# The Price of Climate Change

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Red Pepper - *It is possible to conceive of all manner of climate disasters, it seems, but not to think outside the box of the economic systems that have contributed to their happening in the first place.*

When political historians look back on 2007, there is a fair chance they will see it as the year that the climate change threat was finally taken seriously. For the evidence that the climate is changing is 'unequivocal', according to the recent Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), an assessment that synthesises the research of 2,500 scientists.

The evidence presented by the IPCC is overwhelming. Eleven of the past 12 years rank among the 12 warmest since global records began in 1850, while average sea level rises are accelerating year on year. The report warns that if present trends continue unchecked, temperatures could rise by up to 4C and sea levels by up to 60 centimetres globally by 2100. The likely consequences vary from region to region, but include widespread drought, desertification, flooding and glacial melt.

What is to be done in the face of this unprecedented crisis? Here the answers are decidedly more equivocal. While this December's UN climate conference in Bali will begin negotiations for a new international treaty to succeed the Kyoto Protocol, these will only be concluded by 2009. And while many nations support globally binding emissions targets, there is no possibility of an agreement to deliver the 80 or 90 per cent cuts in emissions that climate scientists say are needed by 2030. Moreover, the carbon pricing and market mechanisms that are being promoted as the central means to deliver on these targets have so far been a failure.

Take the EU's emissions trading scheme (ETS), for example. Its 'cap and trade' approach offers companies carbon credits as an incentive to limit their emissions, but corporate lobbying led to a huge over-allocation in the first phase of the ETS. As a result, some of Europe's largest polluters profited massively, without delivering emissions reductions.

It is worth understanding where this drive for a global market-based approach is coming from. Despite its failure to ratify the Kyoto Protocol, it was the US government (backed by an array of lobbyists and NGOs) that initially pushed for carbon trading as the backbone of a global agreement. Since then, the British government has played an important role in placing this approach firmly on the agenda for a post-Kyoto treaty.

In 2005, the G8+5 was inaugurated by Tony Blair at the Gleneagles summit. Its main function, thus far, has been to advocate the introduction of global trading schemes, and to support a central role for the World Bank in climate policy – despite the fact that the bank has single-handedly financed more than $25 billion in fossil fuel-based projects since the Rio Earth Summit in 1992.

In 2006, the Stern Review, commissioned by Gordon Brown's Treasury, argued that the economic costs of not acting on climate change outweighed those of tackling the problem.

The IPCC has adopted a similar line, and now suggests that 'an effective carbon-price signal could realise significant mitigation potential in all sectors'. The basis of its argument is that making carbon intensive activities more expensive will give consumers and industry a greater incentive to change their behaviour patterns.

While there is undoubtedly some truth in this, we should be wary of putting all our eggs in this one basket.

In the 1970s, high price rises did little to wean us off oil. Why should we assume things will be different this time around?

There is a more fundamental problem, too. If the incentives to act on climate change are focused mainly on price, this allows the richest actors in the market to buy their way out of responsibility for the problem. In so doing, such models pass up the need to promote deeper social changes – or, as a footnote to the IPCC report puts it, they do not consider 'equity issues'.

In fact, the IPCC's assumption that an international carbon market will be a 'foundation for future mitigation efforts' risks undermining any efforts to regulate emissions. This is a remarkably short-sighted conclusion for an organisation whose work recognises the need for urgent action to reduce greenhouse gas emissions, and discusses scenarios that would revise industrial processes, transport, agricultural and building practices.

It is possible to conceive of all manner of climate disasters, it seems, but not to think outside the box of the economic systems that have contributed to their happening in the first place.

There is an important lesson here for those of us who are campaigning on climate change, and it is that being armed only with peer-reviewed science is not enough. Nor is it enough to ask governments simply to urgently formulate an international agreement. We need to look, instead, at the politics behind the marked-based solutions currently being proposed to deal with global greenhouse gas emissions, understand why these mechanisms are failing, and promote other measures for a just transition away from fossil fuel dependence through public investment, regulation, changing subsidies and taxation.

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