by Raekwon Chung

Quality, not quantity of growth can lead to green goals

Low-carbon economies will become a reality only by marrying long-term gains with short-term economic interest.

p-Watch: A macro view of productivity trends

The UN's Sustainable Development Goals (SDGs) and the Paris Climate Agreement were adopted in 2015 to serve as charters for the planet in the 21st century. The outcome document for the UN post-2015 development agenda, Transforming Our World: the 2030 Agenda for Sustainable Development, defined the immense challenges to sustainable development. Enormous disparities of opportunity, gender inequality, unemployment, global health threats, more frequent and intense natural disasters, spiraling conflicts, violent extremism, and humanitarian crises threaten to reverse the progress of recent decades. Natural resource depletion and environmental degradation including desertification, droughts, land degradation, freshwater scarcity, and loss of biodiversity exacerbate challenges to sustainability.

Maximizing GDP growth forces us to exploit human and natural capital. We need to exit the vicious cycle of exploiting and set in motion the virtuous cycle of investing long term in human and natural capital for sustainability.

The peril of climate crisis

Climate change is one of the greatest challenges of our time and its adverse impacts such as rising global temperatures and sea levels, ocean acidification, and increasing volatility of weather patterns put biological life-support systems at risk. The Fifth Assessment Report of the Intergovernmental Panel on Climate Change released in October 2015 concluded that global surface temperatures had warmed an average 0.85°C from 1880 to 2012 and could rise by 3.7°C to 4.8°C, with sea levels rising 45–82 cm by the end of the century. These will impact ecosystems by increasing extreme climate-related events such as droughts, floods, heat waves, wildfires, and ocean acidification, in turn adversely affecting food and water security.

Transformation of the economic system

Achieving the SDGs and promoting a low-carbon future require a fundamental economic system change for balanced integration of short-term economic interests with long-term social and environmental gains. Economies can adopt three-step transformational strategies to ensure this.

First, we must move away from the current trade-off among economic, social, and environmental dimensions toward a new win-win synergy by closing the gap between short-term economic interests and long-term social and environmental gains. Second, we need to shift the policy focus from the "quantity" of GDP maximization the "quality" of growth. Maximizing GDP growth forces us to exploit human and natural capital. We need to exit the vicious cycle of exploiting and set in motion the virtuous cycle of investing long term in human and natural capital for sustainability. Third, we must adopt a new paradigm where greenhouse gas mitigation stimulates economic growth. Unless it drives growth, it will not be easy to scale up voluntary mitigation called for by the Paris Climate Agreement.

Green as a driver of economic growth

In 2005, the idea that green can drive economic growth was discussed at the Ministerial Conference on Environment and Development in Asia and the Pacific. As the director of the UN ESCAP, I proposed green growth to turn ecological crisis into economic opportunities. After the 2008 financial crisis, similar approaches emerged based on the belief that investing in the green sector could stimulate growth while meeting the challenges of climate change and sustainable development. Those were the first attempts to change perceptions of the relationship between the economy and environment from "trade-off" to "synergy."

In March 2009, the UN Environment Programme's policy brief on the Global Green New Deal recommended that governments "invest 1% of GDP over the next two years," which

"could provide the critical mass of green investment needed to reduce carbon dependency and to seed a significant greening of the global economy." Many governments initiated ambitious programs of green investment. The G20 discussed how to make the Green New Deal a paradigm shift for green growth. The OECD is leading programs to sustain the vision of green growth through policy shifts. The Low Carbon Green Growth Roadmap for Asia and the Pacific was published by the UN ESCAP in 2012 as a blueprint for policymakers with more than 100 specific policy options and success stories. In June 2016, the International Asia EnviroEconomics Conference during the APO Eco-products International Fair in Bangkok gave recommendations that nations could adopt to create a lower-carbon economy.

Achieving the SDGs and a low-carbon future

Green Productivity (GP) is defined as a strategy for enhancing productivity and environmental performance for overall socioeconomic development. GP at the individual firm level will remain important, but national economic policy to incentivize green investments and create synergy between the economy and environment will be a defining factor.

The first critical factor for a national GP policy framework based on the transformational strategies above is long-term consistency in green-sector investments and capacity building. Economic returns on investment in the green sector usually take longer than investment in other sectors. Governments and the public sector must provide the necessary financial and capacity-building support to close the gap between short-term economic returns and long-term green gains.

Reforestation in Costa Rica is a case in point. The Costa Rican government raised taxes on fossil fuel and ranch farming to mobilize the financial resources necessary to invest in reforestation over the last three decades. Now Costa Rica enjoys ecotourism based on rich forests as a main source of income for local people.

A second factor is shifting the policy focus from the quantity to quality of economic output. In many cases, we sacrifice long-term quality in favor of short-term quantity of production. The benefits of GP are sometimes difficult to measure and thus could easily be overlooked. For example, ecotourism involves many elements difficult to quantify, such as social inclusion and environmental quality. This is why governments must design economic policy frameworks that focus on promoting social and environmental good. The Costa Rican government, recognizing the importance of reforestation, invested in it rather than increasing the quantity of cattle and dairy farmland by clearing forests. Economic returns from reforestation through increased ecotourism are far greater than those from dairy farms and cattle ranches. This is a classic success story of creating a virtuous cycle of investing in natural capital, which resulted in higher long-term economic returns.

A third factor is promoting renewable energy policy frameworks presenting the mitigation of greenhouse gas emissions as a business opportunity through incentive schemes such as feed-in tariffs or emission trading. Under the Paris Climate Agreement, countries are working together for a low-carbon future to stave off climate crisis by investing in renewable energy and promoting technological innovations. Developing countries may lose future industrial competitiveness if they do not prepare for the transition to a low-carbon economy. Those lacking financial and technological capacity can create enabling fiscal policy frameworks such as carbon taxes, which are powerful tools to turn climate crisis into business opportunities. Carbon taxes have been mainly tested in developed countries, but many developing countries that introduced energy taxes found that they are compatible with economic growth. As they enhance low-carbon competitiveness, developing countries need policy packages supporting long-term investment in renewable energy products and services.

GP pursued at the national level supported by a policy framework focusing on social, ecological, and climate benefits with long-term consistency can play a critical role in promoting a sustainable, low-carbon future.

Raekwon Chung is a proponent of green growth and author of the Low Carbon Green Growth Roadmap*, a compilation of policy options and success stories to make green a driver of economic growth. Follow him on Twitter @greengrowthrkc.*