



Transatlantic Climate Policy Group

Climate and Energy Policies in view of the U.S. Presidential Elections 2008

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A CHANGING CLIMATE:

The United States is Facing a New Era in Climate Policy after the Election of Barack Obama

by Arne Jungjohann,
Heinrich-Böll-Stiftung, Washington DC

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With the departure of President George W. Bush, a policy that first ignored and then played down the risks of climate change is coming to an end in the United States. Climate-policy initiatives undertaken by the U.S. states were impeded by the White House; scientific findings by government agencies were kept hidden away or even manipulated. Despite these attempts at political obstruction, a green movement has taken hold in the United States. Organic supermarket chains are springing up around the country; car-sharing is the norm in cities on the East and West coasts. New players like Google are investing millions of dollars in the development of innovative technology concepts. Nor can the trend in climate protection be stopped by prominent conservatives. T. Boone Pickens, a Texan oil billionaire, sees wind energy as the future of power generation and as the way to becoming independent from foreign oil. Energy giants like Chevron are dusting off their images with big public relations campaigns to save energy. And former Vice President Al Gore has mobilized over \$300 million for his “We” climate campaign.

It is also because of this new ground swell in the country that enormous expectations are being pinned on the election of Barack Obama as the 44th president. Although the economic crisis currently dominates the political agenda, Obama will still also place an emphasis on green investments in the so urgently needed economic stimulus package. Energy policies that the outgoing president still threatened to veto in the last legislative session will likely soon gain momentum. The debate on introducing a cap-and-trade system is political dynamite and may be drawn out until 2010. Yet the filling of key positions with new people and a solid Democratic majority in Congress give cause for optimism. The executive branch will be strengthened in terms of climate policy. If the Environmental Protection Agency has led a weak, insignificant existence over the past years, it will, nonetheless, play an active role in U.S. climate policy under Barack Obama.

Yet, despite all euphoria, it is clear that the United States cannot make up an eight-year standstill under George W. Bush in a few months. There are also imponderabilities and, apart from climate protection, several other issues on Obama’s agenda that will require political resources. So, the first appearance of the new administration on the climate diplomacy stage in December 2009 should not be overloaded with too-high expectations.

This paper summarizes recent developments that show the U.S. entering a new era in climate policies. It describes the nevertheless complex situation in Congress and international challenges ahead for the new President.

1. The green agenda is likely to profit of the superseding economic crisis

Barack Obama, like any other president, will have to decide in which projects he will invest politically limited capital during his term of office. The economic and financial crisis, which currently supersedes all other issues, ranks at the very top of the agenda. Wherever this issue intersects with energy policy, energy policy will benefit. Ultimately, the expansion of renewable energies, modernization of power grids, or the transition of the auto industry to fuel-efficient cars go hand-in-hand with growth and creation of jobs. The economic- and security-policy consequences arising from dependence on foreign oil and high energy prices have established energy policy as a hard issue. Climate protection as an issue in its own right will have a significantly more difficult time. Foreign and security policy (Afghanistan, Iraq, Iran), as well as domestic issues such as healthcare and tax reform, will compete with climate protection. Which issues will be given priority by Obama and the Congress and when will also depend heavily on the “political cycle.”

2. To achieve his climate-policy goals, the U.S. president will cooperate with Congress

In contrast to other parliamentary systems, a U.S. president cannot automatically rely on the votes of his party's caucus or coalition in Congress. Even with the comfortable majority of his own party, climate-policy initiatives will have to be negotiated against the interests of Democrats who see themselves as advocates of their home-state coal, oil, and auto industries. That applies above all in the Senate, where a majority of 60 votes (out of 100) is necessary to pass domestic legislation. To ratify international treaties (e.g. the Kyoto Protocol), even 67 votes are necessary. Granted, Democratic senators would have a hard time letting a climate bill of "their" president fail, but they will make their support contingent on crucial amendments. The U.S. president is therefore dependent on cooperation with the Senate and the House.

3. Complex consultations in climate policy will follow completion of the energy-policy agenda

In January 2009, the top priority of the Congress and president will be to stimulate the economy. Investments will be directed to transportation, weatherization of homes, expansion of power grids, and the auto industry. Items that were held up in the last Congress just before the end of the session will move onto the energy-policy agenda in 2009: tax breaks and a nation-wide target for renewable energies. If tax benefits granted to Big Oil will be eliminated as called for in the campaign, remains open. Increasing fuel economy standards for vehicles and subsidies for the purchase of electric vehicles could also be part of an overall package. Even though there could be some pitfalls and Obama will have to struggle for majorities, the energy-policy agenda looks relatively predictable. The climate-policy front is much less clear. The introduction of a cap-and-trade system is likely to be the biggest and most conflict-ridden project of the next two years. Although many of the players are aware of the plan's relevance with respect to the international negotiations, it is presumed that the bill will not yet be adopted in 2009 due to its complexity and political sensitivity. How quickly and ambitiously this or the previously discussed initiatives will be taken up will also depend a great deal on who occupies key positions in Congress.

4. Energy legislation will be a priority in U.S. Congress, "green advocates" hold key positions

The Democrats have gained seats in this election, but several moderate Republicans have, in turn, retired from Congress. This is likely to make the bipartisanship that is common in the U.S. more difficult. How the climate and energy agenda proceeds in Congress will also depend on the chairmen of the relevant committees. That the liberal Congressman Henry Waxman (D-Calif.) has ousted longtime Energy and Commerce Chairman John Dingell (D-Mich.) creates the basis to move more ambitious legislation more quickly through the House of Representatives. The tight decision within the Democratic caucus – 137 to 122 votes - underscores the internal party dissent that the Democrats will have to battle out within the energy and climate agenda. The Select Committee on Climate Change, created two years ago by the Speaker Nancy Pelosi to counterweigh the Energy and Commerce Committee, will be reconvened. Although lacking legislative powers, the committee will play a major role to provide further capacities for hearings and legislative drafts. In the Senate, various committees are fighting for jurisdiction over climate legislation. With Senator Barbara Boxer (D-Calif.) another advocate for an ambitious energy and climate agenda chairs a key committee, the Senate's Environment and Public Works Committee. How quickly legislation moves through the U.S. Senate will also depend on which Senators will emerge as the key drivers for this.

5. The Environmental Protection Agency will be strengthened under Obama and play an active role in U.S. climate policy

Following the election, Obama and the head of his transition team, John Podesta, appointed a group of experts to work out proposals for initial focuses and institutional reforms in the environmental sphere. The team surrounding Bob Sussmann of the Center for American Progress is also supposed to watch the departing administration and review any last-minute regulations. After the Environmental Protection Agency was relegated to the sidelines over the past years under George W. Bush, the agency will now be elevated under Obama and play an active role in U.S. climate policy. The appointed head of the EPA, Lisa Jackson, has a strong record and twenty years of experience on environmental regulation. The EPA can be used by the president to apply pressure on Congress, because, according to a Supreme Court ruling, it can already regulate greenhouse-gas emissions on the basis of existing laws. Obama picked a series of highly regarded personalities to deal with energy and climate issues in the administration (see appendix). One of the key appointments should be the former EPA head Carol Browner who will coordinate the climate policies of multiple federal agencies.

6. After years of conflict, a cooperative federalism is emerging between the states and the federal government in climate policy

In contrast to the practice under the incumbent administration, the U.S. states will no longer be hindered under a President from initiating climate-policy programs that go beyond federal standards. For example, initiatives for regional climate laws, expansion of renewable energies, or fuel economy standards for vehicles could quickly spread in many states. It is considered settled that California and more than a dozen other states will finally be issued approval to set their own fuel economy standards for vehicles. Such a decision by the EPA would send a signal for U.S. climate and environmental policy as a whole. At the same time, the federal government could learn from the states' experiences, for example, in how to create registry systems for carbon allowances or how to auction them off.

7. Too-high expectations on the new U.S. Administration's first appearance on the international climate diplomacy stage could be backlashing U.S. domestic efforts

The United States under Obama will return to the negotiating table of international climate policy. It no longer wants to be part of the problem but rather part of the solution. But it would be wrong to hope that the U.S. can make up in just one year what was missed in the last eight years under George W. Bush (and in the years prior). Emissions in the U.S. have risen by 16 per cent since 1990, due to, among other things, an almost nearly as rapid rise in population. Thus, the United States is far behind the target being discussed internationally for 2020. Nor will Obama repeat the mistake Bill Clinton made in agreeing to an international climate treaty without first obtaining a mandate from the Senate. Yet Congress presumably will not adopt comprehensive climate legislation, including a target for 2020, until 2010, that is, after the negotiations in Copenhagen. One of the biggest challenges for Obama will be to master the balancing act between time and the expectation pressures of international climate diplomacy on the one hand and the political realities of the U.S. Congress on the other. The Europeans would do well to take this into account in their negotiating strategy for Copenhagen. If the U.S. is blamed for a failed result in Copenhagen, a backlash in the U.S. seems inevitable.

8. Climate protection is the appropriate vehicle to reinvigorate the transatlantic partnership with the United States

While the balancing act between the national and international climate debates represents a big challenge for the new U.S. Administration, it also holds an enormous opportunity for transatlantic relations. For future cooperation, however, it is crucial that the Europeans understand U.S. internal political processes. The Congress and public opinion will only support ambitious climate protection in the U.S. if the Obama Administration returns from Copenhagen riding on success. For the European Union, there is a fine line between the enormous expectations being placed on the U.S. and the risk of applying too much pressure. It should be in the Europeans' interest to support the U.S. Administration as much as possible as it embarks on a new course, for example, in setting up a cap-and-trade system. If the Europeans assume the role of a constructive partner, they will thus create a solid basis for lasting cooperation and joint transatlantic leadership. There have already been initial efforts to engage in this kind of cooperation. For example, the Heinrich Boell Foundation has been working on the transatlantic climate dialogue for 10 years now and, to this end, launched a special two-year program in 2008 with the support of the EU Commission. With the newly created Transatlantic Climate Bridge, the German Foreign Office is also intensifying its efforts to advance climate protection together with and in the United States. Think tanks with offices on both sides of the Atlantic, such as Ecologic and the German Marshall Fund, are likewise moving forward the European-American exchange on climate and energy policy.



Arne Jungjohann leads the Environment and Global Dialogue program of the Heinrich Boell Foundation in Washington DC. He previously served as energy- and climate-policy adviser to the Alliance 90/Greens party caucus within the German Bundestag. This text is part of a series of energy- and climate-policy views on the 2008 U.S. elections. The Transatlantic Climate Policy Group is a two-year program launched by the Heinrich Boell Foundation and supported by the EU Commission. More Information at:

www.boell.de/climate-transatlantic/index.html

Appendix: Barack Obama's Environment Team

Energy Secretary: Steven Chu is probably the most remarkable and prominent pick for Obama's environment/climate team. The environmental news website Grist calls him "one of the best cabinet picks in recent memory". The Washington Post writes his views on climate change would be "among the most forceful ever held by a cabinet member". The 1997 Nobel Prize Winner in Physics has been a vocal proponent of ambitious steps to control greenhouse gas emissions. Since 2004, he has been the director of the Lawrence Berkley National Laboratory where he was responsible for managing 4,000 employees and a budget of \$650 million. This illustrates that he is not only a leading scientist but that he has also the leadership skills necessary for being a successful Secretary of Energy.

Head of the Environmental Protection Agency: Lisa Jackson, a chemical engineer, brings twenty years of experience as an environmental regulator to her new job. She had previously worked for the EPA for 16 years, and from 2002 on, she has worked for the New Jersey Department of Environmental Protection, serving as its Director from 2006 to 2008. During that time, she has helped the state to pass mandatory greenhouse gas reduction laws. This experience may be of great importance, since the EPA will have the key role in implementing any future cap-and-trade legislation. During her career, Lisa Jackson has gained reputation as a consensus builder, which proves Barack Obama's sense for nominating people with the ability to work across party lines.

Assistant to the President for Energy and Climate Change/Energy Coordinator: Carol Browner, who will be the energy "czarina" in the Obama Administration, served as head of the Environmental Protection Agency (EPA) from 1993 to 2001. Earlier she had worked for two years as Senator Al Gore's senior legislative aide and afterwards at Florida's Department of Environmental Regulation. Ms. Browner is currently a principal of the Albright Group, working in the areas of environmental protection and climate change. The interesting question regarding her appointment is what exactly her newly created position will entail. Her most challenging tasks as Energy Coordinator (her new official job title) will be to coordinate the climate policies of multiple federal agencies, among them Agriculture, Transportation, Energy, Interior and the Forest Service. She will also have to balance the requests of Obama's national security and economic teams.

White House Council on Environmental Quality: Nancy Sutley works currently as Los Angeles' deputy mayor for energy and environment. Before she was deputy secretary for policy and intergovernmental relations at the California Environmental Protection Agency and an assistant to former EPA head Carol Browner. In her new job, she will work closely with the president and her former boss Carol Browner on all climate policy issues. Her ability to coordinate the agencies involved in climate decisions will be one of her most important tasks.

Secretary of the Interior: Ken Salazar, U.S. Senator from Colorado since 2004, is possibly the most controversial pick among Barack Obama's environment team. Mr. Salazar has been a long-time farmer and former director of Colorado's Department of Natural Resources. In addition to his solid record as a supporter of renewable energy, critics call him a "right-of-center Democrat who often favors industry and big agriculture in battles over global warming, fuel efficiency and endangered species". He has backed offshore drilling and subsidies for ranchers on public land. During his four years in the US Senate, he has earned a reputation as a centrist, better known for brokering deals between warring interests than for outlining an ambitious agenda of conservation. In his new job, he is expected to support Obama's energy and environmental agenda rather than attempt to set his own policy course.

Secretary of Agriculture: Tom Vilsack, a former two-term governor of Iowa, is widely viewed as a political centrist. As governor, Mr. Vilsack was a strong supporter of renewable energy development, ethanol and other biofuels. Mr. Vilsack co-chaired a Council on Foreign Relations climate change task force, which recommended a cap-and-trade system, and, during his brief presidential run in early 2008, he called for major emissions cuts. The New York Times describes him as somebody who has “a firm grasp of agriculture policy, a vision to revitalize rural America by finding new renewable energy sources.” His home state of Iowa is the third largest producer of wind energy in the US. However, family farm activists, fair-trade campaigners, and advocates for organic foods were still very disappointed with Obama’s pick for Secretary of Agriculture. The “Organic Consumers Association” calls Mr. Vilsack a man who “has a glowing reputation as being a schill for agribusiness biotech giants like Monsanto.”

Secretary of Transportation: Ray LaHood will be the second Republican in Obama’s cabinet along with Defense Secretary Robert Gates. He has been Congressman from Illinois since 1994, where he was among the only 91 Republicans to vote for the “Saving Energy Through Transportation Act”, which would promote the use of alternative fuels in public transportation. However, he is also known for voting against green building standards and renewable energy initiatives. Since the Department of Transportation is responsible for almost a third of domestic greenhouse gas emissions, Mr. LaHood will play a crucial role in determining how much climate change is integrated into department decisions.

Director of the White House Office of Science and Technology: John P. Holdren, a physicist and environmental policy professor at Harvard, will serve as Barack Obama’s adviser as director of the White House Office of Science and Technology. For a long time, he has defended the more strident calls for limits on carbon dioxide and other heat-trapping gases. His nomination to be the president’s science adviser has been warmly welcomed by US environmentalists. The website “Climate Progress” calls Holdren “Obama’s strongest message on climate yet”, because he has probably “more combined expertise on both climate science and clean energy technology than any other person who could plausibly have been named science adviser.”