

Green Technologies in Europe

Can they play a key role in reaching high and sustainable economic growth?

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The concept of green growth

- GDP has no assets and no depreciation
 - Climate and biodiversity are key assets
- Pollution costs not included in GDP calculation

⇒ GDP growth estimates are too high

Green technologies and growth

- Investment contributes to aggregate demand
- Green technologies are typically high cost
- Offsetting reduction in competitiveness

And...

- Capital rationing
- Impact of crisis

Changed energy markets

- Shale gas changes the game
- Abundant fossil fuels (lower prices)
- China, India are going the low-cost route

⇒ short term investment stimulus

vs

⇒ Short and medium term loss of competitiveness

Case for low carbon technologies

- Not primarily about growth
- Likely to cost much more than Stern suggests
- A very large carbon “pork barrel”

BUT...

- Sustainable growth requires low carbon technologies
- Coal → gas + nuclear +CCS
- + Some renewables

Further information:

- *Government Failure, Rent Seeking, and Capture: the design of climate change policy*, Oxford Review of Economic Policy, forthcoming Oxford Review of Economic Policy 2010, June
- **Helm, D. and Hepburn, C. (eds) (2009), The Economics and Politics of Climate Change, Oxford University Press.**
- *Infrastructure investment, the cost of capital, and regulation: an assessment*, Oxford Review of Economic Policy, Volume 25, Number 3, 2009, pp.307–326
- *Environmental challenges in a warming world: consumption, costs and responsibilities*, 2009, Tanner Lecture, February 21st.
- *Credible Energy Policy, Meeting the challenges of security of supply and climate change*, 2008, Policy Exchange
- *Caps and Floors for the EU ETS: a practical carbon price*, October 13th 2008
- Helm, D R, Smale, R and Phillips, J, (2007) “Too Good To Be True? The UK’s Climate Change Record”, December. <http://www.dieterhelm.co.uk/publications/>

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