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## **Watch your climate language**

By Walt Patterson

*The meeting of the committee to rearrange the deckchairs on the Titanic broke up in disarray. Those with chairs insisted that they had to keep them, because the chairs were essential to their lifestyles. Those without chairs argued that they too deserved a chance to sit down. But those with chairs could see no adequate reason to budge from their comfortable situation. They would be happy to help those without chairs to look for some, but only if those with chairs did not have to leave them. Even after the meeting broke up they continued arguing, until the waters closed over their heads...*

At the UN Conference on Environment and Development in Rio in 1992, the governments of the world drew up a Framework Convention on Climate Change (FCCC), which came into force in less than two years. From the mid-1990s onwards, governments reconvened for the first Conference of Parties (COP) to the Framework Convention and a succession of further COPs. At COP-3 in Kyoto, Japan, in December 1997, governments agreed a Protocol to the Framework Convention. According to the Kyoto Protocol, governments of industrial countries, both OECD countries and those in transition from communism to market economies, accepted legally binding commitments to reduce their emissions of the 'greenhouse gases' responsible for climate change.

The most important greenhouse gas is the carbon dioxide released when using fossil fuels – coal, oil and natural gas. Ergo, reducing emissions of carbon dioxide means reducing the use of fossil fuels. Unfortunately, some major companies and indeed some whole countries base their economic activities on extracting, processing, selling and using fossil fuels. They see any moves to reduce the use of fossil fuels as a threat; and they have succeeded dramatically in defining not only the terms of reference of global climate policy, but even the language used in discussing it. As a result, climate policy debate is couched entirely in terms of 'burdens' and 'burden-sharing', 'costs', and other off-putting negative terminology. This lopsided language reaches its epitome in the misleading name of one of its prime progenitors, the so-called 'Global Climate Coalition', a US-based lobbying group whose defining characteristic is that climate appears to be the least of its concerns.

In the summer of 1999 I attended an expert meeting of the Intergovernmental Panel on Climate Change, in Copenhagen. The meeting considered a variety of scenarios for the global economy to the year 2100, an exercise that many would consider at least over-ambitious. As usual, the discussion was all about 'burdens' and 'costs'. However, knowing nothing about scenario-building, I was struck by one curious feature. Any policy measure that made sense for any reason other than climate protection tended to be subsumed into the baseline. Accordingly, climate policy came to be defined as what was left over after you had done everything that made sense for any other reason. Thus

defined, climate policy is impossible to sell to politicians and the public, an unmitigated burden and cost.

In 1997, however, a study by the World Resources Institute, examining 16 models of the US economy and 62 model runs with differing assumptions about climate policy, demonstrated that the anticipated effect on US GDP to 2010 and 2020 varied from a modest decrease under worst-case assumptions to a modest increase under best-case assumptions; the overall effect was pretty much lost in the noise. The truly significant effect of climate policy is not on the total GDP but on the distribution of economic costs and benefits within the GDP. Climate policy is redistributive, creating winners and losers. At the moment those who see themselves as losers are setting the agenda for governmental policy on climate, particularly in the US. Their intransigence led directly to the collapse of COP-6 in The Hague in November, triggering an outburst of apocalyptic reportage about the consequences for the future of the planet.

Nevertheless, as governments wrangle inconclusively over climate protection commitments already acknowledged to be hopelessly inadequate, something else is happening. A rapidly lengthening list of major international companies is beginning to recognize that climate policy may be more of an opportunity than a threat. This is in part precisely because climate policy is redistributive. As policy measures reduce the status and prospects of some economic activities, they enhance the status and prospects of others. For obvious reasons, energy companies are watching particularly closely. Increasingly, some companies at least seem to like what they are seeing, and are revising their business strategies accordingly.

The key is to realize that providing energy services requires not just fuel and electricity; it also requires infrastructure – the physical assets that deliver the services. If we want better energy services while reducing the use of fossil fuels, we need better infrastructure; and the potential for such improvement is enormous. We want to shift the focus away from providing flows of measurable and measured energy – fuels and electricity – and toward expanding and upgrading the performance of the energy service infrastructure.

In electricity, the business opportunities for such activities are especially attractive. As this column has often argued, liberalization and technical innovation are decentralizing electricity. Decentralized electricity, with integrated, optimized local systems, could be the key to dramatic improvement of the energy service infrastructure, not just for environmental and social benefits but also for sound business reasons.

However, traditional central-station generation and monopoly networks are already creating obstacles to smaller-scale generation and innovative network arrangements. As is the case with climate policy, electricity policy is going to create winners and losers. Let's not let the losers define the terms.

*As they argued about the deckchairs on the Titanic, no one noticed that what they really needed to do was change course...*

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