

# Britannia waives the rules

## The UK, the EU and climate change

New  
Economy

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**D**uring the 1990s, the UK gradually sought to position itself as a leader on climate change – a tendency that can be traced to a number of factors. By the year 2001, the dominant consensus in the UK was that climate change was a serious problem, that Kyoto was the right way forward and that the UK could meet and indeed exceed its Kyoto target of reducing emissions by 12.5 per cent. It was believed, moreover, that the technological innovation associated with meeting this target might well prove beneficial for the UK economy in the longer term.

In this sense, the UK has moved steadily towards, and indeed increasingly helped to define, the European mainstream on climate change policy. The UK has worked particularly closely with Germany in the broader context of European climate change policy – especially in the recent crisis

surrounding Kyoto which has raised climate policy to new political heights. The ‘Kyoto crisis’ of 2001 has culminated in the UK emerging as a leading force within Europe, standing squarely up to the US position on Kyoto – not a position the UK is accustomed to.

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### The Kyoto crisis

Until 2001, the EU’s role in climate change was beset by paradoxes and contradictions. Throughout the 1990s it had pretensions to global leadership and was always at the forefront of efforts to strengthen the international commitments. Yet many critics questioned whether the EU’s ambitions were matched either by political skill or realism internationally, or by the

capacity to implement policy internally. Arguably the EU’s greatest ‘success’ in relation to Kyoto – pushing the US to a much stronger commitment than it would otherwise

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have agreed – has been a principal cause of many subsequent problems, including ultimately the US's complete rejection of the agreement. Progress on internal policy has also been relatively slow and faltering, lagging far behind the rhetoric.

The Europeans were initially sceptical about the US proposals at Kyoto for international flexibility. The UK was the closest to the US position, and was happy with the final outcome at Kyoto. Some European countries remained resistant to interpreting Kyoto's flexibilities to the degree the US wanted in the subsequent negotiations. These talks culminated at The Hague, where the EU's internal strife and reluctance to yield on these issues were at the root of that conference's collapse, captured for the popular imagination by John Prescott storming out, muttering darkly about the French EU presidency and subsequently being accused of arrogance and machismo.

The collapse of The Hague negotiations in late 2000 was a huge shock to European policymakers. From any logical standpoint, it made no sense to allow the negotiations to collapse over a relatively small difference over carbon sinks, when there was a good prospect that the deal was more favourable than any likely to be struck under a successor US administration. It exposed the fundamental problems of EU policymaking in the international negotiations. The green rhetoric of refusing to compromise 'environmental integrity' suddenly looked hollow and irresponsible when faced with the alternative prospect of achieving nothing at all.

Just as the EU was regrouping and digesting the lessons from The Hague, President Bush announced his opposition to the Protocol. The way in which this was handled, with no consultation and an arrogance that shocked (Condeleeza Rice announced to a startled meeting of EU diplomats in Washington that 'Kyoto is dead'), was seen as a direct assault on the integrity of the EU and indeed the international system. It was clear

that the EU was the only actor powerful enough to save the Kyoto Protocol. Most doubted that it could – or whether it really wanted to – and so the Kyoto crisis became a test of the EU itself.

Between The Hague in late 2000 and the next round of talks in Bonn in July 2001, the EU underwent a remarkable political transformation. The Troika structure was changed to include the European Commission for greater continuity in the lead negotiating team. Perhaps more remarkable was the change in the whole approach, largely at the instigation of the Swedish Presidency. Previously, the EU had expended most of its energy on internal negotiations, often on points of detail and symbolic fights that were of little relevance to the broad outcome of negotiations. Given its limited resources, this left little time for building relationships with other countries. In the aftermath of the Bush announcement, the Swedish Presidency convened close but quick consultations amongst the leading governments, working closely also with the Belgian government that was to inherit the Presidency for Bonn. Within a couple of weeks, the EU had dispatched a high-level mission to other key capitals including Moscow, Tehran, Beijing, and Tokyo. They returned with a united conviction that there was a chance to save the Kyoto Protocol, and focused intently upon that.

At the Goteberg summit in June 2001 the EU extracted a public promise from President Bush that, should the rest of the world choose to go ahead, the US would not interfere. The Japanese remained hopeful up to the last moment that the President would change his mind, to save Japan from the dilemma of having to choose between Kyoto and the US. The world continued to be obsessed with the US position right up until Bonn itself.

When it arrived it was faced with the task of trying to negotiate an agreement that some countries felt no longer made sense without US participation – while at the same time

knowing that the US was unlikely to proffer an alternative. The EU – working closely with the G77 group of developing countries headed by a highly-focused Iranian delegation – drove the negotiating process forward at a ferocious pace, seeking all avenues to possible compromise, but refusing to sacrifice the fundamental principle that the Kyoto targets had to be legally-binding. The result was the Bonn agreement. The EU maintained its integrity and commitment through to the Marrakesh Conference of Parties, where again it was pivotal in orchestrating the negotiations to a point of final agreement on the legal texts required for ratification.

The fact that the EU rose to the challenge has changed the political landscape – and also proved a watershed for the UK's role in European climate change affairs.

### The UK in Europe

Traditionally, as in many other policy areas, the UK used to be somewhat adrift from the European mainstream on climate change policy and closer to the US. In negotiating the United Nations Framework Convention on Climate Change (UNFCCC), the UK brokered the unwieldy compromise in Article 4.2, between the European desire for hard targets and the US refusal to have any mention of targets. In Kyoto, with the UK in practice leading the Troika, the UK was pivotal in gaining EU acquiescence for US-led ideas on key flexibilities in the treaty, not least emissions trading. At The Hague, the UK – this time without any mandate – tried to rescue the package in small talks with the US.

A substantial instinct in the UK, following President Bush's rejection, was to seek grounds for compromise with the US. The British efforts to persuade the US back into Kyoto fell on stony ground, however. Some

traditionalist voices then argued that a Treaty without the US would be unworkable and pointless; and indeed that the UK should seek to maintain its 'special relationship' by indulging the US and exploring alternatives.

However, the Prime Minister had, only a few weeks before President Bush's announcement, made a strong speech in favour of stronger action on climate change in general, and support for Kyoto in particular, and he was also wary of the usual criticism of UK premiers as poodles of the US. The lack of any serious alternative proposed structure for an agreement left little room for fudging the issue. As one official later remarked, there was indeed an 'outbreak of poodle-ism in some

parts of the UK Foreign Office – but it was quickly squashed'. The UK stood firm on the principle that Kyoto was the right way forward. In public, Tony Blair sought to deflect public fury about the US position with conciliatory noises; in private, he told President Bush firmly that climate change was serious and Kyoto was the right approach,

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as well as the politically-legitimate approach based upon long global negotiations; and that the UK and most other European countries fully intended to stick with it.

The transformation of the EU between The Hague and Bonn thus also helped to cement the UK in Europe. In Bonn there were no freelance initiatives, and there was no griping at ceding the leading role to and acting in concert with the Belgian presidency. The UK was firmly 'one of the team', and an effective member.

### UK domestic developments

Inevitably, European collaboration is both more directly relevant, and comes easier, on the international stage than for domestic policy. The UK has – in common with many other

European countries – tended to develop its own distinctive set of domestic policies to tackle greenhouse gas emissions. UK electricity liberalisation, pursued of course for entirely other reasons, had the happy consequence of leading to large reductions in emissions as coal generation was replaced by natural gas; it is estimated that about half the total reductions since 1990 could be attributed to this. Some enterprising officials also seized the opportunity of electricity liberalisation, and a shambolic debate about protecting nuclear power in the liberalised system, to introduce the ‘non-fossil fuel obligation’ (NFFO) that resulted in market-based support primarily for renewable energy. Another by-product of the liberalisation process was the Energy Savings Trust, funded primarily by the regional electricity supply companies and focused upon promoting energy efficiency in the domestic and transport sectors.

As renewable energy grew during the 1990s, and the NFFO expired, the government established a target to achieve 10 per cent of UK electricity supplies from renewables by 2010, and moved to a new system of tradeable renewable energy credit supports to achieve this. It also began to put more substantial money towards supporting demonstration of renewable energy technologies. In April 2002, the government established the UK Carbon Trust, charged by the Prime Minister with fostering transition in the business sector towards a low carbon economy.

By far the most controversial element of UK implementation – indeed, probably the most controversial policy issue for business in the whole of the Labour Party’s first term – was the ‘climate levy’, a tax levied upon

industrial energy use. Strong lobbying failed to dislodge the tax, but it did succeed in gaining various derogations (of 80 per cent) for energy-intensive industries in return for negotiated energy efficiency target improvements. From this experience, in turn, were born business-led proposals for a quasi-emissions trading scheme, in which the government gives financial inducements for companies to opt in to a cap-and-trade system, that excludes power production.

This last area is the one which perhaps gives the most scope to inject a new division between UK and continental Europe. The UK system, which comes into operation in early 2002, is clearly at odds with the European proposals for a mandatory cap-and-trade system including power generation that were finally presented as a specific proposed Directive – a turning point also in the credibility of EU in terms of implementation – in 2001. In the eyes of many, the UK system would not be adequate to address emissions in the longer term and should only be considered as a transitional system; but it already has its fierce defenders. The new-found cosy relationship between the UK and the rest of European climate policy could yet come unstuck as Europe moves towards implementation.

Overall however, for the first time since negotiations began in 1991, EU leadership on climate change has an international legitimacy that it previously lacked – and with the UK integrated more than ever before. The EU has acquired a stark global responsibility and climate change could even be seen as an issue of European identity and credibility. The inevitable challenges of implementation will be set within that reality ●