

Suite 502 • 1150 17<sup>th</sup> Street NW • Washington, DC 20036

Telephone (202) 777-3000 • Facsimile: (202) 777-3010

## ECONOMIC NEWS UPDATE

IRWIN M. STELZER

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### **Meetings, Meetings, Meetings**

The emission of hot air at international meetings designed to prevent the earth from warming is rising. Just last week, more than 80 heads of state convened in New York under the aegis of the UN to decide how to tackle climate change. This was followed immediately by Bill Clinton's modestly titled "Clinton Global Initiative", at which the former president-turned-global-philanthropist (now, as when in office, specializing in disbursing other people's money). Clinton called for the greatest mobilization of resources since World War II to attack global warming, and even consented to allow Al Gore, no favorite of the Clintons since he distanced himself from them in the 2000 campaign, to address the meeting.

Not to be outdone, President Bush gathered senior government officials from the world's sixteen largest greenhouse gas emitters to a two-day meeting in Washington, to persuade them to join the US as "part of this global effort to do our duty." The group,

which produces 80 per cent of the world's green gas emissions, included Brazil, China, India, Mexico, South Africa, and Indonesia -- developing nations that are not required by the Kyoto Protocol to agree to binding emissions reductions.

More meetings are scheduled. In December ministers are off to Bali for further discussions to prepare for still another meeting in Denmark in 2009. There, the nations hope to agree to a successor to the Kyoto protocol, due to expire in 2012. One shudders at the thought of the size of the combined economic footprints of these glob-trotters.

Meanwhile, back in the real world, China continues to build emissions-producing coal plants, most industrialized countries fail to meet their emissions-reduction targets, the emissions-trading scheme favored by the EU collapsed due to overly-generous issuance of permits, and the

US will challenge the legality of a proposed EU tax on airline emissions.

Also, there is no agreement on the basic question of the desirability of internationally-agreed mandatory reduction targets. Each country should, says Secretary of State Condoleezza Rice, "make its own decisions, reflecting its own needs and its own interests...". That message that did not go down well with the President's more collectivist-minded guests. Britain's environment secretary, Hilary Benn, demanded that the US agree to binding mandatory emissions limits, which Bush won't do, and a member of Britain's delegation at the Washington meeting, John Ashton, professed himself "underwhelmed" by Bush's proposals. They are comforted by the thought that when they gather in Denmark in 2009 Bush will be back in Texas, and the White House occupied by someone likely to be exposed to Bill Clinton's advice.

But for now, they must deal with George W. Bush, who will not sign any deal that threatens American economic growth. Perhaps even more of a roadblock on the path the greens would have the post-Kyoto world take is the change in the global economic climate. Economic growth will slow in the near- and medium-terms, putting pressure on the budgets of most governments. That will make them less likely to support generous subsidies for the technologies greens favor.

Still, all is not lost from the point of view of those who worry about the world's reliance on fossil fuels. Environmentalists have allies in security specialists, who think it dangerous to depend for supplies on hostile governments in Russia, Iran and Venezuela, and less-than-stable

regimes such as those in Saudi Arabia and Nigeria.

Which is why the decentralized American federal system is so important. Washington is not the only place to look for solutions. The states have always been what Supreme Court Justice Louis Brandeis, in a different context, called "laboratories of democracy" -- places in which policies unacceptable to the central government in Washington can be tested. Under the leadership of the famous "governator", Arnold Schwarzenegger -- who addressed last week's Tory Party conference by video link -- California has come up with stringent controls aimed at reducing carbon dioxide emission by 25 per cent by 2020. This follows on Schwarzenegger's agreement with Tony Blair to cooperate on clean-technology research.

Because California is such a large market for fridges, vehicles and all sorts of goods, manufacturers will have to meet its standards and, so as not to forfeit economies-of-scale in manufacturing, produce goods to be marketed in other states to similar standards. And California is not the only state moving ahead with emissions controls. The governors of New York, New Jersey, Delaware and four New England states have agreed to cut emissions from power plants by ten percent by 2019.

A cynic might point out that all of these targets are to be met long after the politicians who have imposed them have retired from public life, so that they get the political benefit of doing good while leaving the cost of their good deeds to be borne by their successors.

Or that they are less explicit about how to meet these goals than they are as to the targets themselves.

We do know that nuclear power is to play a role, but not yet the form and magnitude of the subsidy that will be required to make nuclear stations competitive with coal- and gas-fired stations, or how to dispose of the radioactive waste. We do know that market mechanisms are now more popular than the old command-and-control systems, but not yet whether so-called cap-and-trade systems or taxes on carbon dioxide emissions will produce the most efficient responses to limits on such emissions. And we do know that the majority of the world's largest publicly traded companies are committed to reducing their emissions, but not how many of them plan to do so. In short, we now have a better idea than ever where we want to go, but no clear and agreed view how to get there. At least, not yet. Perhaps after a few more meetings .....

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