

Tim Phillips [00:00:00]:

In a VoxTalk's Economic special today we're announcing a new program area for CEPR. COP 28 has just concluded, and every COP now demonstrates both the urgent need to devise policy is that will shape the future of our planet and the people who inhabit it, but also the difficulty of implementing those initiatives. That's why CEPR is introducing climate change and the environment as its latest program area. Mar Reguant of Northwestern will be leading, and she's bravely taking on the task of weaving together common threads from our existing program areas and research policy networks, many of which, are of course, already deeply engaged in these problems. So at the CEPR Paris Symposium 2023, I had the opportunity to catch up with Mar, and also with Beatrice Weder di Mauro, president of CEPR, to find out about their plans for this program area. I began by asking Beatrice whether she was encouraged by the outcome of the recent COP negotiations.

Beatrice Weder di Mauro [00:01:20]:

Well, it's very hard to be encouraged by this COP. We have 100,000 people flying into the desert, but what comes out of it is not a strengthening of our commitments and ambitions, which would be the absolutely necessary response. So it's hard to be encouraged.

Mar Reguant [00:01:38]:

I was not expecting much out of it, so maybe I cannot say I was disappointed. But yet again, it confirms that there's something utterly flawed in how these negotiations are working that doesn't seem to deliver what we need. As of now, we continue not only to not decrease our emissions, but to increase them, maybe at a slower pace, but we are absolutely going in the wrong direction.

Tim Phillips [00:02:03]:

So what is going wrong? Why are we going in the wrong direction?

Beatrice Weder di Mauro [00:02:06]:

Ultimately, it's a very, very hard thing. We know that if we wanted to really stay below the 1.5, the remaining carbon budget is ridiculously small at this stage. It was 300 gigatons if we wanted to stay with high certainty three years ago. So right now it's probably 150 gigatons, and we are using up about 40 per year. I'm talking CO₂ only. So it is becoming obvious that is a very, very narrow window. People have already implicitly given up on the 1.5, and so they give themselves implicitly a bit bigger carbon budget, but it's still a limited carbon budget at the world scale. So

anybody who uses a ton anywhere is deducting from that. The actual problem is we are not all in one boat. We have a common carbon budget, a common planet and a common atmosphere, but we are using it up at very, very unequal rates. And the agreement that we have that everybody would go to net zero within a certain time are being not respected.

Mar Reguant [00:03:12]:

There is also a difference between what's agreed upon and what the actions of governments reflect. So, first of all, what's agreed upon is underwhelming. It's not enough. But on top of that, what governments are actually doing is even less. So if we look at some of the commitments that these countries have, they should be consistent with a stop in new fossil fuel projects. And yet with their commitments, which are insufficient, they are still expanding fossil fuel. It's not even consistent with what they said they would do. And if we take the carbon budget seriously, they should do even more. So, not only the agreements are not very good, but the actions after the agreements are also not at pace.

Tim Phillips [00:03:56]:

So what can CEPR do about this? More relevantly, what has CEPR decided to do about this?

Mar Reguant [00:04:03]:

Well, if you think about our research community, finally, we are growingly aware that this is a huge problem and a problem of our times, not our children, grandchildren, great grandchildren, which used to be kind of a way to delay a little bit thinking about the tough questions. So I think our research community is growingly writing on the topic, doing research about the topic. So we collected all of what our network was doing, and there's already a lot. We are now trying to put out a climate change and the environment program that will bring all of that effort together, as well as bringing new people who are already thinking about the problem but maybe are out of our network. Up to now, we had not explicitly developed the program. However, we did have very successful RPN initiatives that were reflecting some of the climate challenges. But the goal is to reflect it even more and bring the community together around this huge problem.

Beatrice Weder di Mauro [00:04:57]:

It's important for listeners to understand that CEPR is organized into our big, big tankers. Those are the program areas like monetary economics or public economics. They collect a large number of our fellows who do research jointly or individually, but through the CEPR platform, collaborate and disseminate. And the RPNs, I think of them more sailing ships. They are more topical, more agile, smaller groups of people collaborating on a certain topic. So we've had two

RPNs, one on sustainable finance and one on climate change. But it is now time to go for the big full monty and establish a climate change and environment program area. And Mar has kindly agreed to lead this effort. Just looking across the existing program areas, we see that a lot of people in trade, in finance, in macroeconomics, in development economics, everywhere people are engaging with climate at the research and policy level. But we have so far not had a platform to collect this more and make it visible. And of course, encourage even more research in this area.

Tim Phillips [00:06:06]:

Because this is now a problem that cuts across every area of economics. You are seeing innovative research in all sorts of economics specializations. Is it important to be able to bring that together with a consistent voice?

Mar Reguant [00:06:21]:

It's a systemic problem that affects every aspect of our life. I am an IO economist, so if I focus only on markets and firm behavior, I might be missing the health impacts that climate change is having, which should affect how markets are designed. I might be missing the political economy constraints on how you can design markets. So for a long time, as more kind of market oriented economists, we have been proposing how the market should be. Guess what? It cannot be that way. So we need to bring in political economists that can give us some insights on what's the difficult tense between different countries, different geopolitical interests. That's just an example, but basically it cuts across every single discipline. Just giving you one example.

Tim Phillips [00:07:17]:

CEPR does have history in responding to global events, most recently when Covid-19 was the crisis. Then you mobilized your network of economists and they produced an enormous amount of research, made a huge impact on it. Is this the sort of activity you're looking for now? And is this the sort of challenge by which a network like CEPR should be judged?

Beatrice Weder di Mauro [00:07:39]:

It's so much bigger even than the very large CEPR network, because we need to be integrating not only economics and finance, but we also need to be integrating science. And we have the challenge of global governance. But in all of those areas, having some of the best minds in the world thinking about solutions, the hope is that it will help.

Mar Reguant [00:08:04]:

It's absolutely an emergency, but it doesn't feel like one, like Covid, where your life completely stopped. As a researcher, you completely reprioritized everything in your life. So it was easy to take, okay, these three, four months, I'm going to just think about Covid. How can I contribute to it? Climate change is an emergency, but it's an emergency that's here to last. So it really requires you to reorient yourself as a researcher. More broadly, we are trying to attract talent for a much more sustained, long run effort of reshifting your entire research agenda to fix this problem.

Beatrice Weder di Mauro [00:08:41]:

One thing that worries me a lot is that the distributional issues that lie below this emergency are just enormous, both in terms of who's causing it, in terms of who is going to suffer from it, and they are very different regions in the world with very different responsibilities and also impacts. But let's face it, there will be some regions of the world where climate change is not so bad and their incentives are not the same as the ones where climate change is really hitting strongly. So it's unfortunately not the case that we are all in one boat, which means that we have to take redistributional issues very seriously, not only at the national level where the yellow vests have driven that home totally. In France, you cannot talk to anybody about climate policies without also mentioning the most vulnerable to these climate policies, but at the global level, we do not have that automatic reaction.

Tim Phillips [00:09:36]:

So anyone who's listening to this, and they're a researcher and they want to be involved, they want to contribute more. What should they be doing now? How should they respond to you setting up this program?

Mar Reguant [00:09:48]:

Well, first of all, follow our activities. Submit papers if they are producing research in climate, if they are not producing research in climate, but they really want to start doing so. I think following our discussion papers could be a good place to start, maybe trying to attend some of our activities. We have plenty of public webinars, we have plenty of conferences. So I think getting involved, even if they don't know where to start, might be a good place to begin.

Beatrice Weder di Mauro [00:10:17]:

I fully agree with Mar.

Tim Phillips [00:10:19]:

Okay, well, it is the challenge of this age, and so thank you for meeting it.

Tim Phillips [00:10:25]:

Beatrice, Mar, good luck.

Beatrice Weder di Mauro [00:10:26]:

Thank you.

Mar Reguant [00:10:27]:

Thank you, Tim.

Tim Phillips [00:10:37]:

This has been a VoxTalk from the CEPR. Subscribe on your podcast platform so you don't miss an episode, and you'll also find clips and links if you follow us on Instagram at VoxTalks Economics. We're going to continue to feature the problems created by climate change and potential solutions to them, but I'll just highlight two recent episodes that featured today's guests. First of all, Defusing the Carbon Bombs. That was an interview I did in June 2022 with Mar Reguant and also Rick van der Ploeg and Climate and Debt from October 2022, an interview with Ugo Panizza and Beatrice Weder di Mauro. Don't miss Beatrice's latest column on VoxEU. It's called Climate and Conflict: Why COP needs to be reformed, and it was published on 28 November 2023.