



POTSDAM INSTITUTE FOR
CLIMATE IMPACT RESEARCH

Climate, Coal and Capital – Status of the Global Commons

Prof. Dr. Ottmar Edenhofer

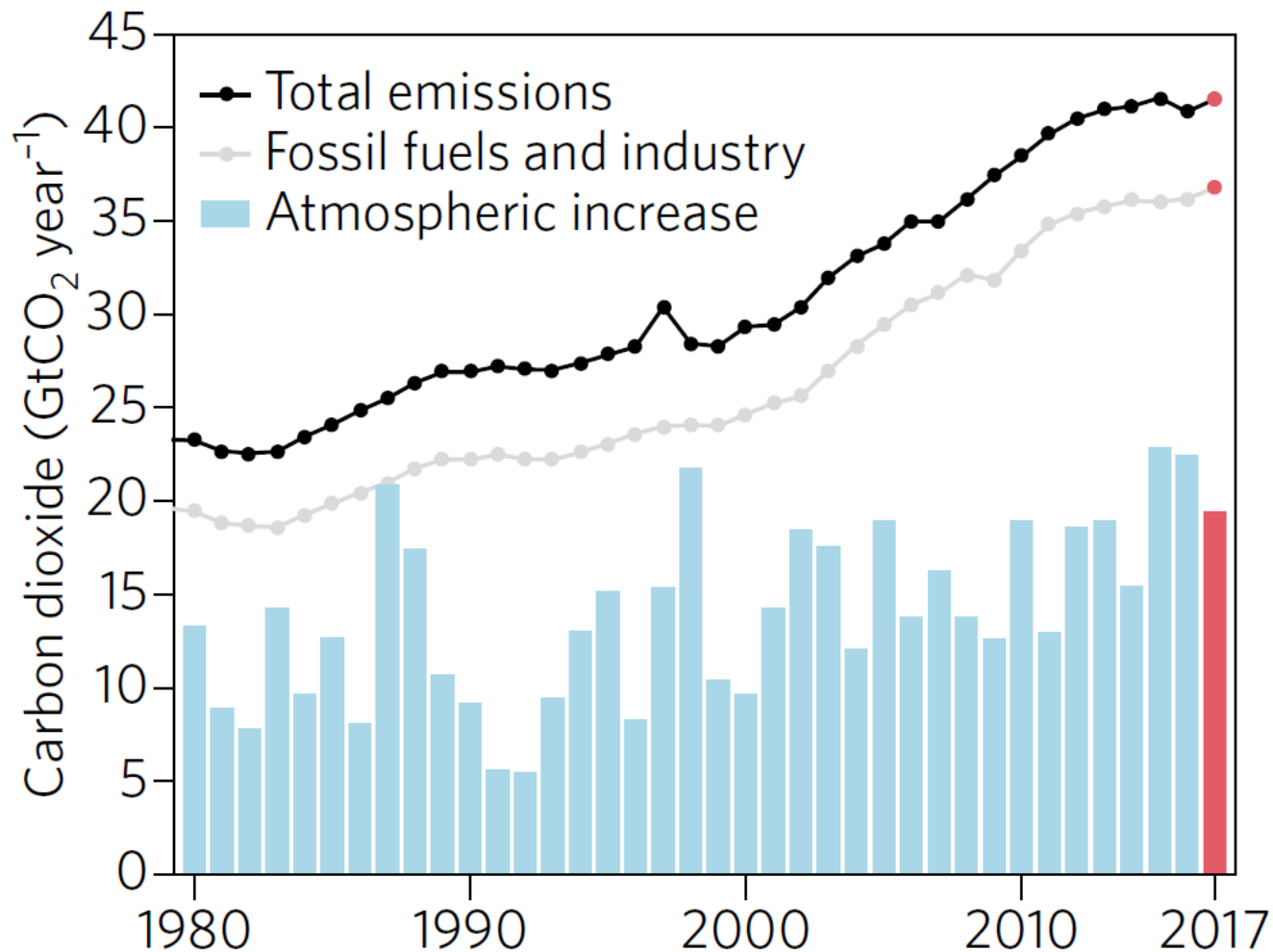
**Pontifical Gregorian University
Rome, 7-8 March 2018**

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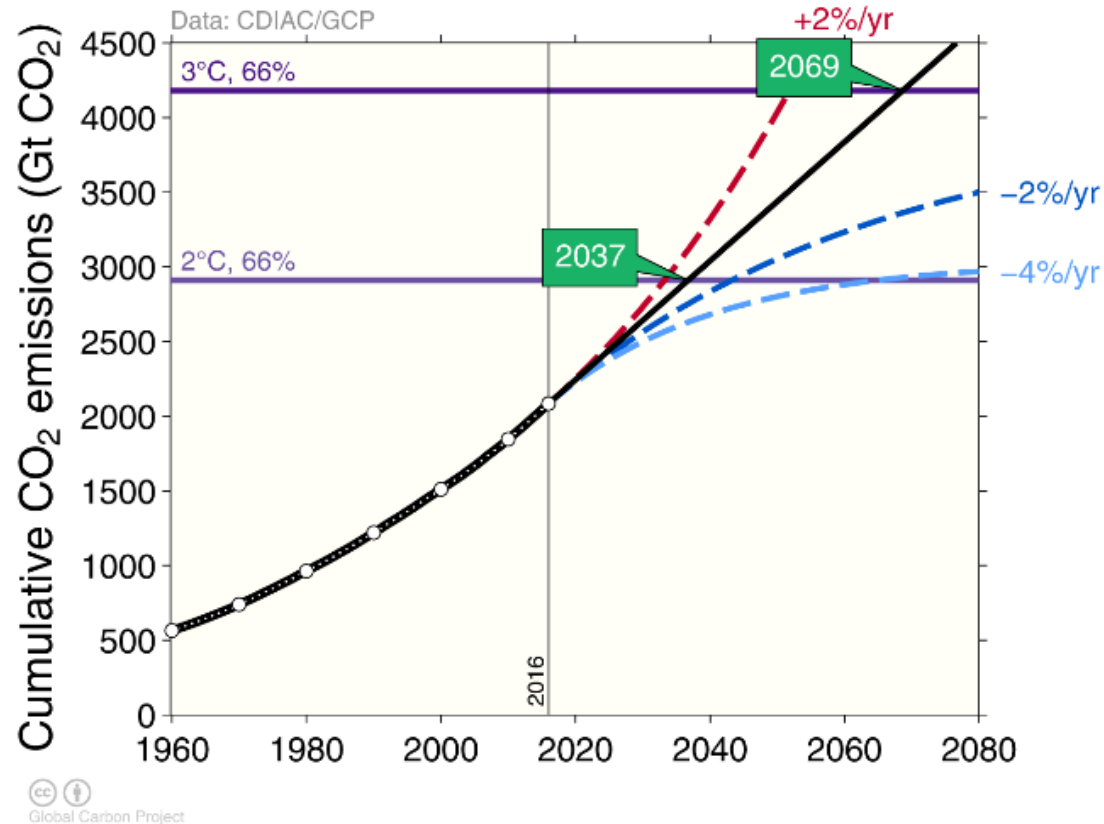
www.mcc-berlin.net/klimabuch

Emissions are rising.

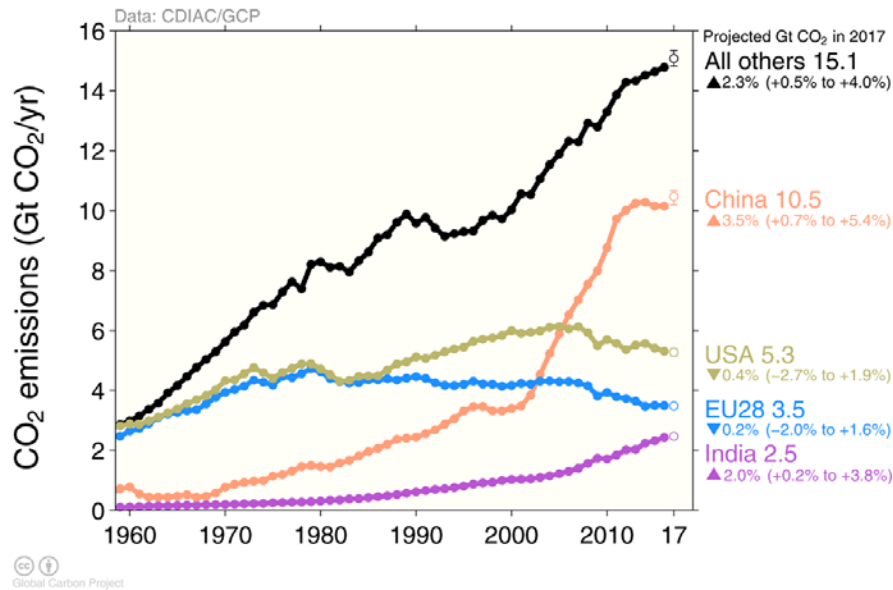


Quelle: Peters et al. (2017)

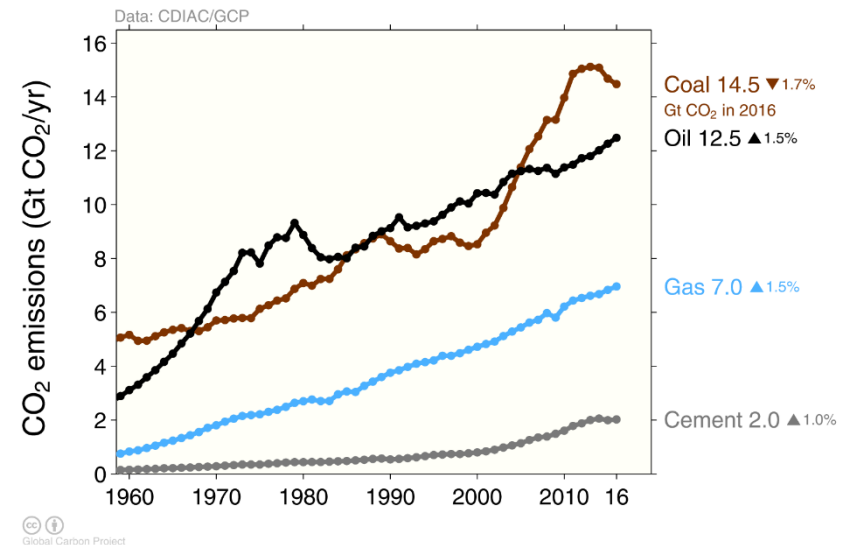
We are not on track.



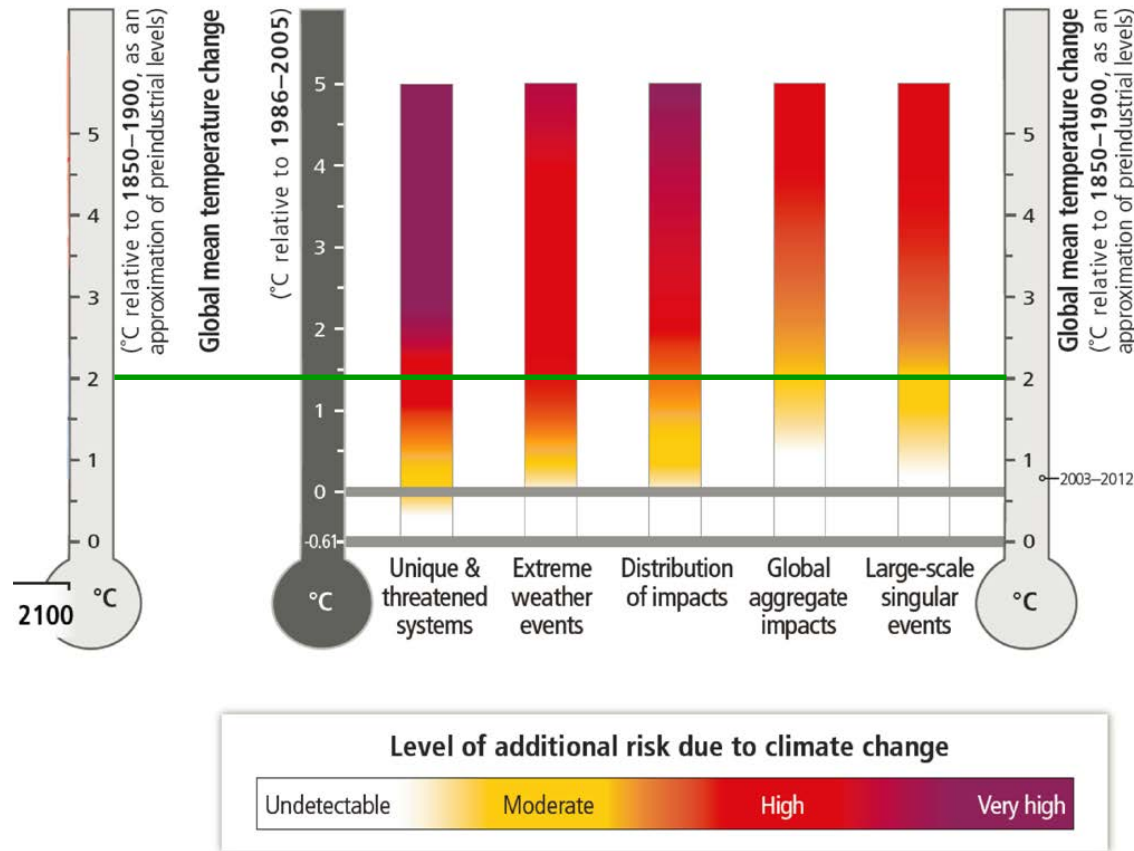
Does climate policy already show effects?



Quelle: Global Carbon Project 2017

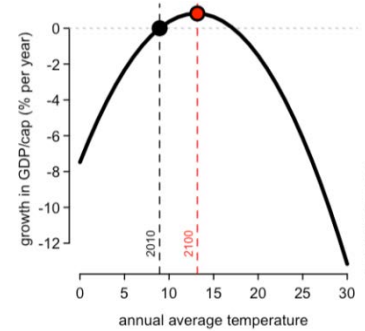
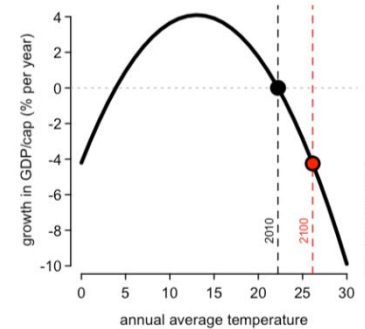
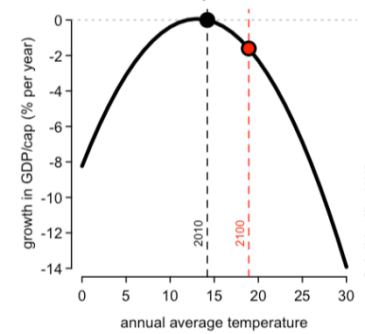
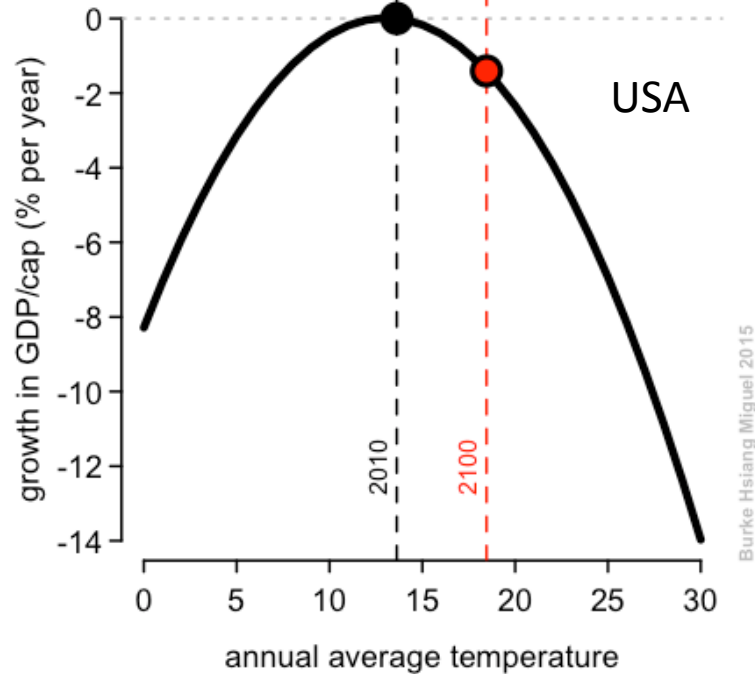


Climate Projections and Associated Risks



Source: Slide by H. J. Schellnhuber

Growth vs. Temperature

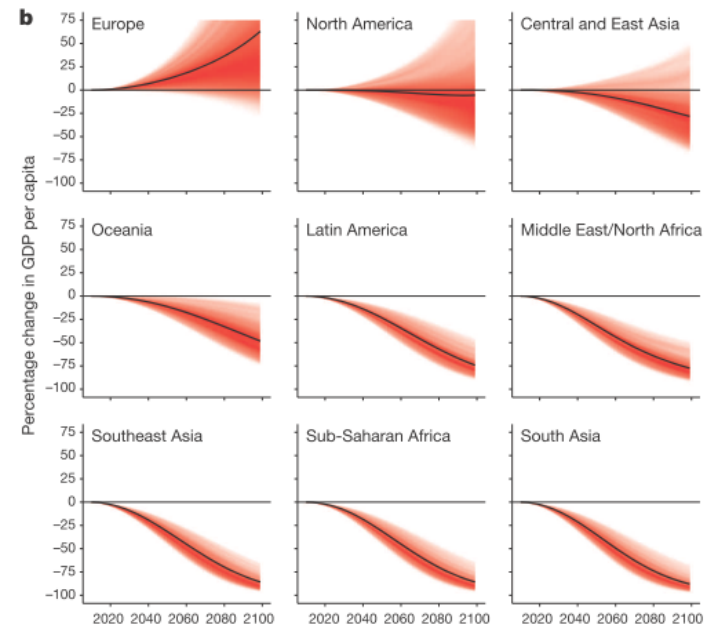
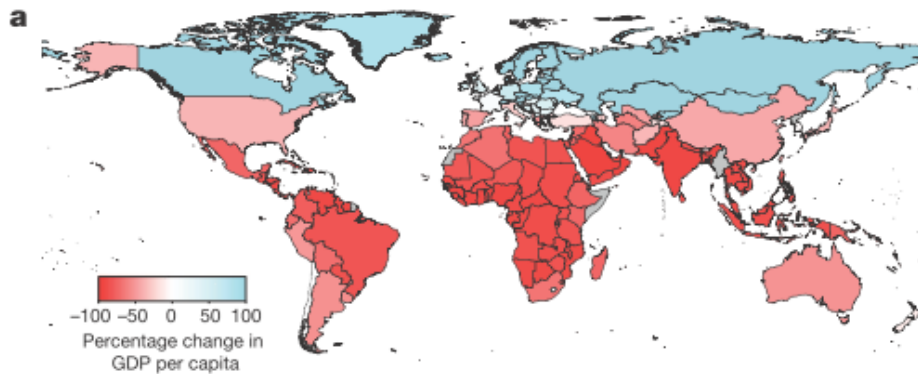


LETTER

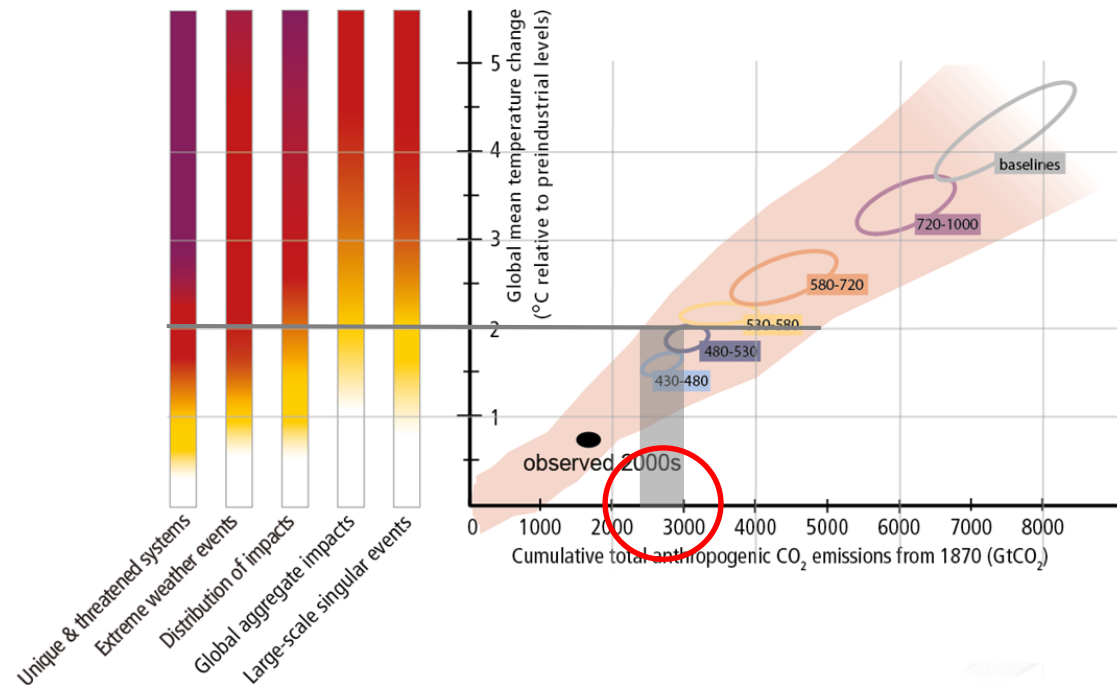
Global non-linear effect of temperature on economic production

Marshall Burke^{1,2*}, Solomon M. Hsiang^{3,4*} & Edward Miguel^{1,5}

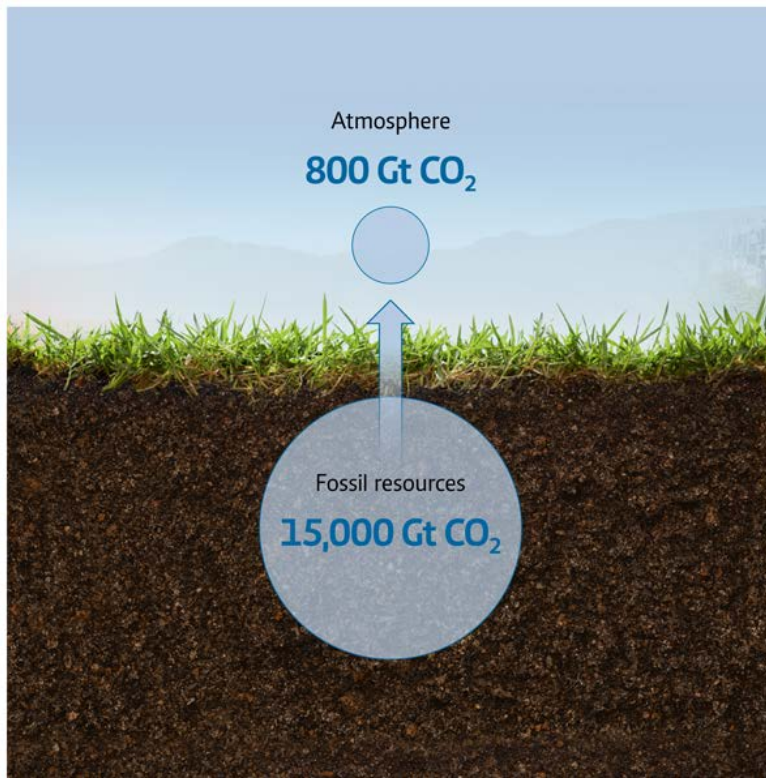
nature



Risks from climate change depend on cumulative CO₂ emissions...



The climate problem at a glance



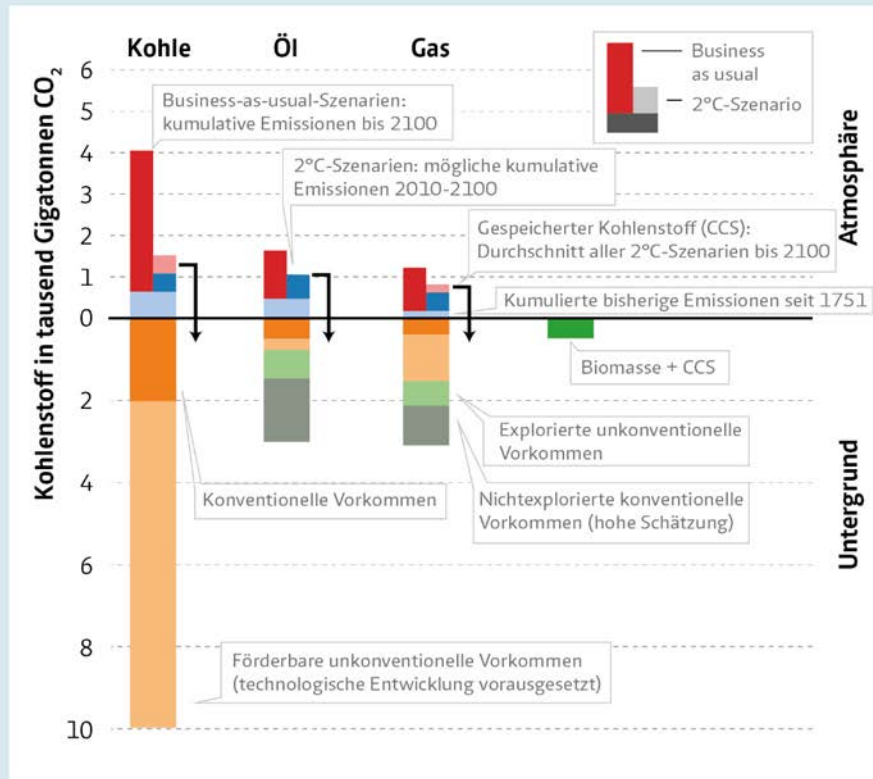
Resources and reserves to remain underground until 2100 (median values compared to BAU, AR5 Database)

Until 2100	With CCS [%]	No CCS [%]
Coal	70	89
Oil	35	63
Gas	32	64

Source: Bauer et al. (2014); Jakob, Hilaire (2015)

Limited disposal space of the atmosphere – oversupply of fossil fuels

Vorhandene Reserven an fossilen Energieträgern im Vergleich mit der Menge, die noch benutzt werden kann, um das 2°C-Ziel zu erreichen

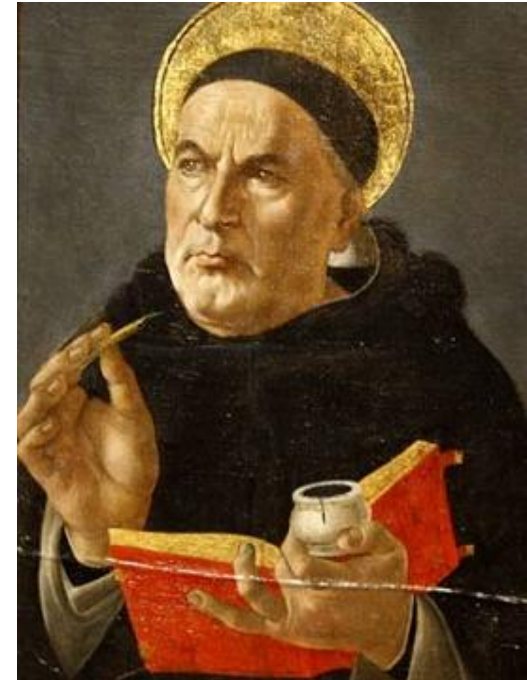


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The Common Destination of Goods

“The principle of the subordination of private property to the universal destination of goods, and thus the right of everyone to their use, is a golden rule of social conduct and ‘the first principle of the whole ethical and social order’⁷¹”

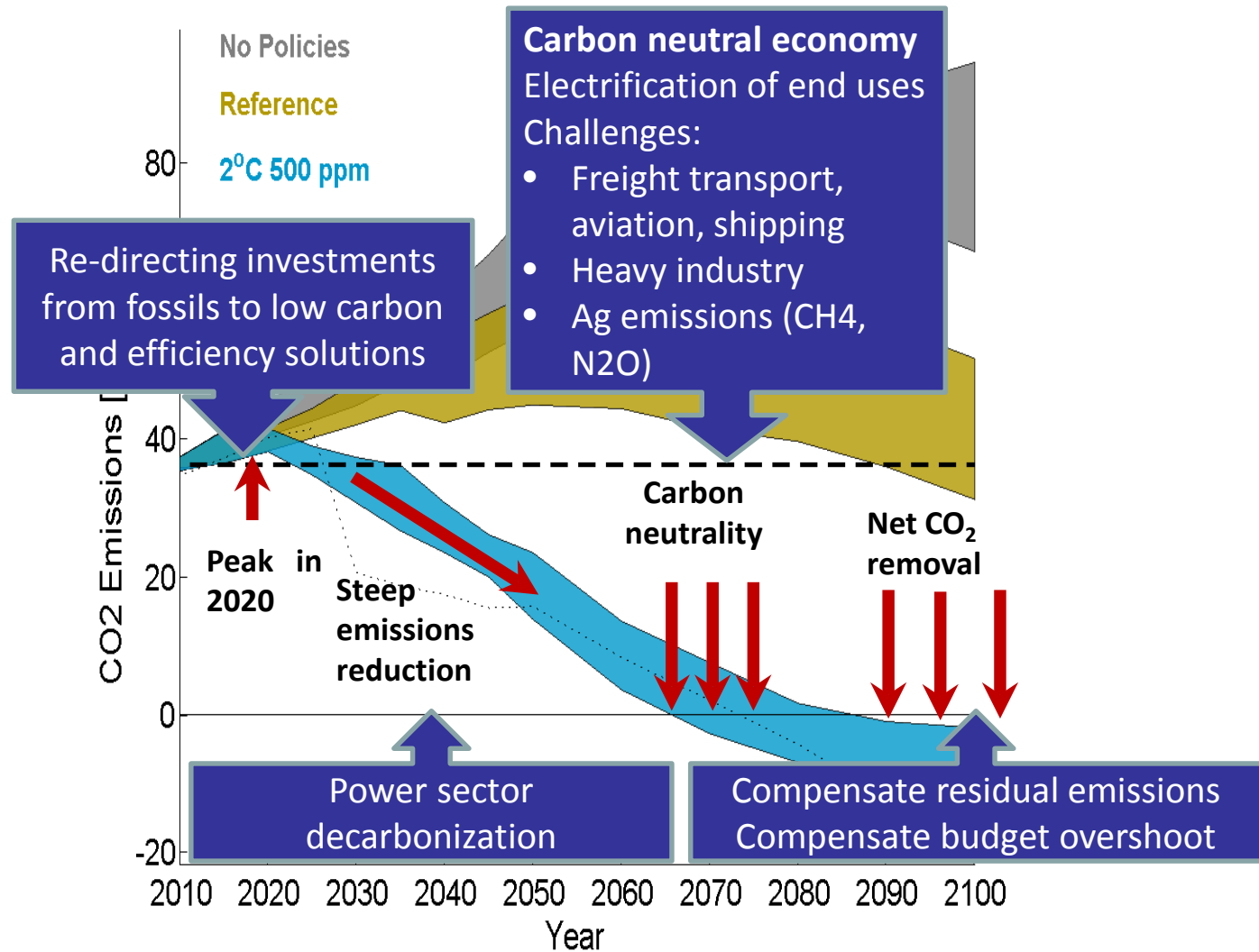
71 John Paul II, encyclical letter *Laborem Exercens*,
in Pope Francis, encyclical letter *Laudato Si* [93]



St. Thomas Aquinas
(1225-1274)

Summa Theologiae II/II q. 66, a. 2.

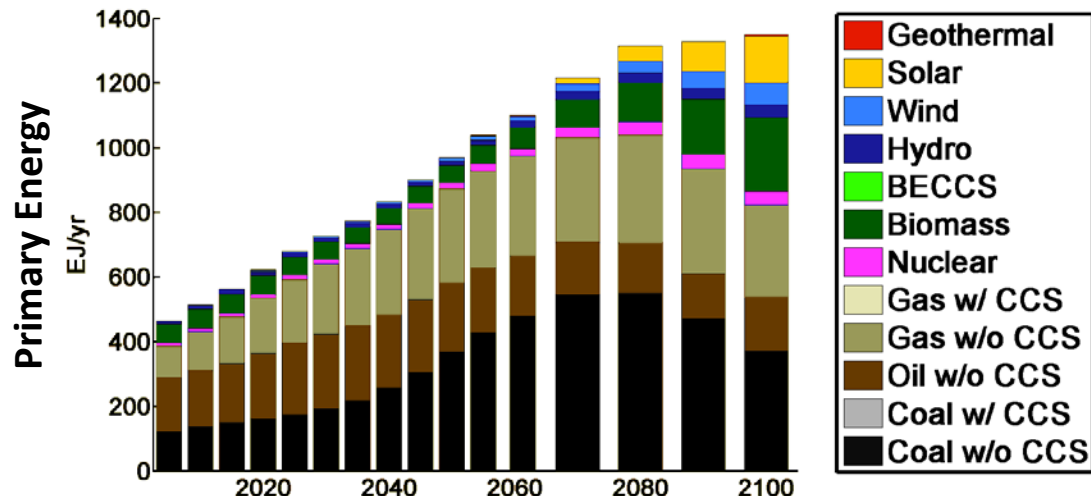
General structure of mitigation pathways



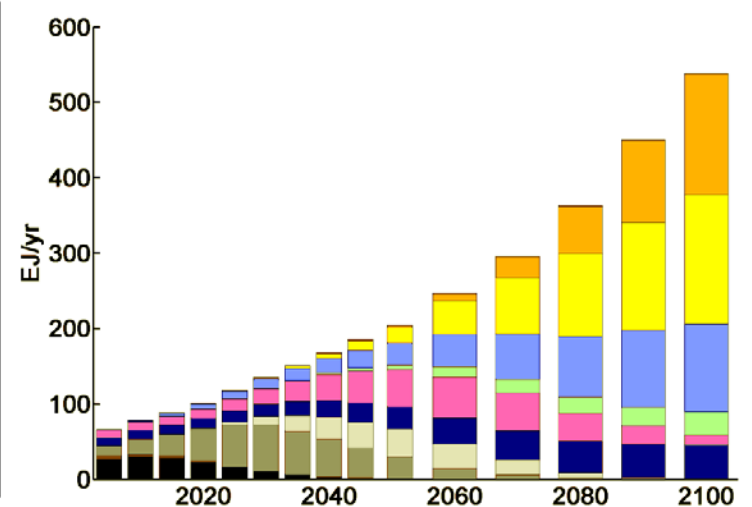
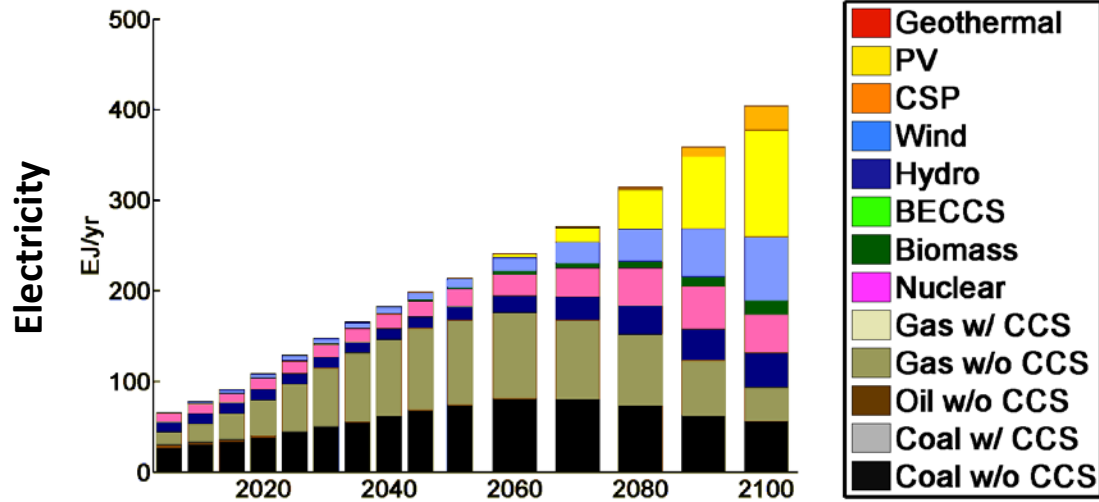
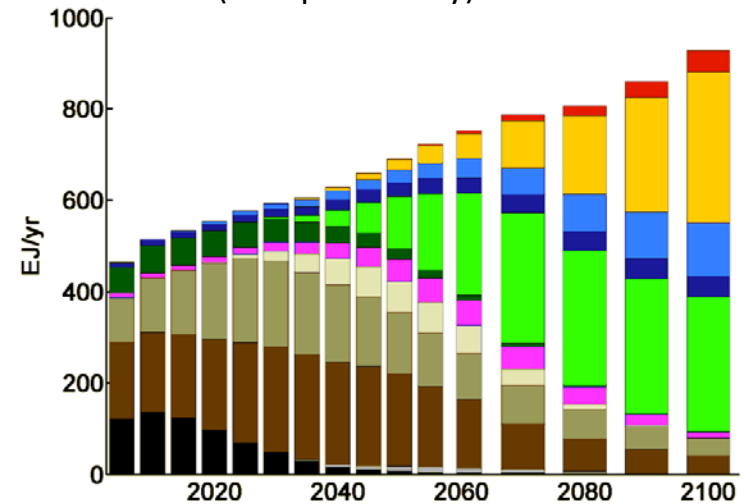
LIMITS Study: Kriegler, Tavoni et al., 2013, Clim Change Econ 04:1340008

The global energy system

Baseline

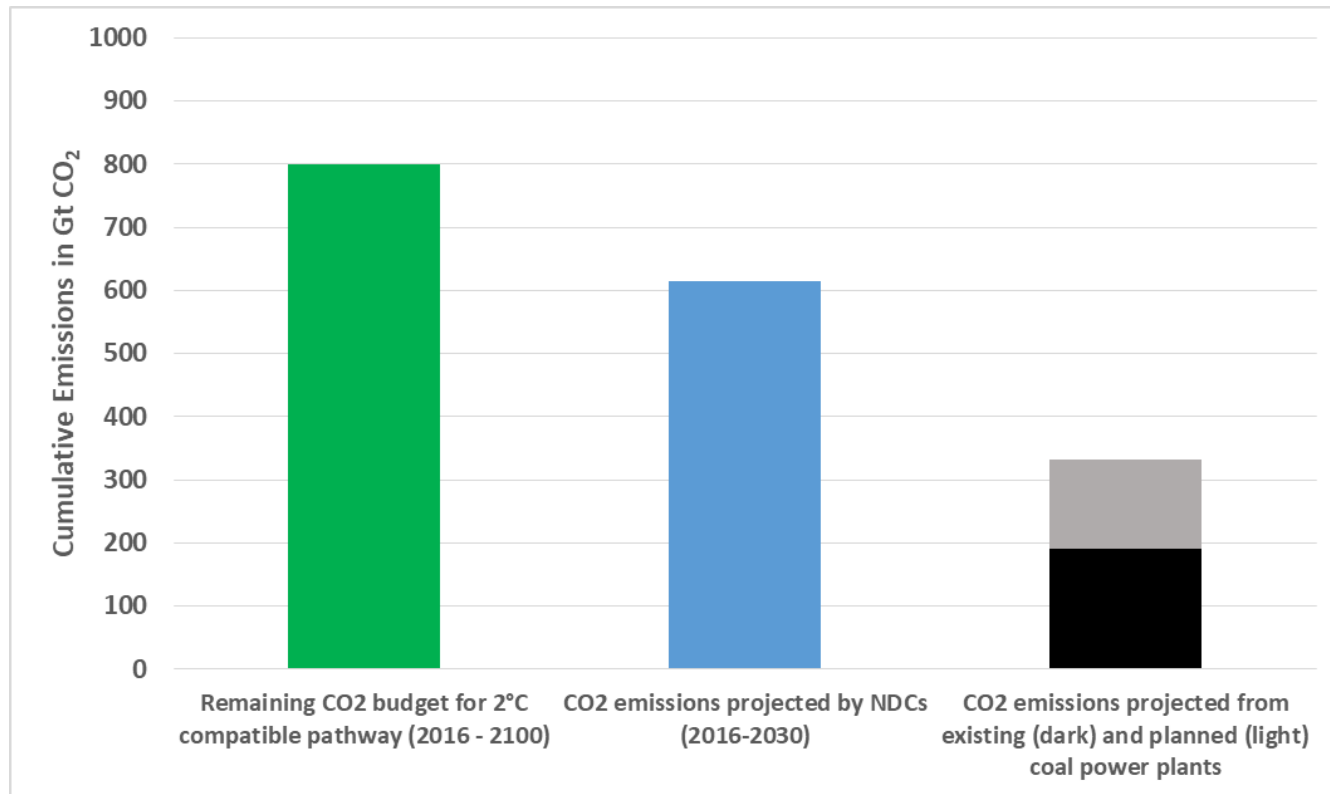


Climate policy
2°C (50% probability)



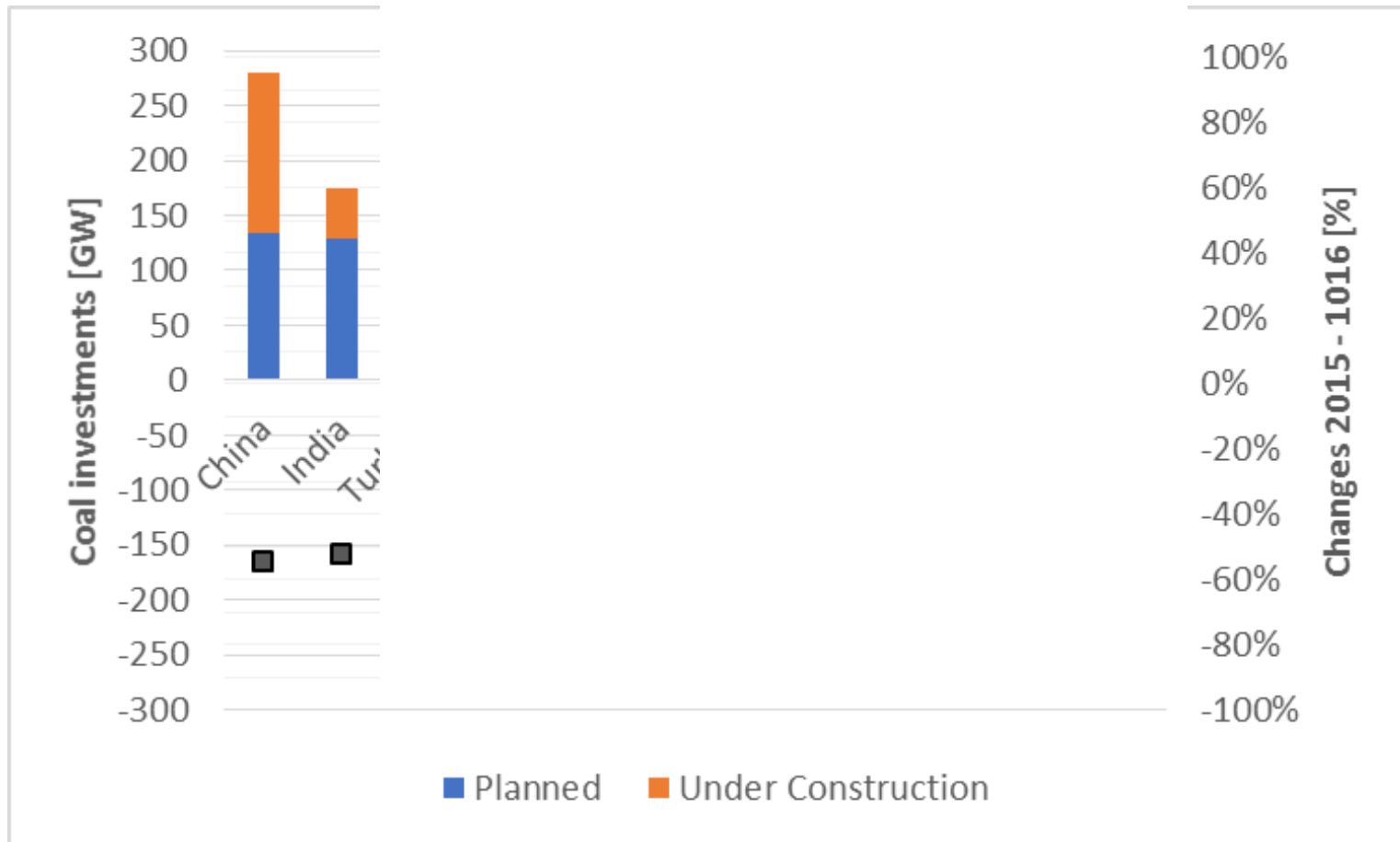
The 2°C budget does not leave any leeway

Cheap and abundant coal is the driver of a „re-carbonisation“ of the energy system in some parts of the world



*All budgets are subject to considerable uncertainty, see Edenhofer et al. (2017)

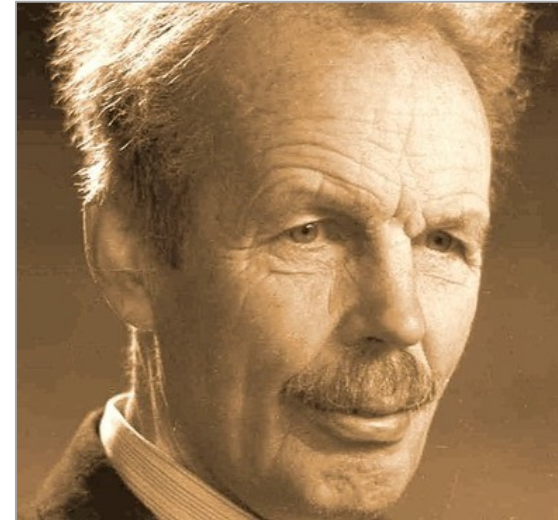
The coal pipeline in 2016



The Polluter Pay Principle and the Social Costs

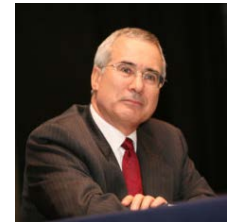
“Yet only when ‘the economic and social costs of using up shared environmental resources are recognized with transparency and fully borne by those who incur them, not by other peoples or future generations’¹³⁸, can those actions be considered ethical.”

138 Pope Benedict XVI, encyclical letter *Caritas in Veritate*,
in Pope Francis, encyclical letter *Laudato Si* [195]



Arthur Cecil Pigou
(1877-1959)

Report of the High-Level Commission on Carbon Prices

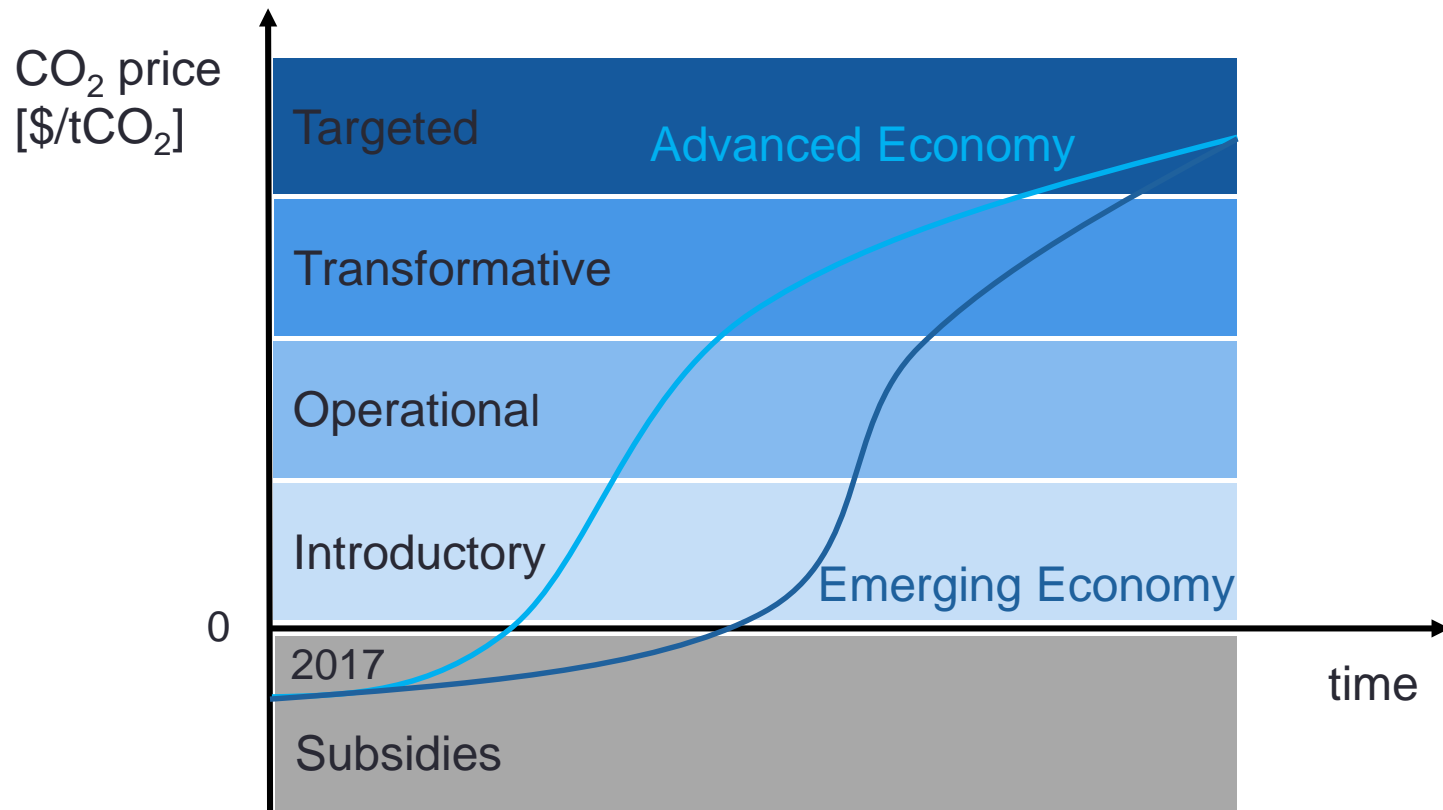


Results obtained by Stiglitz-Stern-Commission

- Based on the analysis of three approaches:
technical roadmaps, national roadmaps, global models
- Necessary carbon price for implementing the Paris Agreement:
40-80 \$/t CO₂ until 2020 and 50-100 \$/t CO₂ until 2030
- This assumes that carbon pricing will be complemented by activities and policies such as efficiency standards, R&D, urban development, healthy climate for investments, etc.
- Stress on the relevance of the income side. Put to use in order to reduce other taxes, invest in clean infrastructure, etc.

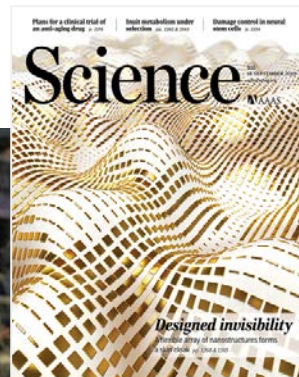
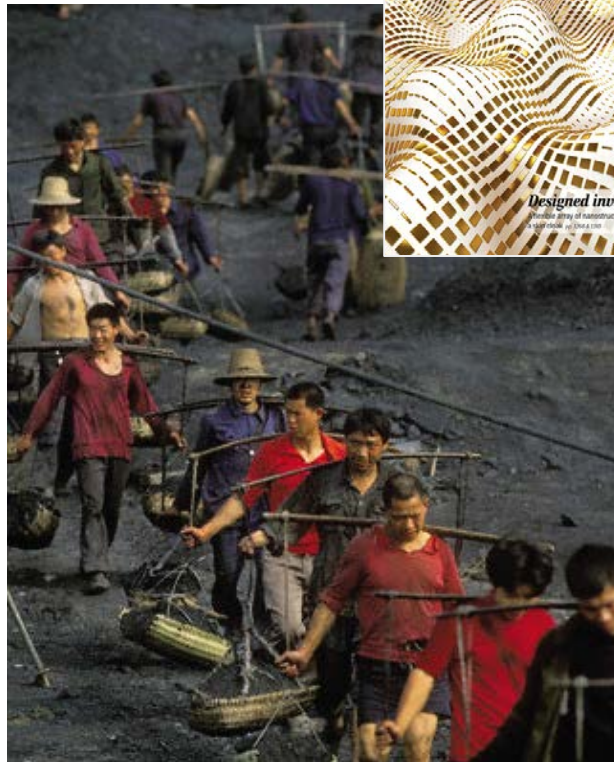
About negative and positive CO₂-pricing

Carbon pricing (with taxes or emission trading systems) is essential because of the oversupply of fossil fuels.



Renaissance of Coal

Social Costs vs subsidies



ENERGY

King Coal and the Queen of Subsidies

The window for fossil fuel subsidy reform is closing fast

By Ottmar Edenhofer

Coal is the most important energy source for the Chinese economy (see the photo). Other rapidly growing economies in Asia and Africa also increasingly rely on coal to satisfy their growing appetite for energy. This renaissance of coal is expected to continue in the coming years (1) and is one of the reasons that global greenhouse gas (GHG) emissions are increasing despite the undisputed worldwide technological progress and expansion of

wide emissions are expected to continue to rise. After all, a reduction in coal demand in one region reduces world market prices, incentivizing an increasing demand in other regions (6).

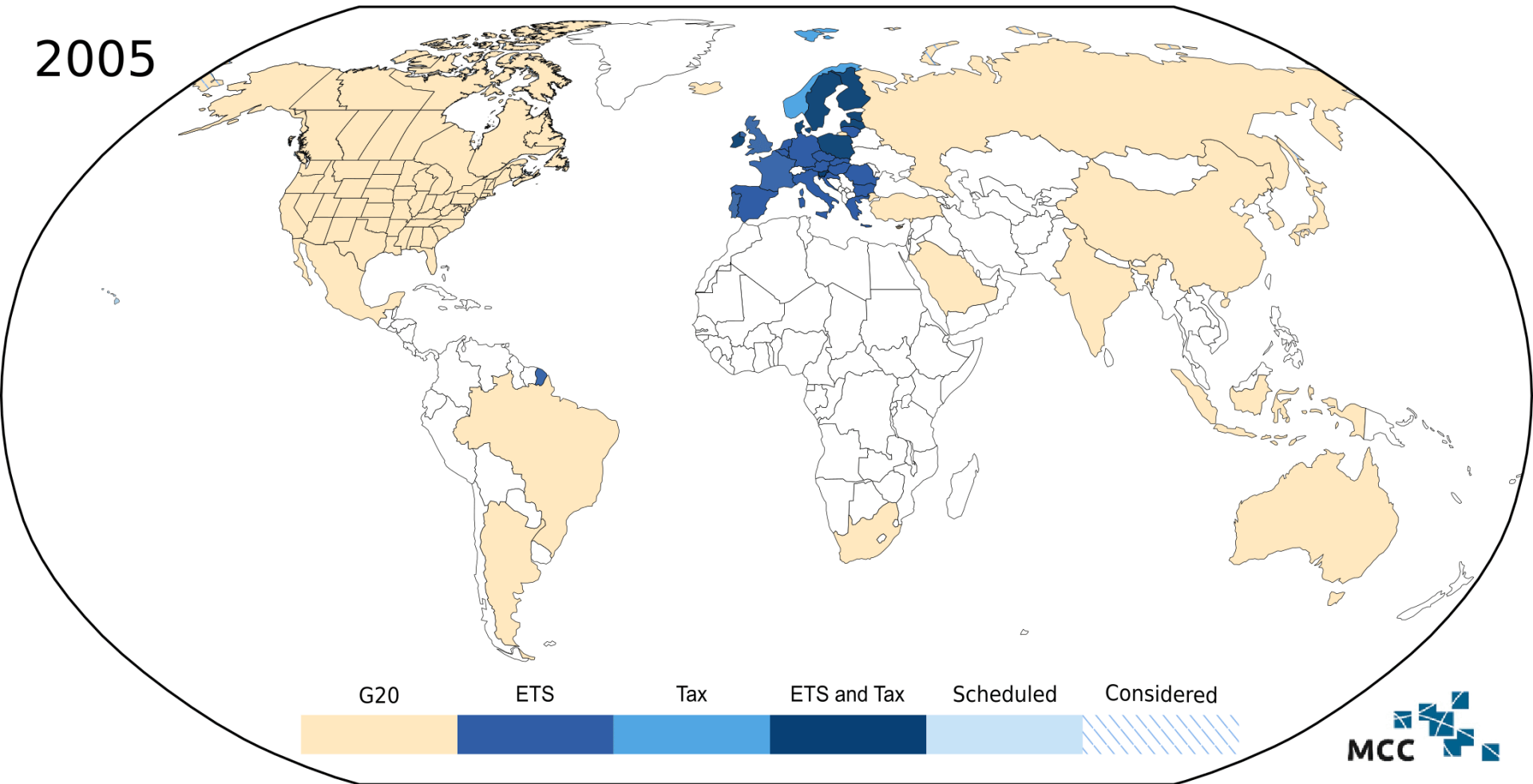
What explains this renaissance of coal? The short answer is the relative price of coal. The price of coal-based electricity generation remains much lower than that of renewable power when the costs of renewable intermittency are taken into account.

As a result of technological progress and economies of scale, the costs of generating

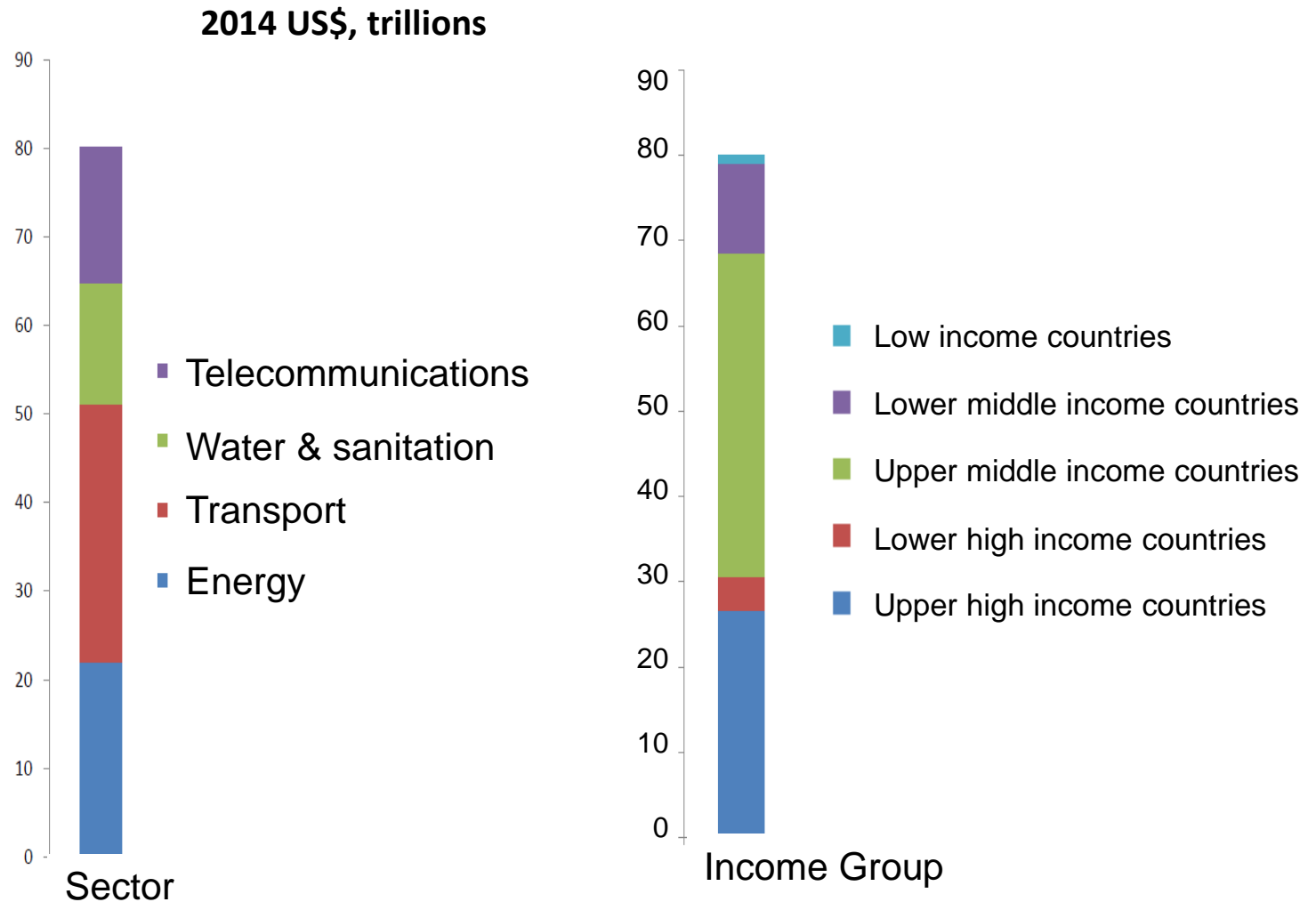
“one ton of CO₂ receives, on average, more than 150 US\$ in subsidies ”

Carbon Pricing in G20 Countries

2005



Projected cumulative infrastructure demand, 2015-2030



Source: Bhattacharya, Chattopadhyay, and Nagrah (forthcoming)

Conclusions

- Unabated climate change will cause high economic costs; the cost of mitigating climate change will be substantially smaller.
- The necessary reduction of global carbon emissions could be regulated efficiently by introducing carbon price on emissions.
- Weak INDCs as well as the observed renaissance of coal are inconsistent with the 2°C target.
- Allocation of the investments necessary for decarbonization is a joint challenge for climate policy and the financial system.

Apocalyptic rationality?

“Although the post-industrial period may well be remembered as one of the most irresponsible in history, nonetheless there is reason to hope that humanity at the dawn of the twenty-first century will be remembered for having generously shouldered its grave responsibilities.”

Papst Franziskus, Enzyklika *Laudato Si* [165]

