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# Kyoto to ‘reduce Europe’s growth’

*By Richard Black*

**Meeting Kyoto Protocol targets on greenhouse gas emissions will reduce European economic growth significantly.**

That is the finding of a new study from the International Council for Capital Formation, a market-based think tank.

It projects that by 2010, Spain’s growth will have fallen by 3%, and that Italy’s will shrink by 2%.

These are bigger figures than previous studies have found, and their release comes as world leaders struggle to find a successor to the Kyoto treaty.

In recent weeks, British Prime Minister Tony Blair has become the latest leader to suggest that constructing a “child-of-Kyoto” agreement involving firm targets for reducing greenhouse gas emissions will be tricky.

“No country will want to sacrifice its economy in order to meet this challenge,” he told a London conference last week, commenting further that talk of frameworks and targets “...makes people nervous”.

## Kyoto costs

The US and Australian governments have opted out of Kyoto over economic concerns; and this new analysis of four European states from the International Council for Capital Formation (ICCF) endorses their view that the protocol will prove expensive.

It concludes that by 2010 - the middle of the four-year period in which Kyoto signatory states are supposed to meet their targets - Spain’s economic growth will be reduced by 3.1% from what it would have otherwise been, Italy’s by 2.1%, Britain’s by 1.1% and Germany’s by 0.8%.

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>
> *Margo Thorning, ICCF*

ICCF managing director Margo Thorning said that these reductions took into account a projected uptake of green technologies.

“We have a fair amount of new, clean technology already embedded in our forecasts,” she told the BBC News website, “so we’re already assuming more use of renewables, more efficiency and so on.

“We also assume the development of a regime in Europe which all energy use would be subject to in an attempt to push emissions down.”

Currently, the European Union's principal mechanism for reducing greenhouse gases, the Emissions Trading Scheme (ETS), includes only industrial producers.

But most of the EU’s pre-expansion countries are some way off meeting their Kyoto targets, and there are moves to include the domestic and transport sectors in an expanded ETS.

The ICCF analysis suggests this would raise energy costs to a considerable degree, with electricity prices across the continent growing by an average 26% by 2010.

This means, it says, that economies would suffer, increasing unemployment by several hundred thousand people in each of the countries studied as well as reducing growth.

Energy prices in some European countries have risen sharply in recent months, though Dr. Thorning acknowledged this had more to do with a changing supply and demand equation than the Kyoto Protocol.

> *“You can get any conclusion from any economic study by choosing your assumptions carefully”*
>
> *Bert Metz, Netherlands Environmental Assessment Agency*

The differences between the four countries studied by ICCF arise largely because Germany and the UK are close to achieving their targets already, whereas Italy and Spain are considerably off course.

Earlier this year a UK government agency, the National Audit Office, concluded that meeting renewable energy targets would raise energy costs in the UK by 5% by the end of the decade.

## Balancing budgets

Funded as it is by industrial, trade and finance groups, including oil companies, some observers might not consider it surprising that the ICCF report casts a harsh light on the post-Kyoto world.

"The figures given for Spain are very different from all other studies done so far," commented Bert Metz of the Netherlands Environmental Assessment Agency (MNP), co-chair of the Intergovernmental Panel on Climate Change working group on mitigation.

"Other studies show changes in the order of 1% if you use options like emissions trading, 2% if you don't," he told the BBC News website.

"You can get any conclusion from any economic study by choosing your assumptions carefully."

The ICCF figures arrive at a time when the picture of a possible international agreement to follow the Kyoto Protocol is murkier than ever.

The European Union remains committed to a follow-up treaty specifying targets and timetables for reducing greenhouse gas emissions, like the Protocol itself.

But in July, a group of six nations announced a rival agreement, the Asia-Pacific Partnership on Clean Development and Climate, which, it was claimed, would bring emissions down through technology alone.

The partnership appears to be in some disarray, with its inaugural meeting, originally scheduled for this month, postponed until next year because ministers could not find a mutually convenient date.

Nevertheless, its message that technology can take the place of targets finds support in some powerful capitals, and has resonated with developing countries suspicious of what they see as western attempts to curb their economic growth through emissions restrictions.

"By 2010, the net reduction in global emissions from Europe meeting the Kyoto Protocol will be only 0.1%," said Margo Thorning, "because all the growth is coming in places like India, China and Brazil.

"We need to focus on things like the Asia-Pacific partnership which are driven by long-term strategies to reduce emissions and boost growth."