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Evidence Submitted to the House of Lords Select Committee on Economic Affairs

David Henderson

1. I am currently a Visiting Professor at Westminster Business School, which is part of the University of Westminster. I have a similar appointment, though the connection is less close, at the London School of Economics and Political Science. I am here today in an individual capacity: I do not speak for any interest or organisation.

2. I greatly welcome this invitation to appear before the Committee today. I believe that the Committee's choice of subject is timely, and that it has opened up an opportunity for the Committee to make an important and distinctive contribution – indeed, a unique contribution - to public discussion and the conduct of public policy.

3. I have already sent to the Committee, by way of evidence, a short article of mine which has just been published in the quarterly Newsletter of the Royal Economic Society. The article is entitled 'The Treatment of Economic Issues by the Intergovernmental Panel on Climate Change', and it summarises the reasons why I and others consider this treatment to be at fault. In this present note, I would like to add three further observations to supplement what is said in the article. All of these arise from points raised in the Committee's first two meetings, which I attended as a spectator.

4. The *first* of my three headings is that of *peer review*. Sir John Houghton, in his evidence to the Committee last week, made the point that all the chapters in the four weighty volumes that comprise the IPCC's Third Assessment Report had been meticulously reviewed: he referred to the Report as having cleared 'the highest possible hurdles', including intergovernmental review. But sections of the Report which deal with topics in my own area of interest make what many economists and economic statisticians

would regard as basic errors; and in doing so, they have shown a lack of awareness of relevant and well known published sources. I would add that the same is true of documents issued through the IPCC process more recently, and also of material published not long ago by one of the IPCC's two parent agencies, the United Nations Environmental Programme. I believe that in its treatment of economic issues the IPCC process, including the intergovernmental reviews that Sir John Houghton referred to, is neither professionally watertight nor professionally representative. Building in peer review is no safeguard against dubious assumptions, arguments and conclusions if the peers are all drawn from the same restricted professional milieu.

5. It may be – though this goes outside my area of competence – that the IPCC peer review process is likewise under challenge in the debate that is now in progress about the validity of the famous ‘hockey-stick’ diagram which Lord Lawson referred to in the Committee’s first meeting, and which is prominently displayed both in the IPCC’s Summary for Policymakers and on the opening page of the British government’s recent White Paper on Energy. The Committee may wish to keep an eye on the debate, if only because of the weight that has been placed on this particular piece of evidence.

6. My *second* heading also concerns the issue of inclusiveness and representation. I was struck by a question that Lord Macdonald posed in the course of the Committee’s first hearing. He asked Professor Robinson whether he thought that there was scope for a different view from that of the IPCC, and if so, who would provide it. I would answer Yes to his first question. Through becoming a critic of the Panel’s treatment of economic issues, I have come to query the IPCC process in general.

7. By the IPCC *process* I mean the preparation and publication of the Panel’s Assessment Reports, the fourth of which, AR4, is now in progress. Work on these documents involves a small army of participants – authors, contributors, reviewers, critics and commentators. These make up what I call the IPCC *milieu*.

8. Both the process and the milieu are now firmly in place. IPCC member governments have shown no disposition to question or amend them in the context of AR4, and the new report is likely to bear a close family relationship to its predecessors. This official backing for the IPCC is understandable. Since it was established in 1988, the Panel has come a long way. It has successfully produced three massive and agreed reports, covering a wide range of complex issues; it has secured for these reports and their conclusions the endorsement of its many and diverse member governments; it has informed the thinking of those governments and prompted decisions by them; it has created, and gained approval for, a well defined set of procedures for conducting its work; and in relation to issues of climate change *it has become the sole source of information and advice that its member governments treat as authoritative*. Its many participants and outside supporters can argue that it has created a world-wide consensus.

9. This state of affairs leaves me uneasy. As to the economic aspects of its work, I hold that the IPCC should not be viewed as a professionally representative and authoritative source; and I have come to feel similar doubts and concerns about aspects other than the economic one. In particular, I share the concern voiced not long ago by a leading Australian climate scientist, Dr John Zillman, who was for many years a member of the IPCC Bureau. Zillman has expressed the view that the Panel has now become ‘cast more in the model of supporting than informing policy development’.¹

10. I would now question the idea that the IPCC has established a well-founded consensus across the whole range of issues relating to climate change, and indeed I doubt whether the achievement of such a consensus ought to be the aim. I have come to believe that the status that the IPCC has acquired, as an established monopoly provider of information and advice to governments, should be held in question.

11. My *third* heading relates to another pertinent question that was put by a Committee member in the Committee’s first hearing, namely, whether the British government could

¹ Zillman, J. W., *Bulletin of the Australian Meteorological and Oceanographic Society*, 2003, Vol. 16:85.

improve both the IPCC process and its own role within that process. Again, my answer is Yes. Further, I think that the Committee's report could help to bring about such a double improvement.

12. In relation to the economic issues, I hope that the Committee will inquire closely into the way in which these have been handled, and are being handled, not only in the responsible Department, the Department of the Environment, Food and Rural Affairs (DEFRA), but also in the Treasury and, in relation to one of the issues at any rate, the Office of National Statistics.

13. Among other aspects, it would be useful to know what these several departments have made of the criticisms of the IPCC's work that have been made by me and others. In the House of Lords last April Baroness Ribbleton, replying to questions posed by Lord Taverne and Lord Lawson, said that 'the views expressed by Mr Castles and Mr Henderson were considered extremely carefully both by the Government and by the IPCC'. The Committee could ask to see the document in which the results of the government's careful consideration were recorded. These results have not been communicated to me.

14. On the economic side, a prerequisite is that the Treasury should become more engaged. Both here and elsewhere, such an involvement on the part of economics and finance ministries is long overdue. As an article in *The Economist* put it, just over a year ago (8 November 2003):

'You might think that a policy issue which puts at stake hundreds of billions of dollars of global output would arouse at least the casual interest of the world's economics and finance ministries. You would be wrong'.

It is high time for this situation to change, and for central economic departments of state to give due attention to the IPCC process.

15. Fortunately, a straightforward means to this end is available. For the economic departments and agencies in the OECD member countries, an instrument is to hand for

their prompt collective involvement: it is the OECD itself. They should act now to ensure that IPCC-related economic issues are placed on the agenda of the OECD's Economic Policy Committee.

16. Finally, I would like to say why I attach so much significance to the Committee's inquiry and the report that will result from it, why I think that they could represent a breakthrough. Here I would stress two aspects in particular.

17. First, there is the British aspect. The Committee can throw much-needed further light on the thinking and procedures that have entered into both the British government's treatment of IPCC-related issues and the policy stance that it has taken on those issues. Because of its formal status, as also the standing of its individual members, the Committee cannot be ignored or brushed off by the official world, as outsiders can.

18. There is also a more general aspect. The Committee can do a great service to public discussion and enlightenment, not only in this country but across the world, by accepting and acting on a simple though admittedly contentious guiding principle. *It should treat as still open a range of issues which the IPCC and its member governments now consider as closed.*