

# Climate change: from awareness to action

Tao Zhang believes that the COVID-19 pandemic and the climate crisis are interlinked, because some of the economic policy decisions taken today will affect climate outcomes tomorrow

**T**he world is currently focused on one crisis—namely, the COVID-19 pandemic. Greece’s response, for example, has been proactive and well-organized. Timely quarantine measures have limited the spread of the disease, while a forceful stimulus package has provided support to vulnerable households and firms. Going forward, given limited fiscal space, every effort should be made to strengthen the targeting of fiscal support.

But lurking “*the day after*” is another crisis—slower moving, perhaps, but equally critical. I’m talking, of course, about climate change. We’ve known for years that urgent action is needed, but it’s perhaps even more apparent now, in the wake of this pandemic, that we shouldn’t mess with Mother Nature. Moreover, the two crises are interlinked, because some of the economic policy decisions taken today will affect climate outcomes tomorrow.

Therefore, my remarks here will focus on the importance of keeping climate change in mind as we move from rescue to recovery and on how we can ensure a “*green recovery*” for Greece, Europe, and the planet.

Let me start with some context. Five years ago, at the COP21 meeting in Paris, countries committed themselves to taking actions to curb the rise in global temperatures. We all know that much more ambitious commitments are going to be needed at the global level if we are to succeed, but I’m happy to say that Europe has been at the forefront of the fight against climate change.

The EU has set new, more ambitious targets—including to be carbon neutral by 2050—and has outlined new policy initiatives and investment in the context of the European Green Deal. In addition, the new Economic Recovery Fund along with a revised EU budget now under discussion aim to support a green recovery after the pandemic.

The EU's climate policies, however, also face challenges. First, the carbon price under the Emissions Trading System is currently around €25 a ton. But to achieve carbon neutrality by 2050, more ambitious reductions in emissions are needed, implying a much higher effective carbon price.

Second, the impact of more ambitious climate policies on income distribution must be carefully assessed and addressed to ensure fairness. We need the right policies to ensure a *"just and inclusive transition"* to a green economy.

*No institution or individual can stand on the sidelines in the fight against climate change. We must all act to reduce emissions [...] and seize the economic opportunities that a new greener economy can bring*

Third, shifting from fossil fuels to clean energy means massive investment in renewables, smart grids, and electric vehicles, and the region will need to better mobilize private finance. At the same time, however, the transition to a carbon-neutral economy also brings new growth opportunities.

Turning to Greece, there is ample solar and wind capacity that can be tapped. Likewise, smarter urban development and social policies can mean new jobs and better housing. And, better air quality will reduce illnesses and deaths related to pollution, while generating savings on health spending and attracting more tourism.

Greece is among the few countries that have already achieved their 2030 greenhouse gas emission targets. However, this mainly reflects reductions in energy demand from the recession, while Greece's energy structure remains more carbon-intensive than that of many other European countries.

In his January meeting with our Managing Director, Prime Minister Mitsotakis described how the new Greek national energy and climate plan will help tackle this issue. It envisions a substantial boost in green investment and full closure of lignite plants over the medium term.

The commitments by the Greek government to climate-friendly policies deserve strong support. To start, I can think of at least two sets of questions:

- First, what will happen to the lignite-producing areas of Western Macedonia as plants close and workers are adversely affected? What policies are needed to help in the transition toward greener economic activity?
- Second, what are the implications for climate change, and climate policies, of Greece's role as a shipping and tourism hub? These two industries account for about a quarter of Greece's GDP.

While there are no easy answers, targeted support to affected groups along with sectoral diversification could be part of the solution to help mitigate the transitional cost to clean energy. And a supportive investment climate will be a key element.

Now, let me turn to where we are at the IMF. In short, we are scaling up our work on both mitigation and adaptation. The IMF has done a lot of analytical and policy work on carbon pricing, helping countries understand: the carbon prices they need; the trade-offs with other policy instruments; and how to design comprehensive policies in a growth-friendly and politically acceptable manner.

The IMF also works on various fronts to help countries price climate risks, provide incentives for climate-resilient investment, and integrate climate risks and adaptation spending into their economic and fiscal plans. For instance, together with the World Bank, we have begun assessing countries' climate strategies—starting with the small countries most vulnerable to climate change.

The IMF also carries out stress testing of financial systems to assess their resilience to natural disasters as well as to climate-motivated policy changes. Looking ahead, we will be working more closely with central banks, which are looking at how climate-change risks could affect financial and price stability. The Central Bank of Greece has been very active in this area as well.

And when natural disasters strike—or a pandemic for that matter—our emergency lending facilities are designed to provide speedy assistance. We have assisted many countries in the wake of hurricanes and other disasters, and in terms of the COVID-19 pandemic, as of June 4, we have provided nearly \$24 billion in emergency financing to 67 countries, as well as debt relief of \$229 million to 27 of our poorest members.

Looking ahead, the IMF is gearing up its effort to help its membership recover toward a better future. No institution or individual can stand on the sidelines in the fight against climate change. We must all act to reduce emissions, offset what cannot be reduced, address the social and economic consequences, and seize the economic opportunities that a new greener economy can bring.

The “*day after*” can be a greener and more sustainable one if we keep the momentum on this issue—even as we are being challenged by COVID-19. To conclude, the IMF is ready to work with our member countries to help them find the best path, as they address climate change. ■

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