

Reduced carbon emissions algeria

3. This paper examines the macroeconomic and fiscal implications of climate change in Algeria. It highlights a range of risks associated with the projected shifts in weather patterns and Algeria's own hydrocarbon-reliant growth model in the context of the global energy transition.

5. The rest of the paper proceeds as follows. The second section discusses the risks faced by Algeria and its economy from the expected shifts in climate conditions and the global transition to a low-carbon economy. The third section outlines the main pillars of the Algerian government's climate strategy. The fourth section presents fiscal policy options to achieve Algeria's goals in terms of GHG emission reduction and building resilience against mounting climate risks. The last section summarizes policy recommendations and concludes.

6. Like most countries, Algeria faces a range of physical and transition risks from climate change (Box 1). Physical risks stem from shifts in climate patterns (temperatures, level and variability of rainfall, rise in sea levels, etc.) which can damage human settlements, assets, and economic activity. Transition risks stem from changes in the behavior of domestic and foreign economic agents associated with the transition to a low-carbon economy and the related shifts in policies, legislation, technology, and markets.

7. Climate change will likely harshen the arid climate conditions that already prevail across most of Algeria's territory. Algeria has two main climate zones: a Mediterranean climate in the Northern band which receives most rainfall in Algeria and a desert climate in the rest of the country, with the latter covering over 80 percent of its territory. Both climate zones are likely to be affected significantly by climate change (Figures 1 and 2):

Average rainfall level is expected to decrease (Figure 2). High frequency data analysis by IMF staff suggests that the Northern coastal band, which receives an average rainfall of 400-800 mm. annually, has experienced a decline of 100 mm/year in annual precipitation since the 1970s.² Similarly, Under the SSP2-45 scenario, climate model projections indicate that the coastal band will likely face decreased precipitation levels compared to current conditions. This trend will likely continue in the coming decades.

Sea levels will continue rising. The projected rise in the Mediterranean Sea level poses risks of coastal inundation, more frequent floods during storms, and deterioration in the quality of underground water due to saltwater intrusion (Ali and others 2022). Algiers has been identified as particularly vulnerable to rising seawater levels (World Bank 2014).

11. The projected change in average climate conditions and increased weather shocks could result in heavy economic and social welfare losses. Shifts in weather conditions reduced economic growth in Algeria by 0.3 percent on average between 1979 and 2019.³ The impact of climate change on economic growth risks becoming more severe in the coming decade. Impact channels could include:

Headwinds to potential growth. Higher temperatures, lower rainfall, and more frequent extreme events pose risks to physical and human capital and productivity across sectors. The increased frequency of droughts tends to magnify the impact on growth (Zaveri and others 2023) and their effects can endure for years (Damania and others 2017).

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