

Shuman: Time to prepare Wyoming businesses for climate change

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October 3, 2019

How certain are you that climate change is a hoax? Climate scientists are sure that it is no more of a hoax than gravity or the link between smoking and lung cancer, but you may disagree. If you do, are you willing to bet your business that you are correct? Multiple free-market ideas exist to solve the problem, but only if we don't ignore it.

Keep in mind that Wyoming's average temperature keeps rising, up 1.5 degrees Fahrenheit since 1980. In the past 25 years, every year has been warmer than the average state temperature from 1900-80. Eight of the 10 warmest years have been since 1999, and the last decade was the warmest to date.

As similar trends play out globally, businesses have begun to feel the impacts. The U.S. experienced \$91 billion in losses caused by weather and climate disasters last year. According the Wall Street Journal, one large company, California's utility PG&E, filed for bankruptcy as a result, and the U.S. military has begun to face unexpected costs from sea level rise and storms.

The Bank of England, which oversees the British financial system, and large financial firms like Goldman Sachs now see climate change as a threat. They fear two major types of impacts. First, new costs and losses are coming from the physical impacts of storms, wildfires, crop failures, floods, heat waves and other climate events.

Second, as the world grapples with these physical challenges and increasingly agrees to move away from fossil fuels, many businesses will have costs related to the transition. Some costs come directly from lost sales or other reductions in business activity. Others arise indirectly from declining revenue from investment in carbon-intensive sectors. Some large investors, like the Rockefeller Brothers Fund, derived from the Standard Oil fortune, already see a fiduciary need to divest from fossil fuels.

In Wyoming, we don't talk about climate change because we don't want to face these "transitional" costs. We want to keep our energy sector strong. Our businesses and jobs, our schools and more (in my case, my job at the University of Wyoming) depend upon the revenue.

The problem is that the physical impacts are not going away. They are not imaginary. Our jobs and investments are exposed to risk.

We can learn from the geological past about the scope of impacts to come.

Envision for a moment all of Yellowstone covered by an ice cap at the end of the last ice age. Glaciers extended down into Jackson Hole. Ice draped from Pinedale to Dubois across the Winds and covered both the Bighorns and the Snowies. That was Wyoming when the world was just 6 degrees Fahrenheit colder than today, 3.5 degrees Celsius.

Warming of 6 degrees Fahrenheit melted all of those glaciers and converted once-barren ice-scapes into forests full of elk, moose, mule deer and more. The warming was so great that forests now grow in mountains well above the snouts of the ancient glaciers.

Some ice-covered places even became too warm and dry for trees. Go stand at Fremont Lake near Pinedale or Bull Lake near Fort Washakie. They were once glaciers. Now the ice is gone, replaced by water and sagebrush.

By 2100, without action, we can expect another 6 degrees Fahrenheit of global warming. We are not discussing a few modestly warmer years or the occasional extra fire, drought or storm. We are talking about a complete change in our natural resources, as different from today as the ice age, just warmer.

Now ask yourself again, is my business ready? Maybe you are willing to bet that I am wrong and not underestimating the problem, but we rarely succeed in facing dangerous risks by ignoring them. After all, as recently as 2010, coal seemingly had a bright future, and now all of the major players are bankrupt. With renewables becoming more cost-effective than natural gas and coal across much of the nation, more changes could be ahead sooner than we think. As a state, we need to prepare.

Like any other uncertain situation, we should consider what insurance plans we have in place. We could consider the solutions posed by former Republican Secretaries of State James Baker and George Shultz or Jerry Taylor, a former vice president at the libertarian Cato Institute, now leading the Niskanen Center. They foresee that free-market tools could be used to slow the changes, and pay for damages and transitions.

The changes will not happen instantly, but without any plan for action, they will just keep coming year after year. The rest of the world will not sit idly by and watch. They want to protect their private property and investments as much as we do. They are beginning to act, and their actions will move more and more away from a fossil fuel economy. Wyoming's businesses should grapple with that reality, and, as a state, we must plan for a different economic future.