The Heritage Foundation
LEADERSHIP FOR AMERICA
214 Massachusetts Avenue, NE • Washington DC 20002 • (202) 546-4400 • heritage.org

CONGRESSIONAL TESTIMONY

Funding World Climate Initiatives

Testimony Before
The Committee on Energy and Commerce
Subcommittee on Energy and Power
United States House of Representatives

September 11, 2012

David W. Kreutzer, Ph.D.
Research Fellow in Energy Economics and Climate Change
The Heritage Foundation

My name is David Kreutzer. I am Research Fellow in Energy Economics and Climate Change at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

EPA and Foreign Grants

The Environmental Protection Agency's of funding foreign grants is worrisome for reasons beyond whether the grants are affordable or whether they exceed the mandates of legislation. That the EPA has to pay other countries to fund their own environmental programs indicates a limited willingness on the part of these countries to fund them themselves. This hesitancy does not bode well for their willingness to bear the considerably larger burdens of implementing climate policies.

The unwillingness to fund their own programs is not the only sign that we should not expect developing countries to fall in line should the United States implement costly global-warming legislation. Negotiations in Copenhagen, Cancun, and Rio de Janeiro stumbled over the question of who was to contribute to the Green Climate Fund and how large the fund was to be.

Futility of Carbon Legislation

Though the magnitude of carbon dioxide's impact on global warming is, in fact, not settled, even using the Intergovernmental Panel on Climate Change's (IPCC) figures shows that unilateral action on the part of the U.S. or even coordinated action of the

Kyoto nations will not significantly moderate world temperature increases.[1] This is because the growth of carbon dioxide emissions will come overwhelmingly from developing nations for the next century and beyond. For example, China's carbon dioxide emissions are now 50 percent larger than those of the U.S. while they were 40 percent below U.S. emissions in 2002.[2]

Though China's total carbon dioxide emissions are significantly larger than the U.S., the per capita emissions are significantly smaller. Yet, to reach a worldwide emissions target that might stabilize warming (according to IPCC climate sensitivities), the EPA assumed that the developing world would implement policies that take them back to their 2000 level of emissions by mid century.[3] For many developing countries (including India) this would limit per-capita emissions to five percent, or less, of current U.S. levels; and even this low limit makes no accounting for likely population growth and or for economic growth.

Can We Pay Them Enough?

Though many feel that it will not be enough to pay for the targeted carbon reductions, international climate negotiators established the framework for a $100 billion annual

[1] Chip Knappenberger, "Climate Impacts of Waxman-Markey (the IPCC-based arithmetic of no gain)," Master Resource, May 6, 2009, http://www.masterresource.org/2009/05/part-i-a-climate-analysis-of-the-waxman-markey-climate-bill%E2%80%94the-impacts-of-us-actions-alone/ (accessed September 9, 2012).
[2] U.S. Energy Information Administration, "International Energy Statistics," http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=90&pid=44&aid=8&cid=regions&syid=2002&eyid=2010&unit=MMTCD (accessed September 9, 2012).
[3] U.S. Environmental Protection Agency, Office of Atmospheric Programs, "EPA Analysis of the American Clean Energy and Security Act of 2009 H.R. 2454 in the 111th Congress, Appendix," June 23, 2009, p.70, http://ebookbrowse.com/gdoc.php?id=277878071&url=36f1a166c9ea536d2a98e02b7f9d4690 (accessed September 9, 2012).

Green Climate Fund to be administered by the United Nations.[4] Most, if not all, of the $100 billion will come from the developed nations and the U.S. will be expected to make the largest contribution. This obligation was anticipated in most of the proposed climate legislation in the U.S.

U.S. Climate Legislation Included Mechanism for Funding International Programs

The proposed cap-and-trade legislation of the previous two Congresses included provisions for distributing revenue from allowance sales (essentially sales of permits to emit carbon dioxide) to international adaptation funds.

The Lieberman-Warner Climate Security Act of 2008[5]

In Section 4101, the authors established 7 funds to receive the allowance revenue (money paid for emissions permits), including Number 4, "The Climate Change and National Security Fund." Then, in Section 4804 of Subtitle H—International Climate Change Adaptation and National Security Program—the authors stipulated that all of the allowance revenue in The Climate Change and National Security Fund were to be used for the international adaptation program in Subtitle H.

[4] United Nations Framework Convention on Climate Change, "The Cancun Agreements: Financial, Technology and Capacity-Building Support," http://cancun.unfccc.int/financial-technology-and-capacity-building-support/new-long-term-funding-arrangements/ (accessed September 9, 2012).
[5] S. 3036, Lieberman-Warner Climate Security Act of 2008, 110th Congress, http://www.govtrack.us/congress/bills/110/s3036/text (accessed September 9, 2012).

American Clean Energy and Security Act of 2009 (also known as the Waxman-Markey Bill)[6]

Part 2 of Subtitle E was "The International Climate Change Adaptation Program." Section 494 specifies that designated allowance revenue is to be distributed in the form of bilateral assistance, distributed to multilateral funds or institutions, or some combination of the two. The U.N.'s Green Climate Fund would fit into this category.

Clean Energy Jobs and American Power Act (also known as the Kerry-Boxer Bill)[7]

Designated allowance distributions under Section 207—International Climate Change Adaptation and Global Security.

The American Power Act (also known as the Kerry-Lieberman Bill)[8]

Section 5005, International Climate Change Adaptation and Global Security Program, uses language nearly identical to that in Waxman-Markey to designate the distribution of allowance revenue among international programs.

Conclusion

EPA funding of foreign environmental programs is a clear sign that the foreign countries are unwilling to fund these programs themselves. It should be noted that the cost of these programs is a small fraction of the cost of those necessary for these countries to meet

---

[6] H.R. 2454, American Clean Energy and Security Act of 2009, 111th Congress, http://www.govtrack.us/congress/bills/111/hr2454/text (accessed September 9, 2012).

[7] S. 1733, Clean Energy Jobs and American Power Act, 11th Congress, http://www.govtrack.us/congress/bills/111/s1733/text (accessed September 9, 2012).

[8] The American Power Act, discussion draft, 111th Congress, 2nd Sess., http://www.kerry.senate.gov/imo/media/doc/APAbill3.pdf (accessed September 9, 2012)

carbon emission targets set out by proponents of global-warming policies. So, this is yet another sign that any carbon legislation in the U.S. is likely to obligate U.S. energy consumers to bear not only the burden of our own policies, but the additional burden of paying foreign countries for their compliance. There is near universal agreement that without severe restrictions on the carbon emissions of the developing countries, no policy in the developed world will have sufficient impact to meet meaningful targets.

Though unadvertised, the significant additional burden of paying for the developing-world's compliance is known to those involved in climate negotiations and policy making. The U.N. has established a fund that will require developed countries to contribute hundreds of billions of dollars. U.S. energy consumers may not know about this obligation, but those negotiating on their behalf do. That every major cap-and-trade bill in the U.S. included mechanisms for contributing to this fund, or ones like it, makes clear that climate-policy makers in the U.S. intend to acquiesce to these demands for our wealth. Taken in this context, the EPA grants may be just the camel's nose in the tent.

****

The Heritage Foundation is a public policy, research, and educational organization recognized as exempt under section 501(c)(3) of the Internal Revenue Code. It is privately supported and receives no funds from any government at any level, nor does it perform any government or other contract work.

The Heritage Foundation is the most broadly supported think tank in the United States. During 2011, it had nearly 700,000 individual, foundation, and corporate supporters representing every state in the U.S. Its 2011 income came from the following sources:

Individuals	78%
Foundations	17%
Corporations	5%

The top five corporate givers provided The Heritage Foundation with 2% of its 2011 income. The Heritage Foundation's books are audited annually by the national accounting firm of McGladrey & Pullen. A list of major donors is available from The Heritage Foundation upon request.

Members of The Heritage Foundation staff testify as individuals discussing their own independent research. The views expressed are their own and do not reflect an institutional position for The Heritage Foundation or its board of trustees.