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The EU's Climate Change Package: Not a Model to Be Copied

Sally McNamara and Ben Lieberman

The publication of the European Union's (EU) Renewable Energy and Climate Plan Package has prompted predictable calls for the United States to agree to a similar package of binding targets and market-interfering measures.¹ The EU's "20 20 by 2020" plan pledges that by 2020, the EU will:

- Reduce greenhouse gas emissions by 20 percent;
- Increase use of renewable energies by 20 percent;
- Increase energy efficiency by 20 percent; and
- Increase the use of biofuels in vehicles by 10 percent.²

This plan would serve as a successor to the Kyoto Protocol, which currently commits the EU to reducing 1990 emissions levels by 8 percent before 2012.

Following the failure of its flagship Emissions Trading Scheme (ETS), EU emissions from relevant sectors actually *rose* by 0.8 percent from 2005 to 2006 and are well above the Kyoto goal.³ The EU has clearly not learned its lesson, as it plans to try once again to regulate itself out of disaster at a predicted cost of €60 billion.⁴

EU elites have long used popular concern about the environment as a way to promote the undemocratic European project, absent any cost-benefit analysis or meaningful measures of success. The United States cannot afford to bow to moral posturing by the European Union. Instead, Washington should follow a truly pro-market approach that avoids mandatory targets and focuses on technological development.

The EU's History of Failure. The EU has long engaged in the politics of alarmism about climate change and even used it to justify further centralization of power under the European Reform Treaty.⁵ The EU wants to globalize its precautionary-based approach to risk management and even threatened to boycott a key environmental conference in the U.S. if the American hosts failed to agree to specific numbers for emissions cuts.⁶ The *Guardian* notes that the EU is aiming for "the moral high ground" with its Climate Plan Package, pledging to cut emissions by an additional 10 percent by 2020 if the United States signs on to a Kyoto II deal.⁷

America should be wary of adopting European-style policies in light of their documented failure. When the EU introduced the ETS in 2005 as the main pillar of European climate policy, it claimed to be a "world leader" in this area.⁸ By December 2007, the trading price of carbon completely crashed after it was revealed that permits had been vastly over-allocated, and the project has since been grossly discredited. However, it remains the primary policy vehicle for achieving the goals of the Climate Plan Package.

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214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

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Several NGOs and think tanks have warned that the next phase of the ETS will not fare any better, because vast quantities of imported credits agreed to under the Kyoto Protocol will grossly distort the market.⁹ Energy-intensive industries such as the steel and cement sectors have already threatened to move production offshore.¹⁰ An in-depth study of the ETS by British-based think tank Open Europe concluded:

...Far from creating a credible basis for EU level action on climate change, the ETS has instead established a web of politically powerful vested interest groups, massive economic distortions and covert industrial subsidies. It will do practically nothing to fight climate change.¹¹

The ETS is fundamentally flawed because it puts the cart before the horse: It demands greenhouse gas emissions reductions well before the technologies capable of economically meeting them exist. The result is either ruinous economic consequences or failure to reduce emissions via continued over-allocation of permits. The EU originally chose the latter and is now choosing the former.

America's Record. Ironically, the U.S., which is not a party to the Kyoto Protocol, is actually amassing a better track record than most of the Western

European and other industrialized nations that have ratified Kyoto. Since 2000, emissions from Western European nations have been rising more than twice as fast as those in the U.S.¹² If anything, the EU should be looking toward the U.S. for ideas, not the other way around.

However, current U.S. policy and the EU Climate Plan Package do have one feature in common: ever-expanding biofuels mandates. This is proving to be a transatlantic blunder. Biofuels—largely corn-ethanol in the U.S. and biodiesel in Europe—have increased both the cost of driving and the cost of food as more cultivated acres are being devoted to energy production. Furthermore, this economic harm is not offset by environmental benefits. In fact, a number of environmental organizations and academics have concluded that biofuels production harms the economy and may actually increase greenhouse gas emissions.¹³

Unrealistic Targets and Fundamental Flaws.

The proposals for “fighting climate change” announced on Wednesday by an array of EU commissioners make Stalin’s Five-Year Plans look like a model of practical politics.

—Christopher Booker, *The Daily Telegraph*¹⁴

1. Editorial, “A European Climate Plan,” *The Washington Post*, January 28, 2008, at www.washingtonpost.com/wp-dyn/content/article/2008/01/27/AR2008012701591.html.
2. European Union, Memo on the Renewable Energy and Climate Change Package, MEMO/08/33, January 23, 2008, at <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/33>.
3. Open Europe, “Europe’s Dirty Secret: Why the EU Emissions Trading Scheme Isn’t Working,” August 2007, at www.openeurope.org.uk/research/etsp2.pdf.
4. Ian Traynor and David Gow, “EU Aims for Moral High Ground with Swingeing Climate Change Package,” January 24, 2007, at www.guardian.co.uk/environment/2008/jan/24/climatechange.carbonemissions1/print.
5. The Reform Treaty inserts the following as an additional item not previously contained in the EU Constitution: “promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change.” See Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community, Brussels, December 3, 2007, Article 174(a), at www.consilium.europa.eu/uedocs/cmsUpload/cg00014.en07.pdf.
6. “Deadlocked Bali Talks Near End,” CNN.com, December 14, 2007, at <http://edition.cnn.com/2007/WORLD/asiapcf/12/13/climate.conference>.
7. Traynor and Gow, “EU Aims for Moral High Ground with Swingeing Climate Change.”
8. “EU Action Against Climate Change,” 2005, at http://ec.europa.eu/environment/climat/pdf/emission_trading3_en.pdf.
9. See Open Europe, “Europe’s Dirty Secret: Why the EU Emissions Trading Scheme Isn’t Working,” and BBC News, “EU’s Carbon Trade ‘Set to Fail,’” June 13, 2007, at <http://news.bbc.co.uk/2/hi/business/6748031.stm>.
10. Traynor and Gow, “EU Aims for Moral High Ground with Swingeing Climate Change.”
11. *Ibid.*

Not only is there serious concern about the second phase of the ETS, but many other parts of the EU's Climate Plan Package are highly questionable.

Under the Plan, Britain has pledged to increase its use of renewable energy to 15 percent from the current level of about 1 percent.¹⁵ Remarkably, nuclear power will not be allowed to constitute any part of that target. As The Heritage Foundation's Jack Spencer notes, nuclear fuel reprocessing is safe, affordable, clean, and technologically feasible.¹⁶

Meeting its renewables target without nuclear fuel reprocessing will be a multibillion-dollar experiment that will require the government to build tens of thousands more wind turbines, including up to 7,000 offshore giant turbines.¹⁷ As British writer Christopher Booker notes, "To build two turbines a day, nearly as high as the Eiffel Tower, is inconceivable."¹⁸ With prohibitive financial costs, unreliable technology, and public opposition, the British plan does not make for effective or efficient environmental policy.

In order to prop up the regional carbon market, EU President Jose Manuel Barroso has threatened to impose a European "green tax" on imports from countries that are not part of a future Kyoto Protocol-style deal.¹⁹ Having failed to sign the U.S. up to its growth-sapping measures through moral posturing alone, the EU is ready to compel them

this time around. Furthermore, any such trade-interfering measure is likely to include blatant acts of protectionism.

The BBC has described such tariffs as "the nuclear bomb of climate negotiations,"²⁰ and they would have a profoundly negative effect on transatlantic relations. Rather than equalize trade, they will simply distort it. The United States should send Europe the message that it will not tolerate such a move and will challenge it at the World Trade Organization if necessary.

What America Should Do. The U.S. should be learning from the EU experience—as a cautionary tale. Despite the near impossibility of meeting the Kyoto targets, the EU is extending the Kyoto/ETS approach well into the future. This is shaping up to be little more than a charade—making even bolder promises about the future while failing to meet current emissions goals.

As it stands, the European Environment Agency concedes that "[b]ased on past emissions, the EU-15 is not on track to reach its Kyoto target."²¹ Some nations, like Germany and the U.K., are going to meet their targets, but only because the baseline year—1990—is favorable to them. At that time, East Germany (as well as other former communist states) was beginning the process of shutting down high-polluting industries. Also, the U.K. was in the process of switching from coal to lower-emitting

12. See Energy Information Administration, "International Energy Annual 2005," Table H.1co2, World Carbon Dioxide Emissions from the Consumption and Flaring of Fossil Fuels, 1980–2005, at www.eia.doe.gov/pub/international/iealf/tableh1co2.xls.
13. See World Conservation Union, "Biofuels, Nature, and People," December 2007, and P.J. Crutzen *et al.*, "N₂O Release from Agro-Biofuel Production Negates Global Warming Reduction By Replacing Fossil Fuels," *Atmospheric Chemistry and Physics Discussions*, Vol. 7 (2007), pp. 11191–11205.
14. Christopher Booker, "Christopher Booker's Notebook," *Sunday Telegraph*, January 28, 2008, at www.telegraph.co.uk/news/main.jhtml?xml=/news/2008/01/27/nbook127.xml.
15. BBC News, "EU Sets UK Renewable Energy Goal," January 23, 2008, at http://news.bbc.co.uk/2/hi/uk_news/politics/7205175.stm.
16. Jack Spencer, "Recycling Nuclear Fuel: The French Do It, Why Can't Ours?" December 28, 2007, at www.heritage.org/Press/Commentary/ed010108d.cfm.
17. BBC News, "Ships on Legs," January 30, 2008, at http://news.bbc.co.uk/2/hi/uk_news/magazine/7206780.stm.
18. Booker, "Christopher Booker's Notebook."
19. Roger Harrabin, "Barroso Trade Threat on Climate," BBC News, January 22, 2008.
20. *Ibid.*
21. European Environment Agency, "Greenhouse Gas Emission Trends and Projections in Europe 2007," November 2007, p. 24, at http://reports.eea.europa.eu/eea_report_2007_5/en.

natural gas as a source of electric generation. Thus, both countries were well below their 1990 targets by the time the Kyoto Protocol was created in 1997. Nonetheless, these nations, as well as most others in the EU, have been seeing their emissions trending upwards since the signing of Kyoto, and the EU-15 overall is not on track to meet its commitments.²²

The Bush Administration has rightly recognized that it is time to turn the page on Kyoto and has launched an alternative. Bringing together the U.S., other major emitting nations (including major developing nations like China and India that have no requirements under Kyoto), and the EU and the UN, the Major Economies Meeting on Energy Security and Climate Change is wrapping up its latest round of discussions in Honolulu, Hawaii. Unlike Kyoto, this process hopes to end not with putatively binding caps, but with an agreement that would more closely resemble what the U.S. is already doing. The agreement would set more flexible goals, and each nation would work toward its own goals and fashion its own compliance mechanisms.

In concert with this process, the Administration has also spearheaded the Asia Pacific Partnership on Clean Development and Climate, an agreement by which both developed and developing nations can coordinate the creation and deployment of clean technologies. In addition, the President asked Congress in his final State of the Union Address to establish a new clean energy technology fund.

This is a more flexible and workable approach than Kyoto and the EU's proposed successor to it. Rather than trying to ratchet down emissions with existing technologies—something that is proving to be both elusive and prohibitively expensive—the Administration's approach focuses on developing the next generation of energy technologies that emit less carbon. Each nation would then determine

when and to what extent it will deploy these technologies. This strategy would not lock nations into promises that would be difficult to meet and that, based on the ongoing climate change science, may prove to be costlier than the problem.

Conclusion. The British government originally opposed giving the European Union further authority in the field of energy but has since lost the argument and signed away further powers under the Lisbon Treaty.²³ It is not difficult to see why Britain opposed such a centralization of power. The EU's energy policy has gone from the sublime to the ridiculous, with gesture politics transformed into costly and damaging proposals. Energy companies pocketed enormous windfall profits from the failure of the first phase of the ETS, and governments have refused to ring-fence profits from the second phase for investment in cleaner technologies, defeating the very object of the exercise.²⁴

Any U.S. effort short of signing an EU-dictated international agreement with binding targets will not be acceptable to EU elites. The EU has an energy agenda focused on achieving a political and moral victory over the United States rather than one of sound science. The United States should not be bullied into accepting policymaking on this basis and should continue to explore affordable ways to enact sensible environmental policies.

For its part, the British government must take a more realistic look at what it can achieve on a cost-benefit basis and should refuse to endorse a package that is not commensurate with its national interest.²⁵

—Sally McNamara is Senior Policy Analyst in European Affairs in the Margaret Thatcher Center for Freedom and Ben Lieberman is Senior Policy Analyst in Energy and the Environment in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

22. *Ibid.*

23. See proposed deleting amendment by Minister Peter Hain at <http://european-convention.eu.int/Docs/Treaty/pdf/845/Art%20III%20152%20Hain%20EN.pdf>.

24. Roger Harrabin, "UK 'to Ignore' EU Pollution Plea," BBC News, January 23, 2008.

25. The Renewable Energy and Climate Plan Package must now pass through the European Parliament and then go to all 27 EU member states for endorsement.