

The Covid-19 crisis must not undermine the green transition

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It often comes different than one hopes, and sometimes even worse than one fears. The Covid-19 crisis is more and more being used to roll back existing environmental regulations. Brazil is [reducing environmental enforcement](#) for deforestation. Poland may [not continue its green transition](#) for the time being. Donald Trump is [revoking environmental regulation](#) in the car industry and [allows companies to break pollution laws](#) during the crisis. Birmingham is [delaying the launch](#) of its Clean Air Zone. Right-wing think tanks and some companies try to use the crisis and [roll back on the plastic bag ban](#) in the UK. News amount and all it shows is that in many places the green transition is still viewed as a luxury investment instead of a necessity.

What must be remembered is that it took many years to arrive at the level of environmental protection that is currently in place. The first large-scale environmental movements were founded in the 1960s. The Environmental Protection Agency in the USA, and with it the first major Cost-Benefit Analyses, was put in place in 1970. The European Environmental Agency, charged with assessing the state of environmental quality in Europe and, therefore, an important contributor towards understanding the need of environmental policy, was created in 1990. Hence, it took the major developed countries of the world many years to build a level of environmental protection where many harmful pollutants are kept below scientifically safe thresholds.

Whenever a hard-won pollution threshold is weakened, such as in the case of the emission requirements in the USA now, it often takes many years to revert the regulation back to its original, safe level. Throwing years of research-based discussions out of the window simply because one believes that this helps relieving the impact of a crisis on one's industry is [not only foolish](#), but also a [danger to public health](#). Clearly, these environmental regulations were put in place as Cost-Benefit Analyses and Impact Assessments have shown them to be beneficial to one's society. A crisis does not suddenly make these regulations unprofitable. Therefore, it makes, economically-speaking, much more sense to support one's economy with countercyclical stimulus packages than to weaken environmental regulations.

One thing that we have learnt is that society can react quickly and strongly to serious threat. Such a reaction may be needed to minimize economic and social harm but it has also shown how quickly cooperation between countries can break down. For example, in an outrageous move, [the US has just recently simply taken medical supplies](#) meant for Germany or France. We know from the 1918 flu outbreak how

long it took to rebuild trust. Cooperation on climate issues might become harder rather than easier in the future as trust breaks down. This is another important reason for which it is vital to not step away from current national and international environmental agreements and policies.

While we strongly support that the Covid-19 crisis must not be used as an argument to undermine the green transition, the question is as to whether it should be used to (nearly exclusively) push the green agenda. This has recently been [suggested](#) in [many places](#). The countries across the world are preparing unprecedented stimuli packages that account for several percent of the countries' GDP. [Some authors](#) argue that this money should be tied to green objectives or even be used to [usher into a systemic, green change](#).

We are less favourable towards using the money for a systemic change. In particular, as Ingmar Schumacher has argued in a [letter published in the Financial Times](#), in crisis times one must not shock the supply chains through pushing a systemic, green change. Instead, it is first and foremost important to save the economy and only then get on with the green transition. The reason is that if one were to focus the Covid-19 stimulus packages to induce a systemic, green change, then this would lead to large disruptions in established supply chains. How these, mostly international, supply chains are linked is often even unknown to the companies themselves.

Thus, any disruptions to supply chains may lead to ripple effects that may penetrate through whole sectors and countries. As an example, not supporting traditional coal or gas producers may lead to their bankruptcy and thus to a shock to electricity production. Also, while we want to see a transition to a renewable transportation system, there is simply not enough infrastructure yet available for this. Thus, we also must use the stimulus packages to save the fossil industry. If we don't, then this crisis will be much more costly than necessary.

There is, however, a middle road. Professor Thomas Sterner from Gothenburg university, together with Tomas Kåberger, [suggested](#) that the unprecedented spending needed to avoid a recession should not just be spent supporting oil and car companies or airlines but is a unique opportunity to make a bold move when it comes to dealing with the climate crisis. Enormous public spending is necessary to avoid recession and this spending could be dedicated also to investments that have a lasting value since they help us transition to a sustainable future.

Our suggestion, therefore, is to first and foremost use the stimulus packages to support the existing industries and sectors and help those individuals most strongly impacted. Unemployment levels are increasing, and especially have skyrocketed to [unprecedented levels in the US](#). But support can be done in several ways. We suggest that all companies, across all sectors and industries, should receive enough stimulus to keep their supply chains working and the workers employed. This is the only way to minimize the chances of a deep recession which, for some countries, could play out much worse than the 2008 financial crisis.

If governments then still have enough funding left and want to continue to support their economy, then it is possible to direct this money towards the green transition. Green transition companies should then receive subsidies and support so that they can increase their market shares. As [a recent ILO analysis](#) shows, the job creation in the green industry can offset any potential job loss in the traditional industries. Furthermore, countries that invested in green infrastructure and industry have obtained a [competitive edge](#) over others. One suggestion, then, would be to use the stimulus to expand the network of electricity charging stations. Another is to support households' infrastructure for solar and geothermic energy. While this strategy keeps the workers employed across all industries, it also boosts national production while fostering the green transition.

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