

Tackling the climate crisis will help resolve the financial crisis

The Opportunity

The financial crisis and prospect of global recession has created an unexpected opportunity to take dramatic action on behalf of the planet. It has become clear that governments can intervene in their economies on an unprecedented scale, and many are now considering stimulating their economies through massive investment programs which yet to be specified in detail.

If we can bail out the banks why can't we bail out the planet? Greenpeace supports a planetary rescue package as described in the 'Green New Deal' proposal of the New Economics Foundation¹ and called for by UNEP² as both feasible and necessary. The steps proposed would protect the world from climate change while stimulating the global economy. Here we present a survey of policy measures either in line with, or taken from Greenpeace's existing policy proposals which could be deployed as a coherent approach to the present financial and environmental crisis.

The threat: Environmental risk is greater than financial risk

We are destroying our environmental capital. Forest destruction costs the world economy at least 2 trillion dollars annually.³ Ocean fish stocks are collapsing, putting a basic source of food for 3 billion people at risk⁴. Droughts and forest fires destroy resources that underpin our agricultural sector. Rising sea levels threaten to displace hundreds of millions of people before the end of the century.⁵ The Stern Report⁶ has estimated that climate change could reduce future GDP by between 5 and 20%, a number the authors now think was conservative.

We have to invest for the future

1. Invest in smart grids, super grids and public transport. We can stimulate our economy by investing in super grids that send solar or wind power from North Africa to Europe, smart grids that ensure we make more efficient use of the power we have, and investments in public transport that will help us kick our oil addiction for good.

¹ New Economics Foundation 'A Green New Deal'

<http://www.neweconomics.org/gen/greennewdealneededforuk210708.aspx>

² UNEP Press Release 22 October

<http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=548&ArticleID=5957&l=en>

³ European Communities 2008, The Economics of Ecosystems and Biodiversity

http://ec.europa.eu/environment/nature/biodiversity/economics/pdf/teeb_report.pdf

⁴ Greenpeace, Pushed to the Brink, the Oceans and Climate Change <http://www.greenpeace.org/usa/press-center/reports4/pushed-to-the-brink-the-ocean>

⁵ Greenpeace, Blue Alert, <http://www.greenpeace.org/raw/content/india/blue-alert-report.pdf>

⁶ UK Treasury, Stern Report, <http://www.hm-treasury.gov.uk/6520.htm>

In our report 'North Sea Electricity Grid Revolution' Greenpeace shows how 7 countries bordering the North Sea could provide 68 GW of wind power capacity to Europe through creation of a regional grid focused on wind power. This would more than replace planned investments in coal power by these nations. The proposed grid and offshore location would allow the wind turbines to generate power almost twice as efficiently as the current installed base of European wind farms.⁷

2. Increase Research and development spending on Renewable Energy and Energy Efficiency. A sustainable economy will be one which makes the best possible use of available sources of renewable energy. Government spending on efficient products must be backed by energy efficiency standards that guarantee market adoption. For instance subsidised loans recently granted to the US and EU car industries should have come with conditions committing the industry to achieving dramatic efficiency improvements in fuel use.

3. Create a Forests for Climate Fund. Greenpeace has proposed a fund based mechanism⁸ whereby developed nations can meet some of their greenhouse gas reduction obligations through financing forest preservation. It is estimated that under this mechanism investments of \$15 billion per year would halve deforestation by 2015.⁹

The fund would stimulate the economies of developing countries and ensure local populations do not respond to the downturn by accelerating the present overexploitation of their natural resources.

4. End Subsidies for fossil fuels. Conventional non-renewable fuels receive \$250-300 Billion a year in subsidies. Instead of spending money destroying our environment we should invest in clean energy, green jobs and smart power.

We must create a market that works

For the environment

Power markets should reflect the true cost of using resources. Recent research by Greenpeace found that, even before the cost of climate change is factored in, reliance on coal costs China an amount equivalent to 7% of GDP annually.¹⁰

The cost of externalities such as; impacts on human health from burning coal; increased risk of flooding from deforestation; water contamination from agricultural run off, and the costs of climate change due to emissions of greenhouse gases can be addressed through a variety of policy mechanisms, any of which should be rooted in a polluter pays principle. Funds generated by charging polluters for the costs they impose can be channelled into supporting sustainable green investments, such as the Forests for Climate fund, grid development, public transport infrastructure and support for renewable energy.¹¹

For energy companies

We know that renewable energy investments succeed when investors face a stable environment. Creating a boom in renewable energy requires just three regulatory steps which any government can adopt.

⁷ Greenpeace, A North Sea Electricity Grid [R]evolution,

<http://www.greenpeace.org/raw/content/belgium/nl/press/reports/offshore.pdf>

⁸ Greenpeace, Tropical Deforestation Emission Reduction Paper (TDERM)

<http://www.greenpeace.org/raw/content/international/press/reports/TDERM.pdf>

⁹ UK Treasury, Stern Report, <http://www.hm-treasury.gov.uk/6520.htm>

¹⁰ Greenpeace, China's True Cost of Coal, <http://act.greenpeace.org.cn/coal/report/TCOC-Final-EN.pdf>

¹¹ Greenpeace, The Energy Revolution <http://www.greenpeace.org/energyrevolution>

1. **Priority grid access for renewable energy**, including investing in the extension of grids to reach areas rich in renewable power, on a local, national and regional scale.
2. **Legally binding targets for use of Renewable Energy and Combined Heat and Power**
3. **Feed in tariffs** that provide guaranteed income for producers of renewable power

For the consumer

Almost two thirds of the electricity we consume is wasted, mostly due to bad product design.

Mandatory efficiency standards across all product categories would reduce fuel consumption, cut household electricity bills and improve productivity.

Better labelling and disclosure measures at point of sale will allow consumers to make better choices when buying products which consume power.

For Investors

Regulatory Reforms that accurately reflect risk. Accounting rules should be altered to ensure that companies whose activities threaten the environment carry these risks on their balance sheets. In addition businesses should be required to report on the risks inherent in their use of carbon, the prospect of future subsidy elimination and further environmental regulation on their business.

Making the transition

As already noted subsidies to conventional fuels run to at least \$250 billion a year. The EU's Emission Trading Scheme is expected to generate some \$68.5 billion per year during its next phase and the return on polluter pays policies in the USA could total a further \$250 billion.¹²

The response to the credit crunch has demonstrated the vast sums of money governments can make available at low rates of interest when they believe it is required. At the time of writing, governments have pledged over 2.5 trillion dollars of preferential debt or direct funding to be made available to the financial sector over the next two years. Furthermore, governments have taken direct control or gained significant influence over a number of major banks. This control should be used to channel and tie future investments to sustainable outcomes.

Clearly the transformation of the energy sector and other parts of the economy will have consequences for local employment. In a detailed study Greenpeace showed how the transition could be handled in Australia's Hunter Valley, an area traditionally reliant on coal, but which could actually benefit from a move to a sustainable green economy.¹³

Where damage to local economies is unavoidable governments must ensure some of the benefits from the green economy are used to ensure a just transition for affected areas.

The Return on a sustainable economy

A green new deal for the global economy would deliver immediate economic benefits, reduce the risk of catastrophic climate change and reduce sources of global instability such as energy insecurity and resource competition.

¹² Page 25, Green Jobs, towards decent work in a sustainable, low carbon world. UNEP
http://www.unep.org/publications/search/pub_details_s.asp?ID=4002

¹³ A just Transition to a Renewable Energy Economy in the Hunter Valley, Australia
<http://www.greenpeace.org/australia/resources/reports/climate-change/just-transition-report>

Jobs

UNEP estimate that at present there are at least 2.3 million 'green' jobs in the renewable energy sector, but that by 2030 that number could grow to over 20 million. The same report found that greening the building industry (to improve efficiency) could create 3.5 million jobs in Europe and the USA by 2030. It is clear that a short term stimulus could produce both short term employment and long term benefits to the economy.

In California a 35 year long pursuit of energy efficiency, going back to 1972, has led to energy consumption 40% below the national average, the creation of the equivalent of 1.5 million full time jobs with a total payroll of \$45 billion, and household energy savings of \$56 billion.¹⁴

Energy Security

An end to dependence on fossil fuels will provide a much greater degree of energy security; both political and economic. Increasing the share of renewable energy in a national grid means greater stability in price, and a lower dependence on international supplies.

Lower Energy Costs

Greenpeace has published a blueprint for a global Energy Revolution based on renewable energy and energy efficiency. Delivering this will require an additional 3 trillion dollars of investment above the 11 trillion the IEA predicts the world will spend on its power sector by 2030. However, this spending will be more than offset by the expected savings on fuel costs which by 2030 will be worth 288 billion dollars a year.

A green and peaceful future

A world without conflict over oil and gas. A world free of nuclear power. Chronic water shortages and famines avoided. The collapse of the ocean and forest eco-systems prevented, the spread of the deserts halted and the rise of the sea contained. What better return on our investment could we ask for?

**Will we look our children in the eye and confess
That we had the opportunity, but lacked the courage?
That we had the technology, but lacked the vision?**

The world needs

An Energy Revolution

See <http://www.greenpeace.org/energyrevolution>

Forests for Climate

See <http://www.greenpeace.org/raw/content/international/press/reports/TDERM.pdf>

Cool Farming

See <http://www.greenpeace.org/international/press/reports/cool-farming-full-report>

Healthy Oceans Full of Life

See <http://www.greenpeace.org/international/press/reports/ocean-maps>

¹⁴ Pages 3-5, Energy Efficiency and Job Creation in California

http://www.next10.org/pdf/report_eijc/UCB_Energy_Innovation_and_Job_Creation_10-20-08.pdf