The Outcome of COP26 and the Path Ahead

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Science → Economics → Geopolitics of Climate Change

- **Greenhouse gases *mix in the atmosphere*, so the location of emissions has *no effect* on impacts – in economic terms, climate change is a *global commons problem***
  - Any jurisdiction taking action incurs the *costs* of its actions
  - But climate benefits are *distributed globally*
  - Therefore, for virtually any jurisdiction, the climate benefits it reaps from its actions will be *less* than the costs it incurs ….
    - despite the fact that the global benefits may be *greater* – possibly *much* greater – than the global costs
- **This presents a classic free-rider problem, ….**
  - which is why *international*, if not global, cooperation is essential, and why the highest levels of effective governance (typically countries) are key.
- **There's also a temporal dimension that takes us from science to economics to politics and policy …**

More Science → Economics → Geopolitics of Climate Change

- **Greenhouse gases accumulate in the atmosphere (100+ years for CO_2)**
  - Damages are a function of the *stock*, not the flow
  - If CO_2 emissions begin falling tomorrow by 5%/year, the rate of warming won't begin to change in a detectable way until after 20 years *(Nature* 2020)
  - So, greatest benefits of climate policies will be in the *long term*, but climate change *policies* and the attendant *costs of mitigation* will be *up front*

- This combination of *up-front costs* and *delayed benefits* presents a great political challenge
  - Political incentive in democracies is to give benefits (to voters) today, and place costs on future generations
  - The climate problem asks politicians to do precisely the opposite!

- Together, the global commons nature of the problem plus its intertemporal asymmetry make climate change a very tough political challenge.

COP 26 – Major Issues and Outcomes

- For the Press
- For Most Delegates
- For Policy Wonks
- For Everyone

Big Issues for the Press

- Do the old and the new **NDCs add up** to consistency with the Paris Agreement's 2 degree C target, let alone the 1.5 C aspirational target?
  - Outcome: 3.7 C before Paris → 2.7 C w/Paris NDCs → 2.4 C w/updated NDCs → low as 1.8 C w/additional 2050 statements? (*But just targets, not policies/actions*)
- PM Boris Johnson called it "the last best hope," wanted **enhanced NDCs**
  - Outcome: By the end, pushed instead for more ambition in NDCs in 2022 COP (*Note: After COP, U.S., EU, & UK said they will not deliver more ambitious NDCs*)
- **Some wanted statement** in Decision ("Glasgow Climate Pact" – GCP) endorsing phase out of coal and elimination of fossil fuel subsidies?
  - Not endorsed by G20 in Rome
  - Outcome: "p*hase down unabated* coal" and "*reduce inefficient* fossil fuel subsidies"

Big Issues for Most Delegations

- Most delegations are from **developing countries**

- **Finance** – achieving the $100 billion/year commitment (& more) for adaptation; and making up for the shortfall due to previous years below $100 billion/year?
  - Outcome: Glasgow Climate Pact *"urges" countries to double commitment*

- **Loss & Damage**
  - Finessed in Paris Agreement: Unmitigated/unadapted impacts on the most vulnerable countries are important, but *not* a basis for compensation or legal liability
  - Glasgow Outcome: U.S. & EU blocked proposal for new fund for loss and damage payments; instead set up a dialogue for research and *discussion* at future COPs (Greta Thunberg: "bla, bla, bla")

Big Issues for Some Policy Wonks

- Can China and USA return to global co-leadership on climate policy by returning to spirit & reality of cooperation (Obama) vs confrontation (Trump, Biden)?
  - Outcome: Surprise joint announcement by USA & China, but *did not advance ambition or influence other countries*

- Is the Article 6 rulebook completed with sensible text, as opposed to counter-productive text?
  - Outcome: Not perfect, but both "overall mitigation of global emissions" and "share of proceeds" included in Article 6.4 only, *but not in Article 6.2*

- Outside of UNFCCC: 103 countries signed "Global Methane Pledge" to cut emissions 30% below 2020 by 2030 (*but not China, and measurement highly uncertain – current research using satellite data to invert country emissions*)

Issue for Everyone

- The "Elephant in the Room" for everyone – delegates, civil society, & press

- Is the U.S. NDC (50-52% below 2005 by 2030) achievable with *reasonably anticipated policies*
  - **Probably not**
  - *But outcome*: all three groups – delegates, civil society, & the press – were so happy to have Biden instead of Trump administration, with U.S. rejoining Paris, that …
  - … there was a remarkable *"willing suspension of disbelief"* by delegates and others,
  - … and this issue was hardly discussed in polite conversation.
- **Why did I say that U.S. NDC is probably not achievable?**

Is the U.S. NDC (50-52%↓ CO_2 2005→2030) **credible?**

- Is this achievable with *reasonably anticipated policy actions?* The only way this can be met is with aggressive new legislation
  - But Senate requires *60* votes, unless "Budget Reconciliation" procedure is used (but can apply only for limited types of legislation, and *still need 51 votes*)
  - So, prospects for major, *comprehensive climate legislation* are not good.
- *But non-climate legislation* can reduce GHG emissions
  - *Infrastructure* bill: electricity grid upgrades (for greater reliance on renewable sources and greater penetration of electric vehicles), EV charging stations, etc.
- Other, *truly bipartisan climate legislation* can be politically feasible
  - Tax incentives (that is, *subsidies*): wind & solar power, carbon capture & storage, nuclear power, technology initiatives, electric vehicle rebates, etc. (some above)
- But sum of all of this is *unlikely to satisfy* demands of domestic greens, international calls for action, or Biden's NDC …
  - … so, Biden administration may have to opt for *regulatory approaches*.

Regulatory Approaches

- *Executive Orders* to reverse Trump regulatory rollbacks
  - *Reinstate and surpass* Obama's CAFE standards (for motor vehicles)
  - *Reinstate* Obama rule re methane leaking from wells & pipelines
  - *New rule* under December 2020 legislation will implement in USA the Kigali Amendments (2016) for CFCs to the Montreal Protocol (1987)
  - *Recalculate* "Social Cost of Carbon" ($50→$1→$51→$100?)
- But new regs *more likely to be challenged successfully* than during Obama years
  - There are 245 Trump-appointed Federal judges (> ¼ of total)
  - *Supreme Court* 6-3 conservative majority
    - Favors literal reading of statutes, less flexibility to departments & agencies
    - May modify/overrule Chevron Doctrine (under which Federal courts defer to agencies when Congress was not explicit)

Two Sources of Optimism for U.S. Policy Action

- *State-level policies* and actions can be effective
  - Sub-national policies (West Coast, Northeast) have become *important*
  - *Bottom-up national policy* may continue to evolve from Democrat-leaning *states*,
  - … which represent more than half of U.S. population, and an even greater share of economic activity and GHG emissions!

- Biden administration seems to *embrace first-rate scientific and other expertise*,
  - … some of the *best* scientists, lawyers, & even economists may be able to *design sound climate policies* that can – perhaps – be *politically feasible*!

Thank You!

For More Information

Harvard Project on Climate Agreements
www.belfercenter.org/climate

Harvard Environmental Economics Program
www.hks.harvard.edu/m-rcbg/heep

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