Changing the Political Climate on Climate Change

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The primary foreign policy challenge confronting the United States in the next three decades is also our country's largest domestic policy challenge: climate change. In both arenas—foreign and domestic policy—we are in effect racing the clock, aware that the longer we delay action, the more costly the fixes at home will be, and the less able we will be to induce the kind of change necessary in China, India, and beyond.

Yet despite the obvious threats posed by climate change at home and abroad, there is alarmingly little urgency to confront it by our leaders. The next president will be faced not just with these threats, but also with little time to prepare the United States to lead the world in solidifying and expanding the next phase of the only global agreement to meet this global challenge: the Kyoto Treaty.

The Threat. The political, economic, and environmental challenges associated with climate change are daunting, particularly when you consider the United States's heavy reliance on carbon-intensive energy sources and the volatile regions in the world from which the nation purchases its oil. The global economy uses eighty-four million barrels of oil per day, one quarter of which is consumed by the United States. The amount the nation consumes is expected to increase 3

percent per year by 2020, an increase in demand that will be met by more imports. Imports are predicted to rise to 70 percent from 60 percent of the nation's current oil supply—nearly thirteen million barrels per day—by 2025. These imports cost the United States roughly $300 billion dollars—a figure that is sure to climb as oil approaches the previously unthinkable price of $100 per barrel. This is an alarming fact given that oil has become the largest single contributor to our national trade deficit, and that our continued reliance on the Middle East's oil reserves forces U.S. leaders to make political concessions to authoritarian regimes and compromise national security in the process.[1]

In addition to subjecting the nation to the whims of the global oil market and the unstable countries that own the vast majority of known oil reserves, the reliance on oil presents a further environmental threat to national security—greenhouse gas emissions. The United States is responsible for a quarter of the world's global warming emissions. Those emissions threaten to increase the intensity and frequency of storms, destroy coastlines, and devastate communities least prepared to confront them around the world. The conclusion of a recent study written by eleven retired U.S. military flag officers and commissioned by the CNA Corporation perhaps best captures the critical issue that the United States currently faces: "Climate change can act as a threat multiplier for instability in some of the most volatile regions of the world, and it presents significant national security challenges for the United States."[2]

A series of studies have highlighted the danger posed by climate change. The Intergovernmental Panel on Climate Change, which was awarded the 2007 Nobel Peace Prize, warned of people faced with—and countries threatened by—food shortages, water scarcity, devastating natural disasters, and deadly disease outbreaks.[3]

More ominously, a forthcoming study by Peter Ogden and John Podesta warns that climate change may be a global humanitarian catastrophe, including large-scale human migration, intensifying intra- and inter-state competition for food, water, and other resources, as well as increased frequency and severity of disease outbreaks and heightened risk of state failure. Such developments could increase strain on the capacity of the United States—and in particular the U.S. military—to act as a "first responder" to international disasters and require a broadened role for the UN in managing environmental refugees and acting as a forum for international climate agreements.[4]

The single biggest obstacle to implementing a comprehensive climate change policy is the lack of political will in Washington.

The changing climate is certainly impacting poor countries most, but the United States is not immune from its devastating impacts. A years-long drought that is devastating the west

recently spread, and now 43 percent of the United States is experiencing "moderate to extreme" drought.[5] And, of course, in the more than two years since Hurricane Katrina's tragic landfall, the United States has invested more than $100 billion rebuilding New Orleans and the Gulf Coast.

Nothing captured the magnitude of the nation's current challenge better than a map that appeared in the *New York Times* in December 2006.[6] The map shows that by 2050, climate change will push land suitable for wheat cultivation deep into Canada and Alaska. While there were 3,315,000 acres of wheat planted in South Dakota in 2005, according to the United States Department of Agriculture, that number could very well be zero in 2050.

A review of this troubling literature underscores a central fact: climate change is not only a security challenge, but also an economic one. The impact on agriculture, currently on wheat and rice, is just the beginning.[7] A recent study by Lehman Brothers warns, "Conservative estimates suggest a cost of between 0 and 3 percent of global GDP annually by the time that Earth's temperature has risen by 2-3°C, with poor countries affected disproportionately."[8] And a separate study commissioned by the United Kingdom's Chancellor of the Exchequer and undertaken by former World Bank Chief Economist Nicholas Stern had similarly dire conclusions if we do not act.[9]

The Response. Despite these studies' overall gloomy predictions, the Stern Review provides some cause for cheer: By aggressive corrective action today, the most devastating economic and other impacts of climate change can be averted at a cost of about 1 percent of the global GDP. Even better news is that there are enormous business opportunities in the creation of a low-carbon economy. The Stern Review estimates that "low-carbon energy products are likely to be worth at least $500 billion per year by 2050, and perhaps much more."[10] Likewise, Morgan Stanley recently estimated that clean energy sources such as wind, biofuels, and solar could generate $1 trillion a year in revenue by 2030.[11]

Faced with such numbers, it is astounding that policymakers in Washington have not acted upon the market incentives of such corrective measures. But the fact is that neither the White House nor Congress has acted with the urgency or aggressiveness needed to confront our reliance on carbon-intensive fossil fuels or to mitigate the emissions of greenhouse gas pollution.

Thus, this is not simply a question of domestic or foreign policy. When it comes to energy security and climate change, the distinction between the domestic and foreign policy arenas simply does not hold. First and foremost, getting the foreign policy right demands the right domestic policy.

Domestic policy. In the United States, the challenge for policymakers is to ensure that we are moving away from a reliance on carbon-intensive fossil fuels. Succeeding in this effort demands a federal policy framework that builds a robust domestic renewable-energy industry now. There is a way forward.

First, Americans have to become more efficient with the energy that they currently use. Energy efficiency remains the cheapest way to address demand growth. Better building codes, appliance standards, and market-driven demand side

management programs can make a 10 to 15 percent dent in the need for new capacity in the United States

This can be done while minimizing costs. Through the use of timers, skylights, and low impact light bulbs, the largest furniture company in Southern California—Today's Furniture—has lowered its monthly electricity bill from $86,000 to $60,000. These energy-saving efforts certainly cost Today's Furniture money, but because of innovative grant programs from Southern California Edison, the company's owners recouped the expense of investing in efficient technology in just three months due to lower electricity bills.[12]

Nevertheless, it is impossible to depend on local companies or residences to make all savings in efficiency. One needs to go straight to the electricity utilities and help them decouple profits from electricity output. At present, utilities can profit only by producing more electricity, which results in harmful greenhouse gas pollution. Decoupling profits from electricity output—in effect, encouraging utilities to become more efficient—will be the most effective way to increase overall efficiency.

At the same time, Americans need to be more efficient with the oil they consume. The quickest way to do that is to mandate an increase in the average fuel efficiency of automobiles. Embarrassingly, the United States currently lags behind China, South Korea, Canada, and Australia in its fuel-efficiency requirements—something that must change.[13]

Second, the government has to put in place a federal tax infrastructure necessary to harness the power of wind, solar, and geothermal energy. Remarkably, global wind production has more than tripled since 2000. In addition, the use of solar cells for electricity has increased over six times in the same period, making solar one of the fastest growing industries on the planet.

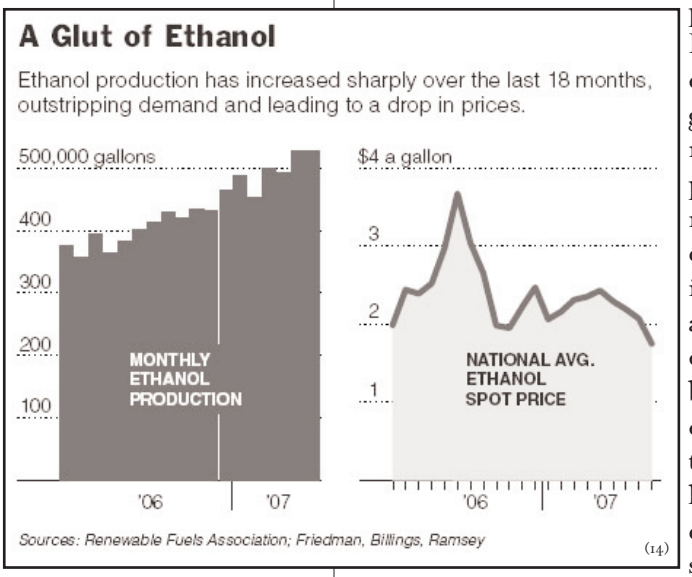
Too little of that robust development has happened in the United States because Congress has allowed the Production Tax Credit (PTC) to lapse. This problem is compounded by the fact that, when the PTC is reauthorized, it is only for abbreviated periods that are insufficient to maximize investment in this attractive market.

Hopefully, the current Congress will see a long-term PTC enacted. Since the enactment of the Energy Policy Act of 2005, which included a two-year PTC, there came an explosion of new wind, solar and geothermal activity. A five-year extension of the PTC would send a strong message to the market that U.S. federal policymakers are serious about renewable energy.

Third, the United States needs to enact a renewable portfolio standard (RPS) to obligate utilities to purchase a set proportion of their electricity from renewable sources. Overseas, Germany's Renewable Energy Sources Act will increase the share of electric power sourced from renewables to 12.5 and 20 percent by 2010 and 2020, respectively. There is no reason the United States cannot do the same, if not more. As a goal for U.S. policymakers, the United States should reach a level of 25 percent by 2025. It is worth noting that more than twenty states have already established a RPS requirement, and several proposals on a national RPS have been introduced in Congress. The ongoing failure to reach an agreement on a national RPS in Congress is therefore a lost opportunity.

Fourth, more efforts should be made

to boost the domestic renewable fuels industry so that transitional fuels, such as corn ethanol, could give way to other fuels such cellulosic ethanol. The latter will allow not just to blend ethanol with gasoline, but also to replace gasoline altogether. This will not happen, however, unless the nation as a whole adjusts its renewable fuels standard (RFS) to ensure that the initial success in ethanol is not undercut by a glut in the market. The volatility in the ethanol market in just the last several months illustrates the problem: too much production is chasing too little guaranteed demand. As a result, prices are plummeting.



This trend will continue unless the United States ensures new demand for ethanol that does not lead to surplus of the fuel in the coming years. The EU has pledged to ensure that biofuels such as biodiesel and imported sugar ethanol comprise at least 10 percent of fuels used for transport by 2020. Earlier this year, President Bush announced his support for such a measure and there are several bipartisan proposals in the House and Senate to enact such a vision. Before additional price erosion further undercuts the industry and thereby sets back the development of renewable fuel alternatives even more, the Congress and the president should act.

Fifth, the United States needs to calculate all the externalities in the price of energy. The most efficient way to do that is to establish a national cap and trade system on greenhouse gases. In addition to this step, Americans should go even further by emulating their friends in Europe and impose a tax on each metric ton of carbon dioxide emitted. This "belt and suspenders" approach would ensure a clear price signal that increased efficiency and low carbon alternatives will be profitable. Far from a drag on growth, this market will provide the requisite capital for innovation and perhaps even finally boost emerging technologies like carbon capture, sequestration, and cellulosic ethanol from laboratory exploration to market reality.

Foreign policy. Each of these steps will have a dramatic influence on the U.S. energy market and on its ability to reduce greenhouse gas emissions. But the impact will be far greater beyond American shores, where the United States will show a skeptical world it is finally taking the lead to battle climate change.

Due to the U.S. pollution record, past inaction, and even recalcitrance, international skepticism of the United States is well founded. Though recently surpassed by China as the world's largest current emitter, the United States

remains by far the largest per capita emitter. U.S. share of the existing atmospheric stock of greenhouse gas pollution far exceeds emerging emitters like China and India. In fact, estimates suggest that even with China and India dramatically increasing their emissions today, it will be the end of this century before the developing world's contributions to the existing stock of greenhouse gas pollution surpasses those of the developed world.

U.S. policy overseas continues largely unchanged. The United States continues to dominate the global oil market. U.S. foreign assistance shows no evidence of having recognized the changed climatic conditions in which those important investments are made, meaning that many such investments are largely wasted. Meanwhile, the United States's export promotion program, the Export-Import Bank, maintains an inexplicable policy of promoting the export of petroleum-related technology while promoting almost no low-carbon energy alternatives.

This troubling foreign policy dynamic—where the rest of the world remains skeptical that the United States is cognizant of world-impacting climate threats—was on display during President Bush's meeting with the world's largest emitters at the White House in September 2007. While the domestic American press reported that the meeting marked a policy shift for the White House, the two-day conference is perhaps more notable for its record of complacency. Its closest allies barely contained their disappointment in the United States, which was unwilling to consider binding reductions in its greenhouse gas pollution.

Leadership. The single biggest obstacle to implementing a comprehensive climate change policy is the lack of political will in Washington, D.C. Any action on climate change will require political courage and strong leadership, coupled with a willingness to work in a bipartisan fashion. There has been, and will continue to be, fierce resistance by those opposed to any change in the status quo. One only has to be reminded of Vice President Dick Cheney's Energy Task Force to appreciate the entrenched special interests behind the current domestic energy policy.

Leadership must come from the Congress, which must put national interest above special interests and become a champion of the country's energy independence. As mentioned previously, Congress needs to enact a long-term production tax credit (PTC), renewable portfolio standard (RPS), and expand the renewable fuels standard (RFS). In order to maximize effectiveness, these policies must be joined with a national cap and trade system and a carbon tax. Unfortunately, the recent energy bill debate in Congress demonstrates the great difficulty before the nation in enacting these policies. The auto and oil industry opposes implementing tough CAFE standards. Utilities located in southern states are resisting a national RPS, fearing that a lack of wind and solar power will prevent them from meeting the mandate. Faced with such powerful opposition, congressional members must thus decide whether to buck local interests for the greater national interest.

As a member of Congress for twenty-six years, including ten years as the Democratic leader in the Senate, I appreciate the difficult choices facing the Congress. However, if we are serious about addressing climate change, all options must be on the table.

In addition to Congressional action,

the next president of the United States must provide visionary leadership on the issue of climate change. Rather than using the power of the presidency to be a good steward of the environment, President Bush ceded leadership to the EU, isolating the United States in the process. While leaders like German Chancellor Angela Merkel have confronted climate change, President Bush has remained a bystander. This absence of executive leadership has come at a price: instead of leading by example, which might even have improved U.S. standing in the world, the president abdicated our responsibility to confront a worldwide security, economic, and environmental threat.

The naysayers will claim that if the United States implements a mandatory system to reduce emissions, it will unduly harm our economy, especially if China and India do not follow suit. This argument is a red herring. China and India will act to curb emissions only if the United States acts first. If the United States commits itself to binding action to reduce greenhouse gas, China and India will be compelled to act as well.

The Way Forward. Ironically, while President Bush refused to take the steps necessary to confront climate change, he had constructed exactly the right infrastructure for grappling with the problem. The next president will need to permanently institutionalize the "major emitters," or what Tony Blair called the G8+5: Canada, France, Germany, Italy, Japan, Russia, United Kingdom, United States, Brazil, China, India, Mexico, and South Africa. Such a forum will permit the largest emitters to meet and discuss ways to reduce their emissions, mitigate the damage of existing emissions, and meet their obligation to limit the impact of our emission on the developing world and help poor countries to adapt to a new climate reality.

Nevertheless, relying on a G8+5 infrastructure has its drawbacks. While it ensures that the richest economies—those most able to invest in the technology necessary to reduce emissions—are at the table, it perpetuates the power imbalance that keeps the powerful "in" and the less powerful, those most effected by climate change—"out."Arrogance of power should not preclude the vulnerable from a seat at the table. The United States and the EU would be better served by reflecting some humility and sensitivity to the plight of the rest of the world community.

In the United States, the challenge for policymakers is to ensure that we are moving away from a reliance on carbon-intensive fossil fuels.

The Conference of Major Emitters should open a secretariat and mandate meetings of members' heads of state at least yearly. The secretariat should host permanent subcommittees of member states, focused on low-carbon energy technology transfer and best practices in energy efficiency and energy policy. Most

importantly, the Conference of Major Emitters must establish a permanent subcommittee focused on a global carbon regulatory mechanism for Phase II of the Kyoto Protocol. The first phase of the Protocol expires at the end of 2012, and the goal of this subcommittee will be to bring the United States, as well as China and India, into a binding global carbon cap. Ultimately, of course, such a deal can only be finalized within the UN and Kyoto process, but the subcommittee at the Conference of Major Emitters should immediately begin the legwork on these difficult negotiations in a smaller forum not plagued by the jockeying and posturing that is certain to mark the larger Kyoto process—and which has apparently hobbled the WTO's Doha Round.

The permanent subcommittee can also work through emerging issues in the international carbon trading market. Drawing upon the experience of three years of the EU Emissions Trading System (EU-ETS) and the nascent Clean Development Mechanism (CDM), the subcommittee can improve on the process whereby capped countries can offset carbon pollution by investing in carbon-reducing energy technologies in the developing world. Such a market should be a win-win situation for developed and developing countries, but the CDM has failed to live up to expectations to-date.

Conclusion. The next president of the United States will face a series of pressing global and domestic challenges, from reforming our health care system, to ending the war in Iraq, to stopping Iran's nuclear program. Nevertheless, due to the emerging consequences of climate change and the looming deadline of the 2012 expiration of phase I of the Kyoto Protocol, confronting our energy and greenhouse gas pollution crisis may very well be the most pressing challenge confronting the United States. Meeting and defeating this challenge will require the next president, in conjunction with the Congress, to address it with urgency and as the shared domestic and foreign policy challenge that it is. By leading the international response to the threat of climate change, the United States will not only be more economically and environmentally secure, but also better positioned to lead the world on other pressing challenges.

NOTES

1 http://www.eia.doe.gov/.

2 "National Security and the Threat of Climate Change," http://securityandclimate.cna.org/-report/National%20Security%20and%20the%20Threat%20of%20Climate%20Change.pdf.

3 Summary for Policymakers of the Synthesis Report of the IPCC Fourth Assessment Report http://www.ipcc.ch/pdf/assessment-report/ar4/syr/ar4_syr_spm.pdf.

4 John Podesta and Peter Ogden, "National Security and Foreign Policy in the Age of Climate Change," Center for American Progress, forthcoming.

5 http://ap.google.com/article/ALeqM5gSw_2P-WzxnM_xpZhDvYCSWmoZVLwD8SAISU01.

6 http://thelede.blogs.nytimes.com/2006/12/-05/americas-breadbasket-moves-to-canada/.

7 One report suggests that the annual yield of rice will decrease 10 percent for each 1 degree Centigrade increase in global temperature. See Intergovernmental Panel on Climate Change, Working Group II, Climate Change Impacts, Adaptation and Vulnerability http://www.gtp89.dial.pipex.com/chpt.htm.

8 Lehman Brothers, "The Business of Climate Change: Challenges and Opportunities," February 2007, p. 3.

9 See "The Stern Review on the Economics of Climate Change," http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/sternreview_summary.cfm.

10 "The Stern Review: The Economics of Climate Change," page 302.

11 "$1 trillion green market seen by 2030," Timothy Garner, *Reuters*, 18 October 2007.

12 Staff interview with Sharm Scheuerman, Founder of Today's Furniture, 31 March 2007.

13 The International Council on Clean Transportation, "Passenger Vehicle Greenhouse Gas and Fuel Economy Standards: A global Update," July 2007, p. 23, http://www.theicct.org/documents/ICCT_Global-Standards_20071.pdf.

14 "Ethanol's Boom Stalling as Glut Depresses Price," *New York Times*, 30 September 2007.