°CICERO

What leads to green stimulus spending during times of global crisis?

Economic crises offer governments a unique chance to accelerate the energy transition through green stimulus spending. Yet, evidence from 40 major economies during the 2008 Global Financial Crisis (GFC) and the 2020 Covid–19 recession shows that this opportunity was largely missed. While net green spending increased slightly between the two crises, the change was modest and driven mainly by reduced fossil spending rather than expanded green investments. These findings challenge assumptions about crises as catalysts for transformative climate policy.

Key Findings

1. Limited growth in green spending: Net green stimulus spending rose from –0.2 pp (GFC) to 5.5 pp (Covid–19), mainly due to reduced fossil allocations, not increased green investments.
2. Strong green industrial sectors matter: Countries with strong green industrial sectors consistently allocated more funds to green stimulus measures.
3. The influence of fossil production is weak: Contrary to expectations, fossil fuel production did not significantly predict lower green stimulus spending.
4. Path dependency: Countries that led in green stimulus during the Global Financial crisis, maintained leadership during Covid–19, indicating entrenched policy patterns.

Overall, the findings show us a missed opportunity: Despite larger Covid–19 stimulus packages and a stronger climate discourse, most countries failed to leverage crises for ambitious climate action.

Variation in net green stimulus spending:

The figure shows cross–country variation in net green spending in countries› stimulus packages during the two crises. The number of countries in which net green spending was positive increased slightly from the Global Financial Crisis (GFC) to the Covid–19 pandemic.

19 countries (and the EU) increased their net green stimulus spending from the GFC to the Covid–19 pandemic, while 18 countries reduced it.

In the policy brief we use the concepts Gross Green Stimulus Spending and Net Green Stimulus Spending

Gross Green Stimulus Spending

This is the share of a country's total stimulus package allocated to measures that are expected to reduce greenhouse gas (GHG) emissions. Examples include subsidies for renewable energy, battery production, or public transportation. It looks only at the positive (green) measures without considering fossil-related spending.

Net Green Stimulus Spending

This is calculated as: Net Green = Gross Green Spending – Gross Fossil Spending. In other words, it measures the balance between green and fossil allocations. Net green spending gives a better picture of whether the overall stimulus package is climate friendly.

Average shares for each crisis:

- GFC (2008): Gross green = 10.3%, Gross fossil = 10.5%, so Net green ≈ –0.2 pp (slightly fossil-heavy).
- Covid-19 (2020): Gross green = 8.5%, Gross fossil = 3%, so Net green ≈ +5.5 pp (more climate-friendly overall).

Countries such as Switzerland, Norway, Nigeria, and Mexico rank considerably lower on net green spending than on gross green spending, while the opposite is true for Saudi Arabia, Singapore, and Brazil.

In summary, there was a considerable variation in green and fossil spending both across countries and across the two crises.

Institutional Lock–In

Our statistical analysis shows that countries with stronger green industries tend to choose greener stimulus packages. Prior climate policy priorities were reflected in the stimulus spending, reinforcing inequalities between leaders and laggards.

Hence, countries such as South Korea, Denmark, and Germany – as well as the EU – adopted a high share of green stimulus measures during both crises.

Korea is in many respects an outlier, as since 2008 different governments have strongly promoted green industrial policies to secure diverse export markets for its domestic industries and to gain an early lead in the green economy.

In Denmark, on the other hand, the government actively consulted with industries and businesses to forge the country›s green Covid–19 stimulus package. The Danish Covid–19 recovery plan built on recommendations from 13 climate partnerships with industries and businesses.

Consistent laggards

Conversely, few of the major fossil–fuel countries engaged in any significant green stimulus spending. Countries such as Australia, Russia, and Saudi Arabia come across as consistent laggards on our green stimulus spending indicators.

Nevertheless, the statistical analysis does not provide evidence that fossil–fuel producers were systematically less likely to adopt green stimulus packages. This finding may suggest

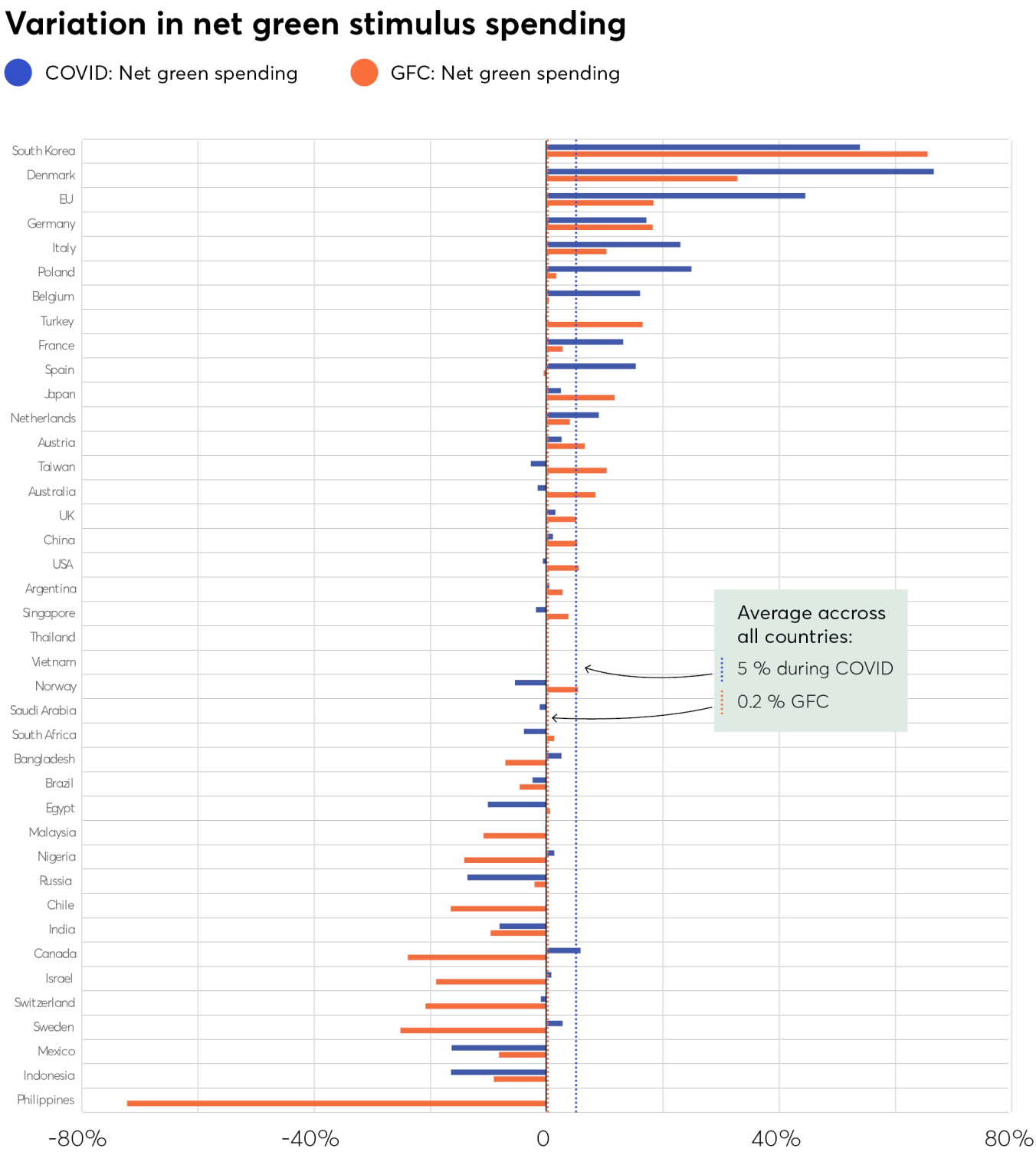

Figure: Overview of net green spending (measured as share of total stimulus spending). Dashed lines represent average across all countries. Countries are sorted by highest to lowest average values across the two crises.

that at least some governments are able to bypass distributive conflict and lobbying from vested fossil fuel interests during economic crises. For example, liberal governments in Canada (Covid–19) and the US (GFC) were surprisingly capable of overcoming resistance from fossil–fuel–based interests against green stimulus spending.

Lobbying Dynamics

There is thus limited evidence that fossil lobbies systematically blocked green stimulus, possibly due to the positive incentive nature of green spending. Whereas climate policy instruments that impose concentrated costs have often seen intense lobbying

from affected industries, the allocation of concentrated benefits through stimulus spending may reduce the incentives for green and fossil industries alike to invest heavily in lobbying.

Finally, we find that overall, the countries engaging the most in green stimulus spending during the Covid–19 pandemic were largely the same as those engaging the most in such spending during the Global Financial Crisis.

As countries stayed consistent over time, we conclude that the two economic downturns have largely mirrored governments› climate policy priorities prevailing prior to the two downturns.

Policy recommendations

1. Strengthen green industrial bases: Invest in green sectors to build supportive coalitions for green stimulus measures in future crises.
2. Governments should maintain a stock of potential green projects that can readily be implemented if a new crisis calls for providing swift economic stimulus.
3. Design conditional fossil support: Tie any fossil–related aid to strict decarbonization commitments ("green bargains").
4. Institutionalize green criteria: Embed climate objectives in fiscal policy frameworks to ensure green priorities during emergencies.
5. Monitor and evaluate impact: Develop mechanisms to track emissions outcomes of stimulus spending to inform future policy design.

Authors: Håkon Sælen and Gunnell E. Sandanger, CICERO Center for International Climate Research.

Contact: hakon.salen@cicero.oslo.no

Design: Eilif U. Reed, CICERO
February 2026

The policy brief is based on the publication "Does Distributive Conflict Explain Variation in Green Stimulus Spending? Evidence From 40 Major Economies During the Global Financial Crisis and the Covid-19 Recession - Tørstad - Regulation & Governance - Wiley Online Library", by Vegard Tørstad, Jon Hovi and Håkon Sælen