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Running the rule over Stern's numbers

By Simon Cox and Richard Vadon
BBC Radio 4, The Investigation

When the Stern Review into the Economics of Climate Change came out last year, it was showered with praise.

UK Prime Minister Tony Blair called it, "the most important report on the future ever published by this government".



Refocusing the carbon economy is more expensive, say critics

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But expert critics of the review now claim that it overestimates the risk of severe global warming, and underestimates the cost of acting to stop it.

The message from the report's chief author, the economist Sir Nicholas Stern, was simple: if we did nothing about climate change, it would cost us the equivalent of at least 5% of global GDP each year, now and forever.

But if we acted today, we could prevent a catastrophe.

This point was emphasised at the report's launch by Mr Blair who warned we would see the disastrous consequences of climate change - not in some science fiction future, but in our lifetimes.

These figures sounded scary and imminent. But if you read the report in detail, that is not what it actually says.

The 5% damage to global GDP figure will not happen for well over one hundred years, according to Stern's predictions. And the review certainly does not forecast disastrous consequences in our lifetimes.

'Cherry-picking'

The report may have been loved by the politicians and headline writers but when climate scientists and environmental economists read the 670-page review, many said there were serious flaws.

These critics are not climate change sceptics, but researchers with years of experience who believe that human-induced climate change is real and that we need to act now.

Richard Tol is a professor at both Hamburg and Carnegie Mellon Universities, and is one of the world's leading environmental economists.

The Stern Review cites his work 63 times; but that does not mean he agrees with it.

“ If a student of mine were to hand in this report as a Masters thesis, perhaps if I were in a good mood I would give him a 'D' for diligence; but more likely I would give him an 'F' for fail ”

Prof Richard Tol

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"There is a whole range of very basic economics mistakes that somebody who claims to be a Professor of Economics simply should not make," he told The Investigation on BBC Radio 4.

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At the core of the Stern Review is an economic comparison between the damage caused by climate change with the costs of cutting our greenhouse gases.

Professor Tol believes the figures for damage are exaggerated.

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"Stern consistently picks the most pessimistic for every choice that one can make. He overestimates through cherry-picking, he double counts particularly the risks and he underestimates what development and adaptation will do to impacts," he said.

'Credibility gap'

Many economists are also sceptical about the figures Stern uses to estimate the costs of reducing our greenhouse gas emissions.

The review suggests this will cost only 1% of GDP but according to Yale University Economist Robert Mendelsohn, this is far too optimistic and the figure could easily be much higher.

"One of the depressing things about the greenhouse gas problem is that the cost of eliminating [it] is quite high. We will actually have to sacrifice a great deal to cut emissions dramatically," he said.

But it is not just economists who have found fault with the Stern Review; climate scientists have also been critical.



Next week the Intergovernmental Panel on Climate Change (IPCC) will release its fourth report.

It is designed to be the authoritative statement on the state of global warming science. Anyone expecting to see the scary figures of the Stern report repeated is going to be disappointed.

“ ...the broad conclusion that the costs of action are a good deal less than the damages they save, I think is pretty robust ”

Sir Nicholas Stern

[Stern Review summary](#)

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The predictions in the IPCC report will be significantly lower. For instance, the Stern review comes up with a figure for temperature increase by 2050 of 2-3 degrees, whereas the IPCC says this will probably not happen until the end of the century.

Professor Mike Hulme, director of the Tyndall Centre for Climate Change Research, believes that when the IPCC report comes out next week, there will be a big difference between the science it contains and the climate debate in the UK.

"The IPCC is not going to talk about tipping points; it's not going to talk about 5m rises in sea level; it's not going to talk about the next ice age because the Gulf Stream collapses; and

it's going to have none of the economics of the Stern Review," he said.

"It's almost as if a credibility gap has emerged between what the British public thinks and what the international science community think."

Building debate

When we put this comment to Sir Nicholas Stern, he replied: "The IPCC is a good process but it does depend on consensus and it means that they have to be quite cautious in what they say.

"We were able to look to the evidence and use it in a very particular way, to look at the economics of risk."

Sir Nicholas is aware of the increasing number of academic critiques of his review, but remains certain about his conclusions.



Climate scientists will deliver a major report next week

"It is very important that the report is discussed; a number of people have raised interesting points and we will be discussing them all.

"There are no certainties; but the broad conclusion that the costs of action are a good deal less than the damages they save, I think is pretty robust."

Chaotic world of climate truth

None of Stern's critics are advocating doing nothing about climate change. What they disagree about is how much it is worth sacrificing now to try to prevent a worst-case scenario in a hundred years' time.

The Stern Review was examined in BBC Radio 4's new documentary series, The Investigation, broadcast on Thursday 25 January at 2000 GMT. You can hear the programme on the Listen Again service on the Radio 4 website or from the audio icon at the top of the page

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