

EFL COMMENTS ON: *The Economics of Climate Change*

The UK government is currently carrying out a major review of the economics of climate change, in order to understand more comprehensively the nature of the economic challenges and how they can be met, both in the UK and globally.

A variety of stakeholders have been invited to submit evidence to the review. This paper constitutes comments from Environmental Foundation Ltd, Sri Lanka. With reference to the stated terms of reference of the review, the following comments refer primarily to “the impact and effectiveness of national and international policies and arrangements in reducing net emissions in a cost-effective way and promoting a dynamic, equitable and sustainable global economy, including distributional effects and impacts on incentives for investment in cleaner technologies”.

The basic thrust of the evidence and perspectives presented in this paper is that:

- While climate change is a global issue, action to address it requires that actions to regulate human activities are undertaken by sovereign states.
- Recent events on the global arena demonstrate all too clearly that the concept of state sovereignty has been undermined in all too many cases. The economic and political interests which determine how the world’s powerful states operate necessarily undermine the weaker states in every aspect, and are largely driven by a greed to control and exploit their resources.
- When sovereign states are weakened they can no longer implement meaningfully any policies that are set, including the policies of addressing climate change.
- Until these global economic and political imbalances and inequities are rectified, climate change issues cannot and will not be addressed. To date there is little evidence that this is likely to happen.

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EFL is a non-profit public interest organisation whose mission is the conservation and enhancement of the natural environment through legal means.

Since 1981 EFL has established itself as a driving force in promoting environmental justice for the people of Sri Lanka, particularly poor and disadvantaged communities, through the provision of mediation, representation and advocacy services, and legal and scientific support, in environmental matters.



1. A global issue that needs to be addressed at the national level

Climate change is a global issue which needs to be tackled at the national level through regulation of human activities, such as through reducing the consumption of fossil fuels, minimising greenhouse gas emissions, promoting cleaner technologies and tackling widespread deforestation.

It is national policies and laws, as well as economic and fiscal instruments implemented at the macroeconomic or sectoral level, that form the primary instruments to mitigate climate change, to address its underlying causes, and to influence directly the activities that exacerbate it.

As well as national actions, the multilateral environmental agreements (most notably, in this case, the UN Framework Convention on Climate Change) required to address climate change demand that the sovereignty of individual states is upheld.

The implementation of measures to affect these activities, and to therefore address climate change issues, therefore relies largely on action being taken by individual countries.

2. How the powers of sovereign states have been undermined

Without maintaining (and even strengthening) the sovereignty of nation states, it remains impossible to take effective action to address climate change. Recent events have however confirmed that this is not the case. For example, the sovereignty of Iraq (let alone the powers of supposed global arbitration and decision-making bodies such as the United Nations) has been diluted almost completely by recent events on the world stage.

The vast majority of individual states have no control over the media or propaganda or agendas set by the more powerful states. A weakening, or even complete dissolution, of global governance structures has impacts at all levels of scale, and especially impacts on the effective functioning of sovereign states.

The economic interests that determine where the real seat of power lies, globally, have an increasing influence. These economic interests, which determine how the world's powerful states operate, necessarily undermine weaker states in every aspect. There is a vested economic interest in their doing so, which is fundamentally to do with facilitating the exploitation of the resources of those weaker states.

3. Weakened states and ability to implement policies

Human activities can only be regulated effectively through a functioning and functional legal and administrative framework. When a state is weakened it can no longer implement meaningfully any policies and laws that have been set, including those to address climate change.

The capacity of most states has already been weakened economically over the last centuries through a process of unequal economic domination and political hegemony of stronger states over weaker states. Climate change is a direct outcome of the actions that are undertaken to undermine the sovereignty of weaker states (for example increased exploitation of fossil fuel, widespread destruction of commercially valuable forests and forest lands). It also arises as an indirect consequence of them (through undermining national capacity to act to address climate change and other issues).

Whereas in the past the vast majority of the world's population were totally unaware of the disparities in living standards between the richer and poorer nations, today's media has brought



this to their living rooms. Consumer demands, in countries at all levels of economic development, drive an agenda that both promotes the dominance of states that are strong on the global playing field, while undermining further the sovereignty and economic position of those that are weaker. This exacerbates current inequities (in both economic and political terms), and widens the gap between rich and poor countries. Ultimately, it promotes the interests of those stronger states, while progressively destabilising weaker states and undermining their ability (and sovereignty) to effectively implement policies.

For these reasons, there has been (and will remain) a failure to address climate change—and the ability of a growing majority of countries to implement policies and laws to address it is being progressively undermined. The reasons for this are economic and political, and are global in nature. This means that unless these larger economic and political issues are rectified, climate change cannot be dealt with. Under current trends, there is no indication that this is likely to happen.

4. Implications for the outcome of the review

For these reasons, and under these conditions, it remains futile to talk about the economics of climate change at the micro, or even macroeconomic level — for example in terms of fiscal and economic instruments to change consumer and producer behaviour or to set in place incentives (or overcome perverse incentives against) for reducing greenhouse gas emissions.

In reality, it is global economic forces (which are by nature also political) that need to be resolved if there is to be any meaningful progress towards tackling climate change. Without doing this, it is at the best naïve and at the worst deliberately obstructive to expect that any effective actions can be taken, at any level, to address climate change.

Any assessment of “the economics of moving to a low-carbon global economy” or of “the potential of different approaches for adaptation to changes in the climate” will be impossible until these issues are worked out.

Thus, without a thorough and considered analysis of the evidence relating to the impact of global economic and political forces on the ability of sovereign states to formulate and implement policies and laws, any review which endeavours to understand more comprehensively the nature of the economic challenges and how they can be met cannot make a meaningful contribution to the current debate (and actions) on climate change.