



## Energy Co2 : Co2 Reduction

### Can Our Governments Really Achieve their Emissions Reductions Targets?

**The urgency of climate protection has prompted politicians to make ambitious, long-term commitments to reducing greenhouse gas emissions. But are targets – such as a 60-percent reduction in CO<sub>2</sub> emissions by 2050 – actually reachable?**



German Chancellor Angela Merkel waiting for delegates to arrive at the G8 Summit in Heiligendamm. G8 leaders agreed to "seriously consider" cutting global emissions by 50 percent by 2050 (Photo: Reuters)

Looking at the latest commitments from politicians, one might get the impression that climate change could soon be a problem of the past.

In February, the European Union agreed to cut greenhouse gas (GHG) emissions by 20 percent of 1990 levels by 2020. At the G8 Summit in Germany in June, all parties agreed to "seriously consider" cutting global emissions by at least 50 percent by 2050. The British government had already proposed a 60-percent cut in carbon dioxide (CO<sub>2</sub>) emissions by 2050. And in May, Norway became the first country to declare its goal of becoming "climate neutral" - reducing national CO<sub>2</sub> emissions to zero - also by mid-century.

But such reductions in GHG emissions would represent an abrupt reversal of over one hundred years of steadily rising emissions. Is such a change possible for a global economy still dependent on fossil fuels?

"It is achievable with efficiency gains and with switching to renewables," says Hermann Ott of the Wuppertal Institute for Climate, Environment and Energy. "It requires switching away from coal. That is the main problem at the moment."

#### Related Articles

- UN and Financial Industry Call on G8 to Support Emissions Reductions
- Germany Climate Change Profile  
Part 4: Strategy
- United Kingdom Climate Change Profile  
Part 4: Strategy

"In the decades to come, we will see enormous impacts not only on technology - what kind of technology we see and use - but also on lifestyles. What is perceived as being 'cool' and modern, will change away from the old gas-guzzlers, for example, toward highly efficient, lean cars. It's not sufficient to replace one fuel with another - that will not work."

### **Off-target**

Jürgen Hambrecht, CEO of German chemical company BASF, says that overly ambitious energy and climate policy could mean deindustrialization for Germany. He told the weekly Der Spiegel magazine that long-term commitments and policies by the German Environment Ministry were unrealistic.

In the short-term, Hambrecht could be right. Meeting emissions reduction targets seems a difficult task for some countries. According to the European Commission, many European countries that signed onto the Kyoto Protocol are not on pace to meet their targets for 2012. Spain, for example, needs to cut its emissions by as much as 37 percent to reach its target. Austria, Luxembourg and Denmark also have work to do before 2012.

Britain is one of a handful of European countries on pace to surpass its original Kyoto emission reduction targets for 2012, and some say they can make even bigger cuts in the long-term.

### **Climate positive**

In a recent report, international think-tank SustainAbility suggested that Britain aspire to become the first "climate positive" country by 2050. To do so, the country would have to reduce its net emissions by 100 percent while starting to extract CO2 from the atmosphere. The report says that by aiming for a "climate positive" model, Britain could gain a competitive advantage in the carbon-oriented global economy of the future. Compared to this scenario, the current proposed target of 60 percent cut by 2050 does not seem too ambitious.

"The point we make in our report is that 2050 is more than four decades away," says Geoff Lye, vice chairman of SustainAbility. "If we think of technical and social development over the last four decades, then it would be crazy for us to say that we won't see major breakthroughs."

Lye uses the falling prices of solar photovoltaic cells over the past decade as an example, and is confident that this renewable energy technology will be "extraordinarily cheap" in years to come. Along with technological advances, Lye also predicts a crucial role for markets in promoting energy efficiency.

"Basically the corporate sector is moving faster than any country," says Lye, citing the examples of corporations, such as Wal-Mart, which has committed to large-scale purchases of green power, and UK retailer

Tesco, which plans to introduce "carbon footprint labels" on its products.

"What the market needs is greater certainty," adds Lye. "If you look at the cap and trade system, that's pretty much expected as the model that will drive down greenhouse gas emissions over the coming decades, and if you're in the power industry, automotive industry, what you really need is a certainty around the price of carbon."

The recent G8 Summit in Heiligendamm did not deliver this certainty. Lye nevertheless hopes that the intervention of governments and markets will sooner or later affect consumer behavior. "I think the consumer will be increasingly attuned to carbon, and people's lives will naturally shift as they get used to things like taxes, carbon allowances, and media coverage."

British economist John Maynard Keynes once famously dismissed a similarly optimistic view of market forces. He argued that classical economical theory might be right in saying that, in the long run, markets would always find a way to solve problems and regulate themselves. But, he added, "in the long run, we are all dead."

editor: Valdis Wish

publishing date: July 20, 2007

© Allianz 2007, All Rights Reserved