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The new transatlantic alliance

To make the transatlantic economy a leader in the fight against climate change, Europe should work with US President Biden on a joint CO2 tax

Several weeks have passed since Joe Biden took office, and what's striking is the calm that surrounds the new president. It's not that he doesn't speak out or that his press team doesn't inform journalists. A large part of his communication, however, is about substantive policy. Personal stories? Insults? Tweets at 1am? Nada, nothing. It's at the same time seductively pleasant and somewhat misleading.

The 46th President of the US is faced with a world in turmoil. How do we get the pandemic under control? What's next in Syria? Where is NATO headed? And then there's China. Before Donald Trump came to power, the US wanted the promising TPP free trade agreement with the Pacific countries to explicitly exclude China. But then Trump withdrew from the agreement shortly after being elected. Now, with the RCEP, there is a much larger deal – with China, but without the US. So how should the US proceed?

All of these issues are massive challenges in and of themselves. And then there's still another matter, which moved Biden to implement one of his key campaign promises within days of his inauguration: declaring war on climate change. After joining the Paris Climate Agreement, he is now beginning to reverse the relaxation of environmental guidelines introduced by Trump. One of his most important measures is to make climate protection a central element of foreign and security policy. 'We can do this, we must do this, and we will do this,' said Biden.

An environmental foreign policy

Biden's personnel choices have also sent a clear message. By appointing John Kerry as the US Special Presidential Envoy for Climate, he has set the tone. Kerry's colleagues, Janet Yellen as Secretary of the Treasury and Deb Haaland as Secretary of the Interior, are also prioritising the fight against climate change and want the US to take on an important role,

both nationally and internationally. Mitigating climate change is thus becoming an issue of foreign policy, diplomacy and national security – for the first time in US history.

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From what's known so far, there seems to be some agreement among Biden's team on how to manage problematic CO2 emissions. For example, a uniform CO2 price within the production chains of the US economy would become a powerful tool. This would make it attractive for companies to invest in lower-emission technologies with the support of the government to reduce their own CO2 emissions.

Putting these plans into action will require boldness on Biden's part. The list of his climate protection measures is a long one, and will not necessarily please his political opponents. Over 70 million Americans wanted to see Donald Trump in the White House – and along with him, his concept of business-friendly environmental policy. Biden, on the other hand, wants to put an end to oil and gas drilling on federally owned land. He plans to eliminate subsidies for oil and gas production. Instead, he wants to double the amount of energy generated from wind power by 2030 and invest in electric vehicles. 'In my view, we've already waited too long to deal with this climate crisis and we can't wait any longer. We see it with our own eyes, we feel it, we know it in our bones, and it's time to act,' Biden said.

The long history of the carbon border tax

One attractive solution in this context could be a carbon border tax, as has been discussed on and off in Europe for almost 15 years. First proposed by French President Jacques Chirac, the CO2 border tax was also taken up by Nicolas Sarkozy, who in 2007 declared that 'those who produce dirty must pay.' However, the project of a CO2 border tax mainly aroused suspicion within the EU. François Hollande nevertheless brought it up too – again without much success. The current president, Emmanuel Macron, has also repeatedly affirmed the French position.

The idea is now gaining increasing support in Brussels and other EU member states. Commission President Ursula von der Leyen announced in 2019 that she wanted to introduce a carbon border tax as part of her European Green Deal. In spring 2020, the EU Commission launched a

roadmap process with the aim of drafting specific legislative proposals by 2021, and the European Parliament is currently working on resolutions on a carbon border adjustment mechanism.

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At first glance, the way the CO2 border adjustment works is quite simple: CO2 prices are to be levied on all imported goods; their amount is based on the CO2 emissions generated during production, for which the producer did not have to pay anything.

Transatlantic leadership on climate

What's seen in Europe as a path to climate neutrality without harming its own economy will inevitably be perceived as downright radical left-wing utopian in the US, with its axiomatic belief in freedom. Nevertheless, it might be possible to find majority support for a CO2 border tax, as completely opposing camps could eventually back this idea.

It's not only left-wing climate activists who approve, but also the protectionist-minded opponents of globalisation who want to protect the American economy from products dumped from abroad (with the latter group drawn from both the Republican and the Democratic camps). Some want to save the climate, while others want to protect American jobs.

It's therefore not at all surprising that for years, proposals have been coming out of the US Congress, including conservatives, calling for a CO2 tax and, at the same time, a CO2 border tax on foreign products. This could be a win-win situation for Joe Biden. He could not only bring former Trump voters back into his own camp, but also usher in a new era for transatlantic foreign policy.

Its basis could be a common transatlantic CO2 border adjustment system with a minimum price of CO2, to apply in both Europe and the US. This idea has a geopolitical dimension. A joint initiative could become the core of an intelligent climate policy, thus making the transatlantic economy a leader in the fight against climate change. Both economies together still account for 40 per cent of global gross domestic product. This would also make it attractive for third countries to join such a transatlantic initiative.
Climate change is a multidimensional global challenge. Therefore, all

nations should feel encouraged to set up a reliable multilateral agreement that follows jointly developed rules. This will not happen overnight. But in the meantime, Europe and the US should lead the way. It's crucial that Europeans take up the US President's offer and take advantage of the resulting momentum. Midterm elections will take place in the US next year. The window of opportunity for a constructive revitalisation of the transatlantic relationship is narrower than many may believe.



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