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POLICY BRIEF
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MAKING TRANSATLANTIC RELATIONS GREEN

A COMMON AGENDA FOR CLIMATE ACTION

#CLIMATE RACE
#EU-US RELATIONSHIP
#GREENDEAL
#BIDEN
#ENERGY
#INNOVATION

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US President-elect Joseph R. Biden Jr.'s victory in the November 3rd election has raised hopes for greater transatlantic cooperation. On the campaign trail, the former Vice President vocalised his desire to repair relations with American allies, in particular Europe. His pick for Secretary of State, Antony Blinken, is an avowed Atlanticist and proponent of multilateral institutions. As part of a more multilateralist agenda, Biden has stressed that combating climate change will be one of his main priorities. He pledged to rejoin the 2015 Paris Climate Agreement, has proposed a $2 trillion climate plan to make the US climate neutral by 2050, and appointed former Secretary of State John Kerry as his Special Presidential for Climate to demonstrate his commitment to addressing the crisis.

Despite these encouraging signs, the Biden administration will not be a cure-all for climate, mostly as a result of the domestic challenges that it will face. Although his plan is ambitious compared to previous presidents, Biden's climate proposals fall well short of the left-leaning "Green New Deal" sponsored by Representative Alexandria Ocasio-Cortez and Senator Edward Markey.[1] Furthermore, Biden will restrict –but not ban– fracking and picked several advisers with ties to fossil fuel industries. Politically, any climate agenda will face headwinds (if not outright obstruction) from a likely Republican-controlled Senate and a right-leaning judiciary. While these limitations pale in comparison to the outright climate-denial of the Trump administration, it is still crucial for advocates of transatlantic climate cooperation to be mindful of them. In light of the ambitions and constraints of the incoming Biden administration, this policy brief suggests key areas where the US and the EU could work together to deliver global climate action in the next two years.

1 ■ Biden's plan for climate action

Biden's efforts to address climate change comes after nearly a half-century of struggles to get the issue on the American political agenda. Even before widespread awareness of the role of carbon emissions, Republican President Richard Nixon passed key legislation to protect the environment in the 1970, including the improvement of the Clean Air Act and the creation of key agencies: the US Environmental Protection Agency and the US National Oceanic and Atmospheric Administration.

Climate change first became part of the US political debate in the late 1970s. The 1979 Charney Report played a key role in providing US and global policy makers with a clear scientific understanding of climate change. In the 1980s, US politicians from both major parties advocated for US climate action, including Republican President George H.W. Bush.

It was only in the late 1990s that climate action became divisive and highly politicised. Since then, US climate action saw decisions taken at the state and federal levels, mostly by Democrats, with Republicans rolling-back several Democratic decisions whenever they hold power -as they did with the Kyoto Protocol and theClean Power Plan.

In this context,[2] Biden's plan to make the USA a climate-neutral economy by 2050, with carbon-neutral electricity by 2035 is significant. His proposal includes pouring $2 trillion in green investment, delivering high-quality public transport, rolling-out 500,000 charging points for electric vehicles, and innovating to drive down the cost of battery storage and negative emissions technologies. However, President Biden will face key political and systemic constraints that will challenge his capacity to implement his entire climate agenda.

2 ■ Biden's domestic constraints

2.1. Making the US climate-neutral: a tough hill to climb

The US pathway toward climate neutrality remains an uphill battle. Currently, the US economy is highly polluting and resource-inefficient. On average, an American pollutes twice as much as a European.[3] In the race to climate neutrality by 2050, the US economy starts far behind the EU's. The flip-side is that US policy-makers still have low-hanging fruits to pick: using the US Clean Air Act to speed-up the ongoing phase-out of coal, improving the regulation of flaring, moving the entire country up to California's level of legislation on car emissions, or even using the EU's experience in energy efficiency legislation as a blueprint for US federal action.

2.2. Political constraints: Republican opposition in the Senate and key state legislatures

Biden's lack of political coattails will have dramatic implications for the future of US climate policy. Rather than an anticipated "blue wave" of Democratic support, Republicans narrowed their deficit in the House of Representatives and are currently favored to hold on to their Senate majority. Most state legislatures have Republican majorities, leaving widespread progress at the state level unlikely. There is also a strong possibility that US Republicans will win back the House of Representatives in the November 2022 elections, as happened during the first congressional elections of and Barack Obama.

Biden likely understands and is anticipating the opposition he will face from Republicans in the Senate. Although he is fond of "working across the aisle" and stresses his bi-partisan credentials from decades of working in the Senate, such talk is overly optimistic. Indeed, Biden bore the full brunt of Republican opposition as Vice President, such as the failure of President Obama's cap-and-trade proposal. US Republicans reluctance on climate action is now well-established. Indeed, while 59% of americans see climate change as a "major threat" to their country, this is the case of 83% of Democrats and only 27% of Republicans. This constitutes a major constraint for long-lasting EU-US cooperation on climate, and the recommendations this policy-brief suggests in Section 3 take full account of those constraints.

2.3. A fragmented US regulatory and energy landscape

Beyond these political constraints, the Biden administration will also face a fragmented US regulatory and energy landscape. Indeed, the US energy policy and energy system is far less integrated than the EU's. For instance, all EU Member States now have a national energy policy that is part of the EU framework, which contains, for instance, a national objective to develop renewables by 2030. Conversely, almost half of US States do not have renewable energy targets. While the continental European electricity system is now almost entirely integrated, the US faces a patchwork situation. For instance, most of the Texas electricity grid is disconnected from the rest of the country. This situation compels the Biden Administration to wage a twin struggle: articulating federal-level policies, while also working to better integrate US energy systems.

3 ■ Ambition and pragmatism: towards a common agenda for EU-US climate action

Joint action by the US and the EU on climate requires to account for the constraints of the Biden Administration. Under a conservative US Senate and judiciary, Europeans must focus their effort on three types of policies: (A) policies that Biden can adopt in the next four years even without any Republican support (e.g. through executive actions), having in mind that those policies can be quickly rolled-back by a Republican President in 2024, (B) policies where Biden can find an agreement with a Republic Senate, and even a potential future Republican House, (C) policies where efficient EU-US cooperation can occur both with President Biden and any future Republican President.

We now turn to five concrete areas that can serve as a basis[4] for a common EU-US agenda for climate action: climate diplomacy, green recovery, clean innovation, new standards and coal phase-out.

3.1. Humility and partnership: common climate diplomacy actions ahead of COP 26

One of the first foreign policy decisions President Biden will take is to ensure that the US rejoins the Paris Climate Agreement. He furthermore nominated elder statesman John Kerry as US Special Presidential Envoy for Climate. This comes at a critical moment for global climate diplomacy. Last September, Chinese President Xi Jinping announced at the United Nations General Assembly that China now aims to become climate-neutral by 2060. There is therefore an unprecedented impetus for joint action by the EU, the US, China and others to work together to deliver a historic agreement during the next major climate negotiations conference that will occur in Glasgow in November 2021. Given the legal characteristics of the Paris Agreement, this is something Biden can achieve without congressional approval.

The EU's will have a critical role in its potential to act as an honest broker, ensuring that US-China geopolitical rivalry does not derail global climate action.In this endeavour, US leaders now hopefully understand that they have lost their reputation as a responsible partner on global climate action: as a nation, the US failed to ratify the Kyoto Protocol in the 2000s, and failed to remain in the Paris Agreement in the 2010s. EU policymakers moreover must be mindful of the unpredictability and occasionally erratic nature of US decision making, with its tendency to sometimes treat Europeans as vassals and China as an enemy, rather than considering both as partners in a global climate action. The EU and the US can furthermore work on other key foreign policy tools, for instance by insisting on strict climate conditionality in trade agreements. This will however require some degree of bi-partisan agreement in the US, between Democrats and Republicans, especially if the EU and the US were to cooperate to establish a carbon border adjustment mechanism that would be World Trade Organisation-compatible.[5]

3.2. The green recovery: EU-US joint decisions for a global green economic recovery

The EU and the Biden administration must also work together to fight climate change through multilateral fora like the G20. Although much talk of "build back better" and a "green recovery" punctuated early debates during the COVID-19 crisis, a large share of recovery and rescue funds across the world were invested in carbon-intensive industries. As a result of those policy decisions, the sudden shift away from fossil fuels that some hoped for back in Spring 2020 is unlikely to materialize.

Yet, there is still an opportunity to seize the potential of a green COVID-19 recovery, as highlighted by the green recovery efforts of the European Union[6] and other economic blocs. G20 countries must therefore cooperate to deliver policies that build green infrastructure, remove fossil fuel subsidies, invest in clean energy innovation and provide economic incentives that encourage businesses and consumers to opt for the greenest and most cutting-edge options. While the G20 positions of the USA can be determined by Biden himself, he will need Republican support to pass any meaningful green recovery programme through both the US House and Senate.

3.3. Clean energy innovation : a bipartisan agenda for transatlantic cooperation

Research and innovation is vital to deliver climate neutrality. As global population and economic production grows, the creation and deployment of new technologies, business models, processes, financing schemes and practices are necessary to reduce global greenhouse gas emissions, and eventually reach climate neutrality.

Despite positive political posturing in Europe, the European Union and its Member States have actually been *decreasing* public investment in clean energy innovation over the past decade.[7] This widens the gap between ever-more-ambitious long-term objectives and the means available to reach those very objectives. Counter to the conventional narrative, US public authorities actually *increased* government support for clean energy research and innovation even during the first mandate of Donald Trump, outperforming the EU in 2018[8]. Furthermore, Biden wants to take the next step and set-up a new US research agency dedicated to climate.[9] This creates historic opportunities for EU-US cooperation. Both sides could commit to increase public investment in clean energy innovation in both the EU and the US as part of the global initiative of Mission Innovation. They should also identify specific areas for cooperation such as next generation electrolyzers to produce renewable hydrogen, or the use of hydrogen and ammonia in energy-intensive industries like steel, cement and chemicals, **for instance as part of the suggested Green Tech Alliance**.[10]

Notably, cooperation on clean energy innovation is the only suggestion of this brief where the European Union is certain to be able to work with the US even if a Republican were to be elected President in 2024.

3.4. Devil in the details: towards a stronger EU-US cooperation on common standards.

The new Biden administration opens a window of opportunity for EU-US cooperation on an area that is not at the centre of media attention but that is vital for economic competitiveness and climate action: setting common standards. Such cooperation, technical by nature, can be developed in several areas.

First, the EU and the US can work to expand existing standards. For instance, this is the case for energy efficiency standards for appliances. The EU can support the Biden administration to take stock of the European experience in the development of mandatory energy efficiency standards for buildings and appliances that have been far more impactful than the voluntary US Energy Star Label. The EU and the US can furthermore cooperate to set-up a common EU-US framework setting common green standards for public purchase of specific products (e.g. steel for infrastructure projects), building on the Californian Buy Clean experience. A more challenging way forward is to work on the creation and implementation of new standards. A major contender here is the methane leakages regulations. This is key to ensure the environmental and political sustainability of US ambitions of exporting US liquified natural gas to the EU market.

Finally, a major topic is the taxonomy for sustainable finance that can serve as a tool to help investors, companies, issuers and project promoters develop and invest in projects that are genuine green projects. Whether expanding existing standards or developing new ones, EU-US cooperation should be considered within a global context. It may indeed serve as a blueprint for an international agreement encompassing other key economies, such as Japan, China, India and others, increasing its impact as well as the likelihood that such cooperation continues even when US citizens elect a Republican for President.

3.5. The no-regret option: common action to organise the global phase-out of coal.

Coal is the dirtiest source of energy, a major cause of climate change and air pollution. Despite its ongoing demise due to the emergence of cheaper alternatives, coal continues to benefit from public subsidies in the US and the EU, as well as in other countries such as India. Any serious EU-US agenda on climate action must include the end of EU and US support to coal at home and abroad.[11] This should be developed in a spirit of cooperation with key coal producing countries (China, Australia, India, Indonesia, South Africa, Russia) and the poorest coal consuming countries. In particular, the US and the EU could use the capacity to relieve the debt of developing countries via their influence at multilateral institutions to convince their governments to phase out public investment in coal, and to develop renewable electricity as a cleaner –and now almost always cheaper– source of electricity for developing countries.

Conclusion

President-elect Biden will not have free rein to implement his climate action program. In addition to judicial barriers, Democrats will most likely not control the US Senate. And with Democrats holding only a slim majority in the House of Representatives, and midterm elections usually swinging against the president's party, Republicans may retake the House in 2022. With so much uncertainty on the horizon, the next two years are therefore crucial to accomplish climate goals.

After Biden takes office on January 20th, 2021, the EU must act with a sense of urgency. It should engage the new US administration on areas where progress can be entrenched in the next two years: relaunching global climate diplomacy, developing a global green recovery program, accelerating clean energy innovation, cooperating on common standards and phasing out of coal. This will be an uphill battle but Europeans need to make the best of the coming two years, They must hope that new ambitious policies will shift climate economics and politics enough to help change the calculus for elected representatives and firms alike, who may realize that climate-friendliness is the most viable way to re-election and a successful business. This is the surest way to forge a substantive American contribution to global climate action.

End notes

1. Representative Alexandria Ocasio-Cortez is a Democrat from New York City, close to the left-wing of the Democratic Party and who supported Bernie Sanders during the Democratic Primary. Senator Edward Markey is a Democrat from Massachusetts who has been a long-time climate advocate.

2. For an overview of the state of US Climate Policy pre-election, see Philipp Wallach, Where does US climate policy stand in 2019?, Brookings, 22 March 2019

3. According to the Carbon Atlas, in 2018, Americans emitted on average 17 tonnes of carbon dioxide per capita, compared to 9 for Germans and Poles, 6 for Danes, Italians and Bulgarian, 5 for French Portugues and Lithuanians.

4. Those proposals are by no mean exhaustive. Among the other topics where fruitful EU-US cooperation could materialise in the creation of quality jobs in clean energy sectors,environmental justice, and the just transition for coal regions (e.g. EU's Silesia and US' West Virginia) away from coal and other fossil fuels.

5. One major challenge is linked to US domestic policies. The US does not have a system that sets a carbon price at the federal level, contrary to the EU that has its carbon market (EU-ETS). To develop a WTO-compatible carbon border adjustment mechanism, the USA would first need to create its own state-wide carbon market or carbon tax, which seems highly unlikely in the next 2-4 years given US political constraints.

6. The European Union for instance plans to invest 37% of its recovery programme entitled Next Generation EU in climate-related investments. Furthermore, the President of the European Commission aims at issuing EU Green Bonds, to finance some of the EU Recovery Programme.

7. Between 2010 and 2018, public investment in research and innovation, in areas identified as priorities for the EU Energy Union have decreased both in percentage of GDP (from circa 0,03% to 0,02%), and in absolute volume (from 4Bn€ to 3,5Bn€). Source: European Commission,Report on progress of clean energy competitiveness, 14 October 2020, p.9,

8. As energy scholar Varun Sivaram recalls, this increase should not be attributed to the Trump Administration, but to the bi-partisan work of Republicans and Democrats who worked to increase federal funding for clean energy innovation.

9. Such agency should be named ARPA-Climate and would build on President Obama's creation of ARPA-Energy. See for instance: William Bonvillian & Richard Van Atta, ARPA-E and DARPA: Applying the DARPA model to energy innovation, The Journal of Technology Transfer, 2011.

10. For an overview of 55 specific technologies that can help deliver climate neutrality, see Cap Gemini Intel, Investment in next generation clean technologies, October 2020.

11. Half of US coal is extracted on US Federal Land and is subsidised by US taxpayers. European public promotion banks currently support coal, especially through export credits.

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