
Climate Science Politics at Full Speed



By Theo Vermaelen, INSEAD Professor of Finance

Are governments working to protect the political consensus around climate change at the expense of truth?

The difference between science and religion is that science is supposed to make testable predictions. Simply showing that carbon emissions are correlated with global temperatures using *historical data* proves nothing. The stock market is also correlated with global temperatures (it went up a lot in the 20th century and then flattened out this century) but that does not mean that bringing down the stock market will reduce global warming (although I bet some people would love this idea). Also having a strong theory that the two variables should be correlated is not sufficient if the goal is to show that one variable is *completely* explained by the other. For example, every finance professor accepts that, *ceteris paribus*, when interest rates rise, stock prices should fall. But that does not mean that the stock market is only

driven by interest rates.

The main prediction of climate scientists is that when CO₂ levels increase, global temperatures will increase and that CO₂ levels are a result of human industrial activity. Hence humans are responsible for global warming and the impact is so large that it swamps other explanations. Hence politicians should restrict economic freedom, tax activities with a high carbon footprint, and subsidise the others.

However, the recent IPCC report now admits what sceptics have been saying for years: although CO₂ levels have increased dramatically during the last 15 years, there has been no increase in global warming. Leaked reports (revealed by the Associated Press) have revealed that the governments of Belgium, Hungary, the U.S. and Germany have been putting pressure on the writers of the report to suppress this information or argue that it is irrelevant. They have been successful to a large extent. The preliminary version of the IPCC report of June 7 stated:

“Models do not generally reproduce the *observed reduction*[\[1\]](#) in surface warming during the last 10-15 years. There is medium confidence that this difference between models and observations is to a substantial degree caused by unpredictable climate variability with possible contributions from inadequacies in the solar, volcanic and aerosol forcing used by the models, from too strong a response to increasing greenhouse-gas forcing.”

The final (September 27) version of the report, the summary for policy makers, who are not supposed to worry about the details, dismisses this finding by stating (section B.1):

“Due to natural variability, trends based on short records are very sensitive to the beginning and end dates and do not in general reflect long term climate trends.”

From the leaked AP reports, we learn that these were exactly the suggestions from German and Belgian politicians: the forecast period is too short and 1998 was a very hot year.

Considering the lack of forecasting ability, the final conclusion of the IPCC that “Humans are responsible for global warming with 95 percent certainty” (which represent an increase from 90 percent in the 2007 report) is, to put it mildly, surprising. A more appropriate conclusion would have been:

“Climate change is driven by so many causes that our models really can’t make any reliable predictions. Policymakers should be therefore refraining from trying to control climate change by reducing carbon emissions.”

Of course I am not naïve and I understand that such a conclusion would be extremely embarrassing for governments who evidently control what is written in the IPCC reports. After so many years, they would have to admit that their policy to subsidise alternative energy and disfiguring the landscape with wind turbines was based on a flawed theory. The embarrassment would be particularly large for the EU who has engineered the largest experiment in central planning since the Soviet Union: the requirement to unilaterally cut its greenhouse emissions by 20 percent by 2020. This regulation has reduced European competitiveness: since 2005 energy prices have increased by nearly 40 percent, largely as a result of forcing consumers to buy expensive inefficient alternative energy. During the same time period, energy prices have decreased in the U.S. thanks to the shale gas revolution, a revolution resisted by the Green lobby as it undermines their basic proposition that we are running out of fossil fuels. The unilateral approach of the EU is incomprehensible as the impact of European efforts on global warming is trivial as long as India and China keep burning fossil fuels. It simply makes no sense to be the hardest working student in class if everyone else is cheating.

The next 10 years will be very interesting. If the current trend persists then in 2025 we will have a 25 year period without significant increases in global warming. At that time, the IPCC and its politicians will no longer be able to put this information under the rug by stating that the observation period is too short. While we will then look back at the previous 25 years as a period of unprecedented misallocation of resources, we can console ourselves and our children with the knowledge that the future is not as bleak as climate scientists want us to believe.

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[1] Emphasis added

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