

Dear Nicolas Stern

Please find enclosed the following papers that may be of interest for your review:

- 1) Azar & Schnieder, 2002. An assessment of the cost of carbon mitigation.
In this paper we put the costs in the context of overall emission abatement efforts and point out that although although costs in absolute terms may be large (count in trillions of dollars), these numbers are nevertheless small compared to overall income growth in the world. We conclude that achieving an income growth by a factor of 10 is delayed by only two years. If I am allowed to express my personal opinion, the one and only graph in that paper is illustrative.
- 2) Azar 1998. This paper addresses the question of cost benefit analysis of climate change and points to several difficulties in using CBA for the purpose of deciding which climate target to opt for. These are the discount rate, the way costs in poor countries and environmental costs are accounted for, the way low probability but high impact events are estimated, and the decision criterion (Kaldor Hicks). It is also argued that the way these issues are dealt with in the economics literature often tend to bias the studies towards "inaction"
- 3) Azar et al 2005. A global energy scenario towards atmospheric stabilization at 350 ppm. The paper is in press in climatic change.
- 4) Azar & Sterner 1996. On the marginal damage cost of co2 emissions, in which the Ramsey view on pure rate of time preference is taken and in which damages in poor countries are weighted with a factor related to the marginal utility of income.
5. Sanden & Azar, 2005. A paper on near term policies to speed up the rate of improvement of the advanced energy technologies needed for long term climate targets. Here we argue in favour of a two pronged strategy with both economy wide policy instruemnts such as a carbon tax or a cap-and-

trade system and a technology push approach with direct support to immature technologies in order to bridge the "valley of death" between R&D and commercial markets.

I have many other papers that could be of interest to you, e.g., on biomass and food competition arising as a result of climate policies (Resources for the future 2005), on the question of in biomass is cost effectively used (Energy policy 2003), on targets for climate change (in Science 1997), cost benefit analysis fo climate change with low probability but catastrophic events (climatic change 2003) etc. I am of course willing to send these to you as well, but I did not want to kill your mail box right away.

All the best

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