

**Energy and Climate Change Working Session:
Financing Clean Energy
2006 Clinton Global Initiative Annual Meeting
September 21, 2006**

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[START RECORDING - PART 1]

FEMALE SPEAKER 1: ladies and gentlemen we will commence presently. If you would please take your seats filling in from the front to the back. Also, if you would be so kind as to sit at tables other than the ones that you have sat at formerly, we would appreciate it. Thank you.

Please take your seats we are about to begin.

[Music played]

Female Speaker 1: Ladies and gentlemen please welcome David Sandalow chair of the Energy Climate working group for the Clinton Global Initiative.

[Applause]

DAVID SANDALOW: Hello everyone. That plenary was breathtaking. I just want to come and tell you about some of the commitments that are just coming in this morning. Commitments that we've heard about in the hallways and talked to folks about. There is more out of there but one that I absolutely love. Adam Struaber, are you here? Stand up please. So, Adam is a wine magazine publisher, and we got to know each other when we sat next to each other at the mid-year Clinton Global Initiative Meeting. He has just published in his *Wine Enthusiast Magazine* a cover story on the impact of global warming on vineyards and is donating \$50,000 to communications on this and other issues. So thank you very much for that commitment.

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[Applause] Then one I heard about in the halls and I don't know if Vicky Sant is here. I talked to her but Vicky Sant is donating \$5 million to Stanford University and to a consortium including the World Wildlife Fund for a nature safe program. so Thank you very much for that commitment. [Applause]

Ladies and gentlemen, we have a fantastic afternoon. Enjoy.

FEMALE SPEAKER 1: Ladies and gentlemen, please welcome our panelists for Clean Energy Investment Boom. Managing director Goldman Sachs, Abby Joseph Cohen. Partner in Kleiner, Perkins, Caufield and Byers, John Doerr; Executive Vice President, Ecoenergy Mexico, John Paul Moscarella and our moderator, president and CEO Center for American Progress, John Podesta.

[Applause]

JOHN PODESTA: Well, thank you everyone and one more thanks and appreciation to David Sandalow for organizing this track. It's just really been amazing. [Applause] And we follow on an excellent lunch presentation that I think should have gotten all of our juices flowing on this topic.

I was here - this is my second Clinton Global Initiative. Last year I had a slightly different role. I was working with the press last year. And I wandered into all of the different sessions. And one of the observations that I made at the end of all that as we were regrouping was that while I

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thought all the substantive tracks were wonderful, the climate and energy track seemed somewhat disconnected from the other tracks on poverty and governance and reconciliation. Of course, we know that they're intransigently connected.

The tremendous boom we're seeing in investment and newer and cleaner energy technologies partly are a result of the public and private sectors coming together to come to grips with catastrophe potential of climate change. But it's also partly due to the run up in energy prices that have resulted from the demand of energy use in industrializing countries, particularly China and India. But they are at core of lifting hundred of millions of people up out of poverty.

We are having a second panel this afternoon, and I want to link the two because there is still more than two billion people, the world's most improvised, who live today without access to modern energy and their hopes for development is linked to accessing modern energy for heat, for light, for telecommunications, for transportation. And if that development occurs without emphasizing clean, renewable energy, we will add to the burden of an already stressed atmosphere. And of course, the poorest people are the most vulnerable to the catastrophe effects of global warming from job, from flooding, from famine, from disease factors.

So, in the first panel we are going to talk about a lot of exciting opportunities, a lot of new investment

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opportunities, and the second panel we are going to try to talk about how those opportunities can be brought to bear again for the poorest people on the earth.

I'm going to start off our panel with a question to Abby. You have been watching socially responsible investing for some time. You've seen it through the nineties and now in the new century. A number of socially responsible funds were kind of black, didn't do that well in the 1990s. Things seem to be different now. Just comment if you could on why they are different.

ABBY JOSEPH COHEN: John, Thank you for that very important question because I think it really gets to the heart of why we are seeing so much more interest not just on the part of investors but also on the part of corporations. And let me give you the investors' equivalent of the tipping point and that is critical mass. For many years, investors and others had been very interested in doing the right thing. but the fact of the matter is that the markets didn't care very much because they were what we refer to as inefficiencies. Yes, it's true that a company might have been generating long term environmental liabilities but they weren't being priced in. it may also be true that some companies were generating a better, brighter long term future for themselves by focusing in on some of these issues but to the extent that investors were not paying attention. It wasn't priced in efficiently.

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What has now happening however is that we have gotten to critical mass. Let me give two numbers that I think will tell the story. As little ago as three years, if you added up the amount of the money in the investor network on climate risks, there were \$600 billion of assets under management among those institutions who said they cared. Now \$600 billion sounds like an awful lot, doesn't it. The number today is \$4 trillion and as a consequence of that academic work for the first time is showing that those companies that "do the right thing" are actually benefiting in the marketplace. For example, their PE ratios are higher; their cost of borrowing money through the bond market is lower. We say the cost of capital in general is lower because investors have more confidence in the long term sustainability of the earnings and growth of those particular companies and they are willing to pay for it.

So, the bottom line for us is that there have always been a group of investors who cared. There are now enough investors who care enough to put their money in ways that are appropriate in this regard and oh, by the way, there is one other thing. You need two things for this to work. You need interest and the liquidity but the other piece of it where we still have a great deal of work to do is that you need the information. One of the incredible frustrations that many investors that are now dealing with is the absence of good quality reliable and consistent matrix across industries,

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sectors, and countries in terms of how we can measure whether companies are doing a good job or a bad job in these very important areas.

JOHN PODESTA: Just a quick followup, which is, is doing the right thing today just part of being a good, well-managed company?

ABBY JOSEPH COHEN: We think so. Indeed we have made a very conscious decision in the investment research department of Goldman Sachs that when we look at what we call ESG, which is environmental sensitivity, social responsibility, and good governance that all of these three elements are intertwined themselves and we cannot separate them from the other analysis that we do. So, we are looking at the behaviors of companies, the intentions of companies, the same way we look at their balance sheet and also their P&Ls.

JOHN PODESTA: John, Let me ask you a question sort of from the opposite end. You have worked extensively in industries that measure their products lives in you know months or weeks, same thing. And why is that, why is innovation in the energy sector been so slow to develop? And now what's changed? There seems, there is a tremendous boom and interest we have heard throughout this conference. Why was it so slow and why has it changed?

JOHN DOERR: Well, there are four factors. And what's changed tells you what wasn't happening before. The first big

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change is the market whether you measure it in terms of the price of crude. We all know that the price at the pump, the market, has made these more important.

The second though and perhaps most profound technical change is really fundamental advances in materials. You've heard of nanotechnologies. In chemistry, you plant genetics. All those. The science of the small is a profoundly important in the large.

The third thing you may not appreciate it though I was aware of it, I had taken it granted. And that's relentless advance in computing power in storage that is made possible by that fabled law Moore's law, that brought us the internet, the personal computer, the microchip.

Why is that important, John? Because now scientists are stimulating and aggressively designing with those tools. All kind of new materials and systems. So, that's a very sharp edged tool. I said there are four. The fourth factor is we're seeing policy change, important policy change so when you have some certainties, some predictably about what will happen with carbon, that just accelerates investment. Investors hate uncertainty.

JOHN PODESTA: And you have made a major commitment in your own company and we've heard you double it I guess or add a \$100 billion or more to that commitment during this session to

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invest in Green technologies. What's your strategy for that?
What are you thinking about in that context?

JOHN DOERR: Well, there's six major opportunities and we have built a map, my partner, Bill Joy, an incredible grid that shows all the opportunities, technologies, the markets but I'll summarize there in these six areas.

First Bio fuels, we think that's, if there is no single silver bullet, that's probably the biggest bullet of all in the very near term. The second is energy generation other than Bio fuels, new ways. For example, today in Silicon Valley ironically Mayor Blumberg is there together with Governor Schwarzenegger in a company you may have known was IN America. They are renaming it Bloom Energy. I suppose in honor of Blumberg. [Laughter] but the third is energy storage. If we had effective energy storage automobiles would be different, the grid would be different. And there is a couple of technologies both in stealth mode that we are pursuing. Imagine better batteries. Imagine a plug in hybrid that didn't need a fuel-burning engine. So, storage is a third and important one.

There is tremendous advances available in efficiency. And also in new systems for transport. Frankly, the gnarliest, toughest problem that we have been dealing with is carbon capture. That's a difficult, difficult type of a problem and unproven at the large system level.

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JOHN PODESTA: I would be remiss from the audience's prospective if I didn't ask whether that grid was up on the web. [Laughter].

JOHN DOERR: No but if you send an e-mail to jdoerr@kpcb.com, I'll send a safe version of it. [Laughter]

JOHN PODESTA: J. P., talk a little bit about what the clean energy development opportunities are in the developing world, and how much of that has been made possible perhaps by the Kyoto protocol and clean development mechanism which is a part of Kyoto protocol.

JOHN PAUL MOSCARELLA: Yeah, certainly john. First of all I would like to thank the organizers. This is probably the best-organized event I have been to and I've been to hundreds. And it also feels that our time has come in terms of our industry. We are in the clean energy and carbon development business. There are a lot of friends that I see around the tables, and it's really great to be here in terms of the interest that has been generated, and the commitments are just fantastic.

Our business in terms of Kyoto protocol we have slightly different drivers but John is absolutely right. You can't really talk about clean energy in sort of one you know - it's one space, it's not, it's really many subsegments. We view it as sort of renewable energy generation, traditional renewable energy generation which includes wind, the biomass,

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small hydro, geothermal is included in there and a few others. Solar, sorry. Then we have the clean fuel space. And we have taken a look at the clean fuel space like everybody's taking a look and decided that it's really big so it merits a whole new project for us, so. the new project guys would be happy to talk to you about that.

Then we have in our space what are referred to as the emissions guys. There is a company like ours, a company, you know that has been around in doing project based carbon reduction. What that really means is you generate electricity cleaner than the grid so that difference is the credit. That delta, I'm clean, you're dirty. [Laughter] We are going to capture that. We are going to quantify it and it's a very long process but you can get credits that you sell into Kyoto-regulator markets. The Kyoto markets are Europe, Canada, Japan, mostly that have accepted a cap.

Just a point, you know this country should accept and implement a cap in trade system. It's irresponsible and unsubstantial not to do so. If it did, my company and many like mine would see a tremendous growth and it would be a phenomenal opportunity. But it's irresponsible because the United States is historically responsible for most of the emissions.

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And finally, there is a fourth area, which we are not really focused on. But it's really technology driven, storage driven, fuel cells are really big in that space.

What we saw is the conflux of the Kyoto particle being ratified finally in February 2005 and paradoxically with Russia's succession, probably the country in the world that has you know one of the spottiest environmental track records. Liquidity there's amazing amount of liquidity. I mean I have been in this business for 15 years since participating at the Rio conference and never in my imagination would I have thought of - What did you say 4 trillion, Abby?

ABBY JOSEPH COHEN: Just to put that in prospective -

JOHN PAUL MOSCARELLA: Yeah.

ABBY JOSEPH COHEN: The overall US stockmarket has capitalization of roughly 18 trillion. So, three years ago, it was 600 billion out of 18 trillion, not really huge but now 4 trillion out of about 18 which is very considerable.

JOHN PAUL MOSCARELLA: So there is an enormous amount of liquidity and what we see is just fundamental growth. And what we are trying to do is make that growth cleaner and that's the whole purpose of the clean development mechanism. The clean development mechanism works in countries like Mexico where I'm from.

By saying I will take business as usual and make it cleaner and so we do this thing called the baseline. And the

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baseline is typically how things have been done and we take our project and we say we are going to improve on the current systems in generating technologies and make it cleaner. So then, we'll take that difference, that delta that I was referring to, and sell it into the [Inaudible] regulating markets. There are several exchanges in Europe, in Amsterdam, European Climate Exchange and here in the States, Chicago. But all over the world, there is a lot of liquidity just buying carbon credits.

Having said all of that and having said how much there is available for us to do, I can also add that we haven't even scratched the surface of what we need to do in order to stabilize greenhouse gas emissions. And that's really the key point here. And I think that's a point that everybody is talking about is we are on the tip of a you know probably what the oil and gas industry was at a hundred years ago when they just started.

We are at the beginning of the next hundred years. I think the next hundred years are very, very exciting if we can you know put all that capital to play. And our problem right now is you know we don't have the kind of capital that my fellow panelists have. [Laughter] But we are having trouble finding good projects and that's really where we struggle because we are trying to reach you know sustainable development objectives. We are trying to reach return on investment

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objectives. We are trying to mediate the risks and at some point, you know, you just have to make a decision and go for it.

So, we are having trouble finding good projects and that's because there is a lot of uncertainty still in the field.

JOHN PODESTA: How much, from a development prospective, how much of that money is flowing to just a few countries?

JOHN PAUL MOSCARELLA: I would say it's the traditional, the biggies, Brazil, India, China, Mexico gets a its fair share but less than the other countries, I might add. And obviously, in terms of what the Kyoto protocol was intended to do, what the Rio climate change was intended to do was sort of cleaner development for all.

There is in sort of political equity terms, the money isn't really flowing to you know countries in Africa and other places. You'll get for example the World Bank announced a billion dollar deal from two projects in China. So that really is, you know the unintended consequence of the Kyoto protocol because there are a lot of reductions available. And obviously, the market should do those but it's not necessarily what they had in mind in terms of you know sort of leap frog technologies in bringing renewable energy. A bit like what Eunice said over lunch, you know about -

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JOHN PODESTA: John, did you want to get in on it.

JOHN DOERR: I think to look at the developing world is really important because the longer-term framework is sort of set aside the computers in the Morris law. The academics and scientists agree that by 2050 the number of people that are living in mega cities is going to triple from 2 billion to 10 billion. That's from now until 2050.

That's the equivalent of building 400 huge new cities over that period of time. Or think about 8 new Manhattans every year. Principally in Asia, principally in India. And all the citizens there to your point about the market have the same aspirations that we do. you know they want more prosperity, more opportunity for their kids and that translates into clean water, clean power, clean transportation.

The way the developing world develops is the way our world is going to develop.

ABBY JOSEPH COHEN: As a followup to that, I would like you all to think what we often refer to as energy intensity. And that is how much energy from whatever source, how much energy is used to generate a unit of GDP. Now if the United States is the world's largest economy, largest GDP, largest energy user, actually has an energy intensity that is roughly the same as most of the other developed economies. We're a little bit higher because we have bigger cars. We drive longer distances. But our industrial processes were about the same.

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And our energy intensity today is one half of what it was 20 years ago because we have become more efficient but also because our economy is being restructured.

We are moving away from manufacturing. We are focusing much more on service. Now what about those so-called brick nations? The emerging economies, Brazil, Russia, India, China, and so on. Their energy intensity is dramatically, dramatically above that of the US and the other developed economies. Now think about it. They are using much more energy per unit of GDP, much more. Some of that is by virtue of what they do for a living. If we are outsourcing our manufacturing to them, for example, of course their energy usage per unit of GDP will be higher. But think of the following two aspects.

Number one, they are using more energy per unit of GDP, how much of that is related to less efficient processes, something that needs to be addressed. The second part which is very much along the lines of other discussions in this room earlier today, if they are using more energy per unit of GDP, and their pollution standards or their greenhouse gas emission standards are more lax. We in fact are outsourcing manufacturing to other nations that are using more energy than we would be using and are using it in a way that may in fact be more damaging overall to the planet.

By the way, if you want to take a look at the specific numbers we have published them. We didn't want to bring paper

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here today. You have enough paper but you will find a report that looks like this up on the Goldman Sachs public website. We put it up this morning. Just go on gs.com. Let me repeat that gs.com. Just click on research and you'll find this particular report.

JOHN PODESTA: What's the name of it?

ABBY JOSEPH COHEN: We are calling it Capital Markets at the Crossroads.

JOHN PODESTA: Terrific. John, we spent a lot of time in my former life with your talking to me about technology policy in Intel tech world and obviously, people know the story of some governmental investment in making that happen a lot of tax support and other kind of economic support at a macro sense. But a lot of the time we spent you were telling me that we should kind of keep our hands off the internet, that the government shouldn't really be trying to send signals about the way that ought to develop. I think those - that advice was good but this a different space. Do we really need now J. P. said that we've got to make a move at the federal level? Do you agree with that? Do we need to make it -

JOHN DOERR: We do. This is a different than the Internet because the policy makers already have their hands deep into energy policy and energy economics so. Getting the policy right is exceptionally important. I like to say there's no, as I said, single bullet here. And we need policy

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entrepreneurs and innovation as much as we need technology innovation.

For example, but it ought to be market oriented so you just cannot get there without a hard cap on carbon emissions? Set a cap. California just voted for one. Then you need an inclusive market. Okay. It needs to include all the carbon sources within a market by sector, or source, however you want to measure them. The third thing that is really crucial I believe is a standard for bio fuels. So that bio fuels can be encouraged. We have all kind of standards right now. Archer, Daniel, Lipmen [misspelled?] says help us define ethanol is being corn tops. Well, does that make a lot of sense? Ethanol is ethanol.

Then finally I think it's most important as we started and tony you would agree in this, is we have to let the market hit the winners and losers. We don't want to try to do that by government mandate or by special interest groups.

I'm optimist that if we do those things policy can take us more than half the way towards reversing this terrible course we are on.

JOHN PAUL MOSCARELLA: John just on that point, I mean what we like is sort of consistent long-term incentives. The production tax credit that everybody knows about here in the US is on, is off, is on. When it's on, it drives an incredible amount of investment in clean energy. When it's off, everybody

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is sitting on their hands. I'll take the example of Germany. Germany has had a commitment to renewable energy that goes far beyond anyone that I know would say prudent. And you know they have this feed in tariff and basically the feed in tariff is a signal of the price. I will pay you x Euro cents per kilowatt-hour. And it's been amazing the amount development. Germany is the world's leader in wind energy, 15,000 megawatts plus. I mean for a relatively small country. And it's shortly becoming the world leader in solar energy. And they have a very generous feed in tariff, but if you think about Germany and you go well solar energy, it's not really sunny there. I could do a lot better in Mexico than in Germany, but what I'm trying to say is that it's acceptable to have this feed in tariff because the consumer and the end users have all made a commitment. It's not just policy because policy needs to be done by people thinking big thoughts in government.

It has to come to from sort of - that's what the people want in Germany. So, the green movement in Germany is obviously very mature and sophisticated. So, they have accepted this. And what's it's done is it's boomed. I mean I just a project this year with a German company that was born ten years ago. Today is doing a hundred million in solar, wind and biomass. You know, it's just phenomenal. And these were 25-year old kids who all of sudden have developed this great company, you know.

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JOHN DOERR: For those of you who are keeping score, in 1995, the US had 44 percent of the global solar market. I think we are down to 6 percent now.

JOHN PAUL MOSCARELLA: Is that right? Yeah, I didn't know that.

JOHN PODESTA: Abby, let me ask you a question. Maybe it's unfair for researcher, what do you think the more powerful driver is going green. Is it opportunity to create new efficiency, new products, and new markets? Or is it risk? Are people really worried about the downside of being caught on the wrong side of a carbon-constrained world?

ABBY JOSEPH COHEN: The answer to that I think depends very much upon the industry and the sort of business a company is in. clearly, we have seen companies in the so called at risk industries be it energy or electricity generation or chemicals. The increasingly concern about long-term liabilities as they should be. Indeed about 65 percent of those companies in the United States are now filing with the SCC as part of their ongoing statements. They want to be on record that they told people they knew they were generating liabilities even if they didn't know to quantify them.

So, we see that the desire to "clean up their act" is very powerful indeed. We also see that more money can go into those areas right now. Let's call it the remediation areas. However, as John has mentioned before, and John - by the way

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I'm the only non-John on this panel [Laughter]. If you haven't noticed. - As all the Johns have pointed out -

JOHN DOERR: But, but, but, [Laughter] you can clean up your act. [Laughter]

ABBY JOSEPH COHEN: There are enormous opportunities in terms of making a profit by producing more efficient product using new technologies, and so on. I think what we would hope is that we could ultimately get there but in the public markets, which where I live and breathe in my day job, most of those large companies spend most of their time on risk mediation. They are however putting money in R&D but these are such large companies that their opportunity in terms of moving their own needle is actually quite limited.

We see the more interesting investment opportunities more in venture capital and smaller companies simply because that is the crux of what they do as opposed to one piece of what they do.

JOHN DOERR: You don't want to go into venture capital. [Laughter].

JOHN PODESTA: John, you mentioned the in passing the California bill that just passed. It's awaiting Governor Schwarzenegger's signature. Most of the debate around climate change in this country has been about cost and burden, etcetera. That bill passed though I think with a lot of enthusiasm. They actually had some positive benefit on the

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California economy. I know you thought about that. What's your views on that.

JOHN DOERR: This is a remarkable bill. And imagine since you couldn't get this in Washington. It's a mandatory cap that's inclusive of the market; you decided to go to Sacramento, which is the sixth largest economy in the world, right, California. So, AB32 reduces greenhouse gas emissions mandatory by 25 percent from today in 2020. And John asked about the economic consequence of it. Well, Schwarzenegger's own climate action team said that this would generate \$4 billion a year in increased revenue in California and 83,000 jobs. Why? Well the innovative companies are going to be more creative and by the way those that are not creators of innovation, they are going to save. They will be more profitable because they are not pouring so much money into fossil fuels.

You really can - what does it say? Do good by going green. By doing well.

JOHN PAUL MOSCARELLA: I mean in terms of the market in California, what they have done is really important to note. I mean what we are trying to do is sort of this environmental objective and then load on to it sort of financial, economic and other things. But what you're doing is if your reducing emissions and it costs \$20 a ton. You are getting more efficient every time and so each time that you become more

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efficient you have better technologies and so on and so forth. You can ratchet down that cap. And by doing so what you are really doing is sort of getting into this virtuous loop of starting with a cap, getting more efficient, reducing your emissions, lowering the cap and starting again. Then eventually, hopefully, this is the end goal, is you will stabilize that greenhouse gases.

ABBY JOSEPH COHEN: There is also the obvious statement and that is those companies that do a terrific in learning how to remediate can build brand new businesses from it and we can give you any number of instances of companies for their own purposes developing new water filtration systems to clean up what they had been doing previously and this became an extraordinarily new important produce line for them and there are of course other instances in terms of energy efficiency as well.

JOHN PODESTA: Now it's our time to stop talking and your time to start talking. So -

FEMALE SPEAKER 1: How about a thank you to the panel on this stage. [Applause] Thanks guys. Thanks. Great job. Okay. Again, you know the drill. It's your time to talk as john said and we have two questions. And John has actually asked for a specific addition to the first question. So, I would like to ask people to listen carefully because it's not on the screen.

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It's not what you will be able; the facilitators might want to actually write it down.

So the first question. What is the most useful way for me to invest in clean energy, just like it says on the screen, but here's the added challenge. For me to invest in clean energy, to accelerate a low carbon or no carbon future. So try to focus on how can I do that investment to accelerate a low carbon or no carbon future?

The second question is, how can we increase capital flows to clean energy over the long term. Now again as is happening in many of our sessions, just by the movement of people, we got a couple of tables and a very number of people so before you start your discussion, if you would please consolidate the tables.

Then at the end of the discussion, if the facilitators would help me get the room quiet back for the panel, that would be great. Thanks.

[END RECORDING - PART 1]

[START RECORDING - PART 2]

FEMALE SPEAKER 1: The panel is ready to respond to your questions. Facilitators if you could help me get the room quiet again that would be great. Okay. Thanks very much. We are ready for the panel to begin again.

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JOHN PODESTA: Okay. All right. Welcome back everybody and thank you for your conversations. They resulted in a number of questions, and I'm going to ask the panel to answer some of them. First, John, one of the questions was, how do we make the money currently being invested in clean energy is allocated efficiently and wisely. Is there an investment bubble in clean energy? I think there has been a particular focus on the investment in ethanol these days, and I wonder whether - you've lived through bubbles. What's your view on that right now?

JOHN DOERR: Well, the first thing I refer to these as booms instead of bubbles. [Laughter] And make the case that in fact booms are very good things. They encourage a lot of investment. They encourage full employment. And also we've got to live with them. [Laughter] there is no way to not have booms whether you have brought along the railroad or the automobile or the Internet. And so, I really don't know how to ensure that the capital is wisely invested. I think there would be fools out there who will make mistakes but among the fools, there will be people that create big innovations, and I'll add very large durable new companies in my opinion. At least that's what I'm praying for at night. [Laughter]

JOHN PODESTA: Abby, next one for you. Which is the question was what are the two three simple environmental matrix institutional investors and analysts should be using to measure

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a company's performance. I think people are really asking can they help push these matrix along that you were talking about.

ABBY JOSEPH COHEN: I wish I could answer the question that simply but I can't. The reality is that the matrix that matter will vary by industry and sector and by country. One of the things that we have discovered in our own work is that some of the brand unified theories that are out there in terms of this is the grid that really matters in terms of filling in the columns and the sales in each row, really don't work terribly well. So instead, we are using a bottom up approach. Going to our industry experts not just in the United States but around the world and saying if you had a genie to grant you not one wish but several, what information would you like to see.

And we are trying to collect that information but we are also going to that investor relations officers of the companies that we follow on a research basis and say we would really like this information. And so, we think that it's not just our firm doing it but all of our clients asking for that sort of information that will ultimately make the difference.

By the way, it is our view that there are not very good public repositories of this information and we are in the process of trying to build our own right now.

JOHN PODESTA: Great. So, whether you are or you aren't a client of Goldman Sachs, I think your being charged with

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asking for help in creating these very important matrix to create a transparent system.

ABBY JOSEPH COHEN: John, if you take it just to the next step. We have had IR officials, that is investment relations, executives from many public companies come to us and say what information do you think we should be providing. So we are finding a very receptive audience.

JOHN PODESTA: J. P., turning back to the policy arena, we had a question, what do you think about cap and trade versus carbon tax? The Vice President made a big pitch at lunch for shifting our thinking about that and going for a shift of the payroll tax, the carbon tax. What's your view on that?

JOHN PAUL MOSCARELLA: Well I have two comments. One I think is you may want to have both, first of all. The way it works in Europe is you have a climate plan that says you have to meet this quota during the period 2005 to 2008 and if you don't and if you are a regulated industry, your tax is going to be 40 Euros a ton. So all of a sudden, the market knows that if it does nothing the reservation price or what it has to pay is 40 Euros. So, what you see is prices run up to about 30, 31 Euros is the max it's ever reached and then it drops down again. So it gives you kind of what I call you know, sort of it gives you kind of a band width to trade under.

But I think the other question was how would cap and trade system affect the capital markets. I think that's

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fundamental because it gives you immediately a sense of the demand. So what you immediately do once you have cap and trade system is you run back to your spreadsheets and all your gurus and you calculate how many tons the industry X will have and statewide and how many tons. Then you aggregate that with a number of other industries and then you come up with a total market demand. Then you put a price on it. That immediately gives you a market.

So when you say how does carbon trade system affect the capital market, the demand for carbon credits as we refer to them - and by the way, carbon credits are six greenhouse gases, so it's not just one unit. It's - Yeah. It's six units that are traded in CO2 equivalent. But immediately you have cap and trade. You run and do your math and you have demand, which equals a market. And then you put a price on it and then that market trades and then you know through the efficient market hypothesis, Abby will correct me if I'm wrong, we reveal the most efficient price.

That gives you certainty. And that gives us a framework to do business in. in uncertainty, you are always guessing. Where will this regulation go? What state will adopt that regulation? And it's really uncertainty drives sort of I would even say bad decisions because if you are going to bet ethanol because you know California is going to be 50 percent ethanol in 2020 and it doesn't come to pass,

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you have made a bad bet. So, that's where you have those kinds of choices. So, I think the cap and trade system and the carbon tax can go together. They are not mutually exclusive. In 2008 to 2012, the price, the tax goes up to a 100 Euros and nobody expects it really to shoot up to a 100 Euro but that's what you will ultimately have to pay. So, that's a very powerful incentive to do something and start trading emissions.

I was asked to comment a little bit further on the effect of carbon credit. What you are seeing in terms of a market in Europe that's compliance driven. That means industry has to comply or else pay that 40 Euro tax or 100 Euro beginning in '08. The now projects are getting done that have carbon credits as their only revenue stream. This was unheard of in the 1990s. We always thought of carbon credits as being clean energy plus carbon credits gives you a higher return. But now you have 15 Euro, 20 Euro a ton and you are seeing projects. I'm about to invest in the Landfill Gas Project in Argentina that only has carbon credits for sale.

Why? Because I have a long-term contract with a UK buyer for ten years. I know exactly how much they are going to pay me. I just need to worry about the performance of that Landfill gas project. So, carbon has created a whole industry that didn't exist one and a half years ago. February of 2005. and that's really quite powerful if you think about it.

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You combine it with other industry and you know the possibilities are really quite dramatic.

JOHN PODESTA: John would you like to comment. We are going to turn things back over to David Sandalow. And then hopefully we will have some time for a few more comments.

DAVID SANDALOW: Thank you, John. Some very interesting answers to these questions. On what's the most useful for me to invest in clean energy, to accelerate a low carbon or no carbon future. There were a number of people saying that the problem right now there is not enough investment opportunities. That is actually money chasing deals, which was an interesting response we thought.

Also, a lot of people focused on starting with what you know. Invest in the cleanest company in the sectors where you are already investing but target the cleanest companies in those sectors instead of just investing broadly. And focus on expanding existing renewable energy sources. A number of comments on investing energy efficiency and investing in conventional energy companies and pushing those companies towards reenter policies and suggestions on investing on then investing in new technology development.

The question on how we increase capital flows to clean energy over the long term, cap and trade, lots of suggestions on cap and trade. Lots of enthusiasm in this room for cap and trade. A lot of points about needing certainty in

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policy over the long term. Suggestions about a price floor for oil, which we heard in our panels this morning.

Suggestions on improving information, suggesting that a pension fund should mandate specific percentages and assets for clean energy, creating carbon neutral investment funds and restructures. A suggestion maybe with John Doerr in mind for venture charity for early stage technologies. [Laughter]

Someone suggested that real estate developer should be responsible for paying energy costs for the first five years of their project, which would focus their attention. [Laughter] And then lots of comments on subsidies with the notion that subsidies shouldn't be permanent but should be in place [Inaudible].

Some of the gems that we liked, somebody said and this was a theme I think a lot people believed, you got to get away from this voluntary attitude. This is a go to the moon project. The government needs to lead the way. And along that line somebody said invest in a green friendly member of Congress. [Laughter] Thank you.

[Applause]

JOHN PODESTA: Well I'm going to let the panelists kind of digest that and maybe think about it and comment on it. But let me start back and ask John a question which is goes to some of the first points here, which is what's really

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getting your juice flowing these days. What do you think the big bullets are or what just excites you in this field?

JOHN DOERR: That's a great question. If I can, I'll talk about two but in half the time I would otherwise. One is a project is called Mia Select. And Mia Select takes solar cells and cuts the cost of them to one fourth of what they would have been otherwise. And just as important of the cost per cell, it cuts the manufacturing capital equipment in one tenth. What they do is they do this by taking the electronics, the solar cell and sputtering it on very thin steep cheap stainless steel. So, you and I right now could walk into their factory, you would see these huge miles of ribbons of solar cells that are just spewing out of these factories. Very, very exciting technology in solar here and now.

The longer term project that has me excited is a venture called amorous. And these are a bunch, they are not rocket scientists. They are bug scientists out of UC Berkley and they have done the work to make artacenamen [misspelled?] a compound in antimalarial drugs in order to make it cheaper with money from Gates. We gave them money so that they could look around for fuel compounds, not ethanol but something with higher octane, a lower vapor pressure, very good properties. And their reverse engineering, the innovation that we have had for nearly a billion years in plant

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evolution. So, they can out of a vat of warm sugar water and their new molecule grow something like butanol. And skim it off the surface. That's not going to happen in the next year or two. But it points to we need to not define renewal fuels as ethanol. We need to define them as biofuels. Have our cars and our distribution ready. That's called biosynthesis or the synthetic biology. It would be a very big deal.

JOHN PODESTA: J. P. there is been a lot of discussion at this meeting about biofuels to put up on john's last point. And a lot of discussion about Brazil and the convergence of Brazil becoming essentially energy independent through the use of exploration of more oil and gas but through a major commitment to ethanol. Do you see that happening now in the rest of the subtropical world? Where do you see the opportunity for that in countries beyond Brazil? Are you investing in any projects in that area? Are you thinking about it?

JOHN PAUL MOSCARELLA: [Inaudible] in Brazil.

[Laughter] Beyond Brazil, I think I mean what you really need is to have a natural resources and those of us that have done for a long time, there is a very clean collaboration between those countries that don't have oil resources and those countries that have developed natural resources like brazil. Brazil lately has found quite a bit of oil and gas offshore so that it has become energy independent but it didn't start

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out that way. It had a lot of hydro power which developed immensely, some folks would say too much. And it had a lot of biomass because it had a lot of land.

Where you see that is, I mean a country like India for example, has 600+ sugar mills. Sugar mills are really you know cane-milling operations and you can get ethanol. So, India to me has a lot of potential. There is another country like Mozambique has quite a lot of potential but you won't see a lot of that until the government in those countries really make a commitment like Brazil did. I mean what June was said was ah, today Brazil is not subsidizing but what she forgot to mention was that 25 years subsidies got the Brazilian ethanol industry to where it is today.

So it was a consequence decision from the first oil crisis of the 70s to develop ethanol and they priced it in such a way that made it you know basically a return on your investment in the sugar mill produced ethanol was guaranteed because petrol Gas a national oil company paid you a certain amount for that that ethanol. So, they subsidized it for 20 years.

But what they got in return like Amery said is five times, ten times, I don't know how many times, in new industries, flexfuel car and all these other things. so you really need to have a certain scale. You are not going to find a lot of countries that have that scale but of the

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countries, I know Columbia is really the most promising. And I see [inaudible] is here and Columbia is one of the most promising in Latin America because Columbia, Peru, Ecuador, have two seasons that are very attractive so you can grow 250 days a year, sugar cane. So, that really give your yield you know a big boost as opposed to a single season for sugar cane.

Other material inputs have different seasons. So, you really need a country of a certain scale and of a certain climatic condition to develop that. And obviously, Central America the economies are small. They will have on off project but not the kind of scale that you are looking for.

DAVID SANDALOW: J. P. mentioned Columbia. There has also been quite a bit of substitution in cocoa substitution under Plan Columbia to, the production of palm oil, most of which is going I think to the production of, I think, biodiesel. So there are other opportunities.

JOHN PAUL MOSCARELLA: Columbia has a law by the way which is really very interesting that is forcing them to put five percent or ten percent of ethanol into their gasoline. So you know Columbia should be applauded for what it's done over the last few years. It's really driving - I see a lot of business plans from Columbia. [Laughter]

JOHN PODESTA: Abby, one of the suggestions from the audience was that pension funds should mandate a percentage

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of assets for clean energy. You might want to comment on that, but the other question I have from that is, are pension funds really leading the way is one of the reasons for the big spike in the numbers that you talked about, the result of pension funds really demanding in that area.

ABBY JOSEPH COHEN: I'm going to give you a somewhat surprising answer and that is no, I don't think that pension funds should be encouraged to mandate or have mandated for them a certain percentage. And the reason is really a very simple one. And that is in the case of a pension fund whose money is it. The money is actually that of the ultimate retirees and there is a fiduciary responsibility on behalf of those retirees that that money be managed in a way that optimizes the returns for those particular individuals.

So to mandate in any artificial way that a certain percentage should be allocated for one thing or the other in general is not a good idea. It's just not good investment practice and so on.

That is especially the case when you could not generate a good return by investing in green sensitivity projects. Things have changed and so for the first time we had academic work showing that in a number of markets around the world including some sectors of the US, some parts of Europe, Australia and so on, you can in fact generate a good

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return by investing in an environmental sensitive way, that is something will allow us to move forward.

The second question is quite an important one because clearly we have seen that there has been very strong leadership on this issue by some very large state pension systems. The state plans in California, CalPurs and CalStirs have in many ways lead the way. They have been joined by leaders in other places as well. The state of Connecticut for example, a number of University and other charitable endowments. They have provided if you will the seed money to start getting us to this critical mass that I mentioned before. But what is very impressive to me is we now see that investors are coming to this area because they can get good returns, not just because it's sounds like a good thing to do.

JOHN PODESTA: Thank you. There was a number of comments I think from the floor and comments from the panelists about certainty and then we got to get on with it in that we need to send the right signals from government. One suggestion from the floor was a price floor for oil, that can be accomplished in a variety of different ways. That came up in the panels in this morning as well. but what about the fact that we are now embarked on a patchwork of different standards, different regulations, capped, a very important, probably the most significant thing that has happened in the

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United States is the new California bill. Activity in New England and Northeast, renewable portfolio standards across the country. Is that a good thing because it's showing direction or what, how do you think ultimately that affects our need to get to a federal system of cap and trade.

JOHN DOERR: That's a great question. I hope I can take it. My - I'll charitably describe him as my friend, Paul Gego [misspelled?] who writes the *Wall Street Journal's* Opt Ed column. Chastised California the day after this mandatory cap was passed. He said, "Look you guys in California, you're nuts you know. you are only 1.8 percent of the world's greenhouse gas emissions. You're just diminishing your economy. What's the point?" So I ran into him because he doesn't even believe - he said in carbon constraints last weekend and I cornered him on this and I said, "Come on, when the majority of scientists say this is the case and furthermore if you looked and we have greenhouse gas emission from manmade effects." Climate change due to - then I said to him, "do you realize where every piece of environmental, social legislation in the country is initiated? Vehicle emission standards, automobile efficiency, mileage standards. It's all started in California. And what happens to your question John is you get a patchwork like quilt and then both businesses as well as federal policy makers say you know we can't deal with this. You know we need a federal standard.

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And I believe that is going - that's the way we will get the caps.

JOHN PODESTA: Abby.

ABBY JOSEPH COHEN: A corporative America has taken I think a very interesting position here. While politicians in many different parts of the country are dragging their feet I think most corporate leaders believe it is a foregone conclusion that these are important issues that must and will be addressed. And so we hear complaints oddly enough, that the regulations are not yet in place. They believe that they will be coming. They would like greater certainty in terms of what the standards will be so that they can build their plants and facilities and build their business plans accordingly.

Let's not forget that when a company decides to build a new facility it could be many years from start to finish. And they are very concerned that they are beginning construction programs right now that they may need to revise midway through. So if anything we are hearing let's decide sooner rather than later because this would in fact we believe enhance economic growth.

JOHN PODESTA: Thank you. And unfortunately, we are out of time but I would say that what I hear from this panel from the questions from the tabletop discussions is that the opportunity is there. It's real. It's accelerating. The

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investment is happening. And it's driven by six things: government signals and policy that could really be – we could a lot to improve, citizen education and demand, transparency, as Abby noted, innovation as John noted, access to financing as J. P. noted and certainty. We got to get on I think with this task of finding a national policy and then a global policy on climate.

MALE SPEAKER 1: And boom is a good thing.

JOHN PODESTA: And booms are good things. [Laughter]
So joining me in thanking the panel.

[Applause]

FEMALE SPEAKER 1: Ladies and gentlemen, to recognize commitments in energy and climate change please welcome secretary of Environment of the State of Pennsylvania the honorable Kathleen McGinty.

[Applause]

KATHLEEN MCGINTY: Welcome John. [Laughter] It's me again. Last time though in this wonderful gathering. Let me start our recognitions by recognizing some folks who have helped to make this conference Carbon Neutral and also all of CGI's administrative activities over the last year have been carbon neutral and that comes to us as I understand it courtesy of Swissre [misspelled?] supported by Jessie Fink. And the project identified by Self who we recognized earlier and Native Energy. And I also understand that all of you can

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get into the act on this. Go to the Lennox Room and you can access a computer there that will help you to calculate your own carbon footprint in making this trip and participating. And then you can choose some self or native energy projects to offset your carbon footprint.

There was - very good, right. [Applause] I want to begin with our first awardee today or this afternoon, Josh Fink and ask him to come forward with Inso Capital Management. And as we are recognizing or welcoming Josh, I want to remind us of a comment that some of you made earlier which was to question whether individual action is what we should focused on or whether that really counted. And I think Josh is an example of why it's so important. Josh is here as a individual not on behalf of his company. He is digging into his own pocket and there are many ways in which Josh's investment of \$50,000 on an anti-deforestation project are demonstrative of why individual action is so important and the President has it right. But I want to read to you one sentence from Josh that proves it. Because technology is one thing, the human heart and human passion is another. And to me if I had to bet what will solve this, yeah I would put a little money on technology but I would put a lot of money on inspired committed individuals. So this is what Josh had to say: "As CEO of INSO Capital Management I have traveled throughout the developing world and I've been struck by the

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waste of tropical deforestation is hurting local environments, contributing to global warming, and degrading lives of citizens and the health of their communities”.

Ladies and gentlemen, Josh Fink.

[Applause]

I want to travel with you sometime, man. Thank you Josh. Let me also now welcome a long time friend of many of ours, Dr. John Holdern and his new partner Mark Tersic [misspelled?]. John, who as we all know has made a wonderful contribution to the science of energy and climate, is now partnering with Goldman Sachs to make an equal contribution with Woods Hall Research Institute in the science of Ecosystems and specifically with Goldman Sachs' generous investment of \$1 million over three years. Woods Hall will be able to hire, heres a little employment notice, an economist and an ecologist, a nice combination both, in order to begin to value the free services that ecosystems provide.

Remember back to Linda Fischer yesterday. She said what gets measured gets done. Well, what John and Mark are adding to that what gets measure gets valued. And with their effort, we will hopefully better value the essential services Mother Nature provides. So to John, to Mark, to Woods Hall and Goldman Sachs, thank you very much.

[Applause]

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Live from New York but it's not Saturday night.

[Laughter]. This next award or recognition is a particular personal pleasure. I want to ask to come back, no good deed goes unpunished. The guy whose been working harder than anybody, John Podesta to join us. John who has been a terrific leader in all respects now is bringing that very squarely to the issue of climate change with the Center for American Progress investing a \$150,000 over a year and a half. And John, I think it's accurate to say as I see your project it really is straight on the money in terms of what J. P. was saying. Specifically, and we all know John, he doesn't take the easy challenge. What John is doing is building in partnership with NatSource [misspelled?] and also with a leading law firm, Austin Bryd, a protocol through which the poorest countries starting with Ethiopia will be able to participant in and benefit from the global carbon marketplace. I think that's what J. P. was saying because there are giant sucking sounds in certain directions. John is going to make sure there is an equitable opportunity for all to participant.

And the last thing I just want to say I guess on a personal note, I am hard pressed to think of people who have served at the highest levels of political leadership, people who have held seats of the most pressing responsibility, who with all of that high, high, high, most, most, most are also

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most understated, most expressing of appreciation and gratitude to everyone else. But John Podesta you are a hero in my mind. So three cheers for John.

[Applause] So, Shelley Fiddler is here who could also tell a tale about John Podesta. When we sat in my office in the White House and plotted, since I had always wanted to move to the developing world and I wanted to move to India and for years we said oh, we can't go, we don't this environment thing really, really, really rooted in the White House yet. And when John was named Chief of Staff, it was Katie move over there is somebody way greener than you is going to be Chief of Staff. And we always run to keep up with him.

I would now like to ask to join us Nancy Holland from AB & Amrow [misspelled?] Bank. Nancy and the bank are launching a \$190 million investment fund to invest in renewables and importantly again, energy efficiency. A couple of things about this. first AB & Amrow is putting their own money where their mouth is and they are seeding this investment with \$63 million of their own capital. And second, Nancy, this is nothing new because as I understand it you also ran with the ball after last year's conference and so Nancy also proudly tells us today that AB & Amrow since last year has cut their own energy use by 15 percent. Nancy, thank you.

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[Applause]

That's all for me. It's been a fun year. See you next
year. [Laughter]