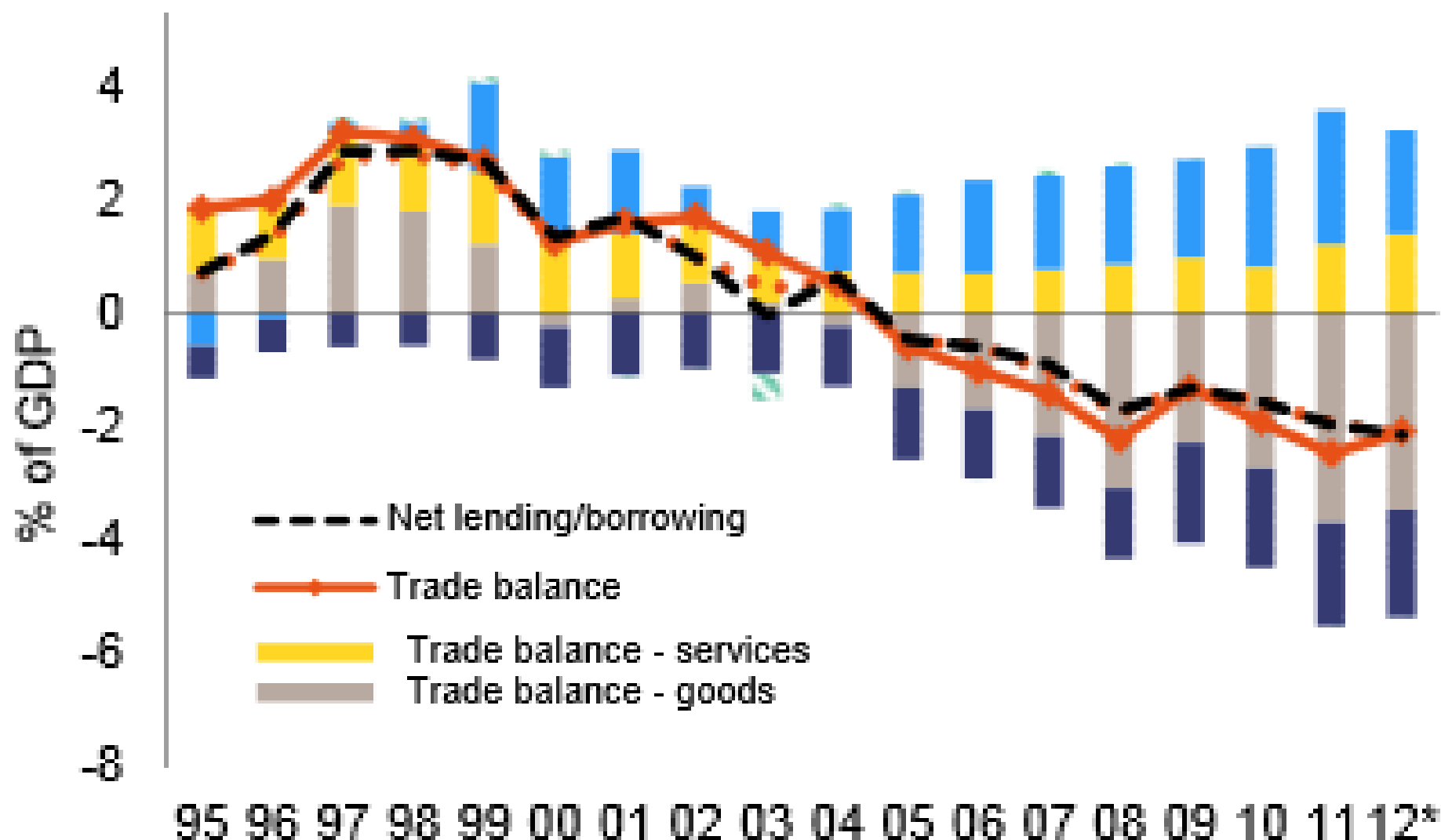


Carbon Tax, Pensions and Deficits

The Hidden Cost of the Compartmentalization of Expertise

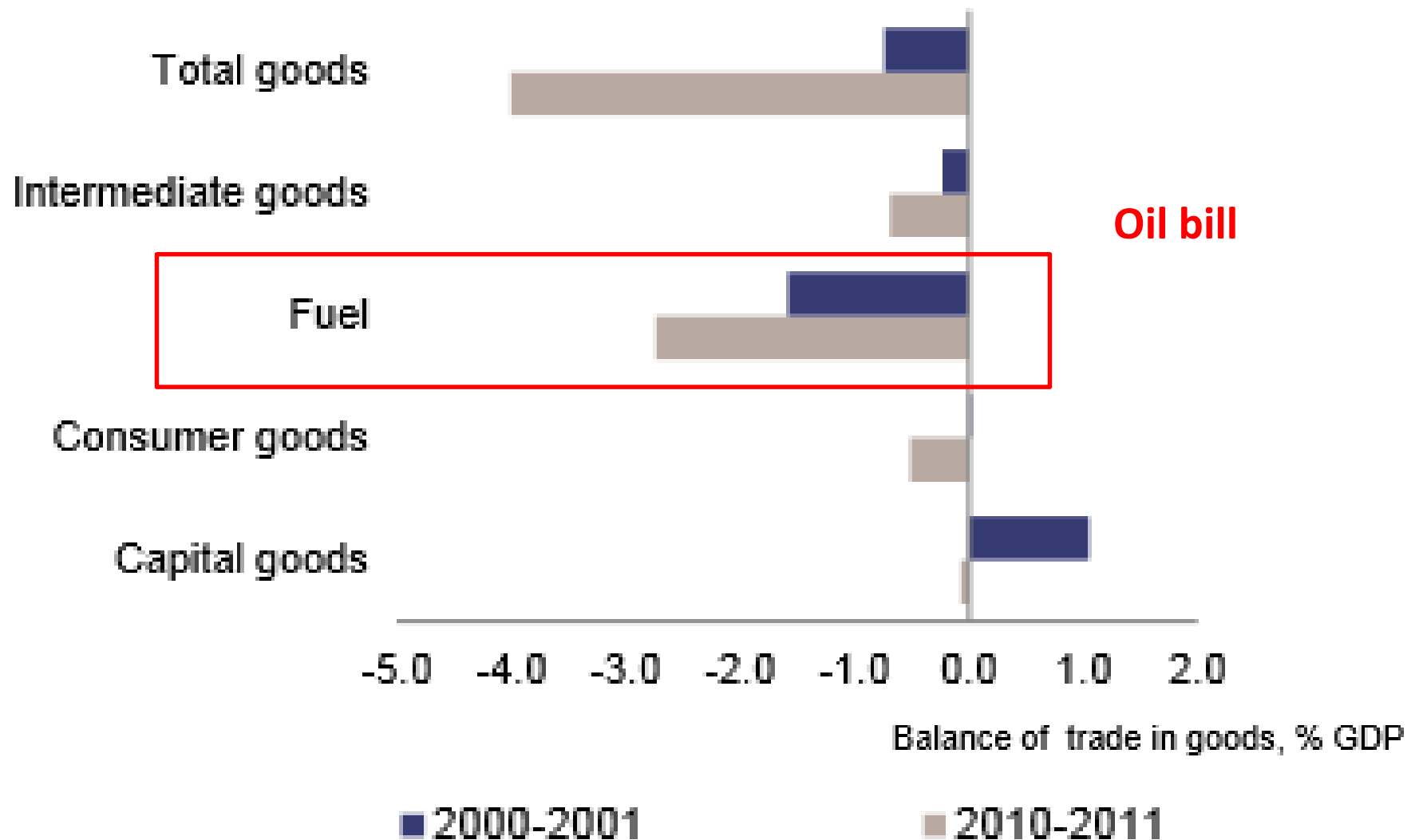
Emmanuel Combet

Macroeconomic Imbalances (France)



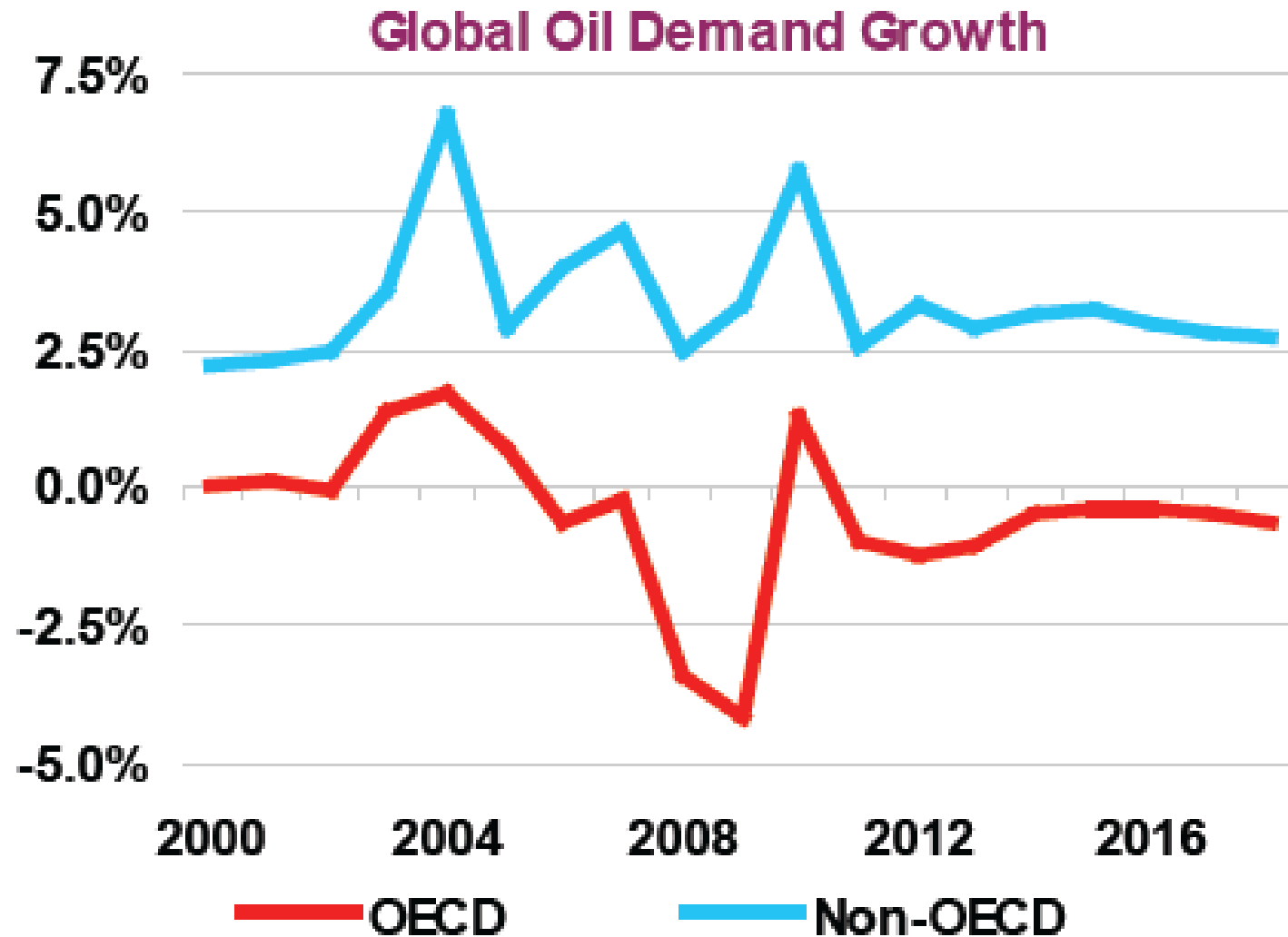
Source: Macroeconomic Imbalances. France 2013 (EC, 2013)

Trade Imbalance and Energy (France)



Source: Macroeconomic Imbalances. France 2013 (EC, 2013)

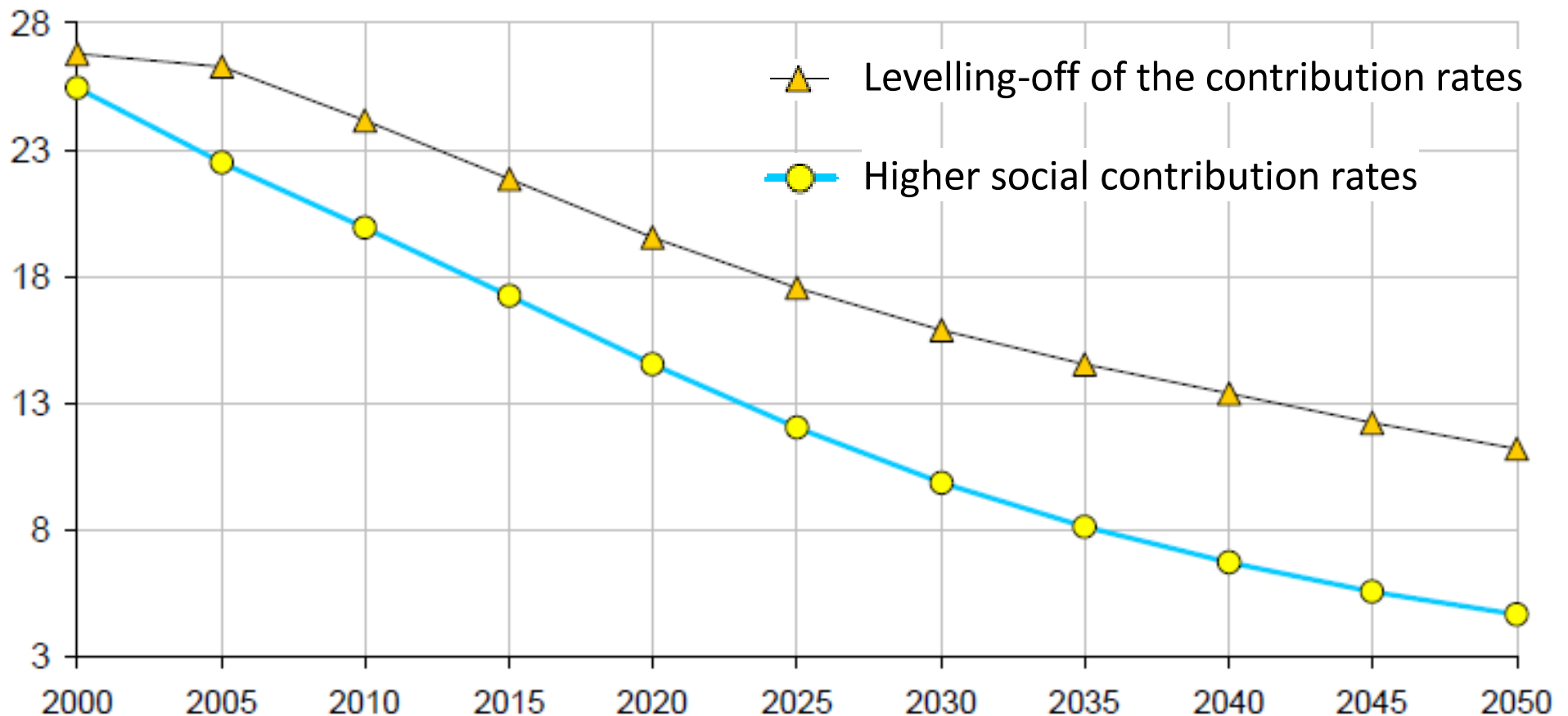
Future Developments: Tensions on Energy Markets



Source: Market Trends and Projections to 2018 (IEA, 2013)

Future Developments: Population Ageing and Savings

Household saving rate (Western Europe)



Sources: Demographic Uncertainty in Europe (Aglietta and Borghy, 2008)

Partial Equilibrium Analyses of Pension Systems

According to the French Pension Advisory Board

- “No action” : 41-48 G€ deficit in 2020 (11 G€ in 2008)
- 2 possible levers (to sustain the level of pension benefits)
 - ↑ social contribution rates (**+5.8 pts.**) &/or ↑ age of retirement (**3 yrs.**)

A pure accounting framework

1. No feedbacks on prices, wages, growth, employment...
2. No interaction between demographic and energy constraints

Connecting Climate, Pensions and Deficits Issues

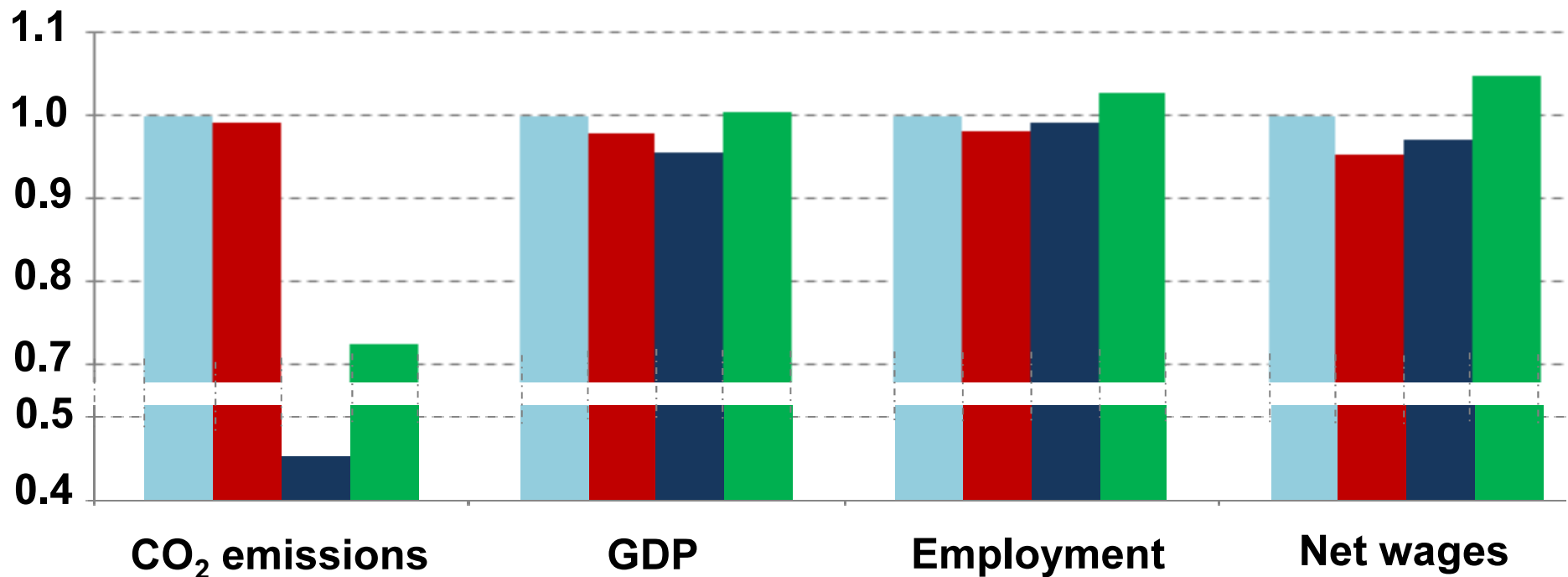
Consider: 1) A 2020 France comprehensive model

2) An objective: funding pensions over 2004-2020

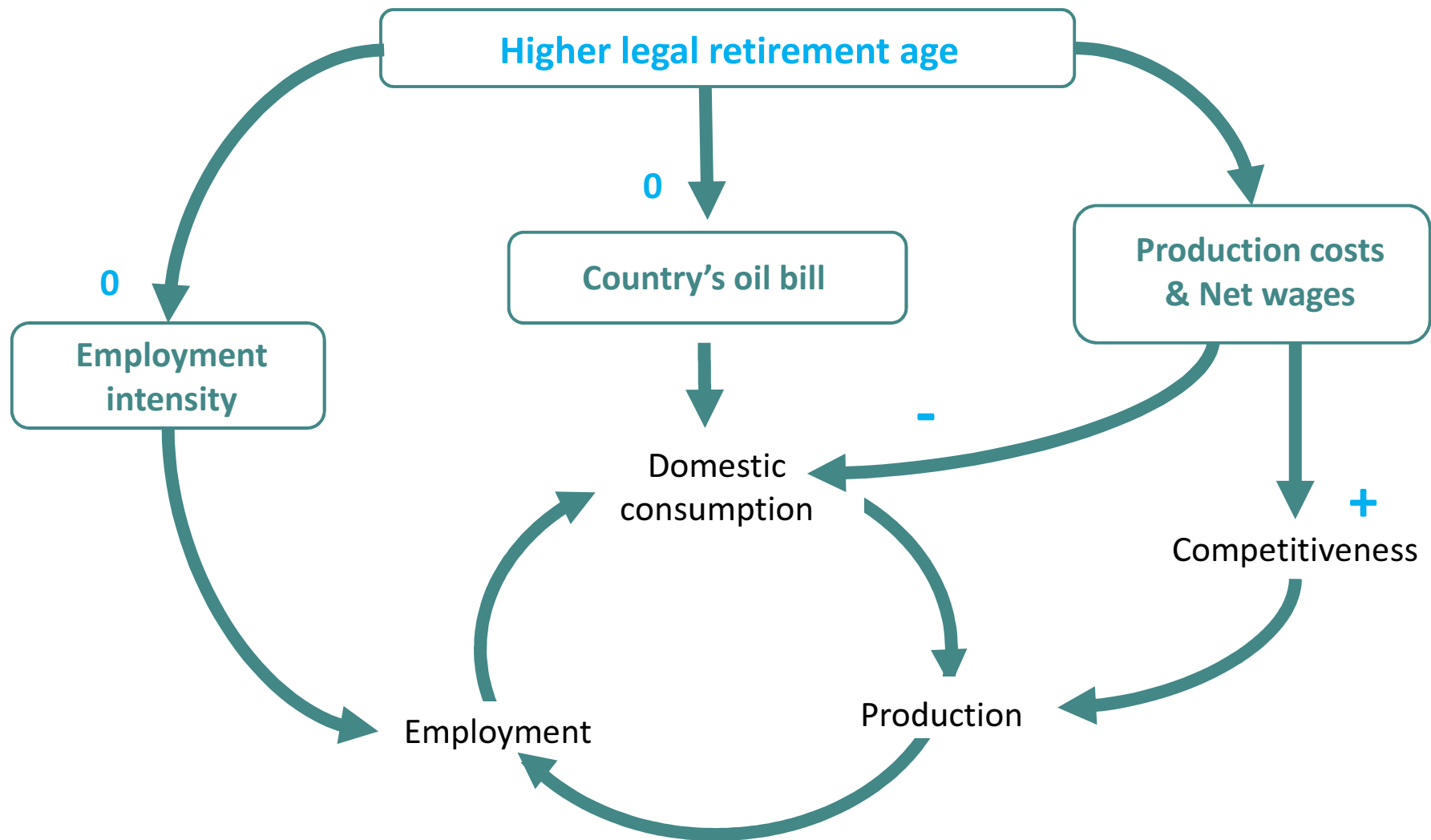
Archetypal reforms

Higher legal retirement age (>3 yrs.)
Higher social contributions (+7 pts.)

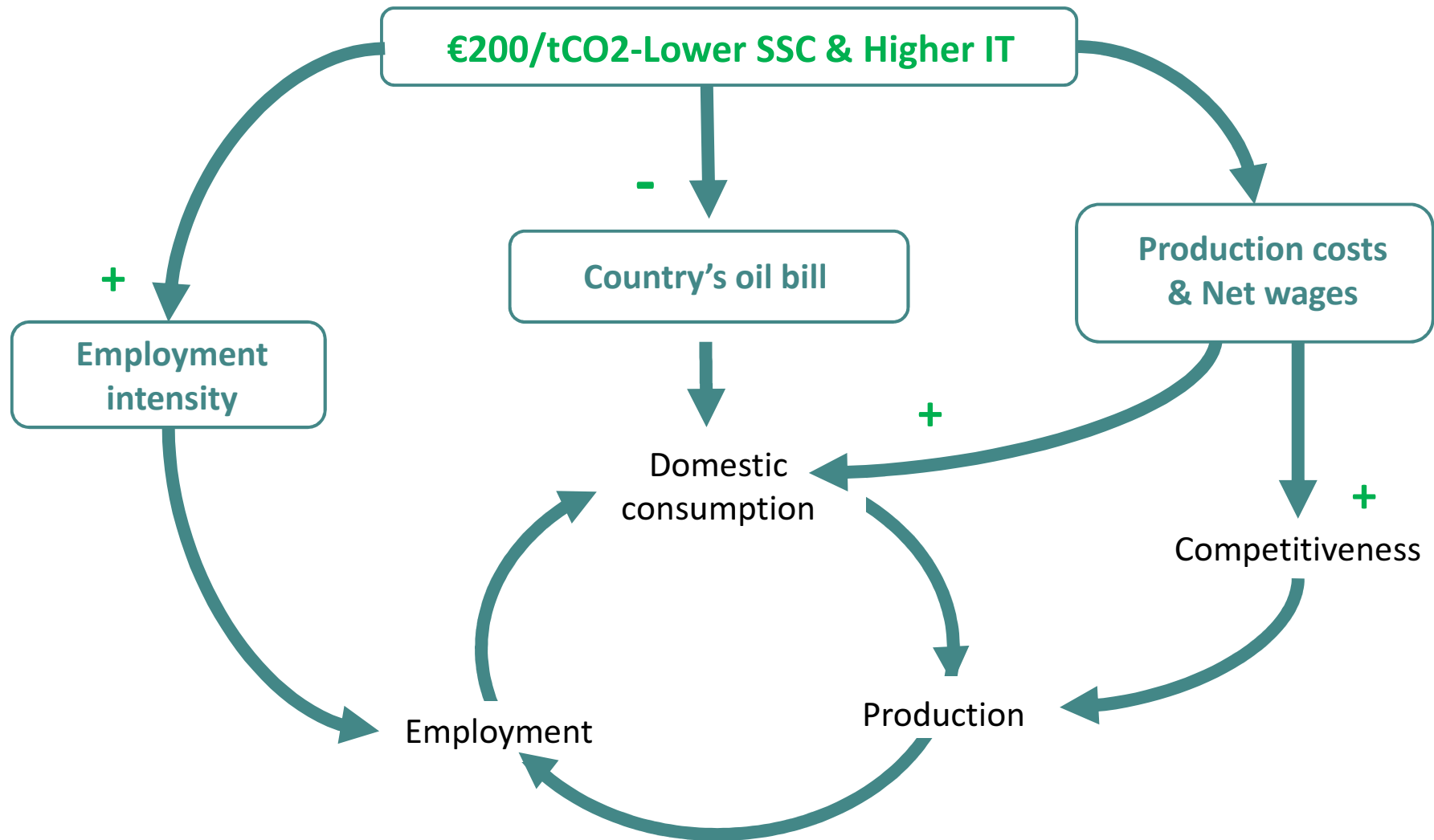
Carbon tax (€709 / tCO₂)
€200 / tCO₂ - Lower SSC & Higher Income Tax (+2 pts.)



Searching for a Mechanism of Potential Synergy



Searching for a Mechanism of Potential Synergy



Policy implications

- Important interactions between targets and instruments
- Potential synergies: climate policy & other development goals
- Social dialogue & collective bargaining on a compromise solution

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