Main points

• A just energy transition needs a lot of policy space:
  • the return of industrial policy is a hopeful sign but there is no one size fits all

• Advanced economies must accelerate decarbonisation of their energy systems developing countries require more detailed plans

• Scaling up energy investment should begin in the public sector
  • The financing challenge is the single biggest obstacle
  • crowding-in private investment requires reinvesting profits

• The energy transition is a macro policy challenge
  • Enlarging fiscal space and policy coordination

• Getting the state right
Public banking redux?

Revival of public banks
- A clear mandate: policy-based loans, subsidized, targeted and guided to clear objectives
- Reliable and adequate capitalization; broad-based, long-term funding
- A network of institutions and integrated policies
- Performance monitoring
- Transparency and accountability

Sovereign Wealth Funds
Credit Rating Agencies

Rethinking Central Banks
- Expanded mandate; new risks but also role in managing structural transformation
- Adding climate risk to macro modelling
- Prioritising low carbon investments in their regulatory role
- Green QE

Network for Greening the Financial System
ECB? “whatever it takes” to avoid climate catastrophe
Macroeconomic elements of a Just transition

*Income redistribution*; a rising wage share

*Increase of public spending* inc an industrial and environmental transformation (industrial policy)

*Progressive direct taxation* and revenue from more activity

*Private investment* push responding to aggregate demand stimuli and targeted support

*Increased domestic credit and international financial flows*

*Reductions in energy intensity of output*,

*Changes in the composition of energy production to reduce CO2*

Global, and especially South-South *policy coordination*

Assuming an effective degree of international policy coordination (including South–South cooperation), it seems realistic to envisage that a policy package consisting of redistribution, fiscal expansion and state-led investment push will yield sustained growth rates of GDP in developed economies at 1–1.5 per cent above current patterns. For developing economies, excluding China, the growth rate increases above the projection of current patterns may be between 1.5 and 2 per cent per annum. Growth above the baseline in China may be more moderate, close to an increase of about 1 per cent per annum.

Based on current trends in employment creation, a successful global growth strategy of this kind will increase employment by approximately 26 million jobs in developed countries and 146 million jobs in developing countries (40 million of which would be in China) by 2030...a globally coordinated strategy centred on state-led investment and social spending would have a substantially larger impact than projected here, thanks to the expansion of service employment.
A plausible configuration of fiscal policy

Government spending in goods and services, 2000 - 2030
[constant PPP USD 2005; per cent annual growth]

Total tax revenue, 2010 - 2030
[constant PPP USD 2005; per cent annual growth]
Changes to approach the ‘green’ targets

- Production of non-carbon energy (MTOE)
- Production of carbon energy (MTOE)
- CO2 emissions (gross, Mn tons)
- Energy intensity of global output, 1970-2030

[Charts showing trends over time]