

“Green” or “Brown” Recovery Strategies ?

A preliminary assessment of policy trends in a selection of countries worldwide



Marc-Antoine Eyl-Mazzega, Hugo le Picard, Eloïse Couffon
Centre for Energy & Climate
05 May 2020

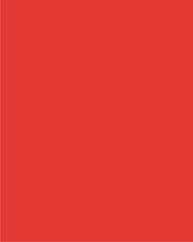
Post covid-19 world will be unstable and rivalries can further undermine global governance

- The IMF -3% global economic forecast highlights that the 2020 recession is twice as bad as in 2009. The rebound could be uneven. IEA sees **global energy demand down by -6 %** and **CO2 emissions by -8 %**.
- A +1.5°C warming trajectory requires to steadily reduce CO2 emissions by -8 %/year until 2030. Hence, **recovery strategies need to prioritize alignment with the Paris Agreement** despite the need to alleviate hardship from the crises.
- The **multiple crises** will have **devastating socio-economic impacts**. In emerging economies, progress regarding SDGs will be slashed. A drought this year could threaten million of lives and aggravate the situation.
- **EU's social security nets** will make a huge difference but **its cohesion and solidarity will be critically tested** as the EU could unravel in the coming two years. Leadership has been dramatically missing so far. Accelerating on the strategic autonomy objective is a condition for its survival.
- The **post covid-19 world will be unstable. US leadership has vanished**. Several open questions arise : To what extent will the transatlantic relationship be further torn apart under Trump or be partly re-patched if Biden is elected? What relations will remain with China amidst a collapse of trust?
- No matter what, US-China confrontation will strengthen with mounting global repercussions.



Will governments of large emitting countries use the crises to develop sustainable recovery strategies or focus on short term urgencies, while making future changes harder to undertake? Will multilateralism be buried, with future disasters unavoidable and more costly to address?

Global situation : selection of G7 members

	Recovery Measures & Climate Actions	Assessment
European Union	<ul style="list-style-type: none"> Despite backlashes, the EU can be expected to stick to its climate plan. Many calls have been made to use the economic recovery as an opportunity to foster the green transition. Yet, there is an increased division between Member States which threatens the heightening of EU's overall climate ambitions and rapid action (see slide 8). 	
United States	<ul style="list-style-type: none"> The administration focuses on loosening environmental regulations, reducing emission standards for vehicles. Overall, 100 norms have been softened or repealed since March. The \$2.2 billion recovery funds already announced are not conditioned with climate or environmental objectives and contain no provisions for clean technologies. Saving the oil and coal industries is a priority. Green technologies must wait for another relief package and Democrats will struggle to get some greener provisions adopted. 	
Canada	<ul style="list-style-type: none"> Recovery will be used to build “a stronger and more resilient economy by investing in a cleaner and healthier future for everyone” (spokeswoman for Environment Minister Jonathan Wilkinson). The federal government will invest 750 million dollars to reduce carbon leakage. Investments to clean up abandoned oil wells. 	
United Kingdom	<ul style="list-style-type: none"> Together with Germany, UK has called for a green recovery at the 11th Petersberg Dialogue. Offshore wind : timetable for auctions have not been delayed by the pandemic. The March 2020 budget announcement contains some serious measures to accelerate the energy transition, notably CCS funding, biomethane support and heat pumps & biomass boilers via the Low-Carbon Heat Support Scheme. But resources are insufficient. Cheap natural gas will be used <i>de facto</i> as an opportunity. 	

 Recovery plans are on track to promote more sustainable economic models and a green transition

 Elements of the recovery plans can foster a greener transition, but formal commitments are still missing/ some elements are insufficient.

 Recovery plans will eventually lead to an increase in GHG emissions.

Global situation : Asia

	Recovery Measures & Climate Actions	Assessment
China	<ul style="list-style-type: none"> • More building permits for coal plants have been delivered in March 2020 than in 2019. • Government's first announcements regarding the economic recovery do not mention climate change. • EV subsidies have been prolonged for two years. New infrastructure modernization plan in preparation focuses on sustainable cities, but coal power demand for digital technologies & energy intensive infrastructure could benefit. 	
South Korea	<ul style="list-style-type: none"> • After winning the 15th April legislative elections, the Democratic Party will implement a Green New Deal. • South Korea is now preparing to adopt and implement a carbon neutrality target for 2050. • The plan includes large-scale investments in renewable energy, the introduction of a carbon tax, the phase out of domestic and overseas coal financing by public institutions, and the creation of a Regional Energy Transition Centre to support workers transition to green jobs. That will also require greening the current hydrogen strategy. 	
Japan	<ul style="list-style-type: none"> • Japan has watered down its climate targets : NDC submitted to the UNFCCC almost unchanged from 2015. • Coal : new domestic construction and exportations to South-East Asia planned, in spite of lowest LNG prices. • This could prompt boycott calls if the Olympics take place, in spite of a robust clean hydrogen strategy. 	
Indonesia	<ul style="list-style-type: none"> • Indonesia will not set a more ambitious GHG emission reduction target to “maintain” its economy and focus on economic growth. • Coal mining contracts will be maintained. • Government still has not submitted its climate action plan to the UNFCCC. Yet, progress on palm management. 	
Pakistan	<ul style="list-style-type: none"> • Carbon emissions are expected to triple by 2047. The role of gas and LNG is slated to decline according to Pakistan’s Indicative Generation Capacity Expansion Plan. While renewables' share is predicted to increase, coal will also play a stronger role in the country’s energy mix, not least to deals with Chinese companies. 	
India	<ul style="list-style-type: none"> • As electricity use fell due to the covid outbreak, solar and gas production ramped up at the expense of coal. • India is following its objectives to develop solar energy with 3.6 GW of new solar projects announced in April. • However, due to the crisis, the commissioning of new projects has been delayed. • India seems to be moving forward with a new strategy to become a regional solar and wind manufacturing hub as there is expectation that some manufacturers will move away from China. 	

 Recovery plans are on track to promote more sustainable economic models and a green transition

 Elements of the recovery plans can foster a greener transition, but formal commitments are still missing/ some elements are insufficient.

 Recovery plans will eventually lead to an increase in GHG emissions.

Global Situation : Africa

	Recovery Measures & Climate Action	Assessment
South Africa	<ul style="list-style-type: none"> Mineral Resources and Energy Minister Gwede Mantashe has released new amendments to the Mineral Development Law which undermine the right of affected communities to oppose mining projects. The Minister of the Environment, Forestry and Fisheries, Barbara Creecy, published SO2 air pollution standards twice as low as previous standards at the start of the Covid-19 emergency lockdown. In President Ramaphosa's R500bn economic support package, the carbon tax is delayed. Yet, in a ruling at the beginning of April, Minister Creecy, ordered her department to disclose more information on the future GHG emissions of some of the country's most polluting companies. Due to the covid-19 crisis and country's lockdown, IPPs application processes have been delayed by NERSA. Following the fall in electricity demand, Eskom announced it could buy less electricity generated from wind. Yet, IPPs could be compensated for their losses after the crisis. 	
Senegal	<ul style="list-style-type: none"> Despite the covid-19 crisis, the plastic law came into force on April 20, 2020. However, some exemptions will be granted pending the end of the crisis. Minister of the Environment and Sustainable Development Abdou Karim Sall called for increased monitoring of air quality to prevent the risk of acute respiratory infection linked to pollution. 	
Kenya	<ul style="list-style-type: none"> The Tax Laws Amendment Bill 2020 proposes 14% VAT on previously exempted goods that will slow down environmental efforts. Taxable goods now include: clean cooking stoves, equipment for the development of solar and wind energy, biogas, LPG... 	

 Recovery plans are on track to promote more sustainable economic models and a green transition

 Elements of the recovery plans can foster a greener transition, but formal commitments are still missing/ some elements are insufficient.

 Recovery plans will eventually lead to an increase in GHG emissions.

Global situation : Latin America

	Recovery Measures & Climate Action	Assessment
Mexico	<ul style="list-style-type: none"> Mexico's Centro Nacional de Control de Energia indefinitely suspended all operations and critical tests for new clean-energy projects. The energy sector is in limbo: there is policy uncertainty and confusion, and only renewable PPAs could be shelved. 	
Brazil	<ul style="list-style-type: none"> Jair Bolsonaro intends to "get back to normal" as soon as possible, and commits strong support to the oil & gas sector which will struggle. President's management of the covid crisis mirrors its agenda for climate. Delays in the country's generation and transmission auctions which will have a negative impact on the Brazilian renewable energy sector. Yet auctions have been postponed and not cancelled. 	
Argentina	<ul style="list-style-type: none"> Quarantine and a weak financial situation have halted renewable projects' construction and commissioning, some of which may never be completed. Today, more than 1000 MW are on pause. Low support from the government, which is more prone to oil and gas, may further decrease future deployment, although high cost shale gas will further struggle to be developed. The 20% renewable electricity target by 2025 is compromised. 	
Chile	<ul style="list-style-type: none"> In April, Chile has increased its GHG emission reduction targets to boost its renewable energy sector. The country intends to accelerate the transition towards clean renewable energies and the electrification of many sectors (heating, transportation etc.). The government maintained its commitment to withdraw from coal by 2040, yet no mention of an earlier phase out. New commitments have also been made with regards to green hydrogen. 	

 Recovery plans are on track to promote more sustainable economic models and a green transition

 Elements of the recovery plans can foster a greener transition, but formal commitments are still missing/ some elements are insufficient.

 Recovery plans will eventually lead to an increase in GHG emissions.

World governance : calls for green recovery but no consensus

Several global governance bodies called for recovery plans integrating a green transition paradigm.

- Under Saudi presidency, **the G20 made a pledge to deliver an “environmentally sustainable and inclusive recovery”** on 15th April. G20 Energy ministers’ meeting in Sept. may push for energy efficiency and cooling.
- On Earth Day, **the UN Sec. Gen. António Guterres** called governments around the world to respond to the coronavirus in a way that will solve the climate crisis.
- The **OECD** has issued a call for a green and inclusive recovery, asking governments to take more ambition, highlighting tensions between efficiency and resiliency in global value chains. Same for World Bank, BIS, NGFS, etc.
- The 11th **Petersberg Climate Dialogue** committed to a green recovery built on solidarity (30 Climate Ministers).

International energy institutions are asking for a strong impetus on green technologies

- **IRENA’s Coalition for Action** : more than 100 energy players are jointly calling for action that aligns with climate and sustainability objectives. Latest Global Renewables Outlook showcases benefits of deploying large scale renewables.
- **International Energy Agency:** Exec. Dir. Fatih Birol rapidly urged to « *put clean energy at the heart of stimulus plans to counter the coronavirus crisis* » and is preparing a WEO Special Report.
- **African Development Bank:** Anthony Nyong, director of the Climate Change and Green Growth Department at the African Development Bank, called on Earth Day 2020 in April, not to lose sight of the need to face climate change. The Bank announced, in early April, the creation of a \$ 10 billion facility to help African countries cope with the covid-19 pandemic crisis.

Yet others have failed to consensually propose increased ambition.

- **The G7**, currently under US presidency, have agreed to take all the necessary measures to ensure a strong and coordinated response to the crisis. Yet, no mention has been made to a green transition or to fighting climate change.



Reluctant countries are still impeding a broad consensus on a worldwide green recovery.

Adjusting the Green Deal but this new European *raison d'être* will be central for the recovery policies

Several Green Deal initiatives are relegated to a secondary plan, and the calendar is being revised: biodiversity strategy, farm to fork strategy, etc. are being postponed, the Climate Law might also be delayed.

The Commission is now **prioritizing initiatives that can directly contribute to the recovery plan**, focusing mainly on the **Smart Sector Integration Strategy**, that will be the “*energy’s sector main contribution to the recovery plan*”. In addition, the offshore wind initiatives and the renovation wave are still on track.

During the “emergency management”, the EU has not conditioned State aid with climate objectives but **could do so during the recovery phase** (i.e. green conditions attached to any car scrappage schemes in the automobile sector).

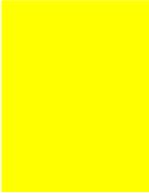
Developments these past few weeks :

- Amidst vocal calls for exemptions and cancellations (by MEPs, ACEA, Business Europe, etc), the **Roadmap for a Recovery** approved by the Council on the 23rd of April provides clear guidelines : “green transition”, “strategic autonomy”, “essential (...) Green Deal” etc.
- **The Green Deal will be « *our motor for recovery* » according to Von der Leyen.**
- **VP Timmermans** joined the COVID-19 crisis unit to make sure it complies with the ambitions of the Green Deal.
- The **Commission** wishes to foster large investments in sustainable infrastructures.
- **The Croatian presidency and the Commission** have agreed to work on increased investments towards buildings’ renovation wave, renewables and other clean technologies.
- Germany announced that the green transition will be a priority during **its presidency of the European Council**.



Raising and adopting the 2021-2027 budget & agreeing on the 2030 objectives & a massive recovery fund with green priorities are paramount but no consensus has emerged yet...

European Member States recovery measures (1/2)

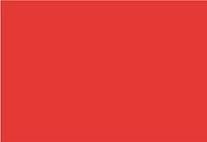
	Recovery Measures & Climate Action	Assessment
France	<ul style="list-style-type: none"> A Solidarity Fund was designed for most affected companies. Non-binding conditions with regards to climate performance have been included. Public support to Air-France and Renault is intended to depend on environmental requirements. Air-France will phase out part of its domestic air travel activities and accelerate on greener fuels. The Ecological and Inclusive Transition Minister, Elisabeth Borne, has confirmed that French climate targets are being maintained, has signed the alliance for a green recovery, refused MEDEF's moratorium on new environmental measures, but has not mentioned increased efforts for now. Multiannual Energy Program came into force on the 23rd of April : up to 8.75 GW of offshore wind capacity out to tender from 2020 to 2028. The High Council for Climate has strongly recommended that the French government take recovery measures compatible with its climate commitments. 	
Germany	<ul style="list-style-type: none"> At the Petersberg Climate Dialogue, chancellor Angela Merkel stressed <i>"We remain committed and it is still our responsibility to implement the climate Paris Agreement"</i>. A group of 68 German companies (Bayer, Puma, Allianz, etc.) called for linking state aids to climate action. Possible delays in Germany's coal phase-out plan, but cheap gas and lower ETS are pushing out coal anyway. The automobile sector is lobbying for a new scrappage scheme that would include combustion engines. The Environment Minister defends airline bailout. 	
The Netherlands	<ul style="list-style-type: none"> The Netherlands have asked European institutions to include the green transition in their recovery plan and made proposals (sustainable infrastructure, renovation wave, sustainable state aid etc.). The government decided to no longer enforce additional measures to further reduce GHG emissions by 25% compared to 1990 levels, this year (those measure should have been taken on the 1st of April). 	
Portugal	<ul style="list-style-type: none"> Portugal is currently working on several large-scale clean projects, including a a solar-powered hydrogen plant. Delayed solar auctions will be revived in June. The country aims to boost mining activities for critical metals provided that strong environmental rules are obeyed. 	

 Recovery plans are on track to promote more sustainable economic models and a green transition

 Elements of the recovery plans can foster a greener transition, but formal commitments are still missing/ some elements are insufficient.

 Recovery plans will eventually lead to an increase in GHG emissions.

European Member States recovery measures (2/2)

	Recovery Measures & Climate Action	Assessment
Lithuania	<ul style="list-style-type: none"> Lithuania has improved its regulatory framework for renewable energy (regulatory framework for renewable energy communities, guarantees of origins granted to all renewable projects, PPAs without additional licensing etc.). 	
Spain	<ul style="list-style-type: none"> The coalition government strongly defends existing regulation and signed the alliance for a green recovery. Debate on whether state aid should include conditionality or not. 	
Austria	<ul style="list-style-type: none"> Climate protection as a condition for airline bailout : State aid for the aviation sector is conditioned with a reduction in CO2 emissions. 	
Poland	<ul style="list-style-type: none"> Poland wishes to focus on the fight against covid-19 and delay Green Deal initiatives. Secretary of State Kowalski has asked to repeal the ETS system or at least exempt Poland from the market during the crisis. Yet in a position paper, the Ministry of Climate stated it wants to prioritize actions to reinforce energy security (priorities: renewables, digitalization and energy efficiency). Poland is currently preparing to tender the construction of its first nuclear power plants. 	
Czech Republic	<ul style="list-style-type: none"> Prime minister Andrej Babis has asked EU leadership to drop the Green Deal. The government intends to cancel penalties intended to sanction non compliance with vehicle CO2 emissions standards. A test will be if CZ joins a regional carbon price floor for power generation and moves on with its plans for nuclear newbuilds. 	
Sweden	<ul style="list-style-type: none"> Sweden has closed its last coal-fired two years ahead of schedule. 	

 Recovery plans are on track to promote more sustainable economic models and a green transition

 Elements of the recovery plans can foster a greener transition, but formal commitments are still missing/ some elements are insufficient.

 Recovery plans will eventually lead to an increase in GHG emissions.

First recovery measures: the world is missing its last chance

- This preliminary, qualitative assessment showcases that many governments are not on the right track and fail to live up to the opportunities from cheap low carbon solutions. Yet **positive signals emerge** and **a case for a sustainable recovery is building**. **Upcoming recovery plans can still be turned green**.
- Government must not be overwhelmed by the short term urgencies and **keep the compass on the environmental crises**. Sustainable recovery strategies are a **multiple winner** : **in the short term**, no additional job losses ; **in the medium term**, new job creations, less air pollution, additional investments, cost competitive solutions, higher energy security ; **in the longer term**, multiple socio-economic benefits.
- **Public and private sector leaders** from all over the world can do more. The financial system is slowly greening. Governance institutions should do the maths to showcase leading nations the wide ranging benefits from energy efficiency, renewable energies, fossil fuel subsidy reallocations, low carbon mobility, energy sobriety. The industry needs to showcase that lower carbon electricity and mobility solutions can be competitive, trusted and rapidly deployed.
- **Citizens** can be expected to push harder for public goods. Cities and regions are expected to take leadership in action, especially if global governance and states fail.
- There is not yet a country that is a model for a sustainable recovery strategy : **the EU cannot miss this opportunity to showcase global leadership and build up pressure ahead of COP26 next year**. The current fall in GHG emission, the COP postponement and the crises can be used to build a momentum around more resolute global environmental action.
- No such opportunity will ever emerge again before it is too late to stop environmental degradations.

Latest publications:

- [Perspectives on a Hydrogen Strategy for the European Union](#), Cédric PHILIBERT
- [Russia, the Global Sanitary Crisis and Oil Meltdown: Revisiting Power and the Enemy](#), Marc-Antoine EYL-MAZZEGA
- [Energy, Climate and the Covid-19: Double or Quits?](#) Marc-Antoine EYL-MAZZEGA
- [Contribution to the task force Sustainable Energy, Water and Food Systems of T20 Saudi Arabia](#), Hugo LE PICARD
- [South Korea's Hydrogen Strategy and Industrial Perspectives](#), Sichao KAN
- [Covid-19 & OPEC+ collapse: preliminary assessment of implications for energy markets, policies and geopolitical balances](#), Marc-Antoine EYL-MAZZEGA
- [The Recycling of Lithium-Ion Batteries: A Strategic Pillar for the European Battery Alliance](#), Raphaël DANINO-PERRAUD
- [The Green Deal's External Dimension. Re-Engaging with Neighbors to Avoid Carbon Walls](#), Marc-Antoine EYL-MAZZEGA