Global Economy and Development at BROOKINGS

SNAPSHOT

CLIMATE CRISIS, CREDIT CRISIS: OVERCOMING OBSTACLES TO BUILD A CLIMATE RESILIENT WORLD

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As the 2009 UNFCCC 15th annual Conference of the Parties (COP15) summit in Copenhagen in December approaches, the climate science raises the stakes. A growing number of scientists assert that earlier forecasts may have been too conservative and that the rate of climate change may be surpassing even worst-case scenarios. New evidence suggests that sea levels could rise more than twice as much as forecast by the 2007 Intergovernmental Panel on Climate Change's (IPCC) Fourth Assessment Report.

These environmental events would produce ruinous consequences for those who are the most vulnerable and have done the least to cause them. According to the IPCC's 2007 data, in some African countries, agricultural yields could drop as much as 50 percent by 2020. By the 2080s, Africa's arid and semiarid terrain may expand by 5 to 8 percent, and its wheat production may cease entirely. Already, roughly a quarter of Africa's population is under high-water stress; the population at risk is projected to be 75 to 250 million people by 2020. Around the world, the rise in sea level will disproportionately affect the world's poor: approximately 14 percent of the population of developing countries live in coastal areas. Rising prices of food or fuel force the poorest families to make life-altering choices like pulling children out of school or selling precious livestock. By 2080 another 600 million people across the world could be pushed into acute malnutrition. An additional 1.8 billion people could be facing water scarcity. Nutrition and public health with deteriorate. Malaria will spread.

Yet economic conditions around the world constrain national leaders' ability to ask their constituents to make sacrifices. Advanced economies lost an unprecedented 7.5 percent of real GDP during the fourth quarter of 2008 alone, and in the U.S. the joblessness rate rose to 9.5 percent in June, higher than at any point in the past 26 years. A majority of Americans now tell the Gallup organization that economic growth should be given priority over environmental protection, even if the environment suffers to some extent—for the first time in Gallup's 25-year history of asking the question. And the economic crisis, like the climate crisis, is hitting developing countries hardest. The World Bank Global Monitoring Report 2009 finds that "growth in Sub-Saharan Africa…will fall to 1.7 percent in 2009, from 5.5 percent in 2008. This is the weakest growth rate since the 1990s."

In fact, slower economic growth may make emissions targets easier to achieve. But the uncertainty, coupled with the ongoing transitions brought about by globalization and the fact that weak financial markets increase the cost of investment in new capital, create tensions that were evident most recently at the G-8 meeting, which yielded only broad agreement from the major economies.

Climate negotiations reveal the wisdom in Albert Einstein's observation, "No problem can be solved from the same level of consciousness that created it." As long as the problem is confined to Gallup's tradeoff between improving living standards and the health of the planet, then the ability of countries to solve it is constrained. Countries must receive large concessions from each other to make up for their own sacrifices. If, however, sufficient sweeteners reduce the feeling and reality of economic sacrifice, additional options for agreement may open.

In *Nonzero: The Logic of Human Destiny*, Robert Wright argues that humans have over time learned to grapple with increasing complexity and in so doing how to turn zero-sum problems into positive-sum solutions. Now is a moment in human history when such a hat trick is urgently needed—and, fortunately, increasingly possible. The ability to finance and deploy clean technology, for example, offers the opportunity of increasing income and jobs while simultaneously lowering emissions. The Global Partnership on clean technology agreed to at the Major Economies Forum can be an opportunity for technology to help bring parties to agreement. Creating opportunities for more inclusive governance structures and capacity building both expands political capital and improves the ability of nations to adapt, transfer technology, or include forestry in emissions trading mechanisms. Getting economic incentives right for adaptation in service of development goals is a third win-win strategy that can expand markets and reduce emissions.

Anne-Marie Slaughter, now director of policy planning at the U.S. State Department, reminds readers in her recent article "America's Edge," that we are increasingly connected through networks—of business, technology, finance, and the like. Network economics say that the more people these networks connect, the more valuable they are—the more people can buy and sell goods and can seek and share information with a wider swath of humanity. Global climate negations can create and expand networks, adding value at little cost. These networks can share crop information, finance efficiency technologies, or connect carbon emitters with forests-dwellers. In any of these cases they will enhance opportunities for sustainable development in the developing world and for broad-based prosperity in the developed world.

But even in a networked world, the need and challenges for the major players to find agreement after years of irreconcilable differences are great. The commitment of the new U.S. president, as reflected in his recent hard-won victory for historic climate legislation in the House of Representatives, is an important development. It may be possible to open new avenues for progress in the short time remaining by narrowing what must be achieved through the Conference, what is negotiated in other venues, such as the World Trade Organization, or what is best assigned to various levels of government (e.g., global agreements may be appropriate for emissions targets but national governments can provide adaptation information while local governments disseminate information and the grassroots decide on local strategies).

A failure to act creatively is not an option. It will produce an outcome that is far more costly than the status quo—according to the United Nations Environment Program's Economics and Trade Branch, with the estimated 5-6°C increase in temperature, "the world economy could sustain losses equivalent to 5-10 per cent of global gross domestic product (GDP)"—and can only make any future agreement more difficult.

One of the major lessons of the current economic crisis is that the future is unpredictable and the nations and people of the world are interconnected in ways we do not always perceive on a daily basis. This lesson is especially important to remember as we try to cope with the uncertainty around climate change and differentiated time horizons for its adverse effects between developing and developed nations. While people in the major population centers of the developed world may not feel the direct impact of climate change for two or three decades, people in Africa and Bangladesh may suffer immediately. Not only do the people of the developed world have a moral obligation to act to avert or limit this suffering, but they have a self-interest in controlling the indirect effect of this suffering on their own economies and national security.

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The 2009 meeting of the Brookings Blum Roundtable will draw on the perspectives of climate change, development and economic policy leaders, decision makers and practitioners. By examining the challenges and opportunities we face in forging a climate resilient globe in the midst of financial turmoil, this year's Roundtable is designed to forge sustainable solutions to solve the climate crisis in a way that revitalizes the global economy and lifts the lives of the poor.

On the first day, Session I will explore the prospects for building a climate resilient world at the upcoming COP15. We will look at those issues that are likely to be the major sticking points at the negotiations—namely greenhouse gas emissions commitments and targets, financing mechanisms for both GHG mitigation and adaptation needs, and policies to encourage technology transfer—and will work toward advancing strategies to make the COP15 a success. We will examine countries' previous negotiating stances, outcomes from the G20 meeting in April, and the global political climate in which the negotiations are likely to take place. Session II will examine what the global economic downturn means for major greenhouse gas emitting nations' climate policies in terms of their growth and emissions. Particular attention will be paid an alternative approaches for crafting a global climate regime might be better suited to the current economic climate.

Day Two will offer participants a chance to explore a number of key sticking points in depth that negotiators will face on the road to crafting a post-2012 climate regime: adaptation financing, forest carbon offsets, and mitigation financing/technology transfer. Session III will look at adaptation financing and how, in the midst of a financial crisis, funds will be mobilized through the public and private sectors. We will differentiate funding for adaptation at the national and global level from local planning to manage location-specific climate risk. Session IV will then take up the issue of forestry and carbon markets. We will explore the opportunities that exist via global carbon markets to provide cost effective ways to both reduce emissions and generate income for poor forest-dwelling communities and forest-rich developing countries. We will also formulate strategies to ensure that poor communities and indigenous peoples ultimately have a voice in the design and implementation of carbon markets. Session V will then examine tech transfer, paying special attention to technology deployment, absorptive capacity issues, and participatory identification of technology needs in the developing world. With fossil fuel consumption accounting for roughly 40 percent of developing countries emissions and 67 percent of emissions in rapidly industrializing nations such as China and India, developing and deploying technologies will be critical to minimize future emissions and transform the global energy economy.

On the final day, we will examine climate change and the financial crisis at the grassroots level and what role the U.S. can play in advancing an international climate change regime. With the adverse effects of climate change set to exacerbate existing inequalities—both globally and within countries—Session VI will focus on the roles of grassroots initiatives, national governments, and global entities in global climate strategies. We will also discuss bottom-up strategies that might occur at the local level in developing countries to encourage sustainable development in the areas of agriculture, forestry and health. Finally, the Roundtable will conclude with a look at the U.S. Congress and the Obama administration and what role the U.S. can play in catalyzing the international community to act on climate, finance, and global poverty alleviation.