

## **Europe's Climate Revolt**

*By Benny Peiser  
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To prevent a financial crisis from turning into an economic calamity, the European Union has pulled the emergency brake on green policies. At last week's EU summit in Brussels, seven eastern and central European countries, together with Italy, threatened to veto the Union's climate pact. The rebel governments claimed that the originally agreed goal of cutting the EU's CO<sub>2</sub> emissions by 20% by 2020 was too expensive; economic turmoil and rising unemployment meant that implementing the CO<sub>2</sub> goal was no longer affordable.

Aside from the uncertainties caused by the global financial crisis, there are increased anxieties regarding dependence on Russian energy. An imposed cap on CO<sub>2</sub> emissions and the compulsory auctioning of carbon credits would force the closure of several Eastern European coal power stations. The recent war in Georgia and repeated shut-offs of Gazprom pipelines do not exactly inspire confidence in dependence on natural gas from the Russian-controlled pipeline. These concerns were boosted by Italian Prime Minister Silvio Berlusconi, who threatened to veto the whole package on economic grounds: "We do not think that now is the time to be playing the role of Don Quixote, when the big producers of CO<sub>2</sub>, such as the United States or China, are totally against adherence to our targets."

Faced with failure, the final EU summit declaration dropped all reference to the legal implementation of the climate targets and instead introduced a new precondition. Any future climate bill must now be "cost-effective to all sectors of the European economy and for all member states, respecting each member state's specific situation." The new agreement denotes that any binding climate law will now have to be delayed until the completion of a comprehensive cost-effectiveness analysis. In any event, this new hurdle has been raised to such heights that the EU's original targets are unlikely to survive.

The summit also agreed that the climate package requires unanimous support from all EU leaders at the next meeting of the European Council in December. The concession lends Europe's climate rebels further muscle by handing each and every member states a veto power.

The reasons for Europe's anxiety are not difficult to fathom. The financial meltdown has rendered its climate policy untenable and hugely unpopular among voters who are increasingly hostile to green and climate taxes. Overlooked by most media outlets, Germany, one of the EU's heavyweights, has also raised the alarm about the climate package's immense burden on its energy-intensive industries. While Chancellor Angela Merkel more tactfully expressed her country's opposition than her Polish and Italian counterparts, she ensured that

the wording in the summit statement clearly signals (at least according to the German media) the first step of a general break with the EU's ambitious climate goals.

Remarkably, the climate revolt has failed to generate significant protest among political parties in Europe. It was greeted more with resignation than objection. The turnaround, however, has not transpired out of the blue. It likely would have happened even without the global financial crisis. Europe's political elite and decision makers have become increasingly conscious of the fact that its unilateral climate policy has produced pain with little gain. By contrast, the U.S., China and India are not prepared to follow Europe's 'avant-garde' course of green self-sacrifice.

Undaunted, UN officials and green campaigners have urged the EU to "set an example to the rest of the world" and maintain its climate change goals regardless of economic costs. Climate diplomats wonder whether the original December deadline can now be maintained. Prior to the climate rebellion, it was hoped that the European Council meeting, which falls on the same day as the UN climate meeting in Poznan, Poland (Dec. 12) would produce a legally binding agreement, thereby helping to sway the deadlocked UN negotiations.

European capitals will become the scene of a colossal round of horse trading in the next few weeks. In an attempt to salvage the climate package, concessions and opt-outs will be put on the table to mollify national concerns and to satisfy economic demands. Yet in spite of these mammoth efforts, it is doubtful whether Europe's climate pact will become legally binding in the near future. Instead, the EU is more likely to exploit the opportunity of general deadlock to further a different strategy, a new approach based on hard economic facts and national interests rather than the moral high ground.

The new approach was outlined to a certain extent by the Italian government last weekend. It announced that Italy would only be prepared to approve the EU's climate package at the next EU summit in December under a certain pre-condition, i.e. that the plan remains provisional and amendable until the real costs to all sectors of the European economy and all member states are analyzed by the end of 2009.

The new agreement to implement a comprehensive cost-effectiveness study provides EU member states, at long last, with a golden opportunity to reassess the economics of climate change from a more balanced and less alarmist perspective. This could also include a critical re-evaluation of the controversial Stern Report on which much of the EU's redundant climate policy has depended. Governments would be well advised to delegate the responsibility of cost analysis to their top experts in treasury and economic departments rather than keeping it in the hands of notoriously biased staff employed by environmental ministries.

Italy's proviso suggests that the EU climate pact cannot be finalized before a cost-effectiveness study is conducted and published by the end of 2009. In effect, this year-long delay once again will tie in the EU's decision making process with that of the UN. The meeting of the European Council in December of 2009 will coincide with the crucial UN climate conference in Copenhagen.

Whether intended or not, this timing offers the EU the opportunity to make its future climate policy conditional on the moves by the world's other regional powers. By linking its decision to that of the rest of the world, Europe would begin to act as a mature competitor on the stage of international power diplomacy. It would appear that the EU, at long last, is on the brink of breaking away from its unilateral and self-destroying climate policy.

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