ONLINE APPENDIX

Relative Prices and Climate Policy: How the Scarcity of Non-Market Goods Drives Policy Evaluation

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Abstract: Climate change not only impacts production and market consumption, but also the relative scarcity of non-market goods, such as environmental amenities. We study fundamental drivers of the resulting relative price changes, their potential magnitude, and their implications for climate policy in Nordhaus' prominent DICE model, thereby addressing one of its key criticisms. We propose plausible ranges for these relative prices changes based on best available evidence. Our central calibration reveals that accounting for relative prices is equivalent to decreasing pure time preference by 0.6 percentage points and leads to a more than 50 percent higher social cost of carbon.

JEL-Classifications: Q01, Q54, H43, D61, D90

Keywords: Climate policy, discounting, non-market goods, social cost of carbon, substitutability

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[‡] We thank two anonymous referees as well as Stefan Baumgärtner, Marion Dupoux, Ottmar Edenhofer, Johannes Emmerling, Mark Fleurbaey, Reyer Gerlagh, Christian Gollier, Ben Groom, Frikk Nesje, Martin Persson, Martin Quaas, Sjak Smulders, Thomas Sterner, Christian Traeger, Jeroen van den Bergh as well as seminar audiences at BIOECON 2017, CESifo 2019, EAERE 2017, EAERE-FEEM-VIU 2017 and 2018, EEA 2018, Gothenburg, MCC Berlin, Rimini, SEED 2017, Wageningen, Verein für Socialpolitik 2018 and WCERE 2018 for helpful comments, and Maria Brück for excellent research assistance. We gratefully acknowledge support from the German Federal Ministry of Education and Research under grants 01UT1410 and 03F0772B, the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation) under Germany's Excellence Strategy – EXC 2037 'CLICCS – Climate, Climatic Change, and Society'– Project Number: 390683824, contribution to the Center for Earth System Research and Sustainability (CEN) of Universität Hamburg, and LSE STICERD.

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A.1 Derivation of the relative price effect

To derive the relative price effect of non-market goods, $RPE_t = \frac{d}{dt}\left(\frac{U_{E_t}}{U_{c_t}}\right)\left(\frac{U_{E_t}}{U_{c_t}}\right)^{-1}$ (Equation 4), we first compute marginal utilities with respect to the two goods for utility function (2):

$$U_{E_t} = \alpha(E_t - \overline{E})^{\theta-1}\left[\alpha(E_t - \overline{E})^{\theta} + (1-\alpha)c_t^{\theta}\right]^{\frac{1-\eta-\theta}{\theta}} \tag{A.1}$$

$$U_{c_t} = (1-\alpha)c_t^{\theta-1}\left[\alpha(E_t - \overline{E})^{\theta} + (1-\alpha)c_t^{\theta}\right]^{\frac{1-\eta-\theta}{\theta}} \ . \tag{A.2}$$

We thus have

$$\frac{U_{E_t}}{U_{c_t}} = \frac{\alpha}{(1-\alpha)}\left(\frac{E_t - \overline{E}}{c_t}\right)^{\theta-1} \tag{A.3}$$

The time derivative of this marginal rate of substitution is given by:

$$\frac{d}{dt}\left(\frac{U_{E_t}}{U_{c_t}}\right) = (\theta-1)\frac{\alpha}{(1-\alpha)}\left(\frac{E_t - \overline{E}}{c_t}\right)^{\theta-2}\left[\frac{\dot{E}_t}{c_t} - \frac{(E_t - \overline{E})\dot{c}_t}{{c_t}^2}\right] \tag{A.4}$$

With the growth rates g_i of the two goods $i \in (E, c)$ defined as $g_{i_t} = \frac{\dot{i}_t}{i_t}$, we can rewrite this time derivative using $\dot{i}_t = g_{i_t} i_t$ as:

$$\begin{aligned}\frac{d}{dt}\left(\frac{U_{E_t}}{U_{c_t}}\right) &= \frac{\alpha}{(1-\alpha)}\left(\frac{E_t - \overline{E}}{c_t}\right)^{\theta-1}(\theta-1)\left(\frac{c_t}{E_t - \overline{E}}\right)\left[\frac{g_{E_t}E_t}{c_t} - \frac{(E_t - \overline{E})g_{c_t}c_t}{{c_t}^2}\right]\\ &= (1-\theta)\frac{\alpha}{(1-\alpha)}\left(\frac{E_t - \overline{E}}{c_t}\right)^{\theta-1}\left[g_{c_t} - \frac{E_t}{E_t - \overline{E}}g_{E_t}\right] \ .\end{aligned} \tag{A.5}$$

The relative price effect of non-market goods is therefore given by

$$RPE_t = \frac{\frac{d}{dt}\left(\frac{U_{E_t}}{U_{c_t}}\right)}{\left(\frac{U_{E_t}}{U_{c_t}}\right)} = (1-\theta)\left[g_{c_t} - \frac{E_t}{E_t - \overline{E}}g_{E_t}\right] \ . \tag{A.6}$$

The relative price effect of non-market goods, i.e. the change in relative prices over time, is thus the same as the difference in the two good-specific discount rates (see Weikard and Zhu (2005) or Drupp (2018) for derivations in continuous time).

A.2 Calibration of non-market damages

A.2.1 Calibration for Section 3

In Section 3, we replicate the analysis of Sterner and Persson (2008) in DICE-2016R2. Thus, we do not consider a subsistence requirement in the consumption of non-market goods. The non-market good climate damage coefficient ψ is calibrated for a temperature increase of $T = 3°\mathrm{C}$ as follows:

$$W_0\Big(E_0, (1-D_0^{\phi})C_0, L_0\Big) = W_0\Big((1-D_0^{\psi})E_0, (1-D_0^{\kappa})C_0, L_0\Big) \quad \Leftrightarrow \tag{A.7}$$

$$\alpha E_0^{\theta} + (1-\alpha)\Big((1-D_0^{\phi})C_0\Big)^{\theta} = \alpha\Big(\frac{E_0}{1+\psi T^2}\Big)^{\theta} + (1-\alpha)\Big((1-D_0^{\kappa})C_0\Big)^{\theta}$$

We can solve this for the non-market climate damage parameter ψ as follows:

$$\psi = \left[E_0\left(E_0^{\theta} + \frac{1-\alpha}{\alpha}\left(\Big((1-D_0^{\phi})C_0\Big)^{\theta} - \Big((1-D_0^{\kappa})C_0\Big)^{\theta}\right)\right)^{-\frac{1}{\theta}} - 1\right]T^{-2}. \tag{A.8}$$

Sterner and Persson (2008) assume that the initial amount of the non-market good is equal to the starting value for material consumption, i.e. $C_0 = E_0$. In this case equation (A.8) reduces to

$$\psi = \frac{1}{T^2}\left[\left(\frac{1-\alpha}{\alpha}(1-D_0^{\phi})^{\theta} + 1 - \frac{1-\alpha}{\alpha}(1-D_0^{\kappa})^{\theta}\right)^{-\frac{1}{\theta}} - 1\right]. \tag{A.9}$$

A.2.2 Calibration for Sections 4 and 5

In the presence of a subsistence requirement in the consumption of non-market goods the calibration is modified as follows:

$$W_0\Big(E_0, (1-D_0^{\phi})C_0, L_0\Big) = W_0\Big((1-D_0^{\psi})E_0, (1-D_0^{\kappa})C_0, L_0\Big) \quad \Leftrightarrow \tag{A.10}$$

$$\alpha\left(E_0 - \overline{E}\right)^{\theta} + (1-\alpha)\Big((1-D_0^{\phi})C_0\Big)^{\theta} = \alpha\Big(\frac{E_0}{1+\psi T^2} - \overline{E}\Big)^{\theta} + (1-\alpha)\Big((1-D_0^{\kappa})C_0\Big)^{\theta}$$

We can solve this for the non-market climate damage parameter ψ as follows:

$$\psi = \left[E_0\left(\overline{E} + \left[\left(E_0 - \overline{E}\right)^{\theta} + \frac{1-\alpha}{\alpha}\left(\Big((1-D_0^{\phi})C_0\Big)^{\theta} - \Big((1-D_0^{\kappa})C_0\Big)^{\theta}\right)\right]^{\frac{1}{\theta}}\right)^{-1} - 1\right]T^{-2}. \tag{A.11}$$

A.3 Relative prices and comparison of climate policy paths until 2300, with 100% additional non-market damages as in Sterner and Persson (2008)

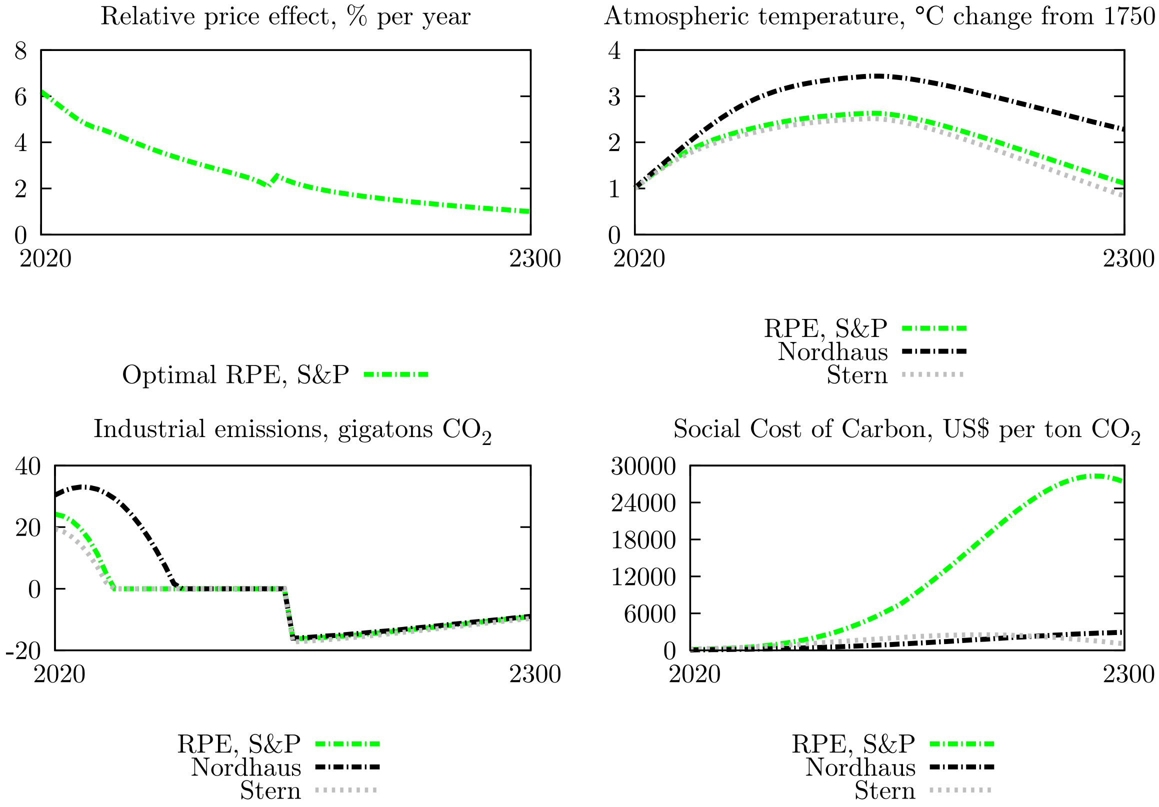

Figure A.1: Relative price effect (*RPE*) and comparison of climate policy paths for a time horizon up to 2300 and 100% additional non-market damages. Otherwise, see description of Figure 1.

A.4 Re-calibration of the model

(1) Derivation of η_C

We make us of Equations 2 and Equation 8 with $\overline{E}=0$ to recalibrate the effective elasticity of marginal utility of market consumption, η_C, such that the model with relative prices yields the same paths of market consumption and investments as the standard DICE version. We have

$$\begin{aligned}
U &= \frac{1}{1-\eta}\left[\alpha\left(E_t-\overline{E}\right)^{\theta}+(1-\alpha)\,c_t^{\theta}\right]^{\frac{1-\eta}{\theta}}, \qquad &(\text{A.12})\\
U_C &= (1-\alpha)c_t^{\theta-1}\left[\alpha\left(E_t-\overline{E}\right)^{\theta}+(1-\alpha)\,c_t^{\theta}\right]^{\frac{1-\eta-\theta}{\theta}}, \qquad &(\text{A.13})\\
U_{CC} &= (1-\alpha)c^{\theta-1}\frac{1}{c}(\theta-1)\left[\alpha\left(E_t-\overline{E}\right)^{\theta}+(1-\alpha)c_t^{\theta}\right]^{\frac{1-\eta-\theta}{\theta}} \qquad &(\text{A.14})\\
&+ (1-\alpha)c^{\theta-1}\left[\alpha\left(E_t-\overline{E}\right)^{\theta}+(1-\alpha)\,c_t^{\theta}\right]^{\frac{1-\eta-\theta}{\theta}}\frac{(1-\alpha)c^{\theta-1}}{\alpha E^{\theta}+(1-\alpha)c^{\theta}}(1-\eta-\theta) &\\
&= (1-\alpha)c^{\theta-1}c^{-1}\left[\alpha\left(E_t-\overline{E}\right)^{\theta}+(1-\alpha)\,c_t^{\theta}\right]^{\frac{1-\eta-\theta}{\theta}}\times \qquad &(\text{A.15})\\
&\left[(\theta-1)+(1-\eta-\theta)\frac{(1-\alpha)c^{\theta}}{\alpha\left(E_t-\overline{E}\right)^{\theta}+(1-\alpha)\,c_t^{\theta}}\right] &
\end{aligned}$$

Combining these ingredients yields the effective elasticity of marginal utility of market consumption, η_C, as

$$\eta_C=-\frac{U_{cc}c}{U_c}=(1-\theta)-(1-\eta-\theta)\,\frac{(1-\alpha)c_t^{\theta}}{\alpha\left(E_t-\overline{E}\right)^{\theta}+(1-\alpha)c_t^{\theta}}\,. \tag{A.16}$$

Defining the value share of the consumption good as $\beta^*=\frac{(1-\alpha)c_t^{\theta}}{\alpha\left(E_t-\overline{E}\right)^{\theta}+(1-\alpha)c_t^{\theta}}$, (cf. Gerlagh and van der Zwaan (2002), Hoel and Sterner (2007), Traeger (2011)), this can be rewritten as

$$\eta_C=\beta^*\eta+(1-\beta^*)(1-\theta) \tag{A.17}$$

That is, when the full value share accrues to market consumption goods, the effective elasticity of marginal utility of market consumption, η_C, equals the overall elasticity of marginal utility, η. Yet, as soon as non-market goods have a positive value share, the degree of substitutability matters for the effective elasticity of marginal utility of market consumption.

(2) Time-path of $\eta(t)$ used for re-calibration

$\theta = -1$ (left column)		$\theta = 1$ (right column)	
0	1.388889	0	1.611111
1	1.399128	1	1.584113
2	1.407008	2	1.563337
3	1.413283	3	1.546792
4	1.418342	4	1.533453
5	1.422468	5	1.522575
6	1.425869	6	1.513609
7	1.428699	7	1.506148
8	1.431075	8	1.499881
9	1.433088	9	1.494575
10	1.434805	10	1.490046
11	1.436281	11	1.486154
12	1.437558	12	1.482786
13	1.438670	13	1.479854
14	1.439644	14	1.477285
15	1.440501	15	1.475023
16	1.441261	16	1.473020
17	1.441937	17	1.471237
18	1.442543	18	1.469638
19	1.443090	19	1.468192
20	1.443587	20	1.466877
21	1.444036	21	1.465682
22	1.444443	22	1.464596
23	1.444813	23	1.463606
24	1.445148	24	1.462703
25	1.445452	25	1.461880
26	1.445729	26	1.461127
27	1.445982	27	1.460439
28	1.446211	28	1.459812
29	1.446423	29	1.459230
30	1.446618	30	1.458691
31	1.446798	31	1.458192
32	1.446965	32	1.457731
33	1.447119	33	1.457305

34	1.447261	34	1.456910
35	1.447393	35	1.456544
36	1.447515	36	1.456205
37	1.447629	37	1.455891
38	1.447735	38	1.455600
39	1.447833	39	1.455330
40	1.447925	40	1.455078
41	1.448011	41	1.454845
42	1.448091	42	1.454627
43	1.448166	43	1.454424
44	1.448237	44	1.454235
45	1.448303	45	1.454059
46	1.448365	46	1.453894
47	1.448423	47	1.453739
48	1.448478	48	1.453595
49	1.448530	49	1.453459
50	1.448579	50	1.453333
51	1.448625	51	1.453214
52	1.448668	52	1.453102
53	1.448710	53	1.452996
54	1.448749	54	1.452897
55	1.448786	55	1.452804
56	1.448821	56	1.452716
57	1.448855	57	1.452633
58	1.448887	58	1.452555
59	1.448917	59	1.452481
60	1.448946	60	1.452411
61	1.448973	61	1.452345
62	1.449000	62	1.452282
63	1.449025	63	1.452222
64	1.449048	64	1.452166
65	1.449071	65	1.452112
66	1.449093	66	1.452061
67	1.449114	67	1.452013
68	1.449134	68	1.451967
69	1.449153	69	1.451923

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70  1.449171         70  1.451881
71  1.449188         71  1.451841
72  1.449205         72  1.451803
73  1.449221         73  1.451767
74  1.449236         74  1.451732
75  1.449251         75  1.451699
76  1.449265         76  1.451668
77  1.449278         77  1.451638
78  1.449291         78  1.451609
79  1.449303         79  1.451581
80  1.449315         80  1.451555
81  1.449327         81  1.451530
82  1.449337         82  1.451505
83  1.449348         83  1.451482
84  1.449358         84  1.451460
85  1.449367         85  1.451439
86  1.449377         86  1.451418
87  1.449386         87  1.451398
88  1.449394         88  1.451379
89  1.449402         89  1.451361
90  1.449410         90  1.451343
91  1.449418         91  1.451325
92  1.449426         92  1.451308
93  1.449435         93  1.451289
94  1.449443         94  1.451270
95  1.449453         95  1.451247
96  1.449466         96  1.451219
97  1.449483         97  1.451181
98  1.449508         98  1.451123
99  1.449552         99  1.451024
100 1.449493;        100 1.451158;
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(3) Figure 2 with re-calibrated $\eta(t)$

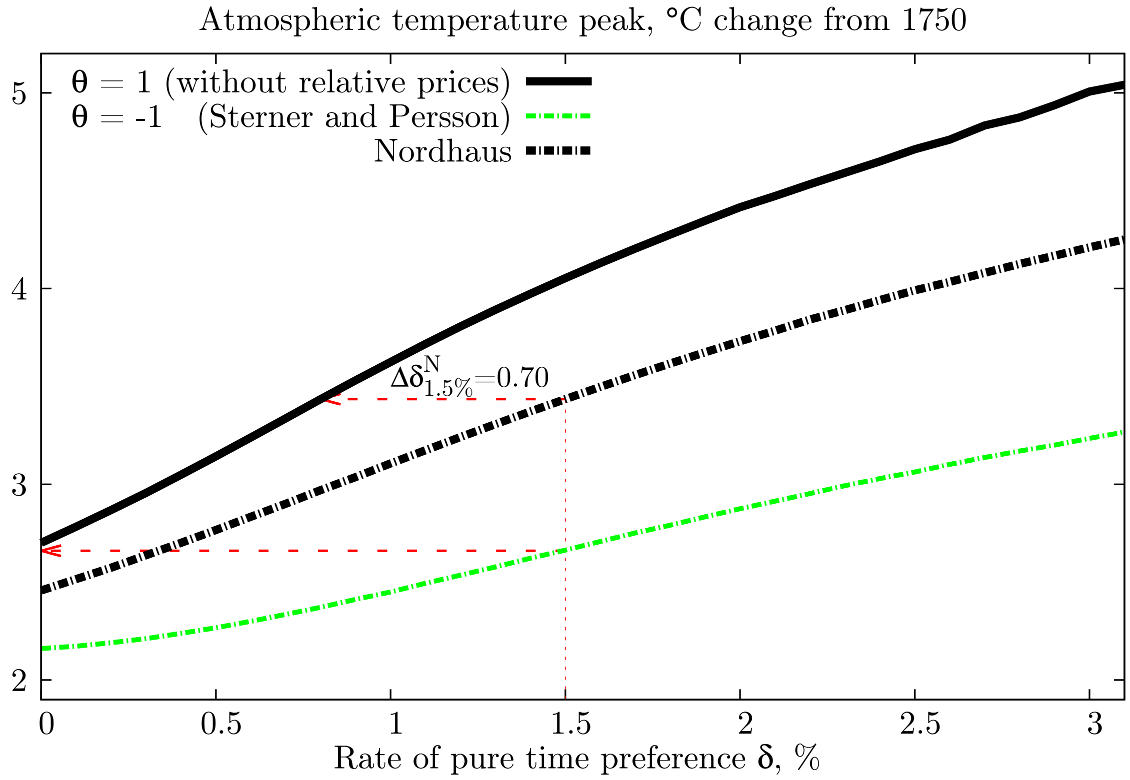

Figure A.2: The comparative influence of introducing relative prices on peak temperature with re-calibrated elasticity of marginal utility. The Figure depicts peak temperature as a function of the rate of pure time preference, δ, for different degrees of substitutability, θ. The solid black line shows the comparison case of perfect substitutability, i.e. without relative prices. The green line depicts the substitutability assumption of Sterner and Persson, with $\theta = -1$, and the dashed black line the 'Nordhaus' case. A model run with relative prices is compared to a run without but with a higher δ such that peak temperature is the same across both runs.

A.5 Relative prices and comparison of climate policy paths until 2100, with 25% additional non-market damages as in the standard DICE-2016R2

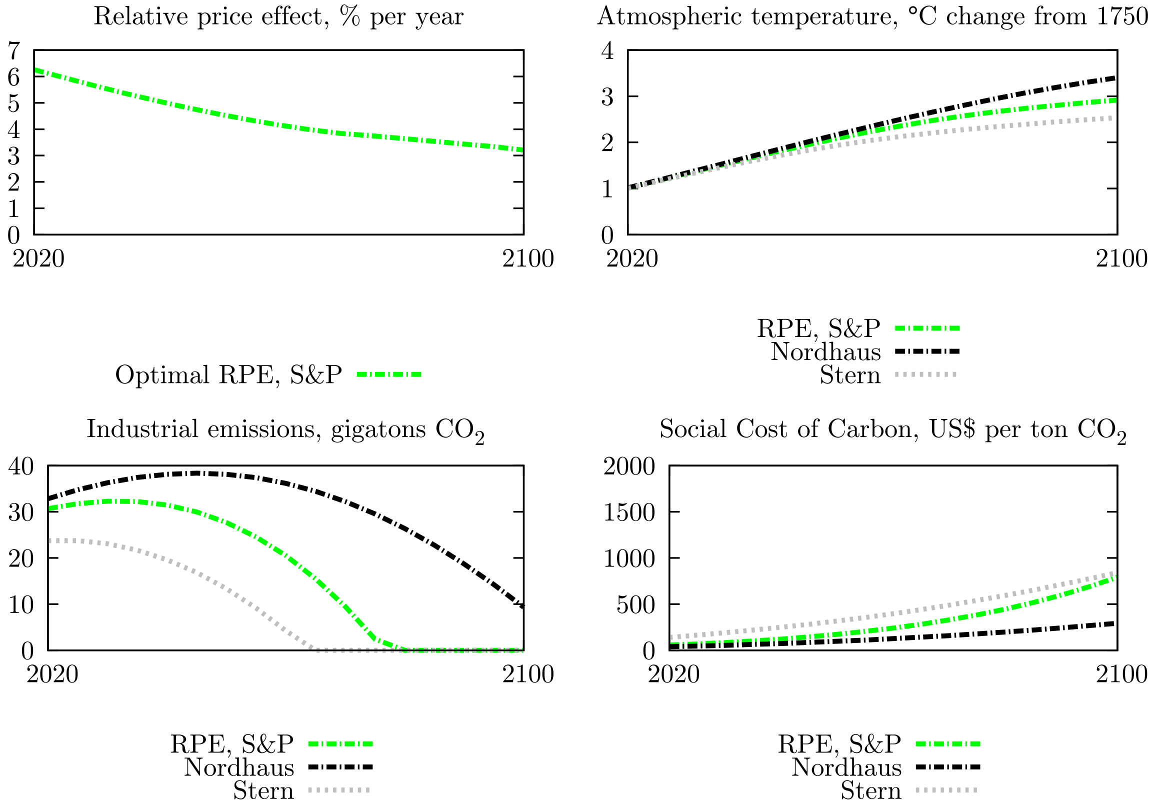

Figure A.3: Relative price effect (*RPE*) and comparison of climate policy paths for a time horizon up to 2100 and 25% additional non-market damages.

A.6 Relative prices, substitutability and the equivalent reduction in pure time preference

Table A.1: Degree of substitutability (θ) and the corresponding *RPE's* equivalent effect in terms of a reduction of pure time preference ($\Delta\delta$)*

θ_i	$\Delta\delta^{\theta_i}_{1.5\%}$	Reference or relation
1	0	Perfect substitutes
0.8	0.05	
0.6	0.12	Drupp (2018)
0.4	0.18	
0.2	0.4	
0	0.6	Cobb-Douglas, Gollier (2010)
-0.2	0.85	
-0.333	1.01	Kopp et al. (2012)
-0.4	1.09	
-0.66	1.4	Equivalent to Stern's (2007) lower δ
-0.78	1.5	
-1	not defined	Sterner and Persson (2008)
-2.3	not defined	Lowest indirect empirical estimates

* This analysis is conducted without our replication of Sterner and Persson (2008).

A.7 Additional drivers of the relative price effect: Initial value of non-market goods and share of non-market goods in utility

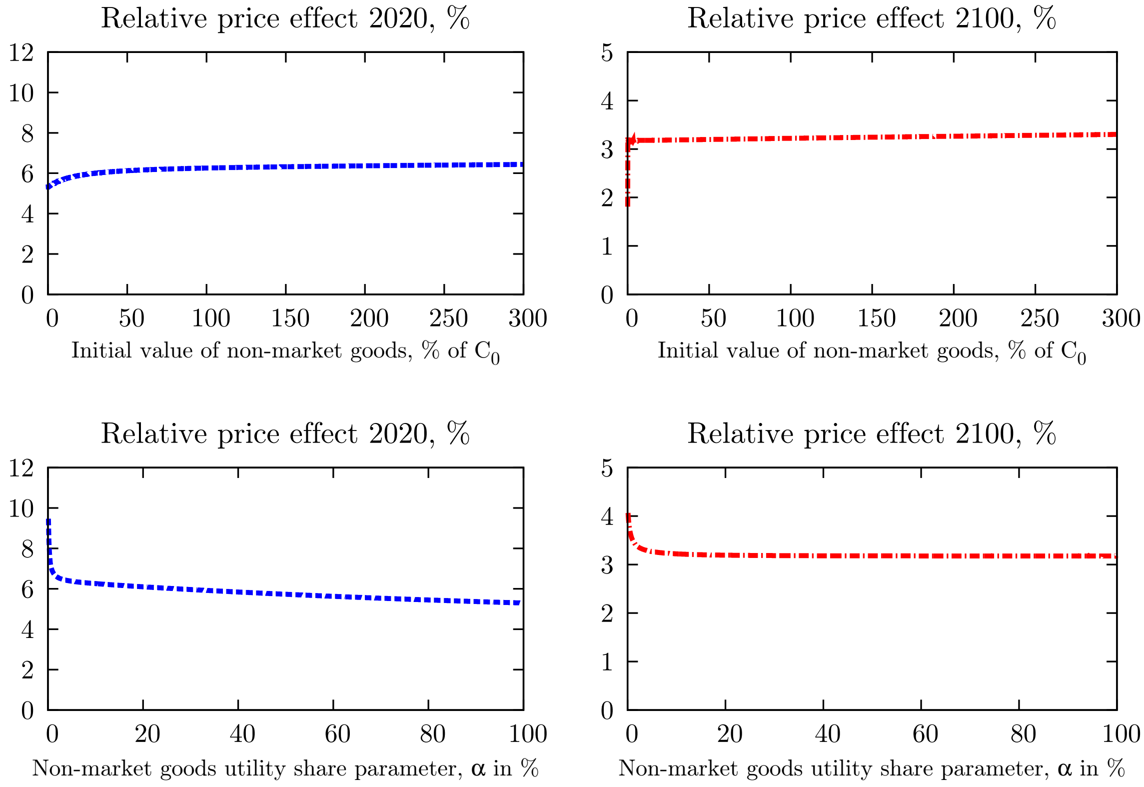

Figure A.4: Additional drivers of the relative price effect (I). Top to bottom: The impact of the initial value of non-market goods and the share of non-market goods in utility on the *RPE* in 2020 (left) and in 2100 (right).

A.8 Empirical estimates of the substitutability parameter

Table A.2: Indirect empirical estimates of the substitutability parameter*

Study	Mean θ	Type of good
Alberini et al. (2018)	0.46	Environmental goods: Climate change mitigation
Alberini et al. (2006)	0.53	Reduction in mortality risk
Aldy et al. (1999)	0.58	Environmental goods: Nature conservation
Ara and Tekesin (2016)	0.43	Health improvements
Ara and Tekesin (2017)	0.10	Health improvements
Barbier et al. (2017)	0.74	Environmental goods: Water or air quality
Basili et al. (2006)	0.58	Environmental goods: Water or air quality
Broberg (2010)	0.75	Environmental goods: Nature conservation
Clark and Kahn (1988)	0.10	Cultural goods
Cuevas-Alvarado et al. (2016)	0.73	Environmental goods: All others
Czajkowski et al. (2017)	0.72	Environmental goods: Water or air quality
Czajkowski and Scasny (2010)	0.36	Environmental goods: Water or air quality
Dickie (2005)	0.86	Health improvements
Doucouliagos et al. (2014)	0.48	Reduction in mortality risk
Francisco (2015)	0.52	Environmental goods: Water or air quality
Hammitt et al. (2019)	-2.00	Reduction in mortality risk
Hammitt and Herrera-Araujo (2018)	0.11	Reduction in mortality risk
Hökby and Söderqvist (2003)	0.32	Environmental goods: All others
Huhtala and Pouta (2008)	0.90	Environmental goods: All others
Jacobsen and Hanley (2009)	0.62	Environmental goods: Nature conservation
Johannesson et al. (1993)	0.82	Health improvements
Li et al. (2016)	0.90	Environmental goods: Climate change mitigation
Lindhjem et al. (2011)	0.20	Reduction in mortality risk
Lindhjem and Tuan (2012)	0.27	Environmental goods: Nature conservation
Martini and Tiezzi (2014)	-0.16	Environmental goods: Water or air quality
Masiye and Rehnberg (2005)	0.71	Health improvements
Masterman and Viscusi (2018)	0.18	Reduction in mortality risk
McLeod (1984)	0.34	Cultural goods
Milligan et al. (2014)	0.45	Reduction in mortality risk
Nastis and Mattas (2018)	0.04	Environmental goods: Climate change mitigation
Navrud and Strand (2018)	-0.02	Environmental goods: Nature conservation
Ready et al. (2002)	0.41	Environmental goods: Water or air quality
Riera et al. (2006)	0.01	Reduction in mortality risk
Robinson et al. (2019)	-0.50	Reduction in mortality risk
Scandizzo and Ventura (2010)	0.55	Environmental goods: Nature conservation
Tuan et al. (2009)	-0.98	Cultural goods
Tyllianakis and Skuras (2016)	0.26	Environmental goods: Water or air quality
Viscusi and Aldy (2003)	0.50	Reduction in mortality risk
Wang and Mullahy (2006)	-0.42	Environmental goods: Water or air quality
Zan and Scharff (2017)	-2.30	Reduction in mortality risk

* A separate data file contains more details on these 40 as well as the 41 non-relevant studies.

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A.9 Optimal versus business as usual growth rates of the market and non-market good

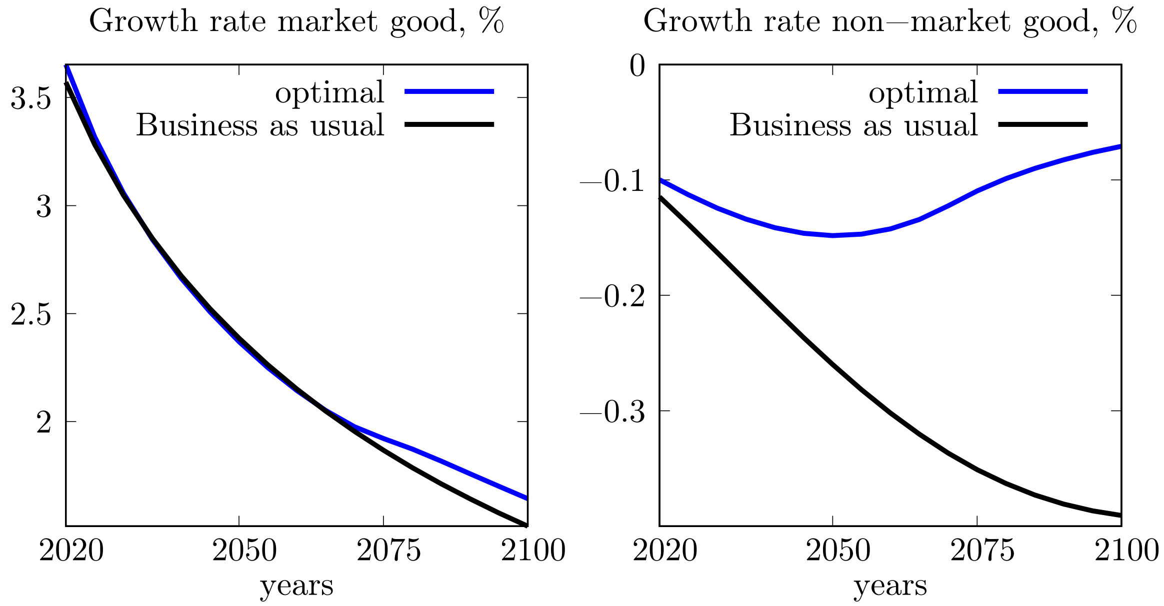

Figure A.5: Optimal versus business as usual growth rates of the market good (left) and non-market good (right) using the central calibration of our plausible ranges model.

A.10 Code

A.10.1 AMPL code to produce Figure 1

(1) AMPL mod-file Nordhaus

```
# Nordhaus, DICE 2016R2
# To work with the run-file, this mod-file should be named: DICE_Nordhaus_2016.mod

# PARAMETERS
#Time horizon
param T:=100;
# Preferences
param eta default 1.45;  # I-EMUC
param rho default 0.015;  # time preference rate
# for Stern use param rho default 0.001;
# discount factor
param R {t in 0..T}>=0;
let R[0]:=1;
let {t in 1..T} R[t] := R[t-1]/((1+rho)^5);

# for sensitivity analysis and figure 2 use: param R {t in 0..T}:= 1*exp(-rho*5*t);

# Population and its dynamics
param L0:=7403;  #initial world population 2015 (millions)
param gL0:=0.134;  #growth rate to calibrate to 2050 pop projection
param L {t in 0..T}>=0;
let L[0]:=L0;
let {t in 1..T} L[t]:=L[t-1]*((11500/L[t-1])^gL0);

# Technology and its dynamics
param gamma:=0.3;   #capital elasticity in production function
param deltaK:=0.100;  #depreciation rate on capital (per year)
param Qgross0:=105.5;  #Initial world gross output 2015 (trill 2010 USD)
param K0:=223;  #initial capital value 2015 (trillions 2010 USD)
param A0:=5.115;  #initial level of total factor productivity
param gA0:=0.076;  #initial growth rate for TFP per 5 years
param deltaA:=0.005;  #decline rate of TFP per 5 years
```

```
param gA {t in 0..T}>=0;
let {t in 0..T} gA[t]:=gA0*exp(-deltaA*5*(t));

param A {t in 0..T}>=0;
let A[0]:=A0;
let {t in 1..T} A[t]:=A[t-1]/(1-gA[t-1]);

# Emission parameters, where sigma is the carbon intensity or CO2-output ratio
param gsigma0:=-0.0152;  #initial growth of sigma (coninuous per year ),
param deltasigma:=-0.001;  #decline rate of decarbonization per period
param ELand0:=2.6;  #initial Carbon emissions from land 2015 (GtCO2 per period)
param deltaLand:=0.115;  #decline rate of land emissions (per period)
param EInd0:=35.85;  #Industrial emissions 2015 (GtCO2 per year)
param Ecum0:=400;  #Initial cumulative emissions (GtCO2)
param mu0:=.03;  #Initial emissions control rate; under BAU: 0.00
param Lambda0:=0;  #Initial abatement costs
param sigma0:=EInd0/(Qgross0*(1-mu0));
#initial sigma (kgCO2 per output 2005 USD in 2010)

param gsigma {t in 0..T};
let gsigma[0]:=gsigma0;
let {t in 1..T} gsigma[t]:=gsigma[t-1]*((1+deltasigma)^5);

param sigma {t in 0..T}>=0;
let sigma[0]:=sigma0;
let {t in 1..T} sigma[t]:=sigma[t-1]*exp(gsigma[t-1]*5);

param ELand {t in 0..T}>=0;
let ELand[0]:=ELand0;
let {t in 1..T} ELand[t]:=ELand[t-1]*(1-deltaLand);

# Carbon cycle
param MAT0=851;  # Initial Concentration in atmosphere 2015 (GtC)
param MUP0:=460;  # Initial Concentration in upper strata 2015 (GtC)
param MLO0:=1740;  # Initial Concentration in lower strata 2015 (GtC)
param MATEQ:=588;  # Equilibrium concentration in atmosphere (GtC)
param MUPEQ:=360;  # Equilibrium concentration in upper strata (GtC)
param MLOEQ:=1720;  # Equilibrium concentration in lower strata (GtC)
```

```
# Flow parameters (carbon cycle transition matrix)
# correspond to the bXX parameters in Nordhaus)
param phi12:=0.12;
param phi23:=0.007;
param phi11=1-phi12;
param phi21=phi12*MATEQ/MUPEQ;
param phi22=1-phi21-phi23;
param phi32=phi23*MUPEQ/MLOEQ;
param phi33=1-phi32;

# Climate model parameters
param nu:=3.1;  # Equilibrium temperature impact (°C per doubling CO2)
param Fex0:=0.5;  # 2015 forcings of non-CO2 GHG (Wm-2)
param Fex1:=1.0;  # 2100 forcings of non-CO2 GHG (Wm-2)
param TLO0:=0.0068;  # Initial lower stratum temperature change (°C from 1900)
param TAT0:=0.85;  # Initial atmospheric temp change (°C from 1900)
param xi1:=0.1005;  # Speed of adjustment parameter for atmospheric temperature
param xi3:=0.088;  # Coefficient of heat loss from atmosphere to oceans
param xi4:=0.025;  # Coefficient of heat gain by deep oceans
param kappa:=3.6813;  # Forcings of equilibrium CO2 doubling (Wm-2)
param xi2=kappa/nu;  # climate model parameter
param Fex {t in 0..T}>=0;
let {t in 0..17} Fex[t]:=Fex0+1/17*(Fex1-Fex0)*(t);  # external forcing (Wm-2)
let {t in 18..T} Fex[t]:=Fex1;
# external forcing (Wm-2)
# is assumed to be constant and equal to Fex1 from 2100 onward
# see e.g. Traeger (2014, Fig.1)

# climate damage parameters
param Psi:=0.003622;
# 0.00236 damage quadratic term for 25% add on NMD; for 100% add on: 0.003622
param TATlim default 12; # upper bound on atm. temperature change

# abatement cost
param Theta:=2.6;  # Exponent of control cost function
param pback0:=550;  # Cost of backstop 2010 $ per tCO2 2015
param gback:=0.025;  # Initial cost decline backstop cost per period
```

```
param cprice0:=2;  # Initial base carbon price (2010$ per tC02)

param pback {t in 0..T}>=0;
let pback[0]:=pback0;
let {t in 1..T} pback[t]:=pback[t-1]*(1-gback);

param phead {t in 0..T}=pback[t]*sigma[t]/Theta/1000;

# VARIABLES

# capital (trillions 2010 USD)
var K {t in 0..T}>=1;

# Gross output (trillions 2010 USD)
var Qgross {t in 0..T}=A[t]*((L[t]/1000)^(1-gamma))*(K[t]^gamma);

# carbon reservoir atmosphere (GtC)
var MAT {t in 0..T}>=10;

# carbon reservoir upper ocean (GtC)
var MUP {t in 0..T}>=100;

# carbon reservoir lower ocean (GtC)
var MLO {t in 0..T}>=1000;

# total radiative forcing (Wm-2)
var F {t in 0..T}=kappa*((log(MAT[t]/MATEQ))/log(2))+Fex[t];

# atmospheric temperature change (°C from 1750)
var TAT {t in 0..T}>=0, <=TATlim;

# ocean temperature (°C from 1750)
var TLO {t in 0..T}>=-1, <=20;

# damage fraction
var Omega {t in 0..T}=Psi*(TAT[t])^2;

# damages (trillions 2010 USD)
```

```
var damage {t in 0..T}=Omega[t]*Qgross[t];

# emission control
var mu {t in 0..T}>=0;

# abatement costs (fraction of output)
var Lambda {t in 0..T}=Qgross[t]*phead[t]*(mu[t]^Theta);

# industrial emissions
var EInd {t in 0..T}=sigma[t]*Qgross[t]*(1-mu[t]);

# total emissions
var E {t in 0..T};

# maximum cumulative extraction fossil fuels (GtC)
var Ecum {t in 0..T}<=6000;

# Marginal cost of abatement (carbon price)
var cprice {t in 0..T}=pback[t]*mu[t]^(Theta-1);

# output net of damages and abatement (trillions 2010 USD)
var Q {t in 0..T}=(Qgross[t]*(1-Omega[t]))-Lambda[t];

# per capita consumption (1000s 2010 USD]
var c {t in 0..T} >= .1;

# aggregate consumption
var C {t in 0..T} = L[t]*c[t]/1000;

# Investment (trillions 2005 USD)
var I {t in 0..T}>=0;

# utility
var U {t in 0..T} =c[t]^(1-eta)/(1-eta);

# total period utility
var U_period {t in 0..T}=U[t]*R[t];
```

```
# welfare/objective function
var W=sum{t in 0..T} L[t]*U[t]*R[t];

# welfare optimization
maximize objective_function: W;
subject to constr_accounting {t in 0..T}:
C[t]=Q[t]-I[t];
subject to constr_emissions {t in 0..T}:
E[t]=EInd[t]+ELand[t];
subject to constr_capital_dynamics {t in 1..T}:
K[t]=(1-deltaK)^5*K[t-1]+5*I[t-1];
subject to constr_cumulativeemissions {t in 1..T}:
Ecum[t]=Ecum[t-1]+(EInd[t-1]*5/3.666);
subject to constr_atmosphere {t in 1..T}:
MAT[t]=E[t]*(5/3.666)+phi11*MAT[t-1]+phi21*MUP[t-1];
subject to constr_upper_ocean {t in 1..T}:
MUP[t]=phi12*MAT[t-1]+phi22*MUP[t-1]+phi32*MLO[t-1];
subject to constr_lower_ocean {t in 1..T}:
MLO[t]=phi23*MUP[t-1]+phi33*MLO[t-1];
subject to constr_atmospheric_temp {t in 1..T}:
TAT[t]=TAT[t-1]+xi1*((F[t]-xi2*TAT[t-1])-(xi3*(TAT[t-1]-TLO[t-1])));
subject to constr_ocean_temp {t in 1..T}:
TLO[t]=TLO[t-1]+xi4*(TAT[t-1]-TLO[t-1]);

# Initial conditions
subject to initial_capital:  K[0] = K0;
subject to initial_Ecum:  Ecum[0]=Ecum0;
subject to initial_MAT:  MAT[0]=MAT0;
subject to initial_MUP:  MUP[0]=MUP0;
subject to initial_MLO:  MLO[0]=MLO0;
subject to initial_TLO:  TLO[0]=TLO0;
subject to initial_TAT:  TAT[0]=TAT0;
subject to initial_control:  mu[0]=mu0;
subject to control1 {t in 1..28}:  mu[t]<=1;
subject to control2 {t in 29..T}:  mu[t]<=1.2; # from 2150
#subject to control_BAU {t in 1..T}: mu[t]=0;
```

(2) AMPL mod-file, RPE, S&P

```
# DICE 2016R2 with Relative Prices
# To work with the run-file, this mod-file should be named: DICE_2016_RPE.mod
# for central calibration for Section 5 change parameters according to table 3
# PARAMETERS
#Time horizon
param T default 100;

# Preferences
param eta default 1.45; #I-EMUC central calibration: 1.35
param rho default 0.015; #time preference rate; central calibration: 0.011

# relative prices additions
param zeta default -1; #substitution parameter S\&P 2008

#central calibration: -0.11
#for a model run without relative prices:1

param beta default 0.1; #share of non-market good in utility function
param EQbar default 0; #subsistence level of non-market good
#central calibration: 7.77

param cbar default 0; #subsistence level of consumption per capita

# Discount factor
param R {t in 0..T}>=0;
let R[0]:=1;
let {t in 1..T} R[t] := R[t-1]/((1+rho)^5);

#for sensitivity analysis and figure 2/5: param R {t in 0..T}:= 1*exp(-rho*5*t);

# Population and its dynamics
param L0:=7403; #initial world population 2015 (millions)
param gL0:=0.134; #growthrate to calibrate to 2050 pop projection
param L {t in 0..T}>=0;
let L[0]:=L0;
let {t in 1..T} L[t]:=L[t-1]*((11500/L[t-1])^gL0);
```

```
# Technology and its dynamics
param gamma:=0.3;   #capital elasticity in production function
param deltaK:=0.1;  #depreciation rate on capital (per year)
param Qgross0:=105.5;  #Initial world gross output 2015 (trill 2010 USD)
param K0:=223;  #initial capital value 2015 (trillions 2010 USD)
param A0:=5.115;  #initial level of total factor productivity
param gA0 :=0.076;  #initial growth rate for TFP per 5 years
param deltaA default 0.005; #decline rate of TFP per 5 years
#central calibration: 0.005

param gA {t in 0..T} := gA0*exp(-deltaA*5*t);  # growth rate for TFP per period

param A {t in 0..T}>=0;
let A[0]:=A0;
let {t in 1..T} A[t]:=A[t-1]/(1-gA[t-1]);

# Emission parameters
param gsigma0:=-0.0152;  #initial growth of sigma (coninuous per year )
param deltasigma:=-0.001;  #decline rate of decarbonization per period
param ELand0:=2.6;  #initial Carbon emissions from land 2015 (GtCO2 per period)
param deltaLand:=0.115;  #decline rate of land emissions (per period)
param EInd0:=35.85;  #Industrial emissions 2015 (GtCO2 per year)
param Ecum0:=400;  #Initial cumulative emissions (GtCO2)
param mu0:=.03;  #Initial emissions control rate for base year 2010
param Lambda0:=0;  #Initial abatement costs
param sigma0:=EInd0/(Qgross0*(1-mu0));#initial sigma
#(kgCO2 per output 2005 USD in 2010)

param gsigma {t in 0..T};
let gsigma[0]:=gsigma0;
let {t in 1..T} gsigma[t]:=gsigma[t-1]*((1+deltasigma)^5);

param sigma {t in 0..T}>=0;
let sigma[0]:=sigma0;
let {t in 1..T} sigma[t]:=sigma[t-1]*exp(gsigma[t-1]*5);

param ELand {t in 0..T}>=0;
let ELand[0]:=ELand0;
```

```
let {t in 1..T} ELand[t]:=ELand [t-1]*(1-deltaLand);

# Carbon cycle
param MAT0=851;  # Initial Concentration in atmosphere 2015 (GtC)
param MUP0:=460;  # Initial Concentration in upper strata 2015 (GtC)
param MLO0:=1740;  # Initial Concentration in lower strata 2015 (GtC)
param MATEQ:=588;  # Equilibrium concentration in atmosphere
#(pre-industrial atmos. carbon) (GtC)
param MUPEQ:=360;  # Equilibrium concentration in upper strata (GtC)
param MLOEQ:=1720;  # Equilibrium concentration in lower strata (GtC)

# Flow parameters
param phi12:=0.12;
param phi23:=0.007;
param phi11=1-phi12;
param phi21=phi12*MATEQ/MUPEQ;
param phi22=1-phi21-phi23;
param phi32=phi23*MUPEQ/MLOEQ;
param phi33=1-phi32;

# Climate model parameters
param nu:=3.1;  # Equilibrium temperature impact (°C per doubling CO2)
param Fex0:=0.5;  # 2015 forcings of non-CO2 GHG (Wm-2)
param Fex1:=1.0;  # 2100 forcings of non-CO2 GHG (Wm-2)
param TLO0:=0.0068;  # Initial lower stratum temperature change (°C from 1900)
param TAT0:=0.85;  # Initial atmospheric temp change (°C from 1900)
param xi1:=0.1005;  # Speed of adjustment parameter for atmospheric temperature
param xi3:=0.088;  # Coefficient of heat loss from atmosphere to oceans
param xi4:=0.025;  # Coefficient of heat gain by deep oceans
param kappa:=3.6813;  # Forcings of equilibrium CO2 doubling (Wm-2)
param xi2=kappa/nu;  # climate model parameter

# external forcing (Wm-2)
#assumed to be constant and equal to Fex1 from 2100 onward,
#see e.g. Traeger (2014, Fig.1)
param Fex {t in 0..T}>=0;
let {t in 0..18} Fex[t]:=Fex0+1/18*(Fex1-Fex0)*(t);
let {t in 19..T} Fex[t]:=Fex1;
```

```
# Climate damage parameters
param Psi default 0.00181;  # market damage term without 25% adjustment
# damage quadratic term with 25% adjustment is 0.00236
param MD default 0.0163;
# market damages for 3°C warming above preindustrial according to Nordhaus (2017)
param NMD default 0.0163;
# corresponds to 100% NMD add on; with 25% add on 0.00494
# central calibration: 0.0165
param TD=MD+NMD; # total climate damages

param TATlim default 12; # upper bound on atm. temperature change

# Abatement cost
param Theta:=2.6;  # Exponent of control cost function
param pback0:=550;  # Cost of backstop 2010 $ per tCO2 2015
param gback:=0.025;  # Initial cost decline backstop cost per period

param pback {t in 0..T}>=0;
let pback[0]:=pback0;
let {t in 1..T} pback[t]:=pback[t-1]*(1-gback);

param phead {t in 0..T}=pback[t]*sigma[t]/Theta/1000;

# VARIABLES
# capital (trillions 2010 USD)
var K {t in 0..T}>=1;

# Gross output (trillions 2010 USD)
var Qgross {t in 0..T}=A[t]*((L[t]/1000)^(1-gamma))*(K[t]^gamma);

# carbon reservoir atmosphere (GtC)
var MAT {t in 0..T}>=10;

# carbon reservoir upper ocean (GtC)
var MUP {t in 0..T}>=100;

# carbon reservoir lower ocean (GtC)
```

```
var MLO {t in 0..T}>=1000;

# total radiative forcing (Wm-2)
var F {t in 0..T}=kappa*((log(MAT[t]/MATEQ))/log(2))+Fex[t];

# atmospheric temperature change (°C from 1750)
var TAT {t in 0..T}>=0, <=TATlim;

# ocean temperature (°C from 1750)
var TLO {t in 0..T}>=-1, <=20;

# damage fraction
var Omega {t in 0..T}=Psi*(TAT[t])^2;

# damages (trillions 2010 USD)
var damage {t in 0..T}=Omega[t]*Qgross[t];

# emission control
var mu {t in 0..T}>=0;

# abatement costs (fraction of output)
var Lambda {t in 0..T}=Qgross[t]*phead[t]*(mu[t]^Theta);

# industrial emissions
var EInd {t in 0..T}=sigma[t]*Qgross[t]*(1-mu[t]);

# total emissions
var E {t in 0..T};

# maximum cumulative extraction fossil fuels (GtC)
var Ecum {t in 0..T}<=6000;

# Marginal cost of abatement (carbon price)
var cprice {t in 0..T}=pback[t]*mu[t]^(Theta-1);

# output net of damages and abatement(trillions 2010 USD)
var Q {t in 0..T}=(Qgross[t]*(1-Omega[t]))-Lambda[t];
```

```
# per capita consumption (1000s 2010 USD]
var c {t in 0..T} >= .1;

# aggregate consumption
var C {t in 0..T} = L[t]*c[t]/1000;

# Investment(trillions 2005 USD)
var I {t in 0..T}>=0;

# non-market good
var EQ {t in 0..T}>=0.0000001 <=1000;

# Non-market damages scaling parameter including subsistence requirement

# including sub
var a {t in 0..T} =(1/(nu^2))*(EQ[0]*(EQbar+((EQ[0]-EQbar)^(zeta)
+((1-beta)/beta)*(((1-TD)*C[0])^(zeta)-((1-MD)*C[0])^(zeta)))^(1/zeta))^(-1)-1);

# growth rate of market good

var g_C {t in 0..T-1} = (C[t+1]-C[t])/C[t];

# growth rate of non market good

var g_EQ {t in 0..T-1} = ((EQ[t+1]-EQ[t])/EQ[t]);

# relative price effect

var RPE {t in 0..T-1} =(1-zeta)*(g_C[t]-((EQ[t]/(EQ[t]-EQbar))*g_EQ[t]));

# utility

var U {t in 0..T}= (((1-beta)*(c[t])^(zeta)+
beta*((EQ[t]-EQbar)*1000/L[t])^(zeta))^((1-eta)/zeta))/(1-eta);

# welfare/objective function
var W=sum{t in 0..T} L[t]*U[t]*R[t];
```

```
maximize objective_function: W;
subject to initial_consumption:  c[0]=10.4893;
subject to constr_accounting {t in 0..T}:
C[t]=Q[t]-I[t];
subject to constr_emissions {t in 0..T}:
E[t]=EInd[t]+ELand[t];
subject to constr_capital_dynamics {t in 1..T}:
K[t]=(1-deltaK)^5*K[t-1]+5*I[t-1];
subject to constr_cumulativeemissions {t in 1..T}:
Ecum[t]=Ecum[t-1]+(EInd[t-1]*5/3.666);
subject to constr_atmosphere {t in 1..T}:
MAT[t]=E[t]*(5/3.666)+phi11*MAT[t-1]+phi21*MUP[t-1];
subject to constr_upper_ocean {t in 1..T}:
MUP[t]=phi12*MAT[t-1]+phi22*MUP[t-1]+phi32*MLO[t-1];
subject to constr_lower_ocean {t in 1..T}:
MLO[t]=phi23*MUP[t-1]+phi33*MLO[t-1];
subject to constr_atmospheric_temp {t in 1..T}:
TAT[t]=TAT[t-1]+xi1*((F[t]-xi2*TAT[t-1])-(xi3*(TAT[t-1]-TLO[t-1])));
subject to constr_ocean_temp {t in 1..T}:
TLO[t]=TLO[t-1]+xi4*(TAT[t-1]-TLO[t-1]);

# Initial conditions
subject to initial_capital:  K[0] = K0;
subject to initial_Ecum:  Ecum[0]=Ecum0;
subject to initial_MAT:  MAT[0]=MAT0;
subject to initial_MUP:  MUP[0]=MUP0;
subject to initial_MLO:  MLO[0]=MLO0;
subject to initial_TLO:  TLO[0]=TLO0;
subject to initial_TAT:  TAT[0]=TAT0;
subject to initial_control:  mu[0]=mu0;
subject to control1 {t in 1..28}:  mu[t]<=1;
subject to control2 {t in 29..T}:  mu[t]<=1.2; # from 2150
subject to initial_EQ:  EQ[0]=C[0];
subject to constr_EQ {t in 1..T}:  EQ[t]=(EQ[0]/(1+a[t]*(TAT[t]^2)));
```

(3) AMPL run-file

```
reset;
model DICE_2016_RPE.mod; # add a "#" in a S\&P-RPE run
#model DICE_Nordhaus_2016.mod; # delete "#" in a Nordhaus run
option solver knitroampl;
solve;
# Produce overview of results in a csv format
# change file name to "Results_Figure1_Nordhaus.csv" during the Nordhaus run
# change file name to "Results_Figure1_RPE-SP.csv" during the RPE-SP run

for {i in 0..T-1}
{printf "%f\t", i>Results_Figure1_RPE-SP.csv;
printf "%f\t", (((RPE[i]+1)^(1/5))-1)*100>Results_Figure1_RPE-SP.csv;
# delete this RPE line during Nordhaus run
printf "%f\t", EInd[i]> Results_Figure1_RPE-SP.csv;
printf "%f\t", TAT[i]>Results_Figure1_RPE-SP.csv;
printf "%f\n", -1000*constr_emissions[i]/constr_accounting[i]>
Results_Figure1_RPE-SP.csv;}
```

A.10.2 AMPL code to produce Figure 2

```
# use the same mod files as for figure 1 with the following changes
# change equation for time preference rate to
# param R {t in 0..T}:= 1*exp(-rho*5*t);
# set the substitution parameter zeta equal to 1 for the run without RPE
# run the following AMPL run file
# change the file name of the csv-file for each run as preferred, e.g.:
# Nordhaus, Sterner and Persson (SP), without relative prices
reset;
model DICE_2016_RPE.mod; # add a "#" in a Nordhaus run
#model DICE_Nordhaus_2016.mod; # delete "#" in a Nordhaus run
option solver knitroampl;
solve;
# Produce sensitivity analysis in csv format
for {i in 0.000001 .. 0.032 by 0.001}
{ let rho:=i;
solve;
printf "%.5f\t", rho>Results_Figure2_SP.csv;
printf "%.5f\n", max {t in 0..T} TAT[t]>Results_Figure2_SP.csv;
}
```

A.10.3 AMPL code for Figure 3 and Figure 4

```
# use the AMPL mod file RPE, S\&P (as for figure 1 and 2)
# change equation for time preference rate to param R {t in 0..T}:= 1*exp(-rho*5*t);
# run the following AMPL run-file
# note that for the decline rate of TFP deltaA the sensitivity analysis
# needs to be done manually, i.e.
# change deltaA in the mod-file from 0 to 0.05 in some steps
# solve the model each time
# print the RPE in 2020 and 2100 for every deltaA similar to other variables

reset;
model DICE_2016_RPE.mod;
option solver knitroampl;
solve;

# Produce sensitivity analysis in csv format
for {i in -4 .. 1.1 by 0.03}
{let zeta:=i;
solve;
printf "%.5f\t", i>Results_Figure3_Theta.csv;
printf "%.5f\t", (((RPE[1]+1)^(1/5))-1)*100>Results_Figure3_Theta.csv;
printf "%.5f\n", (((RPE[17]+1)^(1/5))-1)*100>Results_Figure3_Theta.csv;
}

reset;
model DICE_2016_RPE.mod;
option solver knitroampl;
solve;

for {i in 0.000 .. 0.11 by 0.001}
{let NMD:=i;
solve;
printf "%.5f\t", i>Results_Figure3_NMD.csv;
printf "%.5f\t", (((RPE[1]+1)^(1/5))-1)*100>Results_Figure3_NMD.csv;
printf "%.5f\n", (((RPE[17]+1)^(1/5))-1)*100>Results_Figure3_NMD.csv;
}
```

```
reset;
model DICE_2016_RPE.mod;
option solver knitroampl;
solve;

for {i in 0 .. 40 by 0.5}
{ let EQbar:=i;
solve;
printf "%.5f\t", i>Results_Figure3_Sub.csv;
printf "%.5f\t", (((RPE[1]+1)^(1/5))-1)*100>Results_Figure3_Sub.csv;
printf "%.5f\n", (((RPE[17]+1)^(1/5))-1)*100>Results_Figure3_Sub.csv;
}

reset;
model DICE_2016_RPE.mod;
option solver knitroampl;
solve;

for {i in 0.000001 .. 0.085 by 0.001}
{let rho:=i;
solve;
printf "%.5f\t", rho>Results_Figure4_delta.csv;
printf "%.5f\t", (((RPE[1]+1)^(1/5))-1)*100>Results_Figure4_delta.csv;
printf "%.5f\n", (((RPE[17]+1)^(1/5))-1)*100>Results_Figure4_delta.csv;
}

reset;
model DICE_2016_RPE.mod;
option solver knitroampl;
solve;

for {i in 0.0001 .. 5.2 by 0.02}
{let eta:=i;
solve;
printf "%.5f\t", eta>Results_Figure4_eta.csv;
printf "%.5f\t", (((RPE[1]+1)^(1/5))-1)*100>Results_Figure4_eta.csv;
printf "%.5f\n", (((RPE[17]+1)^(1/5))-1)*100>Results_Figure4_eta.csv;}
```

A.10.4 AMPL code for figure 5

(1) AMPL dat-file, Plausible Ranges

```
# this is the random data generated from raw data by Drupp et al. (2018)
# save this file as random_delta_eta.dat to be compatible with the run-file

param nruns:=1000;

param rhos:=
1 0.015
2 0.00000001
3 0.02
4 0.01
5 0.03
6 0.03
7 0.001
8 0.005
9 0.00000001
10 0.00000001
11 0.01
12 0.00000001
13 0.001
14 0.001
15 0.005
16 0.01
17 0.00000001
18 0.02
19 0.015
20 0.00000001
21 0.04
22 0.00000001
23 0.00000001
24 0.00000001
25 0.03
26 0.00000001
27 0.00000001
28 0.001
29 0.02
```

```
30 0.04
31 0.02
32 0.00000001
33 0.01
34 0.00000001
35 0.01
36 0.03
37 0.003
38 0.03
39 0.02
40 0.00000001
41 0.00000001
42 0.02
43 0.001
44 0.02
45 0.025
46 0.005
47 0.005
48 0.01
49 0.001
50 0.01
51 0.03
52 0.02
53 0.015
54 0.01
55 0.01
56 0.01
57 0.002
58 0.01
59 0.00000001
60 0.00000001
61 0.001
62 0.025
63 0.00000001
64 0.00001
65 0.02
66 0.005
67 0.04
```

```
68 0.01
69 0.01
70 0.01
71 0.001
72 0.07
73 0.005
74 0.04
75 0.02
76 0.04
77 0.005
78 0.00000001
79 0.01
80 0.01
81 0.01
82 0.02
83 0.02
84 0.00000001
85 0.01
86 0.00000001
87 0.02
88 0.001
89 0.02
90 0.03
91 0.06
92 0.00000001
93 0.02
94 0.01
95 0.005
96 0.001
97 0.001
98 0.03
99 0.06
100 0.06
101 0.01
102 0.00000001
103 0.00000001
104 0.03
105 0.00001
```

```
106 0.00000001
107 0.02
108 0.005
109 0.02
110 0.00000001
111 0.00000001
112 0.00000001
113 0.00000001
114 0.008
115 0.00001
116 0.06
117 0.00000001
118 0.02
119 0.015
120 0.02
121 0.005
122 0.005
123 0.005
124 0.00000001
125 0.01
126 0.001
127 0.00001
128 0.01
129 0.01
130 0.005
131 0.00000001
132 0.01
133 0.005
134 0.08
135 0.001
136 0.00000001
137 0.00000001
138 0.00000001
139 0.00000001
140 0.00000001
141 0.001
142 0.025
143 0.00000001
```

```
144 0.01
145 0.01
146 0.003
147 0.00000001
148 0.02
149 0.015
150 0.015
151 0.00001
152 0.04
153 0.01
154 0.00000001
155 0.00000001
156 0.01
157 0.00000001
158 0.00000001
159 0.03
160 0.00005
161 0.00000001
162 0.001
163 0.01
164 0.01
165 0.00000001
166 0.001
167 0.03
168 0.02
169 0.00001
170 0.003
171 0.01
172 0.00000001
173 0.005
174 0.00000001
175 0.005
176 0.0025
177 0.07
178 0.01
179 0.01
180 0.02
181 0.02
```

```
182 0.03
183 0.001
184 0.00000001
185 0.02
186 0.0001
187 0.00000001
188 0.005
189 0.00000001
190 0.00000001
191 0.00000001
192 0.01
193 0.00001
194 0.005
195 0.01
196 0.00000001
197 0.00000001
198 0.04
199 0.01
200 0.015
201 0.01
202 0.005
203 0.002
204 0.00000001
205 0.001
206 0.02
207 0.00000001
208 0.005
209 0.02
210 0.005
211 0.001
212 0.02
213 0.00000001
214 0.02
215 0.01
216 0.001
217 0.00000001
218 0.08
219 0.00000001
```

```
220 0.02
221 0.00000001
222 0.04
223 0.02
224 0.00000001
225 0.025
226 0.02
227 0.005
228 0.00000001
229 0.00000001
230 0.08
231 0.005
232 0.03
233 0.00000001
234 0.001
235 0.025
236 0.00000001
237 0.04
238 0.005
239 0.03
240 0.01
241 0.015
242 0.03
243 0.02
244 0.01
245 0.02
246 0.02
247 0.001
248 0.005
249 0.02
250 0.01
251 0.01
252 0.01
253 0.02
254 0.01
255 0.01
256 0.01
257 0.02
```

```
258 0.01
259 0.00000001
260 0.001
261 0.008
262 0.001
263 0.01
264 0.00000001
265 0.00000001
266 0.02
267 0.00000001
268 0.005
269 0.001
270 0.00000001
271 0.03
272 0.00000001
273 0.005
274 0.01
275 0.003
276 0.025
277 0.01
278 0.06
279 0.01
280 0.00000001
281 0.0025
282 0.00000001
283 0.00000001
284 0.02
285 0.00000001
286 0.00000001
287 0.00000001
288 0.01
289 0.025
290 0.001
291 0.001
292 0.02
293 0.005
294 0.00000001
295 0.001
```

```
296 0.00000001
297 0.001
298 0.012
299 0.01
300 0.00000001
301 0.00000001
302 0.00000001
303 0.005
304 0.00000001
305 0.02
306 0.01
307 0.00000001
308 0.005
309 0.00000001
310 0.00000001
311 0.00000001
312 0.001
313 0.005
314 0.02
315 0.03
316 0.02
317 0.00000001
318 0.03
319 0.01
320 0.03
321 0.025
322 0.02
323 0.00000001
324 0.005
325 0.01
326 0.005
327 0.005
328 0.01
329 0.00000001
330 0.00000001
331 0.00000001
332 0.02
333 0.01
```

334	0.005
335	0.03
336	0.00000001
337	0.00000001
338	0.005
339	0.00000001
340	0.01
341	0.001
342	0.005
343	0.00000001
344	0.02
345	0.03
346	0.00000001
347	0.005
348	0.01
349	0.001
350	0.02
351	0.00000001
352	0.03
353	0.01
354	0.01
355	0.00000001
356	0.01
357	0.05
358	0.02
359	0.008
360	0.008
361	0.005
362	0.02
363	0.03
364	0.03
365	0.001
366	0.02
367	0.02
368	0.00000001
369	0.02
370	0.00000001
371	0.02

```
372 0.003
373 0.001
374 0.00000001
375 0.00001
376 0.02
377 0.0001
378 0.00000001
379 0.06
380 0.01
381 0.00000001
382 0.005
383 0.00000001
384 0.002
385 0.01
386 0.03
387 0.02
388 0.01
389 0.01
390 0.08
391 0.00000001
392 0.001
393 0.00000001
394 0.00000001
395 0.01
396 0.005
397 0.025
398 0.00000001
399 0.00000001
400 0.001
401 0.00000001
402 0.00000001
403 0.00000001
404 0.06
405 0.00000001
406 0.003
407 0.00000001
408 0.005
409 0.02
```

```
410 0.00000001
411 0.005
412 0.02
413 0.00001
414 0.00000001
415 0.001
416 0.00000001
417 0.001
418 0.01
419 0.00000001
420 0.01
421 0.005
422 0.00000001
423 0.015
424 0.01
425 0.01
426 0.02
427 0.00000001
428 0.001
429 0.005
430 0.02
431 0.01
432 0.003
433 0.002
434 0.01
435 0.00000001
436 0.01
437 0.01
438 0.01
439 0.06
440 0.01
441 0.001
442 0.01
443 0.012
444 0.002
445 0.03
446 0.00000001
447 0.00000001
```

```
448 0.00001
449 0.001
450 0.02
451 0.03
452 0.02
453 0.008
454 0.04
455 0.00000001
456 0.01
457 0.01
458 0.01
459 0.01
460 0.001
461 0.001
462 0.00000001
463 0.01
464 0.01
465 0.02
466 0.00000001
467 0.00000001
468 0.01
469 0.001
470 0.015
471 0.00000001
472 0.005
473 0.001
474 0.00000001
475 0.001
476 0.00000001
477 0.001
478 0.00000001
479 0.002
480 0.0001
481 0.005
482 0.04
483 0.001
484 0.003
485 0.002
```

```
486 0.001
487 0.01
488 0.005
489 0.01
490 0.00000001
491 0.03
492 0.02
493 0.025
494 0.005
495 0.01
496 0.005
497 0.02
498 0.0001
499 0.00000001
500 0.025
501 0.00000001
502 0.02
503 0.005
504 0.005
505 0.025
506 0.001
507 0.02
508 0.02
509 0.005
510 0.001
511 0.02
512 0.02
513 0.0005
514 0.00000001
515 0.005
516 0.015
517 0.002
518 0.02
519 0.01
520 0.00000001
521 0.00000001
522 0.01
523 0.03
```

```
524 0.00000001
525 0.01
526 0.001
527 0.02
528 0.01
529 0.07
530 0.01
531 0.00000001
532 0.00000001
533 0.00000001
534 0.07
535 0.05
536 0.025
537 0.02
538 0.01
539 0.00000001
540 0.02
541 0.005
542 0.005
543 0.03
544 0.00001
545 0.00000001
546 0.00000001
547 0.00000001
548 0.02
549 0.00000001
550 0.025
551 0.001
552 0.00000001
553 0.001
554 0.00000001
555 0.00000001
556 0.001
557 0.01
558 0.01
559 0.001
560 0.00000001
561 0.005
```

```
562 0.01
563 0.02
564 0.03
565 0.00000001
566 0.00000001
567 0.03
568 0.00000001
569 0.001
570 0.0001
571 0.00000001
572 0.001
573 0.0005
574 0.00000001
575 0.00000001
576 0.005
577 0.008
578 0.001
579 0.01
580 0.001
581 0.02
582 0.02
583 0.00005
584 0.00000001
585 0.001
586 0.005
587 0.001
588 0.01
589 0.001
590 0.00000001
591 0.02
592 0.005
593 0.02
594 0.005
595 0.00000001
596 0.01
597 0.005
598 0.01
599 0.0005
```

```
600 0.015
601 0.025
602 0.00000001
603 0.02
604 0.01
605 0.025
606 0.00000001
607 0.02
608 0.02
609 0.02
610 0.00000001
611 0.01
612 0.025
613 0.001
614 0.00001
615 0.01
616 0.02
617 0.02
618 0.00000001
619 0.02
620 0.01
621 0.00000001
622 0.03
623 0.01
624 0.008
625 0.001
626 0.015
627 0.001
628 0.00000001
629 0.00000001
630 0.00000001
631 0.00000001
632 0.02
633 0.001
634 0.02
635 0.03
636 0.005
637 0.005
```

```
638 0.00000001
639 0.001
640 0.08
641 0.0005
642 0.00000001
643 0.005
644 0.02
645 0.001
646 0.00000001
647 0.02
648 0.01
649 0.00000001
650 0.01
651 0.00000001
652 0.03
653 0.06
654 0.01
655 0.00005
656 0.005
657 0.00000001
658 0.002
659 0.01
660 0.025
661 0.00005
662 0.015
663 0.00000001
664 0.02
665 0.015
666 0.0025
667 0.01
668 0.002
669 0.001
670 0.015
671 0.02
672 0.01
673 0.01
674 0.01
675 0.001
```

```
676 0.00000001
677 0.01
678 0.02
679 0.00000001
680 0.02
681 0.005
682 0.07
683 0.002
684 0.07
685 0.005
686 0.015
687 0.00001
688 0.05
689 0.03
690 0.00000001
691 0.00000001
692 0.00000001
693 0.01
694 0.005
695 0.0005
696 0.03
697 0.001
698 0.01
699 0.00000001
700 0.005
701 0.01
702 0.00000001
703 0.01
704 0.005
705 0.00000001
706 0.02
707 0.01
708 0.00000001
709 0.001
710 0.01
711 0.00000001
712 0.00000001
713 0.01
```

```
714 0.01
715 0.01
716 0.001
717 0.02
718 0.0025
719 0.025
720 0.00000001
721 0.02
722 0.001
723 0.001
724 0.001
725 0.00000001
726 0.02
727 0.00001
728 0.003
729 0.01
730 0.03
731 0.06
732 0.01
733 0.00000001
734 0.03
735 0.001
736 0.00000001
737 0.00000001
738 0.00000001
739 0.01
740 0.005
741 0.025
742 0.00000001
743 0.01
744 0.05
745 0.02
746 0.01
747 0.01
748 0.005
749 0.01
750 0.002
751 0.00001
```

```
752 0.005
753 0.005
754 0.05
755 0.00000001
756 0.00000001
757 0.00000001
758 0.02
759 0.001
760 0.01
761 0.025
762 0.025
763 0.005
764 0.00000001
765 0.02
766 0.00000001
767 0.00000001
768 0.02
769 0.00000001
770 0.00000001
771 0.00000001
772 0.01
773 0.025
774 0.001
775 0.01
776 0.00000001
777 0.00000001
778 0.01
779 0.01
780 0.08
781 0.005
782 0.04
783 0.08
784 0.00000001
785 0.02
786 0.01
787 0.00000001
788 0.01
789 0.00000001
```

```
790 0.015
791 0.008
792 0.015
793 0.008
794 0.02
795 0.001
796 0.00000001
797 0.00000001
798 0.03
799 0.03
800 0.02
801 0.00001
802 0.00000001
803 0.001
804 0.005
805 0.01
806 0.001
807 0.05
808 0.001
809 0.01
810 0.00000001
811 0.01
812 0.01
813 0.001
814 0.00000001
815 0.015
816 0.001
817 0.005
818 0.00000001
819 0.03
820 0.001
821 0.00000001
822 0.03
823 0.01
824 0.005
825 0.02
826 0.00000001
827 0.00000001
```

```
828 0.02
829 0.00000001
830 0.02
831 0.00000001
832 0.001
833 0.08
834 0.003
835 0.03
836 0.07
837 0.001
838 0.03
839 0.02
840 0.01
841 0.01
842 0.00000001
843 0.00000001
844 0.04
845 0.02
846 0.00001
847 0.005
848 0.00000001
849 0.005
850 0.0001
851 0.0001
852 0.03
853 0.00001
854 0.02
855 0.01
856 0.001
857 0.00000001
858 0.005
859 0.06
860 0.01
861 0.02
862 0.00000001
863 0.001
864 0.00000001
865 0.00000001
```

```
866 0.02
867 0.03
868 0.001
869 0.00000001
870 0.01
871 0.00000001
872 0.005
873 0.02
874 0.00000001
875 0.08
876 0.005
877 0.005
878 0.01
879 0.001
880 0.003
881 0.02
882 0.012
883 0.02
884 0.01
885 0.01
886 0.00000001
887 0.03
888 0.00000001
889 0.001
890 0.03
891 0.02
892 0.00000001
893 0.03
894 0.02
895 0.00000001
896 0.005
897 0.001
898 0.01
899 0.00000001
900 0.01
901 0.015
902 0.00000001
903 0.01
```

```
904 0.00000001
905 0.00000001
906 0.00000001
907 0.08
908 0.00000001
909 0.001
910 0.01
911 0.00001
912 0.001
913 0.001
914 0.01
915 0.005
916 0.008
917 0.03
918 0.00000001
919 0.005
920 0.00000001
921 0.00000001
922 0.00000001
923 0.005
924 0.001
925 0.02
926 0.02
927 0.01
928 0.00001
929 0.00000001
930 0.02
931 0.01
932 0.00000001
933 0.001
934 0.02
935 0.005
936 0.00000001
937 0.001
938 0.005
939 0.01
940 0.005
941 0.01
```

```
942 0.01
943 0.015
944 0.05
945 0.03
946 0.002
947 0.001
948 0.0001
949 0.02
950 0.002
951 0.02
952 0.02
953 0.00000001
954 0.001
955 0.00000001
956 0.06
957 0.02
958 0.01
959 0.005
960 0.00000001
961 0.00000001
962 0.05
963 0.0005
964 0.02
965 0.02
966 0.01
967 0.01
968 0.05
969 0.001
970 0.02
971 0.01
972 0.00000001
973 0.00000001
974 0.00000001
975 0.008
976 0.005
977 0.00000001
978 0.02
979 0.01
```

```
980 0.08
981 0.005
982 0.0025
983 0.02
984 0.06
985 0.0005
986 0.005
987 0.025
988 0.02
989 0.00000001
990 0.00000001
991 0.01
992 0.008
993 0.00000001
994 0.001
995 0.01
996 0.00000001
997 0.005
998 0.00000001
999 0.00000001
1000 0.00000001;

param etas:=
1 1.00000010
2 1.00000010
3 1.00000010
4 0.50000000
5 1.00000010
6 2.00000000
7 1.50000000
8 2.50000000
9 1.00000010
10 0.70000000
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12 0.50000000
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16 2.00000000
17 1.00000010
18 1.00000010
19 2.00000000
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21 1.30000000
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40 2.00000000
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42 1.50000000
43 1.50000000
44 0.20000000
45 1.00000010
46 1.50000000
47 1.25000000
48 1.00000010
49 1.00000010
50 1.00000010
51 2.00000000
52 1.00000010
53 0.20000000
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54 1.50000000
55 2.50000000
56 1.50000000
57 2.00000000
58 0.20000000
59 1.00000010
60 1.00000010
61 3.00000000
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63 0.20000000
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67 3.00000000
68 1.50000000
69 2.00000000
70 0.50000000
71 1.40000000
72 2.00000000
73 0.50000000
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75 0.25000000
76 0.80000000
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148 1.00000010
149 1.00000010
150 0.60000000
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349 0.00000100
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372 1.00000010
373 0.33300000
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620 0.80000000
621 1.20000000
622 1.00000010
623 1.50000000
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624 0.70000000
625 2.00000000
626 1.00000010
627 0.50000000
628 1.50000000
629 1.00000010
630 2.00000000
631 3.00000000
632 2.00000000
633 1.20000000
634 2.00000000
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636 1.00000010
637 1.30000000
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639 0.20000000
640 0.50000000
641 0.50000000
642 1.00000010
643 2.00000000
644 2.00000000
645 1.50000000
646 5.00000000
647 2.00000000
648 0.25000000
649 0.60000000
650 2.00000000
651 0.00000100
652 2.00000000
653 1.80000000
654 1.00000010
655 4.00000000
656 1.50000000
657 1.00000010
658 2.00000000
659 1.00000010
660 0.90000000
661 1.00000010
```

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662 1.50000000
663 1.50000000
664 1.00000010
665 0.10000000
666 1.50000000
667 1.30000000
668 0.50000000
669 3.00000000
670 2.00000000
671 0.20000000
672 3.00000000
673 1.50000000
674 1.00000010
675 1.00000010
676 3.00000000
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680 1.00000010
681 1.30000000
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683 2.00000000
684 1.50000000
685 1.00000010
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687 0.20000000
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689 0.80000000
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694 0.10000000
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696 1.00000010
697 1.50000000
698 0.20000000
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700 1.10000000
701 1.50000000
702 1.20000000
703 0.33300000
704 0.50000000
705 2.00000000
706 1.00000010
707 0.70000000
708 0.70000000
709 0.66660000
710 2.00000000
711 1.00000010
712 2.00000000
713 1.00000010
714 2.00000000
715 3.00000000
716 1.00000010
717 1.00000010
718 1.00000010
719 1.00000010
720 1.50000000
721 3.00000000
722 2.00000000
723 1.40000000
724 4.00000000
725 1.20000000
726 2.00000000
727 1.00000010
728 2.00000000
729 1.50000000
730 1.00000010
731 1.00000010
732 0.70000000
733 2.00000000
734 0.50000000
735 2.00000000
736 0.00000100
737 0.50000000
```

```
738 0.50000000
739 3.00000000
740 2.00000000
741 1.20000000
742 2.00000000
743 1.30000000
744 2.00000000
745 2.00000000
746 2.00000000
747 0.80000000
748 1.50000000
749 0.33300000
750 2.00000000
751 1.50000000
752 0.80000000
753 1.50000000
754 0.10000000
755 2.00000000
756 0.10000000
757 2.00000000
758 0.50000000
759 2.00000000
760 1.00000010
761 1.30000000
762 3.00000000
763 1.50000000
764 0.25000000
765 0.80000000
766 0.33300000
767 0.10000000
768 1.20000000
769 2.00000000
770 2.00000000
771 1.00000010
772 0.50000000
773 1.00000010
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775 1.50000000
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776 1.30000000
777 0.70000000
778 1.50000000
779 1.00000010
780 2.00000000
781 2.00000000
782 2.00000000
783 1.20000000
784 1.20000000
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789 0.50000000
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794 1.00000010
795 2.00000000
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812 0.00000100
813 1.00000010
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814 1.00000010
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816 0.90000000
817 2.00000000
818 0.80000000
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820 0.90000000
821 1.50000000
822 1.00000010
823 1.00000010
824 4.00000000
825 0.50000000
826 2.00000000
827 3.00000000
828 0.50000000
829 1.50000000
830 1.50000000
831 1.00000010
832 1.50000000
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836 1.00000010
837 2.50000000
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840 1.00000010
841 2.00000000
842 1.00000010
843 3.00000000
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850 1.00000010
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852 2.00000000
853 3.00000000
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855 3.00000000
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857 0.90000000
858 1.00000010
859 0.20000000
860 2.00000000
861 0.00000100
862 1.30000000
863 1.00000010
864 1.00000010
865 2.00000000
866 2.00000000
867 3.00000000
868 1.20000000
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876 1.00000010
877 2.00000000
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890 1.20000000
891 1.00000010
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928 0.80000000
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963 1.00000010
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991 1.00000010
992 1.00000010
993 0.50000000
994 0.20000000
995 2.00000000
996 0.50000000
997 0.70000000
998 1.50000000
999 1.00000010
1000 2.00000000;
```

(2) AMPL mod-file, Plausible Ranges

```
# save this as DICE_2016_RPE_MonteCarlo.mod to be compatible with the run-file

# PARAMETERS
#Time horizon
param T default 100;
# number of runs for Monte Carlo analysis
param nruns;

# Preferences
param etas {1..nruns}; #I-EMUC consumption
param eta;
param rhos {1..nruns}; #time preference rate
param rho;

# relative prices additions
param zeta=min(Normal(-0.11,0.17),1);

#substitution parameter, first value is central calibration

param beta default 0.1; #share of non-market good in utility function
param EQbar=max(Normal(7.77,3.96),0); #subsistence level of non-market good

param cbar default 0; #subsistence level of consumption per capita

# Discount factor
param R {t in 0..T} = 1*exp(-rho*5*t);

# Population and its dynamics
param L0:=7403; #initial world population 2015 (millions)
param gL0:=0.134; #growthrate to calibrate to 2050 pop projection
param L {t in 0..T}>=0;
let L[0]:=L0;
let {t in 1..T} L[t]:=L[t-1]*((11500/L[t-1])^gL0);

# Technology and its dynamics
param gamma:=0.3; #capital elasticity in production function
param deltaK:=0.1; #depreciation rate on capital (per year)
```

```
param Qgross0:=105.5; #Initial world gross output 2015 (trill 2010 USD)
param K0:=223; #initial capital value 2015 (trillions 2010 USD)
param A0:=5.115; #initial level of total factor productivity
param gA0 :=0.076; #initial growth rate for TFP per 5 years
param deltaA=max(Normal(0.005,0.00255),0); #decline rate of TFP per 5 years

param gA {t in 0..T} := gA0*exp(-deltaA*5*t); # growth rate for TFP per period

param A {t in 0..T}>=0;
let A[0]:=A0;
let {t in 1..T} A[t]:=A[t-1]/(1-gA[t-1]);

# Emission parameters
param gsigma0:=-0.0152;  #initial growth of sigma (coninuous per year )
param deltasigma:=-0.001;  #decline rate of decarbonization per period
param ELand0:=2.6;  #initial Carbon emissions from land 2015 (GtCO2 per period)
param deltaLand:=0.115;  #decline rate of land emissions (per period)
param EInd0:=35.85;  #Industrial emissions 2015 (GtCO2 per year)
param Ecum0:=400;  #Initial cumulative emissions (GtCO2)
param mu0:=.03;  #Initial emissions control rate for base year 2015
param Lambda0:=0;  #Initial abatement costs
param sigma0:=EInd0/(Qgross0*(1-mu0));
#initial sigma (kgCO2 per output 2005 USD in 2010)

param gsigma {t in 0..T};
let gsigma[0]:=gsigma0;
let {t in 1..T} gsigma[t]:=gsigma[t-1]*((1+deltasigma)^5);

param sigma {t in 0..T}>=0;
let sigma[0]:=sigma0;
let {t in 1..T} sigma[t]:=sigma[t-1]*exp(gsigma[t-1]*5);

param ELand {t in 0..T}>=0;
let ELand[0]:=ELand0;
let {t in 1..T} ELand[t]:=ELand [t-1]*(1-deltaLand);

# Carbon cycle
param MAT0=851;  # Initial Concentration in atmosphere 2015 (GtC)
```

```
param MUP0:=460;  # Initial Concentration in upper strata 2015 (GtC)
param ML00:=1740;  # Initial Concentration in lower strata 2015 (GtC)
param MATEQ:=588;  # Equilibrium concentration in atmosphere (GtC)
param MUPEQ:=360;  # Equilibrium concentration in upper strata (GtC)
param MLOEQ:=1720;  # Equilibrium concentration in lower strata (GtC)

# Flow parameters (carbon cycle transition matrix)

param phi12:=0.12;
param phi23:=0.007;
param phi11=1-phi12;
param phi21=phi12*MATEQ/MUPEQ;
param phi22=1-phi21-phi23;
param phi32=phi23*MUPEQ/MLOEQ;
param phi33=1-phi32;

# Climate model parameters
param nu:=3.1;  # Equilibrium temperature impact (°C per doubling CO2)
param Fex0:=0.5;  # 2015 forcings of non-CO2 GHG (Wm-2)
param Fex1:=1.0;  # 2100 forcings of non-CO2 GHG (Wm-2)
param TL00:=0.0068;  # Initial lower stratum temperature change (°C from 1900)
param TAT0:=0.85;  # Initial atmospheric temp change (°C from 1900)
param xi1:=0.1005;  # Speed of adjustment parameter for atmospheric temperature
param xi3:=0.088;  # Coefficient of heat loss from atmosphere to oceans
param xi4:=0.025;  # Coefficient of heat gain by deep oceans
param kappa:=3.6813;  # Forcings of equilibrium CO2 doubling (Wm-2)
param xi2=kappa/nu;  # climate model parameter

# external forcing (Wm-2)
# is assumed to be constant and equal to Fex1 from 2100 onward
# see e.g. Traeger (2014, Fig.1)
param Fex {t in 0..T}>=0;
let {t in 0..18} Fex[t]:=Fex0+1/18*(Fex1-Fex0)*(t);
let {t in 19..T} Fex[t]:=Fex1;

# Climate damage parameters
param Psi default 0.00181;  # damage term without 25% adjustment;
# damage quadratic term with 25% adjustment is 0.00236
```

```
param MD default 0.0163; # market damages for 3°C warming (Nordhaus (2017))
param NMD=max(Normal(0.01646,0.0415),0);# non-market damages for 3°C warming
param TD=MD+NMD; # total damages
param TATlim default 12; # upper bound on atm. temperature change

# Abatement cost
param Theta:=2.6;  # Exponent of control cost function
param pback0:=550;  # Cost of backstop 2010 $ per tCO2 2015
param gback:=0.025;  # Initial cost decline backstop cost per period

param pback {t in 0..T}>=0;
let pback[0]:=pback0;
let {t in 1..T} pback[t]:=pback[t-1]*(1-gback);

param phead {t in 0..T}=pback[t]*sigma[t]/Theta/1000;

# VARIABLES

# capital (trillions 2010 USD)
var K {t in 0..T}>=1;

# Gross output (trillions 2010 USD)
var Qgross {t in 0..T}=A[t]*((L[t]/1000)^(1-gamma))*(K[t]^gamma);

# carbon reservoir atmosphere (GtC)
var MAT {t in 0..T}>=10;

# carbon reservoir upper ocean (GtC)
var MUP {t in 0..T}>=100;

# carbon reservoir lower ocean (GtC)
var MLO {t in 0..T}>=1000;

# total radiative forcing (Wm-2)
var F {t in 0..T}=kappa*((log(MAT[t]/MATEQ))/log(2))+Fex[t];

# atmospheric temperature change (°C from 1750)
var TAT {t in 0..T}>=0, <=TATlim;
```

```
# ocean temperature (°C from 1750)
var TLO {t in 0..T}>=-1, <=20;

# damage fraction
var Omega {t in 0..T}=Psi*(TAT[t])^2;

# damages (trillions 2010 USD)
var damage {t in 0..T}=Omega[t]*Qgross[t];

# emission control
var mu {t in 0..T}>=0;

# abatement costs (fraction of output)
var Lambda {t in 0..T}=Qgross[t]*phead[t]*(mu[t]^Theta);

# industrial emissions
var EInd {t in 0..T}=sigma[t]*Qgross[t]*(1-mu[t]);

# total emissions
var E {t in 0..T};

# maximum cumulative extraction fossil fuels (GtC)
var Ecum {t in 0..T}<=6000;

# Marginal cost of abatement (carbon price)
var cprice {t in 0..T}=pback[t]*mu[t]^(Theta-1);

# output net of damages and abatement(trillions 2010 USD)
var Q {t in 0..T}=(Qgross[t]*(1-Omega[t]))-Lambda[t];

# per capita consumption (1000s 2010 USD]
var c {t in 0..T} >= .1;

# aggregate consumption
var C {t in 0..T} = L[t]*c[t]/1000;

# Investment(trillions 2005 USD)
```

```
var I {t in 0..T}>=0;

# Non-market good
var EQ {t in 0..T}>=0.0000001 <=1000;

# Non-market damages scaling parameter including subsistence requirement

# including sub
var a {t in 0..T} =(1/(nu^2))*(EQ[0]*(EQbar+((EQ[0]-EQbar)^(zeta)
+((1-beta)/beta)*(((1-TD)*C[0])^(zeta)-((1-MD)*C[0])^(zeta)))^(1/zeta))^(-1)-1);

# growth rate of market good

var g_C {t in 0..T-1} = (C[t+1]-C[t])/C[t];

# growth rate of non-market good

var g_EQ {t in 0..T-1} = ((EQ[t+1]-EQ[t])/EQ[t]);

# relative price effect

var RPE {t in 0..T-1} =(1-zeta)*(g_C[t]-((EQ[t]/(EQ[t]-EQbar))*g_EQ[t]));

# utility

var U {t in 0..T}= (((1-beta)*(c[t])^(zeta)
+beta*((EQ[t]-EQbar)*1000/L[t])^(zeta))^((1-eta)/zeta))/(1-eta);

# welfare/objective function
var W=sum{t in 0..T} L[t]*U[t]*R[t];

maximize objective_function: W;
subject to initial_consumption:  c[0]=10.4893;
subject to constr_accounting {t in 0..T}:  C[t]=Q[t]-I[t];
subject to constr_emissions {t in 0..T}:  E[t]=EInd[t]+ELand[t];
subject to constr_capital_dynamics {t in 1..T}:
K[t]=(1-deltaK)^5*K[t-1]+5*I[t-1];
subject to constr_cumulativeemissions {t in 1..T}:
```

```
Ecum[t]=Ecum[t-1]+(EInd[t-1]*5/3.666);
subject to constr_atmosphere {t in 1..T}:
MAT[t]=E[t]*(5/3.666)+phi11*MAT[t-1]+phi21*MUP[t-1];
subject to constr_upper_ocean {t in 1..T}:
MUP[t]=phi12*MAT[t-1]+phi22*MUP[t-1]+phi32*MLO[t-1];
subject to constr_lower_ocean {t in 1..T}:
MLO[t]=phi23*MUP[t-1]+phi33*MLO[t-1];
subject to constr_atmospheric_temp {t in 1..T}:
TAT[t]=TAT[t-1]+xi1*((F[t]-xi2*TAT[t-1])-(xi3*(TAT[t-1]-TLO[t-1])));
subject to constr_ocean_temp {t in 1..T}:
TLO[t]=TLO[t-1]+xi4*(TAT[t-1]-TLO[t-1]);

# Initial conditions
subject to initial_capital:  K[0] = K0;
subject to initial_Ecum:  Ecum[0]=Ecum0;
subject to initial_MAT:  MAT[0]=MAT0;
subject to initial_MUP:  MUP[0]=MUP0;
subject to initial_MLO:  MLO[0]=MLO0;
subject to initial_TLO:  TLO[0]=TLO0;
subject to initial_TAT:  TAT[0]=TAT0;
subject to initial_control:  mu[0]=mu0;
subject to control1 {t in 1..28}:  mu[t]<=1;
subject to control2 {t in 29..T}:  mu[t]<=1.2; # from 2150

subject to initial_EQ:  EQ[0]=C[0];
subject to constr_EQ {t in 1..T}:  EQ[t]=(EQ[0]/(1+a[t]*(TAT[t]^2)));
```

AMPL-run file, Plausible Ranges

```
# DICE_2016_RPE_MonteCarlo.run
reset;
model DICE_2016_RPE_MonteCarlo.mod;
data random_delta_eta.dat;
option solver knitroampl;
for {i in 1..nruns} {
reset data zeta,deltaA,EQbar,NMD;
let eta:=etas[i];
let rho:=rhos[i];
solve;
display eta,rho,zeta,deltaA,EQbar,NMD;
# Produce csv-file with overview of parameters
printf "%f\t", eta>Results_figure5_parameters.csv;
printf "%f\t", rho>Results_figure5_parameters.csv;
printf "%f\t", zeta>Results_figure5_parameters.csv;
printf "%f\t", deltaA>Results_figure5_parameters.csv;
printf "%f\t", EQbar>Results_figure5_parameters.csv;
printf "%f\n", NMD>Results_figure5_parameters.csv;
# Produce csv-file with data for figure 5
for {t in 0..T-2}{
printf "%f\t", EInd[t]>Results_figure5_Emissions.csv;}
printf "%f\n", EInd[T-1]>Results_figure5_Emissions.csv;;
for {t in 0..T-2}{
printf "%f\t", TAT[t]>Results_figure5_Temperature.csv;}
printf "%f\n", TAT[T-1]>Results_figure5_Temperature.csv;
for {t in 0..T-2}{
printf "%f\t", -1000*constr_emissions[t]/constr_accounting[t]>
Results_figure5_SCC.csv;}
printf "%f\n", -1000*constr_emissions[T-1]/constr_accounting[T-1]>
Results_figure5_SCC.csv;
for {t in 0..T-2}{
printf "%f\t", (((RPE[t]+1)^(1/5))-1)*100>Results_figure5_RPE.csv;}
printf "%f\n", (((RPE[T-1]+1)^(1/5))-1)*100>Results_figure5_RPE.csv;
}
end
```