

Climate change: 'Acute' threats and unexpected parallels

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Public attention has shifted away from climate change as the coronavirus pandemic has spread. Nevertheless, mitigating climate change and making sure that the growing global population has access to climate-friendly energy remain among the key challenges of this century. These issues will still be on the agenda when the pandemic is over. It is therefore an encouraging sign that many policymakers and corporates have said that not only will they take this into account, but they will also pay more attention to climate protection when re-opening the economy. The heated discussion about which instruments are best suited to ensure climate protection will continue for years to come, though.

A comparison between the coronavirus response and the measures against climate change makes sense, as there are some similarities. And although there are some key differences the response to the pandemic holds a number of lessons for climate policy.

Key characteristics: development over time, regional spread and causes

The coronavirus pandemic is obviously an acute threat. Older people and those with certain pre-existing conditions are particularly susceptible. In this sense, the virus has a selective impact and it causes a sudden emergency when it develops in a person. In contrast, the question how acute

the problem of climate change is may be up for debate. The term “climate emergency”, which some activists use, indicates urgency. While we will not discuss the issue in detail, climate change is certainly a less acute issue than is the coronavirus pandemic. Yet climate change has a selective impact, too. At this point in time, it tends to affect mainly those for whom adapting to it is more difficult.

Both the coronavirus and climate change are global phenomena. The etymology of the term “pandemic” already suggests that “everybody” (“pan” means “all” in Greek) is affected. Turning to climate change, the geographical source of greenhouse gas emissions is quite unimportant. Nevertheless, there is a significant difference between the two problems. Individual countries can take national measures to contain the spread of the coronavirus by simply closing their borders. While stopping international travel is certainly not an adequate medium to long-term solution, it helps to contain new infections in the short run and is effective even without co-operation from other countries.

In contrast, national measures are largely ineffective in the fight against climate change if the rest of the world does not pursue ambitious goals as well. The contribution of national climate-protection policies becomes more insignificant if a country has only a small share in global greenhouse gas emissions. The difference becomes obvious when we look at an example of a small island state: external border closures would help to eliminate the corona virus in the country within a short time. However, such a country is clearly not in a position to make a major contribution to climate protection.

Let us now take a look at the causes of the two problems. Climate change is to a large extent caused by human activities. While the exact contribution of these activities is unclear, it is clear that burning fossil fuels is a major cause of climate change. From an economist’s vantage point, climate change is a global negative external effect that is not (adequately) priced into the market. In contrast, the link between the coronavirus pandemic and human activities is by far less obvious. One can argue that, if mankind increasingly encroaches upon the habitat of wild animals, the probability increases

that viruses will spread from animals to people. However, such events have regularly taken place over time, even when considerably fewer people lived on earth.

Government measures and their acceptance

Environmental economics and common sense alike suggest that an acute threat requires comprehensive countermeasures. The corona crisis is a good example of this. Governments around the world are relying on far-reaching command and control regulation, including bans on a number of economic and private activities. Most countries have entered some kind of economic and social lockdown.

Regulatory law has a major disadvantage, however. It tends to lead to significant economic losses and costs. In order to mitigate the economic impact of the lockdown, countries have adopted comprehensive subsidy and aid programmes for the affected sectors and private households of their economies. These measures constitute the second line of the response to the corona crisis. Quite apart from the economic losses, the government measures severely interfere with basic human rights and people’s quality of life. Throughout, most people have accepted and complied with the restrictions. However, no one can really believe that people will continue to do so indefinitely. Policymakers regularly underline that the current situation, with all its constraints, is highly exceptional.

Climate protection policy uses a mix of different instruments and, in this area too, command and control regulations (obligations, bans, quotas, caps etc.) play a significant role. Many technologies are subsidised; just think of renewables. At the same time, and alongside regulatory law, policymakers use market-based instruments, such as energy or carbon taxes or emissions trading. These tools aim to internalise the negative impact of greenhouse gas emissions. While it is quite possible to “put a price” on carbon dioxide and other greenhouse gases, it is certainly not viable to put a price on the virus.

Right now, climate protection measures are widely accepted in many countries. In fact, surveys often say people support stricter climate protection policies. One reason for the high degree of acceptance is certainly that the costs of climate protection measures are not very

transparent and spread across a long period of time. People bear them by paying higher prices for everyday goods or paying taxes (or not benefiting from tax cuts). Moreover, climate policy has only small effects on everyday life so far. As long as people can afford it, they travel without restriction, live in large flats or houses and heat them as they like. They use more and more electronic consumer goods, surf the internet, download films and music, buy cars, eat meat – the list goes on. However, even as people say in surveys that they are in favour of climate protection they are often less willing to shoulder the (considerably) higher costs for this goal.

Lessons from the corona crisis for climate protection policy: new technology and adaptation promise better success than sacrifices

The covid-19 crisis has shown that people accept major restrictions laid down in regulatory law if there is an acute threat. At the same time, the global debate about easing the lockdown also shows that acceptance of such measures wanes over time as the threat recedes. We do not believe that people in western democracies will accept similar constraints of everyday life for climate-protection purposes in the coming years. First, the threat perceived at the individual level is not sufficiently acute, second, people feel they can adapt to climate change over time, and third, every citizen and even every country can make only a small contribution to climate protection. Like it or not, most people simply will not be willing to make sacrifices if others do not.

There is the option of relying on higher carbon prices (instead of regulatory law) to make people behave in a more climate-friendly way. Market-based instruments are indeed more efficient and effective (both in economic and ecological terms) than either regulatory law or technology-specific subsidies. In fact, this seems to be

the only realistic way to achieve the ambitious long-term climate targets. However, if carbon prices rise above a certain level and people can no longer afford everyday conveniences (such as travelling), majorities in western democracies may gradually shift. From our vantage point, there is a significant risk that excessive climate-protection measures (implemented either via energy and carbon prices or via regulatory law) may strengthen parties on the political margins.

The covid-19 crisis has also shown that millions of jobs hinge on everyday activities and luxuries which are currently which may appear superfluous at first sight. Due to its significant economic impact, it is impossible to fight the virus simply by a continued lockdown of the economy. In the long run, new technologies are the only option. In the coronavirus context, these new technologies take the form of efficient drugs and vaccines, which are currently being researched around the world. In the meantime, we can only try to contain the virus by ensuring good hygiene, relying on social distancing etc. In addition, we need to adapt to the virus – at least for now.

In some respects, the corona crisis is a blueprint for climate protection policy. In that area, too, we need better technologies than those available today. We need high-performance, low-carbon, controllable and cheap sources of energy which permit climate-friendly growth. That is what the world's best minds should focus on in the coming years. Most people will be unwilling to accept persistent, massive growth losses and/or restrictions on individual consumption and production choices for climate reasons in the long run. The near-term costs are simply too high. So, as long as the necessary technology is not available, we will have to try and slow climate change by using the tools available today and accept that some degree of adaptation will be necessary.