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Incertitude et analyse du long terme: optimisation et scenarios

Minh HA-DUONG

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ENPC, 9 mai 2012

Une introduction à:

1. Typologie des sortes d'ignorance
2. Limites du modèle de maximisation de l'utilité espérée et décision séquentielle
3. Analyse des systèmes
4. L'art des scénarios

1. Typologie des sortes d’ignorance

- Erreur à corriger (homme et nature)
- Ignorance construite (homme et société)

1.1 Erreur: situations et modèles

- The probabilistic model starts with an exhaustive partition of the future into mutually exclusive states, and assign each state a specific weight: *Risk, standard, classical model*
- States are known, weights are imprecise: *Uncertainty, ambiguity*
- Exhaustivity is incredible: *structural uncertainty, unknown unknowns, black swans ...*

Remarques sur l'erreur

- Juger le niveau d'erreur est préalable à quantifier le risque

- Ne pas confondre
  - Probabilité objective / subjective
  - Probabilité précise / imprécise

- Les jugements d'experts sont mieux acceptés si assumés et rigoureux

- Probabilités précises rarement disponibles

Confidence basis

New in AR5: mandatory use, traceability, evidence metrics

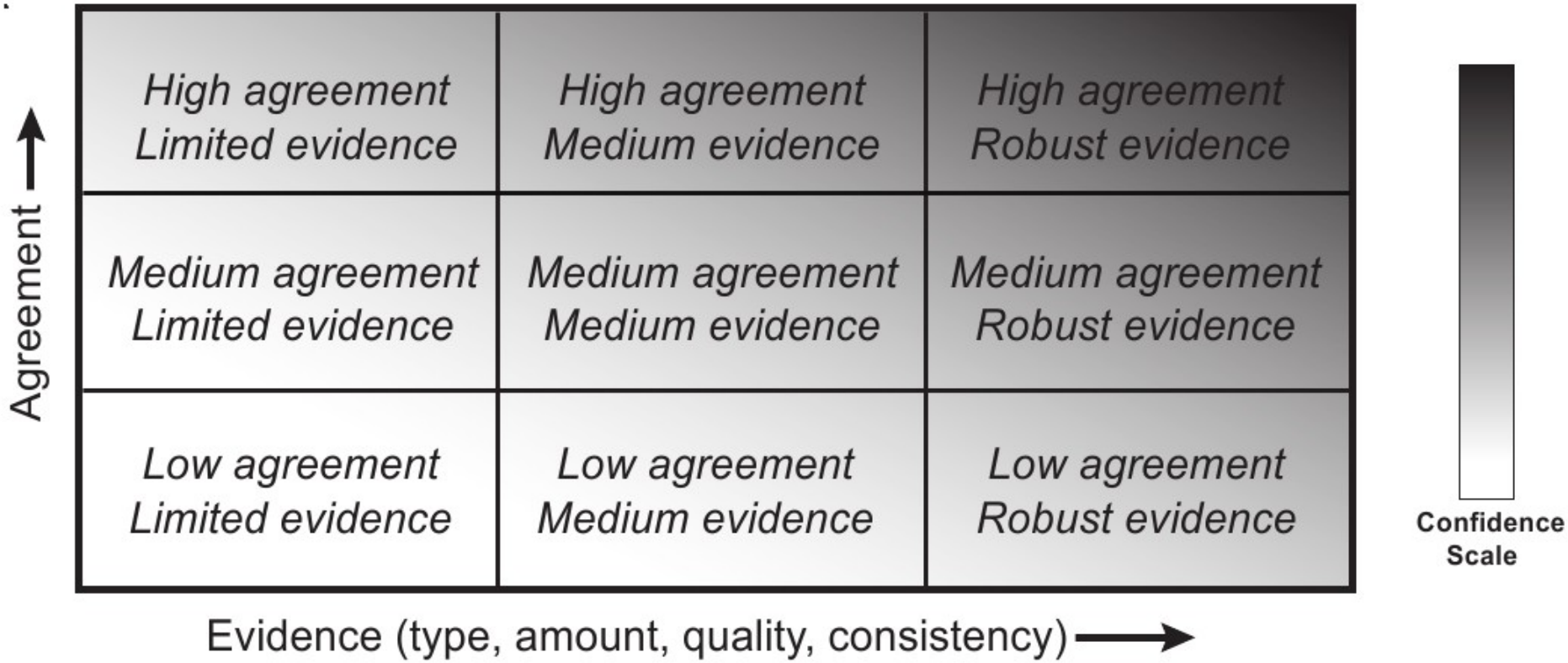


Figure 1: A depiction of evidence and agreement statements and their relationship to confidence. Confidence increases towards the top-right corner as suggested by the increasing strength of shading. Generally, evidence is most robust when there are multiple, consistent independent lines of high-quality evidence.

Probabilités imprécises objectives

What is the probability of drawing a red ball from a box (Ellsberg's urn)?

We know the box contains:

- 3 colored balls
- 1 is yellow
- The other 2 are red or black

The probability is between 0 and 2/3.

Probabilités imprécises subjectives expérience de pensée

An investor accepted a risky project paying:

4 in the good case (probability p)

-4 in the bad case

Assume that this is a rational investor.

What do we know about *p* ?

Bets and information

$4\,p + (-4)\,(1-p) > 0$ that is $\boldsymbol{p > ½}$

Market choices reveal the information of economic agents.

Application: finance, prediction markets

Imprecision

Intervalls of probability : $[p^-, p^+]$

- Ellsberg's urn
- Coherent bets (De Finetti)

- Belief/plausibility

Special cases $[0, p^+]$ or $[p^-, 1]$

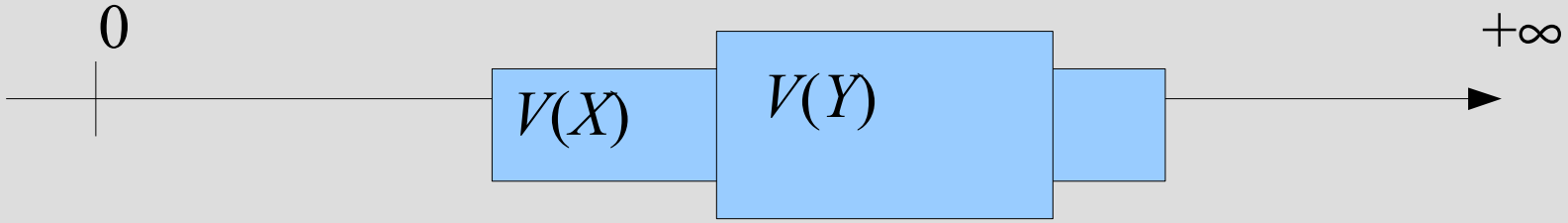
Plausibility level is 0.6 means that
p is lower than 0.6

Scenarios are plausible, not probable.

Imprecision and decision

Expected value is an intervall too

$$V(X)=[\underline{P}(X),\overline{P}(X)]$$



We may not always compare options

1.2 L’ignorance construite

- Motifs psychologiques
- Motifs strategiques

Motifs psychologiques

Ignorance active des éléments hors de propos

- Surprises
- Metaphysics
- Taboos

Surprise

- Chose inattendue (par quelqu'un)
- Désaccord entre un stimulus et la connaissance pré-établie.

- Surprise <> changement abrupt
- Rôle des scénarios

Métaphysique

- Non vérifiable: mystères de la Foi, valeurs, systèmes de croyance
- Paramètres du modèle de décision: risque, critère, temps, équité.
- Diversité, source de résilience
- Rôle du dialogue

Tabou

- Ce que les membres d'un groupe social ne doivent pas savoir ni même demander (exemple: GIEC)
- Risque de dérapage du déni moral vers déni scientifique (exemple : injustice, inégalité)
- Rôle des intervenants extérieurs

Motifs stratégiques
Manipulation de l’information par autrui

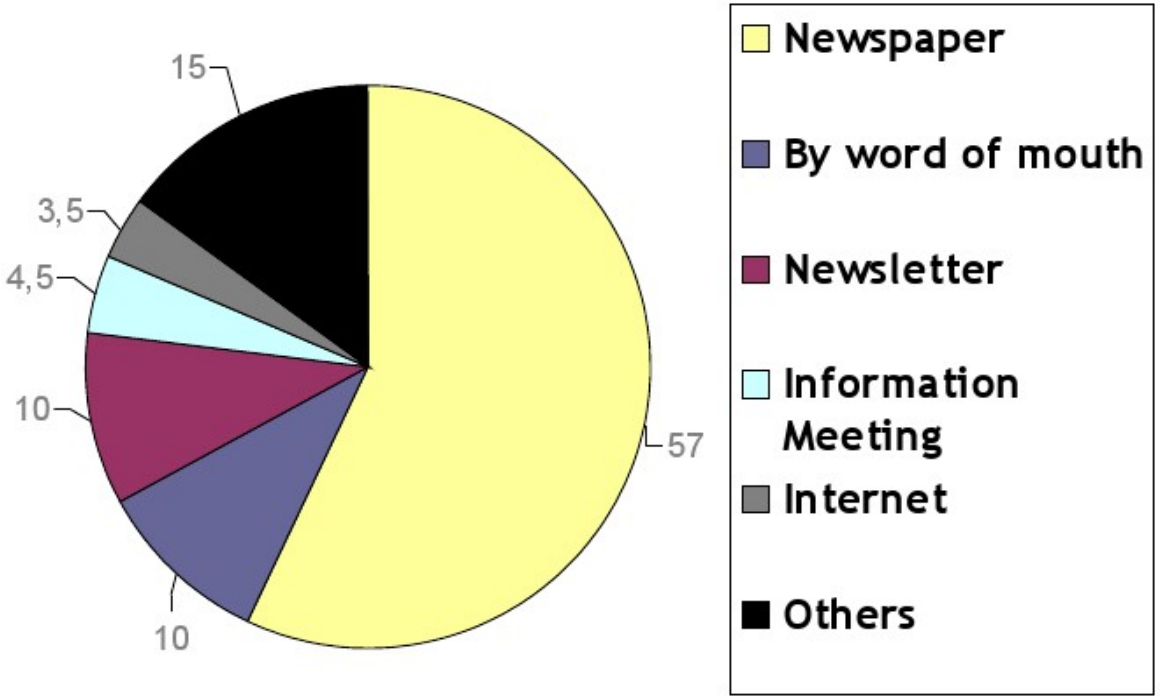
- Conflits
- Confiance et coordination
- Passager clandestin
- Asymmétrie d'information

NE VOLEM PAS ACHETER SALOPE
NON A LA POLITIQUE DE L'AUTRUCHE
STOP à la MONSANTONISATION
OPPOSES TOTALEMENT CJE
NON !
l'injec

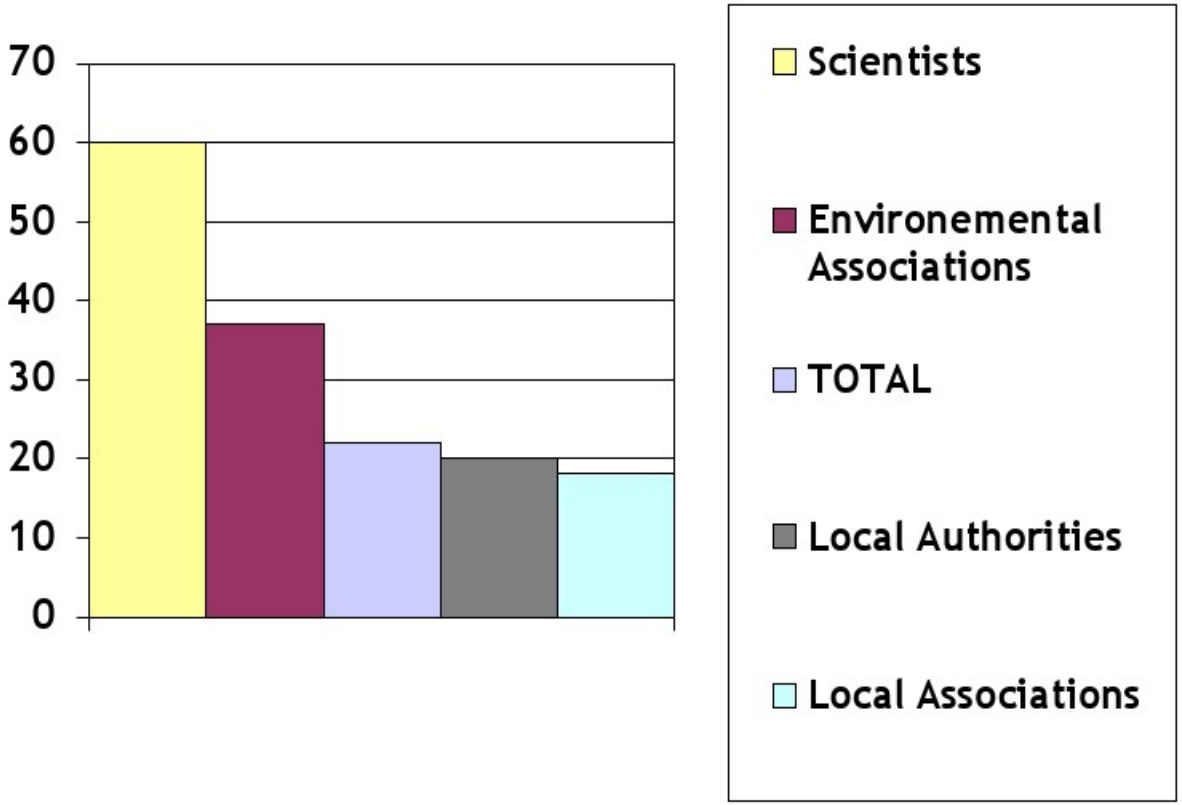
Le risque moral en pratique
Cas d'un projet pilote d'injection souterraine de CO2

- Sondage réalisé en oct. 2008 à Jurançon
- 153 répondants sur 1206 envois / 7087 habitants
- Michèle Gaultier (APESA)
  Ana Sofia Campos (CIRED/INERIS)
  projet SOCECO2

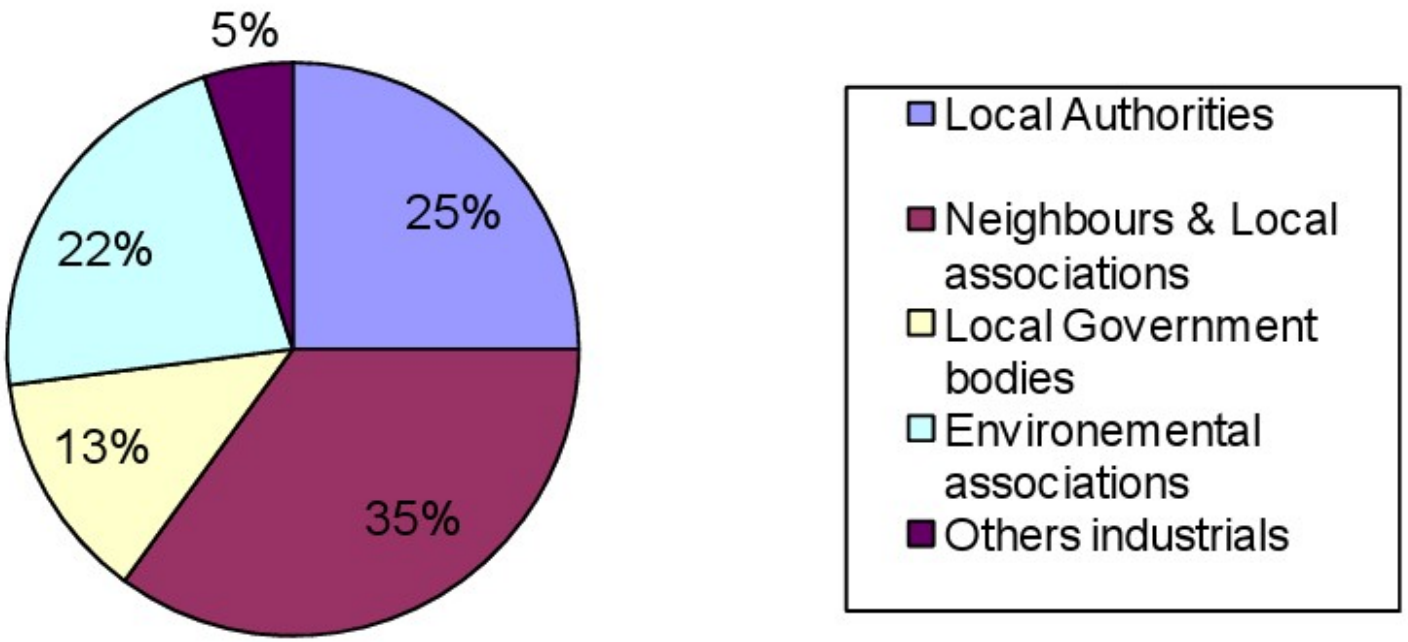
Par quelle source avez-vous été informé de la concertation organisée par TOTAL?



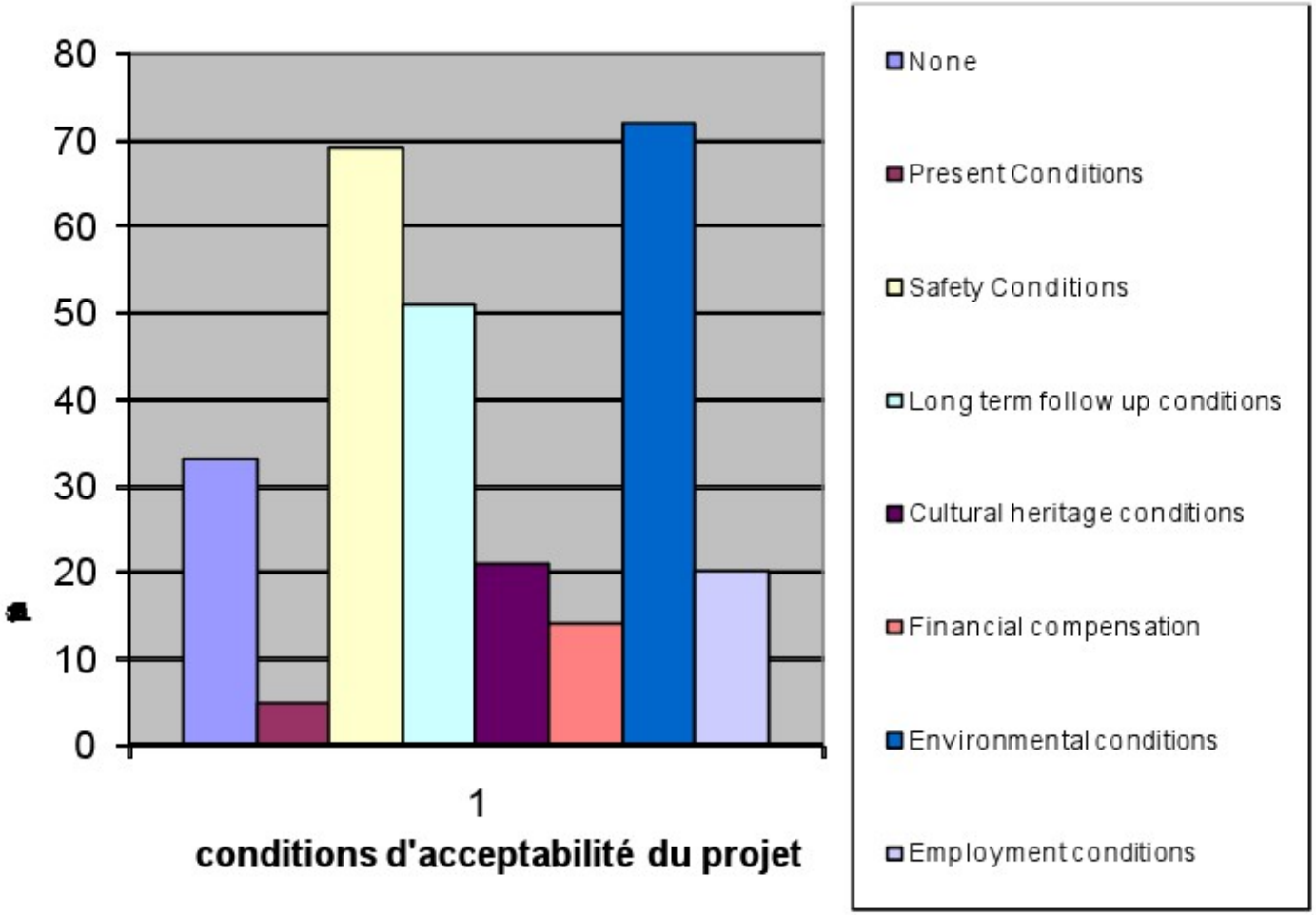
Quelles sources peuvent vous apporter davantage d'information ?



Who should participate to the discussions around the pilot implementation?

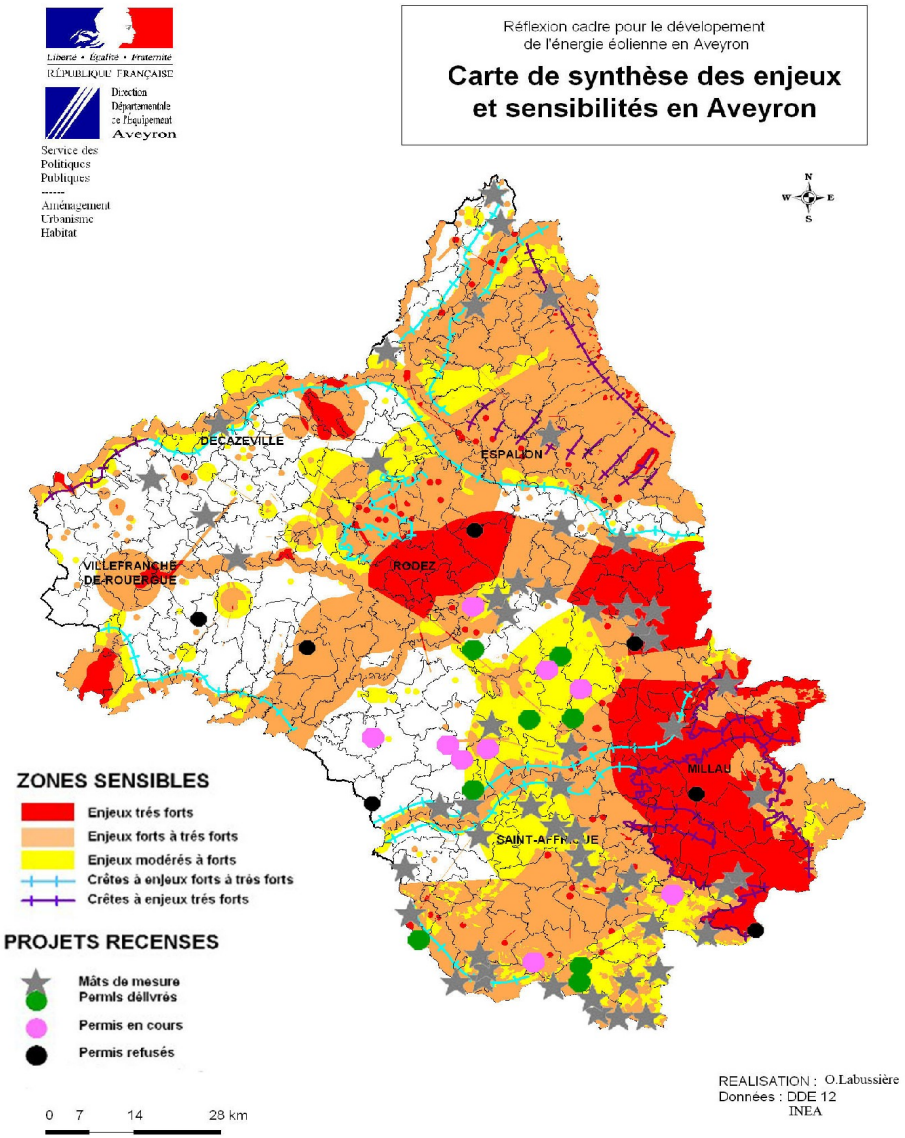


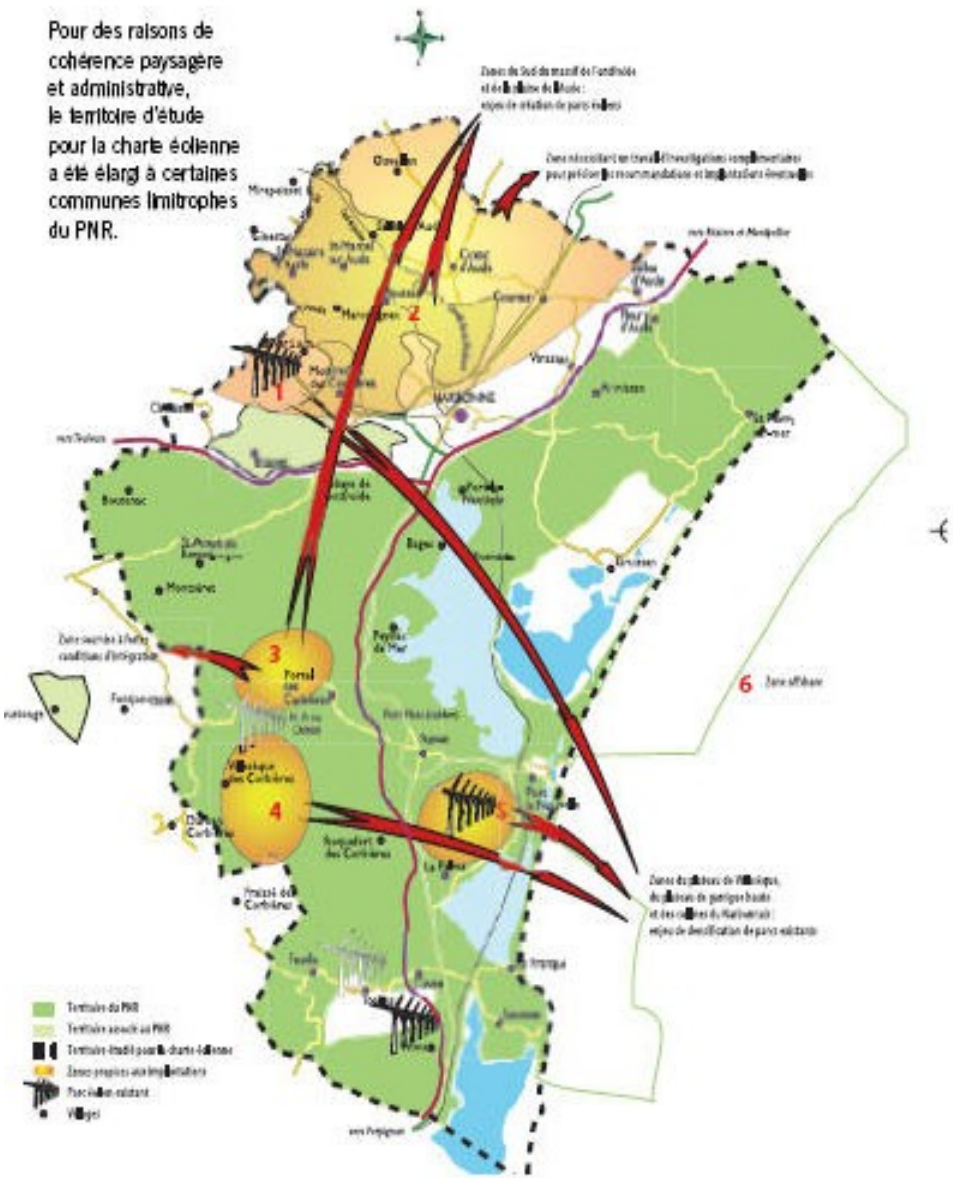
Under which conditions could you agree with this pilot project?



Représentation et négociation

Cart technique contre carte politique pour les parcs éoliens





Conclusions of 1.

Under uncertainty,
use probability intervalls or bounds.

Maximize expected utility
when probabilities are precise

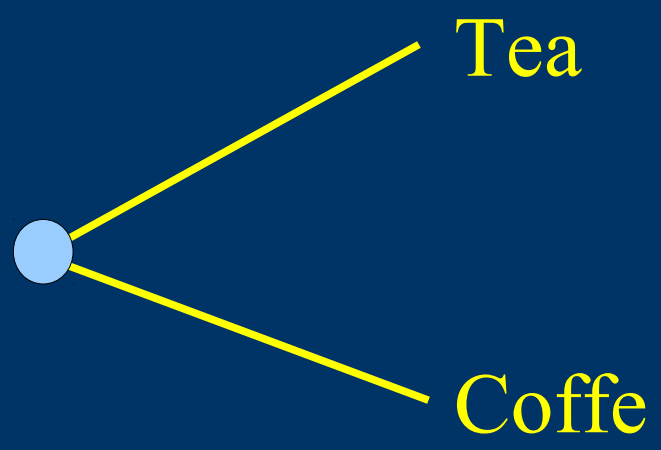
Scenarios are useful tools to analyze the human dimensions of ignorance.

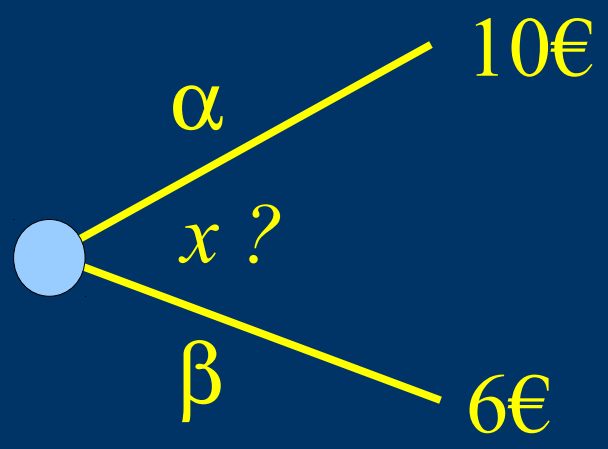
2. Le modèle standard et ses limites

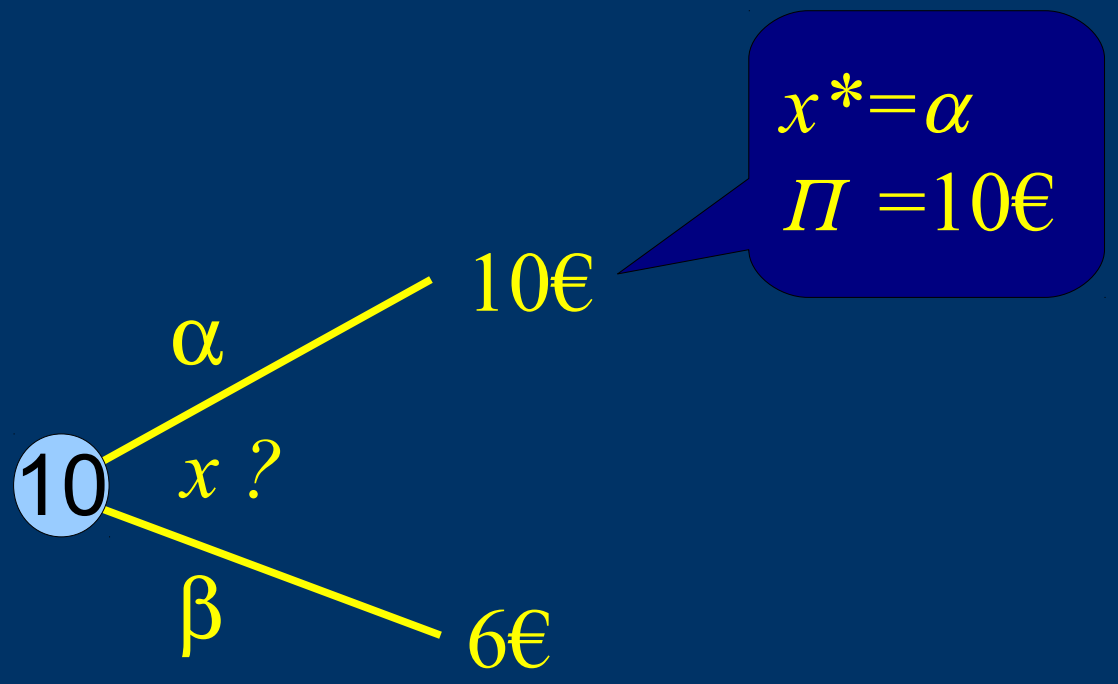
- Décision séquentielle
- Utilité espérée

Présentation avec les arbres de décision

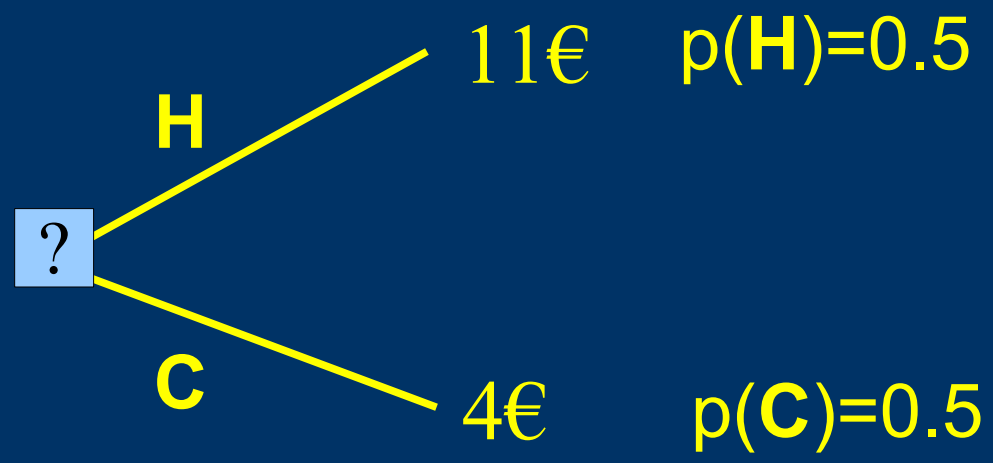
Decision


Tea
Coffe

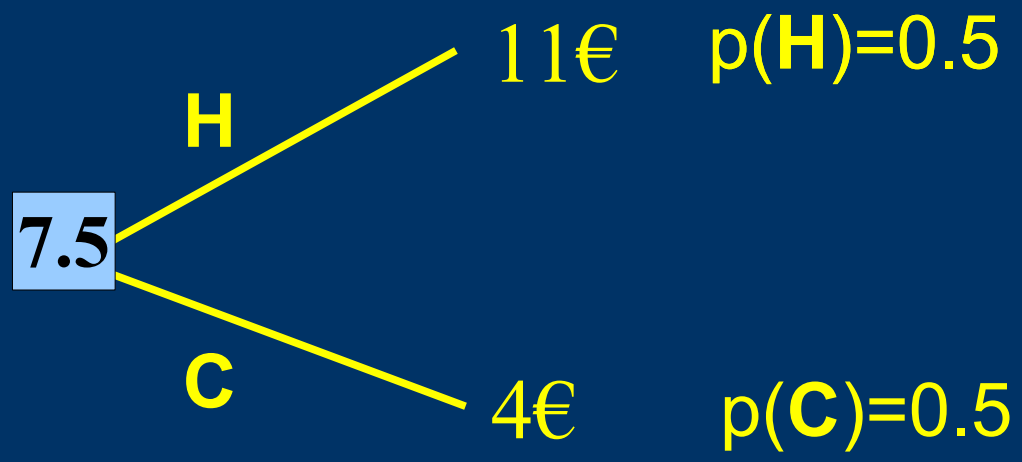

10€
α
x ?
β
6€


10
α
β
x ?
10€
6€
x*=α
Π =10€

Uncertainty

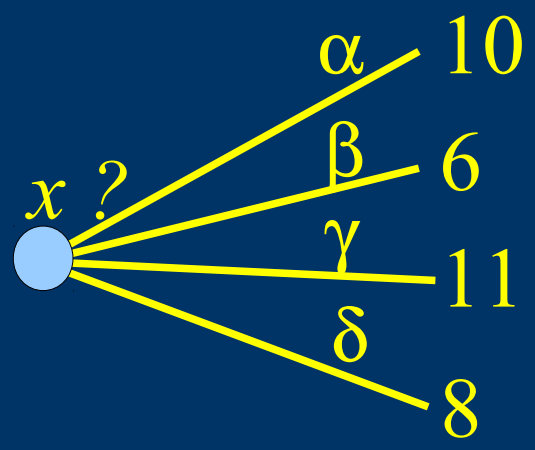

?
H
C
11€
4€
p(H)=0.5
p(C)=0.5

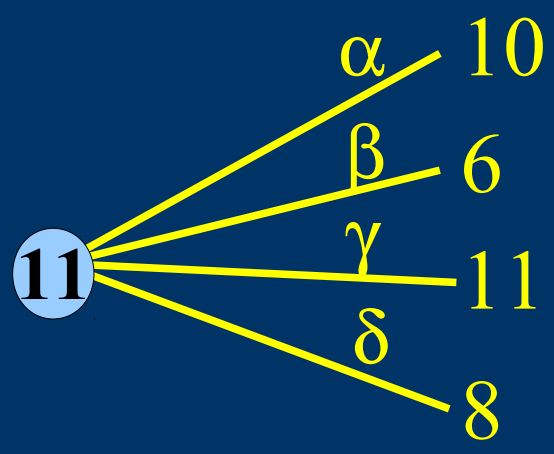
$0.5 * 11 + 0.5 * 4 = 7.5$



Decision node

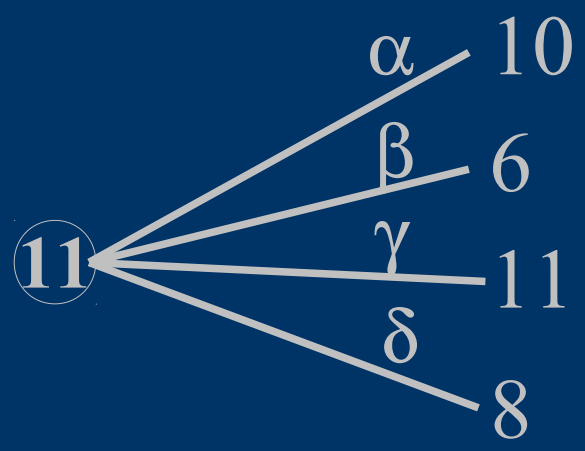
Chance node

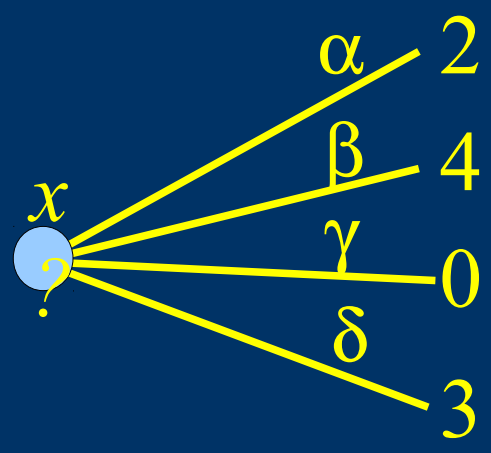

x ?
α
β
γ
δ
10
6
11
8

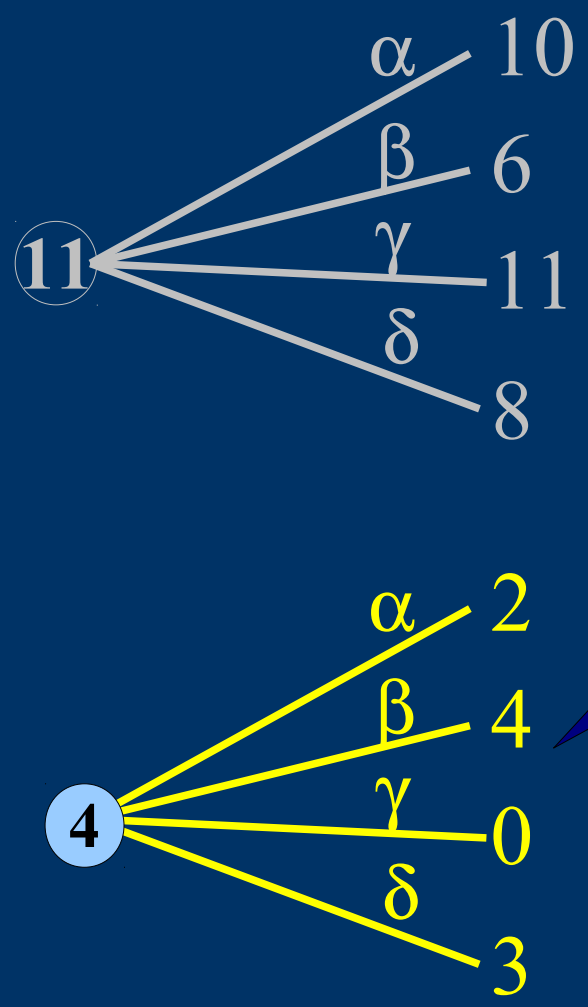


$x^* = \gamma$

$\Pi(\gamma) = 11$

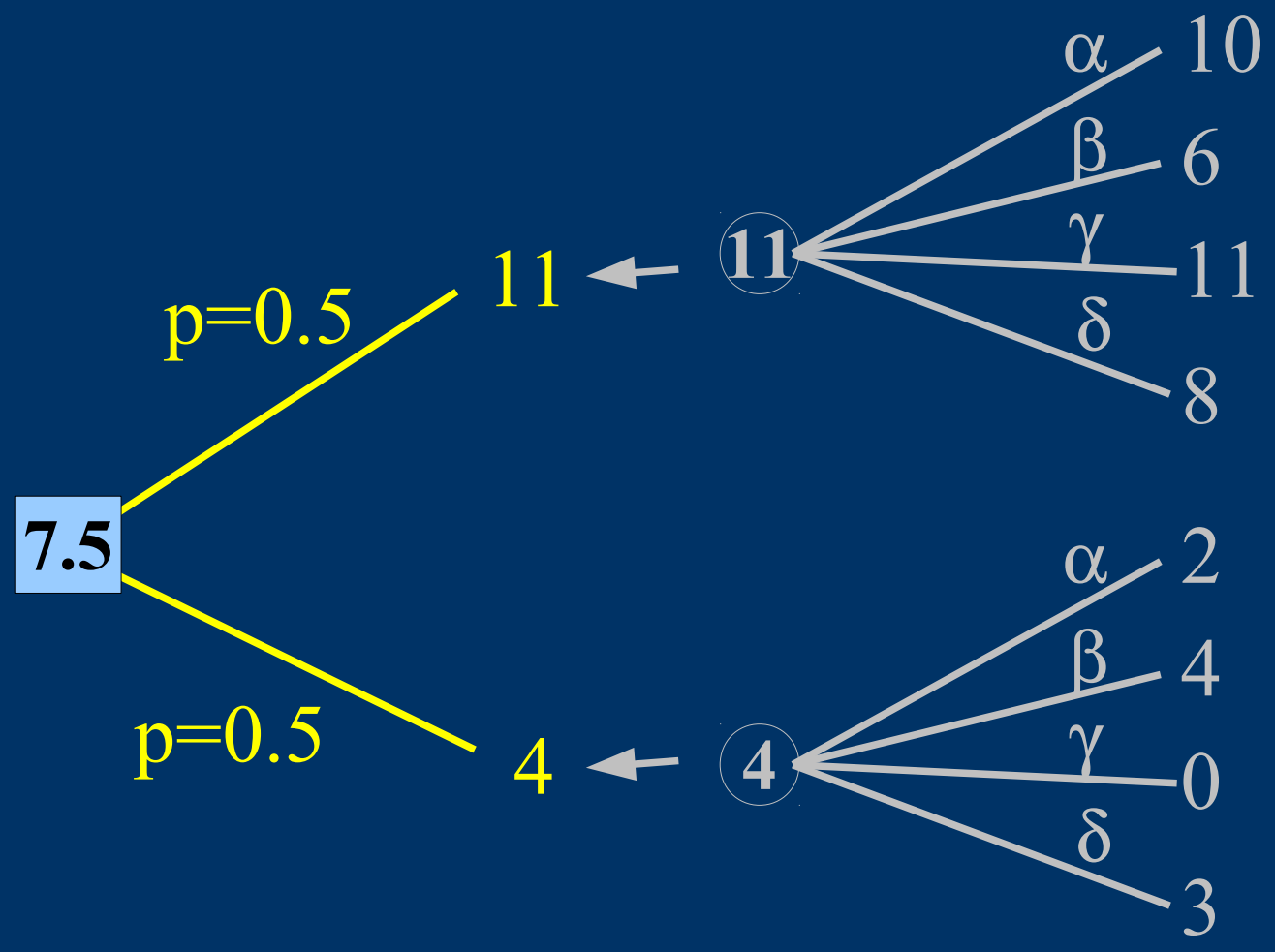

α
10
β
6
γ
11
δ
8
11

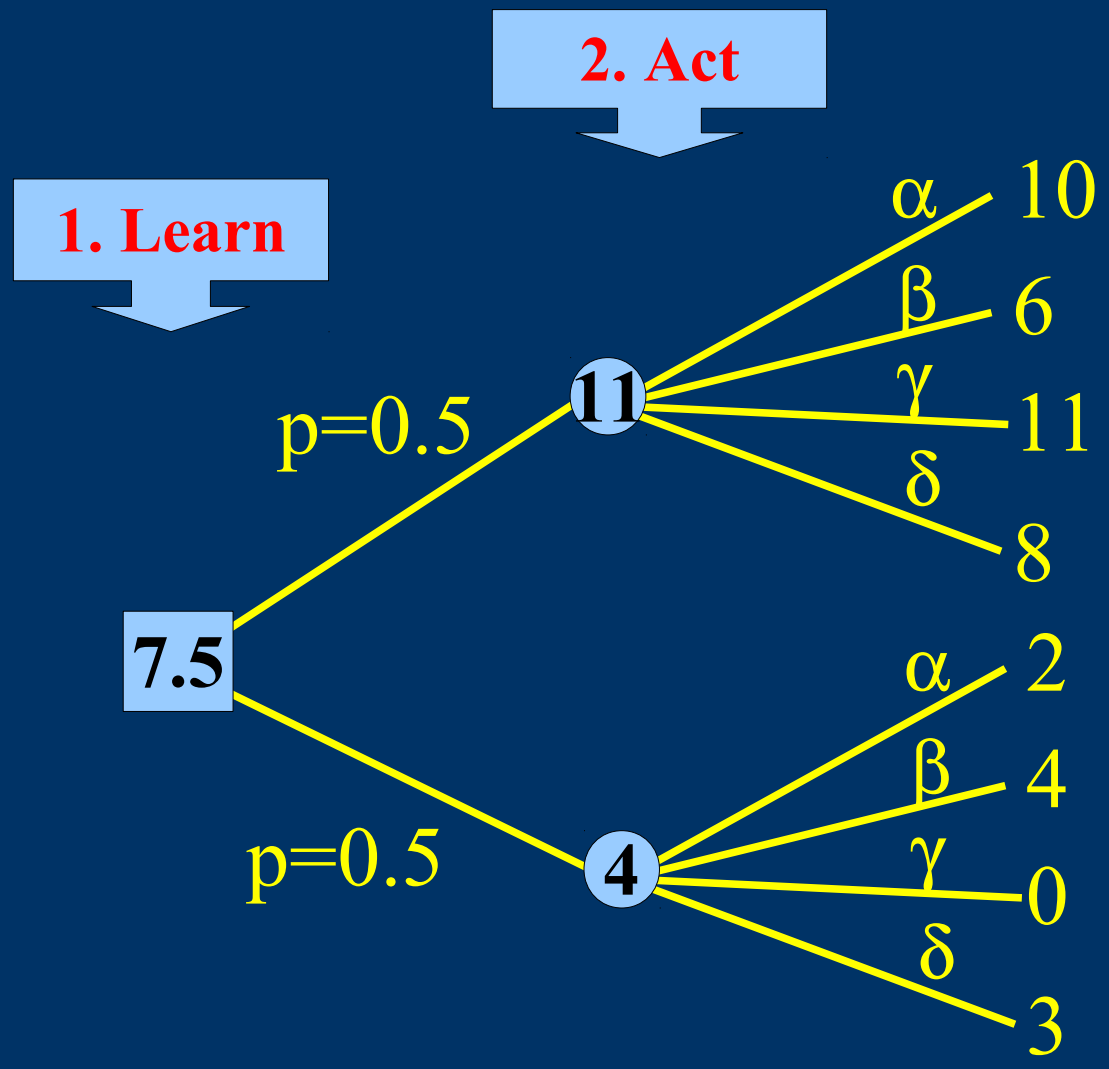

α
2
β
4
γ
0
δ
3
x
?

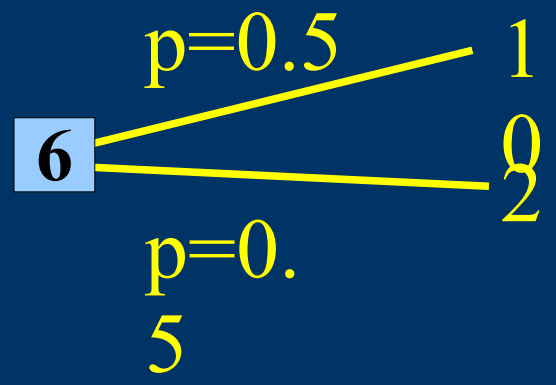


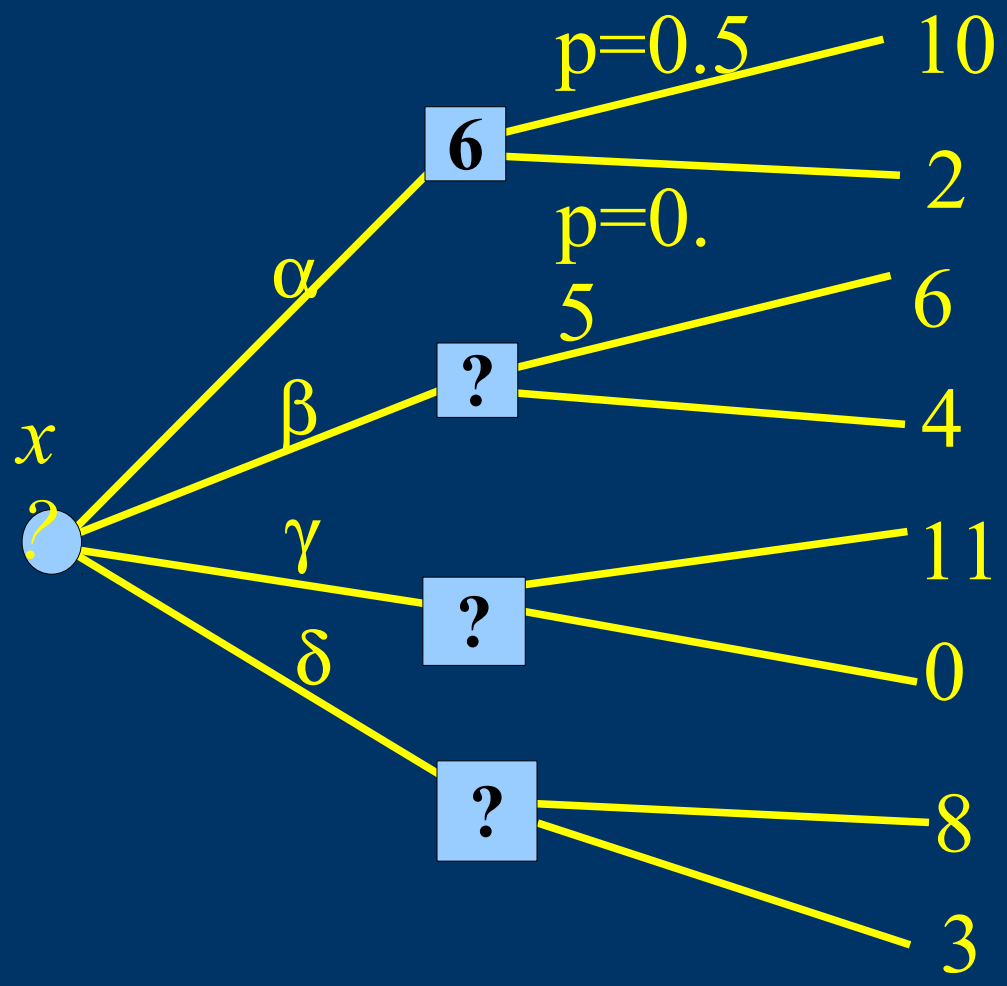
$x^* = \beta$

$\Pi(\beta) = 4$


7.5
p=0.5
p=0.5
11
4
11
4
α
β
γ
δ
10
6
11
8
α
β
γ
δ
2
4
0
3

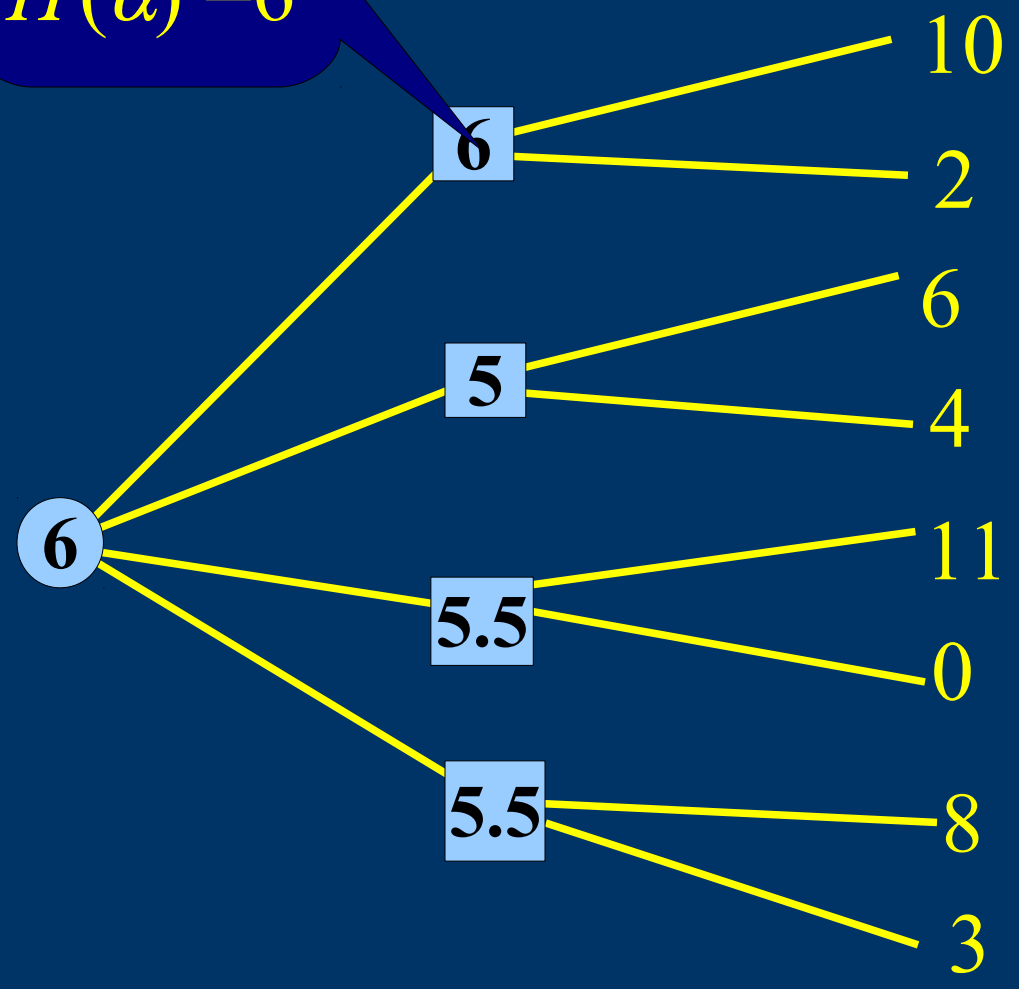

2. Act
1. Learn
7.5
p=0.5
p=0.5
11
4
α
β
γ
δ
10
6
11
8
α
β
γ
δ
2
4
0
3

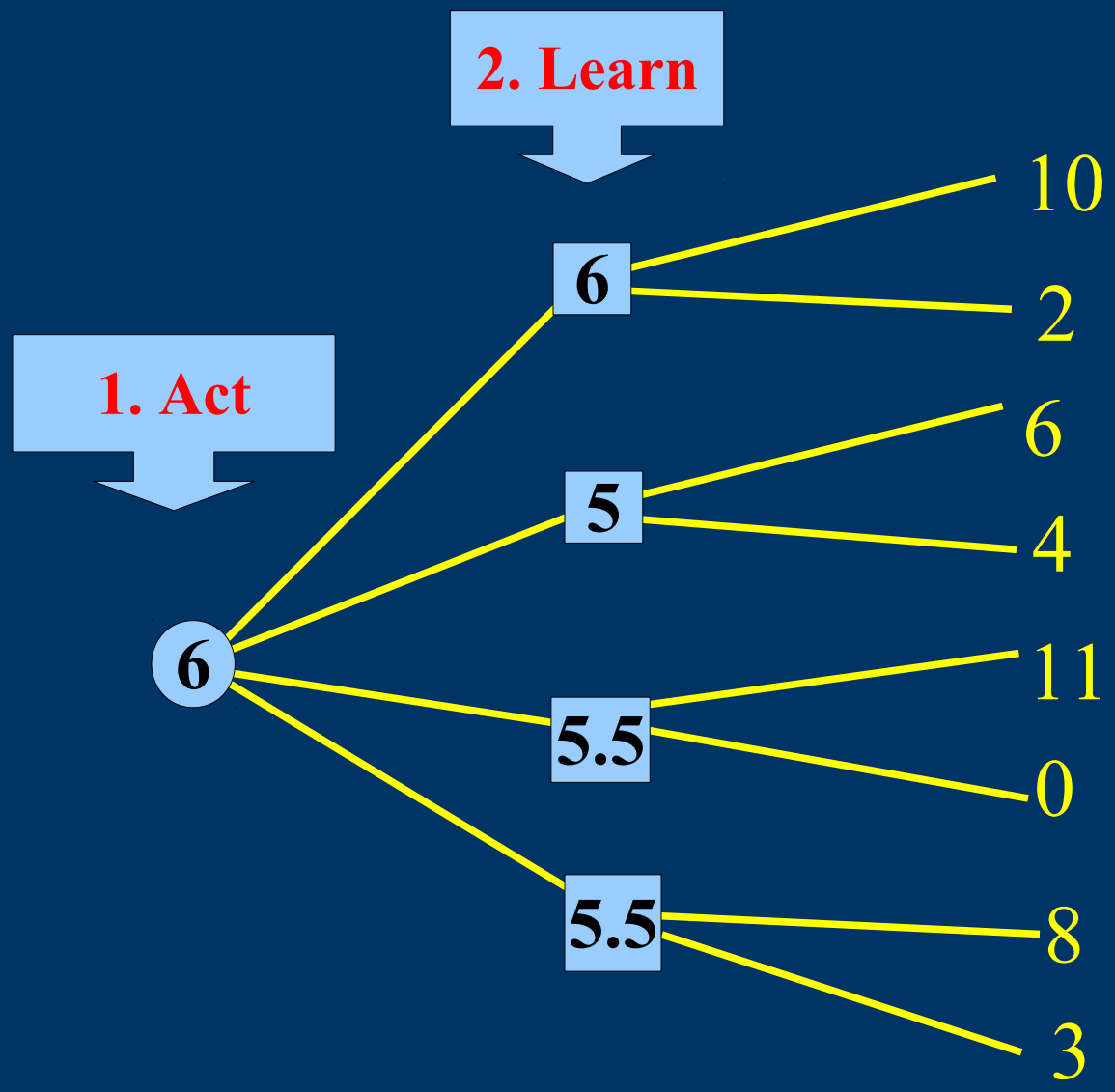

p=0.5
1
0
6
2
p=0.
5


p=0.5
10
6
2
p=0.
5
6
?
4
x
?
11
?
0
?
8
3
α
β
γ
δ

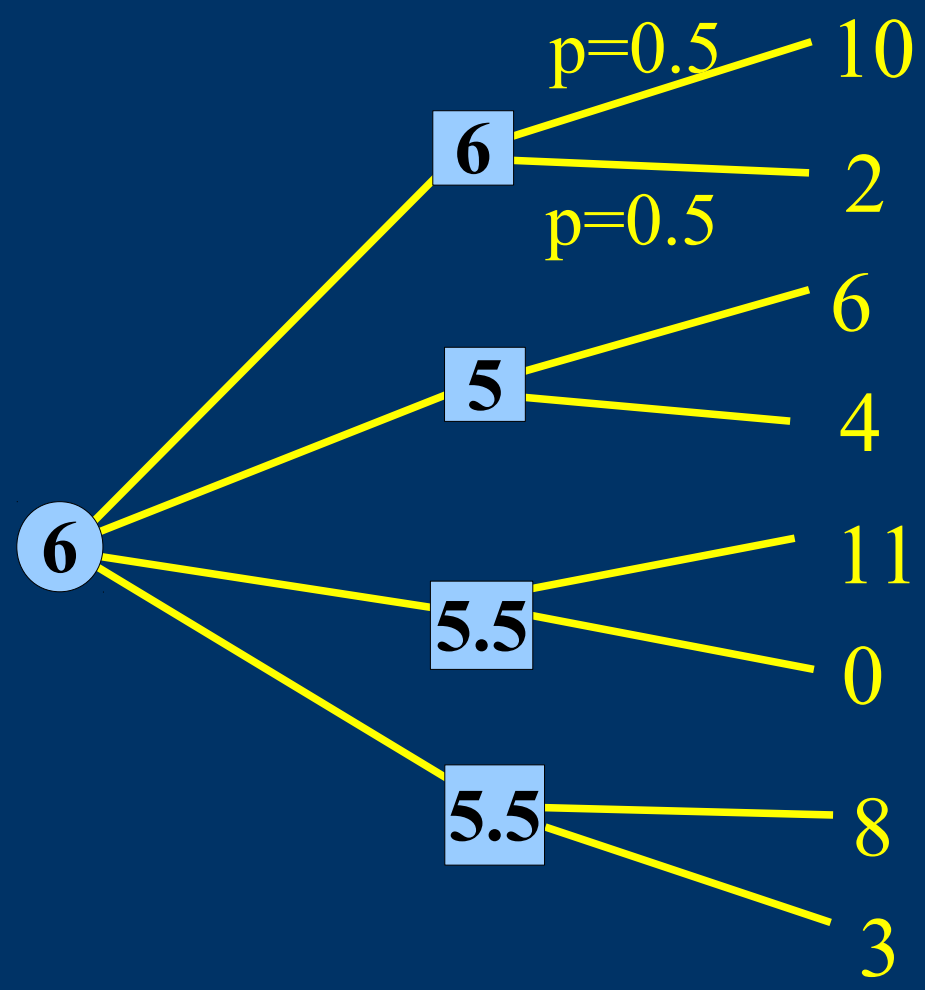
$x^* = \alpha$

$\Pi(\alpha) = 6$

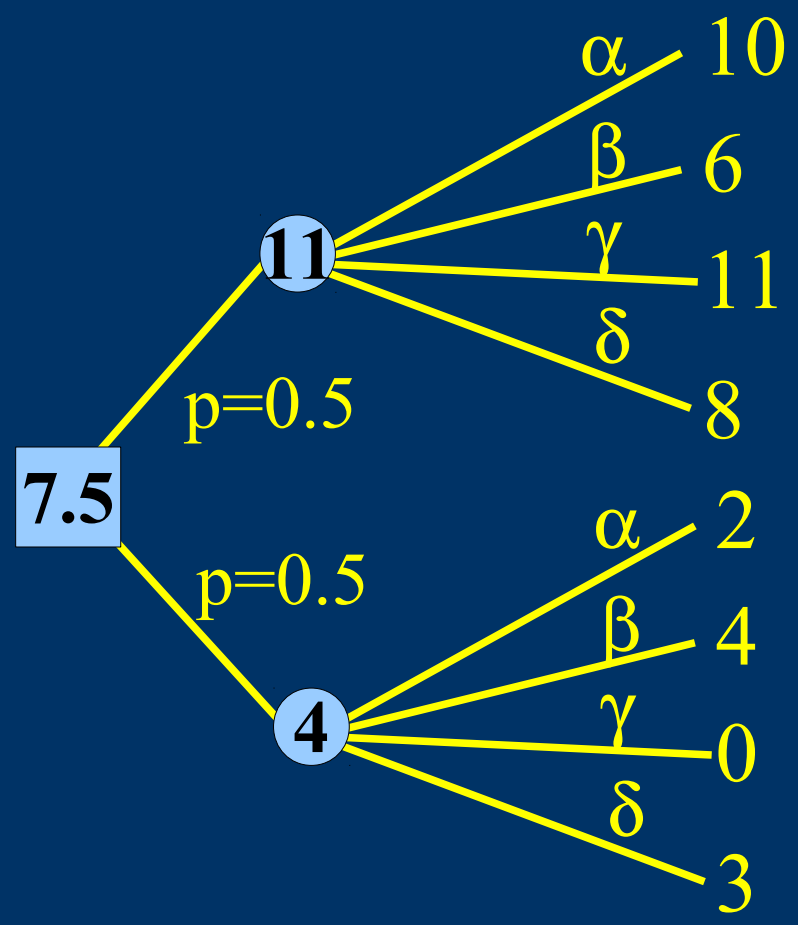



2. Learn
1. Act
6
6
5
5.5
5.5
10
2
6
4
11
0
8
3

Act then learn



Learn then act



Présentation avec la fonction d’utilité

2.1 A toy decision problem
The ice cream truck

Make a decision x among 4 possible choices $\{\alpha, \beta, \gamma, \delta\}$, given that the profit $\Pi(x)$ is:

$$\overbrace{\begin{array}{cccc} \alpha & \beta & \gamma & \delta \\ 10 & 6 & 11 & 8 \end{array}}^{x}$$

Profit $\Pi(s, x)$

2.1 A toy decision problem
The ice cream truck

Another one:

$$\overbrace{\begin{array}{cccc} \alpha & \beta & \gamma & \delta \\ 2 & 4 & 0 & 3 \end{array}}^{x}$$

Profit $\Pi(s, x)$

Help !

Decide under uncertainty

Profit $\Pi(s, x)$ depends on the weather,

Weather will be Hot or Cold: s = H, C

	x			
	α	β	γ	δ
s=H	10	6	11	8
s=C	2	4	0	3

Profit $\Pi(s, x)$

Many behavioral rules

- Maximize expected gain
- Maximin (precaution)
- Maximax

Who decides the criteria?

Is there a criteria general enough to represent any “rational” decision maker ?

The Utility of wealth

Increasing

But at a slower rate as wealth increases

Résumé du modèle standard

- Gain monétaire $\pi(s,x)$
- Alternatives s de probabilité $p(s)$
- Fonction d'utilité $u(\pi)$

Choisir la décision *x* qui maximise l'utilité espérée

$$\Pi^* = \max_x \sum_s p(s)u(\pi(s,x))$$

Information and option

- Contingent strategy
- Information value
- Option value

The ice cream truck again

Expected gain, if we can adapt to s ?

	x			
	α	β	γ	δ
s=H	10	6	11	8
s=C	2	4	0	3

Profit $\Pi(s, x)$

Value of information

Expected gain of the <u>contingent strategy:</u>

$$\Pi^{\#} = \sum_{s} p(s)\left(\max_{x} u\left(\pi(s,x)\right)\right)$$

Expected value of information

$$EVPI = \Pi^{\#} - \Pi^{*}$$

The value of flexibility (avoiding irreversibility)

Assuming that information will be

- Perfect
- In time to adapt
- Free

Then we can define an option value

$$OV = \Pi^{\#} - \Pi^{*}$$

Critique

Avantages

General enough: changing u allows to represent the various criteria.

Rationality garanteed

Separes u, p, and π.

Limites du modèle standard model

- Paramètres du modèle
- Evaluation: Long terme, biens hors marché
- Décision séquentielle & dimensionalité
- Imprécision et ignorance construite
- Portée descriptive limitée

Discounting in the long term

1€ at future time t is worth

only $1/(1+r)^t$ € today

r discount rate

Future generations weighted shockingly low

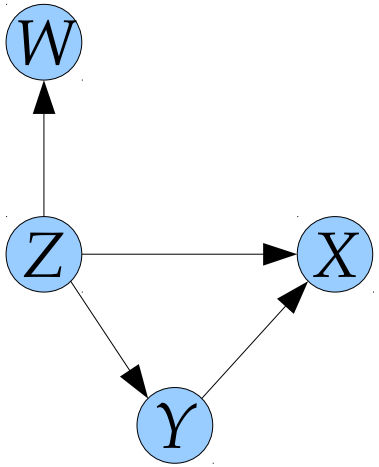
Hyperbolic discounting

Degrees of ignorance

- The probabilistic model starts with an exhaustive partition of the future into mutually exclusive states, and assign each state a specific weight
- Uncertainty: states are known
- Incompleteness: unknown unknowns

Real decision making

- Rationality is a normative assumption, not a descriptive fact: habits, emotions !
- Society is not a single decision maker: confidence and strategic games

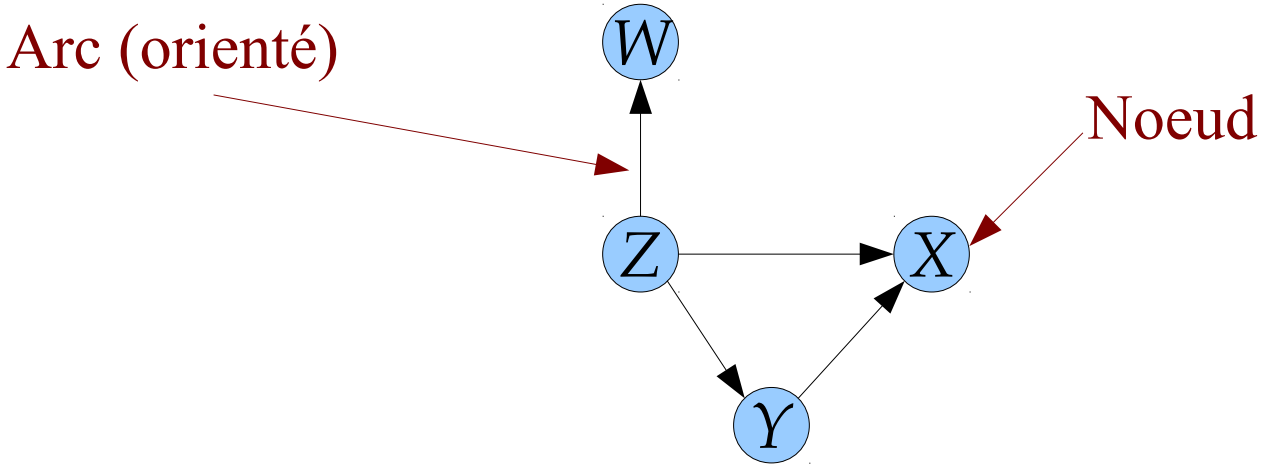


3. Éléments d'analyse des systèmes

Trois usages du diagramme d'influence

1. Aide à la communication
2. Carte cognitive
3. Support de modélisation

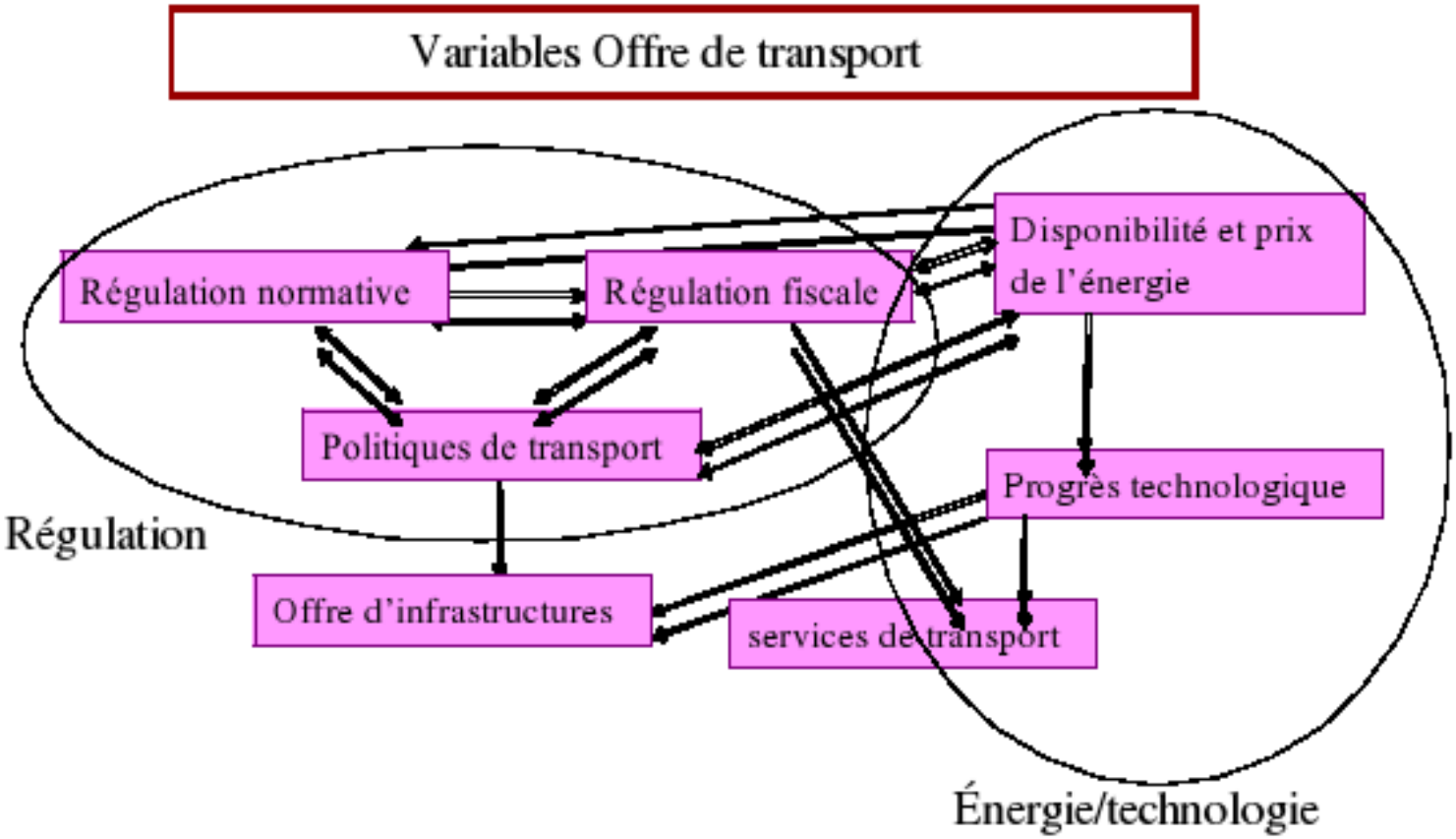
Vocabulaire
Graphe orienté acyclique



Chemin: Z, Y, X

Cycle: chemin fermé

1. Organiser graphiquement des variables

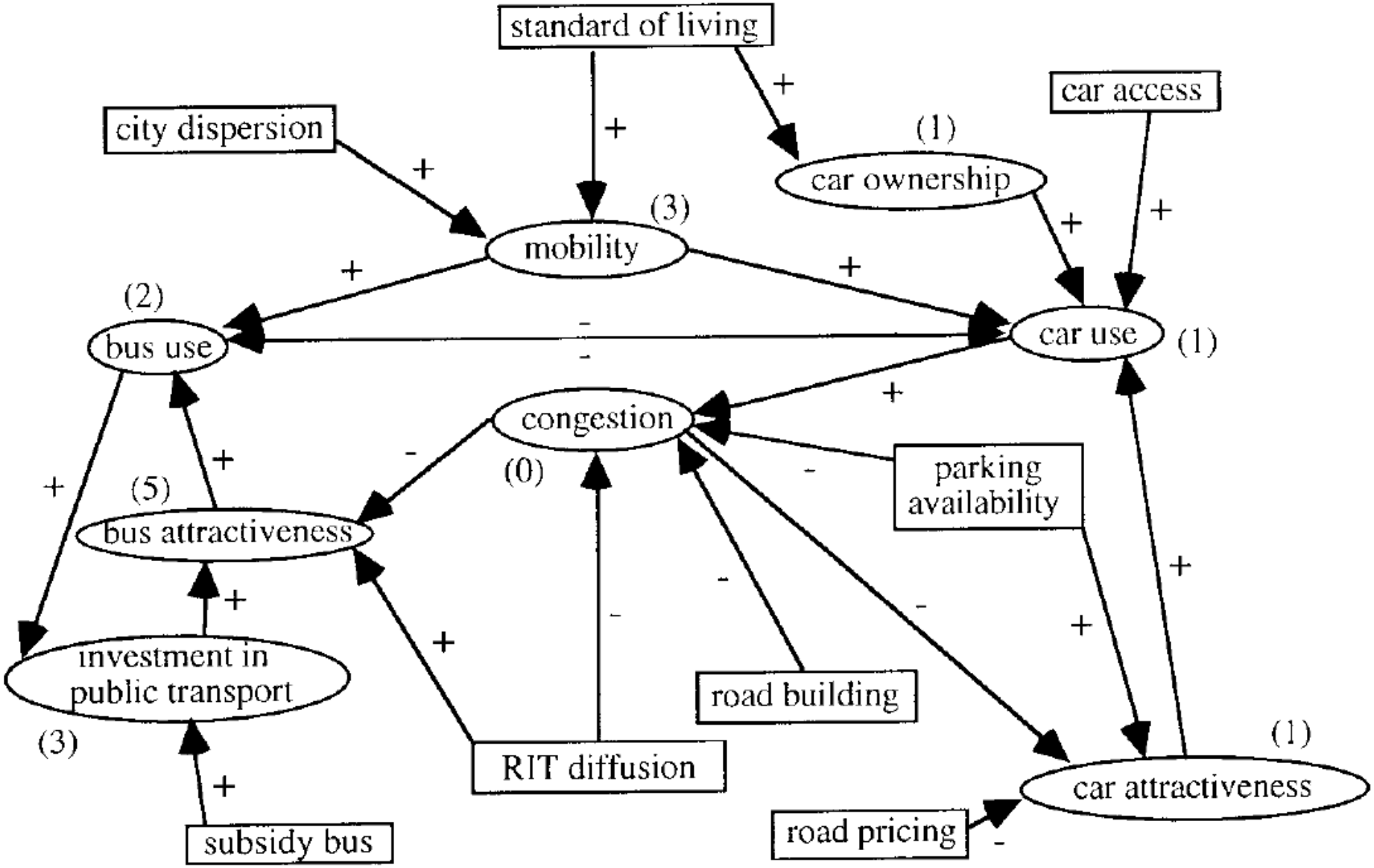


Source: Futuribles (2005) Rapport d'étude prospective pour l'élaboration de scénarios exploratoires sur les transports à horizon 2050

Avantages et inconvénients

- Communication: organiser les variables
- Modélisation: interprétations formelles
- Tout dépend de tout et réciproquement: garder en vue la question posée

2. Carte cognitive

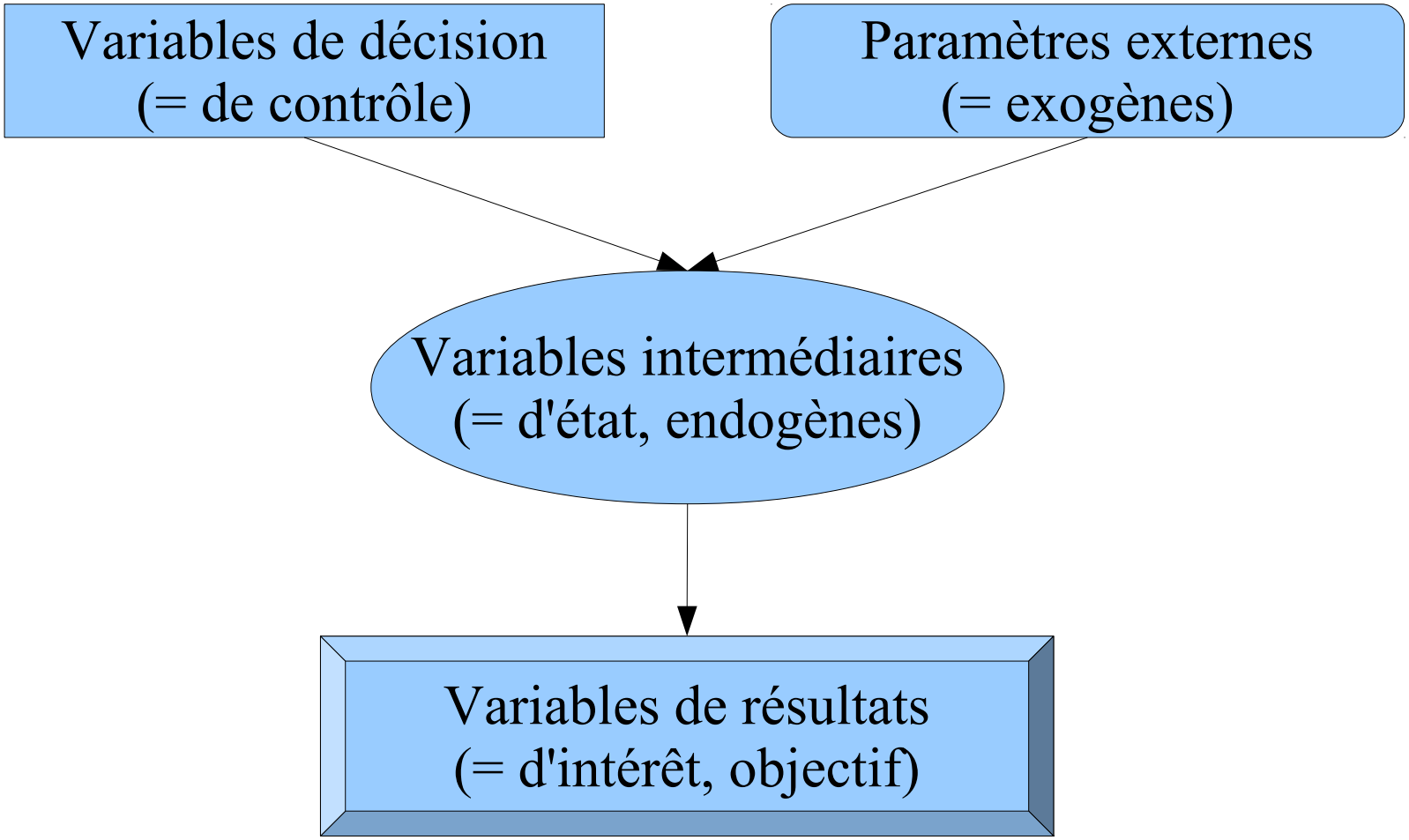


Boucles de rétroaction

Nombre de - dans un cycle :

- Pair: boucle positive, divergence
- Impair: boucle négative, stabilisante

Types de variables

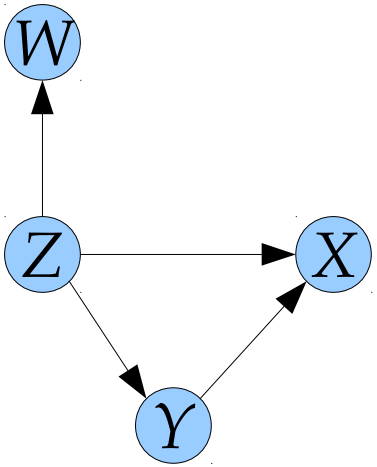


Types de carte mentale

- Carte de dépendances:
  la présence d'une flèche garanti la dépendance
- Carte d'indépendances:
  l'absence d'une flèche garanti l'indépendance
- Carte parfaite (exhaustive): les deux

3 représentations équivalentes

Diagramme d'influence



Matrice d'incidence

		Effet			
		W	***X***	***Y***	***Z***
	W	***0***	***0***	***0***	***0***
Cause	***X***	***0***	***0***	***0***	***0***
	Y	***0***	***1***	***0***	***0***
	Z	***1***	***1***	***1***	***0***

Equations structurelles

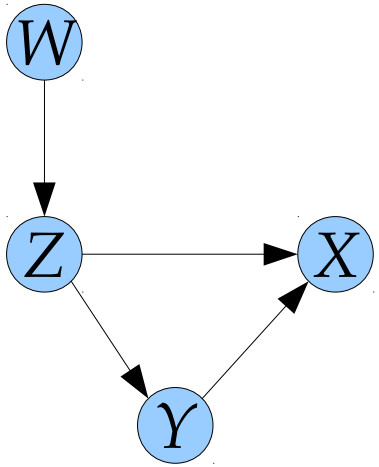
$X = \mathrm{f}(Y,Z)$

$W = g(Z)$

$Y = h(Z)$

Simulation qualitative

- La matrice d'influence décrit l'évolution d'une période sur l'autre
- Coefficients entre -1 et +1
- Simulation par itérations
  - Trajectoires
  - Configurations limite



3. Réseau bayésien

X, Y, ... variables aléatoires discrètes:

X : Vrai ou Faux

Y: Haut, Moyen ou Bas

...

Les flèches décrivent les dépendances :

$$P(W,X,Y,Z) = P(W)\, P(Z|W)\, P(Y|Z)\, P(X|Y,Z)$$

Avantages et limites

- Résoud le problème de la complexité de la distribution de probabilité jointe
- Graphes dirigés acycliques:

  pas de boucle de rétroaction
- Data mining, statistiques avancées, induction et abduction cohérente

À retenir

- Le diagramme d'influence visualise une liste de variables interdépendantes
- Variables de contrôle / exogènes / endogènes / objectif
- DI + information qualitative:
  Carte mentale (cognitive map)

4. Decision with scenarios

1. Specifications: what to expect from a scenario exercise ?
2. Execution: how to write them ?
3. Decision: Using scenarios for action

A short history of scenarios

- After the war (1950's) : 2 traditions.
  - Rand, SRI, … Delphi techniques and scenario methods for defense et security
  - «French school » : holistic and philosophic analysis (rapport DATAR).
- Popularized by the first oil shock :
  - Royal Dutch Shell & Pierre Wack.

4.1 Specifications : what to expect?

- Define problem and time horizon
- System analysis: choose key variables
- Actors
- Microscenarios
- Combination into coherent scenarios
- Dynamic modelisation
- Implications for choices

Scenarios ≠ simulation

- Multidisciplinary, system-based (holistic)
- Long time (past, present, futurs).
- Uncertainties, tipping points, signposts

Two kinds of exercises

Exploratory :

- Explore possible futures without limits.
- Look at tendencies, predetermined constants, uncertainties, tipping points, ...

Normative/strategic:

- Focus on choices to be made, the sensitivity of operational results to risks

Number of scenarios ?

- How many:
  - 1 exploratory future alone: uncertainty ??
  - 1 normative scenario is a <u>roadmap</u>
  - More than 4 scenarios is too complicated
- Normative: Wished or feared ?
- BAU/central scenario or not ?
- Plausibility level of the extremes ?

Time horizon

- Horizon: far enough for structural changes
- Backcast time series at 2 x Horizon
- Constraints: time, data, literature available

4.2. Réalisation

- Define problem and time horizon
- System analysis: choose key variables
- Actors
- Microscenarios
- Combination into coherent scenarios
- Dynamic modelisation
- Implications for choices

The key thing to remember

Focus on
the variable of interest !

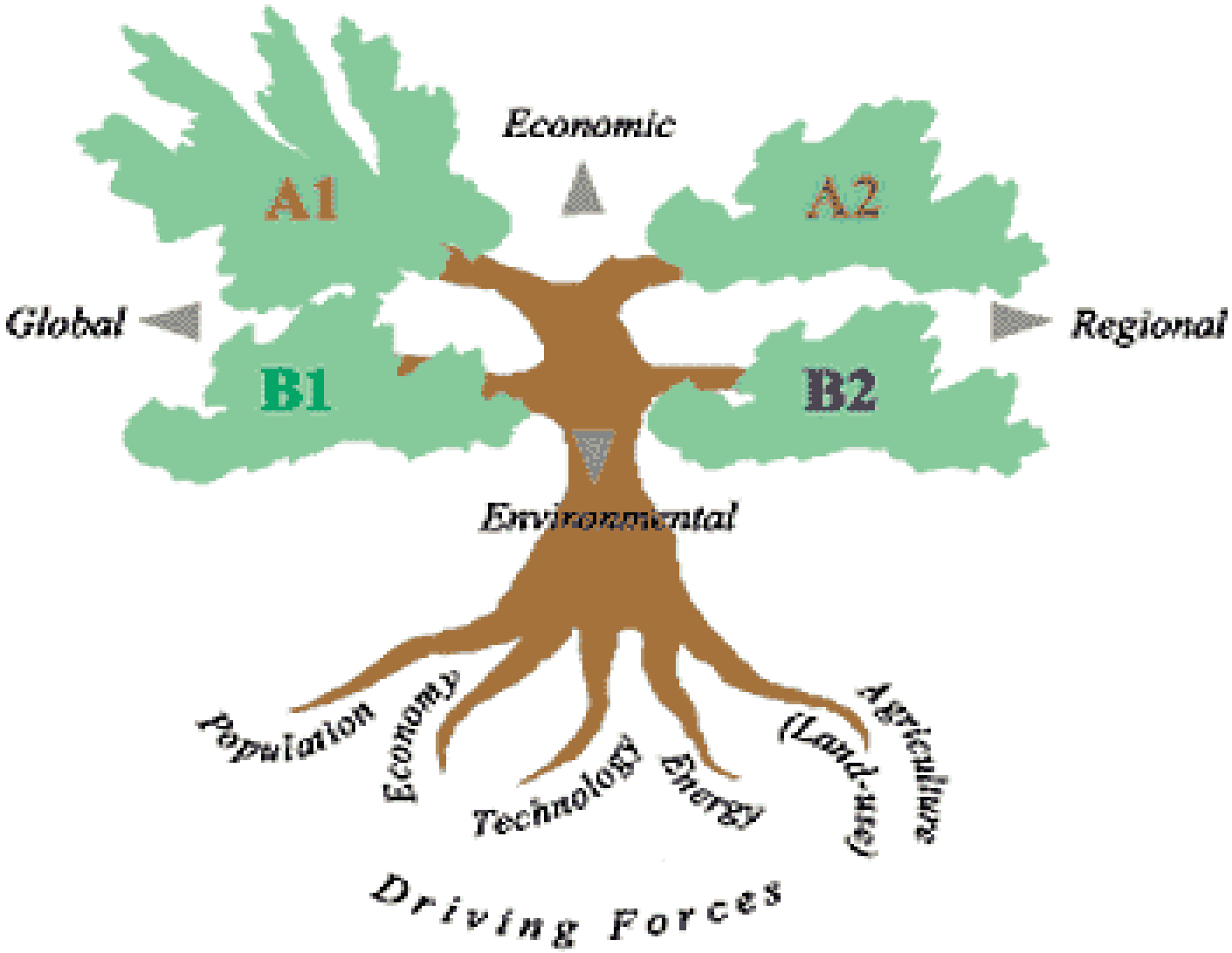
Key variables

- Influence the operational result of interest
- Small number
- Looked at in detail

- Example: Kaya identity

$$CO2 = POP * \frac{PIB}{POP} * \frac{ENE}{PIB} * \frac{CO2}{ENE}$$

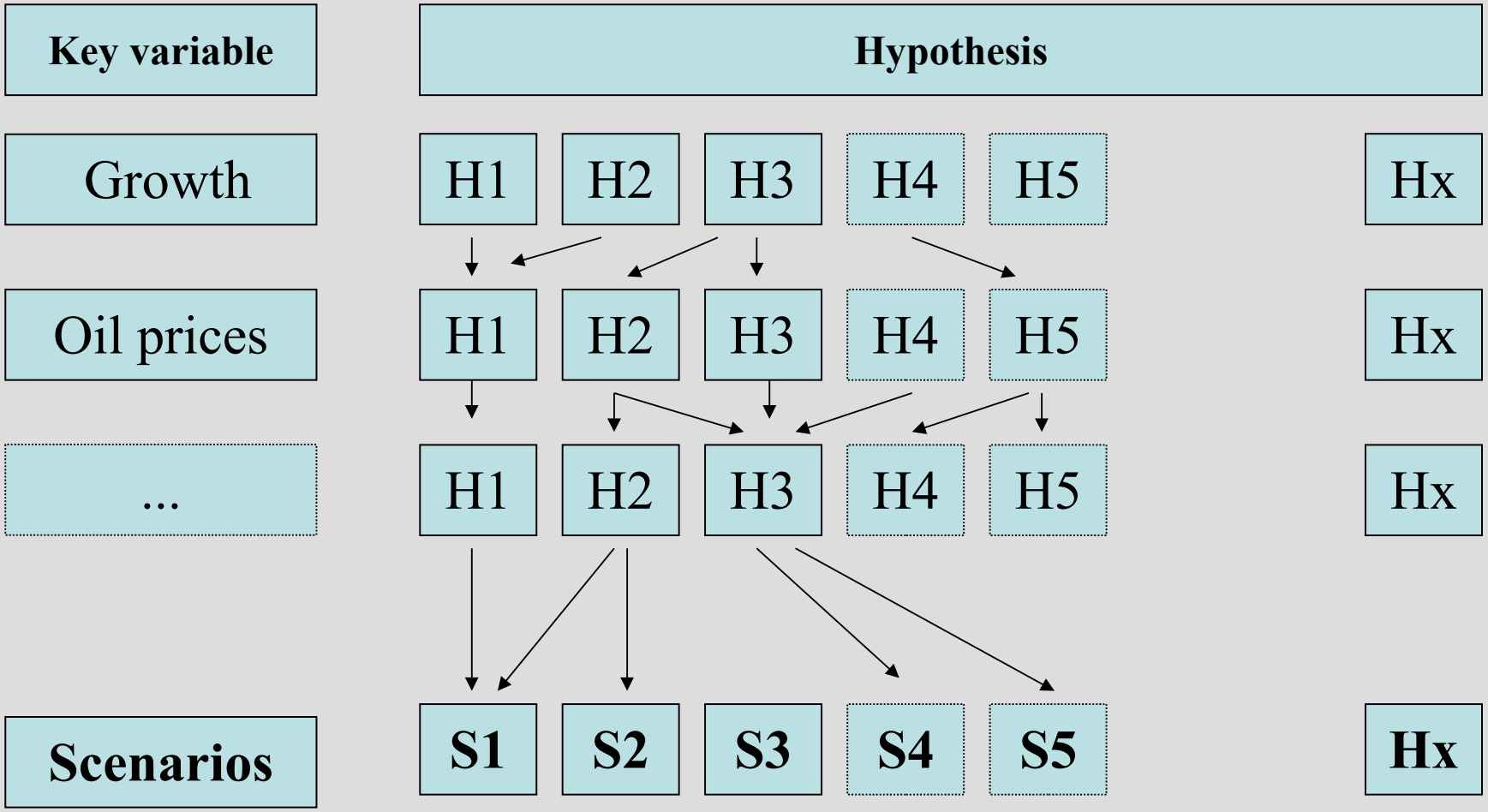
SRES Scenarios



Actors

- Social sciences have a variety of methods
  - Focus groups
  - Interviews
  - Surveys
  - Media analysis ...
- Produce a variety of deliverables such as
  - Mind maps
  - Actors by interest, ability, importance
  - Social subgroups ...

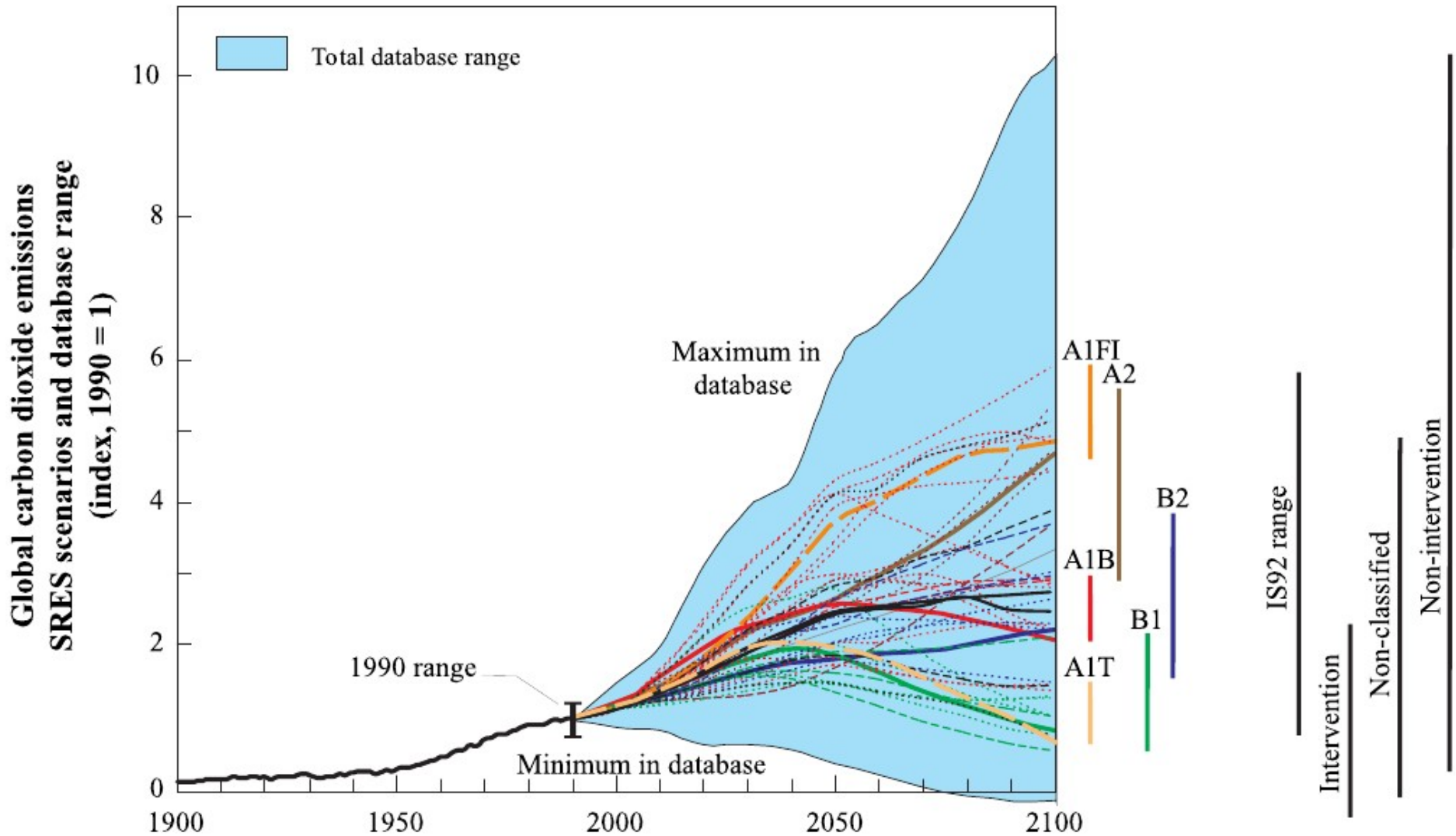
Combine microscenarios seeking coherence and plausibility



Models vs. scenarios

- Models
  - Cartesian division in subsystems
  - Quantitative, (falsely) precise
  - Convincing
  - Must be parametrized

- Scenarios
  - First a narrative
  - More vague (more right ?)
  - Can use models
  - Base + Trajectory + final image


Global carbon dioxide emissions
SRES scenarios and database range
(index, 1990 = 1)
Total database range
Maximum in database
1990 range
Minimum in database
A1FI
A2
A1B
A1T
B1
B2
IS92 range
Intervention
Non-classified
Non-intervention
0
2
4
6
8
10
1900
1950
2000
2050
2100

4.3 Scenarios and decision making

- Analysis tool for strategic decisions
- Provides a common langage
- Warn about possible surprises
- Increase sensitivity to early warnings

Co-construction of the future

- « Ni prophétie ni prévision, la prospective n'a pas pour objet de prédire l'avenir – de nous le dévoiler comme s'il s'agissait d'une chose déjà faite – mais de nous aider à le construire. Elle nous invite donc à le considérer comme à faire, à bâtir, plutôt que comme quelque chose qui serait déjà décidé et dont il conviendrait seulement de percer le mystère ».

  Hugues de Jouvenel, « Invitation à la prospective », Futuribles Perspectives, 2004.

- Nous devons « considérer l'avenir non plus comme une chose déjà décidée et qui, petit à petit, se découvrirait à nous, mais comme une chose à faire ».

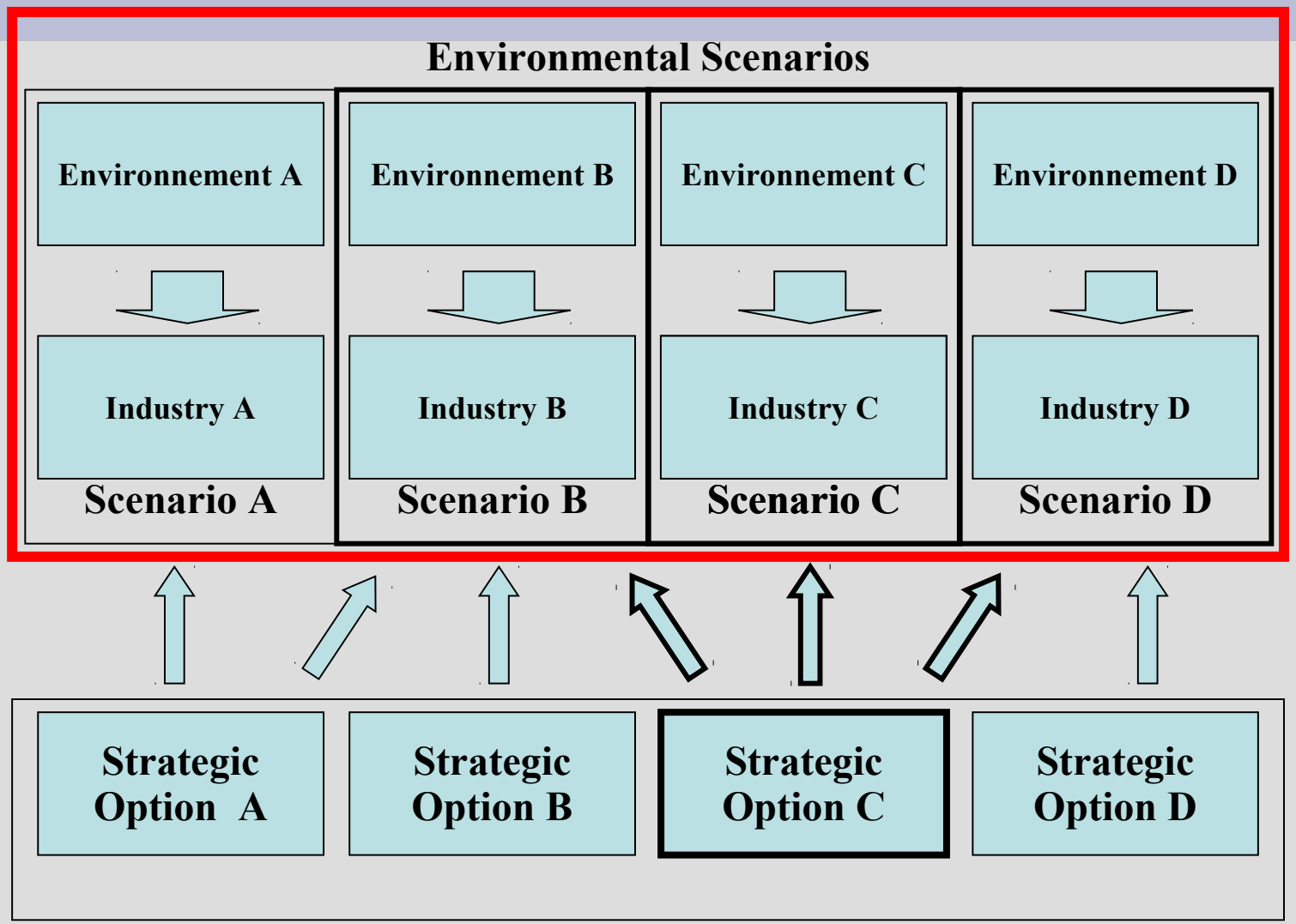
  Gaston Berger, « L'attitude prospective », Prospective, n°1, 1958.

☠ Paralysis by analysis ☠

Necessary balance between:

- Reactivity and anticipation
- Strategic planning and execution

Prospective & Strategy



Conclusion

- « Scenarios are attempts to describe in some details a hypothetical sequence of events that could lead plausibly to the situation envisaged ».

  Herman Kahn.

- « Scénarios are stories about the way the world might turn out tomorrow, stories that can help us recognize and adapt to changing aspects of our present environment ».

  Peter Schwartz.