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Climate trillions frittered in the wind



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Wind turbines are a major part of the quest for cost-efficient renewable energy

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This year, the world will spend \$US162 billion (\$230bn) subsidising renewable energy, propping up inefficient industries and supporting middle-class homeowners to erect solar panels, according to the International Energy Agency. In addition, the Paris Agreement on climate change will cost the world from \$US1 trillion to \$US2 trillion a year by 2030. Astonishingly, neither of these hugely expensive policies will have any measurable impact on temperatures by the end of the century.

Climate campaigners want to convince us that not only should we maintain these staggering costs, but that we should spend a fortune more on climate change, since our very survival is allegedly at stake. But they are mostly wrong, and we're likely to end up wasting trillions during the coming decades. I will outline how we could spend less, do a better job addressing climate change, and help far more effectively with many of the world's other ills.

Global warming is a real, man-made problem — but it is just one of many challenges facing humanity. We shouldn't base our policy decisions on Hollywood movies or on scare scenarios but on the facts. According to the UN Intergovernmental Panel on Climate Change, even if we did absolutely nothing to respond to global warming, the total impact by the 2070s

will be the equivalent to a 0.2 per cent to 2 per cent loss in average income. That's a challenge that requires our attention — but it's far from the end of the world.

Over-the-top environmental activists are not only out of synch with the science but they also are out of touch with mainstream concerns. A global poll by the UN of nearly 10 million people found that climate change was the lowest priority of all 16 challenges considered. At the very top, unsurprisingly, are issues such as better education, better healthcare and access to nutritious food. We need to address climate change effectively — but we should remember that there are many other issues that people want fixed more urgently.

The present approach to climate change isn't working. If fully implemented, analysis of the leading climate-economic models shows that the Paris Agreement will cost \$US1 trillion to \$US2 trillion every year in slowed economic growth. Our response to climate change is so expensive because alternative energy sources remain expensive and inefficient in most scenarios. It is still very expensive to switch from fossil fuels — hence the fortune being spent on subsidies, to little overall effect.

Leading global energy researcher Vaclav Smil says: “The great hope for a quick and sweeping transition to renewable energy is wishful thinking.” Former US vice-president Al Gore's chief scientific adviser, Jim Hansen, who put global warming on the agenda in 1988, agrees: “Suggesting that renewables will let us phase rapidly off fossil fuels in the United States, China, India or the world as a whole is almost the equivalent of believing in the Easter Bunny and Tooth Fairy.”

Despite costing a fortune, the Paris Agreement will have virtually no impact on global temperatures. The UN Framework Convention on Climate Change has estimated that even if every country makes every single carbon cut suggested in the Paris treaty to the fullest extent, CO2 emissions would be cut by only 1 per cent of what would be needed to keep temperature rises under 2C. Incurring an annual \$US1 trillion cost while failing to rein in temperature rises is a very poor idea.

A realistic and credible response to global warming needs to bring China and India on board. They are not going to slow their economies and imperil the fossil-fuel-driven growth that is lifting millions out of poverty.

When 27 of the world's top climate economists and three Nobel laureates looked at the gamut of potential climate solutions for my think tank, Copenhagen Consensus, they found that the current approach, which tries to make fossil-fuel energy as expensive as possible, is very inefficient. Moreover, it is likely to fail since citizens in most countries are unlikely to accept the steep energy price hikes that these policies require. We can look to France's “yellow vest” protests or to the elections in The Philippines, the US and Australia of politicians who loudly reject these policies to see that voters are making their choices heard.

What will actually fix climate change, keep India and China on board, and remain palatable with voters is a policy driven by green energy research and development. We need to innovate the price of zero CO2 energy below that of fossil fuels. That way every country in the world can afford to — and want to — make the switch.

Far more investment is required. On the sidelines of the 2015 Paris climate summit, 20 world leaders including then prime minister Malcolm Turnbull promised to double green energy

research and development to \$US30bn by 2020. International Energy Agency data shows rich OECD countries have not increased their spending, which remains at less than \$US16bn today.

Leaders globally should commit to spending an extra \$US84bn annually. This will likely produce the green technologies that can outcompete fossil fuels. It would also mean we would have plenty of money left over to help resolve all the other challenges that people say are a much bigger priority.

How to fix everything else

The Copenhagen Consensus worked with 50 teams of top economists and several Nobel laureates to carefully examine the global ambitions the world has set for 2030, the so-called Sustainable Development Goals, to identify those that will help the most. It turns out that instead of spending all the resources on inefficient climate policies we can solve climate change more effectively — and then actually fix most other problems with the money left over.

One of the best investments is in access to contraception and family planning. Right now, 215 million women are unable to choose the number, timing and spacing of their children. This matters because unwanted pregnancies claim the lives of young mothers. Being better able to space births means parents will invest more in each child, reducing child deaths and ensuring better education outcomes.

Moreover, with fewer children a year, each child will have access to more capital, boosting economic growth. Achieving near-universal access to family planning carries an annual price tag of \$US3.6bn, but allowing women more control over pregnancy means 150,000 fewer maternal deaths and 600,000 fewer orphaned children each year, along with a “demographic dividend” boosting economic growth. Every dollar spent would produce social benefits worth \$US120.

Nutrition is an area where tiny amounts of spending have huge and lifelong effects. Since the 1980s, the West has become focused on hunger only when the media swoops into areas horrendously affected by starvation. Pictures of vultures waiting for a malnourished child are what it takes to get us to send food, and this often comes way too late.

Unsurprisingly, this is an incredibly ineffective way to help, not the least because it is very expensive to keep sending food every day forever, but also because it relies on an ambulance at the bottom of the cliff. There are two crucial things we need to do instead.

First, we need to focus on pregnant mothers and on infants during their first 1000 days, which is the most crucial time for brain development. A landmark study in Guatemala that began in the 60s reveals that investment in better nutrition at this early time changes lives completely: it leads to better educational outcomes, better jobs and even to more stable marriages.

Spending just \$US100 helps a child to be stronger and smarter, stay longer in school and ultimately become a much more productive member of society. For the children, it can increase lifetime incomes by 60 per cent. The benefits are worth, on average, 45 times more than the costs. This will cost \$US10bn a year.

Second, to create more lasting food impacts, we need to invest in agricultural research. This will make farmers able to produce more nutritious, reliable crops, especially in developing and fragile countries. We can generate extra yield increases by investing in agricultural R&D and by boosting the use of better (sometimes genetically modified) seeds, which give farmers more resilience and ability to withstand climate shocks, while lifting the poorest out of hunger. For a cost of \$US2.5bn a year, we can produce benefits worth \$US85bn. Each dollar spent will help generate more food security, reduced food prices and other social benefits worth \$US35.

The world's biggest infectious disease killer isn't HIV or malaria but tuberculosis.

TB used to be a scourge in rich societies, having killed a billion people during the past 200 years. Yet we mostly fixed TB in the developed world a century ago, and thus TB today receives far too little attention and resources, with only 4.6 per cent of development assistance for health, a paltry \$US1.7bn. This is a disease we know how to detect and treat — and we know that treatment stops multiple cases and prevents deaths or years of impairment. Reducing TB deaths by 90 per cent would cost \$US8bn a year but result in 1.3 million fewer deaths. The benefits to society would be worth \$US43 for every dollar spent.

The most powerful thing governments could do to transform lives would cost next to nothing at all: embrace freer trade. During the past 25 years, China lifted 680 million people out of poverty through trade, and there are similar stories from Indonesia, Chile and others. Genuine, global free trade would have benefits that would reach every single country. Far more than any aid dished out by donor countries, lowering trade barriers is the most powerful way to reduce extreme poverty. A completed global Doha trade deal would make the world \$US11 trillion richer each and every year by 2030 according to research considered by the Nobel laureates.

The world's worst-off would benefit the most. In developing nations, the increased wealth from the Doha deal would be equivalent to an extra \$US1000 for every single person, every single year by 2030. This alone would cut the number of people living in poverty by 145 million in just 11 years. The annual cost would be \$US20bn in pay-offs to those sectors (such as farmers in wealthy countries) who would lose out, and who politically are holding up the deals.

The list goes on. We could halve malaria infections for \$US500m annually, save a million children's lives through \$US1bn of increased immunisation, triple preschool access in Africa for \$US6bn and get every child in Africa through primary school for \$US9bn. We could halve global coral reef loss for \$US3bn, and save two million babies from death every year for \$US14bn through policies such as providing expecting mothers with nutrients and protection from disease, having nurses and clean facilities at birth and ensuring best practice childcare afterwards.

All of these amazing policies will cost in total \$US78bn. Together with the \$US84bn for green energy R&D, the total comes to \$US162bn — or what we'll spend on subsidising inefficient renewables this year.

Our choice

The total benefit to humanity from achieving this total list of policies will be around \$US42 trillion. This would be the same as increasing the average income in the world by 50 per cent, and the benefits would mostly help the world's poorest.

Of course, we also can spend 10 times as much on the Paris Agreement and generate about a thousand times fewer benefits from slightly reduced temperatures.

The choice really is clear. Do we want to be remembered in the future for being the generation that overreacted and spent a fortune feeling good about ourselves but doing very little, subsidising inefficient solar panels and promising slight carbon cuts — or do we want to be remembered for fundamentally helping to fix both climate and all the other challenges facing the world?

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