



Industrial Policy and the Green Transition

Mondays - 17:00 - HYBRID

Prof Cyril Benoit, CNRS - SciencesPo Paris
Prof Elsa Clara Massoc, SEPS - Saint Gallen

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Outline of today's course

1.General introduction

2.Logistics of the course

3.18:15 - SciencesPo students join online to discuss the readings of the last class “The New Trilemma of advanced capitalism”



Introductions

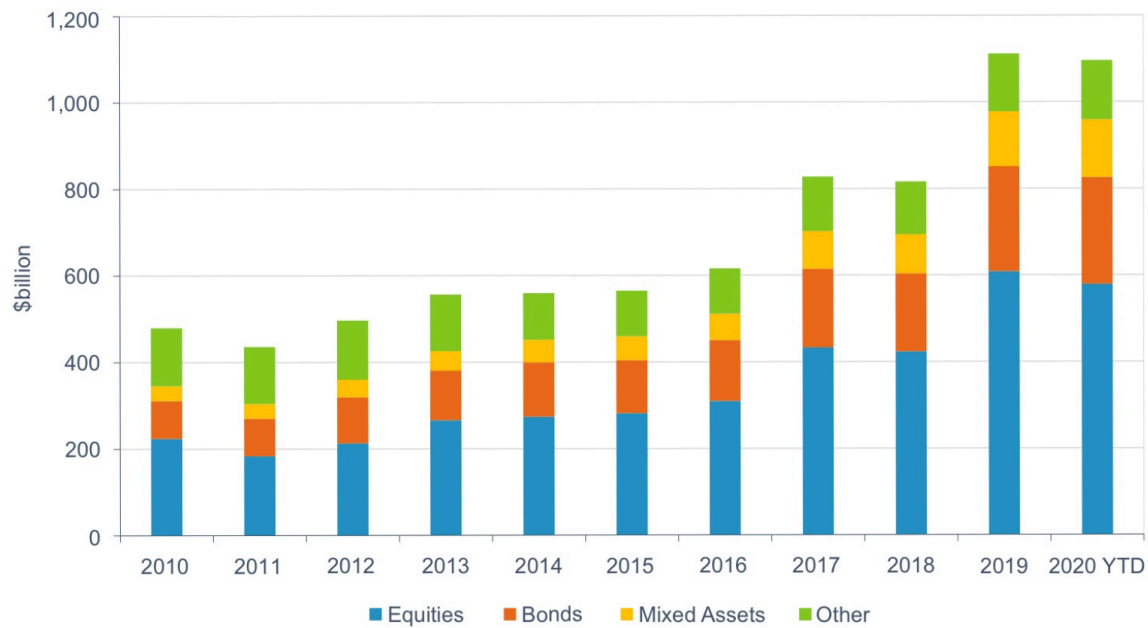
- What's your name and curriculum
- Why this class?

Class objectives

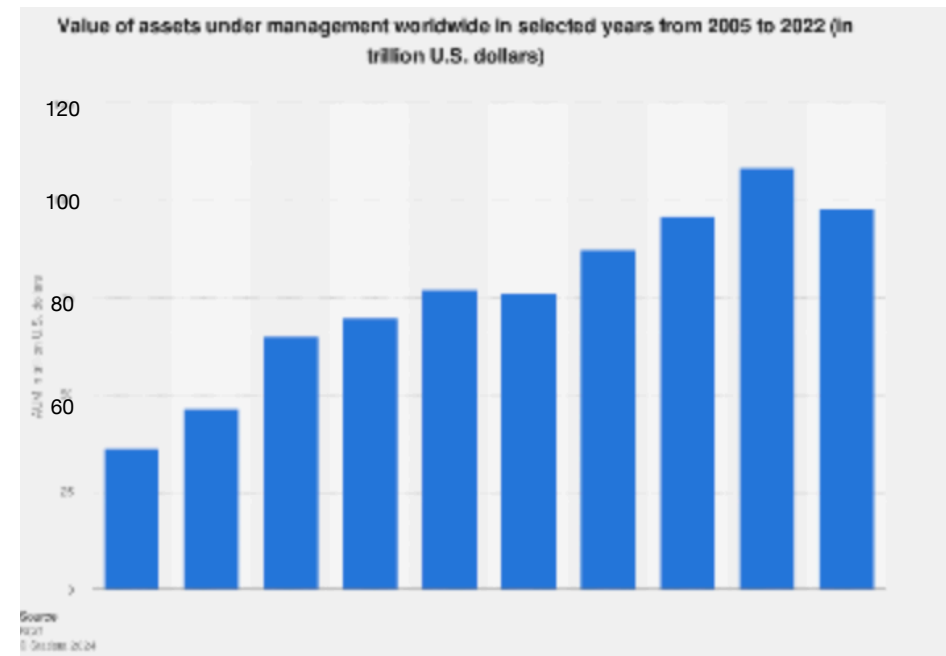
1. Students will gain a comprehensive *understanding of contemporary industrial policy*, particularly in the context of the green transition.

(Green) Private finance

Assets under management in ESG funds



Source: Standard Chartered



Limits of private finance...

BlackRock pulls back support for climate and social resolutions

Proposals that 'dictate the pace' of energy transition receive fewer votes from \$8.5tn money manager



Two of the world's biggest asset managers are quitting an investor group set up to prod companies over global warming and a third is scaling back its participation, in a major setback to the ambitions of Climate Action 100+.

JPMorgan Asset Management and State Street Global Advisors both confirmed they were leaving Climate Action 100+. BlackRock, the world's largest money manager, is pulling out as a corporate member and transferring its



Marat Markert @MaratMarkert · Feb 15

I mean, even the private capital folks say this – from a report of the Glasgow Financial Alliance mentioned in the piece:

GFANZ is working to support the net-zero transition in EM&DEs through private-sector leadership and public-private collaboration, including through progress driven by its Mobilizing Capital to EM&DEs workstream. The workstream, composed of 35 financial institutions and civil society organizations across 16 countries, is working to take tangible actions to accelerate capital allocation in support of the net-zero transition in EM&DEs. This includes supporting ambitious country platforms such as the Just Energy Transition Partnerships (JETPs), strengthening ties between multilateral development banks and private finance institutions to enhance de-risking instruments, supporting the development of high integrity carbon markets, and advancing global capacity building efforts.

Private finance cannot substitute for public finance, and it cannot flow in the absence of public policies that support the creation of an investable pipeline of projects. Where these conditions exist, there has been progress, as outlined in the Mobilizing Capital In and To Emerging Markets and Developing Economies report.²² Our shared objective is to help replicate these conditions more broadly to drive the scale of investment required and deliver a just transition. That is why GFANZ is working to drive progress in the following critical areas:

Caption

Limits of private finance...

- Scale/timing of private investment: not enough, not quickly enough
- Suspicion of greenwashing (Wrt ESG see Freitas et al. 2020)
- Problems in taxonomy: what is really green?
(low-emissions - high emissions activities spectrum)
(Campiglio et al. 2018)
- Continued investment in fossil energies (no logics of divestment) (Reclaim Finance 2022)
- Are Maximising profit and green investment compatible? (Baines and Hager 2022)

**“Green” industrial policy: state’s involvement in financing the green transition
In the Global North**



Inflation Reduction Act (2022)

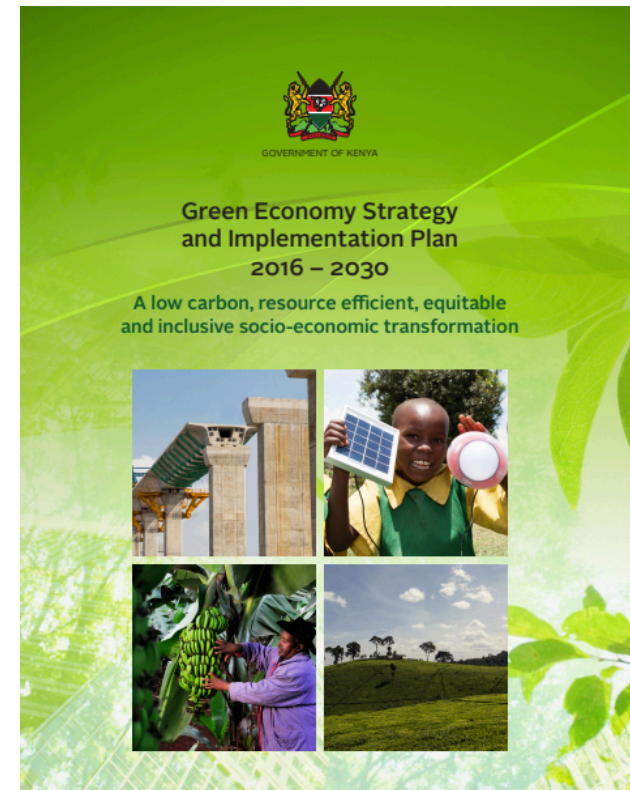


European Green Deal (2020)

“Green” industrial policy: state’s involvement in financing the green transition In the Global South



Invirtamos en Chile (2022)



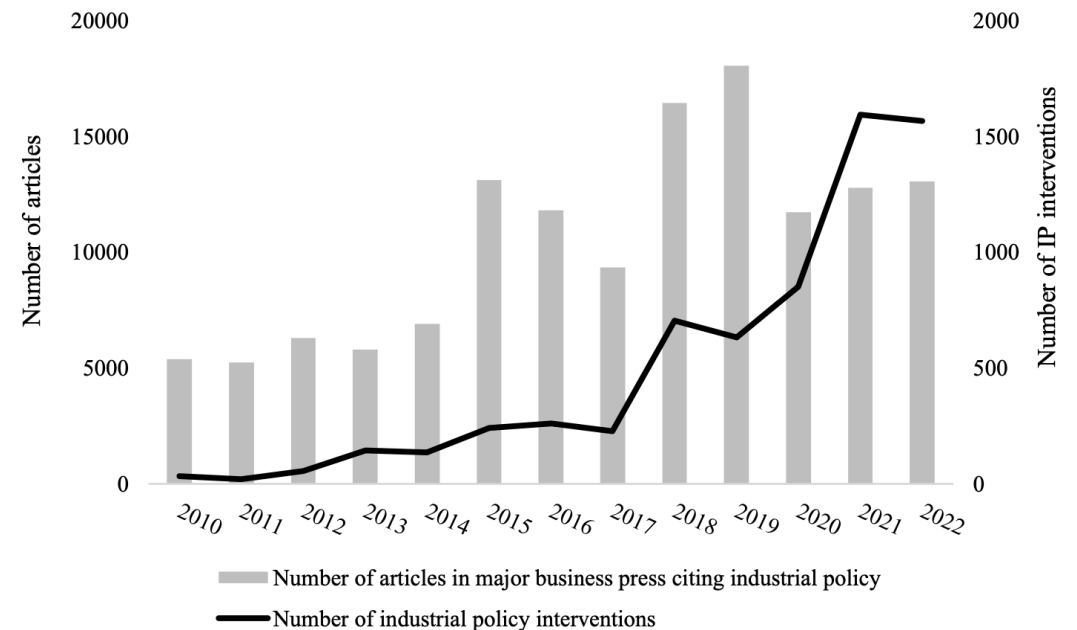
“Green” industrial policy: state’s involvement in financing the green transition

Academics, analysts, policymakers



Mariana Mazzucato, author of “The Entrepreneurial state”

Figure 1. Mentions of industrial policy in the major business press and total number of industrial policy interventions

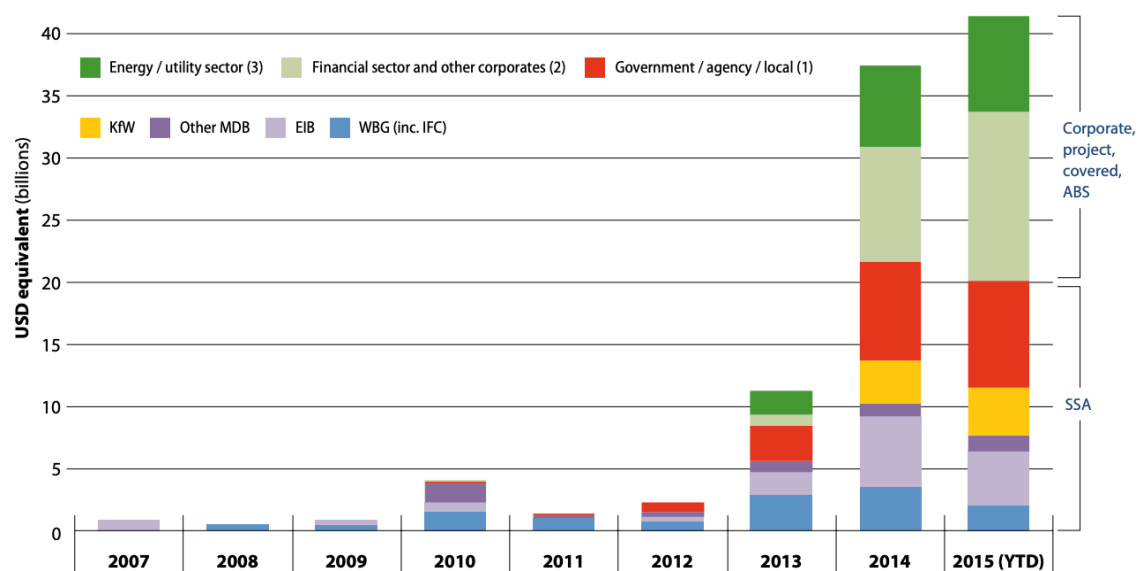


Source: Evenett, Jakubib, Martin & Ruta (2024); Juhász, Lane, & Rodrik (2023)

“Green” industrial policy: state’s involvement in financing the green transition

Public finance

Figure 2: **Composition of the green bond market** (as of November 2015, USD Bn, gross issuance)



Note: SSA: Sub-sovereign, Supranational and Agency, Muni: Municipal; ABS: Asset Backed Securities. (1) includes national development banks, sub-sovereign jurisdictions including municipalities, agencies, and local funding authorities. (2) includes financial sector bonds and all other corporates that are not energy/utility sector, as well as covered, project and ABS not energy/utility related. (3) includes corporate bonds issued by energy/utility companies as well as covered, project and ABS related to energy/utility companies

Source: OECD analysis based on Bloomberg and World Bank data

Caption



2022
31 MAY - 1 JUNE
GREEN SWAN

High-level panel
Central banks and the green transition: what's next?

Wednesday 1 June
13:00 - 14:30 CEST (UTC +2)

#GreenSwanConference

Agustin Carstens
General Manager,
Bank for International
Settlements

Yi Gang
Governor,
People's Bank of China

Christine Lagarde
President,
European Central Bank

Roberto de Oliveira Campos Neto
Governor,
Central Bank of Brazil

CHAIR: FRANÇOIS VILLEROY DE GALHAU
GOVERNOR,
BANQUE DE FRANCE

Rupture with orthodoxy

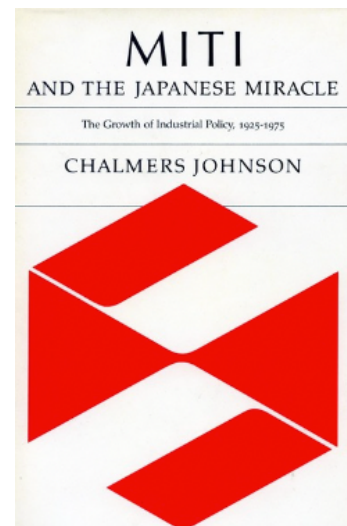
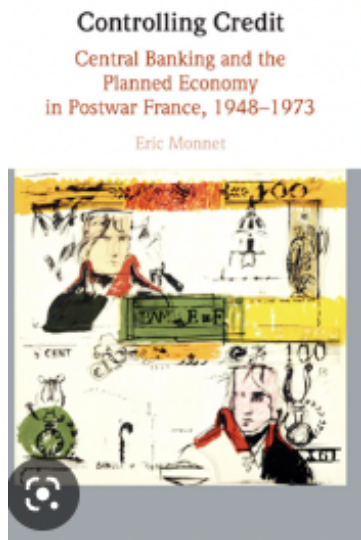
“Government is not the solution to our problem, government is the problem!”



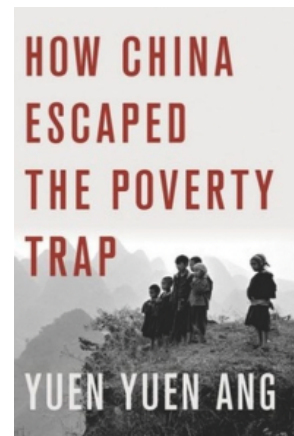
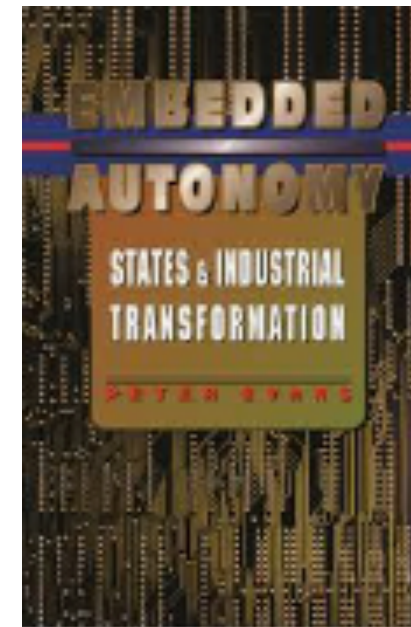
- “Neo-liberal” ideology
- Orthodox economists : “Chicago School”
(Milton Friedman, George Stigler, Gary Becker, Eugene Fama)
- EU framework builds on state aids’ ban and competition rules (TFUE Article 107)
“Any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the common market”

Industrial policy in a historical perspective: *nihil novi sub sole*??

Post-WW2 industrial policies in Europe and Asia



Caption



Approaching a definition of green industrial policy

State interventions achieved through **diverse instruments** (regulations, tax incentives, subsidies, credit guarantees, grants...) aimed at **fostering and channeling investment towards “green” sectors** or technologies, and/or discouraging investment away from “dirty” sectors or technologies - and the **very definition of green “objectives”** for a given jurisdiction.

Class objectives

2. Students will explore the *roles of different public and private actors* such as the European Central Bank (ECB), governments, and private firms in implementing green industrial policies. They will also study the tools available to these actors, the coalitions that support them, and the conflicts they generate.
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Central banks

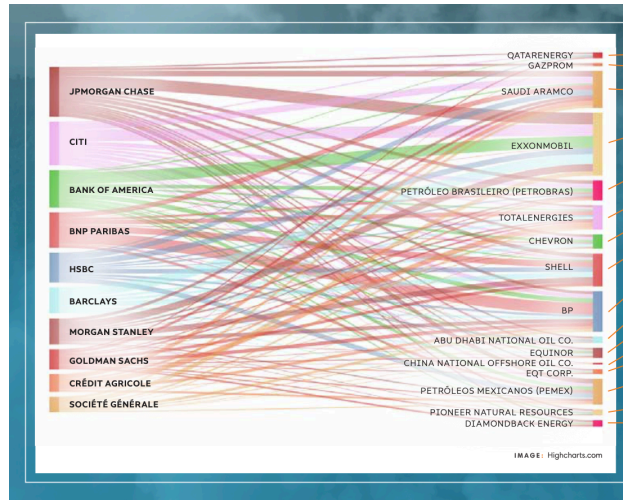
Dirk Ehnts @DEhnts · 4h
The ECB would not hire workers who don't understand inflation, so this should not be a surprise.

Students should think hard about where they study because some programs take climate change and sustainability seriously and others don't ...

Max Jerneck @MaxJerneck · 14h

FRANKFURT — A top European Central Bank official stunned employees by saying people who don't buy into the institution's green objectives aren't welcome to work there.

Frank Elderson, one of six members of the ECB's executive board, told an internal meeting: "I don't want these people anymore."



Source: Reclaim Finance (2022)

Private finance

December 5, 2023

Global: Record number of fossil fuel lobbyists at COP undermines critical climate talks

Oil companies

Federal Constitutional Court (FCC) in Karlsruhe ruled that the reallocation of the unused debt from the pandemic support measures to the Energy and Climate Fund was contrary to the German Constitution.

Courts



Farmers' protest in France, March 2024




Fridays for future

Civil society

Class objectives

3. Students will *analyze the implications of green industrial policies* on various aspects, including **economic**, **environmental**, and **social** dimensions. They will critically evaluate the trade-offs, unintended consequences, and distributive effects of these policies, applying on real-world cases concepts drawn from international political economy, economics, law, and business studies.



- Fostering **thinking across disciplines** through practicing how to integrate different disciplinary contributions



Questions?

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CLASS BLOG: <https://gratuit-5375285.webadorsite.com/>

Let's look at the website and at the syllabus

Assignments

- First assignment: individual argumentative essay (40%)
 - Publication of the prompt: **07/10/202**
 - Deadline: **22/10/2024 by 17:00** by email to the two professors
- Second assignment: group policy report (50%)
 - Publication of the prompt and group formation: **23/09/2024**
 - Group presentation: ~~04/11/2024~~ or ~~11/11/2024~~ (depending on your group)
 - Deadline: **13/12/2014 by 17:00** by email to the two professors

Participation grade

- In oral: Engagement with the material in class, participation in the debate and presentation
- In written: Participation to the blog's discussions

Questions?