

Preface

This Review was announced by the Chancellor of the Exchequer in July 2005. The Review set out to provide a report to the Prime Minister and Chancellor by Autumn 2006 assessing:

- the economics of moving to a low-carbon global economy, focusing on the medium to long-term perspective, and drawing implications for the timescales for action, and the choice of policies and institutions;
- the potential of different approaches for adaptation to changes in the climate; and
- specific lessons for the UK, in the context of its existing climate change goals.

The terms of reference for the Review included a requirement to consult broadly with stakeholders and to examine the evidence on:

- the implications for energy demand and emissions of the prospects for economic growth over the coming decades, including the composition and energy intensity of growth in developed and developing countries;
- the economic, social and environmental consequences of climate change in both developed and developing countries, taking into account the risks of increased climate volatility and major irreversible impacts, and the climatic interaction with other air pollutants, as well as possible actions to adapt to the changing climate and the costs associated with them;
- the costs and benefits of actions to reduce the net global balance of greenhouse gas emissions from energy use and other sources, including the role of land-use changes and forestry, taking into account the potential impact of technological advances on future costs; and
- the impact and effectiveness of national and international policies and arrangements in reducing net emissions in a cost-effective way and promoting a dynamic, equitable and sustainable global economy, including distributional effects and impacts on incentives for investment in cleaner technologies.

Overall approach to the Review

We have taken a broad view of the economics required to understand the challenges of climate change. Wherever possible, we have based our Review on gathering and structuring existing research material.

Submissions to the Review were invited from 10 October 2005 to 15 January 2006. Sir Nicholas Stern set out his initial views on the approach to the Review in the Oxonia lecture on 31 January 2006, and invited further responses to this lecture up to 17 March 2006.

During the Review, Sir Nicholas and members of the team visited a number of key countries and institutions, including Brazil, Canada, China, the European Commission, France, Germany, India, Japan, Mexico, Norway, Russia, South Africa and the USA. These visits and work in the UK have included a wide range of interactions, including with economists, scientists, policy-makers, business and NGOs.

STERN REVIEW: The Economics of Climate Change

The report also draws on the analysis prepared for the International Energy Agency publications “Energy Technology Perspectives” and “World Energy Outlook 2006”.

There is a solid basis in the literature for the principles underlying our analysis. The scientific literature on the impacts of climate change is evolving rapidly, and the economic modelling has yet to reflect the full range of the new evidence.

In some areas, we found that existing literature did not provide answers. In these cases, we have conducted some of our own research, within the constraints allowed by our timetable and resources. We also commissioned some papers and analysis to feed into the Review. A full list of commissioned work and links to the papers are at www.sternreview.org.uk

Acknowledgements

The team was led by Siobhan Peters. Team members included Vicki Bakhshi, Alex Bowen, Catherine Cameron, Sebastian Catovsky, Di Crane, Sophie Cruickshank, Simon Dietz, Nicola Edmondson, Su-Lin Garbett, Lorraine Hamid, Gideon Hoffman, Daniel Ingram, Ben Jones, Nicola Patmore, Helene Radcliffe, Raj Sathiyarajah, Michelle Stock, Chris Taylor, Tamsin Vernon, Hannah Wanjie, and Dimitri Zenghelis.

We are very grateful to the following organisations for their invaluable contributions throughout the course of the Review: Vicky Pope and all those who have helped us at the Hadley Centre for Climate Prediction; Claude Mandil, Fatih Birol and their team at the International Energy Agency; Francois Bourguignon, Katherine Sierra, Ken Chomitz, Maureen Cropper, Ian Noble and all those who have lent their support at the World Bank; the OECD, EBRD, IADB, and UNEP; Rajendra Pachauri, Bert Metz, Martin Parry and others at the IPCC; Chatham House; as well as Martin Rees and the Royal Society.

Many government departments and public bodies have supported our work, with resources, ideas and expertise. We are indebted to them. They include: HM Treasury, Cabinet Office, Department for Environment Food and Rural Affairs, Department of Trade and Industry, Department for International Development, Department for Transport, Foreign and Commonwealth Office, and the Office of Science and Innovation. We are also grateful for support and assistance from the Bank of England and the Economic and Social Research Council, and for advice from the Environment Agency and Carbon Trust.

We owe thanks to the academics and researchers with whom we have worked closely throughout the Review. A special mention goes to Dennis Anderson who contributed greatly to our understanding of the costs of energy technologies and of technology policy, and has provided invaluable support and advice to the team. Special thanks too to Halsey Rogers and to Tony Robinson who worked with us to edit drafts of the Review. And we are very grateful to: Neil Adger, Sudhir Anand, Nigel Arnell, Terry Barker, John Broome, Andy Challinor, Paul Collier, Sam Fankhauser, Michael Grubb, Roger Guesnerie, Cameron Hepburn, Dieter Helm, Claude Henry, Chris Hope, Paul Johnson, Paul Klemperer, Robert May, David Newbery, Robert Nicholls, Peter Sinclair, Julia Slingo, Max Tse, Rachel Warren and Adrian Wood.

Throughout our work we have learned greatly from academics and researchers who have advised us, including: Philippe Aghion, Shardul Agrawala, Edward Anderson, Tony Atkinson, Paul Baer, Philip Bagnoli, Hewson Baltzell, Scott Barrett, Marcel Berk, Richard Betts, Ken Binmore, Victor Blinov, Christopher Bliss, Katharine Blundell, Severin Borenstein, Jean-Paul Bouttes, Richard Boyd, Alan Budd, Frances Cairncross, Daniel Cullenward, Larry Dale, Victor Danilov-Daniliyan, Amy Davidsen, Angus Deaton, Richard Eckaus, Jae Edmonds, Jorgen Elmeskov, Michel den Elzen, Paul Epstein, Gunnar Eskeland, Alexander Farrell, Brian Fender, Anthony Fisher, Meredith Fowley, Jeffrey Frankel, Jose Garibaldi, Laila Gohar, Maryanne Grieg-Gran, Bronwyn Hall, Jim Hall, Stephane Hallegatte, Kate Hampton, Michael Hanemann, Bill Hare, Geoffrey Heal, Merylyn Hedger, Molly Hellmuth, David Henderson, David Hendry, Marc Henry, Margaret Hiller, Niklas Hoehne, Bjart Holtsmark, Brian Hoskins, Jean-Charles Hourcade, Jo Hossell, Alistair Hunt, Saleem Huq, Mark Jaccard, Sarah Joy, Jiang Kejun, Ian Johnson, Tom Jones, Dale Jorgenson, Paul Joskow, Kassim Kulindwa, Daniel Kammen, Jonathan Köhler, Paul Krugman, Sari Kovats, Klaus Lackner, John Lawton, Tim Lenton, Li Junfeng, Lin Erda, Richard Lindzen, Björn Lomborg, Gordon MacKerron, Joaquim Oliveira Martins, Warwick McKibbin, Malte Meinshausen, Robert Mendelsohn, Evan Mills, Vladimir Milov, James Mirrlees, Richard Morgenstern, Mu Haoming, Robert Muir-Wood, Justin Mundy, Gustavo Nagy, Nebojša Nakicenovic, Karsten Neuhoff, Greg Nimmet, J.C Nkomo, William Nordhaus, David Norse, Anthony Nyong, Pan Jiahua, John Parsons, Cedric Philibert, Robert Pindyck, William Pizer, Oleg Pluzhnikov, Jonathon Porritt, Lant Pritchett, John Reilly, Richard Richels, David Roland-Holst, Cynthia Rosenzweig, Nick Rowley, Joyashree Roy, Jeffrey Sachs, Mark Salmon, Alan Sanstad, Mark Schankerman, John Schellnhueber, Michael Schlesinger, Ken Schomitz, Amartya Sen, Robert Sherman, Keith Shine, P. R. Shukla, Brian Smith, Leonard Smith, Robert Socolow, David Stainforth, Robert Stavins, David Stephenson, Joe Stiglitz, Peter Stone, Roger Street, Josué Tanaka, Evgeniy Sokolov, Robert Solow, James Sweeney, Richard Tol, Asbjorn Torvanger, Laurence Tubiana, David Vaughnan, Vance Wagner, Steven Ward, Paul Watkiss, Jim Watson, Martin Weitzman, Hege Westskog, John Weyant, Tony White, Alex Whitworth, Gary Yohe, Ernesto Zedillo and Zhang Anhua, Zhang Qun, Zhao Xingshu, Zou Ji.

We are grateful to the leaders, officials, academics, NGO staff and business people who assisted us during our visits to: Brazil, Canada, China, the European Commission, France, Germany, Iceland, India, Japan, Mexico, Norway, Russia, South Africa and the USA.

And thanks to the numerous business leaders and representatives who have advised us, including, in particular, John Browne, Paul Golby, Jane Milne, Vincent de Rivaz, James Smith, Adair Turner, and the Corporate Leaders Group.

Also to the NGOs that have offered advice and help including: Christian Aid, The Climate Group, Friends of the Earth, Global Cool, Green Alliance, Greenpeace, IIED, IPPR, New Economics Foundation, Oxfam, Practical Action, RSPB, Stop Climate Chaos, Tearfund, Women's Institute, and WWF UK.

Finally, thanks also go to Australian Antarctic Division for permission to use the picture for the logo and to David Barnett, for designing the logo.