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Climate Change: How the U.S. Should Lead

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During his 2013 inaugural address, President Obama told Americans that the United States "will respond to the threat of climate change" and will take the lead for other countries to follow suit. Even assuming the accuracy of climate change models, unilateral action by the U.S. is a costly symbolic gesture that would do nothing to successfully resolve climate challenges. However, there are sufficient questions about the underlying climate change assumptions, evidence and predictions to justify caution before implementing a policy response.

Moreover, without concerted commitments by the major economies, including those in the developing world, Congress would be foolish to impose unilateral restrictions on the U.S. economy and the past four years have demonstrated conclusively that there is no international consensus for action.

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Nonetheless, the President is instead pursuing costly regulatory actions to unilaterally reduce U.S. greenhouse gas emissions, which impose vast costs on Americans and slow economic growth without significantly reducing global greenhouse gas emissions. Congress should demonstrate leadership by removing costly backdoor climate regulations imposed by this Administration.

Failed Legislative Attempts with Even Dimmer Prospects Now. Despite having a Democrat-controlled Congress in his first two years, President Obama failed to push through cap-and-trade legislation that would have adopted a goal of reducing carbon dioxide and other greenhouse gas emissions to 83 percent below 2005 levels by the year 2050. The reason for this failure was clear: The proposed law would greatly harm the U.S. economy and undermine job growth. Indeed, The Heritage Foundation's Center for Data Analysis estimated that the cap-and-trade bill proposed by Senators Barbara Boxer (D–CA) and newly nominated Secretary of State John Kerry (D–MA) would have resulted in income losses of nearly $10 trillion and over 2.5 million lost jobs.[1]

Reviving cap and trade or implementing a similarly costly carbon tax[2] is even less likely today than four years ago, as the House of Representatives is controlled by Republicans, many of whom are unconvinced of the magnitude of climate change or of the efficacy of unilateral action. Similarly, interfering in the market through preferential policies and subsidies financed by taxpayer dollars designed to support green energy projects—adding to the tens of billions of dollars passed in the 2009 American Recovery and Reinvestment Act—is unlikely to elicit bipartisan support when Congress is grappling with how to reduce spending.

A Failed International Approach. The past four years have seen successive annual U.N. conferences (Copenhagen in 2009, Cancun in 2010, Durban in 2011, and Doha in 2012) frantically trying to reach agreement among nearly 200 countries on a successor to the Kyoto Protocol. In essence, these conferences have succeeded only in wresting vague pledges from developed countries to reduce emissions, contribute funds to help developing countries adapt to climate change, and meet again to try to negotiate a binding treaty by 2015.

The problem is that the basic approach is unworkable. International negotiations have centered on placing the economic burden of addressing climate change on a few dozen developed countries while asking nothing from more than 150 developing countries. But the primary source of greenhouse gas emissions is increasingly the developing world. Any approach to effectively address increasing emissions of greenhouse gases must capture emissions from developed and developing countries.

This notion was the central feature of the 1997 Byrd–Hagel Resolution, which unanimously passed the Senate, establishing conditions for the U.S. becoming a signatory to the Kyoto Protocol and remains the primary reason why the U.S. never ratified that treaty.

But developing countries, primarily India and China, have made it quite clear that they have no appetite to slow economic growth or curb use of conventional fuels to control emissions. For this reason, Canada, Japan, and Russia refused to sign onto a new agreement committing them to emissions reductions unless major developing country emitters were also included. Until and unless this issue is resolved, the U.S. would be foolish to consider unilateral restrictions on the U.S. economy that, in the end, would be merely symbolic without significant effect on global emissions reductions.

When You Can't Legislate, Regulate. The Environmental Protection Agency (EPA), the Department of Interior, and the Department of Labor are all promulgating stringent emission standards for new power plants that would effectively prohibit construction of new coal-fired electricity generating capacity unless it is equipped with carbon-capture technology—a prohibitively costly technological requirement.

The EPA has also finalized new federal air quality standards for hydraulically fractured wells, a critical extraction process necessary to help tap vast supplies of oil and natural gas. The EPA contends that the regulations are necessary to reduce emissions of volatile organic compounds and hazardous air pollutants. However, the EPA quantifies only environmental benefits from methane, clearly indicating this rule was more about regulating a greenhouse gas.

Furthermore, although the Obama Administration was not the first to implement federal fuel efficiency standards, the President's EPA and Department of Transportation required the first-ever greenhouse gas emissions standards for vehicles. The Obama Administration recently finalized new fuel-efficiency rules for cars and light trucks for model years 2017–2025 that require a near doubling of the current standards. Combined with the more stringent rules for 2011–2016, the new standards will increase the average cost of a new car by $3,000 by 2025.[3]

The onslaught of regulations to reduce greenhouse gas emissions will hurt consumers directly through higher energy costs and indirectly through higher prices for goods and services. Like cap and trade, the result is higher unemployment and less economic output.

How the U.S. Can Truly Lead. President Obama said in his inaugural address that if the U.S. leads in reducing emissions, the rest of the world would follow in America's footsteps. The statements and actions of other countries over the past four years reveal that there is no nascent consensus for effective international action that could be catalyzed by unilateral U.S. action. Instead, the U.S. should demonstrate real leadership by:

- Undertaking independent efforts to more accurately determine the severity of climate change and verify U.N. claims. The lack of warming in recent years is raising fundamental questions about the underlying assumptions of climate-change predictions. Undertaking actions with grave implications for the U.S. economy without greater confidence is irresponsible.

- Working with a smaller group of nations through informal arrangements such as the Major Economies Forum to undertake appropriate steps that are cost-effective, verifiable, and effectual.

- Calling for a moratorium on U.N. climate change conferences that emphasize financial transfers and reinforce the flawed, ineffective

1. David W. Kreutzer et al., "What Boxer–Kerry Will Cost the Economy," Heritage Foundation *Backgrounder* No. 2365, January 10, 2010, http://www.heritage.org/research/reports/2010/01/what-boxer-kerry-will-cost-the-economy.
2. David W. Kreutzer and Nicolas Loris, "Carbon Tax Would Raise Unemployment, Not Swap Revenue," Heritage Foundation *Issue Brief* No. 3819, January 8, 2013, http://www.heritage.org/research/reports/2013/01/carbon-tax-would-raise-unemployment-not-revenue.
3. Nicolas Loris and Derrick Morgan, "Cap-and-Trade for Cars Means Higher Prices and Less Choice for Car Buyers," Heritage Foundation *Backgrounder* No. 2751, December 17, 2012, http://www.heritage.org/research/reports/2012/12/cap-and-trade-for-cars-means-higher-prices-and-less-choice-for-car-buyers.

Kyoto methodology of differentiated responsibilities.

- Prohibiting the EPA and other agencies from regulating greenhouse gas emissions and prohibiting the EPA and other agencies from using any funds to promulgate or enforce any regulation intended to mitigate global warming unless it is expressly authorized to do so by Congress.

Follow the Leader? Restricting greenhouse gas emissions, whether unilaterally or multilaterally, would result in significant economic costs for the U.S. economy. This is a serious decision with grave consequences. The U.S. should not unilaterally assume these burdens as a symbolic gesture hoping that other countries might emulate our example—repeated U.N. negotiations demonstrate the small likelihood of that outcome.

The U.S. should act prudently by increasing its certainty about the underlying assumptions and resulting predictions of climate change, ensuring that the benefits justify the costs, and undertaking concrete commitments and actions only in the context of an overarching strategy that would actually have an impact on climate change if action is necessary.

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