



The Green Growth Strategy

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



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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:
 1. current sources of economic growth are placing **unsustainable pressures** on the natural resource base \Rightarrow economic and social burdens \Rightarrow high costs of inaction
 2. **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 to maximise the chances of exploiting more sustainable sources of growth, thereby leading to further “decoupling” of environmental pressures from economic growth.

x Not looking for a single definition

x No clear end point ⇒ “greener” growth



Green growth and sustainable development

The Green Growth Strategy provides:

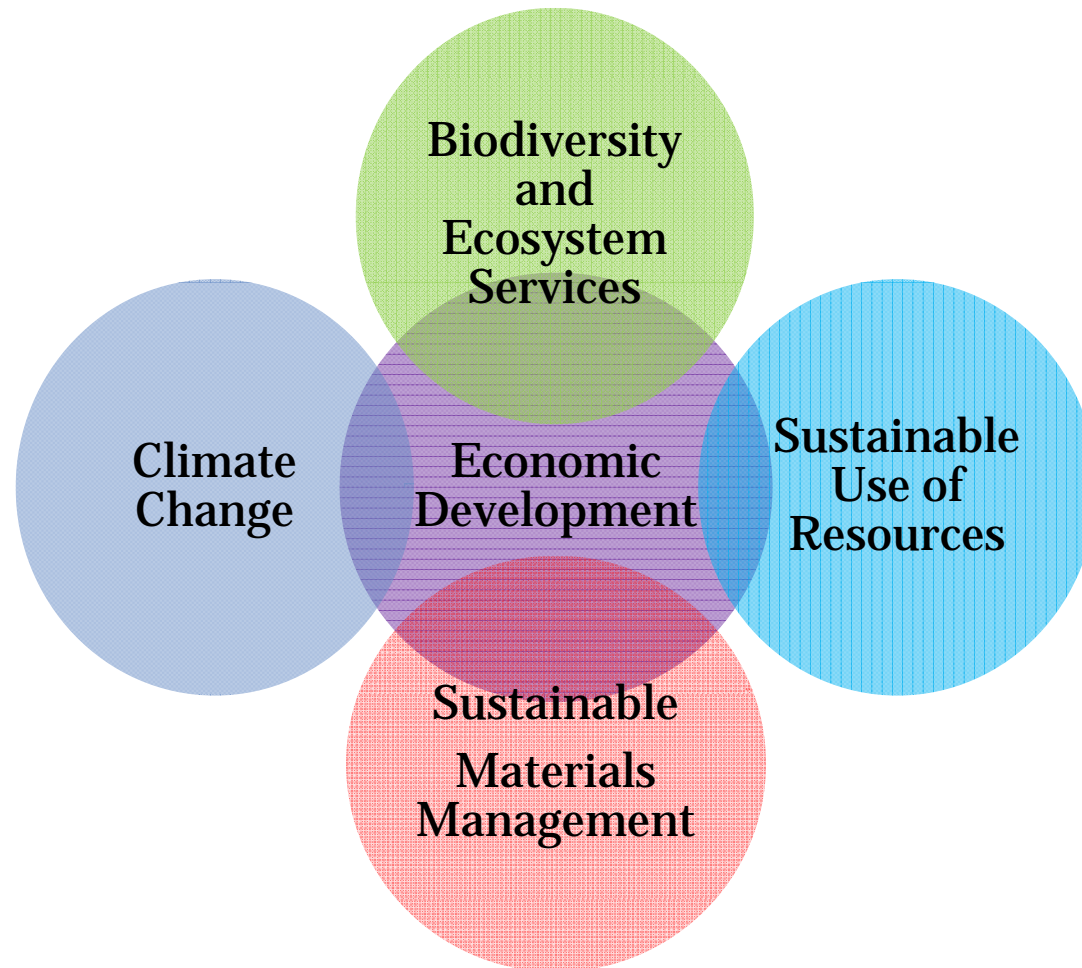
- renewed direction to environmental and economic policy in the tradition of **sustainable development**, and
- a clear and focused agenda for delivering on many of its aspirations
- a practical policy framework integrating elements of the triple mandate of sustainable development \Rightarrow a focus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

Lessons learned from the evolution of the economic systems:

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



What key environmental challenges will it address?





Green growth is relevant to developing countries

- **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 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) .



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 \Rightarrow 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** \Rightarrow will need to be applied differently in different countries. OECD country peer reviews (economic, environmental) to help tailor to countries.
- Green growth must be fundamentally integrated into **economic growth accounting** \Rightarrow importance of **green growth indicators** for identifying gaps and measuring progress.



Preliminary findings: lessons from the crisis

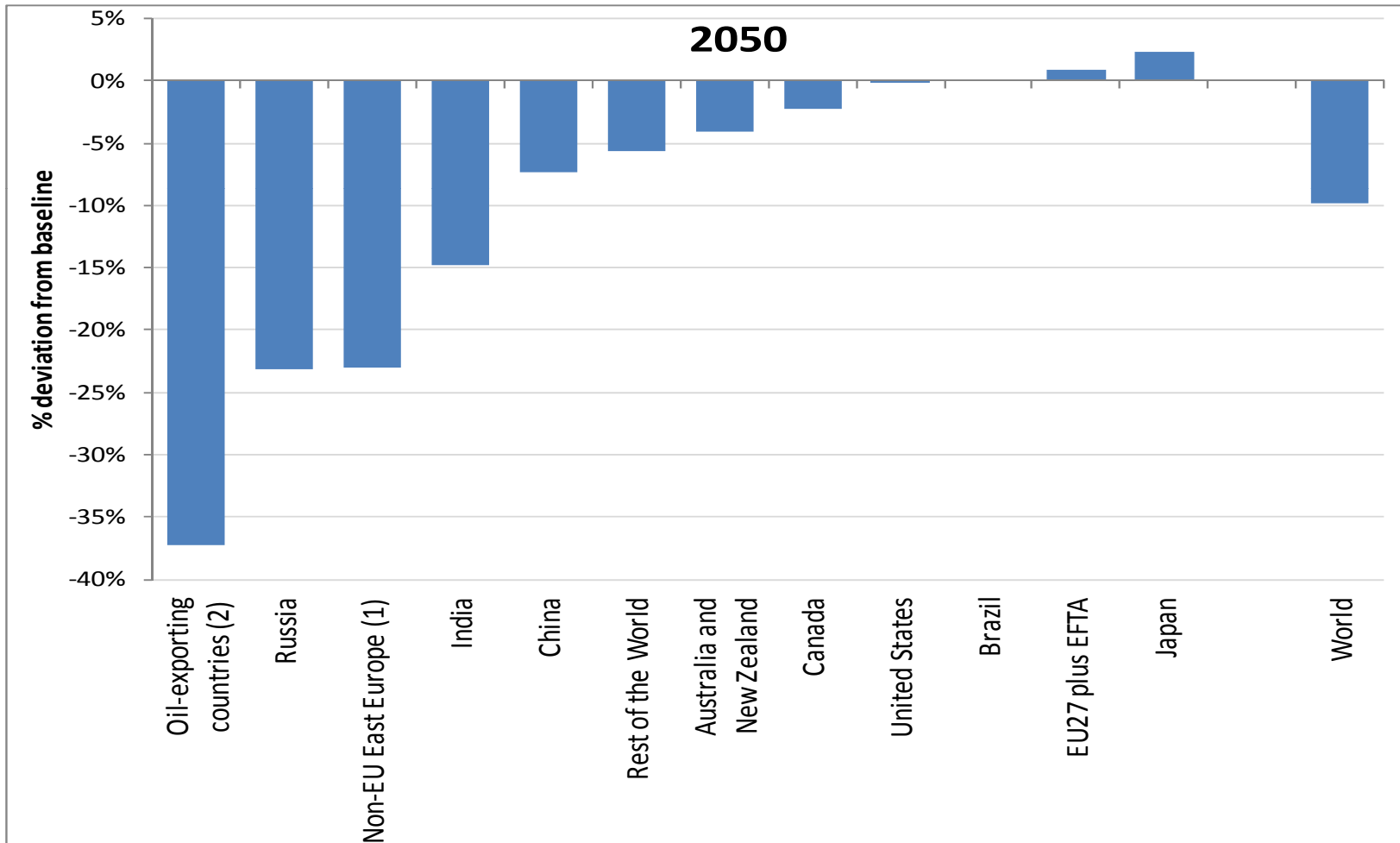
- Many countries used their **stimulus packages** to invest in:
 - Green infrastructure (public transport, energy efficiency in public buildings, renewable energy, smart grids, water & sanitation)
 - Green RD&D (including CCS)
 - Some put in place green tax reform
- But **other measures may be environmentally harmful**:
 - Support for auto industry
 - Road building
 - Car-scrapping 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



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

→ G20 Summit

Impact on GHG emissions



Source: Joint OECD/IEA analysis

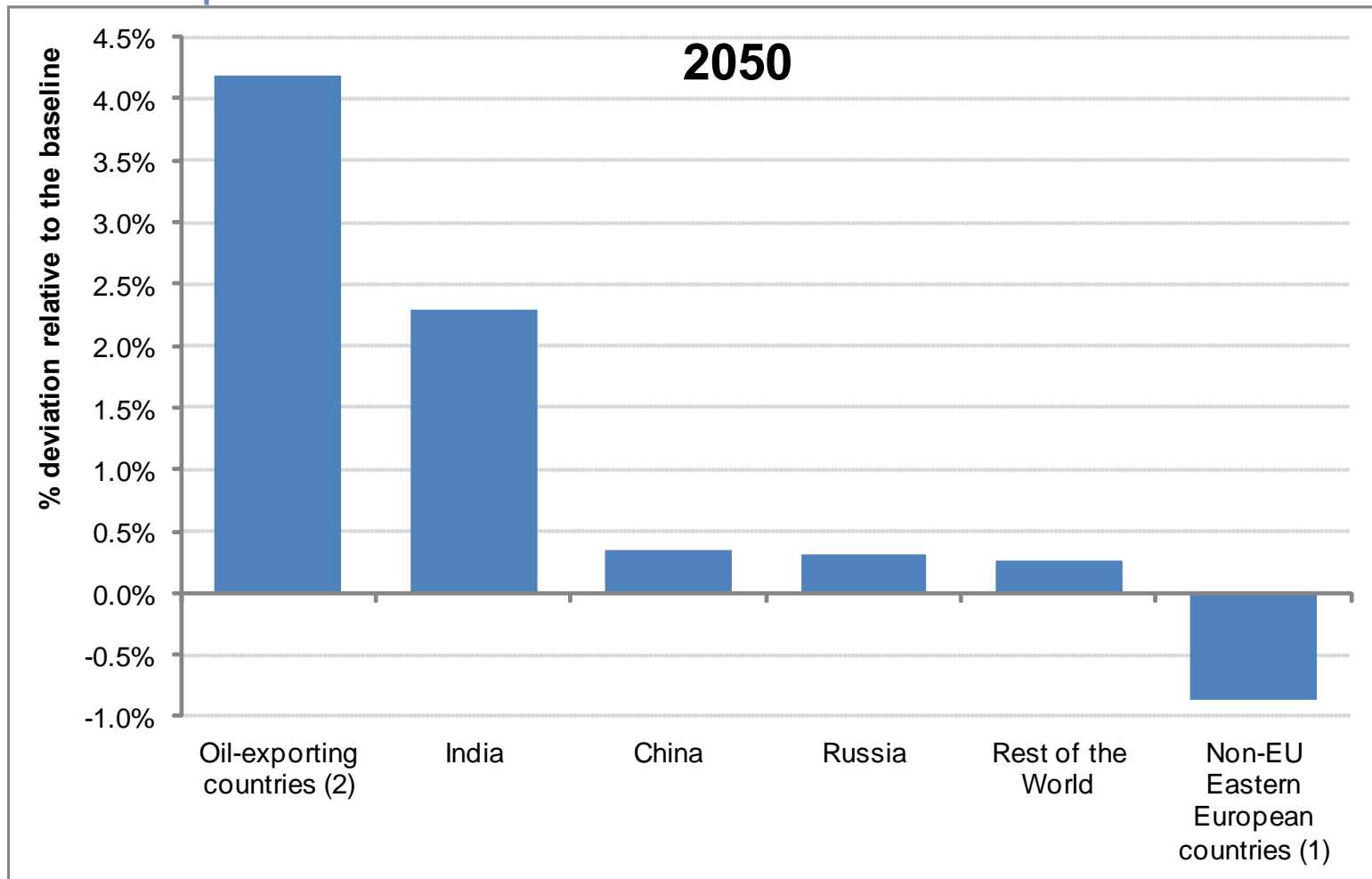
For more information, see www.oecd.org/greengrowth



... 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.

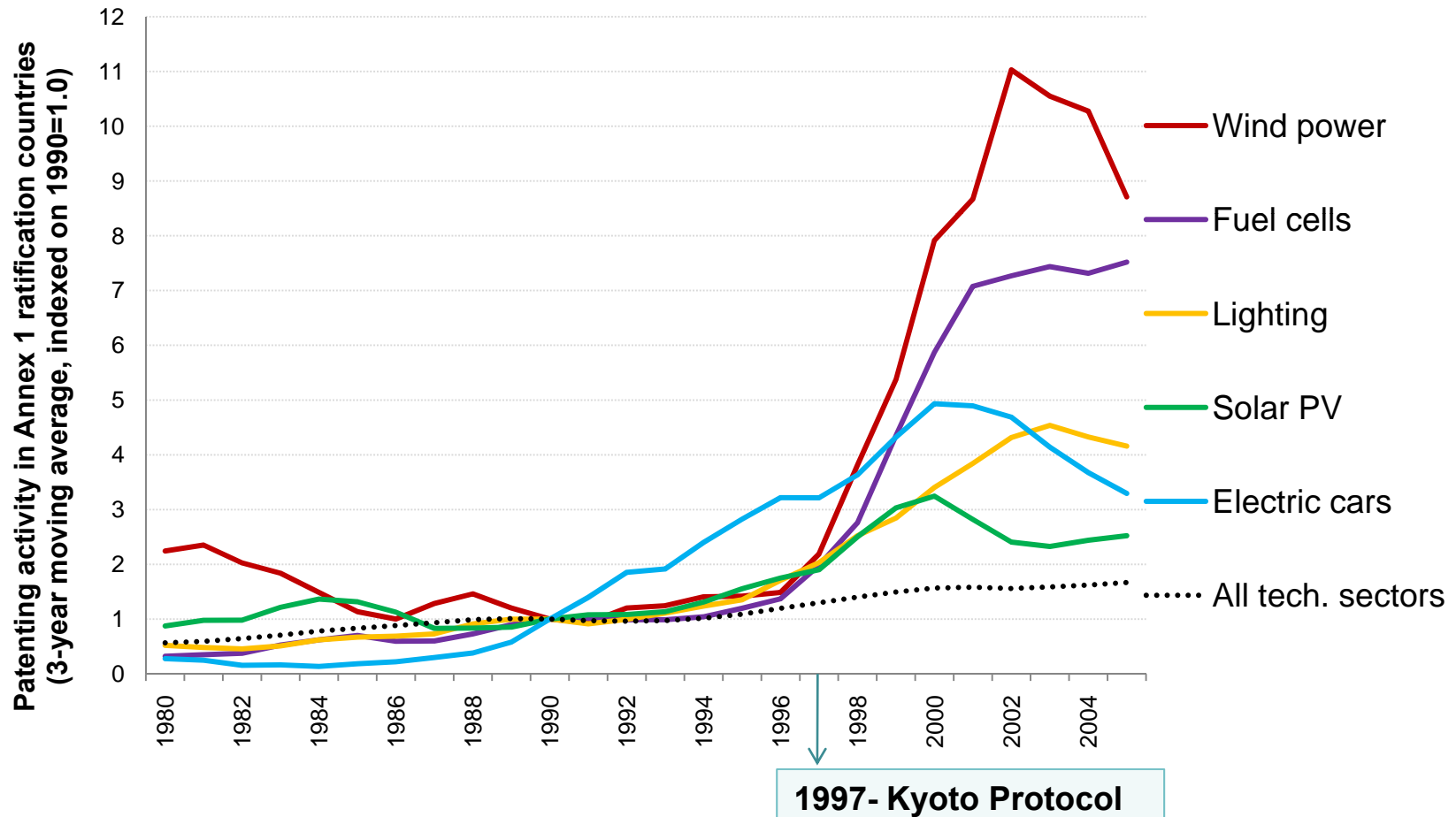


Innovation: a key driver of greener economies

- **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 innovation



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

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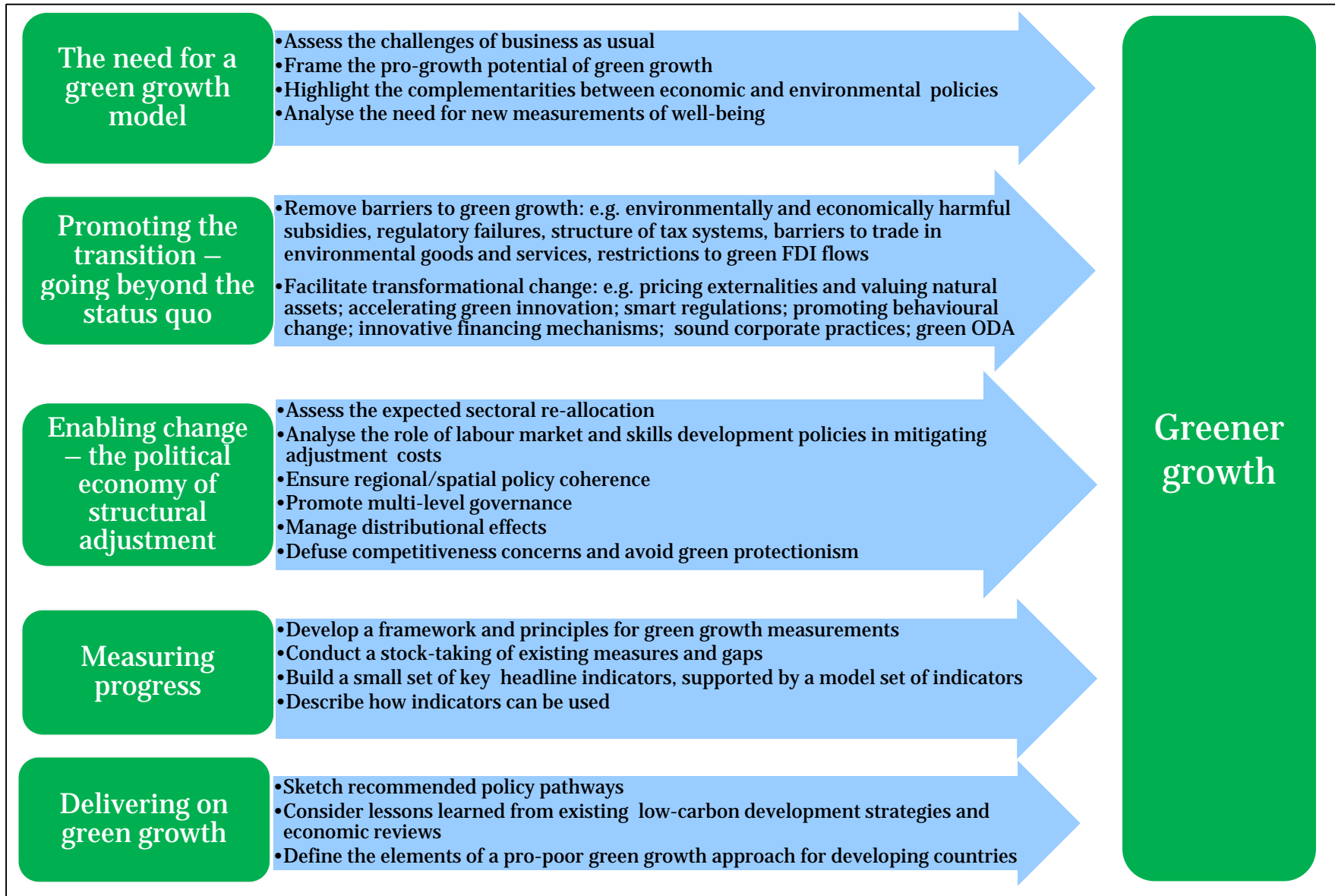


Greener jobs and skills development

- 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



Key pillars of the 2011 Synthesis Report





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

International initiatives



UNEP
*Green Economy
Report*
COP 16

**Dec
2010**



**Green Growth
Strategy**
*Synthesis Report
& Compendium
of Indicators*

**May
2011**



**Earth
Summit 2010
(Rio +20)**

2012



**Europe 2020
Strategy**



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.



The screenshot shows the website for the International Green Growth Dialogue. The header includes the logo and navigation links like 'New', 'Your Stuff', 'History', and 'Browse'. The main content area features an announcement about the final version of the Interim Report, a 'Welcome to the International Green Growth Dialogue' message, and a 'What's New' section with recent updates. The right sidebar contains 'Actions' (Start a discussion, Create a document, etc.), 'Notifications', and 'OECD Links'.

For more information, see www.oecd.org/greengrowth