

SHOULD WE PUT A PRICE ON CARBON? That Depends – Who Are “We”?

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Larry Lohmann
The Corner House

Should we put a price on carbon? That depends on what our goals are and what we can expect prices to achieve.

If we’re looking for a solution to climate change, then putting a price on carbon isn’t a serious strategy. It can’t address the roots of the problem, and isn’t designed to.

However, if we’re driven less by concern over global warming than by incentives to try to help business muddle through a post-1970s profit crisis in an era of growing environmental regulation, then carbon pricing makes more sense.

In other words, deciding what to think about carbon pricing means deciding *who you are* and *what side you’re on*.

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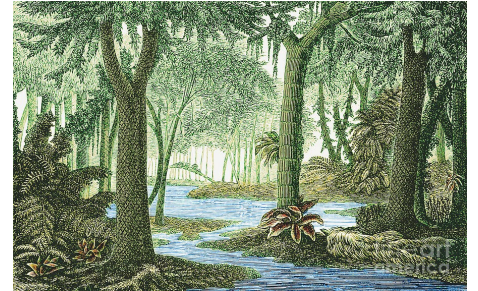
Let me try to explain in a bit more detail.

Climate change is one symptom of a more general crisis faced by contemporary capital. The crisis is how to find and organize – in a shrinking world – enough sources of unpaid work to allow a surplus to be accumulated from paid workers.

Some of this unpaid work comes from humans. As the pioneering feminist activists and theorists of the 1970s pointed out, in some societies a lot of this has come from women without formal employment.



Other unpaid work comes from *non*humans – for example, the unpaid work of the organisms that produced coal, oil and other resources.¹



Another kind of work that capital needs is cleanup work. A machine or a city that's clogged up with waste is of no use to anybody.



This becomes an especially big problem with industrialization. For example, the more high-quality energy flows through machines, the greater the buildup of “waste” energy that can't be used to do work and has to be cleared away ...



... or to put it in technical lingo, no sooner did the First Law of Thermodynamics help unify nature into a vast, tappable source of interconvertible “energy” during the 19th century than the Second Law kicked in with a vengeance.²

The upshot was that capital has been increasingly forced to supplement its relentless hunt for more and more cheap raw materials with a restless search for more and more cheap ways of cleaning up, rearranging or minimizing the troublesome residues – methods that have to be, for reasons of competition, as close to zero-cost as possible.

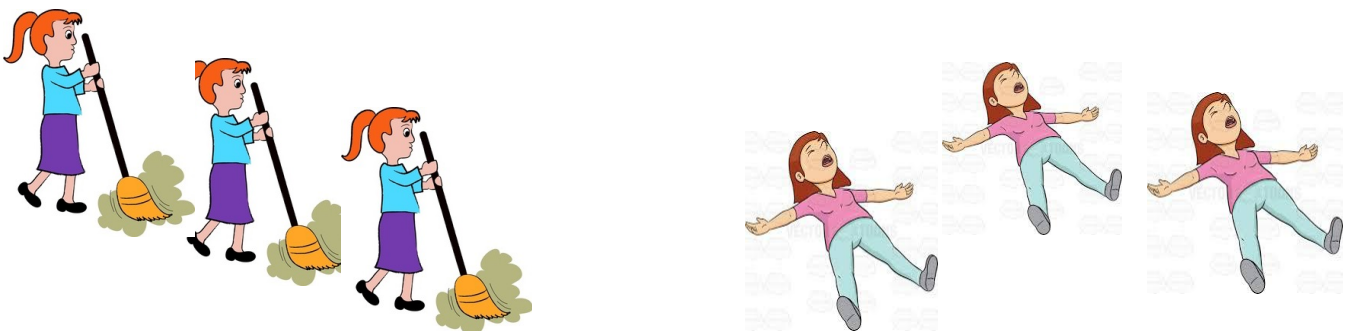
Thus the “externalization” of the costs of industrial pollution onto nonhuman beings like streams and rivers as well as human bodies.

The problem has always been that these sources of unpaid work get worn out after a while.

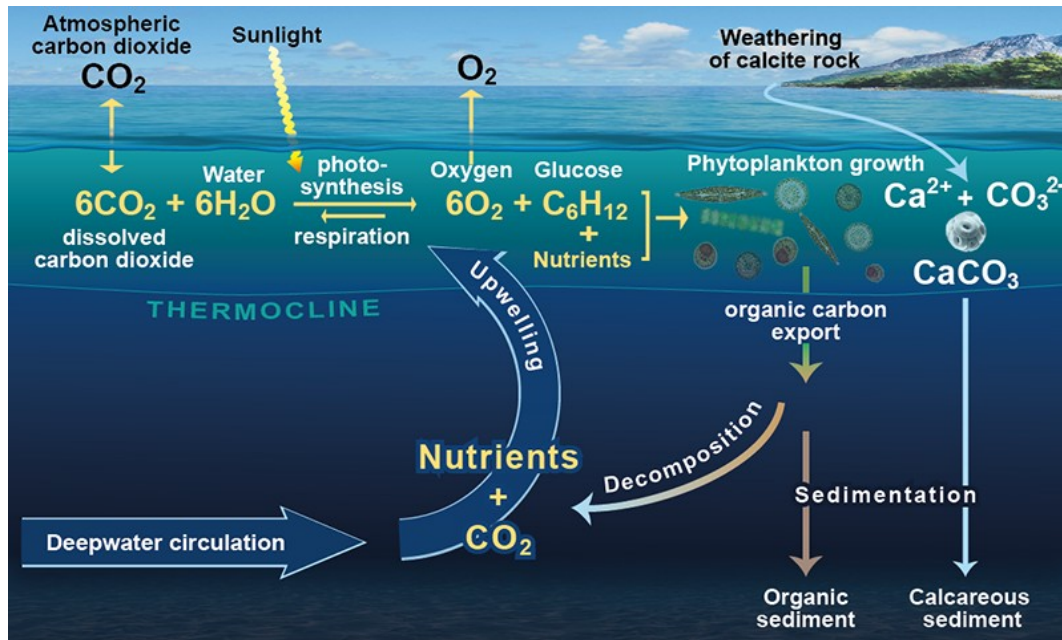


Waste dumps get topped out. Women get fed up. Slave bodies die or revolt. Soils are poisoned. Entropy sets in. Colonies decolonize. Environmentalists protest.

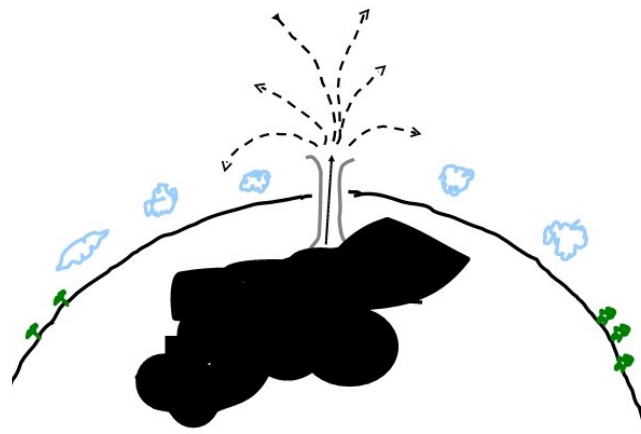
All of which sets capital off on a search for *new* armies of unpaid cleanup workers, whether human or nonhuman. Who then *also* eventually become unable or unwilling to perform ... meaning that the hunt for cheap cleanup work has to move to yet *another* new frontier.



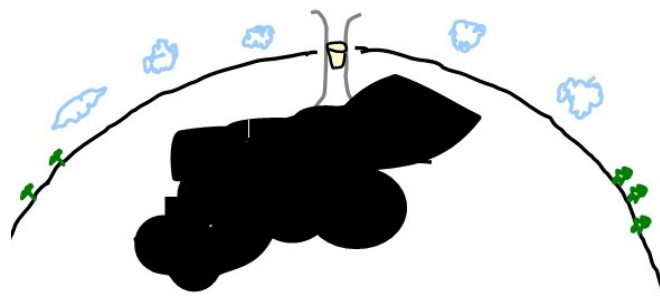
For those on the receiving end, needless to say, this has always been a serious issue. But it gets to be a new kind of serious when the capacity of the entire world to go on cleaning up greenhouse gas pollution in the atmosphere begins to get worn out. When, for example, the ability of the surface layers of the ocean to absorb and recycle CO₂ gets “maxed out”.



The problem is that capital has little incentive to address this problem at its root. It's got too used to getting a flow of fossilized free work from prehistoric organisms and then putting the waste problems off on somebody or something else ...



... for any individual business to want to put a cork in it.



That's why if anyone suggests that putting a cork in it is a challenge all humanity has to face, my response as a businessperson will be that the state should make this challenge go away – in whatever way that respects my competitive need for access to all available unpaid work.

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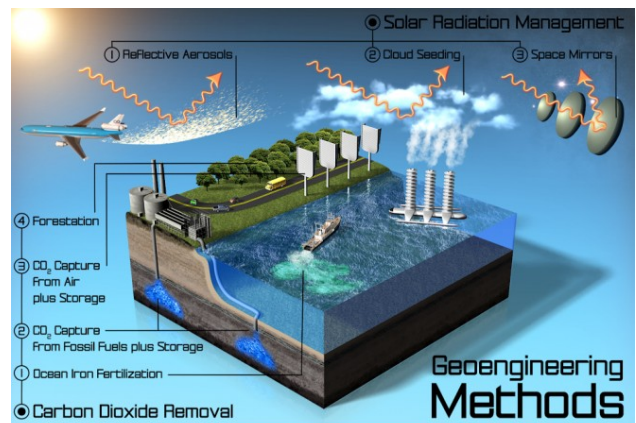
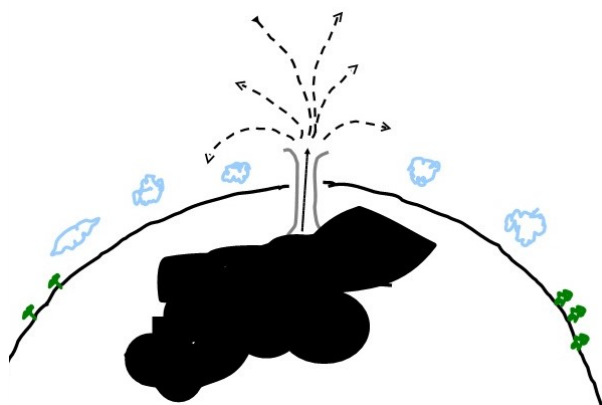
The simplest way of doing this is for the state simply to deny that the challenge exists. To declare that the protests of women or anti-racists or globally-warmed minorities or environmentalists are based on delusions and should be repressed ruthlessly for as long as possible. (Hello, Donald Trump.)

But let's suppose that the state *does* recognize the climate crisis, as indeed most states have. Suppose that as a result it wants me as a businessperson to stop using the unpaid work of prehistoric organisms altogether.

In principle, I say, fine. I have no sentimental attachment to coal and oil as such. But in that case the state is going to have to supply me with some equally-cheap substitutes. For example, it's going to have to push down wages even more than it's already done.



Or suppose the state wants fossil fuels to keep coming out of the ground, but for the resulting carbon dioxide to be washed out of the atmosphere. Then it's going to have to recruit new unpaid nonhuman workers to do the job so that I don't have to pick up the tab. Cue state-subsidized geoengineering, carbon capture and sequestration, and mega-plantations of carbon-absorbing trees.



Even if the state decides to do nothing more than regulate greenhouse-gas pollution, it's going to have to provide me with ultra-cheap means of complying with that regulation. Which is where carbon markets come in, as I'll try to explain in a moment.

In sum, if the state wants me to “internalize” global warming costs, it's going to have to let me “externalize” a whole lot of other costs. That's what “internalization” is all about. If, as the old saying goes, the corporation is a machine for externalizing costs, then “internalization” must always come with plenty of new “externalizations”.³

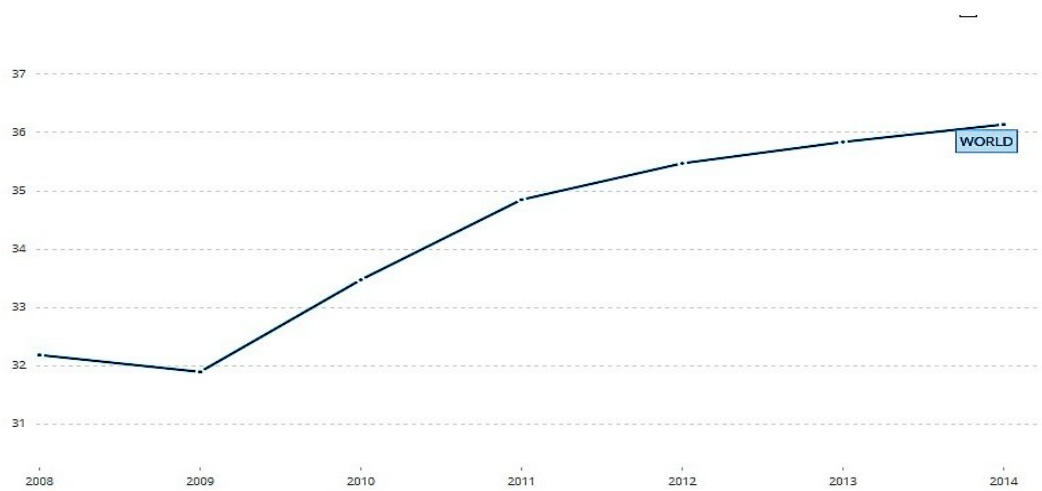
It should not have to be emphasized that none of this has anything to do with whether capitalists or the state are moral or not, or, if they are not, whether they could someday become so. I do respect people who are interested in morality – including capitalist moralists and state moralists. But ethics is not my topic. Effectiveness is.

Nor is my topic the question of whether capitalists or state functionaries *believe* the findings of climatology or not. The point I'm interested in is whether business logic allows them to *act* on those beliefs.

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I hope that all of this might help make some sense of otherwise puzzling aspects of the 20-year history of carbon pricing.

Let's look, for example, at a couple of graphs. The first shows world carbon dioxide *emissions* since the financial crash of 2008 ...



The second shows carbon dioxide market *prices* over the same period. (Here I'm confining myself to those global carbon markets in which the European Union and the parties to the UNFCCC have placed their greatest climate hopes since 1997. But I could put up similar graphs from many other carbon markets.)



In other words: as carbon dioxide levels go up, the main official “incentives” for doing something about them – low to begin with – go down.

Worse, many carbon prices in the structurally worst-polluting sectors are actually *negative*.⁴

Market value of free handouts of carbon dioxide pollution rights to Arcelor Mittal corporation by the EU

2010	US\$1.885 billion
2013	US\$529 million

So not only do you get subsidized for digging up and burning fossil fuels. These days you also get extra rewards – from official climate policy, no less – for emitting the greenhouse gases that result.

In fact, the only time in the entire 40-year history of pollution markets that pollutant prices have approached a serious *positive* level – in the Southern California nitrous oxide market in 2000 – the state stepped in to exempt the regulated companies altogether from having to pay.⁵

Speaking of market prices, let's also pay a visit to the economists Nathalie Berta, Emmanuelle Gautherat and Ozgur Gun in a recent issue of the *Cambridge Journal of Economics*.



Berta and friends point out that because perhaps 90 per cent of tradeable carbon pollution permits are used to hedge and speculate rather than comply with state-set caps, with all the volatility that entails, cap and trade systems will always be intrinsically “unable to set the steady and sustainable carbon price that is theoretically required to drive firms’ investments in low-carbon technologies”. Even without the price havoc of full-blown financial crisis, market prices for carbon are simply incapable of doing what it says on the tin.

But so, too, are the carbon prices created by the alternative approach of carbon taxation.

The problem with a carbon tax as a master approach to climate change is that it's just like any other tax. It's not designed to perform the sort of heavy, fundamental political work that is required by this kind of challenge, any more than the slavery tax debated in the US Congress in the 19th century could have been expected to abolish slavery.⁶

Labour and property taxes, for instance, aren't aimed at phasing out labour and property. Nor are corporation taxes supposed to abolish capitalism. You can bet that the state would be pretty upset if they showed any signs of doing so.

Not even so-called Pigovian taxes on things like alcohol, tobacco or petrol – intended more to lighten a few social harms around the margins than to raise enormous revenues for the state – are aimed at wiping out the harmful commodities on which they are levied.

Deep down, in fact, states don't look at a carbon tax as a way of tackling climate change at all, but more as a way of refereeing among divergent interests in an era of environmental regulation.

Thus when a recent *New York Times* news article editorialized that a British Columbia carbon tax was “working”, what it meant was merely that the tax was accepted by capital as a whole.

The New York Times

Does a Carbon Tax Work? Ask British Columbia



Eduardo Porter
ECONOMIC SCENE MARCH 1, 2016



No one – including, apparently, the reporter who wrote the article – thought that the tax would actually have any effect on global warming.

This underlines once again the need to make careful distinctions. When we're talking about carbon pricing, is our criterion of success *effectiveness in tackling climate change*? Or is it *effectiveness in earning business' approval*? The *Times* made its choice. And so must we.

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The even more uncomfortable truth – and one I unfortunately don't have time to go into, because it involves reviewing so much history – is that, from the point of view of people concerned about climate, things are even worse than I have made out. The problem with “carbon pricing” is not only that “pricing” addresses the wrong problem, but that “carbon” does too.⁷

For the hard-to-face reality is that climate is not, in fact, a problem of how states are to manage *carbon* molecules, advised by boffins in white coats.



Rather, it's a *labour* problem that can be addressed only by popular mobilization.



“Carbon”, that is, may well be a useful unit if you want to transform the climate issue into a price issue.

But changing the subject doesn't get rid of the subject.

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Now if you're the sort of person who actually wants to stick *with* the subject – i.e., climate change, rather than how climate policy can be finessed – all this might seem overwhelming evidence that carbon pricing is an irremediable failure.

But if you're in business, or in a state or think tank eager to serve business, carbon pricing – whatever the bureaucratic, technical and lobbying burdens it might impose on you – has a lot of attractions.

First, you get to avoid the awkward topic of the role of fossil fuels in capital accumulation.

Second, you get cheap regulation. Not only do you get to negotiate the price you want with the state. If there's a carbon market, you're also guaranteed to benefit from a competitive race to provide you with the cheapest possible pollution rights, regardless of whatever temptations to fraud might

be involved. Changing the subject from *climate* to *carbon*, in other words, helps lower the costs (along with the efficacy) of the cleanup work that you're supposed to be undertaking these days.⁸

Third, you get decades-long delays during which you don't have to address climate change seriously. Although the inability of carbon markets in particular to address global warming generates failure after failure, these failures, in the best traditions of neoliberalism, actually provide an excuse for sticking with the programme, since, after all, "there is no alternative". That leads to an unending series of "reforms", which, although futile, successfully consume more and more years.

Delay is also an advantage provided by carbon taxes. Indeed, one big argument against taxes – ironically, given how things have turned out – used to be that negotiating them on an international level would take even longer than negotiating how to set up the gigantic infrastructure needed for carbon markets.

So who says carbon prices are a failure? For capital and the state, they have facilitated two decades of procrastination. Yet – what with the ever-lively cascade of failures met by reforms leading to further failures, and so on – they have somehow been able to dress up increasing inaction as if it were action.

One case in point is the decade-long drama over the EU Emissions Trading Scheme. Why oh why, commentators ask, are carbon prices so chronically low? Carbon traders observe rightly that it's not their business whether carbon pricing is climatically effective or not and point the finger at the state for not setting serious caps. Environmentalists follow suit, fruitlessly lobbying the state to create serious demand. The EU responds by trying to take some of the carbon commodities out of the market, while experts debate the merits of rigging the market with "price floors", "price ceilings" or "price collars" in order to achieve magic "just right" Goldilocks prices – neither too high to interfere seriously with capital accumulation nor too low to have any effect on climate change. Cue further theatrical handwringing about the "sin" of state interference with markets. In all the excitement, no one bothers to ask whether there could actually be such things as Goldilocks prices, nor about whether a market created and maintained by the state could ever be independent anyway. Journalists meanwhile profess surprise that economic crises might actually contribute to carbon price crashes. Fossil fuel traders lounge back in their executive chairs, hardly bothering to conceal luxurious yawns.

What nobody mentions out loud in the midst of this capitalist soap opera is how well the whole hullabaloo in fact serves the interests of business. And as the process drags on, incentives for any kind of change – let's not even mention the *structural* change that is required – get less rather than greater. More and more fossil carbon comes out of the ground and is put into the atmosphere.

The same dynamic also reliably plays out everywhere else carbon pricing has established itself at the heart of climate policy, resulting in a weird, "incoherent coherence". A situation in which, although nearly everyone involved has always known that pricing can't work, it seems to entrench itself more and more deeply.

In which apocalyptic warnings about cities swamped by sea-level rise, devastated agriculture, and decimated ecosystems alternate with bureaucratic drawling about "international competitiveness" and scholastic disputations about "quantity-based" vs. "price-based" regulatory systems.

In which political leaders can talk about the need to phase out fossil fuels while doing everything they can to prolong their extraction.

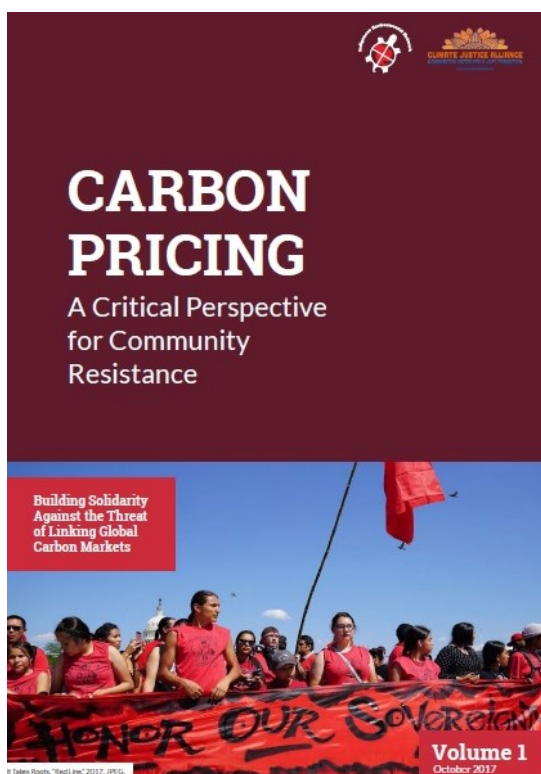
In which experts look everywhere for an explanation of why global warming remains unaddressed – the psychology of denial, “lack of political will” – except at the realities of fossil fuels, labour, capital accumulation and commodity fetishism.

In sum, in reciprocally enmiring one another in a sucking swamp of economistic bullshit obligingly dug for them by various neoliberal expertocracies, business and the state have stumbled into a strikingly functional adaptive response to popular concern about climate change.⁹ Lamenting – as much to themselves as to others – that escape from their swamp is impossible, both capital and the state nonetheless try to console themselves that at least their antagonists in popular movements can't easily get at them in their smelly refuge.

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Are they right? Well, political realism does require us climate activists to acknowledge that carbon pricing – despite its ineffectiveness in addressing climate change – is not just another zombie shuffling interminably across the neoliberal policy landscape. There are good reasons for its continuing popularity among business, politicians and the experts that orbit them. These reasons must be fully understood if the rest of us are to move forward.

For those interested in taking those steps forward, let me conclude this talk by recommending a recent short book commissioned by the Indigenous Environmental Network and the Climate Justice Alliance, *Carbon Pricing: A Critical Perspective for Community Resistance*, by my colleague Tamra Gilbertson.¹⁰ As Tamra and her colleagues urge, carbon pricing schemes must not be allowed to hold back the construction of the popular alliances needed to confront climate change.



- 1 Jason W. Moore, *Capitalism in the Web of Life: Ecology and the Accumulation of Capital* (Verso, 2015).
- 2 Larry Lohmann and Nicholas Hildyard, *Energy, Work and Finance* (The Corner House, 2014).
- 3 Internalization increases costs insofar as it means that at least a small fraction of costs hitherto externalized must now be paid to somebody. To recoup these costs, capital must seek as yet untapped sources of unpaid work. To put it another way, the equations that create the units through which externalities are internalized are always “performative”, tendentious, contested, speculative, and generative of “remainders”. See Larry Lohmann, “Performative Equations and Neoliberal Commodification: The Case of Climate”, in Robert Fletcher, Wolfram Dressler, and Bram Büscher (eds.), *Nature™ Inc: The New Frontiers of Environmental Conservation* (University of Arizona, 2014).
- 4 See, e.g. Anna Pearson, “The Carbon Rich List: The Companies Profiting from the EU Emissions Trading Scheme” (Sandbag, 2010); Damien Morris, “Slaying the Dragon: Vanquish the Surplus and Rescue the ETS” (Sandbag, 2014) Megan Darby, “Economists Warn of “Lost Decade” Risk for EU Carbon Market”, *Climate Home News*, 18 February 2015, <http://www.climatechangenews.com/2015/02/18/economists-warn-of-lost-decade-risk-for-eu-carbon-market/>.
- 5 A. D. Ellerman, P. L. Joskow and D. L. Harrison, *Emissions Trading: Experience, Lessons, and Considerations for Greenhouse Gases* (Pew Center on Global Climate Change, 2003): 23-27.
- 6 Joel S. Newman, “Slave Tax as Sin Tax: 18th and 19th Century Perspectives”, Wake Forest University Public Law Research Paper No. 04-01 (2004).
- 7 See, e.g., Larry Lohmann, “Toward a Political Economy of Neoliberal Climate Science”, in David Tyfield, Rebecca Lave, Samuel Randalls and Charles Thorpe (eds.), *The Routledge Handbook of the Political Economy of Science* (Routledge, 2017); “Neoliberalism’s Climate”, in Kean Birch, Julie MacLeavy and Simon Springer (eds.), *Handbook of Neoliberalism* (Routledge, 2016); “What is the ‘Green’ in ‘Green Growth?’”, in Gareth Dale, Manu Mathai and Jose Puppim de Olivera, *Green Growth: Ideology, Political Economy and the Alternatives* (Zed Books, 2016).
- 8 New forms of colonialism – facilitated by the reduction of climate to carbon – are among the leading contributors to these cost savings. See, e.g., Larry Lohmann, “Environmental Services: A New Type of Colonial Nature” (The Corner House, 2015), <http://www.thecornerhouse.org.uk/resource/environmental-services/>.
- 9 “Bullshit” is used here in the technical sense explicated by Harry Frankfurt in *On Bullshit* (Princeton, 2005).
- 10 Tamra Gilbertson, *Carbon Pricing: A Critical Perspective for Community Resistance* (Indigenous Environmental Network and Climate Justice Alliance, 2017).