



## **Watch out for the U.S.! A domestic climate and energy policy is more important than Bali**

*Jonathan Elkind*

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I will not claim to you that I either watched the Bali meeting with particular care or studied its outcomes with great precision since that time. The blunt fact is that the meeting was at best fated to be an exercise in marking time -- in large part as a result of the obstructionist approach of the Bush Administration. That said, I am very pleased that the Kyoto parties opted to "leave room" in the development of a post-Kyoto instrument for a new US administration (of whatever party) to take office and then join the negotiations.

Now for the paradoxical comment: In my view, the far-more-important near-term objective (more important than the US finding its place in the post-Kyoto climate negotiations) is that the US set in motion its own domestic GHG control efforts. I am mostly agnostic as to whether a GHG tax or a cap-and-trade approach would be superior (with a slight lean in the direction of a carbon tax). The truly important thing is that the US get serious about implementing a GHG control program. Doing so will cause our internal market participants (including individual consumers buying cars, houses, appliances, etc...) to begin adjusting their expectations of future policy and market conditions (which in turn will lead to numerous follow-on developments in terms of technology, goods, and services).

I expect that the immediate response to this will be two fold: There will be a great hue and cry -- facilitated of course by well-paid corporate lobbyists -- over the extent to which any GHG control mechanism is causing energy prices to rise ("controlling GHG emissions is ruinously expensive!!"). And simultaneous with that will be a quiet, broad, and ultimately more significant ripple across the US economy as people realize that responding to climate and progressively reducing GHG emissions is an eminently possible task. Of these two contradictory voices in our society, the quiet one -- the latter one -- will be more significant.

As to where the post-Kyoto process is going, I remain pretty pessimistic about whether the EU approach will ever have the result of convincing the major developing countries to sign up for quantified emissions reductions -- whether or not the US signs up as a party to a son-of-Kyoto agreement. In this sense, I continue to doubt whether the post-Kyoto process will yield much. All the more reason for us to get started with domestic GHG control mechanisms, without regard to the whims of the post-Kyoto process. It's long past time for my country to get serious about climate change and our domestic energy policy.

*Jonathan Elkind ([jelkind@eastlinkconsulting.com](mailto:jelkind@eastlinkconsulting.com)) is a Nonresident Senior Fellow at The Brookings Institution and the founder of EastLink Consulting, LLC, an energy-environment consultancy. He served previously on the staff of the U.S. National Security Council.*