

Stern Review: Climate action now will avoid future economic chaos

In Short:

Keeping global warming under control will cost the global economy far less than coping with the damage it will cause, according to the conclusions of the Stern Review on the economics of climate change.

Former World Bank chief economist Sir Nicholas Stern was appointed by the British government last year to head the most comprehensive review to date on the economics of climate change.

Issues:

On 30 October, Sir Nicholas Stern handed a long-awaited report to UK Prime Minister Tony Blair on the economics of climate change.

Blair said that the conclusions of the Stern Review should be seen as "the final word" on why the world should take action to limit global-warming. He described the report as "the most important document on the future" that came to his attention since his election almost ten years ago.

The report comes just days ahead of a UN conference in Nairobi, Kenya, which will try to advance talks on global warming action after 2012 when the Kyoto targets expire.

It is meant to give Blair and the EU ammunition in trying to persuade the United States and China, the world's two largest emitters of CO₂, to agree to a binding international emissions-cutting programme. The US and China are parties to the UN Framework Convention on Climate Change (UNFCCC) but are not bound by the Kyoto Protocol attached to it.

Stern that said the Review lead him to "a simple conclusion: the benefits of strong and early action far outweigh the economic costs of not acting."

The former World Bank chief economist said that models used in the report demonstrate that it would cost as little as 1% of global GDP every year to keep global warming to manageable levels.

In contrast, it warned that inaction could trigger powerful storms, floods or heat waves that could cost the global economy "at least 5%" of GDP each year and up to 20% in the worst-case scenario. The end result could be an economic crisis "on a scale similar to those associated with the great wars and the economic depression of the first half of the 20th century".

Stern also came with a more upbeat message: "The world does not need to choose between averting climate change and promoting growth and development," as has often

been claimed by EU business circles. He even says that tackling climate change is "a pro-growth strategy for the longer term" as reducing carbon emissions will create new jobs and foster innovation and technology.

Ultimately, it said, greenhouse gas emissions should be brought down "to more than 80% below current levels" in order to keep concentrations between 500 and 550 parts per million (ppm). This is the reference level at which it is estimated that global temperature increase will be kept below 2° Celsius compared to pre-industrial levels.

The Review estimates that such concentration levels can be achieved if strong action is taken now in some key sectors worldwide:

Power sector should be "at least 60%" decarbonised by 2050;
deep emission cuts should also be achieved in the transport sector;
CO₂ capture and storage technology "will be necessary" as fossil fuels such as coal will continue to make up over half of global energy supply in 2050, and;
cuts in non-energy emissions such as those resulting from deforestation and agriculture are also considered essential.

According to the Review, the response should be international and involve fast-growing economies such as China, who has now become the world's second largest emitter of greenhouse gases after the US. It then points to some key elements of a future international framework to tackle global warming:

Emissions trading: expanding and linking together existing schemes such as the EU-ETS;
technology co-operation:

globally, support for energy R&D should "at least double";

support for the deployment of low-emissions technologies should increase for energy-efficiency should be stepped up globally;

reducing deforestation: loss of natural forests around the world contributes more to global emissions than the transport sector, so curbing deforestation should become a priority, and;

adaptation: integrating climate change into development policies to help vulnerable countries in the south adapt to rising sea levels and face tougher conditions for agriculture (droughts, floods).

Positions:

In Washington, the White House Council on Environmental Quality downplayed the significance of the report. "The U.S. government has produced an abundance of economic analysis on the issue of climate change. The Stern Report is another contribution to that effort," it said in a statement.

The UK's Tyndall Centre for climate change research, a government institute, said the Stern Review brought much-needed transparency to the economic debate about climate change. Prof. Neil Adger, said: "The economics of Nicholas Stern is not the 'dismal science' of standard economics" but rather shows "how climate change can be tackled head on by governments using clear goals and sustained investment".

However, the R&D money poured into clean energy is currently far outstripped by amounts being invested in other sectors. In an article for the New York Times, Andrew C. Revkin says that US federal spending on medical research has quadrupled to \$28 billion annually since 1979. At the same time, military research increased 260% to reach \$75 billion a year. In comparison, the \$4.2 billions that President W. Bush promised for climate and energy research in 2007 seems modest.

In Europe, government research into clean energy is scattered between countries, making it difficult to evaluate the actual numbers. EU funds earmarked for climate-friendly technologies amounted to only €2.2 billion spread over a period four years (2002-2006). The funds could be raised slightly to €2.4 billion over the next period (2007-2013).

The environmental movement welcomed the Review, saying it should act as "a wake up call" for the world to take action. WWF urged governments meeting in Nairobi to produce a clear plan for the Post-Kyoto period and give developing countries access to financial resources to adapt to climate change.

WWF also seized the opportunity to remind Europe of its own commitments. "The EU must show that its self-proclaimed leadership on climate change isn't just hot air," said Hans Verolme, director of WWF's Global Climate Change Programme. "The European Commission must ensure that the EU emission trading system finally starts to reduce emissions."

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