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# Global climate Compensation: An Action Plan to Prevent Catastrophic Climate Change

Henrik Nordborg

## Abstract

*Almost 30 years after the Earth Summit in Rio de Janeiro in 1992, the world is not even close to having a plan for preventing catastrophic climate change. The main reason is that there was never any political pressure to develop one. This is changing rapidly, however, as people born in this century realize that they will be directly and critically affected by climate change and that their parents' lifestyles threaten their right to life, liberty, and the pursuit of happiness.*

*The damage we are inflicting on the Earth's biosphere is irreversible and is progressing at an accelerating rate. We will only get one shot at stopping this madness and we are rapidly running out of time. If we fail, our failure will stand for eternity.*

*Global Climate Compensation provides a risk-free strategy for restoring hope to humanity. If it succeeds, it has the potential of stopping climate change, alleviating global poverty, and easing international tensions. If not, we did at least try.*

*This is a first draft of the document. Please feel free to share or to send feedback to the following address: [feedback@global-climate-compensation.org](mailto:feedback@global-climate-compensation.org)*

## The Challenge: Choosing Hope Over Despair

As far as we can tell, there is only one habitable planet in the known universe. The fate of humanity depends entirely on the health of the Earth's biosphere, which is currently deteriorating fast. The composition of the atmosphere is now unlike anything seen during the last 3 million years and we are rapidly approaching several planetary tipping points[1].

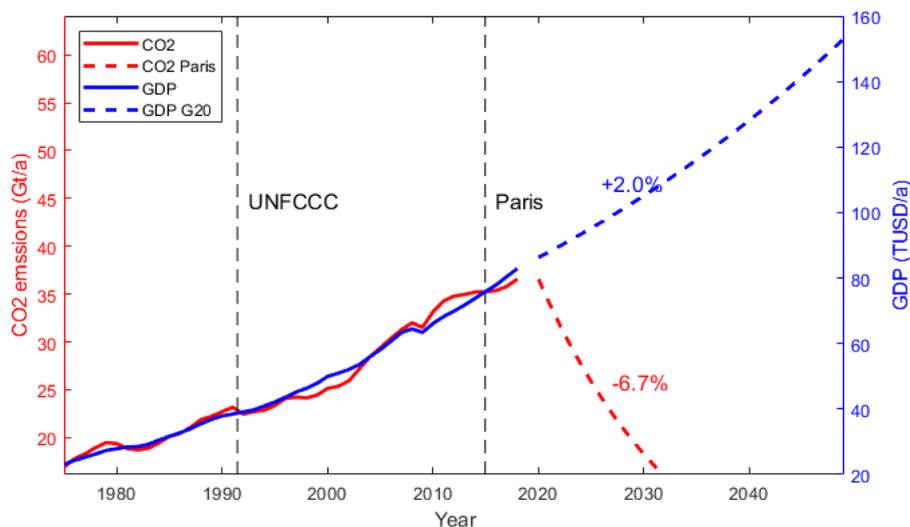


Climate change is arguably the most urgent and challenging problem, but it is by no means the only one. We are also witnessing a catastrophic loss in biodiversity, rapidly increasing plastic pollutions, ocean acidification, overfishing, and soil erosion [2]. Whether it will be possible to feed the world's population 30 years from now is an open question [3]. Given that we do not have a "Planet B", it is very concerning that a growing number of scientists consider the collapse of human civilization within this century a likely scenario [4].

Equally worrying is the fact that people seem to have lost hope in the future. As liberal societies are based on the idea that we are better off when we work together, this fact probably explains the recent rise in authoritarianism and populist politicians with authoritarian tendencies in recent years.

It does not have to be like this, but it is. Humanity is currently in a dangerous situation of its own making. None of our problems are due to external causes, but they are all direct results of human actions. Apart from us, there is nothing wrong with the Earth or the Sun powering it. We are the ones waging a war on the planet, by actively destroying its atmosphere, soil, forests, and oceans. To save the planet and ourselves, we simply need to stop wrecking the natural environment.

Our current approach to solving the climate crisis is delusional, as shown in the figure below. Global GDP and CO<sub>2</sub> emissions have been almost perfectly correlated during the last 50 years. Maintaining economic growth while limiting global warming to significantly less than +2°C as required by the Paris agreement would require a miracle to occur, decoupling economic growth from the use of fossil fuel. (cf. <https://nordborg.ch/co2-and-gdp> for sources and more details).



The Great Delusion (<https://nordborg.ch/co2-and-gdp>)

This is what a lack of political leadership looks like. For the last three decades, we have witnessed an almost complete failure of politics, science, and the private sector in coming up with solutions commensurate to the magnitude of problem. There are multiple reasons for this sad state of affairs, but there is no point in discussing the failures of the past. The purpose of this text is to offer solutions.

***We need to stop the global extraction of fossil fuel as quickly as possible.***

The challenge we are facing can be easily stated: we need to stop the global extraction of fossil fuel as quickly as possible. It really is as simple as that. All fossil fuel extracted from the ground will eventually be burnt and end up as CO<sub>2</sub> in the atmosphere or turned into plastic, which will either be burnt or end up in the oceans. Either way, the planet loses. There will be no circular economy as long as fossil fuel extraction is allowed.

***Fossil fuel is too cheap.***

Unfortunately, global consumption of fossil fuel has been rising steadily for the last 50 years, with the exception of the years 2009 and 2020. In both these years, a temporary drop in global GDP led to a corresponding reduction in the demand for fossil fuel. The reason for the strong correlation between fossil fuel and GDP is that fossil fuel is too cheap. Once we accept this fact, it follows that science cannot solve the problem, as no amount for research is going to make fossil fuel more expensive. Increasing the amount of renewable energy only makes more energy available, allowing the economy to grow even faster and demanding more resources and energy. This rebound effect makes it impossible for renewable energy sources to keep up. We are literally chasing our own tail when installing renewable energy unless we also limit the demand.

***The transition away from fossil fuel will be expensive.***

Since we have ignored the problem of climate for far too long, the world economy is almost completely dependent on fossil fuel: 85% the global energy demand is covered by oil, coal, and gas and this number has been remarkably constant for the last 40 years. According to most climate scientist, global fossil fuel emissions need to decrease by at least 50% this decade. Considering that commercial aircraft are built to last more than 20 years, this means that we need to stop manufacturing them today to have any chance of meeting this goal. The same is true for cars, whereas houses are built to last much longer. Simply put, since we dithered for too long, we will need to prematurely decommission a lot of infrastructure, which is not very efficient and will therefore be very expensive. Bad decisions have long-term consequences.

***We need a system for distributing the costs of climate protection between nations.***

It follows that we should stop talking about the climate crisis as a business opportunity with a positive ROI and rather think of it as a serious threat to humanity, which needs to be solved regardless of the cost. We need a system for distributing the costs of climate protection between nations. This is not possible within the current globalized economy based on competition between nations. No country is going to voluntarily reduce its competitiveness by implementing tougher climate protection measures than necessary. Especially if it does not trust the others to do the same. It is perfect example of the *prisoners' dilemma*.

***Climate Change is a global challenge, which can only be solved through international collaboration.***

Climate change is a truly global challenge which can only be solved through international collaboration. Greenhouse gases do not respect national boundaries and it therefore makes no sense for a country to lead by example and to introduce a more ambitious climate policy than others. Rather, all countries will attempt to outsource their own problems and try to shift the blame on others.

***Global wealth today was largely generated by destroying the planet.***

There is a lot of wealth in the world today, but the distribution of it is far from optimal, as much of it is owned by a small number of very rich people. As has been pointed out by Piketty and others, this wealth concentration is a direct threat to democracy [5]. It also should be remembered that most of it was generated by destroying the planet. Many corporations today would be bankrupt if forced to retroactively pay for the damage done to the atmosphere and the environment(cite).

***We need to deflate the global debt bubble.***

Finally, our financial system is also struggling with an enormous debt crisis, with global debt amounting to more over 150% of global GDP. There are basically three ways of solving this problem: economic growth, debt relief, or inflation. The first option is out of the question, especially if we want to keep the planet habitable. Debt relief would bankrupt many financial institutions and would also be highly inflationary. A global carbon price would not only be the most efficient tool to solve the climate crisis, but also help deflating the debt bubble by generating inflation.

There is no denying the fact that humanity is facing some very difficult challenges. To prevent catastrophic climate change and a collapse of human civilization, we need a solution which is global, scalable, effective, and encourages international collaboration while easing international tensions. It should also alleviate global poverty and encourage innovation. Global Climate Compensation accomplishes all these things and has the additional benefit of being risk free.

## Global Climate Compensation (GCC)

The idea behind Global Climate Compensation is very simple:

1. **Carbon Pricing:** All producers of fossil fuel pay a fee proportional to their production to a global fund.

2. **Climate Justice:** The money from the fund is distributed among the world's nations on a per capita basis.

As an example, we shall use a carbon price of 100 USD/tCO<sub>2</sub>, which would have the following effects:

- With the current level of fossil fuel consumption, fossil-fuel companies would pay a total of 3.6 trillion = 3600 billion USD annually to a global fund but would be free to pass on the cost to their customers.
- Every nation on the planet would receive a sum corresponding to USD 470 per capita, which it could use to alleviate poverty and invest in renewable energy.

The immediate effect of GCC would be a significant increase in the price of fossil fuel on the world market. A barrel of oil would cost roughly 40 USD more, bringing the price levels seen before the financial crash in 2008. Every government in the world would receive a significant amount of money, but poorer countries would benefit the most. It would even be possible to introduce a universal basic income of almost 40 USD per month for every person on the planet, which would have an enormously beneficial effect on the Global South.

It is instructive to compare the 3.6 trillion USD mentioned above to some other relevant numbers:

- Global defense spending amounts to 1.9 trillion USD [\[6\]](#).
- Global subsidies for the fossil fuels amount to 5.2 trillion USD [\[7\]](#).
- The SDG funding gap (i.e., the money needed to fund the United Nations Sustainable Development Goals) is often estimated to 5 - 7 trillion USD [\[8\]](#).

This is the kind of money required to get anything done in the world.

## The benefits of GCC

GCC would perhaps not solve all problems of humanity but it would be an enormous step in the right direction. Here is a short list of the main benefits.

### Immediate and minimally invasive

The main advantage of GCC is that it only involves a small number of parties: less than 300 fossil fuel companies and less than 200 governments. If the fund were administered by the UN, implementation would be as simple as the UN sending quarterly invoices to a small number of fossil-fuel companies and making quarterly payments to a small number of governments. Everything could be implemented using existing organization and no new bureaucracy would be required. In other words, if the people meeting annually at the WEF were serious about saving humanity, there would be nothing stopping them from implementing the plan.

GCC only requires people to accept that whoever pollutes the atmosphere should pay for the damage done. Other than that, people can continue living their lives as usual. There would be no additional rules or regulations.

GCC should especially appealing to proponents of the free market or small government. Furthermore, believers in technology and innovation have absolutely nothing to fear from GCC. A higher price of fossil fuel would simply accelerate the necessary technological transformation. It would still be perfectly possible to create your own startup and get rich if you can do so without using fossil fuel.

### Compatible with national climate policies

There is no international organization with the authority to issue binding resolutions to national governments. With GCC, this is not necessary, as the system is compatible with national laws and governments would want to collaborate. To begin with, every government in the world would receive money without having to raise taxes. As fossil fuel becomes more expensive, it makes sense to use at least some of this money for renewable energy and improvements in energy efficiency.

Any national policies to promote renewable energy and energy efficiency would make even more sense once GCC is in place, and the money would be available to fund it.

Furthermore, GCC does not represent the same political risk as a CO<sub>2</sub>-tax for two reasons: First, once a majority of governments have signed up, no country will be able to avoid paying the higher fuel prices. Staying outside GCC would mean paying higher fuel prices without receiving money from the fund. Secondly, it will be the fossil-fuel companies raising the fuel price. The plan only requires them to pay compensation to the fund. If they are prepared to sacrifice their profits, they are not obliged to raise the price. It is probably safe to assume that they will.

### Enforceable

Not only is there a limited number of fossil-fuel companies in the world, but their contribution to climate change can also be easily measured. Whenever an oil company sells a barrel of oil, we know exactly how much carbon it contains and how much CO<sub>2</sub> will be generated by its use. The same is obviously true for coal and gas. These companies are in the business of selling carbon and it is difficult to hide the product you are selling.



The fossil-fuel companies would pass on the higher costs to their customers, thereby introducing a global price on carbon emissions without the need for any additional administration or bureaucracy. Everyone using fossil fuel would automatically have to pay climate compensation, as it is already factored into the price. There would be no loopholes.

Many fossil-fuel companies are beginning to realize that they are losing their “social license to operate” and are trying to present themselves in a more positive light. With GCC, they would finally have the opportunity to go beyond greenwashing and do something substantial. If they agree to pay climate compensation, they can continue to operate.

If not, they will publicly have declared themselves enemies of humanity and it would then be up to society to destroy them! Governments, lawyers, NGOs, activist, and ordinary citizens should go after them in every way possible, using lawsuits, economic sanctions, and protests. A promising approach would be to recognize “ecocide” as a crime. Anyone working for, doing business with, or owning shares in a fossil-fuel company not paying GCC would be treated as a criminal as sent to jail. Until this happens, they should at least be publicly shunned. Selling fossil fuel without paying GCC would be on par with human trafficking or trading with illegal drugs. There are only a couple of hundred fossil-fuel companies but billions of people who want to survive. The odds are in favor of humanity.

The climate movement had the problem that it focused on one issue but required everyone to change. With GCC, the picture is much clearer: we only require a small number of companies to clean up their act. There are many reasons to be against fossil-fuel companies apart from CO<sub>2</sub> emissions, such as human right violations, oil spills, fracking, mountaintop removal, open pit mining, and local pollution. Demanding them to pay for the damage done is the least we can do.

### Effective, simple, and fair

By forcing a small number of fossil-fuel companies to compensate the damage they are causing, we immediately turn close to 8 billion people into energy innovators. The magic of the free market will make sure that increase in energy price is felt in every corner of the world. Since the carbon footprint is directly related consumption and lifestyle, GCC will be the ultimate “fat cat tax” without any loopholes. The billionaire in the Cayman Islands will suddenly have to pay more to fuel his private jet or luxury yacht.

Most economists agree that a carbon tax is the most efficient way to deal with the climate crisis. The problem was always to prevent leakage effects through outsourcing. The introduction of a high carbon tax in the European Union would probably lead to corporations moving their production to other

countries. On the other hand, it would be preposterous to require nations in the Global South to pay the same carbon tax as in Europe.

The solution is obvious: the carbon tax must come with a redistribution scheme: with GCC, every nation in the world pays the same price per ton of carbon emissions but receive money according to the size of the population. Countries with a low per-capita carbon footprint would benefit, the others would lose.

This is only fair. The wealthy nations got rich by ignoring the problem of climate change. They have the financial means and the moral responsibility to fix the problem. Furthermore, GCC is not a tax on rich countries: if people have a problem with paying more for fossil fuel, they should stop complaining and reduce their carbon footprint.



By making fossil fuel more expensive, GCC will create jobs. The big job-killers in the industrialized world are outsourcing and automation. It does not make sense to move manufacturing to low-wage countries if they pay the same energy price as in industrialized nations. Especially not if transportation also becomes more expensive. Likewise, with higher energy prices it will make less sense to replace human labor by robots. It should therefore be easy to convince unions all over the world to support GCC.

Many rich countries have committed to becoming carbon neutral by the middle of the century. This is mainly greenwashing, as they only talk about domestic use of energy. Unfortunately, the bulk part of their carbon footprint comes from consumption of imported goods. The politicians know this, but they prefer to lie about it. With GCC, this is not an issue: the Chinese manufacturer will pay more for the energy and will pass on the higher costs to customers everywhere. There would be no escaping global climate compensation.

A solution to the climate crisis needs to be effective, simple, and fair. GCC satisfies all these requirements.

## Why not!

As Bertrand Russell once put it: “the difficulty is to persuade the human race to acquiesce in its own survival.” He was talking about nuclear annihilation, but the quote is perfectly applicable to the climate crisis.

Once again, the only thing standing between hope and disaster is human stupidity. Climate change is widely recognized as an immediate and existential threat to human civilization. Nonetheless, global spending on weapons, SUVs, and private jets is increasing. Does anyone really believe that we are going to save the world by running the cruise missiles on renewable fuel? There is not technical fix for human stupidity.

The problem we are facing is that we live on a finite planet and are rapidly running out of resources. We therefore need to drastically reduce our use of non-renewable resources. Many economists argue that this will only be possible by quickly reducing the size of the economy, an idea commonly known as Degrowth. This is a tough sell, however, as people do like the idea of negative growth.

It is much easier to argue for Global Climate Compensation. It only requires everyone on the planet to pay for his or her carbon footprint. If the optimists are right, it will be easy to transition from fossil fuel and the economy will continue to grow in a more sustainable way. If not, energy prices will increase and people in rich nations will have to change their lifestyles. This would lead to degrowth.

Furthermore, Global Climate Compensation builds on existing organizations and could therefore be implemented quickly. It only requires a small number of existing companies and governments to act and would be totally risk free. Do we really want to stand by and witness the end of human civilization without even trying to save ourselves?

## Literature

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