Most of the news on the climate change front is bad, but not all of it

IT SEEMS a shame for the blameless Japanese city of Kyoto that its name should forever be associated with failure. Still, it's stuck with it, for that's how the global agreement on cutting carbon emissions that was agreed on in the city in 1997 has come to be regarded. It's a shame, too, that this flawed treaty should cast a pall over the effort to get a global agreement on climate change. For, through the gloom, there are some encouraging developments.

Kyoto's failure is hardly surprising. Agreeing on how to control carbon emissions is even harder than agreeing on how to promote free trade. Both issues require lots of countries to make political sacrifices to achieve a collective good; but at least in the case of free trade, the benefits accrue swiftly. The costs of cutting carbon emissions, by contrast, pile up in the short term, while the benefits are far-off and uncertain.

Given those difficulties, the fact that Kyoto was signed at all looks like an achievement. So is the fact that it established the right goal—binding targets for cuts in greenhouse gas emissions—and got 150 countries to sign up. The International Energy Agency reckons that the industrialised signatories look like hitting their target of cutting their greenhouse gas emissions to 5% below their 1990 level by 2012. But the holes in the treaty are so huge—America didn't sign up, and developing countries do not have targets—that even with Kyoto in place, at their current rate of increase, global emissions look like increasing by 50% between now and 2030.

In consequence, the global environment ministers' meeting in Montreal this week to discuss better ways of implementing Kyoto was a rather cheerless affair. As The Economist went to press, there was some discussion of whether America would deliver a last-minute concession; but nobody expected much of real substance to come out of the meeting. However, while Kyoto is stuck, the world is moving on.

In the seven years between Kyoto's signing and its implementation earlier this year, much has changed. The news from the scientists is mostly bad (see page 91). The news from business and from politics, though, is more ambiguous. Business, which was once solidly against controlling carbon emissions, is now divided. In
June, the chief executives of two dozen multinational firms, including American companies such as Ford and Hewlett-Packard, met Tony Blair to argue for the G8 rich-country group to adopt a global carbon-trading system.

Business’s growing interest in greenery is partly public relations, but there's solider economic self-interest involved, too. Companies are investing in renewables because the gap in cost between them—solar and wind power in particular—and conventional energy sources is shrinking (see Technology Quarterly in this issue). And it's not just small companies run by idealistic greenies that are betting on environmentally-friendly technology. GE, the world's largest energy-equipment supplier, is convinced that there's money to be made from technologies such as clean coal (pages 79-81).

The more companies such as GE invest in green technology, the greater the chances that their customers, such as electricity utilities, will buy the stuff and thus cut their emissions. But the two main determinants of whether or not this will happen are oil prices and governments.

High oil prices are certainly doing their bit for greenery now, but they cannot be relied on to constrain hydrocarbon consumption. Although they are partly the result of higher demand, especially from China, other factors influence them too. An increase in supply, for instance, as a result of new investment and new finds, could push prices down again. So, for that matter, could peace in Iraq, believe it or not.

What companies like GE are betting on, therefore, is that big-country governments will accept the need for a workable system of global targets for cutting emissions. Any such system must do two things. It must include America, China and India, and it must have the flexibility and efficiency that only a market-based system can provide.

America's government must take much of the blame for blocking global action so far. But Europe's governments have also been at fault. They originally opposed the market-based carbon trading system that America wanted. But things have changed on both sides of the Atlantic.

European governments soon realised that the command-and-control system of emissions targets they planned would impose insupportable costs on business, and that they would have to use market mechanisms to ensure flexibility and efficiency and thus keep costs down. The result was the launch of a pioneering pan-European carbon trading system this year.

In America, meanwhile, George Bush shows no sign of tempering his opposition to targets, and the federal government’s attitude is what matters most. But at lower levels of government, there’s some movement. Over a hundred cities and around two dozen states (including New York and California, which both have Republican governors) now have some form of curb on greenhouse gases, and a group of north-eastern states is due to launch a carbon-trading system next week. Several dozen of the country's leading industrial firms, now including GE, have taken voluntary steps to curb emissions.

There are grassroots forces pushing for change as well. A noisy movement among evangelical Christians, led by Billy Graham, argues that God has given man "stewardship" of the Earth; and thus it is man's responsibility to act on climate change. Mammon is upset too: insurers are pushing for change and a growing chorus of American pension funds and other investment managers see climate as a potentially huge undisclosed risk to their investments.

Most importantly, voters seem to be changing their minds. Opinion polls show that more than half of Americans believe climate change to be a real problem, and over a third believe (rightly or wrongly, it is too early to tell) that it was a major factor behind the recent deadly hurricanes in the Gulf of Mexico. Four years ago, half of Americans thought Mr Bush was doing a good job on the environment and just over a third thought he was doing a poor job. Now the position is reversed.

China's government is not as susceptible to opinion-poll shifts as America's, and its people are likely to be preoccupied with more pressing economic concerns than with distant questions of climate change. Yet even in China there are signs of real concern. The country has just enacted tougher fuel-economy laws than America's, its current five-year plan calls for more investment in fuel efficiency and it is planning to build 30 nuclear-power stations over the next two decades. China seems willing to talk about post-Kyoto commitments; India, by contrast, insists that America must move first.

These shifts do not amount to an earthquake in global politics. Attempts to get agreement on whatever replaces Kyoto will face the same fundamental difficulty as Kyoto did: how to get the world's biggest polluters
to sign up to a deal that will require them to agree to bear short-term costs in return for uncertain long-term benefits which will accrue only if other big polluters do their bit. Yet to dwell on the gloom that the difficult Kyoto process cast over the world would be to ignore the real signs that things are changing.

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