

**BIAC-OECD Green Economy Dialogue**  
**Paris, November 6, 2012**

## **International Business Green Economies Dialogue**

# **Green Perspectives Papers** A Summary and Overview

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# Background: Green Perspectives Papers

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The second major element of Green Economy Dialogue project; invited to provide academic views on the issues to enhance and inform dialogue and debate

• **With approval and support of *Energy Economics*, authors identified through a selection committee:**

Richard Tol (Sussex, E&E Editor), John Weyant (Stanford, E&E Editor),  
Ray Kopp (Resources for the Future), David Montgomery (NERA Consulting),  
Brian Flannery (formerly ExxonMobil)

- **Topics identified as relevant to “Green Economy” and of interest to business**
- **Papers subject to standard E&E review process**
- **Authors of published papers received an honorarium from GED**
- **Peer-reviewed papers (10) now appearing in a special supplemental edition of *Energy Economics* (Elsevier)**
- **Many authors also participated as speakers in Green Dialogues**

**Open access links to electronic publication  
[www.green-dialogue.org](http://www.green-dialogue.org)**

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# Green Perspectives: Papers

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*From “Green Growth” to Sound Policies: An Overview*, Richard Schmalensee (MIT)

*Clean Energy: Revisiting the Challenges of Industrial Policy*, Adele C. Morris, Pietro S. Nivola, Charles L. Schultze (Brookings)

*Greening Africa? constraints, technologies and comparative costs*, Paul Collier and Anthony J. Venables (Oxford)

*Green, Low Carbon Economy*, Carlo Carraro, Alice Favero and Emanuele Massetti (University of Venice, Yale)

*Energy and Technology: Lessons Since Rio*, Jae Edmonds, Kate Calvin, Leon Clarke, Page Kyle, Marshall Wise (Pacific Northwest National Laboratory Joint Global Change Research Institute)

*Investments and Public Finance in a green, low-carbon economy*, Carlo Carraro, Alice Favero and Emanuele Massetti (University of Venice, Yale)

*Financing for Climate Change*, Richard N. Cooper (Harvard)

*The Elusive and Expensive Green Job*, Diana Furchtgott-Roth (Manhattan Institute)

*The Potential Role of Carbon Labeling in a Green Economy*, Mark A. Cohen and Michael P. Vandenbergh (Vanderbilt)

*Reducing Greenhouse Gas Emissions Through Operations and Supply Chain Management*, Erica L. Plambeck (Stanford)

*Green Growth and the Efficient Use of Natural Resources*, John Reilly (MIT)

- Preprints on Elsevier *Energy Economics* web site now
- Hardcopy supplemental edition November

# Highlights: Green Perspectives

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- ***Schmalensee (MIT): overview of the Green Perspectives volume:***
  - Lack of common definitions hinders dialogue
  - Not all proposals for greening are economic
  - Opportunities exist to promote greener outcomes... but scale of economic opportunities not equal to achieving major aspirational goals
  - Traditional classical economic and policy analyses apply
  - Need for a better informed debate
- ***Morris et al (Brookings): Poorly designed industrial policy can undermine economic and environmental benefits:***
  - Political appeal for government intervention to achieve attractive economic and policy (in this case “green”) outcomes, i.e. domestic industries, technology, jobs
  - Poor track record of governments picking technology winners or efficient policies
  - Challenges to trade regime and national competitiveness
  - Incentives don’t guarantee domestic jobs or economic growth
  - Argue rather for economy-wide price signals
- ***Collier & Venables (Oxford): Greening Africa?***
  - Opportunity but massive challenges: lack of capital, management, governance
  - Higher priority now to fossil fuel development for growth and poverty alleviation
  - Need to match development pathways to national priorities and circumstances

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# Highlights: Green Perspectives Papers

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## Climate and energy (the “elephant in the room” in Green Economy)

### • **Edmonds et al (Battelle and U. MD): lessons learned since Rio**

- For stabilization goals, e.g. 2 C, advanced technologies must be developed and deployed rapidly and globally
- Major efforts ongoing for decades, even greater pace in 2<sup>nd</sup> half of century
- For CO<sub>2</sub>, energy & land use critical: power, transport and fuels, agriculture, forests ...
- Affordable technologies even more critical in a “mosaic world:” a fragmented regime, without ideal & world-wide policies

### • **Carraro et al (Venice, Yale): focus on investment and finance**

- Consider scale and change in investment for stabilization driven by global C-tax
- Shift to more costly investments in power and efficiency crowds out other sectors and leads to a decrease in economic growth (diversion to less productive investments)
- In many developing nations: C-tax up to 20% of GDP, subsidies for C-sequestration exceed tax revenues (question political viability)
- Highlight the need to better understand finance

### • **Cooper (Harvard): financing climate change**

- Issue is not so much the scale of finance (several 100 B\$/year) per se
- Implied wealth transfers pose significant political and institutional challenges: how to raise and deploy funds; achieve outcomes efficiently; avoid corruption
- Looming conflict between trade and climate regimes

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# Highlights: Green Perspectives Papers

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- ***Furchtgott-Roth (Manhattan Institute): Green jobs***
  - Challenges in definitions; differences in various jurisdictions
  - Need to consider economy-wide implications for growth, employment, social and environmental outcomes
- ***Plambeck (Stanford): Carbon Management (case studies)***
  - Walmart: enhancing opportunities & incentives along the supply chain
  - Zeta Communities: Supplier for prefabricated efficient buildings
  - Highlights role of managements systems tailored to company circumstances
  - Significant, but limited potential relative to green economy aspirational goals
- ***Cohen & Vandenberg (Vanderbilt): Carbon and Ecolabels***
  - Experience with existing eco-labeling systems
  - Need for credible methodologies, certification process to convince consumers
  - Desirability of a global standard
  - Implications for international trade, potential application to border adjustments
- ***Reilly (MIT): Resource efficiency***
  - Standard economic theory already addresses many “green growth” elements
  - While GDP includes many “externalities” other, perhaps better, national measures exist
  - Long-term growth requires consideration of labor, capital and resource needs
  - Depleteable resources do not always decrease with time
  - Challenge of accounting for long-term, uncertain, non-market impacts

# Areas for Business Engagement

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- Need for business innovation in technology, management, finance
- Technology development and deployment through innovation and investment
- Policies that achieve both economy-wide, greener outcomes and economic growth
- Accounting for national circumstances and priorities in a globalized economy
- Recognizing the need to address competitiveness concerns – emphasis on approaches that work with globalized markets and regulatory frameworks
- Enabling frameworks for innovation and investment, e.g. rule of law, protection of IPR, free trade, independent, honest judiciary...
- Effective, practical metrics that work for governments and for the private sector
- Building the case for enhanced, effective business engagement with international processes for actionable and cost effective outcomes



# Next Steps

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- **Relevant International (UN/OECD) Follow-on steps**

- Process to define Sustainable Development Goals
- Links to UN post 2015 development agenda
- Technology and Finance for developing nations (see UNFCCC processes)
- Policies & Indicators

*\*\*Post Rio+20 efforts are spread out and fragmented –  
UNEP, G20, UNCTAD. CSD/proposed High Level Forum, etc.*

- **IBGED: Stock-taking (domestic and international activities)**

- BIAC Energy and Environment Meetings – November 5-6, Paris
- Brazil (CNI Host) international next steps (Q1 2013)

- **Consider GED-2**

- Define focus for engagement
- Process for dialogue with governments
- Potential to utilize and build from Green Perspectives base

