



Navigating the Future : Climate Macroeconomics, Transition Finance, Green Digital Finance in Japan and Asia

Comment


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Comment on

“Climate Change and Its Macroeconomic Impact”

- ▶ Key Question : economic impact of climate change in ASEAN +3
 - ▶ Finding : impacts vary with weather type, industrial structure, income levels.
 - ▶ This Paper : “through which mechanism ? “
 - ▶ Key idea : demand side shock – (D increase – expansionary) vs. supply side shock (S decrease – contractionary)
 - ▶ Research methodology : Index construction – shock identification – shock decomposition – analysis
 - ▶ Shock Identification : 3-Variable (GDP growth, CPI Inflation, Interest Rate) structural VARX (2,1)
 - X : (US GDP Growth, International Commodity Inflation)
- Sign Restriction



Key Results (ASEAN +3)

- ▶ Heat Stress : negative AS shock + positive AD shock → highly inflationary
- ▶ Precipitation : negative AS shock → contractionary
- ▶ Composite index : higher negative AS shock + lower positive AD shock
→ mildly contractionary, highly inflationary

From both Pooling OLS over countries

And Panel regression with country fixed effect



My Question

- ▶ Japan : Only adverse AS Shock (Cold Stress + Precipitation)
- ▶ Thailand, Korea : positive AD shock + Negative AS shock (but positive shock stronger)
- ▶ Vietnam : Interesting case – positive AD shock dominant

- ▶ My Question :
 1. In VARX model, is it enough to include only US GDP and International Commodity price ? (should'n't we include other country-specific important variables across different countries ?)
 2. What is the implication ? - some countries may be benefitted by the climate change ? How can we find a good rationale (or incentive) for those countries to be proactive in greening ?

Comment on

“Transition Finance in Japan and in Asia”

- Introduction to Japan's policy for green transformation
- Sovereign transition bond (2024), ETS (2026), Allowance auctioning for power generating companies (2033), Carbon levy on fossil fuel importers (2028)

“ Need rigorous strategy and credible pathways “

Ex : FE (Financed Emissions)

How to evaluate the firm's initiative to net-zero, especially for the firms with hard-to-abate industries ?

My Question :

1. How to make the metrics 'rigorous'? → some potential answers from the paper
2. What Kind of policies are available ?
3. How to make the policies more 'credible' ?



Some More comments on the Subject

- ▶ Common problems : Lack of Standardization, Limited Market Size and Investor's Awareness, Insufficient Supply of Green Investment Product, Limited Access to Green Data and Information, Complex and sometimes Contradictory Regulation
- ▶ Channel for Dialogue needed : more cases, collaboration for finding better practices → But for what ? - ultimate concern is to reduce the sources of 'climate change' : inter-country spill-over effect should be also on the table
- ▶ What will be the specific collaborative policy framework needed among countries in the region (esp. Korea and Japan) ?