

**The economic costs of “decarbonising” the world economy.**

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In the context of growing scientific evidence about a relationship between ongoing climate change and man-made GreenHouse Gases (GGHs) emissions, policy makers will meet in Copenhagen at the end of 2009 in order to negotiate a new agreement to reduce GGHs emissions. The previous agreement – the Kyoto Protocol that was signed in 1997 and will end in 2012 – encompassed relatively modest emission reductions undertaken by a group of countries (Annex 1 countries). Such a partial action gave rise to concerns about the effectiveness of such a scheme – potentially undermined by the existence of carbon leakages – and its adverse effect on the international competitiveness of the energy-intensive industries in the Annex 1 countries. More importantly, it is now clear that industrialized countries alone are unable to stabilise the earth climate, an objective that is out of range without the active participation of the emerging economies. Therefore, the scenarios that will be discussed at the Copenhagen meeting will need to be much more ambitious, with emissions objectives that will imply a major restructuring of the world economy, putting it on the way of growth without carbon. This presentation will address the trade-offs between economic growth and environmental risks in the choice of a post-Kyoto strategy.

**Keywords:** Climate Change, Computable and other Applied General Equilibrium Models, Exhaustible Resources and Economic Development, Energy and the Macroeconomy.