

All Bets Are Off the Table

With a second brief comment by Mark Jaccard

**By
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A crucial unanswered question about the climate change policies of the current federal government is: Why should Canada seek to meet self-imposed GHG emissions reductions targets by 2020 and 2050 in the absence of any international agreement stipulating what other nations will do in the same time-frame?

Obviously, there may be one or more alternatives to the Kyoto strategy of imposing a set of national targets for emissions reductions. What could they be?

One is, of course, to replace emissions targets with energy intensity targets.

Prime Minister Harper is very direct on this point:¹

“Canada is vigorously campaigning for an international deal that rejects the central foundation of the Kyoto Protocol, Prime Minister Stephen Harper said yesterday. He said that instead of capping greenhouse-gas emissions at specific levels as called for under Kyoto, he wants the world to adopt a completely different system of measuring success for reducing emissions.... Mr. Harper said measuring results with ‘intensity targets’ is the best way to engage major polluters such as the U. S. and China.”

A short response to this strategy might be, “show us the money” – the money being, in this case, the when and where of emissions reduction. So far as I know, no useful scenarios have been produced which give us a simple translation of intensity targets

¹ Bill Curry, “PM wants hard caps scrapped in next green deal,” *The Globe and Mail*, 26 September 2007, p. A1.

into global emissions reductions targets. Until that exercise is performed, citizens would be well-advised to continue to look elsewhere for policy solutions.

A second alternative is the idea of using trade sanctions to be imposed unilaterally by the industrialized West on other nations; apparently, one bill before the U. S. Congress adopts this approach. This is actually a highly amusing prospect, in the context of recent remarks of French President Nicolas Sarkozy, who mused on October 27 that the European Union should consider imposing a special levy on imports from countries that refused to ratify the Kyoto Protocol:²

Addressing European Commission head José Manuel Barroso, who had taken the podium before him, Sarkozy urged Europe to "examine the option of taxing products imported from countries that do not respect the Kyoto Protocol."

As Europe was setting tough standards on its producers for the benefit of the global climate, it was unfair for their competitors to be exempted, he argued. "I suggest to you that in the next six months, the European Union discuss the implications of this unfair competition," he said.

So perhaps we won't have to wait long in order to see the first phase of the GHG trade wars unfolding. What's sauce for the goose is sauce for the gander.

In a substantive and practical sense, the most important objection to replacing a formal agreement with trade sanctions is: How will the hurdle be set? In other words, what explicit or implicit target for emissions levels will be used in order to set the terms of compliance or non-compliance? (In a moment I will turn to the question of who is setting those terms.) We can use the "aspirational" emissions reduction target – 50% of current levels by 2050 – as the best example, since that

² <http://afp.google.com/article/ALeqM5gx9Wyu07XJiydxsqseJmVdX3-MoQ>

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was the number most commonly mentioned at the APEC [Asia Pacific Economic Cooperation Forum] meetings in Sydney, Australia this past August.³ Since both Canada and the United States have expressed support for this number, we can call it the "North American [NA] approved long-range target."

But is everyone else in the world, including China, supposed to be held to that standard when the NA trade sanctions kick in? Will those others be allowed to object to such arbitrary treatment? If so, in what forum? Or, what if, sometime between now and 2050, after having begun bullying other nations (by means of trade sanctions) to accede to this imposed standard, the United States decides that it would be inconvenient to try to meet an aggressive target (-50%), and that it will make do with a less aggressive one (say, only 25% below current levels by 2050). Do we imagine that the others will just have to put up with such nonsense?

And what if even the 50% reductions aren't deep enough to get the job done?⁴ Will this become another "inconvenient truth"?

³ <http://www.smh.com.au/specials/apec/index.html> (index to complete coverage in the *Sydney Morning Herald*). The key subgroup is "AP6," the six-member Asia-Pacific Partnership on Clean Development and Climate, made up of Australia, China, India, Japan, Republic of Korea and the United States; Canada is eager to join.

⁴ A. J. Weaver et al. ("Long term climate implications of 2050 emission reduction targets," *Geophysical Research Letters*, vol. 34 [2007], L19703) say: "All emission targets considered with less than 60% global reduction by 2050 break the 2.0°C threshold warming this century, a number that some have argued represents an upper bound on manageable climate warming. Even when emissions are stabilized at 90% below present levels at 2050, this 2.0°C threshold is eventually broken."

Global GHG emission reduction targets only make sense when they are firmly embedded in a larger analysis. That analysis starts with the concept of "dangerous anthropogenic interference" [DAI] with the world's climate, the phrase introduced in the 1992 UN Framework Convention on Climate Change [UNFCCC]. The article by Weaver et al. sets the DAI threshold at 2.0°C warming and derives the discussion of emission targets from there. They may be wrong, of course, and so other indicators of DAI can be proposed and debated. But the operative word here is *debated*. "Debated" is meant to be different from "imposed." What is the logical forum for such a debate? At IPCC expert meetings in the first instance, of course; and then at the periodic "Conference of the Parties" under the auspices of UNFCCC. What other legitimate auspices are there?

One answer to this question is, apparently: the smoke-filled backrooms in the U. S. Congress, the very place where lobbyists for powerful special interests run amok. This suggestion is a poignant one, to say the least, when it is considered against the background of the destructive effects of U. S. unilateralism that are evident everywhere in the world at present.⁵ The underlying core message in this alternative is short and sweet: "We're in charge here." The "we" in question is North

⁵ In our exchange in "Dead in the Water," Jaccard says he senses a hint of masochism in my recommendation that we should atone for our screw-up on Kyoto targets by taking our medicine and buying hot air. I was indulging myself there in a variety of metaphors; I am not really interested in the dubious benefits of self-flagellation. However, I do regard the orderly conduct of international relations, including the use of international treaties, as a very important matter, especially in response to the appalling conduct of the United States in recent years. And I do think that most Canadians are strong supporters of the multi-lateral, anti-unilateralist way of doing business. I believe that we would be doing a genuinely good thing, in this context, in honouring our Kyoto commitments even though this would be a costly and politically-painful deed.

America and "here" is planet earth. When "we" have finally made up our minds what the right target is, we'll let you know, and then you can either get on board or face the ruin of your economies as a result of our trade sanctions. What could be simpler?

Is there anyone who would be surprised if the recipients of this message – the citizens of China and India – thought they detected a whiff of the old Western imperialism here? What's next, sending gunboats up the Yangtze River?

There is an old and unfortunate proclivity among many economists to seek to replace discussions of fairness with efforts to increase the supply of goods: "Let's not fight about the shares of the pie, let's just make more pies." Alas, when it becomes a matter not of more pies but of fewer (here, lower GHG emissions), the strategy tends to break down. An ethical objection to any unilateral and indirect imposition by the West of emissions targets through trade sanctions cannot be overcome. Trade rules are not *ipso facto* fair; they must be constructed and agreed-to by the affected parties on the basis of perceived fairness.⁶

The world has traveled a long and tortuous path, since 1945, in seeking to replace the exercise of brute force with negotiated settlements under UN auspices.

⁶ The fate of the so-called "Doha Round" of GATT trade negotiations shows that these discussions become more difficult to bring to resolution in direct proportion to the increasing economic power of nations outside the EU and North America that have competing versions of what fairness means. Of course, a "carbon tariff" could be included in products in global trade if it were to be approved in a properly-constituted international forum. But if any nations tried to impose such a device by fiat, it would quite rightly be regarded as an illegal act, giving rise to penalties against the scofflaws under GATT.

That structure is still incredibly fragile, as the lead-up to the invasion of Iraq showed clearly. Those who are indifferent to its further weakening may live to regret their actions.

In a nutshell the residual problem is that the policy response to climate change has been, is now, and always will be a box with many different interlocking sections. The most important are: (1) robust support *in policy circles* for the scientific consensus on climate forcing; (2) the trajectory of global emissions growth scenarios and the stabilization prospects; (3) the determination of where dangerous anthropogenic interference kicks in; (4) the basis for sharing responsibilities, among the nations of the world, for emissions control; (5) an effective compliance scheme for agreed-upon emissions reduction targets. At present many countries around the world, including Canada, just haven't proceeded very far down that list.

So although the new interest in carbon tax and emissions trading is gratifying, it is still politically irrelevant in our country. As Canada heads for Bali in December 2007, the key issue is: Either comply with Kyoto or ditch Kyoto. (At least Prins and Rayner are clear on this point, even if their argument in support of it isn't: Abandon the hard cap and start designing a very different system.⁷) But let's not be coy about the issue or pretend that Canada will have any significant leverage in the second

⁷ Prins and Rayner (*Nature*, 25 October 2007) claim that climate change can't be solved with an ozone-depletion-style approach "because it is not a discrete problem." True enough, but then they go on to misrepresent the solution that Kyoto sought to offer. Driving the development of alternative energy technologies, for example, is precisely the point of a "hard cap" on emissions. And besides, what is *more* top-down and centralized than putting energy R & D on a "wartime" footing? Their alternative has far more of a top-down character than does the broad suite of market instruments that was deliberately given high priority within the Kyoto framework.

round of negotiations (for the post-2012 period). We'll be going to Bali cap in hand, looking for sympathy, hoping that no one will mention that our actual performance is one of the worst in the world: We have indeed succeeded in our determination to "beat the Americans," although the irony in the result was unintended.

We will get no credit for pie-in-the-sky promises – our "soft targets" set in far distant time-frames. A good rule of thumb in these matters is that no policy which carefully avoids the smallest amount of political and financial pain in the projected lifespan of the government which promulgates it is worth the paper it's written on.

I am tempted to offer a large wager in support of the proposition that there will be no solution to the problem of "dangerous anthropogenic interference with the climate system" in the absence of a negotiated hard emissions cap in an international agreement.⁸ The difficulty is that I will not live long enough to collect my winnings, unless the molecular biologists stop fiddling with the genomes of fruit flies and turn their attention forthwith to human longevity. True, I could make a bequest of my anticipated winnings in my will, but the discounting of the future practiced by economists makes this an unattractive option.

⁸ There is an associated certainty: No matter how much the West seeks to bully China and India, those two countries will stick to one basic proposition, namely, that the West will have to stabilize emissions, and keep them stable, *before* they agree to a timetable for themselves. It is very likely that by 2012, or sooner, global emissions will be 50% higher than they were in 1990 and at that point will still be on a strong upward growth line. This is why, in my opinion, the 2008-2012 negotiating period may be the most critical of all. If, by the end of that period, there is no clear sense of the outlines of an international agreement that is likely to lead to compliance with targets, then truly, all bets are off.

A Second Comment from Mark Jaccard

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Bill is convinced that national caps (a la Kyoto) is how the global community will finally address climate change. I have not published in this area, but I do follow the literature. Bill's globally negotiated national caps might be the answer, with hopefully much, much tougher ones on rich countries and carbon trading mechanisms to facilitate funds transfer to developing countries. But there are some other interesting ideas out there that may have a better chance of success (I am thinking here about David Victor's book explaining why Kyoto would not work, written back in 1998 right after the protocol). One proposal is for self-imposed but internationally co-ordinated carbon taxes in each country with much of the funds from industrialized countries transferred to developing countries for new technologies. Another is technology requirements (like no coal generation without carbon capture and storage) that are imposed first on industrialized countries and then gradually extended to developing countries along with significant financial support. I don't have a strong view on these. Personally, I am willing to support any approach that results from international negotiations and takes into account the huge needs of developing countries for assistance with the major investments for zero-emission energy.