



Corona crisis and climate change

New technology is what we need

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Author

Eric Heymann
+49(69)910-31730
eric.heymann@db.com

www.dbresearch.com

Deutsche Bank Research Management
Stefan Schneider



Public attention has shifted away from climate change as the coronavirus pandemic has spread. Nevertheless, mitigating climate change and making sure that the growing global population has access to climate-friendly energy remain among the key challenges of this century. These issues will still be on the agenda when the pandemic is over. It is therefore an encouraging sign that many policymakers and corporates have said they will not only take into account, but pay more attention to climate protection when re-opening the economy. The heated discussion about which instruments are best suited to ensure climate protection will continue for years to come, though.

A comparison between the coronavirus response and the measures against climate change makes sense, as there are some similarities, but also major differences between the two issues. We believe that the response to the pandemic holds a number of lessons for climate policy.

Key characteristics: Development over time, regional spread and causes

The coronavirus pandemic is obviously an acute threat. The virus may cause a deadly illness. Older people and people with certain pre-existing conditions are particularly susceptible. In this sense, the virus has a selective impact. If and wherever healthcare systems were or are overloaded, the corona crisis certainly causes emergencies. In contrast, the question how acute the problem of climate change is may be up for debate. The term “climate emergency”, which some activists use, indicates urgency. While we do not want to discuss the issue in detail, climate change is certainly a less acute issue than the coronavirus pandemic. Climate change has a selective impact, too; at this point in time, it tends to affect mainly those for whom adapting to it is more difficult.



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Both the coronavirus and climate change are global phenomena. The etymology of the term “pandemic” already suggests that “everybody” (“pan” means “all” in Greek) is affected. Turning to climate change, the geographical source of greenhouse gas emissions is quite unimportant. Nevertheless, there is a significant difference between the two problems. Individual countries can take national measures to contain the spread of the coronavirus: they can simply close their borders. While stopping international travel is certainly not an adequate medium to long-term solution, it helps to contain new infections in the short run and is effective even without co-operation from other countries. In contrast, national measures are largely ineffective in the fight against climate change if the rest of the world does not pursue ambitious goals as well. The contribution of national climate-protection policies becomes more insignificant if a country has only a small share in global greenhouse gas emissions. The difference becomes obvious when we look at an example of a small island state: External border closures would help to eliminate the coronavirus in the country within a short time. However, such a country is clearly not in a position to make a major contribution to climate protection.

Let us now take a look at the causes of the two problems. Climate change is to a large extent caused by human activities. While the exact contribution of these activities is unclear, it seems clear that burning fossil fuels is a major cause of climate change. From an economist’s vantage point, climate change is a global negative external effect. The negative external impact of greenhouse gas emissions which are behind humanity’s contribution to climate change is not (adequately) priced in. In contrast, the link between the coronavirus pandemic and human activities is by far less obvious. One can argue that, if mankind increasingly encroaches upon the habitat of wild animals, the probability increases that viruses spread from animals to people. However, such events have regularly taken place over time, even when considerably fewer people lived on earth.

Government measures and their acceptance

Environmental economics and common sense alike suggest that an acute threat requires comprehensive countermeasures. The corona crisis is a good example of this. Governments around the world are relying on far-reaching command and control regulation measures, including bans on a number of economic and private activities. Many countries have entered an economic and social lockdown. Regulatory law has a major disadvantage, however: it tends to lead to significant economic losses and costs. In order to mitigate the economic impact of the lockdown, countries have adopted comprehensive subsidies and aid programmes for the affected sectors and private households of their economies. These measures constitute the second line of the response to the corona crisis. Quite apart from the economic losses, the government measures severely interfere with basic human rights and people’s quality of life. For now, most people accept and comply with the restrictions. However, nobody can really believe that people will continue to do so indefinitely. Policymakers regularly underline that the current situation, with all its constraints, is highly exceptional.



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Climate protection policy uses a mix of different instruments. In this area, too, command and control regulations (obligations, bans, quotas, caps etc.) play a significant role. Many technologies are subsidised; just think of renewables. At the same time, and alongside regulatory law, policymakers use market-based instruments, such as energy or carbon taxes or emissions trading. These tools aim to internalise the negative impact of greenhouse gas emissions. While it is quite possible to “put a price” on carbon dioxide and other greenhouse gases, it is no viable idea to put a price on the coronavirus.

Right now, climate protection measures are widely accepted in many countries. In fact, survey participants often say that they would support stricter climate protection policies. One reason for the high degree of acceptance is certainly that the costs of climate protection measures are not very transparent and spread across a long period of time. People bear them by paying higher prices for everyday goods or paying taxes (or not benefiting from tax cuts). Moreover, climate policy has only small effects on everyday life so far. As long as people can afford it, they can travel without restrictions, live in large flats or houses and heat them as they like, use more and more electronic consumer goods, surf the internet at will, download films and music, buy any car they like, eat meat and tropical fruit etc. However, even as people say in surveys that they are in favour of climate protection they are often less willing to shoulder (considerably) higher costs for this goal.

[Lessons from the corona crisis for climate protection policy: New technology and adaptation promise better success than sacrifices](#)

The coronavirus crisis has shown that people accept major restrictions laid down in regulatory law if there is an acute threat. At the same time, the global debate about easing the lockdown also shows that acceptance of such measures wanes over time as the threat recedes. We do not believe that people in western democracies will accept similar constraints of everyday life for climate protection purposes in the coming years. First, the threat perceived at the individual level is not sufficiently acute, second, people feel they can adapt to climate change over time and to a certain extent, and third, every citizen and even every country can make only a small contribution to climate protection. Like it or not, but most people simply will not be willing to make sacrifices if others don't.

There is the option of relying on higher carbon prices (instead of regulatory law) to make people behave in a more climate-friendly way. Market-based instruments are indeed more efficient and effective (both in economic and ecological terms) than either regulatory law or technology-specific subsidies. In fact, this seems to be the only realistic way to achieve the ambitious long-term climate targets. However, if carbon prices rise above a certain level and people can no longer afford everyday conveniences (such as travelling), majorities in western democracies may gradually shift. From our vantage point, there is a significant risk that excessive climate protection measures (implemented either via energy and carbon prices or via regulatory law) may strengthen parties on the political margins.



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The corona crisis has also shown that millions of jobs hinge on everyday activities and luxuries which are currently out of bounds and which may appear superfluous at first sight. Due to its significant economic impact, it is impossible to fight the corona crisis simply by a continued lockdown of the economy. In the long run, new technologies are the only option. In the coronavirus context, these new technologies take the form of efficient drugs and vaccines, which are currently being researched around the world. In the meantime, we can only try to contain the virus by ensuring good hygiene, relying on social distancing etc. In addition, we need to adapt to the virus.

In some respects, the corona crisis is a blueprint for climate protection policy. In that area, too, we need better technologies than those available today. We need high-performance, low-carbon, controllable and cheap sources of energy which permit climate-friendly growth. That is what the world's best minds should focus on in the coming years. Most people will be unwilling to accept persistent, massive growth losses and/or restrictions on individual consumption and production choices for climate reasons in the long run; moreover, the costs would be extremely high. Once again, as long as the necessary technology is not available, we will have to try and slow down climate change by using the tools available today. And, of course, some adaptation to climate change will be necessary.

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