

**From the Editors:** As COVID-19 continues to wreak havoc globally, forcing societies to reach for unprecedented measures, we continue our analysis of the pandemic's social and economic ramifications. In this issue of showCASE, our Economist fleshes out the parallels between the ongoing health crisis and the slower-paced, but no less serious, climatic challenge. How could the former better equip us to deal with the latter?

## Can the COVID-19 Response Teach Us Anything About Tackling the Climate Emergency?

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Although the COVID-19 pandemic and climate change may at first seem unrelated, both crises pose a serious threat to the lives and the well-being of billions of people regardless of the geographic area. In both cases [populist](#) leaders have been seen downgrading the scale of the problem, too. Other parallels are no less direct: how can national economies be rebooted when the uncertainties of the pandemic are so immense, just as the [economic risks](#) implicit in climate catastrophes are immense – such as damage to property and infrastructure, lost productivity, or mass migration? Yet only the former crisis is proving that significant changes and sacrifices can be made in order to save lives. Between the [‘flattening of the curve’](#) policy and the preparation for the prospective recession resulting from a national lockdown, a worldwide wave of action was put in motion, showing that any serious response is possible when political will is at stake.

Why have similar actions not been undertaken towards tackling the climate emergency, which has been on the agenda for decades? Scientists prove on a daily basis that [temperatures](#) and [air pollution](#) levels resulting from human activity keep rising, and even with the current lockdown, the World Meteorological Organization (WMO) estimates that the pandemic only has [a marginal impact](#) on the reductions in the carbon dioxide emissions. Keeping these harsh realities in mind, one may ask whether any of the approaches towards the COVID-19 outbreak can be useful in protecting citizens from the impacts of climate change? Although it is too early to assess the actual impact of the former, some insights seem to be of a rather general nature and applicable to different types of challenges.

### **Believe in science**

During the current coronavirus health crisis, global citizens tend to put their faith in [science](#) more than in politicians, and the value of knowledge and expertise has become increasingly clear. Medical professionals and mathematical modellers have turned celebrities in their countries and beyond. The advice of epidemiologists on social distancing and on ‘flattening the curve’ has gone viral, and doctors have become [heroes](#). Could this represent a turning point in a trend towards appreciation of experts and of evidence-based policy? Whatever the answer, the experience from the still ongoing pandemic can be capitalised on to increase the trust in the science of climate change and to win this other fight, too.

### **Climate change is a global health crisis, too**

Although this may seem provocative, the climate and environmental crisis is a global health emergency as much as the COVID-19 outbreak is. According to the [World Health Organisation \(WHO\)](#), 91% of the world's population live in places

with poor air quality, leading every year to 4.2 million deaths as a result of exposure to ambient air pollution and 3.8 million deaths as a result of household exposure to smoke from dirty fuels. According to [another report](#), every new-born baby will be affected not only by environmental externalities (leading to chronic lung and heart conditions), but predominantly by climate change. What is particularly worrying is that the above-mentioned [change in temperatures](#) works to extend the coverage of many diseases, making them more common and dangerous. Examples include mosquito-transmitted diseases (dengue and malaria), haemorrhagic fever and the Zika virus (cf. Table 1).

*Table 1: Number of deaths related to climate change and environmental externalities*

		<b>2010</b>	<b>2030</b>
<b>Climate</b>	Diarrheal infections	85,000	150,000
	Heat & cold illnesses	35,000	35,000
	Hunger	225,000	380,000
	Malaria & vector borne diseases	20,000	20,000
	Meningitis	30,000	40,000
	Environmental disasters	5,000	7,000
	<b>Carbon</b>	Air pollution	1,400,000
	Indoor smoke	3,100,000	3,100,000
	Occupational hazards	55,000	80,000
	Skin cancer	20,000	45,000
<b>World</b>		<b>4,975,000</b>	<b>5,957,000</b>

Source: *The Climate Vulnerability Monitor 2nd Edition*, <https://daraint.org/climate-vulnerability-monitor/climate-vulnerability-monitor-2012/>.

The [novel coronavirus](#), discovered in China in December 2019, has so far killed more than 160,000 people, and infected almost 2.5 million in 210 countries and territories around the world, according to the Johns Hopkins University [tracker](#), which is collecting cases reported by the World Health Organisation (WHO) and other national sources (as of April 20, 2020, 14:00 CET).

Yet, despite the significantly smaller number of people struggling with the COVID-19 disease than with climate change, the impact of the virus has been sudden and dramatic, unlike that of the climate change, which is old, slow, and steady. It is clearly for this reason that it causes less alertness among societies and governments. It is unclear, however, why the numbers do not speak for themselves.

### **Unless we act now**

Although it is still too soon to assess individual countries' strategies for containing the virus, it becomes clear from looking at the [real time world statistics on COVID-19](#) that some countries are handling the pandemic better than others. There is something that those countries have in common – when the coronavirus appeared, they quickly enforced social distancing and detection measures, both medical and technological. For example, South Korea was initially one of the biggest infection clusters outside of China, but thanks to the [widespread testing](#) policy and technology-enabled tracing of (potential) virus carriers, the situation has been brought under control, with the country becoming a role model for others. Such a lesson of resolve and preparedness could apply to the climate crisis, too. Just as delaying social

distancing was not helping the fight against the coronavirus, so is there no time to waste in implementing mitigation measures against future worst-case climate scenarios. We know that in order to meet the goals of the [Paris Agreement](#), reduction of emissions needs to be coupled with a quick [boost of green technologies](#), and that it needs to be done now.

### **People-centric approach**

In the fight against the COVID-19 outbreak, the people-centric approach has become a priority. Individuals all over the world are re-arranging their daily routines when they volunteer in hospitals, sew masks, and help the elderly with grocery or pets. [Politicians](#), often backed by [central banks](#), announce financial packages to support those who lost their jobs and those who had to lock down their business because of the pandemic.

The most vulnerable groups, with patients, medical staff, and the elderly opening the list, have made it to the top of the agenda not only for the governments, but also for the private sector. The multinational companies such as [GM](#) and [Dyson](#) have adapted their production lines to provide hygiene supplies and medical equipment, particularly ventilators. Not all the companies are letting people go, and some, including [Amazon](#) and numerous branches of [Tesco](#) and [Aldi](#), are actually increasing wages and planning further recruitments.

All this shows that a large-scale people-centred approach to a global crisis is possible. Such a compassion and proactive approach in taking care of those most vulnerable should also be addressed to those most exposed to climate and environmental externalities.

### **Green investments boost**

Although a [worldwide recession](#) caused by the coronavirus seems inevitable, the crisis opens up a new path for more sustainability in our everyday lives. Volumes of money now spent on the recovery might have seemed utopian before the pandemic but will be a reality in the post-COVID economy. For example, in the European Union (EU), restrictions of the [Stability and Growth Pact](#) have been eased. Germany unleashed around [EUR 750 billion](#) for the stimulus package, almost matching the estimated expenditure on the entire [EU Green Deal](#). Similar tools could be considered to increase investments in renewable energy sources (RES), energy efficiency measures, and an overall carbon-neutral economy, including a tailored '[Just Transition Mechanism](#)' to the workers and communities affected by decarbonisation requirements. Relief plans must not reinvest in fossil-fuel-backed industries but create jobs in green sectors as the public funds and taxpayers' money should be invested in improving the efficiency of low-emission alternatives.

### **Cultural revolution**

At the same time, with the requirement of social distancing in place, people all around the world have accepted unprecedented constraints on their everyday freedoms and ways of life. This cultural change is in fact no less important than the technological investments. The [crisis-communication platform](#) that keeps Belgian citizens up-to-date on the epidemic developments in their closest neighbourhoods, the reorganisation of public spaces in Bogota with [expansion of bike lanes](#) so that citizens can avoid public transport, or the introduction of [working-from-home](#) schemes all around the world – all these did not require serious investments or a technology revolution, but only a new way of thinking.

Climate change has been on the scientific agenda for much longer than the COVID-19 outbreak, and tools to fight it are already in place; what we need at this stage is the political and social will to apply them. Surely, no one knows what the world will be like once the pandemic is over, but the elementary mindset change and cultural revolution we are observing now may prove crucial to avoiding a climate catastrophe.

## Conclusions

Undoubtedly, prioritising climate action in such uncertain times is a difficult task. With [more than a third of the world's population](#) under some form of lockdown, the risk of [195 million full-time workers](#) losing jobs Q2 2020, and turbulences expected in the [public finance systems](#) extending for many years to come, it is challenging enough to plan the coming days, much less the next decade. The COVID-19 pandemic is definitely not over yet, but it has already exposed certain ordinary truths more than any previous crisis. We have instantaneously realized that some challenges are borderless; that without solidarity, no single country can manage a pandemic outbreak; that scientists and experts should be heeded; and – last but not least – that delay in action is deadly. If we can perceive the current crisis as a breakthrough, perhaps we can emerge wiser to ensure a greener and healthier planet for all. If we are attentive observers, we had better start acting on these lessons now.

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## Trade, Innovation, Productivity

Following the historic drop of oil prices in March, the OPEC and its allies finalised an agreement on what turned out to be the all-time record cut in oil production: by 9.7 million barrels per day or about 10% of global oil output. While the deal reached on April 12 resulted in an almost immediate rise of market prices, with Brent Crude trading at USD 31.82 on April 13 (up from USD 24.74 on April 1), the prospects of the energy market recovery have been overshadowed by the slump in demand induced by the persistence of the COVID-19-related lockdowns. As a result, on April 20, the US oil price benchmark - West Texas Intermediate (WTI) has dropped to a historic low of USD 14.19 per barrel. Similarly, alongside the tightening of quarantine restrictions in the US and the introduction of coronavirus-induced state-of-emergency in Russia, both Brent Crude and Urals prices approached their pre-agreement levels of USD 27.02 and USD 23.05 per barrel, respectively.

The persistent uncertainty and rather gloomy forecasts on the energy markets boost the attractiveness of technology and innovation sectors, which, as evidenced by the Atlantic Council's GeoTech Center global survey, have benefited from accelerated growth since the outbreak of COVID-19. As the pandemic has already stimulated innovations throughout a number of areas, including medicine, education, management, and intellectual property, the underlying technology is likely to retain its new importance and contribute to the post-COVID-19 recovery.

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## Labour Markets and Environment

The Polish Ministry of Family, Labour and Social Policy announced that due to the COVID-19 pandemic, the unemployment rate in Poland might reach 9-10%, with 1.4 million unemployed registered by the end of 2020. According to the Ministry, the estimated unemployment rate at the beginning of March 2020 was approximately 5.5%, with around 920,000 unemployed. In order to respond to the challenges resulting from the possible rise of unemployment, the government has proposed a set of measures, including, among others, salary subsidies and loans for entrepreneurs (including micro businesses). The proposed aid package, however, has been criticised for not sufficiently covering gig economy and civil contract workers, who are associated with the main waves fuelling the unemployment registers.

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## Macroeconomics and Public Finance

In times of pandemic, the attention of decision-makers is focused on costly fiscal instruments that directly support entrepreneurs (grants, loans, guarantees). In contrast, attention should also be paid to measures aimed to reduce the burden of public levies, e.g. by postponing deadlines for filing tax returns and postponing or exempting social security contributions. Indeed, the importance of ensuring financial liquidity of firms was underlined by OECD in a report published on April 15. Tax reliefs were in fact introduced by many EU Member States in March, for example by Germany and the Czech Republic, where not only deadlines for filing tax returns were postponed, but also the obligation to make advance payments was reduced. In Germany, the exemption from tax was even provided for in the case of the special hardship benefit of EUR 1,500 paid out to employees. Other solutions, such as favourable settlements of tax losses and quicker CIT refunds, were introduced by France. Slovakia, in addition to liquidity measures, has suspended tax audits of companies (apart from companies that show VAT refunds).

In Poland, many tax solutions already present in other countries have been deployed under the so-called Anti-Crisis Shield 1 and 2, including far-reaching decisions such as the suspension of tax audits. It is puzzling, however, that in

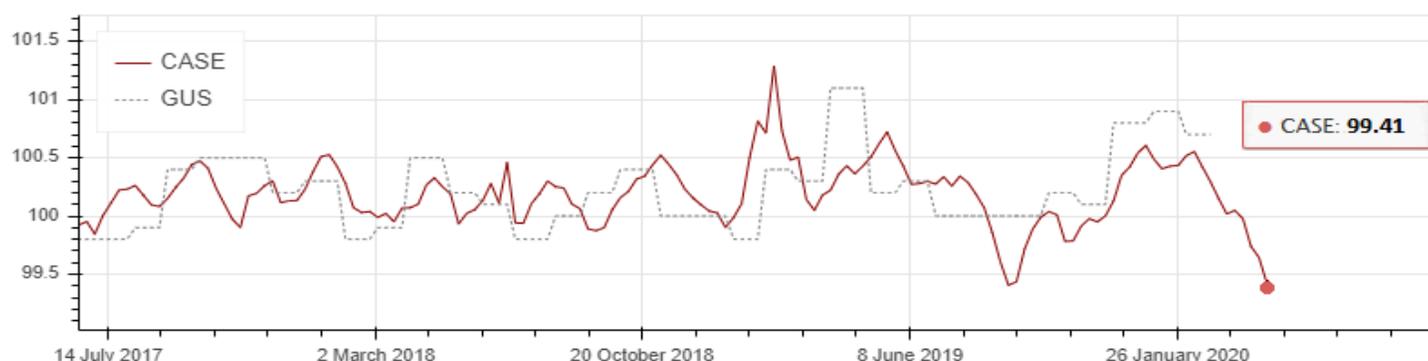
these difficult times, Polish decision-makers do not reach for a simple and completely cost-free solution and do not allow entrepreneurs to use their own resources accumulated in VAT accounts (split accounts). With the withdrawal from this mechanism of Romania in February this year, Poland remains the only EU Member State to apply such a wide obligation to freeze money on VAT accounts as part of the split payment mechanism, which is particularly burdensome to private entrepreneurs. Releasing these funds within a short period of time would significantly improve the liquidity of entrepreneurs in Poland. With the current situation, it is difficult to precisely calculate the effects of this operation, but it can be assessed at around PLN 100 billion per year.

### The Weekly Online CASE CPI

The online CASE CPI is an innovative measurement of price dynamics in the Polish economy, which is entirely based on online data. The index is constructed by averaging prices of commodities from the last four weeks and comparing them to average prices of the same commodities from four weeks prior. The index is updated weekly. For more information on our weekly online CASE CPI, please visit: <http://case-research.eu/en/online-case-cpi>.

The April read-out of Online CASE CPI shows that the overall price level dropped significantly (by almost 0.6%) compared to the last month. This is one of the lowest readings in the history of our index, and, even more unusually – only one category of the basket fell below the level of 100. This category is *Transportation*, where prices compared to March fell by nearly 9% – caused by an unprecedented drop in the prices of crude oil. On the other end of the spectrum was the *Health* category, where prices went up by 2.5%.

### Our Weekly Online CASE CPI



### Monthly CASE Forecasts for the Polish Economy

Every month, CASE experts estimate a range of variables for the Polish economy, including future growth, private consumption, investments, industrial production, growth of nominal wages, and the CPI.

CASE economic forecasts for the Polish economy  
(average % change on previous calendar year, unless otherwise indicated)

	GDP	Private consumption	Gross fixed investment	Industrial production	Consumer prices	Nominal monthly wages
2020	-2.5	-4.0	-8.0	-1.0	2.9	2.5
2021	2.0	2.2	3.4	2.3	2.8	3.2

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