



Aude POMMERET (USMB, IREG),

Confronting the carbon pricing gap: Second best climate policy

Confronted with political opposition to the implementation of efficient direct carbon pricing, climate policy relies on alternative policy interventions, such as subsidies to renewables. This paper uses a dynamic macroeconomic model under a carbon budget to study climate policies constrained to keeping a constant level of the carbon tax. We find that it is possible to implement the optimal trajectory by combining an increasing tax on electricity consumption with a feed-in-premium paid to electricity produced from renewable sources. Otherwise, when the climate policy relies on the second instrument only, the subsidy to renewables should be so large to foster rapid build up of specialized capital, that it would imply large investment costs and financial burden on the public budget, unless the carbon tax level could be initially set at a high level. Unfortunately, the two solutions with no or low welfare losses raise concerns on their political acceptability too.

Key words: Energy transition; Carbon tax; Renewable energy; Policy acceptability

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❖ 12h30 – Salle 103 / Comodal

❖ Participer à la réunion Zoom

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