

This economic panic is pushing the planet right back down the agenda

Oil-dependent countries are focused on growth at all costs, and the pale green political consensus looks unlikely to hold

Almost everyone seems to agree: governments now face a choice between saving the planet and saving the economy. As recession looms, the political pressure to abandon green policies intensifies. A report published yesterday by Ernst & Young suggests that the EU's puny carbon target will raise energy bills by 20% over the next 12 years. Last week the prime minister's advisers admitted to the Guardian that his renewable energy plans were "on the margins" of what people will tolerate.

But these fears are based on a false assumption: that there is a cheap alternative to a green economy. Last week New Scientist reported a survey of oil industry experts, which found that most of them believe global oil supplies will peak by 2010. If they are right, the game is up. A report published by the US department of energy in 2005 argued that unless the world begins a crash programme of replacements 10 or 20 years before oil peaks, a crisis "unlike any yet faced by modern industrial society" is unavoidable.

If the world is sliding into recession, it's partly because governments believed that they could choose between economy and ecology. The price of oil is so high and it hurts so much because there has been no serious effort to reduce our dependency. Yesterday in the Guardian, Rajendra Pachauri suggested that an impending recession could force us to confront the flaws in the global economy. Sadly it seems so far to have had the opposite effect: a recent Ipsos Mori poll suggests that people are losing interest in climate change. Opportunities for energy populism abound: it cannot be long before one of the major parties abandons the pale green consensus and starts invoking an oil cornucopia it cannot possibly deliver.

The British government maintains both positions at once. In his speech last week, Gordon Brown said he wanted "to facilitate a reduction in short-term global oil prices" while seeking "to reduce progressively our dependence on oil". He knows that the first objective makes the second one harder to achieve. The government's policy is to build more of everything - more coal plants, more nuclear power, more oil rigs, more renewables, more roads, more airports - and hope no one spots the contradictions.

Is there a way out? Could we abandon the fossil fuel economy without provoking a blistering backlash? Two things are obvious. We need a global system, and the current one, the Kyoto protocol, is bust. It sets no cap on global carbon pollution, its targets bear no relation to current science and are unenforceable anyway, it contains loopholes and get-out clauses wide enough to sail an oil tanker through.

Until recently I supported an alternative system called contraction and convergence. Every country, this system proposes, should end up with the same quota of carbon dioxide per person. The richest countries must produce much less than they do today; the poorest ones could pollute more. Another proposal flows logically from this one: carbon rationing. Having been assigned its carbon quota, each nation would divide up part of it equally among its citizens, who could use it to buy energy or trade it among themselves. These proposals have

the merit of capping global pollution, of being fair, progressive and easy to understand and of encouraging us to think about our use of energy.

But, after reading the proofs of a book by the independent thinker Oliver Tickell, to be published next month, I have changed my view. In *Kyoto2: How to Manage the Global Greenhouse*, Tickell slaughters my favourite ideas. He shows that there is no logical basis for dividing up the right to pollute among nation states. It gives them too much power over this commodity, and there is no guarantee that they would pass the pollution rights on to their citizens, or use the money they raised to green the economy. Carbon rationing, he argues, requires a level of economic literacy that's far from universal in the most advanced economies, let alone in countries where most people don't have bank accounts.

Instead Tickell proposes setting a global limit for carbon pollution then selling permits to pollute to companies extracting or refining fossil fuels. This has the advantage of regulating a few thousand corporations - running oil refineries, coal washeries, gas pipelines and cement and fertiliser works for example - rather than a few billion citizens. These firms would buy their permits in a global auction, run by a coalition of the world's central banks. There's a reserve price, to ensure that the cost of carbon doesn't fall too low, and a ceiling price, at which the banks promise to sell permits, to ensure that the cost doesn't cripple the global economy. In this case companies would be borrowing permits from the future. But because the money raised would be invested in renewables, the demand for fossil fuels would fall, so fewer permits would need to be issued in later years.

Tickell calculates that if the cap were set low enough to ensure that the world became carbon neutral by 2050, the total cost of permits would be about \$1 trillion a year, or roughly 1.5% of the global economy. The money would be spent on helping the poor to adapt to climate change, paying countries to protect forests and other ecosystems, developing low-carbon farming, promoting energy efficiency and building renewable power plants.

But his figure seems too low. Like many of the world's climate scientists, Oliver Tickell proposes that the concentration of greenhouse gases should eventually be stabilised at 350 parts per million (carbon dioxide equivalent) in the atmosphere, and his calculations are based on this target. Last week Lord Stern suggested that meeting a less stringent target (500 parts per million) would cost 2% of world gross domestic product. If the price of the carbon permits sold at auction were much higher than Tickell suggests, the extra money could be used for massive tax rebates and social spending, aimed especially at the poor. But could the world afford it?

This money doesn't disappear, it gets spent. Tickell's proposal could represent a classic Keynesian solution to economic crisis. The \$1, \$2 or even \$5 trillion the system would cost is used to kick-start a green industrial revolution, a new New Deal not that different from the original one (whose most successful component was Roosevelt's Civilian Conservation Corps, which protected forests and farmland). This would not be the first time that business was rescued by the measures it most stoutly resists: there's a long history of corporate lobbying against the kind of government spending that eventually saves the corporate economy.

Do we want to save it, even if we can? It is hard to see how the current global growth rate of 3.7% a year (which means the global economy doubles every 19 years) could be sustained, even if the whole thing were powered by the wind and the sun. But that is a question for another column and perhaps another time, when the current economic panic has abated. For now we have to find a means of saving us from ourselves.