



**OECD Green Growth Strategy
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The Green Growth Strategy



- ***Multi-disciplinary inter-governmental process***, involving 25 OECD Committees: delegates from Ministries of Finance, Economy, Environment, Agriculture Development Co-operation, Industry, etc.
- Our work starts with the premise is that there is ***no necessary conflict*** between pursuing economic growth and doing so in a green way.
 - We need ***growth*** and it ***needs to be green***.
- ***Key deliverables*** at the 2011 Ministerial meeting:
 - Synthesis Report: *Towards Green Growth*
 - Toolkit: *Tools for delivering on green growth*
 - Indicators Report: *Towards Green Growth: Measuring Progress – OECD Indicators*



What is green growth?



Green growth means fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. Catalyses investment and innovation underpinning sustained growth and gives rise to new sources of growth.

Green Growth and Sustainable Development:

- Green growth as a **flexible means to accelerate progress towards** sustainable development: an **operational** policy framework to help achieve concrete, measurable results across the economic/environmental pillars
- Green growth focus on fostering innovation, investment and competition that can give rise to **new sources of economic growth**
- Green growth strategies pay attention to social issues and equity concerns as a result of greening growth



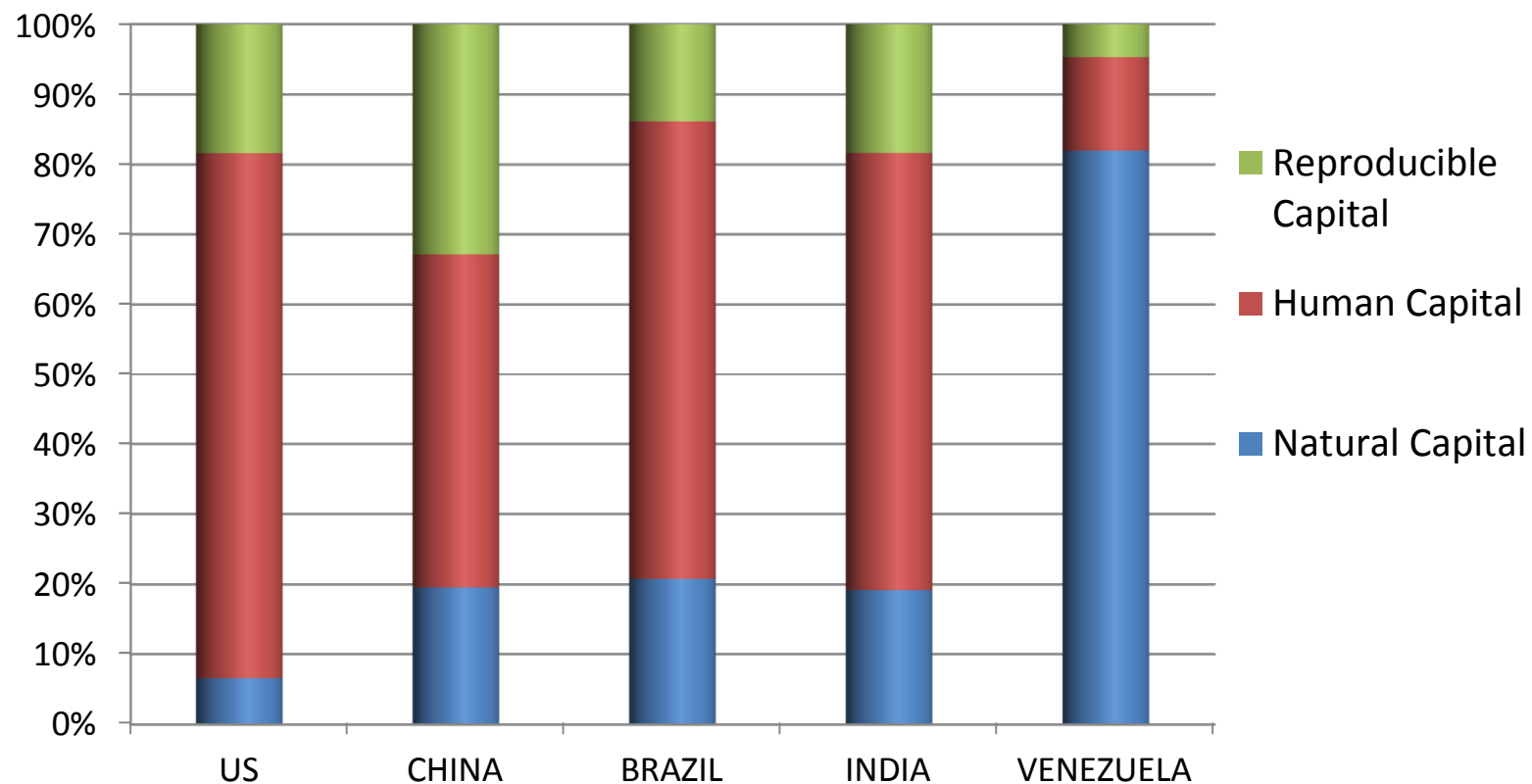
Green growth can address economic and environmental challenges and open up new sources of growth

Expanding economic opportunities for a growing global population

- ✓ **Enhanced productivity**
- ✓ **Innovation**
- ✓ **New markets**
- ✓ **Boosting confidence**
- ✓ **Macroeconomic stability**

Better measurement: the capital base of economies

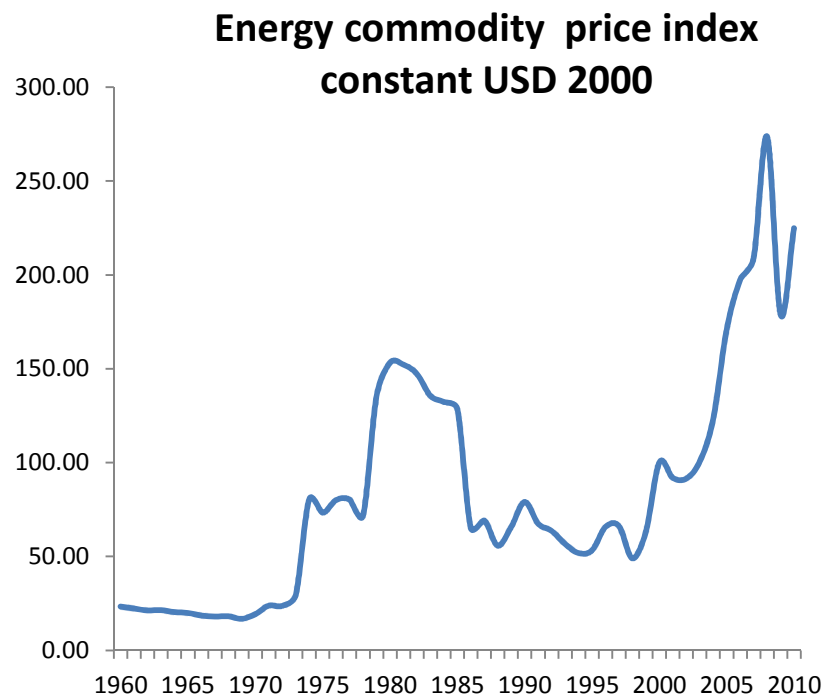
Capital stock shares



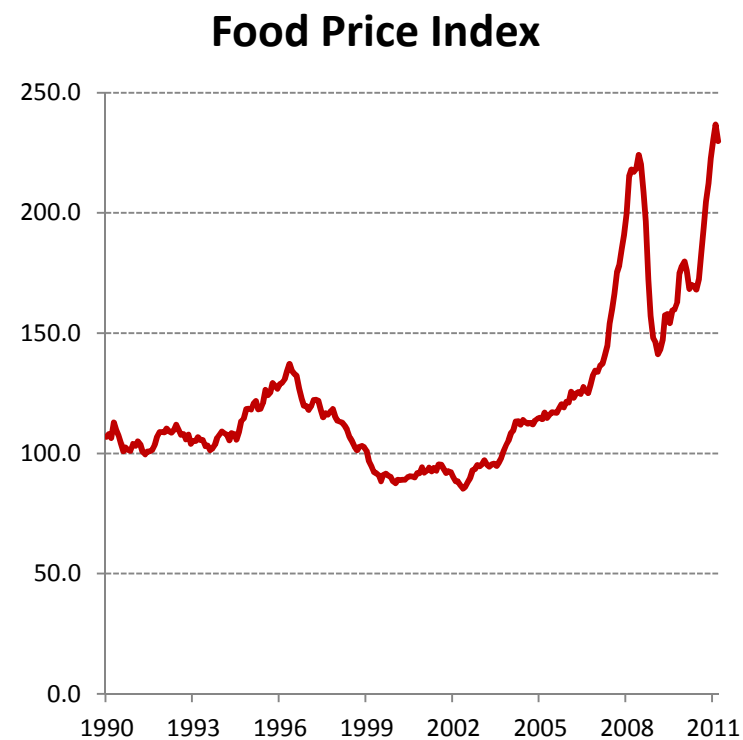
Source: Arrow et al (2009) in NBER WP 16599

Reducing risks of negative shocks to growth

- √ Resource bottlenecks
- √ Imbalances in natural systems



Source: World Bank



Source: OECD

Green growth initiatives around the world

Green growth initiatives



UK: green investment bank. The Bank will be launched in 2012, with GBP 3 billion of public money to provide funding for low-carbon projects that would be too risky or whose returns are too long-term for the market to invest in.



GERMANY: green pioneer. The National Strategy for Sustainable Development (2002) defined targets for 21 different sectors. In 2010 nearly 17% of electricity supply was generated from renewable sources, surpassing the target value of 12.5%.



DENMARK: tomorrow's agriculture. Denmark's Agreement on Green Growth (2009) combines a high level of environmental, nature and climate protection with modern and competitive agriculture and food industries.



UNITED STATES: long-term growth. The American Recovery and Reinvestment Act (2009) aims to create and save jobs, jumpstart the economy, and build the foundation for long-term economic growth.



BRAZIL: sustainable cities. Curitiba has the highest rate of public transport use in Brazil and one of the lowest rates of urban air pollution thanks to integrated urban planning.



EUROPEAN UNION: monitoring progress. The EU's Europe 2020 Strategy for a smart, sustainable and inclusive economy monitors macro-economic factors, growth-enhancing reforms, and public finances.



RWANDA: restoring ecosystems. Rwanda's initiative to preserve the mountain gorilla's habitat has boosted tourism, which now accounts for the biggest share of national GDP.



SOUTH AFRICA: new growth plan. In 2011, the Economic Development Ministry said that the Industrial Development Corporation has committed ZAF 25 billion to new investments in South Africa's "green economy" over the next five years.



CHINA: renewable energy. China aims to produce 16% of its primary energy from renewable sources by 2020.



KOREA: national green growth plans. Korea's National Strategy for Green Growth and the Five-Year Plan (2009-2013) provide a comprehensive policy framework for green growth. Under the plan, the government will spend about 2% of annual GDP on green growth programs and projects.



JAPAN: green innovation. Japan's National Strategic Projects Related to Green Innovation aim to achieve a JPY 50 trillion environment-related market and to create 1.4 million new environment-related jobs.



NEW ZEALAND: advisory group on green growth. Ministers of Finance, Economic Development, and Environment jointly established a high-level private sector advisory group to look at how to add value to the export industry, ensure smarter uses of technology and innovation and assist SMEs to become more energy efficient.



INDONESIA: reducing subsidies. Indonesia plans to reduce overall energy subsidies by 10-15% a year until 2014.



AUSTRALIA: efficient infrastructure. Infrastructure Australia's priorities are expected to bring economic, social and environmental benefits with significantly lower costs than investment in new capacity.

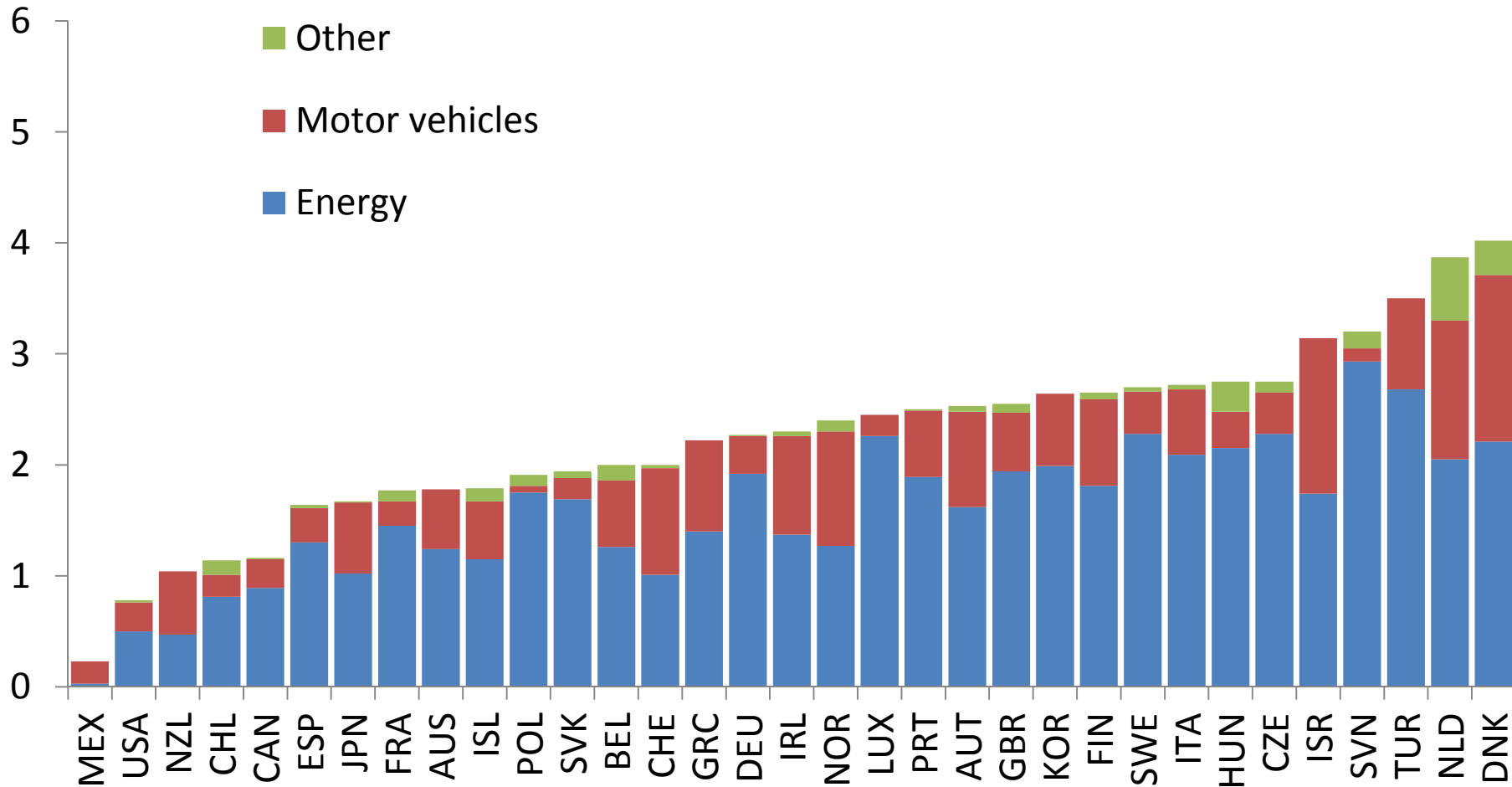
Note: This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.

Source: OECD

The modest claims of environmental taxes



Revenue, % of GDP

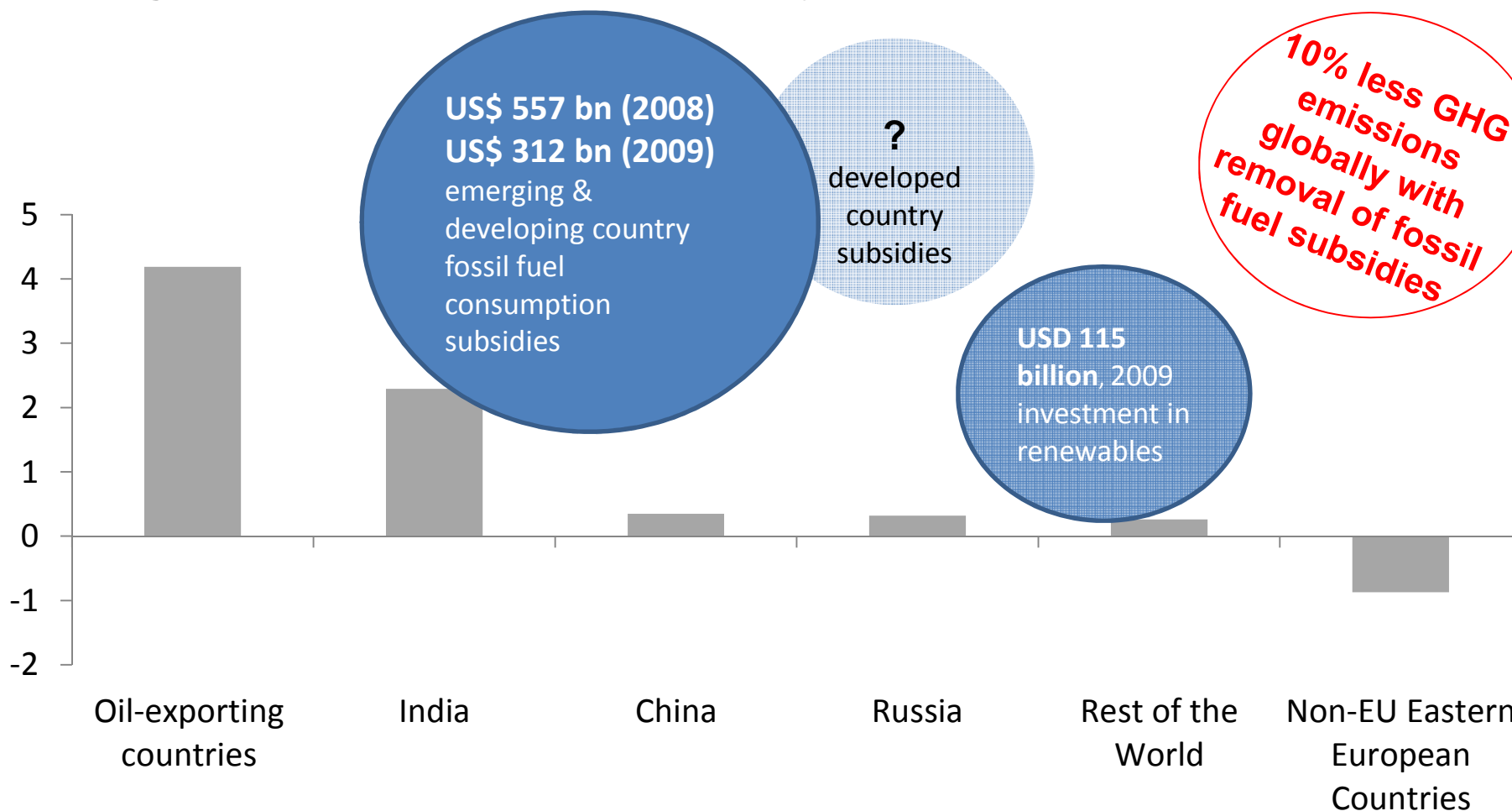


Source: OECD/EEA database on instruments for environmental policy.



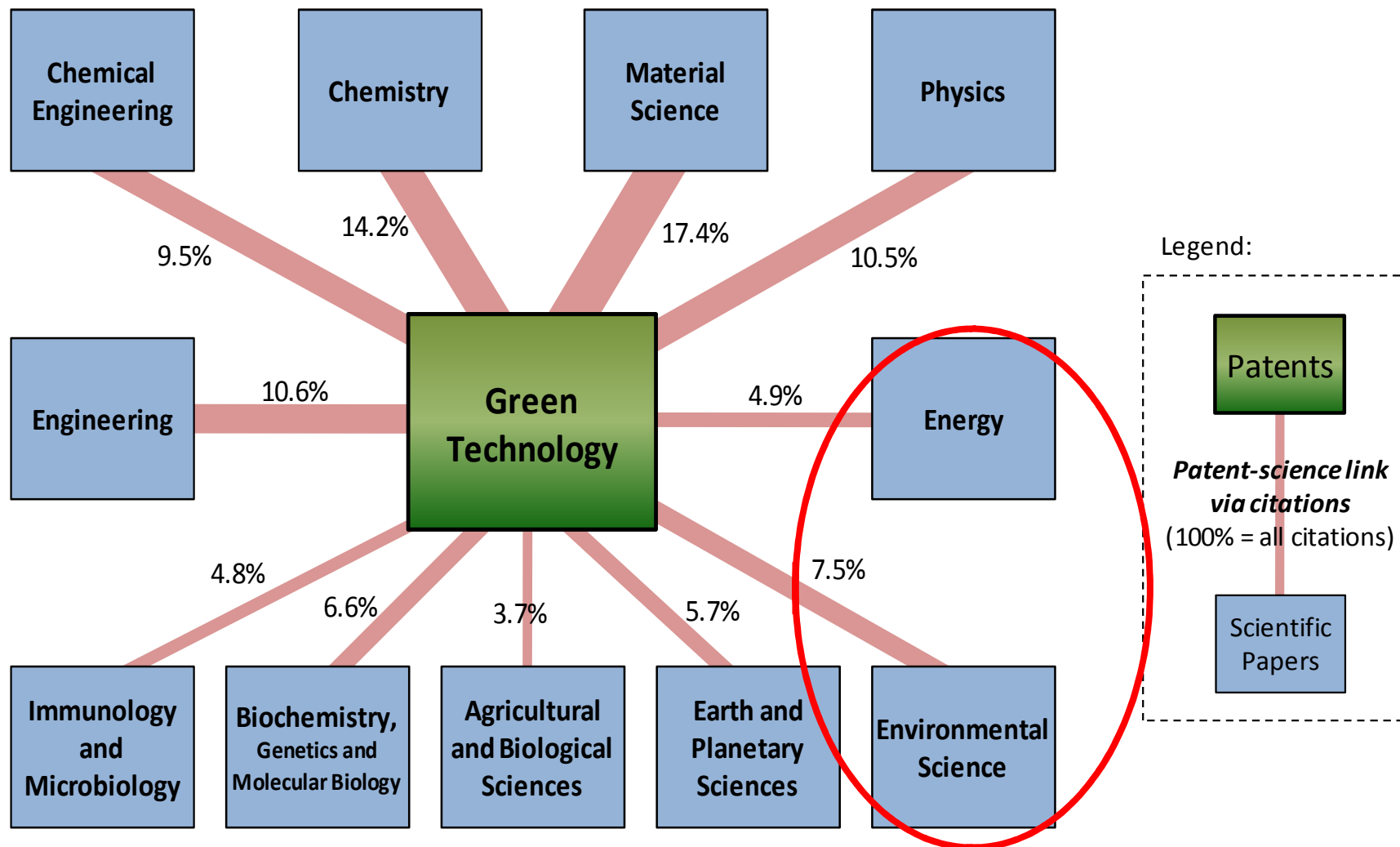
Fossil fuel subsidies: subsidising CO₂ emissions

Income gains from unilateral fossil fuel subsidy removal (% change in household income vs BAU)



Source: OECD analysis, based on IEA data

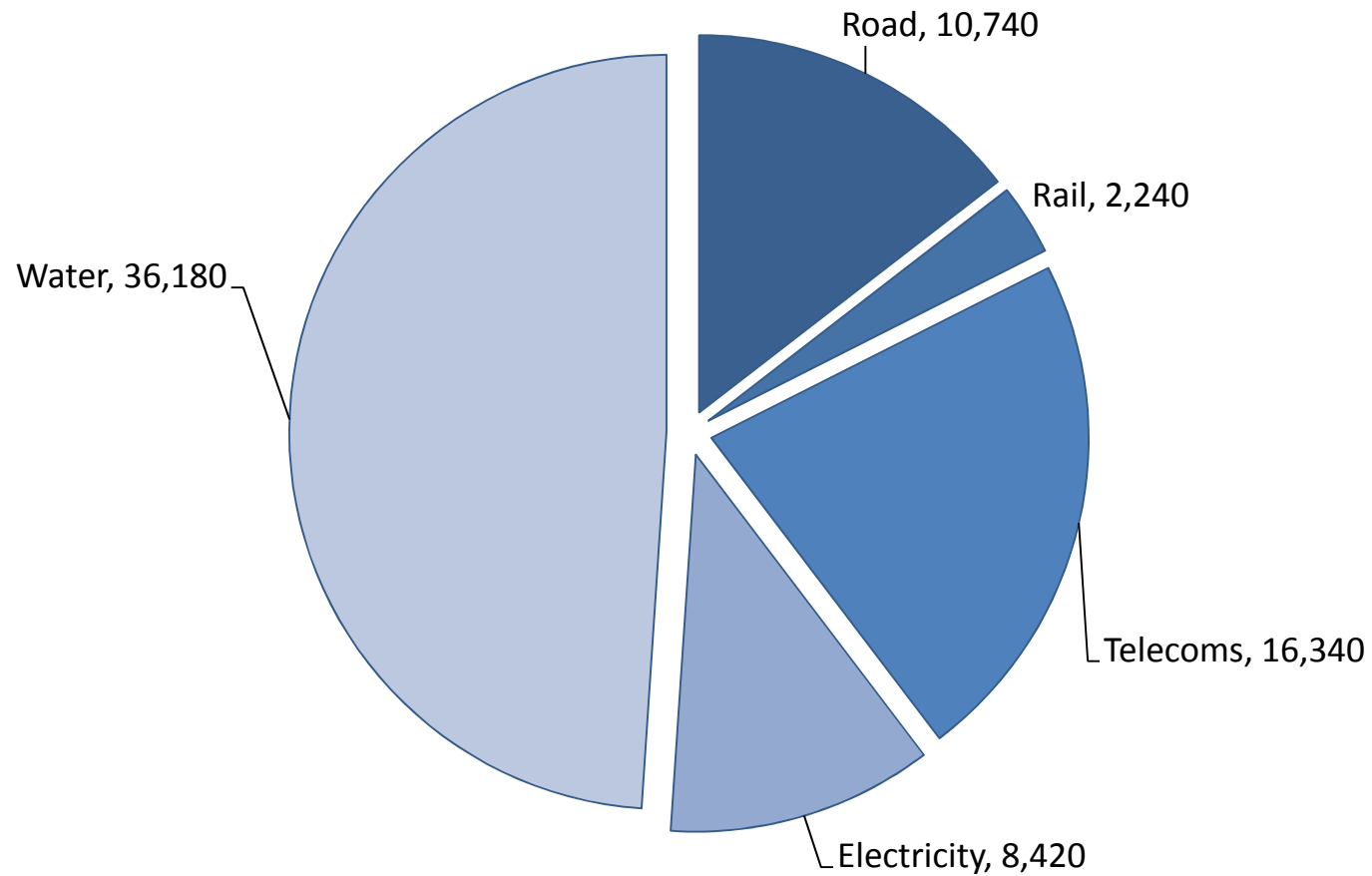
Innovation in unexpected places



Source: OECD

Infrastructure investment

Global investment 2010-2030
(USD millions)



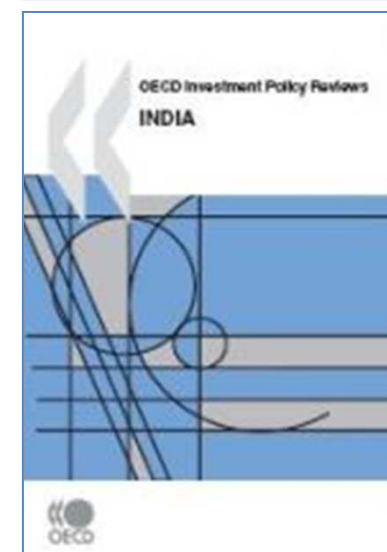
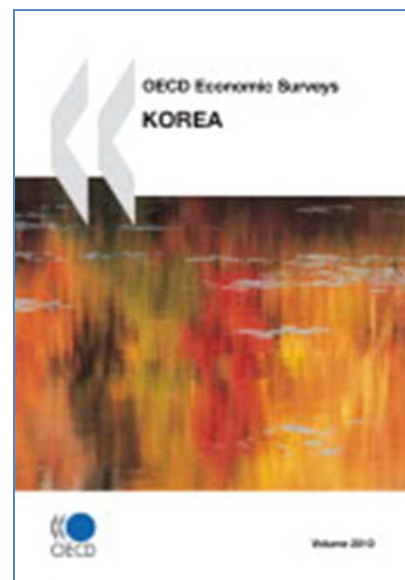
Source: OECD

What are the implementation challenges?

- **Distributional impacts:** *e.g.* from taxes on energy used for heating and cooking can have significant impacts on low-income households.
 - Distributive impacts are better addressed through broader means, such as lowering personal income taxes, supplementing low-income supports or providing *cash payments* to the most affected low-income citizens.
- **Competitiveness concerns:** changes in competitiveness in the transition, ought to be addressed through multilateral policy coordination. Compensatory schemes can be justified but they come with their own costs.
- **Employment effects:** the scale of adjustment should not be overstated. *E.g.* significant reductions of GHG emissions can be achieved with only limited effects on the pace of employment growth/ LM performance can improve if revenues from carbon pricing used to promote labour demand
 - Need for inclusive and dynamic package of LM policies

GG in OECD national policy surveillance

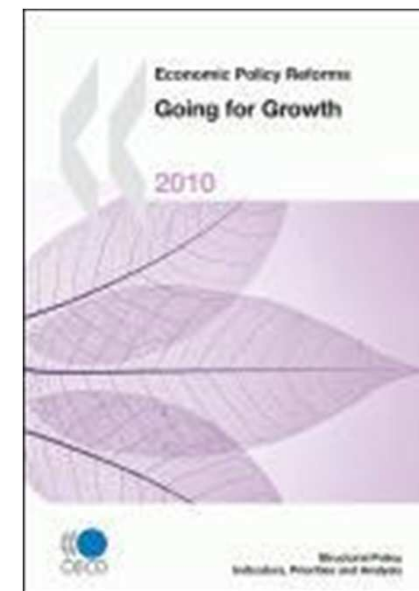
- ❖ Economic Surveys
- ❖ Environmental Policy Reviews
- ❖ Innovation Reviews
- ❖ Investment Policy Reviews



Green Growth in multilateral policy surveillance

Incorporating GG objectives into *Going for Growth*:

- ❖ **Medium term goal** for two parallel surveillance exercises:
Greening Growth and Going for Growth
 - ⇒ Need to build a sound basis for empirical analysis and benchmarking
- ❖ **Transition period:**
 - ⇒ *GfG* to systematically assess the side effects of growth-enhancing policy priorities on the environment (and income distribution).
 - ⇒ Data gathering and indicators on environmental policies and outcomes
 - ⇒ New research on the links between environmental policies and outcomes and on the effects of environmental policy tools on growth



Green Growth Indicators

| | | |
|--|--|--|
| 1 | The environmental and resource productivity of the economy | <ul style="list-style-type: none"> • Carbon and energy productivity • Resource productivity: materials, nutrients, water • Multi-factor productivity |
| 2 | The natural asset base | <ul style="list-style-type: none"> • Renewable stocks: water, forest, fish resources • Non-renewable stocks: mineral resources • Biodiversity and ecosystems |
| 3 | The environmental dimension of quality of life | <ul style="list-style-type: none"> • Environmental health and risks • Environmental services and a |
| 4 | Economic opportunities and policy responses | <ul style="list-style-type: none"> • Technology and innovation • Environmental goods and se • International financial flows • Prices and transfers • Skills and training • Regulations and managemen |
| Socio-economic context and characteristics of growth | | <ul style="list-style-type: none"> • Economic growth and struct • Productivity and trade • Labour markets, education a • Socio-demographic patterns |





GREEN GROWTH

knowledge platform



❖ Mission:

- ✓ enhance and expand efforts to identify and address major knowledge gaps in green growth theory and practice
- ✓ help countries design and implement green growth policy

