Earth Institute News

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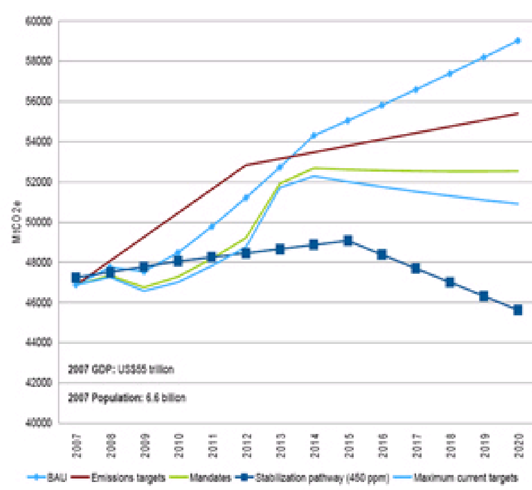
Risks Cloud Financing for Curbing Climate Change

Policies Uncertain and May Not Stop Warming, Says Study



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Projected world carbon emissions (top blue line) may be reduced by varying amounts according to how policies take effect (middle three lines), but probably none will follow the trajectory needed to stabilize climate by midcentury (bottom blue line).

Source: Columbia Climate Center

A new comprehensive analysis of global market and policies aimed at stemming climate change says that even if all current or proposed major policies take maximum effect, they will be insufficient to avoid higher temperatures by mid-century. The report adds that governments will need to ensure greater certainty in their policies if they are to attract the needed capital. The analysis was issued today by Deutsche Bank's Climate Change Advisors group with input from the Columbia Climate Center at the Earth Institute, Columbia University.

Deutsche Bank researched 270 laws, treaties, targets and regulatory frameworks in 109 countries, and Columbia researchers incorporated these into a model that estimated their impacts on carbon emissions. The analysis included some major laws not yet passed, such as climate legislation pending in the U.S. Congress. The model shows that if all policies take maximum effect, worldwide carbon emissions projected for 2020 will come down from some 59,000 megatons, to 51,000. However, emissions would still have to come down almost as much again in order to reach generally agreed upon levels that scientists say would hold worldwide temperature increases down to 2 degrees C by 2050.

"Investors need stable, predictable government policies that provide clear incentives"

" Even if we implement all the policies we have, it still is not enough," said Mary-Elena Carr, associate director of the Columbia Climate Center, who helped lead the climate modeling part of the study. "It is not a surprise, but it is the first comprehensive quantification."

More capital is needed to mobilize industries including better energy-generating technologies, and more efficient appliances and vehicles, says the report. Using figures from the International Energy Agency, it estimates that about $2 trillion would have to be invested between 2010 and 2020 in order to more or less stabilize warming by midcentury. Over half of the improvement would come from better energy efficiency, both in power plants and end uses.

To achieve this, investors need stable, predictable government policies that provide clear incentives, says the report. However, many major emitters do not yet have policies with enough transparency, longevity or certainty, said Kevin Parker, global head of Deutsche Bank's Asset Management division. "The research [shows] that in order to avoid catastrophic climate change, all countries will have to do more to encourage investment," said Parker.

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Specifically, the report calls for governments to introduce incentives that decrease over time as technologies are scaled up and become more competitive; to provide fair and open access to energy grids; and to provide strong enforcement of mandates on energy efficiency and other regulations.

Ranking the 16 largest national economies by risk, the report puts China, Germany and France in the safest category, because they have developed detailed national strategies with generous and well-targeted incentives. Australia, Brazil and Japan also are considered low risk. Those presenting moderate risk include the United States and the United Kingdom and Canada. In the United States particularly, climate policies have been characterized by a stop-and-start approach and a reliance on the idea of tradeable carbon credits. The report says these have been less successful than more straightforward incentives. Other countries ranked moderate risky include India, Indonesia, Mexico, Russia, South Africa and South Korea. Italy stands out because it is the only major economy ranked as high risk, because it has so far been unable to come up with consistent climate change policies.

The report, “Global Climate Change Policy Tracker,” is available free at: http://www.dbcca.com/dbcca/EN/investment-research/investment_research_1780.jsp