Course Description
Anthropogenic climate change presents some of the biggest challenges facing modern society. Economics can provide a powerful intellectual foundation for understanding and analyzing many of these challenges. This course employs insights and tools from economics to study problems around climate change impacts, the design of mitigation and adaptation policies, and the consequences of these policies. The course builds on key concepts from environmental and natural resource economics but also draws from other fields in economics. The quarter is broken into two sections. During the first half of the course, students will develop mastery of economic concepts relevant for climate change and acquire tools, both theoretical and empirical, for conducting economic analyses of climate impacts and policies. The second half of the course will hone students’ ability in applying these insights and tools through policy debates and a final paper and presentation. The goal is to help students become informed and critically-minded practitioners of climate policy.

Prerequisites and Workload
Introductory microeconomics (ESM 251), environmental economics (ESM 204), and statistics (ESM 206) are required. Typically, this course is recommended only for 2nd year MESM students or 1st year MESM students with comparable prior coursework. Familiarity with statistics and modeling in R is preferred and will be developed throughout the course.

Expect about 5-6 hours of work per week. Preparation for each class will entail 2-3 reading assignments (~40 pages total) throughout the quarter. The first part of the course, lasting 7 weeks, will be on learning fundamental concepts related to the economics of climate change as well as acquiring analytical tools in numerical modeling and statistics to tackle related problems. In addition to regular readings, this part of the course will contain 4 problem sets, each set apart by roughly 1 week, and an in-class midterm exam.

The second part of the course focuses on applying and honing the critical and analytical skills acquired from the first part. Remaining classes will be dedicated to Senate panel style debates in which I assign controversial prompts to randomly assigned opposing teams of students who must defend their position using economic concepts, reasoning, and evidence from the first part of the course. Student must prepare a written statement with supporting evidence in advance of their presentation.

Readings
Most readings will be academic journals. There is one required book for this course: Keohane and Olmstead, (2016). *Markets and the Environment*. Island Press.
Grading
1) Problem sets (4x5): 20% 2) Midterm: 40% 3) Case study debate and report: 30% 4) Attendance: 10%

Class Schedule
Note: Holidays on 1/20, 2/17.

I. Intro and big-picture
Date: 1/6
Readings:
- Keohane and Olmstead, Chapters 1-3.

II. Optimal climate policy
Dates: 1/8, 1/13, 1/15
Concepts: economic efficiency, carbon abatement costs, social cost of carbon, discounting
Tool: integrated assessment model, numerical modeling in R.
Readings:

Problem Sets:
1. Introduction to an Integrated Assessment Model of Climate Policy (due 1/22).
2. Optimal climate policy with an IAM (due 1/29).

III. The economic impacts of climate change
Dates: 1/22, 1/27
Concepts: adaptation
Tool: empirical estimation of climate damages, statistical models in R.
Readings:
- Dell M, Jones B, Olken B. What Do We Learn from the Weather? The New Climate-Economy Literature. Journal of Economic Literature. 2014. Sec. 2.1 and 4.1
America’s Climate Prospectus, Chapters 5, 12, and 13.

Problem Set:
3. Estimating climate damages (due 2/5).

IV. National climate policy
Dates: 1/29, 2/3, 2/5, 2/10 (emissions trading simulation)
Concepts: externalities, cost effectiveness, carbon tax, cap-and-trade
Readings:
- Keohane and Olmstead, Chapters 5, 8, 9.
- ARE, Special Issue: California’s Climate Change Policy: The Economic and Environmental Impacts of AB 32—Notes from the Editors, 2010, up to page 15.

Problem Set:
4. Emissions trading simulation (due 2/19)

V. Innovation
Date: 2/12
Concepts: knowledge spillovers, induced innovation, directed technical change

VI. International climate policy
Dates: 2/19, 2/24
Concepts: game theory, prisoner’s dilemma, free-riding
Readings:
- Bodansky et al. (2015). ”Facilitating linkage of climate policies through the Paris outcome” Climate Policy.

VII. Midterm review and test
Dates: 2/26 (review), 3/2 (test)

VIII. Policy debates
Dates: 3/4, 3/9, 3/11
UCSB academic policies

Honesty and integrity in all academic work is essential for a valuable educational experience. The Office of Judicial Affairs has policies, tips, and resources for proper citation use, recognizing actions considered to be cheating or other forms of academic theft, and students’ responsibilities, available on their website at: http://judicialaffairs.sa.ucsb.edu. Students are responsible for educating themselves on the policies and to abide by them.

Furthermore, for general academic support, students are encouraged to visit Campus Learning Assistance Services (CLAS) early and often. CLAS offers instructional groups, drop-in tutoring, writing and ESL services, skills workshops and one-on-one consultations. CLAS is located on the third floor of the Student Resource Building, or visit http://clas.sa.ucsb.edu

UCSB academic support

Disabled Students Program: accommodations for exams

Students with disabilities may request academic accommodations for exams online through the UCSB Disabled Students Program at http://dsp.sa.ucsb.edu/. Please make your requests for exam accommodations through the online system as early in the quarter as possible to ensure proper arrangement.

Managing stress / Supporting Distressed Students

Personal concerns such as stress, anxiety, relationships, depression, cultural differences, can interfere with the ability of students to succeed and thrive. For helpful resources, please contact UCSB Counseling & Psychological Services (CAPS) at 805-893-4411 or visit http://counseling.sa.ucsb.edu.