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 Cooperation, 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
A framework for green growth indicators

Economic activities (production, consumption, trade)

Consumers

Outputs: Goods, services

Production process

Recycling, re-use, re-manufacturing, substitution

Inputs:
Labour, capital, energy, materials, environmental services
Multi-factor productivity

Policies, measures, instruments:
Taxes, subsidies, regulations, investments, innovation, education

Economic and social agents

Public perceptions

Services, amenities, health & safety aspects

Pollutants, waste

Natural capital stocks and environmental quality

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

What key environmental challenges will it address?

- Biodiversity and Ecosystem Services
- Economic Development
- 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

Source: OECD ENV-Linkages model based on IEA data.

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.
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 \(\Rightarrow\) 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
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
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.