

East Asia Low Carbon Green Growth Roadmap Forum
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TRACK 2: CHANGING THE INVISIBLE STRUCTURE OF THE ECONOMY: CLOSING THE GAP BETWEEN ECONOMIC AND ECOLOGICAL EFFICIENCIES



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Changing the invisible structure of the economy

- POLICY REFORM
 - ▣ Long-term plans and targets
 - ▣ Institutional arrangements and governance
 - ▣ Regulations and standards
 - ▣ Changing lifestyles
- FISCAL REFORM
 - ▣ Environmental Tax Reform
 - ▣ Environmental Fiscal Reform
 - ▣ Subsidy reform



Long-term plans and targets

- Long-term plans and targets decrease uncertainty for business and encourage investment
- Long-term strategy important for technological innovation and for eco-efficient infrastructure
- Example: renewable energy targets
 - ▣ Fiji: 100% final energy consumption by 2013
 - ▣ India: 20 GW of solar energy capacity by 2022
 - ▣ Thailand: 20% primary energy consumption by 2022

Institutional arrangements and governance

- Low carbon green growth needs to be driven by the top level of government
- System change for low carbon green growth requires inter-ministerial coordination focused on cross-sector policy making
 - ▣ Korea: Presidential Committee on Green Growth
 - ▣ China: NDRC
 - ▣ Indonesia: BAPPENAS
- Expediting low carbon green growth policies requires strong coordination among central, regional and local governments



Regulations and standards

- Regulatory approaches provide enabling conditions and incentives
- Governments can set standards in a wide range of fields, such as: emissions, energy efficiency, minimum energy performance, green building codes, etc.
- Mandatory standards can be used together with voluntary standards and incentives to green businesses and markets
 - ▣ Japan's Top Runner programme



Changing lifestyles

- Unsustainable consumption spreads rapidly in developing countries as income goes up and once entrenched is difficult to reverse
- Urgent need for countries in Asia-Pacific to make sustainable choices in the early stages of development
 - Singapore introduced car control measures as early as the '70s
- Prices are one of the main factors influencing consumer behavior
- Financial incentives
 - Korea's Green Credit Card
- Information instruments such as eco-labelling
- Education for sustainable development



Importance of pricing

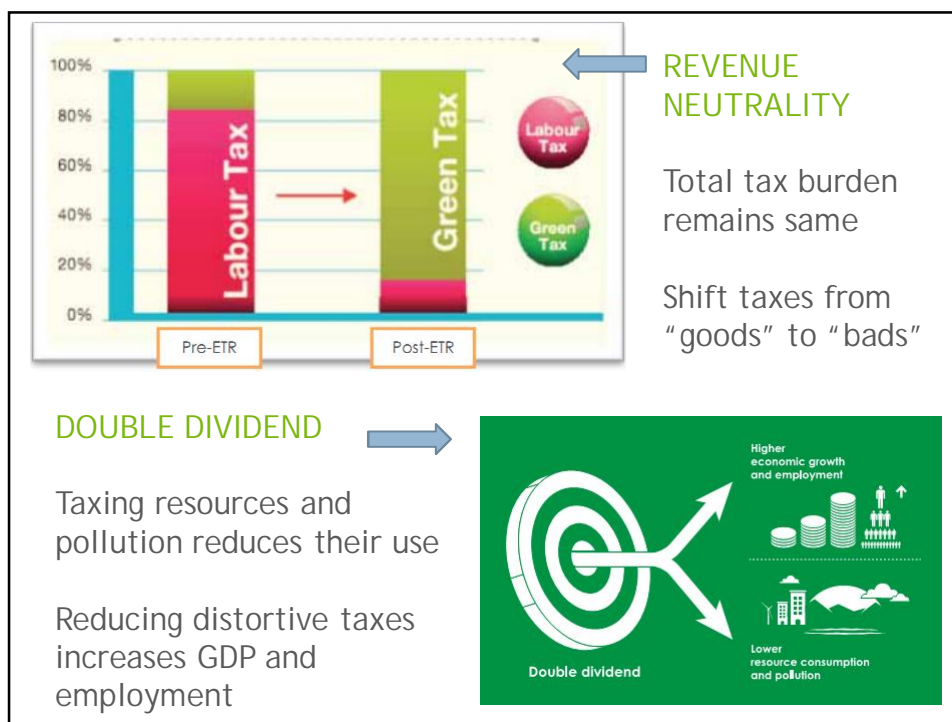
- Price gap main obstacle to green growth
- Prices have a powerful effect on people's behavior
- Full-cost pricing can stimulate innovation
- Putting a price on carbon crucial for reducing CO2 emissions
- Challenge: how to design pricing policies in a way that:
 - ▣ Is environmentally effective
 - ▣ Is politically feasible
 - ▣ Does not hamper competitiveness
 - ▣ Does not affect the poor



Environmental tax reform (ETR) and environmental fiscal reform (EFR)

- ETR and EFR can be powerful drivers for green growth
- ETR: shift taxes from income and labour to resource consumption and pollution
- EFR: reform that includes also government spending - includes subsidy reform (phasing out harmful subsidies)
- Core principles:
 - ▣ Revenue neutrality
 - ▣ Double dividend





Potential of ETR and EFR in Asia-Pacific

- ETR not new: already applied in Europe with positive results
 - ▣ Example: Germany
- Increasing interest and application of fiscal tools in Asia-Pacific
 - ▣ Indonesia, Thailand, Viet Nam
- Modelling shows that ETR and EFR have a great potential in countries in Asia-Pacific
 - ▣ Almost 8% reduction in global CO₂ emissions and potential increase in GDP up to 2.8% by 2020
- Leapfrogging opportunity: Countries In Asia-Pacific need not copy the income-based taxation system of OECD countries

How to design an effective ETR/EFR?

- ETR and EFR can deliver a double dividend but need to be designed properly
- Key issues to address:
 - ▣ Addressing income regressiveness and ensuring equity
 - ▣ Strengthening competitiveness
 - ▣ Enhancing political feasibility
 - ▣ Ensuring administrative feasibility
 - ▣ Adjusting the tax base to maintain effectiveness
- ETR and EFR requires special institutional arrangements that involve many ministries



Thank you for your attention

