

10 conditions for a transition toward a **GREEN ECONOMY**



Prepared by the ICC Commission on Environment and Energy
Task Force on Green Economy



International Chamber of Commerce
The world business organization

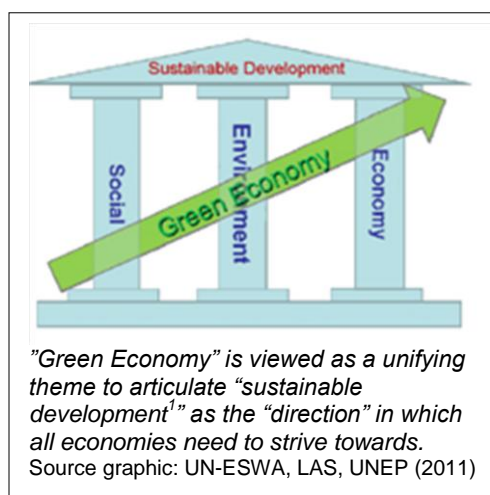
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Global policy context on green economy

The “green economy” concept has emerged prominently in various intergovernmental forums such as the United Nations Environment Programme’s (UNEP) Green Economy Initiative, the Organisation for Economic Co-operation and Development (OECD) Green Growth Strategy and in discussions among G20 leaders. In addition, “green economy in the context of sustainable development and poverty eradication” has been declared a priority theme for the United Nations Conference on Sustainable Development in 2012 (Rio+20). Clearly governments around the globe are seeking ways to define and shape this concept into meaningful policy frameworks that advance economic growth while enhancing environmental protection and social progress.

Definition and terminology

“Green Economy” is a term principally utilised by policy makers. There is no single agreed definition, set of indicators or financial measurements for what exactly the “Green Economy” consists of. Global business would therefore rather focus on “greener economies” which acknowledges the many challenges and opportunities present across sectors and value chains. However, for the purpose of the upcoming United Nations Rio+20 Conference on Sustainable Development, we acknowledge the term “Green Economy” as a policy term and view it as a unifying theme to articulate “sustainable development¹” as the “direction” in which all economies need to strive towards while acknowledging existing tensions and current global economic turmoil. Whilst the concept is global in scope, the priorities and actions needed to transition towards a “Green Economy” may vary from sector to sector, value chain to value chain, and specific national circumstances.



Definition

The ICC Green Economy Task Force has thus defined the term “Green Economy” as follows: **“The business community believes that the term “Green Economy” is embedded in the broader sustainable development concept¹. The “Green Economy” is described as an economy in which economic growth and environmental responsibility work together in a mutually reinforcing fashion while supporting progress on social development. Business and industry have a crucial role in delivering the economically viable products, processes, services, and solutions required for the transition to a Green Economy.”**

¹ ‘Our Common Future’ (1987) or the Brundtland report defines sustainable development as: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Terminology (often used interchangeably)

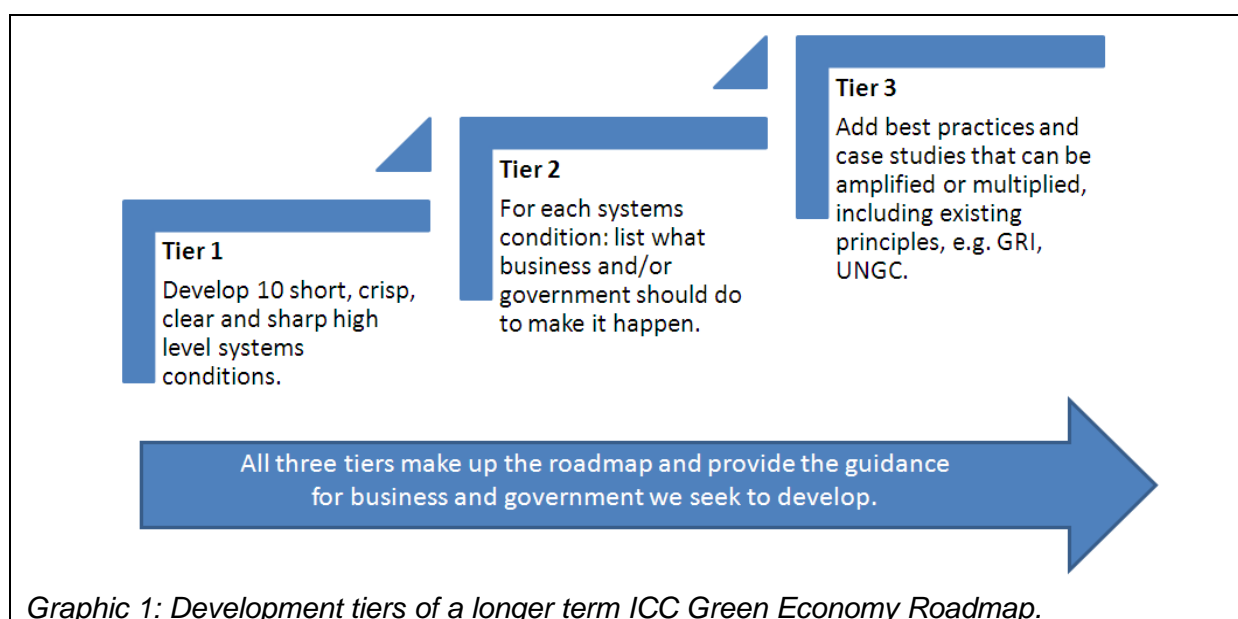
- **Green Growth (Bottom Up) – Operational, Process Level**
What enterprises do every day: Companies “green” products, processes, services, technologies, implement sustainable consumption and production (SCP) practices, “green” their supply chains, drive research and development (R&D) for “green” innovations and solutions, as well as integrate sustainability into business strategies.
- **Green Economy (Top Down) – Strategic, System Level**
The term “economy” applies to the macro-economic policy level and addresses systemic challenges beyond Gross Domestic Product (GDP), including incorporating environmental externalities in economic terms. In this way sustainability is mainstreamed into macro-economic policy.

Business acknowledges the need for shared action and the need to work on both, “bottom up” and “top down” approaches simultaneously. A one-size-fits-all approach does not exist.

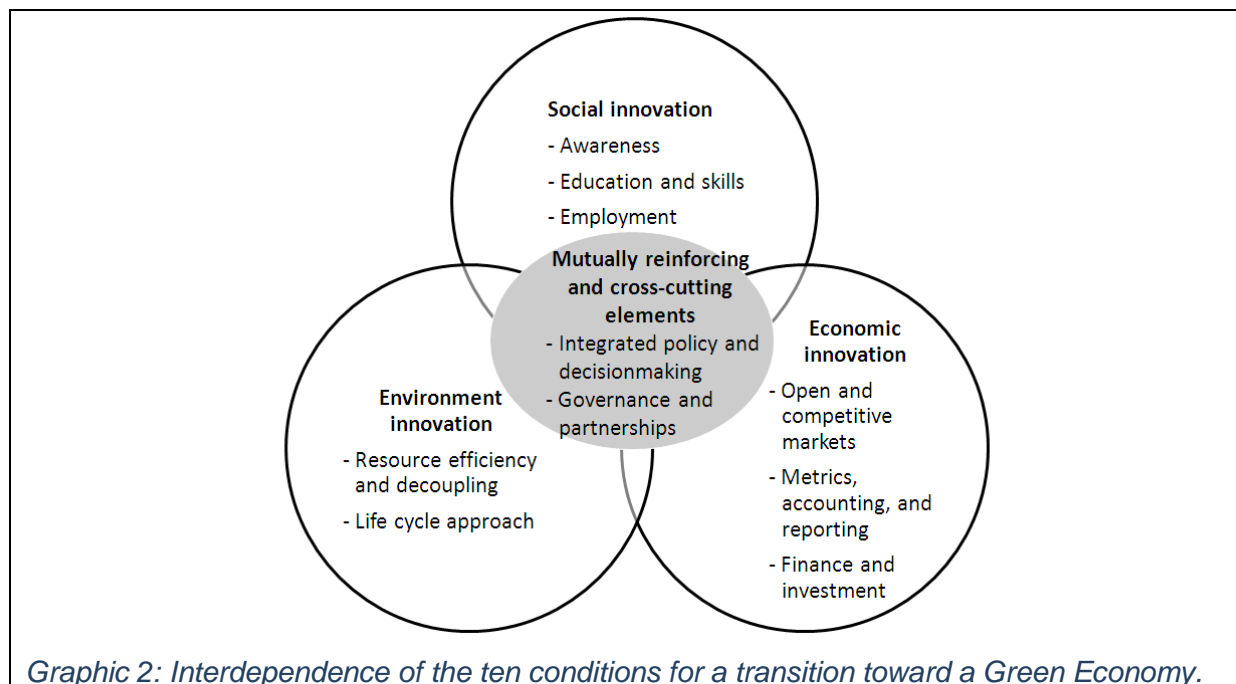
Ten conditions for a transition toward a “Green Economy”

A Green Economy requires the three pillars (economic, social, and environmental) of sustainable development to work in a mutually reinforcing fashion. Efforts by all actors should reconcile the need for short and medium-term profit with longer-term systemic change. Economic growth is and will be essential to provide the resources and social equity necessary to build capacity and finance actions in a transition towards a Green Economy.

The private sector has already taken concrete actions towards building a Green Economy, including reducing environmental impacts across value chains, increasing energy and resource efficiency, investing in low-carbon and renewable energy and reducing waste. To provide guidance for governments on key lessons learned, the ICC Task Force on Green Economy undertook extensive analysis and consultation to determine what is required to further a transition towards a Green Economy, including the development of the following ten high-level conditions that will form the first tier I of a longer term ICC Green Economy Roadmap as outlined below.



Tier I: The ten Green Economy high-level conditions



Social innovation

1. Awareness

The shift towards a Green Economy requires awareness about the depth of global economic, environmental and social challenges as well as new opportunities. Awareness and understanding are pre-requisites for setting priorities and action and require a shift in the global debate. It is a shared priority and challenge for all actors, whether government², inter-governmental bodies, business or civil society and consumers.

2. Education and skills

Education is paramount for the “operationalization” of the Green Economy. Education must be enhanced by policy makers, academia and business in order to build the skills and entrepreneurship needed for implementation. All skill requirements will be affected from continuously evolving environmental and scientific understandings. A Green Economy should seek to develop the necessary skills in STEM³ and inter-disciplinary disciplines, in human and natural capital, sustainable livelihoods and capacity building.

3. Employment

Employment is a critical element for the economy, the environment and social development. A Green Economy provides decent and meaningful employment and promotes employment throughout the world, especially as a means to overcome poverty. Policies aimed to create so called “green jobs” should not come at the cost of a net reduction of jobs across the overall economy. A distinction between “green” and “brown” jobs must be avoided as all jobs contribute to green all aspects of the economy.

² “Government“ is used as an umbrella term for governments at national, regional, and local level.

³ STEM: science, technology, engineering, and mathematics

Environmental innovation

4. Resource efficiency and decoupling

A Green Economy recognizes that the world’s resources are finite and must be managed with scarcity in mind. It enhances the resource efficiency of materials flows through the principle of “more from less”. It also seeks to take into account the economic value of natural capital and ecosystem services. Over the long term, Green Economy strives to increase economic, social, and environmental benefits to achieve sustainability while decoupling economic activities and societal developments from negative environmental impacts.

5. Life cycle approach

A Green Economy adopts a life cycle approach which involves further minimizing the environmental footprint of all economic activity through applying science and acknowledging emerging knowledge. The life cycle of a product starts at raw material extraction, research on conceptual design and development of products and services, manufacturing, distribution, use and end of life treatment options such as recycling, recovery and re-use or re-manufacturing. At every stage of the life cycle of a product, process, technology or service, critical questions about costs, benefits, environmental responsibility and social impact are being addressed. A life cycle approach also helps identify hidden opportunities and accounts for unintended consequences, spillover implications, and competition for resources.

Economic innovation

6. Open and competitive markets

A Green Economy emphasizes the importance of sustainable growth and access to open, well-functioning, and efficient markets. It recognizes that relying on markets is indispensable to the evolution of both societies and companies toward greener economic activity and prosperity. In order to become a functional economic system, Green Economy needs to become ingrained in international and global markets and operationalized in the market and business balance sheets. Economy-wide approaches should be adopted that include receptive markets for delivering business value and commercially viable products and services along the value chain.

7. Metrics, accounting, and reporting

For a Green Economy to become operational, indicators, metrics, accounting measures and better disclosure and reporting must be developed that make sense in economic terms while ultimately including the cost for externalities. This entails the simultaneous pursuit of developing operational green growth measures at company level (bottom up) and strategic macro-political accounting standards and economic indicators at the system level beyond Gross Domestic Product (GDP; top down). A flexible approach which balances the cost-benefits remains critical for success; flexibility will also be essential to incorporate new knowledge and scientific understanding in coming decades.

8. Finance and investment

A Green Economy actively drives innovation in private and public finance and investment into the direction of sustainable development. To succeed, it should set supporting policy and regulatory frameworks that promote informed investment decisions for both public and private investors. It stimulates new demand for innovative and responsible businesses and government services through transparency. It also provides appropriate public-private engagement mechanisms that look beyond short-term pressures and focus on the development of long term shared value.

Mutually reinforcing and cross-cutting elements

9. Integrated environmental, social and economic policy and decisionmaking

A Green Economy requires a holistic approach to decisionmaking. It integrates and balances policies with respect to environmental, social and economic priorities by considering the intended and unintended consequences of interlinked policies that may result in synergies or barriers and promote or hinder economy-wide, greener growth. Consequently, it will be essential to enhance scientific input and consider perspectives from a variety of stakeholders to assess policy pathways and to improve processes moving forward.

10. Governance and partnerships

A Green Economy is based on governance structures that allow all actors to meet their shared responsibilities. Governance structures at local, regional, national and global level need to be aligned and mutually reinforce each other for innovation to occur. Elements include but are not limited to multilateral rules-based trade and investment, a stable economic environment governed by the rule of law, including effective intellectual property rights protection, strong contractual arrangements, and safe and stable communities. A key modus operandi of a Green Economy is working through new approaches that facilitate innovative collaborations between business, government and civil society. Such collaborations can take many forms including public private partnerships, business value chain engagements and alliances with academia and consumers. No one can do this alone.

The International Chamber of Commerce (ICC)

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote trade and investment across frontiers and help business corporations meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the last century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rules-setting, dispute resolution and policy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. These include financial services, information technologies, telecommunications, marketing ethics, the environment, transportation, competition law and intellectual property, among others.

ICC enjoys a close working relationship with the United Nations and other intergovernmental organizations, including the World Trade Organization, the G20 and the G8.

ICC was founded in 1919. Today it groups hundreds of thousands of member companies and associations from over 120 countries. National committees work with their members to address the concerns of business in their countries and convey to their governments the business views formulated by ICC.

About the ICC Task Force on Green Economy

The Green Economy Task Force working under the auspices of the ICC Commission on Environment and Energy was launched in October 2010 to prepare, amongst others, ICC business and industry input into the United Nations Conference on Sustainable Development in 2012 and to develop a business response to the UNEP Green Economy Initiative. The task force currently consists of approximately 90 members from a variety of sectors worldwide seeking to advance the Green Economy concept with their respective stakeholder constituencies and national contexts and works in consultation with the ICC global network. For further information, please visit:

www.iccwbo.org/policy/environment

Contact:

Andrea Bacher, Policy Manager - Environment and Energy
International Chamber of Commerce (ICC)
phone: +33 1 49 53 28 48 – email: andrea.bacher@iccwbo.org



International Chamber of Commerce

The world business organization

Policy and Business Practices

38 Cours Albert 1er, 75008 Paris, France

Tel +33 (0)1 49 53 28 28 Fax +33 (0)1 49 53 28 59

E-mail icc@iccwbo.org Website www.iccwbo.org