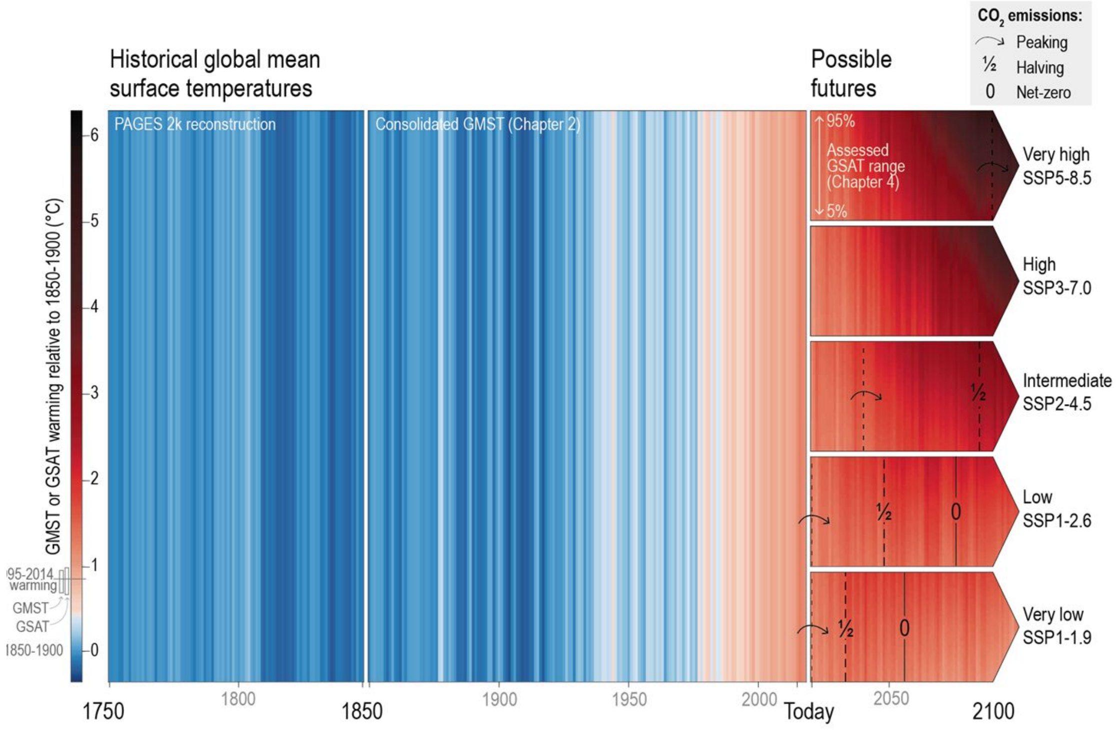
JUST ECONOMICS:
A Grand Bargain for Adaptation, Mitigation, and Compensation

A GLOBAL CLIMATE PROPOSAL

ABHIJIT BANERJEE
ESTHER DUFLO
MICHAEL GREENSTONE

FACT **#1**

THE POSSIBLE FUTURES LOOK HOT

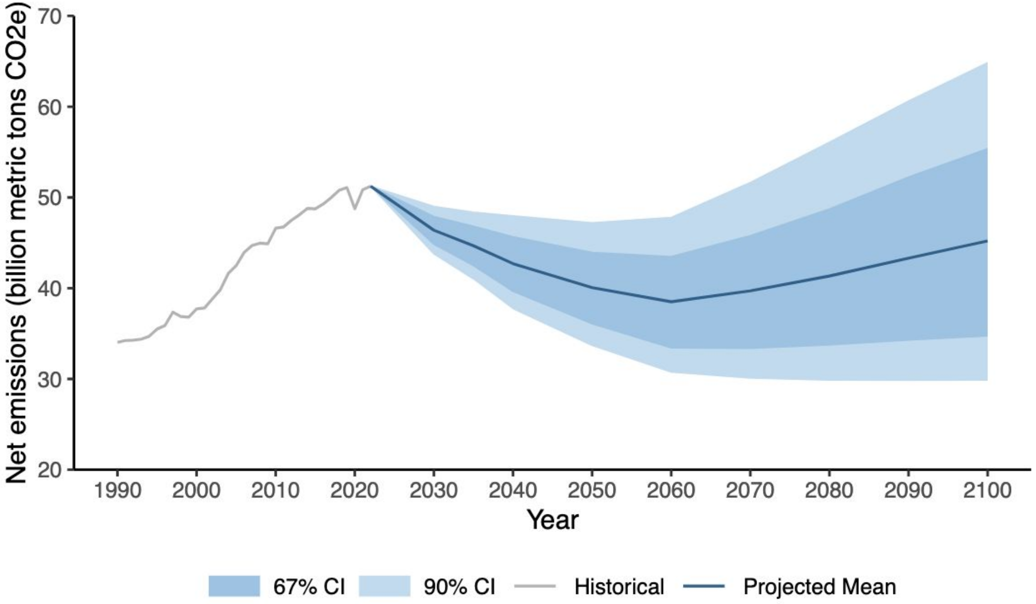


Source: IPCC (2021)

FACT **#2**

STUBBORNLY HIGH PROJECTED CO2e EMISSIONS

PROJECTED GLOBAL EMISSIONS

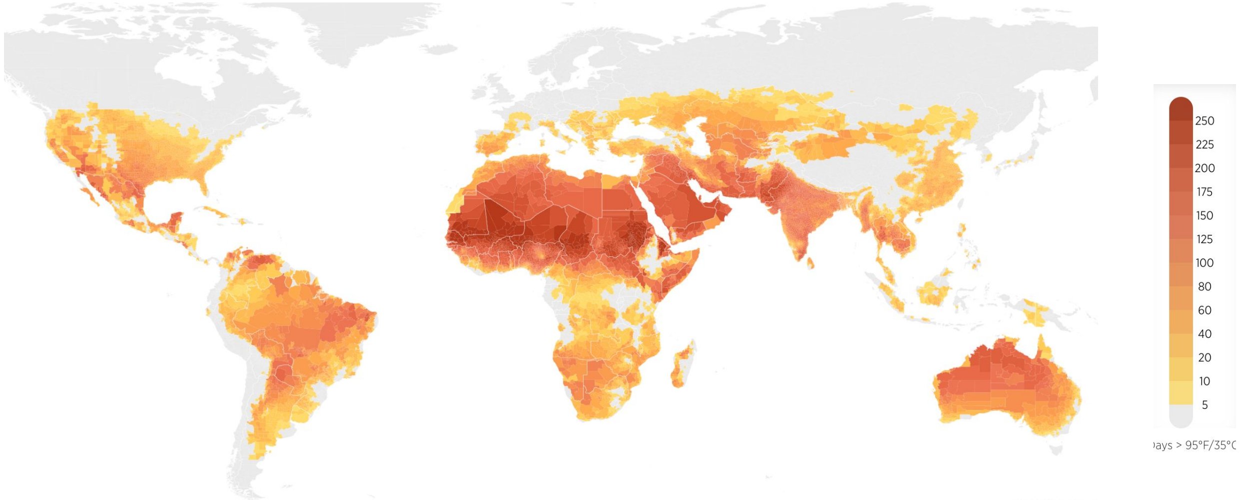


Source: Larsen et al. (2025)

FACT **#3**

98% OF CLIMATE DAMAGES IN LMICs

Number of days above 32 degrees celsius



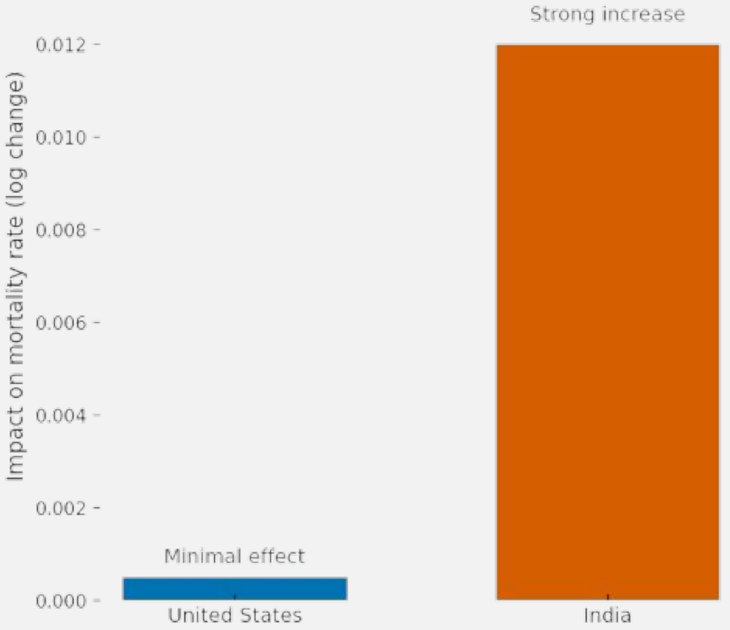
VULNERABLE COUNTRIES WILL GET VERY HOT

Source: Climate Impact Lab

AND THE IMPACT OF A HOT DAY IS NOT THE SAME.

Photo: CNN

IMPACT OF A DAY ABOVE 90 DEGREES ON MORTALITY



Source: Burgess et al. (2017)

FACT **#3**

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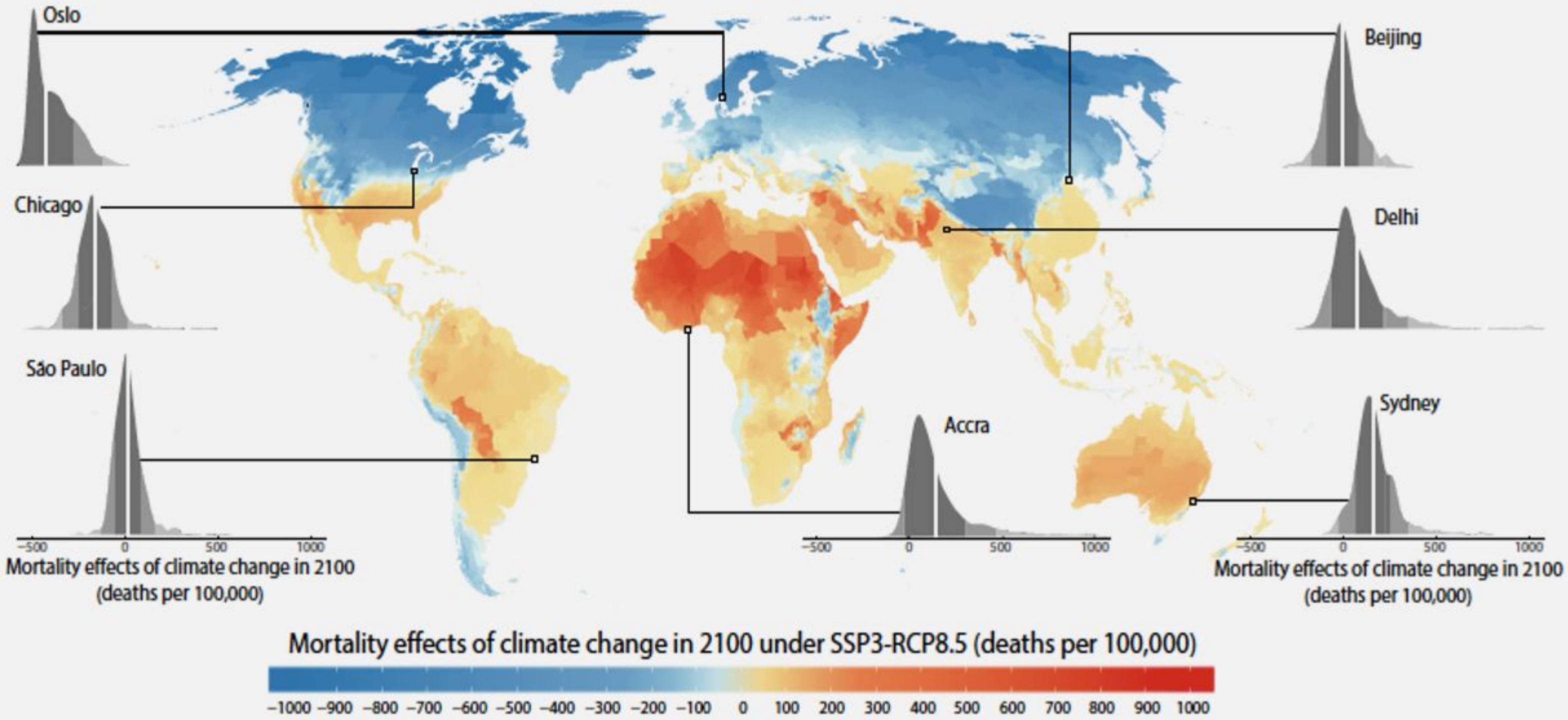

Source: Carleton et al, 2022

MORTALITY SCC FOR LMIC

US$ 130

DAMAGES IMPOSED TO AFRICA

1.1 TRILLIONS

OECD EMISSIONS 2022

14.4 BILLIONS

DAMAGES IMPOSED TO LMIC COUNTRIES

1.8 TRILLIONS

Source: Climate Impact Lab (2025)

FACT **#4**

VULNERABLE PEOPLE PLAY LITTLE ROLE IN EMISSIONS

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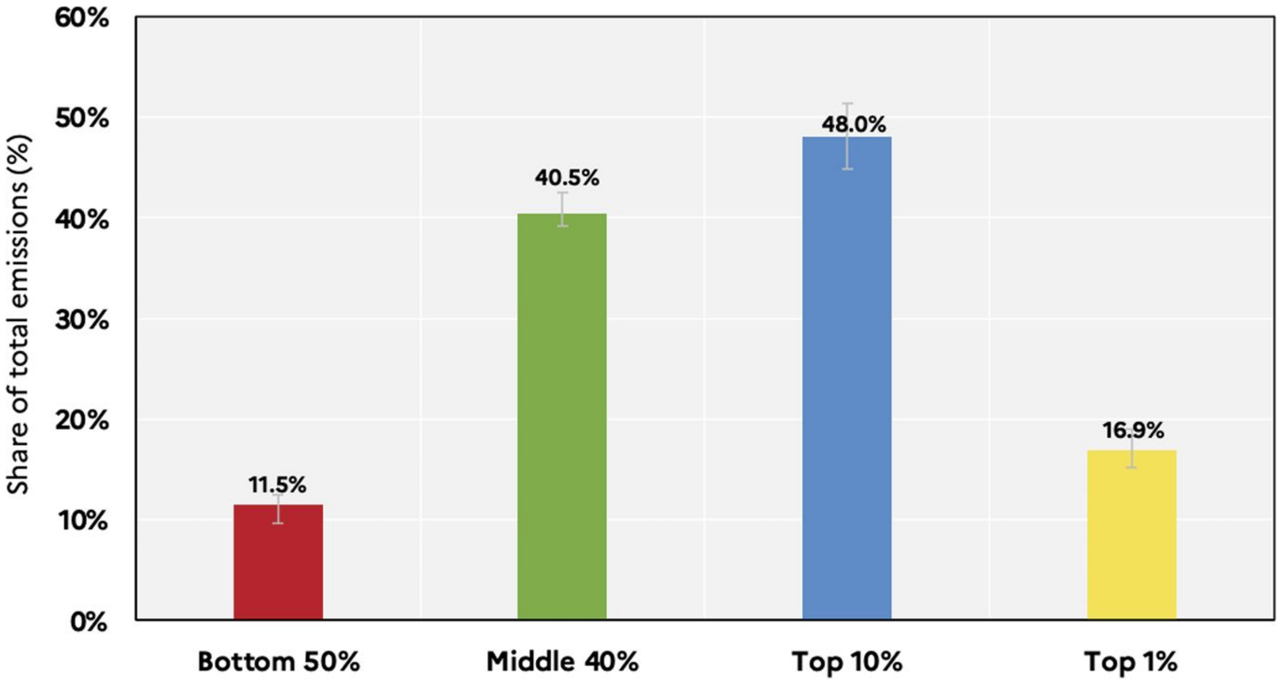
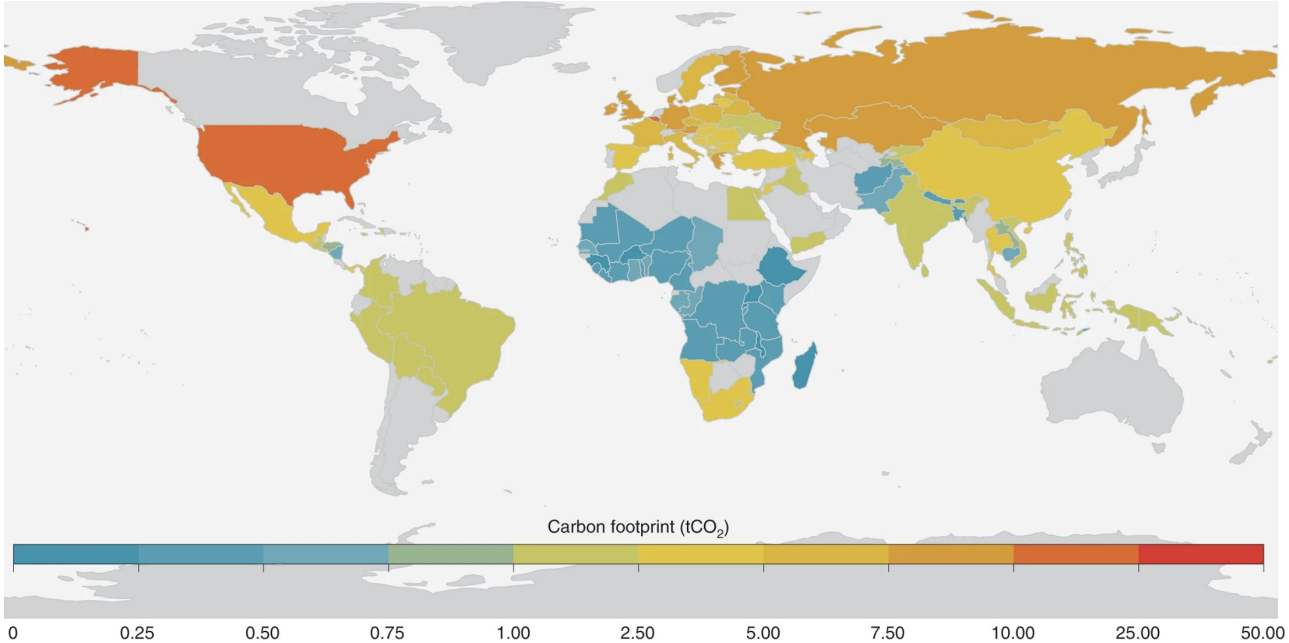


Source: Chancel et al., World Inequality Lab (2023)

FACT **#4**

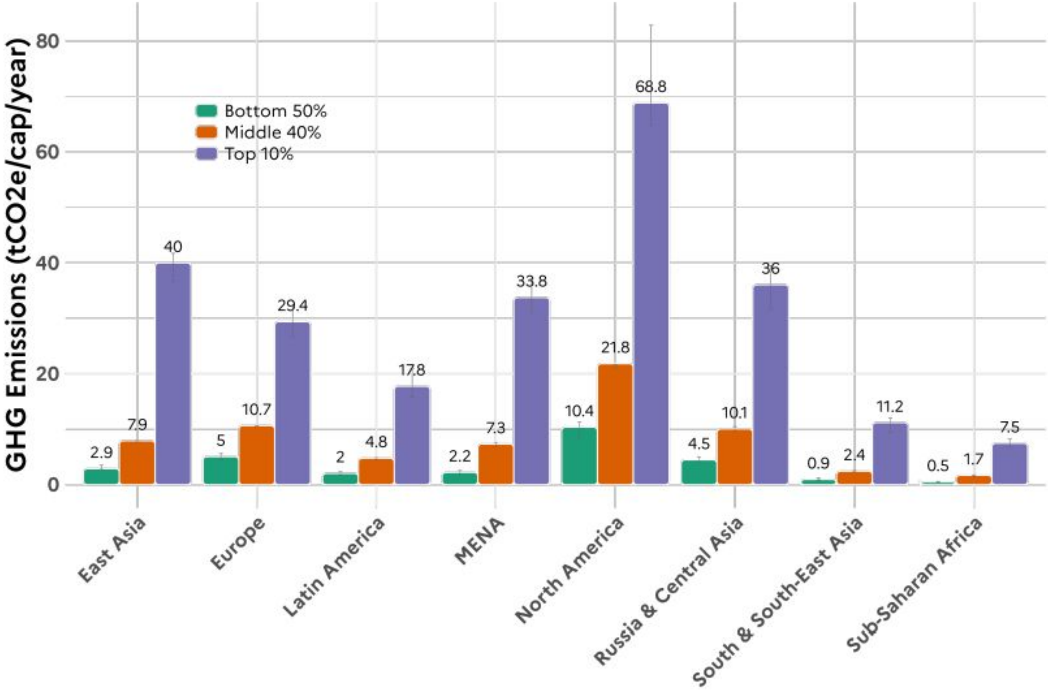
VULNERABLE PEOPLE PLAY LITTLE ROLE IN EMISSIONS

PER CAPITA FOOTPRINT



Source: Bruckner et al. (2022)

PER CAPITA EMISSIONS BY REGION AND INCOME GROUP



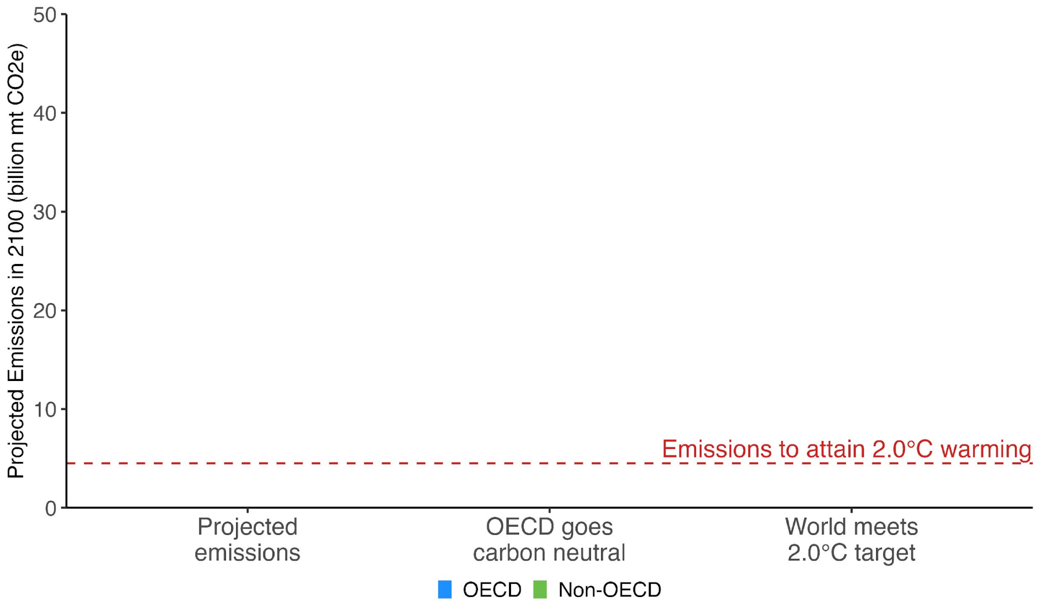
Source: Chancel et al., World Inequality Lab (2023)

FACT **#5**

LOW- AND MIDDLE-INCOME COUNTRIES HOLD THE KEY TO THE FUTURE OF CLIMATE

Source: Larsen et al. (2025)

LIMITING TEMPERATURE INCREASES TO 2.0°C WOULD REQUIRE NON-OECD COUNTRIES TO REDUCE THEIR GHG EMISSIONS BY 88%



Source: Larsen et al. (2025)

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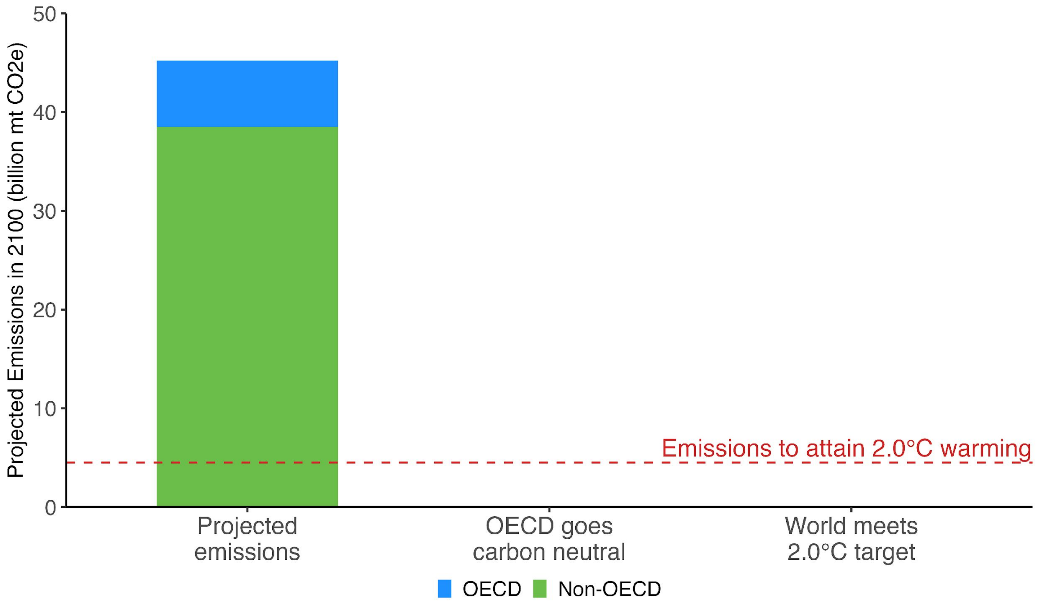

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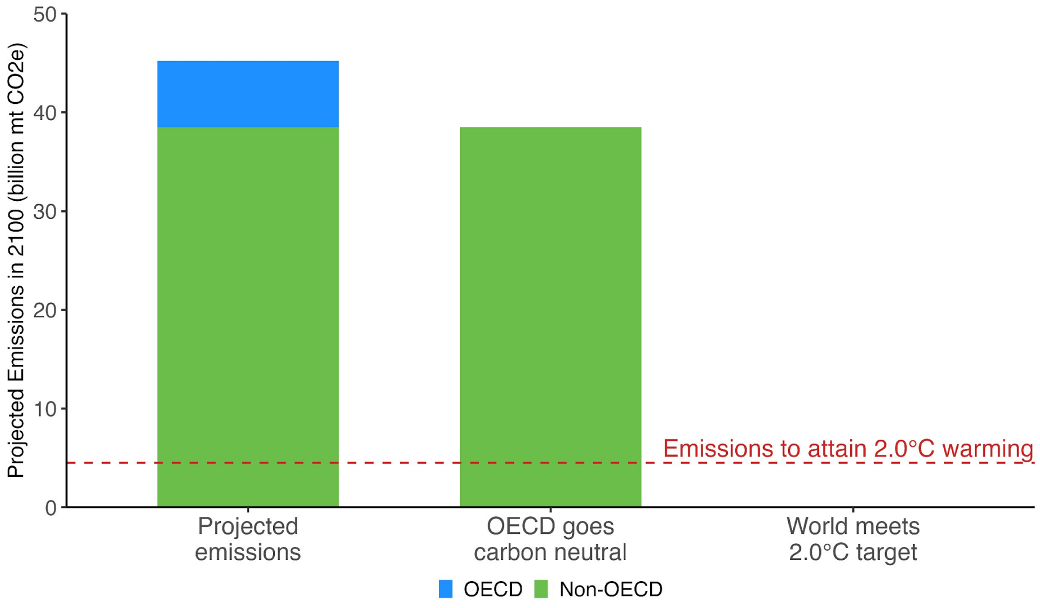

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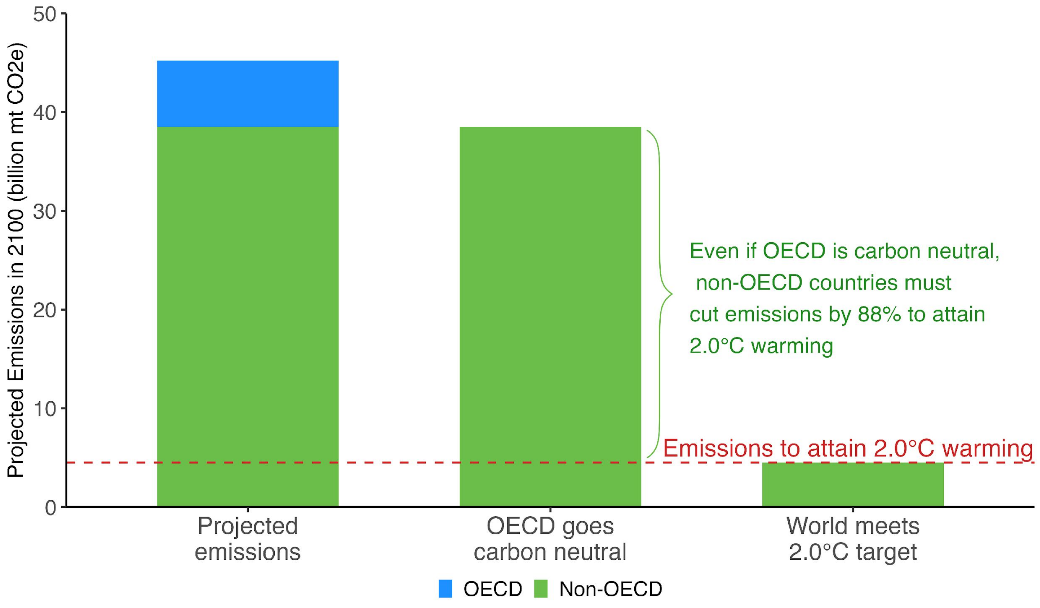

Source: Larsen et al. (2025)

THE CHALLENGE BEFORE US:

PUT BACK VULNERABLE PEOPLE AND COUNTRIES AT THE HEART OF THE CLIMATE EFFORT

HAS COP DELIVERED SO FAR ON THIS CHALLENGE?

1. NO GLOBAL CLIMATE KING, QUEEN, OR CEO

/ All actions are voluntary.

© Rafa Neddermeyer/COP30 Brasil Amazônia/PR

HAS COP DELIVERED SO FAR ON THIS CHALLENGE?

2. LMICs ARE UNHAPPY

/ Previous climate finance amounts small compared to damages, needs, and promises. Often come as loans and/or with great restrictions;

/ Unlikely to substantially reduce emissions;

/ Trade off immediate welfare vs short term emission reduction pressure.

© Thaier Al-Sudani/Reuters

HAS COP DELIVERED SO FAR ON THIS CHALLENGE?

3. HIGH-INCOME COUNTRIES ARE UNHAPPY

/ Reluctant to cut own emissions and VERY reluctant to provide climate finance.

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HAS COP DELIVERED SO FAR ON THIS CHALLENGE?

LMICs ARE UNHAPPY

HIGH-INCOME COUNTRIES ARE UNHAPPY

3 DECADES OF FAILURE DEMAND THAT WE CONSIDER NEW APPROACHES

A GLOBAL CLIMATE GRAND BARGAIN

PRINCIPLE: **BENEFITS MUST EXCEED COSTS FOR ALL PARTIES.**

CLIMATE GRAND BARGAIN HAS TWO PARTS:

CONDITIONAL ON

1. Wealthy countries agree to compensate LMICs for (present and future) damages that their current GHG emissions cause

2. LMICs institute carbon pricing

CONDITIONAL ON

HOW TO SPEND THE MONEY

KEY PRINCIPLES

BE USEFUL TO THE MOST AFFECTED

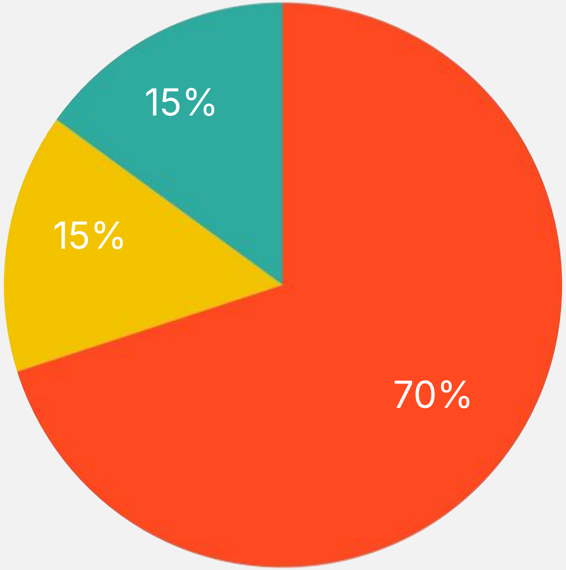
RESPECT AUTONOMY

CONTRIBUTE TO ADAPTATION

F.A.I.R.

FORESEEABLE
AUTOMATIC
IMMEDIATE
REGULAR

F.A.I.R.



FUNDS ALLOCATED INTO THREE PILLARS:

PILLAR 1: AUTOMATIC TRANSFERS TO HOUSEHOLDS

PILLAR 2: COMMUNITY BLOCK GRANTS

PILLAR 3: PRE-ARRANGED CRISIS FINANCING FOR GOVERNMENTS

F.A.I.R.

PILLAR 1

TRANSFERS TO FAMILIES (PIX DO CLIMA) (70%)

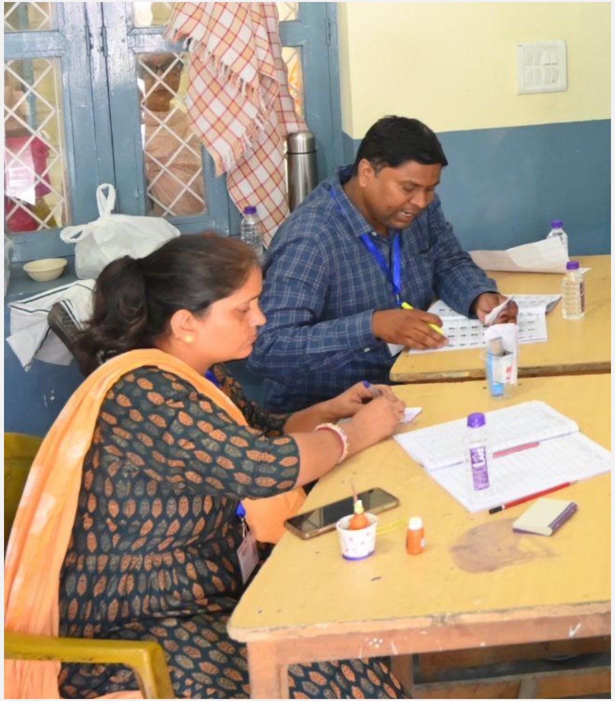
/ Universal Basic Income of $3 PPP/day in vulnerable countries

/ Triggered by hot days in richer countries (WTBI)

PILLAR 2

COMMUNITY BLOCK GRANTS (15%)

/ Adaptive measures that must be undertaken by the community



/F.A.I.R.

PILLAR 3

PRE-ARRANGED CRISIS FINANCING FOR GOVERNMENTS (15%)

/ The government ends up being the
/ insurer of last resort

* According to a report by the high-level panel on risk prevention, only 2% of the financing for coping with disasters is pre-arranged, through contingent loans, grants, and insurance.

F.A.I.R. WOULD

/ Eliminate extreme poverty

/ Contribute to adaptation

UBI AND CONTINGENT TRANSFERS ARE KNOWN TO BE WELL SPENT AND ADAPTIVE STRATEGIES, AND CLIMATE DISASTERS HAVE LONG TERM ECONOMIC IMPACTS ON BOTH COMMUNITIES AND GOVERNMENTS

WHAT LMIC WOULD DO

GRADUATED CARBON PRICING

/ COMMON BUT DIFFERENTIATED RESPONSIBILITIES

/ GRADUATED CARBON PRICING BY INCOME LEVEL

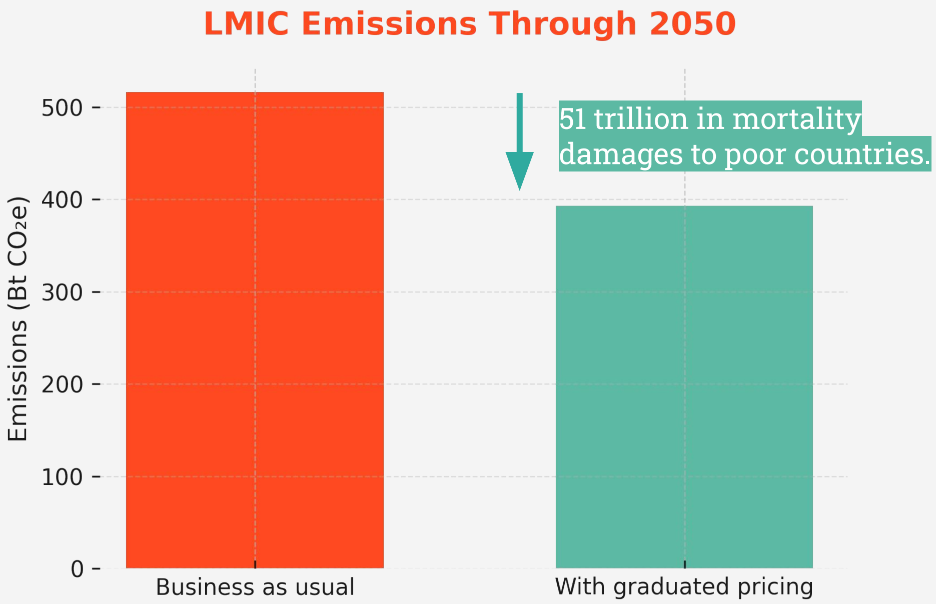
- $10/t FOR LOW-INCOME COUNTRIES
- $30/t FOR LOWER-MIDDLE INCOME COUNTRIES
- $50/t FOR UPPER-MIDDLE INCOME COUNTRIES

All rising 5% annually in real terms.

GUJARAT EMISSIONS MARKET

- / Gujarat implemented the world's first particulate-matter trading market in 2019
- / An evaluation found 20-30% emission reductions and lower compliance costs for firms
- / Finalist 2025 Earthshot Prize

/ PROJECTED IMPACTS OF LMIC CARBON PRICING



/ PROJECTED IMPACTS OF LMIC CARBON PRICING

CLIMATE AND ECONOMIC IMPACTS OF CARBON PRICES THROUGH 2050

	Business as usual (Bt CO_2e)	Emissions Reduction (Bt CO_2e)	Cumulative Reduction in Climate Damages (Billions of USD)	Average Annual Carbon Price Revenue (% of GDP)
Low and Middle Income Countries	516	123	28,553	4.0

Linking damage funding to rich countries' emissions acts as an implicit carbon tax, encouraging mitigation.

WHY WOULD THIS WORK?

WHY WOULD WEALTHY COUNTRIES AGREE TO DO THIS?

MORAL RESPONSIBILITY:
ROOTED IN THE “**POLLUTER PAYS” PRINCIPLE**

Payments connected to emissions and damages they cause to others.

WHY WOULD WEALTHY COUNTRIES AGREE TO DO THIS?

SELF-INTEREST: NO MITIGATION WITHOUT COMPENSATION. WEALTHY COUNTRY WANT TO LIMIT CLIMATE CHANGE

© Keystone

WHY WOULD LMIC AGREE TO DO THIS?

COMPENSATED FOR DAMAGES

Transparent calculations of expected damages in each country. No bargaining or lengthy approvals.

SELF-INTEREST OF MITIGATION:

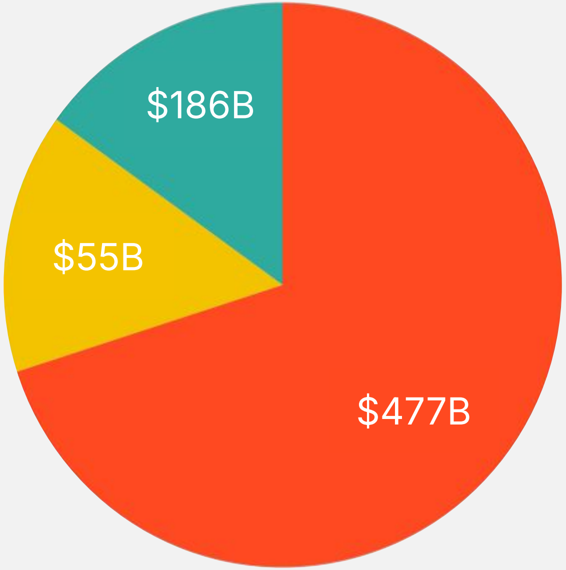
MITIGATION ALMOST ENTIRELY BENEFITS LMICS.

Carbon pricing is also a source of government revenues, and would attract private financing.

HOW COULD RICH COUNTRIES RAISE ENOUGH MONEY?

PAYING FOR FULL DAMAGES:
$1.8 TRILLION /YEAR

BUT FAIR PROPOSAL IS ONLY $700 BILLION / YEAR



ESTIMATING THE COST OF FAIR IN 202

PILLAR 1: AUTOMATIC TRANSFERS TO HOUSEHOLDS

PILLAR 2: COMMUNITY BLOCK GRANTS

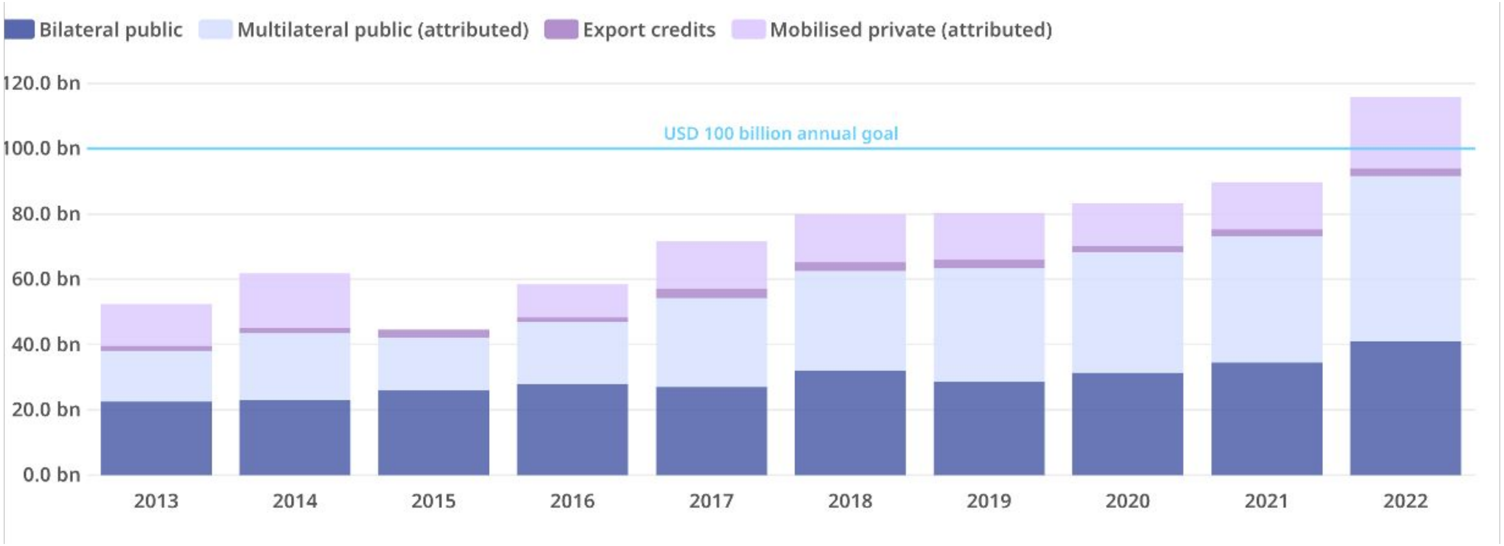
PILLAR 3: PRE-ARRANGED CRISIS FINANCING FOR GOVERNMENTS

TOTAL ESTIMATED COST
APPROXIMATELY 1% OF THE OECD GDP

CLIMATE FINANCING SO FAR

CLIMATE FINANCE FOR DEVELOPING COUNTRIES

AMOUNTS PROVIDED AND MOBILISED BY DEVELOPED COUNTRIES, BILLION USD



The gap in the private finance series in 2015 is due to the implementation of enhanced measurement methodologies.
As a result, private flows for 2016-22 cannot be directly compared with private flows for 2013-14.

Source: OECD (2024)

CLIMATE FINANCING SO FAR

FIGURE 4 _ CLIMATE FINANCE PROVIDED AND MOBILISED IN 2016-2022 PER CLIMATE THEME (USD BILLION)

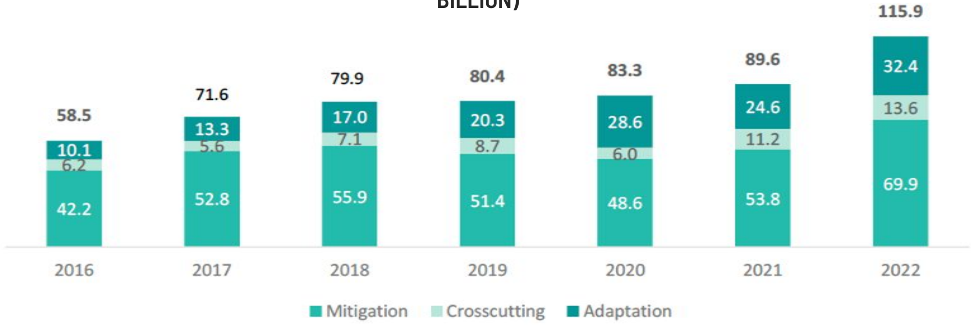


FIGURE 10 _ CLIMATE FINANCE PROVIDED IN 2016-2022 PER FINANCIAL INSTRUMENTS (USD BILLION)

SEVERAL OPTIONS TO RAISE MONEY

- / CARBON TAX IN RICH COUNTRIES
- / GENERAL BUDGET PROCESS
- / IMPROVE THE FAIRNESS OF INTERNATIONAL TAXATION

HISTORICAL G20, HISTORICAL COP

"COP30 WILL BE THE MOMENT TO RECOGNIZE THAT **ADAPTING IS NOT A SIGN OF WEAKNESS, BUT OF WISDOM".**

A. C. DO LAGO

"BRAZIL WILL WORK TIRELESSLY TO TAX THE RICHEST AND COMBAT HUNGER"

FERNANDO HADDAD

MIN. FINANCE

GLOBAL SOLIDARIT Y LEVIES

USD 4-150 billion

USD 100/ton CO2eq, base year 2026; approx. USD $60 billion

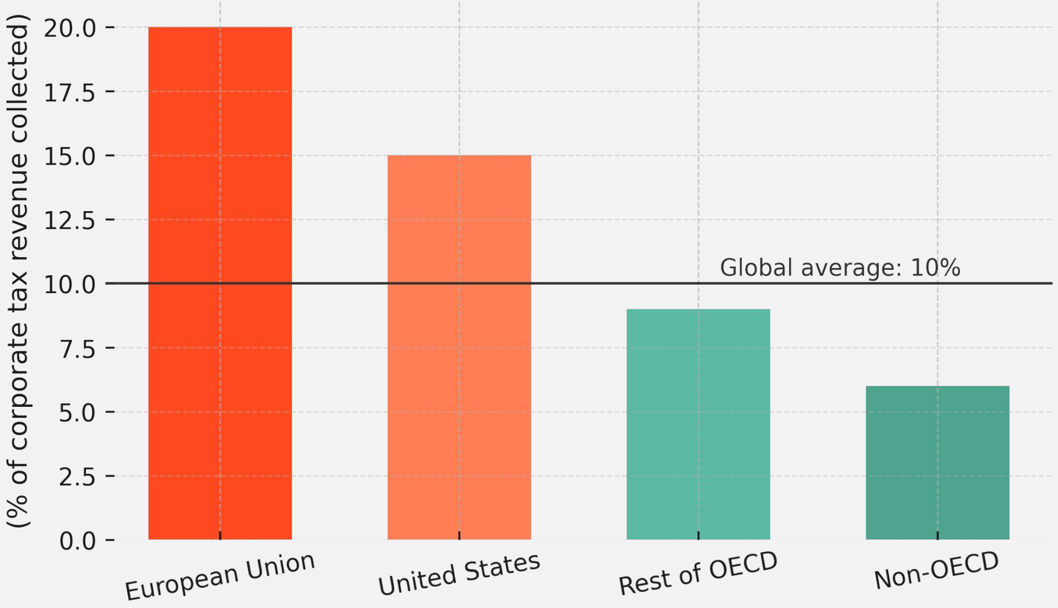
USD 5/ton CO2, base year 2021; approx. USD $210 billion

2% on wealth potential to raise USD 250 billion per year

0.1% financial-transactions tax could raise up to USD $418 billion

THE ULTRA-RIC H DON'T PAY TAXES

TAX REVENUE LOST DUE TO PROFIT SHIFTING



Source: Zucman et al.(2024)

IMPROVE AND SLIGHTLY INCREASE THE **TAX ON MULTINATIONAL CORPORATIONS**

$300-500 BILLION USD

BRAZILIAN PROPOSAL FOR **TAX ON BILLIONAIRES**

$200 BILLION USD

A GLOBAL CLIMATE GRAND BARGAIN IS FEASIBLE & NECESSARY

PLANET ASKING FOR A SOLUTION

Without compensation, little hope for meaningful LMIC mitigation (guarantees substantial climate change)

A GLOBAL CLIMATE GRAND BARGAIN IS FEASIBLE & NECESSARY

MORAL RESPONSIBILITY COMBINED WITH SELF-INTEREST

Rooted in the “polluter pays” principle;
Reduces the odds of disruptive climate change

A GLOBAL CLIMATE GRAND BARGAIN IS FEASIBLE & NECESSARY

RESPECTS SELF-DETERMINATION

Preserves agency for both wealthy and lmic and is “carrot” instead of “stick”

A GLOBAL CLIMATE GRAND BARGAIN IS FEASIBLE & NECESSARY

REALISTIC

Built to accommodate incomplete participation by all

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