OPPORTUNITY #43

WHAT IF REMEDIAL ACTIONS TO REDUCE EMISSIONS WERE NOT NECESSARY?

CASH FOR CARBON

Rewarding those who avoid greenhouse gas emissions

WHY IT MATTERS TODAY

Climate change is caused by increasing concentrations of greenhouse gases in the atmosphere. Carbon emissions, mainly from fossil fuel consumption, and reduced carbon removal, such as from cutting down trees, are two key processes that increase levels of carbon dioxide, the most abundant greenhouse gas on Earth.

The use of fossil fuels and deforestation,[433] therefore, are at the heart of climate change.[434]

To counter the rise of atmospheric carbon, a number of actions are being taken, from making energy-dependent processes more efficient and substituting low carbon energy for fossil fuels, to planting trees and developing carbon-capturing technologies. For example, by 2040 electric passenger vehicle sales globally are expected to account for just under 90% of total sales,[435] resulting from growing and extensive legislation to curb sales of internal combustion engine cars.[436] At the same time, tree-planting initiatives around the world are proliferating[437, 438] in an effort to remove the carbon emitted into the atmosphere.

SECTORS

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THE FUTURE OPPORTUNITY

Incentives can be devised so that countries responsible for rising greenhouse gas emissions, such as through oil production, deforestation or increasing farming of cattle, which emit the greenhouse gas methane, could be compensated for preventing emissions. Income from voluntarily selling a new form of carbon credits based on future estimates of emissions becomes more lucrative than the opportunity costs of activities such as extracting oil or removing forests.

The increasing returns from investing in assets and approaches to reduce emissions makes the world approach climate-related activities in exactly the opposite way to the conventional business model. It now makes better economic and social sense to conserve energy and reduce emissions than to produce and consume resources and increase emissions. Countries might take the initiative to phase out their activities that contribute to carbon emissions and be compensated by the carbon credits they obtain in return with clear legal, regulatory and auditing frameworks

BENEFITS

In addition to avoiding more CO_2 emissions into the atmosphere, there will be an accelerated shift towards renewable energy, along with the soft power that comes with demonstrated environmental leadership.

RISKS

Altering the structure of the energy market will affect prices and may not have the desired global affect as other producers might step in to make up for the shortfall. At current prices, carbon credits are less lucrative than oil, though this may change as the deadlines of 2050 approach and carbon credit prices are expected to increase.