

Citigroup Position Statement on Climate Change

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Climate change poses significant risks to the global economy that require urgent action. The burning of fossil fuels to meet energy needs, loss of forests, and other activities are increasing the concentration of greenhouse gases (GHG) and contributing to climate change. Discourse now focuses on the rapidity and severity of change and what must be done. Many countries around the world have enacted regulatory frameworks to guide responses and actions of GHG emitters. Citigroup recognizes the importance of these initiatives and is committed to working together with the public and private sectors, and other stakeholders on solutions.

Citigroup also recognizes this problem requires a global solution – one built on frameworks developed by national governments. U.S. national action and leadership are critical elements of a global solution because of the size of the U.S. economy and our emissions and because a global solution is highly unlikely without U.S. action. We believe that the United States must act now to create a national climate change policy to avoid the economic, social, and environmental damage that will result if GHG emissions are not reduced. Failing to act in time could have substantial consequences for the U.S. and global economies. We support a market-based national policy that reduces GHG emissions, drives innovation and opportunity, brings clarity and certainty to markets, and supports other frameworks.

Citigroup has committed to a 10% reduction in GHG emissions by 2011, invested in and financed alternative energy and clean technology, and published equity research that highlights the relevance of climate change to various sectors of the global economy. Citigroup recognizes that establishing a price for carbon dioxide and other greenhouse gases is essential for reflecting the impacts of these emissions. We applaud actions taken by various countries around the world and in the U.S. we applaud the various state and regional climate policy initiatives including new policies in California and the Regional Greenhouse Gas Initiative in the Northeast for their leadership role. State and regional approaches, however, do not adequately address the national GHG footprint and create a patchwork of regulations that may cause distortions in the national economy. Given the necessity to address emissions from all regions of the U.S. and the world, a national legislative framework will be the most effective and economically efficient response for the U.S.

Policies to address the climate problem should be environmentally effective, economically efficient, and flexible in adapting to new information. A successful policy will be structured to reflect the perspectives of all sectors of the economy. It will encourage new technology development and, at the same time, accelerate the deployment of existing technology and increase energy efficiency. It will reduce emissions from GHG-intensive sectors of the economy and afford companies and consumers time to make changes without costly disruptions or stranding productive assets. It will also include education and outreach to people, with the positive message that a transition to environmentally sustainable energy, coupled with traditions of innovation and entrepreneurship, will foster economic activity and opportunity, generate jobs, and protect the environment. In short, the U.S. and other countries can prosper through the effort to solve global climate change.

Given the importance of the U.S. in solving this global problem, and as a financial institution with extensive involvement in and knowledge of the U.S. economy and global financial markets, we believe that national legislation in the U.S. should:

1. Pursue a Global Approach: An integrated global framework to reduce GHG emissions that includes all significant emitting nations should be the ultimate policy goal. Such an integrated global framework is more likely to be realized if the U.S., the largest current and cumulative emitter, develops a national GHG reduction strategy.
2. Start Now: Early and aggressive actions must be taken to avert increasingly costly and irreversible impacts, implement associated solutions, and to account for long-term energy sector investment cycles.
3. Recognize Early Actors: Emission reduction efforts undertaken prior to the enactment of a national legislative framework should be recognized to encourage early action.
4. Integrate GHGs into Pricing Mechanisms: Policy should leverage market forces to establish price signals for GHGs to ensure that such emissions are reflected in the cost of goods and services. This will create greater certainty, optimize economic efficiency and provide a needed incentive to reduce GHG emissions.
5. Increase Investments and Create Incentives for Low-GHG Technology: Policy should reward energy efficiency and emissions avoidance and promote rapid low-GHG product and service research, investment, development, and deployment to help drive emission reductions. Policy should provide U.S. companies greater opportunity in the growing global markets for low-GHG solutions, and provide parity with other forms of subsidized energy and technology options. The U.S. should increase investments in basic research into alternative energy as well as carbon sequestration.

Crafting an effective climate change policy will require Congress to deliberate over alternative approaches to deliver the greatest GHG reductions at the lowest possible cost. Citigroup stands ready to provide technical advice and economic insight into the policy options under consideration by our elected officials.