



IE Cleantech Corner

## **How a Pandemic Stimulus Can Accelerate the Transition to Clean Energy in a Divided Government**

America is at a critical juncture—employment is down, the economy is suffering, and the pandemic has shaken the certainty of our day-to-day lives. Amidst this uncertainty, however, the U.S. has an opportunity to tackle one certainty: If unhampered, climate change will continue to compromise human health, disrupt the economy, and spur ecological crises. The pandemic provides an opportunity to restructure the norms of American life, policy, and business. As the government provides a framework for moving forward, managing climate change must be at its foundation. Negotiations are underway in the Capitol surrounding pandemic stimulus bills. Lawmakers should look to clean energy, innovation, and infrastructure to act on climate change and provide valuable jobs to the economy.

Congress responds to the economic needs of the pandemic in two primary ways. Relief packages, like the CARES Act, are intended to alleviate the immediate financial need of individuals, communities, and businesses. Stimulus packages, however, aim to grow the economy in the wake of the crisis. CARES packages typically overlook their potential to directly accelerate innovation or infrastructure. If reimagined, the stimulus could prove instrumental for adopting both shovel-ready green infrastructure projects *and* emerging technologies.

There are some barriers to making this happen in legislation, says Spencer Nelson, a Professional Staff Member on the U.S. Senate Committee on Energy & Natural Resources. The CARES Act was very top-down, Nelson said, with only a handful of authorizing committees consulted. He suspects planning for a stimulus might be the same way, and therefore the Committee on Energy & Natural Resources will likely not formally produce legislation for the stimulus.

“In terms of stimulus, that has not been a discussion. We have lots of ideas. If we had the chance to contribute to a stimulus bill, we already have plans all worked out,” Nelson said. “We originally thought that we might be able to contribute, but leadership did not give us that opportunity.”

On the other hand, the European Union is making landmark strides towards decarbonizing in their pandemic response. Their European Green Deal, for which planning began in December 2019, has continued growing since March 2020 and continued through the pandemic, with plans

such as climate laws to target greenhouse gas neutrality, sustainable food systems, a circular economy, and energy decarbonization (*A European Green Deal*)

Those who argue in favor of including shovel-ready projects in future stimulus bills cite their unparalleled ability to produce both employment and clean infrastructure. According to a recent *Energy Policy* study, solar and wind energy create more jobs than coal or natural gas, suggesting a focus on such projects would in turn bring strong potential for during- and post-pandemic job creation. Nelson furthers this claim, stating that energy efficiency technology creates the most jobs across the sector. Retrofits, utility-scale renewables, and the development of new technologies can create the kind of massive employment opportunity the country requires, employing Americans across all skill levels.

However, energy innovation seems to be a promising avenue to explore, too, despite the uncertainty regarding its efficiency. If clean energy were to play a role in the stimulus, Nelson says, “the area that has the biggest agreement is on innovation and demonstrating new technologies.”

In the past, stimulus bills have been influential proponents of clean energy and infrastructure. Existing literature hosts myriad analyses on the strengths and weaknesses of the stimulus for clean energy in the wake of the 2009 financial crisis. However, many reports note that job-intensive, scalable, and efficiency-centered policies should focus on green stimuli. The attractiveness of innovation, then, may not be best translated into a bipartisan stimulus to accelerate the transition to clean energy.

“I do think [accelerating widespread clean energy] will require significant investment in stimulus,” Nelson says. “And the real question is trying to make sure the choices we’re making to reduce carbon are going to be cheap enough to be worth it and that we’re taking in the full potential cost of climate impact and the cost of the transition and making sure that we’re making solid investments.”

However, potential for economic benefit is promising based on the effects of previous stimuli for clean energy. Following 2009, green stimulus programs produced macroeconomic benefits ranging from 0.1% to 0.5% of GDP for two years, a notable feat considering the 3-5% decline in GDP associated with the crisis for most countries (IEA, 2020).

Investments can also include changes to existing policies to make investing in and deploying clean energy more favorable. For example, extensions of tax credits for clean technology could spur economic activity in the clean energy sector. In 2009, the American Recovery and Reinvestment Act allocated USD 90 billion to clean energy sectors, about 11 percent of the Act’s total budget (*Green Stimulus after the 2008 Crisis – IEA Analysis*, 2020). The Act was also used

to expand production tax credits for wind and investment tax credits for solar. Nelson said this is also one of the areas where Congress may find bipartisan support.

This pandemic response represents a critical choice between progressing towards a clean economy and further delaying widespread action to mitigate climate change. Rather than fear climate action for its price tag, legislators should look to the clean energy and efficiency sector to both strengthen the American economy *and* take critical climate action, for in the midst of pandemic turmoil, the two are inherently linked.

*Emily Galvin is an environmental science major in the class of 2021. At UNC-Chapel Hill, she is a Morehead-Cain Scholar and leads the Renewable Energy Special Projects Committee. You can find her on LinkedIn at: <https://www.linkedin.com/in/emily-galvin/>.*

*Spencer Nelson is a Professional Staff Member in the U.S. Senate Committee on Energy & Natural Resources. He is a graduate of UNC-Chapel Hill, where he studied environmental science and quantitative biology.*

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