

## CLIMATE CHANGE POLICY - A FOREIGN VIEW?

Bob Lyman

Citizens Count is a New Hampshire organization committed to the principle that democracy works better when citizens have objective information about public policy issues, legislation, elected officials and candidates for office. It promotes civil discussion and debate, in an effort to separate facts from opinions and fairly to present the pros and cons of various solutions. I was pleased to participate in the 2018 Portsmouth Conference on the subject of “Climate Change Choices: Payoffs and Tradeoffs” in New Hampshire on October 18 and 19.

None of the conference presenters chose to discuss or debate the scientific question of whether humans are having an effect on the global climate or whether that effect may be harmful in future. Rather, most of them focused on the policy questions of how to promote technological and economic change and how to calculate the costs and benefits of pursuing the goals favoured by the Intergovernmental Panel on Climate Change (IPCC). Only two weeks previously, the IPCC had published a new report in which it called for an acceleration in the rate of global emissions reduction so that emissions would be reduced to 45% of their 2005 levels by 2035 and eliminated by 2050. This, the IPCC claims, would constrain the increase in global average temperatures to 1.5 degrees Celsius over pre-industrial levels.

Dr. Bjorn Lomborg, President of the Copenhagen Consensus Center, gave the keynote address. He showed how meeting the IPCC goals would involve massive, revolutionary changes in global energy supply and demand. If accomplished through the use of carbon taxes, the IPCC’s own estimates are that taxes would have to rise from US \$1000 per tonne in 2030 to US \$6,700 per tonne in 2050 (\$10 to \$28 per U.S. gallon). He argued that both the IPCC scenarios and the tax increases needed to achieve them are unrealistic. By comparison, the average carbon taxes in Europe today are US \$8 per tonne, and the average carbon tax applied in all countries that impose carbon taxes is about US \$2 per tonne. Dr. Lomborg stated that the most cost-effective approach to future emissions reduction is to invest heavily in research and development, especially in new energy technologies that offer the promise of lower cost supplies and uses. He noted that total research and development spending in the OECD today is about \$8.5 billion annually, less than 0.02% of GDP, while expenditures on renewables for electricity generation is about \$150 billion, a far more expensive option.

Dr. Benny Peiser, Director of the Global Warming Policy Foundation and Dr. Fritz Vahrenholt, a German industrialist, environmentalist and politician described the results of climate policies to date in Europe. Electricity rates in the European Union rose 42% from 2006 to 2013 and are now more than double those in the United States. Over the past 20 years, there has been a wealth transfer of over one trillion euros from energy consumers to the sponsors of wind and solar generation plants. Germany’s goal is to have renewable energy supply 95% or more of electricity power consumption by 2050, eliminating not only coal and lignite but also nuclear power

from the generation mix. The cost of renewable energy production in Germany today is about 22 billion euros (US \$25 billion) per year, and Germany has the second highest power rates in Europe. The intermittent pattern of renewables generation adds to the problems; as power is often generated when electricity demand is low, the costs of curtailment, or paying renewables generators not to produce, exceeds one billion euros per year. Incredibly, due to the phase out of nuclear generation, these costs have had no effect in reducing greenhouse gas emissions. Total emissions in 2015 were the same as in 2009. Dr. Vahrenholt thought that the only way for Germany to meet its 2050 goal is through competitively priced bulk electricity storage, which he characterized as “not foreseeable”. Storage today costs today are about 50 euro cents per kilowatt hour; paying costs this high would “finish Germany’s primary industry - no steel, no aluminum, no base chemicals”.

I would have liked to hear further discussion on how to achieve energy transitions. Over the last century, governments have a very poor record in central planning and especially in promoting technological change by picking winners and losers. This seems to argue for a change strategy that includes a light-handed, performance-based regulatory approach and the use of market-based mechanisms, rather than centralizing command-and-control. Further, it seems clear that present policy underestimates the difficulty and cost of replacing infrastructure (ranging from vehicles to residences to industry and roads) and of disrupting people’s lives. Can these considerations be reconciled with the insistence that climate change demands an urgent transformation?

Overall, my sense of the conference was that responding to the perceived threat of damage to the human eco-system from climate change will continue to give this issue prominence on the political agenda of most western governments, that climate policy issues are often far more complex than is generally perceived by the public, and that achieving major emissions reductions may take longer than many people expect.

Fundamentally, while the public in OECD countries strongly supports environmental quality, opinion polls consistently show that addressing climate change ranks low on the list of public concerns, and that the public will resist new taxes. Further, when developing countries already account for over two-thirds of global emissions and almost all the emissions growth is occurring there, making the case for sacrifices in the OECD countries can only become more difficult as time goes on.