BUZZ-ONOMICS

A CLEAR AND ACCESSIBLE GUIDE TO THE STORIES THAT MATTER

St Catherine's BRAMLEY

There could only be one topic for this week and that is the heat wave. One glance at the news highlights the disruption caused with cancellations, closures and travel problems. Is it possible to estimate a total cost? In Eco-week, will knowing the costs associated with climate change make it more likely we will adopt greener technologies?

At the time of writing Fortune had just run a story with the title "London isn't just calling (ask your parents what this is a reference to) - it's cooking". It then goes on to say that Europe's largest economies face over $600 billion in heat-driven losses by 2030.

Where do these numbers some from? One of the sources is research at the insurance company Allianz. They modelled how the most exposed European countries might be affected. The report describes extreme heat as a structural economic risk as heat stress events have multiplied sevenfold since the 1980s.

Adding to this is ageing populations, buildings designed to retain heat and underdeveloped cooling infrastructure. Roughly 1/5 of buildings have air conditioning in Europe compared with 90% in the US. For moderate temperatures there are some gains. Productivity (output per worker) increases and heating costs fall. But above a certain point costs start to rise. Output per hour declines (I am sure you have found it more challenging to work hard in the recent heat) and energy consumption rises.

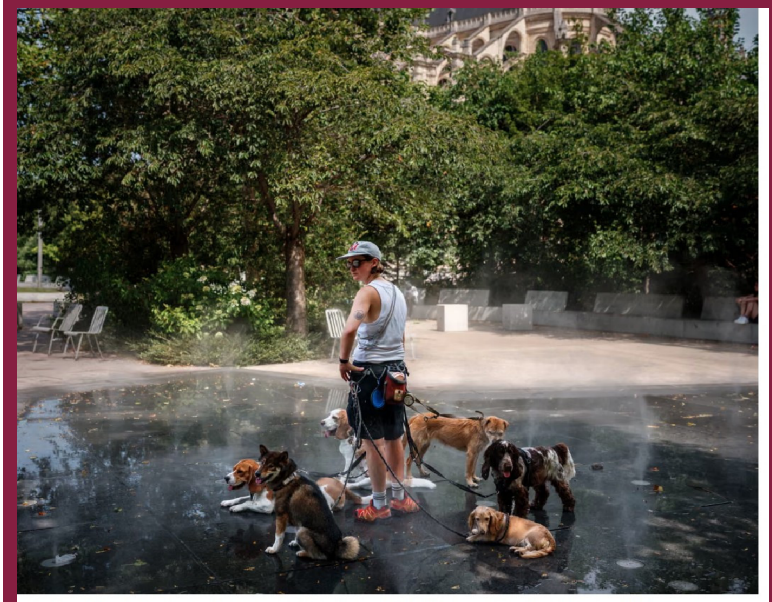
One report from the World Meteorological Organisation suggests productivity losses between 2 and 3% for every degree above 20 degrees C. As output falls so do tax revenues at exactly the same time as health costs are rising and infrastructure repair bills mount. Further reports (such as from Germany's University of Mannheim) discuss costs from drought and flood damage. As costs rise for business their willingness and ability to spend on investment and to hire workers falls.

According to Fortune, Europe is the fastest warming continent. One of the reasons is its proximity to the warming Artic. Europe also has the least resilience to cope. The bottom chart shows the possible impact on household incomes.

As if this wasn't problem enough, electricity prices have risen sharply partly in response to demand. There have been power outages across Europe and this has affected the price that the UK pays for imported electricity. Wind energy is problematic in these weather conditions and higher river temperatures are making it harder to cool nuclear reactors,

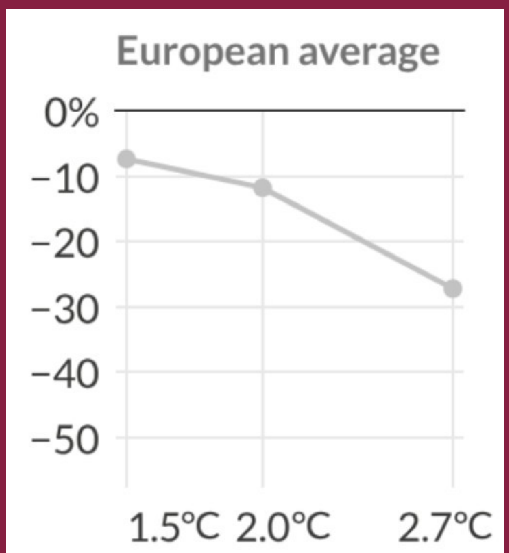


An extreme heat wave is sweeping across Europe.
MIKE KEMP/IN PICTURES VIA GETTY IMAGES



A dog walker treats her canines to a cooling mist fountain in Paris on Tuesday. Photograph: Dimitar Dilkoff/Getty

Estimated impact on household incomes with rising temperatures - source: Climate Analytics



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