OCTAVIAN
RESEARCH & PUBLICATIONS
ADVISORY
PUBLIC AFFAIRS & RELATIONS

COVID-19 Business & Economy Brief

Week 18 July 16th – 23rd 2020

Government announces €7 billion stimulus plan

EU Council agrees recovery plan

EU Green New Deal & Green Finance

GREEN SHOOTS OF RECOVERY

- A €7 billion Stimulus plan
- EU Council agrees recovery plan
- EU Green deal
  & Green finance

Plus...

How Octavian shaped recovery agenda

OCTAVIAN
RESEARCH
ADVISORY
PUBLIC AFFAIRS

HOW OCTAVIAN SHAPED RECOVERY AGENDA

Dear Reader,

On Tuesday I will have the honour of addressing the Institute for International and European Affairs on our strategy (the world's first published on April 7th) to counter the Covid-19 recession, "*An Economic Response to Covid-19*" (reception@iiea.com for details)

As early as April this strategy was the first to call for what has come to pass this week:

- A July stimulus package or budget amounting to €8 billion
- A just transition, protecting weaker small business with Multinational help
- EU action – particularly fiscal intervention to support ECB monetary intervention

Following analysis with action we engaged with media, senior civil servants, and small business representatives – and were consulted by Ministers - to apply and disseminate the findings as fast and widely as possible. These - and our early (March 22nd) comparison of Ireland's readiness now versus 2008 have been echoed by later reports such as from the Central Bank of Ireland, for example. Read by thousands of influential readers worldwide our early publication has accelerated analysis, narrative formation, and policy response times. More lately we facilitated the promotion of Ireland as Europe's green recovery hub.

This week, due to the hard work of civil servants and policy makers, this has borne fruit:

- **This week the EU Presidency agreed a ground-breaking recovery programme**
- **Today the Irish government announced a €7 billion stimulus for the economy**

This work – done pro bono – shows the power of Octavian's integrated service of research, publication, and public affairs. Now let us put this to work for you.

Don't hesitate to contact me on marc.coleman@octavian.ie We wish you well in the challenge ahead.

Marc Coleman BA M Econ Sci ASP MBA

Founder, Octavian Economics marc.coleman@octavian.ie

A SUBSTANTIAL STIMULUS PLAN

In a €7 billion plan announced on 23rd July the Irish government aims to revive Ireland's economy. The task is benefited by some restoration of momentum in recent months with retail sales, consumer confidence and business re-openings gathering momentum while the numbers on the Temporary Wage Subsidy Scheme and Pandemic Unemployment Payment continue to fall.

SIZE OF JULY STIMULUS RECOMMENDED IN APRIL 7TH OCTAVIAN STRATEGY

€8 BILLION

Si

SIZE OF STIMULUS ANNOUNCED BY GOVERNMENT ON 23 JULY

€7 BILLION

A brief history of support to date

In the weeks following the announcement of lockdown the government had already implemented emergency supports including the Wage Subsidy scheme, the Covid-19 working capital scheme, and various rescue and restructuring and loan arrangements administered through Enterprise Ireland, the Strategic Banking Corporation of Ireland and Microfinance Ireland as well as Revenue Commissioner support. Through the instigation of the Bankers and Payments Federation, the main banks – assisted by supportive regulatory announcements at ECB and Central Bank of Ireland level – also made arrangements for loan payment breaks and working capital provision. The EU relaxed state aid rules to enable grants to be provided to companies and the European Investment Bank announced a €40 billion (EU wide) financing package to support bridging loans.

However, by April it was clear that the lockdown would be longer and the recession more serious than originally envisaged. It was also understood that measures implemented between the holding of a general election (February 7th) and the formation of a government (which took four months) could not deliver the comprehensiveness needed.

Another problem was that these measures often required paperwork and bureaucracy that were not just unduly burdensome for small businesses but also caused serious delays at a time when urgency was paramount. Used to handling much smaller volume of demand for business support requests, some state agencies were unable to cope with the intensity of demand arising in April and thereafter.

Business sector calls to action

In the first comprehensive strategy to tackle the crisis, Octavian published – pro bono and in the public interest – its "Economic Response to Covid-19" on April 7th calling for a €16 billion rescue package split evenly between an €8 billion July stimulus and a further €8 billion housing focused plan to use the National Development Plan and October budget to boost the economy and address housing need. It also called for a 3-year recovery plan from 2020 (emergency) 2021 (recovery) and 2022 (normalisation).

Measures called for in the July stimulus

- a July stimulus package of €8 billion.

- The creation of a business reactivation funding scheme to provide working capital to businesses that need to be reactivated after the crisis

- Unsecured loans up to €500,000 with no repayments up to 12 months and interest only repayments for a further 12 months

- Cost flexing: Enabling small business to pass on demand reduction to overheads.

- Prioritising SMEs in public procurement (e.g. additional HSE spending)

- A range of measures to stimulate demand such as zero VAT rate, waiving PRSI during the crisis, reducing the top rate of income tax and consideration towards reducing rates of Capital Gains Tax and temporarily reducing corporation tax

The strategy also noted the large commitments (as a share of their economies) in New Zealand and Germany and advocated larger intervention in Ireland. It further called for

- Strong collaboration between multinationals and small business sectors
- Stronger representation of taxpayer and business viewpoints in policy structures
- EU recognition of Ireland's important role leading recovery during the last crisis

In May the Central Bank of Ireland said that a full package of supports worth €15 billion would be needed, comparable to the €16 billion called for in the Octavian plan but differing in detail. The stimulus package announced this week amounts to approximately half of that and with a further October budget to be announced the full extent of measures are likely to come close to levels advocated in April and May. May also saw Ibec and the SME Recovery group publish extensive calls to action. In its "Rebooting and re-imagining Ireland" document, Ibec also called for fiscal policy and stimulus measures and use of the National Development Plan to stimulate demand.

Echoing the views of those most immediately affected by the crisis, the SME Recovery plan called for the following actions to assist businesses that were viable pre-Covid-19 during a period of urgent liquidity crisis. It argued that while welcome liquidity announcements until then fell short of what was needed and were not optimally channelled. Incorporating contributions from Isme, the Retail Excellence Ireland, Restaurants Association of Ireland and other stakeholders, this group stressed the importance of the small business sector to employment, tax revenues and social fabric. It called for, amongst other things

- A business reactivation funding scheme
- A small business resilience compensation fund
- Expanding the remit of the Strategic Banking Corporation of Ireland
- Cost flexing and reduction of overheads in response to the crisis (rates, rents etc)

Key measures of the Stimulus plan:

These can be broadly described in three categories as follows:

Business and employment support

- A new German style "Kurzarbeit" wage support for workers temporarily on short time working (our previous briefings advocating learning from German policy)
- A waiver on commercial rates until end September
- Restructuring the Temporary Wage Subsidy Scheme to make it longer-term
- The creation of tens of thousands of places on back to work schemes
- Increases and extensions (to self-employed) of coverage of the Restart grant

Taxation

- A warehousing of PAYE and VAT bills without interest penalties
- Reductions in Capital Gains Tax
- A tax refund of up to €125 for staycation expenditure of €600 until end April

Public Investment

- Investment in cycling and walking infrastructure and town centre
- Investment in state companies
- A minor works scheme for small schools related to public health / Covid-19

Politics is the art of the possible. This stimulus is far from perfect. But in 4 short weeks of the new government it goes a long way to closing the huge gap between what was available and what was needed back in April. October's budget will hopefully narrow the gap further.

What EU Recovery deal means for Ireland

After marathon talks the European Council – consisting of the heads of government of 27 Member States – agreed early on Tuesday morning to a €750 billion rescue package for the EU economy and a €1 trillion 2020-2027 budget.

> The goals of our recovery can be summarised in three words: first convergence, second resilience and transformation. Concretely, this means: repairing the damage caused by COVID-19, reforming our economies, remodelling our societies.
>
> — Charles Michel, President of the European Council

“We did it!”.

With those words European Council President Charles Michel signalled that two days of intensive talks had come to an end early on Tuesday morning with an agreement on a “Next Generation EU” package of investments and supports worth €750 billion to be borrowed by the EU Commission and used for loans and expenditure through the EU Commission’s “Multiannual Financial Framework”. In addition, the Council agreed a €1.1 trillion budget over the 2020-2027 period.

Less than 5 per cent of total GDP, the €750 billion amounts to less than the 25 per cent of GDP committed by Germany in its comprehensive May response. However, targeted as it will be at more vulnerable member states this small percentage understates its impact. The money will – unprecedented for the EU in terms of the Commission’s restricted legal powers of borrowing – be collectively borrowed and funded by future EU taxes on plastic and digital activity. The money must be repaid by 2058.

€390 billion of this fund will form the bulk of the EU’s Recovery and Resilience Fund (amounting to €312.5 billion) in the form of grants that do not have to be repaid. This latter aspect was a bone of contention amongst “frugal” countries like the Netherlands fearing funds would be wasted. They succeeded in bargaining the “grantable” element of the rescue package from an originally intended (as per the original proposal of 27 May) amount of €500 billion.

Ireland, in particular, will benefit from a €5 billion fund to sectors and countries most affected by Brexit. Given the falling prospect of a UK EU deal, as admitted by both sides this week, and the consequent rising prospect of a “No Deal” Brexit with substantial tariff impacts on demand for Irish produce, this support will be vital. The customs clawback on single market customs will also be increased giving the government added revenue.

Green Finance I:

Can Ireland lead a Green Finance revolution?

Since the foundation in 2015 of the IFS 2020 strategy (of which Marc Coleman was the first government appointed Industry Advisory Secretariat), employment in Ireland's International Financial Service sector has grown from 30,000 to above 40,000, exceeding the target of 10,000 new jobs set by the strategy between 2015 and 2020.

Could Ireland's green brand add a further spurt to employment growth?

In the original EU Recovery package announced on 27 May last, a major emphasis was placed on a sustainable recovery and on directing private capital towards the goal of achieving a carbon neutral economy in the EU by 2050.

Green Finance – the goal of directing financial service behaviour towards carbon neutrality – is seen as a key policy tool.

On June 24th, the German Irish Chamber held a webinar on this topic with contributions from Ossian Smyth T.D. (Green Party) , Stephen Nolan Managing Director of the United Nations Environmental Programme Financial Centres for Sustainability and Elsa Palanza of Barclays.

The key challenges including integrating sustainability into recovery, a theme echoed in this week's Irish Government stimulus which lays out investment in walkways and cycling paths. But the agenda goes much further and also includes

- Standardising ESG reporting to enable a comparison of investment alternatives from a sustainability point of view
- Harmonising reporting and identifying usable benchmarks for assessment
- A full supply chain approach, ensuring that goals are achieved in all sectors and that carbon emissions are not simply redistributed from reported to unreported or under reported activities
- Aligning the financial regulatory environment towards sustainability but doing so in a manner not exacerbating impact on financial institutions

Sectors and regions that lose out from the shift away from fossil fuels and peat must benefit and be seen to benefit from new jobs in Green Finance and sustainable energy.

Environmental and Social Governance (ESG) was a constant theme of the webinar with emphasis on the need to link the "E" and "G": Barclays – which relocated to Ireland in the wake of Brexit – have set an ambitious agenda of achieving "net zero" contribution to carbon emissions by 2050 and is aligning its entire portfolio to consistency with the Paris Agreement on climate change. It is also addressing not just lending activity but working to align its capital market activities accordingly.

The IFS strategy has now become “Ireland for Finance” and with a new Minister appointed recently, Sean Fleming T.D. there will be added impetus

The Covid-19 crisis will already put pressure on business, especially small businesses. How do we make sure that added burdens of transition to a carbon free future do not exacerbate an already highly stressed business sector?

In its recovery plan the EU has identified a €40 billion transition fund. This approach is also echoed in the Programme for Government’s support for a “Just Transition” and its creation of tax forces to tackle regions of the country particularly affected: the impact of the ending of peat activity in the midlands being a case in point.

The political acceptability of this will be a key challenge: Already aspects of the Green agenda have prompted significant unease in parts of the country affected by the ending of the commitment to the Shannon Gas Terminal and the ban on offshore oil and gas exploration. The emphasis on cycling and walking infrastructure compared to the clear signals on housing sent during the last election may also be an issue.

However, in that regard the forthcoming October budget may addressing the housing issue more substantially and the timing of cycling infrastructure commitments now may be related to the importance of reassuring Green party members during a period of leadership election in that party. The decision by Saoirse McHugh T.D. to quit the Green party underlies the delicate balancing act the government needs to achieve between political stability and economic recovery.

Without the former, the latter cannot be achieved.

A key challenge will be to ensure that any jobs growth from the area benefits sectors and regions adversely affected by the climate agenda. Sectors and regions that lose out from the shift away from fossil fuels and peat must benefit and be seen to benefit from new jobs in Green Finance and sustainable energy.

Given the EU’s leadership in global green finance and Ireland’s Presidency of the Eurogroup the strength of the Green party in the European parliament – not to mention the presence of the Green party in government and

Green Finance II: Disrupting the disrupters

This guest article from Dr. Louis Arnoux and David Fitzpatrick of Regency Wealth Managers, provides some challenging ideas for the future of Green Energy.

While energy is recognised as the key to all activity on Earth, the principles of Thermodynamics tend to be overlooked as being essential to our understanding and development of energy solutions in response to the myriad challenges of our times.

For the last 200 years and more an abundance of "cheap energy" has meant that governments and corporations could ignore these principles' implications and just carry on doing "business as usual" (BAU).

After over 50 years of delays, Governments and Corporations now generally accept that there is a "climate emergency", an acceptance that we cannot continue to grow and to consume resources that are becoming more and more scarce by the day.

Wind turbines, photovoltaics, electric vehicles, (WTs, PVs, EVs), "renewables" for short, and Li batteries, are now seen by many as the fossil fuel energy disrupters. Unfortunately, a largely unseen and unspoken problem with these "renewable energy technologies" is that they are known to be not scalable to the levels required to replace fossil fuels within the remaining timeframe and that attempting to do so would make matters far worse in terms of pollution and additional greenhouse gas emissions – a big problem for the 7.8 billion global population... and an even bigger one for climate stability and every species that we share Earth with.

In the midst of global pandemics, with unpredictable and calamitous climate events, financial markets in turmoil and social and civil unrest evident in almost every country, this is a crisis which, if not solved, can bring our World to its knees in fairly short order.

Furthermore, despite significant investments in renewables over the past two decades, fossil fuel consumption and greenhouse gases continue to rise, inevitably taking us closer to the ominous 2ºC temperature rise, presently likely to be reached by 2040. Once oil is no longer viable to extract and consume (likely in the present decade), and short of having adopted a new energy paradigm – what we call a Fourth Transition – we can expect an existential crisis with catastrophic consequences. This message cannot be put too strongly.

What social commentators call kicking the can down the road is no longer an option. Along with the above unseen matters, what is generally not understood is that the pandemic, the climate emergency, and all related ecological, social, and financial issues are symptoms.

Instead, the fundamental problem that we need to address without further delays is the development and deployment of new, sustainable, and affordable, energy foundations for our world. In response to this core challenge, after many years of research, we at Fourth

Transition and our sister organisation, the Cool Planet Foundation, have developed viable, safe, sustainable, solutions that avoid the above pitfalls and that can be profitably deployed over the next 20 years at lower costs than most BAU or renewable technologies.

These take the form of a new Energy Technology Class with the potential to substitute for the current prevailing technology classes, i.e. internal combustion engines (ICE), all forms of turbines, photovoltaics, and most Li batteries.

There has not been a new energy class developed for over 100 years that could address the present global energy and climate crises in the short time available to do so. To summarise, we view our package as redefining how we access and use energy in over 90% of industrial, commercial, and residential settings – sustainably, safely and at substantially lower costs than fossil-based or renewable options.

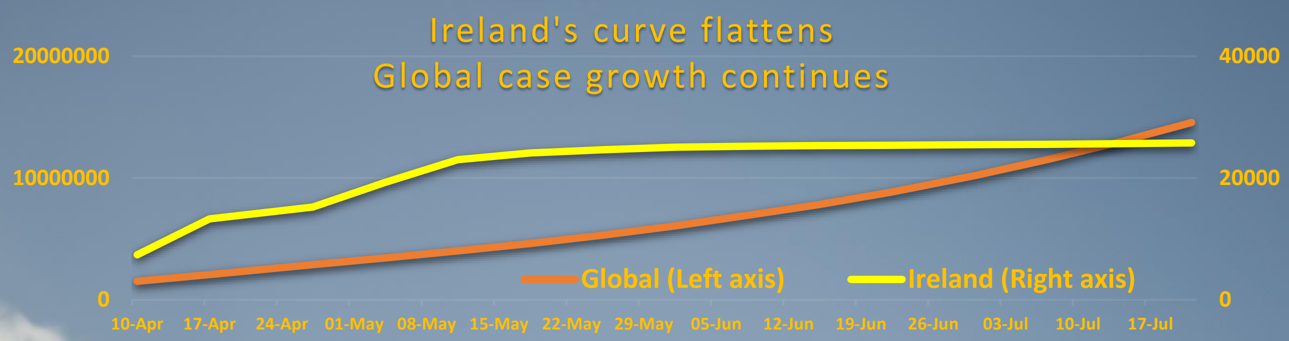
We have the expertise, know-how, and the technology to disrupt the disrupters - those renewable technologies that cannot scale and that remain 100% dependent on fossil fuels for manufacture, operation, maintenance, recycling, and eventual disposal. Over the last 18 months, combatting the climate emergency has been increasingly recognised as “the greatest investment opportunity in history”.

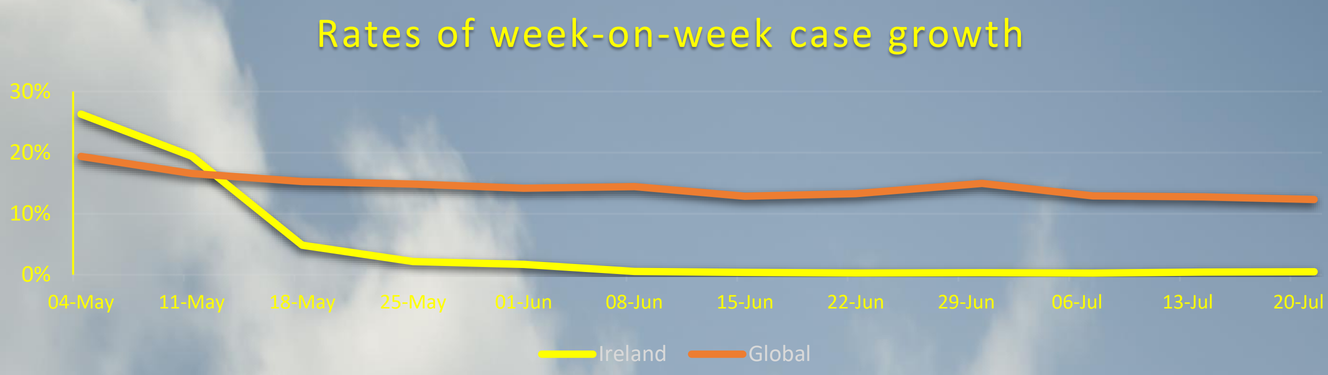
The challenge for investors is to decide what to invest in. Our take is that the smartest and largest opportunity is precisely in investing in disrupting disrupters that are known (by a very few) to be bound to fail.

To learn more please contact Dr Louis Arnoux, louis@ngeni.co or David Fitzpatrick, regencywealthmanagers@gmail.com.

This is a guest article and the views contained therein do not necessarily reflect those of Octavian or its Founder

“Second wave” attack risk grows





Since mid-May Ireland’s week-on-week rate of growth in reported Covid-19 cases has been lower than the global growth rate and the gap has been widening.

The flattening of the Irish curve since early June (from which point growth has been at or below 1 per cent per week contrasts with the global growth rate which, while declining in percentage terms, remains in significant double digits (12 per cent as of 21st July)

This contrast underlies the policy dilemma facing government in addressing travel restrictions. This week 15 countries were put on the green list of countries from which Irish citizens may travel to and return without subsequent quarantine.

OCTAVIAN

RESEARCH
PUBLIC AFFAIRS
ADVISORY

info@octavian.ie

www.octavian.ie

Octavian Research

Premier analysis, publication, and consultancy services to national and international clients.

Octavian Advisory

C-Suite crisis management, strategic and tactical consultancy to leading national and global companies

Octavian Public Affairs

Bespoke Public Affairs and PR services, accessing stakeholders, media, and decision makers at the highest level.