Climate change mitigation how effective is green quantitative easing

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Date:2022-08-08

Keyword:NA

Url:[click here](https://www.ecb.europa.eu/pub/research/working-papers/html/papers-2022.include.en.html)

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From:ECB-working\_paper

AbstractWe develop a two-sector incomplete markets integrated assessment model to analyze the effectiveness of green quantitative easing (QE) in complementing fiscal policies for climate change mitigation. We model green QE through an outstanding stock of private assets held by a monetary authority and its portfolio allocation between a clean and a dirty sector of production. Green QE leads to a partial crowding out of private capital in the green sector and to a modest reduction of the global temperature by 0.04 degrees of Celsius until 2100. A moderate global carbon tax of 50 USD per tonne of carbon is 4 times more effective.JEL CodeE51 : Macroeconomics and Monetary Economics→Monetary Policy, Central Banking, and the Supply of Money and Credit→Money Supply, Credit, Money MultipliersE62 : Macroeconomics and Monetary Economics→Macroeconomic Policy, Macroeconomic Aspects of Public Finance, and General Outlook→Fiscal PolicyQ54 : Agricultural and Natural Resource Economics, Environmental and Ecological Economics→Environmental Economics→Climate, Natural Disasters, Global Warming