

# Will Covid-19 prove a pivotal moment for climate change?

Policymakers should use the current crisis to inject similar urgency into climate policy and accelerate the transition to a low-carbon economy.



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- For years, we have highlighted the drastic change in action that will be required to reconfigure the global economy into a low carbon mould.
- The devastating impact of Covid-19 has driven social and political change on that scale, in weeks not decades, galvanised by the urgency and clarity of the challenge.
- While the immediacy of the current crisis is rightly drawing policymakers' energy, climate change potentially poses a bigger threat.
- Governments should use the current crisis to set a new direction in climate policy and a new leadership ambition.

## Climate change could be a bigger threat than this crisis

The ultimate death toll from the Covid-19 pandemic looks certain to reach the hundreds of thousands. As devastating as that is, the effects of climate change on health and mortality are potentially more drastic.

The World Health Organisation has estimated that, between 2030 and 2050, unabated global warming will cause an additional 250,000 deaths annually from heat stress, malnutrition, malaria and diarrhoea. The economic impacts of climate change will be similarly severe in the long term.

The climate challenge has not generated a response that registers on the same scale as the recent response to Covid-19. Major global economies have announced stimulus packages totalling more than \$4 trillion. That scale of fiscal intervention is about twice as large as the combined firepower those countries mustered in response to the global financial crisis.

In this context, it also represents more than ten times the annual global spending on efforts to mitigate climate change by the world's governments.

## Political leadership has driven behavioural change

The threat posed by the virus has underlined the importance of strong political leadership. After the UK lockdown



was announced, more than 90% of Britons expressed support for the measures, despite showing limited inclination to do so voluntarily beforehand. Presented with a clear and identifiable threat, and firm political leadership, societies have responded quickly.

From a purely climate perspective, there have been benefits from this behavioural change. China's carbon emissions dropped by around a quarter over a four-week period in February. Industry and transport that create more than one third of global greenhouse gas emissions have virtually ground to a halt. It looks likely that 2020 will mark the fourth year in three decades in which global emissions fall, and it will quite possibly be the largest reduction ever seen.

However, these effects are likely to prove temporary. Industry and transport will ramp up again and global carbon emissions will rebound. We've been here before; the Global Carbon Project reports that during the 2008-09 financial crisis emissions dropped by 1.4% only to bounce back by almost 6% in 2010 as injections of fiscal support across major economies kick-started economic activity.

Some of the behaviour changes the virus has enforced are likely to stick. We recently highlighted the prospect of a sustained shift to videoconferencing and remote working. Less business-related travel will contribute towards reduced emissions. However, while changes like these are important, they are a fraction of the effort that will be needed.

## A long way off climate goals

Progress towards the environmental commitments global leaders made in Paris in 2015 - to limit global warming to well below 2 degrees relative to pre-industrial levels - has been slow and stuttering.

The Schroders Climate Progress Dashboard provides an objective measure of the speed and scale of climate action. At this point, it reflects few of the potential changes we have outlined above. The headline temperature rise im-

plied by the dozen drivers examined points to a long run temperature rise of 3.9 degrees over pre-industrial levels, unchanged from last quarter's reading.

Two major changes offset each other in the first quarter of 2020:

- Average global carbon prices plummeted, touching €15/ton, and stand at a level consistent with global temperatures rising just over four degrees, we estimate.
- A sharp contraction in the level of fossil fuel capital investment late in 2019 and early in 2020 left the industry on track for production growth consistent with long run rises around 3.6 degrees.

## Governments need to act now

The ingredients for action are in place. Public concern over climate change is comparable with coronavirus fears. A UK survey in mid-March showed significantly more respondents were worried about the impact of climate change than of coronavirus on humanity. In the US, surveys in recent years have consistently shown as much or more concern over climate change than for pandemic outbreaks.

The choices political leaders make in the next few months will be important. They have an opportunity to use the window presented by the current crisis to inject similar urgency into climate policy and accelerate the transition to a low-carbon economy. They could start by aligning stimulus measures with climate goals.

However, there's a risk that the spending governments have planned will make future investments in climate solutions more difficult. Public balance sheets becoming more stretched could add to the delays that have frustrated progress so far. We will be watching developments closely and lending our support where we can.

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