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Energy Security and the Environment

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October 15, 2009

Joschka Fischer

Former Minister of Foreign Affairs
and Vice Chancellor of Germany
(1998-2005)

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The Bologna Center



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**Conference at the Bologna Center,
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Introduction

Kenneth H. Keller

Director of the Bologna Center and Professor of International Policy

It is really a pleasure and a privilege to introduce a person like Joschka Fischer, but it is also a challenge. There is a great deal to say about a man whose public life actually began forty-two years ago, but you have to be selective because saying it all would not leave him very much time to add a few words of his own. If you read anything about Mr. Fischer, and there is much to read about him, you encounter descriptions such as “Germany’s most popular politician known for his oratory and his charisma.” Perhaps my favorite is a line from the BBC News World Edition in 2001, and I quote, “German Foreign Minister Joschka Fischer of the Green Party is an exception to the rule in German politics. He is witty, has star quality, and he courts controversy.” On the other hand the most accurate and terse description may be the title he has given his own monthly opinion column, “The Rebel Realist.”

Joschka Fischer entered public life in 1967 when he became active in the German student movement. At that time, and for that matter, since then, he was unspoiled by any formal university training or degree; although he did attend the lectures of Theodor Adorno and Jürgen Habermas and Oskar Negt, and he read the works of Marx, Mao, Hegel, and Lenin; this is when he was not driving a taxi to keep food on the table. Although he was then, and has been since then, an influential figure of the German left and an important figure in the Green party, Mr. Fischer has never hesitated to deviate from party orthodoxy when his reasoning and his values took him in a different direction. His formal political career began in the state of Hesse in 1991 when he became the first ever Green Party minister holding the portfolios in energy and environment, and in 1994 when he entered federal politics, as co-chairman of the Green Party's Parliamentary group. When, in 1998, an SPD-Green Coalition government was formed, he became Minister of Foreign Affairs, a post he served in from 1998 to 2005 when, in his own words, he "got his freedom back."

He then spent time in the United States, lecturing at a number of American universities and serving as a visiting professor at Princeton, and he now runs an advisory firm in Berlin that has a number of energy companies among its clients. From his political beginnings in Hesse until today, energy and environment have been among Mr. Fischer's clear concerns. He has referred recently to the Black Swan of the climate crisis, the rare event that inexorably comes about and that demands nothing less than what he calls "a green revolution of the global economy, a mega project of the 21st century." We are privileged then, to have him with us, a man who is known for his candor and his commitment, a "rebel realist" to speak to us on the subject of energy security and the environment: Mr. Fischer.

Introduction

“Energy Security and the Environment” is a lecture delivered by Joschka Fischer, Germany’s former Minister of Foreign Affairs and Vice Chancellor (1998-2005) on October 15th, 2009, just prior to the Copenhagen Conference on climate change, at the Johns Hopkins University Paul H. Nitze School of Advanced International Studies as part of the Karl Homberg Program in Environmental Policy Studies. Fischer addressed topics ranging from the current status of global consumption to strains on the global commons to challenges for cooperative solutions. He proposed policy initiatives and government interventions for ameliorating the state of affairs and discussed the Copenhagen Conference’s relevance in addressing core challenges in energy security and environmental change.

Challenges to the Current Global Community

At the end of World War II two and a half billion people lived on the earth. Today there are nearly seven billion. Twenty years from now, it is projected that nine billion people will live on the earth. This means not even two generations are between two and a half billion people and nine billion people. These figures are essential in understanding the pressing issue of the global environment. These nine billion people will be organized in more than 190 states, small ones, mid-sized ones, and large ones; and they will live in a globalized world.

As late as the 1960s, Italy and Germany were worlds apart. Today it is Europe. While some differences remain at the state level, communications has driven a process of globalization. For Europe this process was expedited twenty years ago as the Berlin wall came down. It was the iron curtain which divided the northern hemisphere into two very different worlds and when the wall came down it was the beginning of one world.

Today's world is based on interconnectedness and common goals. The majority of mankind has one goal and this majority does not live in the West. These people aspire to achieve the same living standard that Americans, Europeans, Japanese, and very few others enjoy. This same living standard means the same consumption of energy, the same social security, the same opportunities for the next generation, and an increasingly large consumption of food. This will transform the world in a revolutionary way, and no political power can stop that. Even if China, an authoritarian state, were to decide to return to the economic times of Mao it is likely that the regime would be swept away within hours. There is no political force on this globe capable of halting this process, and furthermore no justification—political, or moral, or economic—to tell people to remain poor while a minority in the West enjoys their way of living. This is the basic driving force for the 21st century and will have revolutionary consequences for the West and the developing world.

In 1972, one year before the first major oil crisis happened, MIT produced a study which was presented by the Club of Rome, composed of mostly former businesspeople and professors, and it was called "The Limits of Growth." At that time the world market was only the West: eight-hundred million to one billion people. Since 1989, there exists a world market of about three billion people, and this will continue to grow. Since then, the world has experienced tremendous growth. Today the old division between macro- and micro- economics still holds true but it is not sufficient to explain the global reality. There is a new dimension of global responsibility and this means that nations are now challenged for the first time in history by the impact of the global environment on the development of human economies and human societies. Global responsibility is real. It is not only a topic for speeches or lectures, but a real political issue. What is seen today is a state system which merged more or less out of the old-fashioned European state system based on ideas of state sovereignty which were developed in the 17th

and 18th centuries, which was then globalized during the process of decolonization starting in the 1960s, and which now defines the current state of affairs. But there is nothing like an idea of global or common sovereignty and responsibility and this is one of the major problems states will face in the future. Considering the empirical facts of global development, traditional sovereignty will not be the guideline which will lead to a better future.

Facing Future Challenges: Issues in Cooperative Solutions

Energy is the driving force for industrial societies. The first industrial period was based on coal. There are fossil fuels: coal, oil, natural gas, and nuclear power. Nuclear power does not have a climate footprint but it is very naïve to say that radioactivity is a sustainable energy. Radioactivity almost didn't happen in human evolution though it is extremely dangerous. In the past, everyone had enough, plenty of energy and as long as a small minority was polluting the water, the soil, and the air, and it did not lead to a global reaction of the environment.

There are two major powers today consuming large amounts of energy: the United States and China. While they can compete they do not really have the option of fighting against each other over strategic interests. The reality today is that the rich nations depend largely on the global environment as well as on what is occurring in the poorest nations. Africa is not only a challenge for the Africans, it is a global challenge. If China, India, and Brazil continue to grow in the way that they are now it will lead to major consequences for the global environment. Cooperation will, therefore, be an essential element of the state system in the 21st century, and not because of normative implications or the preference of this policy over hardcore realism in international politics. Without hardcore realism in this context, and cooperation, one cannot address the challenges facing the globe.

This cooperative prescription is very important because of the incidence of transformation of a minority model of Western consumer society into a majority model exported abroad. When the Club of Rome presented their study in 1972, Western consumer society was a minority model. At that time, there was an environmentalist formula learned from the Club of Rome study—20/80. Twenty percent of mankind was living in prosperity, producing eighty percent of the global problems of air and water pollution, and consuming eighty percent of the resources. China is now polluter number one, overtaking the position of the U.S., in absolute greenhouse gases figures. But when one looks at the per capita ratios of the 1.2 billion it is important to realize China is still a developing country. If China had only half of the U.S. per capita emissions, the global environment would be in a serious state of distress. The consequence will be cooperation based on the new reality of Chinese and other lesser developed nations' consumption. The pressure to cooperate will be the political driving force in the 21st century and this global change means a farewell to a lot of material things and behaviors to which the West is accustomed.

Policy Prescriptions: A Keynesian Intervention Approach for Climate Change

In Germany, the chemical industry or the car industry continuously utilize the same claim, "this will be the end of our industry if we are forced to adapt to climate change." They are, however, more competitive than ever and today they are happy that they were coerced to adapt. The car industry didn't perish and neither did the chemical industry, and when losses did occur it was not based on environmental legislation or the Green Party winning elections. In 1985 a large chemical company near Frankfurt by the name of Ursk said, "now that the Greens are in power we will leave." They didn't leave. The company does not exist now, not because of the Green Party or the environmentalists, but because of the actions of the CEO and the eventual sale to a French company. Out of the last thirty to forty

year dispute between industry and environmentalists, it can be seen that real changes are an opportunity to protect the environment in business terms, in political terms, and moral terms. Mutual benefits exist for all involved.

Energy regulation is also an economic question of the economy. But this means that governments need the right pricing. As long as it is cheaper to waste, why would firms and individuals invest in efficiency? Economies around the globe are continuously subsidizing the destruction of the environment. It is cheaper to pollute than to invest in a more efficient technology. And there is one part of debate that reinforces this behavior, the argument that too much environmental investment will ruin the economy. There is not one example where too much investment in efficiency—in new and more environmentally friendly technologies, preservation, insulation, water cleaning, waste management—ruined economies or threatened their competitiveness. Around the globe, the most competitive economies are, in terms of environmental protection and technology, the most advanced and most successful.

Efficiency must be the answer to the challenges in a globalized environment with distributional resource challenges. With the exclusion of efficiency, the wealth transfer from a minority to a majority cannot be effectively completed. Essential to efficiency is investment in technology. Germany changed its laws and regulations with a focus on energy efficiency, and it was a huge success for local and regional jobs. Programs making loans available with very low interest rates were offered toward this end. One such initiative subsidized the insulation of houses, for example. Based on the analysis of experts, cheap loans were made available to qualified citizens who reinvested money in improvements to property. The impact of the loans was vast and considerable. Solar energy is another type of energy which needs new regulations, and one area in which Germany was particularly successful. The red-green coalition product, The Feed In Tariff Law, was not inter-

ested in mobilizing tax payer money, but rather in mobilizing private investors. The law guaranteed the price of energy for a decade and required large electric power firms to accept wind energy, solar energy, or other forms of renewable energies. This created a large investment boom. Previously skeptical firms are now reaching the break-even point in their renewable investments and a departure from subsidies is in sight. It is likely that soon the market will take over completely.

China now is moving in the direction of Germany. Three years ago, Chinese officials conveyed limited understanding of the importance of these issues and only negative reactions to calls for reform. Last Fall I attended a conference in Ukraine where Chinese official representatives admitted that their growth model is not sustainable. This is a tremendous change of mindset, and the western world should encourage China in this direction. They are now number one in the development of solar energy, which, when paired with efficiency improvements, is the most important force against distributional resource issues faced by the globe today.

As for coal based power plants, they have an energy efficiency yield of forty percent to fifty percent in the most modern of coal power plants. Nuclear power plants yield thirty-two percent energy efficiency at most. With natural gas one may reach more than sixty percent efficiency with the most modern turbine power plants. Automobiles reaching twenty percent yield are exceedingly efficient. Producers are not only manufacturing energy needed for consumption, but wasting more of what is produced than the quantity eventually consumed. Efficiency is one of the principles contributing to solving the current problems.

The climate change challenge will not be solved without a commitment to thinking big with a particular focus on renewables. Whether the majority of energy production is nuclear based or fossil based, the challenge will not be met. What is needed are regulations, incentives, and then business opportunities to move

globally into renewable energies. In this arena there are some very promising private initiatives. For example, there is a group of investors thinking about an initiative in the Sahara desert called Desertec. It is unclear whether this initiative will be successful but it is the first time that such a powerful group of private investors is thinking in that direction. That is a very promising step forward. There are common challenges between nations, and underlying those challenges are issues of energy security. Energy security, however, means not only security in limited frameworks of national security (whether or not a nation has access to oil and natural gas) it means much more. The next big challenge will be water availability, perhaps meat production demand, and climate change is really just the tip of the iceberg. Initiatives must begin now if nations are to be able to contend with future environmental challenges.

The Copenhagen Conference

Copenhagen will be a huge challenge and there is not much hope that it will be a success. The goals are defined: limiting the growth of the global temperature by two degrees. This means that the Americans, the Japanese, and the Europeans have to reduce their energy consumption drastically. For Europe this means a reduction of emissions contributing to the climate change by twenty percent. Realistically, true climate impact calls for the figure to be closer to thirty percent. By 2050 the old industrial societies will have reduced their carbon footprint by about eighty percent should progress be made. Eighty percent is a dramatic change in all of these nations, though more so for the U.S. than Europe. Noncompliance and failure to cooperate is a possibility, though one with an extremely high price. Impact will start at the fringes: Bangladesh will be more seriously impacted and start earlier. Living in one global environment, the richer regions of the globe will also be affected. The eventual presence of security consequences is pretty clear. The CIA said in a recent study that in the context of national security of the United States, "climate change is the biggest chal-

lenge, bigger than international terrorism.” If these nations continue to affect climate change negatively, it will take a long time to correct that and it is extremely costly. It would be wise to study very carefully what is going on and act in time; unfortunately that is not how human beings, political systems, or the public opinion behave. There is a gap between what is known and what is ready for correction. The conference in Copenhagen may fall into that gap if courageous leadership does not push forward the issue of climate change. After 2012, the end of the Kyoto Protocol, the world will need another framework more urgently than ever.

The core of the discussion in Copenhagen will be, “Who is paying the bill?” This discussion is unfathomable. There is a world economic crisis, in which everybody is asking how to create growth. Nations experienced the black swan with the financial system, after Lehman Brothers collapsed and the whole global financial system collapsed. These are the cries of the next black swan, the climate crisis. Growth can be created by green transformation. This will create jobs. This will create income. This will create revenues. This will be a push for new technologies. This will also be a push into new global political structures, into new forms of regional cooperation. Why not address the two crises together? It is obvious that participating nations would be on the winning side. The challenge of climate change is also a challenge to strategic wisdom. The experience of the economic crisis, offers the opportunity for a turnaround if the two crises are addressed together. Once again, it’s a question of changing mindsets. These are the most important upcoming challenges to the globe.

Thus, Copenhagen’s approach shows that the major change to be made is in global mindsets. There is a call for a vision no longer based in the 19th century, but oriented toward the future. Someone once said, “It is not enough to be up to date, you must be up to the future.” There will be setbacks, but nations know,

more or less, in which direction they must go, which tools to use, and how to finance it. It is very easy to rebuild infrastructure, but it is always a fight to change the mindsets of human beings once they are used to something. In the short term this will be very difficult. The world is waiting for the United States though even they will not be enough to change the course alone. There is, at present, a substantial shift of power from West to East and the emerging powers of China, India, and others will be key. The major challenge will be balancing the responsibility and the financial obligations of reform between the old industrial states and the rising economies. The younger generation will inherit these issues, responsibilities, and costs. It will not be a question of right or left, but a question of the sustainability. The next generation will have no choice but to address the issues Copenhagen and other failed initiatives will leave behind.

Question and Answer Session

(Kenneth H. Keller, Moderator)

Q: The case you've made, which I agree with, is one which you have to look at it in terms of the controversy that exists between the developing and developed world. The argument you're making is that it's a false argument; that is, the developing world shouldn't worry about being required to control their carbon emissions. Obviously, their economies should be allowed to build, because that's the only fair thing to do, but the absolute objection to having any constraints on carbon emission shouldn't be with them. You alluded to the fact that China is beginning to see opportunity. What do you think we ought to do in Copenhagen to convince the developing world to enter into a partnership here? Let's accept that the developed world has the greater responsibility; but we still are left with the question of how to engage the developing world in this kind of agreement.
(Bologna Center Director, Kenneth H. Keller)

A: I'm not a financial expert, but I had the opportunity last weekend in Copenhagen to talk a little bit with Joe Stiglitz. He said if we would invent a financial instrument—some sort of green drawn rights—that could be used for investments in developing countries. I think that's a very fascinating idea and that's an instrument that worked in the past, it was the Bretton Woods system. Let me explain a little bit. Our experience with enlargement policies, the strongest leverage the EU developed. Enlargement policy has a win-win mechanism, and that's very rare in the real world of politics. The win-win mechanism is based on accepting certain principals, you have to be active in implementing those principals, and then you will be funded by the EU, meaning by the older and richer member states. They are investing their tax payer money in the development of

the new member states. That's fine for the new member state, but now you will ask "where is the upside for the old member states that are paying?" The upside is that we are creating new trade partners and the industry of the old member states has the upside. So this developed a tremendous success story in the European Union, and I think we can also learn from that. There should be a certain mechanism used, but it must be based on certain principals. You can't throw the money out of the window, that makes no sense, but from my point of view, it would create a huge economic boost.

Q: To what extent do you see the conservative governments, we do see that the EU is changing, with now a new black-yellow coalition in Germany; we have Nicolas Sarkozy in France, and now possibly the conservatives coming back in London's House of Commons. They are all actually in favor of the nuclear energies and they do say it's important to be independent from Russia. To what extent do you see a return to nuclear energy in order to be more independent from countries such as Russia? We also had this issue last winter with Ukraine and Russia which actually caused quite a lot of fear. Thank you.

(Sohail Nazir, Germany)

A: Well, I think, you mix up some issues. For example, France is 100 percent in favor of nuclear energy; whether or not the socialists are running the country makes no difference. The left and the right, the trade unions are even more pro-nuclear than the president himself, which is almost impossible. So that's a very different issue. In France, that's not a partisan issue; it's nuclearized and will continue to be nuclearized. Germany is different, the UK is different. The UK will be very interesting because even the conservatives in the UK are used to more market-oriented, price-oriented policies, so they look more for the cost. Now Areva, together with Siemens, is in the process of constructing the new EPR reactor in Finland—huge success story, one delay after another, more than three billion

beyond the expected cost. This reactor will be a huge success story for the European nuclear industry. In Germany, they will now prolong the lifespan of nuclear power plants. I'm more interested in whether they will cut back the renewables, since that is the key factor.

Denmark once was leading in wind power worldwide, and then there was a change of government, and the liberals said 'these are subsidies' and they cut back, so Denmark has lost its position; and by the way, in economic terms, it was a very foolish step. I'm not sure that the chancellor will do that, or even in the Christian Democratic party—I wouldn't say the liberals—in the meanwhile, even on the state level, and even in the Federal party, there is a strong environmental wing. So let's see how this will develop, but the key question is not the nuclear, but whether in the future we will defend our confident edge on developing renewable energy. So it's a mixed picture, and of course I would be happier if we had green governments, but unfortunately we don't. Europe made commitments, and they can't say farewell to that. To reach the 80/20 formula, there must be a strong push in efficiency and renewables.

Now, Russia... I think, first of all, we need diversification in our gas supplies. There are areas of diversification: Europe is getting gas from Russia, Norway, Holland, and Algeria, so there is a diversified natural gas supply situation, but the North Sea is in decline and we need to diversify with the Caspian Sea. Russia will be a key supplier for Europe, and I wouldn't be very concerned about that if we do not accept a Russia supply monopoly and secondly if the Europeans were more united. I'm strongly in favor of a common European gas market and a more coordinated and, one day, integrated energy foreign policy because this would turn around the whole situation. If we look at the conditions, Europe is much stronger than Russia, and they need Europe for their own development, so I wouldn't be too concerned about that. We invited them to play the old defeated

empire game, so it's our fault and our mistake that we are disunited and not united, and as a result I can't blame Putin for that. All we have to do is create a stronger energy unity of the Europeans and everything will be fine.

Q: Just to follow up with the need to diversify energy sources and the Russia factor, I want to know your opinion about the alternative gas project of Nabucco.

Do you think it has any potential to be implemented?

(Ketevan Nozadze, Georgia)

A: Well I am working for Nabucco. So there is enough gas if you look to the assumptions of what Europe will need in 2020-25. We need all the pipelines, and because we will move into wind power, we will need a backup energy of wind power, gas, for technical reasons and also for environmental reasons, a backup is needed for certain situations and their gas will be important, but also in chemicals or whatever else. From my point of view there is no reason that there are disputes over which pipeline and so on. There is enough gas and Nabucco will reach out not only to the Caspian region but more and more to the north of Iraq where there are huge gas fields and where Turkey is very interested. My reading is that one of the reasons why Turkey is now trying to find a positive answer to the long term tragic conflict for the Kurds in the Southeast is also based on the expectations to grade a second energy hub in Turkey also with the perspective more to the south, not only to the Caspian regions in Central Asia and Russia. So there is no reason really for confrontation if it was not politicized. Now energy issues are also political issues, I am not naïve, but I think it's more than shortsighted to believe that Europe will ever accept the supply monopoly in Russian hands, it won't happen. And I think Russia would be much better off if they would depoliticize gas and oil policy, because it won't work. If the Russians continue to put pressure on Europe the alternative will be energy. Putin will be the father of an increased move into renewables and alternatives. But it is really very short-

sighted or even naïve to think that the Europeans will ever accept depending on the mercy of decision makers in Russia. No, they won't. That is the only problem. And I understand that Russia wants to have back the control, and the power of its strategic resources. I would think the same way if I were a Russian. All of us on both sides of the Atlantic are dealing in that way with the strategic resources of our nations but I think once again it was a big mistake on how the Russian policy treated Shell or BP or others (also Yukos was completely counterproductive). Two weeks ago the Russian government headed by Prime Minister Vladimir Putin invited the CEOs of the major energy companies, upstream companies, to the Jamal Island in the very north of Western Siberia, where there are huge gas fields, inviting them to invest as minority investors, if they are ready to share their technology. So what can we see is that the Russians have a shortage of capital, technology, and management skills. So it is completely counterproductive, the policy which was pursued over the last eight years from a Russian point of view. Nevertheless, to bid farewell to the status of a superpower is very painful and needs time, and is not always a rational process.

Q: Two part question. Do you really think Turkmenistan will overcome the obstacle of Russia according to their open door policy and join and collaborate in the project? Will Iran join in the long term according to the plan?

(Leyla Mammadli, Azerbaijan)

A: Well, does it mean long-term mean? Look, Nabucco doesn't need Iran, especially now with northern Iraq, with Azerbaijan, and with Turkmenistan. The problem with Iran is political problem, you are all fully aware of that, so I don't see Iran for the time being. If the political situation were to change, everything would change, but for the time being I don't see that, unfortunately—not because of the gas, but because my sympathy and my heart was with the courageous women and men fighting on the streets in a peaceful way in Tehran, for democracy.

I don't see that for the time being, and as long as the situation doesn't change fundamentally, I think any considerations about Iran are leading in the wrong direction. Azerbaijan will play a very important role, but Azerbaijan, as with other countries, is in a complicated situation. They are very careful before they make final commitments, and I understand that very well, but once again Russia was dealing with Turkmenistan in a very unpleasant way. The pipeline was blown up, since then not even one cubic meter of natural gas passed the border control between Russia and Turkmenistan, so no money was made by Turkmenistan—a very real and serious set back. The contract as Gazprom made with the Turkmenistan Gas Company was really optimistic because they overpaid and now the gas price has collapsed, so they had to get rid of this tremendous bill which threatened to destabilize even a giant like Gazprom. The Turkmen realized this and since then they are strongly in favor of Nabucco, so you see once again there is a certain dialect in Russian politics.

Q: I have two questions: One general and one more specific. The first general question is how you see the role of green parties developing over the next decade or so and meeting these challenges that you are talking about. And the second is that, I noticed in one of your recent syndicated articles that you talked about the role of the German Green Party in representing middle Germany, and obviously this is true with competition from the left party and other reasons. Do you see the logical conclusion of that being that the German Greens move into the center in terms of the coalition strategy and that they open up to the right as well as the left?
(Michael Little, European University Institute in Florence)

A: The more general question let me sum up in a very brief answer: it depends on the different political systems and traditions. For example why doesn't Italy have a strong green party? A city like Bologna would be, in Germany, green dominated, because it is a student city. We have comparable cities in Germany. Italy is the

country which developed a fascinating movement, the slow food movement. So food is a very important element of Italian everyday life and the slow food movement is a real green movement but it is not transforming itself in a political power in that way, so it is the Italian tradition you have to analyze very carefully. Why not Spain? Why Germany? Why now Ireland? Ok Ireland was always green. I think history and the tradition of the political systems, and also the election laws play an important role, then of course people matter. I don't believe that in France the Greens would have made such a great success without my old friend Danny Cohn-Bendit. He managed to bring them all together and really build a new force. Now Germany. I am an old red green battle horse therefore I said farewell and this was over. My turf and my time. But the Greens based on a change in the political system in Germany, moving from a four party system which offered the opportunity beyond a grand coalition to form the usual coalition of a big party and a small party was changing with unification and with the establishment of the left party which has its strongholds mostly in the East but now also represented in the West. And if the greens will go into competition with the Left party they will lose, they will definitely lose. So from my point of view they will have opened up more to the center. It is risky, but that is the definition of life. As long as you are alive you have to take risks. When you are dead there is no risk anymore.

Q: I'm interested in your policy recommendations in terms of energy and climate problem. On a macro level, both international and domestic, the debate centers around a carbon tax vs. cap-and-trade. Also, in more micro policies, you mentioned several of the things that Germany did to promote green innovations; what other prescriptions, maybe from your Germany experience, could be applicable across the world?

(Marcel Ricou, France)

A: Well, for me it's a pragmatic issue, carbon tax vs. cap-and-trade. In the U.S. tradition, the American Revolution started with a tax revolt and that's still a very powerful line in the political tradition and the public perception. Therefore, if Obama pushes forward with a carbon tax, I don't believe this will be a good idea. On the other side, unfortunately, human beings are not always rational because if you look at the American car industry, it's a disaster. Now, what are the reasons for this disaster? I'll tell you one of the major reasons is that over decades, when the oil price came back after the price came down again after the first oil crisis, the Japanese kept the price very high. This was a breakthrough for their car industry and technical innovations. The Europeans keep it on a middle ground, but during the Reagan years, the cheap oil was given back to the consumer. So from my assessment, American car engineers are not less imaginative or less skilled than their Japanese or European colleagues, but there was no incentive because of the wrong pricing. To be honest, I drove American cars, but I would never buy such a car. I like to drive the cars, but I would never buy them. I would buy a German car, or an Italian car, or a Japanese car, but not an American car ever. Why? Because there is such a technological gap. You could learn from that. You lost competitiveness because of the wrong pricing, but unfortunately this learning curve does not really exist in the domestic debate. So, I think they will move on more to cap and trade. We invented it in Europe, and it was tough to get it going, but I think it was the right decision to move into a cap and trade system in the European Union, and sooner or later, others must follow. There are up sides and down sides of both systems, but it's a pragmatic decision and you have to choose.

Now to address the second question. First of all, everyone is asking for jobs. Once again, our programs created jobs. When I left the office, I bought an old house and had to redo it and I applied for first time for jobs that I had voted for. What I realized, is that the money of the subsidized loans was immediately transferred into small businesses who were renovating houses, and behind those were new

heating systems. In Princeton, I had an old heating system, and if you compare that to the European system, there is a huge technological gap. Behind the small businesses is a tremendous industry which develops high-tech, and this gives us competitiveness on the world markets; these businesses are all very successful. At the same time, America is not a poor country. There are a lot of private investors who are looking for investment opportunities. What we did with renewable energy law, to mobilize private investors without using tax payer money, is very important. There are other experiences, we made not only in energy but also in waste water cleaning, but America is pretty good. Your universities are among the best around the world, you have great experts, we learned a lot, the whole language of renewable energy, energy preservation, is based on the English language, energy efficiency and so on, because it was during the Carter years when California was at the top and U.S. engineers and professors invented that new form of energy. Amory Lovins at that time was one of the great guys who pushed it forward, so I think you have everything at home. If you would tell the Republicans that you learned that from Europe, they would brand you as unpatriotic, so stick to America.

Q: I want to follow up on the last question in a more European context. You talked about the importance of pricing. In the EU emissions trading system, I want to know what lessons we can draw from the grandfathering over should we price and caused basically no effect in the market and what can we learn from that. And one more metaphorical question, if climate change is just the tip of the iceberg, I was wondering are we the Titanic headed towards this iceberg and if so who should be behind the steering wheel and do you think that the EU could be the sort of labor tree for the new developments? Could Germany give new proposals for new legislative momentum for that?

(Monika Sztajerowska, Poland)

A: As for grandfathering, this was a political decision because when we started with the cap in trade, there was a huge excitement, and uproar from the industry (chemical industry, concrete, etc.) “You will ruin us!” So the question was, how can we start? And I think it was very wise Romano, it was very wise to say ok nobody will be ruined, we will introduce the systemic decision that should have been the first position. It will cost you nothing and it will bring you something. “Oh yeah it will bring us something. Okay, we are fine with that.” This was the reaction. But now, we have to say farewell to the grandfather and get tough and serious and this could be done by reducing the entitlement. I mean you can’t simply go back on the entitlement so they are forced to trade. This was a political system to overcome the opposition against a cap in trade system, otherwise we would have failed. So that is a good example. In politics you have to produce results and if you fail with the right idea, it doesn’t help you at all, you have to introduce it, to implement it and to make it happen and work.

The second question: The titanic picture is completely wrong. Mankind is not on the Titanic. It is much more complicated. We do not have a captain. It would be fine to say lets turn around the steering wheel or tell the captain to come on the bridge and see what is coming. It is more complicated. Mother Nature will continue. Nature can be a desert, nature can be an ice desert, a jungle, grasslands, wasted soil, whatever. Mother Nature doesn’t care. The question will be what will be the impact for human beings. That is very different. The titanic is not working as a picture because it is more complicated. It is the first time that mankind is asked to act together. You are studying politics, in the old days it was almost impossible to create regional action, it was one of the complicated diplomatic challenges of how you can balance power, how you can bring it together. So the stability of the political system was a huge challenge but to act on such a level to merge the interests, to bring common interests forward, that can be implemented so that things will really change is quite a new challenge. And I think we need

also a lot of intellectual capacity to understand this new dimension. Its global economics, its global politics, not in the way it is usually is used that can address it. It is nice that the secretary general is talking about it, or that Obama will talk about it when he receives the Nobel peace prize, and mostly politicians are talking about that or huge industrialists after they have resigned and then suddenly begin to fight against poverty or address climate change...no this time it's real, during the operational carry, that is the challenge, and that is a huge challenge and a huge opportunity.

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