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The Geopolitics of Climate

Cutting Through the Spin on International Climate Agreements

By Iain Murray*

With the G20 group in Pittsburgh discussing global warming negotiations at President Obama's insistence, the public needs to cut through the spin and consider what is really going on. This guide seeks to untangle the diplomatic euphemisms being thrown around at the meeting.

Spin. China and India have announced ambitious plans for emissions reduction and low-carbon development.

Fact. China and India have both placed emissions reduction behind economic growth in their list of priorities. Economic growth and emissions are closely linked, so the Chinese and Indian announcements actually envisage significant increases in emissions. The announced 'reductions" are merely a hypothetical in a "business as usual" sense.

China has announced that it will reduce emissions intensity—energy consumption per unit of GDP. This is exactly the policy that President George W. Bush adopted for the United States, which was not acceptable to environmentalists then.

Both China and India have indeed pledged to increase renewable energy generation. However, this will remain a small part of total energy generation, which will increase largely from traditional, fossil-fuel sources.

China has adopted a tough fuel economy standard for passenger cars, but the number of cars is likely to explode in the near future, significantly increasing transportation

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emissions. India’s new affordable car, the Tata Nano, gets 61 miles per gallon, but it is still likely to lead to massive increases in emissions.

China and India will only sign a new agreement on climate change if such a treaty recognizes their right to grow their economy. Tis is in line with prior agreements. However, if greenhouse gases are the problem some scientists say they are, then the treaty will come nowhere near achieving the emissions reductions which those scientists say are necessary.

Bottom line. Chinese and Indian emissions are set to increase significantly, despite their governments’ announcements.

Spin. Passing domestic climate legislation will make the United States a world leader in green energy, boosting the economy and job creation.

Fact. As the Treasury Department admits in recently released documents uncovered via the Freedom of Information Act, enacting a cap-and-trade scheme will cost the U.S. economy billions of dollars. As the documents state:

> Given the administration’s proposal to auction all emission allowances … a cap-and-trade program could generate federal receipts on the order of $100 to $200 billion annually. … Economic costs will likely be on the order of 1% of GDP, making them equal in scale to all existing environmental regulation. … One advantage of auctioning allowances is the potential for generating large revenues (perhaps $300 billion annually). … Domestic policies to address climate change and the related issues of energy security and affordability will involve significant costs and potential revenues, possibly up to several percentage points of annual GDP (i.e., equal in size to the corporate income tax, approximately $400 billion).

These costs accrue regardless of whether emissions allowances are auctioned or given away, as admitted by Office of Management and Budget Director Peter Orszag in testimony to Congress in April.

According to a Heritage Foundation analysis of the Waxman-Markey American Clean Energy and Security Act, the “green jobs” generated by the bill’s investments would never replace the traditional jobs lost as a result of the misallocation of resources caused by the bill. The study found that *net* job losses approach 1.9 million in 2012 and could approach 2.5 million by 2035. Manufacturing loses 1.4 million jobs in 2035.

This finding echoes experience in Spain, where heavy government investment in green energy sources has led to a loss of over two jobs for every one created, according to a study from King Juan Carlos University.

Finally, British wind turbine manufacturers—previously the world leader—have been closing down as overseas competition undercuts their operating costs.

Bottom line. Cap-and-trade plans are ruinously expensive, devastate job creation, and play right into the hands of America's competitors.

Spin. The meeting at Copenhagen this year is just a step on the road to an international treaty on emissions reduction, and failure to pass American legislation beforehand will not adversely impact discussions.

Fact. The new spin replaces the old spin, which was that an agreement in Copenhagen is vital for the future of the planet. Here are some examples of the old spin:

- ***August 31, 2008***. United Nations Secretary-General Ban Ki-moon: "We know what needs to be done. We now look to Poznan and Copenhagen negotiations to deliver a response that is commensurate with the climate change crisis that is upon us."
- ***September 11, 2008***. Ban Ki-moon: "We have only 18 months until Copenhagen. The clock is ticking."
- ***January 28, 2009***. Al Gore: "This treaty must be negotiated this year."
- ***February 16, 2009***. Intergovernmental Panel on Climate Change head Rajendra Pachauri: "It is crucial that in Copenhagen in December 2009 governments from across the world reach agreement on tackling the challenge of climate change on a collective basis."

Bottom line. An agreement at Copenhagen is extremely unlikely, demonstrating just how difficult it is to reduce emissions without economic harm both globally and nationally.

Spin. The European cap-and-trade program, the Emissions Trading Scheme (ETS), has been a success in reducing emissions.

Fact. The ETS was a disaster in its first phase (2005-2007), owing to widespread gaming of the system, leading to windfall profits for utilities, increased energy bills, and a highly volatile allowance price. The second phase (2008-2012) has only delivered emissions reductions so far as a result of the worldwide economic contraction, which affected emitting industries.

Bottom line. The ETS is not a good example for the U.S. to follow, but a horrible warning.