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Commentaries on Frankel

2.1 *Targets and timetables: good policy but bad politics?*

DANIEL BODANSKY

From a policy perspective, cap-and-trade systems have many virtues. They give countries flexibility to determine how to reduce emissions – whether through domestic trading schemes, taxes, subsidies, efficiency standards, voluntary agreements with industry, or some other policy instrument. They harness the marketplace to encourage climate mitigation efforts by whoever can reduce emissions at the lowest cost. They can easily be scaled up or down, in response to new information about the risks of climate change. They can be differentiated among countries, to address equity concerns. And they can be set a level that, while requiring a country to do better environmentally than business-as-usual, still allows it to profit by trading, thereby serving as a type of side payment to encourage participation by otherwise reluctant countries such as China and India – a virtue that, as Jonathan Wiener (1999) emphasizes, is particularly important in an international system that relies on voluntary assent rather than coercion.

In his chapter, “Formulas for Quantitative Emission Targets,” Jeffrey Frankel presents a particularly appealing version of the targets-and-timetables approach, with a formula for setting targets intended to address the equity concerns of developing countries, as well as design features such as indexation and a safety valve that respond to one of the principal criticisms of Kyoto-style emission targets, namely that they represent an economic straitjacket and could impose unacceptably high costs on countries. Of course, even Frankel’s architecture fails to solve the compliance issue, which some see as the Achilles’ heel of the targets-and-timetables approach (Barrett 2003). His only discussion of compliance focuses on one potential source of noncompliance, namely high costs, without addressing the more general problem of free riding that characterizes collective action problems such as climate change. Nevertheless, while Frankel’s proposal is vulnerable to criticism on this score, I think that there are plausible stories of how a state might comply, even in the absence of coercion

(see Chayes and Chayes 1995; Koh 1997), so Frankel's failure to solve the compliance problem is not, to my mind, a fatal flaw.

But even if we are willing to concede that targets and timetables represent good climate *policy*, I think it is far more questionable whether they represent good climate *politics*. Frankel does not specifically say which perspective he is adopting. At the beginning of his article, he sets forth a list of the requirements that, in his view, "any new agreement *must* meet" (Frankel, this volume, p. 32, emphasis added). But the sense in which he uses the term "must" is not altogether clear. Does he mean the requirements that any agreement must meet in order to be good climate policy, or to be politically realistic? Quite conveniently, he appears to think that there is a significant overlap between the two and that the architecture he proposes not only satisfies his policy desiderata, but is also politically realistic, even in the near term, as the "next step after Kyoto" (Frankel, this volume, p. 41).

The distinction between policy and politics is, of course, fuzzy. Even pure policy design is not a strictly formal exercise; it must take into account how people and governments behave. For example, in arguing that benefit-cost maximization is "right in theory" but "wrong in practice," because governments cannot effectively bind their successors, Frankel is making what usually we would consider a policy argument, but one based on political considerations. Politics and policy fall along a continuum. At one end of the spectrum, we can take present political realities as a given; at the other, we can regard them as contingent and transitory. But even at the ideal-policy end of the spectrum, where current political realities do not represent a constraint, analysis must be consistent with immutable, intrinsic features of the political system – it cannot assume, for example, that states will cease being motivated by self-interest. Otherwise it will become purely utopian.

Where along this spectrum does Frankel's climate architecture fall? Critics of the targets-and-timetables approach, such as David Victor (2001) and Scott Barrett (2003), see it as essentially utopian – Victor because states will simply not be able to negotiate a series of progressively stricter emission targets, Barrett because, in the absence of an effective sanctioning mechanism, states will be unlikely to participate and comply. For the reasons mentioned earlier, I am willing to concede that targets and timetables may represent good policy, at least for the longer term – one could envision a world in which successfully stricter targets and timetables were adopted and achieved the policy desiderata

that Frankel articulates. But, for reasons that I will explain in a moment, I am skeptical about the political viability of this approach in the nearer term. Frankel, in contrast, clearly thinks that his proposed climate architecture represents both good policy and good politics – it represents a sensible political strategy for the post-2012 period, when Kyoto’s first commitment period expires, as well as for the longer term.

As an academic economist with significant government experience, it is perhaps unsurprising that Frankel manifests an ambivalent attitude toward the world of politics. On the one hand, he appears to regard statements about politics as unscientific, because they are infinitely malleable. As he observes, “bringing up politics is problematic, because every analyst can simply pronounce the proposals of others politically infeasible, and there is no way of verifying which of them are in fact more or less infeasible than others” (this volume, p. 36). And he does not always feel fully constrained by judgments of political viability, since “political realities change” (p. 38). On the other hand, he is not above making such judgments himself. For example, he rejects a carbon tax as “infeasible,” even though it would be his first choice if it were politically acceptable. Similarly, he rejects proposals to allocate emission targets to achieve equal per capita emissions on the political grounds that “rich countries would never accept the huge transfer of wealth from them to the poor that is implicit in the per capita formulation” (p. 40). Since Frankel himself raises the test of political feasibility,¹ I think it is fair to assess his architecture not simply in terms of whether it represents good policy, but also in terms of whether it represents good politics. It is to that question that I now turn.

Politics is, of course, the art of the possible. And, in thinking about what is politically possible, we need to begin by acknowledging the modest results achieved in recent negotiating sessions. At the Eleventh Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), held in Montreal in December 2005, countries agreed to begin two processes – one a dialogue under the UNFCCC on long-term cooperative action to address climate change, the other under the Kyoto Protocol to consider further commitments for developed country (“Annex I”) parties for the post-2012 period. Neither process appears likely to produce significant results, however.

¹ In describing his proposed architecture, he specifically states that it “seeks *realistically* to bring in all countries” (this volume, p. 41, emphasis added).

In recent years, the international climate negotiations have been bogged down, which makes it critical to ask: What have been obstacles to progress? And what can we do to overcome these obstacles?

Jeffrey Frankel's paper does not specifically ask these questions, but the policy he prescribes makes some implicit assumptions about the nature of the recent political impasse. Interestingly, his paper focuses much more on developing countries than on the United States. Indeed, the absence of developing countries is, in his view, "the most serious and intractable shortcoming of the Kyoto Protocol." Although he adds the caveat, "except perhaps for the absence of the United States," he sees the US absence largely as a function of the absence of developing countries. In his view, the United States is reluctant to join Kyoto because it does not include developing country targets. If we can solve the developing country issue, then the issue of US nonparticipation will take care of itself.

Frankel's proposed solution is to give developing countries indexed growth targets, which will alleviate their concern that greenhouse gas emission targets could adversely impact their economic growth. If developing countries are given targets that, while below business-as-usual, are achievable at a lower cost than the international carbon price, then the potential gains from emissions trading should provide developing countries with an upside incentive to participate. The trick is to set developing country targets at a level that will allow them to make more from the sale of surplus emission allowances than it costs to produce those surplus allowances by reducing emissions. Moreover, if emission targets are not fixed but are tied to a country's GDP, then this will protect developing countries against the downside risk that rapid economic growth will make it costly for them to achieve their targets, since as their economies grow, their permitted emissions will rise as well.² Frankel believes that by setting indexed emission targets at an appropriate level, developing countries can be enticed to participate. And so long as developing countries participate, and the US target is set at a relatively moderate level initially, the United States will be willing to join as well.

Now, this analysis may prove correct, but the history of the climate negotiations counsels us to be cautious. The unfortunate reality is that

² From an environmental standpoint, indexed targets also help protect against the danger of hot air, since if a country's economy declines, its emissions quotas will shrink.

developing countries have been turning down proposals along essentially similar lines as Frankel's for the last seven years, first, in the late 1990s when they were being pushed by the United States during the Clinton Administration; then, after the Bush Administration rejected the Kyoto Protocol in 2001, when the European Union tried a similar approach at the Conference of the Parties (COP-8) in Delhi.

Earlier I noted that Frankel tries to take into account issues of political feasibility. But he is far more sensitive to feasibility vis-à-vis developed countries, and in particular the United States, than developing countries. He assumes that an international carbon tax is off the table, despite its policy advantages, because it would be unacceptable to the United States. And he assumes that target allocations based on equal per capita emissions are a non-starter, because they would be unacceptable to developed countries. But he fails to take seriously developing country opposition to emission targets. He seems to assume that their opposition is transitory and changeable. Perhaps it is just a negotiating posture. Or perhaps it simply results from ignorance, which could be overcome through a better sales job regarding the benefits of targets. Whatever the explanation, Frankel seems to think that it is just a matter of time until developing countries come to their senses and realize that indexed growth targets are in their interest – just as, after Kyoto, the European Union eventually gave up its benighted opposition to emissions trading and accepted trading as a desirable policy instrument.

Perhaps . . . but I have my doubts. I think we need to at least consider the possibility that developing countries such as China and India mean what they say, namely that economy-wide, binding emission targets are unacceptable because they would unduly restrict their national sovereignty. True, emission targets give countries flexibility as to the choice of national implementing measures. States can implement their targets through a domestic trading scheme, taxes, efficiency standards, and so forth. But because virtually every aspect of a country's economy contributes to climate change – not only energy production, but also transportation, manufacturing, and even agriculture – an economy-wide target represents, both symbolically and in practice, a constraint on a country's economy as a whole.

Although Frankel is more attuned to US political considerations than to those of developing countries, his assessment of the US political situation seems somewhat tone deaf as well. It is true, of course, that concern about developing country participation in a targets-based

approach has been a theme of US political debate for many years, highlighted by the Senate's adoption of the Byrd–Hagel Resolution in the run-up to Kyoto.³ But US opposition to a Kyoto-like solution now runs much deeper. In part, it stems from the Bush Administration's ideological opposition to any mandatory regulation of carbon emissions. But, in part, it reflects a deeper opposition to international constraints on US sovereignty, which has made it difficult for the United States to join multilateral treaties generally, even when they otherwise enjoy very widespread support (as is the case, for example, with the 1982 UN Convention on the Law of the Sea, which is currently tied up in the Senate, despite support from the Bush Administration, the US military, and the business community). It is conceivable that US opposition to mandatory carbon regulation could change as a result of the 2008 elections; but the difficulty of joining multilateral treaties such as Kyoto is a structural problem, which is unlikely to change anytime soon. Thus, even if developing countries were to change their stripes, it is by no means certain that this would induce the United States to reverse course and accept binding targets and timetables. Indeed, the current US position points exactly the opposite way. Rather than seeking developing country acceptance of emission targets, the Bush Administration has sided with developing countries in opposing a targets-based approach, both for itself and others.

In essence, Frankel's paper starts from the assumption that, from a political standpoint, there is nothing fundamentally wrong with targets and timetables – they were negotiated in Kyoto, and they could be negotiated again. It is just a matter of fine-tuning the formula for allocating targets in order to win over reluctant countries. But, I think, the trajectory of the climate negotiations over the past decade raises questions about whether this diagnosis of the situation is correct.

³ However, more recent Senate action suggests that the developing country issue is evolving. In 2005, the Senate adopted by a vote of 53–44 the Bingaman–Domenici resolution (State Amendment 866), which calls for the enactment of a “a comprehensive and effective national program of mandatory, market-based limits and incentives on emissions of greenhouse gases,” without any precondition of developing country action. Instead, the Bingaman–Domenici resolution flips the issue around, viewing US action as a means of encouraging comparable actions by other nations. Other proposals to develop a domestic cap-and-trade system also view developing country action not as a precondition for the United States taking a first step, but rather as relevant to the adoption of more-ambitious emission targets in the future.

Like most policy analyses of the climate change issue, Frankel implicitly sees it as a collective action problem. According to this view, individual actors will be unwilling to take action, unless they can be assured that their actions will be reciprocated by others; otherwise, they will simply incur costs without getting any real environmental benefit. The task of the international climate change regime, on this view, is to ensure some reciprocity of effort, by defining appropriate commitments for each party and providing some assurance of compliance. That is what Frankel's proposed target formula is intended to do.

But, although the collective action analysis of climate change mitigation seems correct in theory, it has not done very well in practice in accounting for the behavior of key actors. On the one hand, some actors are pushing forward to address climate change, even though their efforts are not being reciprocated by others. In the United States, for example, states and cities are developing their own climate policies, rather than waiting for action by the Bush Administration.⁴ On the other hand, the Bush Administration has opposed binding emission targets not just for itself, but for others as well. It is not trying to free ride, as game theory would predict – it is trying to stop the bus altogether.

Let me suggest an alternative way of conceptualizing the climate change problem, which starts not by defining the policy desiderata for a collective response to climate change, but from the efforts that are already emerging from the bottom up, and asks, how might we make some incremental progress? If we start from this end of the telescope, so to speak, there are two questions to consider. First, are we doing all that we can to exploit the level of political will that currently exists? Are we getting the most bang for our buck? Second, what can we do to increase the level of political will, in order to build on the efforts that are already under way?

Starting with the second issue first, how might we increase the level of political will? Now I recognize that the whole idea of political will is fuzzy. What do we mean by it? How do we measure it? These questions do not have easy answers. And I think that Jeffrey Frankel is

⁴ The Senate's adoption of the Bingaman–Domenici resolution in 2005, combined with its defeat the same year of a resolution focusing on international climate change policy, support the view that bottom-up, domestic approaches may be more promising in the short term than international treaty negotiations.

correct that many of the factors that might increase the political salience of climate change, such as extreme weather events, are exogenous to the climate change regime and, as such, we have little control over them (except perhaps in the conspiratorial world of Michael Crichton).

Nevertheless, to some extent, we may be able to influence the level of political will by the way we design the climate regime; in that sense, political salience may be partly endogenous to the system. This is one of the rationales behind the framework convention/protocol approach, namely, that a framework convention helps generate political will by focusing public attention on a problem, thereby building concern (Haas, Keohane, and Levy 1994; Bodansky 1999). It is also one of the rationales for periodic scientific assessments, and for establishing a long-term target for greenhouse gas concentrations or temperature increase, toward which the international climate change effort should aim. On this view, setting a long-term concentration target of, say, 450 ppm, could help serve as a catalyst for greater political action, the way that John F. Kennedy's pledge to go to the moon in the 1960s helped galvanize public opinion.

Of course, thus far the UNFCCC has not been terribly successful in building public concern. The IPCC, by contrast, has had a much greater impact, particularly its fourth assessment report issued in 2007. What more might the international negotiating process do to build political will to address climate change? One option would be to link the climate change agenda more closely with the development agenda, in order to piggyback climate change on other issues that developing countries care about (see Pershing, this volume). Similarly, in Western countries, many suggest linking climate change with issues of greater public concern, such as energy security.

Turning to the first issue, are we wringing out as much progress as possible from what little political will currently exists? In my view, the answer is no. The existing international climate change regime unnecessarily limits what can be accomplished internationally. First, it includes virtually every country in the world, a factor that makes the negotiations unnecessarily complex and difficult. Although it is often said that climate change is a global problem requiring a global solution, in fact just twenty-five countries account for more than 80 percent of global greenhouse gas emissions. If the climate change negotiations were limited to a smaller group of countries – the so-called

“big emitters,” for example, or the big economies, or like-minded states, or perhaps regional groups – this would simplify the negotiations considerably (Victor, this volume).

Second, although the Kyoto Protocol sets individualized targets for each Annex B country, it contains only one form of commitment: absolute targets and timetables, tied to historical emissions. Given the wide range of differences in national perspectives and preferences regarding climate change, the climate change regime needs a more flexible approach, which allows different countries to assume different types of international commitments – not only absolute targets, but also indexed targets, taxes, efficiency standards, and so forth. This is one of the important conclusions of the Pew Climate Dialogue at Pocantico, in which senior policymakers, business leaders, and NGO representatives participated.⁵ A more flexible, bottom-up approach would attempt to build on what countries (and their subdivisions and businesses) are already doing, rather than imposing a solution from the top down (Pizer, this volume).

Would a more flexible, bottom-up approach provide a long-term solution to the climate change problem? Probably not, at least if climate change mitigation proves expensive. The more costly climate change mitigation is, the more states will want to ensure that their efforts are being reciprocated by other states, as the collective model action predicts – and the more policy architectures like Frankel’s will become crucial. But a bottom-up approach might, at least, help break the current impasse and get the ball rolling. It reflects, not ideal policy, but rather less than ideal politics.

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⁵ Pew Center on Global Climate Change (2005), The Pocantico dialogue met four times in 2004 and 2005 and involved policymakers and stakeholders from fifteen countries, including the United States, the United Kingdom, Germany, China, India, Japan, Australia, Canada, South Africa, Brazil, Argentina, and Mexico. The discussions focused on options for advancing the international climate change effort in the post-2012 period.

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