'Life beyond COVID' – Submission to the House of Lords COVID-19 Select Committee

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February 2021

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About this submission

This written evidence was submitted in August 2020 to the COVID-19 Lords Select Committee Inquiry. The evidence was published on 18 September 2020 and can be viewed at https://committees.parliament.uk/committee/460/covid19-committee/publications/written-evidence/?page=13

The COVID-19 Lords Select Committee was set up to consider "the long-term implications of the COVID-19 pandemic on the economic and social wellbeing of the United Kingdom". For more information, see https://committees.parliament.uk/committee/460/covid19-committee/

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Suggested citation: Dicker S (2021) *'Life beyond COVID' – Submission to the House of Lords COVID-19 Select Committee*. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science.

This paper was first published in February 2021 by the Grantham Research Institute on Climate Change and the Environment.

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Summary points

- Responding to the COVID-19 pandemic offers a number of significant opportunities to embed long-term change for an equitable and sustainable future, including by increasing preparedness measures to combat future risks, building back better with sustainable growth and investment, and building a new social narrative on public goods.
- Taking these opportunities will support the development of high quality, future-proofed jobs, address inequalities within and between regions, and align the UK with its commitments to the Paris Agreement on climate change and the Sustainable Development Goals.
- Rebooting current approaches to the economy, financing, climate adaptation and resilience, and the UK's role in the world will be key to achieving change.

Positives to take from the pandemic

Opportunity: to increase preparedness measures

The COVID-19 pandemic has demonstrated the UK's exposure and vulnerability to global threats. It has clearly exemplified the range and severity of impacts that can occur when preparedness measures for probable risks are insufficiently prioritised by governments focused on more visible policy outcomes.

In the face of concurrent climate and public health risks, the COVID-19 crisis has demonstrated the need for a shift in mindset on risk reduction and preparedness – including ensuring sufficient resourcing is made available. Failure to use the current opportunity to make this shift will likely have significant implications for progress made towards a more equitable, sustainable, resilient future – including any gains made in recovery from the pandemic – as new shocks and crises occur. This will be particularly important to protect more risk-exposed groups, with the pandemic clearly highlighting the connections between existing inequalities (including in income, racial and ethnic groupings, and gender) and risk exposure. For example, research by Surminski and Roezer (2020) highlights the disproportionately higher risk of flooding faced by those in already deprived areas compared to those in wealthier areas.

Opportunity: to 'build back better' with sustainable growth and investment

The economic recovery from the pandemic is a critical opportunity to 'build back better' – for the UK to re-set its approach to growth, shifting towards sustainable growth and investing in the infrastructure, skills and innovation needed over the coming decades. It is also an opportunity to ensure the resources made available for the recovery are used to build resilience to protect the UK from both local and global risks, including those resulting from a changing climate. A recovery based on green funding can be framed by and embody the government's stated goals of: levelling up across the UK; boosting productivity; investing in infrastructure; reaching net-zero greenhouse gas emissions by 2050; and forging a new role for 'Global Britain'.

Opportunity: to build a more socially equitable future

There is also a broader opportunity to build a new social narrative on greater resourcing for shared public services, infrastructure and other public goods needed for an equitable and sustainable future – starting by highlighting the need to address the critical social issues brought to the fore by the pandemic.

Significant investment in the infrastructure required to support a modal shift in transport towards greater active travel could be a key outcome from this new narrative, building on the trends towards increased levels of walking and cycling – the local benefits of which include cleaner air in polluted urban areas and improved public health.

Key concerns to address

Greater alignment with the Paris Agreement and SDGs

The action taken over the coming months and years in response to the impacts of COVID-19 will have wide-reaching, long-term – and, in many cases, irreversible – implications. Investments in companies, organisations and institutions that are not committed to the transition to zero-carbon and climate-resilient economies would lock in exposure and vulnerability to the future risks of climate change. During the last global financial crisis, national governments introduced 'green' measures amounting to only approximately 16 per cent of the total fiscal stimulus (Robins et al., 2020). Currently, resilience is not widely taken into account in policy and investment decision-making. In the measures being taken to avoid a global economic depression, governments have the opportunity to take a far more comprehensive approach and to fully align their recovery plans with the Paris Agreement on climate change and the Sustainable Development Goals (SDGs).

Support for the creation of high quality, future-proof jobs

The COVID-19 crisis has further exposed the precarious state of many jobs and livelihoods in the UK. Before the pandemic, real-terms wages were stagnant and productivity growth was poor. The UK has one of the most regionally imbalanced economies in Europe and many parts of the country continue to be locked into a low skill, low innovation, and low productivity equilibrium (Robins et al., 2020). The COVID-19 crisis has deepened this inequality and shown the need to accelerate the shift to a net-zero economy that is inclusive and reduces inequalities between and within regions (ibid.).

Policy responses to the pandemic to date have understandably focused on protecting jobs, but have paid limited attention to sustainability and resilience. Policymaking for the recovery should use the current opportunity to create good quality, future-proofed jobs. For a sustainable recovery to be inclusive, it should include a comprehensive strategy and set of policies to enable a 'just transition' for those that will be impacted by both the transition to zero-carbon growth and the broader structural transformations already underway, such as automation (Stern et al., 2020).

Towards a sustainable future – what needs to change?

In light of existing systemic inequalities that have been highlighted and deepened by the pandemic, the UK has the opportunity to use the scale of the resources and planning required for the recovery to reboot approaches to the economy, financing, climate adaptation and resilience, and the UK's role in the world – as building blocks for a more equitable, sustainable future.

i) The economy

At the very least, government funds made available for the recovery should be spent in line with climate change targets, including those for climate change adaptation. The UK needs to put itself clearly back on track to reach its Fourth and Fifth Carbon Budgets and the target of net-zero emissions by 2050.

As set out in Stern et al. (2020), areas for the UK Government to prioritise to deliver sustainable, resilient and inclusive growth over the coming decades, in light of the COVID-19 crisis, should include:

- **A clear macroeconomic vision** to restore confidence, create jobs and grow the economy out of post-COVID recession and debt.
- **Institutional reform** to expand capacity, create new opportunities for all and manage long-run risks. This should be underpinned by a comprehensive industrial strategy. The Government should also consider:
    - Establishing a new National Investment Bank that could help crowd in private finance and bring forward sustainable infrastructure projects at scale.
    - Strengthening the institutions governing the UK's industrial strategy to provide the long-term direction and commitment that industry requires to rebuild sustainably.
- **Building capacity and resilience** by investing in vital assets necessary for an innovative, prosperous and competitive economy.
    - As outlined in Unsworth et al. (2020), productive, climate-sensitive investment across physical, human, knowledge, natural and social capital can boost aggregate demand and employment in the short term, and grow productivity and competitiveness in the medium term, while contributing to efforts to reduce inequalities within and across the UK's regions. Many 'shovel ready' options for green investment exist, including across renewable

energy and energy storage, making buildings more efficient, public transport, climate change adaptation and nature-based solutions.

    - A greater focus is required on reskilling workers to ensure those impacted by changing circumstances – including the move away from carbon-intensive industries – are able to participate in the new economy. Geographical concentrations of risk, arising from either the net-zero transition or the physical impacts of climate change, should be more clearly identified for specific parts of the country. This would assist planning by both financial firms on their commercial response to the risks, and by policymakers to ensure that the transition does not have the unintended impact of leaving some communities behind (Bowen et al., 2020).
    - Innovation, including through research and development, underpins the transition to a low-carbon economy and requires a mix of increased funding and further incentives for business innovation (especially clean innovation). This should include a target for investment in R&D of 2.4 per cent of GDP (Stern et al., 2020).
    - Natural capital should be strengthened directly, with carefully designed ecosystem creation, preservation and restoration projects – including significant investment in land restoration, afforestation and water management. Here the links between biodiversity and infectious disease may be useful to highlight to catalyse action.

- **Policy reform** across a range of areas, including industrial policy, innovation, skills and education, carbon pricing, competition policy, and in the devolution of greater policy and fiscal autonomy to cities and regions (for further detail please see Stern et al., 2020).

ii) Finance

The financial system faces an unprecedented challenge as a result of COVID-19 and requires significant support, including innovative instruments and policies in both the financial system and real economy. As set out in Robins et al. (2020), the recovery should be designed to reallocate capital in ways that deliver long-term prosperity and aim for a resilient, socially inclusive and environmentally sustainable economy. To do this, the full resources and expertise of the UK's financial system will need to be mobilised behind a comprehensive national strategy.

Financing a sustainable recovery will involve a system-wide response that:

- **Connects and finances policy priorities for the recovery**, including the priorities of economic recovery, rebuilding national resilience, boosting productivity, investing in infrastructure, innovation and skills, and delivering net-zero.
- **Aligns the recovery with sustainable, resilient and inclusive goals**, including the Paris Agreement and Sustainable Development Goals.
- **Levels up the UK's underperforming regions** with ambitious place-based financing strategies. This will ensure that the recovery does not leave workers or communities, consumers or small businesses behind. This requires strengthening institutional capacity at local, regional and devolved government levels to attract and deploy capital for place-based recovery strategies.

There is also an urgent need to increase financing for preparedness, to reduce the risk from hazards before events occur.

iii) Global Britain

As set out in Ward and Byrnes (2020), a well-designed package for a sustainable recovery should help to redefine and strengthen the UK's place in the world. As the UK assumes the leadership of the G7 and works to deliver a successful and ambitious UN climate conference – COP26 – in 2021 in its role as President, a domestic economic recovery that is strong, sustainable, inclusive and resilient will provide added credibility to foster and lead collaborative efforts to build global sustainability and resilience, and accelerate the transition to zero-carbon economic growth.

The UK has a central opportunity and responsibility in its COP Presidency. As well as leading by example, it should use its role to warn of the huge risks that would be created by economic recovery packages that hinder or undermine the transition to inclusive and sustainable growth, and that thereby make communities more exposed and vulnerable to the impacts of climate change. The UK Presidency should use its engagement though the COP to push for economic recovery packages to be consistent with strong and ambitious action on climate change.

The UK could align national action on finance with global cooperation. A coordinated response, with an intergovernmental body in the vein of a Sustainable Recovery Alliance (Allan et al., 2020), could help nations maximise the impact of financing for recovery measures. This cooperation could also help in meeting and exceeding the longstanding pledge for US$100 billion in annual North–South flows of climate finance.

The UK's research and development capacity forms a key comparative advantage for 'Global Britain' and should be strengthened, as above.

iv) Climate change adaptation and resilience

As consistently highlighted by the Climate Change Committee (CCC), there is a dearth of climate change adaptation planning across government in the UK – including to address the significant risks of flooding, over-heating and water shortage. An awareness of climate-related risk, and the need to adapt to build resilience, should run through the recovery package. This would support the wider need for adaptation planning to be integrated across government.

The CCC recommends adaptation planning for a minimum of 2°C global temperature rise by 2100 from pre-industrial levels, with consideration of 4°C (CCC, 2020). Without planning of this nature, future threats and shocks risk eliminating any progress made. Resilience should be understood in a holistic sense – as the pursuit of social, ecological and economic development gains, while managing relevant risks in a way that mutually enforces these gains. Resilience also goes beyond engineering and infrastructure solutions: human, social and natural capital should all play key roles in the design of risk strategies.

To achieve this, there is significant need for greater incentives for businesses, governments and individuals to invest in resilience in advance. For example, as outlined in Surminski (2020a), financial incentives and penalties are required to drive the behavioural changes needed in the housing sector to account for both current and future climate-related threats (for example, exposure to flooding, overheating, and drought-related subsidence). This will require mortgage lenders, architects, development funders, regulators and government to work together.

Businesses and stakeholders need to acknowledge that we are already exposed to the impacts of climate change and recognise that action must be taken now to invest in prevention and preparedness. Taking early action to prepare for or prevent risk is often significantly cheaper than dealing with the consequences – with a benefit-cost ratio of approximately 4:1 for climate-resilient infrastructure (Global Commission on Adaptation, 2019). A shift in mindset, from cost to investment, is required when it comes to risk reduction, as well as developing an appreciation of the co-benefits that can be achieved through taking action on preparedness and resilience. When viewed holistically, in addition to avoiding loss, damage and saving lives, resilience investment also boosts economic potential and has broader development co-benefits, including, for example, strengthening local governance processes and developing community participation and cohesion. Evidence shows that strengthening resilience can also ensure expensive lock-ins are avoided – where infrastructure built without adaptive measures for hazard risks later requires expensive adjustments, movement or upgrading (Surminski, 2020b; Global Commission on Adaptation, 2019).

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