

## **Environmental Diplomacy in the Relations between the European Union and the United States**

First F.D. Roosevelt Azorean Forum 16-18 July 2008

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**This text is expected to be published by the FLAD during the year 2010**

In the spring of 2007, the European Union upgraded its environmental international diplomacy through the blending of energy and climate strategic features in a new bold vision combining both domestic and international proposals. I believe that the new Administration to enter the White House on January 20<sup>th</sup> 2009 will find in that vision strong reasons for a new dialogue and a new era of cooperation between the two Atlantic shores.

### **§1. The New EU Energy/Climate Policy**

The new turn in EU international environmental policy was triggered by the compelling strength of facts and scientific data. The severity of climate change in the long run was reinforced by the Intergovernmental Panel on Climate Change (IPCC) 4th Assessment Report (2007). Before that crucial research outcome from the most complex scientific network ever established in world history, the alarm of climate change rang already through the works of Sir Nicholas Stern (*The Economics of Climate Change*, 2006) and Al Gore (*An Inconvenient Truth*, 2006). Sir Stern focused on climate change under the perspective of economics, and his major conclusion was received by many as terrible and unexpected bad news: “Climate change is the greatest market failure the world has ever seen, and interacts with other market imperfections.” On the other hand, the former Vice-President of the United States, Al Gore, launched a personal crusade around the world, using a book and a movie as weapons, underlining the global danger for the global human society and the Earth as a whole deriving from climate change, which he named, sound and clear as “the planetary emergency of global warming.” Besides Stern and Gore we may identify a prolific set of works combining energy, environment and societal decline and collapse, elaborating from different angles the darker sides of our human prospect under the shade of the global environmental crisis (Brown, 2003; Diamond, 2004; Heinberg, 2003 and 2004; Kunstler, 2005; Lovelock, 2007).

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Climate change risks the inner structures of the international system fabric, and puts a real danger to a fair balance among nations and to social cohesion within countries. Being a global environmental threat, climate change acts at the same time as a triggering factor to overall strategic instability. According to a study of the British Ministry of Defence, climate change ranks as the first of “three pervasive Ring Road Issues, followed immediately by “globalization” and by “global inequality” (UK Ministry of Defence, 2007). In the same line of thought, the German Advisory Council on Global Change alerted to the conflict potential contained in a feeble or faulted climate protection policy: “If climate protection policy fails and these efforts are not made, it is likely that from the mid 21st century local and regional conflicts will proliferate and the international system will be destabilized, threatening global economic development and completely overstretching global governance structures.”, (WBGU, 2007):

Shifting from diagnosis to therapy, we may witness that the European Union role lies in the current international landscape as the unchallenged champion of the need to fight seriously against climate change. Since the March 2007 European Council, the Union has a long run strategy, both inwards and outwards. The EU decided to combine energy policies (the major cause in the human induced climate change process) and climate policies in order to reach a long set of strategic goals. They comprise both internal and external aims and targets. They envision fostering a kind of “ecological modernisation”, shifting ways of production, selling and consumption of energy, helped by the strength of leadership through example to bring together the world community, including the United States, and rapid emerging economies like China, India and Brazil to a new international climate protection regime, avoiding a chaotic gap, or an inefficient puzzle of unilateral national or regional targets after the end of the Kyoto Protocol timeframe (2008-2012).

The rationale for the EU to combine energy and climate change policies is based on:

- Environmental reasons.
- Strategic reasons: autonomy, self-reliance, influence in world system, capacity of initiative.
- Security reasons: avoiding insecurity of supply, preventing scarcity and conflict<sup>2</sup>.

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<sup>2</sup> In a summary view, the aims of the EU, concerning the Energy and Climate Change strategy are the following:

- Post Kyoto targets for 2020:
  - Reduction of 30% GHG emissions by developed countries in comparison to 1990 levels.
  - Endorse already now an EU commitment to achieve, in any event, at least a 20% reduction of GHG by 2020 compared to 1990
- Internal Electricity and Gas Markets:
  - Ownership unbundling: to separate supply/generation interests from network companies.
  - A European Network of independent regulators [EREGG].
- Energy Efficiency and renewable goals:

## §2. The changing internal landscape in the US on climate policy

The US position on climate change is often painted in black and white in the European press coverage. However, events in the recent past have highlighted how fluid this position can be. The success of “An Inconvenient Truth”; the realization, rightly or wrongly, that the US is also vulnerable to climate extremes such as the Katrina and Rita hurricanes, and the rise in the political profile of the climate issue (witness the number of congressional **hearings on climate - over 60 only in 2007**), all point to a changing internal landscape on climate change. Some points warrant emphasizing:

- **Loss of credibility of the Bush Administration.** The current administration has lost almost all credibility (external and internal) on the issue. The recent inquiry into the Vice-Presidential working group on Energy and the Energy Policy Act of 2005<sup>3</sup>, all have added to the loss of credibility of this Administration on energy and climate policy.

- **Growth in awareness and public policy initiatives in the Congress and at State level.** Polling results show that climate has moved enormously up the political agenda and now ranks among some of the major policy themes for the Presidential campaign<sup>4</sup>. Likewise happens for energy dependence. Most Presidential candidates (including all of the Democrats) are either co-drafters or sponsors of climate and energy bills at this Congress

- **The coming Administration will move on Climate Change.** As has happened before with environmental policy (e.g. the Clean Air Act of 1990), the likelihood of rapid policy development mirroring the shift in public opinion prior to the 2008 elections seems diminute: incumbent administrations do not have the political stamina to move legislation, which would nevertheless be blocked in Congress (**as with the immigration bill stopped in 2007**). Freshly elected Administrations tend to be much more aggressive in the immediate

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➤ Endorse the objective of saving 20% of the EU's **final energy consumption** in a cost-efficiency manner by 2020 as presented in the Commission Energy Efficiency Action Plan.

➤ Endorse the binding targets of 20% for the share of renewable energy in overall EU energy consumption by 2020 and 10% minimum biofuels.

• Scientific framework and objective data

➤ To avoid an increase of global temperature beyond 2°C, above pre-industrial age.

<sup>3</sup> The **Energy Policy Act of 2005 (EPAct)** (Pub.L. 109-058) was passed by the United States Congress on July 29, 2005 and signed into law by President George W. Bush on August 8, 2005. The Act, described by proponents as an attempt to combat growing energy problems, provides tax incentives and loan guarantees for energy production of various types. Among its many provisions, and most controversially, the EPAct provides for increased funding of “clean coal” technologies, allows for loan guarantees for “innovative GHG reducing technologies”, including advanced nuclear power reactors and clean coal, allows for an increase in coal production, and extends to 2025 the limit on liability for nuclear accidents (Price-Anderson Act).

<sup>4</sup> About the shift in public opinion concerning climate change and its economic and political impact see: “Special Report Climate Poll. Global Warming: The Buck Stops Here”, *New Scientist*, 23 June 2007, pp. 16-19.

aftermath, as they try to burnish their reputations. It is therefore unlikely that the many bills currently under way in Congress will make it to policy (President Bush has also stated he would veto any cap-and-trade scheme, which the most popular bills endorse). Nevertheless, they give an indication of the scale of ambition that can be endorsed post-election<sup>5</sup>.

- **Interest groups are moving in the US:** key players in the debate are now moving: companies are deserting anti-climate change groups, and pro-climate groups such as the Climate Action Partnership are gaining membership at an increasing pace. The corporate side of America fears that it may be losing sight of a market for new technologies, both domestically and more importantly abroad. There is a sense that Europe is gaining strength in technologies such as renewables and energy efficiency. Nevertheless, corporate America is keen to emphasize its ability, given the right political signals, to innovate at a faster pace than European industry, and the claim is made that the US could easily catch up with Europe, if given the right political signals by the Administration.

- **Key technologies are advancing:** The US is probably more advanced, at least in some areas, in the quest to find a feasible business model for wider application of carbon capture and storage, and major pilot projects are under way, some of which may have a commercial basis soon. Leadership has been provided by the Carbon Sequestration Leadership Forum - a grouping of companies interested in the technology. Concerning renewable sources of energy there is a set of state level initiatives, like the Western Governor's Association Clean and Diversified Energy Initiative (WGA), or the New England Governor's Climate Change Action Plan (NEG-ECP); nevertheless the federal role can't be matched even by the boldest regional programs. Therefore "a national standard that motivates the country to truly promote renewable energy" is still missing<sup>6</sup>.

### §3. What to read from the current Administration

In hindsight, it is now clear that the current Administration has tried deliberately to undermine any significant development at the G-8 summit of Heiligendamm (June 2007), by preemptively announcing a Major Emitters Dialogue<sup>7</sup>. It is now clear that the Dialogue is not meant to produce any significant progress in international climate policy, but rather to lure countries such as Japan and Canada from a vision that is supported essentially through

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<sup>5</sup> The political ambition to fight climate change is already making way at state level in both ocean shores. Two examples: in California, with Governor Schwarzenegger initiatives, and in the East with the Regional Greenhouse Gas Initiative (RGGI) joining a group of north-eastern and mid-Atlantic states around a regional cap-and-trade system. According to the word given by Governor Schwarzenegger to Governor Pataki, of New York, in October 2006, the two initiatives will merge in a stronger RGGI.

<sup>6</sup> About renewable energy policies in the USA see: Benjamin K. Sovacool and Jack N. Barkenbus, "Necessary but Insufficient", *Environment*, vol. 49, nr.º 6, July/August 2007, pp. 20-30

<sup>7</sup> To have a larger picture of the Bush Administration profile towards the energy and climate change issues see: Viriato Soromenho-Marques, *O Regresso da América, Que Futuro depois do Império?*, Lisboa, Esfera do Caos, 2008, pp. 129-151.

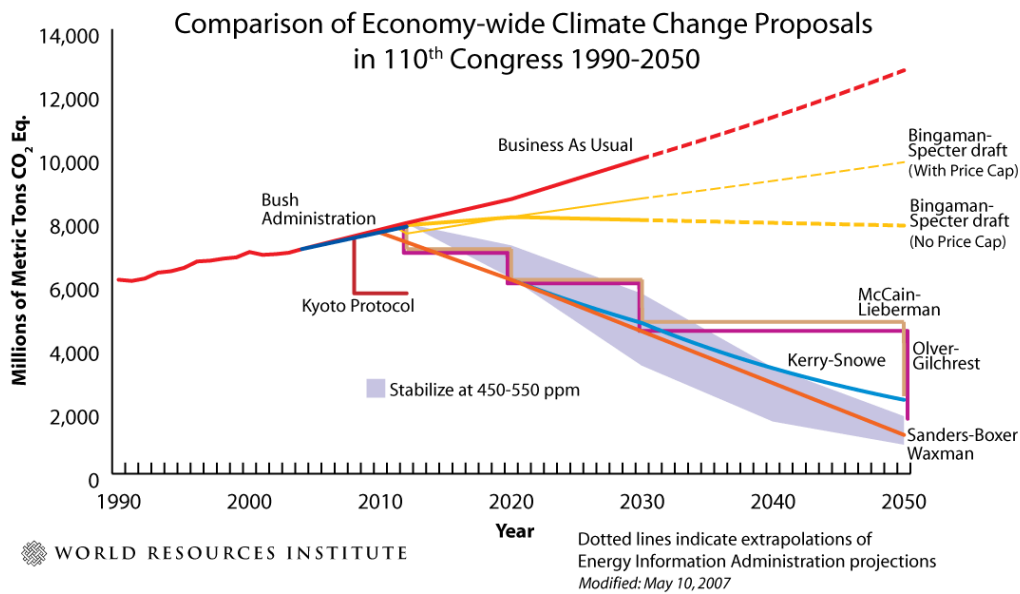
the UNFCCC and the Kyoto Protocol process, of increasingly hard policy on climate, towards softer approaches as bilateral or multilateral technology partnerships. To date, the damage seems to be contained, and reactions from potential fence-sitters seems negative to the proposal. For the EU, the proposal is a diplomatic challenge. On the brighter side, this is the first time in some years that the US is committed to a long-term process under the UNFCCC, and it should be welcomed. However, given the interest grouping behind this Administration's agenda, it is doubtful that the Dialogue will contribute significantly to the UNFCCC process itself.

The process has nevertheless focused the attention on the need to address the question of how to re-engage the US in the international process.

#### **§4. How to re-engage the US in the international process?**

It is now clear, after the outcomes of the Bali Conference (COP 13 in December 2007), that two separate negotiation tracks will be established in the diplomatic road towards a global agreement to be achieved in Copenhagen (COP 15, December 2009): the Kyoto Protocol track, for Kyoto implementing countries, aimed at getting at new reduction targets for post-2012 (this process has in fact been launched in Montreal two years ago), and the broader UNFCCC process, aimed at discussing further engagement of developing countries in the process. In this context, Europe has outlined its vision of the future in the Spring Council conclusions (2007), that will be hopefully supported by the coming Winter Council (December 2008). However, some issues arise in the EU relationship with the US, from its current approach:

- a) it is clear that the US cannot sign up to the Kyoto Protocol, and will not be engaged in the Kyoto track;
- b) it is also clear that the US cannot be treated, under the Convention, on an equal status of obligations as China, India or Brazil;
- c) there is currently no specific track for the US to negotiate its re-engagement in the joint effort after 2012;
- d) the European Council conclusions (March 2007) speak of an expectation from the EU that the US should provide "comparable" efforts. These conclusions have set the bar extremely high, if they are meant to signify that the US should follow the EU lead and commit to a 30% reduction target in the next 12 years or so. Unfortunately, The Climate Action Partnership proposals and the most aggressive proposals on Capitol Hill today speak of a return to 1990 levels by 2020 (see figure below, from the World Resources Institute). Setting the bar too high may in fact discourage involvement of the US internationally.



## §5. Principles of an EU strategy for US re-engagement

In the light of these factors, the EU should:

- a) Promote its vision of climate policy, including its own emission trading scheme, in an honest and prudent way, making the case that joining an international carbon market should be the way forward for US climate policy. The EU Emission Trading System currently has an unduly bad reputation in the US, where it is shown as an example of ineffective climate policy by the European Union;
- b) at the same time, the EU should learn from others' assessments of its failures: current plans for cap-and-trade schemes in the US are far more aggressive in their architecture (e.g. full auctioning, no revenue recycling) for operators than what the EU has managed so far; in fact, most of the proposals tend, in the future, to assume full auctioning of emission rights. Auctioning or selling emission rights (rather than distribute them freely) should be more in line with the polluter-pays principle, would provide higher recognition of early pioneering action in reducing emissions, and would be less disruptive of competition than the current EU ETS allocation scheme, based on historical emission data and national allocation plans. Likewise, auctioning provides the opportunity to leverage finance that can be used to fund alternative technologies. The EU ETS has come under severe criticism on its allocation rules, and the Commission is currently reviewing the allocation methodology, as part of the wider EU ETS review process;
- c) get its message across to the progressive leaders on both Parties, and prospective candidates, over the Administration
- d) tune its message on the comparability of effort to signify that it should not imply a translation into equal reduction commitments;

- e) seek to re-engage the US in the international process, by signifying to all Parties in the road to Copenhagen (December 2009) the need to provide a formal opening for that re-engagement (a third track?);
- f) signal to the US the need to acknowledge developing countries contributions to climate policy, without unrealistically attempting to force these into developed country-type commitments on emission reductions.

This idea of creating a third track to accommodate the US under the common roof of the UNFCCC could obviously become an easy target for severe criticism. In fact, climate diplomacy, as the crucial part of strategic global environmental policy, is to be measured against empirical data and growing evidence that allow us a short window of opportunity between 2015 and 2020 to attain the peak of greenhouse gases emissions, if we want to avoid a catastrophic slide in the rise of global mean temperature well beyond 2. °C. A minor role of the US in the burden sharing agreement could seriously damage the possibility of using timely that window of opportunity.

Hard decisions are frequently the price of leadership. No one in the world but the EU is now in conditions to lead the vital task of fighting climate change at global level. The Presidency Conclusions of the March 2007 Council of the European Union called upon the crucial goal of obtaining a post-2012 climate agreement within “a fair and flexible framework for the widest participation”. The EU should voice its solid reasons for strong emissions reductions for developed countries within an ample policy that include a wide range of other measures, like investment in new renewable energy systems, energy efficiency, diffusion of new key technologies, capacity building, fight against deforestation, effective adaptation, etc.

The EU should put the principle of fairness in equal footing to the principle of flexibility. However the worst scenario before us is the possibility of endless continuation of a diplomatic trench war regarding burden sharing after 2012. In that ugly scenario even the dismantling of the UNFCCC, and the return to a climatic Hobbesian situation of “war of all against all”, is not out of sight. In that case, it’s up to the European Union, exercising its leadership responsibility, to decide if the principle of flexibility shouldn’t prevail, in the short run, over the principle of fairness, to avoid a complete disaster in global climate diplomacy.

## **§6. Learning with Franklin Delano Roosevelt**

F.D. Roosevelt is strongly alive in American culture. That entails also the need to find a new road for American involvement (and hopefully, leadership) in the crucible issue of climate change. F. D. Roosevelt is one of the most common and hated targets of the declining conservatives that are now being expelled from the American political scene. Against the fierce and unrealistic market-alone ideology, in which everything goes, President Roosevelt was able to win the two major crisis that emerge in a row in

American history, with the exception of the Civil War, blending public policies and marketplace dynamics: the result was both the Social Security Act (1935) and the “miracle” of a “War Economy”, build upon the vitality of private initiative with the guidance and leadership of the federal government.

Asked about the ways necessary to overcome the current energy and climate crisis, in an Iowa town hall, in late December 2007, Presidential candidate Barack Obama reminded the Manhattan Project and the Apollo Project, two major initiatives that combined market initiative and active federal public policies. The legacy of F.D. Roosevelt will come to the forefront of Washington policies after the November 2008 elections. I am sure that the next American President will subscribe the spirit of the last F. D. Roosevelt’s Inaugural Address, on January 1945: “We have learned that we cannot live alone, at peace; that our own well-being is dependent on the well-being of other nations far away (...) We have learned to be citizens of the world, members of the human community.”

That’s precisely the issue at stake in the current environment, climate and energy crisis: to find the narrow and difficult path to a peaceful and fair future for the human community as a whole.

18 July 2008

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