

U.S. Climate Policy: Defining the Second Commitment Period
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Discussions of climate change have reached a frenzied level in Washington, D.C. The number of bills proposing different ways to address the issue is growing by the week -- four bills have been introduced since Jan. 10, and at least three more are rumored to be coming over the next two months.

This frenzy will last for some time. Congress is still months away from crafting a proposal that could win majority support in the House and 60 votes in the Senate. The issues that the House and Senate must resolve are by now familiar: the role of nuclear power, clean coal, alternative fuels and emissions trading in a U.S. energy program and, most importantly, the depth to which the United States will commit to reducing greenhouse gas emissions.

For the time being, the discussions in Washington will focus on the impact these issues and decisions will have on the U.S. economy and on the global environment. Whatever final bill emerges probably won't constitute a coherent energy policy -- more likely, it will focus squarely on greenhouse gas emissions -- but it will define the parameters of U.S. energy policy in the coming decade. The effects of the eventual U.S. policy obviously will be felt in numerous areas: the kinds of power plants that utilities build, the cars that automakers design, the electronic equipment companies make and possibly the planes people fly will be determined in part by the 2007 debate on climate policy.

Less obvious is the fact that the stakes in the U.S. climate debate are just as high for the rest of the world, which two years ago started to work toward the successor treaty http://www.stratfor.com/products/premium/read_article.php?id=259169 to the Kyoto Protocol. All of the bills before the U.S. Congress would commit the country to a course of action through 2050. This timeline is quite similar to that being discussed in international forums, so in effect, U.S. lawmakers are about to engage in debate over same issues as the negotiators working under the existing treaty.

While the U.S. move would appear to benefit the negotiators, the matter from this point gets more complicated. Debate over Kyoto's successor, the so-called "second commitment period," has come in fits and starts, since most parties to the existing climate regime have felt powerless in the face of U.S. indifference to international climate talks and the exemption of China and India from meaningful commitments. The European Union in

particular has made the U.S. absence from negotiations a major political issue, and has called talks toward a second commitment period meaningless without Washington's involvement. While European heads of state have agreed to let the United States work on climate issues outside the Kyoto process, the majority of voters in the EU remain dead set against the U.S. position. Climate change -- and Washington's non-participation in international talks -- has become a major issue in European politics, and the region's leadership on the issue internationally is a matter of personal pride and identity for many Europeans.

By setting a greenhouse gas emission target for the next 40 years, the United States will be turning the tables on the EU. Ultimately, the decision facing EU politicians is whether to accept a backseat role on climate change negotiations or to benefit from maintaining their leadership role -- at the cost of reaching any meaningful international agreements on the issue.

The U.S. Legislation

Four "comprehensive" climate change bills -- defined as bills that cover all U.S. greenhouse gas emissions -- and two industry-targeted pieces of legislation have been introduced, or will make their way to the Senate within the next month or two. These bills share a common characteristic: All seek, for the near term, a gradual decrease in how much carbon dioxide is emitted for each unit of gross domestic product, followed by escalating cuts in emissions levels in the coming decades. Almost every piece of legislation extends its mandate beyond 2030 -- most of them to 2050.

At a certain level, making promises about U.S. emissions in 2050 is as much fantasy as planning. For most people, the world in 2050 is impossible to envision, as are the details surrounding energy use and sourcing. Still, the commitments being sought are commensurate with scientists' determinations of what must be done to avoid realization of the worst fears about climate change.

The most modest curbs on emissions would come with legislation currently being floated by Senate Energy and Natural Resources Committee Chairman Jeff Bingaman (D-N.M.). This legislation, which is still in the works, would stabilize emissions at 2013 levels by 2020. Under his proposal, U.S. emissions would stabilize at 2007 levels by 2050.

Three other Senate bills -- sponsored respectively by Sens. John McCain (R-Ariz.) and Joseph Lieberman (I-Conn.); John Kerry (D-Mass.) and Olympia Snowe (R-Maine); and Barbara Boxer (D-Calif.) and Bernie Sanders (I-Vt.) -- would cut emissions much more significantly.

Meanwhile, Sens. Lamar Alexander (R-Tenn.) and Tom Carper (D-Del.) plan to reintroduce legislation involving a cap-and-trade on carbon emissions from electric utility generation plants. Another utility-specific bill, sponsored by Sen. Diane Feinstein (D-Calif.), would establish a trading system capping electricity-sector emissions.

Crucially, each of these bills looks beyond 2020. The one that finally emerges from the Senate -- likely a hybrid of the McCain-Lieberman and the Kerry-Snowe proposals -- almost certainly will extend emissions reductions to 2050.

The Second Commitment Period

Beginning in 2013, the only international climate regime in effect will be the 1990 U.N. Framework Convention on Climate Change. Signatories to this convention commit themselves to efforts to reduce greenhouse gas emissions -- but the framework itself sets no targets or timetables, and contains no binding terms. Not surprisingly, the creation of the 1990 framework had no real effect on global greenhouse gas emissions -- which is why the Kyoto Protocol, which does contain binding targets and timetables, was deemed necessary. The Kyoto Protocol remains in effect until 2012.

International climate negotiators until recently have focused on two major issues: bringing the United States into the Kyoto Protocol and clarifying the rules by which greenhouse gas emissions (and their reduction) are measured. But in 2005, some negotiations began toward the so-called "second commitment period" (Kyoto having been the "first" commitment period). With this came the goals of bringing the United States, China, India and Australia into the negotiations, while also determining the degree to which the international community would agree to cut greenhouse gas emissions on a long-term basis.

The latter challenge is the easier of the two. In a forthcoming report, the Intergovernmental Panel on Climate Change (IPCC) -- a group of meteorologists and climatologists the United Nations organized to provide scientific support for climate negotiators (and to express a scientific argument in favor of a binding climate regime) -- will argue that a global temperature rise of more than 2 degrees Celsius dramatically increases the chances of a flurry of climate disasters. The IPCC will implicitly call for government negotiators to develop a long-term goal of avoiding a temperature rise of more than 2 degrees. The IPCC could also imply that keeping temperatures below the disaster level means cutting global greenhouse gas emissions some 30 percent by 2030.

For international negotiators, then, the mission would seem clear: Win commitments from major greenhouse gas producers to cut the emissions jointly by 30 percent. But it is at that point that the second challenge -- winning the commitment from the United States -- comes to the fore.

The EU Perspective

>From the European point of view, global climate negotiations have been unfair and lopsided. Under Kyoto, the EU promised to cut union-wide emissions by 8 percent, compared to mandates of 7 percent for the United States and 6 percent for Japan. Furthermore, the larger EU members promised that their cuts would offset the emissions levels from poorer members. For example, Britain, Germany and France agreed to cut greenhouse gas emissions by 25 percent -- a move that allowed then-poor Ireland to grow economically without dramatically cutting emissions, and that forced established industrial powers to seek efficiencies in their operations.

Despite the difficult targets set for the EU, Europeans found their goals easier to meet than did Americans during the first commitment period. The United States -- with its less dense population and more rapid economic growth -- had developed an industrial and commercial infrastructure predicated on inexpensive supplies of energy, particularly electricity and gasoline. For the United States to make a 7 percent reduction from 1990 levels would have required dramatic changes in the U.S. economy. Therefore, Washington's response -- beginning with a 99-0 vote in the Senate in 1998 and followed by assertions by a newly elected President George W. Bush -- was to declare Kyoto a dead issue. The executive branch would not negotiate further, and the Senate would not ratify the treaty.

Ultimately, this meant that Europe had committed itself to a course of action that put many of its industries at a disadvantage against American competitors. The European response -- expressed by influential advocacy groups and increasingly by governments -- was to criticize the United States. The United States was blamed for the failure of the Kyoto Protocol, but even more significantly, the issue was played up as an example of U.S. isolationism and then -- after Sept. 11, 2001 -- as U.S. unilateralism. Several European governments made Kyoto an element of their broader stance against the United States, and criticism of its non-participation became welded to European popular criticism of the United States.

It is little wonder, then, that the EU approach to the second commitment period has been to emphasize, first and foremost, the importance of getting the United States and China involved. China is slated to exceed the United States in greenhouse gas emissions in 2009, and the two are expected to be responsible for more than 40 percent of global emissions by 2010. Any

agreement that did not include commitments from the United States and China would be worthless.

That said, EU negotiators have been saddled with a secondary goal for the second commitment period. Not only must they win agreement on new emissions cuts, but they must craft an agreement in such a way that Europe retains the most powerful position in talks and European industry benefits -- as was intended in the first commitment period.

The primary reason the EU agreed to such large cuts in the first place stemmed from the power of green lobbies in its major member states. Organizations like Greenpeace and WWF have far greater credibility in Europe than in the United States, and Green parties have substantial political power. Largely because the environmental lobby has been so effective, European voters are sincerely worried about climate change, and they sincerely believe that with its non-participation in Kyoto, the United States has selfishly placed economic interests above the habitability of the planet.

A Contest for Leadership?

In this context, it was easy for European politicians to demonize the United States -- and to demonize Bush particularly, since he had been emphatic and clear in his dismissal of Kyoto. The tone changed markedly, however, at the July 2005 meeting of G-8 leaders in Gleneagles, Scotland. There, Bush promised to work toward a national policy on climate change (his next State of the Union address included the "addicted to oil" language). In return, the other G-8 leaders eased up their pressure over the Kyoto issue. At Gleneagles, the G-8 opened a path for U.S. international participation by killing Kyoto. But now, with the United States about to agree to a strong course of action for the post-Kyoto period, the rhetorical going gets tougher for Europe.

If the United States passes any of the major climate change proposals coming before the Senate, it will have an established climate change policy that extends to 2050 -- all the way through the second and even the third commitment periods that are currently being negotiated. Almost none of the proposals that have a chance of passing will be sufficient to meet the IPCC's implied likely policy goal of a 30 percent emission reduction by 2030. Still, whatever policy emerges from the United States will be the most far-sighted and dramatic of any major and binding national law. It assuredly will also be the farthest the United States can go politically on the issue before 2009.

As EU negotiators look toward developing a successor to the Kyoto Protocol, the question that will dominate is whether to push for global acceptance of

the U.S. position or to negotiate a treaty that exceeds the U.S. commitments. Washington has demonstrated that it is willing to stand outside the U.N. Framework Convention process, so negotiators must recognize that an international protocol that calls for more than the United States is willing to commit to would likely result in U.S. non-participation again. If the EU is serious about wanting U.S. involvement in the climate regime, the second commitment period will reflect and accept the U.S. position that emerges in the coming year.

There is an equal chance, however, that the nature of European politics will require EU climate negotiators to lead a difficult and perhaps fruitless climate regime in which the United States remains a "bad guy" and the EU virtuous. In other words, the choice is between maintaining European leadership on the global climate change issue, or else taking a back seat to the United States and China and accepting terms for the second commitment period that fall short of an ideal solution.