



A New Climate Treaty

US Leadership After Kyoto

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For years, despite a steady accumulation of science showing the clear and present dangers of global climate change, efforts toward an effective international response have been at a virtual standstill. The principal reason is that the United States has refused to play. But with Washington now seemingly on a course to enact mandatory limits on US greenhouse gas emissions, it is plausible to begin envisioning a multilateral solution to this quintessentially global challenge. It is, in other words, time to contemplate a new climate change treaty.

The urgency of the task is irrefutable. The Intergovernmental Panel on Climate Change's latest assessment concluded with 90 percent confidence that human activity is warming the planet and warned of irreversible and potentially catastrophic consequences if emissions continue unabated. Politically as well, the next few years represent a critical window for action. The emission limits assumed by most industrialized countries under the Kyoto Protocol expire in 2012. What momentum the treaty has achieved and the multibillion-dollar carbon market it has spawned may well be lost unless a new agreement can be forged.

Any new treaty will be environmentally effective and politically feasible only to the degree that it successfully engages and binds all of the world's major economies. Coming to terms with cost and equity while also bridging the gap between developed and developing is an extraordinary diplomatic challenge. Meeting it will require fresh thinking and approaches, a genuine readiness to compromise and a collective political will that, while perhaps emerging, is by no means assured. What is needed above all right now is US leadership, for no country bears greater responsibility for climate change, nor has greater capacity to catalyze a global response.

Responsibility is measured most directly in terms of emissions, and it should surprise no one that history's greatest economic power is also the world's largest greenhouse gas emitter. By the same token, the tremendous enterprise, prosperity, and technological prowess that have contributed so heavily to the atmospheric burden uniquely qualify the United States to lead a low-carbon transition. Indeed, no nation has done more to advance scientific understanding of the causes and consequences of global warming. But thus far, the US contribution to the global effort largely ends there.

For the first time, however, US politics are beginning to favor real climate action. Even before the recent Democratic takeover of Congress, momentum was building for mandatory measures to reduce US emissions. As on many other environmental issues, individual states are leading the way, with California once again at the forefront. Business leaders, sensing that carbon constraints are inevitable and fearing a patchwork of state rules, are increasingly calling for a uniform national approach. Ten major companies, including General Electric, DuPont, and Alcoa, recently joined with four nonprofits in the US Climate Action Partnership to push for mandatory emission limits. Several bipartisan bills now before Congress

would mandate emission cuts of 60 to 80 percent by 2050.

With the enactment of mandatory US measures probably occurring no later than 2010, the global politics of climate change will be thoroughly transformed. Having resolved what it will do at home, the United States will know far better what it can commit to abroad. To avoid losing competitive advantage to countries without emission controls, the United States will have a strong incentive to rejoin and strengthen the global climate effort.

For the struggling multilateral process, the United States' re-entry cannot come soon enough. After President Bush's outright rejection of Kyoto, other countries rallied around the treaty and brought it into force. But without the United States and Australia, the protocol encompasses only about one third of global emissions. Even if all countries meet their targets, which is unlikely, global emissions in 2012 would still be 30 percent higher than in 1997, when Kyoto was negotiated. While talks on post-2012 commitments have begun, under the treaty's terms they contemplate targets only for those countries that already have them. European leaders are floating ambitious numbers, but Japan and others have made clear they are not taking on new commitments without movement by the United States and major developing countries. The political reality is that the negotiations are headed nowhere, unless they are somehow broadened or linked to bring in the other major players.

With the United States back at the table, there could be a way forward. Once the largest emitter says it is ready to deal, China and other emerging economies might also be willing. Under this more hopeful scenario, what could a future climate treaty look like? To begin with, it must commit all the major economies. Today, 25 countries account for 85 percent of global emissions (as well as 70 percent of global population and 85 percent of global GDP). Environmentally, no long-term strategy to cut global emissions can succeed without them. Politically, it is imperative that all major economies be on board. All share concerns about costs and competitiveness, and none can sustain an ambitious climate effort without confidence that others will contribute their fair share. This requires binding commitments. But a new treaty should be flexible, allowing countries to take on different types of commitments. Circumstances vary widely among the major economies, and the policies that can address climate change in the context of national priorities will vary from one to the other. Countries will need different pathways forward.

One pathway, to be sure, is the one charted by Kyoto: binding emission targets coupled with emissions trading. Emission targets provide environmental certainty—everyone knows by just how much emissions are to be reduced—while emissions trading harnesses market forces to deliver those reductions at the lowest possible cost. The European Union's regional trading system and Kyoto's Clean Development Mechanism (which grants developing countries tradable emission credits for reductions they achieve) have generated over US\$30 billion in greenhouse gas trades since their launch in 2005. As the World Bank recently concluded, targets and trading is also critical because it is by far the likeliest means of generating the multi-billion dollar investments needed to drive down emissions in fast-growing developing countries.

A fully global system of targets and trading might appear to be the ideal policy but is politically unrealistic. Developing countries, which cannot as confidently project their future emissions and bitterly oppose any perceived constraint on their growth, are not about to take on quantified emission limits. A more realistic alternative would be policy-based commitments: countries agree to undertake policies that reduce emissions, while also advancing core development objectives such as economic growth or enhanced energy security. China, for instance, could commit to strengthening its existing energy efficiency and renewable energy goals, while Brazil and other rainforest countries could commit to reducing deforestation. Though developing countries would have no binding emission limits, they could participate in trading through a system awarding them emission credits for meeting or exceeding their

policy commitments, thus providing a powerful market incentive for robust compliance.

A flexible new framework could include other types of commitments. One promising approach is sectoral agreements: governments commit to targets, standards, or other measures to reduce emissions from a given sector such as transportation or electricity, rather than across the economy. Particularly in industries producing globally traded goods, this would help overcome competitiveness issues by ensuring for a more level playing field. Governments could also commit to joint technology efforts, both to develop long-term breakthrough technologies and to ensure that developing countries have access to them.

Finally, a post-2012 agreement must help poor countries cope with increased flooding, drought, and other inevitable consequences of global warming. It is a cruel irony that these impacts will fall disproportionately on sub-Saharan Africa and other regions that are least responsible for climate change and least able to adapt. Stronger international support for adaptation is not only a moral imperative, but a political necessity.

A new treaty that allows countries different but limited pathways could both build on the Kyoto Protocol and move past it. The natural venue for negotiating such a pact is the 1992 UN Framework Convention on Climate Change, Kyoto's parent agreement, which has been ratified by virtually every nation—including the United States. The precise form of this new treaty can emerge only through negotiation, as it must be tailored to the specific circumstances of very diverse countries. But the basic elements are clear. They include binding targets for developed countries to curb their emissions and drive the global emissions market, binding policy commitments for developing countries, possibly with sectoral and technology agreements overlaid, and stronger support for adaptation.

As the US climate debate advances, the question of international engagement will inevitably rise to the forefront. Already, the Senate Foreign Relations Committee has passed a resolution calling for the United States to negotiate under the Framework Convention to establish commitments for all major-emitting countries. To some, the goal may appear distant, if not wholly fanciful. But if and when the United States is prepared to lead, others, too, will be far better able to muster the necessary political will. Therein lies our only real hope for a new global compact to confront global warming.

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