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A NATIONAL CLIMATE SERVICE?
A PERSPECTIVE FROM WALL STREET

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Is a National Climate Service desirable?

- The subject of climate change is highly politicized in the US, more so than in most other countries
- Political interests have succeeded in framing the topic within a “liberal” vs “conservative” framework, with many self-identified “conservatives” continuing to assert that climate change is not a problem
- The current US administration has established a public reputation for interfering with the scientific judgments of scientists employed by or under contract with federal agencies
- Against this background, a National Climate Service will have difficulty establishing itself as a neutral arbiter of policy discussions
- US government is not credible as source of education related to climate change

Why a government gatekeeper?

- Scientific research related to climate change is available from many public, private, and international institutions around the world
 - Why is there a need for a US gatekeeper?
 - Does having a US government agency in the role of gatekeeper limit diversity of views?
 - Is it desirable to give some particular model or models of climate-change impacts the US government's stamp of approval?

- An example of the dangers: the Energy Information Administration's National Energy Model System
 - NEMS predicts inflation impacts of various policies
 - NEMS has no monetary-policy inputs, so inflation impacts are forecast under improbable assumption that Fed will be inactive in face of higher inflation
 - This critical aspect of model construction is not widely understood by lay readers widely publicized government projections based on NEMS

The private sector and climate change

- Increasing numbers of private firms, such as insurers and hedge funds, employ or contract with meteorologists for proprietary forecasting of weather events, reducing dependence on government forecasting
- Private sector tends to have a very high discount rate - long-term forecasts are generally of little interest
- Government agency would focus on physical risks related to climate change, but these are much less important for most private firms than regulatory or reputation risks

How could a Climate Change Service be useful to private sector?

- Provide detailed, probabilistic projections of climate-change impacts in narrow geographic areas over a time horizon of less than two decades
 - “Increased likelihood of drought in Southwestern US” is uninteresting
 - “20% probability that Vail’s average annual snowfall from 2010 to 2020 will be less than 50% of 1950-2000 average” could be useful
 - Forecasts and research need to be actionable: how would findings or projections affect business decision-making in relevant time frame

How could a Climate Change Service be useful to private sector?

- Provide time-series forecasts of anticipated climactic changes for narrow geographies
 - Time-series forecasts are potentially more useful for business decision-making than s forecasts for distant future dates
 - Useful forecasts might include such variables as soil moisture and vegetation changes along with temperature and precipitation
 - Error range of such forecasts for local geographies is poorly understood

How could a Climate Change Service be useful to private sector?

- Provide regular data of interest to participants in trading of emissions permits and offsets
 - Trading will create demand for data points released at regular, preannounced intervals
 - Can Climate Change Service create measures that would be deemed relevant to price of traded products?
 - Does NOAA have legal and practical ability to protect data prior to scheduled release? confidentiality is major issue concerning data related to financial markets