

RIO2012 PREP COM II: SESSION 2
7 MARCH 2011
BUSINESS AND INDUSTRY MAJOR GROUP
GREEN ECONOMY IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT
AND POVERTY ERADICATION

Thank you Mr. Chairman

Business has been engaged in Sustainable Development since Agenda 21 and is a substantive participant to shape and implement the concept of 'Green Economy' at both, the policy and the market level through a combination of regulatory and voluntary measures.

Business delivers a great deal of the jobs, investments, technologies, products and services that drive the changes and **innovations** needed to move towards a Green Economy – or rather Green Economies.

The business community believes that the term "green economy" is embedded in the broader sustainable development concept. The "green economy" is described as an economy in which economic growth and environmental sustainability work together in a mutually reinforcing fashion while supporting progress on social development. Business and Industry has a crucial role in delivering the economically viable products, processes, technologies, services, and solutions required for the transition to a Green Economy.

Part of the challenge and opportunity for business and industry is to understand the concrete possibilities of a 'Green Economy' with its opportunities and risks for its many sectors in both developed and developing countries. Therefore the actions needed to transition towards "Green Economy" also vary from sector to sector and from a developed and developing country perspective but GE must deliver economically viable products and services.

Cost-effective approaches are fundamental to succeed in greening economies along global value and supply chains. Whether taxes, subsidies or other policy instruments are employed, they need to be based on cost-benefit analysis, be transparent, non-distortive, economically viable, environmentally sustainable, and socially effective.

As many governments have said, there is no one size fits all approach and the Green Economy seeks to green ALL elements of the economy in their own ways. Therefore we support the notion that rather than word-smithing around one single definition, GE needs to define the direction of the innovation into the direction of 'Sustainable Development and poverty eradication' with a set of commonly agreed principles and. It is thus a unifying theme that defines the 'direction' in which the global economies needs to move and create the respective alignments with.

As said, business views 'Green Economy' through the lens of companies and industrial sectors that operate in supply and value chains. Many of our value chains are global so a global level playing field is therefore important to avoid some of the concerns and challenges raised by others. Business works with its respective stakeholder constituencies in the value chain across the life cycle of its products. Business and Industry also works with and across national contexts where we can offer specific technology expertise, product solutions and innovative best practices to work with governments and others to make this transition on this systemic challenge of Green Economy.

Green Economy and International Environment Governance (IEG) go hand in hand and need to become mutually reinforcing as there is a need for structural change in the institutions that govern the global economies. Improving these institutions and their ability to enable the right frameworks are critical so all actors can deliver on their shared responsibility and ensure better coordination and policy implementation.

We support and expect an actionable and measurable outcome of Rio+20. A Global UN Green Economy Roadmap with would clearly articulate Green Economy principles may be a way to start as it would set measurable targets, deliverables and timelines and achieve shared understanding of the role of the various

actors and what these actors needs to do. It would also improve coordination, alignment and sharing of best practices.

Questions (from Annex to Agenda of PrepComII)

1) What specific instruments should a government prioritize as part of a green economy strategy?

Business is an indispensable partner to governments in developing their green economy strategies.

Part of the challenge and opportunity for business is to understand the concrete possibilities of a “Green Economy” with its opportunities and risks for its many sectors in both developed and developing countries. As governments look at instruments to shape and prioritize their green economy strategies, business would like point out that there is no ‘one size fits all approach’ since the requirements to implement the concept of Green Economy at the National level are different from country to country and region to region just as they are for business sectors.

Governments play a significant role defining the conditions for and enabling a transition to greener economies. Enabling policy frameworks will be necessary for making continuous improvement in greening products, services and productions processes while companies remain competitive. While green stimulus actions taken at the domestic level were probably a necessary first step, greening economies will occur best in the context of globalized markets in order to take into account the interconnected and integrated nature of various economies. Ultimately, ‘Green Economy’ must become self sustaining with an objective to foster innovation, rather than mandate innovation.

Governments should consider instruments that accelerate the transition to ‘Green Economy’ in their respective national contexts while bearing in mind a common set of principles such as the one that a green economy must keep its industries competitive by providing commercially viable products and services, and at the same time contribute to environmental sustainability and progress on social development.

Specifically governments should:

- Create a stable economic system including intellectual property rights protection, strong contractual arrangements and open trade;
- Create the enabling frameworks to advance capacity-building in developing countries.
- Define cost-effective solutions and supporting mechanisms for advanced infrastructure development including broadband information and communications technologies;
- Provide support to address investment risks related to the development of so called green solutions (e.g. technologies);
- Recognize and support the many avenues for green innovations and dissemination.

While there are several initiatives getting underway in some countries to transition to a greener economy, these are mainly domestic or national and dependant on public sector support. For the transition to reach its potential and be sustainable, and for companies operating in numerous countries and within global marketplaces, the next steps in this arena will have to address the need to follow an international cooperative approach and segue from public support and subsidy to market-based efforts that are valuable and internalized within the private sector.

Education for Sustainable Development is a prerequisite to build the capacity and awareness required to accelerate the transition to Green Economy at National, regional and global level. We urge intergovernmental bodies and National governments to step up their educational programs to empower young people towards sustainable development education and create opportunities for entrepreneurship through public private partnerships, new collaborations between business, government, the scientific community and universities. Such collaborative efforts can play a major role in building the essential knowledge, skills and empowerment required for the transition to a green economy.

2) What sort of tax policy will best promote a green economy that stimulates job creation?

As the Green Economy concept is global in scope, it seeks to green all elements of the economy in their own ways and the policy instruments to do so will vary from the developed to developing countries.

Therefore, business does not share the view that there is a direct correlation between tax policy and job creation.

Policy makers, businesses, and consumers require objective and fact-based information so that they have a clear understanding of the challenges to be addresses and the changes that will be needed.

There are a number of different economic instruments to promote Green Economy, including tax policy, fiscal instruments and tradable permits, which aim at promoting the production and use of environmentally sound products and processes within a market framework. By enabling industry and consumers to adapt to market signals, such instruments are intended to provide greater flexibility than traditional command and control regulations.

Whether taxes, subsidies or other policy instrument are employed, they need to be based on cost-benefit analysis, be transparent, non-distortive and economically, environmentally, and socially effective.

As for job creation, the challenge in the developed world is to return to full employment while the challenge in the developing nations is to create the employment to overcome poverty. It is important that policies aimed to create 'green' jobs do not come at the cost of a net reduction of jobs across the overall economy.

Definitions and assumptions about the greening of jobs must be broad and comprehensive. In making stark distinctions between "green" and presumably non-green jobs, we miss an opportunity to reflect on how to raise our sights, so that all jobs become greener. A return to economic growth and enabling frameworks for job creation and investment for innovation is critical to poverty eradication and economic development.

Skills and capacity is needed when planning the transition to a green economy and jobs. Governments, workers, and business alike will have to meet the skills demands of evolving labor markets, while recognizing that, also here, there is no one size fits all solution adequate to the myriad contexts and realities that will emerge;

Business is a substantive participant to shape and implement the green economy concept at both, the policy and market level. Compared to the public sector in most countries, business delivers a great deal of the jobs, investments, technologies, products and services that drive the changes and innovations needed to move towards a Green Economy. The business community is thus a major source of job creation, achievement and innovation towards Green Economy.

However, the right skills for the right jobs are needed when driving the transition to a green economy and jobs. Governments, workers, and enterprises alike will have to meet the skills demands of evolving labor markets, while recognizing that there is no one size fits all solution adequate to the myriad contexts and realities that will emerge. Stepping up global education programs for Sustainable Development mentioned above may help in creating the right skills for the right jobs and foster the entrepreneurial mindset required to implement Green Economy concepts.

3) How best to scale up successful local models of green economy?

If there are local models that work in one part of the world and that could be scaled up to another part of the world, this should be promoted wherever possible as it will enhance capacity building and accelerate the transition to a green economy.

Business is willing to share its Best Practices and Case Studies with governments and stakeholders to promote shared learning for scale up. The chemical industry for example, has developed a 'Global Product Strategy, as a system for safe chemicals management along the value chain so governments, downstream users and SME's in the value chain can utilize this information to promote not only the sound production but also safe use of chemicals which serve as the building blocks for any other sector in society.

Successful local models can serve as pilot studies to broader mainstreaming efforts and scaling them up to a higher level will speed up the transition. Scaling up such models will create new economic business growth opportunities while at the same time create the employment and capacity needed to transition to Green Economy.

4) What do business need to do differently to promote a green economy?

Business is indispensable to delivering on the concept of 'green economy'.

It already delivers a great deal of the jobs, investments, technologies, products and services that drive the changes and innovations needed to move towards a Green Economy – or rather Green Economies.

In business, all activities must be measured and accounted for. Profit and loss statements and accounting balance sheets are standard operating procedures. Many companies have made commitments to further reduce their global environment footprints through corporate sustainability programs with measurable goals, targets and deliverables to reduce their resource use and increase the efficiency of their production systems, and design of their products. Many companies have also subscribed to global initiatives such as the Global Reporting Initiative, or voluntary industry sector wide initiative such as 'Responsible Care' that enhance the transition to Green Economy and Sustainable Development.

Business can step up its efforts to raise more awareness about its existing commitments and achievements already made. At the same time, in the run up of Rio+20, business is committed to working with Intergovernmental Bodies and National Governments to develop a set of global principles for Green Economy to which all actors may wish to agree and abide to.

Many of the products and technologies have already been invented but not all of these products and technologies are delivering the commercial and economic returns required. A Green Economy must deliver commercially viable products and services. Therefore, the concepts of sustainable production and sustainable consumption should be further promoted so that markets and regulatory mechanisms can work in a mutually reinforcing manner.

Since business works their respective stakeholder constituencies in the value chain across the life cycle of its products, it is committed to offer specific technology expertise, product solutions and best practices to work with governments, whether national or inter-governmental level and other stakeholders to make this transition on this systemic challenge of Green Economy.

Business also wishes to point out that 'Green Economy' is a term used by policy makers that defines the direction in which the world needs to move. However, the business community today does not differentiate between green and other investments and it has no standardized measures in Profit and Loss statements for Green Economy nor are there specific accounting standards which would differentiate between green and non-green investments. In order to implement 'Green Economy', systemic and macropolitical change is needed and business encourages policy makers to speed up work towards the development of suitable indicators and measures beyond GDP.

What business can do differently is to be more active in this debate, better share its commitments already made and the results achieved as well as the solutions going forward. In this regard, business views the dialogue with National Governments and the Intergovernmental System as key tool to complement bottom up and tops down approaches in a mutually reinforcing manner to leverage best practices, case studies and public private partnerships and create new alliances to accelerate the transition.

5) What are the main likely cost of a transition to a green economy and how can they be financed?

The costs of action, the cost of inaction, financing and affordability are important considerations for all actors in advancing the concept of Green Economy.

Greening and disseminating Technologies and Products are key factors to speed up the transition to Green Economy. While many technologies and products are already invented, new and innovative business models and management systems will be needed. All sectors, each one through its own set of strategies

and actions, can contribute to Green Economy and sustainable development, and not just “green sectors.” We therefore encourage governments to keep options open and avoid picking “winners” (green sectors) and “losers” (brown sectors).

In order to overcome these barriers, governments need to create a policy environment that rewards cost effective and resource-efficient choices that also encourage innovation. Economic and financial incentives and government support for professional training and consulting, research, development and deployment may be a first step.

Capacity building is a global priority for business as it not only creates knowledge and jobs but enhances economic growth. Business is engaged and committed to step up its efforts in capacity building in emerging economies and willing to collaborate with National governments and Intergovernmental bodies to accelerate capacity building efforts.

Reinforcing the markets for resource efficiency through innovative mechanisms, such as standards, labels, public-private partnerships and energy performance contracting, may lead to increased certainty and demand for resource efficiency which will foster private sector initiatives.

Accounting measures and standards will be required to understand and benchmark the transition to Green Economy. Currently no measurement system is existing and thus the cost of the transition, the cost of action or in-action cannot yet be clearly evaluated.

Business recognizes the need for new cooperative efforts to integrate environmental externalities. While the concepts may be clear and understood at the directional level, in many cases, the indicators and methodologies to evaluate such externalities still need to be developed. In order to do so, the global scientific understanding needs to be enhanced and actors need to collaborate to develop acceptable methods and methodologies as tools value such externalities.

6) What are key elements of a supportive international framework for an equitable Green Economy vis-à-vis trade development assistance, development?

Green Economy is about more than new products and technological change. There is a need for structural change in the institutions that govern the global economies. Improving these institutions and their ability to enable the right frameworks are critical prerequisites for all actors to deliver on their shared responsibilities and ensure better coordination in policy implementation.

In this regard, business supports to

- Strengthen the science-policy interface with the full and meaningful participation of developing countries. This must also include channels for credible and robust science from stakeholders, particularly B&I. Science must be a foundation of policy in this arena, but cannot dictate policy.
- Develop a system-wide strategy for environment in the United Nations system. All agencies must evolve to better accommodate all three pillars of sustainability. This must be better coordinated to avoid duplication, proliferation of agencies and “mission-creep.”
- Encourage synergies between compatible multilateral environmental agreements. However, preserving and complementing the independence and tailored nature of multilateral agreements must be a priority.
- Create a stronger link between global environmental policy making and financing, to widen and deepen the funding base for environment. Governments must approach the challenge of the overall framework of intergovernmental institutions with more deliberate and strategically guided resourcing, as well as more vigilant oversight.
- Develop a system-wide capacity-building framework for the environment. Implementation of the Bali Strategic Plan for Technology Support and Capacity-building throughout

7) What decisions could UNCSD take to support a green economy which advances poverty eradication and SD in all countries?

At the one hand, business works with their respective stakeholder constituencies in the value chain across the life cycle of its products and across national contexts. At the other hand, business partners with National Governments where it can offer specific technology expertise, production capabilities, product solutions and best practices such as innovation clusters to accelerate the transition Green Economy.

Business supports a high level analysis of the Achievements of Agenda 21 and the gaps so learnings can inform the way forward.

Business also support the roadmap development mentioned above as it would enhance the shared understanding of the direction and improve alignment, coordination and build on best practices. Business would like to see a set of transformational partnerships coming out of the Rio+20 process with clear goals, targets and deliverables.

As for the role of the UNCSD and UNEP, business supports to increase the capacity of UNEP regional offices to be more responsive to country environmental needs. Regional offices can play an important role in adapting global programs to national circumstances.

Consultative Group's options for IEG institutional reform

- UNEP should be strengthened and enhanced. The environment must have an authoritative and responsive voice, and UNEP should be that voice.
- Business supports the option of "Enhancing institutional reforms and streamlining existing structures," as the primary vehicle for advancing larger "sustainability" goals. The Consultative Group's ultimate goal of integration of the three pillars requires all the economic, social and environmental institutions to adapt in the direction of greater sensitivity and responsiveness to the other pillars.
- UNEP has a vital role to play in the coordination efforts to effectively address environmental issues within the overall context of sustainable development. However, the three pillars of sustainable development should be addressed in a balanced, comprehensive and coordinated way. UNEP must bridge more effectively to realities of economic and social dimensions, just as it must aid other intergovernmental institutions in bridging more effectively to the environment.
- Integration of environmental consciousness and considerations needs to be more fully integrated into the evolution in mutual adaptation among the intergovernmental organizations, within and outside the UN system, since enhancing sustainability requires their missions to become mutually supportive. Establishing any single pillar as preeminent is counterproductive, particularly when that range extends so far beyond even the UN family (WTO and related institutions, and the IFIs).