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Green Economy: Connecting the Dots

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In June 2012 the international community will meet in Rio de Janeiro for the United Nations Conference on Sustainable Development (UNCSD, or Rio+20). One of the two main themes will be the "green economy in the context of sustainable development and poverty eradication". To date, however, there is no consensus on what a "green economy" actually means or how it can be achieved. The European Union has proposed adopting a Green Economy Roadmap in Rio to help drive the global economy's transformation towards sustainability. Industrialised nations have already devised complementary approaches, including the OECD's Green Growth Strategy, which focuses on the compatibility of environmental protection and economic growth. In emerging economies and developing countries, concepts dominating the debate are "green development" schemes that place more weight on social factors. However, and notwithstanding these commitments, sustainability considerations play at best a subordinate role for instance in the Europe 2020 strategy or G20 agreements. Yet it is imperative that the green economy is also discussed in committees and departments that significantly influence the real economy and capital markets. Otherwise a transformation towards socially just and environmentally friendly global economy cannot succeed.

The term "green economy" refers to the concept of ecologically sustainable economic practice, combined with economic stability and poverty eradication. In recent years many countries have developed strategies for achieving this, and numerous international organisations have also propagated the idea of a green economy. The "green economy in the context of sustainable development and poverty eradication" will be the central theme at the upcoming United Nations Conference on Sustainable Development in 2012 (UNCSD or Rio+20). The United Nations Environment Programme (UNEP), a major contributor to Rio+20, defines a green economy as "one that results in improved human wellbeing and social equity, while significantly reducing environmental risks and ecological scarcities."

Since autumn 2008, UNEP's Green Economy Initiative has collated and produced economic reports and policy advice for states wanting to take a more sustainable approach to policy making. In February 2011, UNEP published its seminal *Green Economy Report*, which concluded that long-term investments amounting to 2% of global economic output (currently approx.

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$1.3 trillion) would be required in ten key sectors to kick-start the transformation into a low-carbon, resource-efficient economy. This figure concurs with calculations of the European Commission's *Roadmap for Moving to a Competitive Low-carbon Economy*, in which the Commission estimates that the investments needed to restructure the EU economy amount to 1.5 percent of EU GDP. These costs are supposed to be offset with substantial benefits, including 1.5 million new jobs by 2020 alone, growth impulses and competitive advantages for the EU economy.

Renaissance of the Green Economy

The concept of the green economy draws on economic policy ideas that have been developed since the 1980s coined as "ecological modernisation". The term green economy first appeared in 1989 in David Pearce's *Blueprint for a green economy*. In 1991 the British economist Michael Jacobs advocated comprehensively incorporating sustainability measures into economic concepts. However, the fundamental question of whether growth could be damaging to the environment in the long term is largely ignored in these considerations. Instead of advocating abstinence, like *The Limits to Growth* report to the Club of Rome in 1972, the opportunities inherent are emphasised: With the help of green technologies and resource-efficient economic practice, capitalism is to be redesigned to make it viable for the future. Qualitative growth and a decoupling of such growth from the use of resources are to help resolve the conflict of interests between the economy and the environment.

Approaches promoting a green economy mainly favour market-based instruments and targeted government measures. These include emissions trading, fiscal incentives like environmental taxes, cutbacks in ecologically harmful subsidies, increased spending on research and development in the energy and environmental sectors, and compensation payments to those preserving ecosystems and their natural functions. Since 2007 the green economy has resurfaced as a major topic of discussion. During the early stages of the current economic crisis, voluminous green stimulus packages were launched, although economist Edward Barbier observed that only a sixth of the $3.3 trillion made available worldwide flowed into the green sector. The bulk of this was channelled into measures aiming to improve energy efficiency, followed by low-carbon energy sources, and the water and waste sectors. In some countries, the proportion invested in green measures was significantly higher – for example, in Korea (78.7%) and in China (33.6%). Among EU members, France topped the rankings with green investments amounting to 18.2% of its stimulus package, ahead of Germany with only 13.2%. In absolute figures, China led the way, investing $218 billion mostly in railways, electricity networks and energy efficient buildings.

Different Priorities of the OECD, the EU and Asia

In 2009, the member states of the Organisation for Economic Co-operation and Development (OECD) signed a Declaration on Green Growth, outlining their general consensus that a different approach to economic development is needed. In May 2011, they agreed on the Green Growth Strategy. Within it, ministers state that the most recent financial and economic crisis does entail an opportunity to embark on a more ecologically and socially sustainable growth path. The strategy outlines a comprehensive range of practical policy mechanisms as well as a list of indicators that can be used to measure progress. This approach leans on national strategies for sustainable development adopted in industrialised countries during the last decade. An interim report on the Green Growth Strategy, published in 2010, already concluded that targeted government intervention was necessary in some policy areas to address ongoing market failures, and suggested the use of fiscal measures, changes in innovation policy, introduction of additional market-based instruments, adapted incentive systems and regulatory intervention to foster green growth. While the OECD approach links economic and environmental policy objectives in a straightforward manner, it is less ambitious with regards to social policy objectives.

At the European level, the Europe 2020 strategy provides a framework for the EU's medium-term economic development. By establishing the three priorities smart growth, sustainable growth and inclusive growth, the EU is attempting to stimulate national economies in order to drive progress in innovation, education, and in environmental and social matters. Key environmental points in the strategy include reducing greenhouse gases to 20% below 1990 levels, ensuring 20% of energy comes from renewable sources and increasing energy efficiency by 20%.

Significantly more ambitious aims are outlined in the EU's *Roadmap for moving to a low-carbon economy in 2050* (Roadmap 2050) from March 2011. Here, the Commission advocates reducing CO_2 emissions in the energy sector by 93% to 99% by 2050. It also sets ambitious targets in other sectors, such as transport and energy efficiency. Given the measures implemented until now and the rather moderate aims set out in the Europa 2020 strategy, the EU will have to significantly step up its efforts if it wants to have a chance of reaching its long-term targets.

An independent debate has meanwhile developed in Asia. Based on a joint report by 26 national science academies, the discussion revolves around the key term of "green development". Here, far more emphasis is placed on social and cultural aspects than, for example, in the OECD strategy. The results of industrial policy in Japan, which is strongly concerned with energy efficiency for some decades now, and the Korean National Vision Green Growth from 2008 clearly indicate the existence of discrete approaches followed by Asian economies to promote sustainable development. China has also set itself ambitious targets. In its 12th five-year plan (2011–2015) the Chinese government partly shifted its focus from quantitative to qualitative development. Its top priority remains strengthening the Chinese market and increasing its efforts to generate value added within the domestic economy. At the same time, however, the government is firmly committed to expanding the use of renewable energies, to increasing energy and resource efficiency and to decreasing industrial greenhouse gas emissions.

Lack of Political Will among the G20

In contrast to the promising approaches in the forums mentioned above, all attempts to advance elements of the green economy at G20 level have so far failed. Back in 2009, German Chancellor Angela Merkel and Jan Peter Balkenende, then Prime Minister of the Netherlands, advocated a "Global Charter for Sustainable Economic Activity" that was supposed to serve as a blueprint for realigning the Bretton Woods Institutions. At the same time, and joined by French President Nicholas Sarkozy, Merkel also called for the creation of a powerful international economic body comparable to the UN Security Council. But although these proposals partially served as an impetus for the OECD and its Green Growth Strategy, they generated little response among the G20. Neither have the cuts in subsidies for fossil fuels, agreed in Pittsburgh in 2009, so far led to any perceptible changes in the G20 countries. The discrepancy between green economy principles and the G20 is particularly manifest in the Action Plan on Development, adopted in Seoul in 2010. Planned investments in infrastructure are not linked to sustainability criteria, and the implementation of steps to eradicate poverty remains non-binding. In the "Preliminary Report on the G-20 Action Plan on Development", issued by the French Presidency of the G20 in September 2011, economic growth is seen as the "main engine for reducing poverty and narrowing prosperity gaps", while environmental considerations as well as specific social policy measures to reduce inequality remain unacknowledged.

Rio 2012: On the Road to a Global Green Economy?

At the UN level there is still a lack of agreement as to which green economy approach is most feasible in practice. The broad UNEP definition can be regarded as a response to the concerns of many emerging and developing nations that the green economy concept could lead to an abandonment of the comprehensive sustainable development paradigm. Due to the lack of precision and clarity, it is extremely difficult to effectively designate political measures and entrepreneurial activity as sustainable economic practice. Besides, there is the danger of "greenwashing", i.e. designating such measures or activities as sustainable for purely cosmetic purposes.

In the course of the preparatory talks leading up to the Rio conference in 2012, it was agreed that each nation should find its own definition of a green economy. This "bottom-up" approach conveniently allowed the participating countries to avoid the pragmatic difficulties that achieving consent would have involved, but at least it has opened up a way for them to bring the concept to life by taking action.

At the instigation of Germany, EU representatives at the Rio preparatory talks proposed passing a Green Economy Roadmap at the conclusion of the conference. The intention is that up to 2020, interested states can gain customised advice and assistance within the UN system to help them prepare for the transformation to a green economy. The most important steps towards implementation should have been taken by 2030. Yet in their current form, the UN institutions are not capable of implementing such an ambitious scheme, which is a major stumbling block for a roadmap. Although initial concepts exist for the required reform of the UN bodies concerned with sustainability, no plans exist which are acceptable to all parties.

A World Apart or Integrated Concept?

As a global economic policy concept, the green economy has the potential to function as a central implementation strategy of the guiding principle of sustainable development. However, the current broad international approval constitutes little more than lip service, given the fact that major economic powers barely give prominence to sustainability goals when tackling the financial and economic crisis. Counterproductive measures such as the subsidisation of environmentally harmful practices are not being appropriately curtailed and green technologies are not being promoted in a sufficiently vigorous way. The critical point, however, is that the multidimensional green economy concept may be whittled away and ultimately only applied to environmental technologies and energy production. In this case its relevance for financial market stability and poverty eradication would be ignored.

Thus it is paramount to push all aspects of the green economy in order to propel a global transformation towards sustainability. Delegates to the UN Conference on Sustainable Development in Rio in 2012 could help this along if they came up with a global Green Economy Roadmap. This is closely connected to the issue of responsibilities of the UN bodies responsible for driving implementation of the roadmap. The obvious choice for the task would be the Commission on Sustainable Development (CSD), given its specific mandate, but in its current state it is far too weak to take on the job. The United Nations need to be restructures to ensure that they can provide appropriate, targeted and effective support to all interested nations in the future. Moreover, the green economy concept needs to reach the G20 and the Bretton Woods institutions. Investments and innovation can only be directed into sustainable channels if the world's major economies connect the dots and commit to economic growth strategies that deliver environmental sustainability and social equity.

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