Open pit mining at Jaenschwalde, Germany. Photo: Christian Mang/Greenpeace

FOOD, FOSSIL FUELS AND FILTHY FINANCE

Climate change is already making people hungry, and the use of fossil fuels is largely to blame, representing the single biggest source of greenhouse gas emissions globally. On current trends, the world will be 4–6ºC hotter by the end of the century, exceeding 2ºC within the lifetimes of most people reading this report. This will cause untold human devastation and exacerbate poverty and hunger. Despite some steps in the right direction to tackle climate change, a 'toxic triangle' of political inertia, financial short-termism and vested fossil fuel interests blocks the transition that is needed. To help break this, governments must commit to phase out fossil fuel emissions by early in the second half of this century, with rich countries leading the way.

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SUMMARY

The world produces enough food to feed everyone. But every day more than 800 million people go to bed hungry. This is a scandal – and climate change is set to make things even worse.

Without change in the global use of fossil fuels, there is a serious risk that the world is on track for a 4–6 degree temperature rise by the end of the century, exceeding even the 'worst case scenarios' outlined by the IPCC.

Fossil fuels are the single biggest driver of climate change; if the world is to avoid exceeding dangerous global warming of 2°C, up to 80 percent of known fossil fuel reserves need to stay in the ground.[1] In the absence of an unprecedented change in the global use of fossil fuels, there is a serious risk that the world is on track for a 4–6 degree temperature rise by the end of the century, exceeding even the 'worst case scenarios' outlined by the Intergovernmental Panel on Climate Change (IPCC).[2] This could put up to 400 million people across some of the poorest countries at risk of severe food and water shortages by the middle of the century,[3] with 25 million more malnourished children – the equivalent of all of the under-fives in the USA and Canada combined.[4] It also poses major economic and business risks as the impacts of climate change start to be felt across rich and poor countries alike – damaging property, limiting agricultural production and reducing labour productivity. Unilever has said that it loses €300m ($415m) each year due to extreme weather events such as flooding and extreme cold.[5] Continued demand for fossil fuels will also be accompanied by increasing – and costly – impacts on health and local communities.

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Avoiding these devastating impacts means a rapid and urgent transition to low-carbon economies globally. Governments around the world are beginning to wake up to this reality – President Obama recently announced new rules to cut emissions from power plants by 30 percent by 2030; the European Union is currently negotiating a 'climate and energy package' with new emission reductions targets for 2030; China has recently hinted at 'absolute carbon caps' after 2016. These are positive steps in the right direction, but they fall far short of what is needed – especially from rich and historically high-emitting countries which have the greatest capacity to act, and which must demonstrate far greater ambition if developing countries are to follow suit.[6] Recent moves by large historic emitters including Canada, Russia, Japan and Australia to renege on existing commitments and to embrace the dirtiest and riskiest of fossil fuels – from coal to tar sands and fracking – send all the wrong signals to the rest of the world. And while higher emitting developing countries cannot be held to the same bar as rich nations, long-term carbon-intensive development is also incompatible with keeping global warming below 2°C and risks locking these countries into an over-reliance on fossil fuels.

The next decade will see over $6 trillion allocated to developing the fossil fuel industry at the current rate of capital expenditure. In 2012 fossil fuel companies spent $674bn on exploration and development projects.

In the absence of robust climate legislation, finance continues to flow unabated into the fossil fuel industry. At the current rate of capital expenditure, the next decade will see over $6 trillion allocated to developing the fossil fuel industry.[7] In 2012 alone, fossil fuel companies spent $674bn on exploration and development projects.[8] This private finance is facilitated by public finance, incentives and tax breaks – with an estimated $1.9 trillion of subsidies oiling the wheels of the fossil fuel sector globally every year, including the costs of paying for its widespread damage.[9] In this context, fossil fuel interests therefore spend millions of dollars every year lobbying to defend their bottom line, given that

they have so much to lose from ambitious climate regulation. In 2013, fossil fuel industries spent an estimated $213m lobbying US and EU decision makers – well in excess of half a million dollars every day and totalling $4m a week. In the US alone, the estimated yearly bill for lobbying activities by fossil fuel interests amounts to $160m – the same amount that the government in Nepal has estimated is needed for crucial adaptation actions that currently remain unfunded.

$160m is the estimated yearly bill for lobbying activities by fossil fuel interests in the US – the same amount that the government in Nepal estimates is needed for crucial climate change.

This 'toxic triangle' of political inertia, financial short-termism and vested fossil fuel interests stands in the way of the transition needed. The lack of necessary government ambition to shift away from fossil fuels results in continued investment by the global financial sector based on an assumption that fossil fuels are here to stay – buoyed by the rhetoric of the fossil fuel industry itself. This is despite the fact that a low-carbon future is both desirable and possible, North and South, with sustainable low-carbon technologies rapidly decreasing in cost and beginning to compete with dirty energy. Decentralized sustainable renewable energy also offers significant opportunities to provide more suitable and less costly energy access for the poorest and most marginalized communities. Governments globally could tip the balance in favour of a low-carbon future and send the right signals to unleash the finance for this transition through committing to phase out fossil fuel emissions by early in the second half of this century.

Rich countries can and must act first and fastest, urgently transitioning their economies away from fossil fuels due to their historic responsibility for climate change and their greater capacity to act. This in turn, alongside provision of international climate finance where appropriate, will help to unlock the necessary ambition from richer developing countries with rapidly increasing emissions which are currently heavily investing in fossil fuels and will also need to move concertedly towards low-carbon pathways in the coming decade if warming is to stay below 2°C. As their economies grow they will have increasing capacity to make these investments, building on the positive moves they have already made in this direction.

Poorer developing countries – whose contribution to climate change is often negligible and whose capacity to transition is lower – will inevitably have to move more slowly, especially as fossil fuels can play an important role in immediate social and economic needs. Where possible, these countries should also start to seize the low-carbon opportunities that do exist – and the benefits of which in some cases surpass fossil fuels – and rich nations should support them with public funds.

NOTES

All links were last accessed in July 2014 unless otherwise specified

1 Carbon Tracker Initiative and The Grantham Research Institute, LSE (2013) 'Unburnable Carbon: Wasted capital and stranded assets', http://www.lse.ac.uk/GranthamInstitute/wp-content/uploads/2014/02/PB-unburnable-carbon-2013-wasted-capital-stranded-assets.pdf

2 K. Anderson and D. Calverley (2014) 'Avoiding dangerous climate change: choosing the science of the possible over the politics of the impossible'. A report commissioned by Oxfam and undertaken by Tyndall Centre researchers.

Much of the analysis relies on research within: K. Anderson and A. Bows (2011) 'Beyond dangerous climate change: emission pathways for a new world', Philosophical Transactions of the Royal Society A, 369, 20–44, DOI:10.1098/rsta.2010.0290.

3 M. New et al. (2011) 'Migration and Global Environmental Change: The possible impacts of high levels of climate change in 2060 and implications for migration', UK Government Office for Science, http://kevinanderson.info/blog/wp-content/uploads/2013/02/Impact-high-levels-climate-change-2060-for-migration2.pdf

4 G.C. Nelson, M.W. Rosegrant, J. Koo, R. Robertson, T. Sulser, T. Zhu, C. Ringler, S. Msangi, A. Palazzo, M. Batka, M. Magalhaes, R. Valmonte-Santos, M. Ewing and D. Lee (2009) 'Climate Change: Impact on Agriculture and Costs of Adaptation', Washington DC: International Food Policy Research Institute, http://www.ifpri.org/sites/default/files/publications/pr21.pdf; data for under-five populations of USA and Canada from UNICEF's statistical tables, http://www.unicef.org/statistics/index_24183.html

5 S. Yeo (2014)'Climate action is "only way" to grow economy – Unilever CEO', Responding to Climate Change, 14 April 2014, http://www.rtcc.org/2014/04/08/climate-action-is-only-way-to-grow-economy-unilever-ceo/

6 Rich countries for the purposes of this paper refer to Annex 1 countries as defined by the UN Framework Convention on Climate Change http://unfccc.int/parties_and_observers/parties/annex_i/items/2774.php

7 J. Leaton (2013) 'Unburnable Carbon 2013: Wasted Capital and Stranded Assets, p5, http://carbontracker.live.kiln.it/Unburnable-Carbon-2-Web-Version.pdf

8 Carbon Tracker Initiative and The Grantham Research Institute, LSE, *op. cit.*

9 International Monetary Fund (IMF) (2013) 'Energy Subsidy Reform: Lessons and Implications', http://www.imf.org/external/np/pp/eng/2013/012813.pdf

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