The Green Growth Strategy

2010 OECD ITF/KOTI Joint Seminar on GREEN GROWTH IN TRANSPORTATION

Nathalie Girouard
Coordinator of the Green Growth Strategy
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

For more information, see www.oecd.org/greengrowth
Why Green Growth?

• **Interdependency** between economic and environmental systems

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

For more information, see [www.oecd.org/greengrowth](http://www.oecd.org/greengrowth)
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 to maximise the chances of exploiting more sustainable 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

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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 sustainable development ⇒ a focus on policy **coherence** and implementation

Lessons learned from the evolution of the economic systems:

- From agricultural ⇒ industrial ⇒ service-based ⇒ **green** economies

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What key environmental challenges will it address?

- Biodiversity and Ecosystem Services
- Economic Development
- Sustainable Use of Resources
- Sustainable Materials Management

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Green growth is relevant to developing countries

- **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 balanced 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).

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Emerging messages from the 2010 Interim Report

• Need a **mix of policy instruments** to tackle key environmental challenges. Importance of market-based approaches, but complemented by regulations & standards, R&D investment, labelling. Ensure **coherence** in policy design and implementation.

• **Internalising environmental externalities** is necessary for green growth, but insufficient ⇒ need to ensure a **smooth transition** (sectoral shifts, employment, skills) and **incentivise eco-innovation** (internalising positive knowledge spill-overs).

• The **green growth framework needs to be flexible** ⇒ will need to be applied differently in different counties. OECD country peer reviews (economic, environmental) to help tailor to countries.

• Green growth must be fundamentally integrated into **economic growth accounting** ⇒ importance of **green growth indicators** for identifying gaps and measuring progress.

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Preliminary findings: lessons from the crisis

• Many countries used their **stimulus packages** to invest in:
  – Green infrastructure (public transport, energy efficiency in public buildings, renewable energy, smart grids, water & sanitation)
  – Green RD&D (including CCS)
  – Some put in place green tax reform

• **But other measures may be environmentally harmful:**
  – Support for auto industry
  – Road building
  – Car-scraping schemes (scale effects vs. efficiency effects)

• **Coming out of the crisis:**
  – The opportunity cost for green investment is now low
  – Opportunity to reform costly & environmentally damaging policy measures (e.g. some subsidies to energy and agriculture)
  – Opportunity for revenue raising via environmental taxes or auctioned permits (offset reductions in labour taxes, fiscal consolidation, raise funds for international finance)
  – Need to manage employment impacts & develop skills

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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

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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.

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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

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Clear policy signals are essential to incentivise innovation

Source: OECD (2010), *The Invention and Transfer of Environmental Technologies*

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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

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'The need for a green growth model:
- Assess the challenges of business as usual
- Frame the pro-growth potential of green growth
- Highlight the complementarities between economic and environmental policies
- Analyse the need for new measurements of well-being

Promoting the transition – going beyond the status quo:
- Remove barriers to green growth: e.g., environmentally and economically harmful subsidies, regulatory failures, structure of tax systems, barriers to trade in environmental goods and services, restrictions to green FDI flows
- Facilitate transformational change: e.g., pricing externalities and valuing natural assets; accelerating green innovation; smart regulations; promoting behavioural change; innovative financing mechanisms; sound corporate practices; green ODA

Enabling change – the political economy of structural adjustment:
- Assess the expected sectoral re-allocation
- Analyse the role of labour market and skills development policies in mitigating adjustment costs
- Ensure regional/spatial policy coherence
- Promote multi-level governance
- Manage distributional effects
- Defuse competitiveness concerns and avoid green protectionism

Measuring progress:
- Develop a framework and principles for green growth measurements
- Conduct a stock-taking of existing measures and gaps
- Build a small set of key headline indicators, supported by a model set of indicators
- Describe how indicators 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

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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

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International initiatives

- UNEP Green Economy Report COP 16
- Green Growth Strategy Synthesis Report & Compendium of Indicators
- Earth Summit 2010 (Rio +20)
- Europe 2020 Strategy

- Dec 2010
- May 2011
- 2012

- Green Growth Reports for Enhanced Engagement countries
- Green Growth chapters in Economic Development and Environmental Reviews

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Join the discussion!

- **International Green Growth Dialogue online community**

- 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.

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