Paying Our Climate Debt

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Thursday, 04 December 2008

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Foreign Policy In Focus

So
we've heard the inconvenient truth: climate change is a really big
problem, and we need to get serious about it. But what we haven't heard
much about is the cost and who will ensure that bill is paid. How much
will it cost us to slow down and stop climate change? What exactly is
our financial obligation to the poorer countries that have little or
nothing to do with causing the problem? And what institution will make
sure the money gets where it's intended to go?

The first two
issues â€" commonly referred to as "mitigation" and "adaptation" costs â€"
are only recently being sketched out in any detail. And the final issue
â€" which institution handles the money once it materializes â€" hasn't
been seriously debated in any public way. However, it's this last
detail that's being taken up with a degree of urgency by some
governments and civil society groups gathering now in PoznaD, Poland,
for the United Nations climate negotiations.

The amounts of
money that must materialize in rather short order if we are to handle
the climate crisis are not small. One recent highly publicized
study,Â theÂ 2006 Stern Review,
which was then revised upward in 2008, estimated that stabilization of
global warming gases at roughly 500-550 parts per million of carbon
dioxide would cost about 2% of gross domestic product annually, if done
over the next two decades. And 2% of GDP is roughly equivalent to $1.2
trillion per year. While daunting, this is a figure that gets us to an
atmospheric target that many leading scientists say isn't nearly
ambitious enough. For example, NASA's top scientist, Dr. James Hansen,
tells us we need to focus on reducing our carbon dioxide emissions even
further: to 350 parts per million.

But let's take
the Stern target, and assume it's in fact $1.2 trillion per year that
must be invested. This is less than the U.S. government was able to

mobilize in the past few months to bail out financial firms. And it's over twice as much as the official budget for the U.S. Pentagon in the 2009 fiscal year, at $515 billion.

Silver Linings

But there are several silver linings in this rather large number. One is that much of this is money that would be invested anyway, at home and abroad â€" in energy infrastructure, transportation, agriculture, and other industries. The second is that the investment will save us money in the form of energy savings. The third is that if we don't invest this money, the cost of inaction is far higher. And finally, while it is a large outlay of cash, making these investments will not slow global GDP significantly. Recent studies by the International Energy Agency, the Intergovernmental Panel on Climate Change, and McKinsey & Co. (a management consulting firm) found that shooting for a target of 450 parts per million of CO2 would slow global GDP by maybe 0.1% per year.

The other cost, ("adaptation") is a burden borne largely by wealthy countries to help poorer nations "adapt" to climate change. Here, cost projections are radically uncertain. The UN Development Program estimates the cost at around $86 billion.Â The World Bank estimates the cost could be as high as $41 billion per year. Oxfam projects a cost of $50 billion per year, but only if greenhouse gas emissions are curtailed quickly.

Currently, there are no institutional structures in place that would be up to the task of ensuring adequate financing for either mitigation or adaptation. However, there's one institution that's ready and willing to provide the service of managing the billions â€" if not trillions â€" of dollars in adaptation and mitigation finance: the World Bank. While garnering some support for this role by countries such as the United States and the United Kingdom, it has run into opposition from China, India, and other G-77 countries as well as a broad array of civil society actors, who see in this new expanding role for the World Bank a serious problem.

Why would they be opposed to the Bank taking on such a role? There area multiplicity of reasons, but the most central of objections seems to come down to the issue of participatory planning and representative governance. Long viewed as a Bank that caters to its wealthy donors more than to its targeted beneficiaries, the World Bank is eyed with suspicion by many countries in the Global South. On climate change, it has ignored its own 2004 Extractive Industries Review recommendations, which called on the Bank to phase out all of its support for fossil fuels by 2008 and rapidly increase the uptake of renewable energy alternatives. Instead of listening to its own advisors, the Bank continues to invest in fossil fuels, with its investments in coal â€" the most carbon-intensive of fossil fuels â€" rising by 256% just in the last year.

Carbon Transactions

The World Bank
is also home to over a dozen carbon funds, and garners a commission of roughly 13% on all of the transactions it brokers. Some of these carbon credits are being applied on the very coal burners it is helping to finance. And the Bank is positioning itself as a lead player in the UN's Reduced Emissions from Deforestation and Degradation (REDD), an initiative that aims to reduce greenhouse gas emissions from deforestation in developing countries. Yet indigenous peoples, who are largely responsible for preserving what few forests remain, weren't consulted as the World Bank developed its own REDD plans, while timber companies had a seat at the table.

And so civil society groups are now calling for the creation of a new Global Climate Fund, one that would oversee "substantial, obligatory and automatic" funding for mitigation, adaptation, and reducing emissions from deforestation and degradation. They believe such an institution would best be overseen by the UN, not the World Bank, because representative governance will be key. They also believe such a fund must abide by core UN agreements, such as the UN Universal Declaration of Human Rights and the UN Declaration on the Rights of Indigenous Peoples. Possible financing for this Global Climate Fund could include: taxes on bunker fuels, aviation, fossil fuel exports, and other sources of greenhouse-gas emissions; levies on gross national product and historical responsibility; carbon debits â€” comparable to carbon credits â€” charged to investors in international financial institutions and export credit agencies for their contribution to greenhouse gas emissions; auctions of national and international greenhouse gas emissions permits, and currency transaction taxes.

While those in
the developing world fully understand what's at stake with a newly expanded role for the World Bank in managing climate funds, alas, for most in the global North, the debate seems far removed from any immediate concern of theirs. And yet, if we are to sufficiently address this issue â€” with financial resources flowing where they are needed most, and quickly â€” it must become crystal clear to all of us, particularly in the North, why the World Bank isn't the institution to make this happen. And while this clarity emerges, we must take one more unlikely step and surrender a measure of oversight and control over the revenue we owe the developing world, our "climate debt," in order to allow it to be managed and overseen by those who need it most.

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Source: http://www.fpif.org/fpiftxt/5716