

COVID-19 and the Paris Agreement target: A CGE analysis of alternative economic recovery scenarios for India¹

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Abstract

In this paper the Covid-19 pandemic has been analysed from sustainability and climate change perspectives with the help of a recursive dynamic CGE model for India. The Covid-19 could have major long term impacts on GDP, household income, inequality, CO₂ emissions, and carbon prices. Significant slowdown in labour intensive informal sectors such as construction and services, as well as in energy intensive and capital goods sectors, leads to adverse impacts on household income and inequality. Our analysis further suggests that climate policy consistent with the Paris Agreement target can complement the economic recovery process. Specifically, recycling of carbon tax revenues to investments could stimulate growth and employment, reduce inequality, and reduce carbon emissions, compared to a scenario without climate policy. Therefore, the need of the hour is to formulate and implement climate friendly recovery strategies.

Keywords: COVID-19 Impact assessment Paris agreement Carbon pricing CGE model India

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