Important New Grants Won by RFF Researchers

Major foundations and government agencies have recognized the high caliber of RFF's research by recently awarding significant grants to our scholars. Winston Harrington's analysis of transportation and its effect on the environment, Ramanan Laxminarayan's in-depth studies of health care polices in developing countries, and Kris Wernstedt's research into the environmental impact of hardrock mining have all attracted grant support.

RAMANAN LAXMINARAYAN

WINSTON HARRINGTON

KRIS WERNSTEDT

Winston Harrington has done several studies on how land use, vehicle ownership, and traffic congestion interconnect in the Washington, DC, area, working with colleagues Elena Safirova, Peter Nelson, and Kenneth Gillingham. No complete model exists that integrates these three elements and takes into account their constantly changing nature. The Environmental Protection Agency's Science to Achieve Results (STAR) program has awarded the team a grant to create such a model. The researchers hope their work will lead to improved policies regarding traffic congestion, air pollution, and the protection of open space.

Ramanan Laxminarayan was chosen as the lead author for the section of the World Bank book *Disease Control Priorities in Developing Countries* that deals with cost-effectiveness in health care. His research examines the major causes of death and disability in developing countries, region by region, and outlines a $10 million health package that will maximize results for each region. This novel approach also highlights current expenditures that are "bad buys" and suggests a model package of interventions for a population of one million. Support for this project came, in part, from the National Institutes of Health, with funds provided by the Bill and Melinda Gates Foundation.

Kris Wernstedt turns to hardrock mining in new research to be conducted with Robert Hersh of the Center for Public Environmental Oversight. Extensive mining for valuable metals—including gold, platinum, and silver—and the abandonment of these mines has resulted in the pollution of some western U.S. rivers and threats to drinking water supplies, aquatic organisms, and livestock. Yet, the country lacks a coherent nationwide program to identify abandoned mines, let alone well-coordinated policies and funds to tackle the problems they pose. Wernstedt and Hersh have received an RFF Fellowship in Environmental Regulatory Implementation, which is supported by a grant from the Andrew W. Mellon Foundation, to put together an account of the various federal and state efforts that address the environmental effects of these abandoned mines. ■

U.S. and EU Approaches to Environmental Regulation Focus of Spring Council Meeting

Top, from left: Stephen Harper, manager of environmental health and safety, Intel Corp.; and Robert Donkers, counselor for environmental affairs, EU Commission to the United States. Bottom, from left: Daryl Ditz, senior program officer for toxics, World Wildlife Federation; Peter Molinaro, director of government affairs, Dow Chemical; and, Karlyn H. Bowman, resident fellow, American Enterprise Institute, who gave the keynote speech on polling and the upcoming election.

RFF researchers, policymakers from the federal government and European Union (EU), and representatives from industry and environmental organizations debated two major EU environmental regulatory initiatives at the spring RFF Council meeting. Both policies directly address climate change and chemical safety—and could indirectly influence the behavior of U.S. firms.

Composed of corporate representatives and concerned individuals, the Council provides much of RFF's general support. Members come together twice a year for a forum on important environmental, energy, and natural resource issues.

EU Carbon Cap and Trade

Europe's ambitious plan to reduce its carbon dioxide emissions confronts a wide range of political and administrative challenges. The EU program's successes and setbacks will strongly influence future policies to combat global climate change worldwide, especially in the United States, said William Pizer, a fellow at RFF and a moderator of the first panel. Global climate change is a problem that eventually requires a global solution.

On January 1, 2005, the European Union will impose carbon emissions caps on some 12,000 industrial plants and utilities as part of a plan to meet their collective commitments under the Kyoto Protocol. To provide flexibility in the system and cut costs, plants will be allowed to trade emissions permits in a market modeled after the American sulfur dioxide emissions trading program. But, Pizer pointed out, the European trading market will be 10 times the size of its American prototype and far more complex. The panel agreed that the most difficult challenge will be the allocation of emissions quotas to the firms.

Joseph Kruger—a visiting scholar at RFF, who is on leave from the Environmental Protection Agency where he last served as head of the Market Policy Branch, Clean Air Markets Division—explained that each of the 25 EU countries has a national emissions quota under the Kyoto Protocol. Individual countries must decide how much of that quota to assign to industries that will be under the cap-and-trade program and how much to other sectors—notably automobiles—that will remain outside it at least in the early stages. Once each sector has a quota, it must then be subdivided for each company.

One immediate question, Kruger said, is whether the European Union can get the administrative structure up and running by early next year.

Another issue for the European Union is the possibility that member countries will attempt to manipulate the quotas to give advantages to some of their own companies, in respect to their competitors in other countries, which may be under tighter caps. Robert Youngman of Natsource LLP, a consulting and brokerage firm, pointed out that the initial proposal for quotas on British industry are tight, while the

German government has given much looser quotas to its firms.

Chris Leigh, deputy head of the global affairs division of the United Kingdom's Department for Environment, noted that in addition to allocation, difficult decisions have to be made on the processes of reporting and verification of emissions.

Some EU member countries have the administrative strength to handle these requirements, Kruger commented, but some—especially the new members, mostly in Eastern Europe—will find them difficult to meet.

Many member countries missed the deadline, at the end of March, for their allocation plans. At this point much uncertainty surrounds the emerging market, Youngman reported.

Chemical Regulation in Europe

Late last year, the European Commission approved a new chemical regulation scheme for the European Union, the Registration, Evaluation and Authorization of Chemicals (REACH) proposal, which has now gone to the European Parliament for further review. Under the proposal, chemical producers would be obliged to register substances with a new central European chemicals agency and provide safety data on substances imported in amounts over one metric ton.

The RFF panelists had diverging points of view about the need for such a system and the burden it would place on U.S. manufacturers, especially with regard to trade issues.

Robert Donkers, counselor for environmental affairs of the EU Commission to the United States, explained the value of the REACH program, saying the existing EU approach for regulating chemicals is inefficient and lacks any incentives for manufacturers to change. Given the lack of publicly available safety data on many basic chemicals, "We can't manage what we don't know." The burden of proof regarding a chemical's safety rightly belongs with the manufacturer, he said.

But under REACH, good chemical stewardship—in the form of research into controlling factors such as toxicity—would go unrewarded, said Stephen Harper, manager of environmental, health, and safety policy at Intel Corporation. Given that about 20% of the chemicals cause about 80% of the problems, he said, taking a precautionary approach and focusing more on the actual risks from certain chemicals would be far more efficient than issuing a call for extensive safety data about a broad range of chemicals.

Daryl Ditz, senior program officer for toxics at the World Wildlife Federation, said the drivers for chemical policy reform are coming from increasing consumer demand and the growing body of evidence regarding the risks of direct exposure and the more subtle effects of certain chemicals on the endocrine systems of animals.

U.S. chemical producers might face a 10% increase in compliance costs should REACH go into effect, Ditz said, but that could be more than offset by the access to new EU markets. The policy paradigm needs to shift, he said, from "no data, no problem" to "no data, no markets."

Penelope Naas, director, Office of EU and Regional Affairs, International Trade Administration, Department of Commerce, had a different take on the market access question. Real questions remain about the program's workability and the impact it will have on innovation and the global economy, she said. For example, the United States and the European Union are the two largest export markets for developing countries, which would face formidable compliance challenges, she said.

REACH is the archetype of what's to come in the world of chemical management and control, said Ernie Rosenberg, president and CEO of the Soap & Detergent Association. The focus is shifting from chemicals to processes and there are new sources of regulation in the broad sense, with NGOs both here and abroad coming to play an increasingly influential role in "deselecting" chemicals. In the European Union, environmental regulations are more nominal in nature, he said, with governments and companies having a lot of latitude regarding how they are implemented. However, U.S. firms will face greater challenges in effectively competing overseas, he said, because of our stiff product liability laws and the ability of NGOs to seek legal remedies. Nobody in the system—government or industry—is empowered "to do anything but carry out the letter of the law or risk being sued," he said.

Panelists agreed that Europe clearly is positioning itself in the vanguard of aggressive environmental policy. Other nations—particularly the United States—will closely monitor the progress of EU actions in deciding whether they should follow suit. ■

The RFF Council The RFF Council was created in 1991 to recognize organizations and individuals for their generous support of our efforts to improve energy, environmental, and natural resource policymaking worldwide. Benefits extended to Council members include invitations to two special annual meetings (each focused on a current important policy issue), participation in off-the-record conferences at RFF, and complimentary copies of all RFF publications. Members are also encouraged to meet with researchers one-on-one to ask questions about their work or provide suggestions for topics and issues they should examine. For more information on the Council, please contact Lesli A. Creedon, vice president of external affairs, at 202-328 5016 or creedon@rff.org.

Probst Named Division Director

KATHERINE N. PROBST

Senior Fellow Katherine N. Probst has been promoted to head RFF's Risk, Resource, and Environmental Management Division, making her the first female division director in the organization's history. Probst, who has been a senior fellow at RFF since 1994, has worked in the field of environmental policy for almost 25 years.

Her work has centered on improving the implementation of Superfund and other hazardous waste management programs. She is the lead author of *Superfund's Future: What Will It Cost?,* a report commissioned by Congress (RFF Press, 2001).

In her latest report, *Success for Superfund: A New Approach for Keeping Score,* Probst says the Superfund program is being hampered by a lack of up-to-date and reliable data and measures of success. To correct that situation, she and co-author Diane Sherman of RFF recommend that the Environmental Protection Agency (EPA) create standardized sets of data and information that will help policymakers gauge progress at Superfund sites and inform the public about whether cleanup goals are being met. (For more details, see related story on page 5).

Probst also has investigated issues related to the cleanup of sites in the nuclear weapons complex, including the federal government's long-term responsibility to ensure that these sites remain protected over time.

She frequently speaks on issues related to Superfund, land use and institutional controls, cleanup of the nuclear weapons complex, and implementation of hazardous waste programs.

Before joining RFF, Probst had a varied career, working as a project manager at EPA and the New York City Department of Environmental Protection, and as a program director for the Environmental and Energy Study Institute. She also was a senior policy analyst at Clean Sites, an organization that worked to accelerate the cleanup of contaminated sites. She holds a master's degree in city and regional planning from Harvard University. ■

RFF sponsors a summer internship program to allow students to work directly with researchers on ongoing projects or to assist them in developing new areas of research and policy analysis. RFF also offers an internship in the name of Dr. Walter O. Spofford, Jr., who helped establish RFF's China Program, and an internship with RFF Press, our book-publishing arm. Pictured here are some of this year's interns. ■

Bottom row, from left: Graham Bullock, Russell Toth, Francisco Aguilar, RFF President Paul Portney, and Caleb O'Kray. Top row, from left: Maria Schriver, Robyn Meeks, and Susan Kurkowski. Not pictured: Anita Chaudry, Darren Greve, Lauren Rauch (RFF Press), Juliana Qiong Wang (Spofford), and Fan Zhang.