

FROM TARGET TO ROADMAP: LESSONS FOR THE US FROM EUROPE ON PUSHING FORWARD DECARBONIZATION



As soon as he took office, President Joe Biden announced that the US would target net-zero carbon emission by 2050, adding the US to a growing list of countries aiming to achieve climate neutrality by the middle of the century.

However, the US currently lacks a detailed roadmap of how to achieve this goal, including how the population (and particularly low-income or otherwise disadvantaged groups) will be helped along the path to net zero. In this article, Jon Stenning sets out key challenges and strategies to address them, drawing on experience from Europe.

The White House has already followed up President Biden's announcement with an interim 2030 target to reduce economy-wide emissions by 50-52% compared to 2005 levels. Work is now underway to set out detailed sector-by-sector pathways across the economy for delivering both the 2030 and 2050 targets.

A number of analyses from Cambridge Econometrics, carried out using our global E3ME and state-level E3-US macroeconomic models, have demonstrated the [positive economic impacts that can arise from decarbonization](#)

in Europe, the US, and globally. Such positive outcomes are now widely acknowledged: in the short term, climate action creates jobs and economic activity through investment, all while leading to a more efficient and prosperous economy in the long term. However, a net-positive impact suggests that some will be made worse off while others are better off, which presents a major challenge for policymakers. To ensure that decarbonization does not exacerbate existing inequalities, a key will be to manage and (where possible) mitigate negative impacts while maximizing the positive.

Europe, and in particular the European Union, is further along this path than the US. There are a number of lessons that US policymakers (at the federal, state, and county level) can learn from the experiences of their European counterparts:

1

Deployment is hard

Energy and economic models can make it appear that the transition is simply a case of setting targets and allowing the market to deliver. However, as an example, improving the energy efficiency of the building stock—even when techno-economic analysis has suggested major benefits for households and the broader economy—has proved incredibly challenging in Europe, and policymakers are continuing to grapple with how to implement this action effectively.

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2

Single top-down policies are hard to implement

Many economists have long supported an [economy-wide carbon tax](#), on the basis that a single price on carbon provides clarity on costs and allows the market to determine where emissions reductions should occur. However, the experience in both the US and Europe demonstrates that [such a policy cannot be the only answer](#); such measures struggle for acceptance (as seen in the US), and when they are accepted (as in Europe), it is only with limited sectoral coverage and carve-outs for incumbent industries—as seen through ongoing resistance to removing free allowances in the next phase of the [EU ETS](#), the European Union's cap and trade system for GHG emissions.

3

Regulations can help provide certainty for investors

In Europe, [market-based measures](#), such as the EU ETS, have been supported and strengthened by regulation (e.g., on the proportion of renewable energy used, or permitted CO₂ emissions from new cars, vans, and trucks). Such measures have been a major success, as they have provided certainty for investors (compared to a variable carbon price) and have shifted the point of payment for such policies from consumer to manufacturer.

4

Empower stakeholders to manage their own transitions

The European Green Deal introduced the Just Transition Mechanism, which supports national and regional authorities as they implement the transition. One of their most well-known instruments is the Initiative for Coal Regions in Transition, which allows regions to share their knowledge and experiences, and will in time help to manage their transitions away from a dependence on domestic fossil fuel extraction.

5

Facilitate the transfer of workforce skills to low-carbon industries

[The transition creates jobs](#) in low-carbon technologies, and a number of workforce skills related to fossil fuel industries can either directly—or through some worker (re-)training—be adapted to meet the needs of these new jobs. Policymakers should consider the need for industrial and labor market policy to support investment in new technologies and workforce skills in areas which are most adversely affected by the decline in fossil fuel activities.

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IN CONCLUSION

There is an essential role for policy in transitioning to a net zero US economy—through a mixture of market-based and regulatory measures—at the federal, state, and county level. However, a key is identifying how political and financial capital can be best deployed to transition in a just and equitable way. Applying lessons learned from field-tested policies and programs—both in terms of high-level aims and specific interventions—enables the design of good policy, proper evaluation tools, and better understanding of both the project-specific and macro-level outcomes of intervention. There will be more on this topic in our next article in this series.

LEARN MORE

Cambridge Econometrics has a long track record of deploying our macroeconomic models, including our global model E3ME and our state-level US model E3-US, to quantify the socioeconomic impacts of climate policy across the world.

ECONorthwest specializes in applying economic principles and methods to the evaluation of public policies and investments, including those surrounding the climate. ECONorthwest has on-the-ground expertise helping clients make thoughtful, data-driven decisions, including the valuation of benefits and costs associated with natural resource management and related infrastructure.

To get in touch with us about this article, or to understand how Cambridge Econometrics and ECONorthwest can help you to understand and evaluate the policy challenges of decarbonization, please contact **Jon Stenning** at js@camecon.com.

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