

DAILY COMMENT

HOW TO PAY FOR CLIMATE JUSTICE WHEN POLLUTERS HAVE ALL THE MONEY

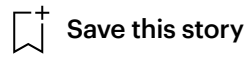
The COP27 climate conference, in Egypt, was in large part a global search for cash.

By **Bill McKibben**

November 19, 2022



Joe Biden speaks at the twenty-seventh Conference of the Parties. If he thought his efforts to curb climate change would buy him affection at the event, he was only partly right. Photograph by Gehad Hamdy / Getty



The climate summit just concluding in Egypt ran hard into one of the world's greatest structural problems: most of the money is in the Global North, but most of the need is in the Global South. Nearly three hundred years of burning fossil fuels have produced much of that northern wealth, and now the resulting greenhouse gases are heating the planet and producing much of that southern need. So is there some way to mobilize that money to build a more livable future? The conference went into overtime on Saturday, in part to make a small start on that very big question.

For two weeks, the money issue bedevilled negotiators in the grim warehouse in a desert that Egypt, the host police state, offered up as the headquarters for the annual global gathering. It's actually a fairly new focus—until now, most COP meetings have primarily aimed to pressure the big emitting nations to set ambitious targets for decarbonization. But the congressional passage of the Inflation Reduction Act finally brought the laggard United States into some kind of compliance with its proffered carbon-reduction targets, and a recent meeting between President Joe Biden and President Xi Jinping of China, at the G-20 conference on November 14th, seemed to indicate that cooperation between the carbon superpowers was back on some sort of track, after it was derailed by Nancy Pelosi's visit to Taiwan. For now, the industrialized world is working on its own energy transformation.

If Biden thought that his efforts would buy him some affection at the twenty-seventh Conference of the Parties, he was only partly right. As delegates streamed toward the plenary to hear his speech, they passed a crowd of activists chanting "Pay up, pay up, pay up for loss and damage." Many of the protesters were from Africa; this is just the third COP on the continent, and civil society had been

awaiting it keenly, because Africa is the best example of the world's economic gulf. Though it has produced just a small percentage of the greenhouse gases now warming the Earth, it is fast falling prey to almost unimaginable floods and droughts. In South Sudan, for instance, to the west of the fast-warming Indian Ocean, so-called once-in-a-century rains fell in 2019 and again in 2020.

Bloomberg reported that, in August, 2021, "with the land saturated even after average rainfall, the White Nile flooded. The Lol [River] was stopped by the weight of the waters. It began to flow backwards and burst its banks—the worst flooding in 60 years. There are some one million people here among the world's permanently displaced by climate change." Meanwhile, a thousand kilometres away, in Somalia, the fifth straight rainy season without much rain is currently under way; scientists are now predicting a sixth and attributing the drought to climate change.

You can imagine the tension—the anger—that comes from watching your part of the world dry up or flood, knowing that the countries whose pollution caused your problems also have enough dollars to repair the damage. The moral argument couldn't be more straightforward: Americans have produced almost a quarter of the excess carbon in the atmosphere; a quarter of the damage should be on our tab. And yet we have not yet started to pay it, not in any straightforward way: Congress won't spend tax dollars on reparations for the descendants of enslaved Africans; they're even more unlikely to do it for survivors of the climate crisis in Africa or Asia. At least, not in sums remotely equal to the damage: at COP27, a handful of the usual countries (think Denmark) pledged climate-relief aid on the order of about seventy-five million dollars, with an "M." The initial estimate of the damage from Pakistan's wild summer of flooding, by contrast, is about forty billion dollars, with a "B."

So there needs to be some less direct way of accessing the wealth of the north. More than half the world's capital is in the U.S. and Europe; more than a third of it is in the U.S. alone. Much of that money lies in retirement accounts—money

that isn't charitable, and won't simply be turned over to cover what the U.N. calls the "loss and damage" of climate change, no matter how just the claim of the poor nations might be. But the trillions of dollars in those funds *could* provide the financing that the developing world needs for an energy transition—and if African nations have the funding to build, say, solar arrays, they can generate lower-cost clean energy and produce a return for American pensioners. At the moment, though, that's unlikely. Investing in an American wind farm is relatively easy; the pension fund can predict their earnings based on a hundred years of historical returns from utility companies. Investing in a Senegalese solar company that lacks a track record, and which could be at the whims of the local political and judicial system, would be a different story. Because such investments are relatively risky, pension funds would charge prohibitively high interest.

"With money at six or seven per cent, solar in Africa can outcompete anything and turn a profit," Nicholas Stern, an old warrior in these fights whom I stumbled across in the corridors of COP27, told me. "At fifteen per cent you can't make a profit, and so it won't happen." Currently a professor at the London School of Economics, Lord Stern was once the chief economist at the World Bank, and is most famous for having authored—in 2006, at the behest of the U.K. government—the most comprehensive account of how much climate change was going to cost the world. A lot, as it turned out. "Climate change is a result of the greatest market failure the world has seen," he wrote. "Those who damage others by emitting greenhouse gases generally do not pay." But he keeps trying to find ways around that basic impasse.

Basically, you need to figure out how to de-risk the investment, so that a pension fund feels as comfortable investing in an African solar farm as in a Kansas windmill, as John Kerry explained to me in October. And the tools for that de-risking belong to the multilateral development banks—the World Bank, the Asian Development Bank, the African Development Bank. These organs, among other things, manage flows of money from north to south—and they're filled with clever

people who can figure out how to sprinkle, say, a little bit of public money into a deal so that the hazard largely disappears. Stern's estimate, in a long paper published just before the COP, is that this would require "grants and low interest loans from the governments of developed countries to double from \$30 billion today to \$60 billion by 2025." Spend that relatively small sum—just a fraction of the nine trillion dollars that rich countries spent on COVID, and an even tinier fraction of the overall cost of climate change—and private investors would likely plow a *trillion* dollars into developing markets. But even this relative bargain can seem out of reach: even a Congress controlled by Democrats refused to approve Biden's request for \$11.4 billion annually for this kind of aid. If future House Speaker Kevin McCarthy was unsure about sending weapons to Ukraine, one guesses that sending cash to Africa may not be high on his to-do list.

So the search for workarounds continues, and increasingly it is focussing on the World Bank. Simply by shifting some of its standard practices, the World Bank could free up capital for this kind of work, Kelly Sims Gallagher, the director of the Climate Policy Lab at Tufts University, told me. (I first met Gallagher, another veteran of this decades-long fight, at COP3 in Kyoto, in 1997, and I came across her booth around the corner from where I spoke to Stern.) Right before the Egypt gathering, Gallagher argued in *Foreign Affairs* that the World Bank already has the ability "to lend much more than they do" for renewable-energy projects. She also pointed out that the World Bank is still pouring huge sums into fossil-fuel development, against the advice of climate scientists who say there's no more margin for new oil and gas projects, and that it urgently needs to "mobilize additional green capital." But little will change, she told me, unless the World Bank itself is "overhauled."

Surprisingly, this is a possibility. The U.S., by tradition, approves the selection of the World Bank president, and the current occupant of that chair, David Malpass, was put there by Donald Trump. Malpass, who was the chief economist for Bear Stearns until it went bankrupt, recently made the mistake of indulging in a little straight-up climate denial: over the course of a long interview with the *Times*

reporter David Gelles, he passed up one opportunity after another to say that humans were heating the planet, finally resorting to a dodge worthy of some MAGA senator: “I don’t even know. I’m not a scientist.” His team hustled him onto CNN a day later to try and repair the damage. (“It’s clear that greenhouse-gas emissions are coming from man-made sources, including fossil fuels, methane, the agricultural uses, the industrial uses,” he said, which is not exactly an eloquent formulation.) But those who wanted reform saw an opening: Al Gore called him a denier and demanded that he be fired; neither Kerry nor the Biden Administration publicly pushed back against that idea. And in an interview in the World Wildlife Fund booth at COP, under a giant panda logo, the Massachusetts senator Ed Markey told me that, once back in D.C., he planned to organize the Senate Dems (now at least fifty strong) to demand Malpass’s ouster. Markey, who is the Senate sponsor of the Green New Deal, said he wanted to “send a very strong signal that, while it’s unprecedented that the World Bank president is removed, it’s also unprecedented that the world would face such a catastrophe, and that a climate denier would be in charge.”

There are even farther-reaching demands for reform of the global financial system. Mia Mottley, the Prime Minister of Barbados, has put forward what’s being called the Bridgetown Agenda, named for her capital city. It calls for the I.M.F. to issue half a trillion dollars in “special drawing rights,” or other financial instruments to help boost investment in the Global South. “It’s a way of rethinking the institutions created after World War Two” at the Bretton Woods agreement, Gallagher said. “It would fully integrate climate into their mandates,” which, she said, is necessary, because the classic debt trap (where poor countries have to keep borrowing just to pay off the interest on old debts) has been replaced with a “climate-debt trap.” Countries suffer one climate disaster after another, accruing enormous economic damage and having to borrow more simply to build back to where they were. Such policies require governments like ours to pony up more cash, but the poor nations are not without leverage: world leaders such as Prime Minister Sheikh Hasina, of Bangladesh, and former Maldives President

Mohamed Nasheed have raised the idea of a global debtors' strike, arguing that the high emitters have not kept their side of the bargain. If enough countries decided not to pay interest to countries that continue to spew carbon, they could conceivably influence the larger financial system.

None of these financial schemes precisely addresses the demand that the most vulnerable nations are making: for money to cover their devastating losses and damages. On Saturday, however, as the conference came to a close, negotiators, including those from the U.S., tentatively agreed to a concrete step in the right direction—the formation of a loss-and-damage fund within the next year, albeit without any details on who will fund it or how much that funding will amount to. There's also an insurance scheme—Global Shield, its backers are calling it—that might offer relief in the aftermath of crises. These steps will not produce forty billion dollars when a country like Pakistan floods, at least not anytime soon, nor will they repair the grinding, slow-motion crises—desertification, drought, sea-level rise—that pose some of the worst risks on an overheating planet. But they are evidence of how hard the Global South is pushing, and how unimpeachably just their demands are.

COP27 is one more reminder, however, that justice only proceeds, fitfully, through politics. Rebalancing the world's wealth, even a little, is the trickiest of political tasks. Yet our chances for a livable world may depend on it. ♦

NEW YORKER FAVORITES

- The rebranding of MDMA.
- What COVID revealed about American psychiatry.
- How to handle climate emotions.
- The changing role of the therapist on television.

- Reinventing the E.R. for America’s mental-health crisis.
- Giving away my twin at her wedding.
- Nearly a century of New Yorker cartoons about therapy.

Sign up for our daily newsletter to receive the best stories from *The New Yorker*.



Bill McKibben is the founder of Third Act, which organizes people over the age of sixty for progressive change, and a contributing writer to The New Yorker. His latest book is “The Flag, the Cross, and the Station Wagon: A Graying American Looks Back at His Suburban Boyhood and Wonders What the Hell Happened.”

More: [Finance](#) [Pollution](#) [Joe Biden](#) [Climate Change](#) [Egypt](#)

DAILY

The best of *The New Yorker* today, including essential reads, fiction, humor, and a peek behind the scenes of our biggest stories.

E-mail address

By signing up, you agree to our [User Agreement](#) and [Privacy Policy & Cookie Statement](#). This site is protected by reCAPTCHA and the Google [Privacy Policy](#) and [Terms of Service](#) apply.

Read More

THE POLITICAL SCENE PODCAST

THE DARK-MONEY SUPREME COURT

Our political roundtable looks at the Supreme Court's conservative tilt as another term concludes, this one marked by ethics scandals and landmark rulings.

PROFILES

HOW LARRY GAGOSIAN RESHAPED THE ART WORLD

The dealer has been so successful selling art to masters of the universe that he has become one of them.

By Patrick Radden Keefe

THE SPORTING SCENE

THE WORLD CUP AND THE FRUSTRATING, INSPIRING STATE OF WOMEN'S SOCCER

Mistreatment, unequal pay, and discrimination persist. And yet, among the athletes, there is a great feeling of solidarity, and a sense of increasing opportunity.

By Louisa Thomas

THE SPORTING SCENE

SAM KERR AND THE DREAM OF AN AUSTRALIAN WORLD CUP TITLE

The twenty-nine-year-old striker, one of the world's great scorers, has raised hopes in a country where soccer was once an afterthought.

By Naaman Zhou

Do Not Sell My Personal Info