

Opinion & Analysis

Financial and climate change failures have common causes



JOHN GIBBONS

OPINION

Timely government intervention is key to financial stability and a healthy environment

‘MY GOAL is to cut government in half, to get it down to the size where we can drown it in the bathtub.” That was the boast of Grover Norquist, one of George Bush’s hawkish advisers, about the ambition to rip the heart out of the state’s ability to regulate just about anything.

The collapse of the deregulated financial markets has been a crushing humiliation for the US neo-conservative ideologues and their championing of bare-knuckle capitalism – a timely reminder that some issues are too critical to be left to the bookies of Wall Street.

Though rarely considered side by side, the crash of the financial markets and the climate crisis have much in common. The UK government’s Stern Review in 2006 tellingly described the failure to put a price tag on carbon emissions as “the greatest, widest-ranging market failure ever seen”.

The review acknowledged real costs in stabil-

ising the climate, but cautioned that a delayed response would be far more costly and dangerous. This theme is strongly endorsed in a new report issued earlier this week by the Institute of International and European Affairs (IIEA), an Irish-based policy think-tank.

“Climate change requires governments to intervene, with policies and measures that benefit society as a whole,” the report states. The global nature of the climate threat means it can only be addressed by governments acting in concert, in what might be described as a spirit of enlightened self-interest.

Our current policies will do little more than stem the rate at which Ireland’s emissions are increasing. This is an entirely inadequate response. We now face a range of choices. The IIEA report, *The Climate Change Challenge*, simplifies these into four possible scenarios for Ireland between now and 2020.

Its most optimistic scenario, “greening the

tiger”, envisages strong economic growth framed by a robust green policy. Ireland retools as a high-tech economy, with energy efficiency, extensive use of renewables and a carbon tax to deter inefficiency and profligacy.

At the other end of the scale is “climate chaos”. In this scenario, economic slowdown has deflected attention from major environmental issues. Ireland’s materialism and inequality have deepened within “the culture is of the individual, with little incentive to adjust behaviour”. Meanwhile, taxation has returned to 1980 levels, fuel poverty is rife and multinationals have pulled out due to our spiralling energy costs and taxes. This mirrors the Stern Review’s warning about the costs of inaction.

The IIEA maps out three strategic options for Ireland beyond 2012; each assumes we at least try to comply with EU emissions reduction policy. “The essential difference between the options is the level of political ambition.”

The first option is “business as usual” in which we continue on our current path, buying our way out of our emissions liabilities via the Carbon Fund – at an ever-increasing cost to the exchequer and the taxpayer. Following this “steady-as-she-sinks” path means that by 2020 Ireland would be “completely unprepared for the transition to a low carbon economy and remain exposed to the vagaries of global energy markets”.

The next possible route is called the “proactive compliance option”. It involves an immediate carbon tax on all fuels, and a crackdown on the transport sector and private car usage, including congestion charges; scrapping all VRT on electric vehicles is also mooted. These measures are to be balanced to safeguard against fuel poverty. Delivering on this agenda is not for the politically faint-hearted.

To balance our remaining carbon usage, the report recommends a major national afforesta-

tion programme. This may require radical reform of Coillte, which to date has shown little understanding of the environmental aspects of managing the State’s forestry.

The gold standard is the “carbon-neutral” option. This would include phasing in what’s known as a cap-and-share scheme; this allocates each citizen a fixed, equal share of total emissions. Above that, as you pollute, so you pay. This option also sees a massive programme of renewable power generation, building standards moving quickly towards zero emissions and pursuing more sustainable agricultural practices.

Despite our being late starters, Ireland’s abundance of renewable energy options give us a distinct edge in profiting from, rather than being impoverished by, the challenges of climate change.

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