The Political Economy of (Climate) Change

The Politics of Low Carbon Transition & Transformation

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### Overview

| Capitalism/industrialism has (historically) produced the **anthropocene** and the anthropocene (re) makes (contemporary) capitalism | Climate change at the epicentre of this debate about how (capitalist) society evolves in the anthropocene |

### Key question:

How change comes about in a (capitalist) global political economy?

What forms of change are possible and what precedents for them exist?

### Approach:

Draw on different strands of political economy analysis to understand potential for & resistance to (low carbon) transitions and transformations
1. Why political economy, why now?

2. Which political economy?

3. Contradictions and dilemmas of (climate) change

4. Conclusions
Which anthropocene?

- Crutzen and others date it to the C18th & the industrial revolution:

  ‘The Anthropocene could be said to have started in the late eighteenth century, when analyses of air trapped in polar ice showed the beginning of growing global concentrations of carbon dioxide and methane’ (2002: 23).

CC features centrally in these narratives:

‘Fossil-fuel burning and agriculture have caused substantial increases in the concentrations of ‘greenhouse’ gases — carbon dioxide by 30% and methane by more than 100% — reaching their highest levels over the past 400 millennia, with more to follow.’

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Anthropocene & fossil fuelled industrialisation
The Return of Great Transformations

- Scale of change required for:
  - Meeting climate goals
  - Raising climate finance
  - Radically altering the fuel mix
  - Drastic change to existing infrastructures

- Implies re-structuring of the global energy system rather than a discrete national or socio-technical transition

- Increasing use of this language in policy debates (new industrial revolution, a ‘great transformation’)

- Echoes of Polanyi: Need to re-embed the market, alter the balance of public and private control over systems of energy, transport, industry?
"The ‘Great transformation’ - the ecological conversion of industrial societies into a climate compatible, resource-conserving and sustainable world economic order, requires far-reaching and manifold tasks to shape it, which, in their make-up, are neither purely scientific and technological nor purely social or political. The transformation process should lead to just and sustainable governance over the use and management of global, regional and local commons."
Why Political Economy? Why Now?

• Getting a handle on *when* and *how* major shifts (transformations) in:

- economic power
- the control of production and technology
- the relationship between states and markets might occur

- The shifts in ‘power’ relations that these require might take place

Requires us to look critically and historically at *how, when and why change occurs* in the global (capitalist) political economy

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Which political economy?
(i) institutional design of either the climate negotiations or the global institutions set up to finance mitigation and adaptation actions (the Green Climate Fund, the Climate Investment Funds etc) & political risk analysis

(ii) market failure: the pricing that economists tend to focus on - the view that everything changes once you get the price right (Stern 2008)

(iii) the funding gap: the levels and sources of financing that people in the development and aid industry tend to focus on

(iv) technological innovation: the design of socio-technical transitions that people from science and technology studies and innovation focus on (Geels 2002; Smith et al 2005).
What’s missing?

• This framing itself revealing of deeper politics of CC: power to frame problem of CC as *lack of finance/markets/property rights/technology* which requires increased use of each of these

• Notable absence of politics in many of these discussions of institutions, markets and technology which fail to acknowledge let alone address the *power relations* at work that will shape *what responses are possible, plausible and acceptable* (economically, socially, politically) in prevailing political and economic conditions.
Beyond Governance

- **Policy & governance > Politics** (sometimes valid strategic reasons for doing this)

- **Transitions > transformation** (shifts in relations of power and production)

- With climate change at least we are potentially talking about the need for change in a *political order* (of states, industries, technologies and ideas and the links between them) rather than just a technology and series of discrete social practices.

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Deeper Political Economy

This enables us to get at answers to questions about why:

(i) the climate change negotiations are not progressing
(ii) the money is not yet on the table to finance ambitious forms of mitigation and adaptation action (the $100bn a year by 2020 aspired to in the Copenhagen Accord)
(iii) the private sector is not playing the role anticipated by governments
(iv) transitions are not occurring as rapidly as hoped and expected and needed

…..the claim here is that we need to engage with a deeper political economy
The close relationship between energy use (particularly fossil fuels) and growth:

- decoupling has proven different to achieve and rebound effects abound (Jevon’s paradox)

- Political implications of this: ability of fossil fuel interests to present their interests as the interests of capital-in-general
Reading the landscape of ‘power’: *Power of Finance Capital*

2. **Power of finance capital**: dilemmas & opportunities of harnessing that power to goal of de-carbonisation:

- disclosure (CDP, shareholder activism)
- carbon markets.
- Critical to previous rounds of innovation & ‘creative destruction’.

Question of whether interests of financial and (fossil fuel) productive capital can be played off against one another.

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Global Political Economy

• **Global economic environment** has been reconfigured by processes of de-industrialisation in the global North and the search for new investment opportunities in the global South changed the global geography of emissions distribution:

  - Countries such as China, India, Brazil and South Africa have seen their emissions increase significantly - embedded and virtual carbon

• **Politics of displacement**: out-sourcing of emissions from above + CDM/ offsets ‘accumulation by decarbonisation’.

• **Neo-liberal reforms**: re-structuring and privatisation of energy sectors- power sector reform etc
Questions of Strategy

• Political economy analysis in these terms forces us to engage with issues of **strategy** (harnessing ‘the great forces’ of capitalism):

  - the **coalitions** and the **social forces** that will be required to re-organise the global economy along low carbon lines and the constraints that any such endeavour is likely to encounter.

• Enables us to identify and mobilise the ‘**coalitions of the willing and winning**’ that will have to be assembled;

  - the actors and interests that have an interest in and are capable of system change, that could benefit from re-wiring the global economy along low carbon lines
Examples

- Great, but largely unrealised, potential for alliances between potential winners and losers:
  - Farmers
  - Public sector transportation workers
  - Insulation industries and energy efficiency firms

Need to engage mass movements (unions) & work through civil society (churches etc)
Historical Precedents?

• Major shake-ups in **global institutions** or the **governance of the global economy** often occur in times of war or financial crisis (or both: WWII- BW)

• Mass roll-out of **alternative infrastructures** (for extraction & trade) e.g construction of the railways

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Crisis driven change

- The *current crisis has not generated serious attention to the underlying faults in the system* despite rhetoric about green new deal and green growth. But it is these moments when new alignments of power between:

(i) **states** and **international institutions**
(ii) between **state** and **market** (the compromise of embedded liberalism)
(iii) **capital** and **labour** (around the welfare state and Fordism for example)

…….can occur driven by a sense in which the organisation of capitalism at the time is not working.

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Embryonic alliances

In terms of parallels, we do not yet have a coalition of sufficiently powerful losers from the effects of climate change or winners from addressing it to drive such widespread change.

But there is evidence of some interesting alliances emerging:

- Between finance and environmentalists (CDP)- re-positioning FF investments as liabilities, stranded assets, un-burnable carbon

- ‘Just transition’ coalitions involving combinations of civil society, labour and capital engaging winners and losers from LCE (Just Energy, Just Transition Alliance)
Incumbent power holds firm

• In many ways its **business as usual** for the world’s most powerful companies that continue to operate as if climate change is not a serious constraint on their activities.

• **Point of No Return** 14 giant ‘carbon bomb’ projects that are currently in planning and development is on track to single-handedly increase global greenhouse emissions 20 per cent by 2020, making it near impossible for the world to avoid runaway climate change.

• Hedging strategies (BP etc)

• Few pressures to change from:

(i) CC regime
(ii) price signals from carbon markets
(iii) governments about direction of change
Contradictions & Dilemmas in the Political Economy of (Climate) Change
Tackling poverty & climate change simultaneously

• How to realise the **right to development** in a carbon constrained world (contraction & convergence; GDR?)

• **How to tackle energy poverty in a carbon constrained world.** Put another way – why do 1.4 billion of the world’s poor people still live without access to electricity in a world of energy opulence?

• Energy access and energy poverty are frequently invoked in claims about use of carbon and climate and development finance (Medupi etc)

• **Intra as well as inter-national distributional inequities**: Hiding Behind the Poor. Whose energy needs take precedence and how is this to be decided? (at all levels)
Towards a ‘Just Transition’

• The pursuit of the ‘green economy’ runs the risk of reproducing injustices as fossil fuel economy unless we are attentive to inequities and injustices in the production or supply of energy technologies:

  ➢ use of toxic chemicals by immigrant and female labour in the production of solar PV cells
  ➢ displacement for carbon-financed wind-farm projects
  ➢ lithium rush in Bolivia for batteries for electric cars

• The potential contradiction that the additional growth required to finance the green economy will be generated in a fossil-fuel based economy that will further exacerbate the problem it pertains to address
Conclusion

• Analysis such as this gives rise to a series of strategic dilemmas:

➢ whether to try to shape the channels and mechanisms that exist by engaging and participating in debates about the improved governance of climate funds and of carbon markets, since this is clearly where elite priorities lie

➢ or to contest the framing of climate change as resolvable through more finance, bigger markets, better technology.

• Political economy analysis gives us one useful handle for understanding both the opportunities and dilemmas society in the anthropocene faces by providing:

☐ a reading of the landscape of power
☐ a means to locate potential sites of change within contemporary capitalism which efforts to advance a transition to a low carbon economy will have to negotiate and engage

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