

# **The Economisation of Climate Change**

How the G20, the OECD and the IMF Address  
Fossil Fuel Subsidies and Climate Finance

Jakob Skovgaard





## THE ECONOMISATION OF CLIMATE CHANGE

The effort to address climate change cuts across a wide range of non-environmental actors and policy areas, including international economic institutions such as the Group of 20 (G20), International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD). These institutions tend to address climate change not so much as an environmental issue, but as an economic one, a dynamic referred to as ‘economisation’. Such economisation can have profound consequences for how environmental problems are addressed. This book explores how the G20, IMF and OECD have addressed climate finance and fossil fuel subsidies, what factors have shaped their specific approaches and the consequences of this economisation of climate change. Focusing on the international level, it is a valuable resource for graduate students, researchers and policymakers in the fields of politics, political economy and environmental policy. This title is also available as Open Access on Cambridge Core at [doi.org/10.1017/9781108688048](https://doi.org/10.1017/9781108688048).

JAKOB SKOVGAARD is an associate professor in political science at Lund University. His research focuses on the interaction between economic and environmental institutions and objectives in climate policy. From 2007 to 2010 he worked in the international climate change team of the Danish Finance Ministry. He is the co-editor of the books *The Politics of Fossil Fuel Subsidies and Their Reform* (Cambridge University Press, 2018) and *Governing the Climate-Energy Nexus: Institutional Complexity and Its Challenges to Effectiveness and Legitimacy* (Cambridge University Press, 2020).



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*Lund University*



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For Liv and Franka





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# Preface

Climate change is no longer an environmental issue but an issue of resource allocation. Therefore, it is a topic not for environment ministries but for finance ministries and their international institutions.

– Senior official of Nordic finance ministry, February 2009

Economic institutions addressing climate issues. This is not the most common topic in the climate politics literature, although its importance has been steadily growing over the past couple of decades. Yet, it is a topic which I have been watching from the sidelines since 2007, when I started working at the Danish Ministry of Finance. My job was in the division for international political cooperation. I was part of the team preparing the ill-fated 2009 Fifteenth Conference of the Parties to the United Nations Framework Conference on Climate Change (COP15) in Copenhagen. My work was not restricted to the COP preparations but covered all sorts of international climate issues of interest to a finance ministry, from the EU Emissions Trading System over climate finance to fossil fuel subsidies, the latter explicitly not being a topic for United Nations Framework Convention on Climate Change (UNFCCC) negotiations. The emphasis was less on saving expenditure (which nonetheless was an important objective too) but rather on promoting what was seen as economically rational solutions to climate change. Notably, my work also covered interaction with other economic institutions, both finance ministries in other countries and international economic institutions including the Group of 20 (G20), the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF). It was at a meeting arranged by the Danish Ministry of Finance that a colleague from another Nordic country made the statement quoted at the beginning. The experience of being a finance ministry official ignited my interest in how economic institutions address climate issues as economic issues. Whereas the role of finance ministries has been covered elsewhere ([Skovgaard, 2012, 2013, 2014, 2015, 2017a, 2017b](#)), in this book the focus is on the role of international economic institutions. Here, the economisation of climate issues is

‘purer’ in the sense of not being tangled up with fiscal concerns, party politics, special interests and other factors salient in domestic politics.

My desire to approach climate politics from an academic angle led me to leave the Ministry of Finance for the Department of Political Science of Lund University in 2011. Here, I drew on the experiences in my research, especially the project ‘International Economic Institutions and Domestic Actors in the Climate Regime Complex – the Cases of Climate Financing and Fossil Fuel Subsidies’ (EconClim). The project lasted from 2013 to 2018 and was jointly funded by the Swedish Research Council (Vetenskapsrådet), the Bank of Sweden Tercentenary Foundation (Riksbankens Jubileumsfond) and the Swedish Research Council Formas (Forskningsrådet Formas). It allowed me to approach the theme of economic institutions and actors addressing climate issues from an academic angle. After the EconClim project was completed, final parts of the work on this book were undertaken in the context of the project ‘Pathways to Breaking the Fossil Fuel Lock-In’, funded by the Swedish Energy Agency.

While the book is indebted to only one main source of funding (the EconClim project), it is indebted to a vast group of people. Without them this book would not have been possible. I have had the invaluable benefit of working with a greatly inspiring and supportive group of people at the Department of Political Science, both within the Environmental Politics Research Group and outside of it. I am greatly indebted to Karin Bäckstrand (now at the University of Stockholm), who in the first place helped me get a postdoc at the Department, then helped me with the EconClim application and has continued to serve as an example. Among the current members of the Research Group, Fari Zelli deserves special recognition and thanks for contributing from start to end, from providing suggestions to the project proposal to commenting on book chapters in their near-final stage and for being a great colleague. Åsa Knaggård has been a continuous source of inspiration through numerous theoretical discussions and through commenting on book chapters. Roger Hildingsson has also been the source of inspiring discussions, especially regarding the relationship between economic and environmental objectives and policymaking. I would also like to thank my former colleague Annica Kronsell (now at the University of Gothenburg) for taking time to explain exactly why writing a monograph would be worth it. Also within the Environmental Politics Research Group, Johannes Stripple, Tobias Nielsen, Jacob Hasselbalch, Mark Cooper and Ina Möller have provided great academic inspiration and company.

Beyond those working on environmental politics, my research has also benefitted greatly from the fresh eyes of people such as Magdalena Bexell and Jens Bartelson, who have helped me understand how the research could be relevant to people from other parts of political science. I have also benefitted from having two highly

supportive heads of department, first Tomas Bergström, who at an early stage alerted me to the call from the three funders and continued to be extremely helpful. At the later stages of the process of writing this book, his successor Björn Badersten has provided crucial support for the final efforts and for my career in general. I am also very thankful to the administrative staff of the Department, especially Stefan Alenius, Kristina Gröndahl Nilsson and Åsa Hansson, for being highly organised in a world of academic chaos, and for being patient when my lack of organisation became too evident.

Far from all of the academic work that has gone into this book has taken place at Lund University. I have had the great pleasure of two visiting fellowships. First, in the autumn of 2013 I stayed at the Institute for Environmental Studies at Vrije Universiteit Amsterdam, where I benefitted from the hospitality, academic guidance and new perspectives of people like Philipp Pattberg, Dave Huitema and Oscar Widerberg. I am grateful to Frank Biermann for hosting me at the Institute and for giving me sage advice that has proven highly useful over the years. The spring of 2014 was spent at the Climate and Development Lab at Brown University, which provided me all sorts of inspiration for research and teaching. Again, I am grateful to Timmons Roberts for hosting me and for being a source of continuous collaboration and inspiration, including when it comes to commenting on chapters for this book. At Brown, I was fortunate to share an office with fellow newcomer Guy Edwards and could benefit from his company and that of the other members of the Lab. Since even academic life is not just about the time spent in offices, libraries and conference rooms, the experience of living in Amsterdam and Providence and of interacting with the people I met there is something that is reflected not only in this book but also in my memory.

Beyond those two stays, the research that has gone into this book has also benefitted from conferences, workshops and chats over coffee, beer or Skype. I cannot thank each and every individual who has been helpful or motivating in this respect. However, the highly useful comments of people like Sebastian Oberthür, Thijs Van de Graaf, Mark Buntaine and Matthew Paterson deserve special mentioning.

While this book has only one name on the cover, collaborating with others has been crucial in shaping the thinking that went into it. Without these people, this book would probably not have come into being and would definitely have looked very different. When it comes to climate finance, I have benefitted greatly from collaborating particularly with Jonathan Pickering, Carola Klöck (née Betzold), Timmons Roberts (again), Jackie Gallant and Lauri Peterson on output including a workshop, special issue and articles. Regarding fossil fuel subsidies, I have benefitted greatly from collaborating with Harro van Asselt on a workshop, edited

volume and articles and book chapters. Harro has also been a continuous source of inspiration, theoretically, conceptually and empirically with regard to fossil fuel subsidies and in terms of how to work with others in a pleasant, respectful and well-organised way. He also commented on the fossil fuel section of this book. I have also had the pleasure of working with a range of highly skilled research assistants in the context of this research, including Moa Forstop, Jasmiini Pykkänen, Jana Canavan, Klara Fredriksson and Lise Lerche Paulsen. Benni Yusriza also deserves thanks for taking part in my collection of Indonesian data. Besides those already mentioned, I would also like to thank Romain Weikmans and Matthias Kranke for providing highly insightful feedback on chapters in this book.

Conducting research based on elite interviews among international institutions and diverse countries is not an easy task. Essentially such interviews involve asking highly busy people to give up a slice of their time to help you with your research, and for this I am extremely thankful. Most of them preferred to remain anonymous. However, people such as Shruti Sharma, Ivetta Gerasimchuk and Lucky Lontoh of the International Institute for Sustainable Development have been greatly supportive in helping me locate such people and provide me with background for my research.

When it comes to the later stages of working on this book, Matt Lloyd and Sarah Lambert at Cambridge University Press have been great in guiding me through the intricacies of writing and publishing a monograph. Louise Ratford has been highly helpful in turning my manuscript into an acceptable level of English.

Last but not least, I would like to dedicate this book to two very special people. The first is my wife Liv, who has been highly supportive of this endeavour even at times when it took up large shares of my time, and has provided invaluable feedback, not least in the initial stages of developing economisation as a concept. Without her love, support and intellectual rigour, this book would not have been possible. The second is our daughter Franka, who was born in Amsterdam when I was a guest researcher there. The consequences (or lack thereof) of the dynamics described in this book will play out in her lifetime.

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## Abbreviations

APEC	Asia-Pacific Economic Cooperation
CBDR	Common but Differentiated Responsibilities and Respective Capabilities
CDM	Clean Development Mechanism
CO <sub>2</sub>	carbon dioxide
COP	Conference of the Parties to the United Nations Framework Convention on Climate Change
CPI	Climate Policy Initiative
DAC	Development Assistance Committee
DKK	Danish kroner
ESMAP	Energy Sector Management Assistance Program
EU	European Union
G7	Group of 7
G8	Group of 8
G20	Group of 20
GBP	British pound
GCF	Green Climate Fund
GDP	gross domestic product
GEF	Global Environment Facility
GSI	Global Subsidies Initiative
IDR	Indonesian rupiah
IEA	International Energy Agency
IISD	International Institute for Sustainable Development
IMF	International Monetary Fund
INDC	Intended Nationally Determined Contribution
INR	Indian rupee
IO	International Organisation
LPG	liquefied petroleum gas

MDB	multilateral development bank
NGO	non-governmental organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
SCF	Standing Committee on Finance
SDG	Sustainable Development Goal
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
VAT	value-added tax
WTO	World Trade Organization



# **Part I**

## Introduction



# 1

## Introduction

### *The Economisation of Climate Change and Why It Matters in the Case of International Economic Institutions*

The year 2019 saw the emergence of an unlikely duo consisting of the managing director of the IMF Christine Lagarde<sup>1</sup> and broadcaster and environmentalist Sir David Attenborough. They discussed the relationship between nature and the economy in a panel session, a podcast and an article ([Attenborough and Lagarde, 2019a, 2019b](#)). In the latter, they stated ‘We must treat the natural world as we would the economic world . . . This is something economists can appreciate – the importance of minimizing waste, taking advantage of efficiencies, and accurately reflecting costs in prices, including costs imposed on our entire shared resource, the environment’. Elsewhere the same year, Lagarde also stated the importance of nature and of the existential threat of climate change and called for carbon pricing and fossil fuel subsidy reform as solutions to the climate crisis ([Lagarde and Gaspar, 2019](#)). This was notable coming from the managing director of an international institution focused on economic issues and criticised for ignoring other issues than economic growth and stability. The statement highlighted a wider trend of climate change being addressed within institutions concerned with economic issues. Other cases in point are the increasing attention that other economic institutions such as the G20 and the OECD have paid to issues including fossil fuel subsidy reform and climate finance.

This book focuses on three international economic institutions that have been important in addressing climate change: the G20, the OECD and the IMF. Economic institutions are crucial for targeting climate change – and sustainability more broadly speaking – because of their power and central role in the decisions that shape how societies mitigate and adapt to climate change. As David Victor has pointed out, the key decisions that determine future emissions, for example, regarding transportation, growth and the composition of the economy are mainly reached outside the realm of environmental policymaking ([Victor, 2011](#)). Economic institutions – be they international or domestic – are,

<sup>1</sup> Lagarde was managing director of the IMF until November 2019.

on the other hand, central to these decisions but also involved in environmental policymaking. An important aspect of the central role of economic institutions is their ability to address ‘anti-climate policies’ such as fossil fuel subsidies that increase emissions and generally belong outside the realm of environmental policy (on anti-climate policies, see [Compston and Bailey, 2013](#); specifically on fossil fuel subsidies, see [Skovgaard and van Asselt, 2019](#)). At the international level, economic governance is together with security governance the most powerful policy realm, and international institutions within this realm are as important to environmental issues as environmental institutions ([Hurrell, 2007](#)). This is partly because of the power of the international economic institutions ([Pop-Eleches, 2009](#)), but also because economic and environmental policymaking are increasingly intertwined (witness the debates about green recoveries after the Corona pandemic, [Barbier, 2020](#)). All things considered, it is difficult to imagine a transition to a low-carbon, climate-resilient world in which the international economic institutions maintain their current power and central roles *and* do not give serious consideration to climate change. In other words, they are either part of the solution (if they take climate change seriously) or they are part of the problem (if they do not). Yet, the role of these institutions cannot be reduced solely to a question of whether they promote or hinder climate action; it must also include *how* they address climate issues.

How these institutions address climate issues involves whether and in what way they treat them as economic issues. While economic objectives of maximising economic welfare have often been perceived as competing with environmental protection ([Hoffman and Ventresca, 1999](#); [Newell, 2019](#)), and economic actors as being sceptical of environmental policy, addressing climate change and related (sub)issues as economic issues induces economic actors to take it seriously. The phenomenon of economic institutions addressing climate change issues as economic issues is particularly pronounced in the cases of two policy issues that – even before the involvement of the economic institutions – have considerable economic dimensions: fossil fuel subsidies and (international) climate finance. Fossil fuel subsidies consist of subsidies for the production and consumption of fossil fuels (oil, gas and coal). According to relatively conservative estimates, they amount to USD 300–600 billion annually or twice the amount provided as renewable energy subsidies ([IEA, 2016](#); [OECD and IEA, 2019](#)) and reforming them could deliver a quarter of the emissions reductions pledged under the Paris Agreement ([Jewell et al., 2018](#)). Climate finance refers, in the context of this book, to financial flows to developing countries ‘whose expected effect is to reduce net greenhouse gas emissions and/or to enhance resilience to the impacts of climate variability and the projected climate change’ ([Gupta et al., 2014](#)). Developed countries have



pledged to *mobilise* USD 100 billion in climate finance annually by 2020 (UNFCCC, 2009a), and the delivery of climate finance is considered crucial for a global response to climate change (Pickering et al., 2017). The definitions of both issues are essentially contested, and these contestations constitute important aspects of how they have been addressed as more or less economic issues (see Chapters 4 and 9).

This book claims that it is useful to understand the three institutions addressing fossil fuel subsidies and climate finance as instances of the ‘economisation’ of (environmental) problems: being addressed by economic actors *and* framed as economic problems. The book uses the concept of economisation to understand the three institutions’ respective *output* regarding fossil fuel subsidies and climate finance respectively, as well as *the factors that shaped this output* and *the consequences of the output* at the international and domestic levels. (see Section 1.1.2 for the discussion of how this definition of economisation relates to other uses of the term, e.g. Çalışkan and Callon, 2009, 2010). Economisation entails framing an issue in a particular way (as an economic issue) as well as – to paraphrase Michael Zürn (2014) – transport it into the field of economics, thus enabling particular (economic) actors to address the issue within their own routines. In terms of temporality, the framing does not necessarily precede economic actors addressing the issue.

I argue that such economisation may have profound consequences for how environmental problems are addressed. The existing literature has found that the roles of economic institutions have mainly been negative in terms of limiting effective action and downplaying justice objectives (Bernstein, 2001; Schalatek, 2012; Storm, 2017; see also Section 1.3). Yet, applying the concept of economisation to the institutions’ handling of the two issues provides a different set of insights into the consequences as well as causes of economisation. In this book, economisation is used as a lens to understand the output of the three institutions (i.e. their way of addressing the issues).

One example of economisation is the manner in which the IMF treated the issue of fossil fuel subsidies. Rather than just adopting the default approach (OECD, 2018b; Skovgaard, 2017a) and focusing on direct government support aimed at production (e.g. mining, oil fields) and consumption (e.g. lowering the price of petrol and diesel), the IMF argued that any fossil fuel with a price that did not fully include its externalities (climate change, local air pollution) was in fact subsidised (Clements et al., 2013; Coady et al., 2015, 2019). This definition not only led to an estimate of global fossil fuel subsidies of USD 4,700 trillion in 2015 (Coady et al., 2019); compared to the International Energy Agency estimate of USD 325 billion in 2015 (IEA, 2016), but it also led to the conclusion that virtually all countries in

the world subsidise fossil fuels. This conclusion made the IMF the unlikely hero of environmental non-governmental organisations (NGOs) around the world (Thunberg et al., 2020).

Another example of economisation is how the G20 finance ministers and central bank governors in the run-up to the fifteenth Conference of the Parties to the United Nations Framework Convention on Climate Change (COP15) in 2009 reached a preliminary compromise on financial support from developed countries for climate mitigation and adaptation measures in developing countries (so-called climate finance). Constituting a settlement on the target and the conditions attached to it, the G20 compromise established the basis for the Copenhagen Accord's<sup>2</sup> target of USD 100 billion for such finance (Kim and Chung, 2012). The agreement was made possible by the G20 bringing representatives of the powerful finance ministries together to develop a common understanding of climate finance based on their shared economic worldview.

A third example is how the OECD has addressed climate finance, including remarks by OECD Secretary-General Angel Gurría to the G7 finance ministers and central bank governors, in which he highlighted the annual investment gap in climate infrastructure amounting to USD 3 trillion, as well as the OECD's efforts to address this gap by inter alia promoting green budgeting (Gurría, 2019).

These examples underscore how economisation is becoming more and more politically and academically salient as climate policies involve economic actors, institutions and policy arenas to a greater degree. Economisation is also increasingly politically relevant, as climate politics globally is entering a stage where the radical transformation of societies is necessary to avoid a global climate catastrophe.

Beyond studying economisation itself, it is also important to study the causes and consequences of economisation. Studying the *causes* provides knowledge about the factors that stimulate economic institutions to address climate issues and that shape economisation (which does not provide a fixed set of policy responses, as discussed in Section 1.1). It describes what is needed to promote, hinder and shape economisation. Studying the *consequences* of economisation contributes crucial knowledge about the actual effects of economisation and consequently to what degree it is worth pursuing.

Studying the three institutions addressing fossil fuel subsidy reform and climate finance shows they can take climate issues seriously, mainly as economic instruments for addressing an environmental problem framed in economic terms. Furthermore, institutional worldview, entrepreneurs within the institutions and interaction with other institutions induced the institutions to address the issues

<sup>2</sup> Although not formally adopted by the COP, the Copenhagen Accord constitutes the output of COP15.

and shaped how they addressed them, and the autonomy of the IMF and OECD bureaucracies was a scope condition for the institutional worldview and the entrepreneurs. The consequences of these economisations had a more discernible effect on the international level than on the domestic, *inter alia* in influencing how other institutions from the Asia-Pacific Economic Cooperation (APEC) to the United Nations Framework Convention on Climate Change (UNFCCC) addressed fossil fuel subsidies and climate finance.

This chapter proceeds with defining key concepts, first, the concept of economisation and second, the distinction between international institutions and organisations. Subsequently, it outlines the relevant literature on climate governance and international institutions/organisations (particularly economic institutions) and identifies the contribution of the book to these bodies of literature. Next, the chapter explains why it makes sense to select the two cases of climate finance and fossil fuel subsidies, which are both characterised by economic institution involvement, while the relationship between their impact on state budgets and on the environment pulls in opposite directions. The section proceeds with an account of why the selection of the G20, OECD and IMF is academically relevant. The following section outlines the use of data sources and methods in the analysis. The [last section](#) outlines the remainder of the book.

## 1.1 The Concept of Economisation

### 1.1.1 Dimensions of Economisation

Economisation as defined here entails both an issue that is addressed by economic actors (including *institutions* in the sense discussed in [Section 1.2](#)) and framed as an economic issue. I refer to the former as the first aspect of economisation and the latter as the second aspect, although this does not imply that the first aspect necessarily takes place before the second. Framing climate change in (mainstream) economic terms usually centres on defining the policy problem as an externality. An externality is the cost or benefit of an activity undertaken by one actor that affects another actor not involved in the activity, thus creating a suboptimal situation, since the cost of the activity does not reflect the true costs or benefits to society ([Pigou, 1932](#)). Since the concept of an externality belongs to the wider class of concepts of ‘market failures’, climate change has been referred to as the ‘world’s biggest market failure’ ([Stern, 2006](#)). Consequently, the understanding of climate change as a market failure or an externality (in this book the term externality will be used) has been influential among economic institutions, including finance ministries ([Skovgaard, 2012, 2017b](#)). Such a framing has implications for the policy solutions that are proposed ([Schön and Rein, 1994](#)). The framing consists of characterising

a given situation or policy issue as well as defining what one ought to do in light of this characterisation, thus having a cognitive as well as a normative dimension (see [Chapter 2](#) for a discussion of the distinction between cognitive and normative ideas and frames). Frames, in this case economic frames, are grounded in the institutions and actors that sponsor them ([Schön and Rein, 1994](#)). Hence, economic actors will not only be more likely to address issues framed in an economic way, but once they have adopted such a framing, they may promote this frame and address the issue in ways that differ from and may conflict with other ways of addressing it. Importantly, economisation entails economic actors defining an issue as economic and hence belonging to their portfolio, unlike issues they may address although they still recognise the issues as belonging to the portfolios of other actors. As an example, finance ministries are constantly involved in budgetary allocations in policy areas belonging to the portfolios of other ministries, while never disputing that these policy areas belong to the other ministries.

In mainstream economics, pricing the externality of climate change in the shape of carbon taxes and emissions trading is defined as the logical solution ([Grubb et al., 2014](#); [Rabe, 2018](#); [Stern et al., 2013](#)), while other economic instruments (fossil fuel subsidy reform, redirecting investment, market-based instruments generally speaking) are treated as second-best solutions when carbon pricing is not possible. Inherent to the framing is not only a way of defining the problem and how it should be addressed, but also a particular way of attributing value to outcomes, namely in monetary terms ([Pearce, 1993](#)). Costs and benefits are all measured in terms of economic impact, including so-called ‘non-market’ losses such as the loss of human lives and species becoming extinct (for criticisms of this approach, see [Getzner et al., 2004](#); [Spash, 2007](#); [Storm, 2017](#)). Such measurements allow for comparisons – in monetary terms – between the consequences of climate change and of different policy options put into place to mitigate it. The costs of climate change are also referred to as the social cost of carbon and measured in the costs to society of one ton of CO<sub>2</sub>.

In terms of objectives, (mainstream) environmental economics serves as an expression of neoclassical economics (and more fundamentally neoliberal ideology) that seeks to maximise economic growth ([Katz-Rosene and Paterson, 2018](#)). Environmental protection is important because it avoids the (long-term and societal) costs to economic growth resulting from environmental degradation, even if such protection may cause short-term economic loss to those subject to the protection measures ([Nordhaus, 2008, 2019](#); [Solow, 1974](#)). Importantly, according to this approach, it is undesirable to adopt environmental protection if the (present value) costs of the protection exceeds the (present value) benefits of avoiding environmental degradation. Within mainstream environmental economics, much debate

has hinged on how much the future costs of climate change should be discounted, a high discount rate leading to a lower social cost of carbon and hence recommendations of lower carbon prices (see the discussion among Nordhaus [2007], Weitzman [2007] and Stern [2006] for an example of such a debate regarding discount rates and their implications for current action).

Economisation can take place at the international or domestic level. Economisation at the domestic level involves finance ministries, central banks, economic think tanks and university departments and other actors addressing economic policy with the aim of maximising economic welfare. At the international level, it involves economic institutions such as the ones involved here as well as individuals (e.g. Nobel Memorial Prize laureates in Economics). Importantly, private companies and associations of such companies are not seen as economic institutions in this respect, since their objective is to maximise their profits rather than the economic welfare of society (national or global). Importantly, the focus here is on economic *policy* broadly speaking, rather than on all economic activities. Thus, this book focuses on actors, which are political in nature and address economic issues, rather than on market actors and other actors engaged in economic activity in order to obtain economic gains.

Two qualifications are important to bear in mind. First, the story of economisation is not necessarily a story of paradigmatic change to the output of economic institutions and actors. While the economisation of climate change may have increased in scope and political importance, how far it has become central to the activities of economic institutions and actors remains an open question.

Second and on a more complex note, since the discipline of economics is not monolithic in its treatment of environmental issues, economisation does not entail one distinct way of framing climate change. Yet, including heterodox economic approaches to environmental issues such as ecological economics, evolutionary economics and limits to growth approaches (see e.g. Berr, 2017; Meadows et al., 1972; Mulder and Van Den Bergh, 2001) under the concept of economisation would broaden it to a degree that would severely reduce its usefulness and academic relevance. Rather, the focus here is on mainstream economic approaches to environmental problems, since they – despite internal differences – share central tenets (including a focus on prices and equilibria) which have dominated the discipline of economics and economic policymaking. Moreover, most of the key tenets of mainstream economics are unique to economics (e.g. the focus on markets and prices), whereas much of the heterodox environmental economics share key tenets (e.g. power inequalities or ecological boundaries) with other disciplines. Specifically, I define mainstream approaches as being distinguished by an emphasis

on efficiency (understood as maximum utility) while leaving questions of equity to other disciplines (Storm, 2017).

While it is difficult to exactly delineate mainstream economics, the core of mainstream economics has for the last century consisted of neoclassical economics and the theoretical strands and schools drawing on it. Neoclassical economics is broadly understood as economic approaches based on markets and equilibria between opposing forces (e.g. supply and demand as reflected in the market price) being central concepts and on methodological individualism (Vroey and Pensieroso, 2016). A range of (mainstream) economic strands have drawn on neoclassical approaches, including the so-called neoclassical synthesis, monetarism, classical economics, new Keynesian and the so-called ‘New Synthesis’, in some cases without being considered as belonging to the neoclassical economics approaches (Hibben, 2016; Vroey and Pensieroso, 2016). These approaches can be placed along a continuum based on how they conceive the role of the state vis-à-vis the market, with neoclassical approaches arguing for minimal state intervention and Keynesian approaches for direct state interventions in the market (Storm, 2017). I include all these approaches under the term of economisation, while arguing that it is important to identify the degree to which the economisation draws on purely neoclassical approaches or more Keynesian approaches. Given the predominant role of neoclassical economics within the discipline of economics, I argue neoclassical economisation is a more ideal-typical kind of economisation.

The theoretical fragmentation characterising economics on a general theoretical level is mirrored on the level of mainstream environmental economics (and even more so if one moves beyond the mainstream). Mainstream environmental economics includes differing approaches (Stern et al., 2013), most importantly regarding the role of government. While adherents of Arthur C. Pigou (1932) argue in favour of a carbon tax enforced by government and imposing the full costs of climate change on the polluter, adherents of Ronald A. Coase (1960) argue in favour of distributing tradable rights to pollute. Thus, Pigouvian carbon markets are based on a greater belief in government regulation than Coasean emissions trading systems, with Coase’s criticism of Pigou centred on the transaction costs of government intervention. This is not surprising, considering that Pigou was inspired inter alia by the Keynesian efforts to address market failures, and Coase was a member of the Chicago School (Katz-Rosene and Paterson, 2018). Yet, both approaches share a significant number of premises, including the key emphasis on addressing externalities, the objective of maximising economic welfare in society (Pigou is considered to be the ‘father of welfare economics’) and the belief in leaving the key decisions to the market (Aslanbeigui and Medema, 1998). Hence, Pigou and Pigouvian environmental economics are best understood as neoclassical