

THE KYOTO PROTOCOL: CLIMATE, ECONOMIC GROWTH AND THE FUTURE OF REGULATION

Peter Kaznacheev

Administration of the President of Russia

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In order to analyze the consequences of the Kyoto Protocol ratification – whether for Russia, any other country, globally – one should review two questions raised by the current debate. Those questions concern the same problem, i.e. consequences of adopting limitations on emission of greenhouse gases. Frequently, those questions intersect and augment each other. Nevertheless, the two debates are quite independent. Tentatively, I would identify them as the **questions of climate** and **of costs**. And a thorough assessment of consequences for the Kyoto Protocol coming into force should invariably include answers to both. In my limited time I will present a brief outlook of matters that seem to be fundamental to both questions. I will also try to place the Kyoto Protocol within the modern system of international relations and institutions.

THE CLIMATE ISSUE

As any other matter, understanding the climate change requires logic and common sense, since their absence makes any kind of mathematical calculations and observations irrational or pointless. Prior to discussing the existence of warming or its causes (if any), we should ask whether warming is actually dangerous. In historic perspective one can easily see that mankind has been in greatest trouble when the temperature dropped below average. The Ice Age seems to be the most vivid example. In ancient times, the Middle Ages, and our days cooling invariably involved epidemics, crop failures, famine and other cataclysms that took millions of lives. In contrast, the temperature optimums frequently coincided economic and cultural growth.

Suppose that we agree with the “alarmists” that abrupt warming brings about ghastly consequences. Then two key issues require clarity: 1) **to what degree is warming real and durable** and 2) **is it man-made?** The Kyoto proponents still exploit the legendary *Climate Change Synthesis Report* by *Intergovernmental Panel on Climate Change (IPCC)*. Those conclusions have made a basis for the Kyoto Protocol and the Framework Convention, which establishes limitations on carbon dioxide emissions. But since publication of the *IPCC Synthesis Report*, climatologists in many countries have found a lot of inaccuracies and errors in its conclusions.

Specifically, the IPCC conclusion on global warming rests upon research in the *Proxy Data Base and Northern Hemispheric Average Temperature Series* (1998) which insists that the 20th-century temperature rise in the northern hemisphere had been unprecedented since the 15th century. A detailed analysis of these data has brought about a published refutation. Last year the *Energy&Environment* magazine ran an article¹ clearly demonstrating that in the 15th century the temperature average in the northern hemisphere was higher than in the 20th century. Obviously, even a rich imagination could not believe that that warming was caused by handicrafts and horse traffic.

In order to prove the non-unique nature of warming in the second half of the 20th century, one does not need to religiously reread temperature data for a five-hundred-year period. The Kyoto proponents' weakness lies in artificially shortening the period for comparing temperature fluctuations on the Earth. The climate scientists very well know that those fluctuations are cyclic. Colder periods have been replaced by warmer spans. The Earth has always had it, and this century is no exception. For illustration, we may take up periods as long as hundreds, thousands and hundreds of thousands years. Elementary comparison of temperature fluctuations in different time periods shows that **the current *global warming* is neither unique nor the greatest in the history of the Earth.**

If we choose to follow the “alarmists’” logic and consider the 20th-century warming as a global problem, the rationale for Kyoto mechanisms would seem anyway doubtful. The Protocol's idea is to limit the carbon dioxide emissions by means of supranational regulation. Yet, the gas by itself brings no harm either to human health or to the Nature.

Even elementary school students know that for plants carbon dioxide plays the same role as oxygen for us. It is a vital breathing matter. The only charge offered by the Kyoto proponents is the alleged link between emitted CO₂ and *global warming*. But the point is that the link is just a *hypothesis* to explain the processes of the climate change. There are plenty of other hypotheses including volcanic, cosmic, et cetera, which the Kyoto supporters either reject or ignore. **Concentration of CO₂ in the atmosphere**

cannot explain the global climate changes. During 150 years, a positive correlation between changes of CO₂ concentration rising temperature was observed only over the past quarter of the century.

Even if we conditionally agree with the warming role of carbon dioxide emission as argued by Kyoto proponents, even in that case the Kyoto package would lack practical wisdom. The Protocol's aim is to influence the anthropogenic emission. Although its share has grown in the past 130 years, it still makes a maximum of 8 percent of global emissions. **It means that 92 percent of emissions are not to be covered by Kyoto at all.**

One should bear in mind that the current signatories under the so-called Appendix B to the Protocol, make about 21 percent of the total man-made emissions. With Russia the figure is about 28 percent. In fact, the Protocol mechanisms may affect less than 2 percent of global CO₂ emission. We should remember that the most ambitious goal to reduce man-made emission is 8 percent by the year 2012. It was declared by the EU but is hardly attainable. That could achieve so little that one can boldly state: **on a planetary scale the Kyoto Protocol would never produce any substantial impact.**

The above logic drives us to the conclusion that the Kyoto protocol is non-scientific, intrinsically controversial and not capable of attaining the set aims. Instead of careful analysis of various hypotheses and their comparison, we face **biased manipulation of scientific data to serve political, ideological and bureaucratic interests.**

THE COSTS

Right in front of our eyes we see an unprecedented attempt to introduce a global program bereft of both scientific basis and common sense. And what are the costs?

That key question moves the Kyoto debate from pure science and climatology into the practical economic plane. In the case of Kyoto, we obviously face a gigantic project aimed to limit economic activity on a global scale. It seems to present one more mechanism that enables state and supranational structures to interfere into activities of

economic entities. The Kyoto Protocol has been designed as another plan to save the Earth from the danger of “global warming”. But the history of the Western thought has been rife with *warming* and *glaciation* stories for centuries. In contrast to these, the Kyoto hypothesis is to be provided with an enforcement mechanism to punish those who disagree. And this enterprise is to be financed by taxpayers. Before spending a portion of national wealth for an overly ambitious program **the public should ask their governments one simple question: what is the price?**

Last November I spoke at an ICCF forum in the European Parliament, jointly with FORATOM and the Parliament deputies. One of the aims was to answer the same question: what is the price of Kyoto obligations? The speakers (both supporters and critics) provided various calculations based on varying procedures. And no single speaker offered a GDP percentage involved. The reason is obvious. No one knows the exact costs.

But there are approximations that offer a view of the supposed expenditure dimensions. No conservative calculation suggests a figure less than one percent of the GDP. Those figures are employed by the most convinced Kyoto enthusiasts. Other proponents provide more realistic accounts of the Protocol costs – from 1 to 2 percent of the GDP. And independent economists cite more impressive parameters – from 2 to 4 percent. Authors of the Kyoto protocol do not conceal the expense either – the IPCC materials contain a kind of business plan for fighting “global warming”, which details an enormous cost of implementation.

The Protocol defenders never conceal the fact that its implementation may affect growth rates. The Protocol’s main aim is to limit the CO₂ emissions that, in turn, chiefly come from using hydrocarbon fuel. But hydrocarbons make 81 percent of global power consumption. And they are going to retain this role in the foreseeable future. Forcible attempts to alter this structure do not just present a technological illusion but place a gigantic burden on economic growth.

If you think about it, even 1 percent of the GDP given to serve Kyoto (the most conservative account), would be a huge development constraint. Especially so for

many EU members already facing considerably lower growth rates. No wonder that **more and more politicians, businessmen and citizens in Europe have started to realize the excessiveness (and irrationality) of a resource redistribution which is made to attain the unattainable.**

No wonder that both signatory-countries and candidate-countries are showing greater concerns and doubts about the fairness in the distribution of burdens for the Protocol implementation. The emitted gas will affect not just the emitting state but will equally span over all inhabitants of the Earth, as greenhouse gases do not know national borders. Since emission limitations (Appendix B) will be taken up by countries that make a minority both in global emission (and their share is falling fast) and in sizes of economy and population, what we have is outward discrimination. **The Earth's minority will take up the expenses to limit global emissions and finance gargantuan project with no rationale.** Meanwhile, the majority will have no part in "saving mankind".

In this situation the position of countries like Russia seems doubly or even triply impaired. As a matter of fact, by per capita and per USD emission of CO₂, today Russia is behind most countries of Appendix 2, as well as those who have taken up no obligations at all. And the Protocol makers considered exclusively the *emission* of carbon dioxide. They have ignored such an important parameter as *CO₂ absorption*. **It seems only fair to limit the emission in proportion to the input of countries in natural absorption of CO₂.** Casting a glance at the figures, one may see that Japan's emission is three times higher than absorption. In the EU states it is 1.7 times greater. But Russia absorbs 22 percent more gas than she emits into the atmosphere. Australia, China, India and Canada are also net absorbers of carbon dioxide.

The promised huge profits via emission quota trading also turn out to be imaginary. Elementary calculations prompt that even the most conservative economic growth scenario will bring Russia to the emission level of 1990, which the Protocol uses as a starting point, even before the end of Kyoto's phase one, i.e. before 2012. In other words, **in coming years Russia will turn from selling to buying the quotas.**

Today Russia is exhorted to self-impose unscientific and unpractical obligations, which are distributed absolutely unfairly, with the promised proceeds imaginary even in short perspective. What kind of pragmatic response would you expect? The answer is obvious.

KYOTO AND PUBLIC OPINION

Controversy over the Kyoto Protocol has been rampant since the very emergence of the idea to impose supranational regulation for stopping so-called “global warming”. Despite the Kyoto proponents attempts to present the matter as covered by existing or formerly existing consensus on taking measures for limiting the carbon dioxide emission, no such consensus exists, either in academia or in public opinion. Moreover, the followers of the idea that I would call “climatic alarmism” have not always supported this thesis. Just 25 years ago those concerned about warming worried about the opposite – global cooling and the advance of a new Ice Age.

My opponents feel ill at ease, when I remind them about the works of eminent climatologists, popular in mid-1970s. In 1976 a book was published with a telling title *The Cooling*². In the same year, another researcher, *Stephen Schneider* warned about the threat of abrupt Earth cooling in his book *The Genesis Strategy*³. Now the latter is among major the activists of the movement against ... “global warming”! Climatologists know that the history of the Earth surface temperature develops in cycles, the length of one being about 100,000 years. As opposed to the climate, the opinions of *alarmists* switch much more frequently. I keep wondering how absolutely opposite ideas may so easily oust each other within short periods of time in the minds of the same people.

Nevertheless, despite inconsistency in opinions on climate, since the early 1990s there has been a kind of acclimation of the public consciousness to the “global warming” threat. Currently, any kind of idea seems to have two lives, one of them within the circle of experts and scientists specializing in the field, and the other – as reflected in the media space, within electronic communications and mass culture. At the first level

there has been a non-stop debate on the need and usefulness of the Kyoto Protocol, but on the other the Kyoto proponents have succeeded in creating a horrifying image of global warming, with melted Arctic ice flooding European cities and villages, oceans and seas expanding past their shores and other similarly horrid pictures of the future. Notably, it has happened not due to the fact that Kyoto underlying ideas turned to be overwhelmingly convincing or faced no criticism. It has come from multiple repetitions, when the critical mass of menacing warnings about “global warming” grew into confidence on the mass consciousness level. The Kyoto Protocol has become a matter of religious faith. We are confronted by theology, not science.

Talking with experienced liberal politicians and knowledgeable market economists, my colleagues and I have repeatedly faced indifference to Kyoto. Some of them even started defending the Protocol proceeding from the thesis that *at least something should be done to prevent warming*. In most cases they referred to data obtained from newspapers and TV news, not to scientific studies.

Climatology is a science, frequently hard even for specialists to grasp. So what about those drawing conclusions about climate change from late-night weather reports? Here comes the so-called “Kyoto special effect” – problems of climate, heat and cold, rain and snow are everybody’s concern. We do care what kind of climate to expect in one, five, ten or twenty years. But most people have neither time nor ability nor special knowledge to analyze the events on their own. Note, speculations on global warming or cooling have been prominent in public debate in the past as well, even in the 19th century.

Followers of the Kyoto cult have rest their claims to represent the public interest on poor knowledge of the scientific issues on the part of the public. But that cannot last forever. As a counterweight to the “global warming” critical mass in media reports, we now witness a forming critical mass of scientific Kyoto critique presenting the Protocol as ungrounded, ineffective and too costly for implementation. As I see the situation, the discussion’s turning point occurred about six months ago, at the Moscow Conference on Climate Change in autumn 2003, where representatives from over 100 courtiers took part. The Kyoto faction expected massive support for their plans, in

order to influence Russia's view on ratification of the Protocol. But something unpredicted came up. Before the eyes of media and the public, the scientific and expert community went through an unprecedented division on the Kyoto issue.

The Protocol has been made to come into force upon ratification by countries that emit 55 percent of the global carbon dioxide emissions. Following the rejection by the USA and Australia, it would become effective only if ratified by Russia. Contrary to the expectations of "alarmists", the situation has made many in Russia to doubt the Protocol's rationale and the efficiency of its mechanisms. The Conference has formed the public's attention on a debate that had previously taken place primarily within the research community.

At the World Conference on Climate Change in Moscow, President Putin said that Russia's ratification of the Protocol would be deferred until an overall assessment of the consequences. This largely unexpected stand has caused a chain-reaction debate to sweep over the world public and media. As a result, the entire debate has moved from the realm of blind faith into the realm of scientific and economic arguments, that seems a step in the right direction.

A VIEW INTO THE FUTURE

Now comes the traditional question: Qui Bono? Who gains? Really, who might gain from a utopian scheme that throws money into the air? Compared with traditional national-level lobbyist schemes, the Kyoto Protocol presents a non-traditional, non-classical structure of redistribution and regulation, quite different from those we have witnessed before.

Today Deepak Lal has presented a brilliant analysis of the direction taken by international organizations and the contours of future supranational regulation. He has vividly shown how intergovernmental institutions should be reformed so as not to impose extra economic intervention and regulation. We very well understand that any

bureaucratic structure, including international bodies, has its own logic, which strives to preserve and multiply its influence, to grow and capture new areas to regulate.

That's how we should see the Kyoto phenomenon. Essentially, **the Kyoto Protocol is a timeserving response of international bureaucracy to the ever-changing framework of the new world order.** It is a defensive maneuver used to acquire new spheres of influence in the age of globalization, in the epoch when old spheres and methods are threatened.

In Deepak Lal's article *From Planning to Regulation: Toward a New Dirigisme* he writes: "The dirigisme impulse has been transformed: from economic planning aimed to suppress free pricing to regulation aimed to replace it"⁴. With the Soviet economy defeated by the capitalist system in the race for survival, the old methods of dirigisme are almost gone. But leaving behind planned economy does not mean leaving behind dirigisme.

Established after World War 2, the Bretton Woods system of international financial and economic organizations has changed during the past 50 years to the extent that makes it resemble the USSR State Planning Committee. Economic intervention under the guise of development assistance and pumping cheap monies into corrupt governments in exchange for infeasible obligations – all that makes inefficiency of the current international institutions system obvious for growing number of people in both hemispheres. For those within the system, i.e. international officials, it means the prospect of hard thinking about how to apply their untiring energies in the future.

Following the logic, **the Kyoto project should be seen as an attempt to erect a system of "neo-dirigisme". The Protocol is a touchstone for a new post-modern type of international economic regulation in the age when old regulation methods are losing ground and turn ineffective.**

If these are the contours of a new system of international economic institutions, the direction should cause grave anxiety. Apart from its active interventionist nature, the system offers a fine nutrient medium for its governors. In essence, the Kyoto Protocol is

a commercial enterprise whose circulating assets are formed by the wealth of national economies of the ratifying countries. The novelty is in its obvious ideological character. It seems to draw its inspiration not from the Bretton Woods or the current system, but from the *Comecon* that united the countries of the Soviet bloc on the basis of socialist ideological dreams. Although the color has changed from red to green, history may run the same course.

Let me end on a positive note. Hopefully, the future of international economic order will not look like one great Kyoto Protocol. The Kyoto Protocol is not inevitable. If it was, our conference would have been irrelevant or more like the last rite of world liberalism.

I look into the future with modest optimism. The contours of the future system are still unclear. The two key issues of the Kyoto Protocol – influence on climate change and the price of its implementation – allow us to come to the conclusion about the Protocol's non-scientific nature, inefficiency, injustice in burden distribution and detriment to economic growth. Showing this to people, as many as possible, in our countries makes the first step to avert "kyotization" of the international system.

My optimism is reinforced by the fact that Russia's public opinion tends towards postponement of the Protocol ratification. We have a precedent, which means that Kyoto might not replace Bretton Woods.

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¹ McIntyre, S., McKittrick, R., *Corrections to the Mann et. al., Proxy Data Base and Northern Hemispheric Average Temperature Series*, Energy&Environment. Volume 14, November 6, 2003.

² Ponte, *The Cooling*, 1976

³ Schneider, *The Genesis Strategy*, 1976

⁴ Deepak Lal, *From Planning to Regulation: Toward a New Dirigisme*, The Cato Journal, Vol. 17, No. 2