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"Greening the Economy: Mainstreaming the Environment into Economic Development", 23 September 2011 Keynote Speech delivered by Martina Bianchini, Dow, Chair of the ICC Green Economy Task Force mbianchini@dow.com

Huge achievements been made over the last 20 years in terms of taking the environment into Business and Policy making, ISO 14001, REACH, the Water Framework directive or EMAS are just some examples. Companies also have made significant progress on reporting through initiatives such as the Global Compact and the Global Reporting Initiative (GRI); as well as sustainability reporting. Additionally, there are sectorial initiatives such as the Chemical Industry Flagship initiatives of Responsible Care, and the Global Product Strategy which promote safe chemicals management through environmental measures and capacity building .

The terms 'Green Growth' and 'Green Economy' have been used interchangeably at this conference. From the business perspective, Green Growth means achieving more sustainable production through more resource efficient products and process considerations (bottom up).

'Green Economy' is a policy maker term and the term economy implies the need for macro political and systemic shift (top down) – that ultimately goes beyond GDP. Work on both levels need to advance simultaneously.

(a) What policy mixes have the potential to secure the achievement of a green, inclusive and competitive economy, through an integrated approach, including sectors such as transport, housing, energy, agriculture and education?

- **There is no one size fits All** – as has been said before, greening the economies requires different policy mixes in different countries and business sectors. A policy mix for the chemical industry is different from that of the fisheries sector which differs from the mix required in the ICT Sector.
- **Whatever the policy mix, three considerations should be taken into account:**
 - 1) Ultimately seeking to decouple economic activity from environmental degradation
 - 2) Taking a broader life cycle view
 - 3) Considering the cost-effectiveness and cost benefit analysis of the policy mix (e.g. IP Protection, Confidential Business Information, competitiveness check in the new EU Industrial Policy Framework)
- **Green economies depend on successful enterprises.** Appropriate enabling conditions and frameworks, not just in the environmental area, but across trade, investment, and other economic and social aspects of policy can promote successful sustainable enterprises, including SMEs. Supportive frameworks and regulations are needed for business to contribute fully to sustainable development.



- **There are a number of different economic instruments for environmental policy, including 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.
- **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 are a necessary first step, greening economies will occur best in the context of globalized markets, and become integrated and self-sustaining. The objective is to foster innovation, rather than mandate it.
- **Subsidies** on resources that deplete environmental assets do need to be phased out BUT where the primary recipients of such subsidies are the poor, especially in developing countries, the phase out cannot be de-linked from the availability of a reasonably priced and available alternative. For developing countries, subsidies are a **social stability** issue – and social stability should be duly considered in the phase-out plan.
- **The desired level of financing and investment for ‘green economy’ is still low** as compared to the overall size of the economy. It should be noted that business allocates its investments globally and only when there is sufficient level of regulatory certainty and predictability will such investments be viable and provide the expected return. Governments should not pick industry winners and losers and instead provide regulatory clarity and consistency in order to better stimulate markets towards a transition to a green economy.
- **Sustainable public procurement** should target not only public institutions (government) but also state-owned enterprises, due to their dominant, market-mover characteristics in developing countries.

Education / Jobs

- **Right skills for the right jobs:** Skills and capacity is needed when planning 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. Public private partnerships can hereby play a major role in building the essential knowledge and skills required for the transition to a green economy.
- **It should be noted that education is the cornerstone of any strong and competitive i.e. ‘green economy’ and a skilled workforce is a prerequisite.** Although business is doing a lot to meet their own labour market needs internally, more education to align skills with labour market needs is needed externally. To advance this, it will be important that governments step up their efforts in education in STEM¹ disciplines. Stepping up education efforts will

¹ STEM: science, technology, engineering, and mathematics



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foster the mindsets and behavioral changes needed to drive the required innovations into the direction of a 'green economy'. This is an opportunity for governments to actively promote the development of education, know-how, and expertise and further incentivize the 'green economy' area.

(b) How can resource efficiency improve sustainability and competitiveness in local, regional and global markets?

- **Companies are building a green future every day.** They innovate and create solutions in production, distribution and marketing of their products and services, such as for example eco-efficient production methods or new innovative ways of organizing operations.
- **Resource Efficiency of all resources, not just energy and carbon, is paramount for companies:** Companies seek continuous improvements through product design and process enhancements to achieve productivity gains and reduce the material intensity per kg of product produced.
- **Best practices and examples of bottom up efforts in sustainable consumption and production (SCP) can demonstrate resource efficiency and may reduce costs for businesses.** We support the replication and scaling up of such best practices to create a multiplier effect.
- **In order to make production and consumption more sustainable without demanding reduction, enhancing resource efficiency across the lifecycles of material flows and value chains should become primary concerns.** Companies Strategies used for green economy should enable market responses that foster consideration of these areas of possible improvement. The entire supply and value chain should be considered in this process.
- **Using the lifecycle approach,** from raw material extraction (includes access and security of supply) over product design, R&D, production through manufacturing, transportation and distribution , to end-of-life options such as re-manufacturing will indeed be important in the transition towards a green economy. Such an approach can identify new technology options and new markets as well as identifying new applications for existing products.

(c) How can research, innovation and investment help the transition towards a green economy?

- **Financing the green economy is a critical element and a prerequisite for long term success.** In order to make longer term investment decisions into the direction of a green economy, business requires predictability and regulatory certainty. As long as these enabling conditions are directional only and without regulatory and market certainty, investments in 'green economy initiatives' will be slow and compete with investments for conventional activities.
- **The concepts of the 'green economy', a 'green versus brown economy', 'greening the economy', 'greening businesses', 'green investments' and 'green jobs', are not utilized per se at the enterprise level.** We believe such a distinction may be misleading since 'green' and 'brown' are not easily definable given the variety of situations. We would favor a more constructive terminology that would recognize the fact that an alleged 'brown' investment/sector may produce and deliver the indispensable building blocks for a so called



‘green’ sector. It should be noted that business operates across global supply and value chains and greening all stages along the life cycle of its products are becoming guiding principles for many leading companies and sectors.

- **Innovation and technology deployment and development will be at the heart of greening economies.** Increasingly, company R&D is being driven by the global megatrends and societal needs (eg. Renewable energies and technologies, innovative water treatments and sustainable chemistry initiatives). Business has been a key source of innovation, contributor to technological development and solution provider to many of the problems that threaten sustainable development.
- **Greening and Disseminating Technologies and Products** – While many technologies and products are already invented, new and innovative management systems will be needed. We encourage governments to keep options open to greening all sectors. All sectors, each one through its own set of strategies and actions, can contribute to sustainable development.
- **Open, rules based trade and investment are critical enablers** of the substantial increase in technological dissemination and financing that will be required to move to more sustainable low-carbon, resource and energy-efficient pathways addressing environmental responsibility while promoting economic growth and social development
- **Environmental regulations should be “least investment-restrictive”.** While governments have the right to regulate economic activity with respect to cross-border investment, they should do so in a manner that does not impede unnecessarily the overall cross-border flow of investment and/or disrupt the benefits it brings to home and host countries.
- **IP protection** is an integral part of the broader enabling frameworks that provide the private sector with the confidence needed to engage in direct foreign investment, joint ventures, partnerships and licensing arrangements with local partners, establish local operations and open new research facilities, e.g. critical to the technology deployment needed to deal with climate change. Proper IP protection and enforcement are critical prerequisites and we urge governments to strictly enforce them.
- **ICC encourages the long-term goal of compliance of environmental laws and measures at both national and sub-national levels with investment law disciplines.** Business delivers a great deal of the jobs, investments, technologies, products and services that drive the changes and innovations needed to move towards green growth. Supportive frameworks and regulations are needed for business to contribute fully to sustainable development and green growth therein. Business is organized in supply and value chains that overlay national structures so cross-border compliance and enforcement are important



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(d) How could the “Environment for Europe” process contribute to outcomes on green economy in the context of the United Nations Conference on Sustainable Development (UNCSD) 2012 (Rio+20)?

- Whatever the **Intergovernmental Process**, business believes that the chance of success is greatest if business is involved directly to address the shared challenges.
- **While there are several initiatives getting underway in some countries to transition to a greener economy, a number of them are mainly domestic 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.
- We welcome the Astana Green Bridge Initiative and will study it. We see the need for a platform for dialogue and best practice sharing. There may also be a need for a clearinghouse mechanism where stakeholders come together to identify areas of mutual interest that can lead to actionable and measurable collaboration and ultimately the transformative partnerships that are needed for Rio.

In Conclusion

- **Greening economies is a systemic challenge and a shared responsibility** that will require collaborative action between all actors in society – business, governments, civil society and consumers. Neither a “one size fits all” concept nor an approach that is overly focused on environmental aspects will achieve this macroeconomic change. Just as countries are at different stages of development with a diversity of national circumstances and societal priorities, we can expect there will be numerous “green economies.” For business, the critical question will be how this diversity interacts in global markets and regulatory frameworks. G/E depends on an engaged and incentivized private sector working in partnership with the public sector. Businesses across all sectors can contribute to progress, and working together through value- and supply- chains further amplifies this potential.
- **Business is a substantive participant to shape and implement the green economy concept at both, the policy and market level.** 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 achievement, innovation and resources towards G/E.
- **Many of the products and technologies required to make the transition are already invented** and we would be looking forward to bringing them to bear in new areas where they can address some of the environmental challenges addresses here.
