GREEN ECONOMY

How has the idea evolved?
What are the lessons to date?

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1. Economic activity has grown 22x in 100 yrs

Source: Steffen et al. (see note 20)
2. ...causing ecological limits to be exceeded

60% of ecosystems are degraded globally
(MA 2005)

Cost of degradation = 11% of GDP
(UNEP, 2010)
3. and poverty persists

- 8 of 12 highest-growth countries now lower in Human Devt Index
- Poorest 20% have 1.5% of goods; while richest 20% have 85%
- Poor often lack power/means to develop their natural resources
- Informal economy excluded from growth strategies
= 4. The green economy imperative:

- High growth in developing countries – but also:
- growth decoupled from env/climate damage
- clean technologies and infrastructure scaled up
- natural resource productivity and realised value increased
- wellbeing and equity increased, esp for the poor
Green economy – evolution

- 2008 finance crisis prompted search for new sources of growth
- 15% of G20 economic stimulus was green: mostly hi-tech clean energy/infrastructure
- Mainstream finance/planning/business interested in green growth (returns); GGGI set up to support
- UNEP GE Initiative highlights sustainable NRM potentials – env actors interested
- ILO/unions promote ‘decent green jobs’
- Copenhagen Climate CoP stalemate – GE a solution with less need for negotiation
- Rio+20 concludes GE is nation-specific
Green economy – many activities...

- 310 green economy policies, practices and initiatives registered since 2012 launch of UN database [www.unced2012.org](http://www.unced2012.org)
- Many are ‘growth-first’, emphasising low-carbon investment
- Some emphasise inclusion
- Not enough cover biodiversity, NRs & wider economic reform
GE Coalition: 5-part green economy framework

5. Improving governance and measurement
   • Measure what matters

4. Influencing financial flows
   • Banking because the future matters

3. Greening economic sectors
   • Food, Housing, Transport, Energy

2. Investing in people
   • Equity, Inclusion, wellbeing

1. Managing natural systems
   • Biodiversity! Valuation
Green is becoming mainstream business

- 86% major stock exchanges have sustainability indices
- Annual returns of the least carbon-intensive quartile of FTSE350 companies higher than for lower quartile
- European eco-industry is bigger than car and chemicals industries combined
- Global green market ~ $10 trillion
- 50:50 Campaign – 50 countries and 50 companies commit to natural capital accounting
'Green' institutional positioning

NB illustrative only – not the result of detailed analysis!
IIED supports developing country GG/GE dialogues
Some lessons from 10 country dialogues

**Investment is key to GG** – to counteract capital misallocation into the *brown* economy

- Screen technologies – 70% of NR/energy productivity opportunities have IRRs over 10% (McKinsey)

**GG must be inclusive** – because of asymmetries in who pays/benefits from (green) economy

- Consider SMMEs/informal economy – create new jobs at $100k/1KW and not $1M/100KW (India)

**GG must be country-led** based on what works locally – not one international model

- GHG abatement analysis and international climate funds helpful, but not sufficient (Eth, Cam, KZ)

**Env assets drive GG** – not just climate hazards. NRs are 90% of ‘GDP of the poor’

- Diversification, biodiversity, NR value chains and country green product branding (Brazil)

**GG needs a multi-stakeholder process over time** – not a one-off GG technical plan

- Action learning group (Caribbean); GE Accord between gov’t, business and NGOs (SA)

**Focus on governance/enabling conditions** – not just green investment projects

- *Government expenditure*: public expenditure review, sustainable procurement
- *Shift incentives towards green*: resource pricing/taxation, green funds, ‘quality’ investment code
- *Integration mechanisms*: natural capital accounting, new ecol/social metrics, SEA, green forum…

> **The economy must serve people fairly, within ecological limits**
## Green economy, green growth – what’s the difference?

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<tr>
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<th>‘Green growth’</th>
<th>‘Green economy’</th>
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<tbody>
<tr>
<td><strong>Aim</strong></td>
<td>New ‘green’ sources of growth – by investing in env G&amp;Gs sector</td>
<td>Transform economic conditions for SD – to meet social/environmental needs</td>
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<td><strong>Policy space</strong></td>
<td>Mainstream economy &amp; finance</td>
<td>Sus devt and environment policy</td>
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<td><strong>Driver</strong></td>
<td>GGGI/S/F, McKinsey, etc</td>
<td>UNEP, GE Coalition members, locals</td>
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<td><strong>Demand</strong></td>
<td>Business/ministerial interest in competitiveness</td>
<td>Poorer actors and civil society interest in balanced soc/env/econ</td>
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<td><strong>Focus</strong></td>
<td>Resource/GHG efficiency</td>
<td>Natural asset valuation/investment</td>
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<td>Capital reallocation/investment</td>
<td>Protecting ecological boundaries</td>
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<td>[Social a separate issue]</td>
<td>Governance – equity, inclusion</td>
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<td><strong>Strategy</strong></td>
<td>External analytical/costing frameworks, involving elites</td>
<td>Multi-stakeholder processes, aiming at inclusion</td>
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<td><strong>Impact</strong></td>
<td>Practical 1st step away from brown – but biased to the powerful?</td>
<td>Marginal to date – but potentially transformative?</td>
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<td><strong>Change process</strong></td>
<td>Focus on govt/business plans</td>
<td>Diverse drivers and entry points – political economy</td>
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1. New green markets:
   US$1 trillion in global revenues
   Developing countries increased share
   Green food/fibre/energy/cultural products

2. Resilience of economy & business:
   Strengthen food, water & energy security
   Sustainable infrastructure – upfront costs
   Business – reputational and env capital

3. Attract green investment:
   • Quality long-term investors/pension funds
   • ‘Catalog’ of local green activities/opportunities
   • Establish green funds e.g. from oil or water tax
   • Negotiate international matching funds...

4. Incentives:
   Fiscal reform
   Cut env-damaging fuel/agric subsidies
   Resource pricing
   Value eco-services
   Science and data