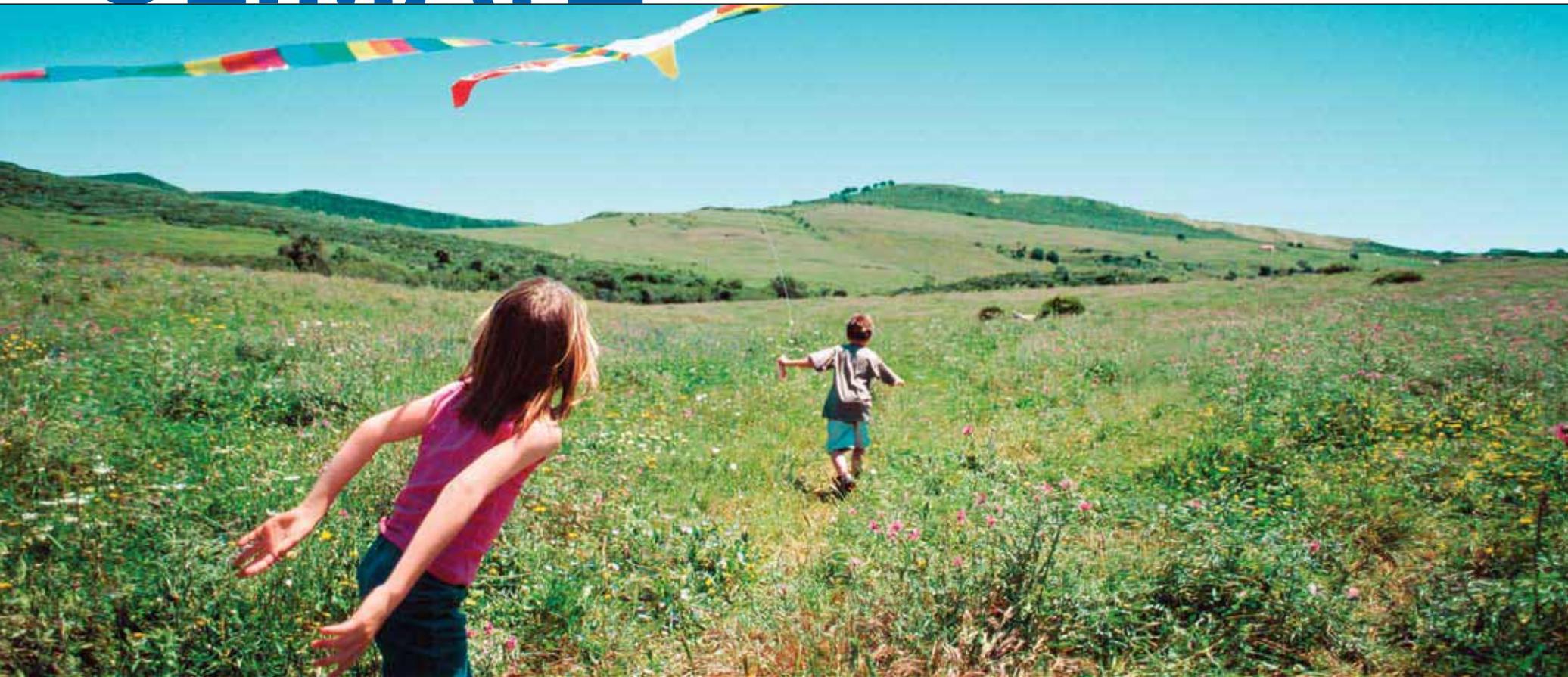


Our integrated strategy to prevent dangerous climate change combines federal, state and international initiatives.

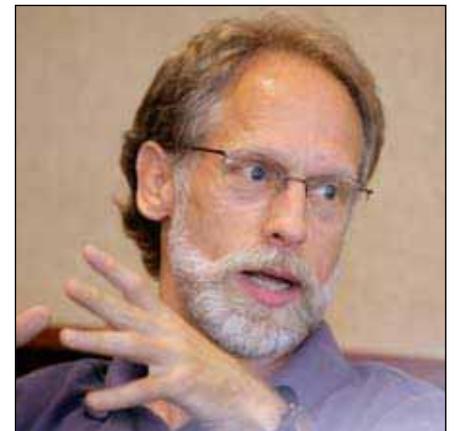
CLIMATE



WHY WE WORK ON CLIMATE

“For the first time, climate and energy were important issues in a presidential election. We now have a historic opportunity to get the legislation right, for our climate, our economy and our children.”

Steve Cochran
National climate campaign director



“We can – and we must – send a signal to the markets and to a waiting world that the era of American inaction on climate is over.”

Senator Dick Durbin (D-IL)

at an EDF climate briefing attended by more than 30 U.S. senators and representatives

MOMENTUM BUILDS FOR U.S. ACTION ON GLOBAL WARMING

“I did it for my children.” That’s how Florida’s Republican Senator Mel Martinez described his June 2008 vote to advance debate on the Lieberman-Warner Climate Security Act. Martinez was joined by Max Baucus (D-MT) and nine other senators who previously had voted against a similar measure.

The surge in support, brought on with help from Environmental Defense Fund, set the stage for passage of a national climate bill in 2009. “The economic downturn doesn’t diminish the urgency for climate legislation,” says our national climate campaign director Steve Cochran. “Congress is finally debating the details of legislation and its impact on utility bills and jobs. We

need to build the infrastructure for a new energy economy.”

In Montana, Senator Baucus backed climate action after we persuaded the Montana Grain Growers Association to support it.

And in Martinez’s home state, we produced scientific research on Florida’s vulnerability to climate change and rising seas. To draw attention to solutions, we even sponsored the first fishing tournament ever to offset all its global warming pollution. In the end, Florida senators voted to move the Lieberman-Warner bill forward.

When special interests mounted a multimillion-dollar campaign to spread fear about the cost of climate action, we countered with sound

science and economics. Our analysis showed that a declining cap on carbon emissions will have negligible impact on long-term economic growth, while helping to end our oil addiction.

With jobs taking center stage, we teamed up with Duke University to produce case studies of job creation. Many of the brick and mortar jobs for new energy technologies will be in America’s manufacturing heartland, where hundreds of companies already are benefiting from the business of renewable energy and energy efficiency. For example, wind turbine manufacturer Gamesa has retooled a steel plant in Ebensburg, PA, creating nearly 1,000 manufacturing jobs.

Bolstering our case, 26 Fortune 500 companies joined USCAP, an

alliance we helped launch that calls for a national carbon cap. Member companies represent virtually every sector of the economy and operate in all 50 states.

By showing how climate legislation can help stimulate the economy, we kept the issue high on the political agenda. Now we will hold President Obama and members of Congress to their campaign pledges to cap global warming pollution.

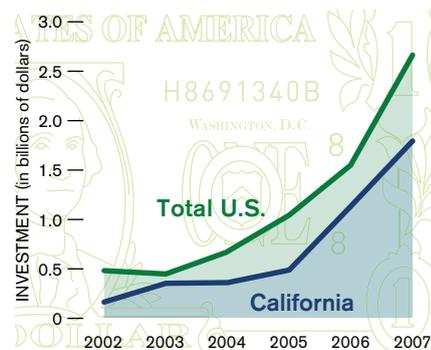
▶ ONLINE: Read our climate experts’ blog at climate411.org

U.S. SENATE CLIMATE VOTES



Unrelenting pressure by EDF and its allies has brought America to the threshold of climate action.

VENTURE CAPITAL INVESTMENT IN CLEAN TECHNOLOGY



Venture capital investment in low-carbon technologies has skyrocketed since passage of the Global Warming Solutions Act, with much of the investment in California.

San Francisco is looking into harnessing the tides under the Golden Gate Bridge to generate electricity.



STATES LEAD THE WAY ON CLIMATE ACTION

Far from Washington, DC, in statehouses and courthouses across the country, states are acting on global warming, laying the foundation for a nationwide low-carbon economy. No state has done more than California.

The Golden State made history this year when it began implementing its Global Warming Solutions Act, which Environmental Defense Fund cosponsored and helped draft. The law sets the nation's first economy-wide cap on greenhouse gas emissions, requiring a 15% cut below current levels by 2020.

To make sure the rules are strong and effective, we dispatched a team of economic and policy experts to Sacramento. "By capping emissions, California has taken the lead in addressing energy security, environmental quality and economic growth," says attorney Jim Marston, who spearheaded our effort.

California's plan promotes renewable energy, low-carbon fuels, more efficient appliances and stricter building standards. It also authorizes a carbon cap-and-trade program to keep costs low.

The plan will alter how utilities generate electricity, automakers design cars and refineries make fuel. Our experts have provided technical advice and are working with industry and academic researchers to devise strict environmental standards for biofuels.

Our success in California has reinforced regional initiatives in the West and the East to reduce global warming pollution, with the nation's first auction of emission allowances taking place in 2008.

Before California's pioneering action, venture capital investment in clean technology was drifting overseas. Now, the United States accounts for more than 80% of global clean tech investment, with two-thirds of that in California. Innovations such as low-carbon biofuels, ocean energy and plug-in hybrid cars may soon flourish.

With the world's sixth largest economy, California will also influence the pivotal 2009 world climate negotiations in Denmark. Says Marston: "The road to Copenhagen starts in Sacramento."

WHY WE WORK IN THE STATES

"The states alone can't solve global warming, but they are putting widespread pressure on Washington. We're showing how strong climate legislation will create jobs."

Jim Marston

State climate initiatives director



 **ONLINE:** Get the latest climate news at edf.org/globalwarming08

“The clean-tech revolution is using our greatest strength – innovation – to solve our biggest challenge. Environmental Defense Fund’s bipartisan advocacy is helping to lay the foundation.”

John Chambers

Chairman and CEO, Cisco Systems

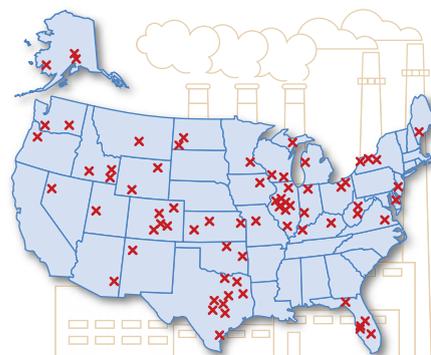
COAL'S DAY OF RECKONING

With roughly half of U.S. electricity coming from coal, Environmental Defense Fund has set out to make coal cleaner and promote sustainable alternatives. Some 73 proposed coal-fired power plants in 31 states have been canceled or delayed in the last two years, thanks in part to our work.

In Colorado, our staff and allies worked with Xcel Energy on a plan to close two aging coal plants, expand energy efficiency and add 1,000 megawatts of wind and solar power. “Xcel is reducing global warming pollution while providing reliable, low-cost energy in a fast-growing market,” says our deputy general counsel Vickie Patton.

The turning point came in 2007 when two private equity firms enlisted our help in acquiring the Texas utility TXU. To gain our support, the buyers agreed to scrap plans for eight coal plants and double the company’s investment in renewable energy and efficiency.

Building on that success, we negotiated with investment banks, including Citigroup, JPMorgan Chase and Morgan Stanley, to impose new environmental standards on financing for coal plants. The standards are shifting investor focus away from old-style coal plants toward an entire range of low-carbon options, including wind, solar and geothermal.



COAL IN RETREAT

In the past two years, 73 coal plants have been canceled or delayed across the country. EDF is helping utilities meet growing electricity needs through cleaner technologies and energy efficiency.



TEXAS LENGTHENS ITS LEAD IN WIND POWER

Amid rusting oil derricks on a wind-swept mesa in Sweetwater, TX, new wind turbines whirl in the distance. “I’ve been an oilman all my life,” says wind investor T. Boone Pickens, “but this is one emergency we can’t drill our way out of.”

Pickens’s conversion speaks volumes. Texas has become a world leader in wind power, a shift spurred by the state’s electric restructuring bill that EDF championed back in 1999. The law required an increase in renewable energy.

The wind industry received another boost this year when we helped convince state regulators to approve new power lines to carry West Texas wind energy to urban areas. This removed a major bottleneck.

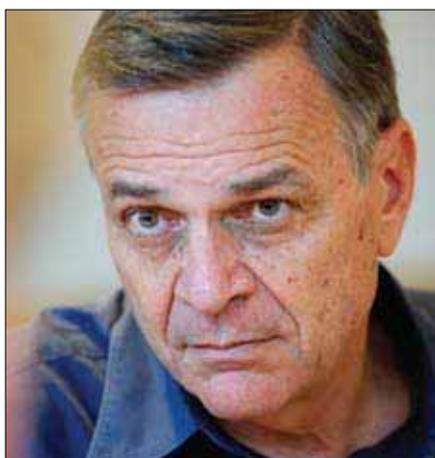
“EDF played a major role in helping the new policy become a reality,” says Mike Sloan, former director of the Wind Coalition. Under the new plan, the Lone Star State could more than triple its wind capacity by 2015.

14 Number of states that have adopted California’s clean car law, which we helped draft and defend

50% Minimum reduction in global greenhouse gas emissions needed by 2050

THE ROAD TO A GLOBAL CLIMATE SOLUTION

How we'll help win a lasting agreement



Climate program director Peter Goldmark explains our strategy to help achieve a global agreement at the Copenhagen negotiations in December 2009.

Q: Why is fighting global warming different from other problems?

To solve the global climate crisis, all countries must be engaged. Unlike most pollution problems, there can't be a U.S. solution without China and India. We're in this boat together, rowing against a ticking clock.

Q: What will it take to get developing nations to engage?

Our goal is to get these countries to join the global treaty. Credits for protecting tropical forests, for example, can give poor nations an incentive to stop deforestation.

Such an approach will help break the North-South logjam we've had since Kyoto. Of course, until America leads, other nations will not see any reason to act.

Q: Why is protecting rainforests so important?

The burning of tropical forests causes 20% of global greenhouse gas emissions, and previous treaties did nothing about it.



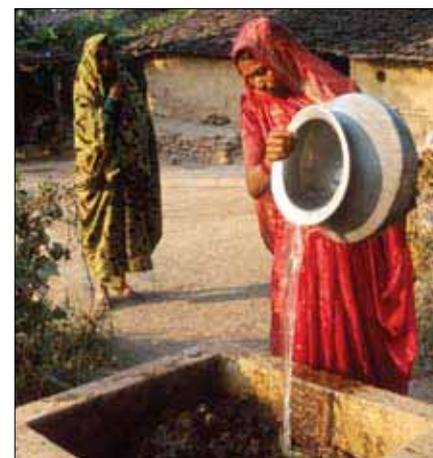
Now allies in Brazil have proposed a plan that would award credits in the global carbon market to nations that reduce deforestation. Our staff helped advance that plan at recent climate talks. They and other scientists showed how reduced deforestation can be verified accurately using satellite-based radar sensors.

Carbon credits will give tropical forests the value they need to survive. Without them, nearly half the Amazon could be gone by 2050.

Q: How can we help both the climate and the world's poor?

As the economies of countries like India expand, they face a choice whether to grow with dirty energy sources or healthier alternatives.

To promote the better choice, we have partnered with E+Co, a non-profit investment group, and Grameen Bank in Bangladesh. Grameen has built a factory there to manufacture



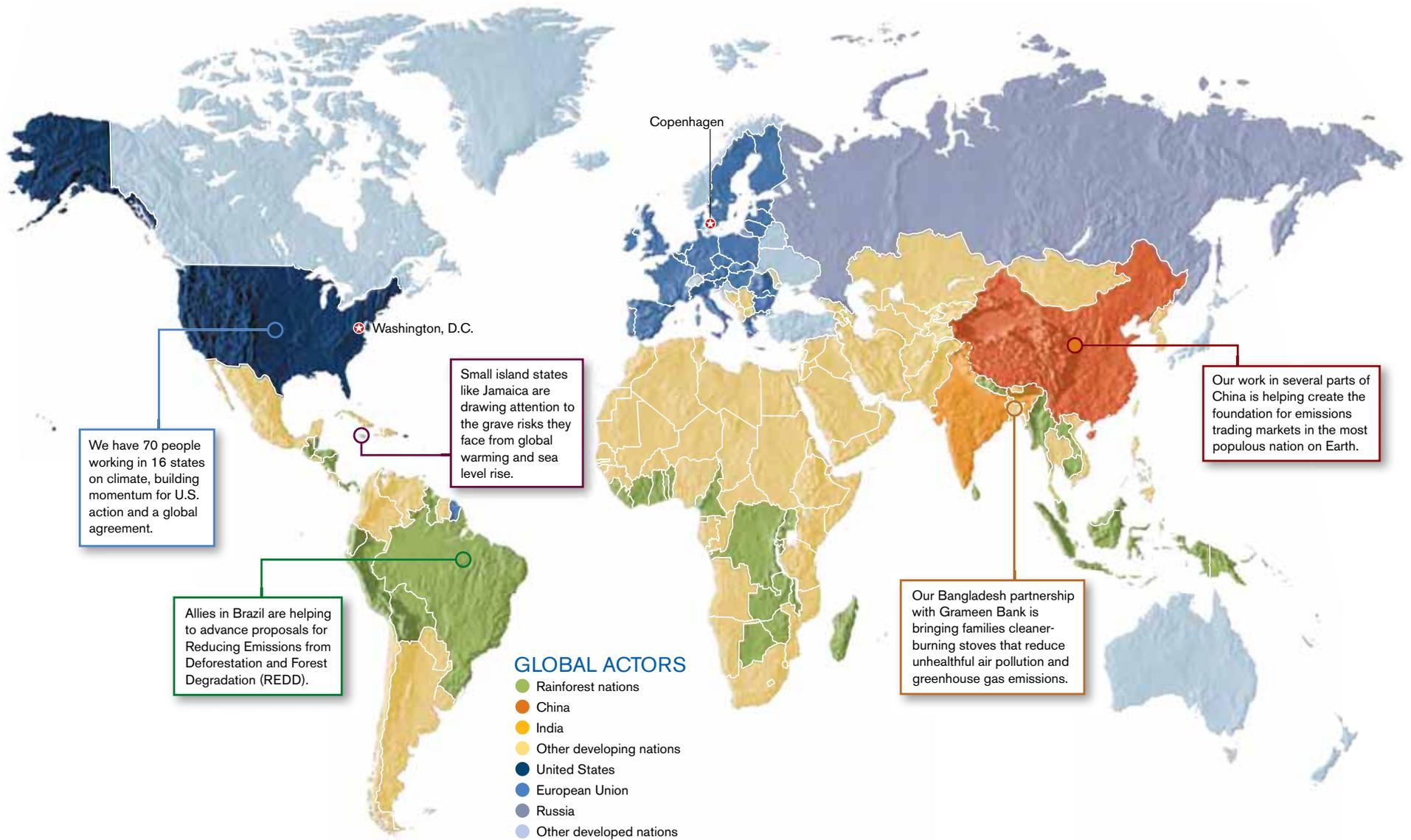
methane-based biodigesters for homes, replacing smoky cooking fires with clean gas stoves.

Early steps in this project already have begun lowering carbon emissions, generating emission credits that help offset the project's cost.

Q: Is there a nexus between energy, economic development and climate?

Absolutely. The desire for a higher standard of living is part of the human condition. The path toward climate stability and the path out of poverty have to be the same.

▶ ONLINE: Watch more of Peter Goldmark's interview on the global climate challenge at edf.org/climatestrategy08



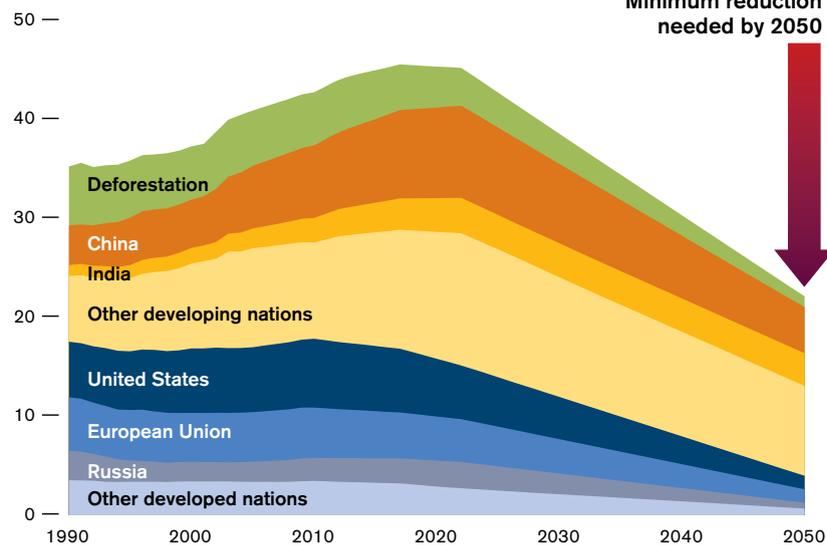
From Washington to Copenhagen

Solving the global climate crisis is the world's biggest environmental challenge. The new administration in Washington raises the prospect of prompt U.S. action, creating a fresh context for the December 2009 international negotiations in Copenhagen. The agreement reached there will replace the Kyoto treaty, which expires in 2012.

The talks must account for emissions from deforestation, which were overlooked in Kyoto, and engage developed and developing nations alike. That is the only way to achieve the reductions needed by mid-century.

THE SOLUTION: COLLECTIVE ACTION

Greenhouse gas emissions
(gigatons of CO₂ equivalent per year)



Scientists tell us that to stabilize the Earth's atmosphere and avert catastrophic climate change, global warming pollution needs to be cut 50% or more by 2050.

This graph shows one scenario, with developed nations reducing emissions immediately and developing nations soon afterward.