

Thailand and the profit and loss on global warming

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For Thailand at present, global warming seems a godsend. Rice prices are booming on a scale nobody ever dreamed of. Maize, sugar, and cassava, that grow well on the country's poorer land, are in huge demand as fuel crops. The cute idea of an eco-car has brought an avalanche of investment. A few smart companies are earning nice bonuses by exploiting the Clean Development Mechanism. Others are salivating at the prospect of trading carbon credits. Global warming? It's great!

This is, of course, a phony high. In the world of the Kyoto Protocol, the big bad rich countries would have to clean up the mess they had made, but the rest of us could watch from the sidelines, and even profit. But that world has now gone, because we know much more about how bad things are. In the next few years the world economy is going to change drastically, partly through international agreements to combat climate change, but even more through new market realities as the supply, demand, and valuation of commodities change.

Last year, the UN resolved all the bewildering data on climate change into a few simple figures. The most the world can stand is a 2-degree rise in temperature. To achieve that, carbon emissions have to be cut in half by 2050, and drop still further thereafter.

The UN also proposed a simple way of distributing the responsibility. The rich countries will have to stop their emissions growing by 2015, cut them 30 percent by 2020, and 80 percent by 2050. The poor countries can have a free ride up to 2020 for raising incomes and ending poverty, but then will have to cut their emissions 20 percent by 2050. These reductions are measured against 1990 emission levels.

This is now the 'best case scenario.' Many climate scientists believe these goals are not ambitious enough. Several people have shown that the arithmetic does not work, and that the poorer countries will need to make steeper cuts.

Where does Thailand stand in this prospect? In terms of carbon emissions, Thailand is an average world citizen. It has roughly 1 percent of the world's population, and accounts for roughly one percent of carbon emissions. As the negotiations on allocating responsibility for reducing emissions get tougher over the next few months, this fact is going to be crucial. Any leeway for development will be reserved for countries that still have starvation poverty. Thailand will have to cut emissions at the average level for the world.

And that is going to be very tough. Since 1990, Thailand's emissions have roughly tripled—one of the highest rates of increase in the world.

Mostly that increase is a simple function of rising prosperity in the great boom, and more industrialization. But it is also a result of huge inefficiencies. Thailand produces more pollution than its GDP level merits. The biggest inefficiencies are in power generation and transport. There has been too little investment in public transport, and very lazy planning of power generation.

To get back to the 1990 level, Thailand will have to cut carbon emissions to a third of the current output. To reach the world target by 2050 will mean cutting to a sixth. Actually, the prospect is even worse than that. The government's power planning for the next fifteen years relies almost wholly on coal, the worst option from the point of view of carbon emissions. The plan's own estimate is that the carbon emissions from Thailand's power generation will increase by 70 percent.

Thailand's power planners have never taken renewable sources seriously. Recently though, the environment minister went to look at some windmills in the south. Wind power has become a big fad in Europe, so she is following a trend. But Europe has lots of wind, while Thailand has puffs and doldrums.

In the 1990s, Germany put some small but significant subsidies on the price of renewables bought from the private sector. That created incentives for research and investment. The contribution of renewables to Germany's total power still looks small at only 7 percent. But the significance lies more in the base that has been created for a future in which the pattern of prices and scarcities is going to change radically. German universities have made advances in the efficiency of solar and wind generation. German firms are now world leaders in the sale of solar technology. The subsector generates export earnings and employment. Now, think a bit. Germany does not have that much sun. Thailand has lots and lots of sun. Which country ought to be in that business?

Right now, the eco car looks like a great idea. In retrospect, it may turn out to be a disaster. The cars may have lower emission levels, but if the low price expands car ownership then total emissions could well increase. The resulting congestion will create demand for more inefficient investment in roads. The expansion of car ownership will tilt public opinion against further investment in public transport.

In these two key areas of power generation and transport, Thailand is digging itself deeper and deeper into a hole on carbon emissions.

The point is not that Thailand is not being a very good world citizen. Rather, over the next few years, the world economy is going to change radically as markets start to reflect the scarcities and imperatives now visible in the science. Countries that are well-placed to move into a low-carbon regime will do well. Those with a burden of past inefficiencies will suffer.

It's a rather well-kept secret that Thailand has a national climate change plan. It was passed by the Surayud government in its dead-duck phase in January. The current government has come out with some energy-saving measures, but they are little better than cosmetic.

Global warming is going to change the global economy. How quickly and how well countries react now will determine their fortunes in the very near future.

P.S.

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