

Building an EU Policy on Climate Change Towards the United States Four Critical Remarks

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§1. The changing internal landscape in the US on climate policy

The US position on climate change is often painted in black and white in the European press coverage. However, events in the recent past have highlighted how fluid this position can be. The success of “An Inconvenient Truth”; the realization, rightly or wrongly, that the US is also vulnerable to climate extremes such as the Katrina and Rita hurricanes, and the rise in the political profile of the climate issue (witness the number of congressional hearings this year on climate - over 60 thus far), all point to a changing internal landscape on climate change. Some points warrant emphasizing:

- **Loss of credibility of the Bush Administration.** The current administration has lost almost all credibility (external and internal) on the issue. The recent inquiry into the Vice-Presidential working group on Energy and the Energy Policy Act of 2005³, all have added to the loss of credibility of this Administration on energy and climate policy.

- **Growth in awareness and public policy initiatives in the Congress and at State level.** Polling results show that climate has moved enormously up the political agenda and now ranks among some of the major policy themes for the Presidential campaign⁴. Likewise happens for energy dependence. Most Presidential candidates (including all of the Democrats) are either co-drafters or sponsors of climate and energy bills at this Congress

- **The coming Administration will move on Climate Change.** As has happened before with environmental policy (e.g. the Clean Air Act of 1990), the likelihood of rapid policy development mirroring the shift in public opinion prior to the 2008 elections seems diminute: incumbent administrations do not have the political stamina to move legislation, which would nevertheless be blocked in Congress (as with the immigration bill recently stopped). Freshly elected Administrations tend to be much more aggressive in the immediate

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³ The **Energy Policy Act of 2005 (EPAAct)** (Pub.L. 109-058) was passed by the United States Congress on July 29, 2005 and signed into law by President George W. Bush on August 8, 2005. The Act, described by proponents as an attempt to combat growing energy problems, provides tax incentives and loan guarantees for energy production of various types. Among its many provisions, and most controversially, the EPAAct provides for increased funding of “clean coal” technologies, allows for loan guarantees for “innovative GHG reducing technologies”, including advanced nuclear power reactors and clean coal, allows for an increase in coal production, and extends to 2025 the limit on liability for nuclear accidents (Price-Anderson Act).

⁴ About the shift in public opinion concerning climate change and its economic and political impact see: “Special Report Climate Poll. Global Warming: The Buck Stops Here”, *New Scientist*, 23 June 2007, pp. 16-19.

aftermath, as they try to burnish their reputations. It is therefore unlikely that the many bills currently under way in Congress will make it to policy (President Bush has also stated he would veto any cap-and-trade scheme, which the most popular bills endorse). Nevertheless, they give an indication of the scale of ambition that can be endorsed post-election⁵.

- **Interest groups are moving in the US:** key players in the debate are now moving: companies are deserting anti-climate change groups, and pro-climate groups such as the Climate Action Partnership are gaining membership at an increasing pace. The corporate side of America fears that it may be losing sight of a market for new technologies, both domestically and more importantly abroad. There is a sense that Europe is gaining strength in technologies such as renewables and energy efficiency. Nevertheless, corporate America is keen to emphasize its ability, given the right political signals, to innovate at a faster pace than European industry, and the claim is made that the US could easily catch up with Europe, if given the right political signals by the Administration.

- **Key technologies are advancing:** The US is probably more advanced, at least in some areas, in the quest to find a feasible business model for wider application of carbon capture and storage, and major pilot projects are under way, some of which may have a commercial basis soon. Leadership has been provided by the Carbon Sequestration Leadership Forum - a grouping of companies interested in the technology. Concerning renewable sources of energy there is a set of state level initiatives, like the Western Governor's Association Clean and Diversified Energy Initiative (WGA), or the New England Governor's Climate Change Action Plan (NEG-ECP); nevertheless the federal role can't be matched even by the boldest regional programs. Therefore "a national standard that motivates the country to truly promote renewable energy" is still missing⁶.

§2. What to read from the current Administration

In hindsight, it is now clear that the current Administration has tried deliberately to undermine any significant development at the G-8 summit of Heiligendamm, by preemptively announcing a Major Emitters Dialogue⁷. It is now clear that the Dialogue is not meant to produce any significant progress in international climate policy, but rather to lure countries such as Japan and

⁵ The political ambition to fight climate change is already making way at state level in both ocean shores. Two examples: in California, with Governor Schwarzenegger initiatives, and in the East with the Regional Greenhouse Gas Initiative (RGGI) joining a group of north-eastern and mid-Atlantic states around a regional cap-and-trade system. According to the word given by Governor Schwarzenegger to Governor Pataki, of New York, in October 2006, the two initiatives will merge in a stronger RGGI.

⁶ About renewable energy policies in the USA see: Benjamin K. Sovacool and Jack N. Barkenbus, "Necessary but Insufficient", *Environment*, vol. 49, nr.º 6, July/August 2007, pp. 20-30

⁷ According to the invitation (dated 2 August) sent by President Bush to 18 guests (11 from developed countries, including the European Union, and 7 from developing countries) the Dialogue, scheduled for 27-28 September in Washington received another name: "Major Economies Meeting on Energy Security and Climate Change". Not by chance the Conference will take place only three days after the United Nations "high-level event" to which heads of states and governments were invited in New York by UN Secretary-General BanKi-Moon on the eve of the General Assembly meeting.

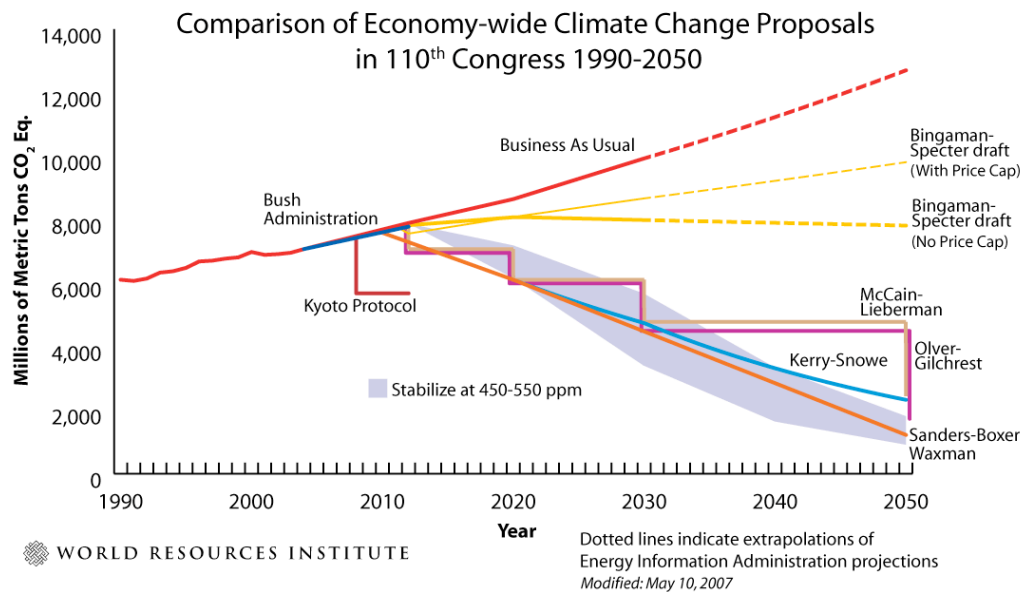
Canada from a vision that is supported through the UNFCCC and the Kyoto Protocol process, of increasingly hard policy on climate, towards softer approaches as bilateral or multilateral technology partnerships. To date, the damage seems to be contained, and reactions from potential fence-sitters seems negative to the proposal. For the EU, the proposal is a diplomatic challenge. On the brighter side, this is the first time in some years that the US is committed to a long-term process under the UNFCCC, and it should be welcomed. However, given the interest grouping behind this Administration's agenda, it is doubtful that the Dialogue will contribute significantly to the UNFCCC process itself.

The process has nevertheless focused the attention on the need to address the question of how to re-engage the US in the international process.

§3. How to re-engage the US in the international process?

It is now clear that two separate negotiation tracks will be established in Bali: the Kyoto Protocol track, for Kyoto implementing countries, aimed at getting at new reduction targets for post-2012 (this process has in fact been launched in Montreal two years ago), and the broader UNFCCC process, aimed at discussing further engagement of developing countries in the process. In this context, Europe has outlined its vision of the future in the recent Spring Council conclusions. However, some issues arise in the EU relationship with the US, from its current approach:

- a) it is clear that the US cannot sign up to the Kyoto Protocol, and will not be engaged in the Kyoto track;
- b) it is also clear that the US cannot be treated, under the Convention, on an equal status of obligations as China, India or Brazil;
- c) there is currently no specific track for the US to negotiate its re-engagement in the joint effort after 2012;
- d) the European Council conclusions speak of an expectation from the EU that the US should provide "comparable" efforts. These conclusions have set the bar extremely high, if they are meant to signify that the US should follow the EU lead and commit to a 30% reduction target in the next 13 years or so. Unfortunately, The Climate Action Partnership proposals and the most aggressive proposals on Capitol Hill today speak of a return to 1990 levels by 2020 (see figure below, from the World Resources Institute). Setting the bar too high may in fact discourage involvement of the US internationally.



§4. Principles of an EU strategy for US re-engagement

In the light of these factors, the EU should:

- a) Promote its vision of climate policy, including its own emission trading scheme, in an honest and prudent way, making the case that joining an international carbon market should be the way forward for US climate policy. The EU Emission Trading System currently has an unduly bad reputation in the US, where it is shown as an example of ineffective climate policy by the European Union;
- b) at the same time, the EU should learn from others' assessments of its failures: current plans for cap-and-trade schemes in the US are far more aggressive in their architecture (e.g. full auctioning, no revenue recycling) for operators than what the EU has managed so far; in fact, most of the proposals tend, in the future, to assume full auctioning of emission rights. Auctioning or selling emission rights (rather than distribute them freely) should be more in line with the polluter-pays principle, would provide higher recognition of early pioneering action in reducing emissions, and would be less disruptive of competition than the current EU ETS allocation scheme, based on historical emission data and national allocation plans. Likewise, auctioning provides the opportunity to leverage finance that can be used to fund alternative technologies. The EU ETS has come under severe criticism on its allocation rules, and the Commission is currently reviewing the allocation methodology, as part of the wider EU ETS review process;
- c) get its message across to the progressive leaders on both Parties, and prospective candidates, over the Administration
- d) tune its message on the comparability of effort to signify that it should not imply a translation into equal reduction commitments;

- e) seek to re-engage the US in the international process, by signifying to all Parties in Bali the need to provide a formal opening for that re-engagement (a third track?);
- f) signal to the US the need to acknowledge developing countries contributions to climate policy, without unrealistically attempting to force these into developed country-type commitments on emission reductions.

This idea of creating a third track to accommodate the US under the common roof of the UNFCCC could obviously become an easy target for severe criticism. In fact, climate diplomacy, as the crucial part of strategic global environmental policy, is to be measured against empirical data and growing evidence that allow us a short window of opportunity between 2015 and 2020 to attain the peak of greenhouse gases emissions, if we want to avoid a catastrophic slide in the rise of global mean temperature well beyond 2. °C. A minor role of the US in the burden sharing agreement could seriously damage the possibility of using timely that window of opportunity.

Hard decisions are frequently the price of leadership. No one in the world but the EU is now in conditions to lead the vital task of fighting climate change at global level. The Presidency Conclusions of the March Council of the European Union called upon the crucial goal of obtaining a post-2012 climate agreement within “a fair and flexible framework for the widest participation”. The EU should voice its solid reasons for strong emissions reductions for developed countries within an ample policy that include a wide range of other measures, like investment in new renewable energy systems, energy efficiency, diffusion of new key technologies, capacity building, fight against deforestation, effective adaptation, etc.

The EU should put the principle of fairness in equal footing to the principle of flexibility. However the worst scenario before us is the possibility of endless continuation of a diplomatic trench war regarding burden sharing after 2012. In that ugly scenario even the dismantling of the UNFCCC, and the return to a climatic Hobbesian situation of “war of all against all”, is not out of sight. In that case, it’s up to the European Union, exercising its leadership responsibility, to decide if the principle of flexibility shouldn’t prevail, in the short run, over the principle of fairness, to avoid a complete disaster in global climate diplomacy.

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