

WebMemo



Published by The Heritage Foundation

No. 1759

December 21, 2007

The U.S. Must Be Resolute to Avoid Harmful Consequences of the Bali Global Warming Conference

Brett D. Schaefer and Ben Lieberman

Earlier this month, representatives of 187 nations and thousands of environmental activists and other participants gathered for the United Nations Climate Change Conference on the resort island of Bali, supposedly to forge a new “consensus” on how to address global warming. In reality, the Bali conference was a carefully orchestrated performance designed to force the U.S. to commit to negotiations for a post-Kyoto Protocol agreement on global warming that includes binding greenhouse gas reductions, despite the evident failure of Kyoto, which embodies a similar strategy, and the prohibitive cost of binding reductions.

Throughout the conference, the U.S. delegation firmly resisted efforts to include binding commitments for developed countries to reduce emissions. It also tried to focus the discussions on flexible strategies to address global warming that would not constrain economic growth and to convince conferees that action by developed countries alone would not be sufficient to address the projected problem of global warming. The U.S. was partially successful: It eliminated binding targets from the operative text and succeeded in getting developing countries to accept some responsibility in resolving global warming. Unfortunately, enormous pressure to agree to a consensus position on the last day led the U.S. delegation to capitulate to demands by developing countries to provide aid to adapt to the consequences of global warming and to subsidize the transfer and development of emissions-reducing technologies.

The Bali outcome is not a complete loss for the Bush Administration. The most worrisome proposal—adopting binding emissions reductions—was avoided. However, by agreeing to two years of negotiations, the Bush Administration has set its negotiators up as punching bags and created an opening for a future administration to capitulate to international pressure to adopt binding reductions in greenhouse gas emissions. The U.S. would have been far better off to have stood by its principles, refused to join consensus on the Bali Action Plan, and pursued more flexible, effective strategies to address global warming such as those advanced at the Major Economies Meeting on Energy Security and Climate Change.

A Failed Strategy. The strategy of addressing global warming through constraints on emissions of greenhouse gases is doomed to failure. The real-world performance of the parties to the Kyoto Protocol bears out this conclusion.

The 1997 Kyoto Protocol, the key multilateral treaty to reduce greenhouse gas emissions, establishes a cap-and-trade approach under which participating developed nations must meet emissions

This paper, in its entirety, can be found at:
www.heritage.org/Research/EnergyandEnvironment/wm1759.cfm

Produced by The Margaret Thatcher Center for Freedom

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

reduction goals for the 2008–2012 compliance period. Most of the major Kyoto parties that pledged to reduce their emissions—namely Western Europe, plus Canada and Japan—are not on track to meet their reduction goals.¹ Indeed, nearly every country that pledged to reduce emissions under Kyoto actually has higher emissions today than when the treaty was signed.

There is also a key flaw in Kyoto that would have prevented it from succeeding even if the parties had met their targets—namely the fact that large, rapidly industrializing developing nations like China, India, and Brazil are not required to reduce their emissions. China will soon pass the U.S. as the world's largest emitter of greenhouse gases.² According to one source,

China is vastly expanding its factories and power plants—it is building another coal-fired power plant every seven to 10 days—and so opposed emission targets that would bind it.... China now “uses more coal than the United States, the European Union and Japan combined,” and so “the increase in global warming gases from China’s coal use will probably exceed that for all industrialized countries combined over the next 25 years.”³

India is not far behind in opening new coal-fired plants and is projected to become the world's third largest greenhouse gas emitter by 2015.⁴ It is indisputable that developing countries are rapidly increasing their emissions of greenhouse gases and will more than offset the reductions outlined in Kyoto.

Because the restrictions outlined in Kyoto, while imposing trillions of dollars in lost economic out-

put, would not address the problem of global warming, the United States chose not to become a party to the agreement. It has been strongly criticized for this decision.

Yet, the critics fail to acknowledge that emissions in many Kyoto-party nations are rising faster than in the United States. As Chris Horner of the Competitive Enterprise Institute points out:

International Energy Agency data show that over the past 7 years (2000–2006), the annual rate of increase for U.S. CO₂ emissions is approximately one-third of the EU's rate of increase. Indeed, over the same period even the smaller EU-15 economy has increased its CO₂ emissions in actual volume greater than the U.S. by more than 20%, even while the U.S. economy and population also grew more rapidly.⁵

In fact, data show that U.S. greenhouse gas emissions fell by 1.3 percent in 2006 despite the fact that the U.S. economy grew by 3.3 percent that year.⁶ This is significant validation of the U.S. strategy of addressing global warming through technological innovation and market-friendly measures rather than costly, rigid emissions reduction targets.

The Bali Dance. The Bali conference was the most recent effort by the United Nations and the European Union to lure the U.S. into negotiations for a treaty containing binding commitments for reductions in greenhouse gas emissions. This focus, rather than one based on the more successful U.S. strategy, reveals that these parties are more interested in imposing emissions restrictions than they are in devising a successful strategy.

1. European Environment Agency, “Greenhouse Gas Emission Trends and Projections in Europe 2006,” EEA Report No. 9, pp. 17–22, at http://reports.eea.europa.eu/eea_report_2006_9/en.
2. David Shukman, “Addressing China’s Climate Challenge,” BBC News, November 2, 2006, at <http://news.bbc.co.uk/2/hi/science/nature/6111528.stm>, and Shai Oster, “China Seems Poised to Pass U.S. As Top Greenhouse-Gas Emitter,” *Wall Street Journal*.
3. Pete du Pont, “Bali Who? Under Cover of Fighting Global Warming, Developing Countries Try to Slow America’s Economy,” *The Wall Street Journal*, December 19, 2007, at www.opinionjournal.com/columnists/pdupont/?id=110011010.
4. International Energy Agency, “World Energy Outlook 2007 Edition,” Executive Summary, p. 50, at www.iea.org/Textbase/npsum/WEO2007SUM.pdf.
5. Chris Horner, “If an Emission Falls and There’s No Bureaucrat to Mandate it...,” *National Review Online*, December 17, 2007, at <http://planetgore.nationalreview.com/post/?q=Yjk2MzQyZWJlMWVhYTEzZDc5NjU1YjJlZmMxNjI4Y2E>.
6. U.S. Department of Energy, Energy Information Administration, “U.S. Carbon Dioxide Emissions from Energy Sources: 2006 Flash Estimate,” May 2007, at www.eia.doe.gov/oiaf/1605/flash/flash.html.

The core lessons of Kyoto are that developed countries are unwilling to sacrifice economic growth to meet arbitrary emissions standards and that developing countries will not accept constraints that frustrate their efforts to escape poverty. Nonetheless, the EU leaders and others who support sharp reductions in emissions blithely ignored the failure of Kyoto and proposed even more strict constraints on emissions at Bali. Specifically, the EU proposed that developed nations commit to reduce emissions up to 40 percent below 1990 levels by 2020 and 50 percent by 2050. This proposal should have been a non-starter, considering the failure of most countries to achieve far more modest cuts under Kyoto, yet it was deemed a central measuring stick for success of the conference.

The U.S. and a few other clear-eyed developed countries, including Canada and Japan, have resisted the failed approach of binding emissions caps. And recognizing that binding emissions cuts will undermine economic growth, developing countries have also insisted that they be exempted from commitments to reduce greenhouse gas emissions even though the developing world is the fastest growing source of those emissions.

Up until the last days of the conference, the differences between developing countries, the U.S., the EU, and conference negotiators appeared unbridgeable. In the end, however a number of concessions were made:

- **No Binding Targets:** The U.S. delegation succeeded in eliminating explicit language calling for binding targets for developed countries to reduce by 2020 their greenhouse gas emissions to 40 percent below 1990 levels. The reference to such commitments was downgraded to a footnote in the non-binding preamble. The operative text states only that developed countries agreed to “measurable, reportable and verifiable nationally appropriate mitigation commitments or actions, including quantified emission limitation and reduction objectives.”⁷ The implicit com-

mitment to quantifiable emissions reductions is troubling, but at least the explicit language calling for binding reductions was eliminated.

- **Developing Country Involvement:** The U.S. was also successful in getting developing nations, including rapidly industrializing countries like China and India, to agree for the first time to “nationally appropriate mitigation actions...in the context of sustainable development, supported and enabled by technology, financing and capacity-building, in a measurable, reportable and verifiable manner.”⁸ This is a weaker commitment than that made by developed countries, but more than they had agreed to previously and a welcome acknowledgement that any successful strategy must involve the developing world.
- **Subsidies and Foreign Aid:** In return for these successes, the U.S. delegation was pressured to commit to supporting actions on adaptation to climate change, actions to spur technology development and transfer of technology to aid adaptation, and “enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation and technology cooperation.”⁹ Even rapidly developing countries like China would be eligible for such assistance. The U.S. would doubtless have provided such assistance regardless of the Bali negotiations. Including it in the text, however, removes the voluntary and flexible nature of the current situation and creates opportunities for demands and criticism by developing countries for ever greater levels of aid regardless of its effectiveness or circumstances.

These concessions allowed the attendees to agree to a final document outlining a program of negotiations aimed at achieving a binding pact by the end of 2009. As Bloomberg News put it,

After two weeks of talks concluding with three sleepless nights for negotiators, a scolding from UN Secretary-General Ban Ki-Moon, and

7. “Bali Action Plan,” Decision -/CP.13, advance unedited version, at http://unfccc.int/files/meetings/cop_13/application/pdf/cp_bali_action.pdf.

8. *Ibid.*

9. *Ibid.*

public tears from the conference head, the 187 nations meeting on Bali in Indonesia agreed on a document setting a 2009 deadline for a new treaty to limit gas emissions.¹⁰

Enormous pressure was placed on the U.S. during the final day of negotiations. In an adolescent show of temper, other delegations roundly booed the U.S. delegation until it agreed to abide by the consensus document, including language to commit increased financial resources for developing countries.¹¹ Considering this pressure, the U.S. delegation did well to keep onerous targets for emissions reductions out of the final Bali Action Plan. The fact that environmentalists were disappointed is an indication that the U.S. delegation did not capitulate wholesale.¹² Aside from pledging to provide financial resources to support adaptation and technology transfer—which the U.S. may have chosen to do anyway—the U.S. delegation basically agreed to continue negotiating.

That, however, is also the greatest downside. The European Union and environmental activists are clearly wedded to the failed strategy of capping emissions. In agreeing to this process, the U.S. has set its negotiators up as punching bags for the next two years and created an opening for a future administration to capitulate to international pressure.

Though it would have been better if the U.S. had not agreed to the final document in Bali, the U.S. managed to avoid the worst outcome. Moreover, the ambiguous nature of the language and goals of future negotiations has allowed the U.S. to further clarify its position following the conference:

There are many features of the Decision that are quite positive, including those provisions recognizing the importance of developing clean technologies, financing the deployment of those technologies in the developing world,

assisting countries in adapting to climate change, exploring industry sector agreements on emissions, and addressing deforestation. The United States does have serious concerns about other aspects of the Decision...

First, the negotiations must proceed on the view that the problem of climate change cannot be adequately addressed through commitments for emissions cuts by developed countries alone... empirical studies on emission trends in the major developing economies now conclusively establish that emissions reductions principally by the developed world will be insufficient to confront the global problem effectively.

Second, negotiations must clearly differentiate among developing countries in terms of the size of their economies, their level of emissions and level of energy utilization, and ... give sufficient emphasis to the important and appropriate role that the larger emitting developing countries should play in a global effort to address climate change.

Third, the negotiations must adequately distinguish among developing countries by recognizing that the responsibilities of the smaller or least developed countries are different from the larger, more advanced developing countries...

Accordingly, for these negotiations to succeed, it is essential that the major developed and developing countries be prepared to negotiate commitments, consistent with their national circumstances, that will make a due contribution to the reduction of global emissions. A post-2012 arrangement will be effective only if it reflects such contributions. At the same time, the United States believes that any

10. Kim Chipman and Leony Aurora, "China, U.S. Urged by Scientists to End Climate Disputes by 2009," Bloomberg.com, December 17, 2007, at www.bloomberg.com/apps/news?pid=20601101&sid=aZ_Taz2OK9Eo&refer=japan.

11. Even Papua New Guinea felt free to kick sand in America's face in a ridiculous statement, declaring, "If you cannot lead, leave it to the rest of us. Get out of the way."

12. Hans Verlome of the World Wildlife Fund criticized the consensus document as having "lost substance" after the U.S. successfully eliminated binding emission reduction requirements. Pete du Pont, "Bali Who? Under Cover of Fighting Global Warming, Developing Countries Try to Slow America's Economy," *The Wall Street Journal*, December 19, 2007, at www.opinionjournal.com/columnists/pdupont/?id=110011010.

arrangement must also take into account the legitimate right of the major developing economies and indeed all countries to grow their economies, develop on a sustainable basis, and have access to secure energy sources.¹³

At future meetings, the U.S. should remain adamant in its opposition to binding emissions caps and other costly programs that have proven ineffective under Kyoto and should insist that any agreement be flexible and focus on solutions that do not unduly constrain economic growth and development. A successful strategy to address global warming must build upon realistic commitments that countries are able and willing to meet; must not undermine market-led economic growth and development; and must be flexible enough to adapt to new evidence on climate change and new technologies or strategies to address acknowledged problems. Development of affordable technologies to reduce carbon emissions, and not unaffordable emissions targets, is the real path forward.

Conclusion. Bali did not pave the way for addressing global warming. It was merely a picturesque setting for an elaborate kabuki dance wherein countries testified to their great concern over global

warming while calling for action that few nations will implement and setting the stage for future negotiations. Thankfully, the U.S. delegation successfully blocked the most unrealistic proposals while insisting on incorporating real-world realities like the increasing role played by the developing world in greenhouse gas emissions.

However, the specter of what could result from future negotiations under the next administration is a serious concern, and the U.S. would have been far better off to have stood by its principles; refused to join consensus on the Bali Action Plan; and pursued more flexible, effective strategies to address global warming. In future negotiations, the U.S. should continue to block onerous, politically untenable measures while continuing its efforts to find more flexible, effective, and market-friendly strategies to address global warming.

—Brett D. Schaefer is Jay Kingham Fellow in International Regulatory Affairs in the Margaret Thatcher Center for Freedom, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, and Ben Lieberman is Senior Policy Analyst in the Thomas A. Roe Institute for Economic Policy Studies, at The Heritage Foundation.

13. Dana Perino, "Statement by the Press Secretary," Office of the Press Secretary, December 15, 2007, at www.whitehouse.gov/news/releases/2007/12/20071215-1.html.