The Economic Case for Greening the Global Recovery through Cities

7 Priorities for National Governments

Key messages

Launch date: 14 September 2020
Link: https://urbantransitions.global/en/publication/ the-economic-case-for-greening-the-global-recovery-through-cities
Shortened link: http://bit.ly/Green_Global_Recovery
Hashtag: #greenglobalrecovery

Overarching message
When cities prosper, so do countries.

Investing in cities as part of their COVID-19 recovery packages can help national governments create much needed economic security and jobs today, whilst making rapid strides towards a low-carbon, resilient, and inclusive future tomorrow.

Background information

Why do cities matter?
Cities have been at the epicentre of the COVID-19 pandemic, but they also offer an opportunity to accelerate the transition to a resilient, equitable and low-carbon future. The pandemic has shone a spotlight on cities as the confluence of people, economy and assets; when they stop working, so does the global economy. National government leadership and investment is critical to complement the green investments that mayors and local governments are making, or plan to make, within their urban recovery strategies to build a sustainable and resilient recovery.

What is the role of national governments?
Local authorities, especially in smaller cities, are typically reliant on national governments for major investments, and their finances are currently under severe strain. Many policies that enable and shape investments in cities are set at the national level, such as national planning guidelines, building energy codes and energy efficiency standards. As state and national governments are primarily responsible for at least one-third of urban mitigation potential globally, there is a unique opportunity for them to invest recovery packages to create the low-carbon, resilient, and inclusive cities of the future.

Priorities for national governments

Through seven priority areas for investment, national governments can yield substantial economic dividends, rapidly create and protect millions of jobs for vulnerable populations and deliver quick, durable and inclusive economic, health, and environmental benefits for their citizens, all whilst contributing to long-term urban resilience.

1. Green construction and retrofits
Create low-carbon built environments where people will love to live

- The carbon reduction potential of low- or zero-carbon construction and building energy efficiency retrofits is high: the built environment is responsible for up to 60% of cities' carbon abatement potential and accounts for 40% of CO_2 emissions from energy worldwide.
- Energy efficiency is an attractive stimulus investment: previous energy efficiency stimulus packages have generated 18 new jobs per US$1m invested.

- The energy efficiency sector provides good, lasting jobs in the wake of a crisis: since the 2008 global economic crisis, the clean energy sector has added 11 million jobs.

2. Clean mobility

Promote clean and shared transport for connected, accessible cities

- The transport sector can deliver a fifth of cities' carbon reduction potential, but with global ridership down 50-90%, the pandemic has struck a serious blow to public transport.
- Public transport is an essential component of the transition towards low-carbon, resilient, safe and equitable urban environments.
- In a depressed economy, the high cost of car ownership will weigh heavily on households who have seen their incomes reduced as a result of the pandemic. Good public transport, as well as expanding the options for active transport such as cycling and walking, can boost the purchasing power of households by considerably lowering their transport costs.
- Post-COVID-19 public transport schemes come with attractive multipliers: in Europe, urban rail and bus rapid transit schemes, electric vehicle (EV) manufacturing, and the expansion of EV charging networks can deliver a gross value-add of about US$2 for every US$1 invested.
- Investing in public transport can create good, long-term jobs quickly: spending US$1m on EV and public transport jobs can create between 15 and 28 jobs, compared to 8 jobs in road building for the same level of investment.
- Compact, transit-oriented developments with high quality public transport and active transport options provide much more equitable access to jobs, education and essential services than sprawling, car-dominated urban landscapes.

3. Renewable energy

Invest in renewable energy generation and electrification for low-carbon cities

- Decarbonising urban electricity could deliver half of the technically feasible abatement potential in cities by 2050.
- Renewable energy is still competitive, even during a pandemic: despite the recent fall in fossil fuel prices, renewable power is cheaper than fossil fuel-based thermal power generation in many major markets.
- Renewable energy has been shown to be an important driver of job creation after a crisis, boosting spending and increasing short-term GDP multipliers.
- Green industries create more jobs per amount invested than fossil fuel industries: every US$1 million shifted from fossil fuels to renewable energy and energy efficiency sectors produces a net increase of five jobs.
- During the uncertainties of COVID-19, renewable energy expansion continues to be a sound investment; particularly alongside the removal fossil fuel subsidies and the pricing of carbon emissions.

4. Active transport

Foster pedestrian and cycling schemes for healthy, active citizens

- Active transport infrastructure comes with considerably lower capital requirements than many other stimulus measures: in Freiburg, Germany, cycling is responsible for nearly 20% of total number of journeys yet its infrastructure contributes just 1% to all the city's traffic and transport costs.
- Active transport is a low-cost investment opportunity: spending US$1m on active transport infrastructure has the job creation potential of around 15 to 28 jobs, compared to 8 jobs in road building for the same level of investment.
- Cycling helps keep cities connected during a crisis: over 150 cities have responded to the COVID-19 pandemic by expanding or building new cycling paths.

5. Nature-based solutions

Deliver green spaces that benefit citizens and their cities

- Cities benefit hugely from nature-based solutions: investing less than US$4 annually per resident on tree planting could improve the health of millions of people and reduce high temperature-related mortality by 2.4–5.6%.
- Tree planting and management comes with high job potential for lower-skilled labour: for every US$1 million invested in reforestation and sustainable forest management, nearly 40 jobs can be supported.
- Natural capital spending can rapidly deliver benefits: quick to implement, climate-friendly policies include natural capital spending such as afforestation, expanding parkland, wetland and catchment management.

6. Waste and resources

Support workers and create a circular economy for clean resource-smart cities

- A decisive shift is needed towards more recycling, reuse and repair: an estimated 45 million jobs could be added to the waste management sector by 2030 under a circular economy scenario, as well as 50 million jobs in related circular economy services such as repair and remanufacturing.
- Many of these additional jobs will support marginalised or vulnerable populations whilst keeping cities cleaner, healthier and safer, and helping to preserve resources for future urban generations.
- In cities in developing economies, as much as 50-80% of employment is informal: investing in recycling, reuse and repair keeps cities from drowning in (littered or landfilled) waste and provides much needed employment.

7. Research and development (R&D) for clean technologies

Foster a culture of green innovation for long-term benefits

- R&D into clean technologies is vital to cut global emissions: technological improvements become public goods that may allow developing and emerging economies to leapfrog high-carbon development pathways.
- R&D can provide a significant economic and climate boost: spending on R&D into clean technologies is one of five post-COVID-19 fiscal recovery policies with the highest economic multipliers combined with a high positive climate impact.
- Stimulus packages for R&D can drive competitiveness and contribute to carbon reduction. Examples include: low-carbon materials; circular business models; digital solutions for energy efficiency; distributed renewable energy, smart grid and micro grid deployment; EV charging infrastructure; and shared and micro mobility solutions.

The paper also includes **three cross-cutting reforms** to enhance the impact of the sectoral recommendations above:

1. **Fiscal reforms** to eliminate fossil fuel subsidies and make it attractive for the private sector to invest in low-carbon and resilient infrastructure and services
2. **Governance reforms** that combine national strategies for cities backed up by robust plans to deliver economic and social development in cities in the context of the global health and climate emergencies
3. **Financial reforms** to ensure sufficient revenue for investment in sustainable urban infrastructure, increased collaboration with state and local governments, and reform of municipal financing systems.

About this paper

The Economic Case for Greening the Global Recovery through Cities provides actionable content focused on the ‘what’ and ‘how’ of a green recovery. It is co-authored by prominent experts from the African Centre for Cities, the Economic Change Unit, the International Centre for Climate Change and Development, LSE Cities, the Organisation for Economic

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About the Coalition for Urban Transitions
The Coalition for Urban Transitions is the leading global initiative helping national governments unlock the economic power of inclusive, zero-carbon cities.

The Coalition aims to drive a shift away from business-as-usual by empowering national governments with the evidence-based rationale and policy tools they need to prioritise more compact, connected, clean urban development.

A special initiative of the New Climate Economy (NCE), the Coalition for Urban Transitions is jointly managed by the World Resources Institute Ross Center and C40 Cities Climate Leadership Group. A partnership of 36 diverse stakeholders across five continents drives the Coalition, including leading urban-focused institutions and their practice leaders from major think-tanks, research institutions, city networks, international organisations, major investors, infrastructure providers, and strategic advisory companies.

About The Resilience Shift
The paper is funded by The Resilience Shift in support of its aims to accelerate a safe, sustainable and resilient future. It believes that national governments must not miss this unique opportunity to invest in a low carbon, resilient, and prosperous future for our urban centres as they shape their post-COVID-19 fiscal stimulus packages.