

# We need to bring climate idealism down to earth

## Lawrence Summers

With the accumulation of scientific evidence and its persuasive presentation to the public, the global warming debate has reached a new stage. Those who still deny that human activity is warming the planet, or claim that "business as usual" can continue indefinitely without profoundly adverse consequences, are increasingly seen as the moral and intellectual equivalent of those who deny that tobacco has adverse consequences for human health.

While there is probably excessive euphoria in some quarters over the economic benefit of green policies, it is now beyond debate that there are huge opportunities to reduce emissions with economic benefit or negligible economic cost. It has been estimated that worldwide subsidies to energy use approach \$250bn.

The real question for debate is not whether something should be done – that debate is over among the rational. The crucial question now is what should be done so as to leave our descendants with the highest possible quality of life. Answering it effectively requires vision and ambition. But, as

the example of Woodrow Wilson's League of Nations teaches painfully, utopian vision and ambition unmoored from political, economic and social reality can be counterproductive.

There is a very real danger that the global cap and trade approach directed at achieving the rapid emissions reductions enshrined in the Kyoto protocol – now favoured by most European governments – could be ineffective or even counterproductive by substituting for more realistic approaches to the problem. Kyoto is now the only game in town for those who do not want to be ostriches with respect to global climate change and so one has to hope for its ultimate success. But it is surely useful to try to be clear about the potential pitfalls, as I am in this column, and as a matter of prudence to consider alternative approaches if the Kyoto approach does not succeed, as I will in my next column.

First, the Kyoto approach depends on the questionable premise that nations will, in fact, be bound by binding targets or penalties for not meeting them. It is instructive in this regard to consider the history of the Maastricht Treaty within the European Union. It addressed fiscal targets directly under the control of governments over the relatively short term within a group of countries that had already achieved a

high degree of cohesion. It broke down almost immediately when it looked like the targets would not be binding for big countries, with the goals abandoned and no payment of even the modest penalties.

There is to date little evidence that Kyoto is driving behaviour. Whatever evidence there is of impressive emissions reductions comes from countries such as the UK, Germany and the

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former communist states, where coal use was being phased out for other reasons. The limited impact of Kyoto is evinced by the fact that carbon permits are now selling in the range of a negligible one euro a ton.

Second, carbon markets are invitations to engage in pork-barrel corporate subsidy politics on a massive scale. If greenhouse gas emissions are to be substantially reduced, the value of the associated emissions rights will be in the tens of billions of dollars. While in

principle emission permits could be auctioned, in practice they are always allocated administratively. It should not be surprising that businesses that can pass on carbon costs to their consumers are excited about schemes that compensate for these costs by allocating them permits related to their existing emissions levels. As investigations by this newspaper have highlighted, the clean development mechanism has resulted in substantial payments for emissions reductions that would have occurred anyway or could have been achieved at negligible cost. There is even reason to think that certain industrial gas emissions may have been increased so that credit could be claimed for their abatement.

Third, the most serious problem with the Kyoto framework is that it is unlikely to generate substantial changes in developing country policies. As my Indian hosts explained on a recent visit, developing country policymakers are not likely to accept binding targets on their energy use or greenhouse gas emissions that fall way short on a per-capita basis of emissions levels in the industrial world.

Nor is it reasonable to expect them on the basis of dubious projections of economic trends and future technological developments to commit to energy use goals that fall short of

patterns observed in the rich countries.

The truth about climate change policy is that developing countries are where most of the future action has to be. They will account for 75 per cent of the increase in emissions over the next quarter century and are now making the infrastructure investments that will shape their future economies. Moreover, any international regime that does not include them will not work because emissions reductions in the industrial world will be offset as energy intensive activities relocate to the developing world. The 1997 vote cast by all the Democrats in the Senate suggests that approaches that do not involve the developing world are unlikely to command political support in at least some parts of the industrialised world.

Perhaps these problems and others, like the difficulty of establishing emissions targets given the magnitude of economic uncertainties, can be overcome with goodwill and extensive thought. But next month I shall suggest approaches that, while less dramatic in their immediate claims for emissions reductions, may over time provide a more secure foundation for the progress that the world must have.

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