The Green Growth Strategy

- Requested by Ministers of Finance, Economy & Trade, at the 2009 OECD Ministerial Council Meeting (MCM).

- Involves 25 OECD Committees: delegates from Ministries of Agriculture, Economy, Environment, Development Co-operation, Industry, etc.

- 2 key deliverables:
  - Interim Report for the 2010 MCM
  - Synthesis Report for the 2011 MCM
Why Green Growth?

- **Interdependency** between economic and environmental systems
- Two key drivers:
  - current sources of economic growth are placing **unsustainable pressures** on the natural resource base ⇒ economic and social burdens ⇒ high costs of inaction
  - **opportunity** of the crisis to replace stranded capital with cleaner alternatives (*e.g.* green stimulus packages) ⇒ industry, jobs and skills restructuring
A working understanding of green growth

“Green growth can be seen as a way to pursue economic growth and development, while preventing environmental degradation, biodiversity loss, and unsustainable natural resource use.”

⇒ *It means making investing in the environment a driver for economic growth.*

⇒ *It aims at maximising the chances of exploiting cleaner sources of growth, thereby leading to further “decoupling” of environmental pressures from economic growth.*

× Not looking for a single definition
× No clear end point ⇒ “greener” growth
Green growth and sustainable development

The Green Growth Strategy provides:

- renewed direction to environmental and economic policy in the tradition of sustainable development, and
- a clear and focused agenda for delivering on many of its aspirations
- a practical policy framework integrating elements of the triple mandate of SD ⇒ a focus on policy coherence

Lessons learned from the evolution of the economic systems:

  – From agricultural ⇒ industrial ⇒ service-based ⇒ green economies
How does it differ from what we’ve done before?

BUT other Ministries are taking ownership of green growth.

Distinctive features of green growth:

- An **actionable** and **achievable** policy package
- Goes beyond visionary discourse to **catalyze the shift** to not only bend, but **break** unsustainable growth trend lines
- Emphasizes that investing in the environment can be a **source** of growth
- Addresses **social aspects** of the transition: *e.g.* employment, distributional effects, pro-poor growth, measuring well-being
Consumers

Inputs:
- Labour
- Capital
- Energy
- Materials
- Environmental services

Multi-factor productivity

Outputs:
- Goods
- Services

Economic activities (production, consumption, trade)

Production process

Recycling, re-use, re-manufacturing, substitution

Policies, measures, instruments:
- Taxes
- Subsidies
- Regulations
- Investments
- Innovation
- Education

Economic agents

Natural capital stocks and environmental quality

Pollutants, waste

Natural resources (water, biomass, air, land, energy, materials, …)

Public perceptions

Services, amenities, health & safety aspects
What key environmental challenges will it address?

- Economic Development
- Biodiversity and Ecosystem Services
- Sustainable Use of Resources
- Sustainable Materials Management
- Climate Change
Removing fossil fuel subsidies is good for the environment…

Impact on GHG emissions

Source: Joint OECD/IEA analysis
... and for the economy (household income) → some win-win opportunities

Impact of unilateral removal of fossil fuel subsidies on real income

Source: Joint OECD/IEA analysis

Impact on real income of unilateral fossil fuel subsidy removal, relative to the baseline in 2050

1. This region includes Croatia and the Rest of Soviet Union (integrated by the following countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, Uzbekistan) according to the data aggregation in the GTAP database.

2. The region includes the Middle East, Algeria-Lybia-Egypt, Indonesia, and Venezuela.

% deviation relative to the baseline

2050

Oil-exporting countries (2)
India
China
Russia
Rest of the World
Non-EU Eastern European countries (1)

Source: Joint OECD/IEA analysis
Preliminary findings on green taxes

• They are spreading, but there is considerable scope for increased use to encourage greener activities

• If all industrialised countries cut emissions by 20% by 2020 relative to 1990 – via taxes or emissions trading schemes – proceeds could be as high as 2.5% of GDP

• Revenues could be used to generate welfare gains
Revenues from environmentally-related taxes, 2000/2008

- Varies from 0.7% of GDP in North America to 2.5% in Europe
- 90% of these revenues from taxes on fuels and motor vehicles.
- Revenues have fallen despite general increase in tax rates
Innovation: a key driver of greener economies

• Combining different policy tools:
  - Pricing environmental goods and services
  - R&D tax credits or direct subsidies
  - Funding of basic research
  - Removing barriers to trade in clean technologies
  - Public procurement

• Improving conditions for entrepreneurship:
  - Remove barriers to firm entry and exit
  - Access to finance for small/young firms

• Enhancing multilateral STI co-operation:
  - Involving developing countries
  - Funding arrangements
  - Capacity building
  - Technology transfer
Clear policy signals are essential to incentivise eco-innovation

Source: OECD (2010), *The Invention and Transfer of Environmental Technologies*
Greener jobs and skills development

- Recent measures in stimulus packages can have a significant short-term, positive impact on employment
- The long run impact on net employment is uncertain (2011 Synthesis Report)
- Reallocation of labour across sectors, firms and regions is likely to be considerable
- Dedicated training policies needed to help workers adapt to new skill requirements
- Need for pro-active short-term labour policy initiatives to jumpstart job creation and accelerate the transition to green growth
Green growth is relevant to both developed and developing countries: Pro-poor green growth

- **Common challenges** include e.g. climate change risks, threat of natural resource degradation, biodiversity loss ⇒ need to shift towards low-carbon, resource-efficient development pathways.

- **Green growth as an opportunity** to collectively respond to such challenges and identify new, more sustainable sources of growth and employment.

- Need to **tailor green growth policy packages** to take account of other development priorities (e.g. poverty alleviation, food security).
Pro-poor green growth: three pillars

1. **Encouraging natural resource management and governance:**
   - defining clear property and user rights of natural resources
   - promoting cooperation among resource users
   - apply charges to natural resource usage, and reduce subsidies
   - empower developing country governments to conclude fair resource access agreements with foreign governments or enterprises
   - develop productive capital to generate pro-poor growth from natural resources

2. **Shaping Climate Resilient Growth:**
   - sharing up-to-date information on climate trends and associated risks
   - no-regret adaptation measures
   - allocation of adequate financial resources
   - capacity building to analyse climate risks and response options.
   - awareness-raising among governments, donors and people.

3. **Promoting Low-carbon Growth**
   - **co-benefit approach:** reduce GHG emissions and also bring developmental benefits
   - two sectors offer the most promising co-benefits – **energy and forestry**
Assessing the costs of BAU
- Assess pressing environmental and economic challenges, highlighting their interrelatedness
- Emphasize the complementarities between economic and environmental policies
- Consider the global nature of risks and the channels for international co-operation

Removing barriers
- Frame the pro-growth potential of green growth
- Reform environmentally and economically harmful subsidies
- Address regulatory failures
- Improve the structure of tax systems
- Remove barriers to trade in environmental goods and services
- Remove restrictions to green FDI flows

Facilitating transformation
- Price externalities and value natural assets
- Target regulatory policy and reform
- Promote behavioural change: consumer policy and education
- Accelerate green innovation
- Improve financing for infrastructure and technologies
- Promote greener corporate practices
- Increase green aspects of ODA

Greener growth
Green Growth Strategy

.... key pillars of the 2011 Synthesis Report

Managing the transition
- Assess the expected sectoral re-allocation
- Reduce the adjustment costs through labour market, education and competition policy
- Manage distributional effects
- Defuse competitiveness concerns and review the political economy of reform
- Analyze sectoral implications of the transition

Measuring progress
- Develop a framework and principles for green growth measurements
- Conduct a stock-take of existing measures and gaps
- Build a set of indicators and describe how they can be used

Delivering on green growth
- Sketch recommended policy pathways
- Consider lessons learned from existing low-carbon development strategies and economic reviews
- Define the elements of a pro-poor green growth approach for developing countries

Greener growth
Directions for future work

• Guidance on the implementation of green growth policies

• Further developing the measurement agenda

• Monitoring progress through:
  – Economic Surveys
  – Environmental Performance Reviews

• Mainstreaming green growth across the OECD work programme
Join the discussion!

- **International Green Growth Dialogue**

- A secure site for sharing your perspectives and your own initiatives, and discussing the development of the Green Growth Strategy.

- To register, email your contact details to green.growth@oecd.org.