

REMARKS BEFORE THE OREGON HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE ENVIRONMENT

Portland State University
5th April 2005

Christopher C. Horner, Esq.
Senior Fellow, Competitive Enterprise Institute, Washington, DC
European Enterprise Institute, Brussels, BE

Mr. Chairman, Members of the Committee, thank you for allowing me to address you today on the political realities of the Kyoto Protocol.

The US signed Kyoto in November 1998, and never unsigned or withdrew from the treaty or a “Kyoto process”, despite common reporting to the contrary on each count. In fact, the US typically sends the largest delegation of any nation to Kyoto talks.

Now, the US did declare a stalemate in the talks, in November 2000 in The Hague. And I will provide to anyone interested my news clippings demonstrating that, until the occupant of the White House changed, the Earth Times, NYT, and even the BBC all fixed blame for talks collapsing – again, during the Florida recount – on Europe. Only when the recount went the wrong way was blame shifted to the US, and its new President for affirming his predecessor’s position (on 14th March 2001).

Again, despite breathless reporting to the contrary, as a legal and policy matter the U.S. position on Kyoto and that of U.S. political leaders have remained constant.

Kyoto is a global treaty, as claimed, only if words no longer have meaning. Under the Kyoto Protocol, as agreed, 38 countries (of 191) are covered, or committed to reduce or limit their GHG emissions at some level particular to each by 2012 (*e.g.*, the U.S. would have to reduce emissions 7% from 1990 levels – which were a lot of economic growth ago).

These 38 covered nations include, in addition to the U.S., fellow industrial titans Liechtenstein, Iceland, Monaco, Latvia, Belgium, Bulgaria, Slovakia, and so on.

True, 120 countries have ratified Kyoto. Ratifying a treaty is a free ride if you are in no way bound, and at worst can expect wealth transfers.

The 150 nations exempted by Kyoto include tiny China, Mexico, South Korea, India, Brazil, Indonesia, and other bit players on the world economic and environmental stages. China has alternately said that it will never agree to Kyoto's mandatory rations, or that it will consider the idea in 50 years. Last month South Korea's Environment Minister announced that his country, as with China, India, and Brazil, could never comply with actual emission cuts like those designed, for others, in Kyoto (<http://www.reuters.com/newsArticle.jhtml?type=scienceNews&storyID=7994856>).

Depending on your measurement China is the world's second largest economy, and indisputably the 2d largest emitter of GHGs projected to be the largest emitter within 15 years. In fact, although exempt, China and India together will soon produce over half of the world's Man-made emissions. Another exempt, so-called "lesser developed economy", South Korea, is the world's 11th largest economy and 9th largest emitter. Also exempt are numerous among the 25 largest economies including the 10th, 12th and 15th largest (Mexico, India and Brazil, respectively).

This is absurd, if only because the so-called "low-hanging fruit" is clearly not obtained in the cleaner, more efficient and less emissions-intensive wealthy countries, but the inefficient, *poorer* industrialized world. Any serious effort tackles that issue first.

Because most of the world is exempt, Kyoto covers even far less of the emissions projected in just a few short years. Exempt countries are expected to emit 75% of GHGs by 2050, and near 90% by 2100. That is what passes for a “global treaty.”

More relevant, Kyoto *covers* – not reduces in some perfect treaty world – but covers countries responsible for well less than one percent of total annual CO₂ production, given that Man’s GHG contribution is marginal.

The global rejection of Kyoto’s cuts matter. Kyoto’s proponents acknowledge that even if fully complied with and perfectly functioning, and assuming all of Kyoto’s scientific and (now thoroughly discredited) economic assumptions and emission scenarios, Kyoto would not have a detectable impact on climate. Instead, it is “the first of 30 steps”. That is, Kyoto or Kyoto-like rationing could not pass a cost-benefit test because it admittedly offers only cost and no benefit.

While Kyoto adherents include most – not all – of Europe and less than a dozen others, hardly anyone covered is abiding. This may be hard to imagine given the remarkable rhetoric aimed at the United States, including from within. Europe continues to rhetorically claim the mantle of “leadership” on Kyoto. However, according to the latest submissions by key EU-15 countries to the European Environment Agency, projected Kyoto violations include the following: Portugal over by 77%, Greece by 51%, Spain by 61%, Italy by anywhere from 13-23%, Ireland 41% over, Luxembourg by 31%, Finland by 27%, Denmark 26%, France 19%, Austria 18%, Belgium by 16%, and the Netherlands over by 10%. (http://reports.eea.eu.int/technical_report_2004_7/en)

In sum, Europe officially admits that after 7 years of pursuing, albeit half-heartedly, economy-strangling policies aimed at reducing greenhouse gas emissions,

barring massive intervention in the form of even further increased car, road and fuel taxes (http://europa.eu.int/comm/enterprise/enterprise_policy/competitiveness/doc/compreg_2004_en.pdf, esp. pp. 214-228), most will be wildly in violation of their Kyoto promises.

That is, Europe's "climate" superiority and leadership are found in breaking a promise that the US – and 150 others – are too realistic to make. The resulting political problems have begun to sink in in Brussels and member capitals.

These are important facts in a debate dominated by rhetoric, and in which state and federal policymakers are constantly scolded for allowing the US to be so grossly out of step with the rest of the world, to purportedly be acting alone – with 150 other nations – by refusing to make an unrealistic promise, insisting instead on a more practical focus.

It is more critical given the current state of play: international negotiations now focus on "post-2012", given that Kyoto is only a five-year treaty. Certain forces in Europe argue, in essence, that now that they've broken one promise, it is time to break an even bigger one. Fortunately, although one might never know it from reading press reports, these voices have faded into minority status within the halls of the European Union if not among environmental pressure groups.

Still, legislators are urged that "we must 'do something'". To accept these arguments, one inherently accepts that we must in fact do *everything* sought by the Rio and Kyoto treaties, a 60-80% reduction in our GHG emissions. This of course would only matter if a) Europe, *et al.*, did the same, which clearly they are not, and b) were natural GHG emissions and climate stable, which of course they are not.

Gesture politics such as Kyoto, or less, compel one to immediately commit to the entire program because the sole basis for regulating or otherwise addressing GHGs,

specifically carbon dioxide, is the theory of catastrophic man-made global warming. If you accept that premise, you have to accept a regime that will have a detectable impact.

If we must “do something”, anything short of Kyoto and yesterday, with an agreement to move on Phase II immediately, and go all the way, seems less-than-sincere.

This is the basis of statements such as, Kyoto is “the first component of an authentic global governance” (French President Jacques Chirac, opening remarks, COP-6, The Hague, November 2000), and Kyoto is merely “a peanut” in the larger agenda (Joke Waller-Hunter, executive secretary of the U. N. Framework Convention on Climate Change, BBC News Online, COP-9, November 29 2003).

Other statements from our friends in Europe are equally illuminating, when taken in the context of their increasing failure to keep up with the US and others economically. “This is about international relations, this is about economy about trying to create a level playing field for big businesses throughout the world. You have to understand what is at stake and that is why it is serious” (then-European Union Commissioner for the Environment, now Vice-President of the EU-Commission Margot Wallstrom, quoted by The Independent (London), 19 March 2002, p. 14). As such, it appears that Kyoto is about the U.S.’s “unfair tax competition”.

Still, why do certain US agriculture, industry and even coal-burning utility interests demand GHG regulatory programs, if of course only those that would do nothing, but provide them with rents? As eloquently put by George Bernard Shaw: “When you rob Peter to pay Paul, you can always count on the support of Paul.”

Speaking of which, Oregon is familiar with an old company called Enron, which happened to be the primary driver behind Kyoto, *etc.*, in the US before their other

schemes caught up to them. Others have rushed to fill the void for advocacy of state-created “climate” wealth for select businesses.

Even the seemingly benign, “mere” sequestration regimes are not just “infrastructure” programs. They build a corporate lobbying constituency for mandatory caps (or Kyoto, by any name). These are not “harmless pork”, but incentives for constituencies to later demand value be added by rationing CO2. Credits are worthless unless someone will buy them. Few will voluntarily trade wealth for valueless “hot air” certificates. Climate exchange activity is held to the level it is for the obvious reason of many willing to sell, and mostly just the odd speculator to buy. They need you to mandate buyers.

Clearly, even these seemingly cheap and virtuous ideas are do not get one out of the political issue. It is not tenable to assure the public that one is undecided on capital punishment while constructing the gallows in the square. This holds true for CO2 infrastructure programs.

The question facing you and many state lawmakers today remains whether you want to secure a poorer world, or even a vastly poorer world through Kyoto and its next steps, still with uncertain weather. We should all bear in mind the offerings of sober economists for over one hundred years, about the immorality of asking present generations to pay for a speculative, momentary and undetectable benefit – here, an alleged, brief delay of a minor temperature increase – for future generations, who history has proven will be even richer and more technologically advanced (adaptable) than our own.

- The climate has always changed, and always will
- Man has always adapted
- The wealthiest societies have always adapted best
- The response therefore is not to make any societies poorer but to enhance wealth creation
- This is certainly not achieved through rationing energy.

Instead, for those Members sincerely concerned about Man's possible influence on the climate, "No Regrets" policies make the most sense.

- Remove regulatory barriers to innovation (also, opposition to nuclear power and dams is not consistent with accepting the claims made to regulate GHGs)
- Expedite capital equipment expensing
- Eliminate energy subsidies
- Deregulate energy and transportation markets
- Invest in measures to reduce effects of malaria, water shortage and sea-level rise on the third world, all of which are and will in any event remain real phenomena
- And, if one must intervene, facilitate tech transfer to those who most need it

[Other slides as time permits]

Thank you for this opportunity to speak to you today.