



The Green Growth Strategy

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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 \Rightarrow economic and social burdens \Rightarrow high costs of inaction
 - **opportunity** of the crisis to replace stranded capital with cleaner alternatives (*e.g.* green stimulus packages) \Rightarrow 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 \Rightarrow a focus on policy **coherence**

Lessons learned from the evolution of the economic systems:

- From agricultural \Rightarrow industrial \Rightarrow service-based \Rightarrow **green** economies



How does it differ from what we've done before?



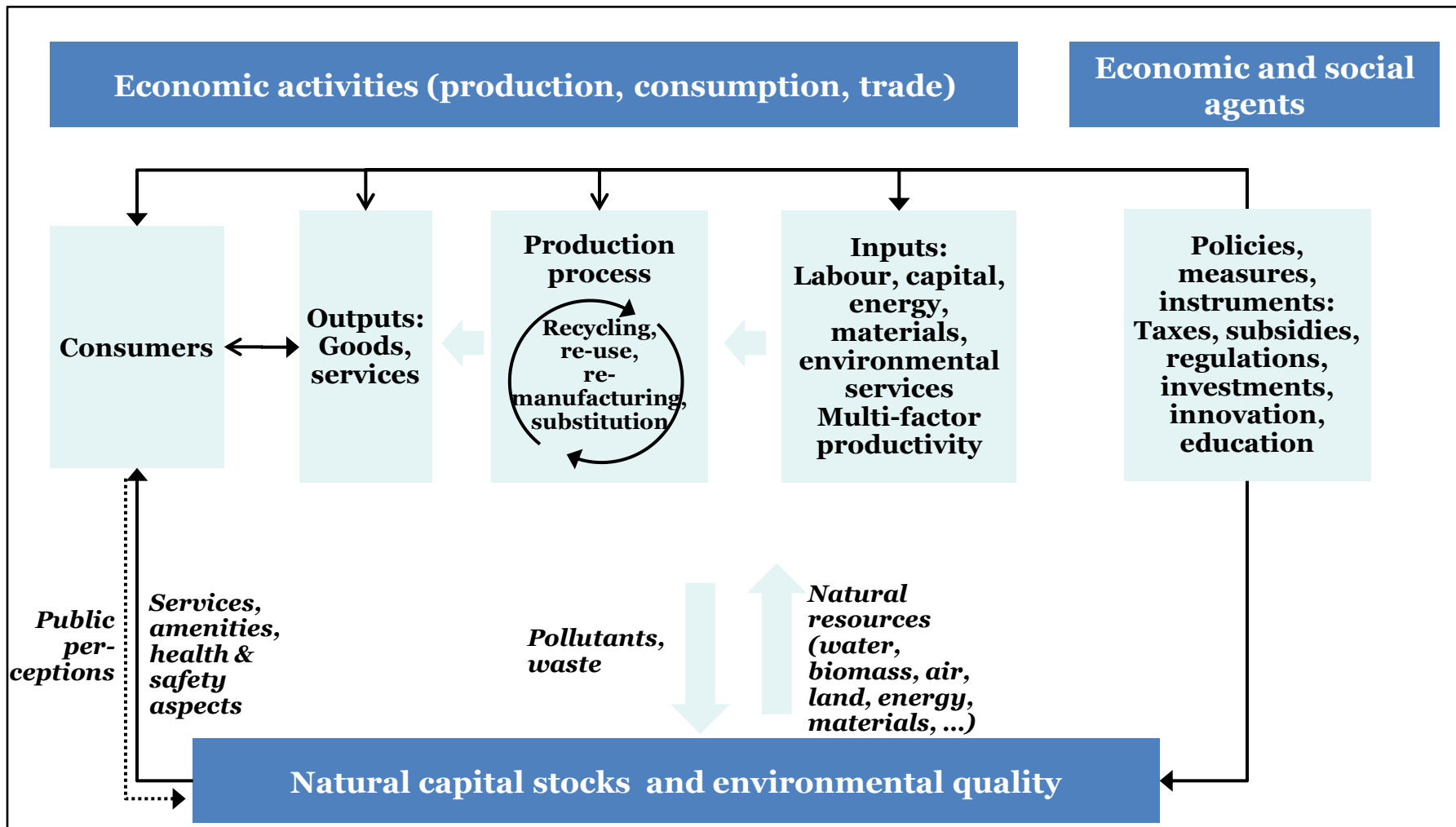
BUT other Ministries are taking ownership of green growth.

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

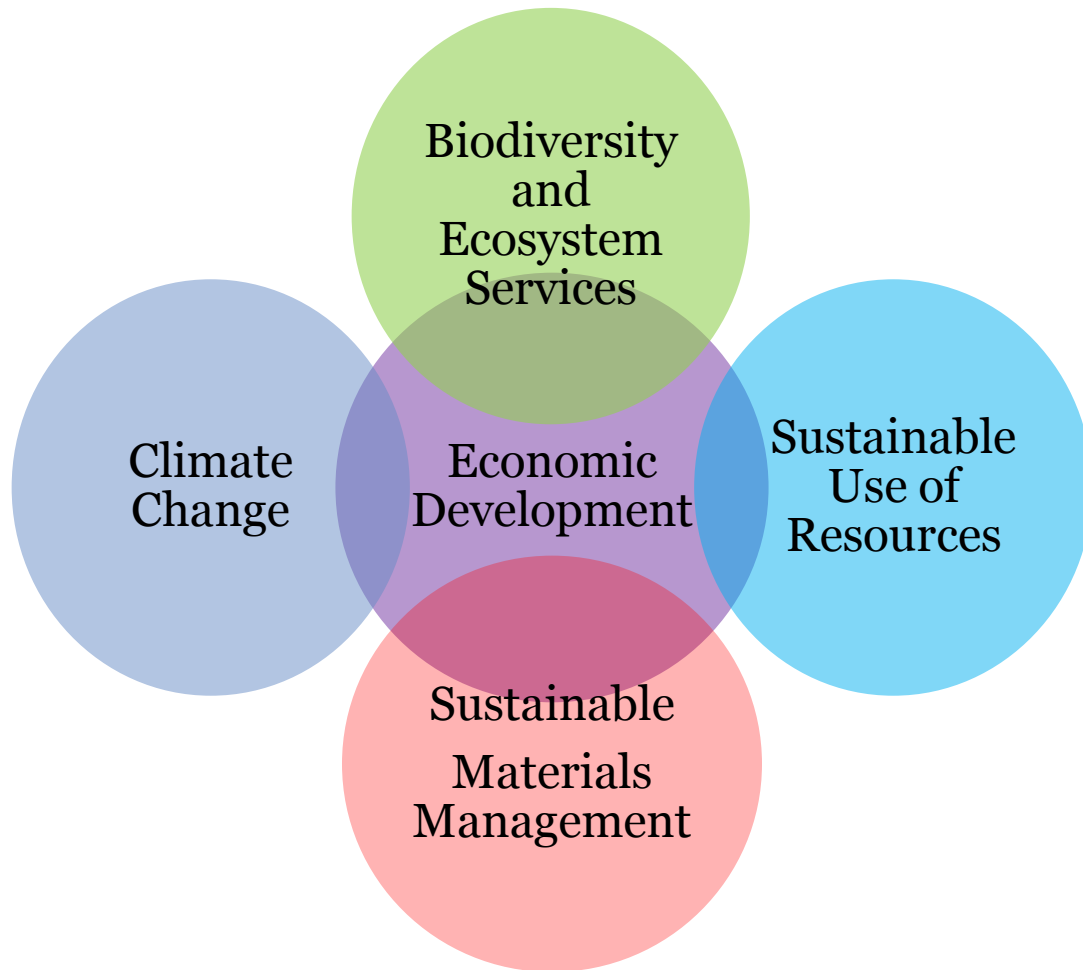


A framework for green growth indicators





What key environmental challenges will it address?





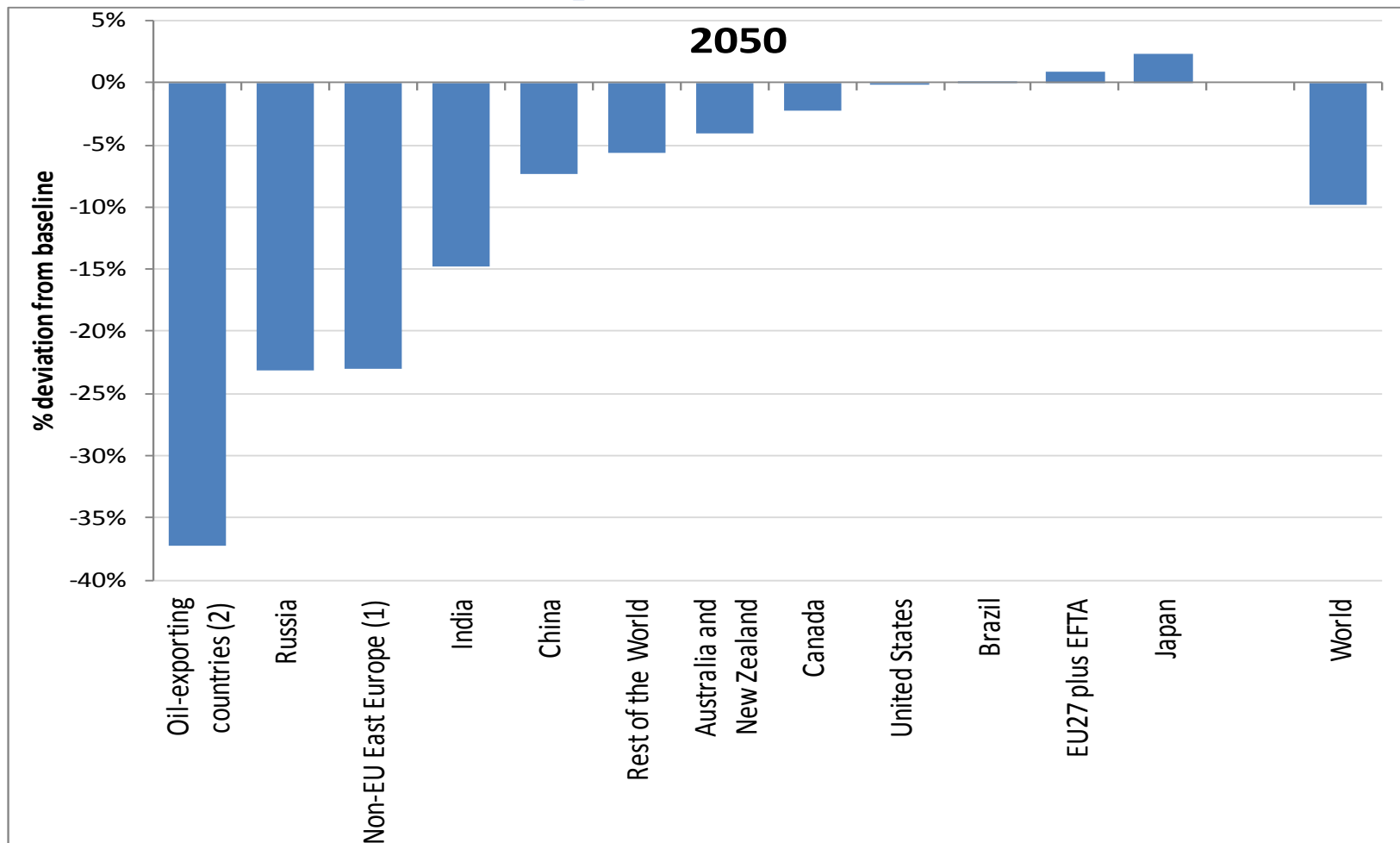
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Removing fossil fuel subsidies is good for the environment...

→ G20 Summit

Impact on GHG emissions



Source: Joint OECD/IEA analysis



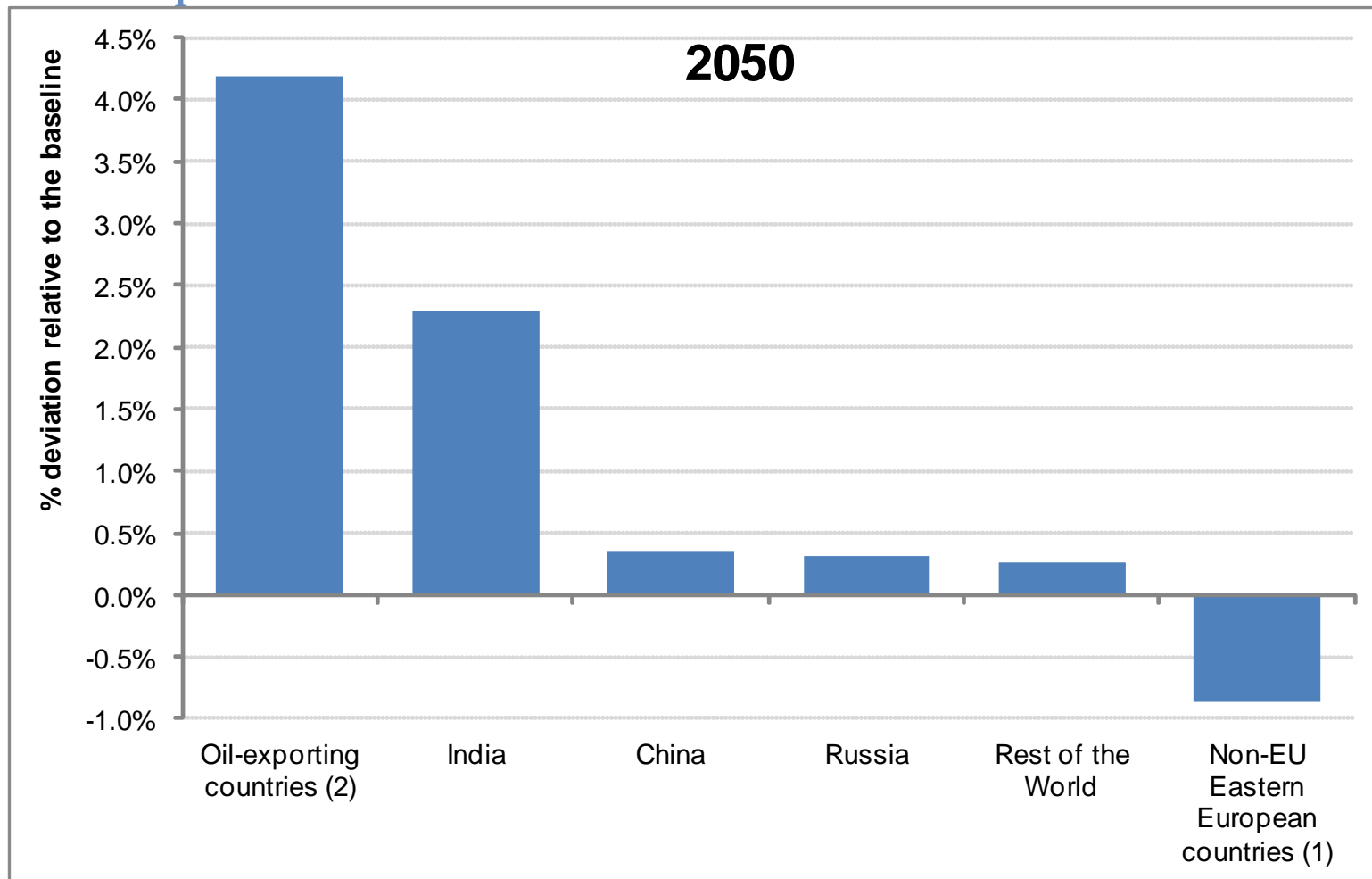
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... and for the economy (household income)

→ some win-win opportunities

Impact of unilateral removal of fossil fuel subsidies on real income



Source: Joint OECD/IEA analysis

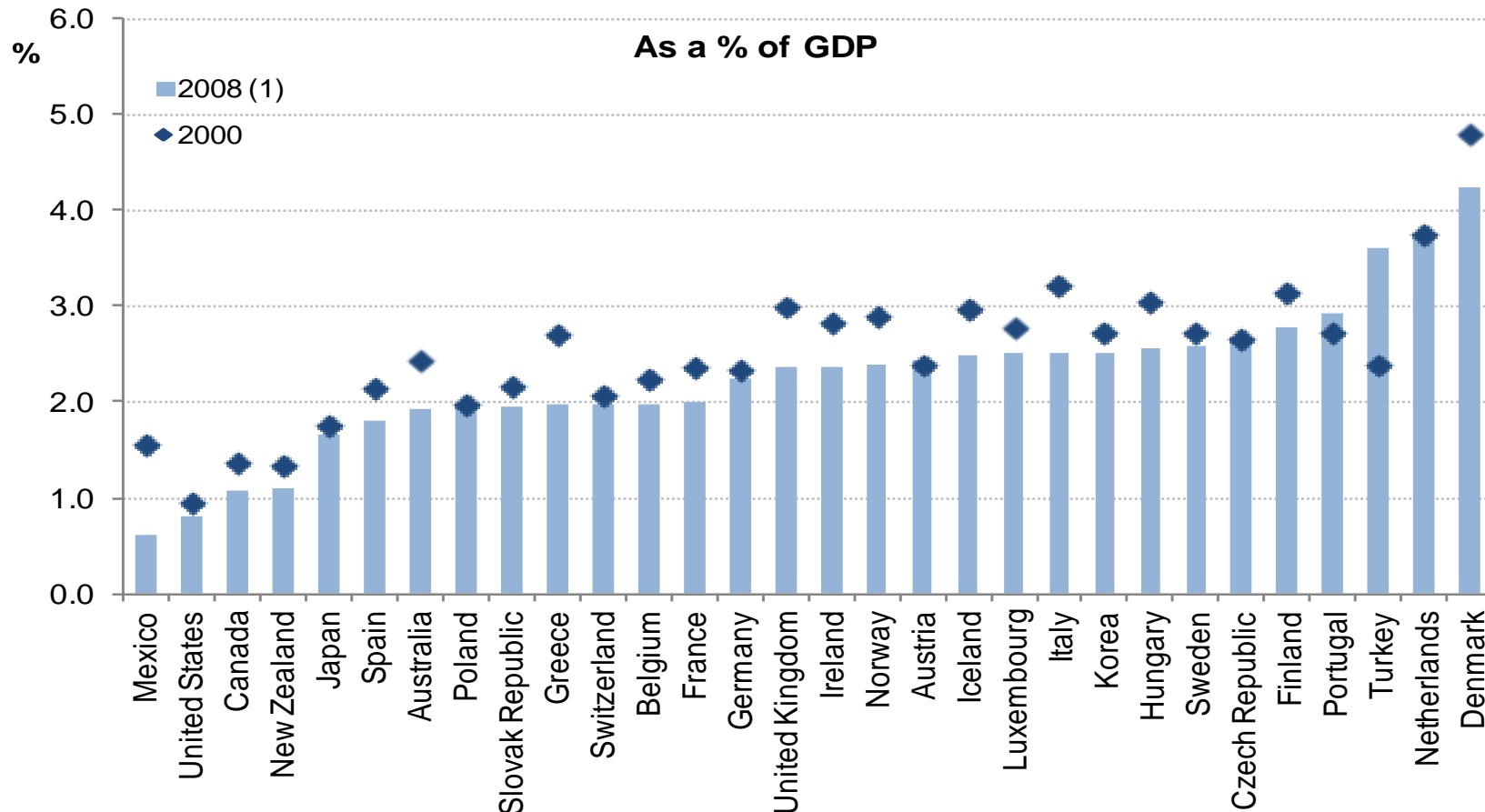


Preliminary findings on green taxes

- 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

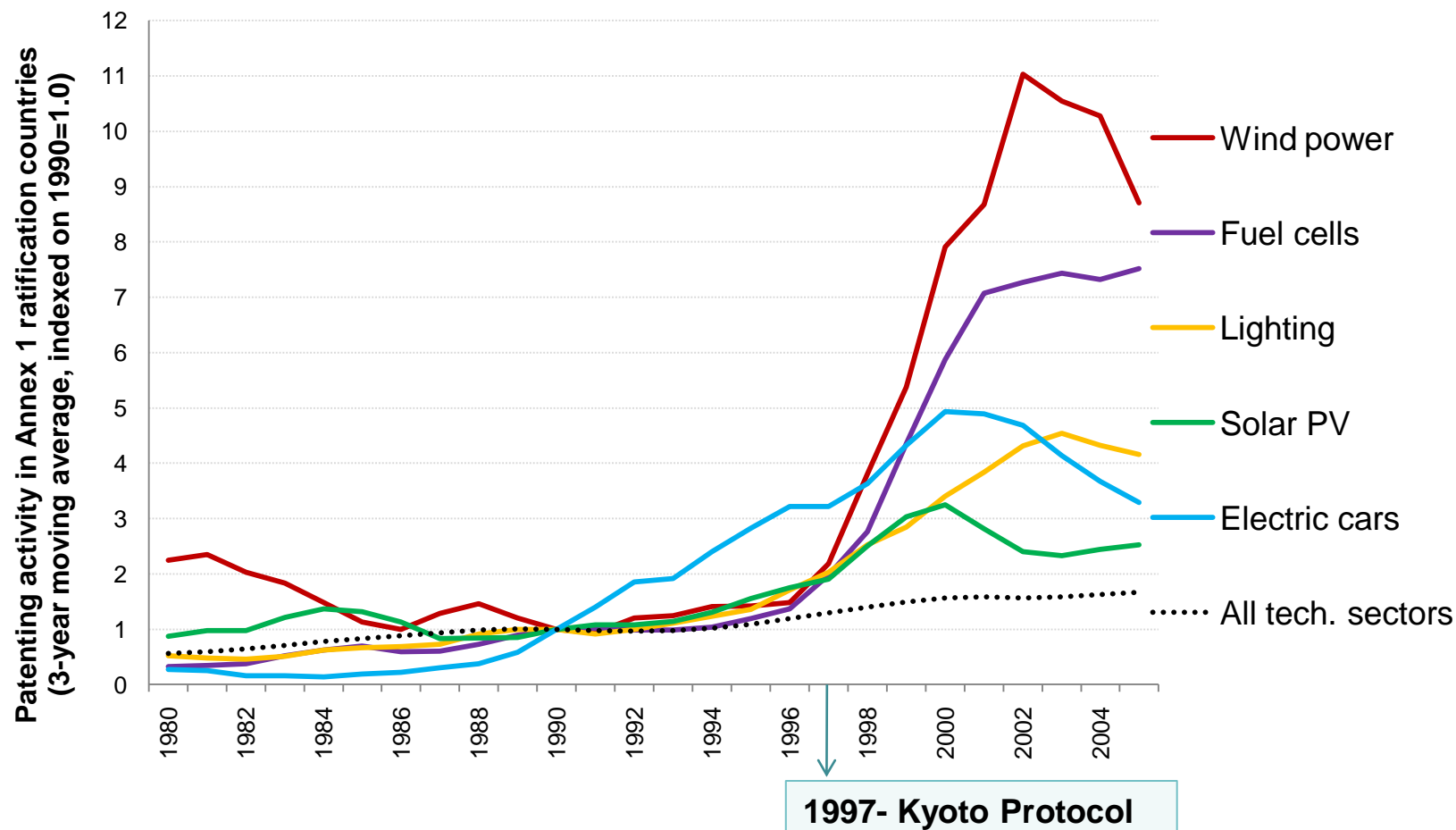


How does Green Growth address social challenges?

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





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 \Rightarrow 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**



Key pillars of the 2011 Synthesis Report

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**.