

Fig. 5 Sensitivity on the choice of discount rate for computing the Net Present Value of GDP, net of costs and damages. For low discount rates, the impact of end of century damages leads to stringent targets, regardless of uncertainty. For high discount rates the focus is on avoiding short term costs, leading to more lenient climate targets. Uncertainties are also significantly smaller in the short term. We choose to focus on a 3% discount rate as it strikes a balance in the costs-damages tradeoff. We can notice that across all discount rate choices, the impact of fear of model misspecification remains consistent, leading to more stringent policies.

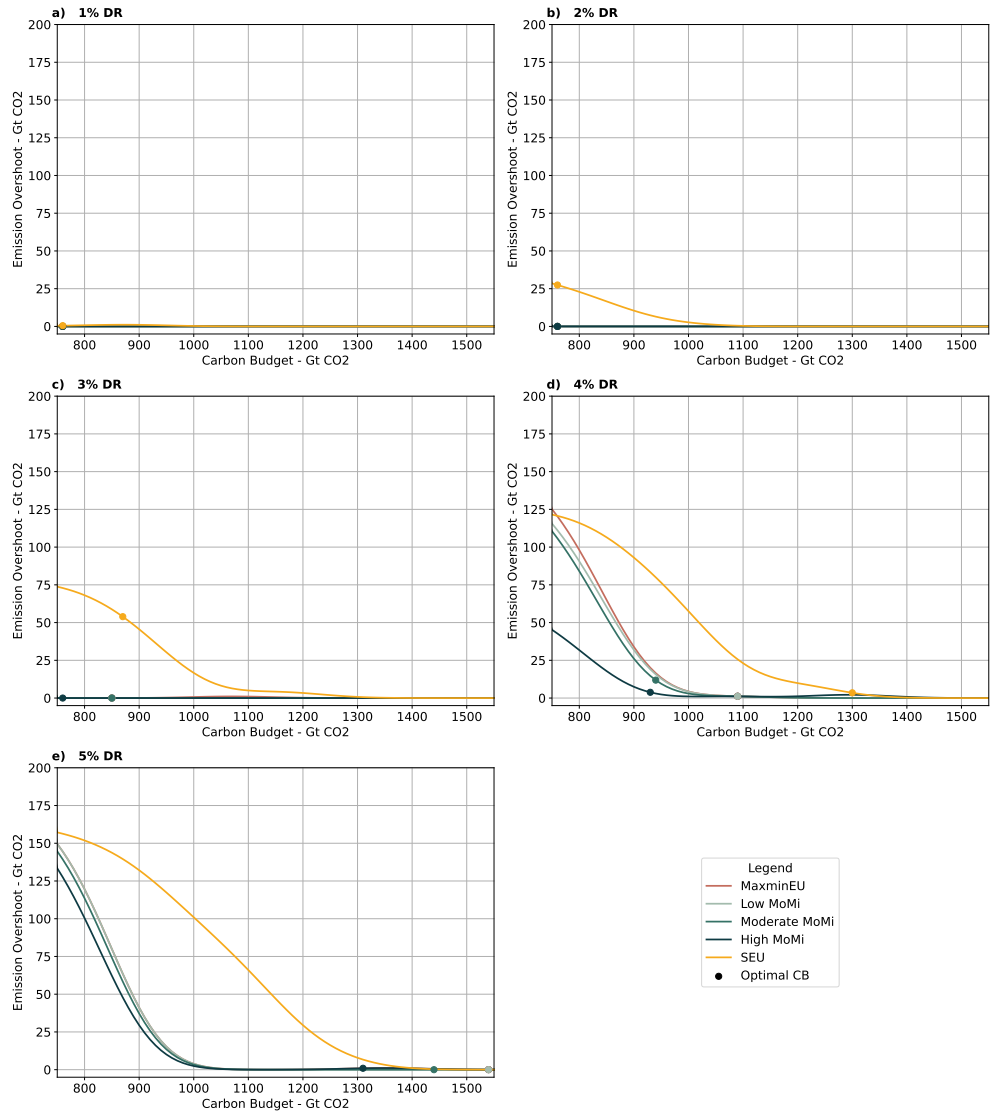


Fig. 6 Sensitivity on the results excluding the results from the Structured Models trained on AIM-generated scenarios. Without the impact of AIM, whose estimates for mitigation costs are significantly higher compared to other model scenarios, two points emerge. Model uncertainty does not induce aversion to costs of mitigation, with Subjective Expected Utility consistently informing the less stringent targets. Secondly, with costs estimates being lower, the tradeoff between costs and damages appears only at higher discount rates, compared to the analysis including AIM, as with lower expected costs one can afford more stringent policies avoiding additional damages. The impact of model misspecification on policy selection is robust in this scenario as well.