David Barnett: Let's investigate costs associated with climate change

One of the concerns around climate change is the cost of remediation and mitigation.

The gut reactions from all parts of the political spectrum are that the cost to reduce greenhouse gas emission is frightful. This is complicated by the political overtones on both sides: who should we trust?

Last month, Citi Corp Global Perspectives and Solutions group published a 132 page cost benefit analysis of reducing CO2 levels versus continuing business as usual (See Energy Darwinism II: “Why a Low Carbon Future Doesn’t Have to Cost the Earth”, available at ">http://www.ourenergypolicy.org/wp-content/uploads/2015/08/ZTGI.pdf

The report seems to be credible and indicates that although the cost of keeping global warming under 3.6 degrees Fahrenheit is tremendously expensive, the cost of doing nothing is not too much different, except for the possible negative effect on global GDP. The report concludes:

“The sums of money at stake in terms of investment in the energy sector are staggering — we estimate at $190.2 and $192.0 trillion between 2015 and 2040 for Citi’s ‘Action’ and ‘Inaction’ scenarios, respectively. The difference is marginal between the two scenarios; mainly due to the fact that although we spend more on renewable resources and energy efficiency in the ‘Action’ scenario, this is offset by savings in fossil fuels through lower usage and the lack of fuels used by wind and solar. However, going down the route of ‘Inaction’ would lead to a reduction in global GDP which could reach $72 trillion by 2060 depending on temperature increase, scenario and discount rate used.

We calculate the implied return of incremental avoided costs on annual spend and even though the returns are not spectacular, in today’s context of low yields, and certainly in the context of potential implications of climate change inaction on society and global GDP, and with the additional benefit of cleaner air, the ‘why would you not’ argument comes to the fore, an argument that becomes progressively harder to ignore over time.

The cost of mitigating CO2 emissions is estimated at $190.2 trillion, or $1.8 trillion less than the business as usual scenario projection of $192 trillion. (Yes, I am staggered by these amounts).

The big issue, and difficult to predict, is the impact on global GDP, which Citi says could reach $72 trillion. I would expect liberals to claim that the “Action” costs are over-estimated, and conservatives to claim that the benefits are overestimated.

As informed citizens, shouldn’t we at least investigate these claims rather than dismiss them out of hand?

David Barnett lives in Grass Valley.