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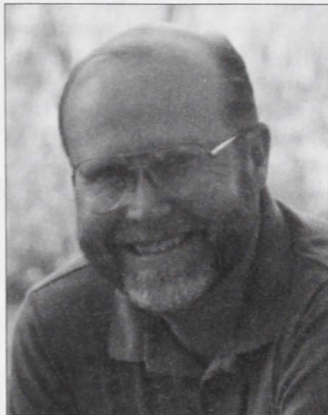
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Reflections on Kyoto

A small but important first step in curbing climate change

By Tom Tietenberg



Mitchell Family Professor of Economics Tom Tietenberg is a pioneer in the concept of tradeable emission permits and their application in reducing greenhouse gases that affect global climate changes. His research and writing have contributed to numerous intergovernmental attempts to curb global warming, most recently two United Nations reports that informed policy positions at the Kyoto Conference on Climate Change. He is one of three writers who will prepare a report for delegates of the next global environmental conference that suggests procedures for the industrialized nations trading system. He provided this follow-up report for Colby on the results of the Kyoto Conference.

On December 1, 1997, delegates from more than 170 countries met in Kyoto, Japan, to conduct what Undersecretary of State Tim Wirth called "the most difficult negotiation anyone has tried to do on a brand-new topic." What made it so difficult was the high cost of making the wrong choice. On the one hand was the possible threat to the climate posed by continued increases in emission of the gases thought to be responsible for climate change. On the other hand was the high cost of controlling those gases. The cost of control has been estimated to be high because it would involve limiting the use of fossil fuel energy, which currently is one of the main foundations of our high standard of living.

Complicating matters is the fact that the science underlying our understanding of the relationship between human emissions and climate change is incomplete and that estimates of the cost of impending regulations have historically turned out to be high.

Reactions to the conference were predictably mixed. National Association of Manufacturers President Jerry Jasinowski called the resulting protocol "economic treason," and the World Wildlife Fund stated that it "plays into the hands of industries that fought against it."

My own view is that it represents one small step toward solving a large problem and that the first step is enormously important. The principle of inertia applies fully as much to politics as it does

to physics. Some (albeit limited) momentum has been achieved.

The principle accomplishment was the establishment of fixed quantitative reductions in greenhouse gases—for 38 nations and the European Community (known collectively as the Annex I nations). The reductions, which are relative to 1990 emission levels, are to be achieved by 2012 and are expected to produce a global reduction of 5.2 percent from 1990 levels or 30 percent from levels that would have been expected by 2010.

To secure this agreement, delegates had to deviate from conventional practice. Normally when sacrifices are called for, international agreements tend to spread the burden uniformly by requiring equal proportionate reductions. Pursuing a strategy of "differentiated responsibility," the Kyoto delegates first considered, then rejected, an approach based on uniform reductions in favor of pure political negotiation. The resulting obligations range from an 8 percent reduction (from 1990 levels) for the European Community (and many other nations) to an 8 percent increase for Australia. The United States is obliged to meet a 7 percent reduction. (Remember that these are relative to 1990 levels. The reductions from actual expected emissions is expected to be closer to 30 percent.)

The U.S. won some and lost some at the conference.

The victories included: (1) defining the reduction mandates in terms of six greenhouse gases*

rather than three, (2) allowing the transfer of emission reduction units between Annex I countries (a means of achieving the mandated targets at much lower cost) and (3) establishment of the Clean Development Mechanism, which will allow Annex I countries to finance emission reduction programs in developing countries and, once the reductions are certified, to count those emission reductions against their obligations. This allows countries to seek the lowest cost reductions, whether those reduction opportunities are within their boundaries or not.

The U.S. also suffered some setbacks: (1) a failure to get developing countries to accept limits at this conference, leaving that as a main agenda item for the next meeting, and (2) a failure to gain acceptance for a limit for the U.S. that would stabilize its emissions at 1990 levels rather than reduce them.

Now the battle for ratification begins, and the domestic politics will be interesting. Although a Harris Poll released on December 17 reveals that 74 percent of the American public approves of the treaty, William O'Keefe of the industry-funded Global Climate Coalition promised that "business, labor and agriculture will campaign hard and will defeat it."

**The six gases included in the protocol were carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.*