TITLE: *The shifting international consensus on Climate Policy and added value of a recast wave of evidence in the new political economy* ”

-DRAFT VERSION-

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Background and issues to be adressed: Why, not less, but **more and new, climate policy evidence is needed**

- Are we to substitute – actually increasingly climatosceptic- politics to science or are we in need of more and better evidenced climate policy in the current fragmented political economy?

- Which limitations should primarily the economic analysis should overcome to contribute towards this objective?

- Any first tangible early insights of this recasted evidence-making approach on sight?
- !Tentative rerplys to follow, don't necessary reflect the positions of any national on international Institution I'm affiliated to!

Outline:

- I. Some rather unanticipated trends and challenges along the ‘long and winding road’ towards ‘Paris’ climate goals, in focus here mainly renewables delployment(a) and green transition induced distributive costs(b).

- II. More pronounced economic impact of climate change, as we deviate from the Paris ‘1.5 threshold’, puts ‘conventional’ economic climate evidence in doubt. This crossroads entail important implications, primarily on the magnitude of economic cost(a) and even more importantly on blind-spots on our modelling practices, in particular ‘tipping points’ of non-linear and potentially massively disruptive mega-disasters(b).

- III. Some glimpses of good practices in the modelling practices internationally: pave the way for a more thorough reexamination of emerging topics in the current fragmented global political economy, including in particular the cost-effectiveness of specific policy-mixes in synergy (a), the ‘black box’ of cross-national spillovers from increasingly unilateral climate paths (b), ultimately the new governance guidelines for advanced climate policy (c).

I)A ‘long and winding road’ towards ‘Paris’ goals: business against politics AND anti-green transition backclash?

- Contrary to conventional wisdom and the rather top-down ‘euphoria’ or the Paris-agreement momentum, there are rather unforeseen and asymmetrical breakthroughs on our way towards our common “Paris” objectives.

- ‘Good news’, business vs politics: The ‘green energy revolution” against… all odds, if fully underway according to International Energy Agency. Renewables deployment overshades rather timid early expectations, global capacity expected to more than double by 2030, as technology costs drop considerablyand important segments of markets in most developed economies are in a full de-risking momentum vis-à-vis clean energy. Driven by solar energy, electrification paves the way for a more viable and secure energy system, on the condition of appropriate public policy management. Important forward-looking lesson: Public Investment, for the most regional level one, is critical as initial costs are high!

(con) A ‘long and winding road towards ‘Paris goals’ : business against politics or anti-green backclash ?

‘Bad news’: Distributional impact of poorly managed green transition undermines policy support and trust, especially as ost-of-living crisis price pressure push upfront capital pressures to poor to median households.

Especially in the EU, evidence shows that on top of persistently high energy costs especially for Southern and Eastern average cohorts, workers employed in high-polluting occupations face higher displacement risks than workers in non-polluting occupations with some research estimating 20% higher odds of unemployment. On top of fossil fuels vested interested, there are clearly winners and loosers of the green transition!

All in all, it is well founded to assess that constantly high upfront investments to capital for large parts of the population to adjust housing renovation or mobility transition in the absence of appropriate public policies, exacerbate populistic and anti -green transition, even extremist sentiments.

- We are in full doomed inside the gloomy, dystopic, existentially threating word of Hokusai…



II)Climate policy ***evidence and policy*** at the crossroads!

- The increasingly widening gap between the ambitious objectives of the Paris Agreement and the actual progress in implementing climate mitigation policies within the current international macroeconomic and geopolitical environment, underscores the essentially unmet need for a revisited evidence guiding ambitious and effective climate policy as the '1.5 threshold' seems more unattainable than before (IPCC/UN).

- This priority and critical contribution of step-by-step generationg a new wave of evidence for present times climate politics echoes the famous Keynes reminder that we should never forget about how vital is our role and impact as policy –makers and academics for the real economy as well as the 'average citizen'.

John Meynar Keynes (abundandly cited but less studied in his complexity as the first system thinker in modern economics)

- *"The ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist."*

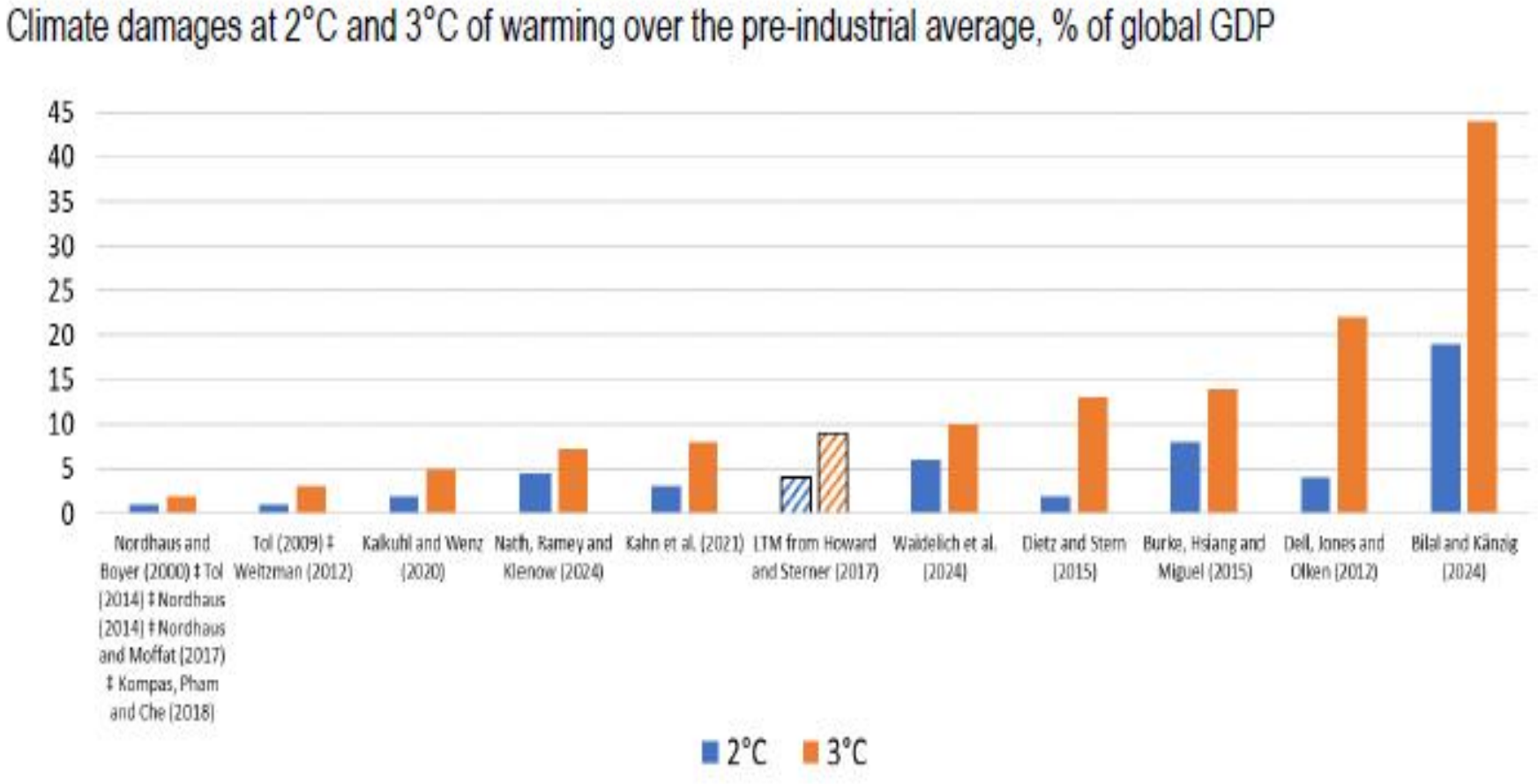
- An explicit choice for this lecture: Instead of an exhaustive reference list and economic graphs that I will do my best to fully skip, I pick just 3 key publications to be mentioned here:

- Nicholas Stern, *The Growth Story of the 21st Centrury: The Economics and Opportunity of Climate Action* (2025)
- Jean Pisani-Ferry, *The Economic Implications of Climate Action* (co-authored with Selma Mahfouz) (2023)
- Adair Turner, *Abundant clean energy for all*, LSE Global School of Sustainability, January 28th (2026)

(con) Climate policy ***evidence and policy*** at the crossroads!

- While IOs increasing address the intrinsic limitations of classical ‘ (William) Nordhaus’ consensus on climate economics – essentially a classical exogenous growth model pointing towards a moderate to marginal climate-induced economic fall- we are yet to fully grasp a more or less coherent “post-Nordhaus” paradigm and its contours.
- This implies not undermining but updating/going beyond the core finding that the *economic and wider welfare benefits of an orderly implementation of decarbonization policies (high road to Paris) exceed those associated with a “no policy change” (business as usual) scenario,* as by now, in face of novel and emerging uncertainties accentuated as deviate from the ‘Paris’ commitments, the economic losses exceed those foreseen by previous ‘paradigm’, and opportunity costs are critical in the timing horizon. Typically ‘irregularities’ include ‘tipping points’ of non-linear consequences, mega ‘Ell Ninyo’ type climate disasters entailing non-anticipated but economic losses of massive scale and magnitude.

Severe deterioration of climate cost after ‘Nordhaus consensus’ OECD (2025) updated projections



(con)Climate policy ***evidence and policy*** at the crossroads!

- Instead of supporting an ambitious, plural and political economy minded research agenda narrow minded disinformation and climate denialism that actually is in the process of undermining or even dismantling the very foundation of 'collective intelligence' and administrative expertise, to mention here US Environmental Protection Agency (EPA).
- The challenges to 'conventional wisdom' concern not only the objectives themselves, reflected in growing strands of "eco-revisionism," but also the methodologies used to assess a new green growth agenda: the persistent uncertainties surrounding the green investment gap (EU:Dhraghi Report) according also to the EU Draghi report but, most importantly, its beformentionned the high distributional consequences at both local and global levels.
- These 'irregularities' but shed light on how in retrospect its policy use has been marked by the exclusive focus on pricing market externalities, underestimating by much the range of market-failures in place. In the case of the EU, the sole reliance on ETS and CBAM alone, while more than legitimate instruments, can hardly compensate economically the lack of a wider coordinated investment plan for EVs, grids and batteries, dispite on going steps in this direction. In the absence of a EU global 'green business protagonists', we encurr the risk of conceeding vital exporting margins to China, in the global competitive and 'weaponizing' also energy interdependencies, arena.

III. Towards a recasted climate policy economic evidence : innovative modelling practices

- We need Nordaus-type rigor beyond its times, so that contribution of economic analysis can fertilize this new multidisciplinary evidence we need in the current juncture.
- In economics a way forward is more integrated modelling gradually merging enhanced climate policy scenarios to computable general equilibrium protocols instead of purely exogenous green sensible typical standard models.
- Promising practices:

-ECB also BoG new analysis, according to the *Network for Greening the Financial System* project that a series of extreme climate events could cause euro area GDP to fall by up to 5% by 2030 – a downturn similar in magnitude to the economic impact of the Global Financial Crisis on top of severe inflationary pressures. To the contrary a 'steady road' towards Paris aggreement commitments would lead to a amazingly more manageable 0.5% contraction of global economic activity by 2030, on average.

-OECD ENV Links model and the standard OECD long-term model, in synergy are to contribute novel evidence for IFCMA/OECD

- ! pluridicsiplinary systems thinking is more than needed!

(con) Towards a recasted climate policy economic evidence: OECD/IFCMA

- We lack a systematic DB at the delivery level on synergies across the specific policy instruments, like economic and tax vis-a-vis regulatory incentives or 'labelling'. What is more, a rigorous evidence on how effective these policy instruments are in the very regional/national level. This is the 'groundfloor' of the IFCMA/OECD ambition

- While most global business players and regulators at least in principle agree on GHG reductions, we don't possess sufficiently and reliably interoperable protocols across the, in many cases, very dissimilar carbon intensity metrics methodologies. This 'stepping stone' of confidence in difficult negotiations, constitutes the most publicly pronounced deliverable we work upon at the IFCMA.

- Last but not least: while heading more and more towards increasing unilateral climate adjustments, we are only now systematically cooperate among different agencies and IOs on model-based evidence about the 'black-box' international spillovers of national policies on climate, economy and technology, at the core of our on-going IFCMA deliverables. While negative spillovers ('carbon leakage' type) are clearly on the spot, potentially positive spillovers, like those induced by enhanced regional cooperation, could be more accurately assessed for the policy-makers in terms of economies of scale but also more broadly on emissions, energy security and tech diffucion, combined.

(con) Towards a recasted climate policy economic evidence: Climate Governance

According to World Bank who has provided consistent field work on climate governance:

-Climate change has to been recognized as a governance failure, as much a market failure one.

-Insufficient accountability, for instance in the case of Thessalia floods, erodes public trust and increases negative trade-offs and economic disruption in the local supply chains.

-As a good practice, responsive to natural disasters Administrations are on the way to integrate adaptation and resilience into public investment management, asset management and public service delivery systems. They can ensure that public assets meet appropriate standards and agency-level plans are in place to prioritize services, emergency repairs and recovery activities when disasters strike.

(end) whole of government and sustainability at the core of economic strategy planning

- Finance Ministries need to scale up their engagement with climate policy and play a strategic role moving to the ‘front seat’ in integrating climate targets into national and sectoral planning. Coalition of Finance Ministers for Climate Action provides valuable guidance in this respect
- Building climate-sensitive macro-analytical capacity is a priority being advanced also by the EU in our new Economic Governance.
- Decarbonization is not just an envinoment imperative but is increasingly being viewed as a competitiveness asset, as reflected in the EU ‘Competitiveness Compass’.

Adjust our sails to navigate the ‘high tide’: Tentative conclusions and open questions

- We are in need of more and innovative cutting-edge evidence guiding climate action in the new fragmented political economy. No easy answers, no short-cuts, just a new research agenda to adress complex questions for the policy-maker!

- A ‘whole of government’ approach is key to deliver on multiple objectives of growth and equity enhancing, delivering affordable growth for business and consumers and addressing the lack of trust in Governments. The question remains if beyond the political vision, there can be the necessary fiscal space to maintain momentum and green-friendly fiscal space as we rushing towards a ‘weaponized’ global economy!

- A post-classical integrated foresight in-the-making paradigm can provide a moderate yet reliable contribution towards the new generation policies we need, building on more transidciplinary strategic approaches and future oriented system analytics.
- !very much looking forward to the HSSS 2026 we launch today!

Thank you for your attention and at your disposal for Q&As!