

20211028 Webinar 'Can carbon markets solve the climate crisis?'
This document holds the Oral comments during the presentation.

[S0 to S10 refers to the slides, available as separate pdf]

S0

Thanks to Steffen for organizing this webinar, and for stating the imperative question: *Can carbon markets solve the climate crisis?* NO has been the answer of several political scientists, like Rebecca Pearse and Steffen Böhm, of some not all NGOs, many critical citizens, and more.

The subtitle of my book "Economic Reality and Utopia" points to a focus on economic analysis and political economy, to clarify carbon markets, the EU ETS in particular.

The HINT means:

Consider reading the book and slides as homework. Now relax and listen to the voice, commenting the slides in the background.

S1

The world's most praised carbon market, the EU ETS, does not solve, yet amplifies, the climate crisis.

The EU ETS is a product of corporate power, to shield its Business-as-Usual profit seeking activities.

Carbon trading occupies the EU climate policy arena, since 1997 when COP3 in Kyoto imposed carbon markets. Humankind has spoiled 24 precious years, by carbon market stories precluding good policies.

This is an irresponsible crime, given the irreversibility of climate, bio- and social diversity losses.

S2 The picture shows

Necessary transformations in the public interest

Neoliberalism still is the dominant ideology and practice: Corporate and money powers overwhelm democratic politics, pursue economic growth to amass more money, extends inequality, while income of 4 billion people is below the 'ethical poverty line'.

Neoliberal growth thrives on massive use of fossil fuels, causing planetary fever: 1.5 to 2°Celsius fever is making life nasty for most human beings; Neoliberalism fetches 3 to 4°Celsius fever, likely fatal for humankind.

We need 100% renewable energy, first and mostly harvested in our living and working environments.

Due is also conservation, meaning less and other activities in production and consumption, food, tourism, transport, ... before appropriate efficiency is applicable.

Citizen-owned renewables and conservation are the substrate for Our Common Future Sustainable Development, spelled out by the UN World Commission on Environment and Development in 1987, as a radical, new paradigm with Politics in the cockpit, reshaping societal activities and relations, controlling corporate and big money.

Urgent U-turns are needed.

S3

Don't get fooled by Carbon Prices

A carbon price's Objectives and Outcomes are not linearly tied, for example: a carbon price to incentivize emission reduction, will turn out to be a money collector, when change is impeded by missing low-carbon alternatives.

A price may flag a direction, while hiding big chunks of money. Mostly, origin and destination of actual money chunks are hidden. Yet, fringe pricing is hiding missing money chunks.

Follow the money

"Money makes the world go round" is more than a cabaret song. Firms, corporates, are chasing "above-average profits", by all means, as first priority, ...

Personal self-interest is also an omnipresent force in society, to take serious in designing self-governance of commons - see Ostrom's Institutional Analysis and Development framework.

Let's look at three flaws in neoclassical economics carbon pricing

S4: Flaw #1: negating and abusing diversity

Can a SINGLE UNIFORM CARBON PRICE address the vast social, economic, institutional, ideological, ... diversity?

Precise categorization of diversity is a core task of social sciences, with designing specific policies for heterogeneous categories.

Businesses specialize in segmented markets, and in product variety according personal preferences of diverse people.

However, neoclassical economists pursue the 'holy grail' GLOBAL UNIFORM CARBON PRICE. Axiomatic theory and mathematic formality stiffen the quest, in vain for success.

S5: Flaw #2: uniform price-induced innovation

The EU's decarbonization innovation is a complot story of White Hat vs. Black Hat fellows.

White hats are German & Danish citizens, scientists, entrepreneurs, politicians, pursuing distributed renewable energy since the 1970/80s. By specific Feed-in-Tariffs diverse Renewable Energy technologies like wind turbines, photovoltaic solar, ...were pulled to maturity. Wind and PV kWh cost nosedived to grid parity in 2008, and to least cost electricity sources in 2018 (IRENA.org).

Black hats are the European Commission, neoclassical economists, and large electricity companies. In 1999, the Commission, dazed by Cap & Trade, planned the EU-wide market in Tradable Green Certificates with a uniform certificate price. The experiments showcased a race to the bottom, dubious obsolete plants cashing excess profits, no progress, ...

Nonetheless, neoclassical economists lambast Feed-in-Tariffs, and defend EU ETS as best for innovation. The EU ETS would bring decarbonizing innovations. It did not. Contrarily, under the ETS large electricity companies built new Mega coal-fired power plants. Not only in Poland, yet in the Netherlands and Germany.

Renewable energy technology policy in Europe provides Cristal clear evidence that specific politics succeed, and uniform market-based instruments fail.

Now, the complots

In 2014, large electricity companies claim the White hats results in renewable technology, via the European Commission. New State Aid guidelines assign priority to large-scale renewable plants, disadvantaging citizen and cooperative projects.

Also in 2014, Elsevier fires Nicky France, successful editor of the journal 'Energy Policy'. Two editors, linked to the energy sector, take over. For concealing their own rejection of a manuscript describing the putsch by the Black hats, the new editors falsified the review process.

The energy corporates control direct economic Interests, and Idea formation for safeguarding those interests.

S6 Flaw #3: Fringe price equalized to Marginal cost Price (to pardon free permit donations)

Annex E of the book provides the mathematical analysis; The graph on the slide shows a numerical example; I tell a metaphor for whom dislikes mathematics and graphs.

Assume many wealthy people own exclusive, gas-guzzling cars. A plausible assumption, this is.

For limiting the CO2 emissions, the owners face Neoclassical Carbon Pricing, as follows:

- a) **Display of a high gasoline price, €5 per liter**
- b) **Yet, free gasoline is available from Jan. 1st to Dec.25th, Christmas**
- c) **Only, gasoline tanked after Christmas is charged €5/liter**

Will such policy induce gas-guzzling car owners to innovate? or to drive less? or reduce CO2 emissions?

S7: Discursive power

Stakeholder Masterminding exemplifies the neoliberal take-over, wherein corporates select the climate policies they want.

- **Lobbying and comitology engage EU officials and politicians to execute the policies.**
 - **Influential International Organizations favour Carbon Markets.**
 - **Repetitive media messages proclaim the supremacy of Markets, and 'There Is No Alternative'.**
- Mighty discursive power is deployed,**
- **with Carbon Price as symbol;
with Cap and Trade as narrative.**
 - **without effective evidence; the evidence is contentious, opposite without compelling arguments, axiomatic neoclassical economics theory being the only argument**

The impact of this discursive power is intimidating!

S8: EU ETS façade versus Reality

This slide is presented step by step. Blue text is the TALK – Black text is the WALK. The EC 2000 green paper is the founding charter of the EU ETS, erecting the Cap & Trade façade, truly a neoclassical economics cardboard construct.

S9: Fit for 55

plans continuation and expansion of the EU ETS and its opaque money pumping system.

Sources of money mainly are bills paid by non-ETS users of energy (electricity, fuels for transport and buildings). Electricity and fossil fuel corporates control the bills. Money ends on corporate and on government accounts.

Public money is allocated to

- **the ETS bureaucracy for managing the ETS mess,**
- **support for impoverished citizens,**
- **transfers across member states,**

- **subsidizing corporates as compensation for coal exit, reduction in oil & gas use, low-carbon demo-projects, ...**

S10: Neoliberal interest prolongation

Fit for 55 derails the necessary transformations:

Low-carbon neoliberalism prevails over Our Common Future - Sustainable Development.

Distributed, citizen-owned renewable energy is crowded out by centralized, large-scale projects, with derivatives like SAF (so-called Sustainable Aviation Fuels)

This is a very daunting path: Again, many precious years will be wasted. European centrism excludes the billions of people in poverty.

Let us consider a final question:

Given 40 years of destructive neoliberalism, can humankind sustain another 15 years? Can humankind survive 55 years of neoliberalism?