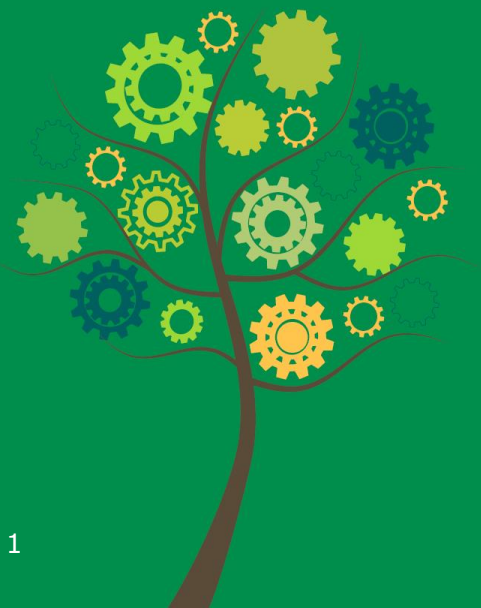
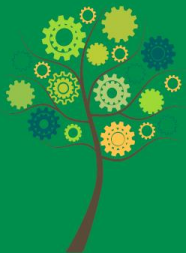


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Transition challenges of going green

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Where do we stand

Short-term and long-term challenges

- Current health and economic crisis
- Long-term: Reduction of emissions and accounting for planetary boundaries as profound challenges
- Synergies and trade-offs between long-term systemic change and short-term policy response



Rising emissions

2019 World Bank data:
19,6% global GHG emissions
priced or planned for



Global fossil fuel subsidies



Current growth path
accompanied by more
resource use



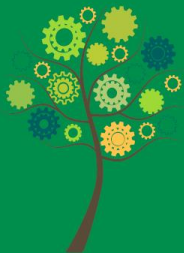
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Deep structural change

Road to low carbon economy is a transformative process for which policies today frame the direction – Green Deal and recovery packages

This calls for an alignment and climate mainstreaming in all policy areas

- Energy policy
- Transport policy
- Public procurement
- Fiscal policy
- ...



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Policy orientation for deep structural change

Resilience

More robustness against disturbances like Covid-19 and climate change

Reconsider prosperity

Functionalities or human needs like mobility or shelter as ultimate purpose of economic activity

Continuous innovation



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Which structural changes drive transformation

Multifunctional buildings

- Focus on quarters instead of single building
- Active integration into the energy system

Intermodal and interlocking mobility

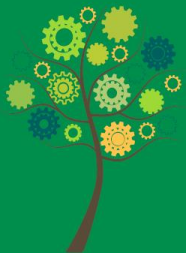
- New understanding of mobility: Focus on access to people, goods and places

Integrated Networks

- Bidirectionally operated networks, connected via information network

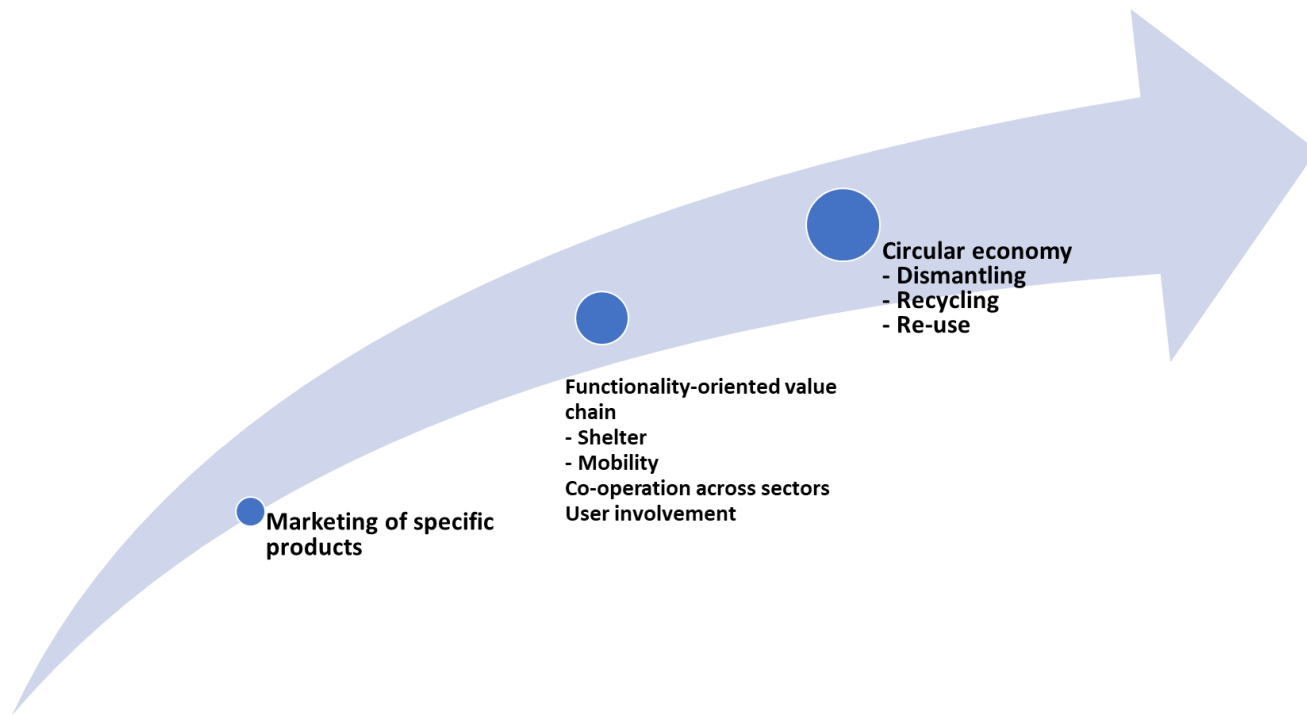
Circular Economy

- Emission reductions through resource efficiency and innovations in value chains



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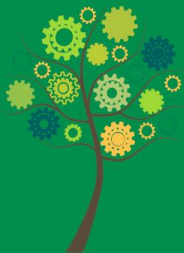
From product-oriented to functionality and circular oriented value chains





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Transformative potential of policy responses in Covid-19 crisis



Phases of the Covid-19 crisis and fiscal response

Immediate emergency response

- Provision of liquidity for businesses and households, mitigation of solvency risks
- Limited options for introducing transformative elements – but measures should not counteract long-term goals (“do no harm”)

Economic recovery

- **Economic stimulus to support (post-pandemic) recovery phase**
- **Opportunity to introduce green elements supporting deep structural change => expenditures and tax measures, possibly accelerating already existing plans**
- **Reinforcing carbon pricing and dismantling fossil fuel subsidies to encourage climate-friendly investment and consumption within revenue-neutral tax shifts using additional revenues for cuts in distortive taxes (particular high taxes on labour) to support growth and employment**

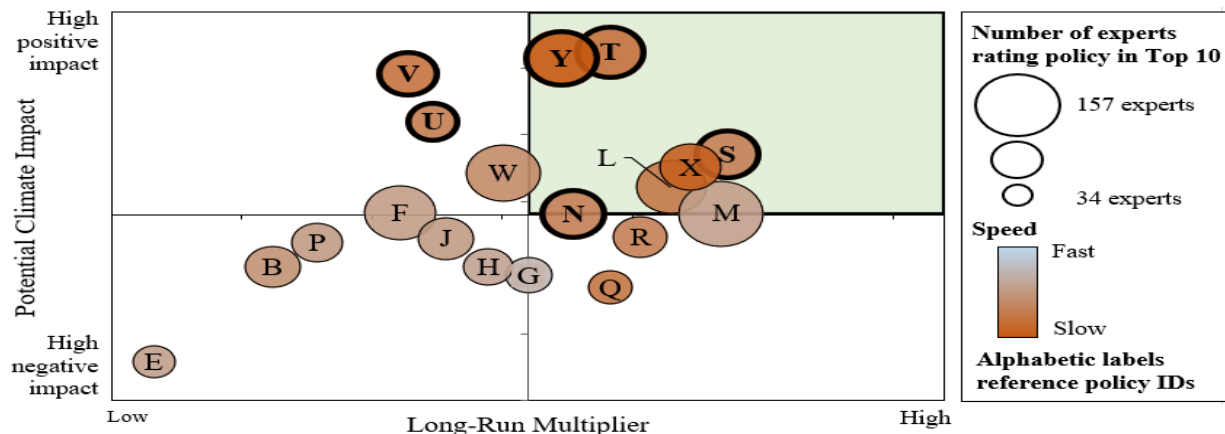
Budget consolidation

- Opportunity to introduce / increase taxes incentivizing transition towards low-carbon economy after post-pandemic recovery – temporary use of additional revenues for budget consolidation
- Protection of spending aiming at supporting deep structural change from budget cuts



Economic recovery and transformation

Global Survey of Fiscal Recovery Policies

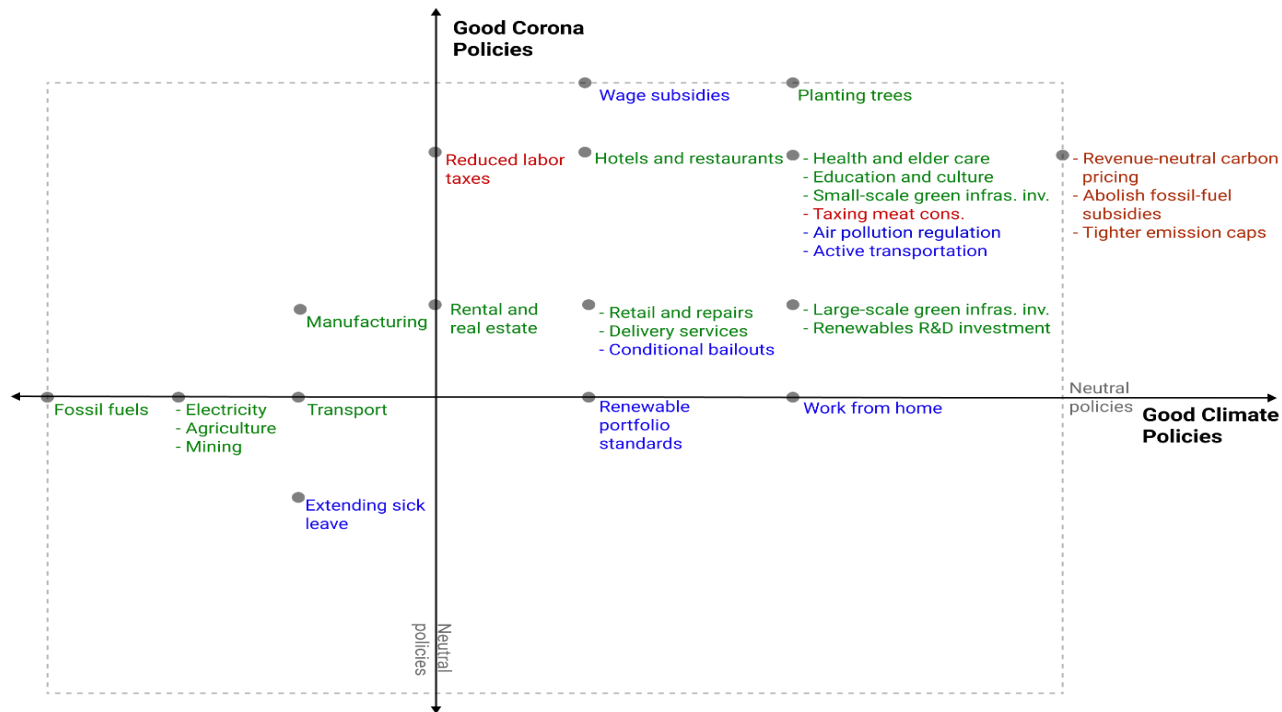


B Assisted bankruptcy (super Chapter 11)	Q Traditional transport infrastructure investment
E Airline bailouts	R Project-based local infrastructure grants
F Not for profits, education, research, health inst. bailouts	S Connectivity infrastructure investment
G Reduction in VAT and other goods and services taxes	T Clean energy infrastructure investment
H Income tax cuts	U Buildings upgrades (energy efficiency)
J Business tax relief for strategic and structural adj.	V Green spaces and natural infrastructure investment
L Education investment	W Disaster preparedness, capacity building
M Healthcare investment	X General R&D spending
N Worker retraining	Y Clean R&D spending
P Rural support policies	

Hepburn, C., O'Callaghan, B., Stern, N., Stiglitz, J., 2020, Will COVID-19 Fiscal Recovery Packages Accelerate or Retard Progress on Climate Change?, Oxford Review of Economic Policy

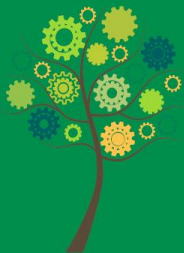


Economic recovery and transformation



Summary of policy evaluation; green: stimulus spending policies, red: tax reform policies, blue: cross-cutting policies.

Source: Engström, G., Gars, J., Jaakkola, N., Lindahl, T., Spiro, D., van Benthem, A.A., 2020, What Policies Address Both the Coronavirus Crisis and the Climate Crisis?, Environmental and Resource Economics



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Architecture of transformative recovery policies in an EU perspective

Member State level

- Use transformative potential of recovery policies

EU level

- Recovery and Resilience Facility
- Reform of fiscal rules (consideration of green public investment)
- Extension of carbon pricing (increase of carbon price, increase of scope of ETS, introduction of border carbon adjustment)
- Reform of Energy Tax Directive
- Green Deal

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Thank you!

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