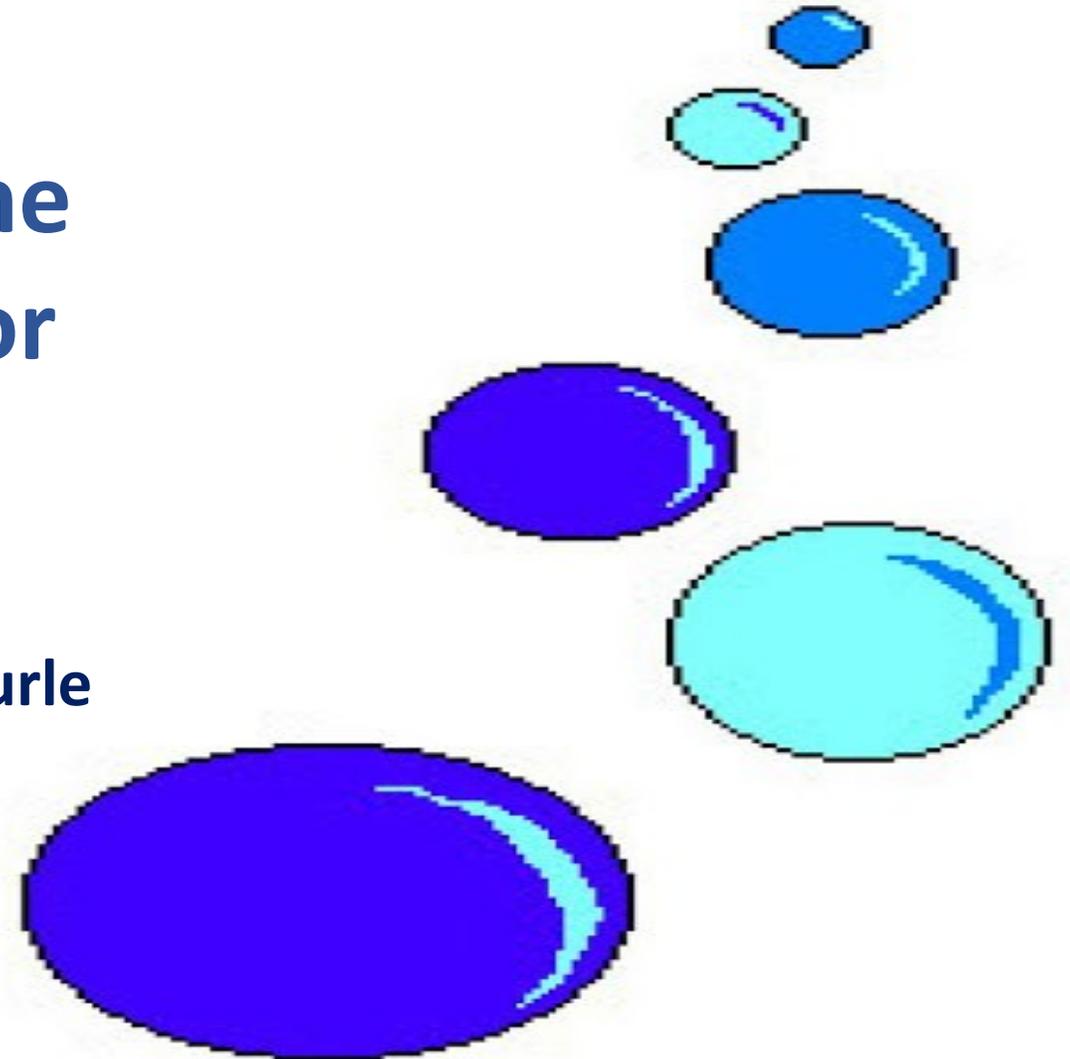


The Covid-19 crisis and the road to recovery: green or brown?

Miria Pigato, Rayan Rafaty and Jonas Kurle

November 16, 2021



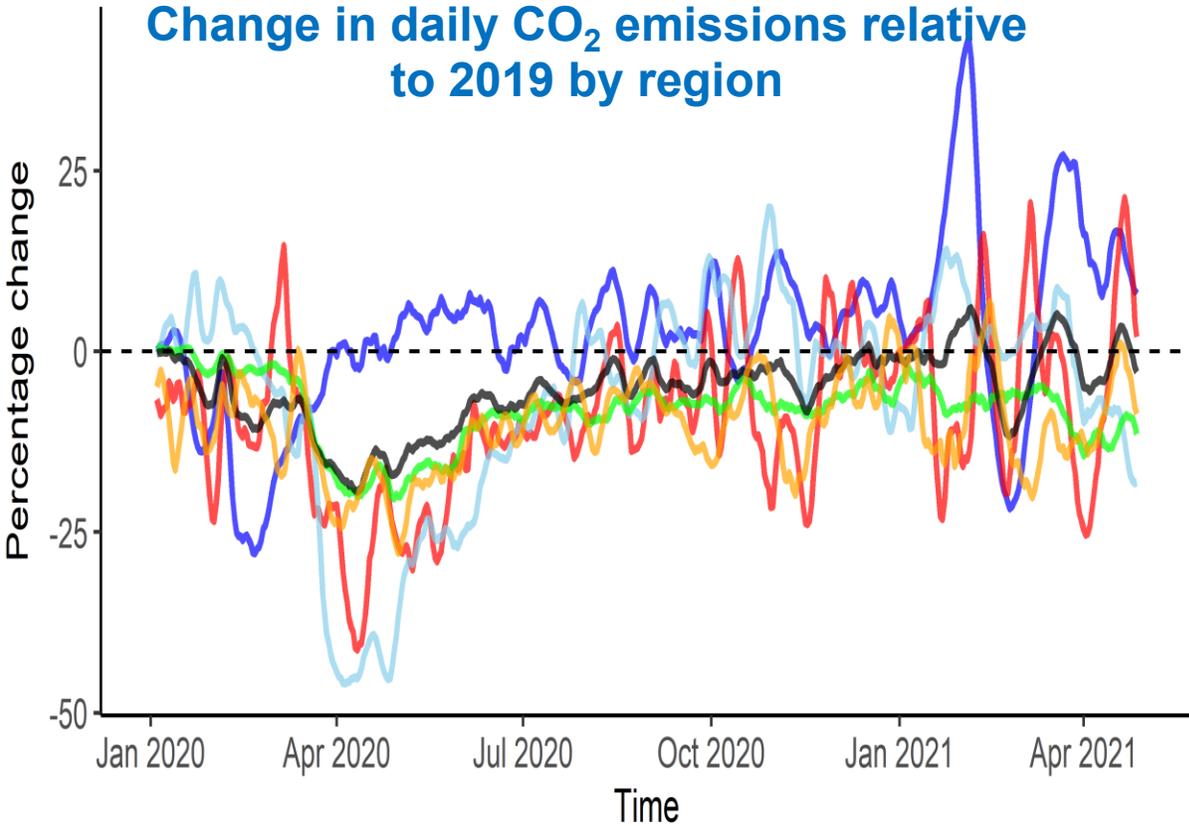
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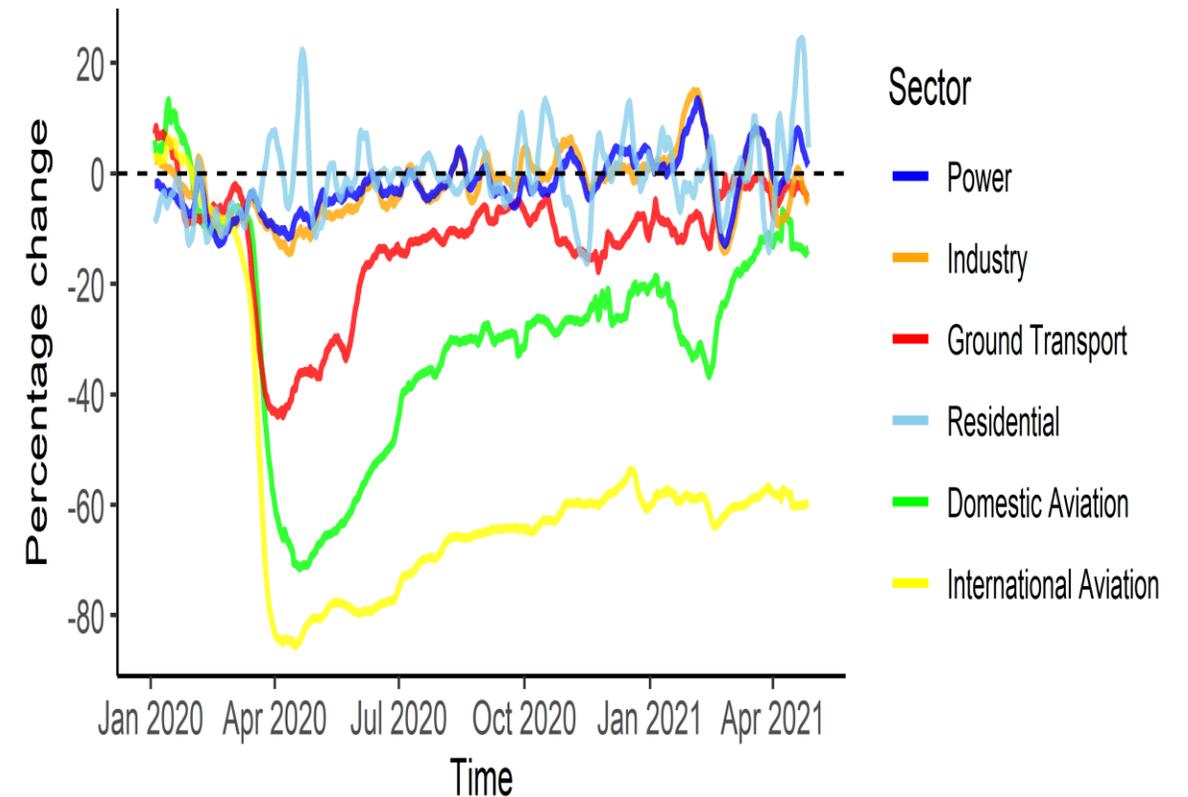
- Provides an **analysis of the climate impact of the fiscal stimulus** announced by 85 high-income and emerging and developing economies (EMDEs) from March 2020 to May 2021 to recover from the COVID-19 crisis.
 - The analysis is based on data from the Global Recovery Observatory (GRO), an initiative launched in 2021 by a team of researchers at Oxford University's Smith School of Enterprise and the Environment.
- It provides some insights on the implications of the fiscal stimulus for the energy transition.

CO2 emissions dropped -temporarily - but they are back

Change in daily CO₂ emissions relative to 2019 by region



Change in daily CO₂ emissions relative to 2019 by sector



A massive fiscal stimulus, mostly in high income countries

Global stimulus spending from March 2020 to May 2021: US\$19.8 trillion

- 78% in 24 high-income countries
- 22% in 61 EMDEs

Rescue spending: 85%

Recovery spending: 15%

Average Spending Patterns Across High Income and Emerging and Developing Economies (EMDEs)

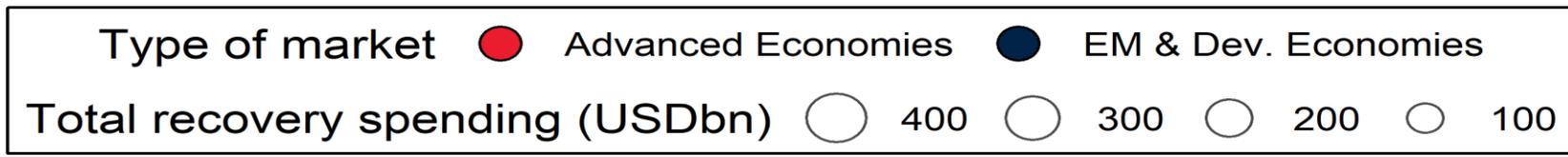
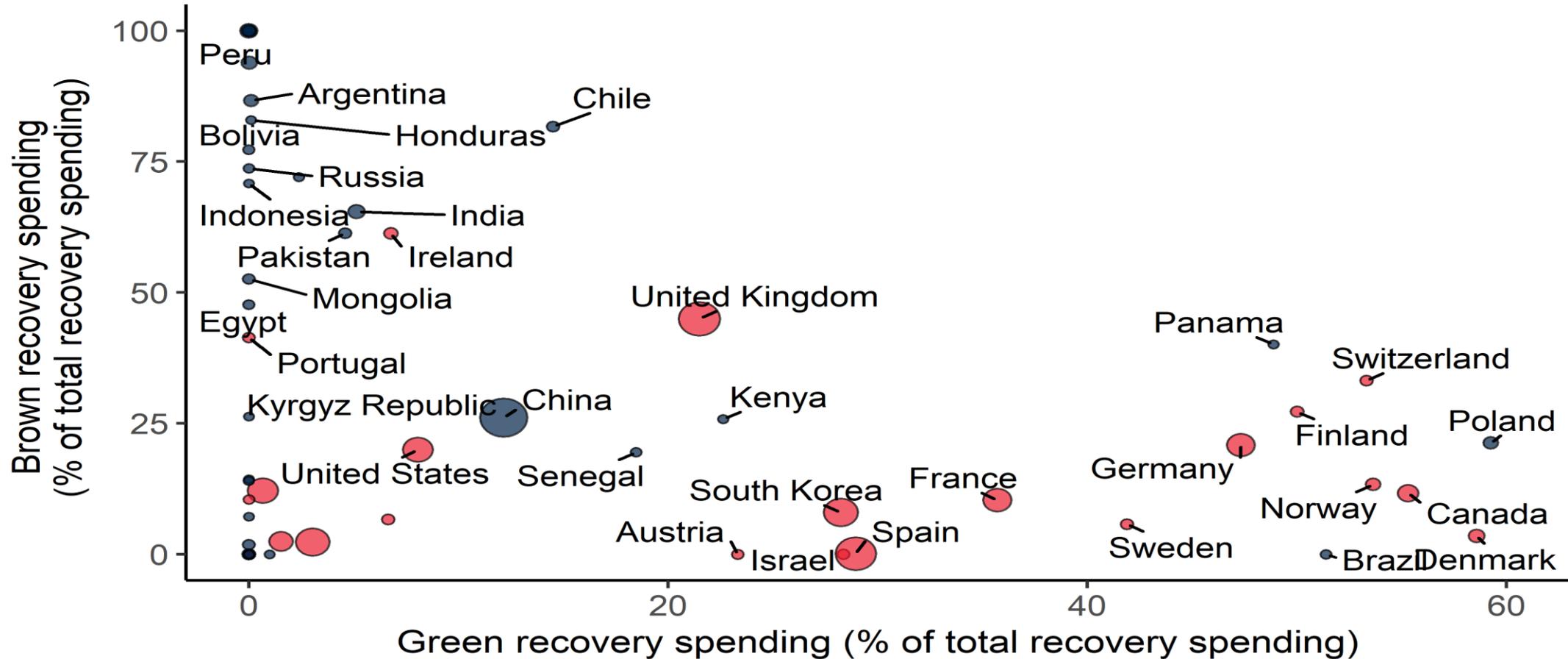
	Rescue Spending			Recovery Spending	
	Temporary Liquidity Measures (%)	Temporary Life and Livelihood Measures (%)	Temporary Tax and Payment Relief Measures (%)	Investment Measures (%)	Incentive Measures (%)
Advanced	65.35	25.37	9.28	81.06	18.94
EMDEs	44.63	46.25	9.12	76.96	23.04

The colors of spending: mostly light-brown, followed by neutral, brown and green

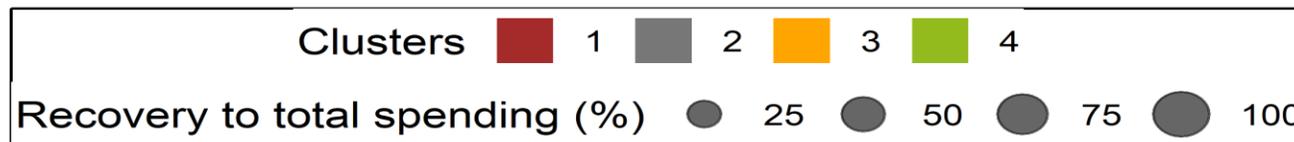
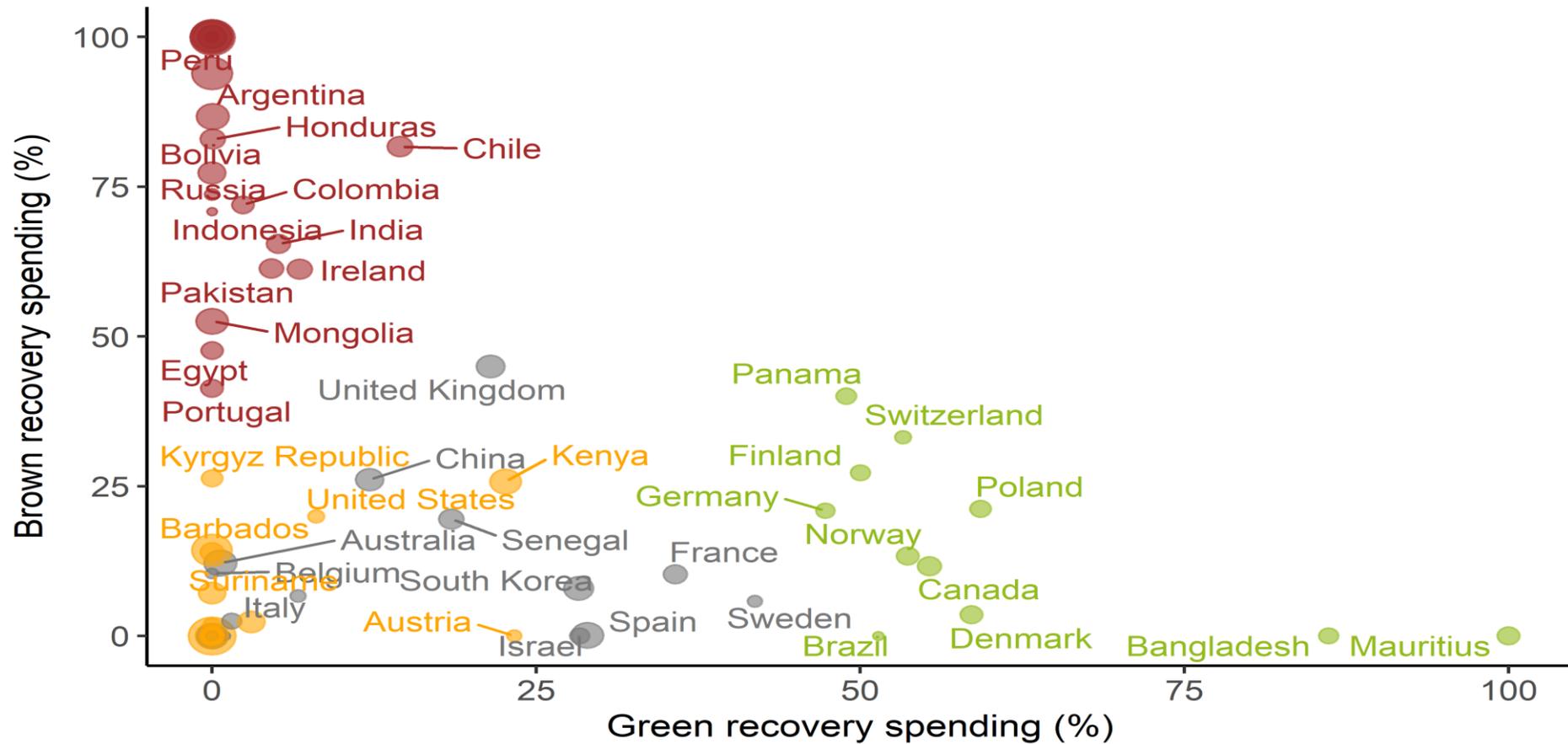
	Green		Brown		Legacy/Light brown		Neutral		Total
	Value (USD)	Percent of total	Value (USD)	Percent of total	Value (USD)	Percent of total	Value (USD)	Percent of total	Value (USD)
Total spending:	429	3.07	615	4.39	10,942	78.20	2,006	14.34	13,992
Rescue Spending:	32	0.27	201	1.68	10,672	89.41	1,031	8.64	11,936
Recovery Spending:	397	19.30	414	20.14	269	13.12	975	47.43	2,056

Note: aggregate spending amounts in billion US\$. Amounts exclude EU and EIB. Source: Staff calculations based on Global Recovery Observatory data (O'Callaghan et al., 2020).

Countries invest in both green and brown activities



Identifying four different clusters



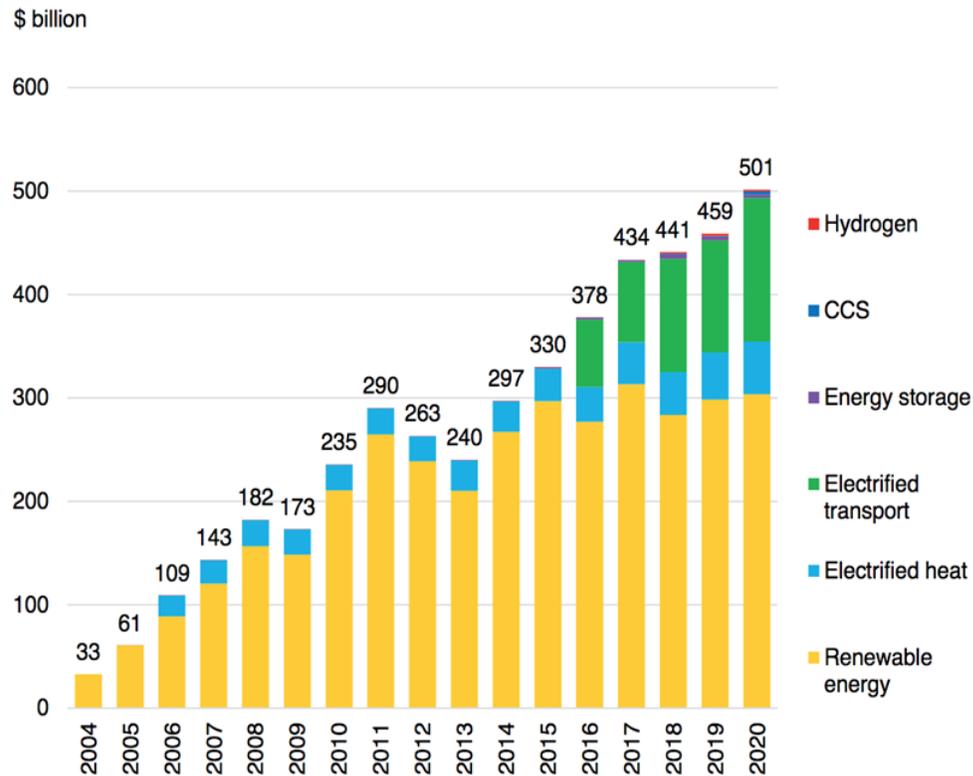
Countries with good health outcomes, equitable distribution of resources and less corruption are the least likely to invest in brown activities

Many countries have adopted similar green or brown spending strategies.
What can explain the similarity of countries' spending patterns?

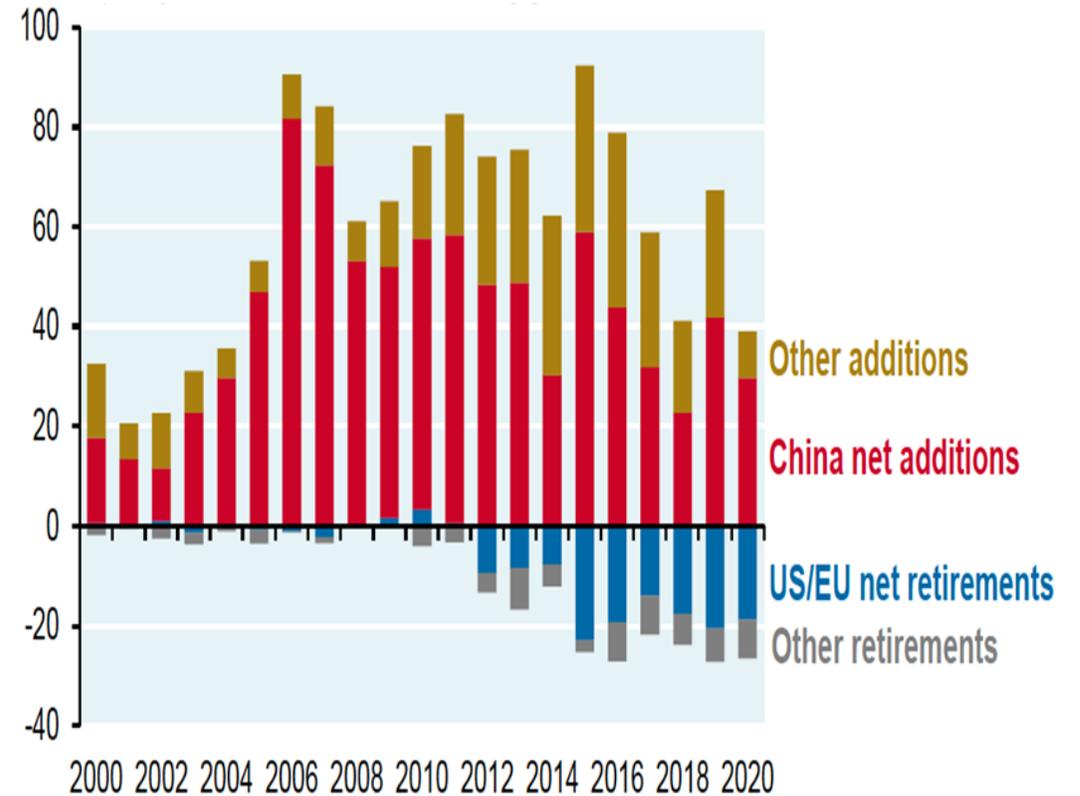
- Countries with relatively **good health outcomes, equitable distribution of resources** and **less corruption** are the least likely to belong to the “brown” recovery spending group, and more likely to belong to the clusters with a mix of other types of spending.
 - Greater equity in health system have been associated to more egalitarian values: in turn, these have been associated with greater concern for environmental and climate issues.
 - Higher levels of political corruption have been found to be strongly associated with lower stringency of climate policies.

Investment in clean energy increased but retiring coal remains elusive

Global low-carbon energy investment by sector



Coal capacity additions and retirements (gigawatts) in China and the rest of the world.



Covid-19: a missed opportunity to build back better

- **National responses to the COVID-19 crisis are expected to have a *negligible or even adverse* climate impact.**
 - The size of the stimulus has been extraordinary, but only in advanced countries
 - Spending in response to the Covid-19 crisis has been mostly light brown and brown.
- **The COVID-19 response has deepened existing energy trends**
 - Some countries – mostly in Europe – are accelerating the energy transition, but most have continued to invest in fossil fuel industries.
- **A missed opportunity or a lack of alternatives, given the path dependency of economic systems?**
 - Can a crisis achieve anything more than incremental change?



Thank you!