

**Prepared Statement of
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Chairman Bingaman, Senator Murkowski, members of the committee, thank you for inviting me to speak with you about the state of global efforts to combat climate change, about prospects for the ongoing United Nations climate negotiations, and about climate policy in Europe and India.

There is an emerging international political consensus that global emissions should be cut at least in half by midcentury. The International Energy Agency estimates that the United States, Europe, China, and India will each need to cut their energy-related emissions by 12-15% below business as usual by 2020 and by 34-42% below business as usual by 2030 to get the world on this path. What will matter most to meeting this extraordinary challenge is the introduction of strong and effective domestic policies in the biggest economies. International agreements and initiatives, while essential, are no substitute. International efforts should be judged by whether they make it easier for countries to implement smart domestic policies and to ensure that those succeed.

The Global Climate Landscape

The international climate regime is often conflated with the UN climate negotiations or the Kyoto protocol. This is wrong and distorting. The UN talks are an important part of global climate efforts. But a meaningful appraisal of the global scene must go well beyond that. Three other elements are particularly important: bilateral engagement with countries like China; high-level coordination through groups like the G-20 and Major Economies Forum (MEF); and institutions like the World Bank that can help countries develop in climate-friendly ways.

Bilateral engagement provides opportunities to address the unique incentives, opportunities, and challenges that each country faces in confronting climate change. These cannot be adequately exploited in large global settings like the UN negotiations, which seek common approaches that work for all. I will discuss U.S. opportunities for engaging India later; another panelist will address China. Others – notably Europe and Japan – also have their own programs of bilateral climate engagement, which are often deeper and more developed than U.S. efforts. The United States should coordinate with and learn from those other initiatives.

The G-20 and MEF are playing increasingly important roles in high-level efforts to improve climate policy. Each involves fewer than twenty countries that together are responsible for about 80% of global emissions. They are essential to watch. The G-20 has recently become the premier political forum for coordinating global economic policy. It is wading slowly but determinedly into energy issues. Its first victory was a decision in September to phase out inefficient fossil fuel subsidies. The decision does not create legally binding commitments, but it has generated much-needed domestic efforts in major countries to reexamine subsidy policies. This sort of interplay between global discussion and domestic action is the future of climate cooperation.

The MEF, meanwhile, has helped advance global climate discussions by allowing a small but critical group of countries to focus on climate policy on a regular basis in a relatively informal setting. It should continue indefinitely. One particularly promising area of MEF discussion has centered around energy technology innovation. The world must drive down the cost of existing low-carbon technologies while developing their next-generation replacements. Governments will need to promote private investment in order to do this. Coordinating those actions internationally will help save money and minimize the odds that gaps are left unaddressed. The new MEF-based Global Partnership for low-carbon technology aims to do this. It is still in its infancy, and much remains to be fleshed out, but with the right resources, it could play an important future role.

Institutions that can help developing countries implement low-carbon technologies will also play a critical role. Chief among these are the World Bank and the regional development banks. Transforming energy systems will require efficient use of public funds to unlock private investment on a massive scale. While many developing countries are wary of institutions like the World Bank, the reality is stark: no existing institutions other than the multilateral development banks are capable of handling the sums of money and the complex energy projects that will be needed. In particular, the Bank's climate funds, including the U.S.-sponsored Clean Technology Fund, are providing important experience, and a model for moving forward, in international public finance. Congress is poised to approve Clean Technology Fund funding for FY10. This will be important – both as practical progress and as a political signal – heading to Copenhagen.

The UN Negotiations

The UN negotiations are making considerably less progress than many had hoped for not long ago, and the bulk of the blame for the current state has been directed at the United States. Many analysts and negotiators argue that the world could seal a deal at Copenhagen if only the United States passed climate legislation before then. I disagree. Let me be clear: robust U.S. climate legislation is essential to effective international action on climate change. But it is not enough alone. The world must still bridge difficult disagreements on what developing countries will do under a global agreement and what financial assistance developed countries will provide them. U.S. action on domestic legislation would help remove the United States as an excuse for inaction and as a distraction from these critical issues. But it will not be determinative alone.

The UN process occupies a special place in the foreign policy of many U.S. allies, friends, and partners. For that reason alone, the United States should take it seriously. But the UN process is severely limited. It involves a large and unwieldy number of participants. This makes proceedings inefficient and tailored deals for the most important countries difficult to include.

The United States should focus its UN-based efforts on things that the UN process can do well rather than on solving the entire climate problem alone. This points to three areas for near-term focus where real and important progress is possible. First, negotiators should agree on a long-term global goal for cutting emissions. This will provide an agreed benchmark against which to measure efforts in all forums. Second, negotiators should promote transparency in national emissions-cutting efforts. They should create a scheme for measurement, reporting, and verification of whether states are implementing promised domestic emissions-cutting efforts and

delivering pledged emissions-cutting assistance, and create a regular review process through which states would scrutinize each others' climate policies. This would help replace the current climate of distrust with a virtuous cycle of stronger policies. Third, the UN process should help mobilize funds to help the most vulnerable countries adapt to the unavoidable consequences of climate change. The UN is a useful forum for addressing this issue given the large number of countries affected. There may also be opportunities for targetted mini-deals, including on avoided deforestation and on reform of international offsets, with the latter being more difficult.

Legally binding commitments to robust targets or emissions-cutting policies would be a valuable additional outcome. The United States should be engaged in a long-term effort to obtain them and should not make its own binding UN commitments unless other major emitters do. But such commitments may not be forthcoming in the near future. Nor should we confuse the legal character of states' commitments with their seriousness. Canada took a binding commitment at Kyoto but will fail to meet it because it did not put the necessary policies in place to achieve it. Russia will meet its legally binding Kyoto target with zero effort because that target was set too high. It is much more important to elicit ambitious, credible, and transparent domestic policies than it is to obtain legally binding promises that may amount to little in practice.

Europe

The states of the European Union (EU) have adopted an aggressive stance, both domestically and in international negotiations, toward climate change policy. The United States need not worry much about European greenhouse gas emissions. The United States needs, however, to be careful to coordinate its foreign policy approach with Europe if it wants to succeed.

Europe has agreed on an ambitious set of domestic efforts through 2020. Its core "20-20-20 by 2020" plan aims to cut European emissions to 20% below 1990 levels by 2020 while boosting renewables to 20% of primary energy and increasing efficiency by 20% too.¹ Emissions cuts are to be achieved by the EU Emissions Trading System (ETS), which covers large stationary emissions sources (about half of EU emissions) through a cap-and-trade system; by emissions standards for transportation (about one-fifth of EU emissions); through purchases of international offsets; and through complementary measures pursued by member states in areas like efficiency and renewables. Efforts to reach the renewables and efficiency targets are essentially a matter for individual countries. All this is done against the challenging backdrop of east-west divisions over costs and other internal tensions stemming from varying dependence on Russian natural gas. Experts agree that Europe will be able to deliver on its goal of cutting economy-wide emissions for 2020 – though they believe that it will need to use international offsets to deliver part of that. There is less agreement on whether Europe will be able to deliver on its renewables goals.

Many have claimed that there is an "ambition gap" between what the United States is considering and what the EU plans to do. This is incorrect by almost any meaningful measure. Indeed the European target amounts to cutting EU emissions to 17% below 2005 levels – slightly less than the 20% cut below 1990 levels envisioned in the Kerry-Boxer legislation. That said, if the United States continues on its current course, it will fall well short of Europe.

¹ The EU emissions target will be increased to 30% if there is a strong global climate deal.

Europe and the United States differ more in their international approaches. The European Commission has demanded that any new climate deal include binding emissions targets for all developed countries but has only called for voluntary actions from the developing world. This is clearly unworkable for the United States. But there are signs of evolution from key European countries. German Chancellor Angela Merkel recently appeared to assert that China and India would need to take on commitments as part of a deal.² Other reports suggest that the UK is also taking a firmer stand. Still, there is a real possibility that Europe would accept a deal that required binding commitments of developed countries and only voluntary actions from others.

Europe has also been more aggressive than the United States in offering money to developing countries. The EU has indicated that \$33-\$74 billion of public funds will be needed each year by 2020. It has not declared the share that it would be willing to contribute, and there is debate over who in Europe would pay, making it unclear whether the EU can deliver. The United States is highly unlikely to support a similar sum, but it may be blamed for the failure of international negotiations if it does not meet the European bar.

Ultimately, the United States is far more effective in its climate diplomacy when it stands shoulder-to-shoulder with Europe. It is extremely important that U.S. Senators make their bottom-lines clear directly to their European counterparts and work with them to close any gaps.

India

India has been wrongly lumped together with China in climate discussions. Total Indian emissions were, as of 2005, about one quarter of total Chinese emissions. Indian GDP is about 30% of Chinese GDP, and its foreign exchange reserves are barely 10% of those held by China. About 40% of Indians have no access to electricity; almost all Chinese have at least some. And while both countries are vulnerably to climate change, the danger to India is particularly acute.

Indian domestic energy and climate policy contains some important elements but currently lacks strategic breadth and coherence. It is driven primarily by a desire to improve air quality, energy security, access to energy, and economic efficiency. This is to be commended: such aims are a more sustainable foundation for Indian energy policy than climate change. The 2008 National Action Plan on Climate Change was the first Indian attempt at developing a comprehensive climate strategy, and included “missions” on solar energy, energy efficiency, urban energy use (including vehicle fuel economy), and forest cover. Details mostly remain to be fleshed out. We will learn much more about Indian policy over the coming months and years.

Some highlights of existing policy are still worth noting. India aims to have more than 20 GW of nuclear capacity (equivalent to twenty large plants) installed by 2020, enabled in part by the recent U.S.-India nuclear deal, though the IEA estimates that it is on course to have only 11 GW by then. It appears prepared to set a goal of installing 20 GW of solar power by 2022 – more than double the amount of solar currently installed worldwide. India has a robust wind industry, led by Suzlon, the fifth-largest turbine producer in the world. It is also attempting to move toward cleaner coal-fired power, though its plants are still far less efficient than those in China.

² Developing countries would be asked to commit to policies, not to targets. This tracks the U.S. position.

End-use efficiency, however, will be the greatest near- and mid-term opportunity in India. This may strain Indian finances, since efficiency requires larger investments up front even it pays off in lower energy bills over time. Others, including the United States, will need to step in to help where appropriate. The need to target efficiency will also stress Indian regulatory capacity. India often lacks the capacity to effectively regulate emissions even when it wants to. Indeed it was only three months ago that India announced plans to create an Environmental Protection Agency. This lack of implementation capacity is a critical problem in many developing countries – but one that is often overlooked by analysts. A global agreement to curb emissions will be of little value if the countries involved lack the capacity to deliver on their promises. This points again to the importance of technical cooperation in building capacity and of transparency and review to ensure that promises are being carried out and that policies are effective.

India has, historically, taken a hard line in international climate negotiations. It has refused to accept commitments, either to emissions targets or to emissions-cutting policies and measures. It has joined other developing countries in demanding transfers of several hundred billion dollars each year to pay for mitigation and adaptation while asking for developed countries to weaken intellectual property protections on low-carbon technology too. It would be surprising if India adopted a substantially different position at the upcoming negotiations in Copenhagen.

Yet, under the surface, Indian foreign policy on climate is in flux. The environment minister, who is close to Prime Minister Singh, recently suggested a much more flexible approach to international engagement, arguing that India should take strong unilateral emissions-cutting actions and submit those to international scrutiny. He has run into strong political opposition and has had to retract some of the positions. Yet my own discussions suggest that this more forward-leaning position has support among a significant faction, if still a minority, of Indian elites. They believe that Indian foreign policy will gain if the country takes a positive approach to climate. U.S. foreign policy should aim to empower those who are ready to adopt this constructive stance.

Indian policymakers across the political spectrum have reacted with alarm to U.S. threats of carbon tariffs. Those tariffs reflect legitimate concerns by U.S. lawmakers about the impacts of climate legislation on U.S. competitiveness. Yet those Indian lawmakers who are most interested in climate cooperation often happen to be those who care most about free trade too; they are internationalists. Tariffs are more likely to alienate potential U.S. allies in India than they are to provoke positive action on climate. The Senate should focus strongly on other tools for addressing competitiveness, including rebates to energy-intensive trade-exposed industries.

India has also taken a more positive role outside formal UN negotiations. This stresses the importance of non-UN engagement. Reports suggest that U.S.-India discussions on technology cooperation in advance of Prime Minister Singh's planned November 24 visit to Washington have been very productive. Secretary of Energy Steven Chu visited New Delhi last week.

In sum, the United States should be focused primarily on what India does at home – and on working with India, bilaterally and through international forums and institutions outside the UN process, to make strong domestic action more likely. Congress should ensure that appropriate financial support is available to empower joint efforts. Cooperation in the UN negotiations is a longer-term prospect. The United States should aim for it while keeping its expectations modest.