

**FIND COMMON AREAS
OF COOPERATION
IN BOLSTERING
RESILIENCE TO
CLIMATE CHANGE**

**PROFESSOR SIMON JACKMAN
AND JARED MONDSCHHEIN**



Context and background

Australia and the United States should co-invest in the development of clean energy solutions.

The Biden administration is pursuing an ambitious climate agenda, its elements signalled well in advance during the 2020 presidential election campaign. Australian interest in this policy domain runs high, with several commentators speculating that climate change policy will become a pressure point between the Biden administration and the Morrison government^{8.1} and hence, a rare but vivid instance of public disagreement in the US-Australia relations.

Within a month of taking office, the Biden administration rejoined the Paris Climate Accord, cancelled the Keystone pipeline and restored environmental regulation and rule-making processes rolled back by the Trump administration.^{8.2} Biden also announced the intention for the United States to have a “carbon pollution-free electricity sector no later than 2035” and be “on a path” to achieve net-zero emissions, economy-wide, by 2050.^{8.3} These policy changes and aspirations give voice to the Biden campaign’s plan to spend around US\$2 trillion on “a clean energy revolution and environmental justice.”

But of special note is the way that the Biden administration intends for climate change considerations to feature heavily in US foreign and trade policy, particularly whether or not it will implement a campaign pledge of “carbon adjustment fees or quotas on carbon-intensive goods from countries that are failing to meet their climate and environmental obligations.”^{8.4} Among Biden’s first announcements after winning the election was the appointment of John Kerry as Special Presidential Envoy for Climate and designating this position as a member of the National Security Council. Kerry’s seniority and status further underscore the importance of the Biden aspiration for the United States to lead international efforts on climate change.

Two features of Biden’s proposals warrant elaboration.

First, Biden’s proposals enjoy deep support among the Democratic rank-and-file, while being carefully tailored to appeal to moderate and independent voters, or at least not alienate those segments of the electorate. During the presidential campaign, Biden insisted that his climate change policy was more moderate than the “Green New Deal” and that his administration would not oppose fracking though he simultaneously advocated massive investments to steer the US economy to a low-carbon future.^{8.5}

Many of Biden’s climate and energy policy aspirations are not controversial and are widely endorsed (if tacitly) throughout American society. Well before Biden’s campaign, leading multinational firms, many US states, and institutions in civil society had already committed to net-zero carbon emissions by 2050 – or earlier.^{8.6} From this perspective, the surprise is not so much the apparent boldness of Biden’s policies, but the trenchant opposition of the Trump administration to climate change policy.

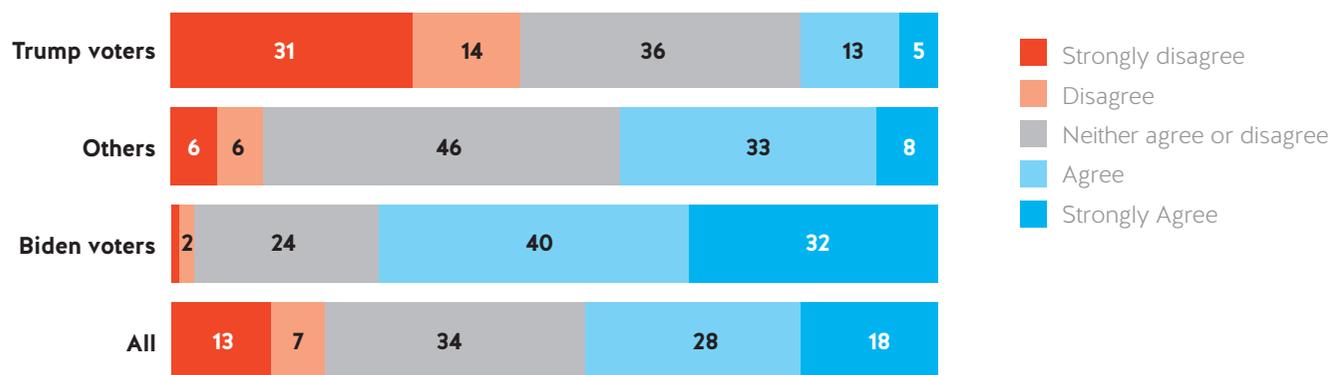
Second, there is broad support for injecting climate change considerations into foreign policy, trade and national security policy. As reported on page 12, survey research by the United States Studies Centre finds that 68 per cent of Americans rate dealing with global climate change as a very or somewhat important goal of US foreign policy.

More specifically, as shown in Figure 8, the same survey finds 46 per cent of Americans agree that the US Government should “reward countries who do more to stop climate change with more favourable trade deals, and impose costs on those that do not.” Only 20 per cent of Americans are opposed to an explicit link of preferential trading arrangements with climate change action. Nearly three-quarters of Biden voters agree with this proposition, highlighting the depth of political demand on climate change action in the Democratic base.

Figure 8. Biden supporters overwhelmingly want US trade policy linked to climate change

Percentages of respondents giving each indicated response, by 2020 presidential vote, January 2021 survey

Question asked: *Should the United States reward countries who do more to stop climate change with more favourable trade deals and impose costs on those that do not?*



The Biden administration

Domestic US politics will limit broader congressional legislation on climate change (see page 24 for further details). But actions already undertaken by the US executive branch span the “whole of government,” with practically every US federal department and agency – from Energy and Transportation to Treasury, Commerce and the US Trade Representative – directed to commit to climate initiatives via executive orders issued by President Biden.^{8,7}

Biden campaign promises about imposing costs on international climate laggards have thus far not translated into policy. Instead, the Biden administration has focused on positive measures, stressing that a “zero emissions future offers remarkable opportunity for business, for clean, green jobs, for economic growth”^{8,8} in an effort to “build back better” – linking climate change policy with popular initiatives such as investing in US infrastructure and economic recovery from the COVID-19 pandemic.

Australian interests

Climate Envoy John Kerry is still building his office and the details of the international-facing elements of Biden’s climate policy remain a work in progress, as are any first-order implications for Australia.

In the first week of the Biden administration, a phone call between Kerry and Australia’s Minister for Energy and Emissions Reduction Angus Taylor appeared to show agreement around the importance of driving technological solutions to climate change, flagging enhanced US-Australia coordination on research and development into low-carbon energy technologies.^{8,9} Yet in late February 2021, Kerry noted to a public audience that “Australia has had some differences with us, we’ve not been able to get on the same page completely”^{8,10} – the closest the Biden administration has come to criticism of Australian climate change policies.^{8,11}

Carbon-based, border adjustment taxes remain an unsettled subject of debate within the administration, albeit one getting increasingly more attention.^{8,12} At the moment, Australia may need to be more concerned about the implementation of such a tax by the European Union, where the debate is more developed, and the likelihood of implementation may be as early as 2023.^{8,13}

Australia will likely escape overt, first-order pressure from the United States on climate change, for a number of reasons.

- Americans well understand that Australia is on the “front lines” with respect to China and Beijing’s economic coercion – that China is subjecting Australia to economic coercion – and that Australia’s US alliance credentials are impeccable. Biden administration officials have already pledged to “stand shoulder to shoulder” with Australia on Chinese economic coercion.^{8.14}
- The Australian alliance enjoys broad and deep support in the US Congress, with several of Australia’s strongest backers in the US Congress themselves hostile to Biden’s climate change agenda.^{8.15}
- Until the United States makes credible commitments to lower emissions *itself* – such as a binding national policy like a carbon tax and not merely aspirations or the uneven and uncoordinated mix of state and local initiatives – Australia has a strong moral case.

Biden administration policies in the “technology-not-tax” arena align with the Coalition’s preferred approach to climate, emissions and energy policy^{8.16} and lie more soundly in the small set of politically-viable climate change policies likely to pass the US Congress.^{8.17}

Beyond the ever-increasing international and domestic political pressure to do more on climate change, Australia faces the long-term challenge that three of its top destinations of Australian fossil fuels exports – Japan, Korea and China – have committed to net-zero carbon emissions in the coming decades.

The very same fossil fuel linkages to Asia may well be repurposed to provide low- or no-carbon energy to Asian markets. Australia is uniquely situated to become a clean energy superpower if it implements the right policies and can be at the technological frontier in low-carbon energy production, transmission and storage.^{8.18} Solidifying energy R&D ties with the United States would better facilitate such efforts.

Policy recommendations

- **Continue monitoring the development of internationally-oriented elements of US climate change policy and their connection to US security and strategic policy.** Facing little room to move on climate change in the Congress – but pent-up political demands from its supporters for action – the Biden administration will be attracted to the international policy arenas as venues for notching “wins” on climate. Australia has multiple strategic and commercial interests at stake, especially should energy and emissions be part of any “grand bargain” between the United States and China.
- **Establish a clean energy partnership focused on innovating new low and no-carbon solutions.** The United States and Australia have overlapping interests in maximising investments into clean energy technology. They also have committed, or are seeking to commit, significant investments in clean energy. The challenge for the two countries is to calibrate the R&D portfolio and the potential sharing of intellectual property to minimise inefficiencies, taking advantage of the plethora of US capital and expertise in the area and the simultaneous abundance of Australian energy resources. Clean energy innovations could be considered as a part of a “skinny deal” Digital Trade Agreement that would act as an addition to the Australia-US Free Trade Agreement.