

Weekly Summary

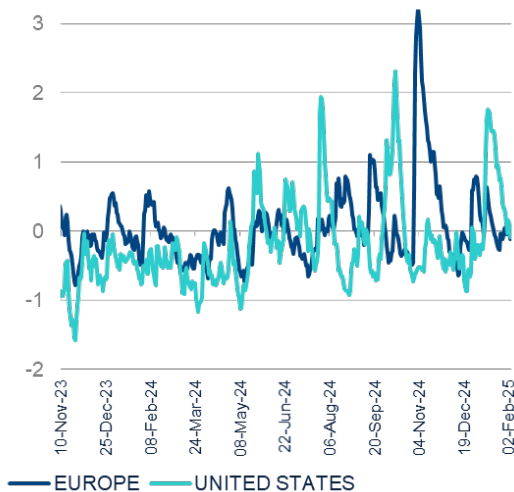
# Economics of Climate Change

February 7, 2025

## The Relevance of Climate Change Narratives

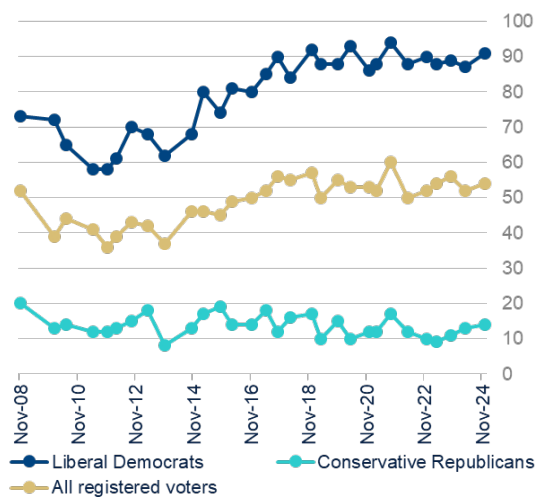
Narratives play a crucial role in decision-making. As political polarization shapes public opinion, the challenge lies in crafting transformative climate change narratives that are grounded in scientific knowledge, bridge ideological divides, and mobilize effective policies.

Figure 1. **BBVA Research Climate Change Tensions Indicator<sup>1</sup>**



Source: [BBVA Research Geopolitics Monitor](#)

Figure 2. **United States. Global Warming should be a “High” or “very high” priority for the president and Congress (% of registered voters)**



Source: BBVA Research from [Climate Change in the American Mind: Politics & Policy, Fall 2024](#)

**The climate change narrative is shifting.** “Climate change” topic has shown increasing tensions in recent months according to BBVA Research’s Big Data analysis, at least in key areas such as Europe and the U.S. (**Figure 1**). At the same time, social preferences regarding how government policies should address global warming are also shifting, to varying degrees, altering previous narratives. In **Europe**, the [Eurobarometer](#) shows marginal shifts towards a lower level of concern about climate change (it is no longer the top concern) and a reduced perception of

1: Index based on the tone and coverage associated with the GDELT search of the theme included in the World Bank taxonomy: WB\_567\_CLIMATE\_CHANGE. It includes news related to Climate change (a change in average weather conditions, or in the time variation of weather around longer-term average conditions). Narrower themes included are: Adaptation, Law, Mitigation, Finance, Climate Resilient Development, Climate Science and Climate Services. It is calculated as a 28-day weighted moving average, normalized by its own history. Positive (negative) values indicate greater (lower) concern relative to the mean of the period 2017-nowadays. Details: [BBVA Research Geopolitics Monitor](#).

the need for government action<sup>2 3</sup>. In the United States, polarization persists in responses regarding the necessity of government action, with differences among population groups based on their political preferences. At present, the executive and legislative branches are led by the group less inclined to advocate for decisive government intervention on this issue (**Figure 2**).

In this regard, the current U.S. administration has also taken steps to reshape the narrative on climate change by removing mentions and websites with climate-related content from federal agencies<sup>4</sup>, or even by passing bills banning mentions of climate change<sup>5</sup>. At the same time, the newly appointed head of the EPA acknowledged that large-scale carbon dioxide emissions should be regulated and stated that he believes climate change is real<sup>6</sup>.

**Narratives would play a relevant role in the economy.** Nobel Laureate in Economics Robert Shiller has worked on the [importance of stories in economics](#), on how they emerge, spread and impact on activity, recessions or asset bubbles, and how people react to them. Unlike traditional models that focus on rational behavior and equilibrium, narrative economics emphasizes the power of subjective, even irrational factors —cultural beliefs—in driving real economic activity. These narratives spread through society much like contagious diseases, going “viral” and shaping decisions on borrowing, investing, or policy making.

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2: “While Climate Change is still considered a very serious global issue, the results of this Eurobarometer show that Europeans’ opinions on climate change have undergone some shift in the past two years. Climate change no longer ranks as the most serious problem facing the world”; “When it comes to tackling climate change, more than half think the European Union, national governments and business and industry are responsible for tackling climate change. Respondents are less likely to mention national governments and business and industry than they were in 2021, but more likely to mention them than they were in 2019.” See: [Eurobarometer, Climate Change Summary](#).

3: Regarding Spain, benchmark surveys such as that of the Elcano Royal Institute, “[Citizens and the climate change - Elcano Royal Institute](#) highlights that “...climate policy in Spain faces a complex context in 2023 that is significantly less conducive to meeting increasingly ambitious climate goals in comparison with 2019...”.

4: [Scientists brace ‘for the worst’ as Trump purges climate mentions from websites | The Guardian](#)

5: [Ron DeSantis signs bill scrubbing ‘climate change’ from Florida state laws | The Guardian](#)

6: <https://wsjprosustainablebusiness.cmail20.com/t/d-e-sjkdhdh-dulluktn-r/>

## Box 1. The Success of the Economic Nationalism Narrative<sup>7</sup>

The post [Why Protectionists Sometimes Win: The Narrative Power of Economic Nationalism](#) examines how nationalist narratives shape economic policy, particularly in the context of trade protectionism. It argues that protectionist policies, despite often benefiting special interest groups at the expense of broader economic welfare, succeed because they are framed within compelling nationalist stories. These narratives unify diverse political and economic factions by linking protectionism to broader ideals of national strength, self-sufficiency, and economic sovereignty. Historical examples include Henry Clay's "American System" in the United States, which combined tariffs, banking policies, and infrastructure investments to align different regional interests, as well as Germany's 1879 tariff law, which was promoted under the banner of "Defending National Labour." Such narratives not only consolidate support among industries directly benefiting from protectionist measures but also engage the wider public by appealing to patriotic sentiment and casting free traders as "unpatriotic" or aligned with foreign interests.

**Beyond propaganda<sup>8</sup>, the appeal of nationalist economic policies is reinforced during periods of uncertainty, when people are more receptive to messages that emphasize stability and national control over economic forces.** However, the article points out a key contradiction in economic nationalism: while advocating for protectionism, nationalist policies also seek rapid industrial growth, which often requires foreign trade and investment. This tension highlights how nationalist rhetoric often simplifies complex economic trade-offs, making it an effective political tool rather than a coherent long-term strategy. The conclusion underscores the need for further research into how these narratives influence policymakers, as history shows that even leaders are susceptible to the same ideological framing that sways public opinion.

7: [Why protectionists sometimes win: The narrative power of economic nationalism](#) | CEPR

8: The article also explores how nationalist leaders have historically leveraged public relations and symbolic events to cement economic nationalism.

## Box 2. The Power of Climate Change Narratives: How Populism and Social Media Shape Policy Discourse <sup>9</sup>

The study [Analysing Climate Change Policy Narratives with the Character-Role Framework](#) explores how narratives shape public perception and policy support for climate change. To analyze these narratives, the study applies a character-role framework using large language models to categorize key actors in climate discourse. Examining over 800,000 tweets from the U.S. between 2010 and 2021, the researchers identify trends in how different actors are portrayed. The study mentions that the most viral narrative frames civil society as the hero, reflecting growing public frustration with the government’s perceived inability to address the climate crisis. This is followed by villain narratives targeting both the U.S. government and the BRICS nations, frequently used by opponents of ambitious climate policies. Notably, these BRICS- villain narratives gain even more traction when combined with claims that low-income Americans are the victims - either of BRICS emissions or of costly U.S. climate policies.

The study also highlights how climate change discourse has become increasingly polarized, with responses to both climate policy and global crises, such as the COVID-19 pandemic, being shaped by emotionally charged, partisan debates. The rise of populism has further amplified this trend <sup>10</sup>, with climate narratives becoming more simplistic, but these effects are not necessarily permanent: A shift in tone can help restore a more constructive discussion on climate action.

**Narratives are relevant in shaping our understanding of climate change, a controversial topic where the same reality could often be interpreted differently**<sup>11</sup>. There is more than one narrative about why and how to address climate change<sup>12</sup>, from denial - climate change due to human activity does not exist- to degrowth - economic activity must fall to avoid the incoming extinction due to anthropogenic climate change-. Two dominant narratives have defined climate action: the **“doom and gloom” approach**, which emphasizes catastrophic risks to spur urgent action, and the **“transformative” narrative**, that frames climate solutions as opportunities for innovation and systemic change. Fear-based messaging has struggled to drive collective global action due to short-term economic trade-offs and free-rider problems. In contrast, transformative narratives, which combine regulatory frameworks, investment strategies, and incentive-based policies, offer a more pragmatic path forward. Effective climate communication must balance urgency with optimism, fostering engagement through solutions-oriented storytelling.

**There has been considerable debate over whether the prevailing “doom and gloom” narrative is counterproductive for climate action.** Historically, this dominant climate action narrative has focused on the **severe risks of climate change and top-down solutions**, such as globally binding agreements on emissions reductions. This perspective, supported by mainstream climate research has helped place climate change on political agendas, providing strong ethical arguments for cutting greenhouse gas emissions and supporting developing countries in adapting to climate impacts. However, while this approach has raised awareness, **it has not succeeded in securing a globally binding agreement** and its effectiveness in mobilizing broad, multi-level climate action remains uncertain.

9: [Why protectionists sometimes win: The narrative power of economic nationalism](#) | CEPR 24 June 2023.

10: The study finds that this shift was not driven by broader structural trends, such as changes in Twitter’s character limits but rather by leadership itself.

11: In addition to GDELT, other tools such as Kudzu provide 14-day tracking of narratives on various topics, including climate change in the U.S. press, identifying the main sources and amplifiers of narratives as well as their political orientation. See [Climate - U.S. Media - 14 days](#) | KUDZU

12: Jochen Hinkel, Diana Mangalagiu, Alexander Bisaro, J. David Tàbara. [“Transformative narratives for climate action”](#). June 2020.

**Against this background, the 2015 Paris Agreement marked a shift toward a bottom-up approach, emphasizing voluntary Nationally Determined Contributions (NDCs) from individual countries.** These alternative narratives, known as transformative narratives, can empower individuals by offering a positive and engaging vision for the future, providing actionable solutions, rather than simply emphasizing threats to avoid. Recent discussions increasingly highlight the **need for transformative climate narratives** - ones that emphasize economic and social development opportunities while integrating climate mitigation and adaptation. These narratives **focus on win-win strategies that provide immediate economic benefits to businesses, municipalities, and nations** while simultaneously advancing sustainability goals.

**How can we develop effective policies to combat climate change?** Passing and implementing climate policies remains challenging, even when limiting global warming would be widely accepted. Research<sup>13</sup> suggests that individuals' support for climate policies is largely shaped by their beliefs, socioeconomic status, and lifestyle characteristics, which play a significantly greater role than personal characteristics alone. **This highlights the crucial role of public perception in shaping effective climate action.**

**Support for climate policies depends largely on their design.** Policies perceived as effective and fair - such as investments in green infrastructure, progressive carbon taxes, and targeted regulations - tend to receive stronger public backing. In contrast, policies seen as financially burdensome or regressive often face resistance, like the removal of subsidies for cattle farming (**Figure 3**). Importantly, how governments communicate the use of revenues from carbon pricing significantly influences public acceptance. **Transparency** about redistributive benefits, such as financial support for vulnerable households, can improve approval rates. Additionally, making sustainable alternatives - such as public transport, heat pumps, and electric vehicle infrastructure - affordable and accessible before imposing carbon taxes can help ease resistance.

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13: [Fighting climate change: International attitudes toward climate policies](#) | CEPR.

Figure 3. Individual support for climate change policies in selected countries<sup>14</sup>

	High-income										Middle-income											
	Australia	Canada	Denmark	France	Germany	Italy	Japan	Poland	South Korea	Spain	United Kingdom	United States	Brazil	China	India	Indonesia	Mexico	South Africa	Turkey	Ukraine		
<b>Main Policies Studied</b>																						
Green infrastructure program	57	49	56	53	57	42	78	48	58	68	71	54	50	78	77	82	80	80	84	73	76	69
Ban on combustion-engine cars	43	35	47	41	28	32	54	41	44	52	54	45	39	65	60	72	77	65	67	53	62	58
Carbon tax with cash transfers	37	34	41	30	29	28	47	35	36	53	44	34	33	59	47	80	71	67	55	52	55	39
<b>Transportation Policies</b>																						
Ban on polluting cars in city centers	60	53	60	66	57	50	76	64	61	52	64	65	49	71	65	73	74	85	72	66	60	67
Ban on combustion-engine vehicles w. alternatives available	48	38	47	42	42	41	58	51	48	58	57	52	44	68	60	78	77	72	66	62	64	63
Tax on flying (+20%)	45	35	44	60	46	53	41	47	44	42	44	46	33	52	39	61	64	68	51	43	45	36
<b>Energy Policies</b>																						
Subsidies to low-carbon technologies	67	62	65	67	56	64	79	69	75	71	73	65	57	73	77	75	68	79	66	75	75	68
Mandatory and subsidized insulation of buildings	66	70	64	70	64	60	73	59	72	72	71	70	53	75	80							
Funding clean energy in low-income countries	54	49	50	53	48	48	76	53	55	57	65	51	50	73	63	71	75	81	74	76	66	78
Tax on fossil fuels (\$45/tCO2)	36	36	40	43	31	31	38	35	27	42	39	38	34	48	35	58	64	58	41	38	52	28
<b>Food Policies</b>																						
Subsidies on organic and local vegetables	56	42	50	59	52	56	71	46	73	62	65	49	43	68	62	79		77	58	59	80	58
Ban of intensive cattle farming	42	32	41	31	55	49	64	17	44	44	43	50	36	39	38	50		45	46	28	32	25
Removal of subsidies for cattle farming	34	31	33	32	28	38	42	16	34	31	42	37	38	39	43	47		51	47	27	31	22
A high tax on cattle products, doubling beef prices	30	24	27	31	29	40	37	19	30	26	31	31	31	36	33	48		49	37	30	26	24
<b>Support for Carbon Tax With:</b>																						
Funding environmental infrastructures	63	60	48	60	65	60	76	56	68	78	69	63	56	75	78	76	71	81	73	79	73	69
Subsidies to low-carbon tech.	63	58	49	52	57	66	76	68	71	79	69	59	53	73	74	79	68	79	71	78	66	65
Reduction in personal income taxes	57	52	48	38	62	54	72	64	69	62	67	52	49	69	69	74	68	74	69	68	66	64
Cash transfers to the poorest households	53	51	48	41	55	47	68	54	50	59	63	57	46	73	67	82	69	86	66	65	82	62
Cash transfers to constrained households	50	50	42	36	55	47	62	47	39	62	61	52	44	64	59	69	63	74	59	60	65	61
Tax rebates for the most affected firms	48	41	41	38	52	34	66	49	61	59	55	41	43	62	59	72	65	68	54	63	55	56
Reduction in the public deficit	48	40	39	34	49	39	66	50	56	48	62	44	48	63	62	72	65	70	61	62	57	52
Equal cash transfers to all households	38	37	38	27	45	31	42	43	37	42	44	33	38	61	45	70	64	76	62	57	59	53
Reduction in corporate income taxes	37	29	32	24	37	25	55	38	48	48	50	26	29	58	54	67	60	67	61	50	60	42

Source: [Fighting climate change: International attitudes toward climate policies](#) | CEPR.

All things considered, climate narratives must address three key concerns: effectiveness, inequity, and self-interest. People need clear explanations of how policies work and whom they benefit, rather than emphasizing the dangers of climate change. By crafting **narratives that highlight both the necessity and fairness of climate policies**, governments can foster **broader societal engagement and commitment to climate action**.

**In conclusion, the evolution of climate change narratives reflects shifts in public perception, political dynamics, and economic discourse. The emergence of transformative narratives offer a more constructive alternative that emphasizes opportunity, innovation, and systemic change, in comparison to fear-based messages.**

**As social media discourse and political polarization continue to shape public opinion, the challenge lies in crafting narratives that not only resonate across ideological divisions but also mobilize effective policy responses. Given the influence of leadership and economic storytelling in shaping climate action, the path forward requires a careful balance, one that acknowledges risks while highlighting tangible solutions, ensuring that climate urgency translates into meaningful and sustained global action.**

14: The figure presents the share of respondents who somewhat or strongly support climate change policies. Support or opposition are measured on a five-point scale, with 'indifferent' as the neutral midpoint. Comparisons between the two groups, High-income and Middle-income should be made cautiously. The heat map uses colours to indicate levels of support, ranging from dark blue (strongest support) to dark red (lowest support).

## Highlights of the Week

- **Global | [Global Warming Has Accelerated: Are the United Nations and the Public Well-Informed?](#)** This study challenges IPCC assumptions and calls for stronger, immediate climate action to prevent irreversible damage.
- **Global | [Sustainability can co-exist with energy security and affordability, say industry leaders at Davos 2025 World Economic Forum.](#)** While fossil fuel emissions continue to hit record highs, solar projects in some parts of the world are currently delivering energy at the lowest prices in human history. This dynamic could reset the logic of the global energy transition.
- **Europe | [Protect waters and better manage flood risks.](#)** Commission reports show faster progress is needed across Europe to protect waters and better manage flood risks.
- **Spain | [Valencia floods prompt race for funds to boost Spain's climate resilience. Reuters.](#)** Spain is seeking European approval to repurpose more than a billion euros of post-pandemic recovery funds to make Valencia more resilient against climate change after the Mediterranean region suffered catastrophic heavy rains last year.

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