
MEMORANDUM

To: Robert C. Orr, Assistant Secretary General for Policy Coordination & Strategic Coordination

From: Shanza N. Khan, Policy Analyst; Mail Box No. 522; Word Count: 998

Date: April 28, 2008

Re: United States' Policy on Climate Change

The current year has witnessed a noticeable shift in the United States' tone and language on international climate negotiations. It has agreed to an international agreement on GHG reduction targets *if*: (i) major emitting countries are included; and (ii) the agreement is economically sustainable. It is flexible on the adoption of innovative financing mechanisms and keen on technological change and approaches such as sequestering carbon.

United States' Official Stance on Climate Change

The U.S. is the only industrialized country that has not ratified the Kyoto Protocol. The country also lacks a national goal to reduce GHG emissions. Instead, the Bush Administration has committed to an 18 percent reduction in emission intensity between 2002 and 2012 and has signed energy legislation that mandates a 40 percent improvement in vehicle fuel efficiency. Till very recently, the Bush Administration has been emphasizing scientific developments, research on technological alternatives, and voluntary measures rather than curbs on GHG emissions.

The discourse has moved away from what the U.S. is not willing to do to what it is. It is willing to commit to a new post-2012 climate-change agreement under the United

Nations Framework Convention on Climate Change (UNFCCC) with a long-term global emissions reduction goal. However, the agreement must be:

- (i) Environmentally effective: Measurable actions must be undertaken by the world's largest producers of GHG emissions; and
- (ii) Economically sustainable: with continued focus on economic growth, energy security and improved quality of life.

The U.S. approves the usage of nationally appropriate mix of regulations, incentives and public-private partnerships. In addition, it supports cooperative technology strategies and collaboration in important areas such as fossil-power generation, personal transportation and sustainable forest management. Moreover, the U.S. believes that any new agreement should include innovative financing mechanisms, the abolition of trade barriers for clean-energy goods and services, improved emissions-accounting systems, and measures to assist nations in adapting to climate change and accessing technology. It proposes using positive rather than punitive measures to ensure accountability.

Fixed Positions

There are two aspects of the current stance on climate change that are unlikely to change regardless of which party is in the White House.

- (i) Unacceptability of the “common but differentiated responsibilities principle”: In 1992, the U.S. Senate ratified the UNFCCC. The Convention was based on the principle of “common but differentiated responsibilities,” mandating that developed countries will commence GHG reductions prior to developing countries due to their responsibility for the vast amount of historic emissions. The United States maintains that

the principle no longer applies in view of the significant emissions escalation by developing countries and holds that developed and developing nations should make their commitments simultaneously rather than sequentially.

- (ii) Concern about the impact of curtailing emissions on the economy: The fear of taking any measure that may be negatively perceived by the public about the economy makes it highly unlikely that policy responses such as imposing carbon taxes will be utilized. Instead, there will be greater support for mechanisms such as cap-and-trade, technological advances for mitigation and adaptation, and increasing carbon sinks.

The United States' flexibility on these two issues can be gauged from the fact that the Senate unanimously resolved to reject any climate change treaty that "unduly burdened the US economy or that failed to engage all major emitting nations" in 1997.

Flexible Positions:

There are many indications that various interest groups, as well as the larger public, are prepared to commit to emissions reduction of 60-80 percent from the 1990 base level, and be innovative about it. For instance:

- Corporate America is mobilizing. Top executives from 10 of the largest companies have called for imposing mandatory emissions cuts, creation of a cap-and-trade system and investment in alternative-energy research;
- The environmental lobby is partnering up with big businesses;
- People from different backgrounds are calling for action including U.S. hunters and anglers; retired generals and admirals; and Evangelical Christians;

- The number of people saying that global warming is extremely or very important to them personally has increased from 27 percent in 1997 to 52 percent in 2007. Similarly, the number of people stating that the government should take *immediate action* about global warming has increased from 23 percent in 1999 to 34 percent in 2007.

Public sentiment is being reflected at the policy-level. Governors in more than two dozen states are fashioning regional agreements to lower GHGs with 17 states having emissions reduction goals. Serious proposals to limit GHG emissions have gained momentum in the Senate and the Supreme Court has ruled that the EPA must promulgate GHG regulations. This positive trend will gain momentum. Democratic Presidential candidates Senators Hillary Clinton and Barack Obama have offered even more aggressive bills that would reduce emissions by 80 percent by mid-century. Plans are primarily based on a cap-and-trade scheme along with major investments in cleaner fuels and delivery systems, agreement on seeking a new global accord on reducing emissions, and getting major emitters engaged earlier while the process is being worked out. The Republic Presidential candidate John McCain, is aligned with the Democrats on this issue. In fact, in 2003, he introduced the first Senate bill aimed at mandatory economy-wide reductions in emissions by 65 percent by 2050

Thus, apart from using taxes, other policy options will be more flexible going forward. Serious considerations could be given to:

- Policy interventions for a market-based emissions trading scheme;
- Sector (transport, energy, etc) differentiated emissions targets;

- Increased education and awareness of the public via media to correct current misconceptions and to prepare them for more stringent measures.

The serious initiatives being undertaken by the states and growing concern amongst various stakeholders makes it highly likely that the United States will enact a climate change policy at the national level (especially to protect businesses from differing legislation across states). Domestic politics will push it to embrace market-mechanisms such as cap-and-trade or hybrid approaches rather than carbon taxes. However, commitment to global emission reduction targets will occur only if the major emitting countries are on board.