Questioning the green economy rationale

1. *The green economy : a « magic bullet » ?*
2. *Meeting multiple challenges : squaring the circle*
3. *The need for innovative policy instruments to help addressing social and environmental objectives*

Defining the green economy

« unite under a single banner the entire suite of economic policies and modes of economic analyses of relevance to sustainable development. In practice, this covers a rather broad range of literature and analysis, often with somewhat different starting points »

UN SG, quoted in Brand, U. (2012)

- Green economy = green growth or *prosperity without growth* ?
- A « clean » exit to the current economic crisis ?
- Internalization of external costs within the current frame of the market ?
- Address the three major pillars of sustainable development (social, environmental, economic) simultaneously ?
- Decoupling economic growth and ressouce (energy) consumption ?a

Housing in the context of the green economy

At the crossroads of multiple challenges :

- **Social :** decent living conditions in times of rising poverty and prices
- **Energy poverty :** can housing policies alleviate the risks linked to rising energy prices and scarcity ?
- **Ecologic :** energy consumption in buildings represents over 40% of total energy consumption and 25 % of CO2 emissions
- **Innovation :** moving towards nearly zero-energy bulidings (directive EPBD 2010) until 2020
- **Urban planning :** it is not about the buildings alone, but the organisation of (urban) territories to preserve diversity and integrity, limit urban sprawl, etc.
- **Economic :** if energy efficiency is taken seriously, thermal retrofits will become the market of the future : up to 100 Bn € per year

The two main risks of the green economy

1) **Believing in the « magic bullet » :** the green revolution will happen, without conflicts, winners and losers, and without real political efforts

- **A drop in the bucket ?**: It is not only about supporting new economic sectors (renewables, efficiency, etc.), but making the economy as a whole more resilient and sustainable
- **Integrating new economic models** : circular economy, functional service economy, etc.
- The same applies to **policy instruments** : new incentives and fiscal instruments will not be enough if existing policies are not reconsidered.

The two main risks of the green economy

1) Making it green at all costs :

- can a « green » economy within the current economic model ever be sustainable and address equity and social issues ?

- **Who will be the winners and losers ?**

  - A highly capital-intensive and investment-based economy
  - Rising prices and costs on the short term
  - Green buildings at 12.000 € /m² in Paris ?

➔ A new social contract is indeed needed!

Addressing multiple objectives (1)

Potential conflicts between objectives have to be addressed explicitly rather than hiding them beneath an apparent consensus :

- **Conflicts related to different time horizons** :
  - **Affordable housing & energy in the short term** ➔ reinforcing structural vulnerabilities regarding energy poverty in the long term ?
    - *Ex : social tarifs in France : direct support for specific purpose but « wrong » incentives ? To what extent can social and energy policy objectives be integrated into the same instruments ?*
  - **The issue of price-signals vs. constrained consumptions** and affordability : how to integrate them in a coherent policy mix ?
    - *General budgetary aid linked to third party financing and support for retrofits and efficient equipments ?*

Addressing multiple objectives (2)

- **Upscaling the thermal retrofitting market in the short term : how to do so without reinforcing social inequality or reducing ambition** ?
  - Ex: the KfW program in Germany : focus on « easy » target groups first to trigger a bigger market for energy efficiency ?
  - Ex: the « green deal » in the UK : rely on the market to deliver adequate financing ? How much energy savings will be « lost » through interest rates of about 7% ?
  - Financing will be one of the key issues, but should be considered together with other mechanisms and the general regulatory framework.

Addressing multiple objectives (3)

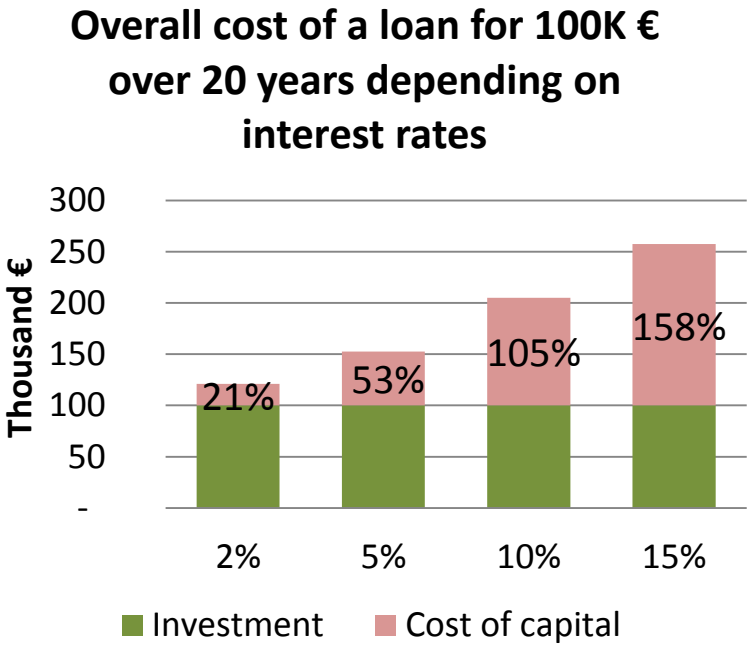
Being energy efficient : is it about the buildings only ?

- Behaviour vs. technology and rebound effects
- Keep in mind the « bigger picture » : how can eco-neighborhoods be a levy for new organisational and social innovations (car-sharing, connect living and work spaces, etc.)
    - Ex: new KfW program for sustainable districts : support integrated planning

New financing models are needed

The importance of low-cost long term resources :

- Providing a refinancing circuit for all actors / projects
- Lower public costs for concessional loans and third-party financing
- Tap the full potential for energy savings
- Reduce mutualized costs of RES generation (FIT) : a drop of the discount rate from 10% to 5% reduces generation costs by 25 to 30% !

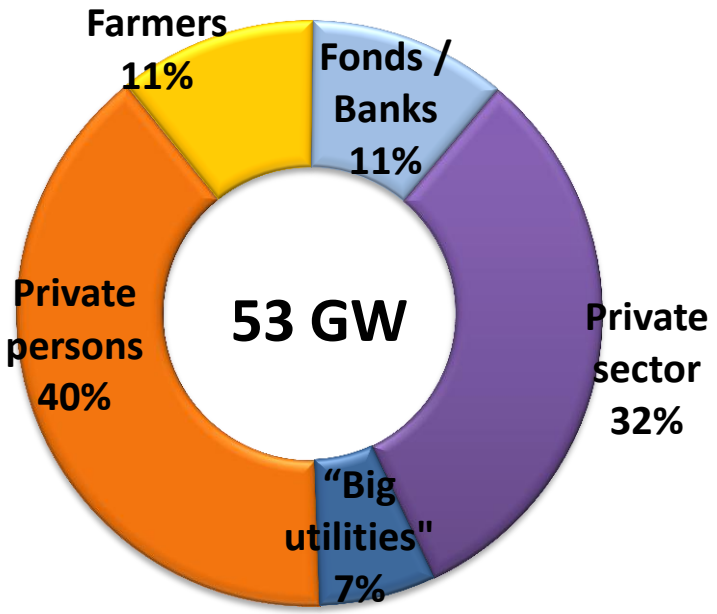


New financing models are needed

Give all citizens the capacity to become actors of the transition :

Participative and citizen funding schemes :

- a promising solution, if an adequate regulatory framework (including access to financing mechanisms!) is provided.
- Reduce entry barriers
- Provide a space for innovation and experimentation at the local level
- Integrated approach: how can financially attractive RES projects be used to support new energy efficiency measures ?



Ownership of RES-E installations in Germany (until 2010)

Conclusion

The green economy …

- is not a « no-brainer » or definitive « win-win » situation but requires strong political efforts and an integrated policy framework
- Implies that conflictual objectives should be addressed and trade-offs defined
- bears a high risk of being socially exclusive rather than inclusive if the policy framework and supporting incentives are not designed well
- Can be a great economic opportunity if the fundamentals are right : price signals, financing instruments, regulatory framework for local initiatives
- Should not automatically be associated with green growth but be part of a broader reflection on economic models and prosperity

Thank you for your attention

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Recent publications:

- RÜDINGER, A. (2013) : *La rénovation thermique des bâtiments en France et en Allemagne : quels enseignements pour le débat sur la transition énergétique ?*, Working Papers n°07/13, Iddri, Paris, France, 14 p.
- SPENCER, T.; STEVENSON, J. (2013): *EU Low-Carbon Investment and New Financial Sector Regulation: What Impacts and What Policy Response*? WORKING PAPERS N°05/2013. IDDRI, 2013. 18 P.
- CHANCEL, L.; SAUJOT, M. (2013) : *Inégalités, vulnérabilités et transition énergétique, POLICY BRIEFS N°02/2013. IDDRI, 2013. 6 P.*
- EMLIANOFF, C. et al (2013): *Modes de vie et empreinte carbone,* LES CAHIERS DU CLIP N°21/2013. IDDRI, 2013. 128 P.
- SPENCER, T.; CHANCEL, L.; GUÉRIN, E., (2012) : *Exiting the crisis in the right direction: A sustainable and shared prosperity plan for Europe,* WORKING PAPERS N°09/2012. IDDRI, 2012. 32 P.
- SPENCER, T.; CHANCEL, L.; GUÉRIN, E., (2012) : *Green investments in a European Growth Package,* WORKING PAPERS N°11/2012. IDDRI, 2012. 12 P.