

US Domestic Climate Policy and the Shape of International Agreements: Political Economy Analysis of the Copenhagen Accord

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Resources for the Future

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Outline of Presentation

- Evolution of domestic US greenhouse gas mitigation policy and recent developments
- Developments in global climate policy as embodied in the Copenhagen Accord
- Domestic policy and the US position in future international negotiations.

US Domestic Climate Policy (1)

- Comprehensive legislation passed in the House of Representatives this past June
 - Covers 85% of all US GHG emissions
 - 17% below 2005 levels in 2020
 - 83% below 2005 levels in 2050
 - Cap and Trade is the main regulatory mechanism
 - Allowances are used to diminish the cost impact to consumers and industries

US Domestic Climate Policy (2)

- Additional features of Waxman-Markey
 - 2 billion tons of offsets —1 billion from domestic sources 1 billion from international
 - Unlimited banking, some borrowing
 - Rudimentary price collar
 - Estimated allowance prices in 2020 about \$30/ton CO₂e (in 2007 dollars)
 - Democratic : 211 yes, 44 no
 - Republican: 8 yes, 168 no

US Domestic Climate Policy (3)

- Action in the US Senate
 - Produced a similar bill, but no votes have been taken and no debate scheduled.
 - The Senate requires a “super” majority of 60% in favor to pass legislation
 - At the current time there are 59 Democratic Senators and 41 Republicans.
 - No Republicans are supporting the Senate bill and only 40 Democrats are currently supporting the bill

US Domestic Climate Policy (4)

- Why so little support in the US Senate?
 - The Senate gives equal votes to low and high population states
 - Low population rural states rely on fossil fuels and fear economic impact of the emission reductions.
 - Same for Democrats or Republicans.
 - The recession makes matters worse
 - Climate change matters, but it has a very low priority when compared to economic issues

US Climate Policy – Plan A

- President pushes stalled Senate legislation.
- Kerry, Lieberman, Graham craft a bi-partisan option (perhaps working with the White House)
 - To get Republicans he will need a strong nuclear policy and expanded domestic oil and gas exploration and extraction.
- Work with senators Cantwell & Collins
 - Cap-and-dividend plan
 - Robust price collar

US Climate Policy – Plan B (1)

- Give up on C&T and carbon price and pass energy legislation
 - Government \$ to energy R&D
 - National RPS – 15% by 2021
 - Federal push behind new transmission grid over-riding state authority
 - More energy efficiency policies
 - Open the Eastern Gulf of Mexico to oil and gas
 - Expanded incentives for nuclear

US Climate Policy – Plan B (2)

- Energy legislation helps some with respect to GHG emissions
- Regulate transport emissions under the Clean Air Act using tailpipe standards
- Craft separate legislation that would set up a cap & trade on just the electric power sector
- Piece meal approach, likely highly inefficient and producing unknown emission reductions

US Climate Policy – Plan C

- The Energy bill passes – since it is mostly carrots
- A bill by Senator Murkowski passes and pre-empts the Clean Air Act.
- The US takes no real action on climate change for the foreseeable future

Copenhagen Accord: US Negotiating Position

- Rules of engagement

- Do not pre-empt congress on setting reduction goals
- US cannot legally bind itself to any internationally agreed to actions
- US action conditioned on emission cuts by major developing economies (China, India, Brazil)
- AWG-KP is no longer valuable, effort placed on AWG-LCA
- Support REDD+ as well as sectoral offsets
- Support mitigation and adaptation funds
- Support global carbon market

The Copenhagen Accord: What went well

- Developed and developing countries committed to put targets and/or actions in a registry, and while they are not enough to solve the climate problem, they are a step forward.
- Science is clearly represented by the 2 degrees C global goal.
- Transparency (national communications) language is in the deal, although it is somewhat tortured.
- Financing pledges are a huge step forward, and even approaching the lower end of what is needed to solve the problem.

The Copenhagen Accord: What went Badly

- Talks would have failed without direct intervention from heads of state.
- The severe dysfunctionality of this COP was clear
- Copenhagen Accord was not officially adopted by the Parties
- Key elements were missing from the text 80% reduction target by developed countries by 2050, 50% global reduction by 2050
- Developing countries were unwilling to make the outcome legally binding on themselves
- Lots of discussions moved forward without having text adopted, including forestry, technology, and adaptation.

Post Copenhagen: What Happens Now (1)

- Venue:
 - MEF or G20 for mitigation negotiations
 - UNFCCC for issues like CDM, sectoral offsets, REDD, adaptation and funds
- Adaptation – once the MEF leaves the UNFCCC, adaptation might garner less attention
- A comprehensive, legally binding agreement setting emission reduction targets for developed countries is not achievable

Post Copenhagen: What Happens Now (2)

- 2 degrees C in doubt – politics not science will determine the outcome
- If a global carbon market fails to materialize the amount of wealth that will be transferred from the north to the south will be small and will get smaller over time.
- Long term funding for adaptation will be particularly difficult to come by

US Negotiating Position Post Copenhagen (1)

- Domestic policy forms foreign policy
- Venue or mitigation talks:
 - Major Economies Forum
- Form of commitments:
 - Pledge and review with MRV
- Kyoto track:
 - Will not be supported by the US
- Mitigation targets:
 - US pledged mitigation actions will be identical to those passed by the US congress

US Negotiating Position Post Copenhagen (2)

- Funds:
 - Yes, if the congress passes a cap & trade, limited otherwise
- Developing country participation:
 - Meaningful reductions will be required for US mitigation actions, otherwise trade sanctions seem assured.
- REDD+ and sectoral offsets:
 - Will be supported by the US