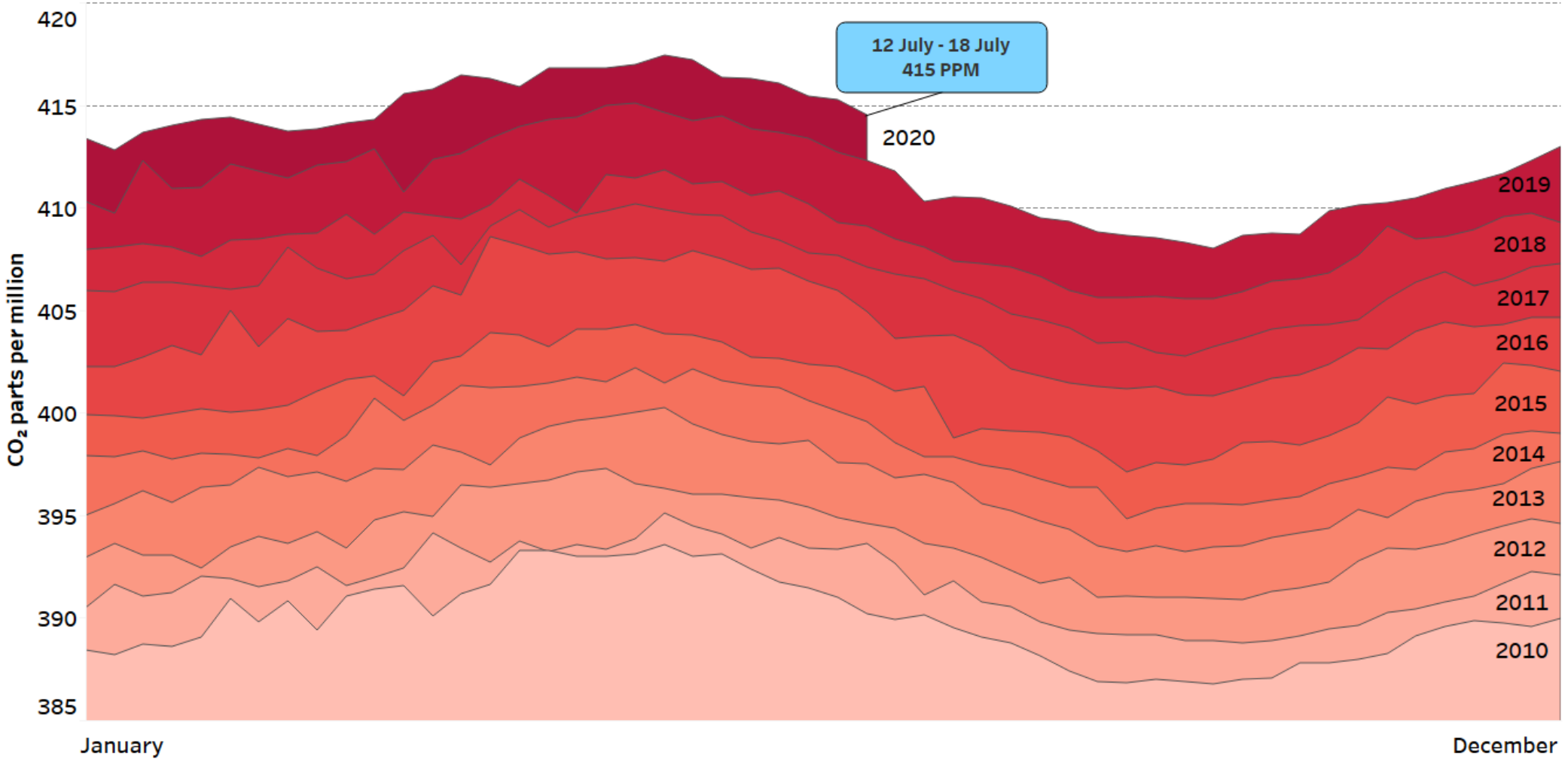
Greening the recovery

RESPONDING TO COVID-19 CHALLENGES – INVESTMENT FOR ECONOMIC RECOVERY AND GROWTH

JVI WEBINAR

JULY 28, 2020

Weekly atmospheric CO_2 at Mauna Loa*



Note: The Mauna Loa Observatory is an atmospheric baseline station on the Mauna Loa volcano, on the island of Hawaii. It has continuously monitored atmospheric carbon dioxide levels since 1958.
Sources: Dr. Pieter Tans, NOAA/ESRL (www.esrl.noaa.gov/gmd/ccgg/trends/) and Dr. Ralph Keeling, Scripps Institution of Oceanography (scrippsco2.ucsd.edu/), 2020

Motivation

- The COVID crisis does not change the climate crisis
- Decisions taken to respond to the COVID crisis will shape climate for decades—for good or bad
- Policymakers should thus aim to create a green recovery

Principles

1: Assess the climate impact of support measures

2: Chose to support green, rather than brown, activities

3 Make support to brown activities conditional on making progress on climate

4: Price carbon right

5: Make the financing green

6: Develop a new, ambitious, medium-term climate plan

7: Co-ordinate with, and support, others (eg price floor for large emitters)

Dos and Don'ts

Energy	✓	➢Move towards effective carbon pricing, while assisting vulnerable ➢Direct support for zero-emissions technologies and infrastructure ➢Reform fossil fuel subsidies
	✗	➢Revive plans for 'shovel-ready' fossil fuel power plants ➢Waive oil and gas industry environmental regulations ➢Bail out fossil fuel companies without conditions for zero-emission transition
Land-based transport & mobility	✓	➢Financial incentives for zero-emission vehicles ➢Direct investments in low-carbon public transport
	✗	➢Roll back emission standards for cars ➢Support to automobile companies without conditions for zero-emissions transition
Aviation	✓	➢Conditional sector support for aviation industry and accelerated R&D efforts
	✗	➢Roll back regulations and taxes (e.g. ticket taxes)
Industry	✓	➢Support uptake of efficient appliances and digital devices ➢Low-carbon technology R&D and pilot projects (e.g. steel and cement)
	✗	➢Roll back climate measures and regulation ➢Support for brown industry without conditions for zero-emission transition
Buildings & Infra	✓	➢Support for energy efficient retrofits of existing buildings ➢Build resilient infrastructure
	✗	➢Stimulus programs for new buildings without energy efficiency criteria
Land-use & environmental protection	✓	➢Large-scale landscape restoration and reforestation efforts
	✗	➢Roll back environmental regulations ➢Dismantling enforcement of state protection for natural habitats

Suggestions for Country Authorities

- **Assess** the impact of recovery spending on climate change
- **Monitor** how green your country's response is and compare to others
- **Cover** in forthcoming Article IVs and non-RCF/RFI programs
- **Consider** FAD technical support:
  - Carbon pricing strategies
    - ✓ Mitigation tool (135 countries)—see 2019 Fiscal Monitor
    - ✓ Incidence analyses
  - Removing fossil fuel subsidies
    - ✓ Energy subsidies template (194 countries)
  - Integrating climate into the budget process and public investment management assessment (PIMA)
  - Climate Change Policy Assessments
  - Article IV participation

Some references

- Greening the Recovery—COVID series FAD note

https://www.imf.org/en/Publications/SPROLLs/covid19-special-notes

- Fiscal Monitors on carbon pricing and COVID recovery

https://www.imf.org/en/Publications/FM/Issues/2019/09/12/fiscal-monitor-october-2019

https://www.imf.org/en/Publications/FM/Issues/2020/04/06/fiscal-monitor-april-2020

- Will Covid-19 fiscal recovery packages accelerate or retard progress on climate change (Hepburn, O'Callaghan, Stern, Stiglitz, and Zenghelis)

http://www.lse.ac.uk/GranthamInstitute/news/building-back-better-a-net-zero-emissions-recovery/

- Ilab spark series presentation "The Impact of COVID-19 on Climate Change Policies" (Batini, Benatiya, Grippa, Jobst, and Oman)

http://www-intranet.imf.org/departments/ILU/Pages/SparkSeries.aspx

Some more references

- “Moving Towards Climate Budgeting: Policy Note” https://openknowledge.worldbank.org/handle/10986/21036

- Designing the COVID-19 Recovery for a Safer and More Resilient World

www.wri.org/news/designing-covid-19-recovery-safer-and-more-resilient-world

- Implications of the Global Economic Crisis for Carbon Pricing

https://www.cape4financeministry.org/sites/cape/files/inline-files/IMF-WB%20Coalition%20Note%20-%20Implications%20of%20the%20Global%20Economic%20Crisis%20for%20Carbon%20Pricing.pdf

- “Thinking ahead: for a sustainable recovery from COVID-19”

https://blogs.worldbank.org/climatechange/thinking-ahead-sustainable-recovery-covid-19-coronavirus