Each region is assumed to introduce a cap-and-trade system in 2013. Each region has to achieve a 60 percent reduction relative to the 2002 level in world (energy-based) carbon-dioxide emissions by 2100, but is able to buy and sell emission permits to do so. This corresponds to a 96 percent reduction in global emissions relative to the baseline at 2100. Each region’s emission target is mildly hump shaped, allowing for some increases in the medium term, peaking in 2018.

Source: IMF staff estimates.

Output refers to gross national product. Interest rate refers to 10-year real interest rate. For real effective exchange rate, a positive value is an appreciation relative to the baseline.