

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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Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing
sander.burgers@ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com

Michiel Tukker
Senior European Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek
Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea
Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com