Climate-action delay to cost investors more than $1tn in 15 years

Delays in tackling cli- mate change could cost companies about $1.2tn worldwide during the next 15 years, according to the UN. That's the preliminary anal- ysis of a UN Environment Fi- nance Initiative project that brought together 20 global fund managers to measure the impact of climate change on 30,000 of the largest listed companies. The group has cre- ated a guide for investors to as- sess how their holdings would respond to different levels of global warming and policy making. "Investors have a central role to play in moving the world to a low-carbon future," said Mau- rice Tulloch, chief executive of- fi cer of Aviva Plc, one of the par- ticipants in the project. "This collaboration shows how we can all take better decisions, for our customers and for the environ- ment." Extreme weather events, including fl oods, tropical cy- clones, and extreme hot and cold days are already hitting business operations. Should governments install tougher policy in the push for cleaner technology, emis- sion-intensive companies will increasingly struggle to com- pete. As well as

Aviva, the investor group included companies such as Manulife Asset Management, M&G Prudential Ltd and DNB Asset Management AS. The work was guided by advisory and modelling fi rms Carbon Delta AG and Vivid Economics Ltd. Investors are playing an in- creased role to protect fi nancial stability against climate change. The research work will enable them to better understand cli- mate-related risks and oppor- tunities, in line with the recom- mendations of the Task Force on Climate-related Financial Dis- closures, a part of the Financial Stability Board global regulator, the UN said. The task force is chaired by Michael Bloomberg, the majority owner of Bloomb-erg LP. To cut investor risks, govern- ments probably need to put in place consistently rising car- bon taxes or markets that will spur a shift to cleaner technol- ogy, Christopher Hope, a policy modelling expert at the Univer- sity of Cambridge, told funds managers gathered in London on Friday.

Hungary will have to buy Russian natural gas if Exxon waits on offshore project, says minister

HOUSTON (Reuters) – Hungarian Foreign Minister Peter Szijjarto said on Wednesday his country would again turn to Russia for natural gas supplies if Exxon Mobil Corp has not decided by September whether to invest in a massive Black Sea offshore project.

Romania's Black Sea reserves pose a potential challenge to Russian Gazprom's dominant role supplying Central and Eastern Europe, according to consultancy Deloitte. Tapping those fields could diversify the region's gas supplies and bring the Romanian government revenue of $26 billion by 2040.

"Exxon Mobil can be the game changer in the energy supply of Europe. But they should finally make their final investment decision," Szijjarto told Reuters during an interview in Houston where he was opening a consulate office.

"If they don't make that decision until September, I will have to make another long-term agreement with the Russians."

Exxon and Austrian energy group OMV's Romanian subsidiary, OMV Petrom SA, have put on hold a decision on tapping the natural

gas field pending legal framework revisions. The field has been estimated to hold 1.5 trillion to 3 trillion cubic feet (42 billion to 84 billion cubic meters) of natural gas.

Exxon is weighing several factors while deciding whether to invest in the Neptun Deep project in Romania, spokeswoman Julie King said on Wednesday.

A decision would require “competitive and stable fiscal terms, a liberalized Romanian gas market that enables free trade, and sufficient interconnectivity with neighboring free and liquid markets, in each case, for the duration of our concession agreement,” King said.

Hungary’s landlocked location in Central Europe puts it at a disadvantage in getting access to needed imports of natural gas, which is used by 85 percent of the households in the country, Szijjarto said.

“The question of whether we will be able to diversify gas resources depends on four allies of ours: Croatia, Romania, the United States and Austria,” he said. “It’s a strange situation where we are encouraged by our friends and allies to diversify, but basically it’s up to them.”

Development of a liquified natural gas (LNG) terminal on the Croatian island of Krk, would help it diversify from the current, east-to-west logistics system established during the Cold War when the Soviet Union dominated Eastern and Central Europe, Szijjarto said.

Reporting by Erwin Seba; Editing by Peter Cooney

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A carbon dividend is better than carbon tax

By Mark Paul And Anthony Underwood/Sarasota

Climate change is the world's most urgent problem, and in the United States, the left, at least, is taking it seriously.
Earlier this year, Representative Alexandria Ocasio-Cortez of New York and Senator Edward Markey of Massachusetts, both Democrats, introduced a Green New Deal (GND) resolution, which offers a blueprint for decarbonising the US economy. But while a growing number of Democratic presidential contenders have endorsed their proposal, centrist Democrats and Republicans continue to cling to a different climate-policy approach.
The key centrist proposal, in keeping with the prevailing neoliberal dispensation, is a carbon tax. The idea is simple: if you tax fossil fuels where they enter the economy – be it at a wellhead, mine, or port – you can fully capture the social cost of pollution. In economic parlance, this is known as a Pigovian tax, because it is meant to correct an undesirable outcome in the market, or what the British economist Arthur Pigou defined as a negative externality – in

this case, the greenhouse-gas emissions that are responsible for global warming.

As a response to climate change, a carbon tax is immensely popular among economists from across the political spectrum, and it does have an important role to play. But it is far from sufficient. Rapidly decarbonising the economy in a way that is economically equitable and politically feasible will require a comprehensive package on the order of the GND. That means combining some market-based policies with large-scale private- and public-sector investments and carefully crafted environmental regulations.

Even in this case, including a standard carbon tax involves certain risks. Just ask French President Emmanuel Macron, whose country has been roiled by months of demonstrations that were initially launched in response to a new tax on diesel fuel. The lesson from the weekly “yellow vests” protests is clear: unless environmental policies account for today’s high levels of inequality, voters will reject them.

Nonetheless, as progressives push for more green investment, they will look to the carbon tax as a source of revenue. After all, depending on the size, it could raise almost a trillion dollars per year. But rather than a straightforward levy, they should consider implementing a carbon dividend, whereby carbon would be taxed, but the proceeds would be returned to the people in equal shares. Yes, this would preclude one option for funding the GND; but it would ensure that the transition to a carbon-free economy remains on track, by protecting the incomes of low- and middle-class households.

A common objection to a carbon dividend is that it would defeat the original purpose of a carbon price, which is to encourage people to reduce emissions. But this isn’t true. To see why, suppose you are a low-income American, currently spending $75 per month on gas. Assuming that your driving behaviour does not change, a carbon tax of $230 per ton – the level needed just to put us on a path toward limiting global warming to 2.5? C above pre-industrial levels – would raise your monthly fuel expenditure by $59, to $134, or 79%. In this

case, you unquestionably will feel poorer. This is what economists call an “income effect.”

Now imagine that a carbon dividend is in place: you would receive a monthly payment of $187, more than offsetting the price increase, and leaving you feeling richer. But wouldn’t this also leave you with a greater incentive to use gasoline? Economic theory suggests not.

Just because the price of gas increases does not mean that everything else in the economy will follow suit. Rather, goods and services that produce a lot of carbon dioxide emissions will become relatively more expensive than those that do not. Hence, you would have a choice between using the dividend to drive more and using it to increase your consumption of other things, from dinners with friends to new running shoes. Those social gatherings and shoes are your incentive to use less carbon. This is what economists call the “substitution effect.”

In this way, a carbon dividend would gradually nudge people, large businesses, and the government away from carbon-intensive consumption and toward activities and investments that reduce their emissions. Equally important, a carbon dividend would protect the poor. A straightforward carbon tax is inherently regressive, because it imposes the same cost on the poor as it does on the rich. But a carbon dividend inverts this effect, because every dollar that is returned will be worth more to a low-income household than it will be to a wealthy one.

Moreover, it is the rich who fly all over the world, heat and cool enormous homes, and drive inefficient sports cars. Because they lead far more carbon-intensive lifestyles than everyone else, they would contribute far more per capita to the carbon dividend. More to the point, they would pay in much more than they get back, while the poorest 60% of Americans would get back more than they put in.

In short, a carbon dividend would distribute money from predominantly wealthy high polluters to predominantly low- and middle-income low polluters, all while reducing CO2 emissions.

On its own, it would represent a smart step in the right direction – one that wouldn't invite a "yellow vest" reaction. But don't let anyone tell you it's a silver bullet. When it comes to climate change, there isn't one. – Project Syndicate

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https://www.gulf-times.com/story/631897/A-carbon-dividend-is-better-than-carbon-tax