

Covid recovery or sustainable transformation?

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New Zealand faces momentous choices, crystallised by the Covid pandemic. Here we consider how we can shape policies and programmes to ensure that the recovery from the Covid lockdown provides an opportunity for a sustainable transformation of our society and economy, addressing the climate crisis and wider environmental and social goals.

We already know that easy prosperity is over: the world is now a more uncertain place, with greater risks, than was generally recognised. Not only do we now better recognise the shape of risks such as pandemics, environmental and financial crises built into our global 'operating system', but it's clear that prosperity, population growth and globalisation have been raising the pressures. The world has underestimated these risks for too long. They need to be confronted. One of the most profound risks ahead, as we recover from Covid, is climate change.

A key difference between Covid and climate change responses is in timescales. Covid will require a largely short-term response, plus follow-up economic and social reconstruction. By contrast, climate change is one of the longest-term issues that humankind has faced: it demands an equally urgent but much longer commitment to decarbonise followed by several decades of atmospheric carbon removal. If mitigation is inadequate, which appears likely at this stage, humanity could face centuries of riding out disruptive and irreversible

effects.

Both the Covid response and the sustainable transformation that we advocate here involve structural changes that will adversely affect many people. An effective and kind society is one which commits to those people that, as a community, we will support them through the changes needed.

What are the major current risks?

- **Pressure to restore business-as-usual:** As new infection rates fall under New Zealand's initial Covid pandemic controls, pressure is intensifying for action to support recovery in business activity and jobs. But what sort of recovery? Recovery to business as usual would represent a failure of imagination at a time when we can seriously bring into consideration other goals, particularly environmental sustainability, well-being, and economic resilience. We face an exceptional opportunity to 'build back better', while at the same time reducing exposure to future climate change impacts. And we need to resist ill-fitting agendas from some groups with vested interests.
- **Jumping to conclusions about the ease of change:** It is easy to assume that because of the speed of the lockdown in some countries, and the visible environmental co-benefits (cleaner air, for example) that it would be correspondingly easy to achieve similar gains in the quest for decarbonisation. But more likely, the required long-term multi-sector changes will be much more difficult to create and embed than changes made under short-run emergency conditions. While people may be prepared to countenance a great deal in order to avert short-run deaths, they are more likely to be doubtful about a major reshaping of the economy with adverse effects for them, in the interests of largely intergenerational benefits.
- **Attention diversion:** The Covid crisis, as it continues, could well divert attention away from long-running issues for New Zealand such as infrastructure renewal and improvement, mitigation of climate change and action to prevent biodiversity loss. However, there is no time to lose on climate change in particular. Carbon emissions need to be cut by around 8% per year, according to the UN, for the world to stay within the 1.5°C Paris Agreement goal. Beyond the Paris thresholds lie severe risks, including 20 metres or more of sea level rise and, as David Attenborough states, 'the risk of a collapse of our civilisation, and the extinction of much of the natural world...'
- **Risk of stimulus overshoot and carbon emission lock-in:** There is a risk of carbon emissions being pushed up in the longer term if recovery or stimulus measures are poorly chosen. One risk is that some 'shovel ready' projects designed to accelerate the recovery, particularly some roading projects, could lock in carbon-intensive urban and commercial development for a long period to come.
- **Other possible mis-steps in response:** There are concerning signals from NZ political leaders about relaxing some environmental regulation. These signals ring alarm bells given how often economic development in the past has had environmentally damaging effects not adequately constrained by the Resource Management Act. Noting recent calls from the agricultural sector for the government to stall freshwater reforms, Greenpeace has noted: 'We're also... seeing polluting industries... lobbying for the removal of regulations - this also happened in 2008 and we missed the opportunity to transform our society for the better.'

- **Risk of slowing the shift to clean energy:** A deep recession could slow down the shift to clean energy, keeping energy emissions higher than otherwise, beyond the immediate reduction in emissions. Bloomberg is reported to have downgraded its 2020 expectations for the solar, battery and electric-vehicle markets, signalling a 'slowdown in the clean energy transition.'



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Framing a sustainable transformation strategy

- **Thinking beyond the short term:** There is a unique opportunity, in the Covid recovery, to accelerate a long-term strategy for transforming the New Zealand economy and society to be more sustainable and resilient, and more focused on well-being rather than economic growth. The window gives the government greater licence to expedite the zero-carbon transformation that New Zealand is committed to, but has so far moved slowly on.
- **Noting and communicating similarities:** The similarities and differences between a pandemic and a climate change crisis are important. The *similarities* include that both problems arise out of physical realities, not simply financial shocks, and they are risk multipliers, exacerbating vulnerabilities in healthcare, financial and other systems, and exposing the high costs of a lack of resilience. Solutions in both cases require a high degree of coordination, with every individual's efforts needing to be supplemented by the actions of many others. In each case government intervention is required to ensure a coherent and concerted effort, with that intervention preferably

based on the best scientific evidence (contrast New Zealand and the USA). Communicating the case for coordinated, science-based effort in the interests of the wider community is critical.

- ***Differentiating responses to the Covid and climate change challenges:*** Policy steps may be significantly different for the two problems. For example, measures to minimise a Covid-induced economic recession – such as some forms of stimulus spending and investment – may be at odds with policies to reduce emissions. Some short-term ‘positive’ responses, such as increased consumer spending, could push consumers towards less sustainable choices.
- ***Avoiding carbon lock-in:*** Stimulating house building will likely be a central part of the Covid recovery plan, but may or may not be low-carbon. Housing locations which involve suburban expansion rather than infill/redevelopment housing or apartment complexes are problematic where they would lock in a larger carbon footprint over time. Suburban locations usually require more transport and hence carbon emissions. Also, detached suburban housing requires higher energy use for heating, compared with lower-carbon housing options, many of which are already in the construction pipeline. Alongside better new housing, there is a good payoff from insulation-retrofitting of existing housing, where possible using locally grown materials. Other ‘shovel-ready’ projects such as infrastructure rebuilds (the three waters; railways) can also score well in terms of longer-run carbon gains.
- ***Recognising differences in the scale of investment:*** The Covid response is likely to demand priority in short-term investment to counter the lockdown’s effects. But, because of the sheer scale of climate change impacts, the balance of investment will need to soon swing back to climate change mitigation, as a much larger problem requiring much greater investment to facilitate the transformation needed.
- ***Shifting the emphasis of investment:*** An important statement about the necessary nature of the Covid response comes from the Principles for Responsible Investment Association:

“Responses will need to support other priorities critical to public wellbeing and long-term economic strength, such as combating inequality and enabling the low-carbon transition.”

This proposed approach recognises the risks that narrow, conventional investment strategies have run. Mark Carney, former governor of the Bank of England, earlier recognised that the ‘climate crisis was a “tragedy on the horizon”’ and urged the financial sector to invest more in decarbonisation. In New Zealand, Matt Whineray and other business leaders are also urging a shift in emphasis.

- ***Resisting the temptation to delay climate action:*** Investment in a sustainable transition could now face more headwinds, including the ‘wealth’ effect. New Zealand investors may be likely to feel less wealthy following the Covid crisis, delaying investment in a sustainability transition. Some will argue a post-Covid ‘austerity’ position that the country cannot afford to make substantial public investments for a zero-carbon transition. A compelling counter-argument is that, given the stakes

involved, New Zealand cannot afford to slow this transition, even in the face of short-term fiscal challenges.

- **Benefiting from localisation of production:** Some consequences of Covid are more speculative. McKinsey and Co point to the likelihood of some shortening of supply chains and re-localisation of production, with more attention to risks 'as the result of a greater appreciation for physical and systemic dislocations.' We too see benefits in terms of local employment and economic resilience as local opportunities arise, e.g. in local food production vs food imports.
- **Taking heart from Kiwi adaptability and ingenuity:** At a high level, Covid confirms that most New Zealanders are adaptable and, in a crisis, prepared not only to show solidarity but also willing to adapt work and lifestyles. Preparedness to work remotely is one indication. Coming weeks will reveal the extent to which businesses and workers are willing to undertake further changes, and the extent to which members of the public who have lost their jobs or who can't easily adapt, remain supportive of the collective effort. However, changes so far, including reduced commuting, could pave the way to embedding more environmentally friendly lifestyles. The signs are encouraging. Time will also reveal the ingenuity with which New Zealanders find ways to provide local, sustainable jobs. An example is restoration and improvement of green spaces, especially in the city. Green spaces make living close together not only sustainable but pleasant and healthy, especially as city populations grow. Green space and active travel investments (such as improved walkways and cycleways) can be started immediately, are relatively straightforward and are job-rich.
- **Supporting the public sector:** As far as public attitudes go, the Covid crisis could point to a 'greater appetite for the preventive and coordinating role of governments in tackling such risks... [and] a much more active role in ensuring resiliency.' Such a response will depend on the political culture in the country at issue. In New Zealand, where it seems that early and decisive intervention may have avoided many Covid-related deaths, there may be greater appreciation of the merits of informed government action, and renewed confidence in the ability of the government to reinvigorate the public sector, as well as fostering recovery of the wider economy with care and judgement. In short, we can see a recovery path that includes a thriving public sector and at the same time points decisively in the direction of a transformation to a more sustainable, resilient, healthier, and wellbeing-centred economy and society.

Conclusion

As we shape our pandemic recovery, we have a unique opportunity to develop policies that question 'business-as-usual', and instead look to advance a sustainable and resilient transformation of our society and economy, giving particular urgency to tackling the climate crisis.

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