

Europa Riding the Hegemon? Transatlantic Climate Policy

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Prominent and committed supporters of friendly transatlantic relations have identified climate change as the most important global problem in this century. To counteract major impacts of climate change requires cooperation among the major emitters of so-called greenhouse gases or agreement on compensation for impacts. Since 2001, the U.S. has abandoned the international treaty architecture of the Kyoto Protocol which is presumed to be a first step in the direction of limiting global climate change. Since much of the rest of the world – but not all – countries have subscribed to the architecture of the Kyoto Protocol, a major rift has arisen between Europe and the U.S. with the former being a fervent defender of the architecture and the latter designating it as unworkable and against its interests. In this article, we will investigate the history of transatlantic climate policy and relations, the major items of contention, as well as options for a rapprochement on global climate change.

Excluding the U.S. intervention in Iraq in 2003,¹ climate policy is the most prominent example of a transatlantic rift compared to a history of mostly harmonious relations since WW II. In lists of diverging views between the United States and Europe, climate policy is most often ranked first. The divide became most prominent with the decision of President George W. Bush in spring 2001 to abstain from the Kyoto Protocol. Since this decision, widely criticized by Europeans, climate has elevated to the level of “high politics,” a symbol of the underlying disunity in transatlantic relations.

The United States is the largest single emitter of so-called greenhouse gases, i.e. gases that are having an impact on the climate system. In 2000, U.S. emissions accounted for more than one fifth (20.6 %) of global emissions. The U.S. share is about one third higher than that of the world's second largest emitter, the People's Republic of China (14.8 %) and that of the third-ranking, enlarged EU-25 which has 14.0 % (Baumert 2004, p.4).² Apart from its role as a major

emitter, the U.S. is also a potential leader in developing technologies to deal with the causes and effects of climate change; these characteristics make the U.S. cooperation essential for dealing with global climate change.

The importance of the U.S. does not diminish the relevance of the European Union. Indeed, the decision of the U.S. to abandon the Kyoto Protocol galvanized European efforts to unify politically around this issue. Perhaps counterintuitively, the EU is now attempting to exert leadership on global climate change. Can Europa ride the hegemon back to a safe “climate haven”?

1. The Transatlantic Foreign Policy Context

The current divergence between Europe and the U.S. on global climate policy should be judged against the broader background of transatlantic relations. The Atlantic partnership has not only been an important factor of the international system since WWII. Through shared goals, resource aggregation, and extensive cooperation, the United States and Western Europe were able to meet the challenges of the cold war to advance the liberalization of international trade and finance as well as to promote democracy, pluralism, human rights and other shared values. Since the events of “9/11/01” (1989), the reshaping of the European political landscape, and ensuing changes in the global agenda, the stability of the transatlantic partnership has been severely tested.

The U.S. came to the rescue of Europe in two world wars. Following the end of WWII, the U.S. did not abstain from influencing the political, economic, and military order of the old continent as it did after the first: against the backdrop of the emerging cold war in the late 1940s, the U.S. essentially united Western Europe through their first monetary union (the European

Payment Union to disburse Marshall plan funds), stabilization of investment patterns by way of the Marshall plan itself (to the tune of ca. 3% of U.S. GDP) (Neuss 2003, 7), and its continued military presence – the latter making sharp deviations from western forms of democratic political systems very unlikely. This also stabilized political expectations among West European nations which had to reconstitute themselves politically after a terrible war. The U.S., at various stages, provided continuous support for the uniting of Europe. Conversely, the transatlantic partnership provided political support for the major interventions of the U.S. on the world political stage.³

Until about 1990, transatlantic relations were largely managed by way of multilateral institutions and occasional U.S. unilateral decisions. When some European countries went ahead unilaterally, e.g. France and the UK (with the support of Israel) during the 1956 occupation of the Suez Canal, the U.S. forced them to retreat. The creation of the European Economic Community and its sister organizations in the 1950s, the creation of NATO, the use of the fixed exchange rate monetary system by way of adjustable U.S. dollar parities until the early 1970s, as well as the creation of institutions like OECD and GATT all reflect the benign leadership approach of the U.S. towards Europe. Europe, by itself, was essentially incapable of initiating and maintaining such institutions immediately after WWII. Other events, such as the Vietnam War and the Cuban Missile Crisis, which all had immediate implications for security in the East and West, reflected U.S. supremacy within the Western bloc in global decision-making. By winning the Cold War, the U.S. successfully achieved its most important foreign policy goal.

American support was also substantial for German reunification in 1990. This process, in turn, served as a catalyst for Europe's contemporary political, economic, and monetary unification crowned by the enlargement of the EU to 25 member countries in 2004. Yet outside its borders, Europe has essentially no vision to create a world order other than to conceptually

aim at multilateralism and the rule of law, predominantly by strengthening the UN system of governance. As a united actor, the EU has mainly been successful in the economic sphere of international trade where the EU,⁴ as an institution, has a mandate on the world stage and is well-respected by its counterparts, among them the U.S. Major security initiatives, however, all relied on U.S. military leadership – even in containing turmoil in the Balkan since the 1990s, an area directly bordering Western Europe.

With the end of the Cold War and the continuing integration of Europe, the transatlantic security alliance lost its preeminence on both sides of the Atlantic. Faced with new, increasingly global challenges, the United States and Europe were often unable to overcome their disunity: apart from the Iraq war and the best strategy to deal with global terrorism, Europe and the U.S. have taken different stances towards a vast array of topics ranging from climate change over the Law of the Sea, the landmine and anti-ballistic missile treaties, to general approaches on international law and the politics of economic globalization. These diverse challenges demand efforts at the global level (i.e., global governance), yet are seen very differently on both sides of the Atlantic. In an influential article, Robert Kagan (Kagan 2002), p.3 concluded: “on major strategic and international questions today, Americans are from Mars and Europeans are from Venus: they agree on little and understand one another less and less.”

2. The Transatlantic Policy Challenge of Climate Change

2.1. The Challenge of Climate Change

Economic activities such as the burning of fossil fuel for energy release carbon dioxide; methane is emitted by rice paddies and cows, and cars; agricultural fertilizers release nitrous oxides.⁵ Together, these form the three major greenhouse gases (GHGs) released by human activities. The anthropogenic emissions add to the preponderant natural emissions of GHGs.

Together, these emissions create the so-called greenhouse effect which is responsible for the temperature on earth – a prerequisite for life. The temperature record associated with GHG concentrations is not static over time; it has fluctuated during the earth’s history. It is nevertheless feared that the anthropogenic addition of GHGs, leading to the enhanced greenhouse effect, is sufficiently disturbing the climate system to cause grave dangers.

The Intergovernmental Panel on Climate Change (IPCC) has been created in 1988 by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) to provide scientific, yet politically guided, expertise. Much of its work revolves around writing comprehensive assessment reports every five years (starting with the 1990 assessment) and more specialized reports in between. While the second assessment report (IPCC 1995) concluded prudently that “(t)he balance of evidence suggests a discernible human influence on global climate” (Houghton et al. 1995, 22),⁶ the third assessment displayed more confidence that this is indeed the case and that a combination of natural and anthropogenic “forcing” by way of GHG emissions explains the observed temperature record of the past 150 years (Houghton and Intergovernmental Panel on Climate Change. Working Group I 2001, 10-12).⁷

Having corroborated the human impact on the climate system, the IPCC also synthesized the prospects for future climate development. Different emission scenarios were explored for the 21st century, and some of them involve the phasing out of the fossil fuel based energy system during this period. Even if this were accomplished, the earth seems committed to a “globally averaged surface temperature [that] is projected to increase by 1.4 to 5.8°C over the period 1990 to 2100” (Houghton and Intergovernmental Panel on Climate Change. Working Group I 2001, 13).⁸

Climate Change

Changes in temperature are not the only impact of climate change. We will pick three other impact domains for illustration. First, human health may suffer from heat waves as witnessed in France in the summer of 2003. Furthermore, the increase in malaria and dengue infections is a likely consequence of increasing temperatures. Second, climate change may lead to an increase of droughts and water shortages in some, and more precipitation and flooding in other regions. Finally, the insurance sector is affected by major climate-related incidences, e.g., if hurricanes and tornados more frequently hit insured property. As a consequence, insurance premiums may increase or insurance firms may avoid covering certain climate-related risks.

Climate policy and energy policy are closely intertwined as the latter generated the emissions which the former wishes to curb. Projections of energy use into the future suggest substantial increases of GHGs with the now developing countries (esp. China) becoming leaders in emissions some time during this century. Thus, the challenge will be to curb emissions while keeping the world's economies on a prosperous trajectory.

2.2. Global Climate Policy: The State of Play

While a publication in 1896 by the Swedish chemist Svante Arrhenius is considered the first modern conjecture about the anthropogenic greenhouse effect, climate change did not become a political issue until the 1980s. Though many countries levy taxes on fossil fuels and increased them following the oil crises of the 1970s, this was driven mostly by considerations of preserving fossil fuels – and offering a helping hand to national finance ministers. Following a series of conferences held by governments, the WMO, and UNEP from the mid-1980s to 1990, substantial political attention was raised with respect to potential dangers posed by anthropogenic

climate change. It culminated in the creation of the IPCC in 1988 and the creation of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change (INC) in late 1990.

In five sessions, the INC managed to compile a draft treaty on time for signature at the 1992 UN Conference on Environment and Development (UNCED) at Rio de Janeiro. The United Nations Framework Convention on Climate Change (UNFCCC) was signed by many countries at UNCED and thereafter; it entered into force on 21 March 1994 and had been ratified by 189 countries by 24 May 2004 (UNFCCC 2004b).

The UNFCCC is a framework convention “plus,” i.e., it follows the legacy of the regulations on stratospheric ozone depletion and transboundary air pollution by providing a general document which lays the foundations for future regulatory efforts. In particular, its Article 2 stipulates that the

ultimate objective of this Convention and any related legal instruments that the Conference of the Parties may adopt is to achieve, ..., stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.... (United Nations 1992, Art. 2).

The precise interpretation of this obligation is a major topic of current research (e.g., (O’Neill 2002). No consensus has yet been found what “dangerous anthropogenic interference” means and how such dangers should be addressed.

In addition to the ultimate goal, the UNFCCC advises industrialized countries to bring their year 2000 emissions of GHGs back to 1990 levels (UNFCCC Art. 4(2a)), but the careful wording avoids setting clear obligations that could become the object of non-compliance

procedures. The industrialized countries clearly failed to reach this goal at large – except for the EU.

Following the principle of “common but differentiated responsibilities,” the UNFCCC has set the path for industrialized countries to exercise leadership in reducing GHGs, to be followed by developing countries. While the former countries have largely created anthropogenic climate change by way of their path of economic development, the latter wish not to preclude their opportunity to become wealthier soon. Therefore the UNFCCC includes a range of obligations that are more demanding for industrialized as opposed to developing countries (e.g., national reporting on emissions, sinks and policies, as well as financial assistance in favor of developing countries for reporting and a transfer of technology and knowledge). In essence, the global climate regime combines environmental with development goals – what, in practice, is more demanding than a mere environmental agreement.

While the UNFCCC set an ultimate goal and an institutional architecture, at the first Conference of the Parties (COP) at Berlin in 1995, it was decided to begin negotiations on a protocol to the Convention which would lead to concrete and binding emission reductions in the industrialized countries (“Berlin Mandate”). Subsequent rounds of negotiations resulted in the 1997 Kyoto Protocol to the UNFCCC which includes a schedule for emission limitations by industrialized countries during the period 2008-2012.

In contrast to the UNFCCC, the Kyoto Protocol (KP) is comparatively focused: For a range of industrialized countries, it stipulates legally binding emission reduction targets of six GHGs and groups of GHGs in its Annex B (see Figure 1).

The fifteen members of the European Union and some other European countries accepted an 8% reduction goal of their average 2008-2012 GHG emissions as compared to their emissions in 1990, whereas the U.S. accepted a 7% reduction, and, e.g., Japan, a 6% reduction. The Russian Federation was allowed to keep its 1990 emission level, whereas Norway and Australia were granted an increase of their emissions by 1% and 8% respectively (see Figure 1).

To achieve such emission reductions in an efficient way, countries are allowed to use the Kyoto Protocol mechanisms, which include

- trading of emissions (ET) (Art. 17 KP),
- joint implementation (JI) (Art. 6 KP), and
- the Clean Development Mechanism (CDM) (Art. 12 KP).

In the case of ET, a country with more emission rights than it anticipates using can sell this surplus to countries which would otherwise exceed their permitted amounts. JI and the CDM are quite similar to each other, yet affect different countries. In both cases, an investor (country or enterprise) invests in an emission-reduction project abroad, these reductions are verified, and in exchange for the investment, the investor receives GHG credits, i.e., it can now emit the total of its allowances under the Kyoto Protocol plus the credits. The difference between JI and CDM is that the host country of the emission-reduction project is an industrialized country in the case of JI and a developing country in the case of the CDM. In the case of the CDM, a contribution is also made to an adaptation fund to help developing countries adapt to climate change.

Furthermore, countries can form bubbles (Art. 4 KP), i.e., they are considered one emission airspace and agree on common liability, so that it does not matter who actually undertakes the emission reductions so as long as the aggregate emissions meet the obligations of the bubble's countries combined. The EU has formed such a bubble for its member countries.⁶

The Kyoto Protocol was already concluded in 1997, yet only in late 2001 did countries agree on how to interpret the treaty in more detail. During the interim, President George W. Bush let Security Advisor Rice declare in spring 2001 that “Kyoto is dead” (Grubb 2001, 9). Against this backdrop, the Marrakech Accords of November 2001 – following failed negotiations in the Hague in late 2000 and intermediate compromises at Bonn in mid-2001 - were an attempt under EU leadership to salvage the Kyoto Protocol. They finalized a compliance mechanism with a facilitative and an enforcement branch, made all different types of greenhouse gas emission reduction efforts interchangeable currency, and granted generous allowances for the sequestration (binding) of carbon by forest resources and other types of so-called terrestrial sinks.

To take affect, at least 55 countries accounting for at least 55 percent of industrialized countries emissions had to ratify the Kyoto Protocol. After the United States had refused to ratify the Protocol, Russia became the pivotal country to determine its fate due to the size of its emissions of GHGs. After years of ambiguity about its ultimate decision, Russia ratified the Kyoto Protocol in late 2004 to allow the treaty to become legally binding on its parties on 16 February 2005. At that time, only four industrialized countries – Australia, Liechtenstein, Monaco and the United States – had not yet ratified the Kyoto Protocol. Australia and the United States had stated that they did not plan to do so (UNFCCC 2004a).

2.3. U.S. and European Policy on Climate Change

Climate change has taken on new significance since 2001 when the Bush administration announced the withdrawal of the U.S. from the Kyoto Protocol.⁷ As a consequence, climate policy clearly became high politics, a symbol of the underlying disunity in the transatlantic partnership.

Since climate change has appeared on the international agenda, the U.S. and Europe each promoted different views about several aspects of climate policy, including

- (1) the assessment of the state-of-the-art of science,
- (2) the necessity and magnitude of binding emissions reduction targets,
- (3) the choice of instrument as well as their implementation, and
- (4) the inclusiveness of the international regime.

First, the EU takes the IPCC findings as guidelines for action in favor of mitigation whereas the Bush administration had to be convinced by the U.S. National Academy of Science that the IPCC is basically correct. Second, the U.S. has opposed binding targets during negotiations, while Europe has promoted them. The U.S. ultimately agreed to binding emission targets in the Kyoto Protocol, only to recall this in 2001. Third, even if policy is deemed necessary, there are strong differences in the basic approach. Europeans, for a long time, preferred direct regulation (coded as policy and measures) which allows for the fine-tuning of government intervention into industrial activity whereas the U.S. has preferred market-driven systems such as free and unlimited emissions trading.⁸ It took the EU many years to appreciate market-oriented instruments like emissions trading in order to reduce the burden of adjustment. Still, the EU also believes in political and economic planning of interventions – as reflected in its past emissions reductions, its plans for further cuts as well as its support for the institutional structure of the Kyoto Protocol. By contrast, the U.S. has absolved itself of offering an alternative architecture of governing anthropogenic emissions of greenhouse gases and relies mostly on domestic, bi- and multilateral research and technology programs as well as voluntary emission cuts by U.S. companies. Fourth, the EU has supported the idea that mitigation should begin with the advanced,

industrialized countries while the U.S. has pushed for the inclusion of developing countries from the outset.

Since climate change has advanced on the international political agenda, the debates about climate change within Europe and the U.S. have been conducted in very different ways: In the U.S., there is no consensus that binding emissions reductions are necessary, whereas a broad cross-party consensus exists in much of Europe. Using Germany as an example, the Bundestag unanimously backed the Kyoto Protocol. Likewise, in the United Kingdom, both Labor and Conservative governments have endorsed ambitious climate change policies domestically and internationally. By contrast, in the U.S., there were and still are majorities in the Senate, the House, and the Executive branch that oppose the Kyoto Protocol or any other binding global architecture to control the dangers of climate change.

2.3.1 Europe

The EU still believes that the top-down architecture offered by the Kyoto Protocol is “the only game in town. It is the best we have” (Jan Pronk, chair of UNFCCC COP-6, at the Hague).⁹ To be precise, there is some variation in enthusiasm among EU members in support of the Kyoto Protocol and relevant internal policies; yet this shall not obscure the fact that, at the aggregate level, the EU remains unified in support of the KP architecture as well as serious efforts at compliance with it. It ratified the Kyoto Protocol by mid-2002. In the following, we will outline only a few aspects of the EU’s climate strategy, namely the

- EU burden-sharing system and current efforts at compliance,
- EU emissions trading system, and
- EU renewable energy goals.

First, the EU's bubble, i.e. advocating a common obligation externally while having internally differentiated obligations, is the result of negotiations among diverging member countries. As a group, the EU agreed to a 15% emission reduction position before the onset of the global negotiations at Kyoto. However, the internal distribution formula which covered only 10% points (for details, see Gupta and Ringius 2001; Schröder et al. 2002), calls into question whether the EU was ever credibly prepared to reduce emissions by 15%. Once the EU had agreed to an 8% emissions reduction at Kyoto, the original agreement was quickly reopened and internal obligations adjusted downward without hesitation. In this process, it became obvious that the late developers in the EU could not maintain their generous allowances in the final allocation scheme (Schröder et al. 2002, 129).

While the EU at large succeeded in honoring the unbinding obligations of Art. 4(2) of the UNFCCC to limit its 2000 emissions to those of 1990, it actually managed to reduce them further until 2002 (see Figure 1). Compared to a linear reduction benchmark of reducing GHG emissions between 1990 and the average Kyoto commitment year 2010, the EU falls short of being unambiguously on track by way of internally generated emission reductions.¹⁰ As can be expected within a heterogeneous union, compliance records actually vary substantially. Both Germany and the UK – which shoulder most of the net burden of emission reductions - are well on their way to comply with their EU obligations whereas some prominent late developers (e.g. Spain and Portugal) presently seem out of step with respect to compliance. Current and planned policies at domestic emission reductions plus planned purchases of GHG permits through the Kyoto Protocol mechanisms by Austria, Belgium, Denmark, Ireland, Luxembourg, and the Netherlands are projected to allow the EU 15 to achieve its 8% reductions goal (European Environment Agency 2004, 1-2).

Second, the EU – a latecomer to market-based regulation – passed an EU Directive in 2003 on CO₂ emissions trading among roughly 12,000 companies. The directive covers about half of the EU's CO₂ emissions (European Commission 2004). In essence, the directive uses cost differences in CO₂ abatement among EU member countries as an efficient way to reduce the costs of compliance with the Kyoto Protocol. The period 2005-2007 serves as a training period to smooth the achievability of real accomplishments from 2008-2012. It thus parallels potential global efforts of emissions trading (e.g., Japan with Russia). In the EU, long-standing member countries had to divide up their national allocations until March 2004. Not all countries managed to submit their national allocation plans on time to the European Commission, some were partially rejected (Austria, Germany, and the UK), while others potentially faced infringement procedures (Greece and Italy) for not submitting a plan at all (ibid). What looked like submitting plans for the simple implementation of a previously agreed upon EU Directive actually reflected major domestic disputes between governments and industry over who gained what, who could keep entitlements (old vs. new industries), and who governed the environment (industry ministries or environment ministries). Plans in some member countries were politically astute as they used the lack of clarity over the ratification of the Kyoto Protocol by Russia as an excuse to initially over-allocate emissions nationally.

Third, the EU and some of its member countries push renewable energy as an alternative to the carbon economy. Unlike the U.S., the EU and some member countries try to set specific goals. Presently, there is a goal of 12% for renewable energy in overall energy consumption in the EU15 by 2010 and 21% for the EU-25, but the European Commission does not expect the union to meet these goals. As a consequence, new goals for 2020 have not yet been set at the EU level (ENDS Environment Daily 2004). Moreover, the EU was unable to enter the Bonn Renewables Conference of 2004, a pet project of the German environment minister following

some of the more concrete results of the 2002 Johannesburg summit, with a longer-term numerical goal of its own. From a low level of 6.3% in 2000, the German government plans to double its share of electricity from renewable energy sources until 2010 and to at least 20% by 2020,¹¹ and the UK decided in a 2003 energy white paper that it “should put itself on a path towards a reduction in carbon dioxide emissions of some 60% from current levels by about 2050” (UK Government 2003, 8). Renewable energy sources are destined to play an important role in this long-term scheme with a numerical short-term goal of 10% of electricity by 2010 (ibid, 12). France has proposed a national target of 75% emission reductions until 2050 – which would necessitate massive use of renewables.¹² Whether these goals are politically feasible remains to be seen. Furthermore, the EU has also set up a range of programs to assist its renewable energy goals (see Gupta and Ringius 2001).

In addition to these three policy arenas sketched out in brief, the EU has a monitoring system as well as other support programs for European climate policy. Whether the combinations of all programs is sufficient for achieving the Kyoto goals is currently being debated, but there is a reasonable chance that it might be able to do so.

2.3.2. The USA

When George W. Bush declared shortly after his inauguration as president of the United States in 2001 that his country was no longer bound by the Kyoto Protocol, this came as a shock to most in the international community. Yet one should note that the treaty never had a chance of ratification under the Clinton administration either.

Calls for the Kyoto Protocol to be “dead on arrival” could already be heard at Kyoto in 1997. Half a year before the 1997 negotiations at Kyoto, the U.S. Senate adopted in a univocal, bi-partisan vote the so-called Byrd-Hagel-Resolution (U.S. Senate 1997). It set the tone for

ratification of any future international commitment on climate change. According to the resolution, the U.S. should not sign any treaty that a) does not “include commitments for countries with developing economies,” or b) would “result in serious harm to the economy of the United States.” Any treaty presented to the Senate for ratification would have to be accompanied by two attachments: a profound explanation of the laws or regulations necessary to implement the treaty, and a detailed analysis of the financial and economic costs of implementation.

Following the Senate Resolution, the second Clinton administration had to essentially downgrade its initial reduction goals, and submit a negotiation position paper that was clearly “based more on political pragmatism than environmental purity.”¹³ After dramatic negotiations in Kyoto, the U.S. delegation finally accepted both higher emission reduction goals and an exclusion of developing countries from binding commitments. Now governmental gridlock between the executive and legislative branch became inescapable. Accordingly, when the U.S. government finally signed the Kyoto Protocol at COP-4 in 1998, the accompanying Senate delegation reaffirmed at an ad-hoc press conference that the Senate would not support it. Thus despite the fact that the Clinton administration always officially supported Kyoto, it never put all its political capital behind the treaty. The protocol was never forwarded to the Senate for a vote.

American domestic climate policy has gone back and forth for two decades. In both Clinton terms, the president initiated programs, but Congress more often than not refused their implementation. In Clinton's second administration, Congress even tried to weaken or abolish earlier measures, repeatedly accusing the administration of implementing Kyoto through the back door. To give only one example, Resolution 4194 for fiscal year 1999 explicitly prohibited any

measures aiming at the Kyoto goals and even put a halt to any publicly financed information campaigns relating to climate change.

New changes arrived with the election of George W. Bush. Opposing Clinton's standpoint, the new president argued that the consequences of global climate change remained uncertain. He echoed the position of the late 1990s Congresses that developing countries like China ought not to be free of substantive obligations to limit their emissions. The Kyoto targets were "unrealistic, . . . , arbitrary and not based upon science", the protocol therefore "fatally flawed in fundamental ways" (White House 2001). After Japan and the EU member states had ratified and the U.S. administration withdrawn from the treaty, James L. Connaughton, head of the White House Council on Environmental Quality, stated:

The Kyoto Protocol would have cost our economy up to \$400 billion and caused the loss of up to 4.9 million jobs, risking the welfare of the American people and American workers.¹⁴

The event of a president abstaining from a treaty signed by its predecessor is unparalleled in environmental diplomacy. One should note, however, that the U.S. under Bush continued to support the UNFCCC. An interesting situation occurred when the U.S. officially acknowledged for the first time in its third report to the UNFCCC that human activity was the primary culprit for climate change (U.S. Department of State 2002). While for most scientists this only stated the obvious, it was obviously a welcomed reference for those criticizing the administration's weak climate policy. Had the administration ultimately been convinced that it was time to act? After all, a National Academy of Sciences report (2001) had just endorsed the alarming findings of the IPCC. Clearly not. Shortly after the report was published, George W. Bush declared that he did

not share its assessments which were a “product of the federal bureaucracy”.¹⁵ The New York Times wrote:

The Bush administration has acknowledged that the U.S. will experience far-reaching and, in some cases, devastating environmental consequences as a result of global warming. But it does not plan to do much about it.

(Herbert 2002)

What followed was an intensification of the U.S. climate discussion at all political levels. One of the highlights was a letter to President Bush by eleven state attorney generals from 17 July 2002 in which they expressed their concerns in arguing for a more consistent policy of the White House in cooperation with the states (State Attorney Generals from: Alaska 2002).

The criticism seems to be justified. Until the time of writing, the Bush administration has neither come up with any alternative international climate policy nor with effective domestic measures. Some details may illustrate the point. On 14 February 2002, President Bush announced his Global Climate Change Initiative. Intended to “recognize [U.S.] international responsibilities”, it is a legally non-binding initiative to reduce the greenhouse gas intensity of the U.S. economy (i.e. of emissions per unit of GDP) until 2012 by 18%. According to the President, his yardstick – greenhouse gas intensity – “recognizes that sustained economic growth is the solution, not the problem” (White House 2002). The president wants to reach the intensity goal by agreements with industry on voluntary emission reductions. The National Climate Change Technology Initiative of 11 June 2001 had already put technology research and development (R&D), including CO₂-sequestration, at the forefront of the administration’s climate policy. Bush's program includes tax reductions for those reducing as well as government-funded substitutes for R&D (Fay 2002).

At first sight, an 18% energy intensity reduction goal looks ambitious indeed. However, experts point to the fact that this number is roughly in line with current trends at decarbonizing the economy, i.e. the goal might be reached without any additional measures simply as a result of energy efficiency improvements and ongoing structural changes of the economy. In absolute terms, U.S. emissions are expected to rise further by about 12% over the same period – resulting in levels which are more than 30% higher than the U.S. Kyoto Protocol commitments (Pew Center on Global Climate Change 2002). Therefore, Bush’s program was not only contradicting his earlier announcement that the U.S. would play “a leadership role on the issue of climate change” (White House 2001). It also came only weeks after Christie Whitman, head of the U.S. Environmental Protection Agency, acting on Security Advisor Condoleezza Rice's assurances, had promised America’s European allies that Bush would honor his 2000 presidential campaign pledge to set mandatory reduction targets for CO₂ emissions from power plants (Semple 2005).

Most interestingly insofar as conversing both Clinton terms, it was Congress during President Bush first presidency that Congress tried to initiate stronger climate policy measures, often thwarted by the White House. There has been an impressive number of climate policy initiatives in both houses of the U.S. Congress in recent years.¹⁶ The most prominent and far-reaching bill was introduced in the Senate on 8 January 2003 by Senators Joseph Lieberman (D-CT) and John McCain (R-AZ). Their Climate Stewardship Act includes a national cap on U.S. greenhouse gas emissions and trade of emission rights. The bill, however, was defeated in the Senate by 43 to 55. On the positive side, this result was better than even its proponents expected. Against a strong coalition of climate skeptics of executive and legislative branch origins, key policy makers such as Senate Foreign Relations Committee Chair Richard Lugar changed sides and supported the act. McCain and Lieberman have therefore announced plans to reintroduce the bill. (Pianin 2003).

European observers tend to reduce U.S. policy to the actions of the federal government. However, states such as California, New Jersey and the New England states have been at the forefront of pushing for climate policy coalitions in the United States. California State Assembly Bill No. 1493 (passed on 22 July 2002), calls for substantive reduction of CO₂ emissions from vehicles. The most active states are also cooperating with non-state actors, such as private companies and NGOs, and illustrate effective cooperation and mechanisms for problem solving (Rabe 2002). The states have even tried to interfere with the national government's international policy. For example, California's Senate Joint Resolution 20 (26 Sept. 2002) stressed the need for the U.S. to ratify the Kyoto Protocol. In their Regional Greenhouse Gas Initiative (RGGI), six New England states plus the Eastern Canadian provinces establish a GHG emission inventory as basis for a cap and trade scheme similar to that of the EU.¹⁷ Its operation is planned to start in 2007 or 2008.

Clearly, local and regional initiatives should be seen as valuable components but not substitutes for effective (inter)national climate policy. Altogether, the United States remained the climate policy outsider as it was viewed already in 1993 (Pfaff 1992). It remains divided internally – a division that has to date resulted in the absence of significant domestic action (Riggs 2004).

3. Europa Riding the Hegemon?

Over the course of the climate regime negotiations, the European Union has emerged as a leading player. However, Europe's leadership position has long been undermined by internal divergences. At the Kyoto negotiations, for example, the U.S. was still able to play salami tactics with the EU, and EU ministers supposedly yelled at each other rather than prepare themselves better for the negotiations. Ultimately, the 1997 Kyoto wrestling had no clear winner: the U.S.

managed to largely shape the Protocol's instruments according to its preferences, yet had to agree to emission reductions and found itself unable to have developing countries included in the accord; furthermore it could not reconcile its own internal divergences, most prominently between the executive and legislative branches.

With the near collapse of global climate negotiations in 2000 at the Hague, it became apparent that the EU needed to establish a more outward- and forward-looking strategy. Rather than mainly focusing on internal efforts, it had to invest more in global diplomacy, including stronger ties with developing countries. The U.S., for example, assisted Argentina in formulating its global climate policy strategy in 1998,¹⁸ and it used U.S. aid for exploring the frontrunners of JI and the CDM on a substantial scale. The EU has been supportive of the principle of common but differentiated responsibilities which enables developing countries to expect industrialized countries to be frontrunners in climate change activities. It has been in a tacit coalition with developing countries in avoiding too much softening of the Kyoto obligations, conveniently lubricated by support for funds to assist them, e.g. by offering, in coalition with other developed countries, €450 m annually for climate related measures.

Roughly in parallel with the departure of the U.S. from the Kyoto Protocol in 2001, the EU managed to gain external capacity by not only concentrating on internal policy cohesion but also by preparing for negotiating as a union (Grubb 2001). When the U.S. disassociated itself from the Kyoto Protocol, the question arose of who could lead global climate policy. Since there were no other credible and feasible candidates, the EU accepted the challenge. To the surprise of many, further negotiations did not only survive the U.S.'s retreat but resulted in the Marrakech Accords which serve as the executive rules to the Kyoto Protocol.

Many believe that the Bush administration had hoped to kill off Kyoto by opposing it (Shah 2004). After the withdrawal of the U.S., Europe has been at the forefront of those calling on the U.S. to rejoin or, at the very least, not to oppose the further development and entry-into-force of the Kyoto Protocol. This was clearly the message of the Gothenburg summit of 2003 and the whirlwind diplomacy the EU initiated thereafter. At least at the surface of public diplomacy, the EU has been successful with the latter: though being very clear about its reluctance to rejoin, the U.S. repeatedly announced that it would not try to force others to leave the Protocol.

EU diplomacy followed largely what Oberthür and Ott (2001) called for in the “EU Leadership Initiative on Climate Change”, namely

- early ratification of the Kyoto Protocol,
- steps at domestic implementation, and
- engagement of the developing countries.

On all three points, the EU scores well. It ratified early, nationally as well as at the Commission level in 2002. Internally, the EU has taken a range of steps at reducing emissions and establishing an EU-wide CO₂ trading regime. Finally, it tries to engage developing countries diplomatically and financially, in part by member countries offering tenders for CDM projects and establishing a dialogue on their engagement in a second commitment period of the Kyoto Protocol.¹⁹

Given U.S. opposition, Russia’s decision on whether to ratify decided the fate of the Kyoto Protocol. Therefore, substantial diplomatic efforts were directed at Russia. Russia was quite aware of its pivotal role and managed to derive substantial concessions from the EU on so-called sinks in the Marrakech Accords.²⁰ In addition to UN agencies, European sponsors supported the World Climate Change Conference (WCCC) that took place in Moscow from 29

September – 03 October 2003. Though this summit did not result in a firm and unambiguous commitment of the Russian leadership to ratify the Kyoto Protocol, the conference showed a strong new coalition of European and Canadian advocates supported by other lobbying groups, among them U.S. NGOs. Subsequently, the EU had continued its pressure on Russia and not shied away from linking climate policy with other topics of great importance to Russia such as energy policy and Russia's application for WTO membership. In the end, these concessions sufficed. The EU counted the ensuing compromise as a policy success. Together with its "climate allies," most prominently Canada, Japan and other relevant UN bodies, the EU celebrated Russian ratification as an important milestone in saving the earth's climate. One might also note that during this critical time period there were constant rumors that American representatives both from the private and public sector were trying to keep Russia from ratifying. Should that be true, the EU won this tug-of-war.

Can EU-Europe ride the hegemon? Europa has certainly been taken for a ride, but any observer of rodeo knows that the rider will ultimately discontinue its ride more or less gracefully. If the U.S. proves to be a youthful bull, Europa has no chance in the long run. If the U.S. leadership turns out to be a wild horse ready for domestication, chances are that the EU can succeed in the long run. Since Europe cannot simply dominate the U.S. and determine its policy for reasons of U.S. strength in material sources and political strength, we have to explore the chances of re-engaging the U.S. in terms of a more sophisticated diplomacy. Before we offer our own recommendation in the following section, let us briefly explore the strategies the EU already employs in dealing with the U.S. on GCC policy.

In essence, the EU does not employ strategies of resistance to U.S. hegemony as the U.S. cannot exercise sufficient issue-specific power (Keohane and Nye 1987) in the field of global

climate change to override Europe. While Europe seized the opportunity to advance global climate policy, the EU clearly prefers to have the U.S. included in some future policy architecture on global climate change. The EU is not yet courageous enough to embark on long-term pro-climate brinkmanship. Its weak foreign policy performance may be improving over time, but the EU has never really tried to challenge its erstwhile closest partner (global trade policy is a notable exception). The debate over Iraq is a case in point: Europe is too divided to even advance a credible strategy of its own.

The EU tries to counterbalance the U.S. on the diplomatic stage by taking on the baton of leadership in climate policy that no one had accepted before. A clear success of such a strategy was the early ratification of the Kyoto Protocol and would be the successful implementation of its members' commitments – excluding the U.S. and Australia. For some years to come, the entry into force of the Kyoto Protocol appears to vindicate the EU's position, but it is unclear whether the architecture of the Kyoto Protocol (in its present form) will provide the backbones for a successful long-term strategy to limit the dangers posed by climate change.

The EU tries to build coalitions of the willing within universal membership institutions. In the area of climate change, it has put all its eggs in one basket, the "Kyoto basket." However, it is unlikely to be in a position to offer the U.S. a side-payment large enough to make it play along in "the only game in town." Even lending its full-blown support to the reconstruction of Iraq following the 2003 U.S. intervention may be too small a prize for the U.S. to accept. And the EU could never credibly deliver such a concession. As a consequence, the EU will either have to develop a set of Kyoto modifications that the U.S. cannot abstain from accepting - or be constrained to wait and see if domestic political pressure in the U.S. will increase to the point at which the federal government cannot refuse to act.

One should add that the EU has cautiously started to help increasing U.S. domestic pressure. Still somewhat secretly, European Commission officials held informal talks with their counterparts of the U.S. states organizing the Regional Greenhouse Gas Initiative described above (Shah 2004). They discussed the possibility of linkage with the EU emissions trading system, allowing emission permits to be traded across the Atlantic.²¹ We do not share the view of some experts that unilateral action by U.S. states might force the U.S. to rejoin negotiations on a global climate strategy. Yet if it occurs, it might serve as a starting point for a reengagement in the international arena.

4. Elements of a Transatlantic Rapprochement on GCC

What might future transatlantic relations on global climate change look like? We consider three scenarios:

- continued EU leadership in, and U.S. retrenchment from global climate policy,
- selective linkage of decentralized policies, e.g., emissions trading systems, and
- active transatlantic reengagement on global climate policy.

Given U.S. hostility to the Kyoto Protocol, the U.S. may abstain from any global climate policy approach in the years ahead. Reopening negotiations for a return of the U.S. would inevitably mean a downsizing of the Protocol's commitments. The resulting "Kyoto light" would mean a serious credibility loss for the EU and therefore be unacceptable. In the end, it has become common sense that Kyoto is only a first step to prevent dangerous climate change. Europe might therefore fear the negative economic consequences of its climate leadership position. Europe will attempt to demonstrate that GHG emissions reductions can be achieved without too much harm to economic growth and rely on the functioning of the U.S. political establishment, much of which

already realizes that the United States is generally isolated in their rejection of the Kyoto Protocol. In this scenario, Europe will most likely push for U.S. participation in a post-2012 international climate agreement (options for such an agreement are usually termed to be aiming "beyond Kyoto").

The linkage of selective domestic policies is another possible scenario. As we have seen above, various U.S. states increasingly pressure for a more effective national policy. History shows that the U.S. most often came up with domestic environmental legislation first. Only thereafter it tried to internationalize its domestic regulation. Also, federal environmental legislation was often anticipated by regulation at the state level. The current state climate policy may not be as ambitious as the EU would like it to be, but it may ultimately beat the present status quo by urging the federal government to cap GHG emissions. Should such a national emissions cap materialize, the U.S. is likely to use market-based instruments, such as a national emissions trading system, to lower the costs of compliance with domestic law (Victor 2004). As mentioned above, observers see opportunities at ultimately linking otherwise decentralized emissions trading systems by way of synchronizing the rules of trade and verifying the offsets. This would parallel the successful history of international trade in goods and services. Emissions trading – invented by Americans but first implemented by the Europeans – would then still, at a later point in time, become *the* transatlantic climate mitigation tool.

A final scenario is a structured attempt at reinvigorating the transatlantic partnership by way of a joint climate policy. In the following, we briefly sketch three possible elements:²²

- cooperating on technology R&D,
- agreeing on a long-term target, and
- establishing a liability fund for climate-related impacts.

There can be no doubt that achieving limitations on greenhouse gas (GHG) emissions at acceptable social cost will involve far-reaching technological change in the energy, transportation and other sectors (Grubb 2004). This seems to be one of the few points on which the United States and Europe agree in relation to climate change. Cooperation to promote development of climate-friendly technologies thus appears as a promising focus for rebuilding a transatlantic dialogue on climate change. There are, however, disagreements between both actors regarding the best way to promote technological change: the “technology push” view taken by the Bush administration holds that the primary emphasis should be on the development of low-GHG technologies, typically through publicly funded R&D programs. By contrast, the EU’s “market pull” view holds that technological change originates from technology-based regulatory limitations or greenhouse gas emission caps.

Overall, the idea of a choice between a target-based regime and a technology-based policy is a false dichotomy (ibid.). Investing in technology would not work efficiently enough if there is no clear target justifying these investments. Conversely, technology programs can vastly improve the acceptability and “implementability” of politically administered reduction targets. Seen from this perspective, technology and market regulation are two sides of the same coin. If the IPCC findings will be reinforced in the coming years, and the ineffectiveness of the U.S. climate strategy will be scrutinized, a renewed approach of the U.S. towards market regulation is not improbable. Likewise, the EU might face increasing pressure to assist its businesses in their development of climate-friendly technology and thereby help enable them to reach the politically mandated emission goals.

Even if we will not see such basic rapprochement anytime soon, there are alternatives for transatlantic R&D cooperation. There have been a number of prominent voices calling for a joint

massive investment in the development of climate-friendly energy production and energy efficiency technologies. On the upper scale, such an enterprise would be comparable to the Apollo program that successfully aimed at sending humans to the moon. On a more modest scale, investment could focus on partial solutions, such as the capture and storage of greenhouse gas emissions, the development of emission-free coal-fired energy production plants, or hydrogen and solar technology.

A second starting point for renewed transatlantic climate cooperation would be an intensified debate of the long-term target of climate policy. Again, the UNFCCC should set the basis for any such elaboration. In its Article 2 the Convention describes its final objective as the avoidance of “dangerous anthropogenic interference” with the climate system. Transatlantic discussion could focus on the rationale for implementing this article. It could even try to do so in terms of a *quantified* long-term target. Müller and Oppenheimer (Müller 2004) point out that short-term emission goals considered in isolation provide no test of the ultimate climate response. Emission growth can be decreased with existing technology but multi-decadal time scales will be needed for the development and implementation of new technologies to substantially reduce emissions.

Short-term international emission objectives like those embodied in the Kyoto Protocol, are determined fundamentally by political and economic feasibility. A long-term global target, to the contrary, is likely to be determined by an assessment of environmental risks. Moreover, appropriate quantification of what can be seen as a “safe” climate trajectory would enable decision-makers to align near term steps with long-term risk.

Most interestingly, it is business on both sides of the Atlantic that has called for a long-term goal (i.e., 25 years or longer). Only such a time frame would allow for the ability to plan

capital turnover. In reverse, the lack of one has led firms that are otherwise supportive of action, to refrain from supporting the Kyoto Protocol's 2008-12 time frame for obligations. This, in turn, stiffened the backs of Kyoto's political opponents.

An informal process involving policy-makers, experts, NGOs and the business community should be started immediately to stimulate governmental negotiations on a quantification of UNFCCC's Article 2. Formal choice of a target would not have to be set in stone. It could be seen as a first step subject to periodic revision to accommodate current uncertainty and future learning. One reasonable approach to dealing with the current scientific uncertainty would be to focus first on those outcomes for which general agreement on the importance of avoidance could be more easily achieved (like collapse of the thermohaline circulation of the Gulf stream, disintegration of the West Antarctic ice sheet, or loss of the Greenland ice sheet), and then to agree on a GHG concentration goal commensurate with avoiding such unwanted outcomes.

Even with stronger mitigation measures than those applied now, we would not be able to fully prevent human-induced climate impacts, and the less we reduce emissions now, the higher the anticipated damages are likely to be. This raises the question of who shall be held responsible for such damages. It leads us to the third possible area for transatlantic cooperation: collaboration on a global adaptation and compensation fund. Countries would be responsible in proportion for their share of global anthropogenic emissions.²³

Countries would have to pay into a liability fund over decades, and these resources would be used for adaptation and compensation. As liability would be proportional to emissions, the fund would have to indemnify itself from the proportion of impacts caused by emissions of non-members. For example, the EU could create such a liability fund, and if countries wish to receive awards for compensation and adaptation, they would have to go through a court-like system

establishing a causal link between the damage claimed and the emissions of GHGs. For the non-EU share of damages caused, they would have to sue other countries independently.

There are three nice features of this liability system: first, it may grow as countries may wish to join a worldwide insurance system rather than being heckled in national courts, by the media, and international organizations. Second, should the science of climate change alter substantially, then the remaining funds could be returned to its contributors. And third, there is a clear incentive to mitigate unconditional of the decisions of other countries. As the structure of emitters changes over time, so would their responsibility for liability. While the industrialized countries would initially be most liable for climate-related damages, this burden would shift proportionally to countries which are the future dominant emitters – thereby providing incentives for a carbon-poor development of energy systems.

Apart from these three concrete options for transatlantic cooperation, there is a general need for better communicating American and European positions. If it is true that Americans and Europeans understand each other less and less but that they can only reach their most important foreign policy goals *together* – then there simply is no alternative to greater effort. Antagonizing the official misunderstanding, new “global governance” actors have long demonstrated how to better communicate over the Atlantic. From local to regional political spheres, there has been important exchange and mutual enrichment through shared experiences, guided by business, NGO, local authorities or science initiatives.

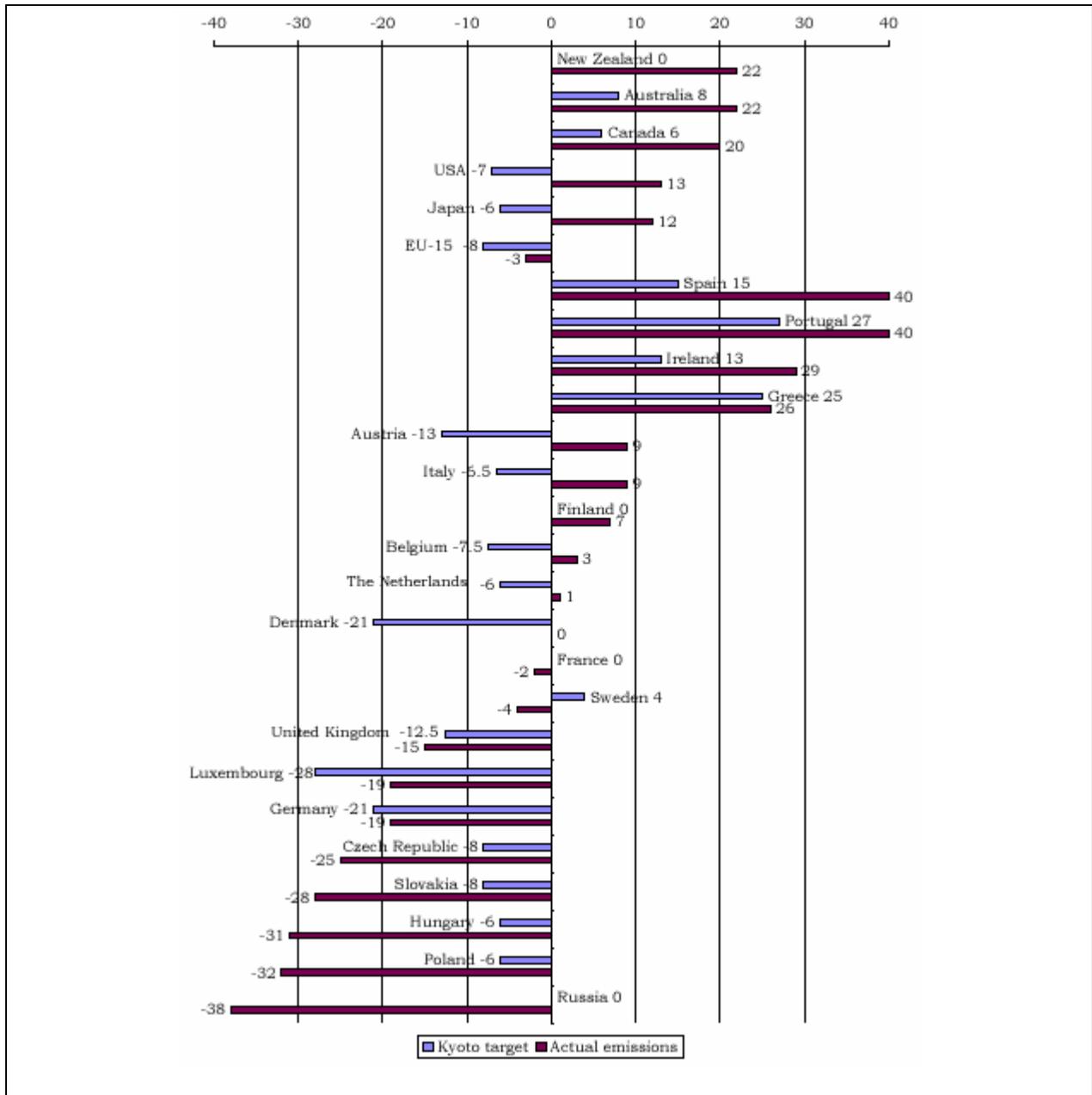
5. Conclusion

In this article we have outlined the past and possible futures of transatlantic climate policy. We have shown that the United States, widely conceived as a laggard in international climate regime formation, was able to design many components of the Kyoto Protocol, a treaty

from which it later withdrew. Ever since America disembarked, Europe has managed to increasingly act as an international leader.

The transatlantic elites hold divergent priorities (Neuss 2004) in the post cold war era and may no longer understand each other. Charles Kupchan (2002) has suggested that the transatlantic relationship might be probed even more in the future, yet as Jessica Mathews (2002) notes, there is little that cannot be done if Americans and Europeans agree – but very little that can be done if they do not. We cannot be sure whether the strategies suggested above will succeed, but by not trying we could run an even graver risk: climate change as a reason for the transatlantic partners drifting further apart.

Figure 1: Industrialized countries Kyoto commitments and actual emission developments



The table contains targets and developments of all six major greenhouse gases as stipulated by the Kyoto Protocol. Targets of individual EU-15 member countries according to the EU's internal distribution scheme.

Data sources: Kyoto Protocol to the UNFCCC, Institut der deutschen Wirtschaft Köln.

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¹ This event split much of Europe itself.

² This ranking includes CO₂ emissions from fossil fuels and cement as well as the most powerful five non-CO₂ gases.

³ This holds true even if European states did not directly participate in most of these crises, e.g., in Vietnam or the Cuban Missile Crisis.

⁴ More precisely, the European Community.

⁵ Sections 2.1 and 2.2 draw on Bodansky (2001) and, in part verbatim, on Sprinz et al. (2004).

⁶ The ten member countries which joined the EU in 2004 do not figure into the compliance obligation of the EU as they have separate treaty obligations.

⁷ This section draws, in part verbatim, on Busby, Josh and Alexander Ochs. 2005. From Mars and Venus Down to Earth: Understanding the Transatlantic Climate Divide. In *Climate Policy for the 21st Century*, edited by David Michel. Washington D.C.: Brookings. (forthcoming).

⁸ Intellectually, this opposes remnants of feudalism (protectionism and statism) against economic laissez-faire. Clearly, none of the sides is free from temptations of the other concept.

⁹ See <http://news.bbc.co.uk/1/hi/sci/tech/1446313.stm> (31 Jan. 2005).

¹⁰ See <http://org.eea.eu.int/documents/newsreleases/tec2-2004-en> (12 Aug. 2004).

¹¹ http://www.bmu.de/erneuerbare_energien/kurzinfo/doc/3988.php (18 Feb. 2005).

¹² http://europa.eu.int/comm/environment/climat/pdf/background_paper.pdf (20 Jan. 2005).

¹³ *US News*, 11 March 1997, <http://www.usnews.com/usnews/news/ap1103/index/htm>, (14.Dec. 1999).

¹⁴ FoxNews, 11 July 2002: Bush Advisor: Kyoto a No-Go, at http://www.foxnews.com/printer_friendly_story/0,3566,57457,00.html (15 July 2002).

¹⁵ Bush Withholds Backing of EPA Report on Warming, in: Washington Post, 5 June 2002; A02.

¹⁶ A good overview is given by Yacobucci, Brent D. and Kyna Powers. 2005. Climate Change Legislation in the 108th Congress (CRS Report for Congress): Congressional Research Service.

¹⁷ The states are Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont. In addition, Maryland, the District of Columbia, and Pennsylvania are "observers", as are some eastern Canadian states.

¹⁸ Personal observation at UNFCCC COP-4, Buenos Aires, 1998.

¹⁹ See <http://www.wupperinst.org/Sites/Projects/rg2/1085.html> (29 Aug. 2004).

²⁰ The EU originally held the position to keep sinks (the CO₂ absorption capacity of terrestrial ecosystems) out of the negotiations because of acknowledged accounting difficulties.

²¹ It is thought that, as the US is outside Kyoto, Europeans will be able to sell US industries their allocations but the US allocations are unlikely to be recognized as a Kyoto-currency and so cannot be sold to the Europeans.

²² Material for the first two points is borrowed, in part verbatim, from the cited contributions to Ochs, Alexander and Aldo Venturelli, ed. 2004. *Towards a Transatlantic Consensus on Climate Change*. Lovenno/Italy: Villa Vigoni.

²³ Ideally, we would include all GHG emissions since the onset of industrialization.