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How Green Are Those Stimulus Packages?

GLOBE-Net (April 5, 2009) - At the close of their summit meeting in London, the G-20 leaders committed to make available a $1.1 trillion program of support in addition to their national economic stimulus packages. While repairing the global financial system was the top priority, the closing communiqué stated , "We agreed to make the best possible use of investment funded by fiscal stimulus programmes towards the goal of building a resilient, sustainable, and green recovery."

"We will make the transition towards clean, innovative, resource efficient, low carbon technologies and infrastructure. We encourage the MDBs [multilateral development banks] to contribute fully to the achievement of this objective," the communiqué added.

Also referenced was a reaffirmation of a commitment "to address the threat of irreversible climate change, based on the principle of common but differentiated responsibilities, and to reach agreement at the UN Climate Change conference in Copenhagen in December 2009."

Many observers took comfort in these statements. UN Secretary-General Ban Ki-moon said he was encouraged by recognition of the strong links between tackling the economic turmoil, food security and climate change. Yvo de Boer, the top United Nations climate official, noted "This is a good example of the major economies of the world coming together and developing a common understanding."

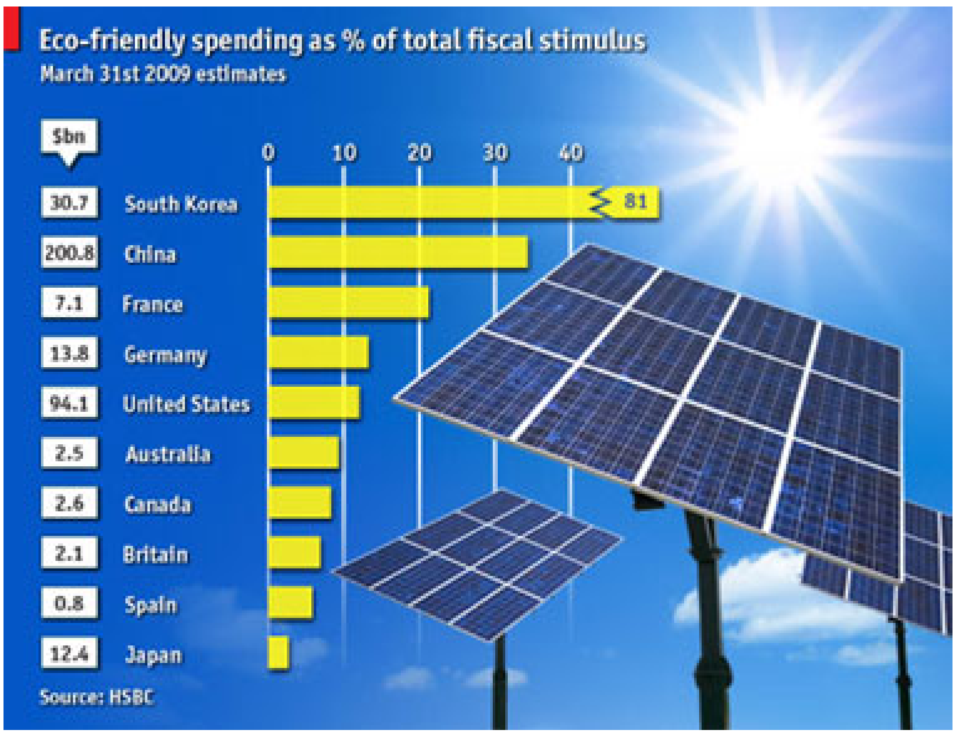
The absence of specific ’low carbon’ commitments in the summit communiqué does not mean the environment lost out in this round of talks, as some have suggested. In fact several initiatives were put in play to iron out environmental and climate change related proposals for the December Copenhagen conference, including another G-20 meeting in the fall. Until then, each G-20 member will pursue their own economic recovery programs, many of which contain measures targeting clean technologies and other projects with significant environmental impacts.

That being said, the question arises how green are these individual economic recovery packages. HSBC’s Global Research Division has published an informative report that answers that question directly. The Report, entitled *A Climate for Recovery*, examined more than 20 economic recovery plans and categorized the spending and tax-cutting measures according to the 18 investment themes in the HSBC Climate Change Index.

HSBC estimates that roughly 15% of the estimated $2.8 trillion of previously announced economic stimulus measures can be associated with investments consistent with stabilising and then cutting global emissions of greenhouse gases.

According to the report, on a percentage basis South Korea leads the group by allocating more than 80% of its fiscal stimulus spending to green initiatives. But China tops the list in terms of the size of planned green spending ($200 billion). China has set aside 34% of its planned spending for eco-friendly projects. By contrast, India is investing nothing of its $13.7 billion stimulus plan for green ventures. Italy and Japan are the least green of the rich G7 countries, allocating just 1.3% and 2.6% respectively.

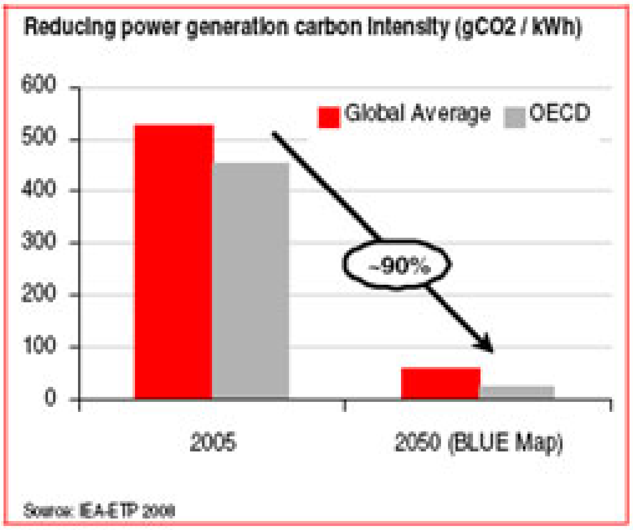
The United States and Canada rank 5th and 7th respectively on a percentage basis, though the estimated $94.1 billion allocated for green projects places the United States second behind China is total spending.



The HSBC analysis estimated the impact of eco-friendly spending will be muted in the first half of 2009 - except perhaps in China - but will pickup significantly during the second half, with the bulk impacting the various economies in 2010. Factoring in multiplier effects, the study estimates close to $890 billion (US) will be spent on green components in the top stimulus packages over the next two years.

An energy revolution

The importance of this spending to the global effort to deal with climate change cannot be under-estimated. HSBC notes that changing course on climate change will require nothing less than a transformation in the global economy, one that is unprecedented but achievable. This transformation would bring important spin-off benefits in terms of energy security, technological innovation, food security and economic growth.



The International Energy Agency (IEA) concludes that nothing less than an ’energy revolution’ is needed to halve emissions by 2050 through a mix of measures that cut the energy intensity of growth as well as the carbon intensity of energy.

Canada’s Recovery Plan

Canada’s Economic Action Plan, along with the January 2009 Budget, will provide almost $40 billion over the next two years (the equivalent of 1.5% of GDP in 2009) largely targeted for "shovel-ready" quick start projects such as roads, bridges, public transit, clean-energy, etc. The plan will invest $150 million over five years on low-carbon research including carbon capture and storage (CCS) technologies.

The green component of Canada’s recovery plan - though modest compared to the size of eco-friendly spending planned by other G-20 countries, will have long-term impacts that will have both national and global significance. Improved urban infrastructure, new water and wastewater treatment facilities, as well as the expansion of renewable energy systems all have a dividend in terms of sustainability.

The full HSBC Report is available for download. More background research on the low carbon economy is available on the website of the Copenhagen Climate Council.