

US-European differences on climate law persist

December 2 2022, by Matthew Daly



President Joe Biden speaks about Russian President Vladimir Putin and the war in Ukraine in response to a question during a news conference with French President Emmanuel Macron in the East Room of the White House in Washington, Thursday, Dec. 1, 2022. Credit: AP Photo/Susan Walsh

President Joe Biden on Thursday tried to allay concerns raised by French

President Emmanuel Macron about a clean energy law that benefits electric vehicles and other products made in North America. But the U.S. and Europe remain divided over the landmark law.

Hours before hosting Macron at a state dinner. Biden acknowledged that the law contains "glitches," but said "there are tweaks we can make" to satisfy France and other European allies.

"The United States makes no apology. And I make no apologies," Biden said, but changes may be needed to the four-month-old law "to make it easier for European countries to participate."

Macron has made clear that he and other European leaders are concerned about incentives in the law, known as the Inflation Reduction Act, that favor [clean energy](#) technology made in North America, including [electric vehicles](#).

The U.S. subsidies would be an enormous setback for European companies, the French leader said, but he added that he is hopeful the dispute can be resolved amicably.

Despite Biden's conciliatory words, several Democratic members of Congress said they have no plans to revisit the question in new legislation.

Here's a look at the disagreement with France and other allies over clean energy and jobs.

WHAT IS THE MAIN POINT OF CONTENTION?



French President Emmanuel Macron speaks during a news conference with President Joe Biden in the East Room of the White House in Washington, Thursday, Dec. 1, 2022. Credit: AP Photo/Susan Walsh

New and extended tax credits worth about \$375 billion are intended to help the the U.S. clean energy industry, as well as buyers of qualifying electric vehicles made in North America. Democrats included the credits in the expansive climate law as a way to encourage domestic battery and [electric vehicle production](#). But manufacturers in Europe and South Korea, who sell millions of vehicles in the U.S., have [threatened to lodge legal complaints with the World Trade Organization](#).

"The choices that have been made ... are choices that will fragment the West" and discourage U.S. investments in Europe, Macron said earlier

during his visit to Washington. The climate law and major legislation boosting semiconductors were not properly coordinated with Europe and created "the absence of a level playing field," he said.

Appearing with Biden at the White House Thursday, Macron was more upbeat. He said the U.S. and France would "resynchronize" their clean energy efforts to ensure there's no "domino effect" that undermines projects in Europe.

WOULD THE EU HAVE A GOOD ARGUMENT AT THE WTO?

The Europeans likely would have a strong case if the dispute went to the World Trade Organization, said Alan Wolff, former WTO deputy director-general.

WTO rules say that countries can't simply hand out money for the purchase of domestically made products that face competition from abroad. "That's where they went wrong," said Wolff, now visiting fellow at the Peterson Institute for International Economics in Washington. "These are prohibited subsidies as far as I can see, and I haven't met anybody who reads it differently than I do."



French President Emmanuel Macron speaks during a news conference with President Joe Biden in the East Room of the White House in Washington, Thursday, Dec. 1, 2022. Credit: AP Photo/Susan Walsh

Macron did not threaten to go to the WTO during his White House visit, but even if the Europeans took their case to the Geneva-based organization, it might not accomplish anything. The WTO's appeals process has not been functioning since late 2019 when the U.S.—to protest what it considered [unfair treatment](#) by the WTO—blocked the appointment of new judges to replace those whose terms had expired.

While the Europeans could bring a case, if they won the first round, the United States could appeal and the dispute "would just sit there because there's no appellate level," Wolff said.

The Biden administration could try to slow down some of the clean energy provisions to ease the European objections, but it's unclear if that would be a long-term solution, Wolff said, adding that he was speaking "as a trade lawyer" while Biden "is looking at it as a president who wants smooth relations with his closest allies."

There's no indication that the administration plans to make such an adjustment.

WILL CONGRESS CHANGE THE LAW IT JUST ADOPTED?

Congressional Democrats have said they have no intention of reconsidering the climate law, which passed after more than a year of negotiations without any Republican support.



President Joe Biden speaks during a news conference with French President Emmanuel Macron in the East Room of the White House in Washington,

Thursday, Dec. 1, 2022. Credit: AP Photo/Susan Walsh

"Congress passed a law to rev up the American electric automobile industry, create good-paying American jobs and tackle climate change at the same time. I have no intention of reopening it," Senate Finance Committee Chairman Ron Wyden, D-Ore., one of the law's main architects, said Thursday.

"Congress values America's partnership with the EU, but that cannot mean undermining one of the signature elements of our landmark bill," Wyden added in a statement emailed to the AP. "And remember, European nations have spent decades subsidizing their own prized domestic industries, from aerospace to clean energy, and passing regulations and taxes targeted solely at U.S. tech firms in an effort to jumpstart their own digital companies. It's a bit rich for EU politicians to be scandalized now."

In an interview, Wyden essentially dared Macron and other EU leaders to take the dispute to the WTO. "We put a special focus on creating jobs in America. There isn't anything in trade laws that says you can't put a focus on creating jobs in America," he said.

Other Democrats, including Michigan Sen. Debbie Stabenow, have also said they do not intend to reopen the climate law.

Sen. Raphael Warnock, D-Ga., meanwhile, has urged the Treasury Department to use "maximum flexibility" in implementing the tax credit for Americans buying electric vehicles. South Korean automaker Hyundai stands to lose the credit even as it invests billions of dollars to open its first American EV plant in Georgia.



President Joe Biden meets with French President Emmanuel Macron in the Oval Office of the White House in Washington, Thursday, Dec. 1, 2022, during a State Visit. Credit: AP Photo/Andrew Harnik

IS THERE ROOM FOR COMPROMISE?

Biden appeared to indicate willingness to make changes in the law to accommodate Europe, saying U.S. lawmakers did not intend to punish France or other allies.

"When you write a massive piece of legislation that has ... the largest investment in climate change in all history ... there's obviously going to be glitches in it and need to reconcile changes in it," Biden said Thursday at a joint news conference with Macron.

Biden cited a provision that benefits "anyone who has a free trade agreement" with the U.S., including Canada and Mexico. "Well, that was added by a member of the United States Congress who acknowledges that he just meant allies. He didn't mean literally free trade agreement. So there's a lot we can work out," Biden said.

Biden did not mention names, but the provision boosting electric vehicles made in North America was added by West Virginia Sen. Joe Manchin, a conservative Democrat who has been both a political ally and foe of Biden. Manchin's vote was crucial to final approval of the climate law.

A Manchin spokeswoman declined to comment Thursday.

© 2022 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without permission.

Citation: US-European differences on climate law persist (2022, December 2) retrieved 25 March 2023 from

<https://phys.org/news/2022-12-us-european-differences-climate-law-persist.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
