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WWF-UK policy brief: Building green economies

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This policy brief is a summary of WWF-UK's forthcoming report, *Building green economies*, which will be available from mid-October 2012.

Why do we need green economies?

Humanity faces a major challenge: globally, around a billion people are without the food, water and energy they need to live a decent life, yet we are already putting too much pressure on the planet. The overall improvement in living standards over the last century is remarkable, but current patterns of resource use are both inequitable and unsustainable. By 2011, the top 1% of the global population owned 44% of global assets, while the bottom 50% owned barely 1%.ⁱ

Current global trends in greenhouse gas emissions present a high risk of dangerous and irreversible disruption to the climate system.ⁱⁱ Human activities are the main driver of a 28% decline in biodiversity since 1970 – including habitat loss from land use change such as deforestation, over-exploitation of renewable resources such as fish stocks, unsustainable use of water, and pollution.ⁱⁱⁱ Environmental degradation undermines the capacity of the Earth's natural systems to meet essential human needs including food, fibre and timber, as well as clean air and water.

Current economic problems threaten to undermine political commitment to environmental sustainability. But economic recovery can only be sustained by shifting to green economies. In an era of high commodity prices, resource and energy efficiency will be the key to competitive advantage – EU businesses could save \$340bn-\$630bn per annum by 2025 in the cost of materials by adopting more efficient processes.^{iv} Sustainable low-carbon industries are performing well during the recession and are ripe for investment and growth.^v And there's a need to mitigate environmental risks to the economy, not least those associated with climate change impacts.

By contrast, promoting investment in high-carbon, resource-intensive infrastructure may boost short-term growth but will expose economies to rising fossil fuel, carbon and commodity prices, and environmental costs. Short-sighted long-term investments will burden future generations with a legacy of high-carbon 'stranded assets'.

What are green economies?

There is no single definition or model, but we believe green economies should improve people's wellbeing, and restore, maintain and enhance the healthy natural environment that people and other species need to survive and thrive.

Green economies are a means to achieving sustainable development and should therefore be based on the principle of equity within and between generations. Global sustainable development goals are needed to build a shared understanding of the outcomes that economies should achieve, in terms of equitable human development and maintaining natural systems.

We can make poverty history without stressing the planet. Human wellbeing is dependent on healthy ecosystems, so the transition to green economies is essential to end poverty for the long term. Providing the billion people who currently live in extreme poverty with essential material needs would require just 1% of the resources we currently use.^{vi} There will sometimes be trade-offs between increasing current levels of wellbeing, leaving space for nature and meeting the needs of future generations. But these can often be managed, or even avoided, by solutions that are good not only for the environment but also for equity and human development.^{vii}

How can we build green economies?

'Top-down' government action to change the rules of the game should shape, and be shaped by, 'bottom-up' green innovations that are emerging in communities and the private sector. Building green economies will require different approaches to suit local conditions. But coherent and strategic government policies are vital to correct market failures and promote the security and wellbeing of citizens. Innovation by businesses and communities also has a crucial role to play in the shift to sustainable high-impact systems, such as energy, food, transport and buildings. Innovations include new sustainable technologies and business models, but also social innovations such as new norms, behaviours and lifestyles.

The following are recommendations for UK government action in response to challenges in four key areas:

1. *Global governance*

Challenges: Our economies have become ever more globalised and interdependent, but our institutions have not sufficiently adapted to these changes. Some global issues such as climate change, trade and financial regulation require collective action, but this is hindered by pursuit of narrow national self-interest and lack of trust. Decision-making is insufficiently accountable and transparent. This enables powerful interests, vested in retaining the status quo, to have a disproportionate influence, at the expense of poor and marginalised people, future generations and the natural world. Governance of natural resources and systems is further hindered by a lack of reliable data.

Priority actions for UK governments:

1.1 Promote global goals for sustainable development and long-term poverty reduction: As co-chair of the UN High Level Panel on the post-2015 development framework, the UK Prime minister should ensure environmental goals are in line with scientific advice.

2. *Greening markets*

Challenges: Many of the benefits we derive from nature, such as clean air, fertile soil and a stable climate, are not currently recognised and valued in markets, and therefore don't have a price. Decisions in business and government are shaped by calculations of economic efficiency and financial return that don't take into account the cost of depleting natural capital. When economic activity damages the capacity of ecosystems to continue providing benefits, businesses and consumers often avoid paying the costs, which are borne instead by society at large, vulnerable communities and future generations. Meanwhile, commodity prices for food, fossil fuels and metals are rising and volatile due to a range of economic, environmental and political factors, adding costs to business and threatening future prosperity. While these changes provide an incentive for resource efficiency, in the short term the poorest are hit hardest as they spend a greater proportion of their income on life's essentials.

Priority actions for UK governments

2.1 Drive the transition to a low-carbon energy system at EU, UK and devolved levels, including by: setting ambitious renewable energy targets for 2030 at EU, UK and devolved levels, and give absolute policy certainty to deliver the legally-binding target for 2020; ensuring the UK Energy Bill is intended to deliver a nearly carbon-free power sector by 2030, with strong provisions for demand reduction and renewable energy; ensuring the Green Investment Bank is allowed to borrow from capital markets, and that lending is restricted to investments that are compatible with delivering the UK's carbon budgets; immediately adopting the 'intended' UK carbon budgets recommended by the Committee on Climate Change, and include aviation and shipping emissions; and maximising the potential for energy efficiency measures to eradicate fuel poverty.

2.2 Implement a significant, fiscally-neutral green tax shift, towards pollution and resource use, and away from wages and company profits. Reverse the decision to exclude fuel duty, vehicle excise duty and air passenger duty from the UK government's definition of 'environmental taxation', which opens the door for green tax cuts and higher emissions.

2.3 Implement smarter regulation of financial markets and corporate governance to promote long-term thinking and environmentally sustainable investment in the UK and overseas, including recommendations of the Kay Review.

3. Greening government spending and decision-making

Challenges: At a time of urgent need for investment in public goods such as environmental protection, there is less public money available in countries with large deficits. Government responses include spending less on environmental objectives and public services, and more on high-carbon infrastructure such as roads and airport to boost growth. Harmful subsidies exist for established fossil fuels and nuclear industries while new clean technologies that need support to overcome barriers to market entry remain underfunded.

Priority actions for UK governments

3.1 Make the shift to green economies central to plans for economic regeneration, including taxation, spending, plans for growth, infrastructure and planning policies. Divert funds from high-carbon infrastructure such as roads and airports, to renewable energy, smart grids, energy efficiency, railways and broadband.

3.2 Mainstream sustainable development throughout government: Adopt new targets and measures of government performance and societal progress beyond GDP, and aim to decouple wellbeing from environmental impact. Ensure government

decision-making takes full account of environmental risk, and the monetary and non-monetary value of the natural environment, for example, in policy appraisals, macroeconomic models, the Comprehensive Spending Review, impact assessments, planning policies etc.

4. Public opinion, political will and behaviour change

Challenges: Political will for green policies is undermined by lower public concern about environmental issues during harder times.^{viii} There's a mismatch of responsibility and impact – with richer people and nations bearing more responsibility for degrading the global environment, and low-income people and nations bearing the brunt of the consequences. In richer countries, immediate economic concerns about jobs, housing and inflation outweigh concerns about seemingly long-term, distant and uncertain threats such as climate change. Strong and entrenched social norms encourage resource-intensive lifestyles.

Priority actions for UK governments

4.1 Ensure greater leadership from the UK Prime minister and Chancellor, linking environmental sustainability to the wider call for responsible capitalism and a fairer, more resilient economy. Create a positive agenda beyond deficit reduction based on the links between wellbeing, fairness, sustainability and economic security.

4.2 Implement comprehensive and effective regulations across all media protecting children from excessive and inappropriate advertising, as per the 2011 Bailey Review on the commercialisation and sexualisation of childhood.

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1961-2011: 50 years of conservation. WWF works in over a hundred countries to protect the natural world, tackle climate change and promote sustainable consumption.

Download Briefings at www.wwf.org.uk/parliamentary

ⁱ Credit Suisse (2011), *Global Wealth Report*.

ⁱⁱ US Department of Energy figures published in November 2011; Intergovernmental Panel on Climate Change (2007), *Fourth Assessment Report*.

ⁱⁱⁱ WWF (2012), *Living Planet Report*.

^{iv} Ellen MacArthur Foundation (2012), *Towards the circular economy*.

^v CBI (2012), *The colour of growth: maximising the potential of green business*.

^{vi} Raworth (2012), *A safe and just space for humanity*, published by Oxfam.

^{vii} UNDP (2011), *Human Development Report: Sustainability and equity: a better future for all*; UNEP (2011), *Towards a Green Economy: pathways to sustainable development and poverty eradication*.

^{viii} Scruggs and Benegal (2012), *Declining public concern about climate change: Can we blame the great recession?* Global Environmental Change.