

## Learning From Europe's Mistakes

Can the United States catch up in climate protection?



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R. Andreas Kraemer | **Europe has been focusing on greater energy efficiency for some time, while the United States has lagged behind. But with its impressive capacity for innovation, the United States still has the potential to become an alternative energy role model alongside Europe. Ultimately, together they will have to prepare the rest of the world for the effects of climate change.**

Both sides of the Atlantic recognize the necessity for structural change in energy policy. However this rethinking is based on different rationales. In Europe, climate protection is at the forefront of the political agenda. The United States, on the other hand, is focusing on correcting mistakes in energy and transport policy, mainly because of the high security cost. The oil price spike in 2008 revealed the financial consequences of wasting energy. Until then, the low cost of oil obscured the security and military price being paid for continued dependence on finite fossil fuels from politically unstable regions. It is difficult for the two powers to see eye-to-eye on energy concerns. At the European-American summit in April 2007, US President George W. Bush, European Commission President José Manuel Barroso, and president of the European Council, German Chancellor Angela Merkel, heralded the “age of energy transformation.” Yet they failed to agree to any concrete measures to reduce energy waste or develop renewable energy sources.<sup>1</sup>

The financial crisis makes it clear how strong our mutual dependence has grown as a result of globalization. It demands that we coordinate policy and even intervene in each others' internal affairs. In the course of the European

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<sup>1</sup>) The results of a subsequent transatlantic dialogue are summarised in R. Andreas Kraemer, “What Price Energy Transformation?” *Survival*, (June/July 2008), pp. 11-18. See also [www.energy-transformation.org](http://www.energy-transformation.org).

integration process such intervention has become commonplace. A multitude of networks and expert committees coordinate policy approaches and the implementation of European law. Member states that fail to meet their obligations under the European Treaties, the European Union's de facto "constitution," are subject to penalty payments imposed by the European Court of Justice. The European Commission intends to take an even harsher approach in the future.<sup>2</sup> What is seen as a legitimate practice in Europe—the intervention of a supra-state court in domestic legislation and administration—is presently unimaginable in the United States.

Europe often fails to understand how deep-seated the aversion to international or multilateral authorities is in the United States, an attitude that extends far back into American history. In the United States it is generally not understood that EU law is binding and subject to enforcement, just as there is a failure to recognize the depth to which rules agreed on a supra-state level impact the internal life of the individual member states. An array of misunderstandings and disappointments are likely to emerge from this transatlantic lack of comprehension, especially when it comes to increased cooperation on the energy and climate crisis.<sup>3</sup> Nevertheless, the United States and the European Union have much in common, and they can build on this to transform their energy infrastructures, production methods, and consumption patterns in order to meet the global challenges of climate change.

The necessity for energy policy change is recognized on both sides of the Atlantic, but this rethinking is based on different rationales.

### Europe as a Mirror

Europe has long led the way in implementing sustainable energy policy. Following the oil crises in the 1970s the Europeans were far more forceful in increasing energy efficiency and reducing waste than the United States. When American cities begin to expand public transportation, for example with the construction of tram networks, they will undoubtedly utilize technology developed in Europe. In terms of structure and density, many American cities and suburbs—especially those that have grown enormously since World War II—will not be able to change quickly. However, with the looming prospect of acute energy shortages, urban centers in the United States can and must move toward the model of the Europeans.

Perhaps the greatest achievement of the European Union's climate and transformation policy is its emissions trading system. But this was originally an American initiative, not a European one. It was at the instigation of the United

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<sup>2</sup>) Until now, the European Commission has withdrawn its threats to impose penalty payments once the member state has met its obligations, even when this takes place belatedly. In the future, it intends to call for the imposition of penalty payments even when the deficit has been corrected. The intention is to prevent member states from stalling during the legal implementation process.

<sup>3</sup>) See the interview with the German Foreign Minister Frank Walter Steinmeier, "The Transatlantic Agenda—US-European Relations in a Globalized System," *Harvard International Review*, (Fall 2008), pp. 78-80.

States that market-based, flexible mechanisms were incorporated into the Kyoto Protocol. While the United States ultimately did not ratify Kyoto, the European Union adopted emissions trading as its own and built it up to become the world's largest, most sophisticated incentive system for climate protection, open to participants from across the globe.

While Europe profited from the United States' earlier experiences, it also made a series of grave mistakes, the most serious being the free allocation of emission rights based on historical emissions, called "grandfathering," and the compiling of national allocation plans. These practices have resulted in rewarding big polluters, raising expectations of further free allocations, and thus generating unnecessary obstacles for the future development of emissions trading. The national allocation plans were already in principle a violation of the single European market. If emission rights are to be negotiated on a Europe-wide basis, then the rules for their formation should not differ from one member state to another. These two mistakes can be easily avoided by the United States when it creates its own national emissions trading system.

The greatest achievement of EU climate policy is its emissions trading system.

The Obama administration and the incoming European Commission should work to connect the European Union's emissions trading system, which is already open to non-EU states through the so-called "linking" procedure, to a new US system at the federal level. The European Commission is likely to establish its own directorate general for climate policy, and in the United States the creation of climate-related staff units and coordination centers within the White House and other government agencies indicate that the preconditions for transatlantic emissions trading will soon be in place.

In the short term, the goal should be to organize the emissions trading systems on both sides of the Atlantic so that similar demands are placed on energy and greenhouse-gas intensive industries. In addition, there should be concerted efforts to encourage trading partners around the world to take a similar course. As a consequence, ecological integrity and the economic efficiency of climate protection policy would no longer need to be safeguarded through trade-relevant measures.

### The US as Quick-Change Artist

In structural terms, the US potential for innovation is far superior to that of the European Union. This head start has been noted with envy, especially considering that the Lisbon Process set the goal of turning Europe into the most competitive knowledge-based economic area in the world. The benchmark is America, not India or China. With its state-funded research in military and space exploration, thousands of state and private universities, private industrial research, and above all the plethora of innovative companies willing to take risks, the United States is in a position to develop new technologies and penetrate the market with new solutions more quickly and flexibly than its competitors.

In recent years, however, this innovation has largely failed in the areas of energy efficiency and renewable energy sources. For example, California's leadership in the field of wind energy, which it established in the 1980s, has largely been squandered. Europe—in particular Denmark and Germany—took up the lead. However, when the correct political, legal, and economic framework is in place—and this is something the Obama administration is committed to—then the United States could easily make up the lost ground and successfully carry out an energy transformation at a faster pace than Europe.

### Europe and America as Global Partners

Both individually and collectively, Europe and the United States will continue to develop innovative energy technologies and policies, thus providing a positive example. The next challenge will be to establish a global policy capable of preparing not just the industrial nations but the entire world for the effects of climate change.

The rise in sea level, for example, could generate flooding and food shortages on a global scale. Our current insurance and emergency aid systems are ill-equipped to handle such a disaster. As the densely populated coastal regions of America would also be affected, the United States would no longer be able to provide aid. The wealthy nations of Europe, the Persian Gulf, and East Asia, with their high population concentrations and major infrastructure in low-lying coastal regions, would also stop their aid to poorer countries. The solidarity between nations would be threatened with collapse.

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This danger can only be met with forward-thinking international coordination and planning. However it remains unclear whether the existing institutions, programs, and financing systems can be reformed and empowered, or whether completely new structures need to be created. Europe and the United States must conduct an intensive dialogue on these important questions with the participation of other nations.

Intensive cooperation in the Arctic could provide an opportunity for taking a first step in preventing a climate catastrophe. The effects of global warming are far more severe in the high north than in other regions, and changes emanating from the Arctic, such as the acceleration in the melting of Greenland's continental ice, will have significant consequences for the rest of the world. The Arctic is home to a volatile mix of economic interests, unresolved territorial claims, indigenous peoples, and military interests. In this region, where the Cold War is still hot, there is a danger that the northern powers could fall back into a well-known pattern of confrontation. Alternatively, they could develop new forms of international cooperation. Let us hope that the world's powers take the latter path, and work together to bring about a new era of international partnership.