

Fixing Climate Change May Add No Costs, Report Says

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SEPT. 16, 2014



A wind turbine being installed in northern France. Research says the benefits of such efforts may offset the cost of subsidies.
Credit
Benoit Tessier/Reuters

In decades of public debate about global warming, one assumption has been accepted by virtually all factions: that tackling it would necessarily be costly. But a [new report](#) casts doubt on that idea, declaring that the necessary fixes could wind up being effectively free.

A global commission will announce its finding on Tuesday that an ambitious series of measures to limit emissions would cost \$4 trillion or so over the next 15 years, an increase of roughly 5 percent over the amount that would likely be spent anyway on new power plants, transit systems and other infrastructure.

When the secondary benefits of greener policies — like lower fuel costs, fewer premature deaths from air pollution and reduced medical bills — are taken into account, the changes might wind up saving money, according to the findings of the group, the [Global Commission on the Economy and Climate](#).

“We are proposing a way to have the same or even more economic growth, and at the same time have environmental responsibility,” said the chairman of the commission, Felipe Calderón, the former president of Mexico and an economist. “We need to fix this problem of climate change, because it’s affecting all of us.”

The commission found that some \$90 trillion is likely to be spent over the coming 15 years on new infrastructure around the world. The big challenge for governments is to adopt rules and send stronger market signals that redirect much of that investment toward low-emission options, the report found.

“This is a massive amount of investment firepower that could be geared toward building better cities, and better infrastructure for energy and agriculture,” said Jeremy Oppenheim, who led the research for the report.

While the commission found that the requisite steps may make economic sense, that does not mean they will be politically easy, the report says. For instance, the group will recommend that countries eliminate subsidies for fossil fuels, which cost about \$600 billion a year but are vigorously defended by vested interests.

It will urge nations to take a fresh look at the potential of [renewable energy](#), whose costs are plummeting, and also recommend the adoption of initiatives to halt destruction of forests, use land more efficiently and limit wasteful urban sprawl, among many other steps.

The claim that the side benefits, such as better air quality, could potentially offset the costs is likely to be controversial.

The Intergovernmental Panel on Climate Change, a United Nations body, found in a [report](#) earlier this year that these side benefits are real, but it declined to attach a specific value to them because the methodology for doing so is difficult and uncertain. The exercise requires, for instance, defining the economic worth of improved human health.

Ottmar G. Edenhofer, a German climate economist who helped lead that earlier effort, said in an interview Monday that he was doubtful about the precise values for the side benefits cited in the new report. He served as an adviser to the global commission, but is not an author of the final document.

“The assumption and the argument that this can be done for free, that’s from my point of view overly optimistic,” Dr. Edenhofer said. “Yes, you

rescue some lives, but to assign monetary values to this is particularly complicated.”

Dr. Edenhofer added, however, that the recommendations in the new report were generally sensible and, if adopted, would help to put the world on a more sustainable path. “Climate policy is not a free lunch, but it is a lunch worthwhile to buy,” he said.

Some of the report’s recommendations, such as limiting urban sprawl and traffic, may sound utopian, but it cites examples of countries and cities that are already taking such action.

More than a hundred cities in the developing world, for instance, have built [fast bus systems](#) using dedicated roads or lanes, achieving efficient public transport at a fraction of the cost of rail systems. Congestion charges in cities like [London](#), [Stockholm](#) and [Singapore](#) have sharply cut car trips. China is launching ambitious measures to try to gain control of urban sprawl.

If a concerted worldwide push were made to scale up ideas that have already proved successful, the commission found, emissions of heat-trapping gases could be reduced by billions of tons per year, and the chances of limiting global warming to tolerable levels would be greatly improved.

The findings come one week before world leaders, including President Obama, gather in New York to discuss climate change. Most experts do not expect any big breakthroughs, but tens of thousands of people are expected to [march in the streets](#) of New York and other cities on Sunday to demand stronger action.

The Global Commission on the Economy and Climate was appointed by seven countries spanning the income spectrum: Colombia, Ethiopia, Indonesia, Norway, South Korea, Sweden and the United Kingdom. The commission enlisted some of the world’s top economists and business consultants to take a fresh look at the economic questions surrounding climate change. The report, due for release Tuesday morning, was made available in advance to The New York Times.

The report seeks to upend some longstanding assumptions. It points out, for instance, that the cost of renewable energy has been plunging so fast that most previous analyses of its potential role are out of date. “Renewable energy sources have emerged with stunning and unexpected speed as large-scale, and increasingly economically viable, alternatives to fossil fuels,” the report said.

Perhaps the most important overall point of the report is that economic policies around the world are still aligned to favor fossil fuels, even though unchecked emissions from coal, oil and natural gas represent a potentially grave risk to future generations. “We have to get the prices right,” said Helen Mountford, who worked on the report and is the director of economics at the World Resources Institute, a Washington think tank.

Nowhere is this issue clearer, the commission said, than in the \$600 billion a year spent to subsidize fossil fuels, more than six times the level of subsidies going to renewable energy.

The fossil-fuel subsidies have been reduced in most Western countries and are now relatively low. They are still enormous in some developing countries, especially those that are major oil exporters, where cheap gasoline is seen as something of a national birthright. Venezuela, for instance, [sells gasoline](#) for about 6 cents a gallon, encouraging profligate consumption.

Countries that try to eliminate such subsidies too quickly can run into political problems. This summer, a sudden doubling of fuel prices in Yemen set off [riots](#). But gradual price increases can work, and some experts have [called](#) for a much greater focus by institutions like the World Bank on helping countries eliminate subsidies.