



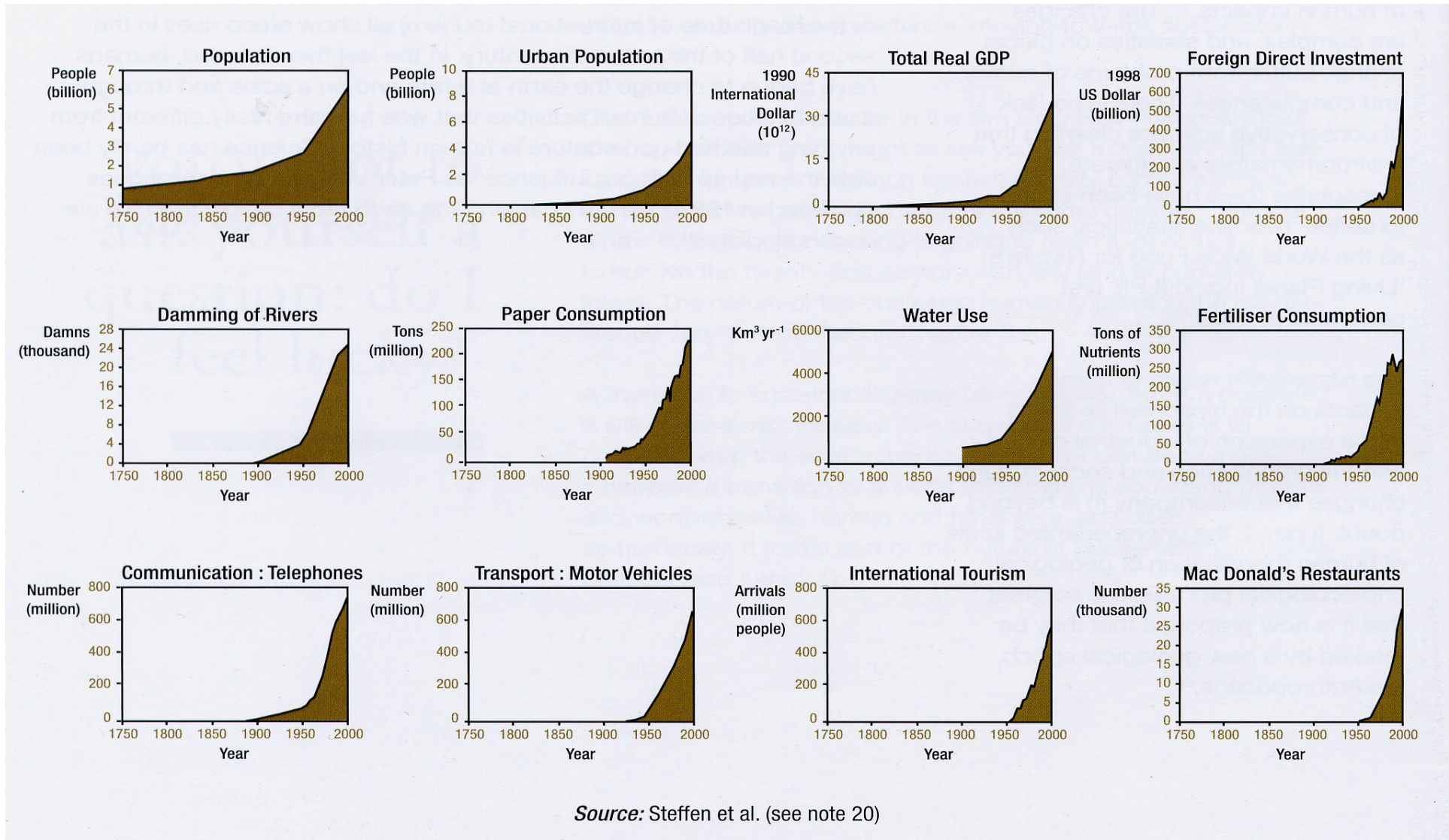
GREEN ECONOMY

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

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International Institute for Environment and Development, London



1. Economic activity has grown 22x in 100 yrs



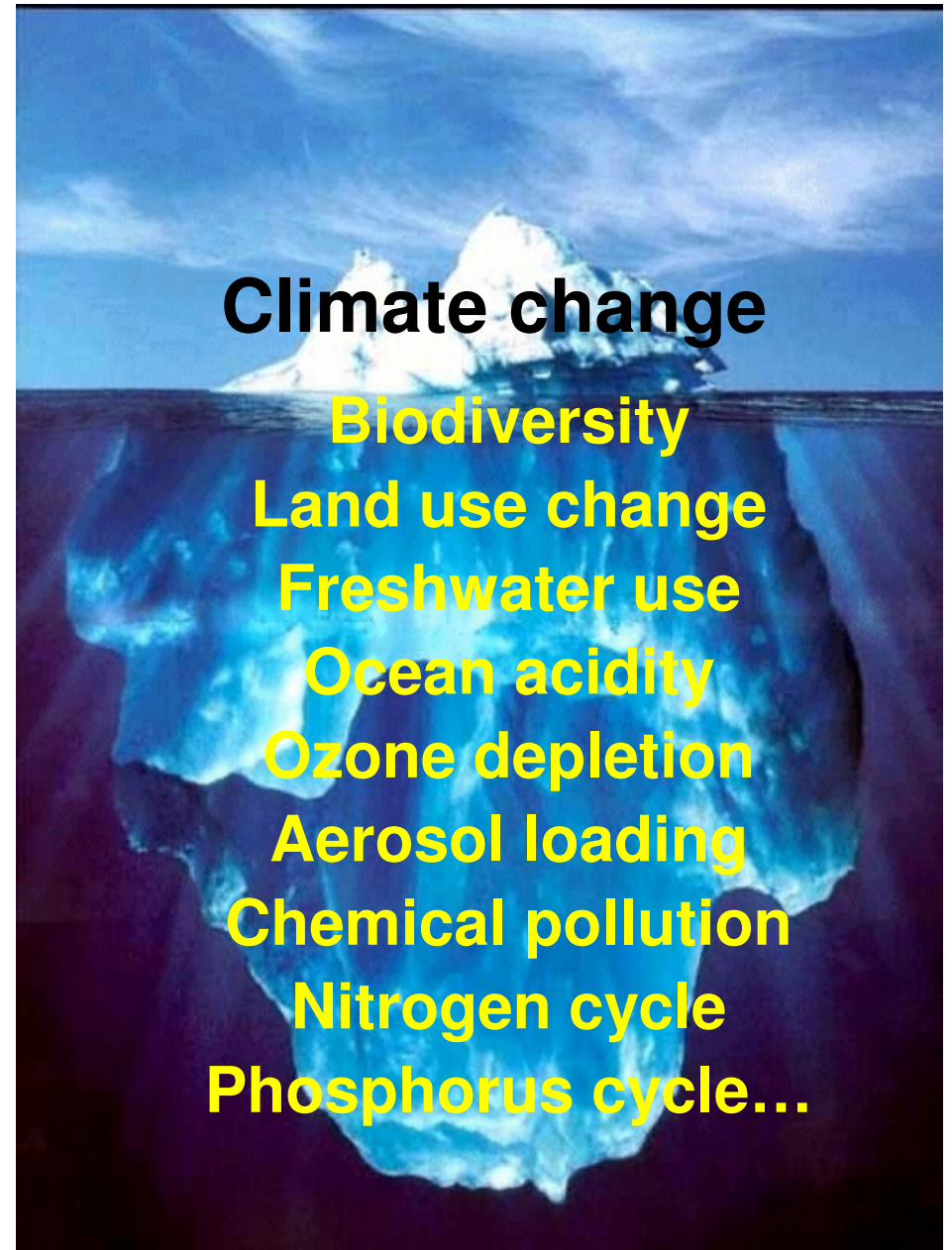
2. ...causing **ecological limits to be exceeded**

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:

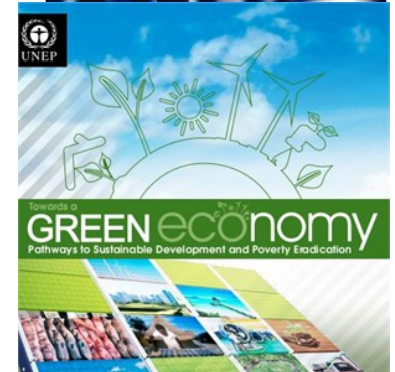
- **High growth in developing countries – but also:**
- growth decoupled from env/climate damage
- clean technologies and infrastructure scaled up
- natural resource productivity and realised value increased
- wellbeing and equity increased, esp for the poor



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 setg 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.uncsd2012.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

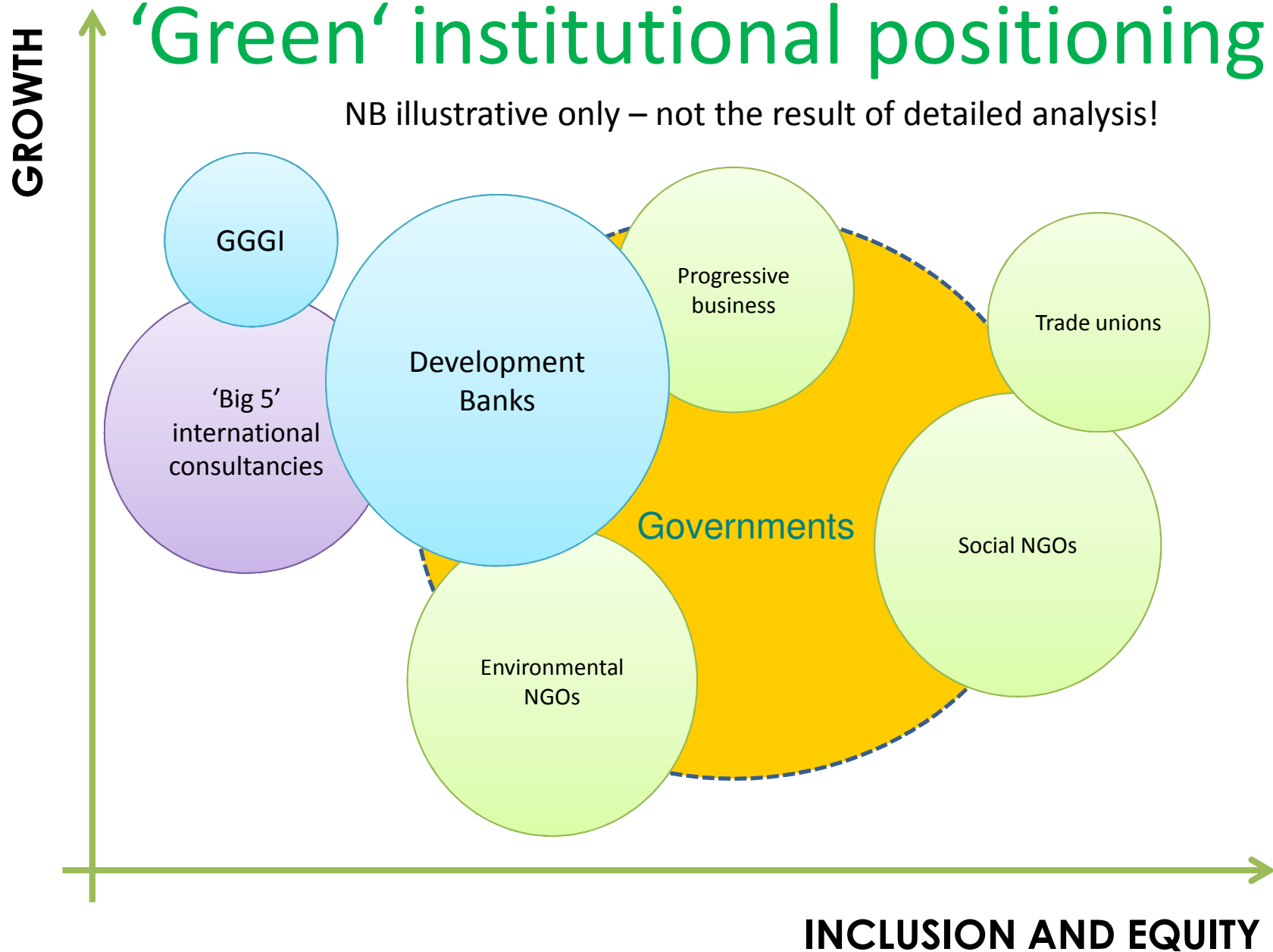
- Biodiversity! Valuation

Green is becoming mainstream business

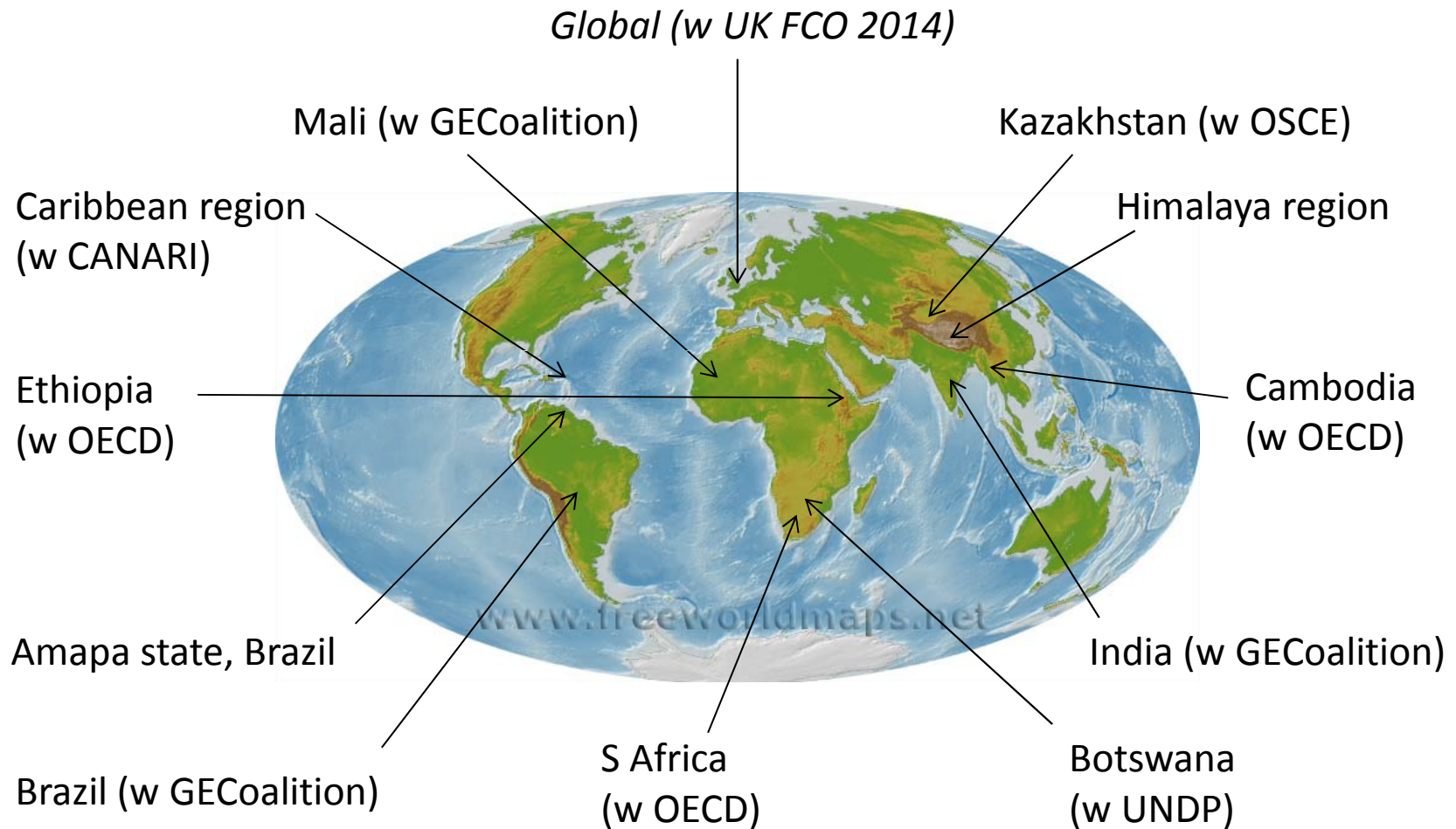
- 86% major stock exchanges have sustainability indices
- Annual returns of the least carbon-intensive quartile of FTSE350 companies higher than for lower quartile
- European eco-industry is bigger than car and chemicals industries combined
- Global green market ~ \$10 trillion
- 50:50 Campaign – 50 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?

	'Green growth'	'Green economy'
Aim	New 'green' sources of growth – by investing in env G&Ss sector	Transform economic conditions for SD – to meet social/environmental needs
Policy space	Mainstream economy & finance	Sus devt and environment policy
Driver	GGGI/S/F, McKinsey, etc	UNEP, GE Coalition members, locals
Demand	Business/ministerial interest in competitiveness	Poorer actors and civil society interest in balanced soc/env/econ
Focus	Resource/GHG efficiency Capital reallocation/investment [Social a separate issue]	Natural asset valuation/investment Protecting ecological boundaries Governance – equity, inclusion
Strategy	External analytical/costing frameworks, involving elites	Multi-stakeholder processes, aiming at inclusion
Impact	Practical 1 st step away from brown – but biased to the powerful?	Marginal to date – but potentially transformative?
Change process	Focus on govt/business plans	Diverse drivers and entry points – political economy

GG opportunities: policy menu

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

4. Incentives:

*Fiscal reform
Cut env-damaging
fuel/agric subsidies
Resource pricing
Value eco-services
Science and data*

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...

