

Environmental Assessment

Organizational matters

- office hours: Wednesday 1:30 - 2:30 pm, 8-110
- email: sebastian.schaefer@fb2.fra-uas.de
- lecture (with integrated exercises): 15 sessions until February 7
- final exam: 90 minutes

Outline

- 1 Introduction
- 2 The big market failure?
- 3 Pricing carbon
- 4 The EU emissions trading system (ETS)
 - From theory to practice
 - Assessing the impact of the EU ETS
- 5 Mitigation strategies – price vs. quantity
- 6 International cooperation for an international problem
- 7 Subsidizing RES
 - Support schemes
 - Reverse auctions for RES
 - Reverse auctions with endogenous quantity
- 8 Decoupling the EU ETS from demand-side effects
- 9 Building wind power plants in Germany
- 10 Preparation for exams – questions

Related literature

- Stern, N.: The Economics of Climate Change – The Stern Review, Cambridge University Press, New York, 2007.
- Endres, A., Radke, V.: Economics for Environmental Studies, 2nd ed., Springer, Berlin Heidelberg, 2018.
- Sue Wing, I., Ellerman, A.D., Song, J., 2009. Absolute versus intensity limits for CO₂ emission control: performance under uncertainty. In: The design of climate policy. MIT Press, Cambridge (Massachusetts). In: CESifo Working Paper No. 2749.
- Schäfer, S. Decoupling the EU ETS from subsidized renewables and other demand side effects: lessons from the impact of the EU ETS on CO₂ emissions in the German electricity sector. *Energy Policy* 2019, **133**, 110858.

Environment and economics



Figure: Forest near Siegen; source: Frank Haubenschild <https://www.haubenschild.de/waldsterben/>

The Greenhouse Effect

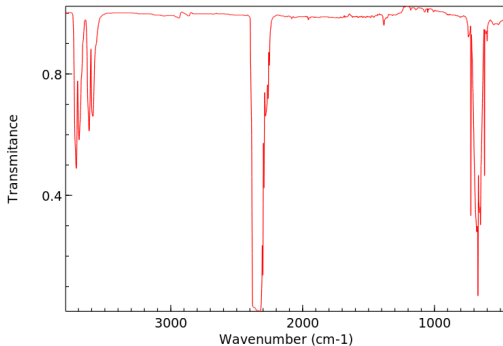


Figure: Infrared spectrum of CO₂; source: NIST Chemistry Webbook
<https://webbook.nist.gov/cgi/cbook.cgi?Spec=C124389&Index=1&Type=IR&Large=on>

- transmittance of radiation with low wave length
- interaction with matter leads to transformation into heat radiation (infrared)
- absorption of infrared radiation with longer wave lengths

The Greenhouse Effect



Figure: Svante August Arrhenius (1859 – 1927); source: Wikipedia

- 1827 Jean Baptiste Fourier understood the atmosphere's asymmetry with respect to incoming light and outgoing infrared.
- 1859 John Tyndall presented a *"Note on the Transmission of Radiant Heat through Gaseous Bodies"*.
- 1896 Svante Arrhenius calculated that a doubling of CO_2 in the atmosphere would induce an average surface warming of 1°C .

Climate Change in the general public

- The Intergovernmental Panel on Climate Change (IPCC) was founded on December 6, 1988 to provide policy makers with regular scientific assessments
- Core of the IPCC are its assessment reports (AR) divided into several working groups (the IPCC does not do any own research)
- The first AR was published in 1990
- The latest AR is from 2023

IPCC

INTERGOVERNMENTAL
PANEL ON
CLIMATE CHANGE



IPCC – First Assessment Report

*“We are certain of the following: there is a **natural greenhouse effect** which already keeps the Earth warmer than it would otherwise be; **emissions resulting from human activities** are substantially increasing the atmospheric concentrations of the greenhouse gases: carbon dioxide, methane, chlorofluorocarbons (CFCs) and nitrous oxide.” (IPCC, 1990)*

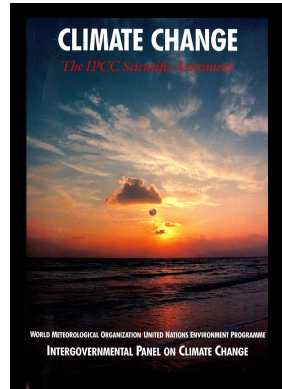


Figure: Cover of the First Assessment Report of the IPCC in 1990

IPCC – Second Assessment Report

*“The balance of evidence **suggests a discernible human influence** on global climate [...] Our ability to quantify the human influence on global climate is currently limited because the expected signal is still emerging from the noise of natural variability, and because there are uncertainties in key factors. [...] Nevertheless, the balance of evidence suggests that there is a discernible human influence on global climate.” (IPCC, 1995)*

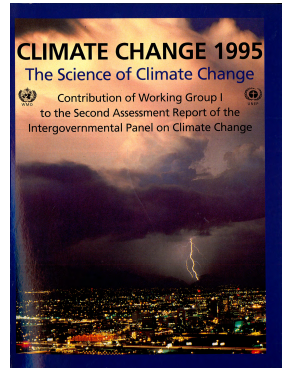


Figure: Cover of the Second Assessment Report of the IPCC in 1995

IPCC – Third Assessment Report

*“There is new and stronger evidence that most of the warming observed over the last 50 years is attributable to human activities. [...] In the light of new evidence and taking into account the remaining uncertainties, most of the observed warming over the last 50 years is **likely** to have been due to the increase in greenhouse gas concentrations.”*
(IPCC, 2001)

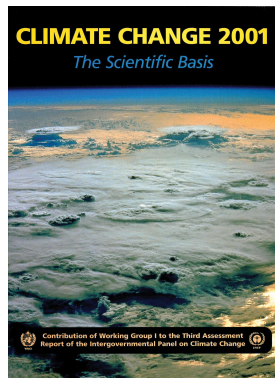


Figure: Cover of the Third Assessment Report of the IPCC in 2001

IPCC – Fourth Assessment Report

*“Most of the observed increase in global average temperatures since the mid-20th century is **very likely** due to the observed increase in anthropogenic greenhouse gas concentrations.” (IPCC, 2007)*

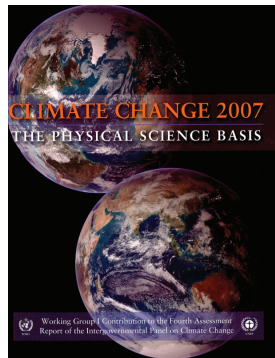


Figure: Cover of the Fourth Assessment Report of the IPCC in 2007

IPCC – Fifth Assessment Report

*“Human influence on the climate system is clear, and recent anthropogenic emissions of green-house gases are the highest in history. Recent climate changes have had widespread impacts on human and natural systems. [...] It is **extremely likely** that human influence has been the **dominant cause** of the observed warming since the mid-20th century.” (IPCC, 2013)*

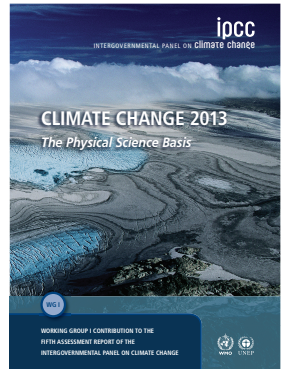


Figure: Cover of the Fifth Assessment Report of the IPCC in 2013

IPCC – Sixth Assessment Report

*“It is **unequivocal** that human influence has warmed the atmosphere, ocean and land. Widespread and rapid changes in the atmosphere, ocean, cryosphere and biosphere have occurred. [...] The likely range of total human-caused global surface temperature increase from 1850-1900 to 2010-2019 is 0.8°C to 1.3°C, with a best estimate of 1.07°C.” (IPCC, 2021)*

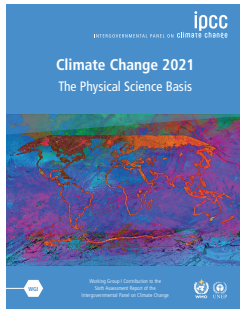
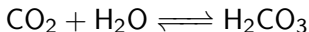


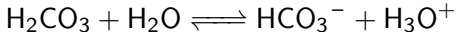
Figure: Cover of the Sixth Assessment Report of the IPCC

Natural carbon sinks

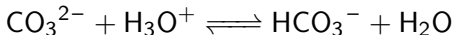
- Contact of CO₂ and the ocean



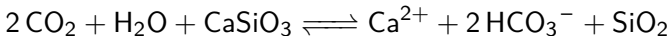
- Protonation of water (decreasing pH value)



- Reduction of carbonate ions (problems for corals and shells)



- Carbon weathering



Changes in global surface temperature relative to 1850-1900

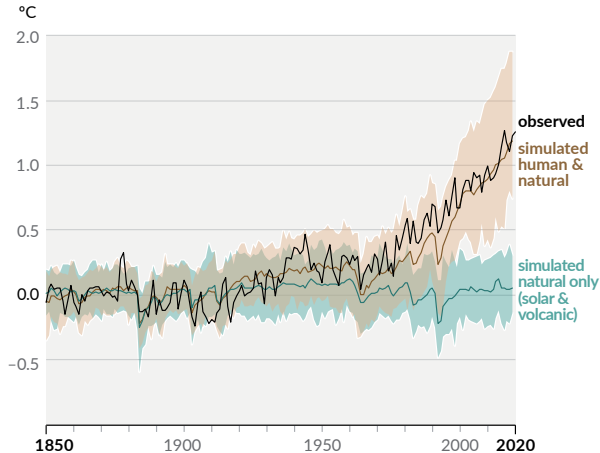


Figure: Change in global surface temperature (annual average) as observed and simulated using human and natural (brown) and only natural (mint) factors (both 1850-2020); source: IPCC (2021).

Changes in global surface temperature relative to 1850-1900

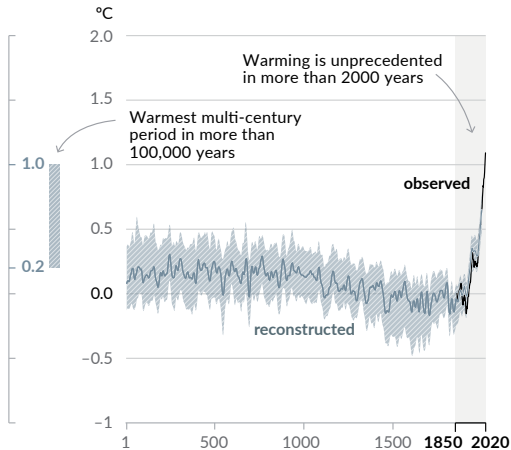
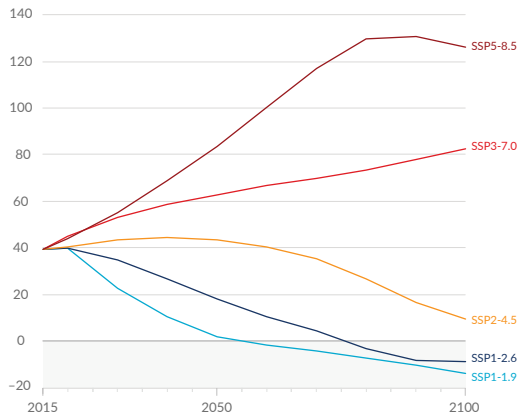


Figure: Change in global surface temperature (decadal average) as reconstructed (1-2000, grey) and observed (1850-2020, black); source: IPCC (2021).

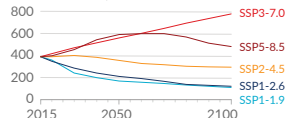
Emission change according to scenarios

Carbon dioxide (GtCO₂/yr)

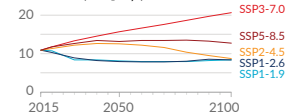


Selected contributors to non-CO₂ GHGs

Methane (MtCH₄/yr)



Nitrous oxide (MtN₂O/yr)



One air pollutant and contributor to aerosols

Sulphur dioxide (MtSO₂/yr)

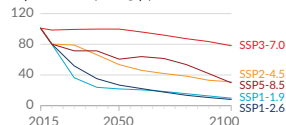


Figure: Future annual emissions of CO₂ (left) and of a subset of key non-CO₂ drivers (right), across five illustrative scenarios; source: IPCC (2021).

Changes in global surface temperatures according to scenarios

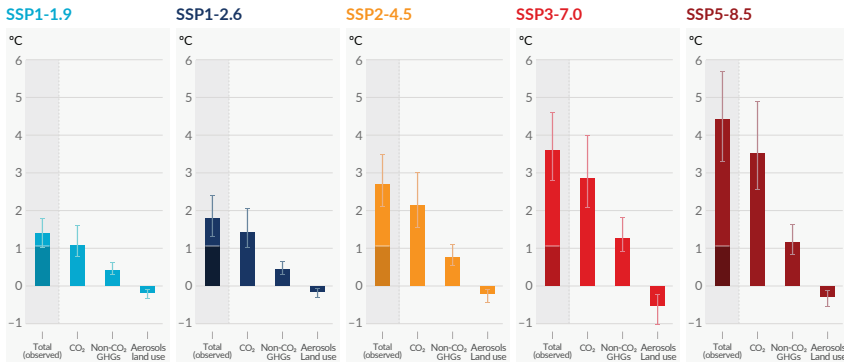


Figure: Contribution to global surface temperature increase from different emissions, with a dominant role of CO₂ emissions. Change in global surface temperature in 2081-2100 relative to 1850-1900 (°C). Total warming (observed warming to date in darker shade), warming from CO₂, warming from non-CO₂ GHGs and cooling from changes in aerosols and land use; source: IPCC (2021).

Changes in global surface temperatures according to scenarios

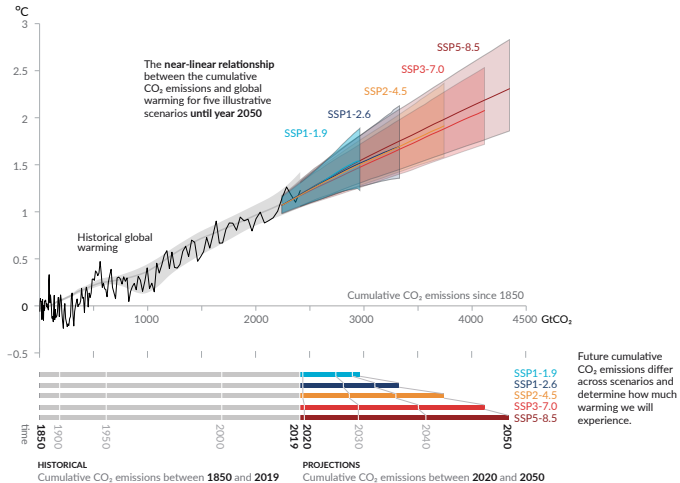


Figure: Global surface temperature increase since 1850-1900 (°C) as a function of cumulative CO₂ emissions (GtCO₂; source: IPCC (2021).

Scenarios for the global surface temperature

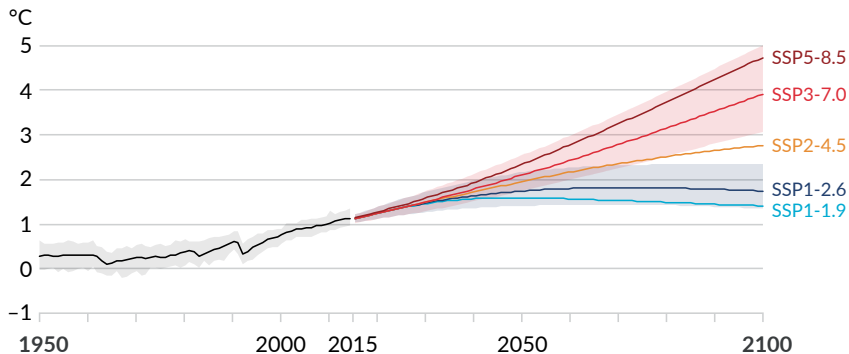


Figure: Global surface temperature change relative to 1850-1900; source: IPCC (2021).

Reconstructed historic temperature development

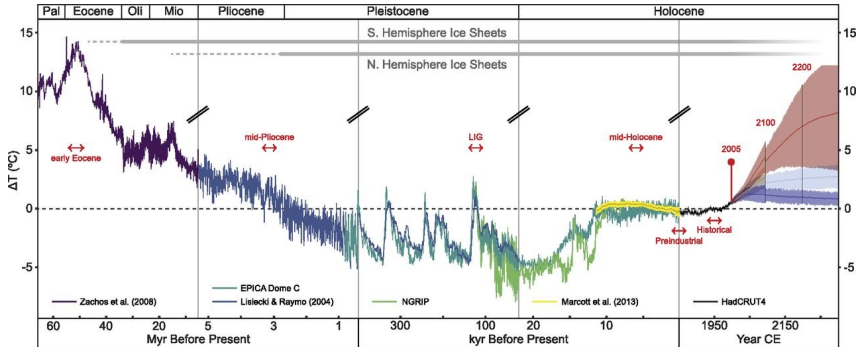


Figure: Temperature trends for the past 65 million years together with scenarios for future temperature development; source: Burke *et al.* (2018).

CO₂ in the atmosphere

“Carbon dioxide cycles between the atmosphere, oceans and land biosphere. Its removal from the atmosphere involves a range of processes with different time scales. About 50% of a CO₂ increase will be removed from the atmosphere within 30 years, and a further 30% will be removed within a few centuries. The remaining 20% may stay in the atmosphere for many thousands of years” (Denman et al., 2007).

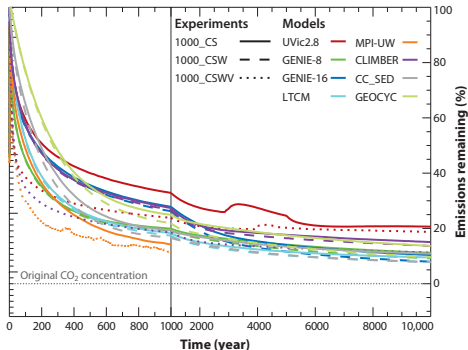


Figure: Atmospheric CO₂ trajectories for the 10,000-year duration of certain climate model simulations (Archer et al., 2009)

Projected changes in extremes

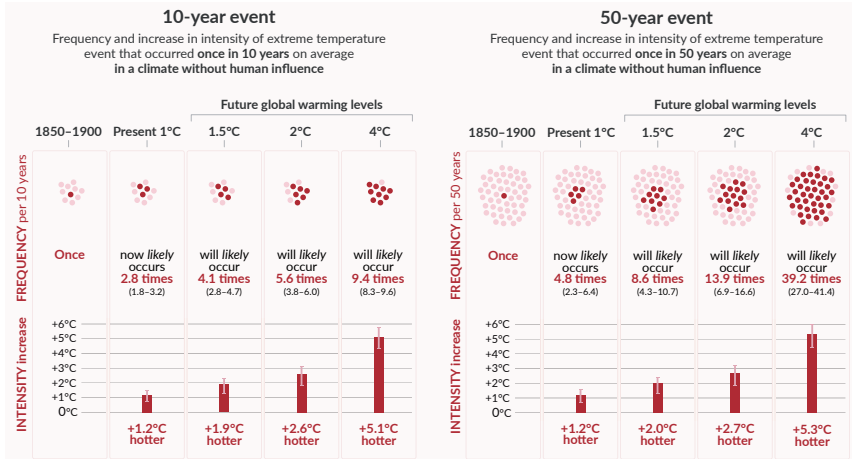


Figure: Hot temperature extremes over land; source: IPCC (2021).

Projected changes in extremes

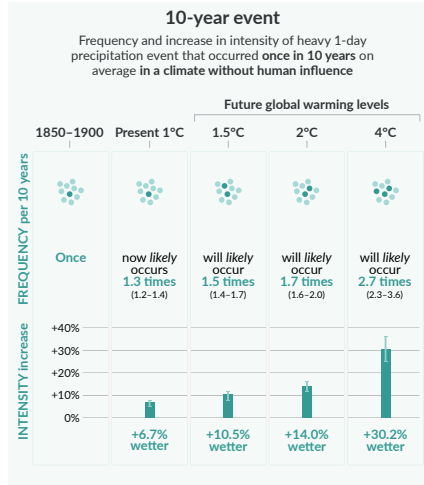


Figure: Heavy precipitation over land; source: IPCC (2021).

Projected changes in extremes

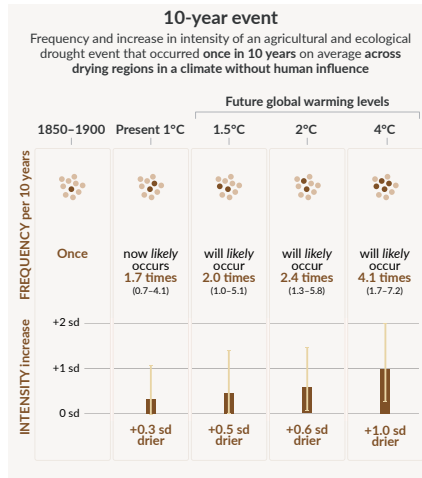


Figure: Agricultural and ecological droughts in drying regions; source: IPCC (2021).

The Stern Review

- *"The benefits of strong and early action far outweigh the economic costs of not acting [...] So prompt and strong action is clearly warranted." (Stern, 2007)*
- *"Climate change is the greatest market failure the world has ever seen, and it interacts with other market imperfections [...] A range of options exists to cut emissions; strong, deliberate policy action is required to motivate their take-up." (Stern, 2007)*
- broad discussion of the discount factor...



Development of CO₂ emissions

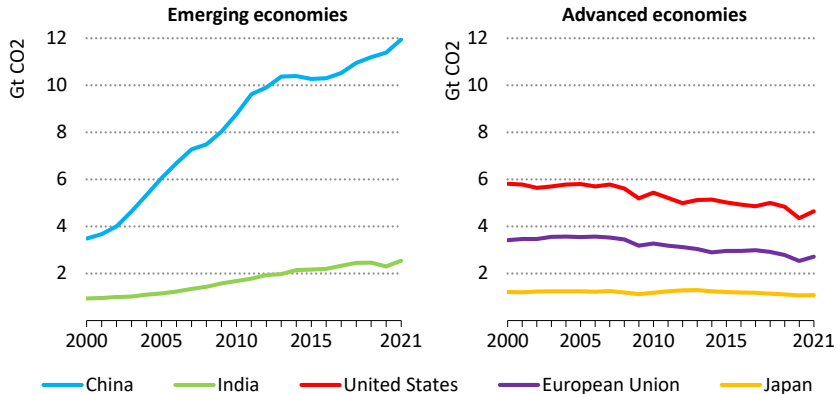


Figure: CO₂ emissions in selected emerging and advanced economies, 2000-2021; source: IEA (2022).

Cumulative CO₂ emissions worldwide

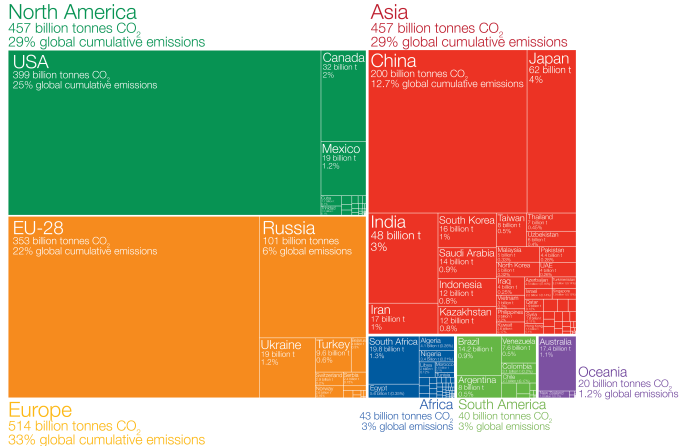


Figure: Cumulative CO₂ emissions over the period from 1751 to 2017. Figures are based on production-based emissions which measure CO₂ produced domestically from fossil fuel combustion and cement and do not correct for embedded in trade (i.e. consumption-based). Emissions from international travel are not included; source: OurWorldinData.org <https://ourworldindata.org/contributed-most-global-co2>.

Development of per capita CO₂ emissions

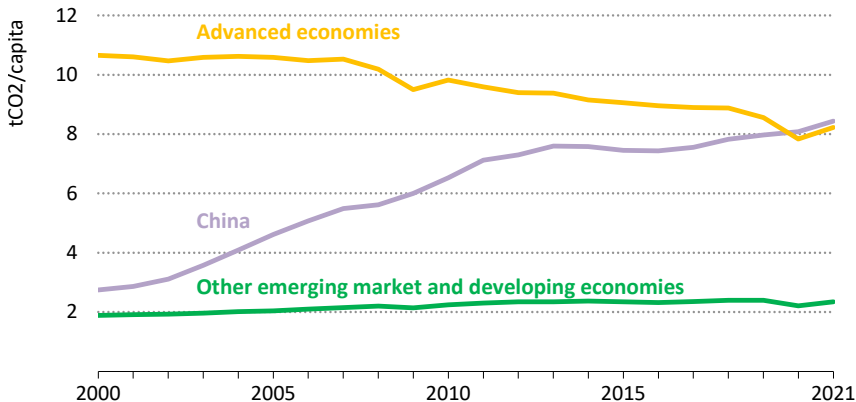


Figure: CO₂ emissions per capita by region, 2000-2021; source: IEA (2022).

Development of CO₂ emissions per output

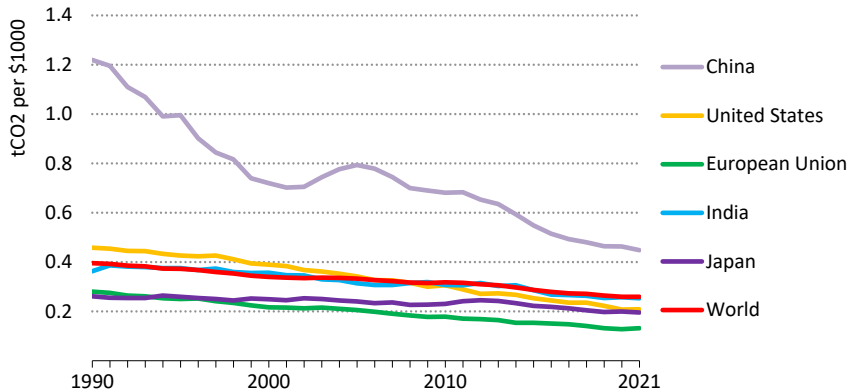


Figure: CO₂ emissions intensity of GDP, 1990-2021; source: IEA (2022).

Legal framework in Germany

- Climate Protection Law (CPL) 2019 of the Federal Government
 - Reduction of CO₂ emissions compared to 1990: 55 % until 2030
 - sectoral objectives
 - ⇒ “obligation”
- decision of the Federal Constitutional Court from March 24, 2021
 - objectives for the time period past 2030 necessary
 - amendment of the CPL (2021)
 - CO₂ reduction compared to 1990: 65 % until 2030, 88 % until 2040, 100 % until 2045

CO₂ emissions in Germany

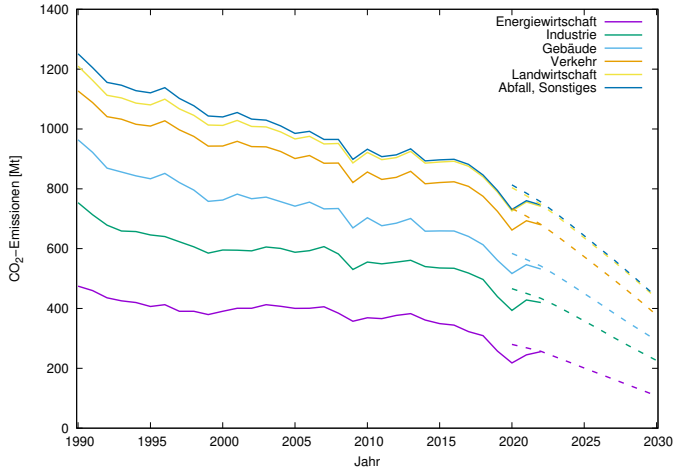


Figure: Development of CO₂ emissions in Germany from 1990-2022 (2022 preliminary) and reduction objectives according to CPL until 2030; own illustration (stacked line chart) based on data from Umweltbundesamt (2023).

CO₂ emissions in Germany

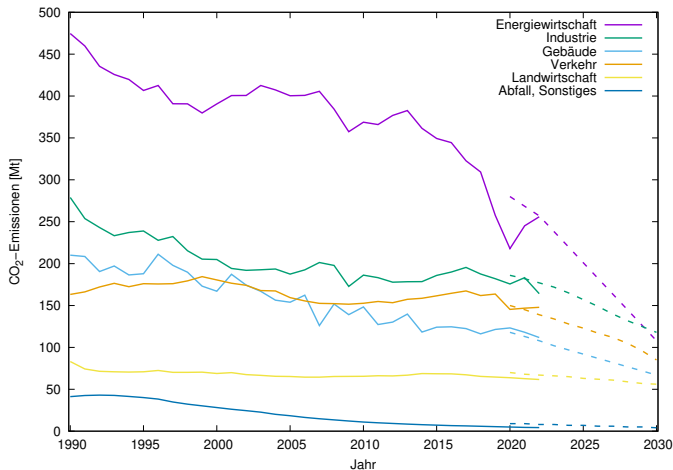


Figure: Development of CO₂ emissions in Germany from 1990-2022 (2022 preliminary) and reduction objectives according to CPL until 2030; own illustration (line chart) based on data from Umweltbundesamt (2023).

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