

Efforts to counteract the COVID-19 pandemic create an opportunity to tilt to green the large-scale recovery spending being pledged, making it a key accelerator towards a low-carbon economy, according to the latest report by the European Bank for Reconstruction and Development (EBRD).

But developing these green benefits will require governments to take careful policy action, and the Governments seeking to protect their citizens medically and economically in the short term should also look to the long term and protect the environment. Despite calls from some countries in eastern Europe to ignore climate concerns and pour stimulus money into existing high-carbon businesses, the report urges governments not to be seduced into supporting fossil fuels.

Experience during and after the 2008-9 financial crisis suggests that, in the crisis of more than a decade ago, global greenhouse gas emissions initially dropped as they have in recent weeks, as normal economic activity stalled. But they quickly rebounded in 2010 and have been rising steadily since, partly because the chance was missed to use the vast amounts of public money to set the world on a green path.

Failing to set the world on a greener path this time would be a lost opportunity, says the report, urging governments to work together to address the climate emergency more effectively. While the latest data show that companies in countries where the EBRD works are unlikely to change spontaneously the way they work and are not yet very climate change aware, they do become more aware and try to improve their green credentials if they face customer or Government pressure.

In return for public money, companies should commit to reduce their environmental footprint. More broadly, Governments should put climate action and resilience at the core of economic stimulus packages and prioritize support towards green companies. This will ensure that public spending helps address both the current economic crisis and the ongoing climate crisis.

The green recommendation was part of a broader examination of the economies where the EBRD works. The report's main thrust was that the coronavirus pandemic would lead to a significant contraction in output across the EBRD's emerging economies. A swift recovery, while not guaranteed, is possible.