

## EU climate policy will miss temperature targets and damage economy

Report claims major overhaul of global climate policy required to keep temperature changes below three degrees

James Murray, BusinessGreen, 09 Jun 2008

Dangerous levels of global warming are all but inevitable if the world continues to follow current EU and UN climate change policies, according to a new study from pan-European think tank the [Stockholm Network](#).

[The report](#) developed three policy scenarios in consultation with a range of environmental experts, including leading figures within government, business and green groups, and then worked with the Hadley Centre on climate change to calculate the impact of the scenarios on global temperatures. It found that under all three scenarios temperature rises were greater than expected and concluded that based on a continuation of current policy there was a 90 per cent chance that temperatures would rise by 3.31 degrees Centigrade by 2100, raising the prospect of "irreversible" climate change.

"Across the board the situation was worse than we thought," admitted report author Paul Domjan. "Current policy will definitely miss the two degree target set out by the UN and will probably miss the three degree target."

The report also concluded that economic growth would be impacted under both current policies and a scenario whereby firms fail to adhere to climate change rules.

Domjan said that the system of carbon trading being pioneered in the Europe and likely to be adopted internationally was hugely inefficient and imposed a major administrative burden on firms. He added that were some countries to shun this approach the impact on economic activity would be worse still as countries adhering to carbon trading mechanisms would seek to erect trade barriers – a practice European leaders are already discussing.

The report calls for a major overhaul of current climate change policy built around an "upstream cap" that instead of issuing permits to allow firms to release carbon emissions issues permits for the production of carbon at source in the form of oil, gas and coal. It argued that based on this scenario temperature rises could be kept to under three degrees.

"Under current cap-and-trade schemes you have to manage compliance from tens of thousands of sites, but by issuing permits to carbon producers you manage compliance for far fewer firms in a market where a dozen companies control the vast majority of activity," he said. "Such an approach would ensure the price signals are carried down to the end user, and, as we are already seeing with fuel prices, that influences behaviour."

He added that while the "upstream cap" approach would lead to higher energy and fuels prices, recent spikes in the cost of oil had shown that economies can continue to grow while oil prices are high.

In addition to advocating caps for carbon producers the report also calls for an urgent acceleration in efforts to transfer clean technologies into developing economies. "The fact is that the bulk of future emissions will come from developing economies and while they may not have caused the problem we will need to better incentivise them to play ball if we are serious about combating climate change," Domjan said, adding that business leaders should seek to take advantage of this situation by targeting new clean technology projects at developing economies. "Those companies that get to market first with low carbon products for the developing world stand to reap huge benefits."