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The Climate-Industrial Complex

Some businesses see nothing but profits in the green movement.

By BJORN LOMBORG

Some business leaders are cozying up with politicians and scientists to demand swift, drastic action on global warming. This is a new twist on a very old practice: companies using public policy to line their own pockets.

The tight relationship between the groups echoes the relationship among weapons makers, researchers and the U.S. military during the Cold War. President Dwight Eisenhower famously warned about the might of the "military-industrial complex," cautioning that "the potential for the disastrous rise of misplaced power exists and will persist." He worried that "there is a recurring temptation to feel that some spectacular and costly action could become the miraculous solution to all current difficulties."

This is certainly true of climate change. We are told that very expensive carbon regulations are the only way to respond to global warming, despite ample evidence that this approach does not pass a basic cost-benefit test. We must ask whether a "climate-industrial complex" is emerging, pressing taxpayers to fork over money to please those who stand to gain.

This phenomenon will be on display at the World Business Summit on Climate Change in Copenhagen this weekend. The organizers -- the Copenhagen Climate Council -- hope to push political leaders into more drastic promises when they negotiate the Kyoto Protocol's replacement in December.

The opening keynote address is to be delivered by Al Gore, who actually represents all three groups: He is a politician, a campaigner and the chair of a green private-equity firm invested in products that a climate-scared world would buy.

Naturally, many CEOs are genuinely concerned about global warming. But many of the most vocal stand to profit from carbon regulations. The term used by economists for their behavior is "rent-seeking."

The world's largest wind-turbine manufacturer, Copenhagen Climate Council member Vestas, urges governments to invest heavily in the wind market. It sponsors CNN's "Climate in Peril" segment, increasing support for policies that would increase Vestas's earnings. A fellow council member, Mr. Gore's green investment firm Generation Investment Management, warns of a significant risk to the U.S. economy unless a price is quickly placed on carbon.

Even companies that are not heavily engaged in green business stand to gain. European energy companies made tens of billions of euros in the first years of the European Trading System when they received free carbon emission allocations.

American electricity utility Duke Energy, a member of the Copenhagen Climate Council, has long promoted a U.S. cap-and-trade scheme. Yet the company bitterly opposed the Warner-Lieberman bill in the U.S. Senate that would have created such a scheme because it did not include European-style handouts to coal companies. The Waxman-Markey bill in the House of Representatives promises to bring back the free lunch.

U.S. companies and interest groups involved with climate change hired 2,430 lobbyists just last year, up 300% from five years ago. Fifty of the biggest U.S. electric utilities -- including Duke -- spent $51 million on lobbyists in just six months.

The massive transfer of wealth that many businesses seek is not necessarily good for the rest of the economy. Spain has been proclaimed a global example in providing financial aid to renewable energy companies to create green jobs. But research shows that each new job cost Spain 571,138 euros, with subsidies of more than one million euros required to create each new job in the uncompetitive wind industry. Moreover, the programs resulted in the destruction of nearly 110,000 jobs elsewhere in the economy, or 2.2 jobs for every job created.

The cozy corporate-climate relationship was pioneered by Enron, which bought up renewable energy companies and credit-trading outfits while boasting of its relationship with green interest groups. When the Kyoto Protocol was signed, an internal memo was sent within Enron that stated, "If implemented, [the Kyoto Protocol] will do more to promote Enron's business than almost any other regulatory business."

The World Business Summit will hear from "science and public policy leaders" seemingly selected for their scary views of global warming. They include James Lovelock, who believes that much of Europe will be Saharan and London will be underwater within 30 years; Sir Crispin Tickell, who believes that the United Kingdom's population needs to be cut by two-thirds so the country can cope with global warming; and Timothy Flannery, who warns of sea level rises as high as "an eight-story building."

Free speech is important. But these visions of catastrophe are a long way outside of mainstream scientific opinion, and they go much further than the careful findings of the United Nations panel of climate change scientists. When it comes to sea-level rise, for example, the United Nations expects a rise of between seven and 23 inches by 2100 -- considerably less than a one-story building.

There would be an outcry -- and rightfully so -- if big oil organized a climate change conference and invited only climate-change deniers.

The partnership among self-interested businesses, grandstanding politicians and alarmist campaigners truly is an unholy alliance. The climate-industrial complex does not promote discussion on how to overcome this challenge in a way that will be best for everybody. We should not be surprised or impressed that those who stand to make a profit are among the loudest calling for politicians to act. Spending a fortune on global carbon regulations will benefit a few, but dearly cost everybody else.

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