CLIMATE ACTION, REALLOCATION, AND STRANDED ASSETS

DISCUSSION BY

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LAWRENCE (2023): SUMMARY

• Review of the evidence on the impact of the green transition on jobs and workers.
• Evidence and policy actions of the US and Europe.
• Big takeaways:
  • Employment effects small in the aggregate
  • But significant adjustment costs, especially for lower skill workers, and the communities where they live
  • EU has much more funding for a just transition than the US
• Hopeful elements in the US (Curtis and Marinescu, 2022):
  • Wind & solar jobs defined by the specific skills required by employers in their job ads
  • Wind & solar jobs have same education requirements as other jobs
  • Approaches based on ONet occupations more likely to find green jobs require higher education.
  • Wind & solar jobs are created in higher-paying occupations (+21%), and the occupational premium is highest for jobs requiring high school education or less.
  • Wind & solar jobs more likely to be located in counties with fossil fuel production.

• Lower skill workers and their communities: lower resilience, higher risk.
LAWRENCE (2023): LEARNING FROM POLICIES TO SUPPORT AFFECTED WORKERS


- Additional policy tools:
  - Wage insurance
  - Early retirement subsidies

- Small number of directly affected workers => low cost of targeted support.

- Flexibility: workers don’t have to go into green jobs.

- What do we know about the effectiveness of EU’s funds?
HALLEGATTE, MCISAAC, DUDU, JOOSTE, KNUDSEN, BECK (2023): SUMMARY

- Macro model suite to project the trajectory of Turkey’s economy during the green transition under different scenarios.
- Part of a multi-country initiative.
- Model blocks:
  - Step 1: technical model at the sectoral level
  - Step 2: general equilibrium economic model  CGE MANAGE
  - Step 3: fiscal adjustment model
- Key results on green transition in Turkey (relative to business as usual):
  - Increase growth
  - Increase aggregate employment, but reallocation frictions reduce growth
  - Progressive welfare impact: increase consumption for poor, decrease for rich
HALLEGATTE, MCISAAC, DUDU, JOOSTE, KNUDSEN, BECK (2023): SOME QUESTIONS

• Positive effects of green transition on growth depend on:
  • Current market inefficiencies => opportunity for efficiency improvements with the transition. Which market inefficiencies are most important?
  • No crowd out effects: investment in the green transition will not significantly crowd out other investment. Requires increase in saving vs. consumption. Welfare effects? How does policy design affect this?

• Growth effect of green transition is more negative for low income countries:
  • Why? What are the policy implications?
HALLEGATTE, MCISAAC, DUDU, JOOSTE, KNUDSEN, BECK (2023): ROLE OF A CARBON TAX

• The modeling relies on a carbon tax.
• In Turkey, there’s currently no carbon tax but a high tax on liquid fuels.

• Carbon tax can be politically challenging:
  • Anderson, Marinescu, Shor (2023): in the US, carbon tax is thwarted by partisan polarization, whether it finances a dividend or green investments
  • Gilets jaunes in France illustrated popular opposition to a carbon tax even when gas taxes are already high. Opposition driven by anticipated adverse impacts (Douenne and Fabre 2022).
  • See Fabre and co-authors on international attitudes toward policies.

• If carbon tax dividend used for dividends: design policy to automatically provide household support even as decarbonization occurs. Use model to simulate scenarios.
Would be interested in seeing more scenarios and outcomes using the models:

- Welfare effects: what are the effects of different policies on different worker types?
- Consider country-specific policy proposals. Web widget may be useful to allow a broader public to do scenario planning.
CONCLUSION: FACILITATING REALLOCATION

- Micro evidence on policies that support workers during green transition:
  - Labor reallocation
  - Income support
  - Political economy
- Incorporate these policies into macro models: menu of policies.