

Don't plan on bailing out the climate crisis

As financial storms rage over the Atlantic, siren voices have begun to argue that the economic crisis will derail plans to agree an ambitious global climate change deal in Copenhagen next year.

At first glance the outlook does not look promising. Politicians as different as Barack Obama and Silvio Berlusconi have begun to scale back clean energy plans in the face of declining economic confidence and shrinking public budgets. A chorus of industry voices have argued the need for caution in troubled economic times; unhelpfully contradicting their previous calls for long term policy certainty in the battle on climate change.

But look more closely and a more mixed picture occurs. Firstly, public polls and political discussions show that climate change remains firmly on the top political agenda; even if it has to fight harder for its share of attention. This contrasts early 1990's when recession decisively pricked the green political bubble of the time.

Secondly, a growing number of politicians are realising that there are votes to be won and domestic jobs to be created by ambitious programmes to save energy and develop domestic clean energy resources. The early shoots of green Keynesianism emerged before the credit crunch and were driven by soaring energy prices. These policies now seem ideally suited to the new political landscape; where decisive government action is again seen as critical to preserving economic security. The US car industry has already received \$25 bn in low interest loans to retool production lines for energy efficient cars; EU automakers may ask for €40 bn. If well designed to avoid excess profits, these interventions should bring macroeconomic and environmental benefits. Though maligned at the time, Gordon Brown's decision to reject simple cash handouts for bold investment in domestic energy efficiency may be a defining moment in his political revival. A serious policy for serious times. For if it isn't right to prioritise such measures during a period of economic slowdown and high energy prices; when will it be?

So much for the glass half full. The final lesson of the financial crisis is more worrying. It is the graphic illustration of how in the face of convincing empirical evidence of the scale of runaway risks, the leaders of the world's major economies, backed by their most able officials and diplomats, could only agree to masterly inactivity until the global financial system had fallen over the cliff edge. All the issues underlying the financial crisis had been raised at meetings of the IMF, G20 and FATF but no effective regulatory action was taken. We are now seeing efforts to strengthen the system, but only after massive economic damage has been incurred.

Luckily with prompt – if expensive - action this financial crisis should be reversible and global growth will resume in a few years; we will hopefully avoid the disastrous political and social impacts of the Great Depression. Climate change is not such an amenable creature to manage. If we fail to agree radical cuts in global greenhouse gas emissions next year, and mobilise the finance and technology to deliver them, the world faces very high risks of crossing critical climate change tipping points in the next two decades. Lags in the climate system mean that by the time we can observe these tipping points there will be little we can do except try and adapt to a world where billions will find their means of subsistence seriously undermined. There is no effective bailout solution for a destabilised climate.

The lesson of the expensive failure to effectively regulate the global financial system, must be the absolute necessity of agreeing to limit risks to the stability of the global climate system. Bold political leadership is key and is needed not only from a new US president but also from the EU, China and India; perhaps an even more challenging prospect. More prosaically governments need to invest more in the diplomatic and technical underpinnings of a successful Copenhagen agreement; as the current process risks drowning under its own complexity. We also need an informed and critical global media reporting on the negotiations, so they do not disappear into a black hole of international techno-babble; dangerously divorced from national political realities.

Humans learn better from mistakes than from successes. Let's use the harsh lessons of the financial crisis to avoid the far greater cost of an international failure to prevent catastrophic climate change.