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 corrdination

- 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 CO_2

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.

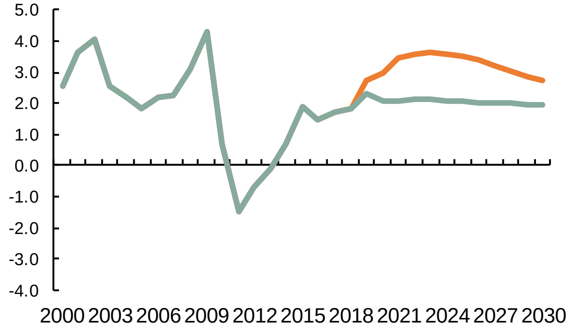
Based on current trends in employment creation, a successful global growth strategy of this kind will increase employment by approximately 26 million jobs in developed countries and 146 million jobs in developing countries (40 million of which would be in China) by 2030…a globally coordinated strategy 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

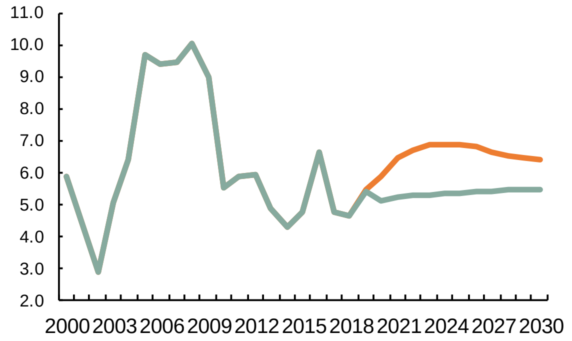
Government spending in goods and services, 2000 - 2030

[constant PPP USD 2005; per cent annual growth]

Developed Economies



Developing Economies

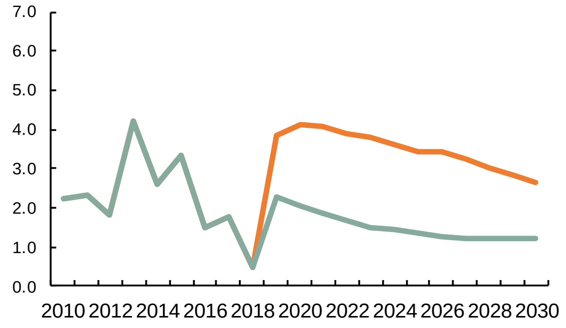


No policy change   Global reflation

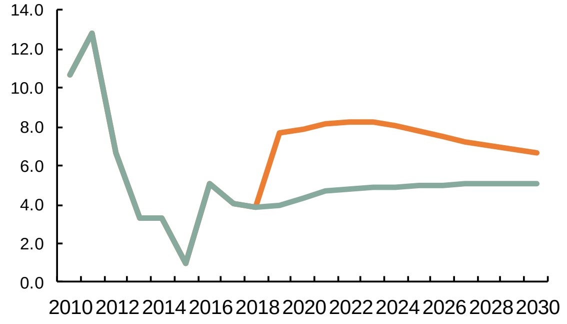
Total tax revenue, 2010 - 2030

[constant PPP USD 2005; per cent annual growth]

Developed Economies



Developing Economies



No policy change   Global reflation

Changes to approach the 'green' targets