



## Encouraging green growth

### Issue

*Challenge:* The prospect of critical, interlocking crises for climate, energy, food and water presents the G20 with a significant challenge to secure and expand economic opportunities for a growing population while ensuring that economic growth and environmental and social responsibility work together in a mutually reinforcing fashion. This challenge is exacerbated by increasing levels government debt in some countries and international financial insecurity which is severely limiting investment resources.

*Opportunity:* While there has been some encouraging action in response to promises made in Seoul and Cancun, no meaningful progress has been achieved on green growth and climate change, and for many countries, political rhetoric remains non-binding. In Cannes, G20 leaders have an opportunity to encourage green growth and accelerate a transition towards a green economy. Business will have a key role to play as there are for example between \$2.1 to \$6.3 trillion of potential commercial opportunities related to environmental sustainability in natural resource sectors alone by 2050 (OECD, 2011).

### Analysis

*Context:* Greening the world economy is a long-term effort involving all aspects of the economy. This process must deal with increasing environmental impacts while delivering business value and commercially viable products and services. Thus innovation, technology development and deployment are at the heart of greening economies as well as dealing with resource shortages.

For example, the International Energy Agency (IEA) estimates that the 17% (USD 46 trillion) increase in energy investment required globally between 2010 and 2050 to deliver low-carbon energy systems would yield cumulative fuel savings equal to USD 112 trillion (IEA, 2010). The private sector has already taken concrete actions in all sectors towards green growth, from reducing environmental impacts across value chains, to increasing energy and resource efficiency, investing in low-carbon and renewable energy, utilizing ICTs to limit energy use, manage scarce resources and reduce waste..

*Clarity:* In business, activities must be measured and accounted for. Many companies have made commitments to further reduce their global environment footprints through corporate sustainability programmes with measurable goals, targets and deliverables to reduce their resource use and increase the efficiency of their production systems, and design of their products. Consumers must ultimately lead but governments have a critical role in establishing enabling frameworks.

Moving forward, green growth is a concept which ultimately needs to function in a self-sustaining way and become integrated in international and global markets, and in business balance sheets (taking into account individual company requirements), management systems and practices.

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Business has already contributed to developing a range of tools and applications to measure environmental impacts and help assess response measures. A few examples include World Business Council for Sustainable Development (WBCSD) greenhouse gas (GhG) protocol and water footprint tool, as well as other tools such as those of the Global Reporting Initiative (GRI), or the International Organization for Standardization (ISO), etc.

ICC and its partners will continue to deliver on the challenge of green growth across the global business community by providing frameworks for business action, such as:

- ICC's Business Charter for Sustainable Development – which provides companies (large and small) with the basis for sound environmental management
- Voluntary sustainability principles such as those of the United Nations Global Compact
- Sectoral approaches like the chemical industry's "Responsible Care"
- Long-term visions such as the World Business Council for Sustainable Development (WBCSD) Vision 2050
- ICC business principles to achieving a green economy
- Capacity-building activities for small and medium-sized enterprises via the ICC World Chambers Federation (WCF) network

## **Recommendations**

From the G20 and government leaders business needs a comprehensive green growth framework that is clear, stable and predictable. The G20 has a significant role to play, working with other intergovernmental organizations and processes (WTO, UNFCCC, Rio+20 conference) to make this a reality.

Below are a series of critical objectives G20 leaders should aim for with concrete steps to achieve them:

*G20 leaders should strengthen multilateral rules-based trade and investment by:*

- Avoiding potential competitive distortions in international trade in the transition to greener economies;
- Successfully completing the Doha development round and eliminating tariff and non-tariff trade barriers on all goods and services, including on environmental goods and services;
- Providing a stable economic environment governed by the rule of law, including effective intellectual property rights protection (IPR), strong contractual arrangements and open, rules-based trade – all strong prerequisites to driving green growth.;

*G20 leaders should promote effective enabling frameworks by:*

- Coordinating domestic regulatory frameworks and incentive programmes to reduce investment risk and scale up green growth;
- Encourage the implementation of UNFCCC Cancun agreements at COP 17 in Durban and work towards a truly global agreement on climate change, but not let delays in such agreements slow establishment of effective domestic policies.
- Continuing the fight against corruption thus saving scarce resources;

*G20 leaders should support resource-efficient choices over the medium and long-term by:*

- Ending wasteful consumption subsidies while managing the phase out of targeted subsidies for the poor. G20 leaders have already committed to phasing out over the “medium term” some of the \$557 billion spent annually (2008) on fossil fuel subsidies;
- Providing new financing solutions and clear market directions to help overcome funding barrier for high investments and/or long-payback periods;
- Establishing clear and consistent standards to better measure environmental footprints and support benchmarking efforts and use of these standards in policy setting;
- Promoting the harmonization of energy efficiency standards to avoid market fragmentation and achieve economies of scale;
- Developing energy and natural resource policies that reduce uncertainty in long-term investment.

*G20 leaders should encourage the development of indicators that account for environmental externalities by:*

- Working with the private sector to develop common and non-discriminatory measurements and indicators;
- Taking into account other dimensions, including economic growth and employment;
- Pursuing market-based carbon pricing (either via through a market-based, cap-and-trade approach or via taxation approaches) within the context of each country's respective national circumstances.

*G20 leaders should promote innovation and creativity by:*

- Increasing research and development spending to provide for the faster uptake of advanced technologies leading to lower costs and increased efficiency;
- Encouraging the utilization of market-based technology sharing agreements that respect IPR and maximize impact of R&D spending (e.g. ICC Model Contract on Technology Transfer);
- Providing effective public funding to encourage the private sector to commercialize risky but potentially viable and scalable pre-commercial technologies, though any subsidies must be time-bound and eventually phased out;
- Striving to meet clear policy objectives (i.e. emissions reduction) and improving technological performance across the board (all technologies) – while avoiding picking “winners and losers” among technologies.

*G20 leaders should promote the shift to sustainable consumption by:*

- Promoting education campaigns to raise consumer awareness about the transition towards a green economy;
- Allow an expanding global population to consume sustainably - sustainable consumption need not be a matter of consuming less but consuming differently;
- Looking beyond short-term pressures and focusing on the development of long-term shared value.

1. Establish a platform to ensure the coordination of national measures and approaches to “green” economies and share best practices;
2. Commit to holding regular, collective meetings of environment, energy, trade and finance ministers at the G20 level to deal with (integrated) green growth related issues.

ICC-G20 Advisory Group