

Climate Targets and Industry Participation in the Recovery

Although governments are busy with the emergency brought on by the COVID-19 pandemic, they must not lose sight of the opportunity that has presented itself. Now is the time to create the conditions for a society-wide transition to a low-carbon sustainable future, **write Henrik Poulsen, Mads Nipper, Lars Fruergaard Jørgensen for Project Syndicate**



Covid-19 is not an excuse to lower climate ambitions

COPENHAGEN – The COVID-19 pandemic must not lead governments to lower their climate ambitions. Accelerating the transition to a low-carbon sustainable economy can both drive the recovery and build resilience for the future.

Other countries could look to Denmark for inspiration on climate initiatives that will also contribute to economic recovery. The country is currently taking real action to achieve its target of reducing carbon dioxide emissions by 70% by 2030 and reaching zero net emissions by 2050.

As the CEOs of Danish corporations with a global presence in renewable energy, water technology, and pharmaceuticals, respectively, we have been appointed by the Danish government to chair

public-private “climate partnerships” created to pursue climate-policy goals. Our job has been to develop comprehensive roadmaps for reaching emissions-reduction targets within our respective sectors in the most cost-efficient way.

Having chaired these partnerships for the past seven months, we believe governments around the world would benefit greatly both from this model of collaboration and from our specific findings on how to make the manufacturing, energy, and life science and biotech sectors nearly carbon-neutral by 2030. As countries spend trillions of dollars to protect jobs and livelihoods during the pandemic, it is crucial that they shape such stimulus in ways that will ensure a long-term sustainable recovery.

The World Health Organization estimates that the annual capital needed to meet the Paris climate agreement's emissions-reduction targets amounts to some 1% of global GDP per year. Governments thus should capitalize on the current opening to direct their mid- and long-term recovery plans toward the dual objective of financial stimulus and decarbonization.

The green business is good business

Pursuing these goals simultaneously is not merely a moral imperative. It also makes economic sense. Governments urgently need to unlock the private sector's capacity for innovation and investment, starting with concrete and ambitious emissions-reduction targets for 2030 and 2050. Once such targets are in place, governments should involve businesses in developing sector-specific roadmaps for decarbonization.

The logic of leveraging the private sector is simple. Business leaders are in the best position to identify economically sound carbon-reduction pathways within their own sectors, and they have firsthand knowledge of what is needed from governments to unlock private-sector investments. This is what we call the Danish formula for public-private collaboration.

The analyses we have conducted in our climate partnerships have revealed opportunities for decarbonization that many would have thought impossible just a few years ago. By applying and scaling up existing technologies in a cost-efficient way, the manufacturing, energy, and life science and biotech sectors could become nearly carbon neutral as soon as 2030. In addition, these sectors also provide technologies and services that have the potential to drive emission reductions across other sectors. This includes energy-saving products and services, and replacing fossil fuels with green electricity to decarbonize transportation and other industries.

Hence, our recommendations have global applications, both for countries in a nascent stage of decarbonization and for those that are already well on their way. The first key takeaway is that governments should set ambitious national emissions-reduction targets for each economic sector, thereby providing transparency and long-term certainty for companies and investors.

Second, all countries need to create conditions for a significant increase in renewable-energy production, green electrification, and improved energy efficiency. Green business is good business: wind and solar power are now the cheapest options for two-thirds of the world, and energy efficiency improves economic competitiveness while benefiting consumers.

Third, governments should adjust their regulatory frameworks to maximize investment in innovative technologies – such as heat pumps, renewable hydrogen, and biofuels – through increased public and private research, development, and deployment.

Similarly, public procurement and fiscal policies should be reformed to strengthen incentives that encourage low-carbon activities and investments. And businesses around the world need to take responsibility beyond their own direct emissions, by pushing for similar reductions across their global value chains.

Business as usual is not an option anymore

Beyond these broad recommendations, we are keen to share with governments and other businesses insights from our specific action plans on how to decarbonize manufacturing, energy, and life science and biotech as cost-efficiently as possible. We encourage policymakers and industry leaders to build on these lessons as they shape the economic recovery and accelerate the green transition.

Collectively, we need to make sure that the COVID-19 pandemic does not lead us back to the same “business as usual” that brought on the climate crisis in the first place. By applying the model and principles we have enunciated, all societies can do more than just recover; they can make themselves future-fit, too. That is the right approach both environmentally and economically.

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