Assessing short-term and long-term economic and environmental effects of the COVID-19 crisis in France

Mardi 11h00-12h30
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Résumé/Abstract:
In response to the COVID-19 health crisis, the French government has imposed drastic lockdown measures for a period of 55 days. This paper provides a quantitative assessment of the economic and environmental impacts of these measures in the short and long term. We use a Computable General Equilibrium model designed to assess environmental and energy policies impacts at the macroeconomic and sectoral levels. We find that the lockdown has led to a significant decrease in economic output of 5% of GDP, but a positive environmental impact with a 6.6% reduction in CO2 emissions in 2020. Both decreases are temporary: economic and environmental indicators return to their baseline trajectory after a few years. CO2 emissions even end up significantly higher after the COVID-19 crisis when we account for persistently low oil prices. We then investigate whether implementing carbon pricing can still yield positive macroeconomic dividends in the post-COVID recovery. We find that implementing ambitious carbon pricing speeds up economic recovery while significantly reducing CO2 emissions. By maintaining high fossil fuel prices, carbon taxation reduces the imports of fossil energy and stimulates energy efficiency investments while the full redistribution of tax proceeds does not hamper the recovery.