



Economic impacts of Climate Change Part 2



Increase in Importation

Inadequate food production because of scarcity in water and poor land resources, lead to an increase in importation. This is clearly shown in the Arab countries, where cereals are consumed, the lack of land to grow these crops and the inadequate weather conditions mean that Arab countries depend on importation. As land becomes unsuitable for growing crops because of the changes induced through climate change the country becomes more dependent on imports. This will in turn lead to an increase in the price of goods.

The food price watch reported that global stocks of maize have never been so low. This is becoming worse because the increased drought is further reducing food production mainly in the United States. Food stocks in the US, the number one food exporter, are at the lowest levels in 30 years.



Increase in Insurance Premium

According to the Association of British Insurers (ABI), a rise in temperature will lead to an increase in insurance premium.

Using the risk modeling approach, ABI together with help from the Met Office in the UK, made models for a rise in temperatures of 2°C, 4°C and 6°C. ABI found that a temperature rise of 4°C, could lead to an increase of £633 million, in average cost of losses to insurers from damage caused by river flooding and flash floods. An increase of 4°C could happen as early as 2060. These predictions show that the insurance premiums will rise as a result of these regular extreme weather conditions.

Nick Starling, ABI's director of general insurance and health, said: 'These findings have serious implications for insurers, householders, businesses and governments.'





Climate change and poverty link

In a report written by Poverty Reduction and Equity group of the World Bank, it is noted that due to extreme weather conditions such as drought in some countries and extreme winter conditions in others, there was a decline in maize production. This led to an increase in prices and as a consequence put more populations below the poverty line.



Rising costs

Since June 2010, an additional 44 million people fell below the \$1.25 poverty line as a result of higher food prices.

Related links

http://www.worldbank.org/foodcrisis/foodpricewatch/april_2011.html

<http://www.ciesin.org/docs/004-046/004-046.html>

<http://www.telegraph.co.uk/finance/personalfinance/insurance/6498775/Insurance-premiums-to-rise-due-to-climate-change.html>

<http://www.businessgreen.com/bg/news/1800879/insurers-blame-climate-change-rising-costs>

<http://www.guardian.co.uk/commentisfree/cifamerica/2011/jun/28/climate-change-climate-change-scepticism>



Increase in Importation

In a scenario where the World Bank's Food Price Index increased a further 10% from the March 2011 levels, simulations show that an additional 10 million people would fall below the extreme poverty line ... a 30% increase is estimated to lead to 34 million additional poor people.

An increase in prices in one country could lead to an increase in prices in another country, due to importation. Scientists predict that an increase in the poverty headcount in affected countries in Europe and Asia could potentially lead to an increase in countries like Armenia and Georgia, as a result of an increase in food price.

There is also the problem that is caused by an increase in crude oil prices, having an effect on an increase in the use of corn, vegetable oil and sugar for use as biofuels, which in turn will increase the price of these products. Although an increase in crude oil prices has many factors, climate change plays an important part in the use of oil for transport of goods.



Increase in insurance premium year on year



Let us make the world a better place. It is up to us; let us take the first step