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U.S. Senate Gets New Energy Bill Including No GHG Reduction Target

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On July 27, 2010, U.S. Senate Majority Leader Harry Reid said he had submitted a new energy bill titled the “Clean Energy Jobs and Oil Company Accountability Act of 2010.”

The bill calls for the elimination of the \$75 million corporate liability limit and other measures to specify corporate responsibilities for and toughen responses to crude oil spills and similar accidents in the wake of the Gulf of Mexico oil spill accident that attracted U.S. and global attention. It also seeks to enhance energy security and create 150,000 jobs through investment of \$5 billion in the Home Star energy conservation program and to promote renewable and other clean energies. The bill thus emphasizes high-priority energy measures for the United States.

Meanwhile, the bill falls short of including greenhouse gas emission reduction targets, domestic emissions trading and other U.S. global warming measures that have been discussed in the United States and attracted global attention. It fails to become any omnibus energy and global warming bill. In this respect, the bill is far different from the “American Power Act of 2010” bill presented by Senator John Kerry and others in May, which included a GHG emission reduction target, indicating a circumstantial change in U.S. discussions on global warming measures.

President Barack Obama has positively tackled and promoted the establishment of GHG emission reduction targets and a domestic emissions trading system as a means for the GHG reduction. But the introduction of such measures in the United States has grown even more difficult as an economic decline and a drop in industrial competitiveness have been feared amid a prolonged slump under the economic crisis and as the negative effects of tough global warming measures on the economy and industry have been recognized and discussed the related issue more realistically. Particularly in political conditions ahead of the midterm congressional elections in November, it has become more difficult to gain wide support for the introduction of tough global warming measures. Eventually, a decision has come for the bill to become specialized into energy measures. Of course, no optimism is warranted about future Senate actions even on the bill and the coordination between

the Senate bill and a House version. Although efforts could emerge to consider global warming measures again, the future congressional schedule, including the summer recess and the midterm elections, indicates that Congress is unlikely to pass any bill including global warming measures such as GHG emission reduction targets within this year.

How should we interpret the effects of the absence of global warming measures? Hereinafter, I would like to analyze the effects of the absence, rather than details of the energy bill.

How difficult it is to form a consensus on specific global warming measures including GHG emission reduction targets in the United States has been well known among experts in the world since last year. Under such circumstances, the decision on details of the bill cannot necessarily be viewed as any surprise. However, the bill itself reaffirms that it may be difficult for the United States to set any GHG emission reduction targets within this year. The reaffirmation means that the absence of U.S. targets will be a firm precondition for international discussions and negotiations on global warming.

In this sense, it will become even more difficult for the 16th Conference of the Parties to the United Nations Framework Convention of Climate Change, known as COP16, to produce any consensus on how to reduce GHG emissions after the Kyoto Protocol expires in 2012. As is the same case with last year's COP15 meeting, it is significant that the United States, which is still one of the world's biggest GHG emitters, though having been replaced with China as the largest emitter, has failed to conclude domestic discussions or form a consensus on GHG emission reduction targets. Although sincere efforts to form an international consensus are expected to come at the COP16 meeting, it has become difficult to expect a specific, essential agreement on GHG emission reductions in the world in and after 2013. COP16 participants may have to get prepared to promote negotiations and discussions toward next year's COP17 meeting.

What positions are major countries taking on global warming negotiations as it is growing more difficult to form any comprehensive agreement for the entire world? They are making various moves that we should closely watch. Britain, France and Germany have proposed that the EU aim to cut GHG emissions in 2020 by 30% from 1990 (against the present reduction target of 20%). Media reports stated that China would consider introducing a domestic emissions trading system under the 12th five-year development plan. These moves are among attention-attracting developments that came along with the U.S. move. As a comprehensive international agreement is growing more difficult to achieve, so-called bottom-up approaches are likely to emerge as specific and effective efforts. Under such approaches, countries may seek to forge bilateral or regional agreements to promote energy conservation and clean energies for GHG emission cuts and to create and spread carbon credits. Arguments on global warming negotiations, major nations' measures and strategic

approaches, bilateral or regional bottom-up approaches and other international moves are very significant for Japan. Based on these moves, Japan will have to work out and implement relevant strategies.

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