Green economy and the post-coronavirus recovery: A sustainable approach

Salahudin Sandhu

Bissett School of Business, Mount Royal University, Calgary, Canada.

***Corresponding Author email:** sudin@mtroyal.ca

Submission: 08 February 2021

Revised: 22 March 2021

Accepted: 12 April 2021

ABSTRACT

The COVID-19 has evolved from a widespread public health crisis to a major economic shock. It has posed long-lasting social, business, and environmental repercussions for us. Various governments are working to put in place the enormous size of stimulus packages and recovery plans to create income opportunities and economic growth. It is very important to evaluate the environmental impacts of stimulus packages and recovery plans for sustainable economic growth and build a resilient society. It will not drastically increase the cost of recovery but can provide a safer and sound future for us.

Keywords: *COVID-19, Environmental Repercussions, Stimulus Packages, Recovery Plans*

JEL Classification: Q00, Q01, F43

1. INTRODUCTION

The full extent of the COVID-19 pandemic is still unfolding and has evolved from a key public health crisis to a major economic and jobs crisis. The economic impact is enormous, as we are facing the most severe economic and social disruption in nearly a century, with long-lasting repercussions for people, businesses, and governments (OECD, 2020). The pandemic is equally tangled with global environmental issues such as biodiversity loss, waste management, climate change, air, and water pollution. It changed the dynamics of environmental issues and the implications of its environmental outcomes further complicated the health crisis and social well-being of the society.

A number of short-term environmental consequences of COVID-19 are discovered by several researchers. Global CO₂ emissions declined by 8% in 2020 which is the lowest in the last ten years. This is a short-term impact that is expected to be reversed once the post-pandemic activities start unless some structural changes are made to keep the emissions below the pre-pandemic levels (IEA, 2020; WMO, 2020). The level of air pollutions also declined due to curtailed industrial activities, air travel, and ground transport however it has increased gradually in recent months. Several studies reported a link between air pollution and mortality from COVID-19, a small increase in particulate matter is associated with an increase in the COVID-19 death rate of 8-16% depending on the region. Moreover, the increased air pollution deteriorates human health which makes them vulnerable to the more adverse impact of the diseases (Cole, Ozgen, & Strobl, 2020; Comunian, Dongo, Milani, & Palestini, 2020). Similar challenges are posed by the water quality and biodiversity loss for human health and social well-being. The challenge of waste management has further

exacerbated as a result of the pandemic due to an increase in medical waste, single-use plastics, and food waste (OECD, 2020). All these consequences are learnings for us to build a more resilient society for a safer and sound future.

The approval of a few vaccines gives hope to see the light at end of the tunnel and most of the governments are putting in place the biggest size of economic stimulus packages and recovery plans in history. The common objectives of proposed recovery plans are to create income opportunities, jobs, and economic growth (OECD, 2020). The huge amount of stimulus packages for various sectors are expected to accelerate economic activities which may significantly damage the environment if the environmental impacts of the recovery plans are not evaluated (Popov, 2020). This global health crisis has forced us to pursue recovery on a scale that will transform our economy and society, with lasting impacts on our ability to confront future pandemics and crises. This is an opportunity to align the post-pandemic reconstruction efforts with the challenge of meeting the climate goals and this will only happen if it happens deliberately. A few countries that spent a significant amount of the post-GFC (Global Financial Crisis 2008) on the green initiatives are ahead of many developed economies in low-carbon technology (Edwards, Sutton-Grier, & Coyle, 2013; Houser, Mohan, & Heilmayr, 2009). Therefore, it is important to attach some “green strings” with all bailouts, stimulus, and recovery spending to ensure that they are sync in with the climate and social well-being goals to build a more resilient and sustainable future economy. These green strings may include the incentives for the use and development of low-carbon technologies, workers-focused recovery, creation of sustainable infrastructure, increase in social equity, and strengthen the environmental and climate policy frameworks (Corkal, Gass, & Cosbey, 2020).

There is a common perception that low-carbon policies are more expensive which is not true anymore. First, now the cost of clean technology has dropped drastically, in many cases below that of conventional technology and more sustainable. A recent study reported that around USD 6.3 trillion of annual investment in infrastructure is needed until 2030 to sustain global economic growth. A 10% increase in this budget is required to align it with the climate and social goals which can provide more sustainable infrastructure and job opportunities (OECD, 2017). Second, the world's major development and investment institutions are more focused on climate goals than in 2008. Much of the financial and technical support they offer externally will be informed by those goals which may make it difficult or expensive for many developed and developing countries to raise capital and acquire technical support for non-climate aligned recovery plans. Third, the carbon tax is on the horizon of many developed economies and a carbon border mechanism is expected to be in action by 2030 (Popov, 2020). Under this mechanism, an import tax will be charged on the imported goods as per their carbon footprints as a result the products produced without low-carbon technology may become incompatible in the global market. Therefore, it is suggested that the climate-friendly recovery plans not only be compatible with post-coronavirus stimulus but will help in stronger recovery and long-term sustainable growth.

Reference:

- Cole, M. A., Ozgen, C., & Strobl, E. (2020). Air pollution exposure and Covid-19 in Dutch municipalities. *Environmental and Resource Economics*, 76(4), 581-610.
- Comunian, S., Dongo, D., Milani, C., & Palestini, P. (2020). Air pollution and Covid-19: the role of particulate matter in the spread and increase of Covid-19's morbidity and mortality. *International Journal of Environmental Research and Public Health*, 17(12), 4487.
- Corkal, V., Gass, P., & Cosbey, A. (2020). *Green Strings*. Canada: IISD.
- Edwards, P., Sutton-Grier, A., & Coyle, G. (2013). Investing in nature: restoring coastal habitat blue infrastructure and green job creation. *Marine Policy*, 38, 65-71.
- Houser, T., Mohan, S., & Heilmayr, R. (2009). A green global recovery?. Assessing US Economic Stimulus and the Prospects for International Coordination. Washington DC: Policy Brief PB09-3. *World Resource Institute, Peterson Institute for International Economics, Website* (31 March 2009): http://pdf.wri.org/green_global_recovery.pdf.
- IEA. (2020). *Global Energy Review*. Paris, France: IEA Publishing.
- OECD. (2017). *Investing in Climate, Investing in Growth*. Paris, France: OECD Publishing.
- OECD. (2020). *Making the Green Recovery Work for Jobs, Income and Growth*. Paris, France: OECD Publishing.
- Popov, J. (2020). The Green Road to the Post-Crisis Recovery. *Opinion: Climate Change*.
- WMO. (2020). *United In Science: A multi-organization high-level compilation of the latest climate science information*. Geneva: WMO Publishing.