

# **The Climate Cost of Climate Investment**

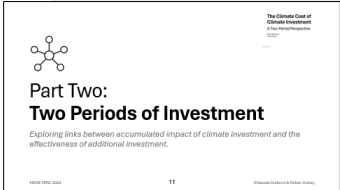
## A Two-Period Perspective

Shaunak Kulkarni  
Rohan Dubey

# Research Themes



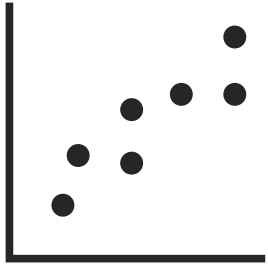
Assessing the relationship between cumulative impact of domestic climate investment and the domestic state of economic development.



Exploring links between accumulated impact of climate investment and the effectiveness of additional investment.



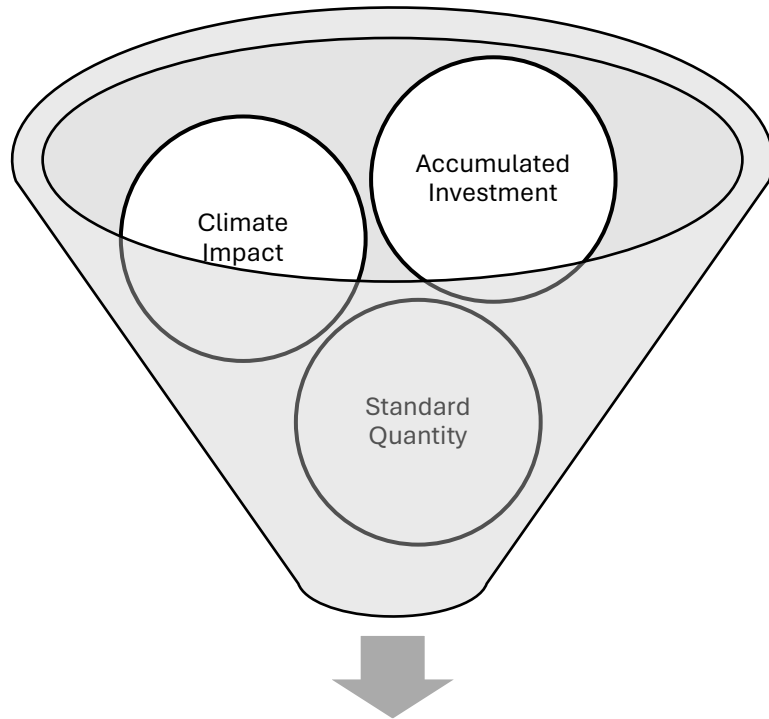
Discussing policy implications surrounding the climate impact of additional investment in terms of the domestic state of economic development.



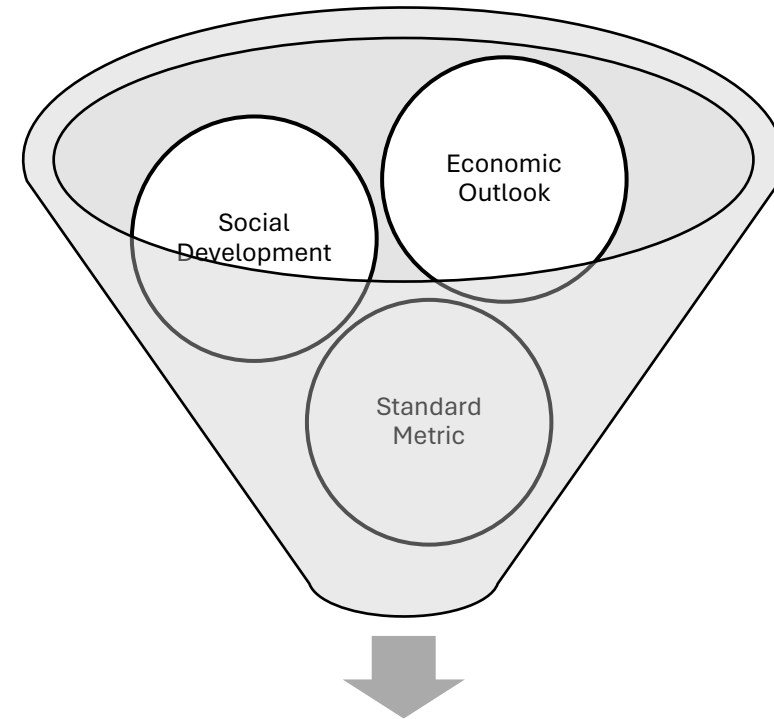
# Part One: Climate Investment

*Assessing the relationship between cumulative impact of domestic climate investment and the domestic state of economic development.*

# Development and Climate Investment: Factors



Carbon Productivity



Human Development Index

# Development and Climate Investment: Possibilities

## Linear Relationship

Economic development directly influenced by the impact of climate investment

Fixed, standard opportunity cost of climate investment

## Exponential Relationship

Impact of climate investment varies according to existing economic conditions

Dynamic, standard opportunity cost of climate investment

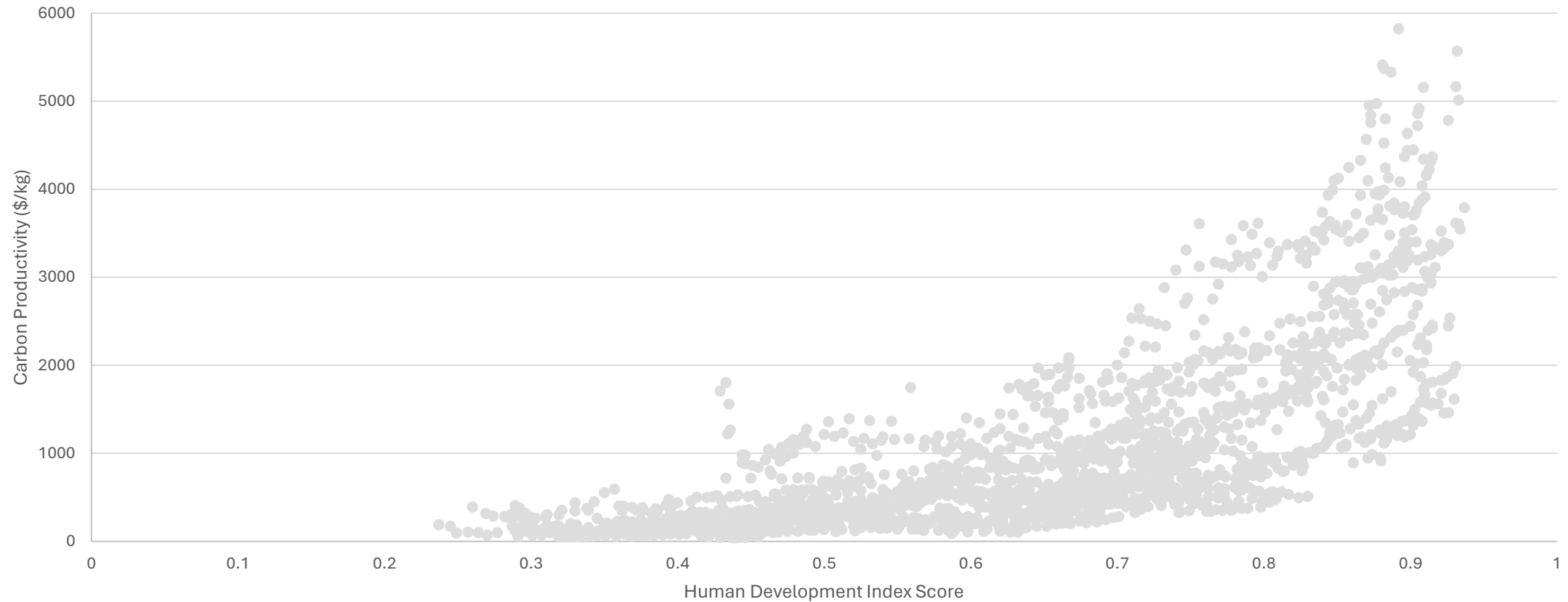
## Uncorrelated

Climate investment only effective for a specific subset of economies

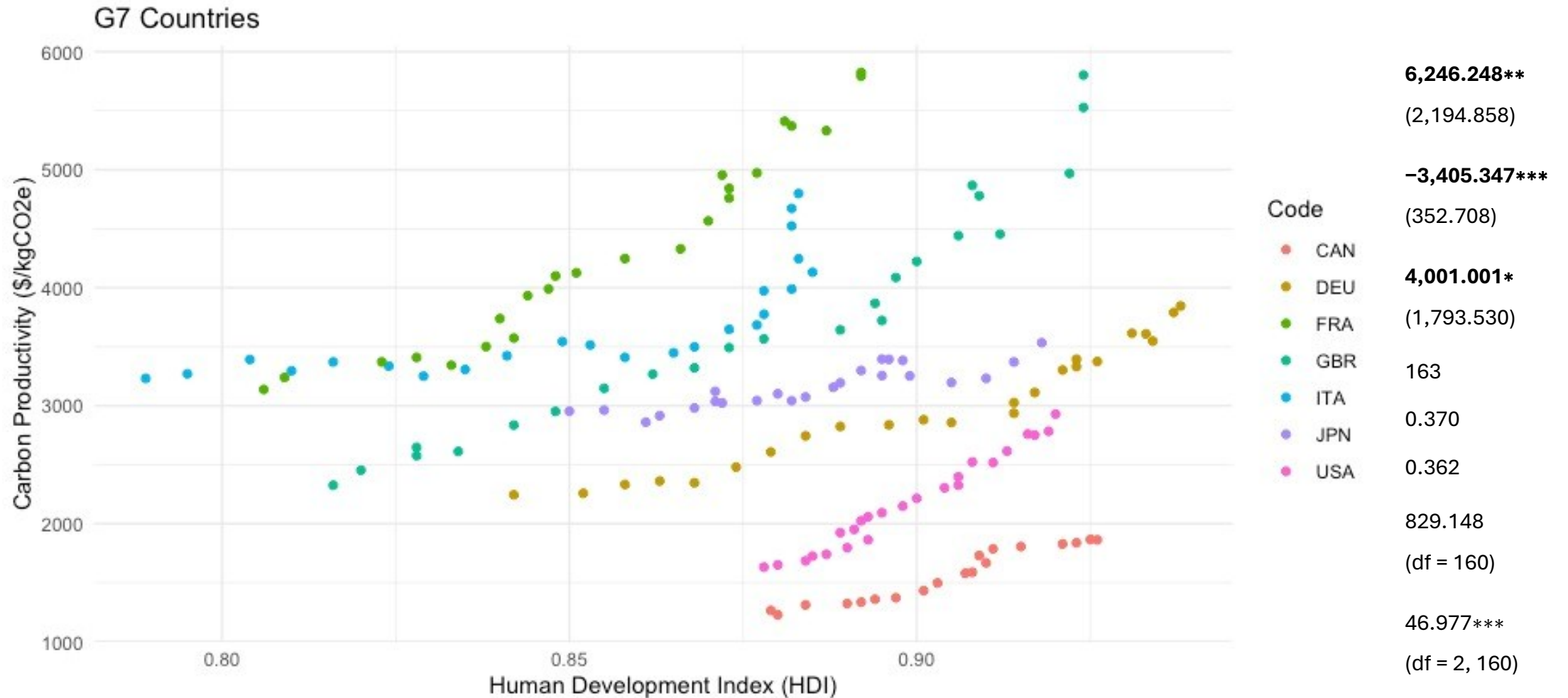
Non-standard, international opportunity cost of climate investment

# Development and Climate Investment: Observations

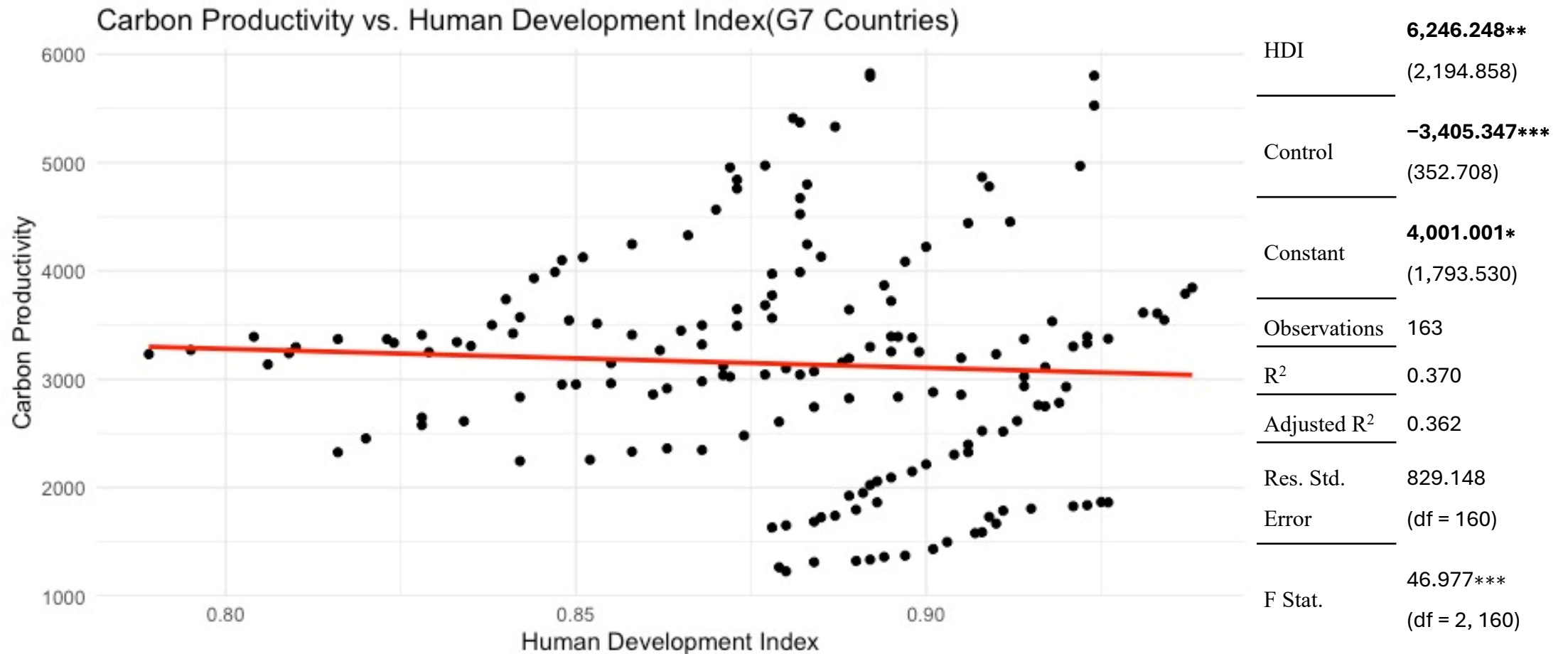
HDI score and Carbon Productivity (1990 to 2014)



# Development and Climate Investment: Observations

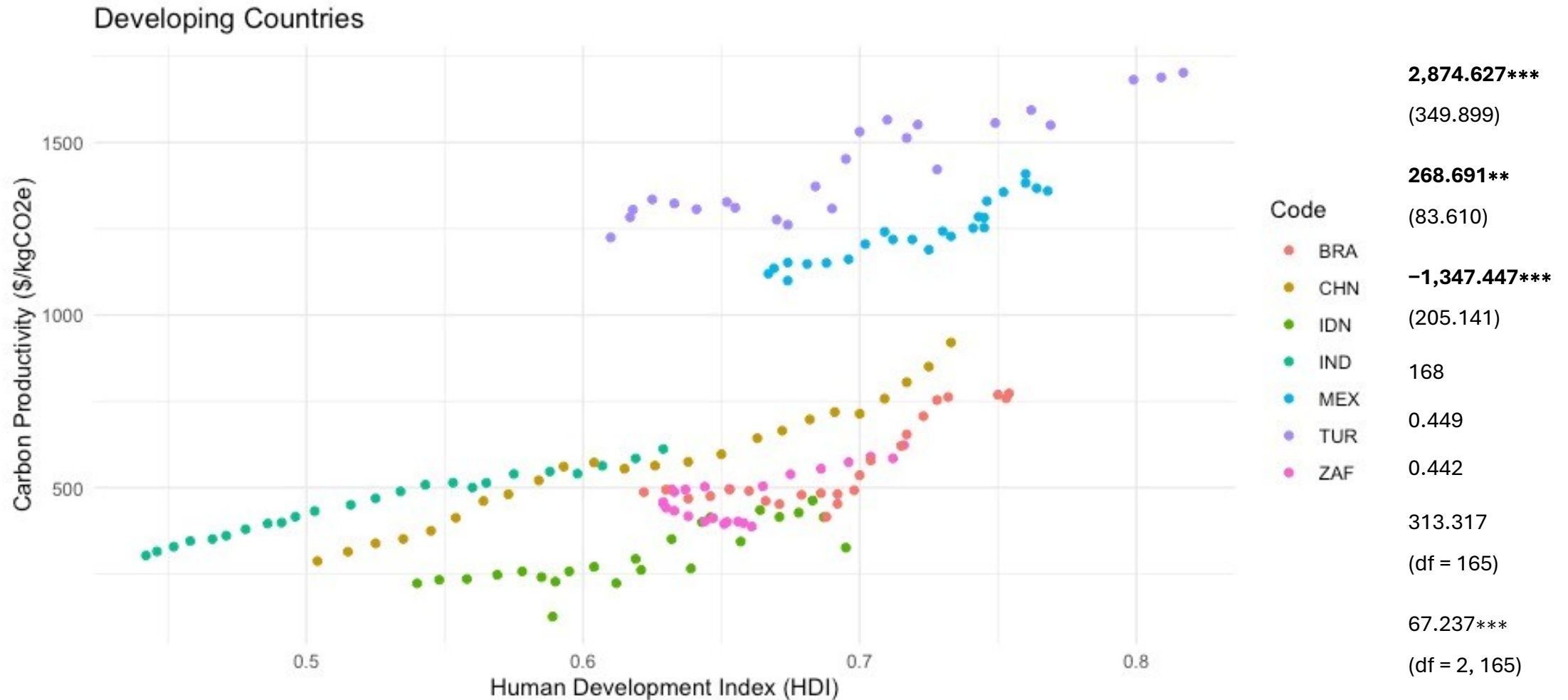


# Development and Climate Investment: Observations

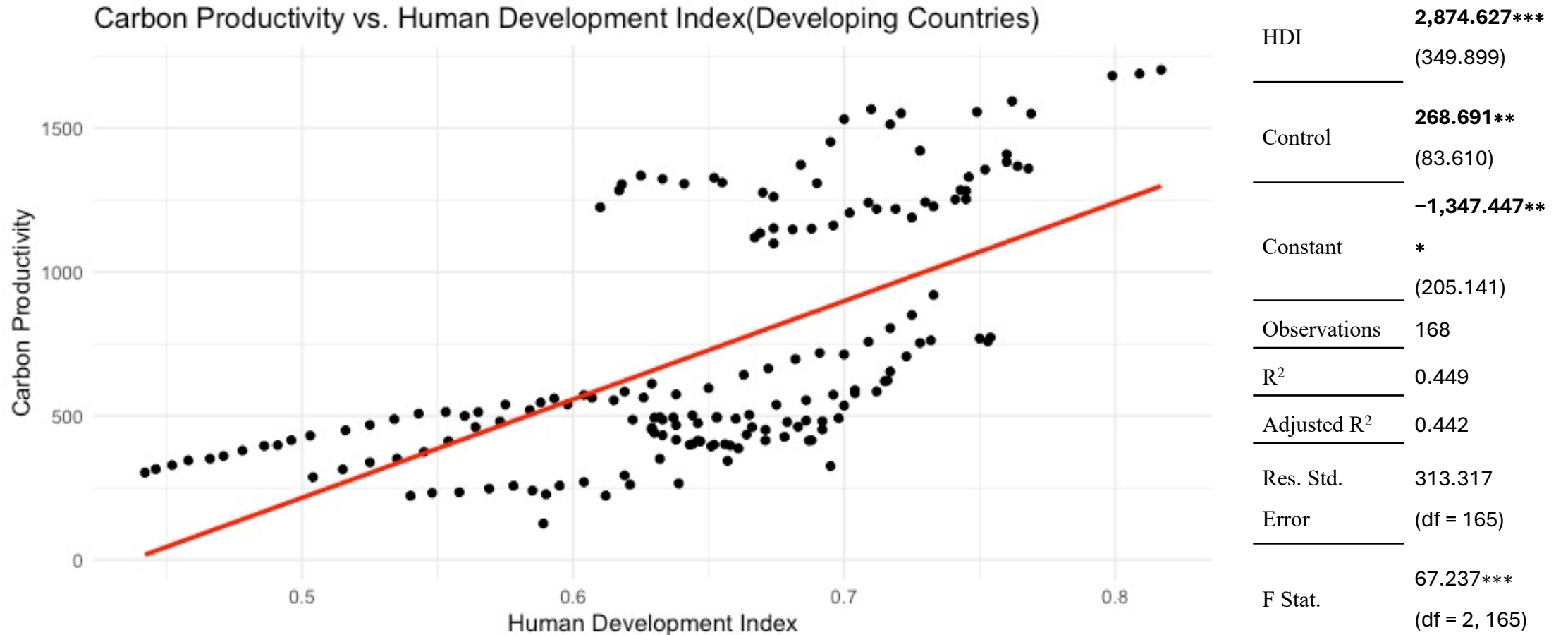


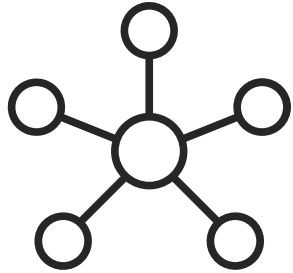


# Development and Climate Investment: Observations



# Development and Climate Investment: Observations

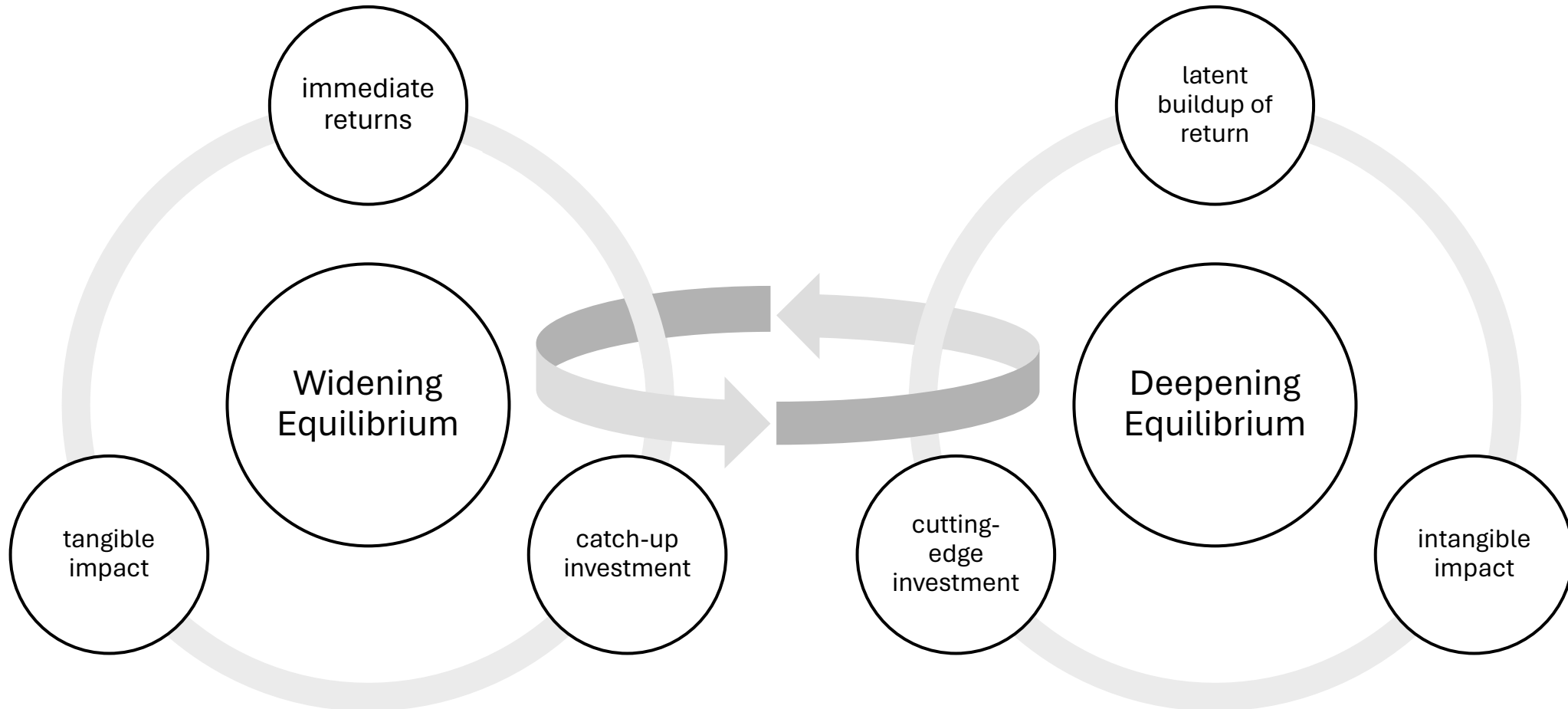




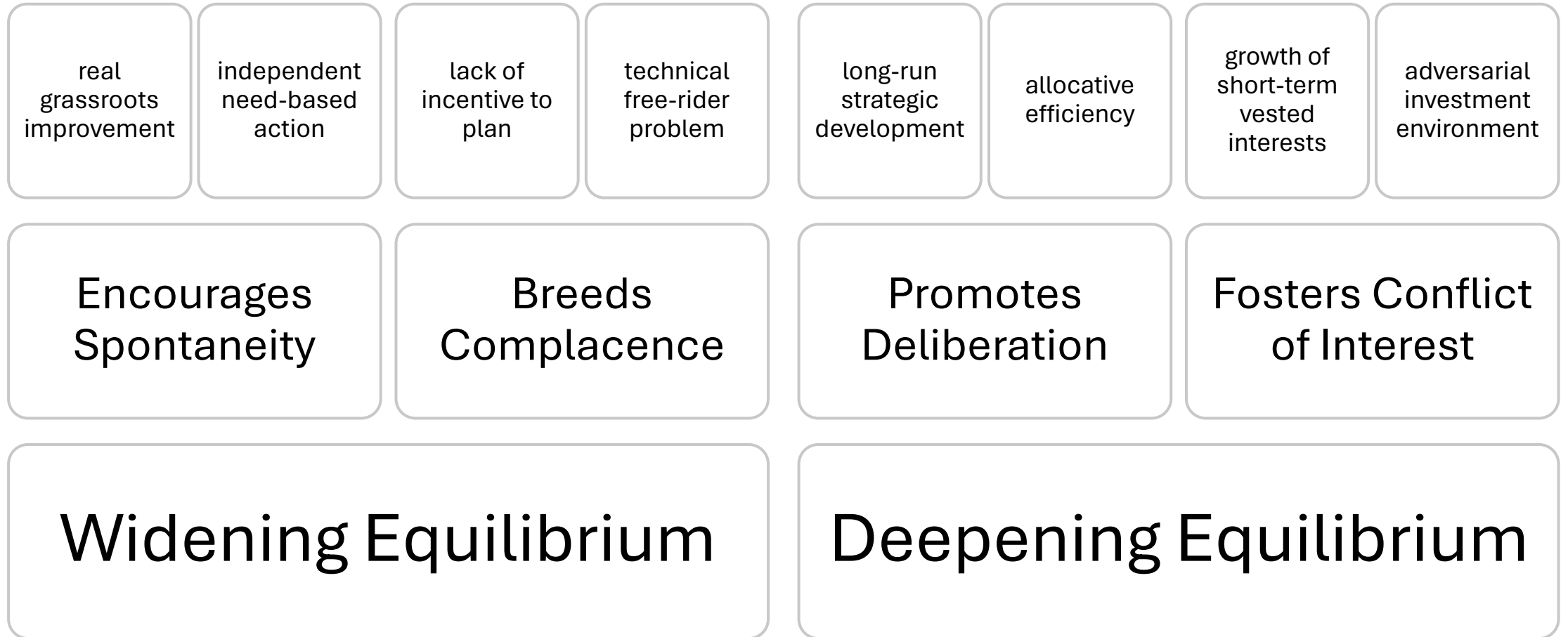
# Part Two: Two Periods of Investment

*Exploring links between accumulated impact of climate investment and the effectiveness of additional investment.*

# Two Periods of Climate Investment: Theory

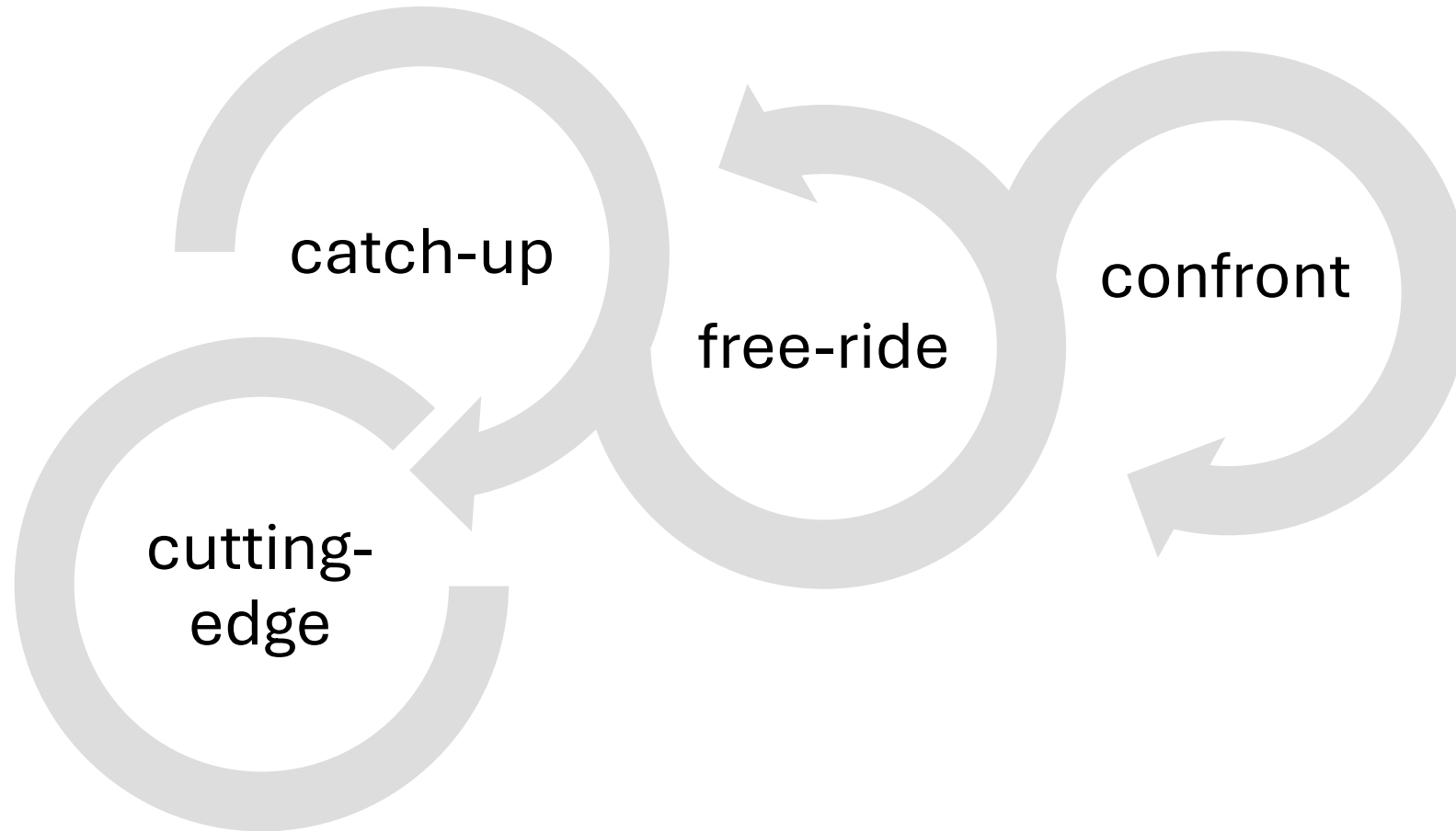


# Two Periods of Climate Investment: Implications



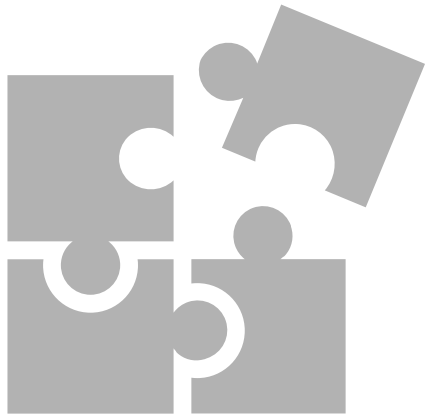
# Two Periods of Climate Investment: Implications

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# Two Periods of Climate Investment: Implications

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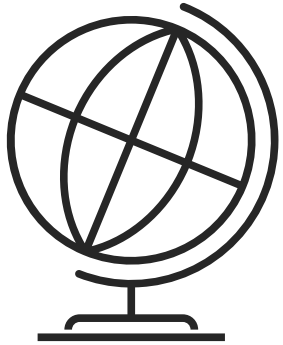


Capital  
Deepening



Capital  
Widening





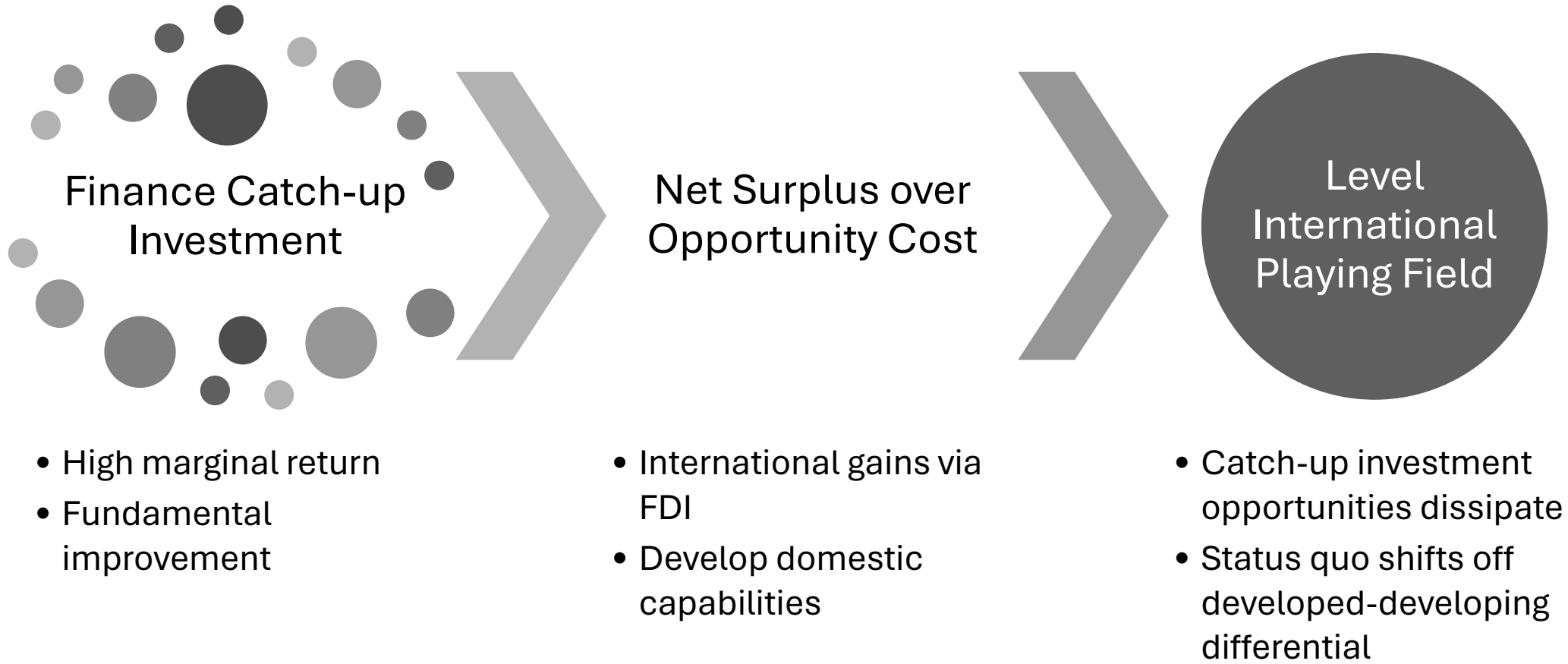
# Part Three:

# Policy and Climate Cost

Discussing policy implications surrounding the climate impact of additional investment in terms of the domestic state of economic development.



# Climate Cost: Policy Ramifications



# Climate Cost: Policy Ramifications

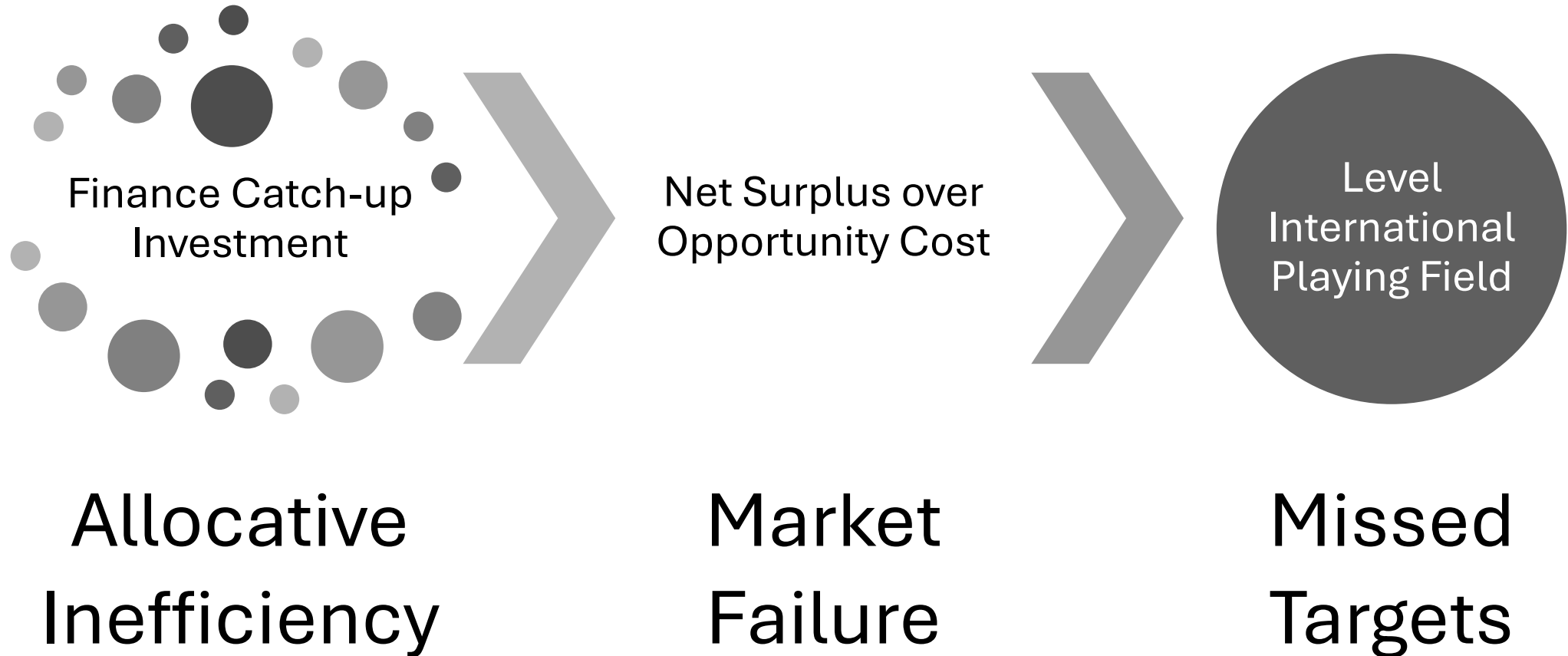


- Mismatch between financial incentives and climate targets
- Allocative mechanisms fail to foster cooperation

- Political paper-tigers are insufficient to enforce fair terms
- Vested interests against free flow of capital

- Catch-up investment opportunities dissipate
- Status quo inorganically shifts off developed-developing differential

# Climate Cost: Policy Ramifications



# Climate Cost: Policy Ramifications

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## Policy Objectives

Encourage cutting-edge development

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Support catch-up investment

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Sterilise status quo

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## Incentive Structure

Cutting-edge development as process improvement

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Catch-up development as measurable action

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Mediated participation across periods

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## Transfer Channels

Financial securities to set comparative standards and hedge risk

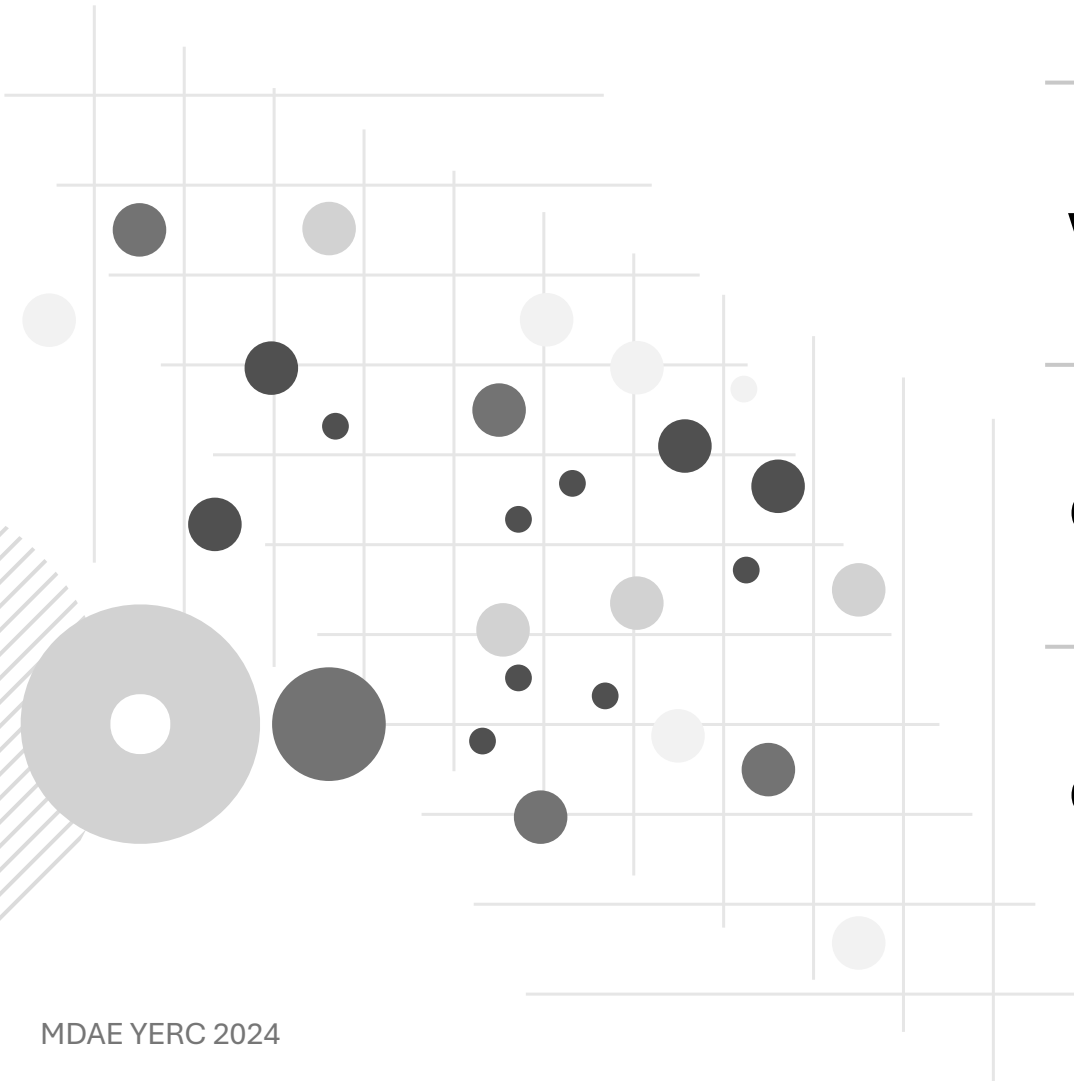
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Autonomous international exchange to accommodate organic transactional dynamics

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# Characteristics of a Two-Period Policy Framework

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Distinct periods of equilibrium where one complements the other.

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Dichotomous dynamic between equilibria.

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Desirability of one period over the other.

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# Acknowledgments

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Audience, panel, peers, and the Meghnad Desai Academy of Economics.

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## A Two-Period Perspective

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