



# **STORMY WEATHER AHEAD?**

**SUSTAINABLE DEVELOPMENT AND CLIMATE CHANGE**

**POLICY CHOICES IN UNCERTAIN ECONOMIC TIMES**

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# THE US ECONOMY

- ▶ **In recovery from severe recession, slow economic growth, unemployment likely elevated for relatively long period.**
- ▶ **Monetary policy will need to support economic activity as stimulus unwinds.**
- ▶ **Targeted support for the labor market may be needed until private sector employment picks up more strongly.**

# THE US ECONOMY

- ▶ **Financial crisis revealed weakness in financial market regulations and supervision.**
- ▶ **Dodd-Frank financial reform tries to address the weakness, but regulatory work to implement the law remains incomplete, as do international cooperative efforts.**
- ▶ **Fannie Mae/Freddie Mac must be addressed to determine if they have a future since they expanded government losses in housing crisis.**

# THE US ECONOMY

- ▶ **Large federal budget deficit – much larger than before recession.**
- ▶ **Fiscal measures must be implemented to reduce the deficit and eventually reverse the rise in public debt.**
- ▶ **Administration's goal of reducing deficit to 3% of GDP by 2015 is appropriate, but it depends on the speed of economic development.**

# THE US ECONOMY

- ▶ **Plagued by slow growth, high debt, high unemployment.**
- ▶ **Haunted by regulatory uncertainty, reluctant lenders, political gridlock.**
- ▶ **Compounded by increasing commodity prices, especially fuel and staples, and questions about possible interest rate hikes as Fed interventions expire in June, 2011.**

# SUSTAINABLE DEVELOPMENT

- ▶ **Remains a primary policy of the Administration, but fiscal distractions create uncertainties about long-term financial support.**
- ▶ **Investors and developers need reliable funding to support development projects, and without federal support and supplementation, private sources may be inadequate.**

# SUSTAINABLE DEVELOPMENT

- ▶ **Sustainable development ensures non-declining per capita national wealth by replacing or conserving the sources of that wealth, namely, stocks of produced, human, social and natural capital.**
- ▶ **To reach sustainability, society must therefore reach equilibrium in creating or discovering new sources of wealth and developing them to replace resources that are being consumed.**
- ▶ **Sustainability is a challenge in a society where wealth is diminished or declining. To achieve equilibrium, either expectations must be lowered or growth promoted by reallocating wealth to growing sectors.**

# SUSTAINABLE DEVELOPMENT

- ▶ Sustainable development is not achieved by reallocating wealth for social purposes other than economic growth.
- ▶ “Redistribution,” whether by tax incentive or subsidy must be reasonably calculated to produce wealth or reduce losses from declining sectors or diminishing resources.
- ▶ Enhancing and promoting educational opportunities in disciplines needed to replace or restore failing stocks of essential resources is essential.

# SUSTAINABLE DEVELOPMENT

- ▶ **“Subsidy reform” may eliminate or reduce tax breaks for exploration and production of non-renewable energy sources –and provide tax incentives for renewable energy and development.**
- ▶ **Expanding royalty payment obligations for extracting non-renewable resources may support incentives for sustainable development.**
- ▶ **International cooperation in these areas may yield new revenues to support global incentives. Opportunistic multilateral negotiations are needed.**

# SUSTAINABLE DEVELOPMENT

- ▶ **Subsidies and tax incentives are inherently political, however, and sometimes produce unhealthy economic results.**
- ▶ **Ethanol, a highly subsidized renewable fuel now produces unintended consequences such as higher food costs and diminished resources for human and animal consumption.**
- ▶ **Intervention of litigation and regulation can drive viable products, such as MTBE fuel additives from the market when less drastic measures, such as enhanced containment, could have preserved usage and integrity.**
- ▶ **Litigation abuses must be controlled to preserve opportunities for sustainable advances.**

# CLIMATE CHANGE

- ▶ **International solutions are imperative to reduce risks to public security, health, and the economy.**
- ▶ **Regulatory approaches are inefficient, inadequate, more costly, and ultimately ineffective globally.**
- ▶ **Market-based solutions that *price* GHG emissions are more efficient, and if accomplished globally, can be effective – and a source of new economic growth.**

# CLIMATE CHANGE

- ▶ **Litigation is no substitute for market incentives and is even less effective than regulatory policies.**
- ▶ **US Supreme Court is likely to preclude use of federal courts to force industrial reductions of GHG emissions.**
- ▶ **Even if state courts are allowed to abate emissions by local industries via public nuisance litigation, which is doubtful, ad hoc and isolated abatements cannot solve the problem.**

# CLIMATE CHANGE

- ▶ **International efforts to forestall climate change have failed in Copenhagen and Cancun. Kyoto accords may expire in 2012 and without agreement, carbon trading may not be feasible.**
- ▶ **Future success depends on a cooperative system operating in major industrial nations, including China and India.**
- ▶ **Success also depends on taking prompt action to mitigate short-term impacts as a moral imperative.**

# CLIMATE CHANGE

- ▶ **United Nations may be the wrong format for framing negotiations on climate policy.**
- ▶ **Major industrialized nations should consider multilateral negotiations outside the UN framework to conclude treaties that will create international trading markets.**
- ▶ **Such negotiations could avoid the political distractions associated with UN climate meetings and, once completed, could then focus on resource distribution for long-term mitigation.**

# CLIMATE CHANGE

- ▶ **Confusing climate change mitigation assistance with foreign aid has caused impasses in past conferences. Redistribution of wealth is not climate mitigation.**
- ▶ **Insisting on separate treaties will preclude common foreign aid abuses such as the forced use of overpriced goods and services from donor countries – and the use of trade barriers to block imports from the donor countries.**
- ▶ **In many cases, traditional foreign aid is diverted and does not actually go to the poorest who would need it the most.**
- ▶ **Large projects or massive grand strategies often fail to help the vulnerable; money can often be embezzled away.**

# IS CONSTRUCTIVE DIALOGUE POSSIBLE?

- ▶ **Hyperbole and histrionics**
- ▶ **Prophecies of disasters, cataclysms – physical, personal and financial**
- ▶ **Impatience and squelching of dissent**
- ▶ **Partisan politics**
- ▶ **Lack of effective international coordination**
- ▶ **Lack of sufficiently defined boundaries between federal, state and local jurisdiction**

