



# 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 ➔ “greener” growth*

# How does it differ from what we've done before?



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

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

# 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.

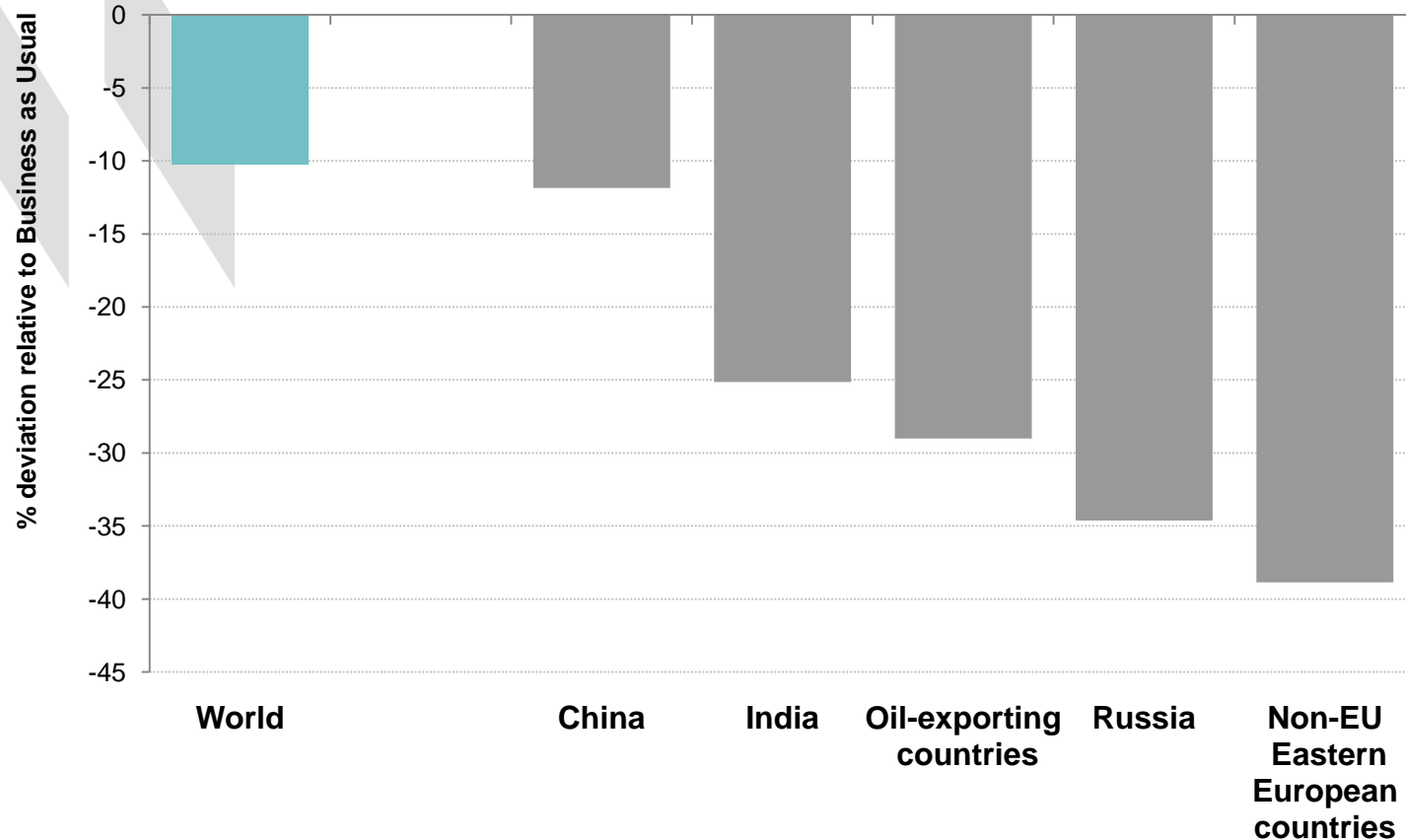
# Why now? Lessons from the crisis...

- 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-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 (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*

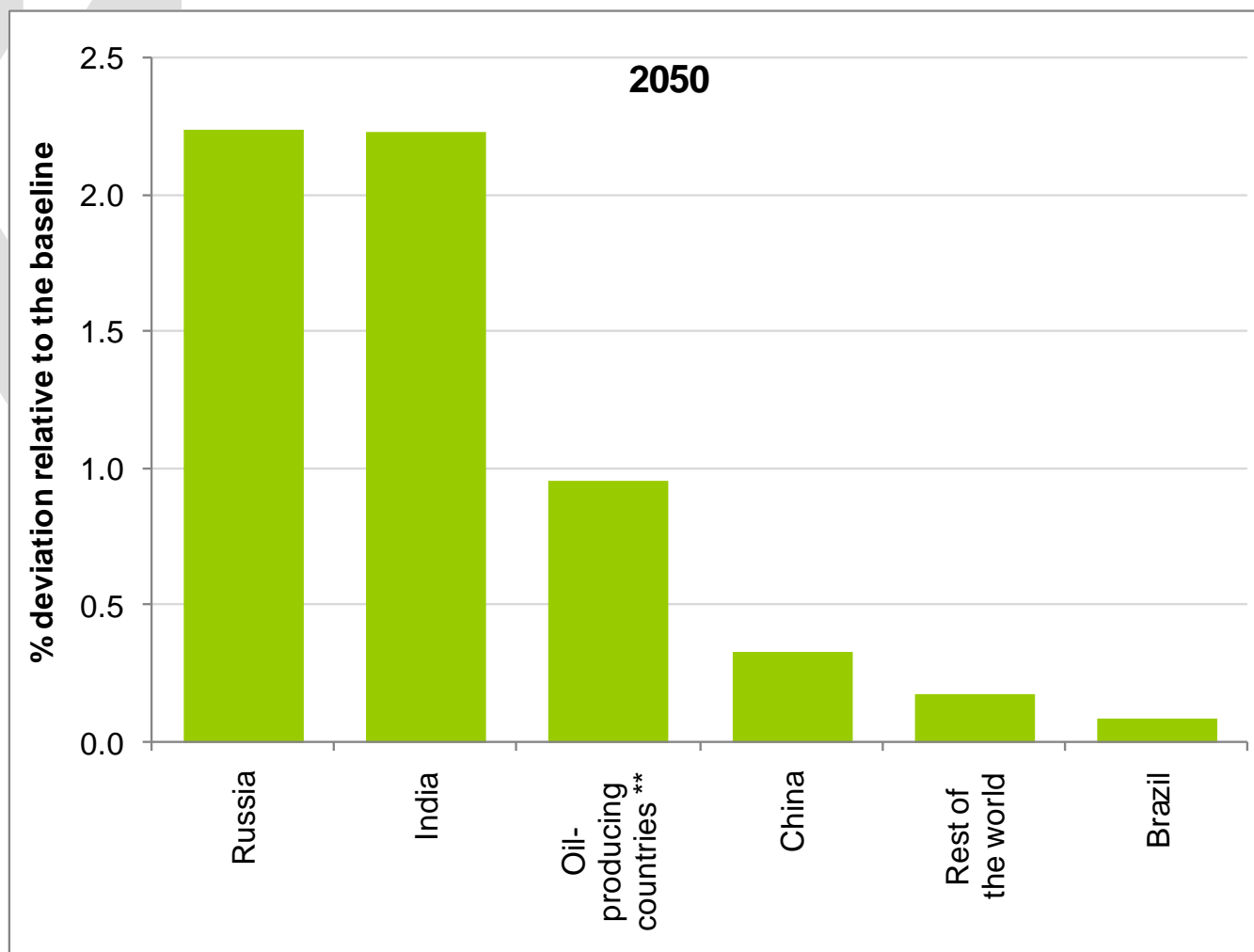
## Impact of energy subsidy removal on GHG emissions in 2050



**Source:** joint OECD-IEA analysis, cited in OECD (2009), *Economics of Climate Change Mitigation*, based on IEA data on subsidies

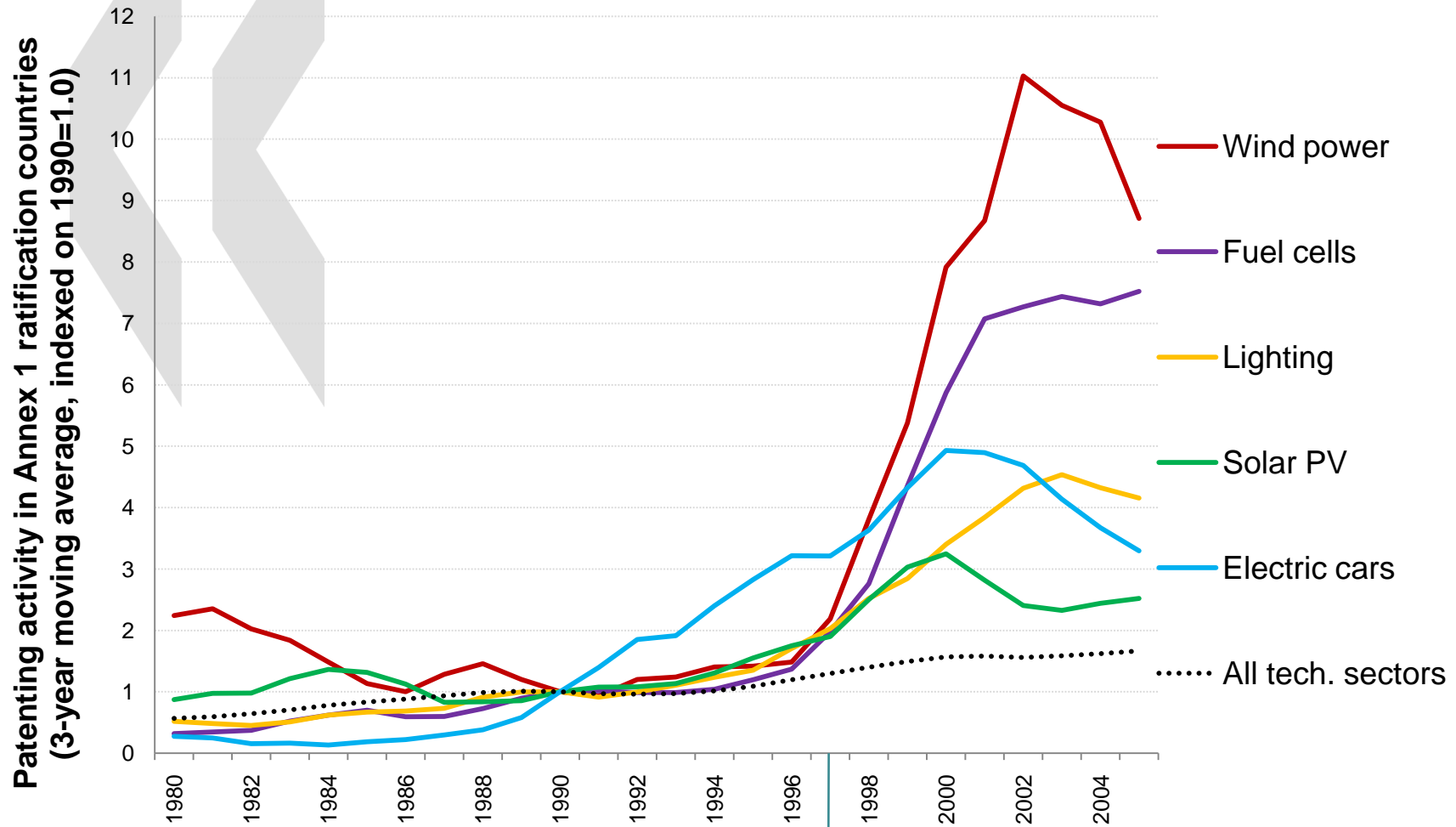
# ...and for the economy (household income)

→ some win-win opportunities



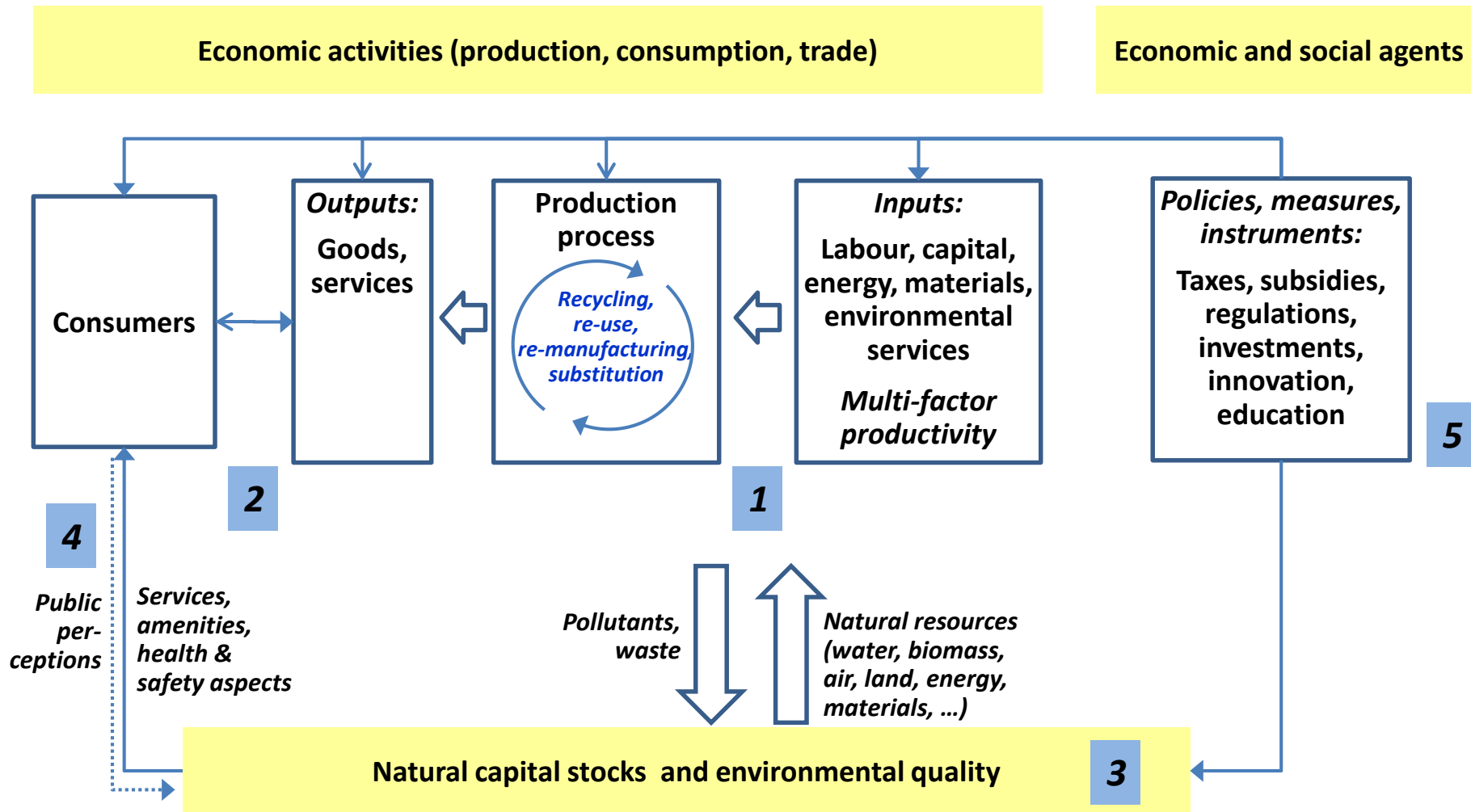
**Source:** joint OECD-IEA analysis, cited in OECD (2009), *Economics of Climate Change Mitigation*, based on IEA data on subsidies

# Incentives for eco-innovation: a clear policy signal



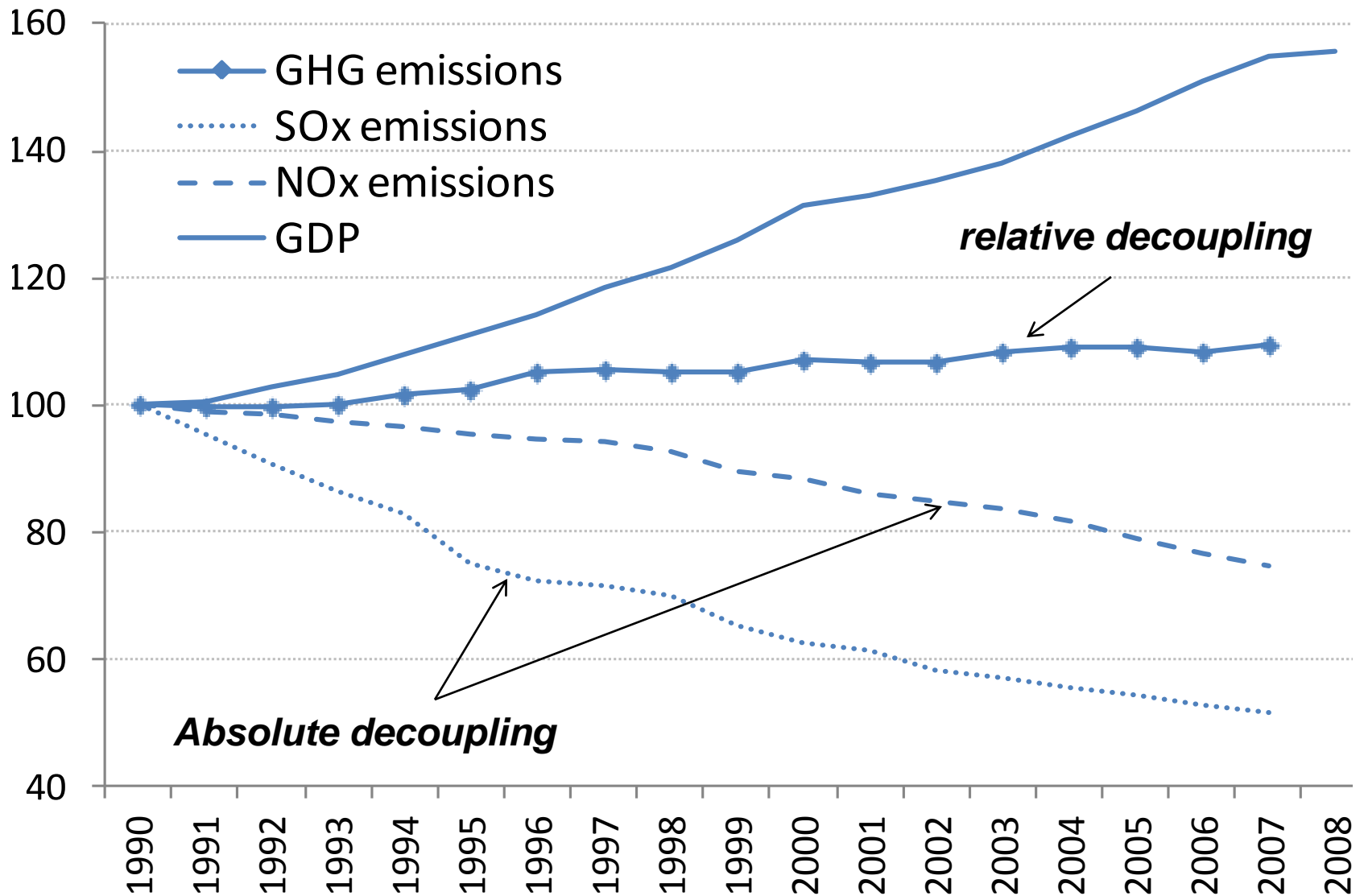
1997- Kyoto Protocol

# A framework for indicators of green growth

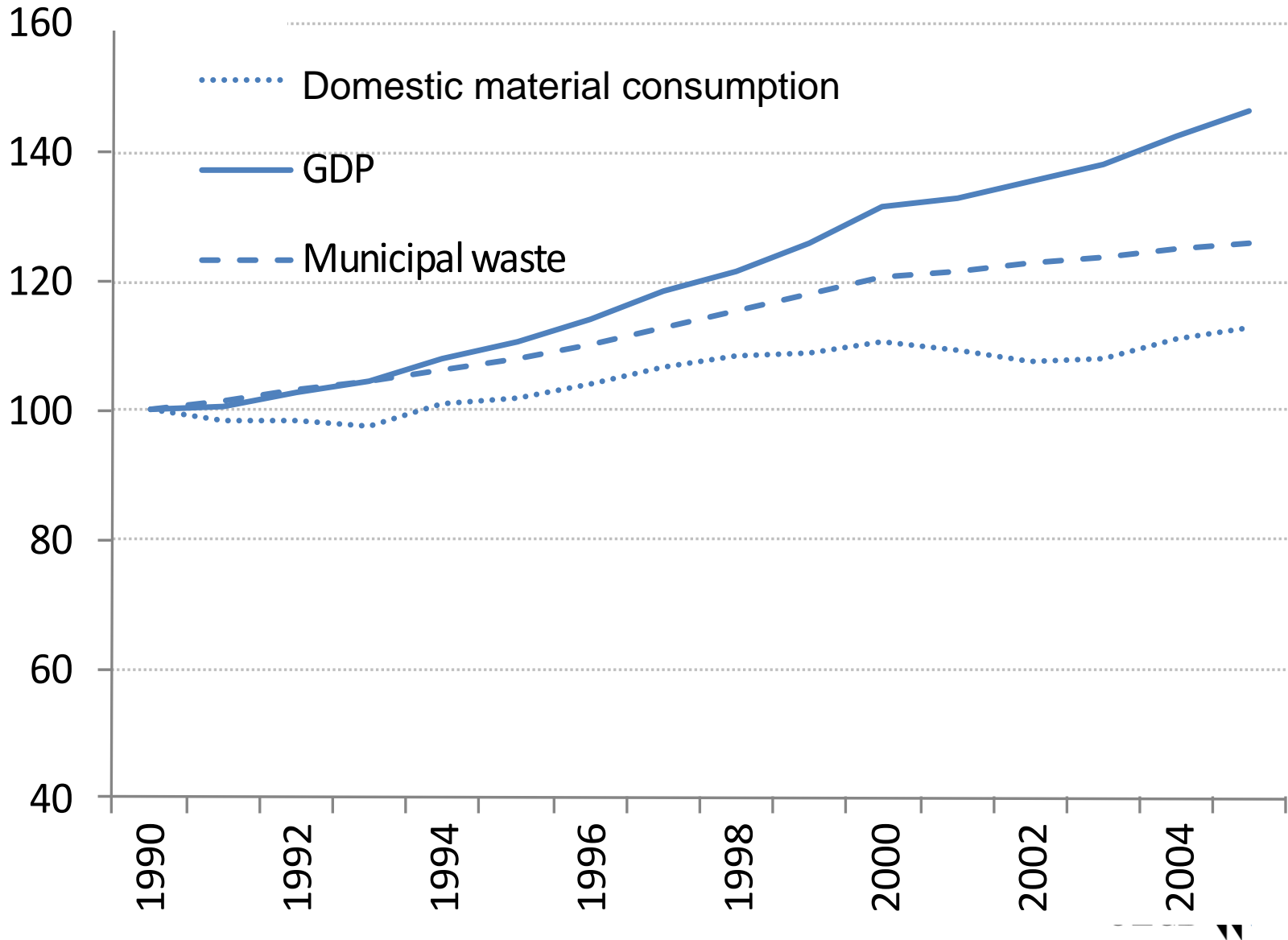


- 1: Indicators of environmental efficiency of production and changes in production patterns
- 2: Indicators of environmental efficiency of consumption and changes in consumption patterns
- 3: Indicators of stocks of natural capital and environmental quality
- 4: Indicators of objective and subjective environmental quality of life
- 5: Indicators of responses by economic actors

# Indicators: progress in decoupling selected emissions in OECD countries



# Indicators: progress in decoupling waste in OECD countries



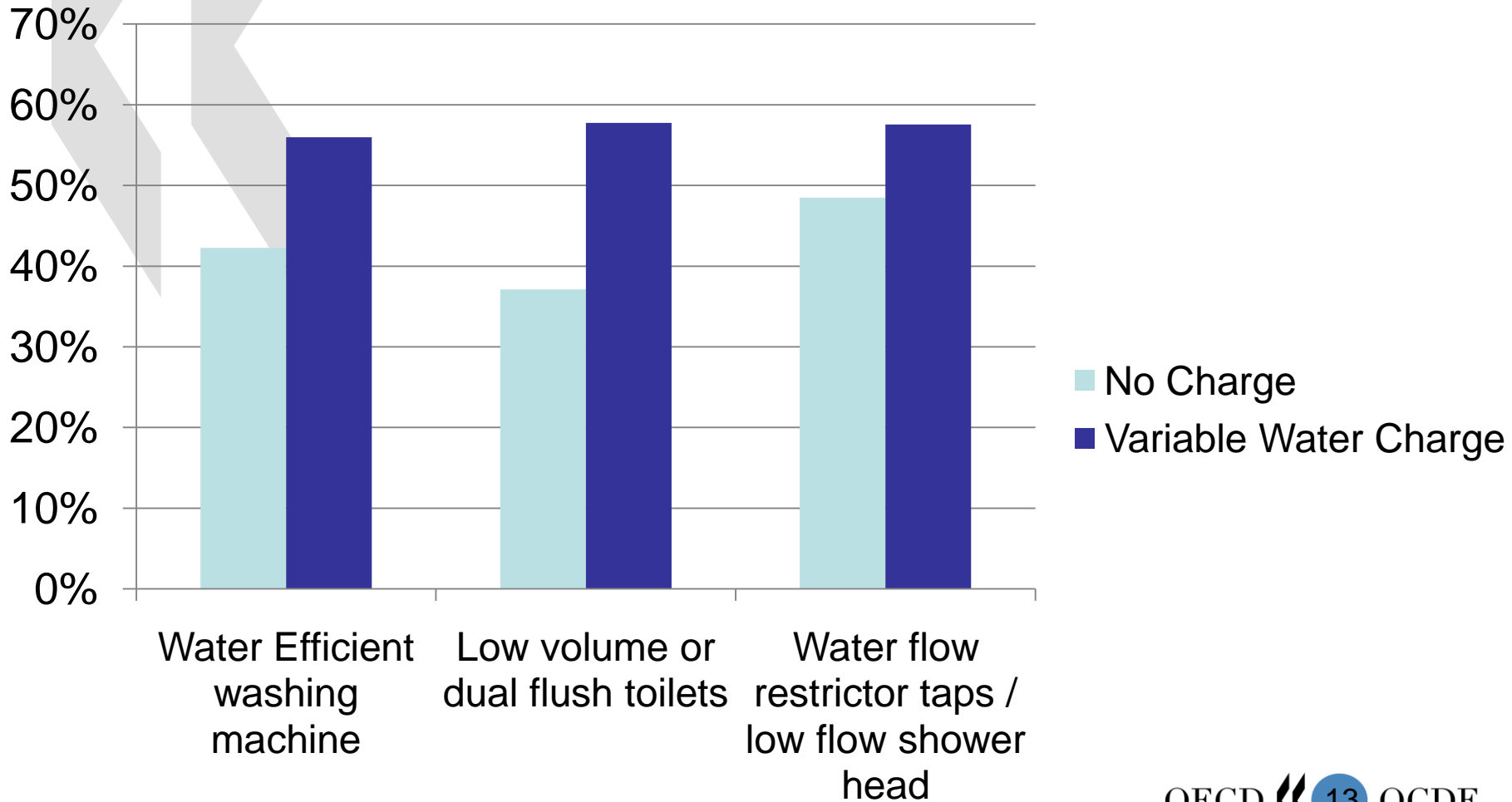
Source: OECD Key Environmental Indicators

# 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.

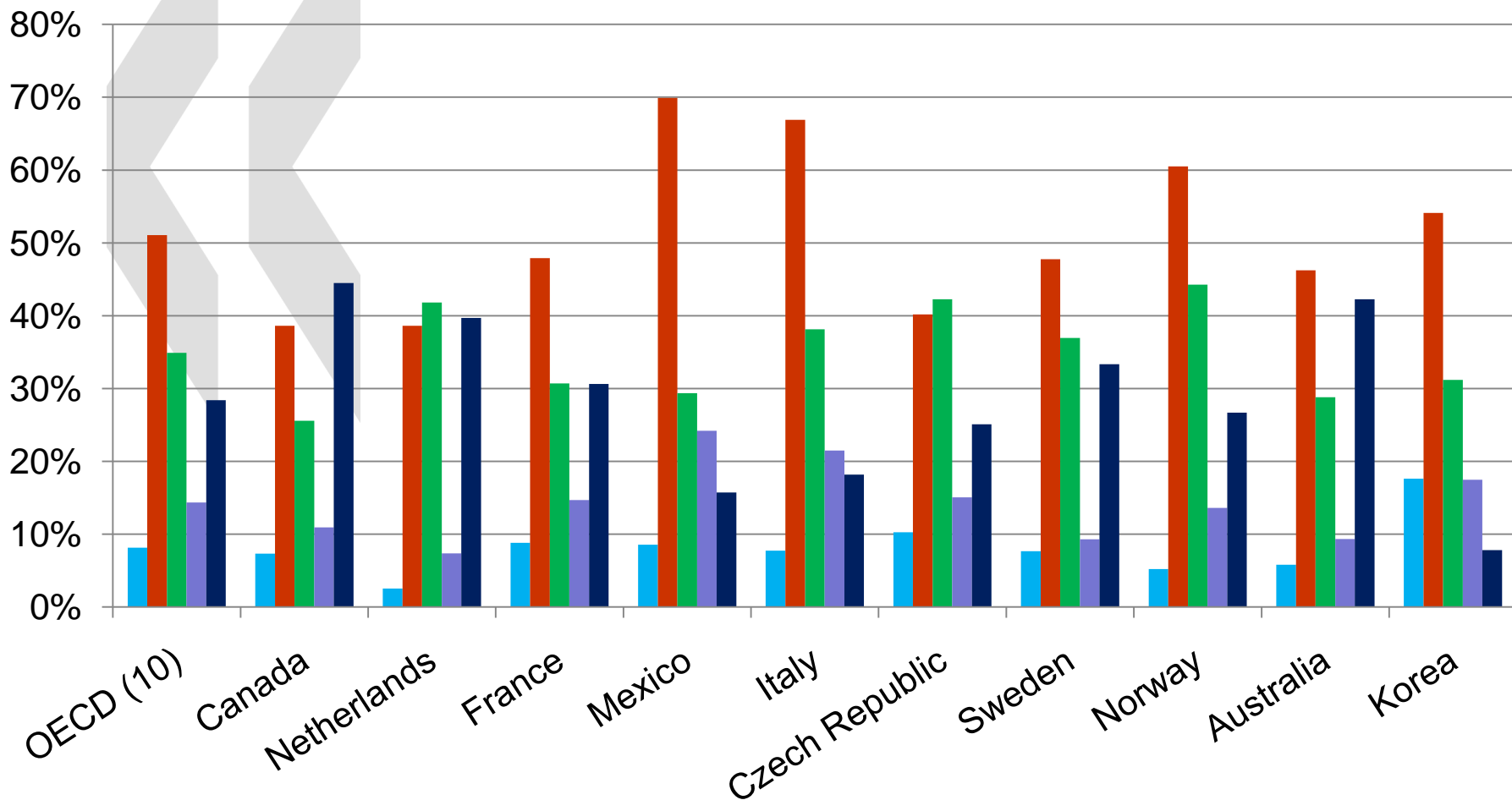


# Share of households who have water efficient appliances





# 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 countries. 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.