

The U.S. Election and Prospects for a New Climate Agreement

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After years of stalemate in the international climate negotiations, the inauguration of a new U.S. president presents an opportunity for a genuine breakthrough. Both John McCain and Barack Obama support mandatory limits on U.S. greenhouse gas emissions, and both favor renewed international engagement. But unrealistic expectations about how quickly the United States will move – and how far – could severely damage prospects for any sort of agreement next year in Copenhagen.

An effective post-2012 climate agreement is impossible without the United States, the world's largest economy and largest historic emitter. Europe was able to persuade other developed countries to push ahead with initial commitments under the Kyoto Protocol despite the U.S. withdrawal. But there appears very little appetite among those countries to take on new, stronger commitments without the United States, and even less prospect of commitments by the major developing countries.

Fortunately, there is at long last real momentum for stronger efforts to reduce U.S. emissions. While skeptics remain, the political establishment has largely accepted the scientific consensus that human-induced warming is underway and must be addressed. Many states are taking mandatory steps to reduce emissions; 24 states have entered into regional initiatives to establish cap-and-trade systems. Many corporate leaders are calling for mandatory federal action, and Congress is seriously debating the establishment of an economy-wide cap-and-trade system more than twice the size of Europe's Emissions Trading Scheme.

Challenges Awaiting the New U.S. President

There is reason to believe that the 2008 election opens the way to strong, concrete action. While President George W. Bush steadfastly opposed mandatory emission limits, Senator McCain was one of the very earliest proponents of a mandatory cap-and-trade system, and both he and Senator Obama have reiterated their support throughout the election campaign. But neither can deliver mandatory action overnight. As determined as he may be, the new president will face two major obstacles: the inherent political challenge of crafting an approach that balances competing economic and geographic interests (one with which European policymakers can surely sympathize), and the raft of other major issues awaiting him, including two wars and the worst economic crisis in half a century.

In this climate, getting Congress to act on climate change may be even more challenging. The new president is most likely to succeed by framing climate action as a way to strengthen energy security and revitalize the U.S. economy. This suggests that any near-term action may come in the form of energy legislation that, while helping to reduce U.S. emissions, will not

achieve the levels of reduction envisioned under a cap-and-trade scenario. Enactment of a comprehensive climate package, including cap-and-trade, is unlikely in 2009. It may come at the earliest in 2010.

Implications for the International Negotiations

What does this imply for the international climate negotiations? First, the new U.S. administration will likely not be in a position to agree to a specific emissions target when governments meet in Copenhagen. That can happen only when Congress has enacted (or is on the verge of enacting) legislation setting firm limits on U.S. emissions. Beyond the question of timing, however, is the *level* of effort the United States is likely to undertake. One quandary is that targets that appear quite ambitious from a U.S. perspective would still be far short of what Europe is calling for.

While it is impossible to predict what targets could ultimately win approval from Congress, there are clear indications of the politically plausible range. California, which has been at the leading edge of state-level climate efforts, has set a mandatory goal of reducing emissions to 1990 levels by 2020. It has now been joined by six other states (and four Canadian provinces) in the Western Climate Initiative, which is establishing a regional cap-and-trade system with the same overall target. At the federal level, the Lieberman-Warner Climate Security Act – the cap-and-trade bill put before the U.S. Senate in June – would effectively apply that same goal at the national level. In the presidential campaign, John McCain also has called for reducing U.S. emissions to 1990 levels by 2020. While as a candidate Barack Obama has not advocated a specific 2020 target, he supported the Lieberman-Warner bill in the Senate. Among the cap-and-trade bills introduced thus far in Congress, Lieberman-Warner is at the more aggressive end of the range. The legislation that ultimately emerges could well be less ambitious.

How Ambitious Will the U.S. Be?

Across the Atlantic, this scale of effort may appear inadequate. The European Union has set itself the goal of reducing emissions 20 percent below 1990 levels. Within the climate negotiations, Europe is calling for all developed countries, including the United States, to go further – 25 to 40 percent below 1990. Yet circumstances have changed considerably since 1990 – U.S. population and emissions have grown 19 percent and 16 percent, respectively. For the United States, returning to 1990 levels by 2020 would require serious action and investment. It would reduce emissions about 15 percent below 2005 levels (about the same as Europe will be doing under its own target), and 24 percent below business-as-usual projections.

The United States could conceivably assume an international target somewhat stronger than the one set under a domestic cap-and-trade law. For instance, revenues generated under the cap-and-trade system could be used to finance reduced deforestation or other emission reductions

in developing countries. Indeed, a genuine negotiation will be possible only if the United States comes prepared to bargain. But the U.S. target will be largely a function of the domestic debate, not international pressure, and is unlikely to deviate significantly from the numbers now before Congress.

Stronger Efforts by Emerging Economies

Another absolutely critical issue for the United States in a post-2012 agreement will be the participation of China, India and other major emerging economies. The lack of developing country commitments was a major reason for the U.S. rejection of Kyoto. There is now an emerging consensus in Washington that the United States should proceed with mandatory action at home, with or without developing country commitments, provided the legislation includes trade provisions to protect U.S. industry from competitive harm by imposing like costs on energy-intensive imports from countries like China. But the United States will not go the next step – assuming a binding international commitment – unless that agreement provides for some measure of commitment by the emerging economies. That will remain the case regardless of who occupies the White House.

Under the Bali Action Plan, which frames the current round of negotiations, the future mitigation actions of developing countries are to be “measurable, reportable, and verifiable.” China, India, Mexico, South Africa and other emerging economies have adopted or are developing national climate strategies outlining policies that, while in most cases not driven by climate concerns, help moderate their emissions. One promising approach is to incorporate such plans or policies in a post-2012 agreement as commitments – conditioned on appropriate incentives and support from developed countries.

The Outlook for Copenhagen

To be certain, developing countries will not be prepared to enter into such commitments before the United States assumes a binding international target, which, again, is highly unlikely in Copenhagen. Under these circumstances, the best plausible outcome for Copenhagen may be an intermediary agreement outlining the key elements of a post-2012 framework – for instance, binding economy-wide targets for developed countries, policy commitments for the major emerging economies, and support mechanisms for technology, finance, and adaptation in developing countries. This would then serve as the basis for further negotiations on details such as specific target and funding levels. An intermediary framework agreement will be most credible, and most likely to induce developing country commitments, if it includes an agreed range for developed country targets, making it imperative that the US-EU gap be bridged by Copenhagen.

Anger, frustration, and impatience are understandable after years of U.S. inaction and intransigence. Europe has shown remarkable leadership on climate change. With a change in

U.S. administration providing a fresh opening, now is the time to capitalize on that leadership. The world can ill afford a replay of Kyoto, with Europe demanding more than can be delivered and the United States ultimately walking away. We need realism, not brinksmanship. Instead of a full and final deal in Copenhagen, we must aim for what is in fact feasible, and set expectations now so that it is received as a success. The risks and consequences of failure are otherwise far too great.



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Diringer's commentary is the second in a new series on energy and climate policies in view of the U.S. Presidential Elections 2008. The Transatlantic Climate Policy Group is run by the *Heinrich-Böll-Stiftung* and is a two year program that aims at fostering transatlantic dialogue and cooperation on climate and energy policies. For more information visit www.boell.de/climate-transatlantic/index.html or contact Arne Jungjohann (arne@boell.org) and Till Kötter (till@boell.org).