



ECONOMIC AFFAIRS COMMITTEE ON THE ECONOMICS OF CLIMATE CHANGE

(EXCERPTS)

BRITISH HOUSE OF LORDS

(FRIDAY, 14 JULY 2006)



CSPP Reprint Series

The Center for Science and Public Policy
Washington, D.C.
Robert Ferguson, Exc. Dir.
202-454-5249
<http://www.scienceandpolicy.org>
bferguson@ff.org



My Lords, I am delighted to be able to introduce this debate. It is more than a year ago since our report was published, on the eve of the last G8 summit at Gleneagles. Since then we have had the opportunity in this House to discuss climate change in the debate on 10 November, which was initiated by the noble Lord, Lord May. But eight months later, the subject remains, of course, as topical as ever. Like all economic affairs reports, this one is evidence-based and non-party political. And once again, the report has been agreed by all Members of the committee.

--Lord Wakeham, House of Lords, 14 July 2006

The Kyoto principle is to raise the price of carbon-based energy to the level where non-carbon-based energy becomes economic. But that means that, as this process takes place, energy-intensive industries and processes in Europe will increasingly migrate to China or India, as the textile industry has done, to take advantage of cheaper energy there. We will meet our targets all right, but nothing will happen about globalemissions; they will just come from China and India rather than from Europe. No wonder the Economic and Social Committee of the European Union warned last April that Kyoto could seriously damage the European economy, and prohibitively so, "without having any tangible effect on climate change", especially if big emitters such as America, China and India are not brought in.

--Lord Lawson of Blaby, House of Lords, 14 July 2006



ECONOMIC AFFAIRS COMMITTEE ON THE ECONOMICS OF CLIMATE CHANGE

(EXCERPTS)

House of Lords, Friday, 14 July 2006

<http://www.publications.parliament.uk/pa/ld199900/ldhansrd/pdvn/lds06/text/60714-0957.htm#06071457000007>

The House met at eleven of the clock: the LORD SPEAKER on the Woolsack.

Prayers - Read by the Lord Bishop of Newcastle.

Business

Lord Grocott: My Lords, before we begin, I should like to give the usual advice about times. For the three debates today we have more than 30 speakers; if the maximum time for Back-Bench contributions were limited to 10 minutes, then we should finish by well before five o'clock, which is a bit later than we would normally finish. That is the guidance for today—a maximum of 10 minutes for Back-Bench speakers.

Climate Change (EAC Report)

House of Lords, 14 July 2006

11.06 am

Lord Wakeham rose to move That this House takes note of the report of the Economic Affairs Committee on the Economics of Climate Change (2nd Report, HL Paper 12).

The noble Lord said: My Lords, I am delighted to be able to introduce this debate. It is more than a year ago since our report was published, on the eve of the last G8 summit at Gleneagles. Since then we have had the opportunity in this House to discuss climate change in the debate on 10 November, which was initiated by the noble Lord, Lord May. But eight months later, the subject remains, of course, as topical as ever.

Like all economic affairs reports, this one is evidence-based and non-party political. And once again, the report has been agreed by all Members of the committee. My first thanks are to my colleagues on the committee for collectively making it possible for us to deal in a dispassionate and, I hope, effective way with so sensitive and difficult an issue.

I also want to say a particular word of appreciation for the work of the late Professor David Pearce, our specialist adviser. David Pearce was one of the founding fathers of environmental economics in this country. His international reputation was reflected in the lifetime achievement award of the European Association of Environmental and Resource Economists, which he received in June last year, only weeks before the publication of our report. He was a truly outstanding adviser to the committee, and our report would certainly not have been produced without him. So his sudden and early death, only a month after our report was published, is a terrible loss, not only to his family and friends but to the world of environmental economists.

I also wish to say how much we appreciated the work of our Clerk and his advisers on the team. They were a great help to us.

The report received considerable publicity when it was published. Some of this reflected the international political context at the time. Climate change was central to the G8 agenda at Gleneagles, and the report appeared just as the world leaders were gathering. But I believe its reception also owed much to the fact that it was addressing the economic aspects of the subject. Many distinguished economists were working on climate change, and we took evidence from a number of them, but it is usually their scientific colleagues who receive the lion's share of media attention.

Perhaps as a result of the relatively fresh perspective that I believe we were able to bring to the subject, most of the publicity received by our report on publication was very positive. Of course, there were critics too, although it subsequently emerged that some of them had not actually read the report when first pronouncing on it. When some later got round to doing so, one or two even acknowledged that they might have misjudged it.

However, the Government's response, when it eventually emerged, was very disappointing-grudging in tone and generally negative on substance. I wrote in February to the then Secretary of State, Margaret Beckett, and to other Ministers, including the Prime Minister, to express our disappointment at the Government's response. I noted that the response negativity was all the more surprising when it appeared increasingly that in important aspects, the Government's thinking is close to the views set out in the committee's report.

I referred then to the Prime Minister's comments at the Clinton summit in New York in September and on subsequent occasions, which indicated a rather radical change in direction for the Government. The Prime Minister noted that he was changing his thinking on climate change and that there was a need for "brutal honesty" about the politics of how we deal with it.

On Kyoto, the Prime Minister noted that there,

"is a disagreement...It's not going to be resolved".

He also said:

"I don't think people are going-at least in the short term-to start negotiating another...Kyoto".

All this was entirely in line with the thinking of the committee.

The energy review published this week appears to be the work of Jekyll and Hyde. On the one hand, there is a recognition that nuclear power must play a part in Britain's energy supply mix. This realism is welcome-indeed, long overdue-but I fear it will take a number of years before there is a significant increase in nuclear generation. On the other hand, the shortcomings of the 2003 review, including in particular what we felt was the utter lack of realism about the role of renewables, has unfortunately been carried over into the recent review. However, I am always optimistic, and I hope that the noble Lord, Lord Rooker, whom I have known and admired for more than 30 years, since we entered the House of Commons on the same day, will produce a more measured, realistic and positive response from the

Government that is more consistent with the realism of the Prime Minister than with some of the fantasies of the old Defra.

On the central point of our report, the Government did immediately follow the advice of the committee. Given the importance and complexity of the issues involved, we were very clear that the Treasury needed to play a much more extensive role on climate change within government, so we were delighted that within days of publication of our report, the Chancellor announced the review of the economics of climate change to be led by Sir Nick Stern. That was the correct thing for the Government to do and we congratulate them on their action. The committee has been following Sir Nick Stern's review with interest and we very much look forward to his report.

I am hopeful that the Stern review will readily endorse many of the committee's conclusions and recommendations. For instance, there is a risk that international negotiations will not secure large-scale and effective action on mitigation. The Stern review might take a more sanguine view of the risk than we did. But there is clearly some risk. We therefore want to see a more balanced approach to the relative merits of adaptation and mitigation, with far more attention paid to adaptation measures.

Another key recommendation in our report, which I feel confident the Stern review will go along with, is the need for a far stronger focus on technology and research and development. That does not, in our view, mean a little more of what is being done now. It means a step change to a research and development effort into carbon-free and low carbon energy sources of an altogether different magnitude. In our report, we suggested that the US Apollo programme to put a man on the moon provided a precedent for the sort of extraordinary effort and priority that is needed. On that point, the recent energy review is disappointing. I see no evidence that the Government are committed to an effort on the scale of what is required on that front.

As I have already said, I hope that the Sternreview will follow the Prime Minister as well as the committee in taking a "brutally"-the Prime Minister's word-realistic view of the prospects for effective emissions controls. But, in any case, the committee outlined concerns about the workings of the relevant international body, the Intergovernmental Panel on Climate Change. There is perhaps room for debate about the significance and full implications of the shortcomings in the IPCC process. However, the IPCC has an exceptional, largely unquestioned, authority in this area-perhaps unparalleled in United Nations agencies working in other fields. In such a situation, what seems indisputable is the need for an organisation and a process whose procedures, objectivity and balance are not only beyond question, but are seen to be beyond question. For all the fine work done by the IPCC, to which I pay

tribute, I fear that that is not the present position.

Finally, I refer the House to the concerns that the committee expressed that UK energy and climate policy appeared to be based on some very dubious assumptions about the roles of renewable energy and energy efficiency. We also pressed for a proper carbon tax to replace the present climate change levy, and we urged the maintenance of as wide an energy portfolio as possible, with the retention of nuclear power. On that last point, the energy review is, as I have said, encouraging.

Although it is right that renewable energy and energy efficiency are given priority, it is disappointing not to find in the review much more realism about what they can be expected to achieve. Also disappointing is the lack of commitment to the introduction of a carbon tax. Some very distinguished speakers are taking part in this debate, which I am delighted about. I am very much looking forward to hearing all the contributions, including the maiden speech of the noble Lord, Lord Teverson. I beg to move.

Moved, That this House takes note of the report of the Economic Affairs Committee on the Economics of Climate Change (2nd Report, HL Paper 12).-(Lord Wakeham.)

[...]

Lord Lawson of Blaby: My Lords, like the noble Lord, Lord Macdonald, I was a member of the committee and I echo his tribute to the superb chairmanship of my noble friend Lord Wakeham. I also echo my noble friend's tribute to the late Professor Pearce, our special adviser, and to our admirable Clerk, to whom we continue to be greatly indebted. I sense that in this debate I shall, to some extent, be swimming against the tide. That is a slightly slower process, so I apologise in advance to noble Lords if I take a little longer.

[...]

Faced with this uncertainty, what should we do? Some people like to rely on the precautionary principle: because anything might happen, we must spend anything in order to prevent it. I have come to believe that, most importantly, the precautionary principle needs to be applied to the precautionary principle itself, otherwise we shall find ourselves doing very stupid things in its name.

Certainly Kyoto is not the answer. With the best will in the world, it is impossible to believe that it is. It is recognised on all sides that it is totally ineffectual in reducing carbon dioxide emissions or in reducing temperatures. However, those who support it claim that it is a first step to much more rigorous and tougher agreements of this kind. That is pie in the sky.

It is pretty clear that even that step will not be met by 2012, so the idea that there is to be a tougher one is unrealistic to say the least.

More important, the United States refuses to be part of that process and the big developing countries-the big emitters-such as China, India and Brazil have no constraints under Kyoto and will not accept any constraint under a future Kyoto. The developing countries have a very good argument. They say, "You in the developed world became rich on the basis of cheap carbon-based energy and now it is our turn to do so. Why shouldn't we?" They also say, "You have caused this 30 per cent increase in carbon dioxide in the atmosphere, so it is your responsibility to mitigate it

if that is what you wish to do". The terms in which they put that argument at a United Nations climate change conference last May is interesting. Mr Prodipto Ghosh, the permanent secretary of the Indian environment ministry, said:

"Removal of poverty is the greater immediate imperative",

than action against global warming. That is their choice. Far from global warming being a threat to the poor, it is the measures to mitigate it in those countries that are a threat to the alleviation of poverty. That is absolutely fundamental and everyone has to understand and recognise that. Those countries are going ahead as fast as they can.

The noble Lord, Lord Oxburgh, mentioned the massive Chinese coal-fired power station programme: one new power station every five days for seven years. As a result of that, in the next 20 years, China will have overtaken the United States as the biggest single emitter of carbon dioxide. China will not undertake the huge expense of retro-fitting carbon capture and storage to stop those emissions. What will happen? Western taxpayers certainly will not pay the Chinese—that is also pie in the sky—to undertake such a huge programme. Western countries are being timid enough in raising funds to meet their own Kyoto targets, which are much less. The costs involved are very substantial.

The Kyoto principle is to raise the price of carbon-based energy to the level where non-carbon-based energy becomes economic. But that means that, as this process takes place, energy-intensive industries and processes in Europe will increasingly migrate to China or India, as the textile industry has done, to take advantage of cheaper energy there. We will meet our targets all right, but nothing will happen about global emissions; they will just come from China and India rather than from Europe. No wonder the Economic and Social Committee of the European Union warned last April that Kyoto could seriously damage the European economy, and prohibitively so,

"without having any tangible effect on climate change",

especially if big emitters such as America, China and India are not brought in.

This week's government energy policy conclusions need to be seen in that context. The nuclear option is presented in two terms: security of supply and helping in the battle against climate change. On security of supply, I shall quote the words of Adam Smith, which will be well known to your Lordships.

I leave the Government's energy White Paper to say that, although the economics of nuclear are a bit doubtful, wind cannot be a serious option given that it is necessary to have full back-up conventional power for when the wind is not blowing. Electricity supply must be on tap all the time and electricity cannot be stored in large quantities except at prohibitive cost. That makes the cost completely prohibitive. Anybody favouring wind power as opposed to nuclear is wholly irrational.

In conclusion, the only way forward is what we have suggested in our report: adaptation. It is hubristic to imagine that we can change the climate. Adaptation is something we can and will do. It means that we meet the warming problem whether it is natural or the result of carbon dioxide emissions. It means that we can pocket the real benefits of climate change while mitigating the cost.

The more I see of this issue, the more it seems The Da Vinci Code of environmentalism. It is a great story and a phenomenal bestseller. There is a grain of truth, but a mountain of nonsense.

[...]

Lord Taverne: My Lords, I too add my tribute to the maiden speech made by my noble friend Lord Teverson. I thought it was a major contribution to the discussion.

One or two speakers have suggested that, although they generally agree with the House of Lords report on the economic effects of climate change, it struck the wrong tone-the balance was not quite right. I take rather a different view, because discussions on environmental issues tend to suffer from hyperbole. I shall give an example: the question of nuclear power, which could play a major role in dealing with climate change. Greenpeace, which seems to regard the risk of radiation from nuclear power as a risk almost as great, or as great, as that from global warming, said recently that the outfall from Chernobyl would be more than 100,000 deaths. I have argued, in this House and in print, that the dangers of radiation are greatly exaggerated, that the linear no-threshold theory on which most of the prognostications were based is not supported by evidence, and that small doses of radiation seem to be helpful or beneficial.

I do not know how many noble Lords saw the "Horizon" programme last night, which was an unusually good television programme on science. It produced convincing evidence that the number of deaths to be expected as a result of Chernobyl- which has generally been around 4,000, not 100,000-was greatly overestimated. It showed that people living in areas of high natural radiation are less likely to suffer from cancer; that the linear no-threshold theory is mistaken and not supported by the evidence; and that evidence from animals examined in the Chernobyl area indicates that small doses of radiation can protect against the risk of cancer. I mention that because it shows that we must judge conventional wisdom, particularly alarmist prognostications, by evidence and not hype. To echo what the noble Lords, Lord Soley and Lord Giddens, said, scare stories spread by Greenpeace and Friends of the Earth must be treated with great caution. Generally, they do more harm than good. As the noble Lord, Lord Giddens, said, the environmental movement should be rescued from some of the green activists.

That brings me to climate change. I was a sceptic about climate change because I remember the confident warnings when we were thought to be facing a new ice age. But I became convinced not only that global warming was happening, but also that there was a very significant anthropogenic element. I read through most of volume 1 of the report from the International Panel on Climate Change. Incidentally, it is a formidable volume which I have had out of the Library for more than one and a half years. Unlike most publications one borrows, there has been no request for its return; so, clearly, no one else has bothered to read it.

It convinced me because it was a very balanced report that does not deny uncertainties and some conflict in the evidence. Take, for example, the melting of the ice caps and the retreat of the glaciers. The rise in ocean levels is regarded as one of the most serious consequences of global warming. A great deal of panic is created because we are always shown the pictures of the ice caps by the West Antarctic Peninsula falling into the sea and the melting of the Greenland ice caps.

The report points out that in the Antarctic continent the ice is thickening with a small decreasing effect on ocean levels.

Recently, I read in the report by Sir Nicholas Stern that we must take the collapse of Greenland ice seriously, which is caused because at the heart of Greenland the ice is thickening through precipitation and is pushing the fringes into the sea. At the present rate, he said, sea levels will rise by 0.05 millimetres per year, which is 0.5 centimetres in 100 years. The IPCC report estimates that the main effect will be from the warming of the oceans. Even then it estimates the actual sea rise levels as between 11 and 77 centimetres. That is serious because the rise will be very different in different parts of the world. It could be catastrophic for some people living in the delta areas of the world, but it is not necessarily catastrophic overall. We could, for example, provide aid to Bangladesh to enable it to take the kind of defensive measures which the Dutch have taken. Incidentally, its estimate of sea rise levels was somewhat less than that in the second assessment of the IPCC.

The noble Earl, Lord Selborne, mentioned the disturbing findings by Professor Bryden. But we also heard evidence, in the hearings in the committee on water management, from one of the experts of the Hadley Centre who said that it had not made the Hadley Centre change its basic estimate that there was a very small risk of something very serious happening. One cannot discount that risk, but there are many places where the Gulf Stream has to be measured. It is obviously disturbing that it has slowed down in one place, but in other places, it may have accelerated. The speed of the Gulf Stream changes.

Storms are most frequently mentioned. In its scientific report-there is a slightly different emphasis in the political report-the IPCC stated:

"Recent analyses of changes in severe local weather (e.g., tornadoes, thunderstorm days, and hail) in a few selected regions do not provide compelling evidence to suggest long- term changes".

I mention that because the IPCC's scientific section acknowledges these uncertainties, but it still comes to the firm conclusion that global warming is manmade, which is one of the reasons why I find the report convincing. Certainly, the evidence since that report was published suggests that the fourth assessment in 2007 will be more pessimistic than the third, because a number of recent developments suggest that the danger is greater and has strengthened the case that global warming is happening.

I thought that the House of Lords report was a breath of fresh air because it was much more balanced. It came to the conclusion that we cannot look towards Kyoto, which does not include the nations whose actions will be of vital importance. As the noble Lord, Lord Vallance, said, it concludes that in the end the answer must come from technology and creating the right framework for technological development. It will not necessarily come only from technology. Maybe a major part will be played by changes in lifestyle. I do not think that lifestyles will never change. We have changed attitudes towards drinking and driving and there are ways in which people change their attitudes. But I do not altogether place as much hope on this as the right reverend Prelate the Bishop of Newcastle because I do not see that the nations that will make the major contribution to global warming will change their lifestyles. India, China and the other developing nations will not renounce economic growth. To ask people to change their lifestyle fundamentally will not have the effect that we need.

We do not need imbalance in reporting, exaggeration which is not justified by the evidence and, above all, constant predictions of catastrophe. That approach will undermine the credibility of the threat. It will induce a mood of fatalism. If we are doomed anyway, the attitude is likely to be "Well, let's make hay while the sun shines. Let's enjoy life while we can".

[...]

Lord Tanlaw: My Lords, like many other speakers who have entered the debate, I congratulate the noble Lord, Lord Wakeham, and his erudite committee on the time they have spent and the work they have done. It is a little discourteous that that very important report remained so long gathering dust on a shelf. It is slightly out of date, which is its only weakness, and it is a great pity that it was not debated earlier.

I am not really qualified to take part in this debate. Like the noble Lord, Lord Beaumont of Whitley, I got a very poor degree-it was in medieval history rather than agriculture-when we were at Cambridge together. My only claim to fame, as I have said before, is that I was an early whistleblower on the greenhouse effect some 30 years ago. But I have had a Damascus road conversion in regard to climate change which is based on the report before us. Having read it, it appears to me that the climate does not change but it changes; it has changed and will no doubt change again in the future. Therefore I wonder whether a more accurate title for the report would not be The Economics of Climate Changes rather than The Economics of Climate Change.

Ask any meteorologist and they will say that every day is meteorologically different. No one day is the same as the last; the wind, the clouds, the pressure and the temperature will always be slightly different. So it is with climate. It is well known that the Milankovitch cycles, the procession of equinoxes and the variations of the Earth's tilt have been the main contributors to major climatic changes in the distant past. More recently, as shown in the hockey-stick graph before us, the climate has apparently been stable for the past 1,000 years and then changes with a sudden rise in temperature in the northern hemisphere. This upward turn has given the graph its title, because of its outline.

But the question I ask is: is it historically true? There may be a problem with this graph in that it seems to have become the sacred mandala of the Intergovernmental Panel on Climate Change and is, in effect, the basis of all eco-fundamentalism. It has been strongly criticised by scientists who are outside the loop of the IPCC and who have given written or oral evidence in the report. These include Professor Ross McKittrick, at page 262, and Professor Richard Lindzen, at pages 45 and 49. Having read their evidence, I have a feeling that the hockey-stick graph could be fatally flawed but, like most members of the general public, I am not qualified to say so. If it is flawed, the whole question of the reports on the effects of global warming is put in some doubt.

I received a letter from my long-standing friend, Dr Michael Cole, a distinguished doctor of science from Cambridge, who has advised me as a non-scientist how one might approach this anomaly. I shall try to encapsulate his advice, which I consider to be quite fair and helpful to this controversial debate, which is far from one-sided. The critics of the global warming theory propounded by the IPCC are dismissed as a small number of people who do not know what they are talking about. Thousands of

scientists connected with the IPCC are unanimous in perceiving the manmade disaster lying ahead, so it is very difficult-certainly as a non-scientist-to say anything against it. But this may not be the case at all because its critics include a large number of well respected scientists in major world-class institutions. The main thing that they have in common is that they are not funded by or connected with the IPCC.

In the report, the global warming protagonists make two important claims. The first is that the current increase in atmospheric carbon dioxide is causing the current climate to go through an unprecedented warm period, reaching the highest temperature for a millennium, and that this will inevitably lead to a serious catastrophe in global warming. This has been repeated time and again by other speakers. The second claim, based on computer models, is that dangerously high temperatures will lead to damaging weather conditions in a few decades ahead.

But a brief look at medieval history-I am trying to remember some of it-shows that between 900 and 1300 AD the climate was considerably warmer than at present. Why is it that the Viking farmers were able to farm part of Greenland, so named because it was, presumably, green? Why is it that the ocean east of Greenland towards Iceland was largely free of ice and routinely navigated, as was the ocean to the west of Greenland towards Baffin Island? Why is it that in England, successful vineyards were in production as far north as Northumberland? When I look out of the window of my house in Scotland, I see signs of cultivation on the northern face of hilltops which are 600 feet to 900 feet above sea level. Why is tree level in the Alps 200 metres above the current level?

This warm period was known as the medieval warm period. From the middle of the 14th century, the climate cooled abruptly, causing widespread crop failure in Europe and Greenland and the Greenland farms to be covered in permanent ice. The old sea passages to Iceland and Baffin Island became impassable because of the ice. The cool period, which lasted until the mid-19th century, has been known as the mini-Ice Age. We are now seeing a recovery from this period, according to the scientists I read, and may be heading towards temperatures which existed in the medieval optimum.

There is nothing new or startling about the current rise in temperature. The IPCC's first report on global warming produced a graph of temperature versus time, clearly showing temperatures in the medieval warm period climbing to levels higher than those we are experiencing today. There was no hockey stick in that graph then. I speak as an ordinary member of the public trying to read the report; why did the IPCC's third report produce a different graph of temperature versus time, showing a more or less flat temperature between 1000 BC and 1850 AD, followed by a steep rise thereafter, thus coming to be known as the hockey-stick graph? This graph has been strongly criticised by Professor Ross McKittrick, as I have already said. If the graph is wrong, so is everything else, and there may not be a crisis. I am sure there is a very simple answer to this question, and I would like to hear it.

There is another problem, which I hope the economists will not take amiss. The projections of carbon dioxide in global temperature are based on computer models. There is a difference between economists and stockbrokers. Economists deal with computer models and graphs, and look to the future; stockbrokers deal with the market forces of the day. Why are stockbrokers richer than economists? It is because they are working with the real facts of the reality of the day-to-day market, while economists use projections. Even the smallest variation in a projection that

takes place in the years ahead completely unbalances it.

Who are the beneficiaries of the Kyoto mitigation policies? Nobody has said. The earth might be-although I am not so sure that it will be-but so are the ministries, bureaucracies, consultants and quangos. A number of speakers have said how many such policies have to be produced because people are so worried about what is happening. That is why I think that mitigation has a lot of self-interest; a lot of the areas involved are government-connected.

The noble Lord, Lord Soley, rightly referred to the guilt complex. The eco-mullahs will turn up in the form of Ministers, advising us that we should not go over 60 miles an hour on the motorway because we are adding to carbon emissions. I came here in a car which is powered by the equivalent of 500 horses-one would have done. I do not feel guilty about it, but it will not be long before I do. And I will certainly be taxed on it, if the Mayor of London has anything to do with it, because my car has a big engine. These are small things. Why should not people travel on economy jets to their destinations? Why should they be made to feel guilty? This is what will happen.

I will not be convinced about this until the hockey-stick graph has been explained to me. Are our temperatures higher or lower than those in the medieval warm period? If they are lower, let us, as the noble Lord, Lord Taverne, implied, lie back and enjoy it.

FULL HOUSE OF LORDS CLIMATE CHANGE DEBATE at
<http://www.publications.parliament.uk/pa/ld199900/ldhansrd/pdvn/lds06/text/60714-0957.htm#06071457000007>