ECOSOC

ISSUE DESCRIPTION

COMMITTEE	Economic and Social Council
ISSUE	Climate crisis' effects on economy
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Introduction

Since the Paris Agreement was signed by most of the countries in the world in 2015, there has been a shine of hope that climate change can be kept within boundaries by multilateral actions and that the tremendous dangers it poses could be avoided. Today, even though climate change has never been so discussed, there is not much reality for that. The largest economic powers in the world are yet to even come close to complying with their own commitments in the Paris Conference, e.g. the USA and China, just to mention a few. Even though the UN and its specialized agencies have published several reports on the effects of the upcoming crisis, a significant amount of experts and scientists suggest that these are overly negative and further research is needed. There are also estimates exclusively on the economic effects, but they usually differ, either significantly or just in small details.

Definition of Key Terms

Climate change is a long-term shift or disruption in global or regional climate patterns. Often climate change refers specifically to the rise in global temperatures from the mid-20th century to present.

Climate crisis is a term describing global warming and climate change, and their consequences. Climate change may mean any kinds of long-term changes in the climate, climate crisis is explicitly about our current day tendency, and today it has an undoubtedly negative connotation. It incorporates all sorts of extreme weather conditions and natural disasters caused by the climate.

Economic impacts (or effects) are financial effects that something, especially something new, has on a situation or person – be it positive of negative.

Economic costs are the combination of losses of any goods that have a value attached to them by any one individual. In connection with the climate crisis, it is a quantitative measurement of the money or wealth lost due to the effects of climate change.

Gross domestic product (GDP) is a monetary measure of the market value of all the final goods and services produced in a specific time period. In most cases, they refer to the annual income of a given economy, let it be national or global.

General Overview

Since 1880, the average world temperature has risen 1℃, and it is constantly increasing. Estimates differ on how fast it actually rises, as well as on what its economic effects will be. Some say that the total economic effects of climate change are expected to be positive in number under a rise of 1.7℃ compared to the preindustrial levels. It is also said that under 2℃, developed countries would experience economic growth, while the costs of developing ones would overwhelm the benefits in connection with the crisis.

Let's suppose that no progress is done in the issue of climate change until 2100. In this case, the temperature rise by the time would reach 4℃, which would amount to a 30% GDP loss single-handedly. A 3℃ rise would mean 25%. That is huge. However, we do not have to go that far to have a sense of economic changes: the United Nations High Commissioner for Refugees has estimated that 22.5 million people have been displaced since 2008 due to extreme weather conditions. 4% of global fish yields have been pushed down since 1920 due to the warming ocean. In the USA, the climate crisis has cost $1,6 trillion since 1980. The California wildfires last year made a $24 billion damage alone. (It is worth mentioning that despite the US political situation, 48% of people are afraid of climate change according to a poll.) A century of climate change is no worse than losing a decade of any economic growth.

There are already effects experienced or supposed to come soon, both of the qualitative and quantitative kind. With increased sea levels, floods are expected in coastal regions, where a significant amount of people live today. This is likely to hurt critical infrastructures such as air or fixed track transportation, or key institutions such as schools or hospitals. The displaced, migrating population is also likely to cause economic difficulties nationally and internationally. The two most economically endangered countries are the USA and India, two countries with large coasts, and they are also two large contributors to the crisis. There are already severe environmental crises such as hurricanes and wildfires, and many more are likely to come. These factors, together with the forever-lasting worsening of air quality and other phenomena are not only expected to increase healthcare costs, but they also have a negative effect on tourism, on which many countries heavily rely. (Although experts highlight that further research is needed to measure the impacts of the crisis on welfare, and also on tourism and the whole of the tertiary sector.)

The climate crisis is also likely to increase inequalities, since developed countries are often much less affected due to geographical reasons (e.g. they are in the north etc.), and they are also financially and scientifically more prepared for extreme conditions. Developing countries often have older technologies, less money, and therefore are generally more exposed to disasters and extreme weather. These countries heavily rely on fossil fuels for their economic growth (similar to what the situation was in the developed world a few centuries ago). The political leaderships of these countries are, in certain cases, rather unstable or corrupt, or focus on democratically remaining in power (which is also a tendency in the developed world), and this leads to economic measures which are often counterproductive to climate protection. In the long-run, this will have negative economic consequences and receive less understanding or concern regarding the upcoming crisis.

Due to flooding, agriculture is likely to be less productive, and because of that, the costs of natural resources, water and raw material, will rise. Therefore, the consumers will be the ones who will feel the change in industrial production costs. As entire industries and markets collapse, everything is going to be uncertain, and this always results in volatility in all different prices. (To

see one outstanding precedent of what chain-reactions this may start, some say that the migration to Europe in which climate change had an outstanding role contributed heavily to the Brexit process, which has caused general uncertainty on national and international markets, and significantly increased prices.) In 2018, the Carbon Disclosure Project asked more than 7,000 companies to assess their financial risks from climate change. The CDP found that, unless they took pre-emptive measures, 215 of the world's 500 biggest companies could lose an estimated one trillion dollars due to climate change, beginning within five years.

However, the same Project reported that 225 of the world's 500 biggest companies believe climate change could generate over $2.1 trillion in new business prospects. Climate change may also mean economic opportunities to some, e.g. for suppliers of green energy, electric cars, new medication, and also new shipping lines opening with the melting of the arctic.

Major Parties Involved

UNITED STATES OF AMERICA

The USA is currently the world's biggest economy (heavily competing with China), and therefore heavily relies on natural resources. Even though there are investments towards green and nuclear energy, it is unavoidable that they consume lots of fossil fuels. While the US has always been a bit sceptical towards multilateral climate actions, this tendency increased with President Donald Trump entering into office, as his administration focuses more on the national economy and short- and middle-term benefits. They have shown intention to leave the Paris Agreement, which becomes legally possible on 1st November 2020.

PEOPLE'S REPUBLIC OF CHINA

China is the fastest growing economy in the world, and while it is at the forefront of technology, it also goes through the industrialization process that developing countries go through. This results in enormous amounts of emission, and even though tendencies show that China does

take climate action, they are far from what is called environmentally friendly, and it remains a question whether the economies will benefit or lose from such kind of behaviour in the long-run.

INDIA

even though India has introduced measures to fight climate change, its immense economy due to its exceptionally large population makes it hard to be effective in this field. India is expected to be the most affected country of the climate crisis by the end of this year. Some estimates say that the great Indus river is likely to dry out sooner or later. These conditions make it extremely challenging for India to measure the total effects of climate change and to plan a sustainable economy for its ever-increasing population.

MIDDLE EAST

The Middle East is an especially challenging question from an economic perspective, as these countries heavily rely on the selling of fossil fuels in the world market. Even though countries like Saudi Arabia invest in the tertiary sector, research, investment and modern technology, the solution of a long-term economic shift of these countries is yet to be found.

EUROPE

the European Union is taking the lead in addressing the climate crisis, even though its contribution is not as significant as of the USA or China. The Eastern part of Europe, even within the Union are not the ones who take the lead, as their pollution is not that significant compared to Western states. Viewpoints often clash whether long-term investments should be pointing towards green or nuclear energy, but the debates often receive political connotations and – incorrectly – lose their economic focus.

Timeline of Events

1992

The United Nations Framework Convention on Climate Change is born, bringing the topic into a multilateral perspective

1997

The Kyoto Protocol is introduced, yet again a huge step towards climate action

2009

The United Nations Climate Summit drafts the Copenhagen Accord, aiming to keep the warming under 2℃, which provokes small steps from the USA and China as well

2015

The Paris Climate Accord is accepted and is open to signature, with high expectations and promises from both developed and developing states, entering into force in 2016

2017

The US expresses its intention to withdraw from the Paris Climate Accord

2017

The One Planet Summit aims to set up a system of finance for a global transition to green energy, achieving some success

2019

The summer wildfires and hurricanes in the USA cause tremendous economic losses, with no significant follow-ups in national policies

2020

Australia experiences wildfires like never before, due to unimaginably high temperatures in the summer.

Previous Attempts to Solve the Issue

The UN and the international community have so far addressed this issue as incorporated to the dominating comprehensive approach towards climate change. There are hardly even plans of action that specifically focus on the pure economic effects of the crisis (and how to tackle them), and multilateral action focuses more on prevention rather than handling its consequences, as seen in the efforts reduction of greenhouse gases (GHGs), just to mention one. Conferences like the UNFCCC or the World Summits see climate through a lens of natural science and mostly measure its impact as social or socioeconomic costs. The United Nations Environment Programme (UNEP) and several other agencies have been established with the task to support climate protection. The 2030 Sustainable Development Goals (SDGs), set forth in 2015, include climate action as a separate point (13th), clean waters and sanitation (6th), affordable and clean energy (7th), sustainable cities and communities (11th), responsible consumption and production (12th) and life below water and on land (14th-15th). These attempts all focus on prevention – which is of course the best and should be the primary approach – whereas they do not propose measures on the effects of already proceeded changes.

Of course, countries often view climate change more from an economic point of view themselves, and sometimes take measures, which aim to address the consequences, but not the causes of the climate crisis. Although these reasons have rational, as they aim to protect people or property, in the eyes of the international community they are often criticized, as these countries seem to have accepted and calculated with the tremendous dangers that the crisis poses – since multilateral actions put an emphasis on prevention, not defence. However, one thing is worth mentioning – the Secretary-General has launched a New Climate Economy report in 2018, elaborating on preventative and countermeasures as well.

Possible Solutions and Approaches

The ECOSOC is now called to take a pure economic approach to climate change, and multilaterally address the impacts of climate change in the present and in the future. It is easy to say – though totally right – that stricter regulations and further taxes are needed to prevent change and to deal with its consequences. But is it possible to deal with them all by taxes?

While assessing the risks and benefits, and producing a plan on how to tackle them, it is important to keep in mind that several countries' existence heavily depend on environment polluting activities. And – as mentioned above – these countries will face the hardest of the consequences, thus they will need all the assistance and strength to resist the effects. They need to make comprehensive plans and huge developments to create the necessary sustainable infrastructure, disease protection measures etc., so simply enforcing stricter regulations and banning certain types of production, which would slow their economic growth, actually makes them more prone to such effects. Of course, unlimited support towards unsustainable economies in the developing world is also not beneficial for them in the long-run. Therefore, the main task is to maintain a balance between the change of these economic structures towards a more economically friendly one, and allowing them to grow economically to prepare for the dangers they are exposed to. This requires complex and flexible thinking, and an overall innovative approach.

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