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Bush Sinks Kyoto

Well, it's official: the US is not going to ratify Kyoto. We knew it since last March, but there were some die-hards who kept hoping the US would get back on board. Instead President Bush announced on Thursday a strategy aimed at achieving an 18% reduction in CO₂ emissions *intensity* over the next decade. What does this target mean, and what are the implications for Canada?

The emissions intensity target refers to the ratio of CO₂ release to real Gross Domestic Product, or in other words emissions per dollar of GDP. Actually the units are more awkward: metric tons carbon equivalent per million US\$, or Mt/m\$. But they spell relief for those weary of the relentless drumbeats of the climate change lobby.

There were recent warnings that the US doesn't think much of the politics and bureaucratic science that led to Kyoto. The blunt wording of the Economic Report of the President this month included a sharp slap for those who were hoping to use the global warming scare to try and force energy rationing on the US. Referring to Kyoto's "unreasonable, infeasible targets" agreed to by the previous administration, it pointed out that the economic impacts add up to "a staggering sum when there is no scientific basis for believing this target is preferable to one less costly."

And in one of the most refreshingly sane things written by a government about global warming in the past decade, the report added: "The uncertainty surrounding the science of climate change suggests that some modesty is in order." Hello, Europe.

No such modesty is to be found in our own government's writings on global warming. The official view in Ottawa is that the science is all settled, the policy decisions are made and we know exactly what we're doing. But as has been pointed out on this page in a series of articles by David Wojick, serious discussion about the required policies and their costs has been absent, and the much-promoted "business plan" consists of little more than vague wishes. It is Ottawa's version of a faith-based initiative.

The US target really amounts to business-as-usual. Emissions intensity in the US has been falling steadily for decades. It was around 550 Mt/m\$ in the 1930s. By the 1950s it was down to the mid-300s. The graph shows the story since 1970, a steady decline to about

180. Projecting forward a linear trend across the post-1980 data generates the dotted forecast line. By 2012 the US will have an emissions intensity around 125 Mt/m\$.

The reason it keeps falling is that economic growth these days tends to be relatively stronger in services and light manufacturing, which are less emissions-intensive than heavy industries and the energy sector. The big emitters can still grow, but the rest of the economy pulls down the average intensity.

The thick horizontal line shows the target announced by Mr. Bush this week: 151 Mt/m\$ by 2012. This will not be a problem. It can (and will) be achieved without the use of mandatory emission controls, which is why the only measures announced this week are voluntary. In other words, the US is not going to impose a cap-and-trade system or any other CO₂ emission cuts on its industry.

Mr. Bush announced this plan just before heading on a trip to Asia. The Japanese government has sent the same mix of confusing signals as our own government. On the one hand their government claims Japan is determined to ratify by June. But no one can figure out what policies would actually be used and the government has shown no interest in revealing the economic impacts to a country struggling with 10 years of recession. Instead they resort to vague assurances about consultation and partnerships. Then, in early January, following meetings with the *Keidanren* industry association the Environment Ministry assured them that any CO₂ measures will be voluntary. Who knows what will happen. But we should not be surprised if Tokyo officially cuts Kyoto loose and sets an intensity target too.

Nor should we be surprised if Australia pulls out soon as well. Unlike Canada, its parliament convened a lengthy, open-ended inquiry two years ago into whether Australia should ratify the Protocol. They received submissions from many individuals and groups, and brought in scientists from all different points of view. An interim report released last April recognized that there are valid differences of opinion on the science. It also expressed the view that the science is not precise enough to justify immediate action that might threaten the economy.

Shortly after that the European Union sent a high level mission to Australia to lobby Environment Minister Robert Hill. The joint press release dated July 6 2001 stated that "The EU reiterated its commitment to ratify the Kyoto Protocol by the year 2002, if necessary without the US, while Australia will not do so."

Then in his first major interview following re-election in November, Prime Minister John Howard added that not only is US participation necessary, but developing country participation is also a pre-condition to Australia agreeing to the Kyoto targets.

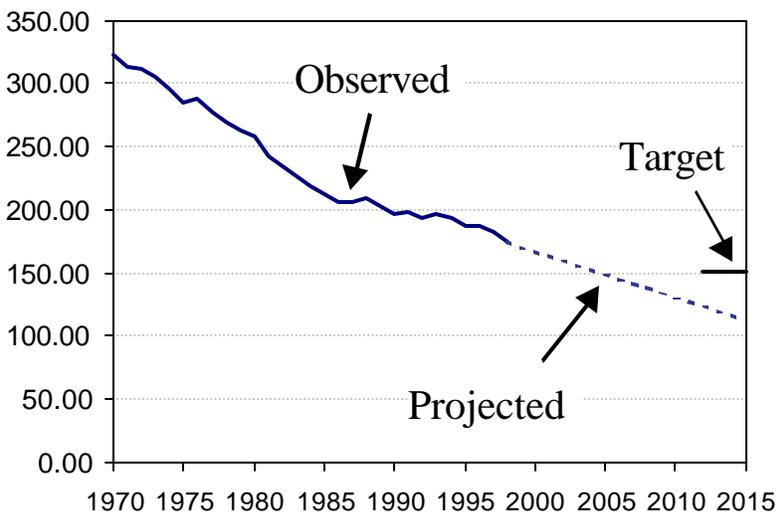
So where does all this leave Canada? Perhaps the feds are waiting and hoping that Kyoto will collapse on its own and save them the ordeal of having to make a decision. That may happen, but this treaty is the Rasputin of international environmental policy. It's been pronounced dead many times before, only to stagger back alive and surprisingly robust.

But the longer Ottawa dithers the longer the uncertainty hangs over us. Who on earth would invest in Canadian industry knowing that Ottawa is determined to ratify this deal, while the US and Mexico are staying out? If we seriously try to cut CO₂ emissions by 30 percent, even by buying permits on a (non-existent) world market, energy costs in this country will jump. Why would anyone locate an industry in Canada with that prospect before them, when going south of the border removes the uncertainty?

Ottawa has stalled both on making a decision about Kyoto and facing up to the real costs, saying they wanted to see what the US would do. Now they know. The US is not going to implement Kyoto or cap CO₂ emissions. It's time for Ottawa to make a decision.

US CO₂ Emissions Intensity Since 1970

Metric Tons Carbon Equivalent per Million \$ GDP



Sources: CO₂ emissions from Carbon Dioxide Information and Analysis Center, Oak Ridge National Laboratory. GDP from US Bureau of Economic Analysis. Projection is straight line trend on post-1980 data.

