

A photograph of a wind farm on a grassy hillside. The wind turbines are white and arranged in a line that recedes into the distance. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The foreground is a grassy slope with some rocks.

FORMULA FOR A CLIMATE POSITIVE COVID-19 RECOVERY:

Principles & Climate Opportunities

JULY 2020

Measures taken to respond to and recover from the COVID-19 pandemic will have profound impacts that will reshape the economy for the longer-term. These responses amount to crucial life-and-death decisions affecting future generations, including through their impact on the climate and on ecosystems. Taking sustainable action now is made more crucial given that there may be less funding in the public purse for climate and nature when this crisis is over.



WWF's 3-4-5 FORMULA FOR A CLIMATE POSITIVE COVID-19 RECOVERY

KEY PRINCIPLES

General Principles For Guiding Government's Measures

The following principles must guide Government's response to the COVID-19 pandemic and the resultant economic crisis:

- 1 **Do no harm:** The policy response should not include any rollback of environmental regulations or standards. Support to companies who are emitters of greenhouse gases should be dependent upon those companies committing to align with Net-Zero by 2050 through a credible decarbonisation pathway and submitting those commitments to monitoring going forward as part of national climate efforts.
- 2 **Privilege climate-nature-people win-win-win opportunities:** The response should prioritise options for stimulus and rebuilding that have multiple benefits for nature, social justice and employment e.g. labour-intensive nature-based infrastructure solutions.
- 3 **Use existing institutional arrangements and proven measures:** Responding quickly and effectively means taking advantage of frameworks for evaluation, institutions, and policy levers that have already been established. A clear example are cross-sectoral arrangements for Nationally Determined Contributions (NDCs) planning and implementation.

OPPORTUNITIES

Fiscal Opportunities

Fiscal stimulus offers multiple win-win-win opportunities via labour-intensive investments in infrastructure and fiscally sound reforms.

- 1 Reform of harmful subsidies or incentives** e.g. fossil fuel subsidies would free up resources for healthcare and sustainability, reduce wasteful consumption and lock in fiscal savings.
- 2 Investment in energy-efficient infrastructure**, particularly in the built environment and energy grids, will lower energy costs, save money, increase resilience, and improve health and well-being. Temporary programmes to collect data and communicate energy savings options can employ displaced service sector workers. According to a 2017 study in the Journal of Economic Modelling, energy efficiency investments generate about 2.85 times as many jobs as investments in fossil fuels.
- 3 Fiscal support to sustainable transport infrastructure and small and medium sized renewable energy companies**, such as electric bus and rail networks, will reduce air pollution and create jobs. So will government support to small and medium-sized companies engaged in renewable energy production which generate a diversified set of better and more stable jobs. According to the aforementioned 2017 study, renewable energy investments generate about 2.78 times as many jobs as investments in fossil fuels.
- 4 Fiscal stimulus to create and maintain natural infrastructure:** Nature-based solutions including forest restoration or mangrove-planting in stimulus packages are job-intensive, 'shovel ready' and increase resilience to future climate impacts. These projects require comparatively little worker training, planning or procurement, and can be executed while maintaining social distancing norms. Compared to investments in fossil fuels, nature-based solutions can generate up to 10 times the number of jobs per dollar invested (WRI 2020).

Monetary Measures

Central banks and financial regulators can:

- 1 Promote disclosure of climate-related financial risks** and require stress testing.
- 2 Integrate climate considerations in asset purchase programmes** (such as quantitative easing or QE) or in collateral frameworks by indicating a preference for 'green' assets (such as green bonds). This can be based on an official taxonomy where it exists, or by requiring that the underlying companies have science-based targets for emissions reductions.
- 3 Subsidise loans or target preferential refinancing lines** based on climate considerations, for instance through requirements for banks to support 'green' projects and sectors and companies with science-based targets.
- 4 Provide ex-ante policy evaluation of green stimulus packages** by screening them to ensure they do not embed more climate risk in the economy.
- 5 Collaborate with finance ministries** to develop comprehensive plans to finance the Nationally Determined Contributions (NDCs) or national climate targets and emission reduction plans under the Paris Climate Agreement as part of a green economic stimulus.

ADDENDUM

Selected Evidence: Green Job Creation

- Hepburn, et al. “Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?” Oxford Review of Economic Policy 36(S1). <https://www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf>
- Garrett-Peltier, Hedi. “Green versus brown: Comparing the employment impacts of energy efficiency, renewable energy, and fossil fuels using an input-output model.” Economic Modelling Volume 61, February 2017, Pages 439-447.
- Renewable Energy and Jobs Annual Review 2019. International Renewable Energy Agency, 2019. https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2019/Jun/IRENA_RE_Jobs_2019-report.pdf

Guidance For Stimulus & Recovery: Global Studies

- Sustainable Recovery: A World Energy Outlook Special Report. International Energy Agency, 2020. <https://www.iea.org/reports/sustainable-recovery>
- Green Stimulus after the 2008 Crisis. International Energy Agency 2020. <https://www.iea.org/articles/green-stimulus-after-the-2008-crisis>
- Greening the Recovery. International Monetary Fund. <https://www.imf.org/~media/Files/Publications/covid19-special-notes/en-special-series-on-covid-19-greening-the-recovery.ashx?la=en>

Guidance For Stimulus & Recovery: Comparative analysis

- Green Stimulus Index. Vivid Economics. <https://www.vivideconomics.com/casestudy/greenness-for-stimulus-index/>
- Energy Policy Tracker. <https://www.energypolicytracker.org/>

National & Thematic Studies: Nature-based Solutions and Climate Adaptation

- “Designing the COVID-19 Recovery for a Safer and More Resilient World.” World Resources Institute, 2020. <https://www.wri.org/news/designing-covid-19-recovery-safer-and-more-resilient-world>
- Edwards, et. Al “Investing in nature: Restoring coastal habitat blue infrastructure and green job creation,” Marine Policy Volume 38, March 2013, Pages 65-71.

National & Thematic Studies: Examples of National Studies

- Securing Australia’s future: Renewable recovery from COVID-19. WWF Australia. <https://www.wwf.org.au/what-we-do/climate/renewables/renewable-export-covid-19-recovery-package#gs.boje1c>
- “Investing in Climate can help France drive its economic recovery.” Institute for Climate Economics, April 2020. <https://www.i4ce.org/download/investing-in-climate-can-help-france-drive-its-economic-recovery/>

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