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Climate Lessons from the COVID-19 Crisis: Forging a New Future (Part 2)

The Power of Good Governance

In times of crisis, it is imperative to reflect on both the precipitating and perpetuating factors leading up to a catastrophe, in order to find viable solutions and to prevent a repeat event.

COVID-19 and climate change are very different disasters, yet they share many commonalities in terms of crisis preparation and management. Despite the warnings, we failed to adequately plan for a pending pandemic. With climate change, we still have the time and opportunity to ensure we are prepared.

As the second article of a two-part series, this article reflects on what lessons we can learn from the current COVID-19 pandemic in terms of governance and crisis management.

The first article in this series examined the environmental, social and economic lessons from the COVID-19 pandemic that can be applied to the climate change crisis, namely:

1. The destruction of natural systems has profound, pervasive and lasting social, economic and environmental impacts. Equally, we have the capacity to repair and restore degraded ecosystems and to adopt practices that enhance integrity and resilience of natural systems as the basis for both economic development and competitiveness.
2. We need to see beyond the current storm, to identify the opportunities available to us and to act on these. A green road to recovery is the only viable route and green investments and stimulus packages are the vehicles to achieve this end.
3. While individual action is critical in bending the climate curve, collaboration on a global scale is crucial, as COVID-19 has demonstrated. Fundamentally, COVID-19 has taught us that together we can bend the curve and combat climate change.
4. We should pay careful attention to the science related to climate change and to heed the warnings backed by robust science and inquiry.

The Climate Risk Trifecta: Physical, Transition and Liability Risk

The negative impacts that need to be managed because of large-scale changes in our global systems, including climate change, can be categorised as physical, transition and liability risks and impacts.

COVID-19 has demonstrated the consequences of large-scale catastrophic changes in key systems, of which major supply chains are a prime example. Supply chains are now so intricately linked, that they constitute a single super-system, vulnerable to a single event which takes on global proportions.

The physical impacts of the COVID-19 pandemic are colossal. At the time of writing, over 11 125 245 cases of COVID-19 had been recorded worldwide, with approximately 528 204 deaths.^[1] While the outcome of the COVID-19 pandemic is impossible to predict, the human toll threatens to match or even surpass that of the worst pandemics in history. There are still many places where the epidemic is getting worse and in particular, many emerging markets are still seeing rapid increases in the number of infections.

Physical risks from climate include human mortality, as well as damage to infrastructure, as parts of the world are increasingly affected by extreme weather or rising sea levels. Cyclone Idai demonstrated yet again how extremely vulnerable we are in the region, as the second worst flood disaster in the Southern Hemisphere.

The globaleconomy itself is in lock-down due to COVID-19, as countries scramble to contain the spread of the virus and to adapt to a changing world. As a consequence of COVID-19, international borders have been closed or limited, curtailing the free movement of people and goods worldwide. In many cases, this has led to the collapse of supporting industries. This is a very rapid and conclusive demonstration of transition risk, in which wholesale transformations of policy and markets have occurred.

In order to meet the requirements of the Paris Climate Agreement, economies will need to divest deeply and rapidly from fossil fuels. Bursting the carbon bubble will result in trillions of dollars of stranded assets, highlighting the need to transition as many industries and sectors as quickly as possible.

A recent study by the Climate Policy Initiative has found that the cumulative impact of a global low-carbon transition on South Africa, over the period 2013 and 2035, could amount to more than \$120 billion in present value terms. The vast majority of much of the risk and potential impacts are due to factors, policies and events beyond the control of the South African government.^[2]

Both crises will hamper the free movement of people and goods as a result of changes in the demand, supply and availability of goods and services. In some cases, these will cause the undesirable movement of people fleeing the sudden or gradual alterations in their natural environment and livelihoods as climate refugees.

Finally, the liability risk of both COVID-19 and climate change are vast. Liability risks result from people or businesses seeking compensation for losses they may incur as a result of physical or transition risks.

The lesson from the COVID-19 pandemic is that the physical, transition and liability risks of large-scale catastrophic changes in key systems are vast. This means careful and considered adaptation planning to mitigate the consequences as much as possible.

The Critical Role of Environmental Intelligence, Transparency and Risk Management

[1] WHO Coronavirus disease (COVID-19) Situation Report– 167 Data as received by WHO from national authorities by 10:00 CEST, 5 July 2020. Available: https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200705-covid-19-sitrep-167.pdf?sfvrsn=17e7e3df_4

[2] Huxham, M., Anwar, M., & Nelson, D. (2019). Understanding the impact of a low carbon transition on South Africa. *Climate Policy Initiative Energy Finance*. Available: <https://climatepolicyinitiative.org/wp-content/uploads/2019/03/CPI-Energy-Finance-Understanding-the-impact-of-a-low-carbon-transition-on-South-Africa-March-2019.pdf>

The UN's trade and development agency (UNCTAD) recently stated that the slowdown in the global economy, caused by the COVID-19 pandemic, would likely cost at least US\$1 trillion and could reach double this amount depending on the severity and duration of the pandemic.^[3]

Governments worldwide have had to provide extensive and at times record-breaking, financial support packages to individuals, businesses and large corporations affected by the COVID-19 pandemic. The New Zealand Government pledged approximately US\$ 7,38 billion in support of business and people in isolation.^[4] The US is providing a US\$2 trillion COVID-19 relief package to those impacted by the pandemic.^[5] The South African Government has made approximately US\$ 44 billion (R500-billion) available to curb the immediate and longer-term effects of the COVID-19 pandemic on businesses and individuals. The provision of financial support packages places a severe strain on the fiscus and will likely result in accumulation of government debt in response to the crisis.

In response to potential climate risks, business can identify and manage risk, secure their supply chains, understand market demand and volatility and mitigate against economic system disruptions. From a climate change perspective, adaptation will allow companies to build the necessary resilience into their systems well in time to safeguard and in some cases, even enhance competitiveness.

As noted by Michael Bloomberg, in his capacity as the chair of Task Force on Climate-related Financial Disclosures (TCFD): "Increasing transparency makes markets more efficient, and economies more stable and resilient."^[6] There are tools available, such as those provided by the Carbon Disclosure Project (CDP), the recommendations of the TCFD, science-based targets and carbon pricing which companies can adopt to identify, understand, quantify and manage risks in a structured manner.

Companies, sectors and even entire economies need to grapple with the broad range of climate related risks and opportunities.

Responding to these crises requires a high-level of foresight and readiness, both of which require prior planning and monitoring. Businesses were unable to prepare due to the rapid onset of COVID-19, leaving many stranded.

The next major lesson from the COVID-19 pandemic is that careful planning, informed by robust information and systemic monitoring are necessary to mitigate the identified risks and realise emerging opportunities. These need to be informed by extensive scenario analysis and sound environmental data.

New Models of Leadership

The COVID-19 pandemic sheds light on prevailing attitudes and approaches to the management of severe challenges and importantly, highlights the danger of perpetuating unsustainable development trajectories as part of knee-jerk reactions. These trajectories could simultaneously precipitate even greater crises, thereby undermining our ability to mitigate the impact of such disasters in future.

The coronavirus has the potential to amplify cracks in political leadership structures. COVID-19 has not only highlighted issues such as ecological breakdown, rampant inequality and poor governance but as a result of the pandemic, these have been exacerbated.

^[3]UNCTAD Trade and Development Report Update (2020). The Coronavirus shock: A story of another global crisis foretold and what policymakers should be doing about it. 9 March 2020. Available:

https://unctad.org/en/PublicationsLibrary/gds_tdr2019_update_coronavirus.pdf?user=1653

^[4] The Conversation (2020). Minchin, L., Meduna, V., and Mountain, W., (2020). 'New Zealand outstrips Australia, UK and US with \$12 billion coronavirus package for business and people in isolation.' 17 March 2020. Available: <https://theconversation.com/new-zealand-outstrips-australia-uk-and-us-with-12-billion-coronavirus-package-for-business-and-people-in-isolation-133789>

^[5] The New York Times (2020). F.A.Q. on Stimulus Checks, Unemployment and the Coronavirus Plan. Tara Siegel Bernard and Ron Lieber. May 7, 2020. Available: <https://www.nytimes.com/article/coronavirus-stimulus-package-questions-answers.html>

^[6] Haines, L. (2018). 'The TCFD Recommendations: Making the case for climate related financial disclosures', Eco-Act, 25 May 2020, Available:<https://eco-act.com/taskforce-on-climate-related-financial-disclosures/the-tcf-recommendations-making-the-case-for-climate-related-financial-disclosures/>

We cannot change the science, but as society, we can change the political will needed to shift the current system. Across the world, political theorists are attributing the success of certain country's transmission reductions to decisive leadership,^[7] while countries that have fared worse in terms of infection rates and death toll have failed to act early and in accordance with the best scientific advice.^[8]

The lack of consensus on how to effectively tackle a global crisis is a scary lesson for a world where many political leaders still refuse to make ambitious climate pledges, as part of their Nationally Determined Contributions (NDCs) under the Paris Agreement. Developed countries, such as Australia have been criticised for not divesting from fossil fuels faster.^[9] The United States stands out, with the country pulling out of the Paris Agreement altogether.

The political will to act on COVID-19 has been exceptionally high, throwing into stark relief the rather limited political will to address rampant environmental degradation and climate change.

The final lesson from the pandemic is that both these crisis are not just about ecological disaster but fundamental failings in management and governance. Bold leadership will require steering conversations into the territory of paradigm and system level shifts.

The Way Forward

The COVID-19 pandemic has taught us fundamental lessons, which we can apply to the climate change movement in terms of how we manage the climate crisis.

Fundamental changes going forward include: 1) Aggressively addressing and where possible reversing environmental degradation; 2) Implementing system level shifts advanced by strong and ethical leadership and 3) Enabling collaborative and aligned action informed by robust science and data. These changes will make a substantial difference in preventing crises and where prevention is not possible, in preparing for and possibly mitigating the next crisis.

Combining these lessons and insights, provides us with an opportunity to act decisively in response to looming crises, building on the best practice we have observed in the global response to the current COVID-19 outbreak.

Before the COVID-19 pandemic, the world was sceptical about our ability to implement the kind of changes necessary to avoid a global climate catastrophe. We now have a blue-print for what is possible, we need to make this decade of delivery on the Paris Climate Agreement goals count.

To find out more about the NBI's Climate Change and Energy programmes, please contact Reitumetse Molotsoane (ReitumetseM@nbi.org.za)

^[1] WHO Coronavirus disease (COVID-19) Situation Report– 167 Data as received by WHO from national authorities by 10:00 CEST, 5 July 2020. Available: https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200705-covid-19-sitrep-167.pdf?sfvrsn=17e7e3df_4

^[7] Henley, J., & Roy, E.A. (2020). 'Are female leaders more successful at managing the coronavirus?' *The Guardian*, 25 April 2020, Available: <https://www.theguardian.com/world/2020/apr/25/why-do-female-leaders-seem-to-be-more-successful-at-managing-the-coronavirus-crisis>

^[8]The Economist (2020). 'The White House v Covid-19', *The Economist* (United States), 11 April 2020, Available: <https://www.economist.com/united-states/2020/04/11/the-white-house-v-covid-19> (Accessed: 30 April 2020)

^[9] Climate Council (2017). 'What you need to know about fossil fuel divestment', *Climate Council*, 17 May 2017, Available: <https://www.climatecouncil.org.au/what-you-need-to-know-about-fossil-fuel-divestment/>

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[5] The New York Times (2020). F.A.Q. on Stimulus Checks, Unemployment and the Coronavirus Plan. Tara Siegel Bernard and Ron Lieber. May 7, 2020. Available: <https://www.nytimes.com/article/coronavirus-stimulus-package-questions-answers.html>

[6] Haines, L. (2018). 'The TCFD Recommendations: Making the case for climate related financial disclosures', Eco-Act, 25 May 2020, Available: <https://eco-act.com/taskforce-on-climate-related-financial-disclosures/the-tcf-recommendations-making-the-case-for-climate-related-financial-disclosures/>

[7] Henley, J., & Roy, E.A. (2020). 'Are female leaders more successful at managing the coronavirus?' *The Guardian*, 25 April 2020, Available: <https://www.theguardian.com/world/2020/apr/25/why-do-female-leaders-seem-to-be-more-successful-at-managing-the-coronavirus-crisis>

[8] The Economist (2020). 'The White House v Covid-19', *The Economist* (United States), 11 April 2020, Available: <https://www.economist.com/united-states/2020/04/11/the-white-house-v-covid-19> (Accessed: 30 April 2020)

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