

Washington Post, September 28, 2009

Costly Carbon Cuts

Proposed Strategies Would Hurt the Most Vulnerable

By Bjorn Lomborg

COPENHAGEN -- In speech after rousing speech at the United Nations summit on global warming last week, politicians emphasized the need to protect the world's most vulnerable, who will be hit hardest by climate change. The rhetoric did little to disguise an awful truth: If we continue on our current path, we are likely to harm the world's poorest much more than we help them.

Urged on by environmental activists, many politicians are vowing to make carbon cuts designed to keep expected temperature rises under 3.6 degrees (2.0 Celsius). Yet it is nearly impossible for these promises to be fulfilled.

Japan's commitment in June to cut greenhouse gas levels 8 percent from its 1990 levels by 2020 was scoffed at for being far too little. Yet for Japan -- which has led the world in improving energy efficiency -- to have any hope of reaching its target, it needs to build nine new nuclear power plants and increase their use by one-third, construct more than 1 million new wind-turbines, install solar panels on nearly 3 million homes, double the percentage of new homes that meet rigorous insulation standards, and increase sales of "green" vehicles from 4 percent to 50 percent of its auto purchases.

Japan's new prime minister was roundly lauded this month for promising a much stronger reduction, 25 percent, even though there is no obvious way to deliver on his promise. Expecting Japan, or any other nation, to achieve such far-fetched cuts is simply delusional.

Imagine for a moment that the fantasists win the day and that at the climate conference in Copenhagen in December every nation commits to reductions even larger than Japan's, designed to keep temperature increases under 2 degrees Celsius. The result will be a global price tag of \$46 trillion, to avoid expected climate damage costing just \$1.1 trillion, according to climate economist Richard Tol, a contributor to the Intergovernmental Panel on Climate Change whose cost findings were commissioned by the Copenhagen Consensus Center and are to be published by Cambridge University Press next year. That phenomenal cost, calculated by all the main economic models, assumes that politicians across the globe will make the most effective, efficient choices. In the real world, where policies have many other objectives and legislation is easily filled with pork and payoffs, the deal easily gets worse.

Yet the real tragedy is that, by exaggerating the threat of global warming, we have awoken the beast of protectionism. There are always forces in society that demand that politicians create more barriers to trade because they cannot compete on an even, fair playing field. Global warming has given them a much stronger voice.

Already, politicians are responding -- and using the fear of global warming to create "green fences" against free trade. The U.S. House has passed the Waxman-Markey climate change bill with clear provisions to impose new trade tariffs on countries that don't agree to emission reductions. Eyes are on the Senate, where John Kerry sees these as "sanctions" against "renegade countries."

French President Nicolas Sarkozy has repeatedly called for a Europe-wide tax on imports from nations whose global warming efforts do not measure up to Europe's. German Chancellor Angela Merkel recently backed the idea.

There is a real and growing prospect of an all-out trade war being waged in the name of climate change.

The struggle to generate international agreement on a carbon deal has created a desire to punish "free riders" who do not sign on to stringent carbon emission reduction targets. But the greater goals seem to be to barricade imports from China and India, to tax companies that outsource, and to go for short-term political benefits, destroying free trade.

This is a massive mistake. Economic models show that the global benefits of even slightly freer trade are in the order of \$50 trillion -- 50 times more than we could achieve, in the best of circumstances, with carbon cuts. If trade becomes less free, we could easily lose \$50 trillion -- or much more if we really bungle things. Poor nations -- the very countries that will experience the worst of climate damage -- would suffer most.

In other words: In our eagerness to avoid about \$1 trillion worth of climate damage, we are being asked to spend at least 50 times as much -- and, if we hinder free trade, we are likely to heap at least an additional \$50 trillion loss on the global economy.

Today, coal accounts for almost half of the planet's electricity supply, including half the power consumed in the United States. It keeps hospitals and core infrastructure running, provides warmth and light in winter, and makes lifesaving air conditioning available in summer. In China and India, where coal accounts for more than 80 percent of power generation, it has helped to lift hundreds of millions of people out of poverty.

There is no doubt that coal is causing environmental damage that we need to stop. But a clumsy, radical halt to our coal use -- which is what promises of drastic carbon cuts actually require -- would mean depriving billions of people of a path to prosperity.

To put it bluntly: Despite their good intentions, the activists, lobbyists and politicians making a last-ditch push for hugely expensive carbon-cut promises could easily end up doing hundreds of times more damage to the planet than coal ever could.

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