



TRANSCRIPT

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Guest: Catherine Wolfram

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Catherine Wolfram:

While the COPs and the [Paris Climate Agreement](#) are important, we need more. We need to be thinking about additional ways to push forward at a global scale on climate.

Rob Stavins:

Welcome to [Environmental Insights](#), a podcast from the [Harvard Environmental Economics Program](#). I'm your host, [Rob Stavins](#), a professor here at the [Harvard Kennedy School](#) and director of the program. Well, as our listeners, I'm sure know, late in November, the [30th Conference of the Parties of the United Nations Framework Convention on Climate Change](#), the UNFCCC was held in Belém, Brazil. So, today we want to review just a bit of what happened there and then go behind the news, much of that news not being so positive, to what I think is a promising avenue going forward. And for this, I'm delighted to welcome my colleague and friend, Professor [Catherine Wolfram](#), the William Barton Rogers Professor of Energy Economics at the [MIT Sloan School of Management](#). So, welcome back, Catherine to [Environmental Insights](#).

Catherine Wolfram:

Thanks, Rob. Great to be here.

Robert Stavins:

So, this is a return engagement for you. You may not remember, but you were my guest in February of 2023, which actually seems like decades ago in U.S. and International policy and politics. But since this is your second time on this podcast series, I'm not going to drag you through your upbringing, education, career track, both in academia and public service, which has been extensive. And instead, I just want to get right to it. So, as I think I've been attending and participating in these annual climate expos, as I call them, for close to 20 years, but I did not attend this year's COP30, but you did. You traveled to Belém and spent several days at COP30. So, I'd like to start with your broad impressions. For some of our listeners who don't know anything about the negotiations or these annual conferences of the parties, what basic impressions would you share with us?

Catherine Wolfram:

Sure. So, I guess I would touch on a couple. One is Brazil's choice to hold this in Belém instead of a place like Rio. So. they caught some flack for that. People were saying Rio was set up to host the Olympics in 2016. It has a bunch of five-star hotels, lots of venues for the convention, so why not just have it there? I actually came to appreciate the choice to host it in Belém. I think that it did two things. One is it really helped Brazil center the Amazon. So, for instance, there were protesters there from the indigenous tribes. The restaurants locally had all these really interesting fruits that you would never experience anywhere else, just kind like minor things. When you got off the plane in Belém, they had the jetways covered in green kind of tree posters. So, you felt like you were walking through the Amazon. So, I thought that was kind of cool.

Robert Stavins:

Very cool. And then actually you took a boat trip up the Amazon on the day off, right?

Catherine Wolfram:

I did. I was lucky enough to be there on Sunday the day off, and one of my Brazilian hosts invited me on a boat trip up the Amazon. So, that was incredible, just seeing kind of the breadth of the Amazon we got to go to a local chocolate making place. So yeah...

Robert Stavins:

So, many in the press, at least the press that I've seen, have characterized COP30 as a great disappointment. Some have even I've seen it called a failure, but that largely due to the fact that in the end there on the last day there was not a strong explicit endorsement of phasing out fossil fuel use and certainly no roadmap for doing so. What's your reaction both to the characterization of the COP as being disappointing or failing because of that lack of endorsing phasing out of fossil fuel use, which a couple of years ago had been endorsed at a COP?

Catherine Wolfram:

Yeah, I guess I would say two things. I mean, one, I think we should remind ourselves about what people had forecast is potential outcomes of the COP, which that a bunch of other countries would follow the U.S. and withdraw from Paris. So, I think it could have been a total disaster. So, I think in some ways Brazil pulled a victory from the jaws of defeat in that way. No other country exited the Paris Agreement. I mean, I didn't even go to negotiations. As you say it's basically a climate expo, but from what I've read, I think not having the U.S. there really hurt things, that the U.S. is usually a force against the Saudi Arabias and the Russias and can help get stronger statements on phasing out fossil fuels or climate ambition, whatever it is into the text. And so that was one of the results of not having the U.S. there. But as I say, not by any means the worst result that we could have seen.

Robert Stavins:

I had said or wrote maybe a few months back that, or maybe actually shortly after the inauguration, that one result of Trump pulling back from climate change and from the Paris Agreement would be to liberate the Saudis and that they would be likely to be much more aggressive. They're always somewhat aggressive and often quite effective actually, both in the IPCC and in the UNFCCC. So, is that one of the ways in which you think the absence of the U.S. may have affected things?

Catherine Wolfram:

Yeah, I mean to me it's always a little bit surprising to learn that you have the petro states, Russia and Saudi Arabia, at a climate convention. And it's not a surprise that to economist at least. Their incentives are completely to try to derail things. So yeah, I guess that was one of the victims of not having the U.S. there.

Robert Stavins:

Although, we'll remember that two years ago, I believe in Dubai, the president of the COP who was also president of the state oil company, he was the one that presided over that closing statement about phasing out fossil fuels, which is what I think this year some people wanted to either repeat or go beyond. And I guess instead there was an implicit endorsement. It was just recognized.

Catherine Wolfram:

And I've also heard it wasn't just the Saudis and the Russians that were opposing that. I think the Chinese didn't like having an established timetable. They want to make their own decisions about how they'll transition away from fossil fuels. So, yeah, I think it's not just the Petro states.

Robert Stavins:

So I'll give you my view, and I really do want to know if this resonates with you or if I'm off base, and that is, I don't think of the closing statement about things like phasing out fossil fuels or for that matter statements about one and a half degrees C maximum being achieved this century as being that important. I think of it, I've been working a long time environmental policy, and I think back to the Clean Water Act of 1972, the opening paragraph, the Congress stipulates that all waters in America should be fishable and swimmable within five years. Now, that was not feasible. Everyone knew it was not feasible, and it's also not clear that it makes sense for all waters to be fishable and swimmable, but that didn't matter. The Clean Water Act was still of great value, not because of the opening paragraph, but because of something like 450 pages that followed that provided specific policy instruments to reduce essentially surface water pollution. So, does that metaphor work for you in this context, or is it just a metaphor that doesn't apply?

Catherine Wolfram:

Yeah, I guess I've a little bit more sympathetic to things like the opening statement. I mean, I know from an economist's perspective it's just words. There's no punishment or there's no penalty for not achieving those goals. But I do think it helps frame the narrative important way. I mean, yeah, I do feel like after Paris, people started talking about one-point-five degrees Celsius, and that really became part of the conversation and the reporting and just our own sensibilities in ways that it hadn't before. Well, okay, but that said, I completely agree with you. You need policy to back it up. I think we shouldn't completely dismiss the importance of these statements and the words.

Robert Stavins:

I mean, if I hear you correctly, essentially what you're pointing out, which I think is valid, is that symbolic statements can have value because then they can frame more meaningful discussions.

Catherine Wolfram:

Yeah, there you go. There you go. We need both.

Robert Stavins:

Okay. So, I'm going to mention four elements of the outcome from COP30, which I think range from disappointing to problematic. And then I want to turn to the fifth, which is the one that I think is quite important, and that's where your work really fits in beautifully. So, the four first to get them out of the way, because listeners may be wondering, the [Tropical Forest Forever Facility](#), obviously this was a favorite of the Brazilian presidency, but the first phase of funding was less than hoped for or even expected, the [Belém Mechanism for Just Global Transition](#), where the intention is to support fair equitable transition for fossil fuel economies in the developing world. What I was struck by with that is whether or not that would also apply to the Petro states because that's where there's really going to be significant economic transition of addressing climate change.

And then there's the Global Implementation Accelerator, very meritorious to support high-impact short-term actions such as methane emissions reduction and carbon removal strategies, but it's voluntary and it's going to need finance. And then finally, something very explicit -- tripling adaptation finance. Previously this has received very little attention because the lion's share of attention went instead to putting money into the loss and damage fund. But alas, there's no credible pathway. So, that may sound somewhat between neutral and negative, but what I really want to talk about is the one development at COP30 which I believe has the potential to become quite important. And that's what is referred to as the Trade Climate Dialogue. And I say that it's positive because the parties agreed to launch a two-year work program on how international trade can support equitable climate action. And because there is a work program, that means they have to get together and do stuff and discuss it and write stuff and present it at subsequent meetings in Bonn and at subsequent COPs. And this could certainly include Brazil's [Open Coalition on Compliance Carbon Markets](#), which I'll wrap up by saying could itself be a home for a very promising proposal from the [Global Climate Policy Project at Harvard and MIT](#), which you are co-leading. So, before we get into the specifics of the proposal, can you say something about that project broadly, its purpose, its approach, things like that?

Catherine Wolfram:

Yeah, I think it relates back to our previous conversation about the Clean Water Act and the idea behind the Global Climate Policy Project is that while the COPs and the [Paris Climate Agreement](#) are important, we need more. We need to be thinking about additional ways to push forward at a global scale on climate. And so, we have several verticals thinking about geoengineering, thinking about climate finance, thinking about industrial policy, but the vertical where we've had the most impact and made the most progress so far is the vertical on climate and trade. So yeah, as you say, we were absolutely thrilled to see Brazil's declaration on the [Open Coalition on Compliance Carbon Markets](#). And I'll stop there. I'm sure you have more questions about this, I'm sure we'll get into it.

Robert Stavins:

Absolutely. So, I do want to turn to the specifics of it now, in fact, and it's what I characterize since I see the forest not the trees in this case, as a carbon pricing club, that includes an important element of graduated thresholds for entry for countries depending upon what their per capita income is, so that it could be effective in terms of scientifically. It could be cost effective economically. And in terms of distributional equity at the international level, it could be fair. So, is that a fair characterization that I gave? And most important, explain it now because our listeners will benefit tremendously from square one of hearing about this.

Catherine Wolfram:

Yeah, so let me start by just giving a little bit more of the background on the process. So, I was on a committee, it was an ad hoc committee of economists that were advising Ambassador Andre Correa do Lago, the president of COP30. The committee was chaired by Jose Scheinkman, a very well-known Brazilian economist. I know you know, but for your listeners.

Robert Stavins:

Yes.

Catherine Wolfram:

So, under the auspices of that committee, I convened a working group, GCPP, and I convened a working group on climate coalitions. We brought together thought leaders from around the world. We had two from China, two from Brazil, two from the EU, two from India, one from Indonesia, one from Africa, one from Canada, one from Thailand. So, that working group got together once a month, roughly starting in March, and started thinking about what a coalition could look like. And I'm saying coalition, you use the phrase club. From an economist's perspective, it's basically the Nordhaus climate club idea. In order to get in the club slash coalition, you need to have some kind of carbon price. If you're not in the club, you're hit with something like the border adjustment that is similar to what the EU is doing. We dropped club and used the phrase coalition because conversations with the policymakers and others in low- and middle-income countries suggest that club had negative connotations, kind of colonial connotations. So, we've been talking about coalitions. And so, our working group put out [a report](#) in mid-September really trying to help policymakers envision what a climate coalition could look like. And so, one of our scenarios was the conventional scenario, every country to join the coalition would have to have a minimum carbon price, and there would be one minimum. But then another scenario that we outlined exactly as you said, allowed for graduated admission criteria. So, the low- and middle-income countries could get into the coalition at say one third the carbon price that a high-income country would need to get into the coalition and middle-income countries could join for two thirds.

Robert Stavins:

That's the part I find very exciting. And that isn't, as I recall, part of the Bill Nordhaus proposal way back when is it? Was it?

Catherine Wolfram:

No. Yeah, I don't think it is. It's based on... So, IMF staff put out a report in 2021 that had graduated idea and we followed their one third, two thirds, one across the different country buckets. So that was an idea that came out of the IMF originally. But I do think that it helps recognize fairness issues and fairness challenges so that you're letting low- and middle-income countries essentially use more of the remaining carbon budget if they have a lower carbon price to get in. And I think it helps make this a little bit more realistic than some of the stricter interpretations of the climate club where everyone has to have the same price.

Robert Stavins:

So, an attraction then of the fact of it being fair or moving towards being fair, obviously fairness is in the eye of the beholder, but is that it is more likely to be perceived as something that's very important to the developing countries, a majority of the delegations to the UNFCCC. And that is that it's consistent with CBDR, common but differentiated responsibilities and respective capabilities. What kind of feedback have you gotten from developing countries about it?

Catherine Wolfram:

I think it's been quite positive. I think they like the idea that we're recognizing fairness. And yeah, as you say, CBDR is important to countries for obvious reasons. We also, in our report, thought about additional levers that could be used to make it attractive for low- and middle-income countries to join the coalition. So, we thought about a kind of targeted climate finance. We thought about having free trade and the inputs to decarbonization. And I should also emphasize, I think the other thing that we did to try to make this actionable and have some chance of getting off the ground in the near term was to focus on a couple industries. So, as you know, there's the [European Union Carbon Border Adjustment Mechanism](#) that's starting in several weeks, and that is initially targeting the aluminum, steel, fertilizer, and cement industries. And so, in our report, we imagined that coalition membership initially just requires carbon prices for those industries. I think it's a good way to start the conversation.

Robert Stavins:

Right. Right. I'll tell you with the C-BAM, which had been promoted over the years, it must be, what, seven years now since it was first announced from the European Commission? It's been quite a while.

Catherine Wolfram:

I think in 2019 they started talking about it.

Robert Stavins:

And over that time, the European Commission have said two things. One is that it would introduce a level playing field, protect European industry. And I understood and agreed with that. I could see how that would happen. And the other is that it would induce other countries to put in place domestic carbon pricing mechanisms. And I will confess that I was skeptical that it would have that effect, but in fact, that is actually already happening. At least it appears to be, and Turkey's been explicit about it. Can you comment on that?

Catherine Wolfram:

Yeah, I completely agree with you. I think it's been wildly successful along that second dimension, the Brussels effect, encouraging other countries to adopt carbon pricing. And I agree it's been much more successful than any economic model would predict. So yeah, as you said, Turkey is a prime example. Turkey has explicitly said that because of the C-BAM, they themselves are pursuing an emissions trading system. And they're even thinking about enacting a C-BAM. Once you're charging carbon prices to your domestic industry, it makes sense to think about leveling the playing field for them and making sure that imports face that carbon price as well. There are other examples of countries that have either introduced carbon prices or expanded their carbon pricing systems. So, for instance, China, a huge, huge emitter, especially in the C-BAM sectors, expanded their carbon pricing system from covering just the electricity sector to covering also steel, aluminum, and cement. So, three of the four. Now, the Chinese aren't saying that they're doing that in the response to C-BAM, but it is three of the four C-BAM sectors. And then Brazil, India, lots and lots of countries are planning to implement carbon prices themselves. So, I think I have told European policymakers that I love the C-BAM and they burst out laughing because that's usually not what they're getting from me.

Robert Stavins:

That's not what they hear. Yeah, I mean the motivation presumably is whether it's Turkey or it's some other country, and I'm working with one of them, which unfortunately I can't name, and this is the way

they have stated it in meetings is that, well, we'd much rather have a carbon price and we get the revenue rather than give the revenue to the European Union, and that's our alternative.

Catherine Wolfram:

Yeah, no, the logic is very straightforward and politically, their industry isn't going to complain because to the extent they're exporting, they're already facing the carbon price.

Robert Stavins:

Yeah, yeah, exactly. So, can you tell us what's the easiest way for people to get a written summary online of the work that you've been doing in this realm? Is it a particular website you can mention?

Catherine Wolfram:

Yeah, [the Salata Institute](#), since this is a Harvard podcast, I can mention that the Salata Institutes link, there's a link to this report that I mentioned that we put out in September. If you open [the PDF](#), you'll see that it's a hundred pages, but don't be intimidated. The first 10 are a very easily digestible executive summary.

Robert Stavins:

And just to make sure people can find it after they go to the Salata website, what is the title approximately of the paper?

Catherine Wolfram:

It's called [Building Climate Coalitions](#).

Robert Stavins:

Great.

Catherine Wolfram:

And then it says something about carbon pricing, trade, and development,

Robert Stavins:

But building climate coalitions, that's easy to remember and so I'm sure people want to go to that. I have one last question for you, which is thinking ahead and you're a professor, and so you're often working with young people, of course, and some of the young people who are listening to this podcast are probably thinking about trying to attend COP-31 in Turkey. For those who are thinking about it or are planning to do it, what advice would you offer to them?

Catherine Wolfram:

I think it's an amazing experience, so I would heavily recommend it. I think it's... It just immerses you in climate and you get world leaders there who are there to do nothing but talk about climate. So, you get these intimate side events, I know, but you can be kind of 10 feet away from people like senators from the U.S. or Ursula von der Leyen, yeah, it's just an amazing experience. And I think the whole fabric of COP, the protesters that were there, it's just wonderful to see all these ideas discussed and debated so actively.

Robert Stavins:

Yeah, the protests have sometimes been very, very interesting. Was the polar bear there this time? There was always

Catherine Wolfram:

Someone. I don't remember seeing the polar bear.

Robert Stavins:

Yeah, I think it was probably too warm for anyone to wear that costume, but usually they're somewhat dressed up as a polar bear as one of the protests. Well, thank you very much, Catherine, for taking time to join me today to talk about this. Really appreciate it.

Catherine Wolfram:

No, thanks so much to you. I was happy to talk about climate coalitions and yeah, thanks for giving me the forum.

Robert Stavins:

Excellent. So, my guest today has been [Catherine Wolfram](#). She's the William Barton Rogers Professor of Energy Economics at the [MIT Sloan School of Management](#). I hope you will all join us again for the next episode of [Environmental Insights: Conversations on Policy and Practice](#) from the [Harvard Environmental Economics Program](#). I'm your host, [Rob Stavins](#). Thanks for listening.

Announcer:

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