

## The Kyoto Treaty Deserved to Die

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President Bush's firm rejection of the Kyoto Protocol on Climate Change put the final nail in the coffin of a doomed project. By 2012, the agreement would have required the leading industrial nations to reduce their "greenhouse gas" emissions to levels below 1990 totals (regardless of population growth and economic transformations in the various countries), and would have exempted China and other developing nations entirely (despite the fact that their growing emissions would have swamped the reductions from the developed nations). Long before President Bush acted, this approach had been rejected by the U.S. Senate in a vote of 95-0, which is why President Clinton never submitted the treaty for ratification. Nor had any other major nation adopted the agreement when implementation negotiations collapsed amidst acrimony and name-calling in November 2000.

The failure of the Kyoto Protocol was both inevitable and desirable—inevitable because it required the impossible, desirable because it stood in the way of feasible, effective climate-change policies. Those who framed the agreement treated global warming as a well-understood, immediate problem—indeed as an incipient crisis. This view produced a program of drastic short-term controls on emissions of CO<sub>2</sub> and other gases, which in turn produced irresolvable economic conflicts, both among the developed nations that negotiated the agreement and between the developed and developing nations.

The key features of the climate change debate are large degrees of uncertainty and a long time horizon. Although it is fairly well-established that the Earth's atmosphere has warmed somewhat (one degree Fahrenheit) during the past century, it's not clear why this happened. The warming may have been due to human impositions (the burning of fossil fuels and other incidents of industrial growth), or to natural solar or climate variations, or to some of each. Whatever the causes, we don't know if future warming trends will be large or small, or whether the net environmental and economic consequences (including both beneficial and harmful effects) may be large or small.

These uncertainties are carefully described in the recent official reports on global warming—the National Academy of Sciences' June 2001 report to

President Bush, and the earlier Third Assessment Report of the Intergovernmental Panel on Climate Change (IPCC). It is regrettable that the media accounts of these studies have downplayed or ignored the uncertainties, for they are fundamental to the question of right policy, not academic quibbles or excuses for delay. Equally fundamental is the long time horizon: Even if we are in for substantial warming, the effects will not begin to occur for several decades, probably at least a half century.

It is important to appreciate that we have time, because we *need* time, and not only to get a better grip on causes and consequences. Regulating CO<sub>2</sub> emissions on a global scale would require political institutions that do not now exist—and, in the developing nations, political support that will not exist until their citizens have attained significantly higher standards of living. Moreover, the progressive replacement over time of fossil-fuel-burning by newer methods of producing energy may solve the problem without recourse to controls. If policy encouragement is needed, existing and prospective pollution controls may be sufficient. Finally, human and ecological adaptation, and even direct climate “bioengineering,” could be equally or more effective responses to harmful warming whatever the cause—and would be the *only* effective responses to natural warming.

We will know vastly more about the relative merits of these alternatives several decades from now. And we will almost certainly be vastly richer—a key consideration, especially in China and other currently poor nations, if the best responses involve taxes, regulatory controls, or public expenditures that impinge seriously on economic growth. As economist Thomas Schelling has noted, the speed at which we move toward acceptable atmospheric concentrations of greenhouse gases makes little difference as a climatic matter, but a tremendous difference as an economic matter.

The collapse of the Kyoto negotiations in the fall of 2000, and the Bush administration’s renunciation of the agreement in the spring of 2001, have produced a great deal of recrimination, finger-pointing, and political posturing. But problems that are new, complex, and unfamiliar often prompt a succession of false starts before an effective approach is hit upon. That the first stab at global-climate policy was a failure should be no more surprising or dispiriting than the failure of initial attempts to alleviate the Great Depression, or to counter the spread of communism.

The Kyoto failure suggests a new, three-part approach to the problem. The first two parts are a variant on the New Age slogan, “Think Globally, Act Locally.” Vastly more serious, de-politicized scientific research needs to be

devoted to the global aspects of climate change; but immediate government actions should be local, regional, and incremental rather than international. The third part of any immediate program should be a moratorium on regulatory controls for the time being. Premature emissions controls or energy taxes will only transform the climate-change issue from one concerned with cause, consequence, and best-response to one concerned with political and economic advantage.

**Think Globally**--Global climate variation is an immensely complicated matter, and needs to be thought through much more systematically. The major effect of new knowledge accumulated over the last decade has actually been *increased uncertainty* concerning likely future warming and its consequences (compared to what many observers *thought* they knew). Now that the hasty turn to draconian regulatory controls, as envisioned in Kyoto, has reached a dead-end, the climate-change agenda should shift instead to scientific research, technology development, and institution building.

The U.S. government currently spends about \$1.7 billion annually on climate-change research. More than \$1 billion of it is NASA expenditures, mainly on satellite weather monitoring. Only a few hundred million is for all other aspects of climate science, for developing alternative responses to warming, and for investigating non-fossil-fuel energy technologies. This is a truly piddling sum relative to the size of the issue, and reflects the Clinton administration's adamant uninterest in climate-change science. "Science has spoken," pronounced former Vice President Gore: For him, science was a source of authority, and a weapon with which to browbeat and silence political critics, rather than a discovery process driven by skepticism and falsification. At the early stages of a research project, "solid science" is not solid at all but consists of open competition among multiple hypotheses. Reversing the closed-minded legacy of the Clinton years is now a matter of some urgency.

Treasury Secretary Paul O'Neill, when he was CEO of Alcoa, recommended a large increase in expenditures on all facets of climate-change science, and the commissioning of an independent board of respected academic, professional, and business leaders to oversee the research and issue periodic reports synthesizing the state of knowledge. President Bush's recent statement on climate change, with its mention of a Climate Change Research Initiative and a Climate Change Technology Initiative, appears to contemplate a substantial expansion and reordering of federal efforts, although the specifics are still being developed.

The current research effort could be improved in many ways other than just spending more. Many top scientists believe that the U.S. research program (like the international IPCC program—which has tended to ignore many distinguished physicists and meteorologists whose work casts doubt on the influence of greenhouse gases on global temperature trends) is skewed toward scientists who take an alarmist view of the problem. A competition of ideas, including iconoclastic views, needs to be encouraged rather than suppressed. The research effort should encompass not only climate-change causation and forecasting and non-fossil-fuel energy technologies, but also adaptive and “geoengineering” strategies for responding to potential harmful warming from whatever source (including natural variation). The United States should continue to take an active role in the IPCC but take steps to de-politicize its functioning.

**Act Locally**—The Kyoto Protocol’s controls over CO<sub>2</sub> and other emissions would have begun in 2008 and included a complex scheme of trading in emissions “credits” across national boundaries. It was fantasy to think that such a scheme, involving scores of countries, could have been put in place in less time than it takes a single city to get organized for an Olympic Games. Even the advanced nations lack sufficient information on emissions and “sinks” (such as forests, which *absorb* large quantities of CO<sub>2</sub> from the atmosphere) to permit trading in credits for reducing emissions. And many poorer nations are just too deficient in their legal and political institutions to take part at all in such complex efforts.

In the early 1990s, several delegations of officials from the Russian and Chinese governments visited the United States to study how to establish securities exchanges in their countries. They learned, to their dismay, that the first step was not to design a trading floor or computer software or communications networks, but rather to establish honest and accurate systems of financial accounting and disclosure, so that securities could be priced and traded with confidence. In global emissions trading, the accounting systems have only begun to be established.

If controls on CO<sub>2</sub> and other greenhouse gases turn out to be necessary, much work needs to be done to build the institutions appropriate to the task. Kyoto teaches that it is impractical to try to build them everywhere all at once; a major cause of its collapse was the differing interests of the economically developed and undeveloped nations, and the complexity of establishing institutions for carbon trading that will work with differing political systems. A more modest, incremental approach to institution building is called for, involving smaller groups of nations joined by geographic proximity or economic interest.

One excellent start would be for the United States, Canada, and Mexico to work together to build reliable national inventories of greenhouse gas emissions and sinks, and to develop model institutions for cross-border trading of emissions credits. Such a project would be much more likely to produce useful information and tangible institutional progress than anything attempted under Kyoto. The United States and its two neighbors feature significant variations in natural resources, industrialization, GDP, culture, and political institutions, yet they already work productively together on a variety of problems. Their three heads of state—the “three amigos”—are looking for new joint projects. Asian and European nations, which have been so critical of the U.S. withdrawal from Kyoto, should be invited to launch similar regional projects.

There are numerous other opportunities for immediate cooperative projects. Japanese industry has been successful in developing alternative energy technologies like hybrid gas-electric automobiles, as well as promising methods for recycling CO<sub>2</sub> emissions back into industrial processes. The new Koizumi government is searching eagerly for projects to demonstrate its dedication to the global environmental improvement. A joint U.S.-Japan project on alternative energy technologies and CO<sub>2</sub> recycling would no doubt suffer from the shortcomings of all such government projects, but it would involve work where the two nations have unique assets (advanced science and technology) and common interests going beyond the global warming issue (such as achieving greater energy independence).

Localized projects such as these would be the undertakings of economically advanced nations, which is appropriate. The poorer nations face many more urgent problems than the prospect of warmer weather 50 years or a century from now. It is the rich, high-tech, environmentally concerned nations that should be working on the climate-change problem. Eventually they may be able to help later-developing nations bypass the fossil-fuel era in energy production, just as many of them are now bypassing the copper-wire era in telecommunications.

**No Quick Regulatory Controls**—The impossibility of establishing a global emissions control program in a short period of time was only a secondary cause of Kyoto’s collapse; the primary cause was the enormous *cost* of the controls and the unequal and arbitrary distribution of costs within and between nations. Part of the problem was the Protocol’s odd requirement that each nation’s reductions were to be measured against its emissions at a much earlier date—1990. This would have produced bizarre anomalies. The Russian government, for instance, would have been eligible for

hundreds of billions of dollars worth of “credits” for reducing its emissions, simply because Russian industry collapsed in the 1990s. And the “baseline” issue was only one of numerous features of Kyoto’s CO2 control-and-trading program that caused the negotiations to degenerate into a scramble for economic advantage. The almost comical denouement came when the European nations insisted on *weakening* the control program to make it work more to the economic disadvantage of the United States.

The moment climate-change policy turns to the issue of emissions controls, it ceases to be about science and starts to be about economic interests. That is the most important lesson of the Kyoto collapse. But in this case it was only an accident that the forces of economic interest ended up scuttling a bad agreement rather than securing it (as has happened more than once in domestic environmental policy).

The day may come when the science of global warming has gelled to the extent that hard and contentious choices about a costly control regime must be faced. But that day is decades away at worst, and it may not come at all. If it does come, the interest-group pressures will be less serious than today—because our knowledge of the nature of the problem and appropriate remedies will be much more confident. For the time being, the urgent tasks of a serious climate-change policy are scientific, technological, and institutional—and these can only be distorted and undermined by a precipitate move toward controls.