The Implications of COVID-19 on the Climate Crisis

Short-term effects, fiscal recovery pathways, and lessons on crisis response

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The COVID-19 crisis has already impacted global emissions, but long-term effects could be far greater

Emissions impact

Short-term effects: mobility restrictions + uncertainty constrain production & emissions

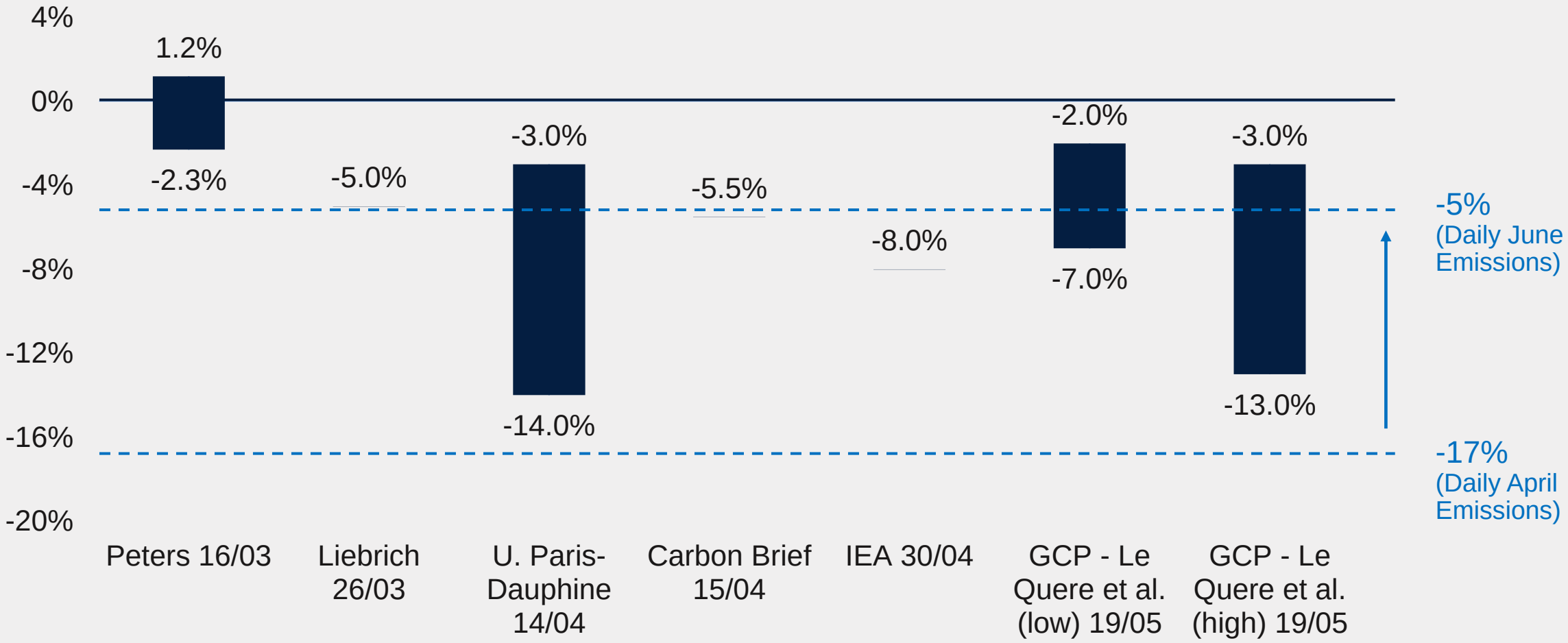
Fiscal recovery spending: govts can (i) support a high-emissions status quo, or (ii) reshape the economic system to decouple growth from emissions

Social and institutional shifts: structural changes (e.g. behavioural change) could shape emissions profiles in the long-term

Learning from COVID-19 response: successes and failures of COVID-19 policy response suggest opportunities to learn how to better shape long-term climate policy and progress.

Emissions dropped quickly with mobility restrictions, but the rebound has been strong

Expected year on year change in global emissions (2020/2019)



Notes: Figure adapted from Carbon Brief Webinar (May 21st 2020). Daily emissions from Le Quere et al. (2020).

How could COVID-19 fiscal recovery packages accelerate progress on climate change?

Hepburn, C., O'Callaghan, B., Stern, N., Stiglitz, J., & Zenghelis, D. (2020). Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?. *Oxford Review of Economic Policy*, 36.

Reviewed **+400 stimulus policies** from 2009 Global Financial Crisis

Surveyed **+230 leading economists** (covering all G20 countries)

Analysed past **green policy studies** (both public and private)

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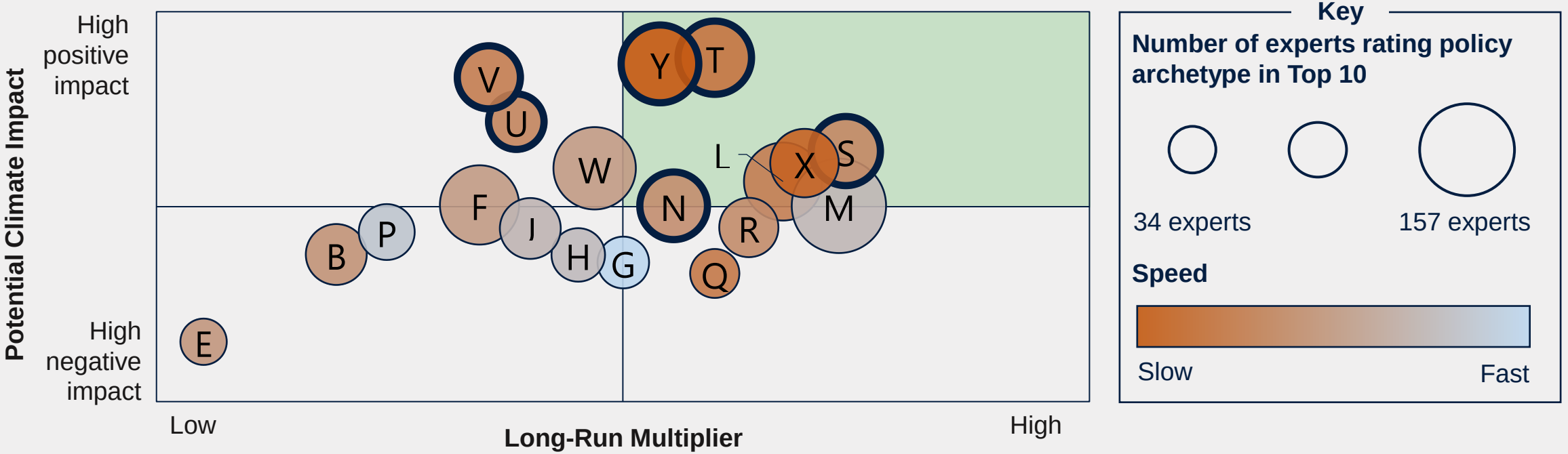
Global survey identifies a subset of policies that perform well on both economic and climate metrics



Policy archetypes

B	Assisted bankruptcy (super Chapter 11)	M	Healthcare investment	T	Clean energy infrastructure investment
E	Airline bailouts	N	Worker retraining	U	Buildings upgrades (energy efficiency)
F	NFP, education, research, health bailouts	P	Rural support policies	V	Green spaces, natural infra investment
G	Reduction in goods & services taxes	Q	Traditional transport infra investment	W	Disaster preparedness, capacity building
H	Income tax cuts	R	Project-based local infrastructure grants	X	General R&D spending
J	Business tax relief for strategic adj.	S	Connectivity infrastructure investment	Y	Clean R&D spending
L	Education investment				

Three key findings for policy makers

Recovery policies can deliver both climate and economic goals – five emerge above others

1. Clean physical infrastructure investment
2. Building efficiency spending
3. Education and training investment
4. Natural capital investment
5. Clean R&D spending

Co-benefits are ripe for the picking and include social, environmental, health and political benefits

The devil is in the detail – green policy success/failure can be determined by the details

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What can we learn from COVID-19 for the future of climate change mitigation?

Klenert, D., Funke, F., Mattauch, L., & O'Callaghan, B. (2020). Five Lessons from COVID-19 for Advancing Climate Change Mitigation. *Environmental and Resource Economics, 76,* 751-778.

Global "public bads" with non-linear growth dynamics

- Some form of exclusion possible for infectious disease
- Climate change evolves over longer time scales

Societal consensus required

- Tackling both issues inevitably creates 'losers'
- Policy action constrained by public opinion and polarization

We discern **common policy challenges** and draw five lessons for climate policy

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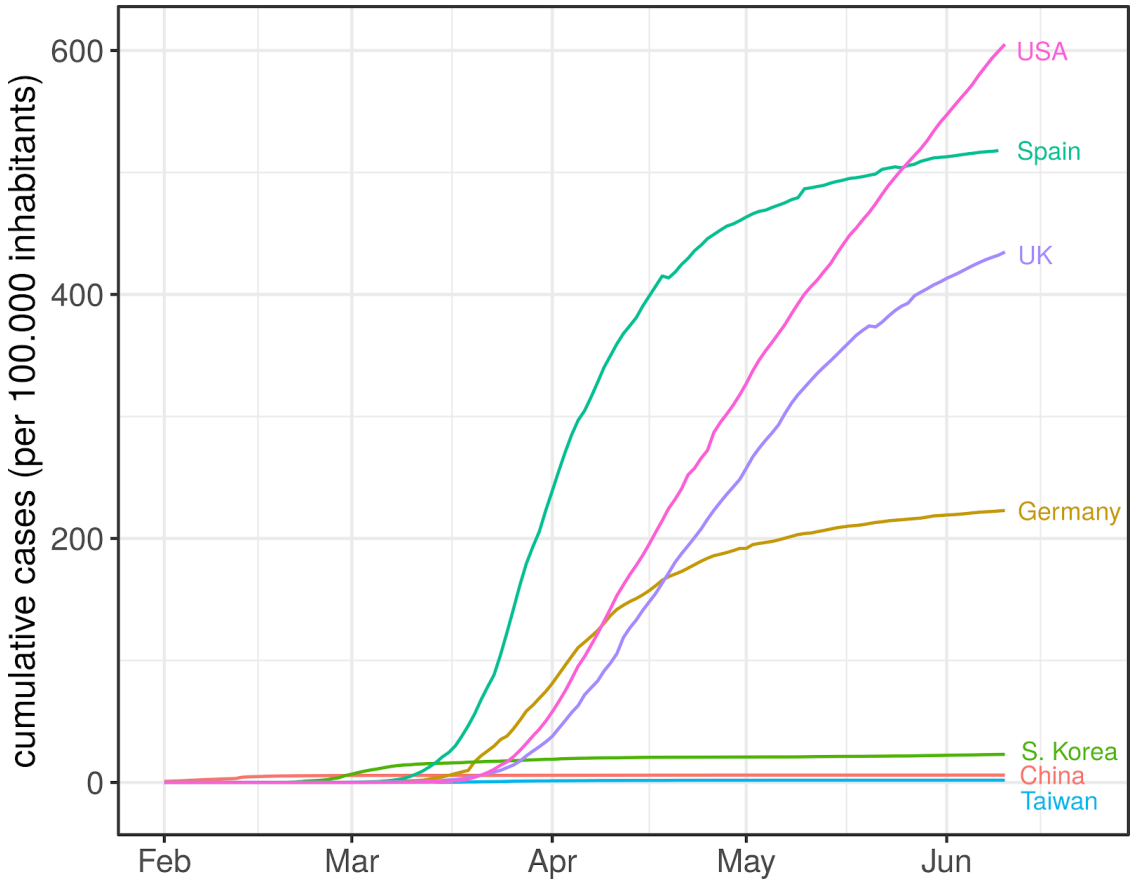
Lesson 1: Delay is costly

COVID-19:

- United States: starting social distancing one week earlier could have avoided 55% of deaths (36,000) between mid March and early May (Pei et al., 2020)
- Only countries with recent epidemics flattened the curves sufficiently

Climate change:

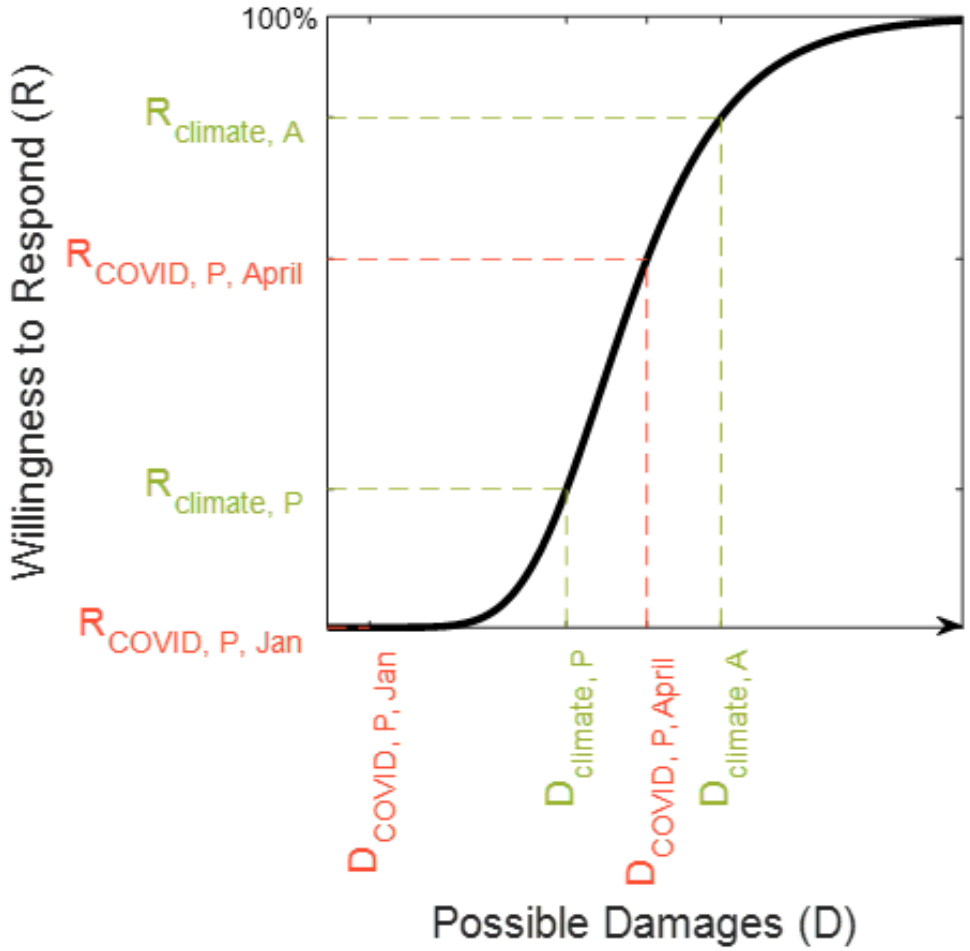
- Delaying climate action by ten years increases the cost of later climate action by 37% (Fuhrmann et al., 2015)
- Delay creates carbon lock-in and limits mitigation options



- **Create institutions for long-term policy goals (e.g. carbon central banks)**
- **Strengthen incentives for long-termism by delegating powers**

Lesson 2: Public perceptions matter

- Policy action is (partially) constrained by public opinion
- Public support depends on perceived imminence of the threat
- Citizens tolerate strict limitation on their liberties for COVID-19, but oppose minor interventions to counter climate change

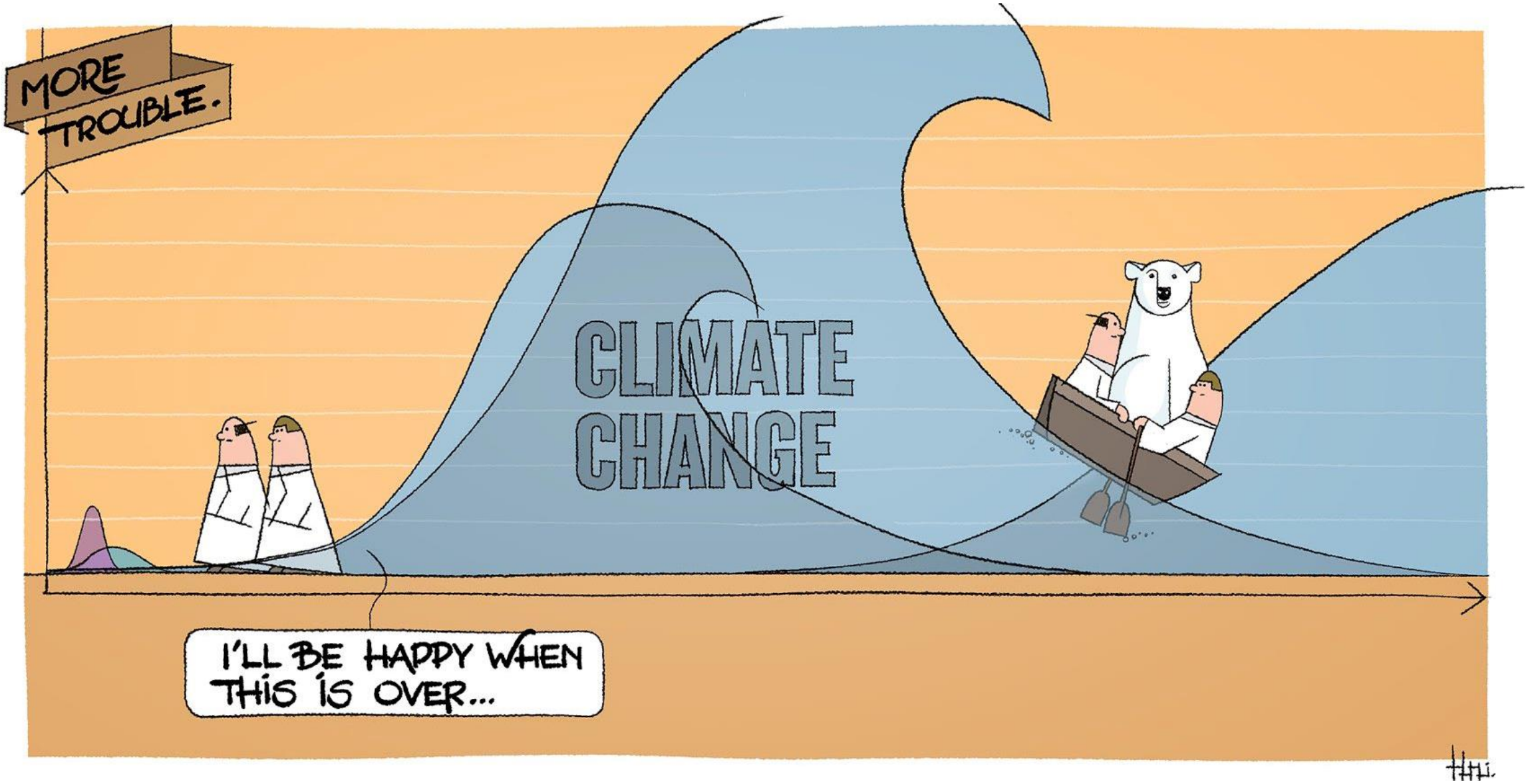


- **Increase psychological awareness (e.g. attribution science)**
- **Make climate policies "appealing" for features other than their emissions reductions**

Five lessons for climate policy

1	**Delay** is costly	Create institutions for long-termism
2	**Perceived threat** determines public support	Tweak perception and policies
3	**Inequalities** may be exacerbated	Address distributive concerns
4	**Collaborate** for better outcomes	Tie in large emitters & bi-partisan solutions
5	**Scientific policy advice** is never value free	Communicate better & inoculate citizens against misinformation

Conclusion?



Questions and discussion