

PRICING CLIMATE RISK:
Refocusing the Climate Policy Debate¹
Tempe Mission Palms Hotel
Tempe, AZ
April 12-13, 2013
Outline of Conference Program

Friday, April 12

8:00 – 8:30 Continental Breakfast

8:30 – 9:00 Welcome and Setting the Stage: **W. Michael Hanemann and Robert Litterman**

9:00 – 10:30 Thematic Session #1: **Christian Gollier and Christian Traeger**

1. Long-term Future Risks.

When one considers the challenges of pricing risks that arise in the “distant” future the treatment of uncertainty and discounting interact. There are different perspectives on whether to raise or lower the discount rate to reflect the composite of future, uncertain, potentially irreversible impacts. This session will frame the issues from a micro-economic perspective.

10:30 – 11:00 Break

11:00 – 12:30 Thematic Session #2: **Howard Kunreuther and Roger Cooke**

2. An Insurance Perspective.

Can re-designed insurance markets help? Under what conditions can we expect insurance markets to function effectively in managing climate risks? Would long term contracts linked to specific types of disastrous consequences offer a practical basis for launching a discussion of insurance as a policy instrument for dealing with climate risks.

12:45 – 1:45 Lunch

¹ Jointly sponsored by the W. P. Carey School of Business and the Center for Environmental Economics & Sustainability Policy at Arizona State University.

1:45 – 3:15 Thematic Session #3: **Ravi Bansal and Rajnish Mehra**

3. A Macroeconomic Perspective.

It is reasonable to expect that extreme climate events will impact growth. Introducing institutions that provide the means to insure against the effects of temperature variation should enhance GDP. Climate models need to account for long-run risks. To the extent they assume recursive-preferences, that account for the risk-free rate and the equity premium puzzles, we can expect that macro models will find that temperature-related economic costs are important. How do the features of these models influence our conclusions and how do they compare with the ways macro activity is represented in integrated assessment models developed for the IPCC process?

3:15 – 3:45 Break

3:45 – 5:30 Thematic Session #4: **Robert Pindyck**

4. Microeconomic Perspective.

Conventional economic models of growth accept consumption as a key focus of economic activity. Is that appropriate for conceptualizing climate change? Modifying that perspective could have implications for the valuation of damages and the pricing of climate risk, including the treatment of uncertainty and discounting in the presence of nonlinear ecosystem dynamics. How should the potential for catastrophic events be treated in a sustainable growth orientation?

6:15 – 9:30 Dinner

Saturday, April 13

8:00 – 8:30 Continental Breakfast

8:30 – 10:00 Thematic Session #5: **Stephane Hallegatte and Robertson Williams**

5. Climate in Relation to Other Policies.

Climate change will occur on top of normal life, in a world with many other policy concerns and many other uncertainties. How should we think of mitigation, adaptation, and the pricing of climate risk in a context where these other things are occurring – population movement, urban growth, etc? How does pricing climate risk co-ordinate with other pricing or tax policy innovations that may also be on the horizon? Should climate risks be considered as added to existing, other background risks? How might the design of insurance contracts change with assumptions about background risk, and future tax policy?

10:00 – 10:30 Break

10:30 – 12:00 Thematic Session #6: **Charles Kolstad and V. Kerry Smith**

6. Taking Stock and Looking Forward.

What have we learned so far? What needs to be done to promote the effective pricing of climate risks and, more generally, to advance mitigation and improve preparations for adaption. Are there any analogies from non-climate policy experience that might provide some illumination for the design of climate-related policy? Where should we be going with a generation of new integrated assessment models after the Fifth Assessment? What is a research agenda for advancing these goals?

12:00 – 1:00 Lunch