Green Growth: An OECD Perspective

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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 is 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” between environmental and economic performance.

X Not looking for a single definition

X No clear end point \textit{“greener” growth}
How does it differ from what we’ve done before?

Initial ideas on key elements of green growth:

- Internalising environmental externalities/ addressing market failures
- Incentivising eco-innovation (positive knowledge externalities)
- Focus on the transition (employment, distribution, sectoral)
- New growth accounting framework

**BUT** other Ministries are taking ownership of green growth.

Green growth ≈ sustainable development ≈ SCP
OECD Green Growth Strategy

- Requested by Ministers of Finance, Economy & Trade, for mid-2011.
- 25 OECD Committees: delegates from Ministries of Agriculture, Economy, Environment, Development Co-operation, Industry, etc.
- A framework for understanding green growth and indicators for identifying gaps and measuring progress.
- A policy toolkit for OECD and partner countries with policy approaches and measures for:
  i. Overcoming policy barriers: e.g. reform of environmentally-harmful subsidies, removal of barriers to trade in green G&S.
  ii. Enabling an efficient shift to green growth: e.g. taxes & MBIs, regulations, R&D and green innovation policies, VAs, information-based approaches.
  iii. Managing the transition: green job opportunities & new skills, industrial restructuring, distributional aspects.

- International co-operation: financing global public goods (climate, biodiversity), addressing competitiveness effects, green technology development and transfer, pro-poor GG.
Why now? 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 (eg 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 economy & the environment

→ G20 Leaders Summit

Impact of energy subsidy removal on GHG emissions in 2050

Source: joint OECD-IEA analysis, cited in OECD (2009), *Economics of Climate Change Mitigation*, based on IEA data on subsidies
...and for the economy (household income)

$\rightarrow$ some win-win opportunities

Source: joint OECD-IEA analysis, cited in OECD (2009), *Economics of Climate Change Mitigation*, based on IEA data on subsidies
Incentives for eco-innovation: a clear policy signal

Patenting activity in Annex 1 ratification countries (3-year moving average, indexed on 1990=1.0)

- Wind power
- Fuel cells
- Lighting
- Solar PV
- Electric cars
- All tech. sectors

1997- Kyoto Protocol

Source: OECD (2010), The Invention and Transfer of Environmental Technologies
A framework for indicators of green growth

1: Indicators of environmental efficiency of production and changes in production patterns
2: Indicators of environmental efficiency of consumption and changes in consumption patterns
3: Indicators of stocks of natural capital and environmental quality
4: Indicators of objective and subjective environmental quality of life
5: Indicators of responses by economic actors
Indicators: progress in decoupling selected emissions in OECD countries

Source: OECD Key Environmental Indicators
Indicators: progress in decoupling waste in OECD countries

Source: OECD Key Environmental Indicators
2008 OECD Household Survey on Environmental Behaviour

- **Scope**: energy, organic, transport, waste, water
- **Coverage**: 10 countries (Australia, Canada, Czech Republic, France, Italy, Korea, Mexico, the Netherlands, Norway, Sweden)
- **Method of data collection**: Internet panel-based Survey
- **Total sample size**: 10 000 respondents (approx. 1000 per country)
- **Data analysis**: 9 expert teams coordinated by the OECD.
- **Approach**: Policy oriented (Survey questionnaire design, Advisory Committee)
- **Next steps**: publication of results (2010); new survey 2010-2011 with focus on eco-innovation and low-carbon economy.
Share of households who have water efficient appliances

- Water Efficient washing machine
- Low volume or dual flush toilets
- Water flow restrictor taps / low flow shower head

**Legend:**
- Light green: No Charge
- Dark blue: Variable Water Charge
What would encourage you to reduce your car use most?

- Increased cost of driving
- Better public transport
- Cheaper public transport
- More and safer cycling paths
Green Growth – some emerging messages…

- 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.