Climate gain without economic pain—Perry Sioshansi's Letter from America

New studies claim addressing climate change is less painful than previously thought.

Momentum is gradually building towards some sort of international agreement expected to be reached at next year's Conference of Parties (COP) to be held in Paris in Dec 2015. For those curious, the 2014 COP, to be held in Lima, Peru between 1-12 Dec, appears to have been unofficially delegated to a mere dress rehearsal for Paris. Don't ask why but hardly anyone is even talking about anything concrete coming out of Lima. With such low expectations, Lima may turn out to be a mild success.

As always happens prior to COP gatherings, various groups release reports of their findings on how dire the situation is likely to get and how much it may cost—or how much damage can be expected—if no action is taken to address climate change. Among the most noteworthy of such studies is a massive undertaking by New Climate Economy—a high profile group that produced a report titled *Better Growth, Better Climate* in September 2014 to coincide with UN's climate summit in New York City.

The report's main message is to say that governments and businesses can achieve economic growth while reducing their carbon emissions—that the two are not only complementary but mutually reinforcing. "Rapid technological innovation and new investment in infrastructure are making it possible today to tackle climate change at the same time as improving economic performance", it claimed.

"This report refutes the idea that we must choose between fighting climate change or growing the world's economy", according to Felipe Calderón, former president of Mexico and chair of the Global Commission on the Economy and Climate. "Today's report details compelling evidence on how technological change is driving new opportunities to improve growth, create jobs, boost company profits and spur economic development. The report sends a clear message to government and private sector leaders: we can improve the economy and tackle climate change at the same time."

"The decisions we make now will determine the future of our economy and our climate", said Lord Nicholas Stern, co-chair of the Global Commission. "If we choose low-carbon investment we can generate strong, high-quality growth—not just in the future, but now. But if we continue down the high-carbon route, climate change will bring severe risks to long-term prosperity."

The report focuses on major opportunities to achieve strong growth with lower emissions in three key sectors of the global economy—cities, land use and energy. To achieve such low-carbon growth, governments and businesses must improve resource efficiency, invest in infrastructure and stimulate technological and business innovation:

- **Cities—**building better connected, more compact cities based on mass public transport can save over $3tn in investment costs over the next 15 years;
- **Land use—**restoring just 12% of the world's degraded lands can feed another 200mn people and raise farmers' incomes by $40 billion a year—and also cut emissions from deforestation;
- **Energy—**as the price of solar and wind power falls dramatically, over half of new electricity generation over the next 15 years is likely to be from renewable energy, reducing dependence on highly polluting coal;
- **Resource efficiency—**phasing out the $600bn currently spent on subsidies for fossil fuels—compared to $100bn renewables—will help improve energy efficiency;
- **Infrastructure investment—**new financial instruments can cut capital costs for clean energy by up to 20%; and
- **Innovation—**tripling research and development in low-carbon technologies to at least 0.1% of GDP can drive a new wave of innovation for growth.

The report includes a detailed 10-point Global Action Plan of recommendations that can achieve greater prosperity and a safer climate at the same time, all with *net* economic benefits, even before their climate benefits are considered.

The Commission believes that if fully implemented its recommendations could potentially achieve up to 90% of the emissions reductions needed by 2030 to avoid dangerous climate change.

A number of reputable international economic and policy institutes including the World Resources Institute (WRI), the Climate Policy Initiative, the London School of Economics, the Stockholm Environment Institute and Tsinghua University as well as the International Energy Agency, International Monetary Fund, OECD and the World Bank contributed to the study.

A companion report by the WRI, released in mid Oct 2014, suggests that at least for the US, climate change could be addressed with *net* gain and virtually no financial pain.

To start off, US greenhouse gas emissions (GHG) have been falling and are projected to be virtually flat through 2040, even with no additional policies in place. The US power generation sector, for example, can coast along at the same level of emissions due to gradual displacement of coal by natural gas plus increasing amounts of renewable generation—not the case in many developing economies.

The report, *Seeing is Believing: Creating a New Climate Economy in the US*, focuses on several attractive opportunities for reducing emissions over time, all with positive benefits and little or no *net* loss.

The report's recommendations are straightforward and sensible—all may be regarded as no-regret strategies even if climate change was not a serious threat. Who could be against WRI's 5 main proposals?

- produce cleaner electricity—now on par or at lower cost than traditional fossil-fuelled based generation;
- reduce electricity consumption;
- develop and deploy cleaner and more efficient passenger vehicles;
- Improve production, processing and transmission of natural gas; and
- Reduce emissions of hydro fluorocarbons.

Curbing emissions from these areas is critical to achieve the US's target to reduce GHG emissions 17% below 2005 levels by 2020, and further in the years beyond, according to Andrew Steer**,** WRI's CEO.

US, not unlike other major mature OECD economies, benefits from another important trend: virtually flat demand growth in electricity consumption for the foreseeable future. Further efforts to reduce this feeble demand growth can reduce the need for power generation and associated emissions.

In short, those who are concerned about climate change have learned that to save the planet from ruin the message must be sugar coated with the promise of economic growth and little or no financial pain. Consequently, strategies to address climate change are now increasingly focused on economic growth, job creation and technological innovation. Reduced greenhouse gas emissions are merely the icing on the cake, almost parenthetically noted.

After the disappointing COP in Copenhagen in December 2009, environmental activists and the so-called "elitists" learned a hard lesson: That for the average six-pack Joe, climate change is as abstract and irrelevant as space travel or organic food.

If the message is to create more jobs and bring more prosperity to the average citizen, including those on the bottom of the distribution curve, then it may have a chance.

Both reports highlighted in this article follow this approach and hardly mention climate change as the core issue. How can anyone be against more jobs, more prosperity and economic progress?

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Nutwood contains occasional pieces from guest contributors on key industry and policy issues. If you have a point of view that you would like to see featured, please contact our editor Andy Mower. His contact details are 01603 604403 or andy.mower@cornwallenergy.com.