

The effects of climate policy on the real interest rate

**Authors and affiliation: Cecilie Marie Løchte Jørgensen, Aarhus
Universitet**

A number of studies point out how changing structures in society (ageing, lower population growth, etc.) affect the real interest rate, but nobody has yet taken climate policy into account even though solving the climate problem is a given in the coming years. In a 60-cohort overlapping generations model with two types of capital, I investigate how climate policy and the green transition affect the real interest rate. I find that while production adjusts to a new greener capital stock, the real interest rate increases because of large demands for new capital. At the peak of the transition, the real interest rate is 80 basis points higher than in the baseline.