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A climate of burning money



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Greta Thunberg testifies during a House Foreign Affairs Committee Europe, Eurasia, Energy and the Environment Subcommittee and House (Select) Climate Crisis Committee joint hearing on Capitol Hill in Washington, DC.

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World leaders will soon arrive in New York for a climate summit likely to do little more than add to the hysteria drowning out any sober talk on climate policy. Amid warnings that we have days left to act, politicians will jostle to share the spotlight with celebrity activists such as 16-year-old Greta Thunberg, who came from Europe by wind-powered boat. Hurricane Dorian looms large over proceedings as a harbinger of doom.

After 30 years of failed climate policy, more of the same is not the answer. Since the 1992 Rio de Janeiro Earth Summit, our use of renewable energy has increased by only 1.1 percentage points — from meeting 13.1 per cent of the world's energy needs in 1992 to 14.2 per cent today. Most nations are failing to deliver on carbon cut undertakings already made — yet politicians will be feted in New York for making new, empty promises.

Enough is enough. We must confront climate change, but hyperbole and bluster do the planet no favours. This is the time we should be having a sensible discussion on cost-effective ways to reduce the worst of climate change's damages.

Thunberg exposes the vacuous hypocrisy of the movement. She rightly points out that everybody talks big but does little. Since Bill Clinton was in the White House, a succession of global leaders has promised to cut emissions drastically. Their falling short is not because of a lack of interest, urgency or goodwill. While the US lack of climate policy is regrettable, global failure cannot simply be attributed to Donald Trump's presence in the White House. The reason is that the main climate solution being pursued is costly and ineffective.

Alternative energy has increased so little because green energy remains incapable of meeting all of our needs met by fossil fuels. Replacing cheap and reliable fossil fuel energy with more expensive and less reliable energy alternatives weighs down the economy, leading to slightly lower growth.

This means the Paris treaty is likely to cost between \$US1 trillion and \$2 trillion (\$1.5 trillion and \$2.9 trillion) a year, making it the costliest treaty in history. Not surprisingly, research shows that it will increase poverty. Its effects are not evenly felt; increasing electricity prices hurts the poor the most.

At great cost, the Paris Agreement will reduce emissions by just 1 per cent of what politicians have promised. The UN body organising the Paris Agreement finds that if all its promises were fulfilled (which they are not on track to achieve), it would cut about 60 billion tonnes of CO₂ equivalents, whereas about 6000 billion tonnes are needed to get to the promised 2C target.

Yet politicians are being celebrated for going even further than the Paris treaty's current promises, vowing to make entire economies "carbon-neutral" within decades.

It speaks volumes that few governments ever establish the costs of such promises. One of the few that has is New Zealand. A government-commissioned report found that aiming for net zero emissions by 2050 would cost more than the entire current annual national budget. There would be "yellow vest" riots worldwide if such policies were genuinely pursued.

We need to challenge the ever-more rampant talk about "catastrophic" climate change. Rhetoric has become unpinned from science.

According to the UN climate science panel's last major report, if we do absolutely nothing to stop climate change, the impact will be the equivalent to a reduction in our incomes of between 0.2 per cent and 2 per cent five decades from now.

Work by Nobel laureate climate economist William Nordhaus based on the UN findings shows the likeliest outcome is a cost to the planet of about 3 per cent of gross domestic product in coming centuries. That should be taken seriously — but it does not equal Armageddon.

The havoc wreaked by Hurricane Dorian is tragic but it cannot be pinned on global warming, according to the UN's climate scientists, who say "globally, there is low confidence in attribution of changes in tropical cyclone activity to human influence". Indeed, a study shows hurricane damage currently costs 0.04 per cent of global GDP.

As we expect a global increase in prosperity and hence resilience, unchanged hurricane costs will drop fourfold to 0.01 per cent by 2100. And even though global warming will make hurricanes fewer but stronger and double total damage, the net impact still will be a smaller 0.02 per cent of GDP.

As a study from the Royal Society concluded, cutting CO₂ has “extremely limited potential to reduce future losses”. Instead, adaptation can be up to 52 times more effective.

As it has become obvious the political response to global warming is not working, more focus has been given to personal actions. But this doesn't add up, either.

Thunberg took a boat from Europe to New York. (The trip awkwardly will result in increased emissions because the crew is flying to New York to take the boat home; Thunberg is reportedly purchasing “carbon offsets”).

But if all 4.5 billion flights this year were stopped from taking off, and the same happened every year until 2100, temperatures would be reduced by only 0.03C, using mainstream climate models — equivalent to delaying climate change by less than one year by 2100.

Nor will we solve global warming by giving up meat. Going vegetarian is difficult; one US survey shows 84 per cent fail, most in less than a year. Those who succeed will reduce their personal emissions by only about 2 per cent.

And electric cars are not the answer. Globally, there are only five million fully electric cars on the road. Even if this climbs to 130 million in 11 years, the International Energy Agency finds CO₂ equivalent emissions would be reduced by a mere 0.4 per cent of global emissions. Put simply, the solution to climate change cannot be found in personal changes in the homes of the middle classes of rich countries.

The Paris Agreement cannot do much — just as the Rio and Kyoto pacts before it mostly failed — because in essence this approach requires rich countries to promise future economic hardship to achieve very little. Indeed, the real problem is that most of the 21st-century emissions are not being emitted by the rich world: if every single rich country stopped all CO₂ emissions today and for the rest of the century — no plane trips, no meat consumption, no petrol-powered cars, no heating or cooling with fossil fuels, no artificial fertiliser — the difference would be just 0.4C by the end of the century.

Solving climate change requires getting China, India and all the other developing countries on board to cut emissions. But of course their goal is to lift their populations out of poverty with cheap and reliable energy. How do we square that?

A carbon tax can play a limited but important role in factoring the costs of climate change into fossil fuel use. Nordhaus has shown that implementing a small but rising global carbon tax will realistically cut some of the most damaging climate impacts, at rather low costs.

This, however, will not solve most of the climate challenge. We must look at how we solved past major challenges — through innovation.

The starvation catastrophes in developing nations from the 1960s to the 80s weren't fixed by asking people to consume less food but through the Green Revolution in which innovation developed higher-yielding varieties that produced more plentiful food.

Similarly, the climate challenge will not be solved by asking people to use less of more expensive green energy. Instead, we should dramatically ramp up spending on R&D into green energy.

The Copenhagen Consensus Centre asked 27 of the world's top climate economists to examine policy options for responding to climate change. This analysis showed that the best investment is in green energy R&D. For every dollar spent, \$11 of climate damages would be avoided.

This would bring forward the day when green energy alternatives are cheaper and more attractive than fossil fuels, not just for the elite but for the entire world. Right now, despite all the rhetoric about the importance of global warming, we are not ramping up this spending. On the sidelines of the 2015 Paris climate summit, more than 20 world leaders made a promise to double green energy research and development by 2020.

Spending has inched up from \$US16bn in 2015 to only \$US17bn last year. This is a broken promise that matters.

We must also focus on adaptation — this can generate a broad range of benefits at low cost and help with challenges beyond global warming. And we should remember one of the most powerful development and climate policies is to accelerate economic growth for the world's worst-off.

The most powerful way to achieve this is through opening up trade opportunities. That is very far from the direction the world is heading in right now. Yet research shows that a successful Doha round could increase the annual income of the world's poorest by about \$US1000 a person in 2030. This is not only good in and of itself but it also would deliver much more resilience and reduce vulnerability to any climate impacts the future will bring.

Sadly, growth policies, adaptation, green R&D and an optimal CO2 tax are not what we will be hearing from the climate summit in New York.

But after 30 years of pursuing the wrong solution to climate change, we need to change the script.
