



Second Committee Special Event

Panel discussion on “Green Growth and Sustainable Development”

**Monday, 26 October 2009, 10:00 a.m. – 1:00 p.m.
Conference Room 2**

Summary Note

Introduction by the chair

- Ambassador Park, the chair, welcomed and introduced the panelist. He raised a number of questions to be addressed during the discussion (see background note).

Presentation by Prof. Robert Pollin

- Key question to be addressed: How much are you willing to pay for addressing climate change?
- The crisis is ongoing: We deal with a short-term crisis of mass unemployment as well as long-term crisis where the average wage level of non-supervisory workers has fallen over the last three decades, while average productivity has risen. In sum, a decline in real wages coincides with a near doubling in growth.
- Given the need to take action on global warming and energy independence as well as the employment vulnerabilities, a sound policy framework is required to reduce public and private investment into fossil fuel energy and to promote clean energy. More investment in clean energy or the green economy will create jobs, as this industry is more labour intensive than the fossil fuel industry: creation of 4 jobs with the investment of 1 mill. USD in fossil fuel production vs. creation of 11 jobs with the investment of 1 mill. USD in clean energy. This includes direct, indirect and induced jobs that are created through investment (e.g. example of retrofitting the UN building)
- Pollin’s paper on “Green Recovery” represents the blueprint paper for President Obama’s administration allocation on clean energy mix: building retrofits (40%), public transportation freight rail (20%), “smart grid” electrical systems (10%) and renewable energy measures (wind power, solar power, non-food biomass with 10% each).

- In the US a large commitment (80 billion USD) was made in February 2009 for investments into clean energy and renewables: 75% of the green stimulus aims to leverage the private sector. In addition, carbon caps are envisaged to shift private sector incentives for investments. According to the calculations, 1% of the GDP (before crisis) invested in clean energy would yield 2.5 million jobs, whereas the same investment into the fossil fuel economy would only create 800.000.
- How does such a transition to clean energy investment work in terms of the overall economic strategy? The US clean energy agenda tackles a lot of complicated issues, but it boils down to three key transition factors: (1) investments in efficiency, (2) investments to lower costs of renewables to spur competition and lower the market access costs, (3) regulation to raise the prices/restrict burning of fossil fuels
- However, it is not sustainable to count on deficit spending as the basis of investments in clean energy. Thus mobilization of the private sector is a priority and one lesser known item in stimulus package addresses the issue: 6 billion USD are allocated to guarantee loans for businesses that invest in clean energy (“contingency fund”). That contingency fund would leverage 150-180 billion USD of investment of private sector.

Presentation by Prof. Timothy Jackson

- We have to ask ourselves tricky questions: For example, is ever-increasing income in developed countries achievable and a legitimate policy objective?
- The preliminary answer leads us to the dilemma of growth: “Growth is unsustainable, but de-growth is unstable!” and the immediate response would be to call on the idea of decoupling.
- Statistical evidence suggests circumspection concerning the idea of decoupling: 1) Growth rates of fossil fuel extraction and CO₂ emissions are below that of world GDP; however in absolute terms they are rising continuously. It means things are done slightly more efficiently, but no absolute decoupling is visible; and 2) comparing metal extraction and GDP shows a considerably faster rise of metal extraction than GDP, meaning that resources are not used more efficiently.
- We have to assess where we are now and where do we need to be given the scenarios of the IPCC and under the assumption of equitable growth: Today’s 6 grams carbon per dollar of economic activity should fall to 2 grams carbon per dollar of economic activity, but to achieve the targets this number has to be negative (i.e., negative emissions) and it raises the question what does growth look like in a carbon absorbing economy.
- Investments are the engine of growth, but investments have a very specific role, namely to improve labor productivity.

- How we treat investment and labor defines the basis for a new economy and systems analysis shows opportunities for doing things differently: “Green Macroeconomics” with ecological investments, a revision of the role of the public sector and a revision of the concept of labor productivity. We need to understand the significance of employing different concepts: sets of ecological investments do not necessarily behave the same way as conventional investments. For example, they involve different actors, different timeframes, different focus for objectives/targets and a redefinition of public sector’s role in investment. However, ecological enterprise does not immediately lead to growth.
- There is a need to redefine prosperity and to develop an understanding beyond consumerism: If labor productivity grows and grows, the economy has to grow to maintain employment, but there are possibilities to share jobs and value leisure more. That would be a way to stop the need for a conventional continual increase of productivity. We need to rethink the understanding of prosperity beyond economic and material demands, for example, think in terms of human flourishing, engagement and participation in broader society at large, we need to achieve social capabilities for flourishing.
- The vocabulary remains the same and one word reappears: One has to INVEST into the social flourishing, into the capacity and capability that enables participation. Important mechanisms to finance ecological investments include: deficit spending, ecological tax reforms, auctioning permits, green bonds, and so on. The question remains whether it is correct and sustainable to throw taxpayers money at the private sector and let them reap the benefits or is there a model to recycle the revenues back to the taxpayer.
- Suggestion of a new model describing the economics for a finite planet in which the value of ecosystems gains significant importance.

Presentation by Carsten Staur

- Currently a “Window of opportunity for Green Growth” is wide open due to financial crisis and with 42 days to COP15 in Copenhagen it is important to realize the potential.
- Private sector companies are placed at the forefront of development to rebalance and revitalize our economies together with public sector involvement. The way we produce, use and reduce energy is the key.
- The conclusion of a binding agreement in Copenhagen with two purposes (to direct further negotiations towards concluding outstanding details in a new legal climate regime and to capture and encourage political commitments in order to provide for immediate action to combat global warming) is anticipated, but questions remain for mid-term targets, systems of financing and ensuring

commitment. Thus, the Barcelona meeting as the last meeting before Copenhagen represents an important milestone for negotiations.

- Denmark is a prime example for green growth and green economy: Wind turbines are a major export sector for Denmark and they are an example that “green” is not an obstacle to economic growth. Consequently, all countries, also poorer developing countries, should consider putting green growth into their poverty reduction strategy.
- Overall, Green Growth constitutes a new way of economic thinking similar to rethinking development aid: Simple solutions – e.g. solar power – already exist in developing countries and can be expanded upon. There is a need to make the benefits of green growth available at the rural level to prevent migration to urban areas. Sub-Saharan Africa is of particular interest with the least access to energy, which – if accessible – is in addition unreliable. New “green” energy systems in these areas are more effective and efficient than fossil fuel system. Africa has abundant and on-tap renewable energy sources, thus renewable energy has a huge potential in Africa.

Presentation by Rae Kwon Chung

- We cannot continue the current economic paradigm; we need to have green growth with a fundamental change in price structure: Crucial factor is price (market price is always lower than ecological price). Natural ecosystems and climate need to be attached with an economic value, which they are not at the moment. Environment is not a free good and it imposes clear limits on economic growth with impact on economic, social and ecological quality (Another approach beyond “Green Growth” is needed to address the social dimension).
- The key concept of “Green Growth” is internalizing ecological cost, thus a change in price structure and a change of infrastructure to eco-efficiency, which includes both invisible infrastructures (price-structure, technology, regulation, value system) and visible infrastructure.
- In addition and also emphasized in Toni Blair’s report on cutting the costs, the gap between positive results in the long-term and significant short-term costs needs to be closed with a revised role of governments. For example, governments can use an eco-tax reform to shift incentives.
- Is green development relevant to least developing countries? I agree more that it is relevant to middle-income countries, but least-developed countries can include lessons learned in their policies and targets.
- Policies need to address the three myths of GG and climate change: 1) Climate Action (CA) = Bad for Economy; only binding commitments matter, not enough money/technology for climate action. The low carbon paradigm is the basis of green growth and as a result climate action is identical with energy security.

- Concerning the Korean example: Korea did not experience decoupling in the last years, which means we need low-carbon economics. To achieve that we have set Korea's mitigation targets until 2020 as more ambitious than the European goals. Korea likes to be a role model for other developing countries and proposes for developing countries to register their mitigation and adaptation efforts to internationalize their efforts without the need to accept internationally binding commitments.

Presentation by Pavan Sukdev

- To introduce UNEP's Green Economy Initiative: a first sign of change is a change of mindset and there are three urgent aspects of the initiative: green jobs report (delivered), green economy report (under way) and review report (under way).
- New growth engine with new & decent employment required to find a sustainable solution to persistent poverty. Importance to include public welfare into the economy (example projects: peninsula watershed San Francisco, five rivers project in Korea).
- The impacts of climate change on the economy are manifold: freshwater scarcity, agricultural and fisheries productivity, natural hazards, and so on
- Social rates of return are compelling reasons to rethink public investment: investment of public money into public wealth¹ as a measure for adaptation.
- Need for a global green new deal to address the risk dimension by reducing carbon dependency, ecosystem degradation, and water scarcity. Stimulus is not the only aspect of the green new deal, but the human dimension is vital as it directly relates to poverty. Ecosystem losses are directly linked to the MDGs, for example, Haiti being almost completely deforested faces economic, environmental and social challenges.
- Importance to address questions of dependency on ecosystems: The poor benefit to huge degree from ecosystems which contribute to the "GDP of the poor": e.g. Fish major sources for protein and sustenance.
- Financially and economically "Seven years of plenty" (slide with S&P 500 index) followed by crises: for example, two shocks - financial crisis in the 1990 and the current crisis. Financial markets are used to crises and shocks, they recover, but Ecosystems cannot compensate shocks that easily.

Question and Answer Session

Ambassador Park: I would like to ask Sweden for an update on the EU and invite questions and comments concerning the commitment for green growth and in which areas will it be implemented. Please be succinct, as we are short of time.

¹ Public wealth in sense that public investment needs to bring returns for the public as a whole.

Sweden: Thank you chairman and thank you for the panel's excellent presentations. Let me first respond to your question. I agree with the presenters and the EU has calculated the costs needed and the financing requirements to be discussed this week by heads of state. But it is not a question of how much should be transferred from one country to another. It is more a matter of, e.g. removing trade barriers, enabling technology transfer and stimulating public green procurement. My questions to the panelists include: 1) How viable is eco-taxation in developing countries?, 2) Is there a clever way to transit from environmentally adverse subsidies to more environmentally friendly benefits that are targeted to support the needy?

Tanzania: The discussion of green economy has to rely on the development of public-private partnerships and we seek for support for that. Concerning Mr. Jackson's presentation: Green macroeconomic is a difficult landscape which leaves the poor out of the equation and related research should extend especially into the area of renewable energy.

France: Panelists showed the richness of the concept and the responsibilities to address the crises. President Sarkozy had commissioned a report to focus on broader measures concerning the Green economy in light of the economic crisis and called for a courageous response rather than technical. In terms of rethinking growth and prosperity, our president already asked world leaders to join a "revolution" in the measurement of economic progress by dropping the obsession with gross domestic product to account for factors such as health-care availability and leisure time. We perceive green growth not only as a product, but a process which requires mobilization of a whole range of actors. We would like to emphasize the necessity for inclusiveness.

Brazil: Thank you for the excellent presentations. My main questions are: How do we keep focus on three pillars of sustainable development under the concept of green growth and how do we include the needs of developing countries? How do we strengthen sustainable development including financial support and technology transfer to developing countries? There are no universal solutions or tools. For example, Brazil has an energy mix based 80% on renewables, which shows that biofuels are necessary for our job creation. I would also like to mention that Brazil cooperates with Africa to foster that development and the exchange of knowledge.

Malaysia: My question is whether the formula for green growth can be viable for developing countries especially given the discussion of deficit funding? How realistic are all the proposals given the current crises and state of public finances in developing countries?

Indonesia: I have two questions for Mr. Chung: With regard to fundamental change of price structure, where should we start domestically? In terms of internationalization of

domestic climate action, will that happen through an informal and irregular framework or formal and regular national one?

Korea: A shift to low-carbon development in developing countries is necessary, but there is no concrete roadmap to achieve this. One of the reasons is the critical role of the manufacturing industry in developing countries. Adopting low carbon technology is uncharted territory and we are all learning by doing. My question is how do you see the role of international organizations or the UN to develop such a road map and to adjust it to the situation of developing countries?

Japan: Thank you very much for the excellent presentations. Japan has - over the last 30 years - succeeded to increase its GDP without increasing its energy use. We faced the oil crisis, which triggered investments into energy efficiency and improved our national investments into green energy. The question is what is needed to make such an effort in both other developed and developing countries? How to raise the 100 billion USD needed as discussed in the informal dialogue on 22 September? In addition, the amount of funding for adaptation and mitigation measures requires a framework, such as the UNFCCC. In our view, participation of all member countries (developed and developing countries) is needed to raise the funds and create a climate change fund to support the transition to green economies.

Ambassador Park: Thank you for your contribution and let me add that we all have to promote and support the sense of commitment to transition to green economy. I herewith ask the panelists to respond in order of the previous presentations.

Prof. Pollin: How to adjust the US framework to developing countries? The work for the US came on the heels of work I did in Sub-Saharan Africa. First, the US is the biggest green house gas offender and what can be used by developing countries is that for the first time we are taking a commitment to a Green Growth agenda seriously, as shown by the amount of stimulus directed at the green economy. Investing in a green economy can be good for growth and poverty reduction. That consciousness is already a major contribution. Even in Al Gore's film there is the idea of a trade off between economic growth and environment, but what comes out of the US example is the importance to build prosperity by investing into a clean economy. Second, the investments into green growth occurring now and in the future will lower the costs and will make cleaner energy more competitive compared to fossil fuels. Unfortunately, the US has been lagging behind with technology development for implementing green growth, although US has been an innovator for green energy. There is an opportunity for developing countries to get a share of the US market in clean energy.

In sum, to the degree we can build public transportation that does not rely on fossil fuels, to that degree we contribute to a reduction of the vulnerability to external shocks and inflationary shocks. To the degree we can build small-scale incentives for sustainable agriculture and fisheries for example, to that degree we will help to bring

people from the informal to the formal economy through financing. That transition increases the tax base and allows the public sector the use of public-private partnerships to leverage financing. The relationship between green investment and poverty reduction is foremost about job creation that brings people into the formal sector. Moreover, investing in good and affordable public transportation systems lowers the costs of living and raises the standard of living. Significant investment into energy efficiency also lowers the energy costs and reduces cost of living.

Prof. Jackson: The arguments of the book are the core arguments for developing countries to contribute to improve living standards. I would like to underline, investment into ecological infrastructure is an investment in bringing people out of poverty. Is there a trickle down effect? We haven't really seen it yet and we need to figure out how income trickles down into acceptable wages/income for the people in poorer countries. Wealth tends to trickle up and thus keeps countries in a trap and investments are at the expense of the poor.

Transition to what prosperity might mean in the (near) future: Two strands of important dynamics: first, investment into transfer of technology is mandatory, and second, revision of terms of trade that constrain developing countries' opportunities to invest in ecological infrastructure. In response to France, yes there is a need to rethink prosperity and the ways we measure these outcomes.

Ambassador Staur: I limit myself to the issue of UNFCCC. The negotiations are not as far as we want them to be. With Copenhagen we are at the end of the road of the negotiation meetings. Yvo de Boer said we would not be able to get a legally binding instrument in Copenhagen, but still I see the glass half full and not half empty, as we have achieved a lot so far. The dynamics are held back, due to interrelations. We would like to release the negotiation dynamics by focus on financing emission reduction. If we do that we will be able to combine actions now and have them acted upon immediately once the meeting is over. We can also create an impetus to continue work towards legally binding instruments.

Ambassador Chung: I agree with Sweden that green growth is not only about money and technological shift. It is a concept and a policy direction. Shifting tax base from labor to carbon and making it viable for developing countries is a difficult challenge as the income tax is already so low due to the low income level. But there are other value added taxes which can be replaced with carbon tax in order to maintain revenue neutrality. Concerning Tanzania's comment, some developing countries may be excluded by a shift to green growth, but there are still a range of measures and tools which are less cost intensive. I recognize the comment of France. Green growth, I believe, does not exclude social development, but as said there is another approach required to address this dimension. Price structure changes require some coordination among countries and given their bargaining power they need to be led by large economies. Domestic communication can to some extent support internationalization of

domestic actions. Korea's proposes a pledge (ex-ante) registry of domestic actions. Japan, yes, is a case of decoupling, but I question whether it can be replicated in developing countries. In my view the UN's role is to present the road map for developing countries (e.g. good examples of urban design can be promoted for replication). Whether the concept of Mexican Green Funds is a good idea or not, I am not sure, but it is a political challenge to rely on financial support coming only from developed countries.

Mr. Sukhdev: For example and concerning the viability of green growth/investments in developing countries, Grameen Bank has supported millions of homes to be equipped with solar panels and the women in these regions market the surplus energy to their neighbors to create income. My recommendation for developing countries is to revise the subsidies. One problem is over-fishing and a suggestion to remedy the environmental consequences and to foster green growth is calling for marine protected areas to allow fish to grow and better reproduce. These protected areas are no obstacle to growth. In reality the economic activity is at the edges of these areas and generates sufficient and economically relevant catches (e.g. Newfoundland). In the Caribbean, the protection of coastal reefs has improved artisanal fishing supporting livelihoods. Nonetheless, providing the regulatory backbone is necessary to rethink and provide these spaces.

Closing by the chair

- Ambassador Park, the chair, thanked the panelists for their presentations and emphasized that we need to find ways of internationally sharing the lessons learned on green growth and sustainable development as well as finding ways of bridging the political commitments made in New York with the national realities in order to implement the necessary changes.