Committee on Climate Change

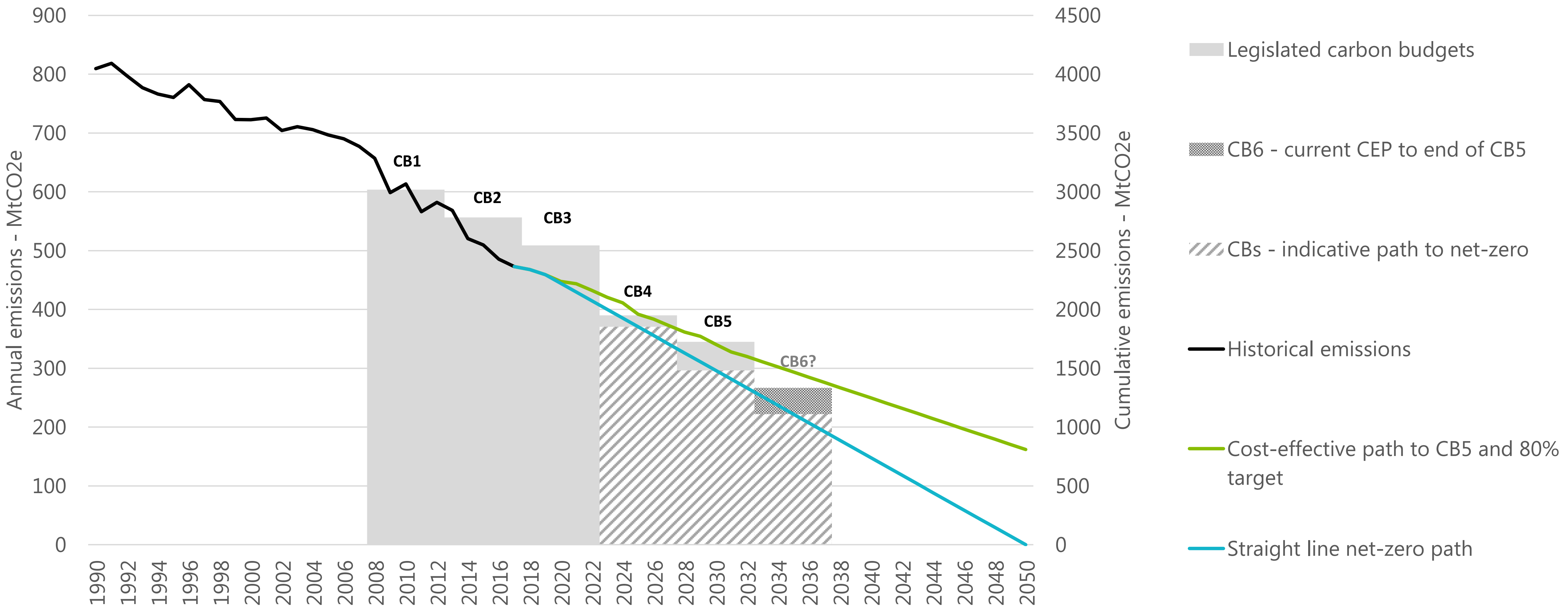
Thursday 7 May 2020

The COVID-19 pandemic: potential implications for Net-Zero

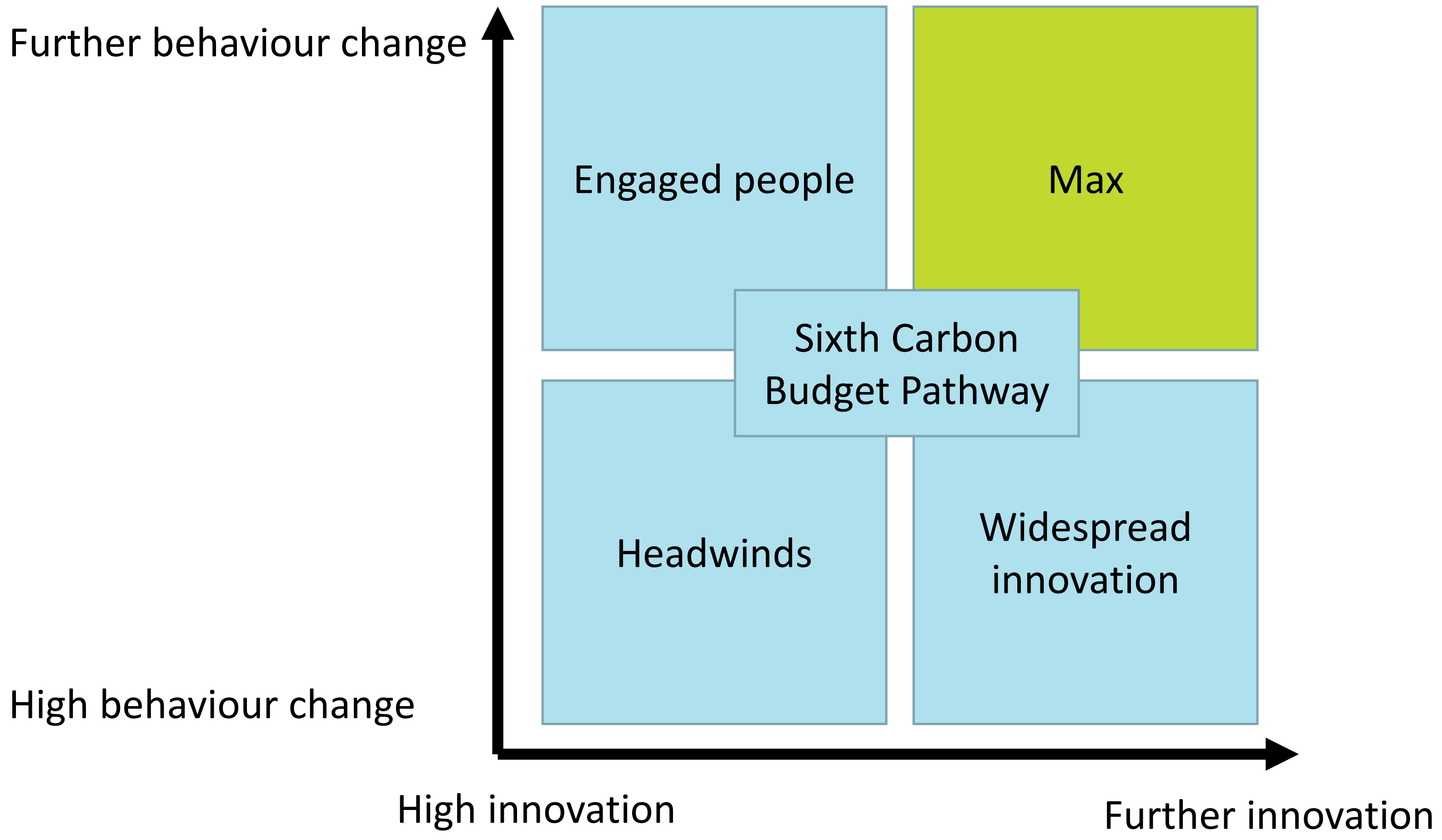
Mike Hemsley

Legislated carbon budgets towards the Net-Zero target

Carbon budgets and indicative emissions trajectory



The CCC's scenario framework for the 6th Carbon Budget



Our starting point looks a lot like the Net Zero Further Ambition scenario in most sectors*

A Max scenario pursues behaviour change AND innovation AND heavy infrastructure and succeeds on all fronts

* We see more use of hydrogen in buildings in this scenario

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Potential lasting impacts of Covid

We have a legal duty to recommend the level of the 6th carbon budget this year but lack quantitative evidence on the lasting impacts of COVID.

Potential impacts on emissions during the sixth carbon budget period (2033-37) include:

- Behaviour changes and the extent to which these will stick
- Economic activity, and uncertainty as to how/when this will return to pre-crisis levels
- Irreversible closures
- Questions over affordability of measures
- Shortening of supply chains and potential for 'reshoring' of activity/emissions
- Impacts on policy development timelines

Are these the main relevant impacts? What are we missing?

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Fossil fuel prices / supply

Fossil fuel prices have crashed due to COVID and other, geopolitical, reasons.

A weak recovery would likely see them stay low for a sustained period.

However, fossil fuel prices tend to be cyclical:

- The impacts of current prices on production capacity and investment in exploration will lead to considerably lower capacity in the future
- In turn, this may see price spikes should demand return to something approaching normal later on

Source: https://www.macrotrends.net/1369/crude-oil-price-history-chart

Climate policy and the recovery – macro impacts and principles

Economic recovery plans can align to net-zero:

1. Use climate investments to support economic recovery and jobs
2. Lead a shift towards positive, long-term behaviours
3. Tackle the wider ‘resilience deficit’ on climate change
4. Embed fairness
5. Ensure the recovery does not lock-in greenhouse gas emissions or increased risk
6. Strengthen incentives to reduce emissions when considering fiscal changes (e.g. carbon pricing)

https://www.theccc.org.uk/wp-content/uploads/2020/05/CCC-to-Prime-Minister-Boris-Johnson-Covid-19-recovery-002.pdf