

MARKETS, MYTHS AND THE CLIMATE CHANGE MUDDLE



In the early part of next week a pillar of the establishment, Sir Nicholas Stern, is set to drop a bombshell into the corridors of the Treasury. Its implications are far more devastating than anything al Qaida threatens.

Stern, who was a former chief economist with the World Bank, will set out a stark warning that governments have to take dramatic steps to address global warming or face a global economic meltdown. Those of us who have been saying similar things for some time will need to seize the opportunity to direct the nature of the debate that follows

Stern's argument is that climate change intervention measures, rather than being an unreasonable burden on business, may turn out to be the only way of keeping business in business. The choice is clear. It may cost 1% of GDP a year to tackle global warming, but it would cost 10% a year to ignore it and just clear up the mess that follows. This

echoes warnings from the insurance industry that by 2065 the annual cost of claims for global climate change damage could exceed annual global income. It is a scary scenario.

Stern's solution calls for a global investment programme of 8 trillion pounds over the next 15 years, to allow the planet to move towards a zero-carbon energy system. Anyone frightened by such figures just needs to recognise that at the moment three trillion dollars a day moves through the international money markets. If we had the sense to impose a Tobin Tax on speculative money movements it would only scratch the surface of activities in this casino part of the global economy.

The danger, however, is that the Establishment will seize upon the Stern report as calling for new energy solutions that simply allow for a continuation of 'business as usual'. We have to make a dramatic shift into sustainable energy systems, but this will only work if there are equally dramatic shifts in how societies and economics work in the 21st century.

It is not possible now to stop global warming. During the next 30 years we will reap the consequences of the mess we have made of the last 30 years. This is the time lag nature has between environmental pollution and environmental kick-back. Today's choices are about the mitigation measures we can put in place to limit the destructive consequences of nature's kick-backs. They are also choices about how to avoid the situation becoming dramatically worse in the years that follow. There is no technology fix that will simply wipe the slate clean. There are, however, shifts in technology (and our use of it) that could be enormously empowering.

The most difficult thing for the Treasury will be in the fact that all of the most exciting possibilities are almost a complete reversal of its obsessions of the last 15 to 20 years. Deregulated markets are a disaster. Globalisation has become the pursuit of ever higher rates of exploitation of the planet and its peoples. Today's pursuit of cheapness has become tomorrow's unaffordable legacy.

Whatever part of the planet you live in, the climate change crisis will have three inseparable dimensions

to it - energy supply, water management and food security. Cutting carbon emissions has a place in each of them, but how we do so will play out differently.

Cuba never chose to be without its own oil resources or subject to a US trade embargo. The combination of the two, however, forced Cuba to look at the construction of a food economy that was non-dependent on oil. The West has barely begun to think about such a move. Our agricultural systems are 95% dependent on oil-based agrochemical inputs. Cuba has delivered what the champions of industrial agribusiness said was impossible – a viable system of organic agriculture. Their national network of 'organoponicos' has given Cuba a national food surplus, a "post-fossil fuel" food economy and a higher nutritional standards than any other part of the Americas (North or South).

Some elements of the same approach are to be found in Europe, within the Slow Food and Slow Towns movement. The philosophical difference between this and today's neo-liberal consensus, is that it focuses on local food systems, local accountability and a direct connection between food production and questions of water and energy management.

This is still an economic system, and a perfectly viable one, but it is not remotely part of the 'business as usual' globalisation agenda. The same is true of energy choices that we face.

Many of our European partners have already made a shift into Decentralised Energy. Britain's national Grid system leaks like a sieve. Some 80% of energy that goes into the power station gets wasted before it ever reaches the light switch in your home. The Decentralised Energy systems in Denmark and the Netherlands have an 85-90% efficiency rate of turning energy inputs into usable energy. The real coup, however, would be to connect this into the sort of energy market changes that have taken part in Germany.

In 2000, Germany introduced its Renewable Energy Sources Act. The aim of this was to promote exactly the shift into renewables that Stern seems to be calling for. In a beautifully clear Germanic way, they simply told the energy industry it had to pay people four times as much for renewable energy they supplied into the system as for the energy they took out. The real beauty was that they did this without any public subsidy. The German government simply told the industry to fund the different tariff structure themselves. Take a look at what followed.

Germany has constructed a renewables industry that has delivered 150,000 new jobs in the last four years. This sector of the energy economy has a €12 billion a year turnover, installed over 100,000 solar roofs and brought 300,000 German citizens in as shareholders in local wind generators. It has also changed their whole relationship between sustainability and the built environment. 80% of all new buildings going up in Berlin generate their own energy. German cities compete with each other in an ecological Bundesliga; with each attempting to be the most sustainable city in the land.

The cherry on the cake – and what a cherry it is – is that this single measure allowed Germany to make 58 million tons of Carbon savings in 2005 alone. Just compare this with Britain's record of achievements. The official government claims are that the Climate Change Levy (CCL) produced carbon savings of 3.1 mtC in 2002, 3.6mtC in 2003 and rising to 3.7mtC by 2010.

The trouble is that the Treasury had to sweeten the CCL by offering business a 0.3% reduction in

employer NI contributions - costing the taxpayer over £1.5 billion. Germany's direct market intervention gave them 15 times the level of carbon savings as Britain's levy and it cost the government nothing. Even if you look at costs passed on to consumers, the German scheme doesn't look any less attractive. Their estimate is that the change in tariffs added just £1 per month to average German energy bills. Britain could have used its £1.5 billion subsidy to deliver a five-fold increase in the Warm Front programme, that takes households out of fuel poverty, or given a massive boost to our own renewables industry. Instead we gave the money to employers to put in their back pockets.

The picture doesn't get any better when you throw in the Treasury's obsession with its Emissions Trading Scheme (ETS). Ministers crow about the wonders of this scheme that they have pushed as the centrepiece of Europe's carbon reduction programme. It is so complex that most people lose the will to live before they make any sense of it. My own view is that this is one of the biggest scams of our time - the Emperor's New Clothes of climate change policies.

The ETS begins with the creation of a mythical good - the carbon credit. It exists only in its absence. Then pollution quotas are handed out, not evenly to all citizens but only to industry. In fact, it is not even to the whole of industry. Quotas all go to the most polluting of industries and none go to non-polluting industries. For reasons of their own, the transport and domestic sectors of the economy are left out entirely. Polluters are then invited to trade with each other, either for the carbon credits they have saved, or for carbon quotas that they need.

The outcome of this is to create a volatile and speculative market for trading in an imaginary good. The City of London loves it because they, and a whole series of niche market banks, are the ones that organise the market. When the Commons Environmental Audit Committee last year did its first year assessment of the scheme no wonder they described it as "a race to the bottom".

The speculative nature of the market discourages long term investment and invites corruption and fiddling on a massive scale. Even if you were to overlook the massive defects in the system, the grand claims are that this will deliver Britain a saving of 8 mtC a year. Compare this, again, with the German interventionist strategy and you will understand something of the scale of my anger.

UK policies are entirely focused around neo-liberal market assumptions. They play to the demands of the money markets to make money out of mess. To the average citizen carbon emission trading is as remote a notion as a trip round the moon. But in Germany, citizens know what it means to be able to get the energy companies to pay you more than you pay them. It brings the practicalities of tackling climate change down to a level that every one of us could understand and engage with.

Essentially, this is not just about a shift to sustainable energy systems, but about the socialisation of energy markets themselves. It is the mobilisation of citizens in a process of delivering our own energy security - and on a local, accountable and collective basis.

It would be a short step from here to make such Decentralised Energy networks common ownership companies. And if those companies were to sell energy services (i.e. thermal comfort contracts) rather than energy consumption, we could easily find ways of giving renewable energy systems (free) to households in exchange for sharing the proceeds of energy generated from them.

My bet is that Stern will explore none of this. But that the scale of transformations we have to face make it the only viable way to deliver our survival and future security. The Treasury will doubtless resist and attempt to turn the report into an aren't we doing well, 'more of the same' mandate. For Labour as well as for Britain this would be a disaster. If we can't turn Stern words into stern deeds, we're stuffed.

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