

COVID-19, the Economy and the Environment: For a green and sustainable recovery

“The stop enforced to curb the spread of Coronavirus must become an opportunity to rethink the development model, reconciling it with the environment”

**This is, in summary, the statement made by the IAERE Council*
(Italian Association of Environmental and Resource Economists)**

Often, economic growth has been pursued at the expenses of environmental protection. Demographic expansion and the widespread improvement of the living standards have marked this antithesis even more. Phenomena such as climate change, extreme events like hurricanes and droughts, deforestation, loss of biodiversity, deterioration of terrestrial and aquatic ecosystems, air pollution, have become central to the political and social debate. They pose serious challenges to the future of humankind and are increasingly perceived as important long-term risk factors.¹

Referring to the current emergency, numerous scientific contributions emphasize the existence of important links between operating modes of the economic system, the deterioration in the quality of the environment and ecosystems, and the spreading of diseases.^{2,3} Other studies, more broadly, bring out the need to invest for a better understanding of how much some specific human activities, such as trade in animal species and changes in land use, affect potential transmissions of pathogens between species.⁴

Ignoring the negative economic feedbacks stemming from the links among human behaviors, the environment and health, can lead to short-sighted and harmful choices. This is especially true for the environment, whose protection and regeneration often produce tangible results only within a medium/long timescale. Adopting far-sighted decisions, even if expensive in the short term, can make it possible to avoid future damages or, at least, to be better prepared for future crises. UNCTAD has estimated, for example, a global pandemic cost of up to 2 trillion US\$ just in 2020,⁵ in the face of an average per capita estimate of 1,69 US\$ per year needed to reach acceptable levels of epidemic preparedness.⁶

We are now in the emergency management phase. We understand the critical issues caused by the lockdown and the need to kick-start economic activities. However, we feel the need not to neglect the potential repercussions on the environment. On the one hand, the reduction of greenhouse gases and local pollutant emissions that we have witnessed as a result of the disruption of productive activities, shall not deceive ourselves. Along the direction suggested by the Executive Director of the European Environment Agency, we have to keep up the interest on intervention policies consistent with the achievement of environmentally sustainable objectives.⁷ On the other hand, the increased use of single-use plastics as well as freshwater and

detergents for sanitization determines further pressure on the environment, in the absence of appropriate disposal procedures and in view of the summer season, with the usual problems of water supply. Ultimately, the risk is that the same pattern characterizing the 2008 post-financial crisis recovery will occur. In fact, the crisis resolution brought about a growth of the environmental footprint, for example in terms of increases in CO₂ emissions, high enough to compensate the reduction linked with the previous contraction of the world economy.⁸

We all hope things will rapidly evolve, but we need a new start. It is necessary to reflect on what we mean by return to “normal” life. Do we want a world characterized by the conflict between the economy and the environment, or a reimagined world, which truly moves towards a sustainable path, consistently with the new EU Green Deal, and which tries to reduce future systemic risks? The enforced shutdown of the productive activities is offering us an extraordinary opportunity to reconsider the existing paradigm and to make choices that trigger economic growth with low environmental impact. This can be done, for example, by further boosting energy efficiency, electric mobility and renewable energies, and by favoring smart working. Improvements in our energy mix will also help us in facing another health emergency in which we have been living for years, caused by air pollution and responsible every year for 7 million deaths worldwide.⁹

We encourage a systemic effort to mobilize enough funding in favor of the reconversion of the production processes and of the reskill of the workforce, such to facilitate the transition towards a sustainable and circular economic system.

At the same time, investments in research should not be overlooked, as part of an endeavor to change our competitiveness perspectives, also through financial incentives towards the introduction of product, process and organizational environmental innovations.

The ideal transition we support passes also through further investments in our country’s traditional strongpoints, including sustainable agriculture and tourism, regenerative bio-economy and a virtuous exploitation of the many interconnections between the cultural and the natural capital. The adoption of greener and more sustainable consumption patterns and a greater attention to waste management, can certainly help reduce our pressure on the use of natural resources, to safeguard our common home and to lower the risk of future catastrophes.

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IAERE (www.iaere.org) is the Italian Association of Environmental and Resource Economists, founded in 2012. The present declaration falls under the sole responsibility of the Council members and does not necessarily represent the opinion of all IAERE members.