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GLOBAL GREEN NEW DEAL

POLICY BRIEF

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Contents

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Global Green New Deal
– A Policy Brief

1. Executive Summary

The world today finds itself in the worst financial and economic crisis in generations. The financial crisis has triggered an unprecedented policy response: interest rates have been dramatically reduced, in some cases down to almost zero, and hundreds of billions of dollars in liquidity support and fresh capital have been provided to banking systems around the world. Moreover, governments are planning to deploy fiscal resources on an unprecedented scale: at the time of writing, proposed fiscal stimulus packages totalled around US$3.0 trillion globally.[1]

The question arises: are these responses going to create a post-recession economy that is sustainable in the medium to longer term? And would it not be efficient and wise to invest now to build that future sustainability, while stimulating the economy for growth, jobs and tackling poverty?

A recent research paper[2] commissioned by UNEP argues that an investment of one percent of global GDP over the next two years could provide the critical mass of green infrastructure needed to seed a significant greening of the global economy (of course, the specific focus of the investment will differ between developed and developing countries, as would the mix of fiscal and aid funding). The overall size of this recommended "green" stimulus is well within the realm of the possible: at one percent of global GDP, (i.e. approximately US$750 billion) it is only a fourth of the total size of proposed fiscal stimulus packages.

The Global Green New Deal (GGND) presented here has three broad objectives. It should make a major contribution to reviving the world economy, saving and creating jobs, and protecting vulnerable groups. It should promote sustainable and inclusive growth and the achievement of the MDGs, especially ending extreme poverty by 2015. Also, it must reduce carbon dependency and ecosystem degradation – these are key risks along a path to a sustainable world economy.

Our consultations and our commissioned research[3], summarized here in this Policy Brief, make a strong case for the active "greening" of proposed fiscal stimulus packages. However, this must also be backed by necessary changes in international and domestic policy architectures, as the current framework is biased in favour of resurrecting an unsustainable "brown" economy. Our proposals (see Section 3) are therefore grouped under three categories – targeted stimulus spending in 2009-10, changes in domestic policies, and changes in international policy architecture. Furthermore, we recognize that many less developed countries do not have the resources of their own and will have to rely on foreign aid and support, both financial and non-financial.

We propose that the fiscal stimulus (to be applied over 2009 and 2010) should prioritize energy-efficient buildings and investments in sustainable transport and renewable energy. Developing countries should prioritize investment in agricultural productivity measures, freshwater management, and sanitation, as these have demonstrable and exceptional social returns. Domestic policy reforms are recommended to substantially reduce perverse subsidies (eg: fossil fuels) and instead to create positive incentives and appropriate taxes which will encourage a greener economy. Domestic reforms should also address some common issues in land use and urban policy. Integrated management of freshwater would also require some domestic policy changes, and this should be prioritized by developing countries. Domestic policy responses should be based on effective monitoring and accountability and integrate the principles of environmental accounting.

International policy architecture needs attention in the areas of trade, aid, carbon pricing and technology and policy coordination. Global carbon markets should be created through the Copenhagen process under the United Nations Framework Convention on Climate Change (UNFCCC) in order to improve the price signaling thus far achieved, and a re-vamped and more inclusive Clean Development Mechanism (CDM) is part of that need. Proposals to develop global markets for ecosystems services should also be developed. The GGND will need international coordination to be effective, and the UN organization should support and provide that function.

2. A Backdrop of Multiple Crises

In 2008 the world witnessed the worst financial crisis of our lifetime, triggering the start of the most severe recession since the Great Depression of the 1930s. In 2009 the number of the world's unemployed could rise up to 50 million over the 2007 level.[4] Every one percent fall in growth in developing economies translates into an additional 20 million people consigned to poverty.[5] This happens at a time when economic inequality globally and within countries has been on the rise, widening the gap between the haves and the have-nots.

As governments devise a new international financial architecture to prevent future crises of this scale and find ways to jump start economic recovery, they need also to recognise and address the risks from another brewing crisis with sweeping impact – climate change. The current level of atmospheric CO_2 concentration is already at an ecological threshold if no drastic actions are taken immediately. The world's poor are especially vulnerable to climate-induced rising sea levels, coastal erosion, and frequent storms. Around 14 percent of the population and 21 percent of urban dwellers in developing countries live in low-elevation coastal zones that are exposed to these risks.[6] Sixty percent of the world's largest urban areas with a population over five million are located within 100 km of the coast. This includes 12 out of 16 cities worldwide with populations greater than 10 million.

Indeed, the world today is in the grip of multiple crises.

The price of oil hit nearly US$150 per barrel in 2008.[7] Although the outbreak of the financial crisis and the ensuing recession brought a significant correction to below US$40 per barrel, the fuel crisis remains real. The International Energy Agency (IEA) predicts that the price of oil may reach US$200 per barrel by 2030 due to rapidly increasing demand in contrast to increasingly constrained supply[8] and, at such levels many developing economies may no longer be able to afford oil imports.

Another crisis exists for food. In 2007, the upsurge in the prices of food grains cost developing countries US$324 billion, the equivalent of three years worth of global aid.[9] Although the recession has also brought down food prices, the issue of food security is not to be dismissed. To feed a growing population, the world's food production must double by 2050.[10] But biodiversity and ecosystem services, which ultimately determine the future sustainability of agricultural productivity, are eroding rapidly. This erosion is particularly damaging for subsistence farmers and pastoralists who depend predominantly on ecosystem services such as the regular and free flow of water and nutrients from forests to aquifers to their fields.

Last, but not least, is the persisting water crisis. One in five people in the developing world lacks access to sufficient clean water. At the same time demand for water for competitive uses is growing and water availability in many parts of the world will increasingly be affected by climate change (changing patterns of precipitation, melting glaciers, droughts). About half the developing world's population, or 2.6 billion people, do not have access to basic sanitation.[11] Although the number of people with access to basic sanitation grew by half from 1990 to 2004, the number without sanitation remained essentially the same, because of population growth.[12]

Collectively, these global crises are severely impacting our ability to sustain prosperity in the world and to achieve the Millennium Development Goals (MDGs). They compound and exacerbate persistent social problems of job losses, socio-economic insecurity and poverty which threaten social stability in developed, as well as developing, countries.[13]

Although the causes of these crises vary, at a fundamental level they share a common feature: the gross misallocation of capital. In the last two decades, much capital has been poured into property, fossil fuels, and structured financial assets with embedded derivatives, but relatively little has been invested in renewable energy, energy efficiency, public transportation, sustainable agriculture, and land and water conservation.

Some governments are now launching massive stimulus packages to restore economic growth and employment prospects. There appears to be widespread consensus that such investment and spending is needed to restore growth and jobs. What is not clear, however, is whether the post-crisis economy that emerges will itself be sustainable or whether it will be a resurrected "brown economy" with its traditional dependence on low-energy efficiency, non-sustainable energy sources, high materials use, unsustainable use of our ecological commons and a high degree of climate risk. If these financial resources were to flow into unsustainable sectors, societies would risk reproducing the imbalances and vulnerability which caused the current crisis and therefore risk perpetuating the multiple crises the world now faces. The Global Green New Deal proposed here aims to address these risks while achieving an efficient and sustainable solution to our multiple crises.

3. A Global Green New Deal

Seventy-five years ago, during the depths of the Great Depression, US President Franklin D. Roosevelt launched a "New Deal". It included a series of wide-ranging programmes to provide employment and social security, reform tax policies and business practices, and stimulate the economy. These programmes included the construction of homes, hospitals, schools, and other public buildings, roads, dams, and electrical grids. The New Deal put millions of people back to work. However this package was not just about fiscal spending and employment generation but about creating a policy framework of governance that modernized US infrastructure at the same time and lasted for the rest of the twentieth century.

The UNEP discussion paper "A Global Green New Deal" argues that today's multiple crises demand the same kind of government leadership, but at the global scale and embracing a wider vision. A Global Green New Deal is proposed as a manifestation of that leadership. It refers to a set of globally coordinated large-scale stimulus packages and policy measures that have the potential to bring about global economic recovery in the short term, while laying the foundation for sustained economic growth in the medium- and long-term. Furthermore, our GGND seeks to enhance the participation of those who are mostly going to be affected – workers, employers, local, regional and subregional governments among others – as a means of broad-basing recovery to be more inclusive and able to meet our objectives.

In Section 3 of this Policy Paper, we highlight the rationale, objectives, and key elements of the policy changes and stimulus allocations that we recommend, and their differing nature and priorities depending on whether the countries in question are developed, developing, or lesser developed economies.
We carry this thinking forward in the Annexes, which illustrate through relevant sectoral analysis and examples the kind of success which our recommendations are targeting. The Annexes summarize what we know of the "green" components of various proposed stimulus packages and their expected outcomes in terms of employment, fostering recovery, and advancing sustainability objectives.

3.1 Rationale for a Global Green New Deal

The first and perhaps the most pragmatic aspect of the rationale is the unique opportunity presented by the multiple crises and the ensuing global recession. The opportunity for a GGND manifests itself in three ways. First, there is widespread acceptance that the old system no longer works and there is consequently a willingness to listen to new solutions. Second, the enormous fiscal resources being released can potentially be used to achieve "critical mass" of investment and employment in order to kick-start the new sustainable paradigm. Third, the architecture for the financial system is being re-written even as we prepare to create the next generation framework for global emissions governance at Copenhagen later this year.[14] This provides an opportunity to co-ordinate the two efforts in a way that avoids a "race to the bottom" and a serious loss of effectiveness.

Secondly, the multiple crises affecting us are global, and there is every reason to suggest that they will exacerbate poverty and accentuate social risks and costs. Therefore, the exceptional returns to investment in developing countries from securing freshwater, providing sanitation and optimizing agricultural productivity must also be captured and invested in as part of any GGND.

Third, the world economy needs the stimulus provided by a GGND because the unregulated market cannot resurrect itself on its own from a failure of a historical proportion without significant and coordinated government interventions.

Fourth, there is much analysis and evidence to show that "green sectors" such as building retrofits and renewable energy have the prospect of leading the global economic recovery while addressing major environmental crises, and doing so with better returns to capital than "brown" development or a "spending spree". Decent new employment generated per billion dollars invested also outstrips competing uses of fiscal stimulus.

Falling employment and income levels are the destabilizing social consequence of the economic crisis. Maintaining and creating jobs and income levels is vital for social stability as well as for restoring aggregate demand to start and underpin economic recovery. Many green sectors have higher employment leverage per unit investment than less green alternatives. There are also very significant opportunities to create employment in green sectors as part of short- term stimulus packages.

The multiple crises are affecting developing countries disproportionately even though they have contributed little to causing them. Developing countries also have limited capability and resources to confront these crises. Fair and just global solutions are the right way forward to address a complex suite of far-reaching global problems, and we believe that the necessary international understanding and cooperation needed to achieve that can be embodied in a GGND.