EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

APR 14 2009

The Honorable Joe Barton
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Barton:

Thank you for your recent letter, in which you raise questions about the linkage between U.S. efforts to address climate change and our international trade policies and obligations. I appreciate your interest in these issues and I can assure you that my office is following related developments closely.

I would like to emphasize the Administration's view that global climate change is a priority and that our response includes asserting U.S. leadership to establish a domestic cap-and-trade system and put us on a trajectory to gradually reduce our carbon emissions. I share the views of Special Envoy Todd Stern, our lead climate negotiator, that by transforming ourselves to a low-carbon economy, we can stimulate global economic growth and put our workers, farmers and manufacturers at the forefront of the global economy. Having said that, I acknowledge some of the concerns of certain U.S. manufacturers, particularly in those sectors that are energy and trade intensive, that increased costs associated with carbon reductions could lead to competitive disadvantages vis a vis producers in countries that do not take action to reduce their carbon emissions. This phenomenon is directly relevant to concerns with "carbon leakage" because any shifting of production to other countries could lead to the unintended effect of only limited or zero net decreases in global carbon emissions associated with that production. Climate change is a global environmental challenge and we want to ensure that the U.S. response is not weakened by the failure of other countries to take action. I understand that Energy Secretary Chu's comments during his hearing reflected such concerns.

The Administration believes that the best approach to address concerns with carbon leakage is to negotiate a new international climate change agreement in the United Nations that ensures that all the major emitters take long term, significant action to reduce their greenhouse gas emissions. We look forward to working with these countries to negotiate a meaningful global climate agreement and actively avoiding circumstances in which we are simply exporting carbon emissions abroad.

As the Congress moves forward with legislation on climate change, I will join others in the Administration in addressing specific priorities, including those that may raise trade issues. In this regard, we welcome the efforts of Chairmen Waxman and Markey and applaud their accomplishment in circulating a discussion draft of legislation. I look forward to working with them as they move their legislation ahead through the Committee.

The Administration is seeking to address many of the issues you raised in your letter, particularly in ensuring that the design and implementation of domestic energy and climate policy are compatible with our international trade obligations and minimize incentives for our trading partners to pursue counter measures that could negatively impact U.S. exports. Our consideration of the necessity of, and options for, addressing carbon leakage will include how potential measures might be targeted towards the circumstances of energy and trade intensive industries. The Administration, however, does not support any specific measures, including border measures, at this time. As we move forward in our engagement with Congress on the design of domestic climate change policy, we will evaluate the various options to address carbon leakage under consideration on Capitol Hill.

We believe trade and climate change policies can be mutually reinforcing, such as our efforts to eliminate trade barriers that discourage broader adoption of critical clean technologies, and will be working closely with our partners abroad and here at home to promote this objective.

Sincerely,

Ronald Kirk
United States Trade Representative