

Climate Control: A New Environment for Atlantic Integration

Jason Rubin

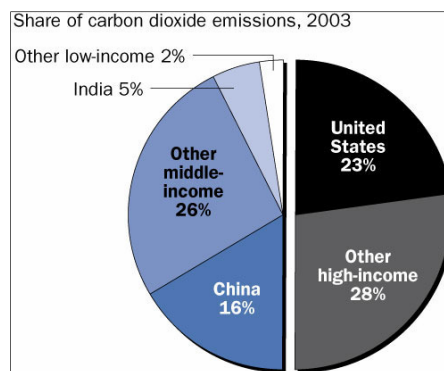
NGOs and activists, backed up by scientific studies, are pressuring US and European leaders to act quickly and decisively on the threat of climate change. This has provided the political capital for leaders on both sides of the Atlantic to take a progressive approach to environmental cooperation without fear of retribution from special interests. That capital should be spent on integrating US and European environmental institutions and policies. Transatlantic integration of environmental institutions and policies are essential to drawing the global community into the protective measures needed to quell the consequences of global warming and environmental degradation. Past attempts at global environmental regulation have failed, or only partially worked, and the efforts of NGOs and activists will have effect only as far as government enforcement supports them. Efforts to integrate transatlantic environmental institutions and policies have the potential to improve the transatlantic relationship, and subsequently global environmental cooperation, but only if the political class is willing to lead.

Much of the recent hope for transatlantic cooperation on environmental policy is the result of efforts by German Chancellor Angela Merkel. During Germany's Presidency of the European Union and as host of the Group of Eight industrialized countries (G8) summit at Heiligendamm this past June, Merkel has emphasized both the transatlantic relationship and environmental policy. Earlier this year, President George Bush had encouraging words in his 2007 State of the Union address, promising a 20% reduction in US greenhouse-gas emissions by 2020. The 2007 World Economic Forum, held in Davos, Switzerland, also placed environmental policy on top of its agenda. Speeches by Merkel, British Prime Minister Tony Blair, and many transnational business leaders, addressed the necessity of global cooperation to combat global warming. These efforts have been given further credence by three reports released by the United Nations' Intergovernmental Panel on Climate Change (IPCC). In them, 2,500 scientists from 113 countries boldly assert that global warming is without a doubt occurring, that it is almost certainly manmade, and that the world's poor will be affected most severely by shifts in weather patterns, water shortages, and rising sea-levels¹.

All this has created a perfect political storm that can propel increased transatlantic integration. Where once only transatlantic divergence was grabbing headlines, the spotlight has now been placed on the need for the world's two largest economic blocs to lead by example.

There are several reasons why the United States and the European Union should be the first to integrate environmental institutions and policies. They are the wealthiest regions of the world. Strict environmental regulation will put stress on the economic well-being of individual countries, with possible decreases in output, and increases in unemployment, which the US and Europe will be most able to absorb. On the other side of that argument is potential economic gain from stricter environmental standards. Both the public and private sectors will become increasingly reliant on "green" technology to meet new regulatory standards, and those who develop the technologies first will be poised to sell them to the rest of the world. Correlated with the transatlantic region's wealth is the fact that the US and Europe are also the world's largest emitters of greenhouse gases, and consume a disproportionate amount of the world's natural resources. For that reason, Western leadership is essential for drawing less developed countries into a global treaty to protect the environment.

Demand for global environmental policy that transcends the interests of individual nations has been created, but there is still little, if any, meaningful environmental protection that can be enforced globally. Since the Bush administration has been unwilling to act resolutely, other actors have stepped in to fill the void. NGOs, corporations, and sub-national governments have taken the initiative to set the international environmental agenda. California Governor Arnold Schwarzenegger has led the charge by cooperating with European policymakers and setting the nation's toughest environmental standards within his state. Meanwhile, venture-capital investment in clean-energy technology reached \$63 billion in 2006 – up almost 29% from the year before – most of it coming from the US and Europe². Furthermore, many globally-oriented businesses in the US and Europe have accepted voluntary environmental regulations in the belief that they must consider environmental impact when calculating their bottom line³.



Source: World Development Indicators 2007

Some corporations that played a large role in creating global warming are now taking voluntary action to reverse it. Voluntary regulations have largely been monitored and enforced by international NGOs which have long been involved in global environmental protection. But it is questionable whether voluntary regulations and oversight by NGOs can stop and reverse global warming. NGOs, sub-state governments, and private efforts are promising. But Harvard professor John Ruggie, a former advisor to Kofi Annan, argues that while they have helped instill liberal values into the global polity, they will never be able to force national governments into compliance⁴. Governments, then, must voluntarily embed the values engendered by international NGOs, sub-state, and private actors, and create effective global institutions to enforce global environmental laws.

Global warming is a worldwide problem and requires a global solution. Many were hopeful that the 2007 G8 summit would yield an agreement on the terms of a post-Kyoto treaty. It ended with agreement to cooperate in forging a plan to succeed the Kyoto treaty, but no immediate goals for common emissions regulations were set, nor were plans made to integrate less developed countries into a treaty to combat global warming. Hopefully, leaders will make better use of the December 2007 United Nations Framework Convention on Climate Change.

The transatlantic partnership now needs to enter into negotiations to create a transatlantic structure to enforce binding environmental regulations. One idea that has been discussed is a transatlantic emissions-trading system. The US has yet to create such a system at the federal level, though California is on the verge of creating a state-wide system. The EU has created such a system, but it is largely ineffective because of a devaluation of emissions credits after national governments flooded the market with them. As the EU looks to revamp its system, and the US looks to create one, both sides of the Atlantic partnership should instead focus on creating one together. The first step would be to agree on a shared system of environmental standards; that is, there needs to be one system for measuring both allowable emissions and environmental pollution, and one set of benchmarks for measuring progress. The US has consistently stayed away from emissions standards set from outside the US and any caps on pollution and emissions in general. But the change-over to a Democratic Congress, in the context discussed above, means that American legislators could more readily accept the idea of emissions quotas and the transatlantic partnership would be more able to implement an effective emissions trading system. The purpose of quotas is not only to limit emissions, but to harmonize standards that will be required to build an efficient free-market approach to greenhouse-gas reductions. Harmonization of standards will remove the structural barriers that prevent objective valuation of emissions credits, a prerequisite for

an integrated transatlantic emissions-trading system.

The other requirement is the creation of a transatlantic environmental institution to administer the transatlantic emissions-trading system. The two most important considerations in this are: 1) delegating enough power to the institution so that regulations can be adequately enforced, and 2) making it flexible enough to allow for the accession of other countries in the future.

Another policy-tool available is an international *carbon tax*. To implement it, an international body would first determine acceptable levels of emissions by individual industries within individual countries, relative to a specific baseline for each country, usually the Kyoto-treaty base-year (1990). The advantage of this is that less-developed countries, which often complain that they cannot afford the costs associated with strict environmental regulation, would only be subject to taxes based on a standard set for their own country, not on global standards. This is essentially a progressive tax where the wealthy would be subject to higher rates than the poor. Industries emitting more than allowed

would have to pay a tax corresponding to their excess emissions. Another advantage is that national governments would have incentive to enforce the tax, because they would be responsible for collecting the tax revenue.

Such a global carbon-tax system would require international cooperation to set standards and to determine an effective mechanism for monitoring emissions, but it would require less global enforcement than a global emissions trading system. Yet, for the same reasons mentioned earlier, the US and EU have incentives and obligations to be the first to implement it.

Given the failure of previous international agreements on voluntary emissions-constraints, and the inability of sub-national and non-state actors to do so on a large scale, it is time for the US and the EU to create transnational environmental institutions and enforceable regulations. The consequences of global warming do not seem likely to go away, but the political momentum afforded by recent events might. If the transatlantic partnership fails to act now, we will have squandered an opportunity to show solidarity with and lead the world on an issue that requires swift and decisive action. □

Jason Rubin is an editor at The Globalist, a Washington, DC-based daily online magazine.

¹ Intergovernmental Panel on Climate Change, *Climate Change 2007: The Physical Science Basis*, Working Group I, 4th Assessment Report, February 2007; and *Climate Change 2007: Impacts, Adaptation, and Vulnerability*, Working Group II, 4th Assessment Report, April 2007.

² The Economist, *Green Dreams*, 16 November 2006.

³ New York Times, *Energy Executives Urge Voluntary Greenhouse Gas Limits*, 1 August 2001.

⁴ Ruggie, J.G., *Taking Embedded Liberalism Global: The Corporate Connection*, in David Held and Mathias Koenig-Archibugi (eds.), *Taming Globalization: Fron-*