



British-German Alumni: Staying connected in 2020

Greening the post-COVID economic recovery

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Panellists

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Headlines

The economic impacts of the global pandemic are set to be felt for years to come, with contractions of economies already being witnessed across the world. At the same time the world is set to face increasing challenges environmentally, economically, politically, and socially if it continues its current climate change trajectory.

As Germany and the UK now focus on the recovery of their economies, there are opportunities to press the ‘reset’ button in the way individuals live and in how societies and economies operate to ensure a sustainable economic recovery that puts the world on a pathway to delivering the Paris Agreement to limit global warming to 1.5 degrees.

Unprecedented times have called for the introduction of extraordinary fiscal measures by governments across the world, including the UK and Germany, to sustain economies.

- **‘Greening’ the economic recovery** requires a shift in focus, to one that puts the environment at the heart of policy frameworks and investment to rebuild the economy. With a critical ten-year timeline set out by the 2019 Intergovernmental Panel on Climate Change (IPCC) report on the impacts of global warming of 1.5°C, there is little time to reduce our impact on the planet. Hence, there is mounting pressure on many countries to deliver ‘green’ recovery plans. Many see this moment as a critical opportunity to reset our way of living before it is too late – “if we get it wrong now, we will live to regret it”.
- Unprecedented times in the fight against COVID-19 have called for the introduction of extraordinary fiscal measures by governments across the world to sustain economies. As the UK and Germany move out of the crisis period, both countries will focus on implementing national recovery packages.

- It is anticipated that five years' worth of investments could be compressed into the next 18 months, locking in the UK and Germany's carbon trajectory for the foreseeable future. What does a good or bad investment look like coming out of this crisis?
- **UK progress towards a green economic recovery** – It is still early days but there is generally a positive rhetoric in the UK, with signals that there will be environmental measures included in a recovery package. However, the country is still in the narrative phase rather than the recovery phase, with a long way to go, especially if it aims to hit the net-zero target. The UK is recognised as an international climate leader. For instance, the UK Government recently launched the landmark global campaign Race to Zero for mobilising net-zero support and renewed levels of leadership from businesses, cities, regions and nations to spur a zero-carbon recovery ahead of the postponed COP26 summit it will host in 2021.
- **Germany's progress towards a green economic recovery** – Of Germany's 130-billion-euro recovery package, 40 billion euros will be focused on climate-related spending and green recovery. The green recovery package is broad, including initiatives for renewable energy, support for transport industries and substantial investment in the automotive industry. Innovation is at the centre of the green recovery package. As part of the package, Germany commits to heavy investments into infrastructure for electric vehicles, green aviation and shipping, renewable energy and developing hydrogen projects.
- Differences in approaches the UK and Germany take in resetting the economy in a sustainable manner allow opportunity to reflect on what the stimulus has been in each country, the different stages of recovery, and how Germany in particular is ensuring the environment sits at the centre of its recovery.
- **UK and German global leadership:** As not many countries are yet in the recovery phase, there is a major opportunity for the UK and Germany to shape and lead the global agenda including through the G7 which they respectively chair in 2021 and 2022. It is vital that they also lead from the front in their domestic responses and are seen to be 'walking the talk.' Equally in their international contributions as their respective Overseas Development Assistance (ODA) is bound to decline internationally due to the economic impacts of the crisis. There were calls that their a global responsibility should not overlook low-income and climate-vulnerable countries. Germany and the UK could play leading roles in finding ways to ensure that the most vulnerable are able to adapt and not left behind, including by, . leveraging influence in other sectors, such as the private sector.
- Two key considerations for the UK and Germany in their international interactions: firstly, critical discussions between middle income countries (such as Indonesia) and China and Russia may determine where their cash flows over the next few years. Both countries are seen by some to be agnostic to the climate crisis and there are concerns that investments will flow into environmentally degrading, carbon intensive industries. There is an opportunity for the UK and Germany to engage with middle income countries and push for green decisions, whilst considering social aspects. Secondly, many of the least developed nations are being hit hard by the impacts of climate change and COVID-19. Developed nations have not only a responsibility to support these countries but also have their own self-interests, intertwined in the wellbeing of these countries and their economies, including migration and food flows.
- **At the European level,** important climate centred initiatives have been launched over the past few years. For instance, the European Union launched the International platform for sustainable finance (IPSF) in 2019. In this time of crisis and with the UK leaving the EU by the end of 2020, there is an opportunity for the UK and Germany to work closely with other European partners, such as Italy who currently holds the COP co-presidency with the UK.

- For Germany and the UK there is an opportunity to ‘rebuild a culture of cooperation through complementarity’ in tackling climate change domestically, regionally across Europe and globally.
- There are opportunities for the UK and Germany to learn from one another and work together on a range of other issues, including:
 - How to transition a workforce towards a greener economy – what are the shifts of skillsets and employment needed?
 - Cooperating rather than competing in the new supply chains that are likely to emerge post-Pandemic;
 - Sustainable finance and ensuring this becomes mainstream in investments;
 - Transport, electric vehicles (and the whole systems to flex battery use);
 - The opportunity for individual countries across Europe to become competitive and gain ground in the greener economy;
 - The greening of societies not just the economy, through lifestyle and behaviour change, and what this will require in terms of societal restructuring post-COVID.

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