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RésEAU Webinars – 2018

Webinar 1:

The costs of inaction: how to make the case for reform

April 23rd, 2018

A LONG-TERM OUTLOOK ON ECONOMY - ENVIRONMENT INTERACTIONS

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BETTER POLICIES FOR BETTER LIVES

The OECD CIRCLE project

CIRCLE: **C**osts of **I**naction and **R**esource scarcity: **C**onsequences for **L**ong-term **E**conomic growth

→Calculating the costs of inaction:

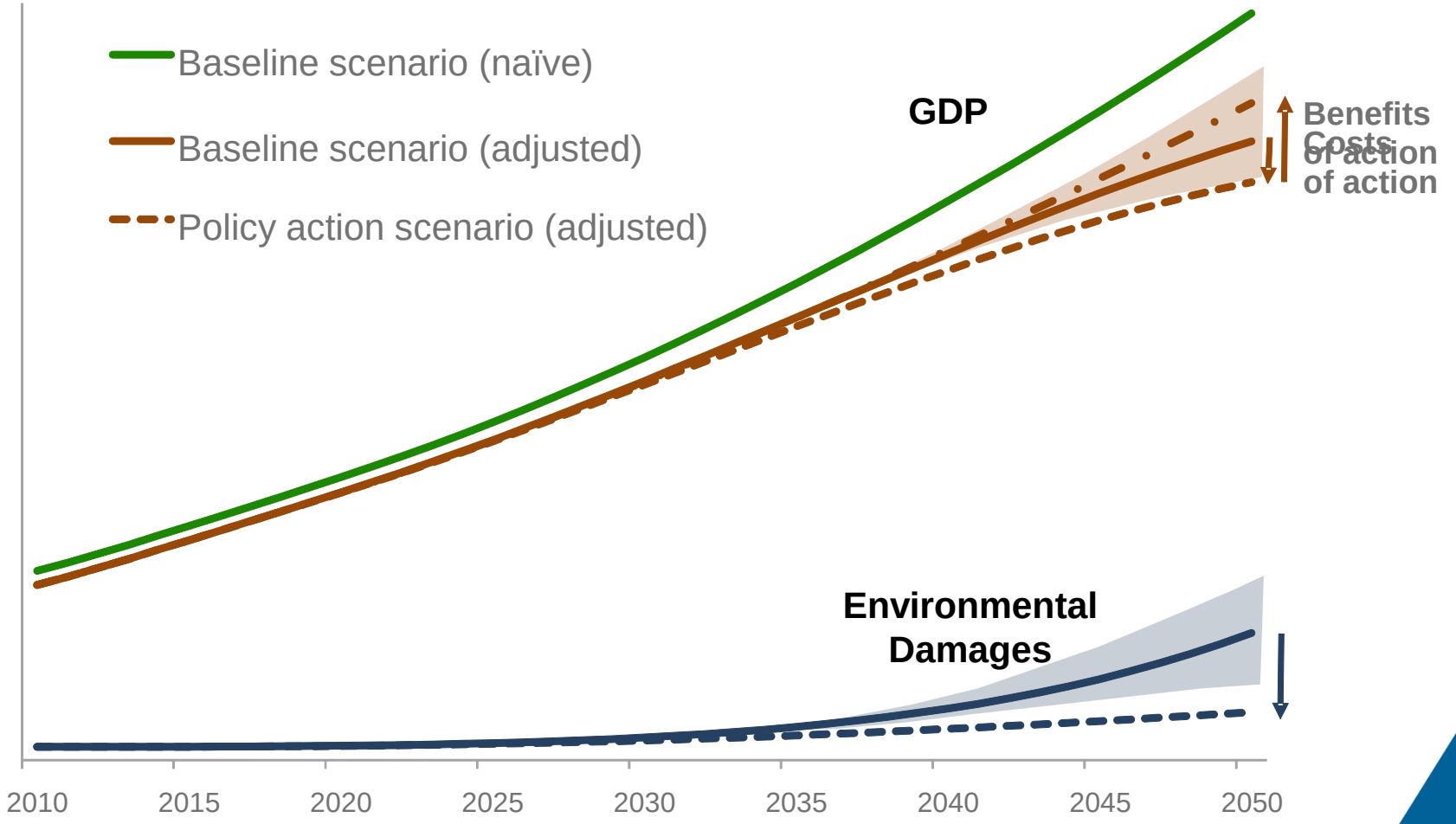
- Quantify how changes in environmental quality, climate change, natural resources affect the economy, and prospects for long-term growth

→ Regional and sectoral quantitative approach where possible, coupled with more general insights where needed

- Market impacts: production function approach
- Non-market impacts: valuation approach

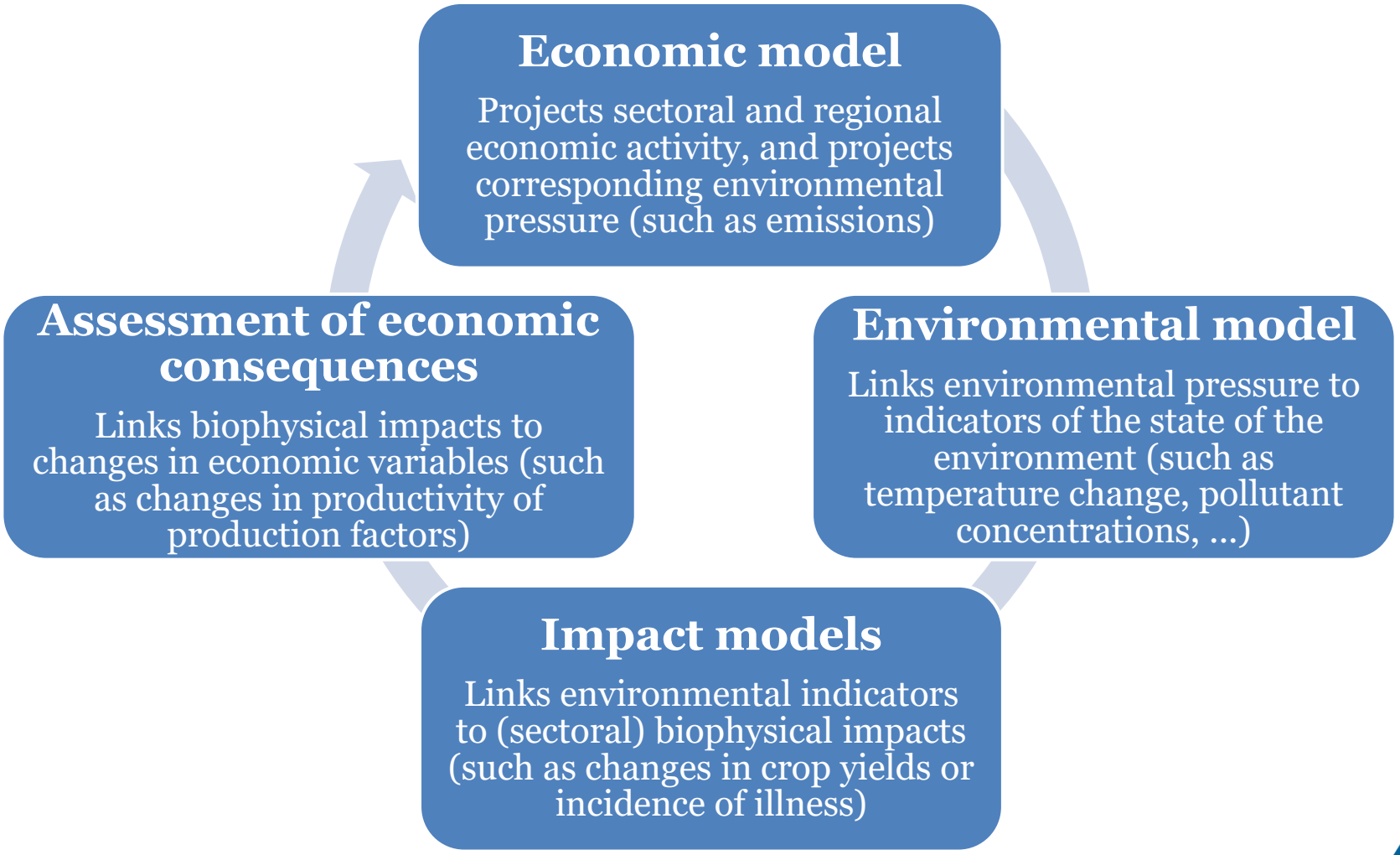
From naïve to integrated growth projections

OECD countries asked for a methodology to create growth projections that take into account environmental impacts, to use as a reference and to motivate policy action

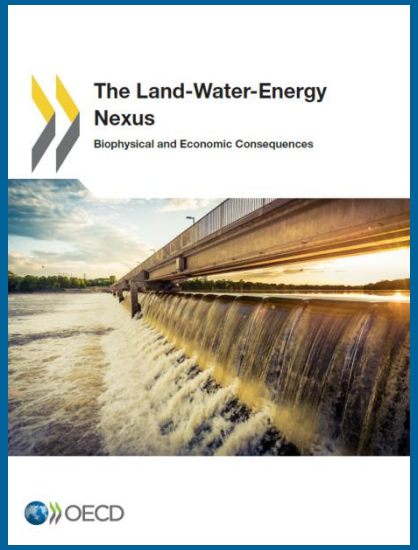


Note: For illustrative purposes only

CIRCLE methodology



CIRCLE



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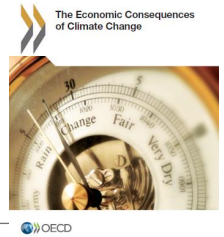
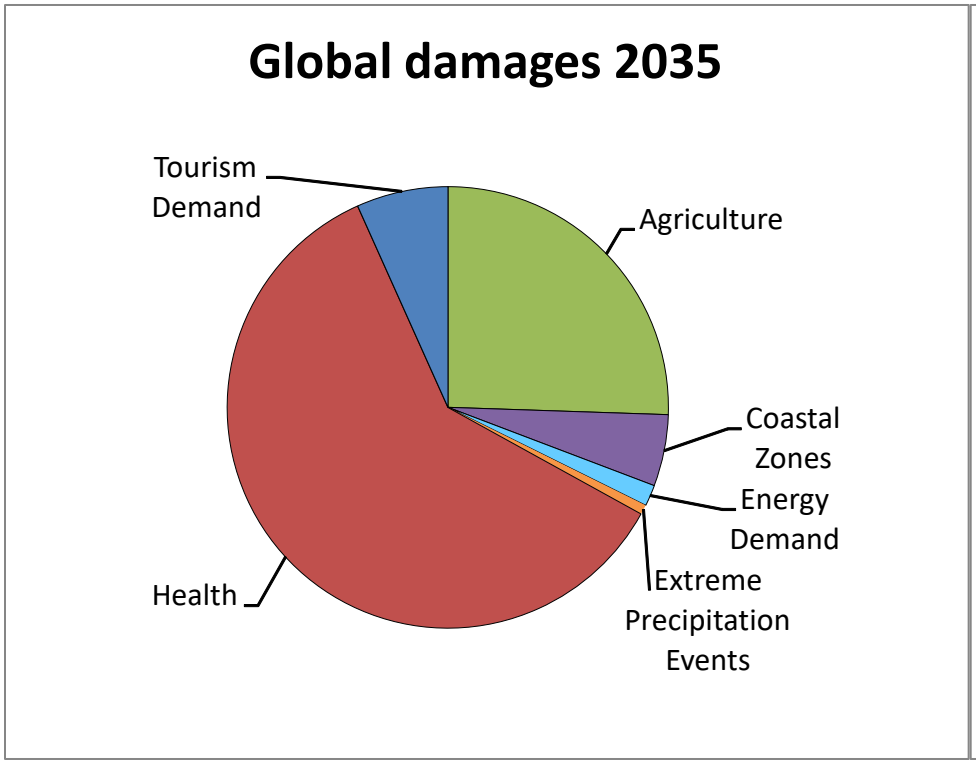
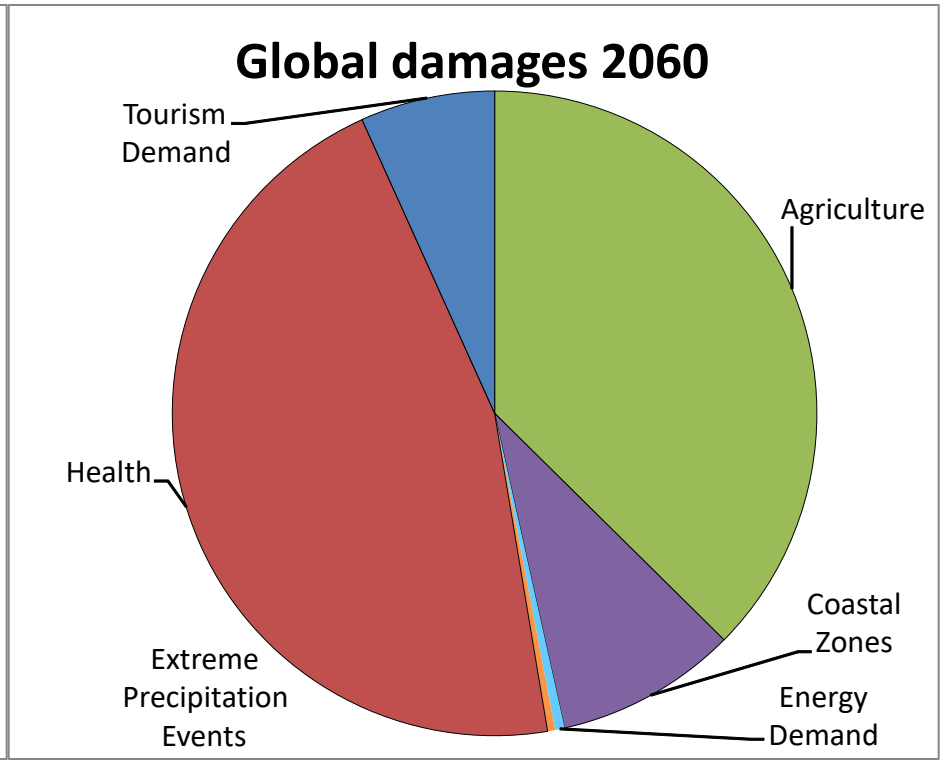
Global importance of different impacts







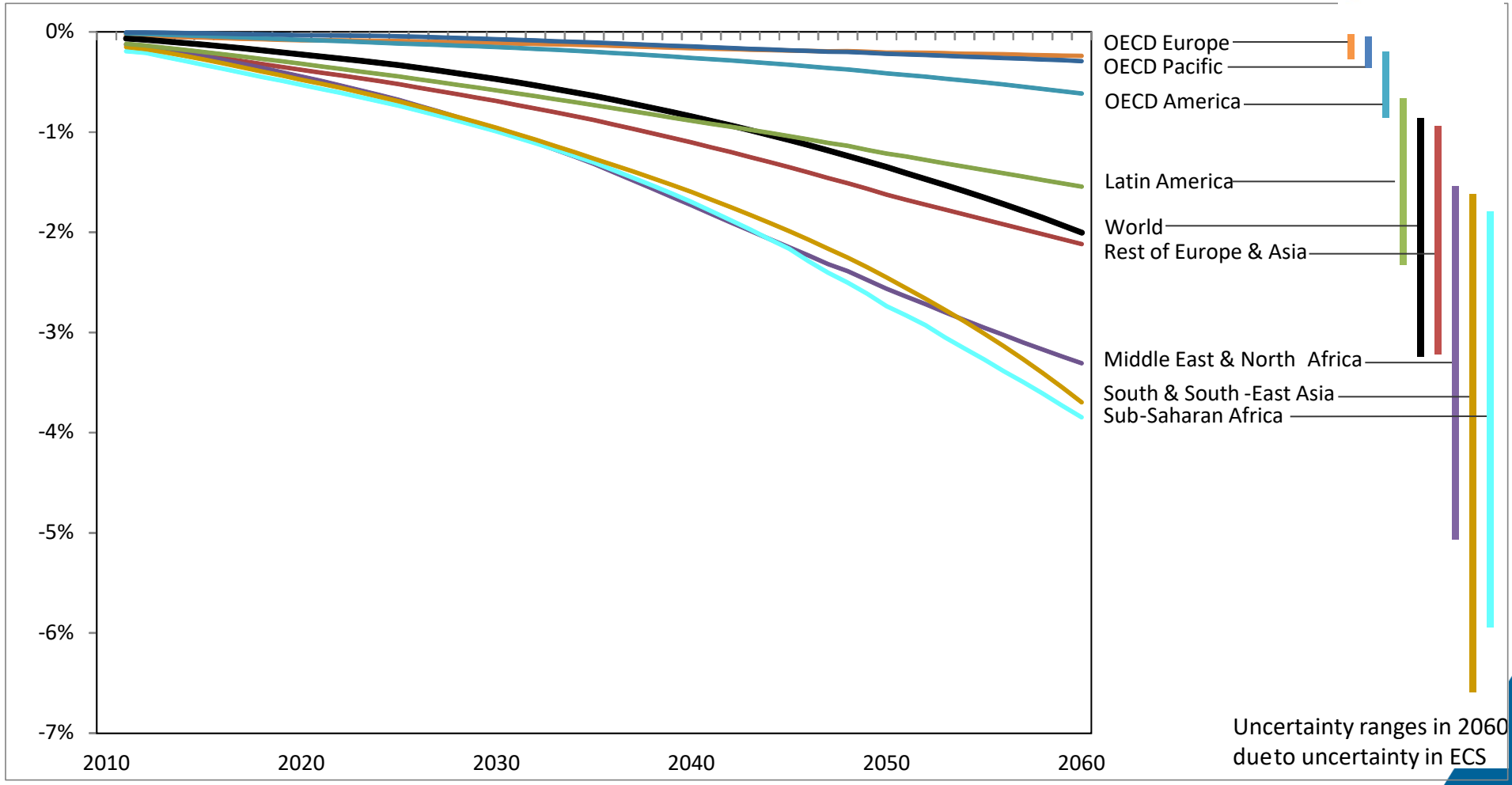
Global GDP loss:

2035: 0.3-1.0%

2060: 1.0-3.3%

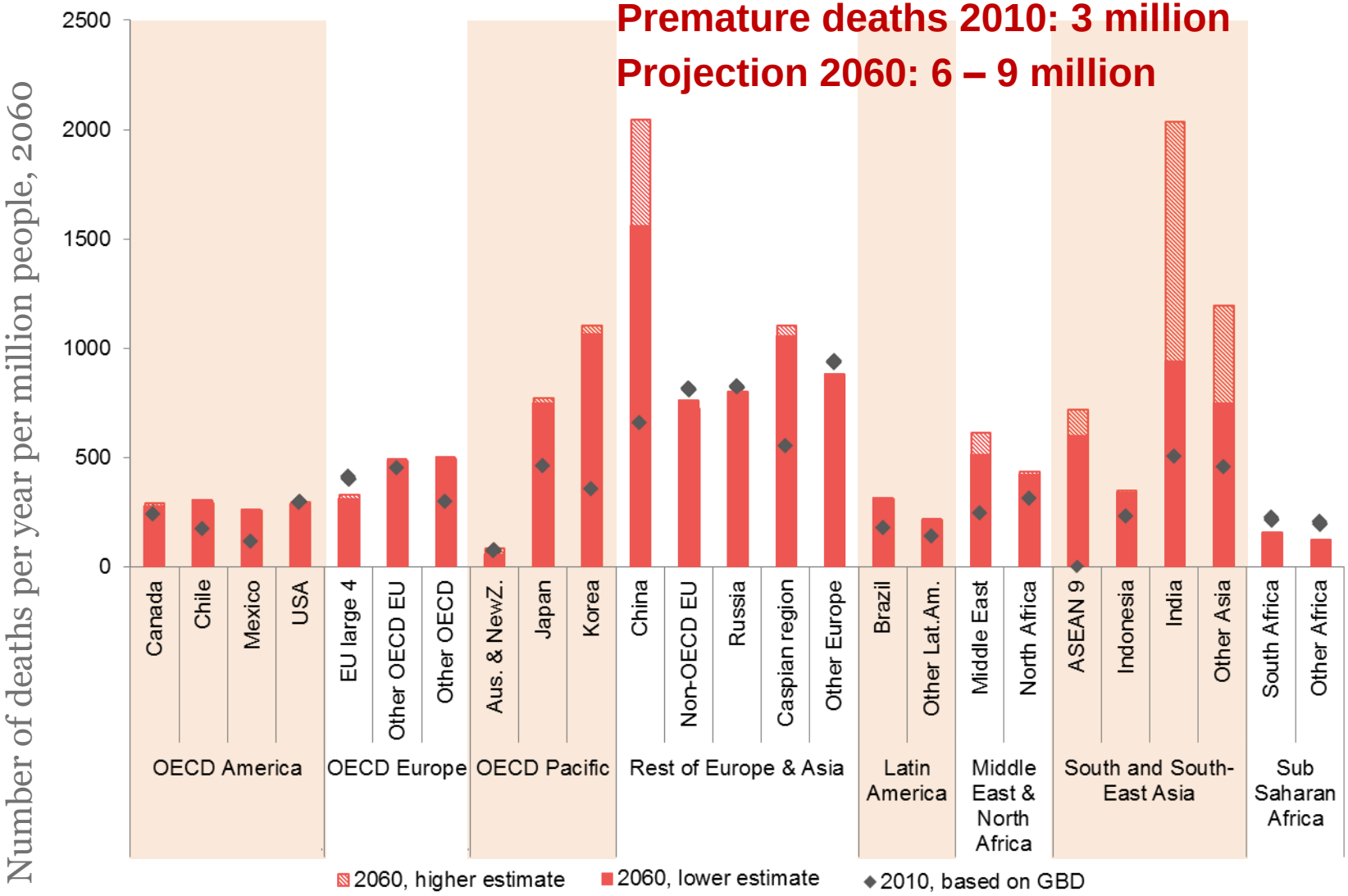
Source: OECD (2016), The Economic Consequences of Climate Change

Regional cost of selected climate impacts



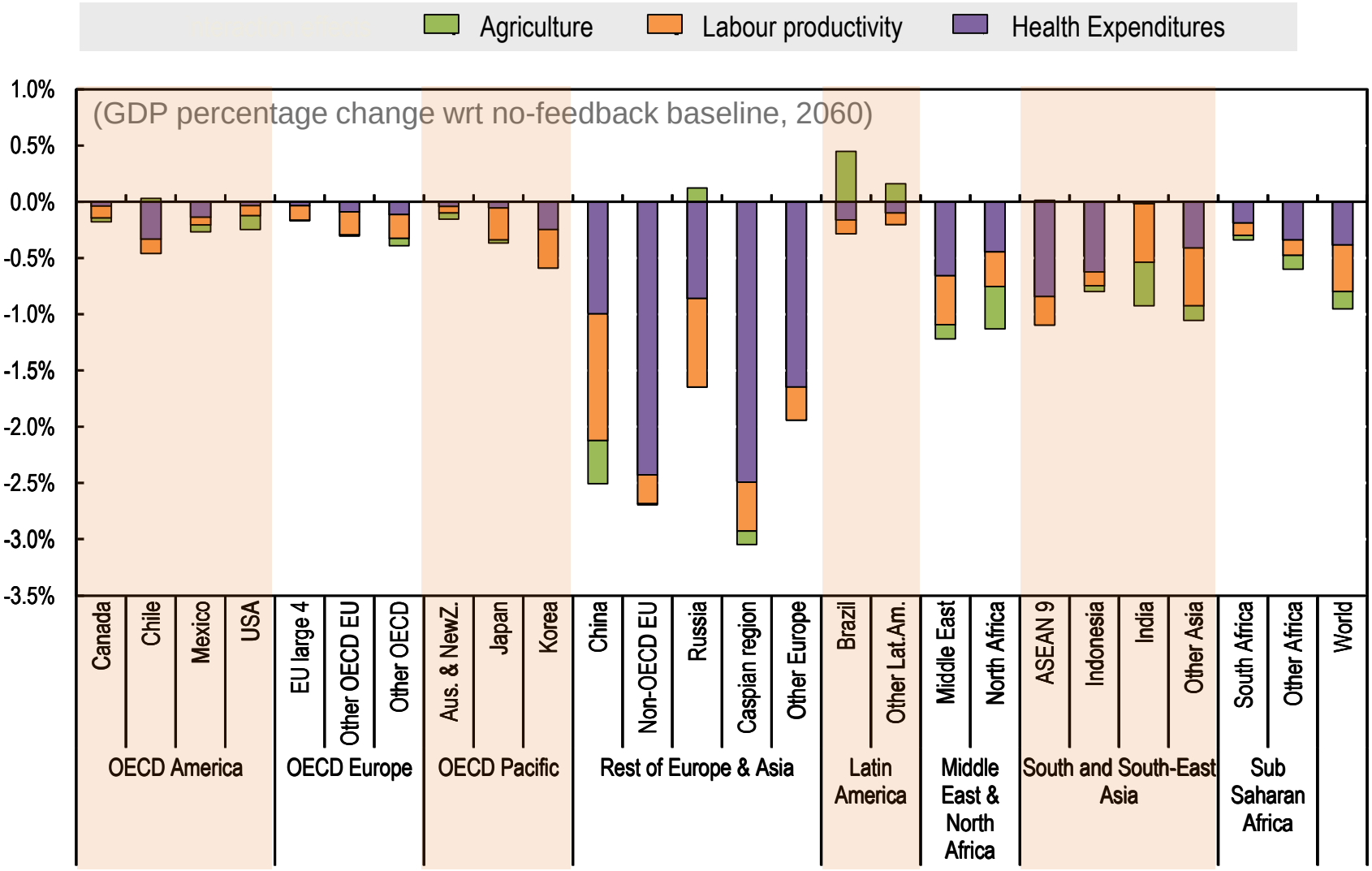
Source: OECD (2016), The Economic Consequences of Climate Change

Premature deaths caused by outdoor air pollution



Source: OECD (2016), The Economic Consequences of Outdoor Air Pollution

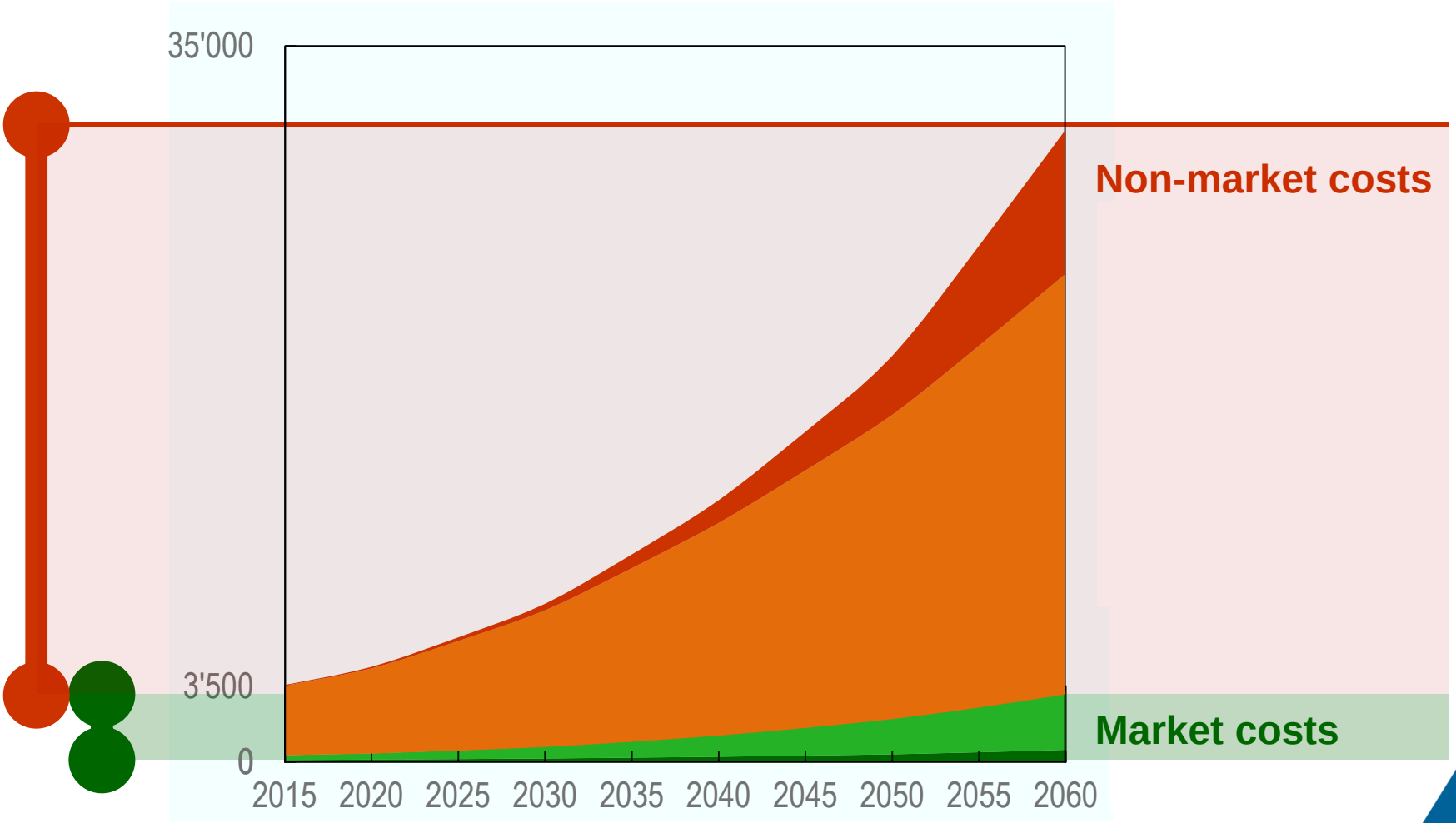
Projected market costs of outdoor air pollution, 2060



Source: OECD (2016), The Economic Consequences of Outdoor Air Pollution

Market and non-market costs

Billions of USD, 2010 PPP exchange rates



Source: OECD (2016), The Economic Consequences of Outdoor Air Pollution

Challenges and implications of the OECD CIRCLE project

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Challenges of CIRCLE project

- Data sources at global level
- Matching local environmental issues with larger scale economic indicators
  - E.g. air pollution concentrations at local level, but GDP at the national/regional level
- Presenting market and non-market impacts
- Missing impacts and data
  - Some impacts could not be quantified and were discussed qualitatively

Impacts and implications of CIRCLE project

- Diffusion of results in media and academia
  - Raised awareness
  - Raised interest in the topics
- Applications of CIRCLE approach by country
- Interest in continued work
  - Current project on resource use and the circular economy
  - Future project on benefits of policy action

BUT too early to assess policy changes

THANK YOU!

For more information:

www.oecd.org/environment/outlooks

www.oecd.org/environment/modelling

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