



Netherlands Environmental Assessment Agency

Financial crisis and Dutch Climate policy

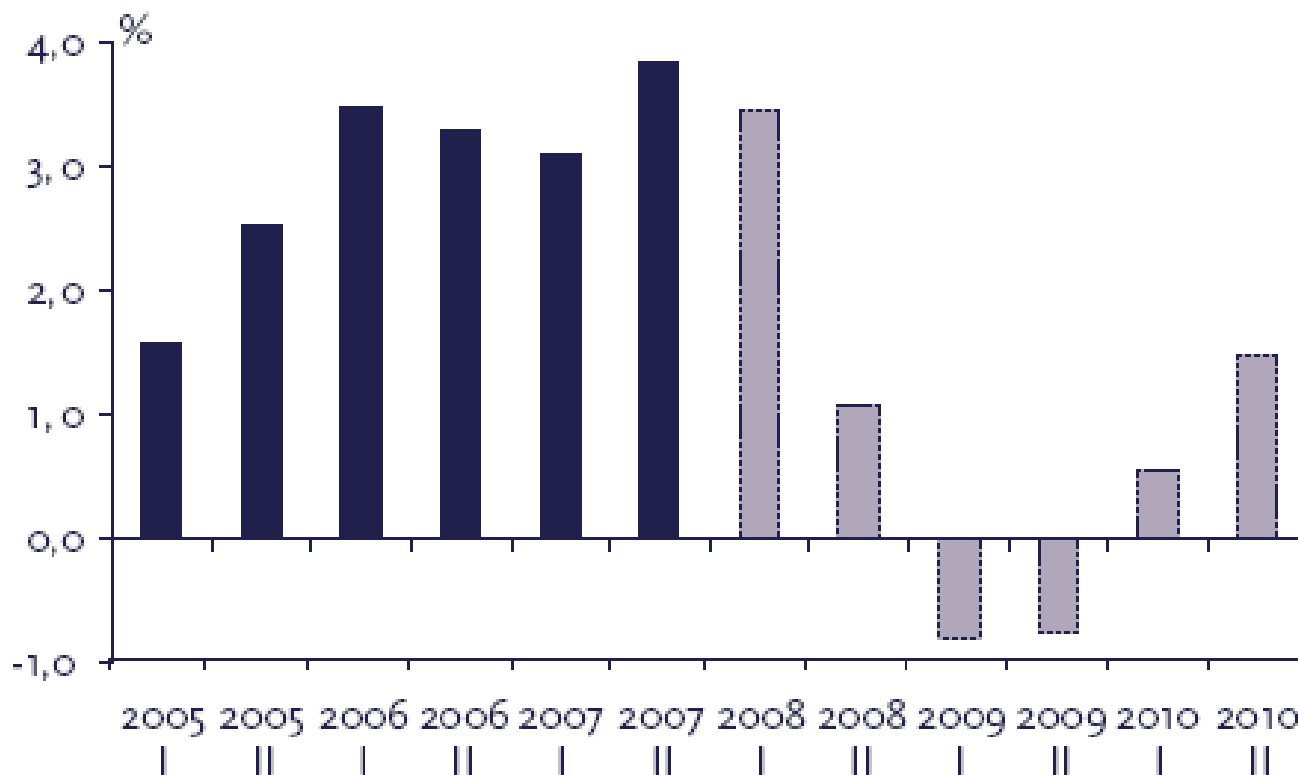
International workshop
Jan. 27-28, 2009
Cambridge, UK

Ton Manders



What crisis?

Economische groei in Nederland, 2005-2010 ^{a)}

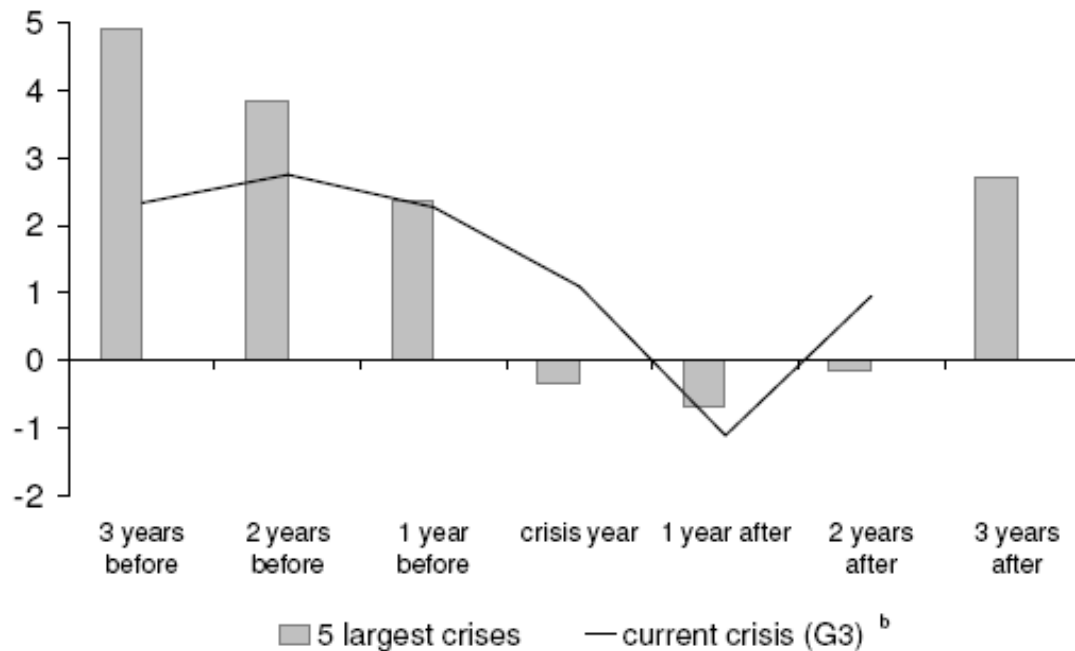


a) Groei BBP-volume t.o.v. overeenkomstige periode in voorafgaand jaar, werkdagen gecorrigeerd.

What can we learn from history?

GDP growth in 5 economies hit by a major banking crisis^{a, b}

fig Big5 avg on G3 ENG



C.M. Reinhart and K.S. Rogoff, Is the 2007 U.S. Sub-Prime Financial Crisis So Different? An International Historical Comparison, NBER working paper 13761, January 2008. See also C.M. Reinhart and K.S. Rogoff, This Time is Different: A Panoramic View of Eight Centuries of Financial Crises, NBER working paper 13882, March 2008.

Are we too positive?

Comparison of forecasts of economic growth, 2009 and 2010

	2008	2009					2010		
	CPB	CPB	OECD	EC	CF	IMF	CPB	OECD	EC
	changes per year in %								
US	1¼	- 1¼	- 0.9	- 0.5	- 0.6	- 0.7	1¼	1.6	1.0
Japan	¼	- 1	- 0.1	- 0.4	- 0.1	- 0.2	½	0.6	0.6
Eurozone	1	- 1	- 0.5	0.1	- 0.2	- 0.5	¾	1.2	0.9
Germany	1¼	- 1	- 0.6	0.0	- 0.4	- 0.8	¾	1.2	1.0
France	1¼	- ¾	- 0.5	0.0	- 0.1	- 0.5	1	1.5	0.8
UK	¾	- 1½	- 1.1	- 1.0	- 0.9	- 1.3	½	0.9	0.4
Netherlands	2¼	- ¾	- 0.2	0.4	0.2		1	0.8	0.9

Publication dates: CPB: December 2008; OESO, CF, IMF, EC: November 2008.

Are we sure?

Effects of

A: Less relevant world trade (growth of 2¼% in 2008, – 5¼% in 2009, 0% in 2010)

B: Higher oil price (63 dollars per Brent barrel in 2009, 75 dollars in 2010)

C: More household consumption (½ percentage point extra consumption in 2009)

	A		B		C	
	2009	2010	2009	2010	2009	2010
	cumulative deviations in %					
Relevant world trade, volume	– 3.0	– 6.1	– 0.8	– 1.0		
Import price of goods			3.7	7.2		
Long-term interest rate (level in %)			0.3	0.5		
Oil price (Brent, level in dollars per barrel)			13.0	25.0		
Contractual wages in market sector	– 0.4	– 0.6	0.0	1.0	0.0	0.0
Consumer price index (CPI)	– 0.1	0.0	0.4	1.8	0.0	0.0
Gross national product (GDP), volume	– 1.0	– 2.2	– 0.3	– 0.8	0.1	0.2
Private consumption, volume	– 0.3	– 0.8	– 0.4	– 1.1	0.5	0.5
Investments by businesses (excl. homes), volume	– 2.9	– 8.0	– 1.1	– 3.7	0.2	0.4
Export of goods (excl. energy), volume	– 2.6	– 5.2	– 0.7	– 0.9	0.0	– 0.1
Employment (labour years)	– 0.1	– 1.1	0.0	– 0.5	0.0	0.1
Unemployed labour force (level in %)	0.1	1.0	0.0	0.4	0.0	– 0.1
Labour share in enterprise income in the market sector (level)	0.8	0.8	1.0	0.6	– 0.1	0.0
EMU balance (level, % GDP)	– 0.3	– 0.8	0.0	0.3	0.1	0.1

Impact of crisis on Dutch climate policy

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Kyoto (-6%)	++
Emissions (-30%)	+ (ETS)
Efficiency (2%)	-
Renewables (20%)	?

Stimulate economy by climate policy?

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- Larry Summers
 - Timely
 - Temporary
 - Targeted

- Residential sector only

A 'green' New Deal

- Long term climate challenge remains
- Skeptical about 'double dividend'
 - Is economic crisis structural?
 - Is there a common cause?
 - Is energy sector large enough?
 - Innovation/competitiveness?
- More research is needed