

Climate Change Legislation: Learning from the German Model

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U.S. lawmakers took an important step this month when the House of Representatives passed its version of the American Clean Energy and Security Act (ACES); now the Senate must strengthen the legislation in critical areas. The United States has fallen behind in the climate change battle and is poorly positioned to take advantage of a growing global market for alternative energy. As the recent G-8 meetings revealed, our moral authority continues to erode as we consume more energy per capita yet fail to commit to international climate change agreements. A forward-looking climate bill will address these policy failures by promoting economic modernization, creating green jobs, and reestablishing American leadership on environmental policy.

This perspective represents the consensus of an interdisciplinary group of twenty-one scholars hailing from all parts of the country, and teaching in institutions large and small. We recently spent a week interviewing German political, business and labor leaders, agency officials, interest group representatives, and policy experts. While we were impressed by what we learned, and the lessons for the classroom are many, we concluded that the urgency of this issue demands a more public forum. Forecasts estimate that the cost of climate change will exceed the cost of reducing emissions by 400%. Only if lawmakers act with a greater sense of urgency now can we reduce the burden awaiting our children and grandchildren as climate change imperils their future.

The German government impressed us with its commitment to reducing carbon emissions by at least 20 percent by 2020, with at least 20 percent of its electricity generated using renewable energy sources. Germany has invested in massive new solar plants and wind farms and innovative new carbon capture and sequestration technologies. As the Senate prepares to debate ACES, members should consider two especially forward-looking German policies. First, Germany has committed itself to a framework for reducing emissions through a cap and trade program. While imperfect, a cap and trade policy provides necessary flexibility for carbon reduction, encourages technological innovation, and reduces burdens on consumers. That the House version of the climate change bill included this provision is encouraging, but the bill must be strengthened with a more aggressive carbon reduction target.

Second, Germany has supported so-called “feed-in tariffs,” which offer alternative energy producers an opportunity to compete with lower cost, yet more polluting, traditional sources of energy like coal. In addition to promoting renewable energy, feed-in tariffs empower individuals to take control of their own energy production by encouraging residential solar installations. Voters in Gainesville, Florida, recently adopted a feed-in tariff and investment in residential photovoltaic solar is now booming there. A carefully calibrated national feed-in rate for

renewable, clean energy would substantially diminish our reliance on CO₂ heavy, coal-fired power plants.

Germany's experience demonstrates that policies to reduce carbon emissions can help modernize the economy and create jobs. Green jobs are the most immediate payoff, but in the longer term, America will benefit from globally competitive industries. Germany's alternative energy sector has increased its share of electricity production from 1% to 16% since 1990 and is a leading exporter of products and technology. Economists estimate that this has led to 300,000 new jobs, so that Germany's green economy now employs more people than its auto industry. In the United States, a similar policy commitment could create more than a million new green jobs. Moreover, rather than serving as the industrialized world's laggard on environmental issues, the United States would resume its leadership role in this area.

Critics worried about the costs of energy conservation measures might be encouraged by reports produced by McKinsey and Company showing that energy efficiency improvements alone can yield significant reductions of greenhouse gas emissions at little net costs. Additional reductions of up to 4.5 gigatons of CO₂ could be achieved at less than \$50 per ton.

As the Senate moves to consider their version of ACES in the next months, we are convinced that policymaking would be improved by seriously considering the German model. This would also require rethinking the relationship between economic growth and environmental protection. Some Senators worry that climate change legislation will cost too many jobs and too much money. However, as we toured German solar energy plants and modern testing facilities and passed by acres of wind farms, it became clear to us that the status quo is what will cost Americans jobs and squander scarce resources. Based on our observations, the United States stands to reap great dividends – green jobs, improved quality of life, and a sustainable environment - from a firm commitment to innovative climate change policy. Moreover, such a commitment would restore the U.S.'s leadership role on environmental issues.

The authors participated in the Studienforum Berlin Faculty Seminar, June 26-July 6, 2009.

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