

## **BRIEFING MEMORANDUM FOR SECRETARY LEW**

**Event:** Risky Business Climate Costs Roundtable  
**Date/Loc:** Wednesday, June 25, 1:00 p.m. – 2:15 p.m.; Roosevelt Room, The White House  
**Press:** Closed  
**From:** Marisa Lago, Assistant Secretary for International Markets and Development

### **OVERVIEW**

You will attend the Risky Business Climate Costs Roundtable hosted by the White House to discuss the findings from a new report released by the Risky Business Project (the “Project”), an organization that is co-chaired by former Treasury Secretary Henry Paulson, Michael Bloomberg and Tom Steyer. Paulson and Steyer will attend, together with other members of the Project team. Jason Furman and Jim Stock from the Council of Economic Advisers (CEA) and Dan Utech and Jason Miller from the White House staff are expected to attend. Valerie Jarrett and John Podesta may also attend.

The Project is a non-partisan research effort to conduct an independent risk assessment of the current and potential impacts of climate change. The Project aims to raise the profile of climate risks, so as to improve the national debate. The Risky Business report, which was released on June 24, combines existing data with original research that quantifies potential future costs. As part of the rollout of the report, Paulson published a New York Times op-ed on June 23 in which, among other things, he called for a carbon tax to reduce greenhouse gas emissions. The report comes three months before United Nations Secretary General Ban Ki-Moon hosts a heads of state Climate Summit, during which the UN is expected to pressure political and business leaders to augment support for low-carbon and climate-resilience activities.

### **SUGGESTED QUESTIONS TO ASK PROJECT MEMBERS**

1. What role can the federal government play in helping investors and other private actors internalize the risks that are outlined in this report? How can we work with the private sector to better understand the systematic pressures that climate change is placing on our economic systems?
2. How can the Treasury and the federal government better communicate climate risk to other business sectors in a more effective way?
3. Has the Project conducted research on the incentives that currently exist in the market to burn greenhouse gases?
4. How can the Project best help the Administration generate support for its climate initiatives?
5. What should be the role of the Project in the UN Secretary General’s Climate Summit in September?
6. How should we best measure the impact of the insurance industry on the economic recovery of an area affected by a severe weather event?
7. What is the most effective way to communicate the risks of extreme weather events and the importance of efforts by policyholders and communities to mitigate the effects of those weather events?

**FINAL**

## **RISKY BUSINESS REPORT: KEY FINDINGS**

The Risky Business report presents a risk-assessment approach to understanding climate change risks for U.S. regions and key business sectors. It utilizes advanced economic analysis tools and modeling to begin to quantify the climate risks associated with current economic pathways. This report differs from the Administration's National Climate Assessment and the UN's Intergovernmental Panel on Climate Change reports (both of which were released this spring) as it is geared specifically towards the business community, providing business leaders with a framework for measuring and mitigating their own exposure to climate risk.

The report finds that climate change will have serious economic effects on most U.S. regions if we continue on our current economic pathways, but that exposure to the worst economic risks can be avoided with aggressive action to mitigate future impacts by reducing carbon emissions and adapt to current shifting climate conditions. The most economically significant climate change impacts to the nation are:

- **Losses on the coasts** – Between \$66 billion and \$106 billion of existing coastal property will likely be below sea level by 2050. Those figures increase to between \$238 billion and \$507 billion by 2100.
- **Heat impacts to labor and energy** – Average Americans will likely experience 27 to 50 days with 95° F-plus by 2050 (a two to three times increase over current averages), potentially reducing outdoor labor productivity by as much as three percent and straining energy systems through higher demand for air conditioning.
- **Changes in agricultural production** – The Southeast, lower Great Plains, and Midwest are projected to experience more extreme heat, which may lead to 50 to 70 percent losses in annual average crop yields, though losses may be somewhat offset by production gains in the upper Midwest. National and global food systems have previously proven resilient to extreme events and conditions, but there are still important risks to individual farmers.
- **Impacts on human health** – Rising temperatures can pose elevated risk to human health. The worst impacts will be felt among the poor and among those too elderly or frail to withstand the heat or get themselves to air-conditioned facilities.

The report's central conclusion is that while extreme climate futures may not have a high probability of occurring, the consequences of these scenarios are so catastrophic that it would be irresponsible not to act now to reduce these probabilities. In his op-ed piece, Paulson likened the climate challenge to the low-probability but high-impact risk of a financial crisis in the last decade. The report argues that absent significant action, the extreme events will become the "new normal." Finally, the report embraces the language of risk management in the hope that if we adopt "a common, serious, non-partisan language," we may be able to have a more productive national dialogue about the policy prescriptions needed to combat and adapt to climate change. By providing geographic-specific and sector-specific analysis, the report may be easily used by business leaders.

While the report aims to engrain the concept that climate change is a major risk for businesses and policy makers to consider, it does not seek to provide detailed recommendations. It does, however, urge everyday business practices to become more climate resilient, noting that the

agricultural sector is on the front lines and the cost of becoming more resilient is significant. The report notes that investors should be incorporating risk assessment into their capital expenditures and balance sheets. As an indication of the importance of this issue, in 2010, the SEC issued Interpretive Guidance on climate disclosure, giving companies ideas on how to consider their material risks from climate change. However, according to the report, as of 2013, over 40% of the companies listed on the S&P 500 Index were still not voluntarily disclosing climate risks. This is an issue that former Secretary Rubin has been championing.

## **PARTICIPANTS**

### Risky Business Project Members

- **Henry Paulson**, founder and chairman of The Paulson Institute; former Secretary of the Treasury (co-Chair of the Risky Business Project)
- **Tom Steyer**, Founder and former Senior Managing Member of Farallon Capital Management (co-Chair of the Risky Business Project)
- **Henry Cisneros**, Founder & Chairman, CityView Capital; former US Secretary of Housing and Urban Development (HUD)
- **Greg Page**, Former CEO and current Chair of the Board of Cargill, Inc.
- **Kate Gordon**, Vice President and Director of the Climate and Energy Program at Next Generation
- **Trevor Houser**, Partner at the Rhodium Group (RHG) and Visiting Fellow at the Peterson Institute for International Economics

### Expected U.S. Government Participants

- **Valerie Jarrett**, Senior Advisor to the President
- **John Podesta**, Counselor to the President
- **Jason Furman**, Chairman of the Council of Economic Advisers
- **James Stock**, Member of the Council of Economic Advisers
- **Dan Utech**, Special Assistant to the President for Energy and Climate Change
- **Jason Miller**, Special Assistant to the President for Manufacturing Policy

## **SELECTED PARTICIPANT PROFILES**



**Thomas Steyer** is the founder and former Senior Managing Member of Farallon Capital Management. He is co-chair of the Risky Business Project with Hank Paulson and Mike Bloomberg. He also was a Managing Director and member of the Investment Committee at Hellman & Friedman. Tom and his wife, Kat Taylor, created and funded the Oakland-based One PacificCoast Bank and Foundation, which provides loans and banking services to underserved small businesses, communities, and individuals in California and along the west coast. He is an outspoken opponent of the Keystone Pipeline. He is a board member of the Center for American Progress.



**Henry Cisneros** co-chairs the Bipartisan Policy Center's (BPC) Housing Commission and BPC's Immigration Task Force. He is executive chairman of the CityView companies. He was Secretary of the U.S. Department of Housing and Urban Development in the Clinton Administration. He holds a B.A. and a Master's degree in urban and regional planning from Texas A&M University, a Master's degree in public administration from Harvard University and a Doctorate in Public Administration from George Washington University.



**Gregory Page** serves as the Chairman of Cargill Inc. He served as the Chief Executive Officer at Cargill, Inc. from June 2000 to December 1, 2013 and its Chairman from 2007 to, 2013. He has been an Independent Director of Eaton Corporation since April 23, 2003. He has been a Director at Deere & Company since June, 2013. He holds a Bachelor's degree in Economics from the University of North Dakota.



**Kate Gordon** is Vice President and Director of the Energy and Climate Program at Next Generation. She previously served as Vice President for Energy and Environment at the Center for American Progress (CAP), where she serves as a senior fellow. Kate earned a J.D. and master's degree in city planning from the University of California-Berkeley, and an undergraduate degree from Wesleyan University. She is a member of the State Bar of California.



**Trevor Houser** is partner at the Rhodium Group and leads the firm's energy and natural resources work. He is also a visiting fellow at the Peterson Institute for International Economics, where he writes on energy, commodity and environmental market and policy issues. He is an adjunct lecturer at the City College of New York. He is also a member of the Council on Foreign Relations. In 2009, he also served as senior advisor to the U.S. State Department, where he worked on international energy, natural resource and environmental policy issues.



**James Stock** is a member of the Council of Economic Advisers. Stock was previously the Chief Economist for the Council of Economic Advisers. He is on leave from Harvard University where he is the Harold Hitchings Burbank Professor of Political Economy in the Department of Economics, with a dual appointment in the Harvard Kennedy School. Stock served as Chair of the Harvard Economics Department from 2006 to 2009 and has been a professor at Harvard continuously since 1983, with the exception of a two-year appointment at UC Berkeley from 1990 to 1991. He received a B.S. from Yale University and an M.A. in statistics and a Ph.D. in economics from the University of California, Berkeley.



**Dan Utech** is the Special Assistant to the President for Energy and Climate Change. Prior to joining the White House, Dan served as a Senior Advisor to Energy Secretary Steven Chu. He joined the Administration after ten years in the Senate, where he worked on a wide range of energy and environmental policy issues.



**Jason Miller** is the Special Assistant to the President for Manufacturing Policy, working within the National Economic Council. He leads the administration’s efforts to coordinate policy and federal activities supporting U.S. manufacturing. Prior to joining the administration, he advised global companies as a management consultant with The Boston Consulting Group and Marakon Associates. He received a B.A. from the University of Pennsylvania, a M.B.A. from the Kellogg School of Management at Northwestern University, and a M.P.A. from Harvard’s Kennedy School of Government.

**BACKGROUND**

**Secretary Paulson’s efforts on climate:** During his tenure in the Bush Administration, Secretary Paulson took a strong interest in climate change issues. He created the Environment and Energy Office to address important climate change and energy equities for Treasury. He was also instrumental in creating the Climate Investment Funds (CIFs) and seeking appropriations necessary to meet the \$2 billion U.S. pledges to these funds.

**National Climate Assessment:** On May 6, the Obama Administration released the third U.S. National Climate Assessment (NCA). The NCA synthesizes current scientific understanding about climate change effects in the United States, and provides regional specificity about climate trends and societal impacts. It finds that the global climate is changing; that the changes are primarily due to human activities, predominantly the burning of fossil fuels; and that the resulting impacts are already being felt in a number of geographic areas and economic sectors across the United States.

Of particular interest to the Treasury are the potential fiscal implications of the patterns described in the NCA. While the NCA is silent on the implications of climate change for the federal budget, the effects of extreme weather events seem certain to raise outlays for disaster relief and recovery, and may lower revenues if economic growth slows. In fiscal years 2011-13, federal spending on disaster relief and recovery amounted to \$136.5 billion, of which \$68 billion had to be financed through supplemental appropriations, according to an independent tally of spending across dozens of federal programs. Last year, the Government Accountability Office included climate change risks in its biennial assessment of events that pose a significant financial risk to the federal government. To the extent that vulnerable populations are impacted by climate change, outlays for safety net programs will increase.

**Ban Ki-Moon Climate Summit (September 23, 2014):** The Risky Business report comes out several months ahead of a major UN Climate Summit, which is intended to generate support and momentum towards addressing climate change issues in advance of the UN climate change negotiations in Paris in 2015 where the next global climate deal is expected. As part of the preparations for the Climate Summit, the UN is seeking to define some climate finance objectives and deliverables. Some of the finance-related issues may be of interest to the Project members, and the UN may be reaching out to the business community for support. (b) (5)

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**Other Members of the Risky Business Project**

- Robert Rubin: Co-chairman, Council on Foreign Relations; former U.S. Secretary of the Treasury
- Olympia Snowe: Former U.S. Senator representing Maine
- Donna Shalala: President, University of Miami; former U.S. Secretary of Health and Human Services; former Chancellor of the University of Wisconsin-Madison
- George Shultz: Thomas W. and Susan B. Ford Distinguished Fellow at the Hoover Institution; former U.S. Secretary of State; former U.S. Secretary of the Treasury; former U.S. Secretary of Labor; former Director, Office of Management & Budget; former President, Bechtel Group
- Al Sommer: Dean Emeritus, Bloomberg School of Public Health, Johns Hopkins University

**ATTACHMENTS**

1. Paulson Op-ed on climate change risk from 06/22 New York Times