

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

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D Virtuel

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Centre international de recherche sur l'environnement et le développement  
Campus du Jardin tropical - à 5 minutes du RER A de Nogent-sur-Marne  
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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 CO<sub>2</sub> emissions in 2020. Both decreases are temporary: economic and environmental indicators return to their baseline trajectory after a few years. CO<sub>2</sub> 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 CO<sub>2</sub> 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.