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BUSINESS

# Governments Eye a Green Economic Recovery. Some Industries Aren't Convinced.

The world's top 50 economies are putting up \$583 billion to boost green efforts



Electric cars in production at Renault's factory in Flins, France. The company received a more than \$5 billion government loan with environmental conditions.

PHOTO: CHRISTOPHE MORIN/BLOOMBERG NEWS

By [Sarah McFarlane](#)

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Governments around the world are spending like never before to kick-start their economies in the wake of Covid-19 lockdowns, in many cases tying green initiatives to rescue packages, even as some industries say saving jobs should trump environmental concerns.

Companies, including Volkswagen AG VOW -1.29% ▼, Renault SA, RNO -0.47% ▼ Air France-KLM AFLYY -2.34% ▼ and Austrian Airlines, are receiving government support aimed at mitigating the effects of the coronavirus pandemic and reducing carbon emissions. But their industries are resisting stimulus packages tied to climate policy, saying governments should prioritize reviving job growth and business activity.

Governments are pushing for change in some of the worst-hit industries with a dual approach: Providing bailouts on condition that companies adhere to environmental terms and offering help to promote low-carbon solutions such as electric vehicles and renewable energy.

The world's top 50 economies have pledged around \$583 billion to boost green efforts, with the bulk of funds coming from the European Union, according to a report by Bloomberg New Energy Finance published in June.

In the U.S., lawmakers didn't include climate-related proposals in the federal stimulus package. Separately, the Trump administration extended a deadline for tax credits that support renewable energy investments.

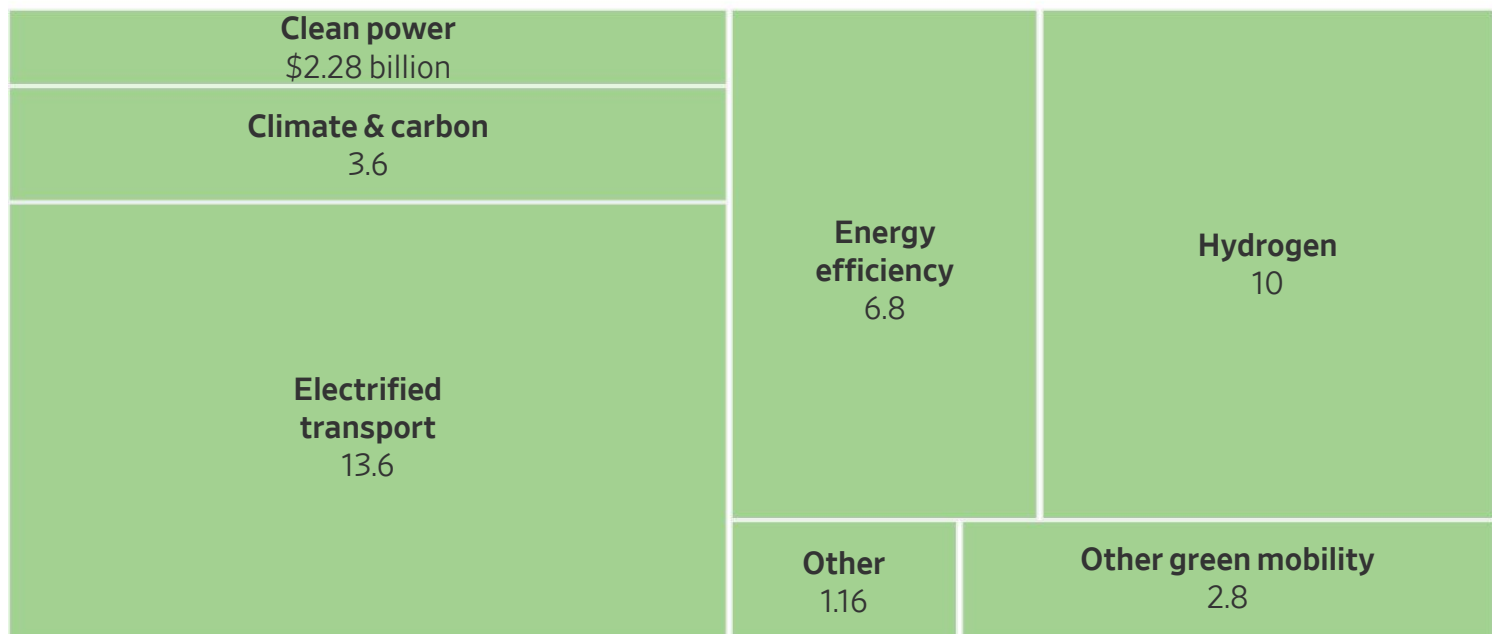
## Small Slice

Climate-friendly initiatives are only a sliver of government stimulus packages.

### \$12 trillion stimulus allocation



...So far, of that \$583 billion, only \$40 billion has been dedicated to specific areas.



Source: Bloomberg New Energy Finance

In Europe, the green initiatives have triggered some pushback from businesses. “You have the conservatives in the European Parliament, and some industries like aviation and cars, saying we need to speak to the economic crisis and not to climate as that’s not the priority right now,” said Belén Balanyá at Corporate Europe Observatory, an organization that monitors lobbying activity.

Businesses say that green initiatives would be too onerous at a time when they need to focus on minimizing job losses and supply-chain disruptions, said Europe's largest business lobby, BusinessEurope, in an April letter to the European Commission. The group, whose partner companies include Renault, KLM and Volkswagen, asked the commission to delay some environmental legislation.

The airline industry said proposals to attach environmental conditions to financial assistance were ill-timed.

“Without a return to financial stability it will be impossible for airlines to bring new and more efficient aircraft into service, invest in sustainable aviation fuels or commit resources to improving the efficiency of their operations,” said the International Air Transport Association, an airline-industry trade group in an email.

Climate activists and scientists hope the support for climate-friendly government spending will grow from the current commitments of 5% of the overall \$12 trillion in stimulus packages announced around the world. Green initiatives represent a smaller proportion of stimulus funds compared with the packages that followed the 2008-09 financial crisis. At that time, 16% of the \$3.3 trillion recovery effort went toward environmental efforts, according to the International Energy Agency.

The Organization for Economic Cooperation and Development said in June that governments needed to craft policies that would ensure the world “builds back better”—including by aligning rescue packages with emissions-reduction goals.

Bailouts for some industries including airlines and autos have had climate-friendly conditions attached. Electric-powered transportation has been the clearest target of world-wide government action, data from BloombergNEF show.

Government support for electric-vehicle production and demand could accelerate car makers' focus on the electric-car market at a time when they are struggling with poor demand for conventional vehicles and swelling inventories. China recently extended its subsidies for the sector by two years to the end of 2022 and waived purchase taxes for consumers.

Subsidies have helped make China the world's largest electric-vehicle market. In 2018, when the aid could reduce an electric-vehicle's price tag by about \$13,000, sales rose by 62%. But subsidies available now are much lower. After Beijing slashed support for buyers sales fell 4% last year, according to the China Association of Automobile Manufacturers.

More broadly, incentives such as subsidies are among several factors that can influence the take-up of electric vehicles, along with charging infrastructure and the range of cars available.



Air France-KLM is receiving government support aimed at mitigating the effects of the coronavirus pandemic and reducing carbon emissions.

PHOTO: FILIP RADWANSKI/ZUMA PRESS

The French government told state-backed Renault it could only receive a loan of more than \$5 billion if the company joined an electric-battery venture with Total SA and Peugeot owner PSA Group. Air France-KLM must reduce domestic routes that compete with train services as well as cut domestic carbon dioxide emissions by 50% before 2024 if it wants access to a near \$8 billion loan package.

When the German government unveiled its second economic stimulus package on June 3, it included a new round of incentives for electric-car purchases, but policy makers stopped short of giving auto makers the broader financial support they lobbied for.

Volkswagen said the company welcomed the stimulus package, especially the move to lower sales tax, a spokesman said. "It could have a positive impact on consumption."

The renewable energy sector, which accounts for around 10% of global power generation, looks set to get another boost in the latest government stimulus packages. Renewable energy has dominated investments in new power capacity in recent years over coal and gas as costs have come down.

The EU said it would dedicate 25% of its recovery package to climate action and has proposed a new investment fund to focus on clean energy technologies such as wind, solar and battery storage. The bloc will invest around \$17 billion in the fund, according to the European Commission.

“We were already seeing acceleration away from fossil fuels in several countries before Covid[-19], including South Korea, Vietnam, Chile and Indonesia,” said Andy Kinsella, chief executive of Mainstream Renewable Power Ltd. The Ireland-based wind and solar business is active in 12 countries, including Vietnam and Chile.

“Anything that accelerates this trend is welcome, and that includes the EU’s recovery package,” he said.

—*William Boston in Berlin contributed to this article.*

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