

DOLLAR & SENSE: THE BROOKINGS TRADE PODCAST

WILL COP26 IN GLASGOW SPUR PROGRESS ON REDUCING CARBON
EMISSIONS?

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DOLLAR: Hi, I'm David Dollar, host of the Brookings Trade podcast "Dollar and Sense." Today, my guest is David Victor, professor at the School of Global Policy and Strategy at UC San Diego, where his work focuses on deep decarbonization. Our topic is going to be the UN meeting that's going on in Glasgow and progress with reducing carbon emissions. So, welcome to the show, David.

VICTOR: Well, it's terrific to be back, David.

DOLLAR: Let's start with the big picture. The last big UN conference was Paris 2015. Countries made a lot of commitments. Are they living up to the commitments and are those sufficient to limit the rise in temperature to 1.5 degrees Centigrade?

VICTOR: So, it's a mixed story. Paris is really a break from the previous efforts to deal with international climate change diplomacy. It moved away from trying to set centralized binding targets and timetables to give countries flexibility to set their own pledges. The concept of the pledge, and that being defined by each country individually, that's the key one. It's known formally as a Nationally Determined Contribution, but it's a pledge.

And the picture with regard to compliance with the pledges is actually pretty good. Most countries are complying with what they said they would do when they went to Paris. Partly, that's because a lot of countries, mainly in the developing world, didn't make hugely ambitious pledges for cutting emissions because they're trying to grow. Or, they made pledges that were contingent upon large amounts of new money, which they didn't get.

And then the countries in the West, it's a mixed story. The Europeans are on track to comply with their pledges. Many other countries, the U.S., probably not quite with the pledge that we made under the Obama administration. So, the compliance picture is actually a pretty good picture.

The really key question is the one you ask, what does this mean for emissions? And there, we're not on track to stop warming at 1.5 degrees. We never were going to be on track to stop warming of 1.5 degrees. The kind of stretch goal of stopping warming to 1.5 degrees is one of those goals that's so ambitious that it's easy to make collectively so long as you don't lay out in detail what everybody has to do individually. We actually see this a lot in international environmental law. Compliance with international environmental law is very high because governments are good at making ambitious pledges collectively, and then they move the goalposts around so that individually the countries can comply with what they say they're going to do, even though it all doesn't add up to meeting those kinds of bold goals.

DOLLAR: So, what do we expect the diplomats to do in Glasgow? Will there be enough additional pledges? Are we getting ambitious new pledges? Is this really bending the curve?

VICTOR: Well, it's a little early to tell right now. What we expect is that as of last week, when everybody showed up, they already achieved most of what Glasgow was designed to achieve, which is to get 120 heads of state and government to show up, to put a lot of attention to climate change issues, to get essentially every country on the planet to update the pledges they made back in 2015, 2016 with regard to the Paris Agreement. So, over the last year or so, almost every country has re-upped their pledges. In essentially every case, those pledges have become stronger.

And indeed, when you take a step back, we now see that 70 percent of global emissions come from countries that have made pledges to stop net zero emissions, to get to essentially zero emissions by mid-century, 2050 in most cases, 2060 in the case of China. So, that's really bold, and that doesn't stop warming at 1.5 degrees, even if everybody complies with it. But it's a huge bending of the curve if it happens. And that's the really big question. We won't know if it's going to happen. Frankly, that won't be set by a global committee

meeting in Glasgow. It'll be set country by country and then looking at how this country efforts add up.

DOLLAR: So, in addition to these new commitments, we're also trying to raise climate aid, that is money to help poor countries both reduce carbon emissions, but also adapt to the climate change that's almost inevitably going to occur. And there was a target of \$100 billion per year in climate aid. And you already alluded to some disappointment in achieving that up until now. Do we have prospects for improving that picture? And what would that money be used for? How would we actually use those resources?

VICTOR: Well, I think what's really [inaudible] about the climate issue is how the national policy efforts intersect with the international financial system, international trading system. There are big trade issues at stake, obviously, because carbon intensive goods are traded internationally. They're big private finance issues because depending on where private capital goes has this huge impact on what gets built and how resilient it is. And then there are a huge public sector financial questions, in particular around the \$100 billion of money that was pledged way back in 2009 in the Copenhagen Conference of the Parties. And that conference ended in disaster and they couldn't get to a final consensus agreement.

But they did agree 100 billion dollars by around 2020 was a goal, new climate assistance from industrialized countries to poor developing countries. They reaffirmed that commitment in Paris in 2015. And the latest accounting system, it's a little hard to figure out what money counts or not, the latest accounting system that the OECD maintains suggests that we're about 80 percent of the way towards that pledge. And the countries that have been made, are responsible for the biggest shortfall are led by the United States.

We've seen over the last couple of weeks some progress led by Germany and Canada and some other countries to add more money to the pot. President Biden promised back in September at the UN General Assembly to provide a lot more money from the United States.

He doesn't have that money from Congress, and so there's kind of growing questions about whether the United States is to be believed on this and many other topics. But this is going to be one of the major sticking points in the negotiations in Glasgow and could actually be one of those topics that if it spirals out of control makes it actually hard for governments to agree in the end.

DOLLAR: So, David, let's go a little bit more into detail about how this kind of climate aid might be spent. I see that India has made a commitment to get to carbon zero by 2070, compared to China's commitment of 2060, or the U.S., Europe 2050. And India is a poor country where growth and poverty reduction have to be a priority. So, in some sense, are we trying to bribe India to move that forward to do a better job than it would be able to do just on its own?

VICTOR: Yeah, I think in some degree we're trying to bribe India, or another way of putting it is, we're trying to help a country that has a lower capacity and lower interest to make it to spend a lot of money on a global public good. We're trying to alter their interests in doing that.

And this really goes to the question that you asked of, where's the money going to go? So, the money in part, is needed to hold together politically the deal that's being made, which is the industrialized countries are richer. They're more responsible historically for the global climate change problem. The developing countries are poor but mostly developing and developing rapidly and often using fossil fuels, including India, which relies very heavily on coal, not exclusively, but very heavily on coal. And so their interests and positions are different. And if you don't have a deal that involves the developing countries, and also over time changes in their interests, gives them more access to technology, alters the capacity to put low carbon technologies into their energy and industrial systems—then collectively,

we're going to fail in this because all the growth in future emissions is expected to come from the developing countries.

I think this also relates to a larger question about where the money flows in terms of how much of the money do we devote to controlling emissions—the cause of the climate change problem—versus how much do we devote to helping countries become more resilient to the impacts of climate change. Right now, depending on how you count, 20 percent of the money is going to mitigation, to controlling emissions. And that's because most of our most of us have a mental model of the climate change problem, which is it's a problem caused by emissions, which is true.

But one of the problems is that if you spend a lot of money today on controlling emissions, the benefits only arise with the change in the curve and they accumulate far in the future. Meanwhile, we have a lot of climate warming, a lot of climate impacts. And so there's a growing number of countries led by the highly vulnerable, low lying developing countries and islands, and some of them are worried about literally going out of existence—parts of Fiji and Vanuatu and Tuvalu and others. And so they are pushing hard for more of that money to be spent on resilience, on adaptation to climate impacts and not just on controlling emissions, which frankly has been kind of a mixed bag already.

DOLLAR: I find it interesting that the Glasgow conference goes on for about 11 days. And as you said, David, a lot is already achieved on day one, because leaders show up with new commitments. It's already achieved quite a bit. So, what goes on for the rest of the 11 days? And I know you're in Glasgow, so what's on your agenda?

VICTOR: Well, mostly what goes on is that the conference runs long enough that people by the end are exhausted and want to leave. And that's good because it means that in addition to the time they have to negotiate diplomatically, that eventually there's some kind

of a deadline where they have to reach agreement, and almost always they do reach agreement.

So, there are parallel tracks in that an event like this. There's the high-level stuff, big announcements usually early in the conference that happened last week. Similarly, lots of announcements in different industries doing the various things, changing facts on the ground, putting new technologies in place. All that's really, really important.

Then there's the diplomacy that happens, which is kind of mind numbingly slow because it has to reach agreement by consensus with essentially everybody agreeing. And that's very hard to do on the handful of topics that are ongoing topics where agreement has proved very, very difficult. But you need to make progress on that for the overall effort to be seen as legitimate.

And then there's yet another track, which is all the other side events and protests and releases of reports and things like that. And I'll be there to be involved in releasing a couple of reports. I'll be there for some meetings with governments that are shifting their strategy around climate change to focus less on the global diplomacy, which frankly is overrated, and more on getting small groups of countries and firms together to do new things in cement or in steel or in shipping in other areas, and, in effect, change facts on the ground. And then by doing that, change the trajectory of industries and then over time help solve the climate problem.

DOLLAR: I should have mentioned that David Victor is also a nonresident senior fellow at Brookings, and in a recent Brookings post, he argues that one of the big changes since the Paris Conference is this deterioration in U.S.-China relations, makes it harder for the U.S. and China to cooperate on this issue. But David, you argue that there are still technological areas where China and the U.S. should be able to cooperate. So, what are some of these areas?

VICTOR: Yeah, and it's a little awkward to get a question about the U.S.-China relationship from one of the planet's leading experts on China, David Dollar. But let me say a couple of things about what I think we can do with China and why it's important. If you rewind the tape of history back to 2013, 2014, in the run up to the Paris Agreement, which was 2015, it was the U.S.-China bilateral relationship that really helped define what was possible in Paris. The year before Paris, Xi and Obama pledged each other's countries efforts. They did a bunch of stuff through the G20 on evaluation of fossil fuel subsidy reforms. All the kinds of things you'd want governments to do to help address climate change and to help create cooperation that would then hopefully spill over at the global level.

Today, the situation is totally different. And I think that the failure of the U.S. and China to be able to cooperate on practically anything has larger consequences for global diplomacy and, frankly, global order.

So, one of things we argue in in the Planet Policy piece that you mentioned—and there's a larger article in *Issues in Science and Technology*, in the fall issue of that, that magazine from the National Academy of Sciences—is that science and technology cooperation could be an area where there are real gains from cooperation and where you can lower the political toxicity so that cooperation than could spill over into other kinds of areas.

So, some good examples are advanced technologies around carbon capture and storage. This is a set of technologies that capture pollution from power plants and industrial sources and put it underground before it causes climate warming. Most studies show that that's a very, very important technology. A lot of those technologies are moving along but they need to be demonstrated at scale. So, that's an example.

Some very interesting stuff happening with advanced nuclear, including small modular reactors, where it may be possible to do research projects and demonstration projects in China that are more difficult politically to do in the United States.

And there's a handful of other areas like that where it's not that it's trivial to cooperate, it's not that the political risks are low, but the political risks, we're arguing, can be managed in such a way that you can get real gains from cooperation. Cooperation will hold those two countries together on those topics, and then eventually better cooperating on other things again.

DOLLAR: So, when you talk about U.S. and China potentially cooperating in some of these areas, are you thinking primarily of government-to-government cooperation or is this more firm-to-firm, university-to-university without excessive government interference?

VICTOR: My guess is that, and obviously it varies by the topic, most of the cooperation that's going to be productive in the science technology area is going to be university-to-university, and firms and joint ventures and things like that, often supported by governments. And as we all know, these over-the-horizon technologies often require government support. This is an area where China's capacity has really grown enormously. Frankly, the United States' capacity is now slowing down and lagging, and that's a problem for the country and a problem that maybe will be rectified a little bit with a lot of new spending on energy related research and development as envisioned in the reconciliation bill. But it's a place where the two countries are now really together at the technological frontier and where their scientists can cooperate on joint research projects. But they're going to need government backing for that.

DOLLAR: In the United States, there's a lot of talk about this technology competition with China, and it's often portrayed as zero-sum. You know that if the Chinese develop a technology, somehow, we're locked out of that or if we develop a technology, the Chinese are locked out of that. For me as an economist, that seems wrong in many areas. It seems to me there's a lot of potential for positive-sum cooperation on these technologies. Do you agree with that?

VICTOR: Yeah. I mean, for me, as a political scientist, I also think that zero-sum logic—I understand it politically, I understand why, frankly, populist forces in both countries want to portray this as a zero-sum game—I don't see a lot of evidence that that's true. I think it's actually mostly nuts. And it's really harmful to both countries, and it's harmful to the markets in both countries, and it's fundamentally going to be harmful to our effort to control emissions.

So take, for example, solar power. There's a terrific book by Greg Nemet called "How Solar Got Cheap," and it's about who made the early investments in solar technology that started in Japan and the United States, and they moved to Germany with the Energiewende, a huge amount of German spending that brought down the cost of solar, made it beneficial for the rest of the world. But then solar really got cheap when it moved from Germany to China, and we had global manufacturing.

So, what are we seeing now? Because of the tariffs that both countries are putting on solar and because of the onshoring pressures, because of some supply chain stresses, the cost of solar, all-in the cost of installing solar here in the United States next year, it looks like it's going to be 15 or 20 percent higher than it was before. And so that's happening all around the world, and those kinds of pressures are making it harder to take advantage of a global market for low carbon technologies.

DOLLAR: A lot of your writing, David, is about the importance of technological transformation for serious decarbonization. So, let's be a little bit visionary here: if you look out 20 or 30 years, what are some of the big changes in the world that we would see if we're dealing with climate change effectively?

VICTOR: Yes, I'm a political scientist who studies technology and I study technology because in the energy industry and many other industries, when technologies become more widely available, they change the politics. And that's what's really important in the climate

change problem. From today's vantage point, it is, in most countries, looks like dealing with climate in a serious way is deep decarbonization as it's often called—big reductions, 60, 70, 80 percent, 100 percent reductions in emissions. Deep decarbonization is politically very challenging, and that's because it's expensive in most places, and we don't quite know how to do just install the new technologies. Well, if you improve the technologies and you improve the real-world experience with those technologies, then the politics shift. So, for me, that's what's very interesting.

And when we look at the global picture for global emissions and the global energy system, it doesn't change very much over 10 or 20 years. But when you look at particular niches, electric vehicles are a great example where in the leading markets we've gone from very low market shares—in Norway, more than 60 percent of new cars are electric vehicles, in California, we're headed to 100 percent of light duty vehicles as electric by the end of the decade, South Korea is going to be a big program in this area. So, electric vehicles are a great example. Renewables deployment is a great example. I continue to be optimistic about the potential for responsible nuclear power around the world, mainly in the emerging economies. I think in the western countries, the politics are too tough for these conventional plants. So, what we're seeing in these niches on the ground is rapid change, that's frankly pretty encouraging.

DOLLAR: So, when we're done with the Glasgow conference, we come out of it and we look back, is it largely going to be viewed as a success? Do you think we're mostly going to feel good about the progress we're making or is going to seem like a stumble compared to the kind of euphoria we had coming out of Paris six years ago?

VICTOR: Well, euphoria is easier when the details are not clear. And what's happened since Paris is that people had to focus on the details and often they don't agree on the details.

I would say there's a high probability Glasgow is going to be viewed as a success. A lot of it depends on the last few days and whether the consensus efforts to reach consensus agreements falter. As they did in 2009, the failure to reach consensus agreement on the way forward actually open up space that made Paris possible. Now we've got a pretty good framework in Paris. And so if we were to have a big diplomatic failure in Glasgow, then it would be seen as the conference as a whole would be seen as a failure.

Overall, though, many more countries are focused on this issue, are making pledges. Some are real, and many are imaginary, partly because they're so bold. And crucially, so many industries are now focused on what do they need to do to be serious about climate because they're worried about loss of access to capital. They're worried about public opinion. They're worried about regulation. And there, we've seen a lot of announcements even over the last week or so that tell us that these kinds of deadlines and big conferences work not so much because they generate a lot of diplomacy, but because they generate a lot of focus.

DOLLAR: Looking ahead, what happens next after Glasgow? I mean, are we locked into a sequence of conferences every five years or so? What's on the schedule looking ahead?

VICTOR: Well, that's the question is revealing because I think that's how most people view this. Every year, there's one of these conferences. We skipped a year because of the pandemic. So this whole event in Glasgow was supposed to happen last year, and they put it off for a year. Everyone's thrilled to be back. People everywhere, lines everywhere, chaos. There'll be a conference every year, and then over the course of the next couple of years there will be what's called a stocktaking, which is a formal effort to look at the adequacy of the overall commitments and pledges. That stocktaking will find that they're not adequate, you know, already. But the UN takes a while, they formally get to that agreement. And then there'll probably be something similar to Glasgow about five years down the road.

But the really key thing to watch after these conferences is all of the real policy efforts and real investments. And there, in addition to the general note of optimism I have, I have to say that there's been a just a tremendous amount of progress in particular on the financial industry, massive amount of attention to climate issues as part of environment, social, and governance—ESG, management of funds, there's a lot of kind of smoke and mirrors, but behind the smoke and mirrors is some reality.

DOLLAR: I'm David Dollar, and I've been talking to David Victor, a professor at U.C. San Diego, about climate change, decarbonization, what's happening in Glasgow. Thank you very much, David, and good luck with your various meetings and events there.

VICTOR: Well, thank you very much, David. Always a pleasure to be with you.

DOLLAR: Thank you all for listening. We'll be releasing new episodes of Dollar and Sense every other week, so if you haven't already, follow us wherever you get your podcasts and stay tuned. Dollar and Sense is part of the Brookings Podcast Network. It's made possible by support from producer Fred Dews, our audio engineer Gaston Reboredo, and other Brookings colleagues. If you have questions about the show or episode suggestions, you can email us at podcasts@brookings.edu, and follow us on Twitter [@policypodcasts](https://twitter.com/policypodcasts).

Until next time, I'm David Dollar and this has been Dollar and Sense.