The news from Beijing this week that the U.S. and China are committing to ambitious goals on climate change is, we think, monumental. No two countries are more important to tackling the problem than the largest carbon emitter over the past two centuries, the U.S., and the largest current emitter, China. While many observers are focusing on the ramifications of the announcement for upcoming international negotiations, we believe that the announcement also has potentially profound domestic effects for both countries. For the U.S., the announcement could have significant implications, both legal and political, for the centerpiece of President Obama's climate policy, proposed rules for electric power plants. For China, the announcement is a signal that economic transformation remains the long-term goal. Both countries will need to overcome significant domestic resistance to achieve their stated goals but in our view the joint announcement strengthens the hands of both the U.S. and Chinese Presidents.

*The U.S.*

The Environmental Protection Agency 's (EPA) proposed rules for power plants (called the Clean Power Plan) would require states to cut emissions from the electricity sector 30 percent by 2030 from 2005 levels. Without the rules, or something like them, the U.S. simply can't meet its 26 to 28 percent pledge announced yesterday in Beijing. But the Clean Power Plan is also Exhibit A in the claim by Congressional Republicans that President Obama is an imperial president, using his executive powers to achieve what Congress won't adopt. Moreover, once finalized, the Clean Power Plan will face a fierce legal attack from energy businesses affected by the rules and from conservative state governments reluctant to implement them. Importantly, though, the President doesn't need Congress to implement his policy. He needs the legislative branch simply to keep its hands off EPA's work and the courts to defer to his agency's regulatory strategy.

Politically, China's commitment to halt its emissions growth by 2030 eliminates one of the major arguments opponents make against U.S. action to cut greenhouse gas emissions: that such cuts will hurt the U.S. economically while China continues to pollute. The Chinese commitment may do even more if the announcement succeeds in spurring real international progress. As the 2016 Presidential primaries approach, at least some members of Congress may feel more wary about interfering with U.S. efforts to cut emissions by 2030. Republicans keen on appealing to a broader base than their primary voters may decide that obstruction of EPA action should not be a

top political priority. They may also worry about undermining the China-U.S. relationship. And the announcement will surely embolden the President to veto any legislation that curtails EPA authority.

The U.S.-China announcement may also have a subtle effect on the anticipated legal challenges to the Clean Power Plan once it's finalized. The legal challenges will take several years to wind their way through the court system and may very well end up in the U.S. Supreme Court. Although the legal challenges will turn on technical legal questions about whether the Plan is consistent with statutory language in the Clean Air Act, the Justices may not be entirely immune to facts on the ground. If the Plan is one of the central means for the U.S. to achieve an international obligation to curb its greenhouse gas emissions, and the international community appears to be making real progress in stemming the growth of emissions, the Court may be less sympathetic to arguments that the Plan is legally deficient. The effect, to be sure, would be subtle. But it could very well make the difference in arguments about whether the Plan will be upheld.

*China*

Chinese commitment is essential to any real solution to climate change. China is the world leader in carbon emissions, accounting for 30% of global emissions – roughly equivalent to the combined emissions of the U.S. and the European Union. Whereas emissions have begun to decline in the U.S. and E.U., Chinese emissions continue to grow at a rapid pace.

While President Obama faces significant domestic opposition to his commitment, conventional wisdom has it that China can simply, by fiat, transform its economic and energy policy to achieve its climate goals. Yet, China has long faced tremendous resistance to reform from a sprawling, fragmented polity. What reason is there to believe that the 2030 carbon emissions peak will be any more achievable than past environmental goals?

The most plausible reason is that Chinese leaders have in recent years gradually increased the priority of environmental goals, and more importantly have come to see environmental protection as a vehicle for transforming China's approach to economic growth. Ensuring that China's economic engine does not falter, in turn, is central to the legitimacy of the Party-state. Thus, political will to transform China's economy has produced a certain amount of political will for a shift to a lower-carbon economy. China's choking levels of air pollution have bolstered this dynamic.

China's stated strategy these days is to move away from heavy industry, exports and coal, towards an economy built on services and higher-value added industries powered by a more diverse energy mix.

But this economic transformation has faced significant opposition from entrenched domestic interests, such as the central state-owned enterprises in power, coal, steel, oil, and the like. As a result, economic transformation has been uncertain, energy security risks have increased, and China's skies have continued to fill with pollution. The U.S.-China announcement should be viewed in this context. It is a signal of intent from the highest reaches of the state that economic transformation remains a central priority. And the unprecedented nature of the joint announcement also suggests Chinese leaders believe that the domestic effort could use all the help it can get.

In the end, the U.S.-China announcement has the potential to shift the debate within each country about the trajectory of their climate policies as much as it shifts the debate within the international community. For its effect on domestic policy alone, we think the announcement really may be a game changer.