THE CLOSING WINDOW

IMPLEMENTING EFFECTIVE CLIMATE POLICIES

National and International Context

Presentation to International Conference:
The Closing Window
Prof. Peter Sheehan
Centre for Strategic Economic Studies
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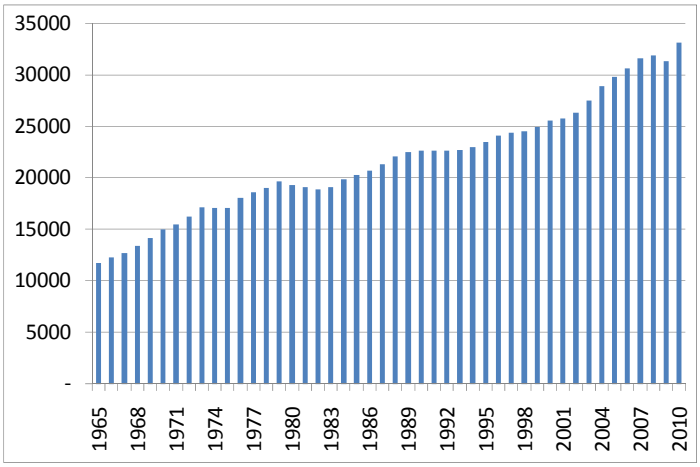
VICTORIA UNIVERSITY
MELBOURNE AUSTRALIA

Outline of presentation

In outlining the background for this conference and workshop, I will touch on several themes:

- The outlook for the climate continues to deteriorate, but implementing effective policies is proving difficult in most jurisdictions.
- Action to avoid really serious damage will become inevitable sooner or later; it involves a peak in emissions by at least 2020 and then sharp reductions.
- This in turn implies a major re-engineering of the world economy, both in technologies but also in economic structure, and will drive an era of 'green growth'.
- The key is not first best policy but for individual countries to find their path to green growth – hence our stress on 'implementing effective climate policies'.
- Some of the challenges Australia faces in implementing such policies are discussed briefly.

Chart 1. Global CO_2 emissions from fuel use, 1965-2010
(Mt CO_2, BP Statistical Review 2011)



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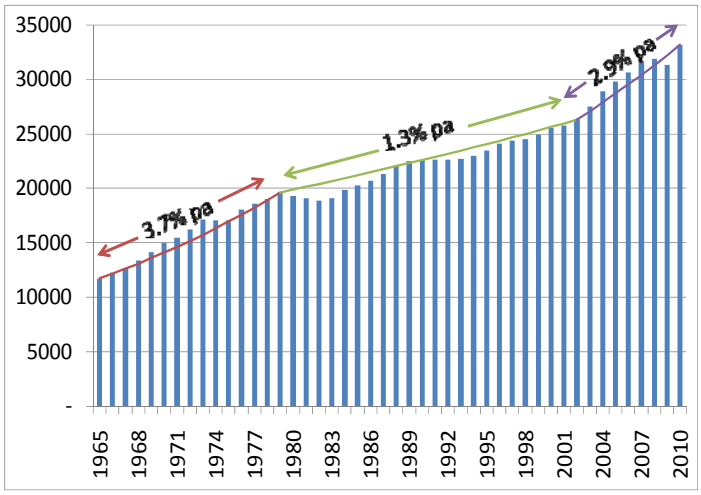
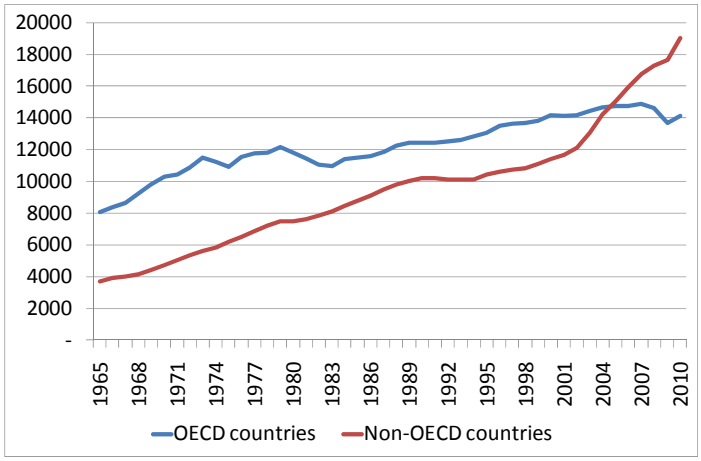


Chart 3. Global CO_2 emissions from fuel use, 1965-2010, by OECD and non-OECD countries

($Mt\ CO_2$, BP Statistical Review 2011)



Many countries are finding it difficult to implement effective policies to contain emissions

- The EU has been a world leader, and has a roadmap to reduce emissions by 80-95% by 2050, but is facing fundamental economic challenges.
- Climate change is off the national agenda in the USA until at least 2013, but actions continue in some states such as California.
- China is struggling to transform a rapidly growing industrial/construction economy into a new, clean-tech services oriented one. As a result it is a leader in two dimensions: emissions continue to rise rapidly but a wide range of aggressive climate policies are being pursued.
- Australia has published and will soon table in Parliament legislation for a carbon price and a cap-and-trade scheme, including a target to reduce emissions by 80% by 2050, but the path to effective implementation still looks difficult.

We are fortunate to hear about each of these case today.

Containing global warming to 2°C relative to pre-industrial temperatures

Emissions are increasing and seem likely to continue to increase strongly for some time to come.

However the broad conditions necessary to contain peak global warming to 2°C are widely agreed:

- A peak-and-decline scenario for both emissions and the atmospheric concentration of greenhouse gases
- Achieving the peak level by 2020 at the latest
- Substantial reduction in total emissions between 2020 and 2050

Clearly a trade-off between time/level of peaking and pace of decline, but peaking by 2020 at about 15 Mt C requires sharp reduction

A similar path is necessary even to hold peak warming to close to 2°C

The damaging consequences of even 2°C warming are being increasingly realised

Chart 4. Examples of peak-and-decline global emissions paths

(Total GHG emissions, Mt C_{-e} per year)

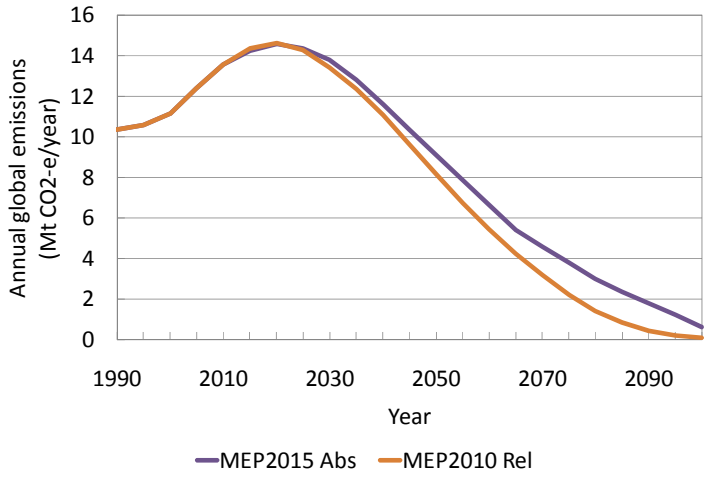
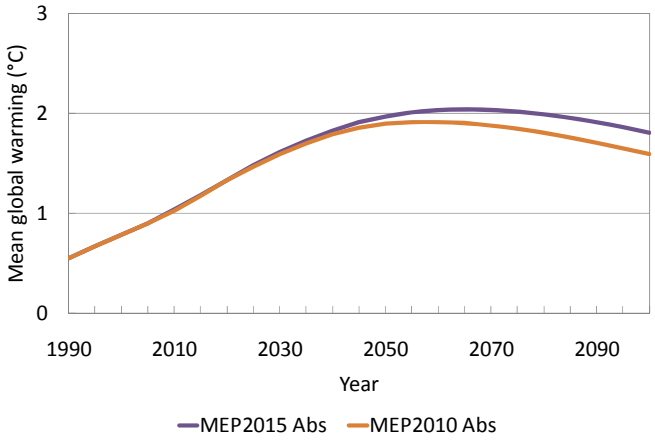


Chart 5. Estimated mean global warming for selected emissions path
(central case; °C relative to pre-industrial; MAGICC simulations)



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The inevitability of action and of fundamental economic and social change

Unless climate science proves to be seriously mistaken, major action to address global warming is inevitable sooner or later

This will involve not only a peak in emissions but major reductions in emissions over many decades

This will imply fundamental re-engineering of the world economy, in many respects

- Changes in economic structure from more goods to welfare-enhancing services
- Reshaping energy technologies to use non-fossil sources
- Re-engineering of technologies in virtually all areas, such as transport, buildings, agriculture and so on

Change of this scale will imply a new era of growth, as investment in innovation drives such growth

- Growth is an increase in human welfare, so this will involve low carbon growth better directed at meeting human needs

The question is not whether, but how and when we (individual nations and the world as a whole) get to this path

Implementation challenges in Australia

The Australian Government is proposing important steps for climate action, but there are several challenges to effective implementation

These partly relate to the political situation, but also to underlying economic and institutional conditions. In particular:

- Household and business charges for electricity and other utilities are rising rapidly. There is strong resistance to a carbon price that adds further to these charges. This issue needs to be addressed.
- The economy is slowing as the positive impact of the resources boom wanes and fiscal and monetary policy remain restrictive. The climate initiatives need to be placed in a much more expansionary context, with the commitment to a budget surplus in 2012-13 removed.
- It is unclear whether Australia has the institutions, policies and structures to move rapidly to green growth and to become a leader in clean technologies. This will be a critical part of the policy package.

Chart 6. Real consumer charges, electricity and all utilities, Australia, 1972 to June quarter 2011
(CPI component indexes relative to the overall CPI index)

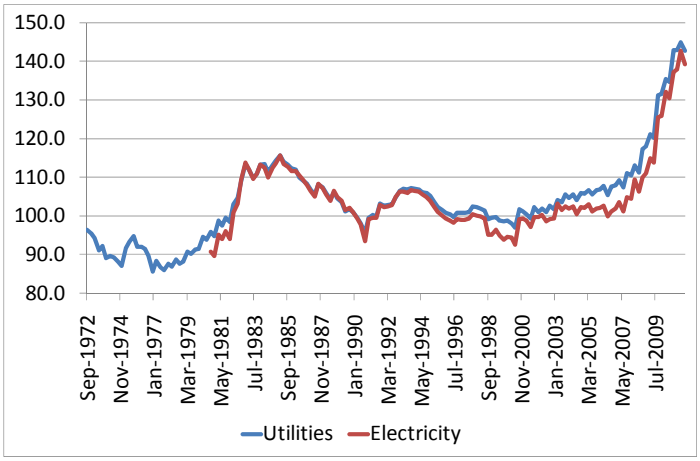


Chart 7. Five year moving annual changes in real consumer charges, electricity and all utilities, Australia, 1972 to June quarter 2011 (%)

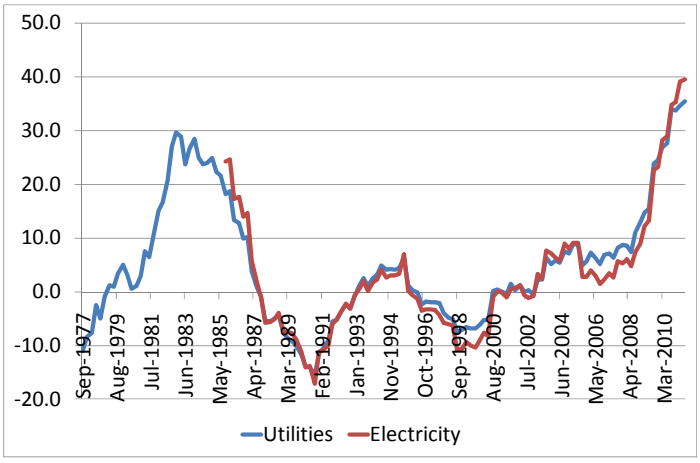
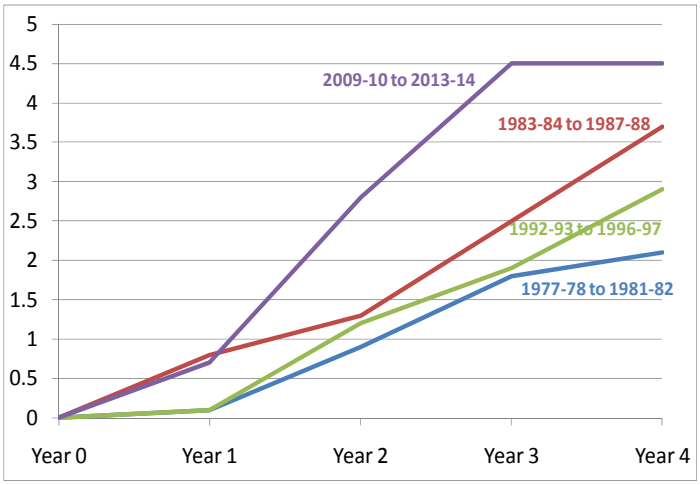


Chart 8. Fiscal consolidation in Australia: four episodes (Cumulative reduction in underlying cash deficit from starting year: share of GDP; 2011-12 Budget Papers)



The importance of implementing effective climate policies

Australia faces these and other challenges in putting in place effective policies

But so do other countries, each in their own way

We are fortunate to have many distinguished speakers from several countries to address these issues today

My thanks to them for attending, and to you for joining us.