

From the Los Angeles Times

U.S. sends mixed message on climate

As Bush calls on developing nations to curb CO2, two federally controlled agencies are enabling them to emit more.

By Judy Pasternak

Los Angeles Times Staff Writer

August 12, 2007

WASHINGTON — At the Group of 8 summit of world leaders in June, President Bush repeated his calls for developing nations to curb their emissions of greenhouse gases. Without their cooperation, he said, drastic measures in the United States to battle climate change would make little sense.

"We all can make major strides, and yet there won't be a reduction until China and India are participants," he told reporters.

But just weeks earlier, the U.S. government had pledged to help finance one of the world's most advanced oil refineries, taking shape in Jamnagar, India. The facility, to be completed by December 2008, will not only produce petroleum products, it will annually emit nearly 9 million metric tons of carbon dioxide -- the major contributor to global warming -- into the atmosphere.

That estimate comes from the U.S. Export-Import Bank, which announced \$500 million in loan guarantees for the project in May. And those figures do not take into account the emissions from the vehicles that will burn the giant refinery's gasoline, the planes that will fly on its jet fuel or the stoves that use its propane and kerosene.

The Jamnagar refinery is one of hundreds of fossil-fuel projects built with the help of U.S.-controlled funding agencies. Since 1995, when the United Nations' Intergovernmental Panel on Climate Change agreed there was a "discernible human influence" on global warming, the United States has helped finance power plants, liquefied natural gas processors, oil pipelines and the like in more than 40 countries -- in effect extending America's "carbon footprint" well past this nation's borders.

By calling for developing nations to curb their emissions while simultaneously helping them emit more, "we're being hypocritical," said David Waskow, international policy director for the Friends of the Earth environmental group.

The 73-year-old Export-Import Bank and the Overseas Private Investment Corp., founded in

1971, were established to use loan guarantees, insurance and other financial tools to promote U.S. exports, encourage economic development in emerging markets and support America's foreign policy. Between them, they say they have generated nearly \$470 billion in exports.

But they also have been controversial, derided by critics as engaging in "corporate welfare." Many firms that benefit from the agencies' energy projects -- including Halliburton Co., Bechtel Corp. and Exxon Mobil Corp. -- already earn huge profits.

"The problem right now is that we think about India needing more refinery capacity without thinking through a total energy package for India, with biofuels or carbon sequestration," said Mark Helmke, a senior staffer for Republicans on the Senate Foreign Relations Committee. "People aren't looking at this in a holistic way. They're looking at it in a scattershot way."

He added: "There's a lack of White House leadership on these issues."

The federal government has promoted sales of clean-energy technology abroad -- indeed, the Commerce Department led 17 companies on a clean-energy trade mission to China and India in April -- but that effort has been dwarfed by support for fossil fuels.

In 2005, more than \$3 billion in financing for the international oil and gas industry was provided by the Export-Import Bank and the Overseas Private Investment Corp. And that does not include projects funded by the World Bank Group, which is an international body that is heavily influenced by its largest shareholder, the United States.

From 1995 to 2006, the Ex-Im Bank and OPIC provided more than \$21 billion in loans and loan guarantees for oil refineries, pipeline projects, liquefied natural gas plants and electric power plants around the world.

A snapshot of the environmental impact can be seen in a sample of projects subsidized in Russia, Mexico, Venezuela, Algeria, China, Brazil, Turkey and India. Those 48 projects alone will be responsible for at least 12 billion metric tons of carbon dioxide emissions over their lifetime, or at least 600 million metric tons annually, according to a Times analysis of data provided by Friends of the Earth. The organization used data from the lending agencies' records, and emissions were calculated by analyst Richard Heede of Climate Mitigation Services, a private Colorado firm. CO2 figures were not available for more than 150 additional projects in those eight countries.

Heede, who has provided research for plaintiffs suing the banks over their lending policies, wrote in court documents that the Ex-Im Bank and OPIC were responsible for more than 7% of the world's annual carbon dioxide emissions. In 2003, he wrote, the two investment funds' projects were to blame for an amount of CO2 overseas roughly equivalent to one-third of U.S. carbon emissions.

Heede's figures included indirect emissions, such as use of produced fuel, as would be required by law if the environmental groups and cities win their case. As a result, his numbers are higher than the agencies' estimates.

According to their own reports, the two agencies approved projects in recent years that annually emitted more than 125 million metric tons of CO₂ -- the equivalent of putting 31.3 million new cars on the road or increasing U.S. carbon emissions by 2%, according to the Energy Department.

Some in Congress are taking note.

OPIC's authorization expires Sept. 30, and the House has passed a climate change mitigation plan as a condition for renewal. Another bill, introduced in April, would prohibit the Ex-Im Bank, OPIC or U.S. directors at the World Bank from supporting oil and gas projects.

Facing such scrutiny, OPIC President Robert Mosbacher Jr. recently announced that the investment fund would stop approving new projects after reaching 3 million metric tons of carbon dioxide in any one year. Mosbacher predicted that the nearly 55 million metric tons of CO₂ produced annually by OPIC's investment portfolio would be cut to 44 million by 2016.

Mosbacher, a former energy executive from Houston and the son of the former Commerce secretary, said he secured White House permission for the plan. "A country clearly needs electricity, but that's not going to be the end of the discussion. Today we would say, 'Do we have options that could be better for the environment?'" Mosbacher said.

Environmental groups are unimpressed. Noting that the caps are a target, not mandatory, Greenpeace research director Kert Davies dismissed OPIC's effort as "part smoke screen, part sales pitch."

As for the Export-Import Bank, annual emissions associated with its projects have generally declined in the last decade, and it has no plans for a CO₂ cap because its work is "demand-driven," said spokesman Phil Cogan.

Greenpeace and Friends of the Earth are fighting OPIC and the Ex-Im Bank in federal court, demanding that the agencies apply U.S. environmental law when considering which proposals to bankroll, because climate change resulting from overseas emissions affects the United States too. Three California cities -- Santa Monica, Oakland and Arcata -- and Boulder, Colo., joined as plaintiffs.

Mosbacher said OPIC opposed conducting the time-consuming environmental impact studies that would be required.

A key obstacle to change in the lenders' practices has been a reluctance by the federal government to acknowledge there is a problem. Although Bush has recently stepped up diplomatic efforts on emissions, the administration continues to oppose mandatory caps on CO₂. It has also ordered changes in documents produced by staff scientists at the Environmental Protection Agency and NASA to dilute strong conclusions about the causes and impacts of global warming.

Although hundreds of federal scientists are working on global warming, government attorneys

hired an outside expert witness. They chose University of Delaware climatologist David R. Legates, who wrote in a declaration to the U.S. district court in San Francisco that doubts persist as to how much human energy production can be blamed for climate change. He also said that warming would bring some benefits.

Two years previously, Legates had been one of five co-authors of a paper that the White House used to emphasize uncertainties about the causes of global warming. All five had ties to think tanks funded in part by Exxon Mobil, the largest oil company.

By 2005, when Legates was retained as a witness, the paper's methods and conclusions had been widely criticized. Legates could not be reached for comment for this article. Said Justice Department spokeswoman Cynthia Magnuson: "We don't publicly discuss. . . our reasons for hiring experts."

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Times data analyst Sandra Poindexter contributed to this report.

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