

To whom it may concern,

first of all I'd like to thank the Stern Review Team for this opportunity to comment on the 31 Jan discussion paper outlining the approach and questions for the Stern Review.

I very much welcome this review process that puts a wealth of economic considerations centre stage of the climate policy discussion, applying a broad perspective that includes mitigation as well as climate change impacts and adaptation.

This effort by the British Government is a valuable contribution to the international debate as it addresses some very important aspect of the economics of climate change that have been consistently omitted from past discussions and analysis. To mention but a few: It seems very important to address the issue of "endogenous growth" as raised by the Review Team. Climate policy has been framed in many past studies as something that put extra cost burden on an otherwise bright and prosperous high growth-high emissions future development pathway. These reference scenarios, however, excluded potential negative feed back of climate change damages and are thus not consistent. We welcome the intention to address this in the Stern Review Process.

It is from our point of view also very important, that the review takes into account the reduced estimates of climate policy cost in recent modelling work that does explicitly model endogenous technical change as well as possible positive effects of climate policy on economic growth and employment by removing inefficiencies in current energy systems.

Furthermore, we endorse the assessment in including evidence for how climate change puts economic development and poverty eradication in developing countries at risk. Some phenomena such as melting of himalaya glaciers, changing monsoon patterns and amazonas dieback are mentions therefore in the discussion paper. We would, however, encourage the review team to also look at more broader risks such as the disintegration of major ice sheets and possible weakening or shut down of the thermohaline circulation, including their potential economic implications.

It seems a bit unclear, how the review will assess aggregate economic consequences of different stabilisation levels. From figure 1.2 (quoted from den Elzen/Meinshausen 2005) it seems clear, that for the 2°C limit to be kept, we have to aim for very ambitious low stabilisation targets. This is, however, not further spelled out as an objective in the discussion paper. Does this imply, that there will be a cost-benefit analysis determining the "optimal" stabilisation level, balancing estimates of climate policy cost and damage cost? In our view, many quite drastic impacts and consequences of climate change are likely to kick beyond and even below 2°C and it is not possible to represent all of the related losses with a sensible economic value. In the economic analysis of climate change, one should therefore take the cost effectiveness approach in picking a stabilisation target and then analysing cost-effective strategies to achieve such a goal of e.g., keeping the 2°C limit. Picking such a goal probably involves more than just economics, but it is necessary with a view to the precautionary principle.

We would also suggest to apply a zero rate of pure time preference to evaluate present cost of future impacts to reflect, that the cost of damages are felt by different generations, this is a situation not comparable to a single actors trade-off between income or spending today vs. in the future. This is aggravated by the fact, that projections of future economic growth are highly uncertain as is pointed out by the discussion paper itself.

To sum up, we are pleased with this opportunity to comment and besides some points of concern mentioned we very much welcome this tremendous effort put forward by the Stern Review to improve our understanding of the economics of climate change.

Best regards

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