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"Skeptical Environmentalist" opposes propping up EU carbon credits

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NEW YORK (Reuters) - A Danish economist who gained fame as a skeptic of risks posed by global warming but now calls for international efforts to deal with it said the European Union should not approve a proposal to boost the price of carbon permits because that would not reduce emissions globally.

"Propping the price of carbon permits is wrong," said Bjorn Lomborg, director of Copenhagen Consensus Center, a think tank, and an adjunct professor at Copenhagen Business School. He said higher carbon prices would damage the EU economy and would not help to achieve any significant climate goals.

The price of European Union allowances for carbon emissions (EUAs) has tumbled about 60 percent in four months, as slowing industrial activity caused an excess of allowances.

But the benchmark contract rose more than 5 percent on Thursday to 3.70 euros a metric ton (1 metric ton = 1.102 tons), after the European Parliament signaled it favored a plan to prop up the price.

"The carbon price is low because we have had a big economic crisis so actually we are doing what the EU has promised to do, which is cutting the carbon emissions by 20 percent," Lomborg said. "Wanting a higher carbon price is wanting to cut more than 20 percent. It is just pushing the policy goal which seems a little bit arbitrary at best."

Lomborg spoke to Reuters late on Wednesday during an interview in New York during a U.S. trip to testify on climate policy before a Congressional panel. He has been named 'one of the 50 people who could save the world' by UK newspaper the Guardian and one of Time Magazine's 100 most influential people in the world.

The EU considers current prices for carbon permits too low to drive investments in clean energy to help cut greenhouse gas emissions. It plans to withdraw allowances from the market temporarily, a move known as backloading.

Lomborg's 2001 best-seller 'The Skeptical Environmentalist' suggested that many warnings about the dangers of global warming were overdone. The book drew praise from industry groups and opponents of greenhouse gas emissions limits, and criticism from many environmental groups and climate scientists.

In a more recent book, "Smart Solutions to Climate Change: Comparing Costs and Benefits," Lomborg called for a global tax on carbon dioxide emissions to fund $100 billion in new investment annually for clean energy development, climate engineering and infrastructure such as sea walls to deal with damage from rising sea levels and other effects of climate change.

The economist, whose Copenhagen Consensus think tank studies ways for governments and philanthropists to spend aid and development money, agreed with economists who put the social cost of carbon at around $5 per metric ton.

"If you want to do it right you should get it at about $5 not 20 euros ($25.96) and also you should recognize it only really makes sense if you get the rest of the world on board," he said.

EU Climate Commissioner Connie Hedegaard has said that while the 27-nation bloc is on track to meet its 2020 target to cut greenhouse gas emissions 20 percent below 1990 levels, low carbon prices risk slowing investments needed to help meet the aim of cutting emissions at least 80 percent by 2050.

Last week, Hedegaard said that once the EU has reached agreement on a short-term fix to prop up prices, it is also likely to start work on overhauling the world's biggest carbon market.

A DIFFERENT APPROACH

The benchmark contract for European Union carbon futures surged as much as 20 percent on Thursday, after the European Parliament signaled its intention to back a plan to rescue the emissions trading system. The contract retreated from its session high to post a 5.6 percent daily.

The EU carbon permits system caps the emissions of more than 11,000 power stations, factories and airlines, which collectively are responsible for around 40 percent of the EU's greenhouse gases blamed for warming the planet.

Lomborg says the EU should focus instead on different policies to help solve the environmental issue, because the lack of a global agreement simply moves emissions from regions regulated by a carbon scheme to those which are not subject to such regulation, an effect known as carbon leakage.

Almost 200 countries have pledged to strike a deal at the U.N. to cap emissions from 2020 but admit this falls short of what scientists say is required to prevent more floods, droughts and rising sea levels.

China, the world's biggest emitter, is testing several local carbon markets to rein its greenhouse gas output and expects to have a national scheme ready later this decade.

"All the EU has managed to do is to hurt its own economy a little bit, reduce its own emissions a little bit, shift most of the production to China and elsewhere and virtually no impact on a global level: that's a bad policy all around," Lomborg said, while also criticizing the validity of the proposed Chinese scheme.

He said the solution to climate change lies in boosting investment in research to make green technology cheaper, as this would incentivize everyone to switch from fossil fuels to carbon-free emissions.

"You should also realize that there is a very obvious alternative in the short run which is gas fracking. Through fracking the U.S. has reduced its carbon emissions twice as much as what the rest of the world has managed to do," Lomborg said.

"And where Europe is paying for it, the US consumers are making billion of dollars in cheaper gas prices."

U.S. natural gas production has soared and prices have fallen on the back of technological advances in fracking, which involves injecting water and chemicals to fracture rock formations and unlock deposits that are untappable by conventional means.

Switching from coal to natural gas has been one of the main reasons for a big drop in America's carbon emissions from energy in the last few years but some environmental groups have taken a hard line against fracking, saying it has the potential to pollute drinking water supplies. ($1 = 0.7704 euros)

(Editing by David Gregorio)