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## Australian headlines are designed to scare people into not acting on climate change | Erwin Jackson

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Whenever Australia starts to have a serious conversation about addressing climate change headlines appear in newspapers of an economic apocalypse. This happened again in the Australian today based on work by a long-standing economic modeller of climate policy, Brian Fisher.

So, what do economic modelling exercises tell us of the impact of reducing Australia's contribution to global warming and more importantly what do they not? Should we cower in fear of action or embrace the inevitable change and manage the human and economic costs of transition?

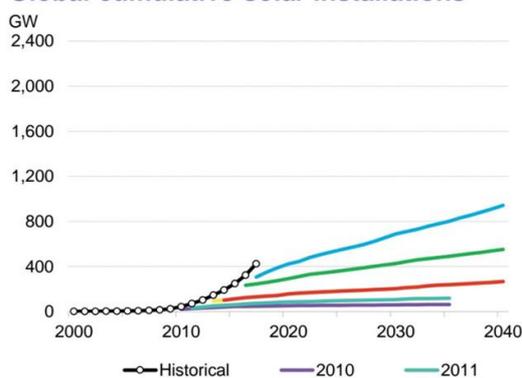
Firstly, economic modelling results are not predictions. They are based on hypothetical future worlds. Economists try to capture the dynamics of economic systems in their models to understand the relative impact of different policy options. This means they are always wrong because economists can't predict the future. Economic modellers are not the crystal ball gazers we read about in fantasy books.

Leading energy commentator and founder of Bloomberg New Energy Finance Michael Liebreich [sums](#) this it up nicely. His graph shows what US government energy models have been projecting over the years compared to what is happening in the real world. Over and over again models have failed to capture how fast the cost of clean energy has been falling and the scale at which it would be deployed.

### EIA solar capacity forecast evolution

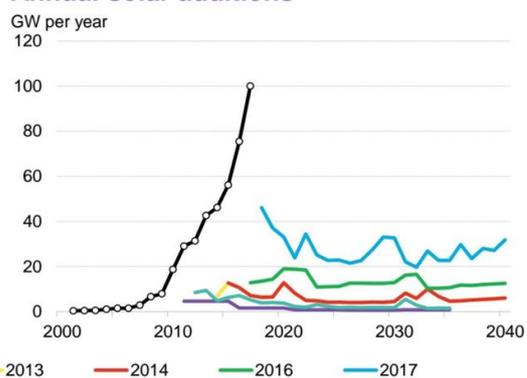
LIEBREICH  
Associates

Global cumulative solar installations



Note: Reference scenario

Annual solar additions



Source: EIA International Energy Outlook

This does not mean the economic models are not useful, it just means they should be used to test the relative impact of different policy options and not be presented as predictions of the future. They have a long history of overestimating the costs of environmental regulations because people and markets can innovate faster than they often expect.

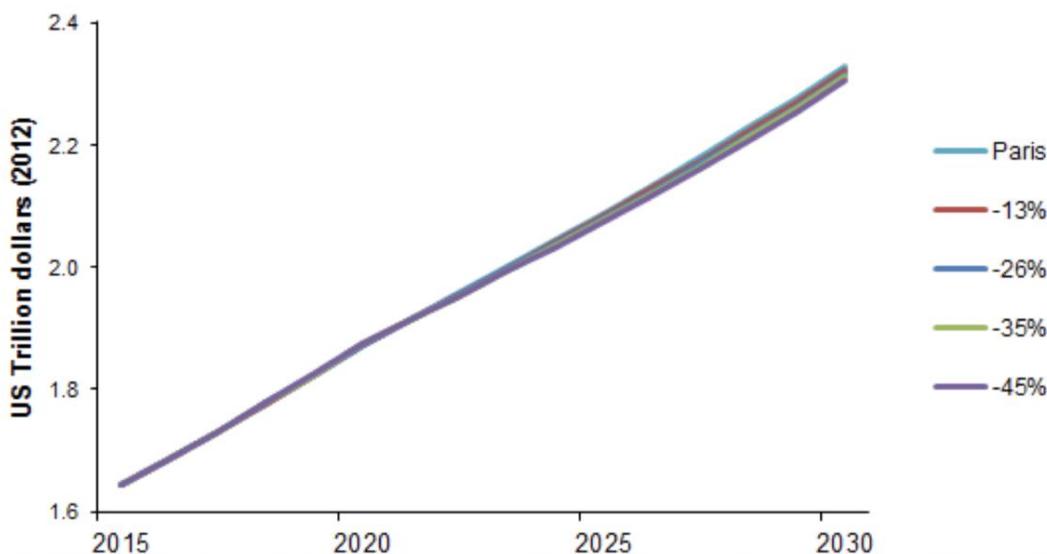


Secondly, the way economic modelling results are presented is very important. Industry groups in particular like to attach themselves to particular results and scream that thousands of jobs will be lost, or wages will be slashed. This is designed to scare people into not acting on climate change by making them feel insecure in their lives. The headlines in the Australian today did just this.

It is also dishonest because they also don't clearly put the results in the context of the broader change in the economy. (David Gruen, one of Australia's top economic officials gave a great [speech](#) about this in 2008 to illustrate how long this silliness has been going on.)

To illustrate my point, the economic impacts Fischer has projected for different emissions targets are in the same ballpark of those projected for [work](#) commissioned by the Department of Foreign Affairs and Trade a few years ago. This work also presented results in a similar way to the Australian. However, what is also showed is that the economy, jobs, income, etc. continued to grow regardless. We keep getting richer and have more jobs, we just do so at a slightly slower rate. The graph below shows the change in the size of the economy under different reductions in emissions from the work government commissioned.

*Absolute level (2012 US trillion dollars)*



Note: Closeness of trajectories in bottom panel reflects that difference in GDP in 2030 from highest to lowest scenario is 1 per cent of GDP, as shown in the top panel.

Thirdly, because Australia exports a lot of coal and other emissions intensive products to other countries, what they do matters an awful lot to the Australian economy. As other nations reduce emissions, demand for these products falls regardless of what we do. It has been established for some time that a significant part of the economic impacts of climate change on Australia comes from things we can't control and this is generally presented in the results (see [here](#) for an example). While he does not report this, Brian Fisher knows this because he spearheaded economic analysis in the 1990s that was targeted at convincing Japan, one of our major coal markets, it would be too costly for them to reduce emissions.

Lastly, whenever these headlines are blasted across the papers one point is always lost. These results don't include the cost of climate change itself. This summer, we have again seen a glimmer of what climate change will mean for Australia. Recent economic analysis indicates the benefits of limiting global warming far out way the cost of doing so, in one case by 70-1 (good summary is [here](#)).



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(Again, this is something Fisher has considered in the past as he once said it would be cheaper to move people from the Pacific and put them in condos on the Gold Coast than act on climate change.)

So, as we head into another cycle of climate change politics in Canberra beware the economic doomsayers and the threats from industry groups that credible action will be a “wrecking ball” to the economy. To be glib, no one said saving the Earth would be free. Acting on climate change will have costs but the costs of not acting will be far, far larger. Better that we come together and manage a fair and effective transition than continuing to delay and pay a much, much greater bill later.

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