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Three Governance Challenges in the Era of Carbon Neutrality

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As the nations of the world coalesce around mid-century carbon neutrality targets, the question of how to achieve those targets in practice will raise complex and not-always-apparent governance challenges. This memo briefly raises three.

Managing the Reemergence of the State

After decades of neo-liberal ascendance, we are in the midst of a shift back toward the state. We see this in increasing support for industrial policy in the U.S. and the E.U., Biden's Build Back Better program, and the recently Senate-approved U.S. Innovation and Competition Act of 2021 (USICA). It is apparent in debates over the relative merits of command-and-control and market-based regulation. For example, critiques of low environmental ambition and environmental justice pathologies have taken some bloom off the rose of carbon cap-and-trade. The ongoing COVID crisis has reinforced the power of the state in emergency situations, even as it has raised questions about government accountability and the appropriate level of state intervention. As the impacts of climate change become more apparent (wildfires, extreme heat, storms), similar debates about using government power to handle a climate emergency will become more salient.

The types of systemic changes needed to combat climate change (in electricity, transportation, industry, buildings, etc.) arguably require this shift toward the state. But what role will citizens and private sector actors play in this context? How do we maintain sufficient accountability for government performance, while enabling action at a speed commensurate to the climate problem? The transition to carbon neutrality will raise difficult questions about the role of public supervision and procedural accountability (as seen in calls to accelerate approval processes, including environmental reviews, for clean energy facilities).

Competition (For Better or Worse)

These days, U.S.-China relations are largely seen through the lens of competition. I have argued elsewhere that "constructive competition" for markets, allies, and reputation can play a positive role in global climate action. A competition framework can, however, be a double-edged sword. On one hand, in the U.S., it has helped break through policy gridlock (e.g., USICA) and increased overall American appetite for state leadership and intervention. Moreover, this is not only framing or rhetoric. China's rise presents the U.S. with genuine risks and injuries (to industries, jobs, and political values) that call for a response.

However, competition must be managed to prevent it from going in harmful directions. Given our reliance on Chinese clean technology manufacturing and the challenges to "reshoring" these industries, the U.S. remains vulnerable to Chinese retaliation. An increasingly Manichean view of China (a "Cold War mentality" in the lingo of Chinese leadership) can also disrupt Chinese domestic political dynamics in ways that hinder climate action. Western pressure, combined with internal Chinese stoking of nationalist sentiment, can lead to backlash within China against environmental action. An example of this is a controversy over a China Dialogue-driven campaign targeting the impact on global fisheries from rapidly increasing Chinese demand for seafood. Chinese commentators have become sensitive to what they see as a "double-standard" in Western critiques of China and argue that China should have the chance to engage in the same consumption Westerners have long enjoyed. Similar arguments in the climate and energy context have receded from view in recent years, but could easily resurface amidst a sharper U.S.-China competitive dynamic. More intense U.S.-China conflict also makes it increasingly difficult for outsiders to research and understand China's internal situation. We have already seen this in greater barriers for foreign academics and the exclusion of Western journalists.

The Hegemons and Everyone Else

Climate policy discussions in the U.S. are typically centered on the interests of the hegemonic rivals—the U.S. and Europe, on one hand; China, on the other. In policy circles, the battle is now joined with China's Belt & Road Initiative (BRI) and the U.S.-led Build Back Better for the World (B3W) strategy. Critics have argued that American and Chinese interventions in the developing world are both problematic, but each in their own way. The BRI has come under criticism for environmental impact and allegations of "debt trap diplomacy," among other things. Western countries, for their part, must learn from the past mistakes of development aid and "law & development" programs. Can the great powers, in the course of their competition, actually focus on developing country needs, without succumbing to colonialist approaches or one-size-fits-all solutions? How can the developed countries help to bolster weak governance systems too common in the global South? Can actors in developing countries be persuaded to avoid first passing through a "dirty" phase of development, or will local demand for fossil fuels and heavy industry thwart well-intended efforts to "green" development finance and overseas investment?