

Brainstorming about some crude modelling
results

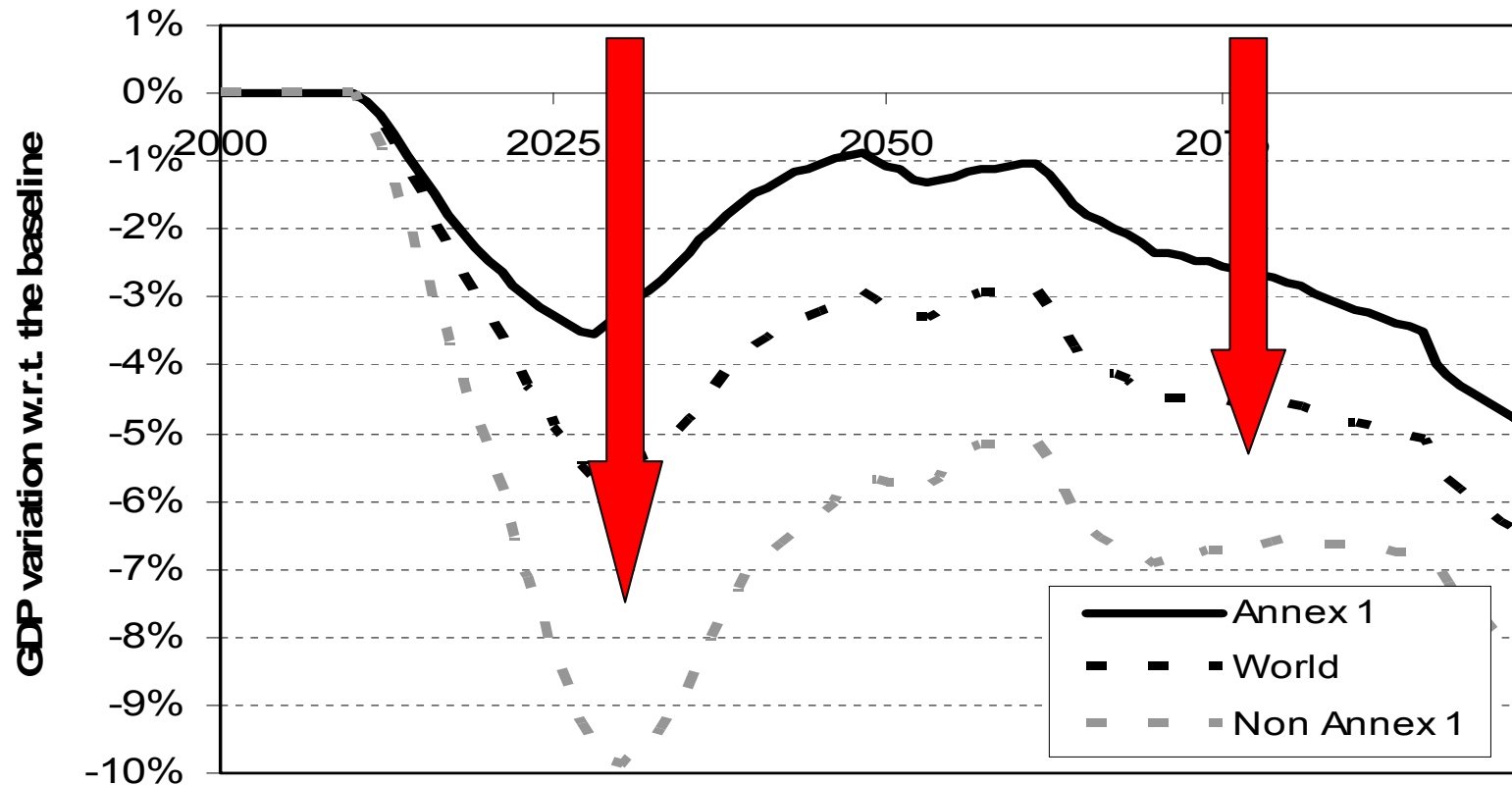
how to win the Confidence Game?

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The unique carbon price only policy a huge transition problem

(450ppm CO2 w/o biological sequestration)



At the roots of a pessimistic view

- An hybrid model IMACLIM-R incorporating
 - a growth engine with ETC and **disequilibrium**
 - explicit **technical asymptotes** (expert judgments)
 - a description of the **inertia of capital stocks** i.e. public infrastructures and private end-use equipments
 - « **rebound effects** » specifically in the transportation sector
- numerical experiments with « **semi-perfect foresight** » of energy prices for the energy sector, « **myopic foresight** » for the others
- Carbon price only policies -> necessity to **yell** in order to attract the attention of the **deafs in one ear**

Compensatory transfers for a 'fair' burden sharing?

- **Unrealistic amounts** (direct or through quotas allocation) to respect the BSL rule

Africa +8% of GDP

India +6% of GDP

CEI -4% of GDP (better-off thanks to gas exports)

Europe -1.2% of GDP

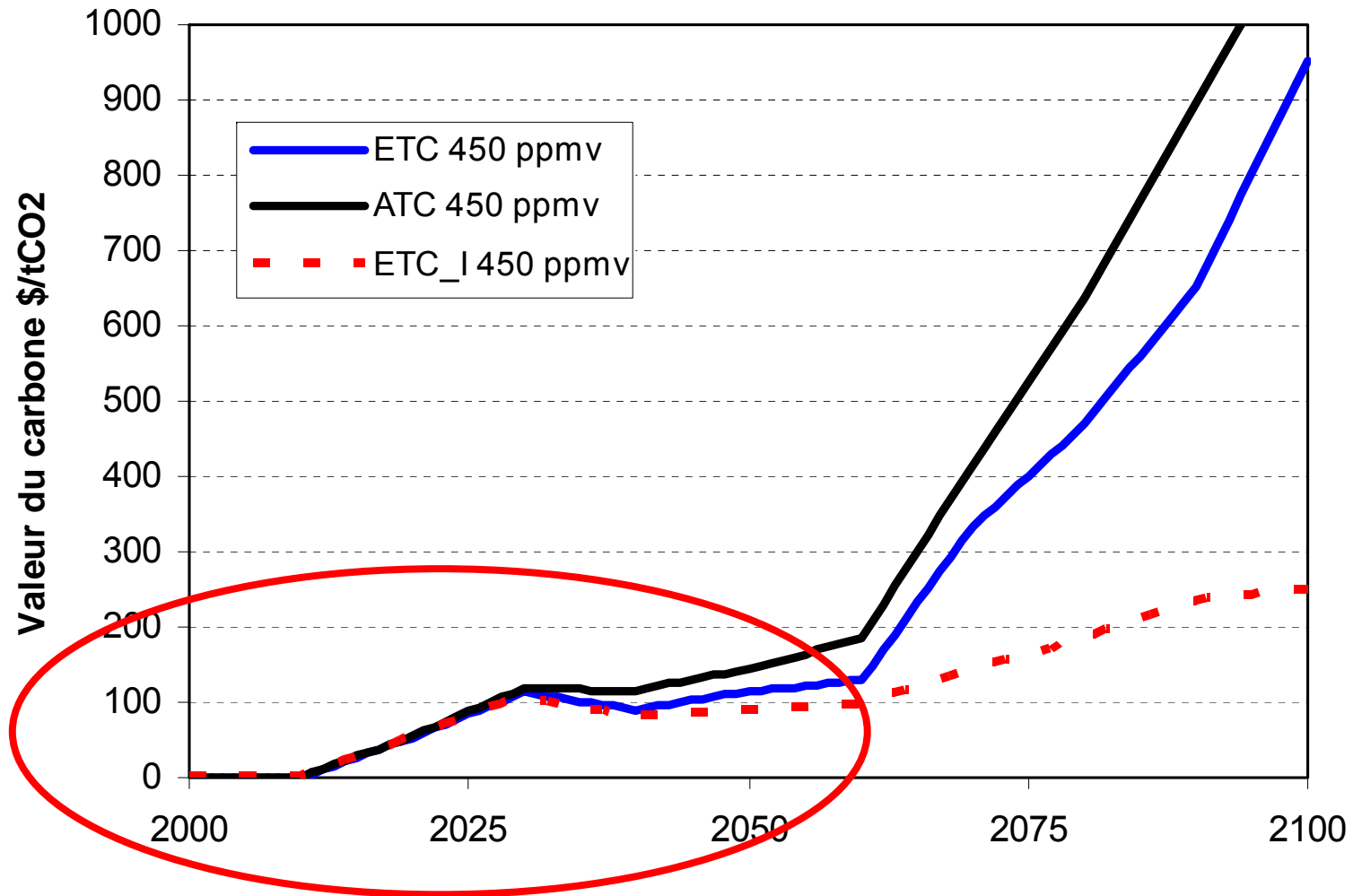
USA -1.7% of GDP

- **More than current (and past) ODA in an untimely timing**
- **and social risks of « manna from heaven » revenues**

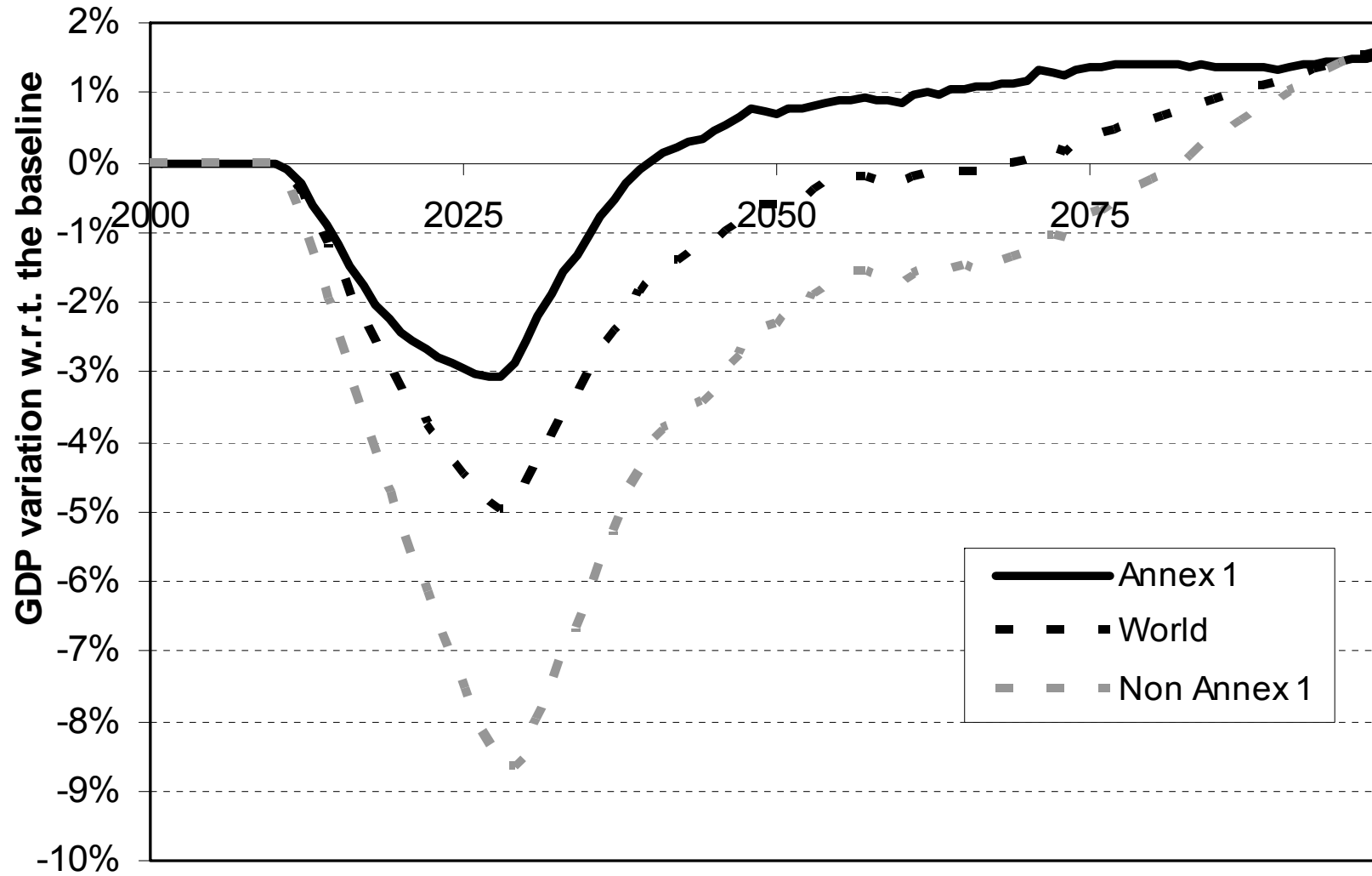
Negotiating fair targets a fair burden sharing or sth else.

- Climate policies may be **beneficial over the long run**
- **Need of early action to shift infrastructure investments**
- **but** uniform carbon prices (only) policies are **squeezed**:
 - **they hurt emerging economies over the short run** (when the carbon prices are low relatively low!!!)
 - Without preventing **risks of lock-in** in carbon intensive development pathways
- **Non negotiable « equity » of the burden sharing** and compensations (thanks for the « fairness » but)

A bifurcation towards an alternative pathway

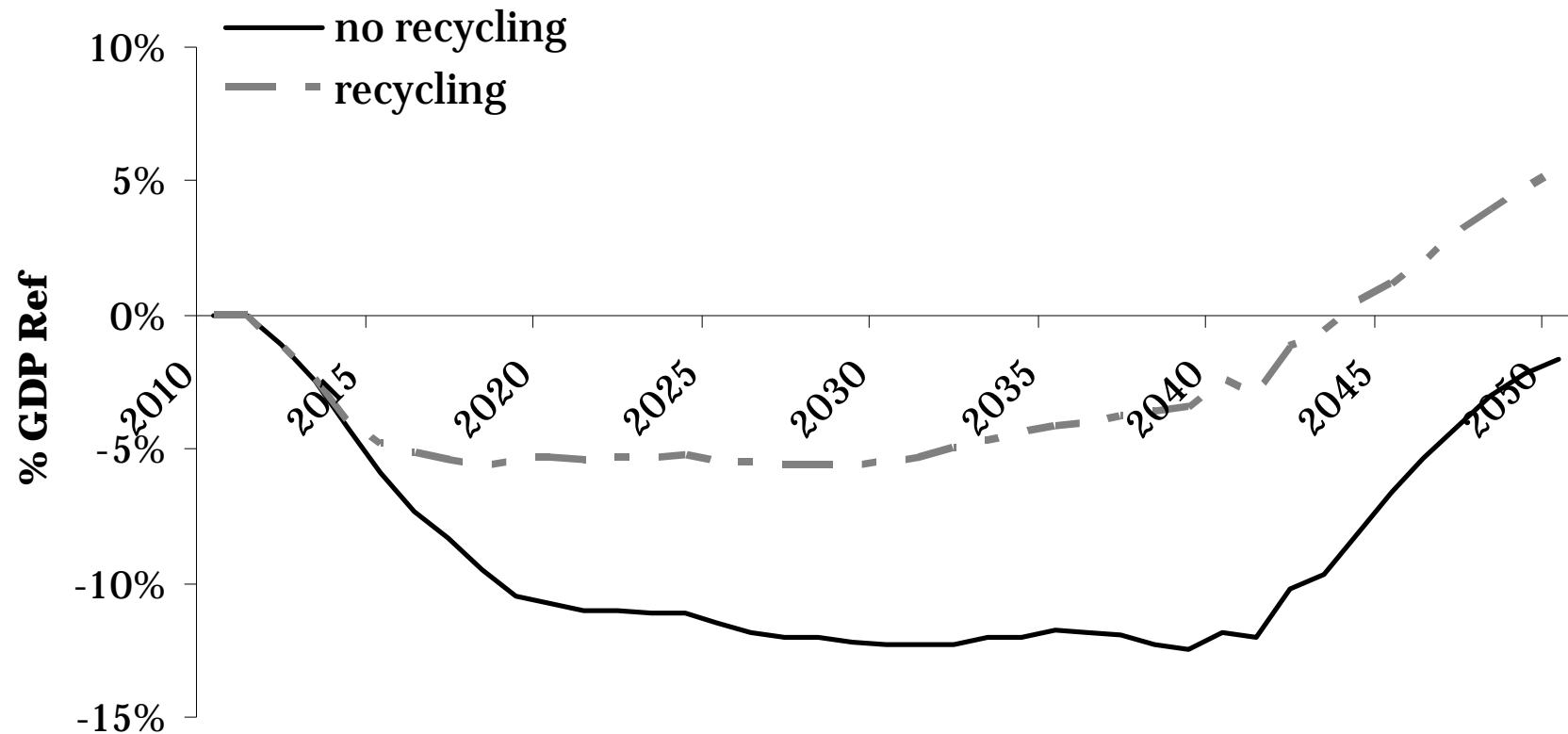


Reassuring end-points but still transition problems



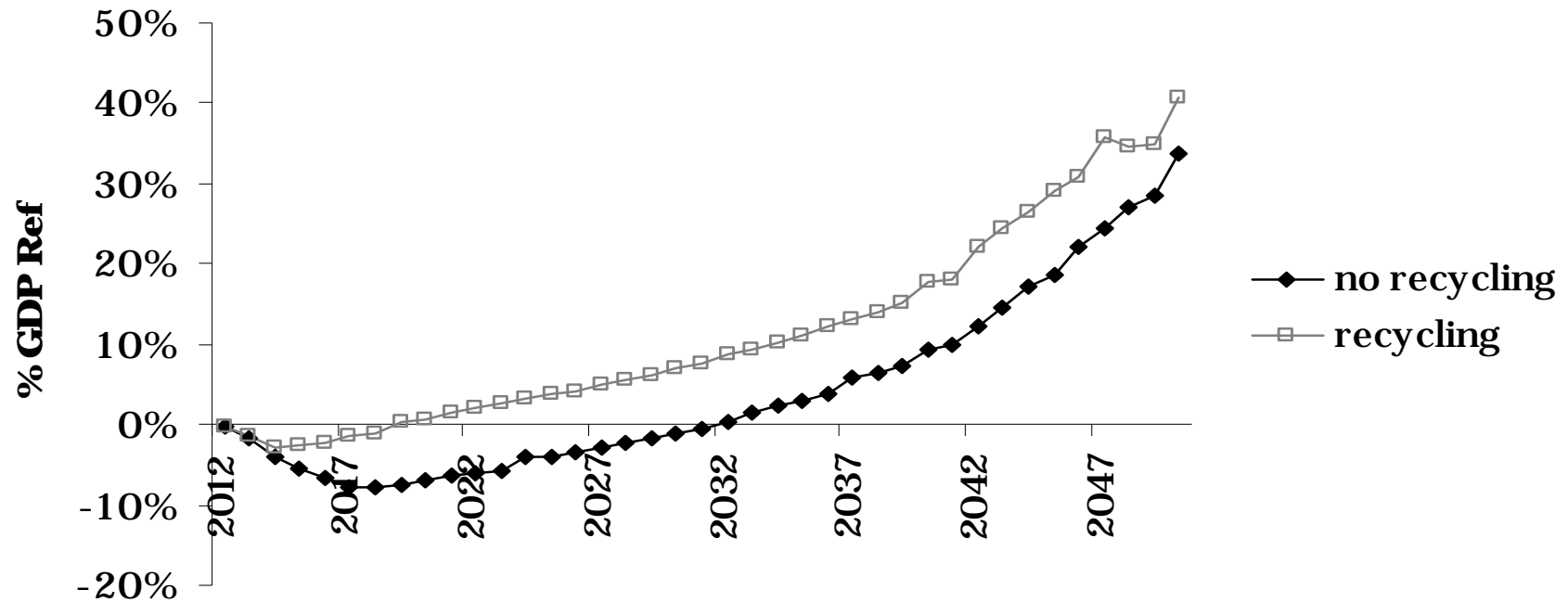
How domestic public policies can help the transition

non-OECD countries GDP variation Stabilisation 450ppm vs Reference (world tax)



Domestic policies and cap&trade ... what articulation?

non-OECD countries GDP variation ***Stabilisation 450ppm vs Reference*** **(quotas Contraction Convergence 2050)**



Aid or 'harnessing climate finance'?

- **Changing context for overseas aid** and funding
 - Decreasing amounts
 - Emerging countries \neq LDCs = **capital exporters**
- This **not** a problem of **capital shortage** but a problem of direction of savings (sovereign funds, pension funds ...)
- **Risk mitigation instruments** and public-private initiatives (from exchange rate risks to project risks)
- Upgraded monitoring and «**good quality money**»
- In search of a short term **macroeconomic leverage effect** and of calming down erratic capital flows

'Financial' crisis: a moment of opportunity?

- Towards a climate friendly « Marshall Plan »
 - Less export oriented industrial policies in emerging economies
 - A wider domestic market
 - An global 'spill-over effect'
 - a calming down of industrial competition through wages
- Climate regime and the reform of the international financial system
 - Socialisation of bad debtsin exchange of what?
 - « **social value of carbon** » as a way out the risks of the «**commerce of promises**»
 - and a way of **re-directing world savings**