

OECD Green Growth Strategy

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What is Green Growth?

OECD's Working Definition:

“Green growth is about maximising economic growth and development while avoiding unsustainable pressure on the quality and quantity of natural assets. It is also about harnessing the growth potential that arises from transiting towards a green economy.”

GG's Linkage with sustainable development

“the Green Growth Strategy is a contribution to realising the ideals of sustainable development, by providing an actionable policy framework to generate new and greener sources of growth today and in the future”

Key Messages of the Strategy

1. Right pricing is the key.
2. Invest in upgrading infrastructures.
3. Encourage innovation.
4. Consider political economy
5. Use indicators to measure progress

1. Pricing

Important to deploy market-based instruments

- ❖ Scaling up taxes and permits provided government can signal the certainty about the durability of the regime (eg. CO2 emission trade or fuel tax) –and seek fiscal neutrality.
- ❖ Removing transfers that distort production decisions and trade flows, and harm the environment not only in the country implementing them but also via trade (eg. fossil fuel subsidies);
- ❖ Finding ways to incentivise producers to generate economic and environmental services (eg. through application and transfer of knowledge, R&D);
- ❖ Consider non-market based mechanisms such as standard and voluntary approaches.

2. Infrastructure

- Infrastructure needs to go green quickly because of their lock-in effect.
 - Especially network infrastructure, such as energy, roads and water.
- Finance is the key.
 - Public-Private Partnership and investment climate for FDI
 - ODA for developing countries

3. Innovation

- Technological innovation is a key source of growth in transition to GG. To facilitate this:
 - Increase R&D spending
 - Improve access to finance for firms engaged in green innovation.
 - Strengthen technology transfer including IP pools and enhanced international co-operation:

4. Political Economy

- Employment is a key source of political economy – (if GG does not create jobs, it is unlikely to sell)
- The direct loss of jobs by GG is likely to be small, as the share of employment in dirty industries is small.
- Yet significant job creation needed in the process of transition.
- Distributional consideration is also needed.

5. Indicators

- **Headline Indicators**
 - **Production-based CO2 emission intensities**
(The CO2 intensity of production is also representative of other environmental issues, in particular emissions of greenhouse gases and to some extent air pollution)
 - **Demand-based CO2 emission intensities**
(To account for the displacement effect of imported products)
 - **Nutrient balances in agriculture**

Still under intense discussion. Indicators that represents biodiversity particularly needed

Green Growth for Developing Countries

- **A Green Growth Strategy is necessary in many developing countries** – even if OECD countries brought their emissions to zero, their emission reductions would be fully outweighed by the new emissions growth projected in some of the major emerging economies – e.g. China, India and Brazil – by 2050.
- **Payments for the ecosystem services** provided by countries possessing valuable service-providing ecological assets could play a key role to correct the pricing issue.
- **New and improved technologies in energy production** linked with new approaches to electricity generation and distribution, could reduce the costs and improve the technical feasibility of energy supply in poor developing countries and allow non-oil producing countries to become more energy self sufficient, meet universal energy access target and bring additional co-benefits.

Green Growth and International Co-operation

- **Address financing gap to secure infrastructure investment** to build, maintain and upgrade is critical.
- **Address natural resources management issue** and tackle inefficient or incomplete regulation and weak governance characterized by lack of rules, enforcement and monitoring.
- **ODA in many poor developing countries significantly exceeds FDI** and remains an important source of finance for green investments. ODA targeted to environmental purposes amounted to 26 billion USD in 2009, a 45 % increase from 2007. Similarly, aid for renewable energies recently surpassed the aid for non-renewable energy.
- **Climate financing** - more than 3 billion USD under operation in various climate funds, and developed countries committed to make 30 billion USD available as “fast-start” finance in 2010- 2012 and 100 billion USD per year by 2020.



THANK YOU