by the U.S. on emission reduction. But whether the reduction quota is comparable to other developed countries? That still needs to be negotiated. Therefore, one key determinant of the success of the Copenhagen meeting is whether the U.S. Congress will pass the bill before the meeting. That is a very important issue. Once we resolve this problem and if we can also set up mechanism regarding funding and technology transfer, developing countries should submit their greenhouse gas emission reduction plan according to their respective abilities.

The Chinese government – during the 10th Five Year Plan period, we don't have any emission reduction obligations under the current Kyoto Protocol, however, we are making our contribution. So we are confident that the Chinese government will continue its efforts to very proactively reduce the emissions – per unit GDP CO_2 emissions after 2012. We will increase the percentage of renewable energy; we will provide carbon credit numbers; we will also provide the sustainable development policies and measures. But these will be realized only if the two prerequisites are met. We've made ample preparation. Once the two prerequisites are met, I believe that China will move more aggressively forward. So I would like to assure you on that. Thank you.

SEN. CANTWELL: Well, I can't predict what will happen at Copenhagen, but many of my colleagues are working very diligently on this – Senator Kerry and others – and trying to get the United States ready for those discussions. But I'm glad to hear Minister Xie say they are undertaking their own efforts at CO_2 reductions and sustainability. And I hope that he will encourage the Chinese government to work with the United States on a cooperative agreement on CO_2 reduction and joint economic opportunity on renewables this year, because that economic benefit is there.

The opportunity for us to show world leadership is there, and for the United States and China to help our economies. As someone who has dealt with both the Enron crisis and now this current credit default swap crisis, I have to say that I have a concern about carbon trading as the next great source of derivatives futures. (Laughter.) And that gives me a little bit of heartburn right now. And while there's ample time to discuss and talk about that prior to Copenhagen, there is no such obstacle to the United States making a cooperative agreement today and then being able to brag to each other about how much we have actually been able to meet our goals in a year from now.

MS. MATHEWS: Okay, as I mentioned at the outset, you all know that United States senators are the servants of the bells on the Senate floor and we have time just for one more question for both our speakers. You will have an opportunity down at the reception to ask Minister Xie additional ones, but we'll take the question right here.

Q: (Simultaneously translated from Chinese.) Thank you. I'm Liu Yingling from the Worldwatch Institute. I have a question. Minister Xie mentioned just now that your visit to the States has been very successful. Several consensuses have been reached. U.S. climate change policy-makers have stressed at different occasions that they want to strengthen Sino-U.S. cooperation on new energies and energy efficiency. I want to know if your visit has reached any quantified and specific results, for example, are there any memoranda of understanding that have been signed or any timetables for solid steps to be taken in the future? This will also show the U.S. administration's determination on this issue in regards to if they are really devoted to setting up a cooperation framework on climate change with China.

MR. XIE: (Simultaneously translated from Chinese.) As I have stated before, the purposes of our visit are manifold. Number one is to talk about the – to exchange our opinions regarding the climate change policies, because in the past, both countries had some misunderstandings of each other. Therefore, we need communication and dialogue and then we can increase our understandings and reduce confrontations in the future – reduce the obstacles. Therefore, we can join to deal successfully with climate change issues.

Number two is that the cooperation; we only talked about which directions our cooperation should be, or which direction we should go. As far as the "how"s of implementing that cooperation, I think we will have to incorporate that into our SED talk. And also, for our 10-year cooperation framework, we should go into detailed items. Right now, this visit will just talk about the next steps and the directions we are going to go. As far as the items, the specific items that we will do, I'm not here for that kind of a talk.

MS. MATHEWS: Minister Xie, you have been speaking to many of the leaders of the United States nongovernmental community, who have been working on climate policy for 20 years, seeking to change U.S. policy and begin to really put the United States on a different path. You broke new ground in coming to speak to this group. I think it will make a difference in helping this group to work with you and with the leadership in the administration and in the Congress to achieve the goals that Senator Cantwell has made very clear are mutual economic opportunities and mutual responsibilities to the planet, of our two great countries to achieve real cuts in emissions on time. Senator Cantwell, we really appreciate your taking the time today, and not just for coming, but for the new ideas that you've put on the table, which many people here, I'm sure, will want to help follow up on. So please join me in thanking Minister Xie, Senator Cantwell.

(Applause.)

(END)