

OECD Environment Policy Committee at Ministerial Level

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Making Green Growth Deliver *The Role of Business*

BIAC appreciates the opportunity to participate in the meeting of the OECD Environment Policy Committee at Ministerial level. In view of the upcoming Rio+20 summit and building on the OECD Green Growth Strategy, the theme “making green growth deliver” is particularly timely. Recognising the important role of business, this paper outlines key business considerations for implementing green growth and allowing the private sector to make its contribution most effectively. The annex includes business messages on selected key issues identified in the OECD Environmental Outlook, including climate change, water, biodiversity and chemicals.

Making Green Growth Deliver *The Role of Business*

Economic growth over the past decades has led to improved quality of life and increased prosperity in a large number of countries. However, global and local environmental challenges as well as concerns about energy security, resource constraints, access to water and food security are making us realise that to continue to enjoy these benefits, we will have to change course towards more sustainable and greener growth. As the world population increases, we will need to find new solutions to meet basic needs of society and foster economic growth, while addressing pressing environmental challenges. These solutions will only come about if there is a direct and active contribution from business.

One fundamental condition, which was highlighted by the OECD Green Growth Strategy, is that green growth requires “fostering economic growth and development, while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies”. BIAC calls on Environment Ministers to recognise the importance of fostering growth and economic opportunities to ensure that the necessary investments for greening our economies and addressing global challenges can come forward, giving due attention to the constraints we are currently facing.

The business sector faces both challenges and opportunities in this respect. On the one hand, it contributes to some environmental pressures. On the other hand, it is one of the most important providers of practical solutions to address a great number of challenges. Making green growth deliver depends increasingly on business providing advanced materials and innovative technologies and processes that address both production and consumption.

BIAC has consistently underlined that green growth policies should aim to foster innovation, entrepreneurship and competitiveness across sectors, focusing on improvements that are socially beneficial, economically efficient and environmentally effective and take into account life cycle approaches and impacts. Recognising the close links between sectors and between economies, we need to concentrate increasingly on cooperation, integration and life-cycle thinking across the entire value chain. Success will depend on cooperation across sectors and borders, but also on aligning skills with new labour market needs, modernising infrastructure, and promoting resource-efficient processes in OECD countries and beyond.

For governments aiming to make green growth a reality in the context of general budget constraints, policy cooperation across ministries will become increasingly important. In this context, the OECD Green Growth Strategy, which was submitted to Ministers in May 2011, has correctly highlighted the importance of integrated policy approaches, recognising that there is no one-size-fits-all for different sectors and economies.

In light of the current global economic situation, there is a possibility that some countries will give priority to short-term fixes. The harder but ultimately more beneficial solution is to pursue a long-term strategy built around stimulating innovation, new solutions and an active role of business to facilitate greener growth. The OECD can add real value in this respect by

convincing governments of the necessity to take a longer-term view and foster practical, cost-effective and coherent policy measures, good governance as well as dialogue within and between national governments, the business community and other key stakeholders. Creating the right incentives for business to invest is essential to making green growth deliver.

In view of the upcoming Rio+20 conference in June, BIAAC appreciates the fact that the OECD is increasing its analysis on green growth and developing countries, recognising that efforts of all nations are needed and that green growth should go hand-in-hand with poverty eradication. Many developing countries are increasingly sources of economic growth. At the same time, they are facing a number of specific challenges. It also needs to be recognised that the developing world is not homogeneous and that specific policies in advanced economies may not always be appropriate in a different context. Different national circumstances and development objectives as well as financial and institutional capacity need to be given due attention.

To make a pro-active contribution to international discussions on the implementation of green growth strategies, including Rio+20, BIAAC and USCIB, with the support of a range of sponsors and partner organisations, have launched a Green Economy Dialogue project to foster broad international understanding on directions for green growth and effective ways to achieve progress within the context of global regulatory and market frameworks (<http://www.green-dialogue.org>). A first green economy dialogue conference took place in Washington, D.C. in October, followed by a conference at the OECD in Paris in November 2011 and a roundtable in China in March 2012. Two additional green economy dialogue conferences will be held in Japan and Brazil in April 2012.

The OECD Green Growth Strategy has highlighted that green and growth can go hand in hand. We now need to focus on implementation. Governments need to set an enabling policy framework so that business can be an integral part of this effort. While not an exhaustive list, we call upon Ministers to include the following key considerations in a pro-green growth policy framework:

- **Delivering green growth for all:** Green growth should be seen in the broader context of sustainable development and a return to economic recovery and growth to ensure that the investments necessary for greening growth will come forward. For a green growth strategy to be effective, it needs to be attractive to both developed and developing countries, recognising that there are common but differentiated realities in different parts of the world. Policies and targets need to be achievable, taking into account national circumstances and priorities, the global economic context, as well as poverty alleviation objectives. Furthermore, capacity building will be vital to ensuring the effectiveness of both technical and financial cooperation with developing countries.
- **Encourage economy-wide approaches and the contribution of all sectors:** The green economy is not a totally new economy and cannot be implemented with the contribution of only a few sectors. Traditional industries can and should help deliver green growth. While discussions often focus on individual sectors, green growth policies need to consider how to create business opportunities that lead to greening

across the whole economy, recognising that sectors do not exist in isolation. In line with this, there should be no separation between so-called “green” and “brown” jobs. Rather, we encourage the OECD to explore opportunities for “greening” all jobs across the economy, taking into account the linkages that exist between sectors.

- **Getting the policies right for green investment and open markets:** To enable a successful transformation, a transparent and predictable policy framework must be in place to allow business to make the long-term and often capital-intensive investments that are required for greening growth. Some of the fundamental conditions include rule of law, sound science, life cycle informed decision-making, intellectual property rights protection, as well as open markets and trade, especially for cleaner technologies. Pricing environmental externalities needs to be done in a credible way, acknowledging the challenges involved in setting the "right" price and paying due attention to the use of revenue. Increasing trade and market access should be enhanced, so that greening economic activity can be seized as an opportunity. Especially in the currently difficult economic context, governments need to focus their attention on applying cost-effective instruments to achieve environmental goals, while supporting economic development.
- **Foster innovation and technology development and deployment:** Technology holds the key to make green growth deliver. It is therefore essential to promote the widespread adoption of available green technologies, while focusing attention on developing and deploying new solutions that will enable a more rapid transition to greener growth. Public policies should create the right market conditions to trigger innovation at the required scale, including through stable market frameworks, encouraging research cooperation, fostering the right skills and ensuring effective intellectual property protection. At the same time, open trade and markets are indispensable for the diffusion and deployment of technologies. Voluntary collaborative programmes and partnerships can also play an important role in this respect. Building on its Innovation Strategy, we encourage the OECD to keep innovation for green growth high on its agenda.
- **Address financing of green growth:** Vast amounts of capital will be needed to deliver green growth. Public funding should be used efficiently and transparently and in a technology neutral manner. The issue of finance should not just be seen in terms of direct contributions from governments, but should focus on offering an investment-friendly policy framework to create suitable incentives for businesses to invest and innovate and to ensure companies' access to the long-term financing they need. One crucial element of public funding is therefore to consider how it can be targeted to leverage greater private financing.
- **Emphasise resource efficiency and life-cycle thinking:** Resource efficiency and life-cycle thinking deserve increased attention in the context of a green growth strategy. There is a need for integrated policy approaches that work across a range of resource stocks and materials and recognise the full life-cycle impacts as well as the important role of value chains, which can lead to greater innovation. In this context, due attention should be given to the role of resource recovery and recycling.

It is also important to understand the drivers of consumer decisions as a critical part of the life cycle.

- **Encourage education and skills and raise public awareness:** Education and awareness-raising of consumers and society at large as well as fact-based analysis on green growth challenges and opportunities to inform policy discussions are essential. Furthermore, for the greening of jobs throughout the economy, investment in lifelong training and education will be indispensable, both at the level of schools and with regard to continued skills upgrading of the working population to suit new labour market requirements. Education systems should put increased emphasis on vocational and educational training (VET), science, technology, engineering and mathematics (STEM) skills to respond more effectively to rapidly changing labour market needs. The OECD Skills Strategy can make an important contribution in this respect.
- **Foster integrated approaches:** Overall policy coherence and close cooperation among Ministries, including with Finance Ministries, is crucial. In BIAC's view, the OECD as a multi-disciplinary organisation with excellent expertise in areas such as economics, environment, trade, investment, education, and competition, to name just a few, can make a significant contribution. At the same time, green growth cannot be seen in isolation from other global challenges. Energy access, food, land use, water and waste management challenges, for example, need to be addressed in an integrated manner, and technology options need to be considered across the supply chain.
- **Measure progress:** Solid indicators and a good understanding of the economy's natural asset base and resource efficiency are important to monitor progress and design targeted policies. BIAC considers the OECD to be in a strong position to continue work on indicators that are well-balanced, well-rounded and forward-looking to help measure progress over time and across both member and non-member countries, also taking into account other initiatives in this area.
- **Recognise business as a key partner:** We encourage governments to recognise the importance of close cooperation with business as an important "provider of solutions" in a pro-active framework for action. Flexible bottom-up approaches and partnerships need to be part of the solution. Going forward, business looks forward to being closely involved in discussions leading to Rio+20 and beyond and stands ready to make a constructive contribution to further OECD work on delivering green growth.

ANNEX

Environmental Outlook: Key Issues

I. Climate Change

The outcome of the Durban climate change conference has opened a new road for negotiations that might in the future lead to a truly comprehensive climate deal. However, discussions need to continue to ensure that the roadmap results in concrete steps to address climate change through global participation. Building the Durban outcome into an effective international framework will require active engagement of the international business community. Going forward, we call upon governments to foster solutions that harness private sector expertise, recognise business realities, and contribute to meaningful global action on climate change.

Business remains committed to provide practical solutions to help address climate change and to enable a sustainable transition towards green growth. The development of advanced, efficient and low-emission technologies requires policies that promote open markets, competition and the respect of IPR. In this context, the contribution of all technology and energy options to addressing climate change should be considered, taking into account the specific situation in different countries. Equal attention needs to be attached to the diffusion of technology, through open markets and investments, as well as partnerships and voluntary collaborative mechanisms. Drawing on the findings of its Innovation Strategy, we encourage the OECD to continue its work on the policy framework that needs to be in place to foster technology development and diffusion across sectors to address climate change.

How to finance climate change as well as clarification on the funding of the Green Climate Fund will remain high on the agenda. In this context we underline that the availability of private sector investment and finance will depend to a large extent on the investment environment and the effectiveness of institutional arrangements and governance processes. What business requires is a clear, predictable and enabling policy framework, consistent application of law, as well as open markets for trade and investment. The OECD has been assisting countries in their efforts to find solutions to scaling-up public finance, tracking financial flows and attracting private sources of capital to support climate action. BIAC encourages the OECD to continue work in this area, including on the incentives that need to be in place for greater climate-friendly investment to emerge, addressing the risks faced by businesses and institutional investors and ensuring that the necessary financing can be mobilised through an enabling investment framework.

Market-based approaches and carbon markets play an important role, but need to take into account different national circumstances and potential competitiveness impacts. The Clean Development Mechanism (CDM), for example, has played an important role by providing investment and financing for a great number of large and small-scale emission reduction projects in developing countries. The OECD can make an important contribution by providing

fact-based analysis of the economic effectiveness and environmental efficiency of various policy options, including on the design of new market mechanisms. We also welcome further analytical work on Measurement, Reporting and Verification (MRV) to propose practical ways to achieve further progress on global approaches. At the same time, we call upon policy makers to support public-private partnerships, collaborative arrangements and voluntary initiatives to address mitigation and adaptation challenges and to foster technology development and diffusion.

Overall, there is a need to ensure coherence between the low carbon economy road and other key objectives, such as resource efficiency, food security and access to water and energy. The OECD as a multi-disciplinary organisation can make an important contribution in this respect.

II. Water

To succeed with green growth and the eradication of poverty, significantly more attention must be paid to water policy. This is essential to ensure that the economic, social and environmental dimensions of water management can be satisfied and they are integrated with the other essential and interrelated elements of natural and man-made capital. At present, water is generally under-estimated and consequently under-resourced in green growth policies at all levels.

Good management of water resources and efficient delivery of water and sanitation services to the population and the economy is a precondition for sustainable development. It contributes to green growth, underpins the three dimensions of sustainable development and is also essential to poverty eradication. These are compelling reasons for Environment Ministers to address water challenges and to carry forward strong messages to Rio+20. BIAC believes that Environment Ministers should use their meeting to make progress on at least four major water challenges: (i) access to sanitation & drinking water, (ii) wastewater management (iii) sustainable economics for water and (iv) water use and energy use efficiency in agriculture and food production.

These pressing issues impact countries in both the developing and the developed world, albeit in somewhat different ways. To a large degree they are interrelated so that progress in one will have a significant impact on the others. All these issues are covered by the Environmental Outlook to 2050. However, we believe that the position taken by the OECD is partly over optimistic and partly overcautious. We would therefore like to underline again the importance of these key messages and urge Ministers to step up their actions accordingly.

Accelerating access to safe drinking water and sanitation: Ministers should acknowledge the need to accelerate programmes that aim at improving access to drinking water and sanitation both in rural and urban settlements through: i) recognising the needs of the billions of people without satisfactory access to drinking water (using the criteria of the human right to safe drinking water and sanitation, 3.5 to 4 billion people, more than half of mankind, need to be targeted); ii) recognising the urgency to reverse the deterioration of water and sanitation services in urban settings where these programmes are being outpaced

by urban growth; and iii) deciding to monitor, both globally and nationally, the quality of water used by people to identify the current water safety gap better.

Sharing a common vision and adopting an action plan for wastewater management:

Controlling man-made pollution of water and organising successive uses of water are becoming increasingly necessary to protect the health of individuals, to support economic development, to protect ecosystems from harmful pollution and to mitigate increasing water scarcity. Environment Ministers should decide to include the management of man-made water pollution in their global agenda. They should target collection and de-pollution of water after use as well as the organisation of successive uses of water. They should propose to take appropriate steps to adopt a shared vision of urban, industrial and agricultural wastewater management that includes reuse and recycling.

Ensuring sustainable water economics to provide services sustainably: Environment Ministers should promote the adoption of water/sanitation policies that are grounded on the principles of sustainable economics. These include putting into action at national and local level the OECD work on Strategic Financial Planning and Sustainable Cost-Recovery that is necessary for services to be provided sustainably to all users, thus supporting the long-term social, environmental, and economic dimensions of the green economy and poverty alleviation.

Addressing the need to produce more food with the water available: Ministers should adopt an internationally agreed political objective to link food production with water and energy use. This should aim to increase the water and energy productivity of agriculture. Currently agriculture is the largest user of water resources, often with low levels of efficiency. To meet the significant increase in the demand of the growing world population for food, feedstocks, fibres and fuel, the water use and energy use efficiencies of agriculture will have to improve substantially. This will require improved agricultural processes and practices and a combination of agricultural, energy and water management actions. The provision of energy to support development and water services are becoming increasingly water intensive, at the same time as water services are becoming more energy intensive. Competition for these scarce resources is becoming critical in some parts of the world. To meet the increasing demand for energy, freshwater productivity in the energy sector will have to improve significantly.

The contribution of the business community: Businesses, business sectors and collective business organisations are putting into practice policies, technologies and management processes that lead to reductions in water use, improvements in water use efficiency, and the reduction or elimination of pollution and other water related impacts. Many are also working on the development of products and services that require smaller volumes of water in their production. At the same time, they are working on ways to reduce the amount of water that their customers consume when they use these products and services. In spite of this, there are limitations to how far business can progress in these directions on its own. The business community continues to look to governments to provide essential institutional frameworks, integrated allocation and planning, and the provision and analysis of the data that is essential to enable these processes to be conducted effectively.

III. Biodiversity

According to the OECD Environmental Outlook to 2050, biodiversity is projected to decline by about 10% between 2010 and 2050 globally. Biodiversity underpins the functioning of ecosystems. Biodiversity loss is therefore a concern for business, which relies on it either directly or indirectly for the provision of ecosystem services. The benefits of maintaining biodiversity include ensuring sustainable growth, strengthening the supply chain, bolstering stakeholder relationships, attracting socially responsible investors, appealing to consumers, and improving productivity. On the other hand, a lack of biodiversity and ecosystem services can act as a serious constraint to economic and green growth.

The numerous industry-driven initiatives that support biodiversity, including voluntary agreements between the private sector and governments, reveal that industry is highly interested and engaged in the efficient use of natural resources. Many businesses already deal with biodiversity and ecosystem services by optimising resource efficiency and making sustainable use of resources.

Even though the value and benefits of biodiversity for each business sector are different, attaching monetary value to private sector activities and to business costs incurred from the loss of biodiversity is important. The economic value of biodiversity and ecosystem services is highlighted in The Economics of Ecosystems and Biodiversity (TEEB) study, which supports the integration of economics of biodiversity and ecosystem services in decision-making. Recognising the challenges that lie ahead of us, long-term business decisions should include these ecosystem values.

However, for business to continue to play its significant part in promoting healthy ecosystems by further integrating biodiversity into business strategies, it is essential that business and governments work closely together, building on successful private sector initiatives in the field of biodiversity and drawing from lessons in other policy fields.

A coordinated whole-of-government approach that spans across sectors and value creation chains is required to promote the conservation and sustainable use of biodiversity. This approach should consist of policies that take into account a range of different challenges, including environmental, energy security, renewable feedstock, agriculture, and water challenges. Policymakers should take into account that value creation chains are complex and multidimensional. Therefore, new policies should be based on sound analysis of environmental as well as socio-economic impacts. Equally important is ensuring policy cohesion across borders, since, activities in one country might affect the biodiversity of another. OECD can play a key role in this respect, by providing guidance to policymakers and facilitating global discussions.

Innovation will be essential for fostering biodiversity and vice-versa. Nature can provide knowledge for the development of new technologies that in turn protect the environment and address biodiversity loss. Hence, policies should be designed to advance research and enable the development and adoption of innovative technologies and capacity building, while making sure appropriate IPR protection is in place. Biodiversity policies should be based on sound principles and take into account economic and social impacts as well as different circumstances in different countries.

Furthermore, a clear, long-term and predictable policy framework is essential for companies to be in a position to make investment decisions based on a transparent set of policies related to biodiversity. BIAC also believes that initiatives to educate the public, e.g. through sharing good practices and public-private schemes, can improve the understanding of the value of biodiversity and should therefore be encouraged.

BIAC agrees with the OECD Environmental Outlook that biodiversity loss will be a key environmental challenge for the coming decades and appreciates OECD's continued work in this area. To date, OECD has produced important analysis, among others on economic policies that promote the conservation and sustainable use of biodiversity as well as innovative approaches for international financing for biodiversity.

The OECD is uniquely positioned to highlight the concrete economic benefits associated with healthy, biodiversity-rich ecosystems and to identify business opportunities in this field. We encourage OECD to continue its important work in providing governments with the analytical background to help them design policies for the conservation and sustainable use of biodiversity.

IV. Chemicals

The environmental health chapter of the OECD Environmental Outlook to 2050 among others addresses the effects of human and environmental exposure to chemicals. In this respect, BIAC would like to draw Ministers' attention to the important work of the OECD on environmental health and safety (EHS) issues and the role played by the chemicals industry.

For over 40 years, the OECD EHS programme has made a major contribution to reducing barriers to trade, optimizing the use of resources, and saving time and money for governments and industry through cooperative working on chemicals, pesticides and biotechnology. A study carried out in 2010 demonstrated that the OECD EHS programme leads to cost savings of around EUR 153 million per year by seizing opportunities for work sharing and harmonisation in the areas of testing and assessment. This programme is as such unique at the OECD in that it has quantified in monetary terms the value and cost-savings it generates, in addition to broader qualitative benefits, such as the health and environmental gains from governments being able to work together.

The chemical industry is an extremely diverse sector and an important part of the world economy. The output from the industry is an important input to many other industry sectors and is present in countless products which are part of our everyday lives. The industry is committed to acting responsibly and transparently and in partnership with governments to ensure that its products meet the most demanding safety requirements. Through BIAC, the chemicals industry is involved in the wide range of OECD EHS activities and contributes its unique perspective and practical experience to the development of policies and programmes for testing and assessment and other policy work.

In BIAC's view, the OECD EHS programme should continue to play its role as a key forum in the global context for leadership on evaluation, assessment and management issues. The development of high quality tools and guidance on technical issues as well as the sharing

and mutual assistance among members and non-members should remain the cornerstone of its future programme of work.

BIAC believes that the specific value added of the core parts of the OECD EHS programme lies in its concrete cost-saving effects for industry and government by harmonising testing and assessment approaches and avoiding duplicative data requirements. Continuing budgetary pressures in many countries will create the need to look for further efficiencies. We therefore actively support OECD's technical work that promotes the cost effectiveness of policy measures by ensuring consistency and coherence in the sector's management.

Out of the current programme of work, BIAC would like to highlight, among others, the importance of the following activities: Creating and adopting harmonised test guidelines; the evaluation of existing chemicals and the development of tools, resources and mutual understanding to help share the burden and avoid duplication; work-sharing activities in the area of pesticides; harmonisation of requirements for the risk assessment of genetically modified plants, animals and micro-organisms; cooperative work to address the safety of manufactured nanomaterials; streamlining the evaluation and approval of new chemical products.

The OECD should also continue to play a key role in global discussions, including the implementation of the Strategic Approach to International Chemicals Management (SAICM) to ensure that countries can benefit from the valuable technical guidance and capacity building resource developed by the OECD.

While industry is fully committed to continue to make further progress towards reducing any negative impact on human health and the environment through responsible management, we also call upon governments to recognise that chemicals provide many benefits that help address global challenges, for example, by providing protection for crops and increasing yields, preventing and curing disease, enabling new sources of energy, reducing emissions, and providing insulation. In this context, BIAC welcomes work that is being initiated on the contribution of nanotechnology for green growth.

BIAC sees a unique and continuing role for OECD in promoting mutual acceptance of data and international harmonisation, while at the same time recommending that the Organisation take on a leadership position in the ongoing discussions on global chemicals management, contributing among others its economic perspective. BIAC looks forward to continuing its contribution at all levels of the OECD EHS programme and assisting the OECD and its members in bringing these programmes forward.