

The Climate Club

How to Fix a Failing Global Effort

William Nordhaus

Climate change is the major environmental challenge facing nations today, and it is increasingly viewed as one of the central issues in international relations. Yet governments have used a flawed architecture in their attempts to forge treaties to counter it. The key agreements, the 1997 Kyoto Protocol and the 2015 Paris climate accord, have relied on voluntary arrangements, which induce free-riding that undermines any agreement.

States need to reconceptualize climate agreements and replace the current flawed model with an alternative that has a different incentive structure—what I would call the “Climate Club.” Nations can overcome the syndrome of free-riding in international climate agreements if they adopt the club model and include penalties for nations that do not participate. Otherwise, the global effort to curb climate change is sure to fail.

In December 2019, the 25th Conference of the Parties (COP25) of the UN Framework Convention on Climate Change (UNFCCC) met in Madrid, Spain. As most independent observers concluded, there was a total disconnect between the need for sharp emission reductions and

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the outcomes of the deliberations. COP25 followed COP24, which followed COP23, which followed COP22, all the way back to COP1—a series of multilateral negotiations that produced the failed Kyoto Protocol and the wobbly Paris accord. At the end of this long string of conferences, the world in 2020 is no further along than it was after COP1, in 1995: there is no binding international agreement on climate change.

When an athletic team loses 25 games in a row, it is time for a new coach. After a long string of failed climate meetings, similarly, the old design for climate agreements should be scrapped in favor of a new one that can fix its mistakes.

THE PRISONER'S DILEMMA OF CLIMATE CHANGE

Concepts from game theory elucidate different kinds of international conflicts and the potential for international agreements. A first and easy class of agreements are those that are universally beneficial and have strong incentives for parties to participate. Examples include coordination agreements, such as the 1912 accord to coordinate the world measurements of time and, more recently, the agreement to use “aviation English” for civil aviation, which coordinates communications to prevent collisions during air travel. A second class of agreements, of medium difficulty, rely on reciprocity, a central example being treaties on international trade.

A third class of international agreements confront hard problems—those involving global public goods. These are goods whose impacts are indivisibly spread around the entire globe. Public goods do not represent a new phenomenon. But they are becoming more

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