

Defeat in the Air at the Climate Conference

Reality has a way of fighting back. Ask Emmanuel Macron.
By Rupert Darwall

Katowice, Poland

The latest climate talks ended here Saturday, a day late, with agreement largely reached on a rule book to implement the nonbinding Paris Agreement. The bigger story is how the United Nations climate process is losing its battle with reality.

“Will civilization descend into another dark age?” Al Gore bellowed. “I’m getting worked up early.” Yet compared with the euphoria three years ago in Paris, defeat hung in the air as delegates faced the realization that whatever they agreed in the hall had little relevance to developments in the world.

Negotiators sought to slow the rise of greenhouse emissions—around 2% a year world-wide for the past two decades. For the three years straddling the 2015 Paris conference, carbon-dioxide emissions were more or less flat. Then they resumed their upward trend—up 1.6% in 2017 and a projected 2.7% this year. According to the Intergovernmental Panel on Climate Change report released on the eve of the conference, all scenarios limiting warming to 2.7 degrees Fahrenheit assume steep reductions in coal consumption—to zero by 2050.

That’s not going to happen. According to the Potsdam Institute for Climate Impact Research, a German think tank close to Chancellor Angela Merkel, what it calls the renaissance of coal continues, using up the available carbon budget within a decade.

Speaker after speaker at conference side-events spoke of expanded coal use. Turkey has plans for 80 new power stations to double its coal capacity and reduce dependence on imports. Chinese provinces are lobbying for more coal and Beijing is investing in coal infrastructure abroad. So are Japan, South Korea and Australia. During his September visit to Indonesia, South Korea’s President Moon Jae-in oversaw a deal to

build two new coal plants there. Before the conference, in Polish coal country, Warsaw had declared it would continue burning coal—a matter of national security when the principal alternative is Russian natural gas.

Explaining why the efforts thus far hadn't bent the curve of rising emissions, the Potsdam Institute's chief economist, Ottmar Edenhofer, said the fundamental reality was an oversupply of fossil fuels, making it harder for renewables to be cost-competitive with coal. An underappreciated factor, he suggested, is monetary policy. Zero interest rates act as an artificial stimulus to renewable energy, which is much more capital-intensive than gas and coal. To students of Austrian economics, it's a classic malinvestment: When interest rates are suppressed below the natural rate, too much of the wrong sort of investment leads to a boom, then a bust.

As interest rates rise, renewable energy can't compete without carbon pricing—economists' magic bullet to solve global warming. Therein lies the biggest cause of despair at Katowice. Thanks to French President Emmanuel Macron's carbon-tax folly, politicians of all stripes are likely to treat carbon pricing like the plague. Denunciations of "madmen" such as President Trump and Brazil's President-elect Jair Bolsonaro came easily at the conference. A much harder problem is the defeat of Mr. Macron at the hands of the *gilets jaunes*. Reality has a way of fighting back.