Building back better: Green COVID-19 recovery packages will boost economic growth and stop climate change

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International economic recovery from COVID-19 must be

environmentally-conscious—for the sake of the economy, suggests new research published today.

With governments around the world urgently investigating fiscal stimulus measures to get virus-hit countries back on their feet, today's research from some of the world's leading economists shows that climate-friendly policies could deliver a better result both for economies and the environment.

For the UK, in particular, this research helps identify ten fiscal recovery policies which promise to bring both short-term high economic impact and long-term structural change to ensure the UK meets its 2050 climate goals.

Professor Cameron Hepburn, director of the Smith School of Enterprise and Environment, University of Oxford, brought together a team of internationally-recognized experts to carry out the research, including Nobel prize winner, Professor Joseph Stiglitz and well-known climate economist Professor Lord Nicholas Stern.

Their analysis of possible COVID-19 economic recovery packages shows the potential for strong alignment between the economy and the environment. They review evidence suggesting that green projects create more jobs, deliver higher short-term returns per dollar spend and lead to increased long-term cost savings, by comparison with traditional fiscal stimulus.

Most G20 governments have implemented significant short-term rescue measures in the face of the pandemic. But, as yet, none has introduced any significant fiscal recovery measures. The report authors hope that countries will seize this generational opportunity to incorporate climate criteria into national plans—for their economies and the environment.

According to Professor Hepburn, "The COVID-19-initiated emissions reduction could be short-lived. But this report shows we can build back better, keeping many of the recent improvements we've seen in cleaner air, returning nature and reduced greenhouse gas emissions."

Drawing on a global survey of senior central bank and finance ministry officials, as well as learnings from the 2008 financial crisis, the economists cataloged more than 700 stimulus policies into 25 broad groups, and conducted a global survey of 231 experts. On average, respondents saw a 'green route' out of the crisis as also being highly economically effective.

Examples of this include investment in renewable energy production, such as wind or solar. As previous research has shown, in the short term, clean energy infrastructure construction is particularly labor intensive, creating twice as many jobs per dollar as fossil fuel investments.

Other desirable policies include building efficiency retrofit spending, clean R&D spending, natural capital investment for ecosystem resilience and regeneration and investment in education and training to address immediate unemployment from COVID-19 alongside structural employment opportunities from de-carbonization. For developing countries, rural support scheme spending was also highly ranked. Meanwhile, unconditional airline bailouts performed the most poorly in terms of economic impact, speed and climate metrics.

The COP26 Universities' Network has drawn on this research and other analyses to create a briefing for policymakers outlining a path for the UK to net-zero emissions economic recovery from COVID-19. The network, a growing group of more than 30 UK-based universities, was formed to help deliver climate change outcomes at the UN Climate Summit in Glasgow and beyond.

Among the policies emphasized by the group are: renewable energy, reducing industrial emissions, greenhouse gas removal, investment in broadband internet to increase coverage, electric vehicles and nature-based solutions.

"Currently, the UK directs €10.5bn in subsidies to fossil fuels. Reallocating this capital to jobs-rich renewable energy projects would be a win-win for the economy and environment," says Brian O'Callaghan, researcher at the Smith School of Enterprise and the Environment, University of Oxford.

The briefing also calls for the Cabinet Committee on Climate Change, which has met only once in 5 months, to be renamed the Climate Change Emergency Committee to reflect the urgent need for action.

Emily Shuckburgh, director of Cambridge Zero, University of Cambridge says, "Shaping the national and global recovery from the coronavirus pandemic in a way that supports the response to climate change and other environmental threats simply makes sense—not only does analysis suggest that green recovery packages deliver greater economic benefit, but investing appropriately in research, innovation, infrastructure and skills training, and matching that with robust institutional structures, will help create a fairer, more resilient, sustainable world with benefits for all."

Dave Reay, professor and chair in carbon management & education and executive director of Edinburgh Centre for Carbon Innovation, University of Edinburgh says, "COVID-19 is falling like a daily hammer blow on our economy, putting the livelihoods and employment prospects of many millions at risk. By aggressive investment in green skills and the creation of a swathe of green economy employment opportunities the UK can buffer COVID-19's impacts and simultaneously deliver a safer climate future.

More information: Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change? www.smithschool.ox.ac.uk/publi … orkingpaper20-02.pdf

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