

Climate Change Pledge Is No Easy Sell on Hill

Clinton's promised \$100 billion for developing nations will rely on carbon offsets — if Congress agrees at all

BY CORAL DAVENPORT

ONE DAY BEFORE the Copenhagen climate change summit was scheduled to end, negotiations had deadlocked. Developing nations led by China were demanding that rich countries pledge as much as \$200 billion a year to help them cope with drought, rising sea levels and other ravages of global warming already afflicting some of the poorest countries on Earth. For its part, the United States was insisting on international verification of carbon emission reductions, a condition anathema to China but viewed as essential to gain Congress' approval.

With White House staffers already drafting what they called a "failure speech" for the president, Secretary of State Hillary Rodham Clinton took the podium. The United States, she announced, would lead an effort to raise \$100 billion in annual aid by 2020 for developing nations on the condition that they open up their carbon-accounting books.

Attendees dubbed Clinton's remarks the "\$100 billion moment." Within hours, China agreed to the deal, quickly followed by other nations. President Obama spent the last day of the summit declaring diplomatic victory.

But there was a glitch: Congress hadn't signed on. And unfortunately for the administration, it can't uphold its end of the deal without some kind of approval by lawmakers, who quickly began to express reservations.

"At a time when our country is facing 10 percent unemployment and a federal debt over \$12 trillion, the United States cannot afford to commit more taxpayers' hard-earned money overseas," Republican Rep. Roy Blunt of Missouri said shortly after the speech.

Climate finance experts say they expect the United States, the world's largest economy and producer of 20 percent of its greenhouse gases, to provide between 20 percent and



CLIMATE CHANGE: Secretary of State Hillary Clinton pledges to mobilize \$100 billion for poor nations.

30 percent of the \$100 billion. But where that money could come from remains to be decided — probably only after some bruising fights in Congress.

For her part, Clinton sidestepped the question. The money would come from a "wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance," was all she said.

OFFSETS VS. TAXES

Lawmakers facing elections in the fall want to stave off a backlash against anyone in Washington whom voters link to the recession, unemployment, the bulging federal deficit and unpopular bailouts. So members of Congress are not expected to be eager to approve a new flow of billions more taxpayer dollars outside the country — especially to China, the United States' largest creditor. Fortunately for them, climate finance experts say most of the fund-

ing could come from carbon "offsets," not tax dollars, as long as Congress enacts a "cap and trade" emissions reduction system.

"The model is not that each developed country gets down and writes a big check," said Nathaniel Keohane, director of economic policy and analysis for the Environmental Defense Fund. "The U.S. will help to make sure this amount of capital is mobilized. The challenge to getting the money mobilized is getting Congress to enact pollution regulations."

Carbon offsets are projects or activities that extract carbon from the atmosphere, or prevent carbon from being produced — such as planting trees, building wind and solar electric generation instead of coal plants, or improving the energy efficiency of a building or factory.

Under a cap-and-trade program such as the one under consideration in Congress, polluters such as power plants and oil refineries could meet emissions regulations either by

purchasing permits to pollute from the federal government, or by paying for carbon offset projects. Experts expect companies will want to pay for carbon offsets in part because they may be cheaper than pollution permits.

It's far from clear whether Congress will enact a cap-and-trade bill anytime soon, but if it does, experts say, there are models in place that show how it could channel private money to the developing world in a way that would meet Obama's commitment.

Polluters in the European Union, which already operates under a cap-and-trade system, now buy offsets through the U.N. Clean Development Mechanism, a market that in 2008 provided \$6.5 billion in private money for clean-energy projects around the world.

Proponents concede that the U.N. system has had problems, but experts say a broadly similar offset structure will probably be a chief channel for U.S. climate assistance to developing countries. The Congressional Budget Office estimates that in 2020 the market value of carbon offsets created by a House-passed cap-and-trade bill would be \$13.3 billion.

But a closer look at how the U.N. system has worked is likely to raise other concerns among lawmakers. The biggest share of carbon offset projects now goes to China, followed by India — both economic competitors with developing but robust economies.

"The political implications of that are profound," said Paul Bledsoe, communications and strategy director for the National Commission on Energy Policy, a bipartisan think tank that advises Congress.

PAYING FOR CHINA?

Even if the money for offset projects comes from U.S. companies instead of taxpayer dollars, lawmakers are likely to bristle at funneling cash to projects in China and India. Those countries will have emissions curbs of their own, raising the question of whether international aid would effectively be funding their compliance with emission reduction goals.

"We would pay money to a steel mill, let's say in China, to make efficiencies in their production that they might not otherwise make," Sen. Jeff Sessions, R-Ala., said at an Energy and Natural Resources Committee hearing in November. "Is there a danger in the international offsets that we would enhance the competitiveness of our global competitors and transfer American wealth and, indeed, could help us lose jobs here?"

Experts say a U.S. carbon offset structure would have some significant differences from the U.N. program which could alleviate such

concerns. For example, a U.S. system would probably allow companies to fund projects that prevent deforestation — efforts not included in the U.N. program — likely steering more money to countries such as Brazil and Indonesia.

Still, offsets alone are unlikely to satisfy the full U.S. commitment to an international climate fund. And they would also do little to help very poor countries that lack the means to set up, report and verify alternative-energy and carbon reduction projects. As a result, experts expect that some direct appropriations would be needed to help especially vulnerable countries such as Bangladesh, the Maldives and sub-Saharan Africa.

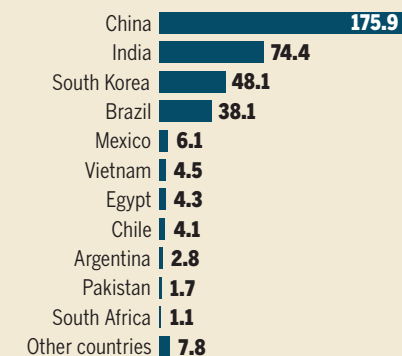
Experts say a reasonable approach would

China Out Ahead

China leads in carbon emissions, but it is also the top producer of carbon offsets — projects certified to reduce global emissions. Polluters can buy these offsets to meet emissions targets under the 1997 Kyoto accord.

United Nations offset program

Emission credits issued, in millions of metric tons of carbon dioxide



SOURCE: United Nations

be for private financing to pay for clean-energy projects while new money could be used to help poor nations adapt to global warming.

"The more difficult challenge politically is funds for adaptation," said Robert N. Stavins, chairman of the environment and natural resources faculty at Harvard's Kennedy School of Government. "It's essentially government-to-government charity. There are factions of the U.S. Congress and their constituencies that are going to have problems with that."

In fiscal 2010, Congress appropriated \$1.3 billion for "climate aid" to poor countries. John Kerry of Massachusetts, chairman of the Senate Foreign Relations Committee, has said that number should more than double next year, to \$3 billion. The White House is expected to seek even bigger increases.

"I think it's going to come down to the

annual authorization and appropriations process," said Mark C. Helmke, a senior aide to Indiana Sen. Richard G. Lugar, the top Republican on the Senate Foreign Relations Committee. "It's always a problem when we have these foreign-assistance debates — after all, it's called 'foreign assistance.'"

Kerry and other backers of climate legislation say the direct impact on taxpayers can be minimized if a cap-and-trade system generates much of the money. The Congressional Budget Office last year estimated that selling pollution permits under the House-passed system could generate as much as \$846 billion in revenue over a decade.

The catch is that there is lots of competition for that money. Most cap-and-trade proposals envision returning most of the money to consumers, to ease the burden of higher energy costs. The administration wants to spend a portion on clean-energy research, while deficit hawks such as North Dakota Democrat Kent Conrad, chairman of the Senate Budget Committee, hope to use some to reduce the deficit.

However worthy those goals, Kerry insists the United States has a "moral and economic" responsibility to share some of the money with poor countries. "We can play the lowest-common-denominator politics and say, 'We're not going to send money into the world,'" Kerry said. "Or we can face up to the responsibility that for 160 years the industrial world has been polluting the world, and that we are responsible through our manufacturing and power practices for unbelievable damaging effects to people who have done nothing to ask for it."

Brooks Yeager, who served as lead State Department environmental negotiator in the Clinton administration and who now serves as executive vice president for policy at Clean Air-Cool Planet, a nonprofit, said Kerry's moral argument will be a tough sell in the current political environment.

"The case will have to be made, and it would be a lot easier if we pass cap-and-trade before we wade into that full debate," Yeager said. "If it has to go through appropriated channels, it will be a tough political problem."

Richard Stewart, a climate finance expert at New York University, is blunter: "If there's no cap-and-trade, it can't happen. That's the political reality." ■

FOR FURTHER READING: *Copenhagen summit, 2009 CQ Weekly*, p. 2800; *climate change mitigation (HR 2454, S 1733)*, p. 2594; *cap-and-trade market*, p. 1836.