

A Paris Watch  
Hong Kong Special Report

# SEEKING THE SILVER LINING

A post-pandemic strategy to meet  
Hong Kong's net-zero emissions targets







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# Introduction

The Covid-19 pandemic has affected economic and social life in Hong Kong, East Asia and throughout the world. It is not realistic to look at the prospects for future climate action without taking account of the lasting impact of the coronavirus pandemic as well as the policy response by governments seeking to underpin the economy and support the wellbeing of populations. Sustainability policies must be examined in the context of pandemic recovery policies and debates about a 'green recovery'.

Alongside the tragedies of the Covid-19 pandemic there lie a number of opportunities to move climate change action forward. These can only be achieved if governments take the policy initiative and link pandemic recovery to commitments to a net-zero<sup>1</sup> future. In this document we examine which of policy initiatives are particularly important for Hong Kong.

<sup>1</sup> According to a UNFCCC publication, "Climate Neutral Now – Guidelines for Participation," (<https://unfccc.int/documents/271233>)

"Both at global/planetary level and at stakeholder (individual, organization, company, country etc.) level, Net Zero is a state where a balance between anthropogenic GHG emissions and removals is achieved. This can be achieved through reducing and avoiding emissions, and then implementing solutions to capture the remaining ones at the point of generation, or by removing them from the atmosphere."

Top of the Agenda:

# Global forecasts and trends

For a business perspective, it is worth quoting McKinsey & Co at the outset "While no-one can say how long the crisis will last, what we find on the other side will not look like the normal of recent years."<sup>2</sup>

What systemic changes do we face? Paris Watch undertakes a regular monitoring of a broad range of business, government and environmental publications on sustainability which has continued throughout the pandemic. From this we have compiled a summary of the most credible forecasts, analysis and debates concerning the recovery and reconstruction phase of the pandemic in the context of the climate emergency.

## 1 A remodelling of globalisation

We are seeing a change in practices and attitudes towards globalisation particularly in the area of supply chain stability, but also related to international trade in goods and services. Some foresee more localisation of production, others suggest business will seek security through more diversity of suppliers, larger inventories and even some 'onshoring' of production – bringing parts manufacturing back to home countries. This move towards a degree of deglobalisation is prompted not only by the pandemic, but also trade wars and the impact of political nationalism on international economic relations.

Potential environmental benefits related to reduced 'carbon miles' in supply chains may result from greater use of sea transport rather than air transport.

Hong Kong is reliant on imports for the vast majority of goods, but many of these come from nearby, in mainland China. A change in global supply chain patterns could affect the transshipment activity in Hong Kong.



<sup>2</sup> Sneader S, and Singhal, S. "Beyond Coronavirus: The path to the next normal " McKinsey & Company Healthcare Systems and Services. 23 March 2020  
<https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/beyond-coronavirus-the-path-to-the-next-normal?cid=other-eml-alt-mip-mck&hlkid=e885cfa20aa8478a971cb2222fd812ec&hctky=11925030&hdpid=cb0aeebb-630d-4454-aae5-62284e2e677c>





## 2 *Changes in consumer preferences*

Forecasts suggest that some changed consumer behaviour during the pandemic restrictions will become permanent. Many people will shop more carefully, wasting less and prioritising essentials ahead of luxuries. Contrarians see a rush back towards the compulsive and conspicuous consumption which people have foregone during the pandemic. The truth is likely to be a mixture of both, particular to geography, demographics and products.

Changes in the travel industry are likely to remain for some time. Business will retain some of the experience economies and benefits from the switch to online meetings and conferences. People will take time to recover trust in international tourism. Many who used online shopping and streamed entertainment extensively will not fully return to shopping malls and DVDs. A McKinsey report on China found that 33% of Chinese consumers changed food brands during the coronavirus pandemic, and 20% of them plan to stick with the alternatives they discovered.<sup>3</sup>

In Hong Kong, changes to the tourism and travel industry will have particular impact, while providing opportunity for change to an industry that was close to saturation before the pandemic.

Changes in consumption will be set in the context of a period of high unemployment, lower average household income and a raised awareness of the importance of savings, including by younger people.

More mindful consumption, and a less wasteful attitude to what we have, will of course be beneficial to global climate goals. But due to the fact that Hong Kong's consumer goods are mostly imported, they will not be attributed to the city's own carbon reduction targets.

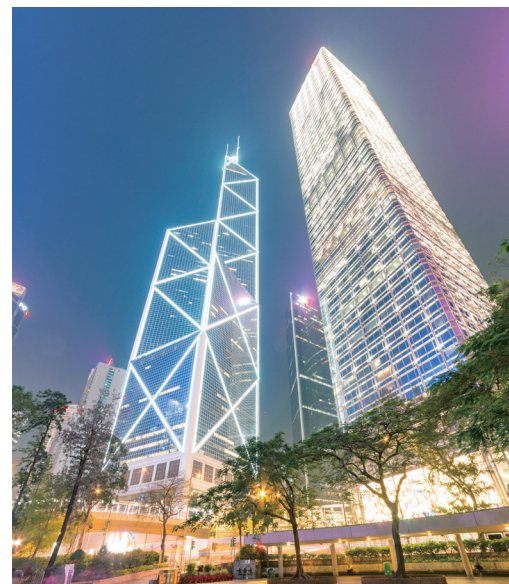
<sup>3</sup> Hatami H, Lecroix S, and Mieszala, J. 2020. "Eight actions CEOs can take to ensure a safe and successful relaunch of economic activity." McKinsey & Company.



### **3** *Stakeholder capitalism and the social responsibility of business*

Debates on the need for business to demonstrate broader social responsibility result from at least two factors:

- a. The huge government bailouts directed to business. Commentators suggest that this time – unlike the financial crisis of 2008 – the public will expect 'a massive social return' from this injection of public money.
- b. The public will judge which companies rose to the occasion of the pandemic and helped staff, customers and communities, and which companies based decisions on 'what's in it for me?'



### **4** *Sustainability opportunities emerge from economic slowdown*

Discussions by governments and planners on ways in which to build out from the lockdowns and slowdowns of the pandemic to accelerate the low-carbon transition include:

- Retain low traffic volumes in city centres with new policies that reduce cars and capitalise on public appreciation for cleaner air in their streets
- Use reduced demand and volatility in fossil fuel markets to accelerate the transition to renewable energy generation and an end fossil fuel subsidies
- Use carbon pricing and end fossil fuel subsidies to recoup some of the massive cost of bailouts while ensuring price subsidies to those who cannot afford higher prices





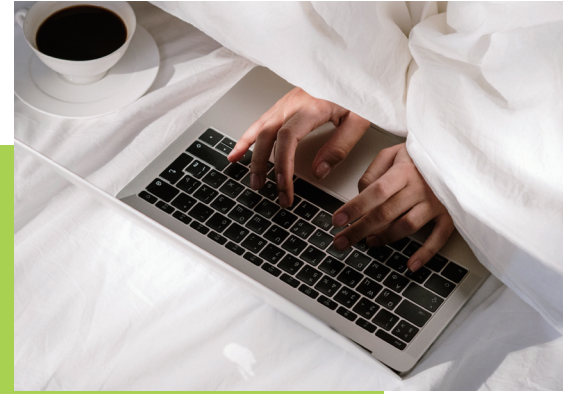
## 5 *A deepening of social values and attitudes*

During the period of restrictions on work, travel and social activities, many people around the world assessed what social values were truly important to their lives: neighbourhood support, family and friends, acts of compassion and a heightened sense of common purpose.

Appreciation of the importance of wellbeing and exercise and an appetite for more healthy food has grown, along with increased awareness of protecting natural ecosystems and local biodiversity. This appears to include increased concern about the impacts of climate change, spurred by extreme weather events such as wildfires and heatwaves.

The pandemic has also seen awareness of the importance of essential frontline workers in such jobs as health, transport, food distribution, delivery, cleaning and waste collection. Debates have extended to whether or not we treat these essential workers as fairly as we should.

There is also greater public discussion of whether the government should play a larger role in pursuit of social goals, with less belief that vital social services and infrastructure can or should be left to market forces.



## 6 *Changes in the way we work*

Lessons are being drawn from widespread working from home and its relationship to family-friendly working arrangements. The downside of precarious employment, flexible work and zero hours employment models have been exposed. Self-employed and workers in the gig economy are more likely to seek, or demand, better job protection and security, while some may just seek the security of full-time employment, even where basic income is lower.

Migrant work has also come under discussion, in terms of how essential this is in some countries for vital food supply, health services, construction and other work. Migrant work is also examined in terms of risks, such as the health dangers of having a second class citizenry in the midst of any society who might be living, working and socialising in more crowded conditions. This is certainly an issue of Singapore, where major outbreaks of Covid-19 occurred in crowded migrant workers dormitories. There were small scale outbreaks of Covid-19 in some migrant workers accommodation in Hong Kong. A further issue for Hong Kong centred on the risk of Covid-19 imports into the city from migrant workers arriving from countries where virus testing is less rigorous or less available.



## 7 *New attention to corporate policies*

Evidence from HSBC, Bloomberg, Fidelity and MSCI indicate that greener stocks and companies with strong ESG credentials performed relatively better through the coronavirus crisis.<sup>4</sup>

Investors are set to become more demanding of ESG products and are more likely to spot weaknesses in ESG data. Gaps include risk analysis, disaster risk management, emergency preparedness & business continuity. ESG reporting on employee security and benefits is likely to feature more going forward. Climate risk will also become a more important indicator of corporate risk preparedness.



## 8 *More trust in science and expert institutions*

In many parts of the world, people have made efforts to distinguish authoritative, objective scientific and medical advice from the background noise of political agendas, media sensationalism and internet-borne conspiracy theories.

The Department of Health in Hong Kong, for example, has become one of the most trusted official institutions despite the polarised political divide. The Department of Health provided straight forward, science-based daily press conferences offering calm and sensible updates and advice.

This renewed trust in science is not universal. Most people are listening more carefully to the warnings of scientists and medical professionals. A proportion of people in all countries, however display mistrust, vaccine hesitancy, and even harbour conspiracy theories about the pandemic which are akin to climate change denialism.



<sup>4</sup> Murray, James. 2020. "HSBC: Companies focused on climate change 'outperformed' as virus spread. GreenBiz Webcasts. 2020.04006.

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## 9 A rethink for government social safety nets

Some of the interventions on wages and other government assistance will not, or cannot, end quickly. This may bring long term changes to government policy and public expectations related to social spending, welfare systems and taxation systems. Debates are flourishing about the future of universal basic income and negative income tax schemes.

In Hong Kong, the government provided substantial financial support directly to business. Subsidies to some business sectors were conditional on business retaining employees, while some of the money distributed to the public was conditional on the money being spent in Hong Kong retail outlets. These measures represent active government intervention in the economy and a reduced belief that laissez-faire economic policies provide universal answers to economic issues.

*Impact on different aspects of the economy can be summarised as follows:*

### **Accelerated transitions - lower carbon:**

- Online shopping
- Online entertainment (streaming music, performances, media)
- Flexible working, hybrid working (office and home), hot desking and shared space
- Online payments systems and virtual gift cards<sup>5</sup>
- Automated retail food and drink dispensers
- Supply chain transparency, traceability of products
- Automation of logistics: warehousing and delivery
- Online education
- Online meetings and conferences
- Contactless payments

### **Accelerated transitions - not necessarily green or socially sustainable:**

- Food delivery to workplace and home<sup>6</sup>
- Personal surveillance and tracking technologies, registration at public and private venues
- Increase in road vehicles delivering online purchases of consumer items
- Blockchain technologies
- Online education

### **Temporary change (reversible)**

- Reduced social mixing in restaurants and bars
- Virtual tourism and staycations

<sup>5</sup> Jumpstart. 2020. "Deliveroo sees 900% increase in sales of virtual gift cards as firms in Hong Kong look for new ways to engage employees amid COVID-19" <https://www.jumpstartmag.com/press-release-deliveroo-sees-900-increase-in-sales-of-virtual-gift-cards-as-firms-in-hong-kong-look-for-new-ways-to-engage-employees-amid-covid-19/>

<sup>6</sup> Marketing. 2020. New Study Reveals the Value of Hong Kong Food Delivery Business During the Pandemic. New study reveals the value of Hong Kong food delivery business during the pandemic (marketing-interactive.com)





# Climate Action momentum has continued

Despite the pandemic, encouraging developments took place related to climate change action, even while Hong Kong still faced restrictions on movement and gatherings.

## *1. Hong Kong Government sets a carbon neutral<sup>7</sup> target for 2050*

Following recommendations on long-term decarbonisation from the Council For Sustainable Development, in November 2020, the Hong Kong's Chief Executive's policy address later the same month stated: "I now announce that the HKSAR will strive to achieve carbon neutrality before 2050." The policy document also referred to a 'green- recovery' from the pandemic.<sup>8</sup>

<sup>7</sup> According to a UNFCCC publication, "Climate Neutral Now – Guidelines for Participation," (<https://unfccc.int/documents/271233>) "Carbon neutrality describes a state in which the greenhouse gas (GHGs) emissions released to the atmosphere by a stakeholder (individual, organization, company, country, etc.) have been reduced or avoided and the remaining ones are compensated with carbon credits. To achieve carbon neutrality, carbon credits from projects that reduce, avoid or temporarily capture GHGs are accepted. Note that carbon neutrality is possible at stakeholder level, not at global/planetary level, where use of carbon credits (offsetting/compensation) is not possible."

<sup>8</sup> Government of Hong Kong. 2020. The Chief Executive's Policy Address 2020. <https://www.policyaddress.gov.hk/2020/eng/pdf/PA2020.pdf>



## 2. Hong Kong's participation in C40 Cities Covid-19 Recovery Task Force

C40 mayors came together to launch the Global Mayors Covid-19 Recovery Task Force to “rebuild our cities & economies in a way that improves public health, reduces inequality and addresses the climate crisis.” Hong Kong is a Steering Committee member of C40 Cities and K. S. Wong, Hong Kong's Secretary for the Environment, became one of the eleven-member Global Mayors Covid-19 Recovery Task Force.<sup>9</sup>

“We, as leaders of major cities across the globe, are clear that our ambition should not be a return to ‘normal’ – our goal is to build a better, more sustainable, more resilient and fairer society out of the recovery from the Covid-19 crisis” the Task Force states.

The key actions in this initiative include creating new, green jobs, healthy housing, creating ‘15 minute cities’ where residents can meet needs a short walk or bicycle ride from their homes, reallocating more road space to walking and cycling, prioritising and investing in clean energy, and ending all public fossil fuel investments and subsidies.

See Appendix One below for more details of the C40 Cities initiative.



## 3. Establishment of the Green and Sustainable Finance Cross-Agency Steering Group

The Hong Kong Monetary Authority, Securities and Futures Commission, the Environment Bureau, the Financial Services and the Treasury Bureau, Hong Kong Exchanges and Clearing Ltd., the Insurance Authority and the Mandatory Provident Fund Schemes Authority jointly announced on 5 May 2020 a cross-agency initiative to promote green and social finance. The group announced it will coordinate the management of climate and environmental risks in the financial sector; accelerate the growth of green and sustainable finance in Hong Kong; and support the government's climate strategies, through the development of effective policies and strategies.

<sup>9</sup> C40 Cities Global Mayors Covid-19 Recovery Task Force. <https://www.c40.org/other/covid-task-force>



# A sustainable recovery policy menu for Hong Kong

To link these recent climate actions to pandemic recovery, we believe Hong Kong must go forward with the following policy initiatives.

- 1. High level climate crisis leadership with the authority to make things happen.**  
To ensure economic recovery places a sustainable future and preparedness for future risks at the top of the agenda, Hong Kong needs a new high-level climate emergency task force to assess disaster risk, strengthen governance, invest in risk reduction, and prepare for effective response and recovery<sup>10</sup>. This group should be led by the Chief Executive, and include the Secretaries of the relevant bureaux.
- 2. Finance.** As part of the recovery, Hong Kong should push forward on green financial services for the region, including the establishment of a green bank and a climate finance accelerator. Climate finance accelerators bring together project holders, investors, lenders, concessionary funders, technical and legal advisors to match up demand and supply for green investment projects and catalyse blended finance.
- 3. Tourism.** A redesign and relaunch of Hong Kong's tourism sector can ensure no negative social or environmental impacts result from regrowth. Recovery can focus on new facilities for eco-tourism emphasising Hong Kong's green recreational spaces, biodiversity and health and wellbeing services. Tourism based on excessive and wasteful consumption can be minimised in the revitalised sector.
- 4. Welfare reform.** To ensure the pandemic does not increase inequality and poverty in the city, and to better prepare for an ageing population, comprehensive welfare reform is needed. This can set out to offer decent minimum standards to all citizens. Hong Kong can build on the universal payments provided during the pandemic to de-stigmatise the concept of public assistance.
- 5. Protection of eco-systems and biodiversity.** Investment in Hong Kong's important green spaces will create jobs and can also contribute to a programme of adaptation and coastal protection against sea level rise as well as the development of eco-tourism.



<sup>10</sup> United Nations. Sendai Framework for Disaster Risk Reduction 2015-2030.



## 6. Initiatives in corporate sustainability.

To accelerate the move towards greater corporate social responsibility, the government can develop incentive programmes linked to the bailout schemes and future incentive programmes to ensure companies play a broader socially beneficial role. This can be backed with improved ESG reporting policies which can include improvement targets.

## 7. Investment in clean energy infrastructure.

The economics and technology of renewable energy is advancing rapidly while fossil fuel prices are subject to increasing uncertainty. Now is the time for a policy accelerating the transition to renewable energy, storage, grid modernisation and smart metering. Underpinning this, Hong Kong must implement a carbon pricing system to drive the market towards net-zero emissions and clean energy sources.

## 8. Clean transport and logistics infrastructure.

A target of zero-carbon public transport can be mapped out, supported by policy initiatives on electric vehicles, pedestrian zones, congestion charging and cycling facilities. Such infrastructure brings co-benefits for recreation and health, which in turn contributes to the eco-tourism sector. Lessons and examples from the pandemic regarding home delivery, postal and courier services should be referenced in the creation of low carbon transport and logistics systems throughout the city.

## 9. Clean green homes and offices.

Investment in low cost, high efficiency housing can bring the co-benefits of social and environmental improvements. Housing designed for healthy living and energy efficiency, with intelligently-designed co-living areas can require a smaller individual footprint while remaining socially acceptable and environmentally sustainable.

Incentivised retrofit programmes can improve the health, safety and psychological wellbeing of Hong Kong's under-housed population without massive demand for new ground space, to the benefit of young people and first-time buyers.

More efficient and flexible use of office space, resulting from widespread experience of working from home, can provide both rental and energy savings for business while reducing the carbon footprint of Hong Kong's buildings.

## 10. End-to-end green building.

During the economic recovery period, there is opportunity to consolidate building regulations into a vertically-integrated low-carbon agenda combining low-carbon building materials, low carbon construction and waste management methods with designs that ensure efficient and climate-smart buildings.





**11. Health services.** New focus on community health, focussing on exercise, clean air and healthy, sustainable food linked to community health services which are both preventive and related to care. These can be designed to take account of the health promotion of an ageing population. Environmentally-conscious health initiatives can correlate and assess data relating health issues to air quality, heatwaves and other environmental indicators which will help the city develop more effective adaptation policies.



**12. Technology and environmental science.**

The government can offer incentivising and climate accelerator services, bringing together government, business, finance and academia for research into green technologies, including:

- Hydrogen
- Batteries
- Electric ferries and other in-harbour vessels
- Efficient air conditioning and district cooling systems
- Green Fintech and other IT related to smart environmental systems in energy, buildings, transport and trade

**13. Carbon pricing schemes.** Carbon levies, emissions trading or other carbon market systems should be introduced to remove pollution externalities and help Hong Kong move towards Paris Agreement targets and net-zero target dates. The resulting funds can provide transport and energy subsidies for those who should not face price rises, while the remainder will be of value to recoup reserves for the pandemic bailout.

**14. Future-proofing air travel:** The airline industry faces some of the greatest post-pandemic restructuring, which affords the opportunity to redesign the sector for a low-carbon future with less pain. A progressive tax on air travel can ensure infrequent users can still take an annual break, or attend occasional family events. At the same time, frequent business travel can be disincentivised with a highly progressive tax on flight frequency, encouraging online meetings to continue. Airport expansion and crowded skies can be replaced by pricing based on the availability of the infrastructure already in place. Frequent flier schemes will be invalidated by a progressive taxes on flight frequency. Such levies can hold down emissions and incentivise the development of low-carbon air travel.





## Conclusion

The pandemic has changed the way we view our future: in Hong Kong, China and the world. Social horizons have increased and a narrow view of personal needs has reduced.

Ordinary people, as well as governments and scientists, are noting the interlinkages between the climate crisis, biodiversity loss, resource boundaries and the risk of pandemics.

All of these issues call for greater respect for the planet upon which our society rests.

The pandemic has demonstrated our capacity to react quickly to perceived threats: in terms of allocating large amounts of finance; abruptly changing how we work; shifting priorities;

modifying our behaviour to avoid risks, and expanding our capacity and willingness to think ahead to solve complex problems.

These are some of the qualities citizens and their governments need to demonstrate as we recover from the pandemic and yet still face a bigger, longer-term challenge: climate change.

Most forecasters say that post-pandemic life will not be identical to the way things were before. This is surely an opportunity to take the best lessons, the most admirable values shown in combatting the pandemic, and apply these to building a green future and defeating the climate crisis.



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# C40 Cities sustainable recovery principles

The Task Force's joint strategy to support the recovery of our cities and their residents from Covid-19 will be governed by these principles:



## **GLOBAL MAYORS COVID-19 RECOVERY TASK FORCE**

1. The recovery should not be a return to 'business as usual' - because that is a world on track for 3°C or more of over-heating;
2. The recovery, above all, must be guided by an adherence to public health and scientific expertise, in order to assure the safety of those who live in our cities;
3. Excellent public services, public investment and increased community resilience will form the most effective basis for the recovery;
4. The recovery must address issues of equity that have been laid bare by the impact of the crisis – for example, workers who are now recognised as essential should be celebrated and compensated accordingly and policies must support people living in informal settlements;
5. The recovery must improve the resilience of our cities and communities. Therefore, investments should be made to protect against future threats – including the climate crisis – and to support those people impacted by climate and health risks;
6. Climate action can help accelerate economic recovery and enhance social equity, through the use of new technologies and the creation of new industries and new jobs. These will drive wider benefits for our residents, workers, students, businesses and visitors;
7. We commit to doing everything in our power and the power of our city governments to ensure that the recovery from Covid-19 is healthy, equitable and sustainable;
8. We commit to using our collective voices and individual actions to ensure that national governments support both cities and the investments needed in cities, to deliver an economic recovery that is healthy, equitable and sustainable;
9. We commit to using our collective voices and individual actions to ensure that international and regional institutions invest directly in cities to support a healthy, equitable and sustainable recovery.





## ***The agenda calls on national and regional governments, central banks and international financial institutions to join city leaders by:***

- Agreeing that the only stimulus should be a green stimulus.
- Committing to an equitable and inclusive recovery.
- Protecting and championing mass transit.
- Prioritising and investing in clean energy.
- Investing in resilient cities as the engines of the recovery.
- Ending all public fossil fuel investments and subsidies.

### **Participating cities include:**

*Athens, Austin, Barcelona, Bogotá, Boston, Buenos Aires, Chicago, Copenhagen, Curitiba, Delhi, Durban, Freetown, Hong Kong, Houston, Lima, Lisbon, London, Los Angeles, Medellín, Melbourne, Mexico City, Miami, Milan, Montréal, New Orleans, New York City, Oslo, Paris, Portland, Quezon City, Rotterdam, Salvador, São Paulo, San Francisco, Santiago, Seattle, Seoul, Sydney, Tel Aviv, Toronto, Vancouver*

### **Mayor of New Orleans, LaToya Cantrell, said:**

"In both matters of climate change and this global pandemic, mayors and their cities are gravely impacted and have to be at the forefront of finding ways to rebuild our economy, particularly in ways that can advance our climate change goals. As we get New Orleanians back to work, we need to focus on creating job opportunities in emerging green and blue sectors - such as urban water management, local manufacturing, coastal restoration, solar, and energy efficiency. Not only are we creating sustainable jobs for today and tomorrow, we will also improve the long-term health and stability of our city."



### **Mayor of Seoul, Won-soon Park, said:**

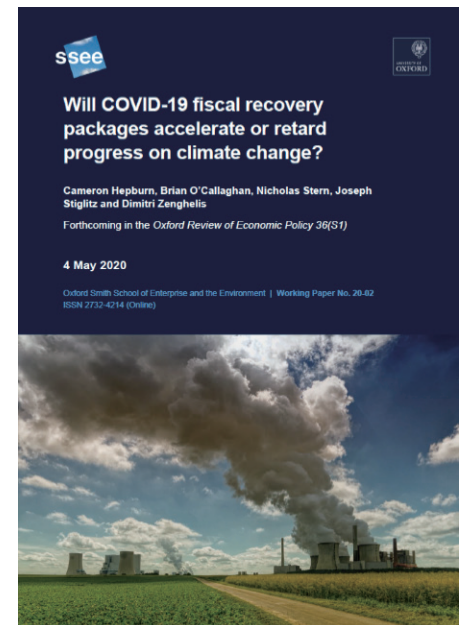
"While the full scale of a Covid-19 recession is uncertain, it is clear that we need a new strategy to prevent the climate crisis posing an even greater threat to our economy and citizens. Seoul is going to closely work with C40 cities and the global community to fight against all the challenges facing our cities and citizens, such as economic and social inequality, and the climate crisis."

# Will Covid-19 fiscal recovery packages accelerate or retard progress on climate change?

Our Hong Kong recovery agenda takes reference from a survey prepared by economists at the Oxford Smith School of Energy and the Environment<sup>11</sup>. Authors include Lord Nicholas Stern and Joseph Stiglitz.

In this paper, a survey of officials from finance ministries, central banks, and other leading organisations is combined with a large-scale policy cataloguing effort and review of expansionary fiscal policy literature. The writers emerge with the recommendation of five policy items (plus one item specific to LMICs) that are well-placed to contribute to achieving economic and climate goals. These are:

- clean physical infrastructure investment,
- building efficiency retrofits,
- investment in education and training to address immediate unemployment from Covid-19 and structural unemployment from decarbonisation,
- natural capital investment for ecosystem resilience and regeneration, and
- clean R&D investment.



“Green fiscal recovery packages can act to decouple economic growth from GHG emissions and reduce existing welfare inequalities that will be exacerbated by the pandemic in the short-term and climate change in the long-term. Short-term reductions in GHG emissions resulting from lockdowns will themselves have minor long-term effects, unless they facilitate deeper and longer-term human, business, and institutional changes”

Recovery packages that seek synergies between climate and economic goals have better prospects for increasing national wealth, enhancing productive human, social, physical, intangible, and natural capital.

<sup>11</sup> Hepburn C, O'Callaghan B, Stern N, Stiglitz J, Zenghelis D. Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change? Oxford Smith School of Enterprise and the Environment. Working Paper no. 20-02. May 2020.



We conclude that many of the policies recommended by institutional leaders in this report are applicable to Hong Kong and are reflected in our sustainable recovery policy menu.

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