

Climate Change Needs International Collective Action

World renowned economist Sir Nicholas Stern last week launched the British government commissioned *Review on the Economics of Climate Change*.

Stern calls climate change the greatest and widest-ranging market failure ever seen.

The 600-page Review warns that under a business-as-usual scenario, the stock of greenhouse gases could more than treble by the end of the century, giving at least a 50 per cent risk of exceeding a five degrees Celsius global average temperature change during the following decades.

The Review first examines the evidence on the economic impacts of climate change itself, and explores the economics of stabilising greenhouse gases in the atmosphere. It contends that strong action on climate change including both mitigation and adaptation is worthwhile, and suggests appropriate goals for climate-change policy.

The second half of the Review considers the complex policy challenges involved in managing transition to a low-carbon economy and in ensuring that societies can adapt to the consequences of climate change.

The policy framework of international collective action in the Review's second half provides for emissions reduction based on three essential elements: carbon pricing, technology policy, and removal of barriers to behavioural change.

Stern points out that if there is a lack of confidence that climate change policies will persist, businesses may not factor a carbon price into their decision-making. Investment decisions for long-lived capital stock such as power stations need to be based on certainty that a carbon price will be maintained into the future.

Closer collaboration between government and industry is called for to further stimulate the development of a broad portfolio of low carbon technologies and reduce costs. The Review points out that many low-carbon technologies are currently more expensive than the fossil-fuel alternatives.

The Stern Review has attracted exceptional international attention and drawn a wide range of reactions.

“The Economics of Climate Change sends a very important and timely message: that the benefits of strong, early action on climate change outweigh the costs. That conclusion is one that the International Energy Agency fully endorses – notably in its World Energy Outlook 2006 to be published next week,” said Executive Director of the International Energy Agency Claude Mandil.

Federal Environment Minister Ian Campbell said in an ABC interview, “What Australians want is investment in the solutions, the solutions that will stop carbon going into the atmosphere. That does require multibillion dollars of investments by the government and by industry.”

“There is no doubt that we need to work internationally to achieve an effective international agreement which will allow trading to take place across the globe,” said Senator Campbell.

Shadow Minister for the Environment Anthony Albanese said, “the Stern review recommendations are consistent with Labor’s approach: ratify Kyoto; have a national emissions trading scheme. You do need a price signal – is what the Stern review says. We think the most cost effective price signal isn’t a tax; it’s an emissions trading scheme.”

[Source esaa news]