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The Business Case for the Paris Climate Accord

By George P. Shultz and Ted Halstead

President Trump faces a choice that will echo across his presidency and beyond: whether to remain in the Paris climate agreement. Although most Americans, his own secretaries of state and energy, and heads of state from around the globe are urging the president to stay, he remains undecided. Let us hope that a newly invigorated pro-Paris campaign by many of America's top C.E.O.s will sway him.

In a recent barrage of public letters and full-page ads, Fortune 100 companies are voicing strong support for remaining in the Paris accord. The breadth of this coalition is remarkable: industries from oil and gas to retail, mining, utilities, agriculture, chemicals, information and automotive. This is as close as big business gets to a consensus position.

American business leaders understand that remaining in the agreement would spur new investment, strengthen American competitiveness, create jobs, ensure American access to global markets and help reduce future business risks associated with the changing climate. Leaving Paris would yield the opposite.

Our companies are best served by a stable and predictable international framework that commits all nations to climate-change mitigation. The Paris agreement overcame one of the longest-standing hurdles to international climate negotiations: getting the developing world, including China and India, onboard. If America backs away now, decades of diplomatic progress could be jeopardized.

Global statecraft relies on trust, reputation and credibility, which can be all too easily squandered. The United States is far better off maintaining a seat at the head of the table rather than standing outside. If America fails to honor a global agreement that it helped forge, the repercussions will undercut our diplomatic priorities across the globe, not to mention the country's global standing and the market access of our firms.

Staying in Paris in no way binds the president to Obama-era climate regulations. Indeed, the only risk Mr. Trump faces from altering or weakening domestic climate policy under Paris is in the court of public opinion, not in federal courts. Seventy-one percent of Americans favor remaining in the Paris agreement, according to a survey by the Chicago Council on Global Affairs, and an even larger number favor clean energy.

What's more, there's nothing in the Paris agreement to prevent the administration from adopting more cost-effective, market-based and business-friendly climate policies. For all their good intent, the Obama administration's climate regulations — most prominently the Clean Power Plan to reduce carbon dioxide emissions from power plants — saddle industry with cumbersome requirements, inhibit business investment and have proved highly divisive. President Trump's recent executive order to withdraw or rewrite these regulations is but the beginning of a multiyear legal battle that leaves American industry facing significant regulatory and pricing uncertainty, the worst of all worlds.

The only quick and sure path to undo these regulations is through legislation. This offers the president a potent negotiating strategy: Propose a meaningful price on carbon in exchange for a rollback of Obama-era climate rules. This could pave the way for a bipartisan climate solution, and a major victory for Mr. Trump. For example, a revenue-neutral carbon tax starting at $40 per ton would meet the high end of America's commitment under Paris, justifying the elimination of all previous carbon regulations, as we and our co-authors argued in a recent study, "The Conservative Case for Carbon Dividends."

The president's Paris verdict will ultimately be about more than climate. It also carries major implications for America's place in the geoeconomic order. Staying in Paris would advance the president's priorities not only by creating jobs, but also by leveling the playing field in trade. American companies are well positioned to benefit from growing global markets in clean technologies, generating domestic jobs and growth.

By contrast, pulling out of the agreement could subject the United States to retaliatory trade measures, enabling other countries to leapfrog American industry.

If the president wants to strengthen America's competitive position, he should combine a price on carbon with border tariffs or rebates based on carbon content. United States exports to countries without comparable carbon pricing systems would receive rebates, while imports from such countries would face tariffs on the carbon content of their products. Not only would this encourage other nations to adopt comparable carbon pricing, but it also would end today's implicit subsidy for dirty producers overseas, which puts American businesses at a disadvantage.

Businesses supporting the Paris accord are the president's natural allies. They can help him fashion a conservative climate solution that upholds our commitments and enhances America's greatness.

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