

We can win on both economics and climate

The role of world trade in shaping COVID-19 fiscal recovery pathways

Permanent Mission of Finland to Geneva Recovery 2.0 Webinar
9th of June 2020 | brian.ocallaghan@smithschool.ox.ac.uk



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



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



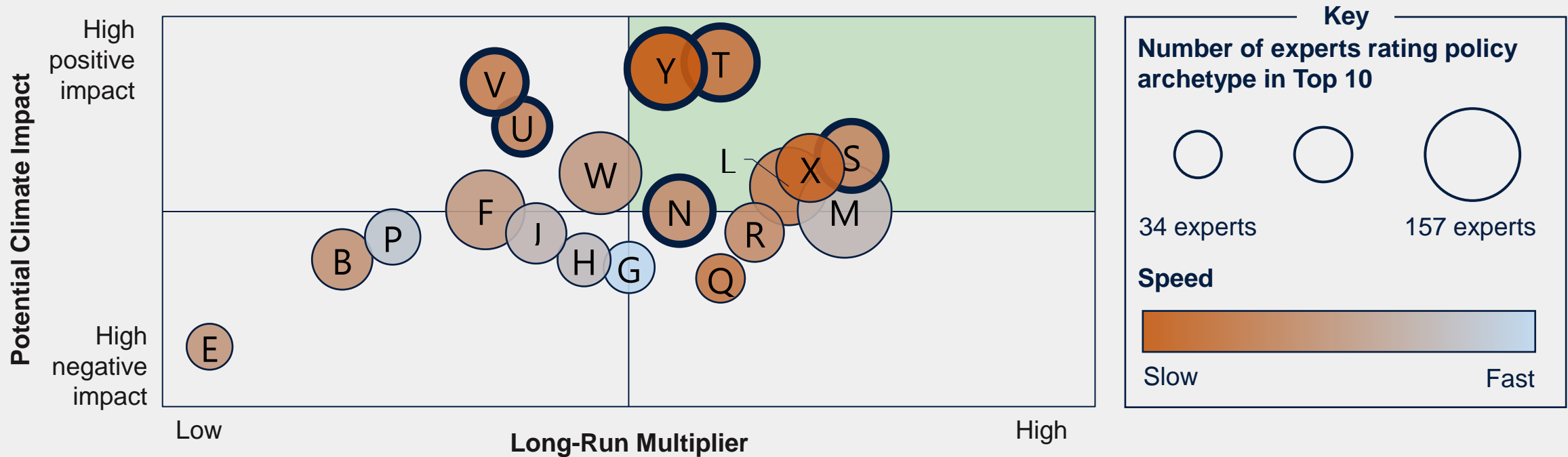
Surveyed **+230 leading economists** (covering all G20 countries)



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



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



A number of countries have already started moving towards a green recovery

National responses



- €1.85tn MFF incl €750bn in recovery vehicle
- Requires **some** projects to be green
- Highly positive rhetoric / pressure



- 27% of €130bn new package is green
- 40% of package focuses on future-building
- Focus on hydrogen, EVs, renewable energy

Rest of World

- “We owe it to future generations to build back better” – Boris Johnson, United Kingdom
- NZD1.1bn for environmental jobs in NZ
- 65,000 green jobs for youth in Pakistan

Broad observations

- 1 Rhetoric is strong but will this match action?
- 2 Even the most constructive plans leave value on the table
- 3 Biggest emitters continue to be troublesome

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How can trade policy support a green recovery?



Reduce trade barriers against clean products to incentivize innovation

- > Global problems necessitate global collaboration – let's learn from COVID-19
- > Do away with fossil subsidies



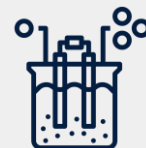
Increase clean tech supply chain resilience

- > Renewable energy investment has slowed, partly due to supply chain disruptions



Promote transparency to enable clean procurement criteria

- > Procurement supported by public funds should meet sustainability criteria



Prepare now for huge new markets

- > Clean hydrogen. Clean construction. Clean agriculture enablers. Aviation, shipping, etc
- > Global carbon markets