

# A New Strategy on Climate Change Policy

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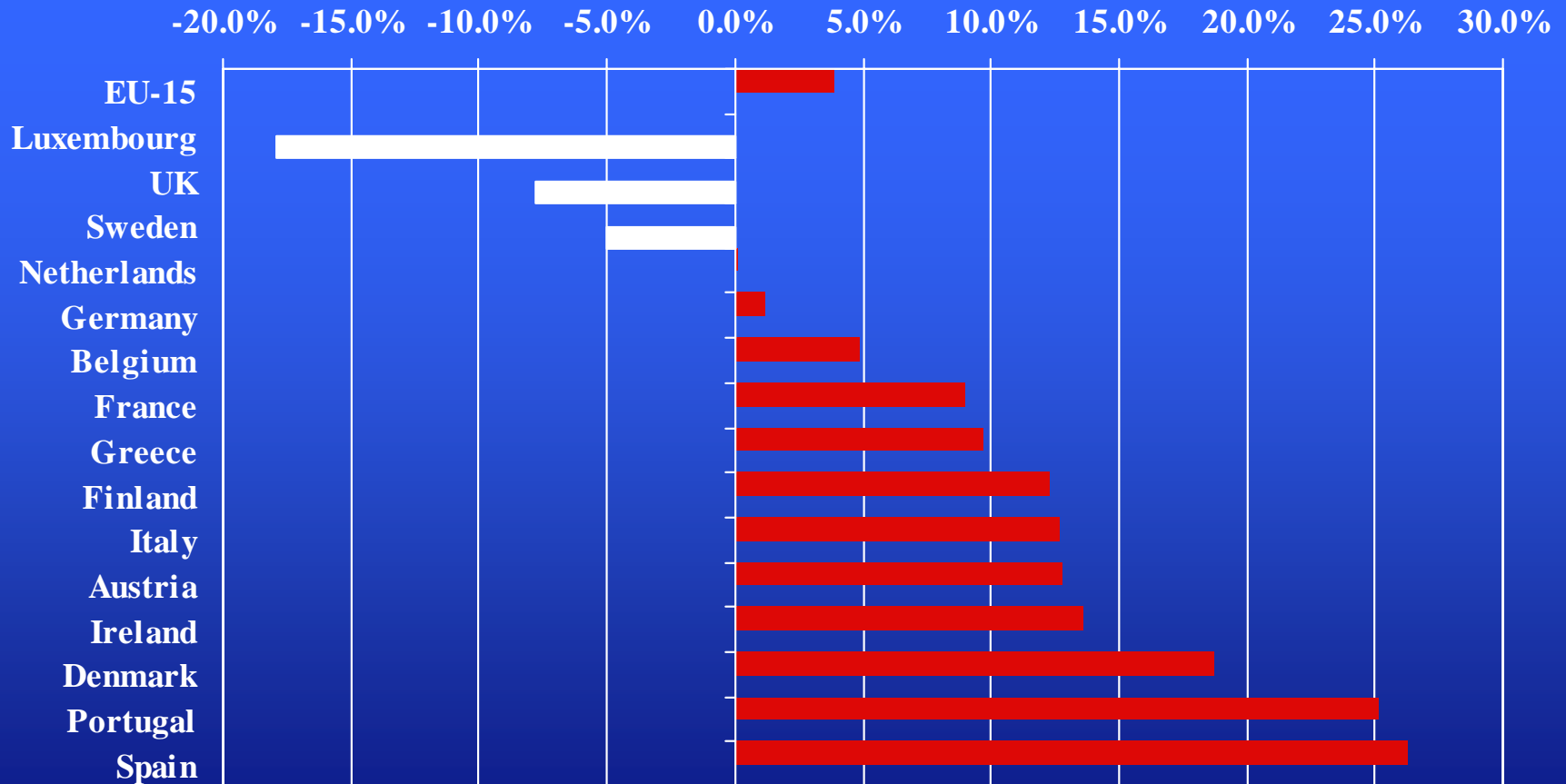
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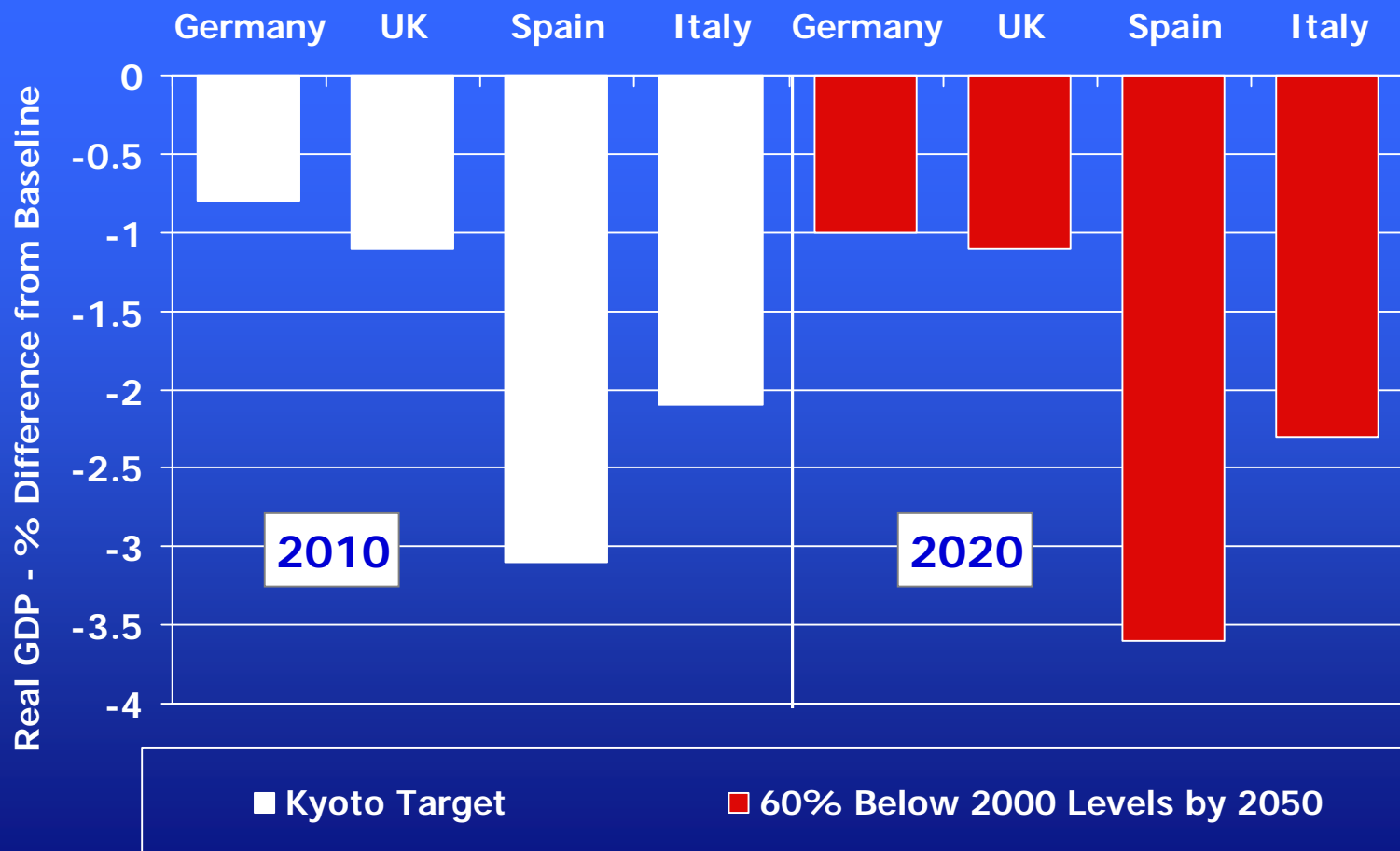
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# Greenhouse Gas Emissions in the European Union Projected to Exceed Kyoto Targets in 2010



Source: European Environmental Agency, November 29, 2005

# Impact of Kyoto Protocol and Additional Targets on GDP in the EU in 2010 and 2020: Macroeconomic Model Results



# Impact of Kyoto Protocol and Additional Targets on Energy Prices for Industry

Macro Model Results  
(percent increase compared to baseline)

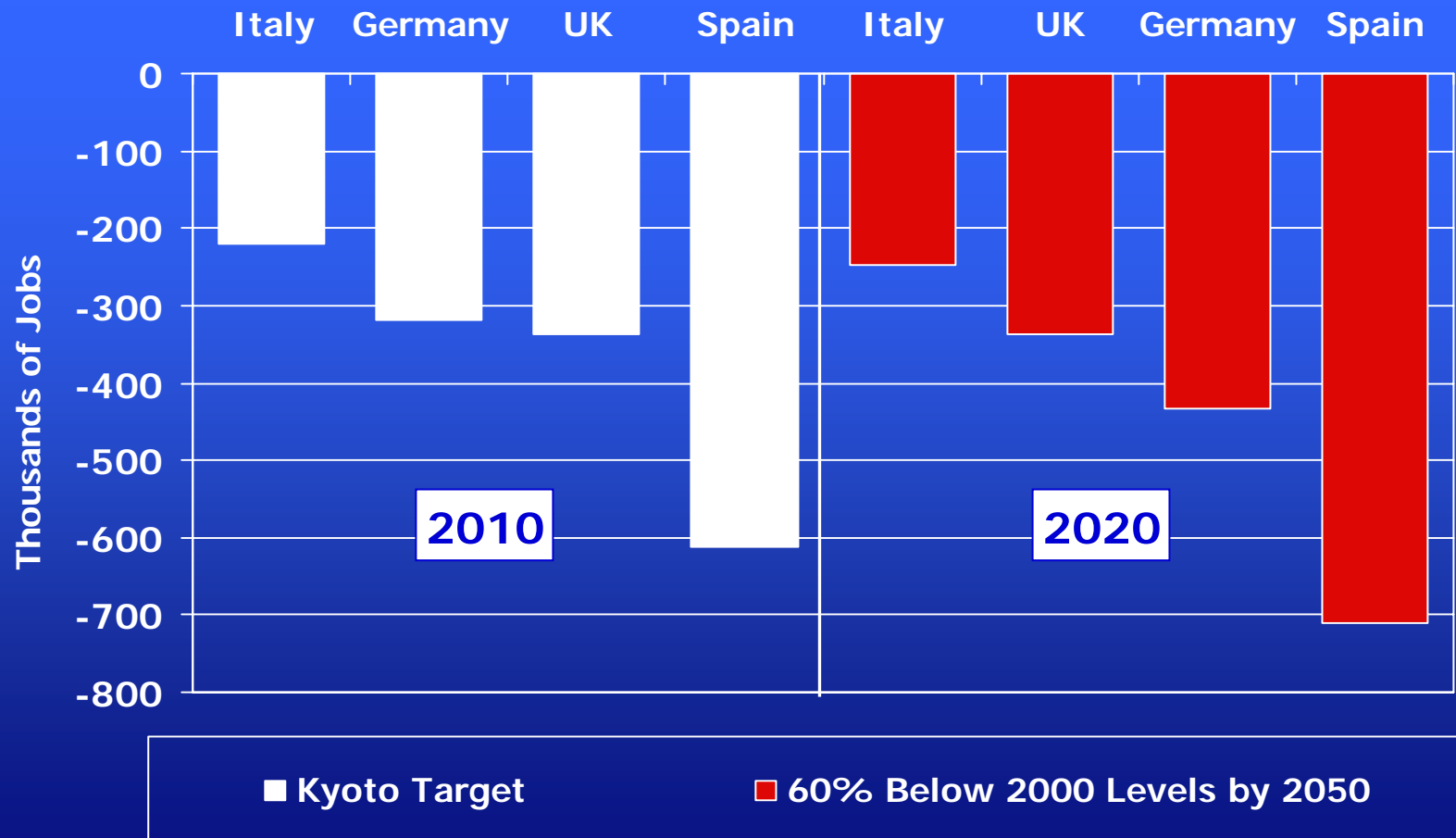
	Electricity		Natural Gas	
	2010	2020	2010	2020
<b>Italy</b>	<b>13%</b>	<b>14%</b>	<b>44%</b>	<b>54%</b>
<b>UK</b>	<b>35%</b>	<b>34%</b>	<b>46%</b>	<b>57%</b>
<b>Spain</b>	<b>23%</b>	<b>27%</b>	<b>42%</b>	<b>51%</b>
<b>Germany</b>	<b>31%</b>	<b>32%</b>	<b>30%</b>	<b>39%</b>

## Targets:

2010: Kyoto Target

2020: 60% below 2000  
levels by 2050

# Impact of Kyoto Protocol and Additional Targets on Employment in the EU in 2010 and 2020: Macroeconomic Model Results

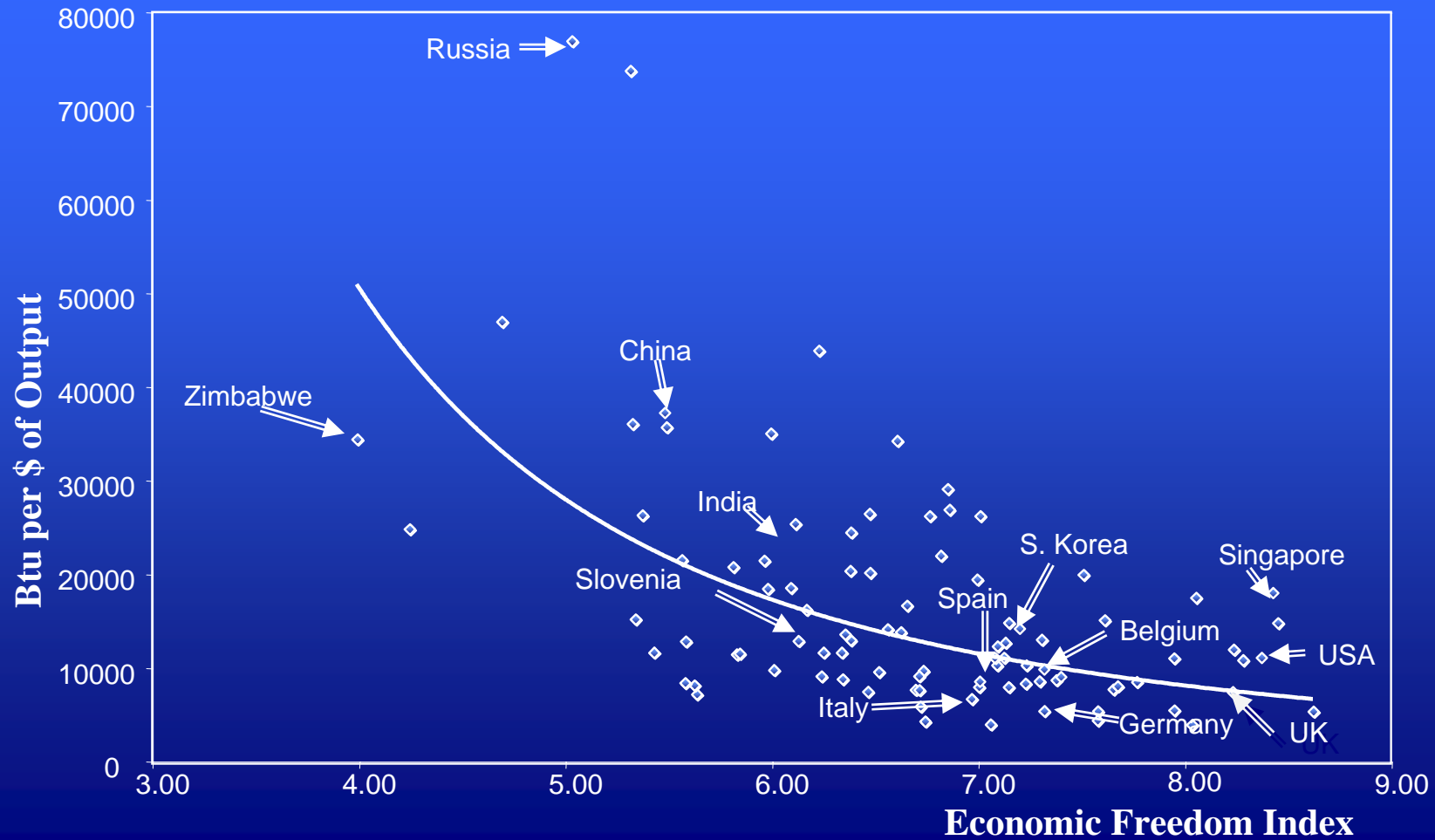


# Caps on Carbon Emissions Do Not Provide Incentives for Radical New Energy Technologies

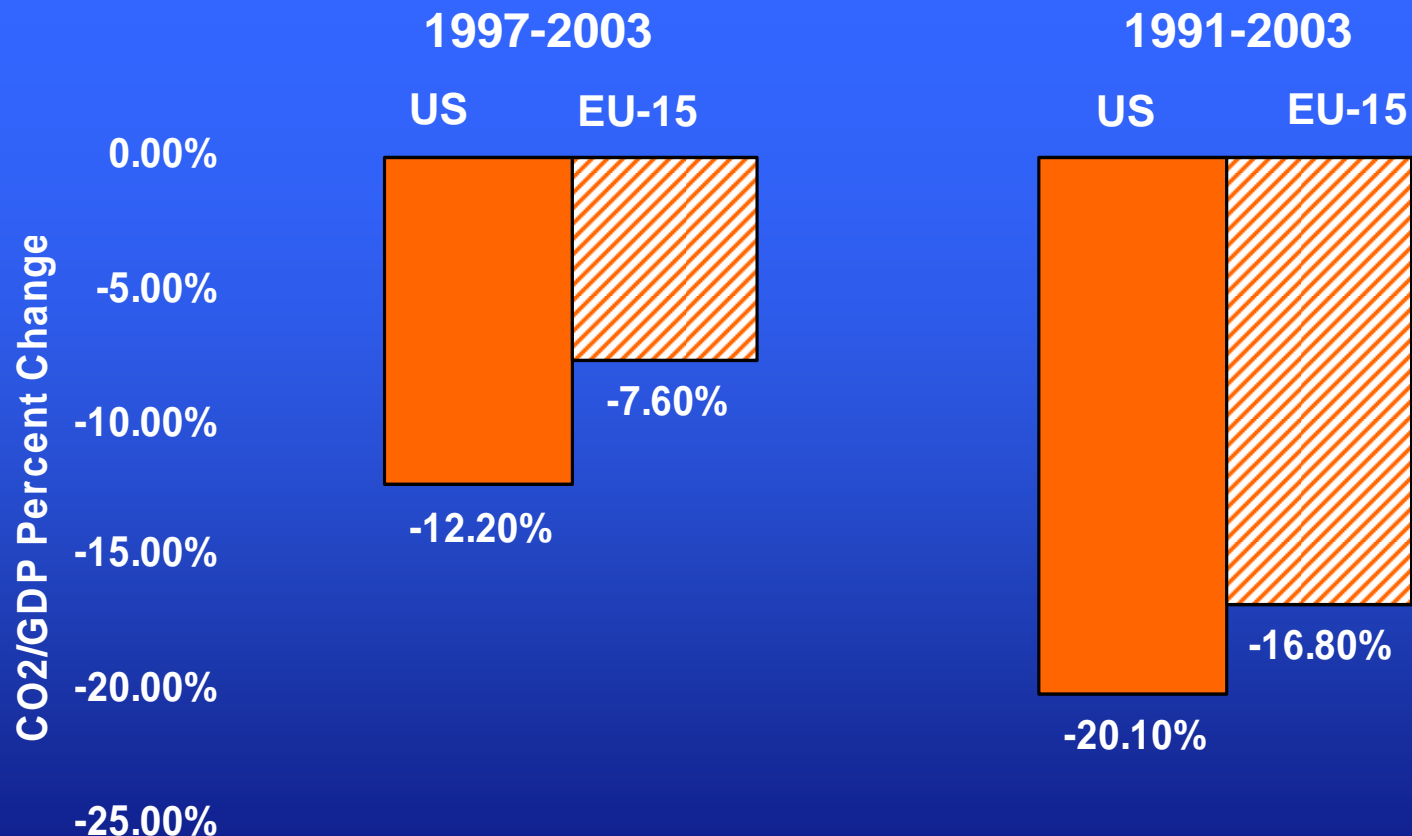
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- ❑ Carbon caps force diversion of resources away from long term technology development in order to meet short term goals using inefficient technology.
- ❑ Private investors will not be willing to spend large amounts to new technologies unless they think carbon prices will stay high enough to enable them to cover both fixed costs (R&D) as well as operating costs.
- ❑ Future governments are unlikely to keep carbon prices high (through taxes) due to impact on economic growth.
- ❑ Anticipating that governments will not keep carbon prices high, investors may be unwilling to commit a large amount of funds to radical new energy technologies.

# Economic Freedom Compared to Energy Intensity in 2001



# Comparison of EU and US Energy Intensity Reduction 1991-2003



Data: EIA International Energy Annual 2003



# Practical Strategies to Address Economic Growth and Climate Change Policy

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- ❑ Avoid policies which do not meet cost-benefit tests including mandated caps on carbon emissions from mobile and stationary sources
- ❑ Remove barriers to developing world's access to more energy and cleaner technology by promoting economic freedom and market reforms
- ❑ Increase R&D for new technologies to reduce energy intensity
- ❑ Develop sequestration through both natural and man-made technologies
- ❑ Promote nuclear power for electricity
- ❑ Expand bilateral cooperation with developing countries
- ❑ Promote a truly global solution such as the new Asia Pacific Partnership on Development with its focus on growth and technology transfer