THE

GLOBAL GREEN NEW DEAL

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PEOPLE'S POLICY PROJECT

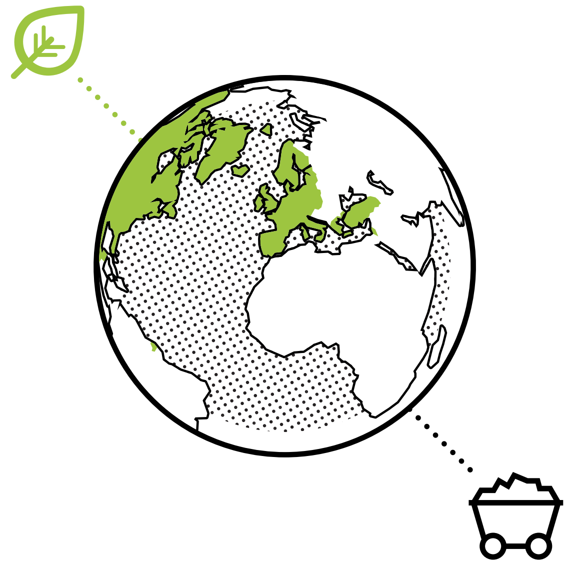
SUMMARY

The developing world is responsible for 60 percent of current carbon emissions, and will be responsible for about 90 percent of the growth of emissions in the future.

To curtail these emissions and prevent catastrophic climate change, policymakers have recommended annual transfers of two trillion dollars to the developing world.

The United States has consistently failed to meet even the minimal commitments it has made to fund international development through the UN Green Climate Fund.

The United States should launch a program of guaranteed annual funding for international development that is in line with the consensus of scientists and policymakers.



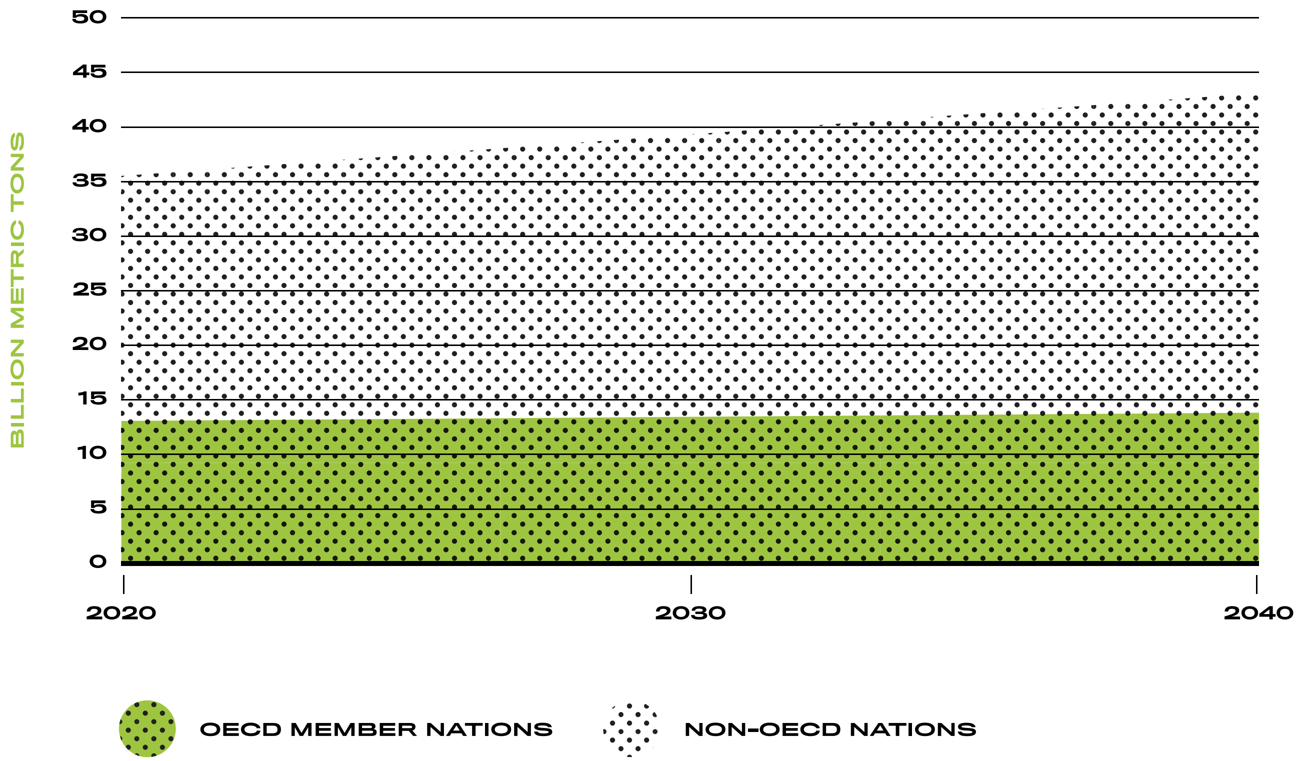
BACKGROUND

Persistent activism and escalating warnings from the scientific community have pushed climate change back onto the Democratic agenda, culminating in recent Congressional proposals for a Green New Deal. While these proposals have called for aggressive action on the domestic front, however, they have yet to meet the greatest challenge facing climate change activists: carbon emissions from the developing world.

Emerging economies already account for 63 percent of current CO_2 emissions—and they'll contribute 89 percent of emissions growth between now and 2040.[1] This is because the developing world is still building basic infrastructure even as the global north transitions towards green economies.

Domestic progress in wealthy nations like the US can do little to offset the explosive growth in emissions in the global south. Even if OECD nations cut their emissions in half over the next twenty years, global emissions would continue to grow.

To make matters worse, even the most ambitious plans advanced by the international community to tackle this problem fall well



Energy-related CO_2 emissions, 2020–2040

short of standard funding estimates. In 2009, for example, United Nations member states—including the US—agreed at Copenhagen to provide "predictable and adequate funding… to address the needs of developing countries."[2] But ultimately, that funding was bargained down: the G77 group of developing nations requested $400 billion, but the final agreement only called for $100 billion.[3] At this rate of funding, standard projections predict at least 3–4°C of warming[4]—well past the so-called "tipping points" that could cause irreversible, runaway climate change.

Today, credible cost estimates are much higher. A 2015 working paper by the Centre for Climate Change Economics and Policy, for example, calls for up to $2 trillion in annual funding.[5] The Intergovernmental Panel on Climate Change, meanwhile, has called for $2.38 trillion in annual funding for energy sector development alone.[6]

Unfortunately, the US has consistently failed to meet even the inadequate commitments it made at Copenhagen. Barack Obama, during his presidency, only managed to send $1 billion to the **Green Climate Fund** (GCF) over

the objections of Congressional Republicans. Donald Trump, meanwhile, called the Paris Agreement "a massive redistribution of United States wealth to other countries" when he withdrew from the deal in 2017.[7]

Trump's opponents have condemned his breach of the Paris Agreement and called for a renewed commitment to the fight against climate change. Meanwhile, the Green New Deal resolution introduced by Rep. Alexandria Ocasio-Cortez calls for "the international exchange of technology, expertise, products, funding, and services, with the aim of making the United States the international leader on climate action, and to help other countries achieve a Green New Deal."[8]

This proposal spells out three responsible, reliable, and realistic approaches that the Green New Deal can take to follow through with this call for funding.

PROPOSAL

The US should propose a new **Global Green New Deal** (GGND) initiative that will guarantee adequate and reliable funding for green international development. Policy experts, informed by sound climate science, have consistently called for green international development funding in the range of $2 trillion every year. If the United States covers an amount equal to its share of the OECD GDP (34 percent), it should be providing $680 billion annually. Thus, the GGND will aim to consistently provide $680 billion annually from the US to the UN **Green Climate Fund** (GCF), which will use that money to finance clean energy projects across the developing world.

Nothing is guaranteed in the arena of international affairs, but some approaches to establishing reliable funding streams are harder to undo than others. Below, I outline three options for funding this proposal.

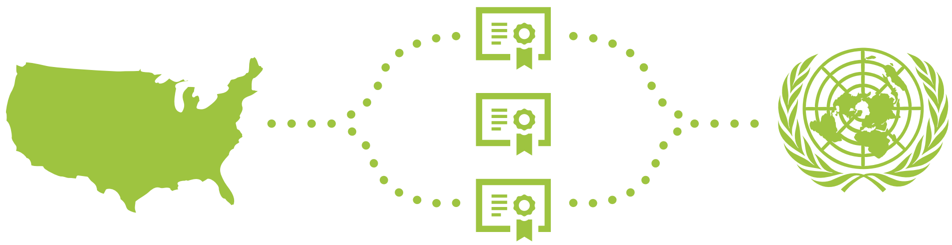
1

ONE-TIME ISSUANCE OF OPEN MARKET TREASURY BONDS

The rate of return on assets in wealthy economies has been fairly stable for nearly 150 years and has averaged around 6.28 percent per year.[9] Thus, the US government could sell $10.8 trillion worth of treasury bonds into the open market and give the $10.8 trillion of cash to an investment fund managed by the UN GCF. The UN GCF would then use the money to build an investment portfolio of equity, bonds, and real estate. That portfolio would return around $680 billion per year for use towards climate investments in the developing world.

The upside of this approach is that it provides a one-time, irreversible grant to the GCF that would provide the GCF a reliable stream of income. The US government would have to pay down the $10.8 trillion of debt over many years, but those will be debt payments to all sorts of bondholders, not payments to the GCF. This means that a subsequent administration would not be able to stop payments to the GCF because the GCF would no longer be receiving payments from the US.

The potential downside of this approach is that it dumps a large amount of US government debt into the open market, which could substantially increase interest rates or cause other kinds of financial disruptions.



2

ONE-TIME ISSUANCE OF SPECIAL-ISSUE TREASURY BONDS

The US government issues debt to intragovernmental funds like the Social Security Trust Fund through instruments known as special-issue treasury bonds.[10] Like other government debt, these special-issue bonds are backed by the full faith and credit of the US government. Unlike other government debt, these bonds cannot be resold into the open market by the bondholder. Thus, special-issue treasury bonds create a debt obligation for the federal government without increasing the amount of government debt in open-market circulation.

The US government could give the GCF a bundle of special-issue treasury bonds that provide the GCF $680 billion per year. For example, it could grant $13.6 trillion of special-issue treasury bonds to the GCF, with $680 billion of those bonds maturing after one year, another $680 billion of those bonds maturing after two years, and so on. This would effectively commit the US to 20 years of payments to the GCF.

The upside of this approach is that the special-issue treasury bonds are sequestered from the open market, which could prevent the financial disruptions mentioned in option one above. The downside of this approach is that it is easier to imagine a subsequent administration finding a way to default on these bonds. Such a default is arguably unconstitutional under the 14th amendment, but whether laws are unconstitutional depends on the political beliefs of Supreme Court judges, not constitutional text or interpretation per se.[11]

3

MANDATORY SPENDING

Generally speaking, US government spending is classified either as discretionary spending or mandatory spending. Discretionary spending is typically appropriated annually through the passage of a budget. Mandatory spending is set up to occur automatically based on the rules of a particular statute. This means that, once a stream of mandatory spending is established, it continues to happen year after year after year unless Congress affirmatively steps in to pass a law modifying or eliminating it.

The US government could pass a law that allocates $680 billion of mandatory spending towards the GCF every year. This would ensure that the money does not have to be appropriated every year, which makes it less vulnerable to changes in the composition of the Congress and the identity of the President.

The upside of this approach is that it avoids the sticker shock of a one-time government debt issuance. The downside is that it would be the easiest to undo by a subsequent government. Unlike **Option One**, which seems impossible to undo, and **Option Two**, which would present constitutional problems if undone, this approach can be derailed through ordinary legislation.

CONCLUSION

Since most carbon emissions come from the developing world, green international development has to be at the center of any credible plan to tackle climate change. That's why the Green New Deal lays out a multi-pronged strategy for a global fight for our planet—a strategy that, in line with both policymakers and the international community, calls for direct funding.

We have proposed three policy mechanisms that can provide adequate and reliable funding for the UN's Green Climate Fund. Crucially, all three approaches are designed to address a problem that the Trump administration has exposed: the vulnerability of government funding streams to political disruption. Each approach has unique advantages and disadvantages, but they are all much more resistant to obstruction from climate denialists than the standard approach, which depends on annual, affirmative appropriations.

Conservative estimates call for a minimum of $2 trillion in annual funding for development in the global south. We propose that the United States pay its share of this sum at a minimum of $680 billion per year, and that it leverage this investment in negotiations to secure the remaining $1.32 trillion from other OECD nations. Working in cooperation with the international community, we can win the fight against climate change and secure a truly Global Green New Deal.

NOTES

1 *International Energy Outlook 2016*, U.S. Energy Information Administration.

2 *Copenhagen Accord, U.N. Framework Convention on Climate Change*. United Nations.

3 *Copenhagen climate talks: Main issues*. AFP, November 29 2009.

4 *What does the 2°C target imply for a global climate agreement in 2020? The LIMITS study on Durban platform scenarios*. LIMITS Special Issue, FP6 Limits Project.

5 *The 'optimal and equitable' climate finance gap*. GRI Working Papers 184, Grantham Research Institute on Climate Change and the Environment.

6 *Global Warming of 1.5°C, an IPCC special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty*. The UN Intergovernmental Panel on Climate Change (IPCC).

7 *Statement by President Trump on the Paris Climate Accord*. The White House, June 1, 2017.

8 *House of Representatives Resolution 109, 2019.*

9 *The Rate of Return on Everything*. Oscar Jorda et al. https://economics.harvard.edu/files/economics/files/ms28533.pdf

10 *42 U.S. Code § 401.*

11 *Our National Debt 'Shall Not Be Questioned,' the Constitution Says*. Garrett Epps. https://www.theatlantic.com/politics/archive/2011/05/our-national-debt-shall-not-be-questioned-the-constitution-says/238269/

DESIGN

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PUBLISHER

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