

# Time to unleash the power of a green economy

Over the last 40 years many economists, business and government leaders and voters have assumed that the more you do for the environment the worse the economy and unemployment will be. But investment in a 'green economy' is now being discussed at high levels as the pathway out of financial crisis to a new round of job growth, prosperity and a low carbon society.

The prevalence of the assumption that green investment costs the economy has meant that, historically, momentum for action on the environment was rapidly lost when global economic recessions hit. This was seen in 1972, when tremendous momentum for action on sustainable development was built leading up to the UN Conference on the Human Environment in Stockholm. A global recession hit in 1973, which quickly took the world's focus away from the environment and onto the economy. Similarly, there was significant momentum for change toward sustainable development leading up to the 1992 World Summit on Environment and Development in Rio de Janeiro, Brazil. Again, a global economic recession hit, in 1992, resulting in significant momentum being lost.

Over the last two years significant momentum has again built up for local and global action on climate change and environmental sustainability, but since the latest global financial crisis developed earlier this year, there have again been calls for economic caution on acting 'too fast' on climate change and sustainability.

However, after rescue packages have helped stabilise the financial crisis, some key leaders are realising that win-win opportunities exist to both revive the economy and job growth, and tackle climate change. As Sir Nicholas Stern outlined:



'The credit crunch provide(s) an opportunity to invest in measures such as energy efficiency to tackle global warming as a way of stimulating economic growth. There are more incentives to invest in energy efficiency during a recession and when oil prices are high. Spending on renewable and other low-carbon industries could help stimulate the economy. We're going to have to grow out of this ... and this is an area which looks as though

it could well grow strongly and with the right support could be one of the major engines of growth.'<sup>1</sup>

Energy efficiency investments are very effective at stimulating economic growth because they do not just save money they also delay (and even in some cases prevent) the need to spend billions on new energy infrastructure. Energy efficiency investments also free up capital to be invested instead in even more energy

<sup>1</sup> Jowit J (2008) Now is the time to tackle global warming: Stern. *The Guardian* 7 October. <http://www.guardian.co.uk/business/2008/oct/07/globaleconomy.oil> (accessed 7 November 2007).



**Broadening take-up and resultant expanding manufacture of solar products is already providing evidence of the potential for a new 'clean tech' sector to recharge economies.** iStockphoto

efficiency initiatives and local renewable distributed supply options for energy, creating local jobs which further helps the local economy.<sup>2</sup> California's energy efficiency policies created nearly 1.5 million jobs from 1977 to 2007.<sup>3</sup>

Changing government policies to encourage investments in energy efficiency and clean energy can also help to prevent another financial crisis from occurring. As Bill Clinton has

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explained, after the dot-com bubble collapse in 2001 in the USA, the real estate market became the major engine of economic growth between 2002 and 2007. Investment banking firms therefore focused on the housing market. If instead, the USA had had clear policies and incentives to encourage investment in energy efficiency, clean energy, fuel efficient cars and green

2 US Department of Energy (1996) 'The jobs connection: energy use and local economic development'. Available at <http://www.localenergy.org/pdfs/Document%20Library/The%20Jobs%20Connection.pdf> (accessed 7 November 2007).

3 Roland-Holst D (2008) 'Energy efficiency, innovation, and job creation in California'. Center for Energy, Resources, and Economic Sustainability (CERES), University of California, Berkeley. [http://are.berkeley.edu/~dwrh/CERES\\_Web/Docs/UCB%20Energy%20Innovation%20and%20Job%20Creation%2010-20-08.pdf](http://are.berkeley.edu/~dwrh/CERES_Web/Docs/UCB%20Energy%20Innovation%20and%20Job%20Creation%2010-20-08.pdf) (accessed 7 November 2007).

4 Klein J (2008) The full Obama interview. *Time Magazine*. [http://swampland.blogs.time.com/2008/10/23/the\\_full\\_obama\\_interview/](http://swampland.blogs.time.com/2008/10/23/the_full_obama_interview/) (accessed 7 November 2007).

infrastructure, this would have provided the financial sector with other areas of the economy to invest in, reducing the frenzy on sub-prime mortgage schemes for profit.


Unlike in 1972 and 1992, there are optimistic signs that world leaders now understand this. In November, the EU nations renewed their commitments to 20 per cent greenhouse gas reduction targets by 2020 and British Prime Minister Gordon Brown recently increased the UK target from 60 per cent to 80 per cent by 2050.

In Australia, the much anticipated Federal Treasury modelling, launched in November, found that Australia can tackle climate change while maintaining strong economic growth.

US President-elect Barack Obama also stated recently in an interview with *Time Magazine*, that '... finding the new driver of our economy is going to be critical. There is no better potential driver that pervades all aspects of our economy than a new energy economy ... we are just going to completely revamp how we use energy in a way that deals with climate change, deals with national security and drives our economy, that's going to be my number one priority when I get into office.'<sup>4</sup> This marks a significant, historic shift in debates about the economy and the environment.

● **Michael Smith and Karlson Hargroves**

*You can read more on how to stimulate strong economic growth while significantly decoupling it from environmental pressures in the upcoming publication Cents and Sustainability: Securing Our Common Future by Decoupling Economic Growth from Environmental Sustainability, produced by The Natural Edge Project. <http://www.naturaledgeproject.net/centsandsustainability.aspx>*



**Australian Government**  
**Department of Resources, Energy and Tourism**

SECOND GENERATION BIOFUELS RESEARCH AND DEVELOPMENT PROGRAM (Gen2)

The Australian Government is calling for applications for the Second Generation Biofuels Research and Development Program (Gen2). Gen 2 supports the collaboration and co-operation between businesses, industry and/or research institutions, thus single entity and joint applications are encouraged. Gen 2 is a competitive grants program supporting the research, development and pre-commercialisation of second generation biofuel technologies.

The \$15 million program will be delivered over three years and will provide matching grants, ranging from \$1 million to \$5 million. Projects will be evaluated on a range of aspects including the ability to support the development of a more sustainable and commercially viable biofuels industry in Australia.

Projects can range from the development of new feedstocks for biofuel production through to groundbreaking new processing methods.

**The program guidelines can be found at [www.ret.gov.au](http://www.ret.gov.au) or by emailing [alternativefuels@ret.gov.au](mailto:alternativefuels@ret.gov.au).**

**Applications close on 30 January 2009.**

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