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Climate Lecture 2009: "The Economics of Climate Change"

European Union should give big push on finance and targets for climate change treaty, says Lord Stern

The European Union should continue its leadership on climate change, following progress by leaders at last week's European Council, by giving a big push to negotiations ahead of the crucial United Nations conference in Copenhagen, Nicholas Stern will tell an audience in Berlin today (4 November 2009). He will argue that the EU should take the lead among rich countries by making the case for a firm commitment by the developed world to contribute US$50 billion per year by 2015 to support the climate change action plans for mitigation and adaptation in developing countries. He will also call on Member States to recognise recent advances by other countries and highlight their readiness to commit the EU to its stronger target of reducing its greenhouse gas emissions by 30 per cent by 2020 if progress globally is maintained and widened.

Professor Stern, who is a member of the House of Lords in the UK Parliament and Chair of the Grantham Research Institute on Climate Change and the Environment at London School of Economics and Political Science, will say: "There are just 33 days left until the start of the Copenhagen summit, and we can now see the outline of a global deal on climate change.

"It is time for political leadership at the highest level to accelerate us towards a strong agreement. Progress was made last week at the European Council, and the European Union should continue to promote a long-term vision for a low-carbon world that is safer, cleaner, quieter, more energy-secure, and more bio-diverse. Members States should unite in making firm commitments on targets for the reduction of greenhouse gas emissions, and on financial support to help the developing countries to tackle the causes and consequences of climate change.

"The developing countries must receive reliable and substantial support from the rich nations for their climate action plans to reduce emissions and to overcome the additional challenges that climate change will pose for their efforts to tackle poverty. European Union leaders showed last week that they understand the scale of the finance that is required by estimating that €100 billion per year (about US$150 billion) will be needed by the developing countries by 2020 for their plans for mitigation and adaptation. This should be met through contributions from both developing and developed countries, as well as the carbon markets.”

“The rich countries should now show the seriousness of their support for developing countries, by making a clear commitment to provide US$50 billion per year by 2015, through both public finance and the carbon markets. This could rise to US$100 billion in 2020, and progress to around US$200 billion during the 2020s as good and effective low-carbon and adaptation programmes are brought through. While these might sound like large sums, US$50 billion is just 0.1 per cent of the current gross domestic product of the rich countries, and is a very small amount compared to the likely costs we will face if we do not secure a strong international agreement to tackle climate change. The immediate priorities for spending should be halting deforestation, supporting adaptation and mitigation measures in the countries of Africa and other vulnerable nations, and boosting emission cuts elsewhere in the developing world.”

“The European Union should lead the way by quantifying the scale of its financial commitments, particularly to the $50 billion per year that should be provided by 2015, taking into account its population, wealth and contribution to global greenhouse gas emissions. This will encourage other rich countries to do the same.”

Lord Stern will also call for the European Union to demonstrate that it can cut its emissions by 30 per cent relative to 1990 by 2020 to convince other countries also to make ambitious reductions. At present, the European Union has indicated that it will cut its emissions by 20 per cent by 2020, and will adopt a target of 30 per cent only if there is an ambitious and comprehensive international agreement with “comparable” reductions by other developed countries and appropriate actions by developing countries.

Lord Stern will say: “It is vitally important that we, in the European Union, do not make the mistake of thinking of emissions reductions as simply a burden-sharing exercise. It is a process of innovation and investment which will both avoid the profound risks posed by climate change, and promote a dynamic transition to a low-carbon economy to create a new era of progress and prosperity. We know that it will be more cost-effective for all countries to act strongly now rather than delay, and that investments in a low-carbon economy can help to pull the world out of the slowdown. Member States that embark on this path quickly and effectively are likely to enjoy considerable advantages, for instance by becoming leaders in the markets for new low-carbon technologies.”

“The European Union, as a unified group of countries, can give added momentum to the negotiations by showing that it is ready to make a commitment to cut emissions by 30 per cent relative to 1990 levels by 2020, if recent progress by other countries is maintained and widened. This could persuade other countries to make more ambitious commitments themselves.”

"We know that annual global emissions of greenhouse gases will be about 47 billion tonnes next year and if we are to have a reasonable chance of avoiding a rise in global average temperature of more than 2˚C above pre-industrial levels, we will need to cut to around 44 billion tonnes in 2020, much less than 35 billion tonnes in 2030, and much less than 20 billion tonnes in 2050. Current intentions by the biggest emitters in the developed and developing world would result in annual emissions of around 49 billion tonnes in 2020. We need to find further cuts of 5 billion tonnes by 2020. An increase in the European Union's target could spark off similar measures by other countries to bridge the gap."

"We must recognise that other countries have been outlining ambitious intentions for their emissions reductions. The new prime minister of Japan, Yukio Hatoyama, pledged soon after taking office in September that his country will reduce its emissions by 25 per cent relative to 1990 levels by 2020. The Chinese president, Hu Jintao, announced at a United Nations summit in New York that his country will cut its carbon dioxide emissions per unit of gross domestic product by a "notable margin" by 2020 compared with levels in 2005. And Jairam Ramesh, the Indian environment minister, last month outlined a series of important measures that his country intends to take across a wide range of sectors, including the goal of obtaining a fifth of its energy from solar, wind and hydro sources by 2020. In the United States, where domestic political progress has been slower, there is a clear commitment by President Obama to significant cuts in emissions, and some signs of progress on climate change bills in Congress."

During his lecture on 'The Economics of Climate Change' at Technische Universität Berlin, Lord Stern will provide an analytical basis for global and rich-country emissions targets, founded in the economics of risk management. He will emphasise that under 'business-as-usual' emissions of greenhouse gases, we risk temperatures not seen on the planet for tens of million of years, which would likely lead to mass migration and conflict. On the other hand, a transition to a low-carbon economy would create a period of discovery, innovation and investment which could be more dynamic than any other in economic history. Lord Stern will receive an honorary doctorate before the lecture.

For more information about this media release, please contact Bob Ward on +44 (0) 7811-320346 or r.e.ward@lse.ac.uk. For more information about the arrangements for Lord Stern's lecture, please contact Dr. Kristina R. Zerges on +49 (0) 30 314-23922 or pressestelle@tu-berlin.de

NOTES FOR EDITORS

1. Nicholas Stern was recommended as a non-party-political life peer by the UK House of Lords Appointments Commission in October 2007. Baron Stern of Brentford was introduced in December 2007 to the House of Lords, where he sits on the independent cross-benches.

2. The Grantham Research Institute on Climate Change and the Environment (http://www.lse.ac.uk/grantham) was launched at the London School of Economics and Political Science in October 2008. It is funded by The Grantham Foundation for the Protection of the Environment (http://www.granthamfoundation.org/).

3. Lord Stern is also Chair of the Centre for Climate Change Economics and Policy (http://www.cccep.ac.uk/), which is hosted by the University of Leeds and the London School of Economics and Political Science. It is funded by the UK Economic and Social Research Council (http://www.esrc.ac.uk/) and Munich Re (http://www.munichre.com/). He is also I.G. Patel Professor of Economics and Government and Director of the India Observatory at London School of Economics and Political Science.

4. Nicholas Stern was Second Permanent Secretary at HM Treasury between 2003 and 2007. He also served as Head of the Government Economic Service, head of the review of economics of climate change (the results of which were published in 'The Economics of Climate Change: The Stern Review' in October 2006), and director of policy and research for the Commission for Africa. His previous posts included Senior Vice-President and Chief Economist at the World Bank, and Chief Economist and Special Counsellor to the President at the European Bank for Reconstruction and Development.