

JRC Comments to Swedish Authorities' Memo "Methodology paper for evaluation of the Climate Leap (SA.49001 (2020/EV))" of 29/01/2021

The JRC welcomes the discussion on the potential methodologies to be used in the evaluation of the Climate Leap aid scheme.

The proposed evaluation strategy appears to be reasonable, in view of the characteristics of the scheme.

The JRC would like to further highlight the following points:

1) It is recommended to thoroughly discuss potential issues that may jeopardise the causal relationship between the aid and the considered outcomes. The evaluation report should clearly specify whether the above relationships can be interpreted as causal or as simple correlations.

2) It is suggested to accompany the counterfactual analysis with descriptive statistics (even if aggregated at sector/region level) that support the evidence, especially when potentially relevant unobservable factors are not directly measurable.

3) As a final remark, also in light to what stated in the note, it would be desirable that a battery of robustness checks was carried out, so as to reinforce the validity of the design and, hence, of the results. In particular, the following tests should be performed:

- McCrary test (McCrary, J. "Manipulation of the running variable in the regression discontinuity design: A density test". *Journal of Econometrics*, 142, 698–714, 2008);
- Testing whether covariates (if any) do not show any discontinuity with respect to the running variables, and whether the treatment variable is determined by any of the covariates.
- Placebo analysis on other cut-off points not affected by any discontinuity (Lee, and Lemieux. "Regression discontinuity designs in economics." *Journal of Economic Literature* 48, 281-355, 2010).