Generating green growth and jobs in G8 countries

The Camp David Summit offers an ideal opportunity for the leading economies to consider international strategies on renewable energy and sustainable jobs

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The commitment in the G8's Deauville declaration for green growth should be implemented, with new measures to achieve the interconnected goals of economic growth and environmental sustainability. Sound environmental policy does not require countries to forego real economic growth – rather, the opposite is true: without proper attention to ecosystem health and environmental performance, ostensible improvements in economic growth may prove illusory or unsustainable.

A forum for international cooperation

G8 leaders at their Camp David Summit should consider several initiatives requiring international cooperation.

First, in order to head off international trade disputes and wasteful government spending, the G8 should agree to refrain from subsidies that seek to pick renewable energy technology winners. Instead, governments should pledge to ramp up and coordinate greater support for basic scientific research.

Second, if the overall Doha Development Agenda of the World Trade Organization (WTO) cannot be consummated because of political disagreements, governments should rescue Doha's environmental chapter for early implementation. Third, governments should reduce any barriers to private-sector investment in clean energy infrastructure.

Fourth, governments should introduce better labour market policies to undergird the development of more green jobs. Fifth, G8 members should call for the forthcoming United Nations Conference on Sustainable Development (Rio+20) to take definitive action to address the underperformance of current institutions of environmental governance.

Although subsidies can be an appropriate policy tool to address environmental market failures, some G8 governments are misusing subsidies for protectionist purposes by linking the grant to a domestic content requirement. This type of subsidy violates WTO rules and prior G8 commitments against protectionism. Energy subsidies can also lead to domestic and international criticism when they are specific to a particular recipient or are awarded to fossil fuels.

Unfortunately, WTO rules on clean energy subsidies are imperfect and need refinement to take better account of the public interest in permitting appropriate subsidies and avoiding countervailing duties that add to consumer costs (such as trade remedies against solar components). One solution is for G8 governments to ask the Organisation for Economic Co-operation and Development (OECD) to develop options for improving the international law of energy subsidies.

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Over the past several years, WTO director general Pascal Lamy has highlighted the benefits of what he calls the 'environmental chapter' in the Doha Round.

This includes commitments to reduce barriers to trade in environmental goods and services, an agreement to reduce certain agricultural subsidies and new rules to curb fishing subsidies. The G8 summit should also ask the WTO to reach an early harvest agreement on Doha's environmental chapter without waiting for other parts of the Doha Round to be completed.

Lowering the costs of renewable energy development and delivery requires huge investments in infrastructure and technology. Fiscally challenged governments will be unable to provide the needed level of financing – nor should they, because public funding will often be poorly administered. Instead, governments should reduce barriers to new investments by the private sector, pension funds and foreign sovereign wealth funds. G8 governments should also seek legal solutions to facilitate investments from non-traditional sources, such as Islamic financing.

Environmental best practice

Although no one disagrees with the goal of creating more green jobs, there is no consensus on what actually constitutes a green job. Some analysts might argue that sectors such as natural gas or first-generation biofuels produce green jobs.

Others may disagree and point to the environmental harms from natural gas and ethanol production. The important point, however, is that there is no need for governments to settle immediately on a unified definition of a green job.

Instead, international action is needed to ascertain best practices for training workers and reducing regulatory impediments to the creation of green jobs, however defined, within a particular labour market. To that end, the G8 should ask the International Labour Organization (ILO) to expand its ongoing efforts on green jobs into a programme of global capacity building.

In addition to workers and employers, the ILO should also invite environmental non-governmental organisations to participate.

Although the preparatory process for Rio+20 is considering improvements in the institutional framework for sustainable development, preliminary indications suggest that governments are not thinking boldly.

The G8 should firmly endorse major institutional change such as transforming the United Nations Environment Programme into a specialised UN agency with participatory opportunities for industry and civil society. The need for better institutions to oversee stewardship of the planet's ecosystems has been recognised for many decades. Yet only a few governments, such as France

International green policies will need to address broader issues related to climate change and the environmental impact of national energy policies

administration, have exercised leadership in pressing for new organisations.

A green growth strategy also needs to include policies for preventing adverse climate change. Two by-products of the financial crisis and the ensuing global recession have been a reduction in greenhouse gas emissions in some countries and a slowing down of the rate of increase in others. These provided an unexpected dividend for the planet's atmosphere, but at an enormous cost in jobs and social well-being. As this climate policy reprieve comes to an end, the G8 should take steps to agree on coordinated steps to reduce carbon intensity.

One good start would be to gain agreement among the major economies for the gradual introduction of a carbon tax on energy producers, starting at $5 per ton and rising each year to $100 per ton. As Daniel C Esty and I pointed out in the March 2012 issue of the *Harvard Business Review*, such a tax would send a signal to companies and consumers to reduce their use of carbon energy while also signalling the market regarding the need for greater innovation in clean energy. Although many governments recognise the value of such a tax, no government wants to move first out of a fear of hurting its own industries in international competition. The way forward is for G8 governments to act in concert to adopt such a tax for the benefit of the global 'ecolonomy'. ■