

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



Delays in tackling climate change could cost companies about \$1.2tn worldwide during the next 15 years, according to the UN. That's the preliminary analysis of a UN Environment Finance 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 created a guide for investors to assess 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 Maurice Tulloch, chief executive officer of Aviva Plc, one of the participants in the project. "This collaboration shows how we can all take better decisions, for our customers and for the environment." Extreme weather events, including floods, tropical cyclones, and extreme hot and cold days are already hitting business operations. Should governments install tougher policy in the push for cleaner technology, emission-intensive companies will increasingly struggle to compete. 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 firms Carbon Delta AG and Vivid Economics Ltd. Investors are playing an increased role to protect financial stability against climate change. The research work will enable them to better understand climate-related risks and opportunities, in line with the recommendations of the Task Force on Climate-related Financial Disclosures, a part of the Financial Stability Board global regulator, the UN said. The task force is chaired by Michael Bloomberg, the majority owner of Bloomberg LP. To cut investor risks, governments probably need to put in place consistently rising carbon taxes or markets that will spur a shift to cleaner technology, Christopher Hope, a policy modelling expert at the University 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.

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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>

UK could face court action over air pollution after EU warning: 'We can delay no more'



Proposals made on Tuesday are 'not substantial enough to change the big picture'

Nine European countries including the UK could face legal action if they fail to make progress on reducing air pollution, the EU's top environment official has warned.

The intervention came as legal air pollution limits for the whole year were reached within a month in London.

Brixton Road, Lambeth, has seen levels of pollutant nitrogen dioxide exceed average hourly limits 18 times so far this year, the maximum allowed under European Union air quality rules.

Inaction by national governments over the issue prompted the European Commission's environment commissioner, Karmenu Vella, to warn of legal action after talks with ministers from nine EU countries including Britain, France, Germany, Spain

and Italy – all of which regularly flout the bloc's air quality standards.

“Every year, an astonishing number of citizens' lives are cut short because of air pollution,” Mr Vella said.

“We have known this for decades, and the air quality limit values have been in place for almost as long.

“And yet, still today, in 2018, 400 000 people are still dying prematurely every year because of a massive, widespread failure to address the problem.”

He continued: “The deadlines for meeting the legal obligations have long elapsed... we can delay no more.”

Poor air quality caused by vehicle emissions, industry, power plants and agriculture is known to cause or exacerbate asthma and other respiratory problems.

Air pollution also has significant economic impacts, increasing healthcare costs, reducing employees' productivity and damaging crops, soil, forests and rivers, according to the European Environment Agency's latest annual report.

It has taken the London longer to reach the air pollution limit this year than last year when legal levels were breached less than a week into the new year.

But while campaigners welcomed action by London Mayor Sadiq Khan to tackle pollution, they warned the relative delay in reaching the limit this year could be down to weather conditions dispersing the dirty air.

Environmental groups called for the Government to take urgent steps, including creating and funding clean air zones in pollution hotspots across the UK where 85% of areas still break air quality rules which should have been achieved in 2010.

Government estimates suggest compliance for levels of nitrogen dioxide, much of which comes from road transport, particularly diesel, will not be met until 2026.

The most recent data shows that around 7 per cent of the urban population within the EU was exposed to fine particulate levels higher than the EU-stipulated limit in 2015.

If the stricter World Health Organisation limits are applied, that rises sharply to 82 per cent.

The countries represented at Tuesday's summit have been given ten days to submit new proposals for meeting EU air quality standards regarding particle levels.

In Mr Vella's opinion, the proposals offered by the nine offending countries were "not substantial enough to change the big picture".

He insisted that the only way to avoid court action was to take "all possible measures without delay".

Reacting to the outcome of the summit, ClientEarth lawyer Ugo Taddei said: "Commissioner Vella was evidently unimpressed.

"The European Commission should now follow this blatant inaction through to its legal consequences and trigger court actions without further delay.

"The people of Europe have waited long enough to breathe clean air."

EU Commission warns members it will get tough on pollution



BRUSSELS (Reuters) – The European Commission said on Tuesday it would get tough on air quality and penalize members that breached EU rules on pollutants such as nitrogen oxide and particulate matter.

The Commission estimates that 400,000 people die every year as the result of airborne pollution, and targets introduced for 2005 and 2010 are still being exceeded in 23 of 28 EU countries.

After a meeting with the environment ministers of nine countries which face legal action because of air quality problems, including the bloc's largest economies Germany and France, EU Environment Commissioner Karmenu Vella said his

patience was running thin.

“The deadlines for meeting the legal obligations have long elapsed, and some say we have waited already too long, but we can delay no more, and I have made this very clear to ministers this morning,” Vella told a news conference.

He added that while countries had made some suggestions during the meeting, air quality standards would still be breached well beyond 2020 unless new measures were taken.

“In our exchange, there were some positive suggestions, but I have to say that at first sight, these were not substantial enough to change the bigger picture,” Vella said, adding members had until next week to improve on their proposals.

The EU Commission can take countries to Europe’s top court if they breach EU law. Poland as well as Bulgaria have already faced legal action over air quality issues.