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TRUMP'S WITHDRAWAL FROM THE PARIS AGREEMENT AND THE CLIMATE CLUB

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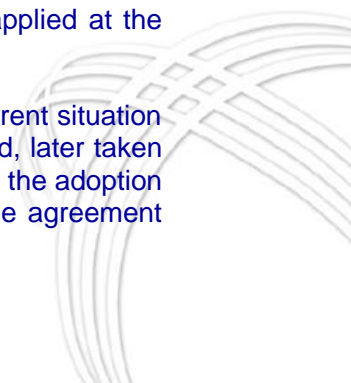
A few hours after taking office at the White House, President Donald Trump [signed an executive order](#) to begin the process of withdrawing the United States from what he called the 'unjust and unilateral Paris Climate Agreement fraud'. This decision, in addition to excluding the US from multilateral negotiations to advance the fight against climate change, with the goal of achieving carbon neutrality by 2050, risks triggering similar actions from other countries, thus seriously jeopardising the established goal. Therefore, on the one hand, it is necessary to acknowledge this serious American decision that is consistent with the guidelines of the new Trump administration, and, on the other hand, to assess what initiatives can be taken by large countries that emit significant quantities of carbon dioxide, to respond effectively to the new policy that has been implemented in the United States.

A point of reference to start this assessment is the analysis developed by William D. Nordhaus (Nobel Prize in Economics 2018) in a famous [article published in 2015 in the *American Economic Review*](#), where he observes how the difficulty in implementing an adequate policy to fight climate change is linked to a strong incentive to free-riding implicit in current international climate agreements. Free-riding occurs when a country benefits from a public good without contributing to covering its costs. In particular, in the case of the measures to combat climate change, free riders have an incentive to exploit the emissions reduction resulting from actions taken by other countries without having to commit to supporting the costs of national policies to limit emissions. This phenomenon explains the difficulty of concluding multilateral agreements, based on the unanimous consent of the participating states, such as in the Conference of the Parties (COP) to the UN Framework Convention on Climate Change.

Nordhaus notes that many international agreements have been possible by using the club mechanism. A Club is a voluntarily formed group whose members benefit from sharing the costs of producing an activity that has the characteristics of a public good. In this way, it benefits all members of the Club sufficiently to induce them to pay membership fees and adhere to the Club's rules in order to enjoy its benefits. The idea of a Climate Club to manage climate change could be seen as a step forward in addressing the free-riding problem that hinders the efficient provision of global public goods.

In essence, according to Nordhaus, a Climate Club would be an agreement between the countries that participate in it to undertake harmonised emissions reduction. The agreement would be based on defining an 'international carbon price target,' and this target could be achieved using any mechanism: a tax on the carbon content of fossil fuels (carbon tax), a cap-and-trade system (European Emission Trading System), or other instruments, including regulations that have a similar effect on emission prices. A key part of Nordhaus's proposed Club mechanism (and the main difference from all the proposals already on the table) is that non-participants should be penalised with a tariff – with a uniform percentage rate – applied at the border on imports from countries that are not members of the Club.

In this proposal by Nordhaus, two important points emerge with reference to the current situation following Trump's withdrawal from the Paris Agreement. First, a thesis is put forward, later taken up in an [IMF note by Ian W.H. Parry, Simon Black, and James Roaf](#), which proposes the adoption of a carbon price floor jointly decided by the Big Emitters of CO₂. In this case, the agreement



should be reached between a limited number of countries with the highest levels of emissions. After Trump's decision, excluding the United States, which covers 12% of total emissions, in 2023, China (34%), India (7.6%), the European Union (6.4%), and Russia (5.3%) together represent 53.3% of global CO2 emissions. These countries could form the core of a Club determined to tackle the challenge of climate change, including by using different tools and agreeing on a carbon price at a level that could be accepted by all Club members. The incentive to join the Club is linked to the fact that each country could benefit – at no additional cost – from the emissions reduction efforts of the other Club members.

The second element – penalising countries that do not agree to join the Club – aligns with Trump's threats to impose tariffs on imports to the United States from the rest of the world and is linked to the possibility of introducing at the Club level the Carbon Border Adjustment Mechanism (CBAM), already [envisioned by the European Union](#), corresponding to a collectively agreed minimum level of carbon price. The application of the CBAM should not only consider price-based instruments but also alternative mitigation approaches that governments outside the Union might prefer for different economic and social reasons. The Club should also initiate a policy to bring other high-emission countries into the group (e.g., Japan, Saudi Arabia, Brazil, Indonesia, South Korea, Canada, Mexico), bearing in mind that these countries' attitudes are likely to change significantly as a result of Trump's policy.

In conclusion, in light of Trump's attempt to impose American hegemony on the world by destroying the multilateral ties laboriously built over time – starting with the withdrawal from the Paris Climate Agreement – the European Union must take a clear position in support of the commitments made regarding emissions reduction, seeking alliances with the Big Emitters of CO2. To support this position, the Union must strengthen its foreign policy to gain the support not only of the major Euro-Asian powers such as Russia and China, but also of the Global South, which would be seriously disadvantaged by a failure of the agreements to limit emissions and address the risks of climate change.

The Union, without breaking in advance the bonds of friendship and structural alliance with the country across the Atlantic, must not make any concessions in the face of the American president's arrogance, but must renew a network of global agreements to restore hope for a future where multilateral cooperation prevails over the hegemonic push of the new US administration. This is undoubtedly a difficult project to realise, especially considering the current weakness of the Union, but it could represent a starting point toward a less conflictual world order.

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(The opinions expressed here do not necessarily represent the CSF)

