

# Inovar com Restrições Ambientais: Oportunidades e Desafios

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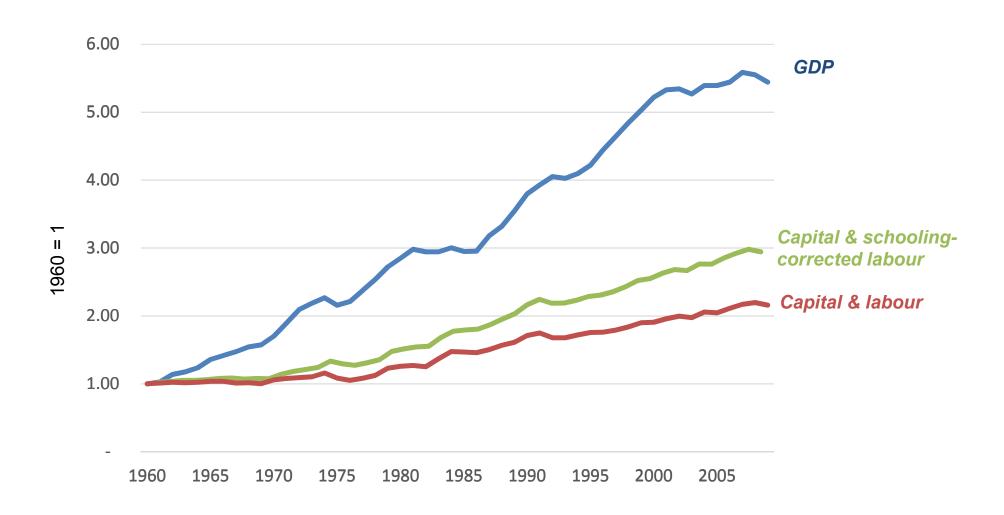
#### Introduction

- The recent Paris climate agreement effectively stipulates a transition to a low or zero-carbon economy along the next decades
- We know that

$$CO_2 = \frac{CO_2}{Energy} \cdot \frac{Energy}{GDP} \cdot GDP$$

- So, reducing carbon emissions may require:
  - (1) decarbonising the energy system
  - (2) decreasing the energy intensity of the economy
  - (3) reducing economic growth
- This presentation focuses on the synergies between (2) and the promotion of economic growth, i.e., the opposite of (3)

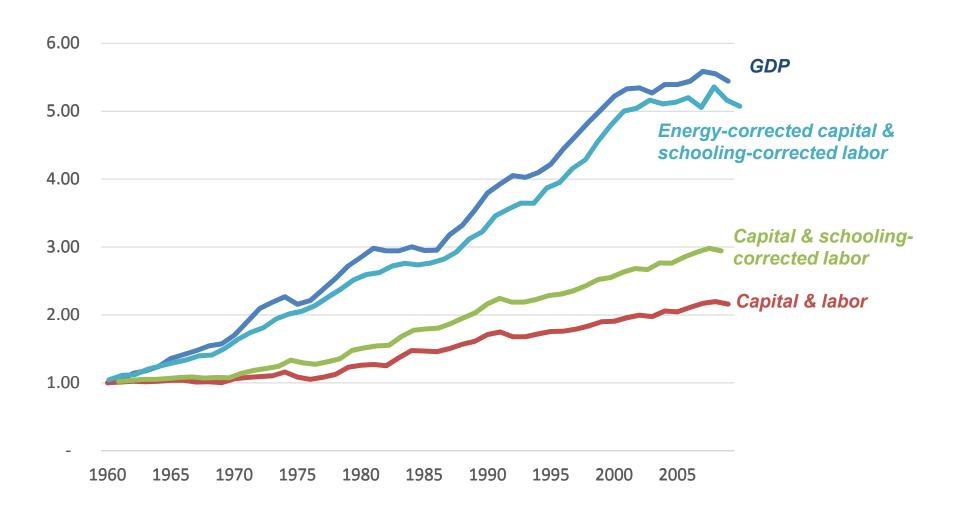
## **GDP** and production factors: Portugal 1960-2009



# The main source of economic growth is essentially unknown

- Economic growth cannot be explained just by the increase in production factors: capital and labour
- Most of economic growth is explained by total factor productivity growth, the Solow residual
- As Abramovitz (1956) said, the Solow residual represents "a measure of our ignorance" of the growth process
- Could energy be an explanatory factor for the Solow residual?
- Let us measure energy considering useful exergy

## **Energy-corrected capital explains the Solow residual**



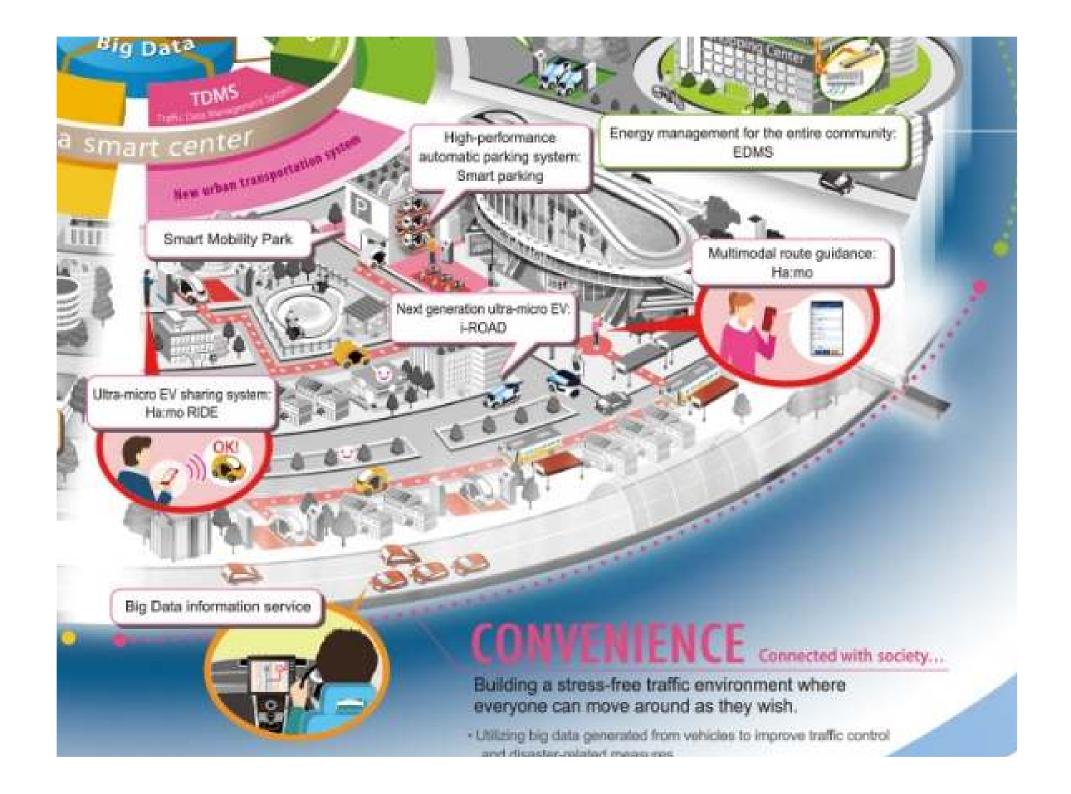
### **Taking stock**

- Increases in energy efficiency are intrinsically related to economic growth
- Economic growth does not happen just because of increases in energy efficiency, it is associated to a whole "development block".

### A New "Industrial" Revolution: Matching Capacity to Use

 The new industrial revolution probably has to be based on a broader definition of efficiency, now matching capacity to use, by (1) increasing the variety of capital and (2) and increasing the load factor of capital.









#### A new "industrial" revolution: why is this possible now?

- Because of (among others)
  - distributed sensing (massive gathering of data);
  - communications infrastructure (massive transport of data);
  - data analytics (massive processing of data)

#### **Conclusions**

- Energy efficiency has historically been crucial in promoting economic growth
- Climate commitments may be reconciled with the promotion of economic growth, through a new age of increased energy efficiency



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