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# International Business Green Economies Dialogues

*Paris, 14 November 2011*

## Meeting Highlights

- The green economy has multiple frames of reference. While discussions often focus on individual sectors, such as energy, green growth policies need to consider how to achieve sustainable growth across the whole economy. In particular, impacts on jobs need to be assessed across the entire economy, accounting for supply and value chains. To be effective, greening policies need to take into account broader job policies and objectives.
- The green economy is not a totally new economy. Traditional industries can and should make a contribution to green growth. Sustainable approaches must reflect national circumstances and priorities, and policies and targets need to be achievable, taking into account the global economic context. Greening can represent both constraints in the short run and new technological and other opportunities in the longer run.
- Policy tools require careful analysis of their impacts, e.g. while some tax policies increase investments in a specific sector, they may reduce investments in the economy as a whole. Government support has a role to play, but must avoid picking and locking in winners and losers. If green growth is to be sustainable, the “infant” eventually has to stand on its own. Overall policy coherence is of utmost importance.

### *Developing economies*

- Involving developing economies in green growth discussions is important, recognizing that the developing world is not homogeneous and that green policies for advanced economies may not always be appropriate in a different context. National circumstances and development objectives need to be duly considered. Enhanced access to affordable energy will be a major factor in fostering development and poverty alleviation.
  - In spite of its natural wealth, Africa faces major challenges with regard to lack of capital, governance, skills and infrastructure, underlining the critical need for capacity building. Global frameworks – trade, finance, technical assistance – that enable and support greening of developing economies are fundamental. Despite these challenges, there are also green growth opportunities for Africa, for example in the areas of bioenergy, hydro and solar (in particular once costs fall further) and efficiency improvements through urbanisation or transport changes. Most of the potential will probably be on the usage side.
  - Avoiding “indigestion” of ideas “exported” from developed countries is important in order to support developing country uptake. Green growth strategies for developing countries must provide value but also tools for these countries.
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### *Policy instruments*

- The transition to a greener economy requires an appropriate policy framework that fosters the necessary investments. Prior industrial transformations suggest that innovation may be best fostered by policies with a stable, longer-term focus on infrastructure development and which do not create opportunities only for parties with vested interests.
- Investors need credible and sustained public objectives/policies in order to invest the billions needed. Greater attention needs to be paid to the conditions needed for investor decisions. Predictability, if not certainty, is crucial to businesses as they plan their investments in long-lived assets. Especially for new technologies, timely development of appropriate legislative and regulatory frameworks and public infrastructure will be essential.
- Pricing environmental externalities needs to be done in a credible way, while acknowledging that setting the "right" price is quite difficult. The use of revenue is a critical question. It would be desirable to recycle some or all of the revenues generated by carbon pricing to reduce other taxes (revenue neutrality with potential for a double dividend). However, the desire to use revenues to mitigate the potentially regressive distributional effects of carbon pricing may make a single dividend more likely.

### *Energy*

- Investors need credible and sustained public policies in order to make the necessary investments. Addressing climate, air pollution and energy security challenges in an integrated manner should generally lower costs; however, objectives are not always aligned. High up-front investment costs in alternative energies need to be given due consideration.
- Energy access, food, land use and water challenges need to be addressed in an integrated manner, including at Rio+20. In addition to integrated food and energy systems to meet current challenges, there is a need for new technology across the supply chain.
- Technology innovation is critical and a high value in a 'mosaic' world of heterogeneous energy and CO<sub>2</sub> policies. However, sustained government support in the current economic environment may be difficult. Bearing in mind that 40% of needed CO<sub>2</sub> reductions must come from energy efficiency, significant improvements remain critical, but the policies to drive this are yet to be put in place. There is a wide gulf between the idealized economic outcomes seen in models and the real world of institutions.

### *Resource efficiency*

- While there is a wealth of analysis on climate change, resource efficiency deserves increased attention in the context of a green growth strategy. There is a need for targeted policies based on a full understanding that includes externalities – both market and non-market.
- Life-cycle thinking, both by the private sector and policymakers, is critical to avoid burden shifting and to identify hot spots as well as real opportunities for gain and areas for innovation (process efficiency, recycling, reduction inputs, etc.). Life-cycle thinking is also essential to move towards more sustainable consumption. In this respect, it is important to understand the drivers of consumer decisions as a critical part of the cycle. Innovation and education are essential.
- There is a need for integrated policy approaches that work across a range of resource stocks/materials and recognize the full life-cycle impacts as well as the increasingly important role of value chains, which can lead to greater innovation. For example, water and resource efficiency need to be considered in the broader picture of what are essential services for society.

### *Business as a key partner*

- Governments recognize the importance of close cooperation with the private sector as an important "provider of solutions" in a framework for action, and business is committed to making a constructive contribution. Flexible bottom-up approaches need to be part of the solution. Partnerships have an important role to play in ensuring strong involvement of business. Going forward, business should be closely involved in discussions leading to Rio+20 and beyond.