



Organized Hypocrisy as a Tool of Climate Diplomacy

By Lee Lane and W. David Montgomery

Over twenty years of greenhouse gas (GHG) control talks have had no discernable impact on emissions, and the Copenhagen Conference of Parties (COP-15) meeting is most unlikely to break that pattern. While all countries claim to want to lower GHG emissions, most developing countries refuse to pay the costs of capping their emissions. Many developed countries are clearly also reluctant to pay GHG control costs either for themselves or for the developing world. Yet without tight, nearly global emission limits, GHG levels in the atmosphere will continue to rise; therefore, countries need a broader long-term strategy for lessening the potential harm from a changing climate. Such a strategy would involve cooperation but eschew unrealistic targets for short- and mid-term GHG cuts. A few countries may still wish to aim for national GHG caps, while others may contribute more energy research and development or look for new ways of adapting to climate change. Still other efforts may seek ways to halt warming despite rising GHG levels. The quest for new knowledge is likely to be the key to climate policy success. Trying either to bribe or to coerce unwilling countries into curtailing their GHG emissions threatens to cause more harm than good.

The arrival of the Obama administration was said to mark the opening of a new era of climate diplomacy, and many hoped for great progress at the COP-15 meeting. Yet the realities that have hobbled progress on GHG controls remain as before, and the change in U.S. leadership will not break the logjam. Before President Barack Obama moved into the White House, many countries refused to pay the costs of making deep cuts in GHG emissions; now that he is there, they are still refusing to do so. While countries may sign on to future climate agreements, such agreements are unlikely to have a major impact on emission levels.

In recent weeks, leaders at the Asia-Pacific Economic Cooperation summit endorsed a scaled-back climate strategy, and now Senate Majority Leader Harry Reid (D-Nev.) has suggested the U.S. Senate will not take up the issue

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Key points in this Outlook:

- Greenhouse gas (GHG) control accords have been ineffective at slowing climate change and will continue to be so largely because many countries are unwilling to pay the costs of curbing emissions.
- While many countries acknowledge the need to cut global GHG emissions, developing countries like China and India refuse to bear any of the substantial costs needed to reach this goal; attempts to induce them to make meaningful contributions are likely to fail.
- Gradually lowering GHG emissions would be worthwhile were all states to join in the effort, but absent such strong, broad-based action, countries should explore other means of limiting harm from climate change.

this year. Yet leaders continue to speak as if an effective agreement is possible and further concessions by the United States are the key to achieving it.

Stephen D. Krasner has written that what he calls organized hypocrisy is a common practice in world politics.¹ States often paper over their conflicts with sham accords while each continues to pursue its own interests. Under the Kyoto Protocol, for instance, many nations pledged with much fanfare to curb their GHG emissions. Most signatories then proceeded to act much as they had before the accord, which is to say, just as they would have acted had no accord been reached. Moralists may lament, but in politics, empty symbolism has its uses. Its usefulness will likely be on display again in Copenhagen.

Climate change is a real threat. Although its timing and severity remain open to debate, it seems prudent to take substantive steps to deal with the risk it poses. COP-15 in Copenhagen seems unlikely to lead to substantive, effective actions. The question then arises: what might we actually do to lessen the threat of climate change? It turns out that there are many options, but they do not include the short- and medium-term GHG curbs with which the United Nations process is so obsessed.

GHG Control Accords Fail to Limit Emissions

The world has been trying to negotiate a GHG control regime for more than twenty years. The results are sobering. According to the U.S. Energy Information Administration, global emissions of carbon dioxide (CO₂), the most important industrial GHG, currently exceed the 1988 level by over one-third.² The Intergovernmental Panel on Climate Change (IPCC) and National Oceanic and Atmospheric Administration report that the rise in atmospheric concentrations of CO₂ has sped up over the past several decades.³ The global economic downturn will check this rise, but when global economies recover, there is no reason not to expect emissions to resume their upward course.

The annual meetings of the member states of the United Nations Framework Convention on Climate Change, commonly referred to as the Conferences of the Parties (COP), and the Kyoto agreement to which these gave birth, are, on pragmatic grounds, an abject failure. Many Europeans blame the United States for this outcome because of its rejection of the Kyoto Protocol. They may be right, but accepting Kyoto would have meant high abatement costs and large income

transfers from the United States to other countries. Adopting the protocol would have caused a net economic loss.⁴ (The U.S. legal structure makes it harder for this country to ignore its treaty commitments than it is for many other states.)

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The high costs Kyoto would have imposed on the United States exceeded the country's willingness to pay, and this mismatch doomed U.S. participation.⁵ In fact, it is less surprising that the United States ultimately rejected Kyoto than it is that a U.S. administration had signed it in the first place. In Europe, the social demand for action on climate appears to be stronger than it is in the United States.⁶ Even so, European GHG reductions have not been nearly as sharp as those stipulated by the Kyoto Protocol.⁷

The impact of Kyoto's failure is not great. Had the United States ratified the Kyoto Protocol, and had all of the signatories lived up to their pledges, the effect on global temperature would still have been trivial—a reduction of less than 0.2 degrees Celsius relative to the no-controls baseline.⁸ To be fair to Kyoto's advocates, they always regarded the agreement as only a first step; however, that first step clearly proved to exceed many countries' willingness to incur the costs required to meet Kyoto's goals. This experience seems a poor omen for the COP process; it does even less to recommend Kyoto's structure as a pattern on which to base future agreements.⁹

The Obama administration seems to have reached the same conclusion. While the administration recognizes that Kyoto was a bad model, it does not have a solution to the core problem that unraveled all previous negotiations: the developing world's refusal to incur costs for GHG control. Absent such a solution, only two choices exist. One is organized hypocrisy, and the other is to confine agreement to the steps each of the major states regards as being in its own best interest.

Without doubt, the developing world's refusal to participate in efforts to reduce GHGs poses the central riddle of GHG control policy. For developed countries, domestic GHG control is a shrinking part of the climate problem. It is important mostly as a quid pro quo with

which to buy developing countries' cooperation. The latter is the key to the real payoff.

The United States illustrates the larger point. When all GHGs are considered and all sources, including land-use changes, are counted, the United States is contributing approximately 15 percent of global GHG emissions (and this proportion is falling).¹⁰ The other 85 percent is beyond the direct control of the U.S. government. Emissions from the developed world equal nearly half of total current emissions, and their share is shrinking quickly.¹¹

In contrast to America's still large but shrinking role in GHG emissions, China now produces the most GHG emissions in the world, and India is the sixth largest source. A recent MIT study found that halving the 2000 global emission level, a common goal for 2050, is impossible without *nearly universal* adoption of GHG controls, and that the latter was itself impossible without "a complex web of transfers to share the burden."¹² Be that as it may, Chinese and Indian resistance has been quite enough to stymie all progress. The hard facts are that warming cannot be halted unless these countries curb their emissions, and both have staunchly resisted demands that they commit to doing so in any verifiable manner.

Costs and Challenges of GHG Control Accords

That an accord on GHG control has proven to be so difficult should not surprise anyone. Students of institutional economics—a growing field of study within economics that examines how transaction costs can affect decisions—have extensively analyzed the factors that lead to success or failure in coping with problems like GHG control. Oddly enough, the IPCC has almost entirely ignored this work. Instead, it has concentrated on elaborate modeling exercises that simply assume away the kinds of difficulties with which diplomats struggle. It is worth looking at what the IPCC might find if it took the findings from institutional economics into account.

Excess GHG emissions are an example of a kind of market failure often called the tragedy of the commons. This arises when property rights fail to restrict access to a valuable resource. Open access can cause underinvestment in the maintenance of the resource and overconsumption of it.¹³ In the case of climate, the open-access resource is the atmosphere's capacity to absorb GHG discharges.

In principle, it should be possible for all parties to reach an agreement limiting access, but for such an agreement to occur, all parties must believe that the new distribution of property rights offers them benefits that will exceed the sum of the new arrangement's costs to them plus any costs they will incur to negotiate, monitor, and enforce the agreement. (The latter are examples of transaction costs.) In practice, interested parties often fail to reach agreement on limiting open-access regimes. For example, some ocean fish stocks are being seriously depleted. Even within national territorial waters, restraints on overfishing have often been eroded over time. Curbs on excessive pumping of oil and gas resources from fields with multiple owners have sometimes worked, but often they have done so only after a great deal of economic waste had already occurred.¹⁴

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That GHG control talks have replicated this pattern of frequent failure should surprise no one. GHG control shares many of the features that have caused other efforts of this kind to founder. Expected net benefits from GHG control agreements would be positive, but modest, and the transaction costs of forging such agreements are likely to be high enough to outweigh these expected gains.¹⁵

Students of institutional economics have identified several factors that raise the transaction costs of agreements on limiting access to resources. They have, for instance, shown that the larger the number of parties who must consent, the lower the odds of reaching an accord.¹⁶ Yet with GHG control, winning the assent of a smaller subset of countries simply will not get the job done.¹⁷ Also, where parties' interests are more diverse, the prospects for agreement decline.¹⁸ With GHG controls, a wide gulf between the interests of richer and poorer countries has emerged as the central stumbling block to cooperation.¹⁹ Finally, contrasting value judgments lower the odds of agreement.²⁰ It is, however, the

essence of a global GHG control accord that it must span the world's many diverse civilizations and their often-clashing value systems.

Finally, doubts about whether an accord would be enforced also diminish the perceived value of reaching an agreement,²¹ and the grounds for such doubts are solid. Today, China's government has a strong economic motive to assure the safety and purity of its exports. The U.S. government is even more concerned; yet the safety of toys and food imported from China clearly remains problematic. Thus, even when countries' interests align, it may be difficult to enforce agreements.

In the case of GHG control, however, the Chinese government's interests do not align with those of the rest of the world: China would have no real interest in transparency. Without wholehearted Chinese cooperation, could the United States accurately determine how much coal China is burning? Could it know if a carbon tax has been enforced on state-owned enterprises in Qinghai? Could it ensure that such a tax had not been offset with concealed subsidies? It could not, at least not while China's government remains so opaque.

Limited Ability to Sway Chinese and Indian Preferences

Thus, institutional economics cogently explains why twenty-plus years of global talks have failed to produce meaningful progress on GHG controls. Meanwhile, the IPCC seems determined to avoid asking embarrassing questions about the causes of this sorry record. Yet when such questions are asked, it becomes clear that every option available to the United States is likely to founder either because it is too weak to solve the problem or because its transaction costs exceed the net benefits of reaching an agreement.

Some environmentalists trust that if the United States and Europe adopt GHG controls, their example will sway other nations to do the same.²² In serious matters, though, world politics has depended more on the ancient Roman playwright Terence's maxim, "I give not gold for mere expectations," than on the audacity of hope. The United States did not drop all U.S. tariffs and farm subsidies to zero as a prelude to the Uruguay or Doha rounds. Nor did the European Union. The West did not try to win the withdrawal of Soviet forces from Europe by first pulling its own troops out of Germany. Why would the Organisation for Economic Co-operation and Development (OECD)

countries consider taking the functional equivalent of these steps in the area of GHG control?

The answer is surely not that the Chinese and Indian governments have signaled their readiness to respond in kind to U.S. GHG curbs. They could hardly be more frank about their total unwillingness to do so.²³ China and India have good reason to prefer to cope with climate change by becoming wealthy enough to adapt to it and to recover from any harm that it may do them.²⁴ Further, by practicing climate realpolitik and standing pat while other countries adopt caps, China and India will reap competitive gains. Over time, investments in energy-intensive industries will migrate to the countries that reject controls. These new investments and the jobs they will bring will raise the political costs of any future move toward controls.²⁵ This outcome is the exact opposite of the goal of inducing China and India to curb their emissions.

Why should the United States consent to pay other countries to make emission cuts that are more valuable to much of the rest of the world than they are to America?

The governments of China and India may also lack the popular support necessary to be able to bear the political costs of steep GHG cuts. These governments have often gone to great lengths to hold energy prices *below* world levels.²⁶ To drive domestic energy prices above world market levels now would be a daring political gamble. In the pre-Copenhagen talks, China and India showed no sign of being tempted to chance so rash a throw of the dice.

In both the United States and Europe, proposed GHG control measures have been linked to new tariffs aimed at China and India. Such trade sanctions would ostensibly protect domestic industries from "leakage"—in other words, from the flight of GHG-intensive activities from nations with controls to those without them. Such proposals carry a hefty price tag for the states that might adopt them. Not only would new tariffs hurt consumers, but China and India would certainly retaliate, harming exporters and investors as well.²⁷

In light of these risks, many trading nations may decline to take part in sanctions. Yet a partial system of sanctions might be too porous to coerce China and

India. If some major trading countries opt out of sanctions, world trade patterns will shift. Countries like Japan that have low-carbon processes for producing steel, aluminum, or other energy-intensive goods might well increase their exports to nations with sanctions. Such a state could boost its own imports from China to fill the gap created by a greater number of exports to countries that adopt the sanctions. In the meantime, targets of sanctions would be largely indifferent to the shift in trade flows.²⁸

Some propose to avoid the problem by paying India and China to curb their emissions. To a degree, the Bali Action Plan has already endorsed this principle.²⁹ Fully putting it into practice is, however, another matter. It would require large financial transfers to motivate developing countries to adopt steep GHG cuts. For the United States alone, *annual* income transfers would reach \$200 billion by 2020 and nearly \$1 trillion by 2050.³⁰ This would heap a large additional burden on a U.S. economy that will already be struggling with an aging population and other major structural adjustments. It is easy to see why China and India would like to be paid to reduce GHG emissions; it is hard to see why the United States would agree to meet their demands. The United States, as a wealthy country with a temperate climate, has less to fear from climate change than do most other states;³¹ therefore, it has less to gain from an accord. Why, then, should the United States consent to pay other countries to make emission cuts that are more valuable to much of the rest of the world than they are to America?

Of course, some moralists claim that richer countries are duty bound to help those poorer states most at risk from climate change. Others concede that an ethical injunction for GHG control rests on shaky ground—not least because it does not seem to be a very cost-effective way to help its putative beneficiaries.³² In any case, ethical dicta about income distribution have usually had a rather limited effect on how states behave.³³

Some developed countries may hope their economies will profit from exporting GHG control technology to countries that adopt controls.³⁴ But the Chinese and Indian governments demand that the developed world give them intellectual property (IP) rights relevant to GHG limitation. Once green-tech IP has been given away, the manufacture that it enables is likely to follow it overseas. China is already barring foreign firms from its growing renewable energy sector.³⁵ This tendency hardly presages great export profits in the wake of large transfers to them of green-tech IP.

In the final analysis, the already developed or fast-developing countries that would have to bear most of the costs of an effective GHG control regime are unwilling to do so. These countries are not the ones with the most to gain from GHG controls. The latter have tropical climates, stagnant economies, and dysfunctional governments. In other words, GHG control is a costly form of foreign aid aimed mainly at helping those “developing countries” that are not, in fact, developing. Seen in this light, the prospects for diplomatic success in GHG control seem remote.

The high costs of GHG abatement are a key barrier to reducing the costs of climate change. Only new technology can surmount this barrier.

Organized Hypocrisy on GHG Reductions

The world is not going to reach an accord that will significantly lower GHG emissions. This fact makes a sham agreement all the more likely. The outline of such an agreement is clear. Governments in the developing world can adopt “no regrets” policies on climate. (“No regrets” policies are those that would be rational to adopt even in the absence of concerns about climate change.) Meanwhile, governments in the developed world pretend to believe that these developing world policies will have a much greater impact on warming than they will.

The cause for this willing suspension of disbelief is easy to see. In the United States, green groups are clearly committed to touting Chinese progress in reducing emissions as a way of disarming opposition to domestic controls.³⁶ Many firms stand to gain from GHG controls that would raise their competitors’ costs more than their own, and some of these firms have embraced the same strategy. The blandishments of these interests may make it worthwhile for OECD governments to accept a fig leaf agreement as long as it clears the way for domestic action.

This prospect must also appeal to China and India. They can see that a solution based on hypocrisy organized around “no regrets” policies would allow them to reject all firm commitments to GHG targets. The developed countries’ demands for GHG offsets can be a source of

revenue, and if they can acquire valuable IP at below-market prices, so much the better. In that case, they may be able to use their relatively low labor costs to capture a large share of green export markets.

Climate Policy Realism

The conditions needed to curb global GHG emissions do not yet exist. Moreover, they will not exist until China and India—at the very least—become wealthy enough to decide that investing in GHG control is worthwhile. In the case of China, regime change might even be required. Without it, Chinese society might remain too institutionally opaque to be a credible party to any agreement.

Absent these social changes, GHG control agreements are likely to remain exercises in organized hypocrisy. Agreements of this kind suffer from an obvious drawback. They will do little or nothing to slow the pace of climate change. Worse, symbolic success might dampen the demand for substantive progress. It would be more constructive to focus on generating the new knowledge central to the task of coping with climate change.

The High Costs of GHG Abatement Are a Key Barrier to Reducing the Costs of Climate Change. Only new technology can surmount this barrier. A realistic climate policy should, therefore, make the search for relevant new technology a high priority. Implementing a modest carbon tax, or perhaps a hybrid cap-and-trade system, is one way to foster the search for cost-saving innovations in GHG control.³⁷

A price on GHG discharges would encourage the private sector to develop new, lower-cost ways of curbing GHG emissions. At the same time, the price must be fairly low. A high price without Chinese and Indian controls will lead to irresistible demands for destructive trade sanctions. A high price now would also weaken developed countries' bargaining position when serious global GHG curbs finally become possible. Hence, the extent to which a realistic price will stimulate private sector research and development is limited.

The Need for Funding Basic Energy Science. Simply pricing GHG emissions will not generate either enough investment in research and development or the right kind of investment. Coping with climate change will require major breakthroughs in basic science.³⁸ Such breakthroughs are often elusive, and seeking them is an

inherently high-risk venture. With or without GHG targets, the private sector finds it too difficult to capture the economic rewards of basic science to make the large, sustained investments that are essential for achieving breakthroughs.³⁹ Some form of government funding will be necessary to achieve innovations of the scale implied by the task of halting climate change.⁴⁰

The world needs a backup system in case climate change proves to be more harmful than the scientific consensus now predicts.

Solar radiation management might be such a system.

The U.S. administration has been raising funds in several areas of energy research and development. Managing such an effort in a political environment is not easy. Stops and starts in funding can waste resources.⁴¹ Further, the U.S. government has often shortchanged basic energy science in favor of large demonstration projects. The temptation to turn research and development into a form of pork-barrel politics is hard to resist.⁴² Although proper funding is important, success in this effort may depend more on restraining the worst excesses of pork-barrel politics than on the size of the budget.

Adaptation Is Key. A substantial amount of climate change is inevitable.⁴³ Fortunately, much can be done to minimize the net social costs of this change. Indeed, for the next century, adaptation to climate change is likely to do more to reduce its costs than GHG controls will.⁴⁴ The private sector will make many needed adjustments in which there are strong incentives to limit damages. However, the lack of knowledge today about how regional climates will change (and on what time scale) hampers adaptation.⁴⁵ Generating and diffusing this kind of scientific knowledge should be a top priority.

Governments may also need to reassess some of their own policies. For example, in the United States, public subsidies to disaster insurance may promote too much private sector investment in high-risk areas. Climate change could worsen the potential resource misallocations. In other instances, policies may cause underpricing of some water resources. Again, the prospect of climate change may increase the value of the resources being misallocated.

Research Solar Radiation Management. Finally, the world needs a backup system in case climate change proves to be more harmful than the scientific consensus now predicts. Solar radiation management (SRM) might be such a system. SRM refers to a family of technologies intended to offset the warming caused by the buildup of manmade GHGs in the atmosphere. SRM seeks to reflect back into space a small part of the sun's incoming shortwave radiation. Temperatures would fall even though GHG levels would remain elevated. Some of the risks of global warming would decline with the temperature.⁴⁶

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Reflecting into space only 1–2 percent of the sunlight that strikes the Earth would cool the planet by an amount roughly equal to the warming expected from doubling the preindustrial levels of GHGs.⁴⁷ Scattering this amount of sunlight appears to be possible. Past volcanic eruptions, for example, have shown that injecting relatively small volumes of matter into the upper atmosphere can cause discernible cooling. The 1991 eruption of Mount Pinatubo reduced global mean temperature by about 0.5 degrees Celsius.⁴⁸

One option for SRM involves mimicking a volcano by injecting submicron-sized particles into the stratosphere.⁴⁹ The total mass of such particles would amount to the equivalent of a few percent of today's sulfur emissions from power plants.⁵⁰ Another option would be to produce an extremely fine mist of seawater droplets. These droplets would be lofted as a moist sea-salt aerosol into low-lying marine clouds. These particles would provide added sites for cloud droplets to form, and, as the clouds become denser, they would reflect more sunlight.⁵¹ Climate models suggest that this effect could, in theory, cool the planet enough to offset the warming caused by doubling atmospheric GHG levels.⁵²

Expert opinion suggests that SRM will likely be a feasible and effective means of cooling the planet.⁵³ The cost of deploying SRM appears to be low compared to other means of offsetting warming. One recent study estimated that the net benefits from SRM might range from \$200 billion to \$700 billion *each year*.⁵⁴

Despite the huge scale of these possible savings, questions persist about SRM's prudence. Several undesired side effects might be possible. Only a systematic research and development program can determine if the risks of these side effects exceed the likely benefits. The large scale of SRM's potential benefits argues strongly for investing in the needed research.

Conclusion

Global cooperation is important; it just is not likely to produce much progress on near- and mid-term GHG control. Negotiations that allow countries to make and trade off a wide variety of relevant actions might make more sense than ones in which all transactions have to take place in the coin of emission caps. Some countries with strong green lobbies might still wish to offer caps. Others might pledge research and development spending, sectoral GHG caps, aid for developing countries to adapt, or more funding for climate science.

This approach, much like a trade negotiation, would make monitoring compliance with countries' pledges easier. It would also make penalties for failing to perform agreed actions more credible.⁵⁵ It does not make sense to condemn modest real progress because it does not meet an unrealizable ideal.

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