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We are in a world war against Covid-19: but we must not forget the climate

Politicians have implemented measures once considered unthinkable - revealing that it might be easier than we thought to shift to a more sustainable economic future

We are in the midst of nothing less than a world war against the virus. The response of the politicians and the public to the threat posed by the pandemic has been impressive. A huge amount of money, political capital and social cohesion has been deployed. It is imperative that fatigue and inertia do not set in when victory is secured.

Another clear and present danger looms on the horizon: climate change. Society must respond to that challenge with the same determination.

The pandemic has illustrated that where there is a political will, there is a way. Politicians grasped the gravity of the situation and implemented measures that would be considered unthinkable in peace-time. Society has been put in lock-down. Fundamental freedoms have been curtailed. The cost will be exorbitant. Nonetheless, the politicians have decided that this is a price worth paying to save lives.

The public appears to support these draconian measures. The lesson here is that where politicians take the lead, communicating with clarity and credibility, the public will give its consent. Of course, it is probably easier to win public support for painful measures once the threat to human life is imminent and widely broadcasted, which helps explain why quarantine measures are more popular than carbon taxes.

If the authorities had not put society into lock-down then millions of people would have died over the coming months. The threat to human life from climate change will manifest itself over the coming decades. That threat is no less real just because it is less visible. The WHO has estimated that climate change will cause at least a quarter of a million additional deaths each year between 2030 and 2050.

Governments must take the lead in the fight against climate change.

A stable, transparent and enforceable framework for achieving decarbonisation objectives is urgently required. Subsidies for fossil fuels need to be phased out and meaningful carbon pricing needs to be phased in. Basic economics tells you that allowing a wedge to develop between the price that consumers pay for a good and the ultimate cost to society of producing it is a recipe for bad outcomes. Where carbon pricing is concerned, failure to tackle this externality is a recipe for disaster.

There is a saying that politicians should never let a crisis go to waste. The authorities should use the moment of economic reset when society comes out of the lock-down to nudge the economy in a more sustainable direction. The pandemic is likely to have a lasting impact on the corporate landscape, given a probable increase in defaults and emergence of new companies to fill their place.

The extensive support measures that finance ministers are putting in place provide the state with a unique opportunity to guide this process of regeneration of the economy.

Individuals and institutions need to play their part too.

At BNP Paribas Asset Management we are proud to be at the forefront of efforts within our industry to finance the transition to a more sustainable future. We believe that putting environmental, social and governance (ESG) criteria at the heart of our investment processes, exercising our voting rights as a shareholder and actively engaging with companies are essential ingredients of any responsible investment firm, and critical to helping our clients create financial value over the long term.

The pandemic has revealed that it might be easier to make the transition to that more sustainable economic future than we thought. Like all companies, we have had to adjust the way we work during the lock-downs. We have learned something in the process. I am proud of the fact that the flexibility of our workforce and our infrastructure has enabled us to continue servicing our clients without our staff having to be physically present in the office or fly around the world.

We will definitely be looking at ways in which we can work smarter once the lock-downs end so we can continue to stay close to our clients and reduce our carbon footprint still lower at the same time.

The politicians have responded admirably to an imminent threat to society. They need to respond to the climate crisis with the same level of urgency. The global economy has been temporarily shut down to save lives. The climate crisis demands a far less extreme but more long-lasting response. But delay will be fatal. If we do not act now to keep global warming well below 2° C, then there will be no extreme measures that we can take in the future to prevent a tragic loss of life.

We cannot abdicate our responsibility as individuals and institutions. Just as we have learned the importance of washing our hands and staying at home to fight the pandemic we need to play our part in tackling the climate crisis too.

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