COVID-19 recovery packages and progress on climate change

Keynote address | 16th of November 2021

Fourth ILO Employment Policy Research Symposium

brian.ocallaghan@smithschool.ox.ac.uk
@brian_ocall

$17,200,000,000,000

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

Agenda

1 **Global recovery stock take**

    a) Is green stimulus stimulatory?

    b) How much green have we seen?

    c) Who are the leaders and laggards?

2 **Priorities for future employment policy research**

3 **Questions**

brian.ocallaghan@smithschool.ox.ac.uk

https://twitter.com/Brian_OCall

Agenda

1   Global recovery stock take

    a)   Is green stimulus stimulatory?

    b)   How much green have we seen?

    c)   Who are the leaders and laggards?

2   Priorities for future employment policy research

3   Questions

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

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

Hepburn, C., O'Callaghan, B., Stern, N., Stiglitz, J., & Zenghelis, D. (2020). Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?. *Oxford Review of Economic Policy*, 36.

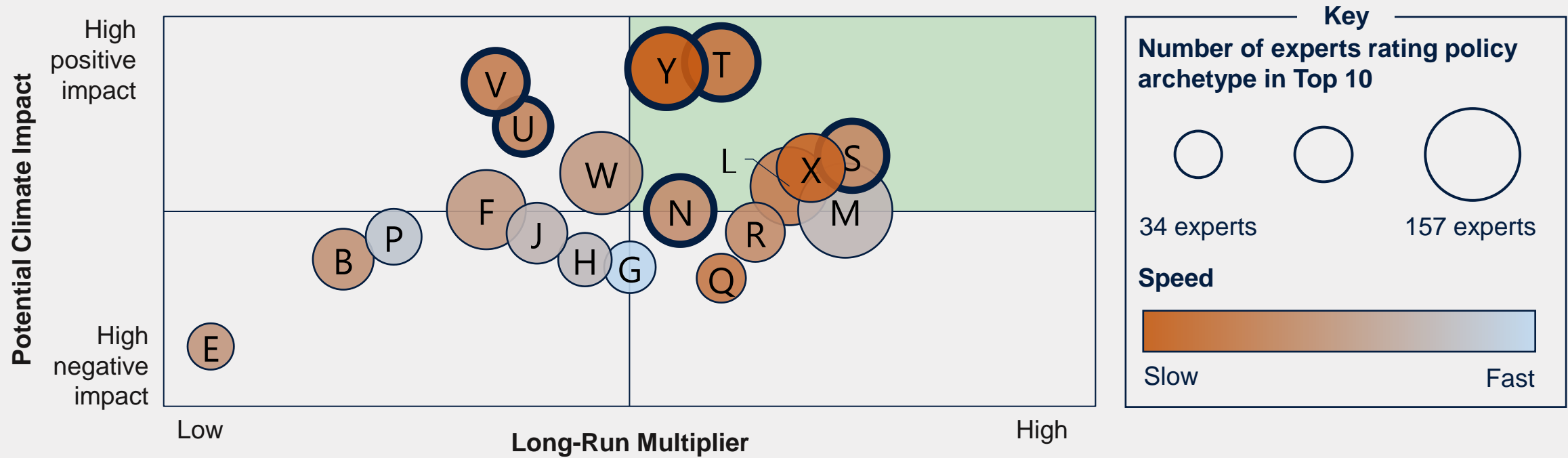Reviewed **+400 stimulus policies** from 2009 Global Financial Crisis

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

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

brian.ocallaghan@smithschool.ox.ac.uk

Global survey identifies a subset of policies that perform well on both economic & climate metrics

Key

Number of experts rating policy archetype in Top 10

34 experts | 157 experts

Speed

Slow | Fast

Potential Climate Impact

High positive impact

High negative impact

Low — Long-Run Multiplier — High

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		

Several other studies have investigated the job and fiscal multiplier impacts of green spending

## Green fiscal multipliers are high, particularly in a recession

- Batini et al. (2021) using vector-autoregressive models

- Pollitt (2011), Spencer et al. (2012) using macroeconometric models

- Hasna's 2021 JMP on green multipliers at the US DoE

Green job multipliers are high with positive spillovers

- Ex-ante COVID modelling (e.g., IEA 2020; Lewney et al. 2021; O'Callaghan et al. 2021; Vivid Economics 2021)

- Ex-post GFC modelling (e.g., Aldy 2013; CEA 2016; Steinberg et al. 2015)

Modelling excerpt

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall
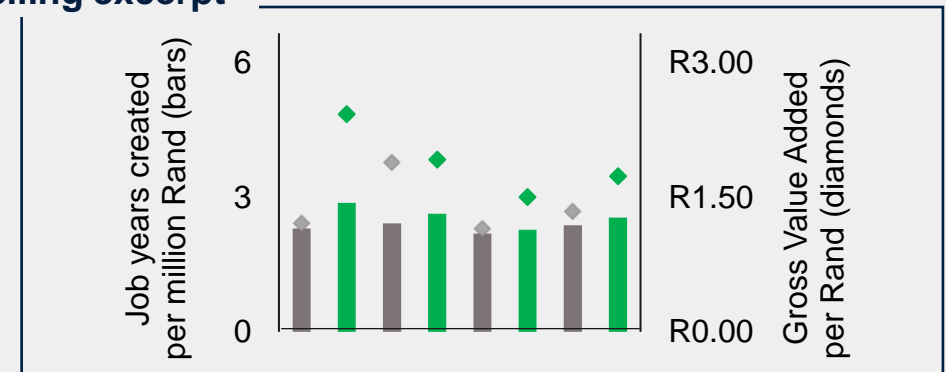
Three tenets to an environmentally-sustainable recovery (in two places)

Maximise support of green-specific initiatives

Eliminate all dirty support

Bring green incentives into 'neutral' spending

Both at home and abroad

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

Agenda

1   **Global recovery stock take**

    a)   Is green stimulus stimulatory?

    b)   How much green have we seen?

    c)   Who are the leaders and laggards?

2   **Priorities for future employment policy research**

3   **Questions**

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

What makes up the $17.2tn?

Rescue spending — $14.4tn

Recovery spending — ~$2.8tn
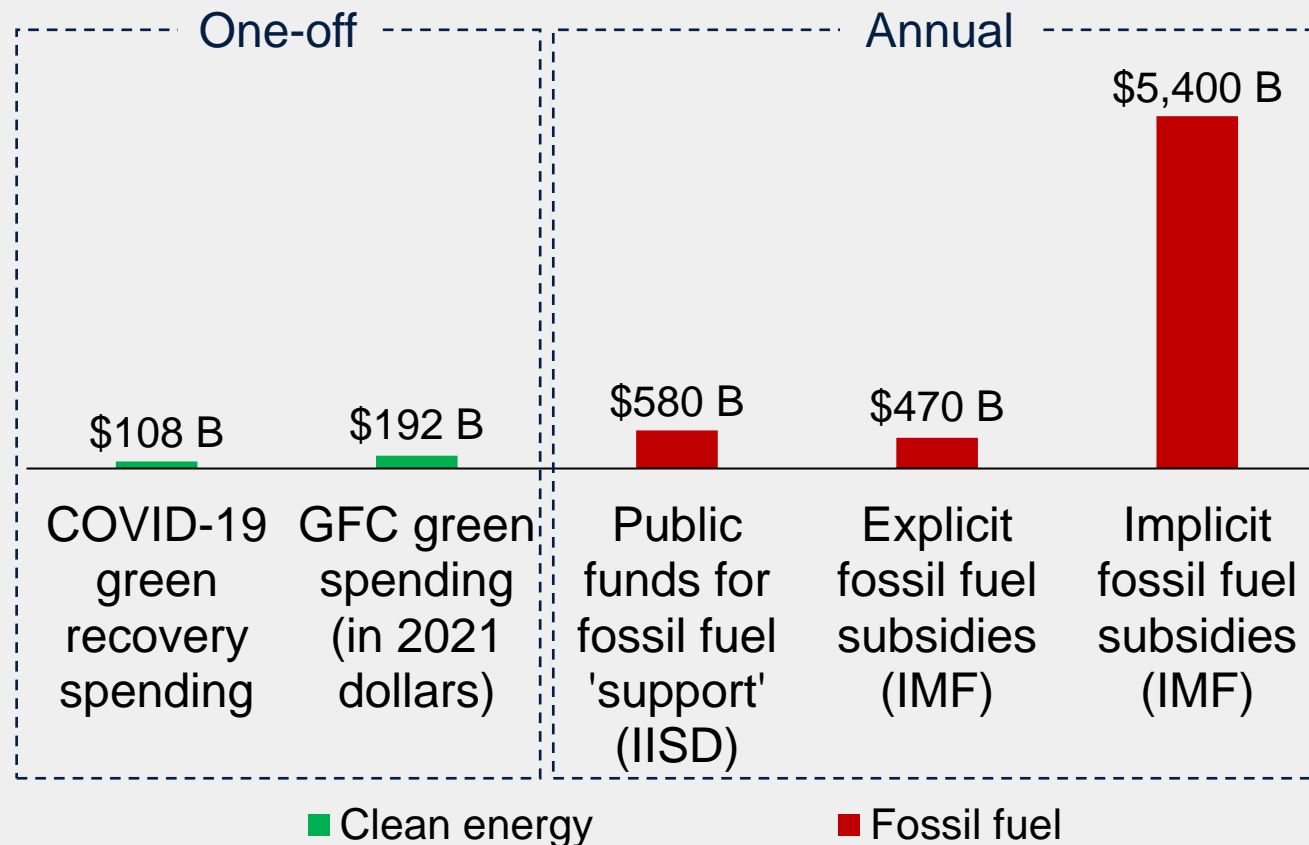
Total green recovery spending — ~$700bn

Note: The "rescue spending" bar includes unclear spending. All figures exclude currently unclear funds from the European Commission. Including these funds, total spending approaches $20.5tn. Figures to be finalised with processing of US infrastructure bill.

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

Green energy in context: awfully lacking

Energy spending in 2020/21 & 2008/09

One-off | Annual

$5,400 B — Implicit fossil fuel subsidies (IMF)

$580 B — Public funds for fossil fuel 'support' (IISD)

$470 B — Explicit fossil fuel subsidies (IMF)

$108 B — COVID-19 green recovery spending

$192 B — GFC green spending (in 2021 dollars)

■ Clean energy ■ Fossil fuel
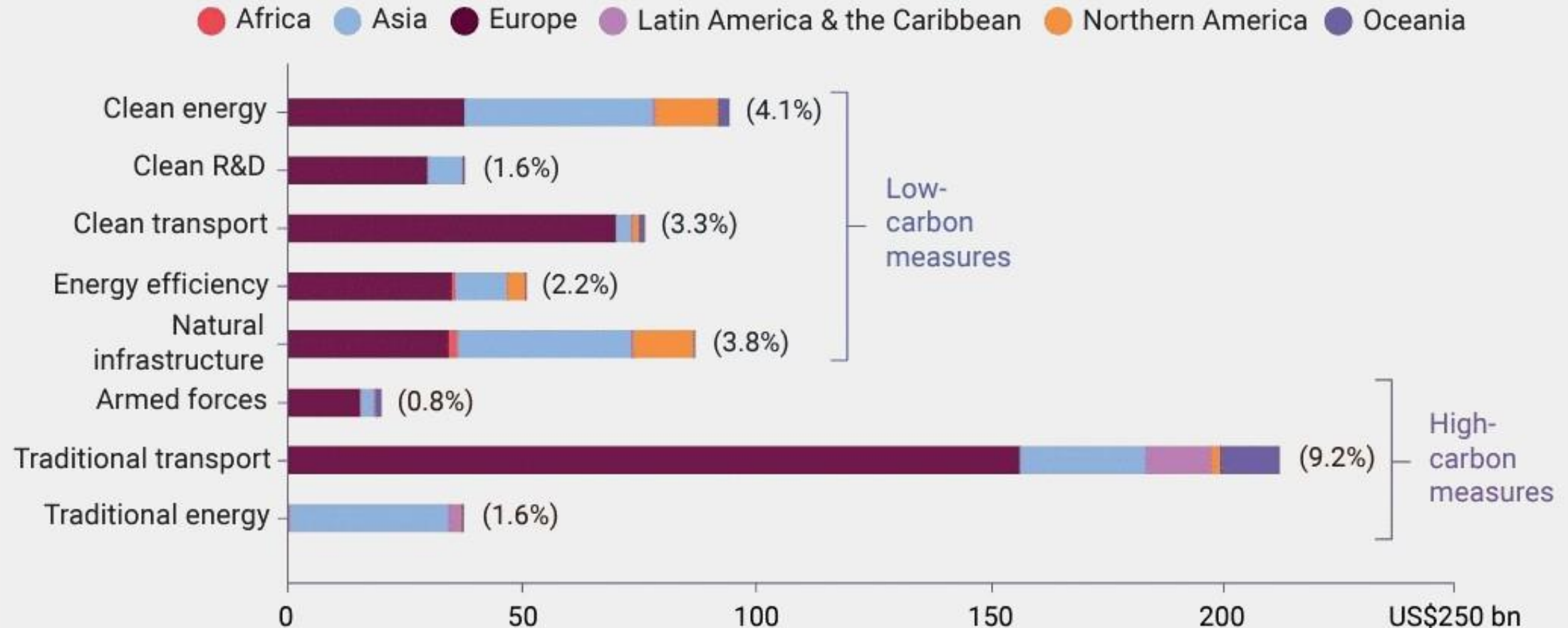
1 Fossil fuel subsidies are enormous

2 Pledges to "Build Back Better" have mostly been media stunts

Note: COVID-19 spending & GFC spending are additive. IISD figure is an alternative measure for IMF explicit subsidy figure. IMF implicit subsidy figure is additive to the explicit subsidy figure.

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

Across sectors, high-carbon measures are more prominent than low-carbon

● Africa   ● Asia   ● Europe   ● Latin America & the Caribbean   ● Northern America   ● Oceania

Clean energy — (4.1%)
Clean R&D — (1.6%)
Clean transport — (3.3%)
Energy efficiency — (2.2%)
Natural infrastructure — (3.8%)

Low-carbon measures

Armed forces — (0.8%)
Traditional transport — (9.2%)
Traditional energy — (1.6%)

High-carbon measures

0   50   100   150   200   US$250 bn

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

Green spending opportunities are … everywhere

Spending by green archetype in 2020

0%   100%

Advanced Economies in Observatory (24 countries)
Total = USD317bn

Emerging Market and Developing Economies in Observatory (26 countries)
Total = USD51bn
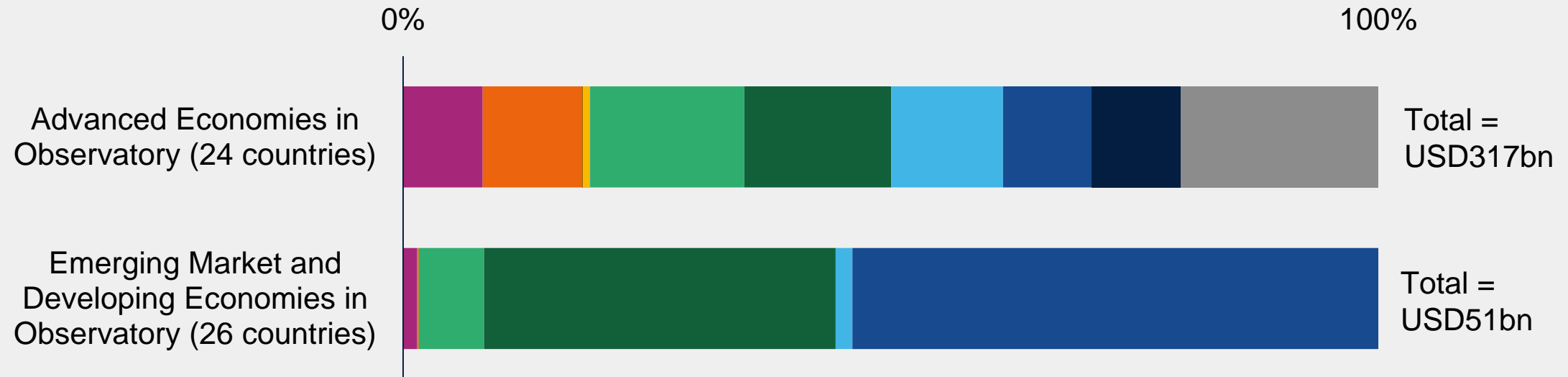
- B: Conditional liquidity support
- U: Electronic appliance & efficiency incentives
- δ: Clean transport infrastructure
- λ: Buildings upgrades & new green housing
- ψ: Clean research and development

- T: Electric vehicle incentives
- X: Green worker retraining and job creation
- η: Clean energy infrastructure investment
- μ: Natural infrastructure and green spaces
- V: Unspecified and green market creation

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

Agenda

1   Global recovery stock take

    a)   Is green stimulus stimulatory?

    b)   How much green have we seen?
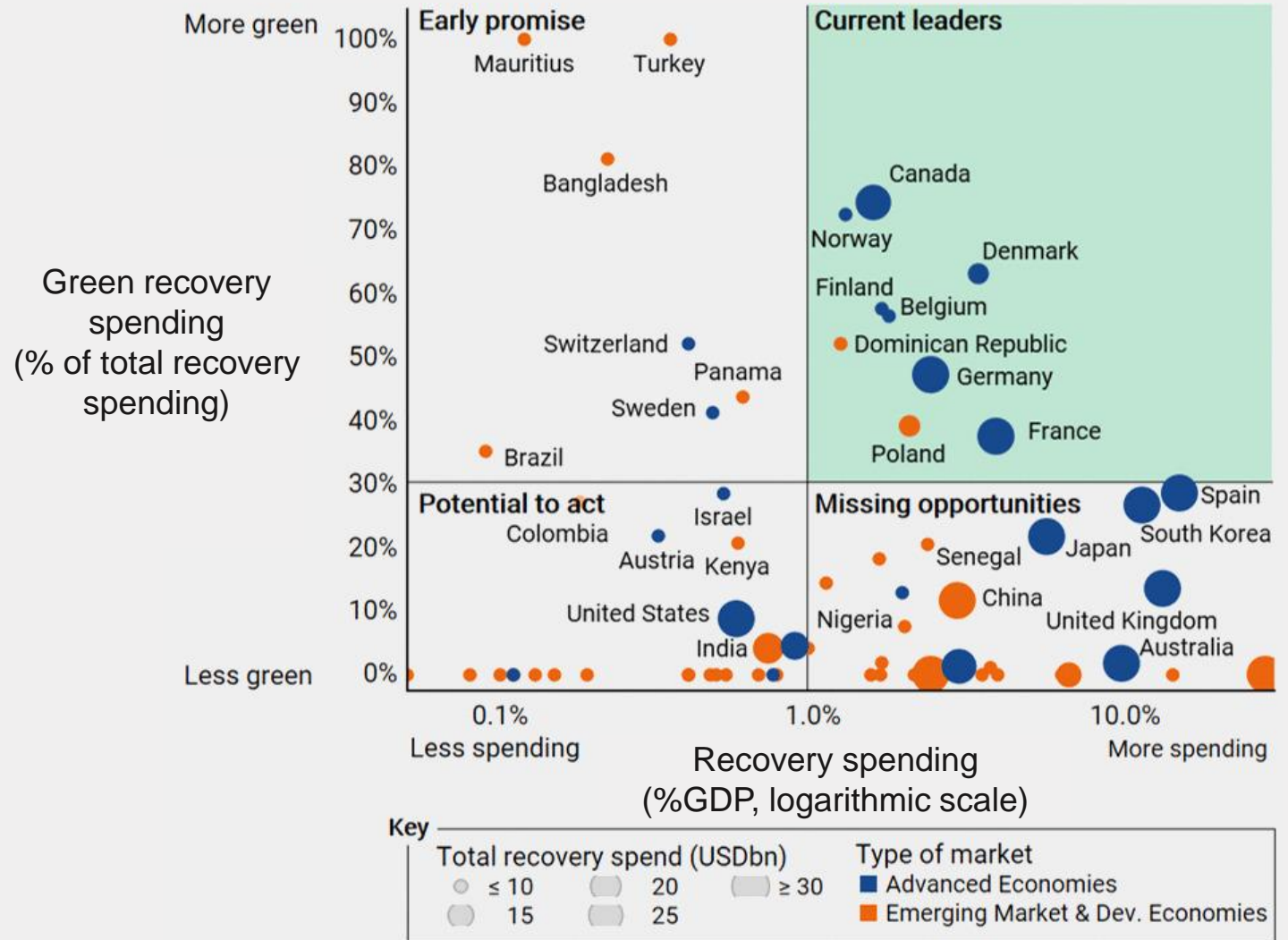
    c)   Who are the leaders and laggards?

2   Priorities for future employment policy research

3   Questions

brian.ocallaghan@smithschool.ox.ac.uk

https://twitter.com/Brian_OCall

Many nations are missing big opportunities for green recovery

https://recovery.smithschool.ox.ac.uk/
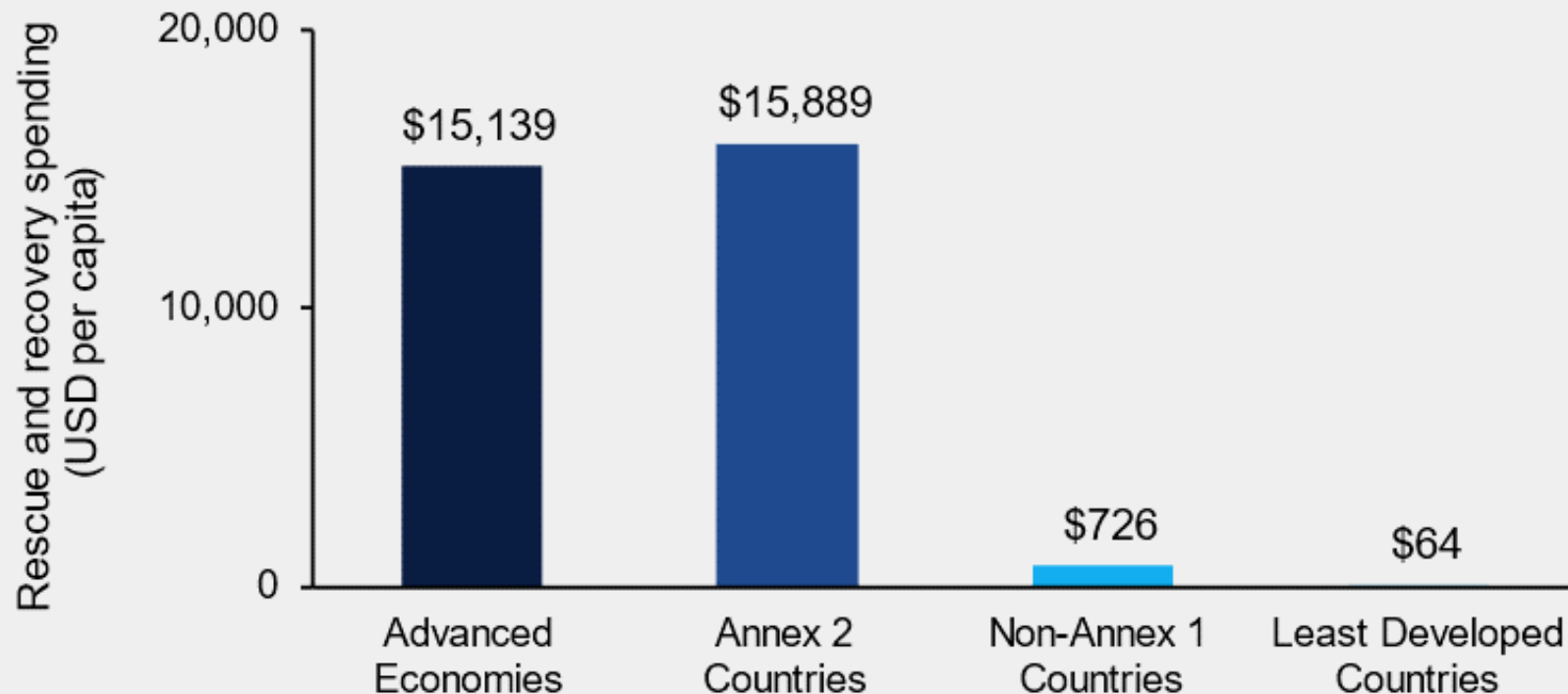
brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

Inadequate support of developing economies

Generous support needed to avoid lost progress + higher poverty, and make climate progress

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

We need to significantly increase support of vulnerable nations

Providing affordable finance

- Debt forgiveness

- Direct grants

- Concessional finance

- Guaranteeing debt

- Redistributing multilateral finance

- Staged exemptions from Carbon Border Adjustment Mechanisms

Addressing information + capacity gaps

- Understanding the environmental implications of fiscal policy decisions

- Knowing the economic strengths of environmental investment

- Long-term partnerships

- Overflow from COVID recovery to 'peacetime'

GPFF[1]

1. Green Policy Fiscal Framework initiative ongoing with pilot study in Gabon.

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

Agenda

1 **Global recovery stock take**

    a) Is green stimulus stimulatory?

    b) How much green have we seen?

    c) Who are the leaders and laggards?

2 **Priorities for future employment policy research**

3 **Questions**

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

There is still time to influence recovery investments – it's more important than ever

Influence **announced** recovery spending

Influence **future** recovery spending

Influence the next stage of COVID response – **policy 'reinforcement'**

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

We have work to do in every box of the Just Transition Matrix

Policy type		Policy action	
		Direct/explicit	Supplementary
Skills programs (training/reskilling/upskilling)			
Job creation programs			
Job-finding services			
Social support programs	For workers		
	For the community		
Support for businesses to create JT plans	Green businesses		
	Fossil businesses		
Community engagement			

brian.ocallaghan@smithschool.ox.ac.uk

Agenda

1 Global recovery stock take

    a)   Is green stimulus stimulatory?

    b)   How much green have we seen?

    c)   Who are the leaders and laggards?

2 Priorities for future employment policy research

3 Questions

brian.ocallaghan@smithschool.ox.ac.uk
https://twitter.com/Brian_OCall

See more at
https://recovery.smithschool.ox.ac.uk/

Contact
brian.ocallaghan@smithschool.ox.ac.uk

Appendix: Global Recovery Observatory

What is the Observatory?

- **Brings transparency to govt spending**, pressures more responsible env. action, & gives practical policy examples from around the world

- Tracking fiscal spending in **89 countries**

- **>7,000 policies** recorded & assessed using our original green fiscal policy taxonomy

  o   40 policy archetypes & 150 sub-archetypes (see appendix)

  o   Assessed for short- and long-term GHG, air pollution, natural capital, social inequality, rural livelihoods, quality of life, and economic impact

Indicative Observatory output

© 2021 Mapbox © OpenStreetMap

Net GHG Score

-0.19   0.15

Total Spending as % of GDP

0%   40%   76%
20%   60%