



Climate Change : Top Climate Stories

Key Stories 2009: The Carbon Crunch

The global recession looks like good news for the climate: economic slowdown equals reduced man-made carbon emissions. If only it were that simple.



A Silver Lining?

Analysts expect Europe's CO2 emissions to fall during the economic recession, although worldwide emissions will continue to grow (Photo: Shutterstock)

Economic expansion has poisoned the Earth therefore economic slowdown should be the antidote. The logic is clear; less construction, manufacturing, and transportation of goods means reduced energy consumption, fossil fuel use, and greenhouse gas emissions.

Deutsche Bank estimates that Europe's industrial CO2 emissions will fall by about 60 million tons compared with 2007, a five percent drop. This is what happened in previous recessions.

The economic collapse of the Soviet Union and its East European satellites during the 1990s reduced emissions dramatically. During the Great Depression carbon emissions plummeted 35 percent from 1929 to 1932, according to Terry Barker, director of the Center for Climate Change Mitigation Research at Cambridge University. Barker speculated at the U.N. Climate Change Conference in Poznan last December that emissions could fall by a similar amount or more up to 2012.

Events in Europe's carbon market appear to support his thesis. The price of permits to emit carbon dioxide in Europe hit new lows in January 2009, falling 70 percent from their peak in April 2006. Major polluters are flooding the market with permits they no longer need because they are producing less and polluting less. Meanwhile, energy producers are switching from dirty coal to cleaner natural gas as gas prices fall, reducing their emissions and their need for permits.



Picture Gallery (click on the picture to start)

Discover ten of the most important sources of man-made greenhouse gases (Photo: Reuters)

But the global picture is not as rosy. While the recession in the West will

reduce emissions, China, India, and other emerging economies will continue to grow in 2009 and beyond. These countries already produce over half of mankind's output of CO2 and will account for the majority of the increase in greenhouse gas emissions in the coming decades.

"Emissions are growing faster than we thought," said Per-Anders Enkvist, presenting a study—Pathways to a Low Carbon Economy—by consultancy McKinsey & Company in January. He said it was unlikely that "the current financial crisis will have a major impact," because growth in China and India would outweigh the rich-world's CO2 savings.

Renewables in recession

Recession is a double-edged sword. It limits headline emissions but the rock-bottom prices for carbon permits reduce the economic incentive for polluters to invest in cleaner technologies. Critics of the European carbon market say that polluters are selling carbon permits, which they got for free, to maintain margins rather than to go green.

Deutsche Bank analysts think that the carbon price in 2009 will be too low "to accelerate investment in Carbon Capture and Storage technology." The credit crunch will also put the squeeze on "large infrastructure projects such as new windfarms over the next two to three years," the bank predicts.

Cheap coal-fired electricity will probably grow in the medium term, increasing carbon emissions. Without carbon sequestration the hundreds of coal-fired power stations planned in China and India will add heavily to the world's CO2 output.

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Recession and a low price for carbon credits will also stall investments by rich nations and corporations in emissions reduction projects in the developing world, such as rainforest protection. Without that support, governments in the developing world confronted by faltering economies will be hard pushed to resist the claims of farmers, ranchers, and loggers.

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