

Taking action on climate change is affordable

I suspect that decades of addiction to fossil fuels have left an oily residue of corporate disbelief around the affordability proposition. But it's hard to ignore a reputable McKinsey study that shows it is within our means to hold the rise in global warming within 2°C above preindustrial levels, the threshold generally regarded as the trigger for catastrophic climate change.

The report, released this week, assumes that a cut in greenhouse gas emissions by 2030 of 35 percent compared with 1990 levels would be sufficient to achieve this. By comparison, a global climate deal due to be negotiated in Copenhagen by the end of this year could adopt a mid-term reduction target of between 25 percent and 40 percent by 2020.

McKinsey puts the total annual worldwide cost of abatement opportunities at less than 1 percent of global gross domestic product forecast in 2030.

Total upfront investment in abatement, in addition to business-as-usual investments, is estimated at e530 billion (R7 trillion) a year in 2020, rising to e810 billion a year in 2030.

Assuming that the current credit squeeze has no significant consequences for the world economy up to 2030, McKinsey reckons that the level of investment needed is within the long-term capacity of global financial markets. It notes that many opportunities for future energy savings would compensate for these investments.

So we have it on good authority that climate change policies are not going to break our banks and will pay for themselves over time. What, then, are the chances of the world actually implementing these policies in the required time?

The report's authors acknowledge the challenge. They point out that their study optimistically assumes most economically rational abatement measures (which include energy efficiency, low energy carbon supply and terrestrial sinks for carbon) are pursued to their full potential.

For example, it assumes that by 2030, 40 percent of all new car sales will be hybrids (that's 42 million green vehicles a year) and that 330 million hectares of new forests are planted (which requires marginal land equal to the size of India).

It states that a 10-year delay in taking abatement action would make it "virtually impossible" to avert the 2°C threshold.

So too would the failure of all regions and sectors to capture close to their full available potential. The analysis shows that a significant shortfall in any major sector or region can be compensated for only partly by measures undertaken in others.

This is an important point for developing countries such as South Africa, which has adopted a long-term zero carbon policy but whose mid-term commitments fall shy of the McKinsey target.

South Africa has promised that its emissions will peak between 2020 and 2025, stabilise for a decade, and then decline in absolute terms. Environment minister Marthinus van Schalkwyk labels this a "highly ambitious path" for a developing country - but it is not quite ambitious enough for McKinsey.

As the year progresses, we will get a sense of whether South Africa's plans are deemed sufficiently far-reaching by developed nations (some of whom have significant ambition deficits of their own).

We also may have a clearer idea of who is going to foot the bill. While the world can theoretically afford an ambitious plan on global warming, it remains to be seen how deeply those with the pockets are prepared to dig.

By INGI SALGADO - cape times Business news