



Institute<sup>for</sup>  
European  
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# Transformative environmental and sustainability policy

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# The need for a transformative approach

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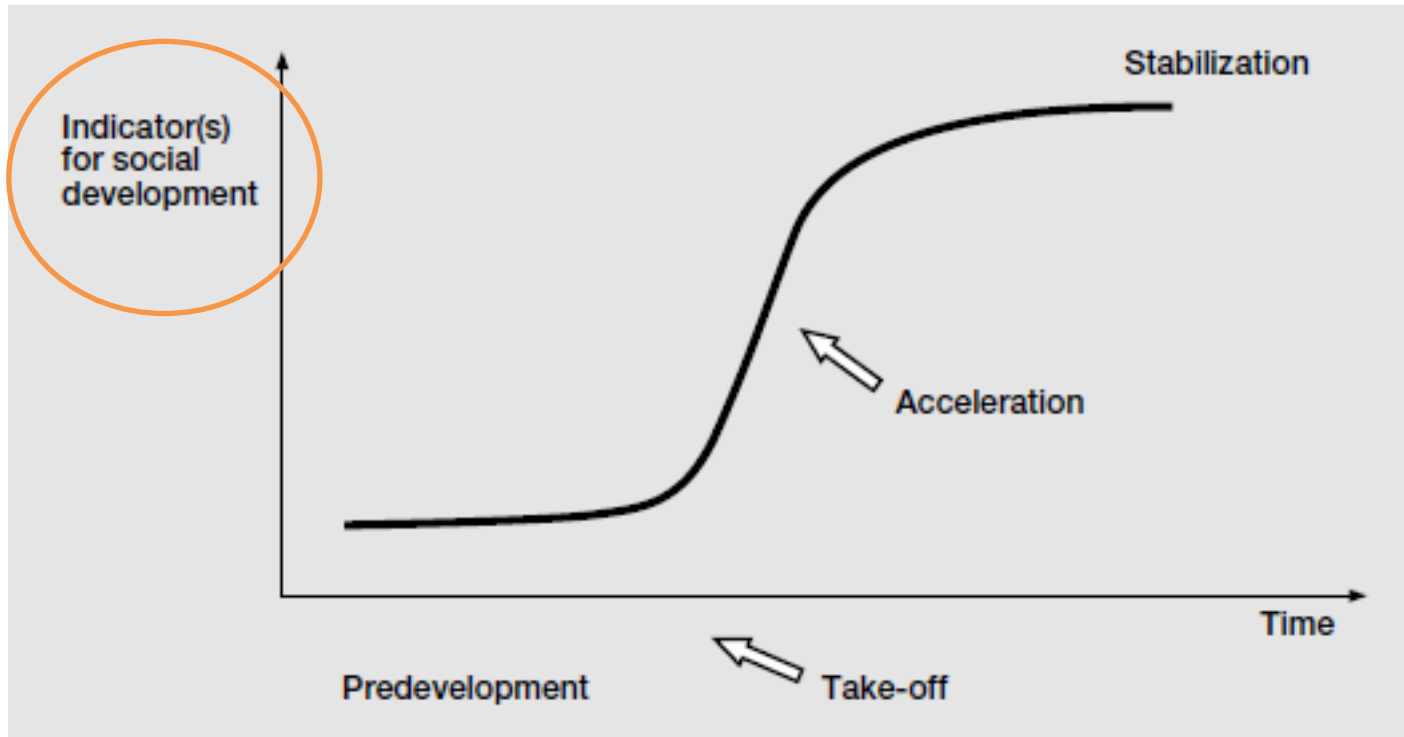
- Rapid approach of environmental limits – particularly atmospheric carbon, but also in terms of land use, water, biodiversity;
- Incremental change e.g. in response to price signals is necessary, but not sufficient; and is unlikely to trigger timely transformation.

# Some of the challenges

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- Owning a road map does not mean that you have started the journey.... There is a risk that an optimistic or over-planned account of the future creates a false sense of security. What matters is whether a road map triggers necessary decisions now.
- Innovation will not only provide answers to sustainability challenges; it will pose fresh problems (e.g. rapid product improvement leading to resource use);
- Motivation of the current population is key – and economically rational choices at the individual level may not always point to sustainable choices.

# Optimism bias in our approach to transformation



**'Four phases of transition' - Source: Rotmans et al. (2001; p.017)**

# Weaknesses of incremental change

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- The strength of the signal is dependent on the long-term credibility of the policies, and therefore subject to political risk;
- The most cost-efficient short-term response may not be the best long-term response – for example, electricity generation from gas to meet the 2030 carbon targets;
- Can leave economic actors unable to decide on the right long-term choice, because of a lack of clear signals on the “winning” infrastructure choice – leading to inertia;

Incremental change in response to price signals (taxes, carbon price, regulation) improves efficiency within a system; but is unlikely to lead to a change of system.

# Examples of transformative(-ish) policy-making

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- The UK's Climate Change Act
  - Short term targets and a long-term goal;
  - Through the Climate Change Committee, Government is forced to consider long-term pathways, and risks of lock-in.
- Landfill Directive targets
  - Combined with use of the Landfill Tax, has shifted waste management system in UK towards recycling and recovery.
- Urban Waste Water Directive
  - Leading to London's biggest infrastructure project, the Thames Tideway Tunnel.

# Common elements

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- Based on defined limits, which are then difficult for Government to change;
- Benefited from a degree of cross-party support;
- In part, because the full costs were not politically visible at the moment the decision was made (nor were the benefits);
- Forces infrastructure decisions which are not technology-neutral;

but

- Are based on public services where Government has a preponderant role.

# Transforming product markets is more challenging

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- CO2 from cars policy has (broadly) been successful only in securing incremental improvement of the efficiency of current transport model;
  - Societal (and therefore governmental?) infrastructure choices are needed (but may not be sufficient) to create a shift to new systems (electrification of the road transport fleet).
- Energy efficiency in private housing poses particular difficulties:
  - Non-visible consumption decisions, so not amenable to peer pressure;
  - Regulatory approaches involve intervention in people's homes.



# Some issues to consider:

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- The role of technology prizes
- The importance of cooperation between economies
- The importance of understanding trade flows and resource flows in assessing progress (examples: decarbonisation of production but not consumption; food imports and their deforestation implications)
- The dangers of over-reliance on rational decision-making, either at government or individual level
- How does the need for clear Government signals on infrastructure fit with the freedom necessary for innovation?
- What is the right balance between continued public discussion and debate; and the need for clear choices (even sub-optimal ones) to emerge at an early enough stage?



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