



Opportunities for Green Trade



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Presented by: **Ulrich HOFFMANN (PhD)**

UNCTAD secretariat

- Definition of green trade and environmental products and services
- Why is green trade of much interest to developing countries?
- Promising areas for green trade
- Uncertainties and challenges



1. What is Green Trade?

- **Environmental industries:** No universal and unambiguous definition
- Products and services that result in less environmental stress than similar products and services in the same category at one or several stages of their life cycle.
- Green aspect can be the result of:
 - inherent characteristics of the product (e.g. biodegradability, recyclability),
 - certain methods of production, transport, consumption or disposal of the product/service, or
 - a combination thereof.
- But difficult to define more precisely: dynamic nature (based on technological progress) and new production processes or end-use methods, etc.
- Ambiguous state of WTO Environmental Goods and Services negotiations

2. Why does Green Trade also make sense for DgCs?

- Investment in green technologies is cost saving (magnitude and pay-back time depend of course on energy prices):
 - E.g. Energy efficiency: "More than 80 percent of the projects surveyed recovered their investment costs through energy cost savings within 30 months" (Taylor et. al., 2008).
 - There are cost saving opportunities for all sectors
 - An assessment of 54 emerging industrial technologies concluded that two thirds of these technologies generated not only energy savings, but also quality, safety and productivity benefits, through reduced capital costs or increased throughput compared to state-of-the-art technology.



2. Why does Green Trade also make sense for DgCs? (contd.)

- Many best practices or green technologies can be mainstreamed very simply and are readily available (e.g. construction and building sector, electrical appliances, sustainable forms of agriculture)
- Growing demand of consumers:
 - Even during the financial crisis, 53% of UK citizens thought that climate change investments will boost the economy
- Private and Public procurement policies
- The entire value chain presents opportunities:
 - possibilities for cutting emission at all stages of production
 - servicing of carbon-efficient equipment
 - advisory services on energy efficiency
 - cost cutting etc.



2. Why does Green Trade also make sense for DgCs? (contd.)

- Domestic regulatory frameworks will quickly evolve to, on the one hand, favor more environmentally friendly production and trade and, on the other hand, restrict more polluting production and trade:
 - A consensus seems to be emerging on the key policy elements to curb CO₂ emissions:
 - 1) market-based instruments that put a price on carbon (such as cap-and-trade systems and/or carbon taxes);
 - 2) policies that support innovation and accelerate technology development; and
 - 3) regulations and standards to overcome market barriers (i.e. market failures, in particular to enhance energy efficiency).
- The policy environment and the business environment that cut across these three areas will inevitably modify patterns of production, trade and consumption.

2. Why does Green Trade also make sense for DgCs? (contd.)

- Anticipation of regulatory changes is not only necessary but can be strategic as it becomes a marketing differential
- Opportunities also for developing countries:
 - China's combination of cost advantages, a clear policy framework, a dynamic and entrepreneurial business environment and abundant abatement opportunities, is proving that rapidly industrializing DgCs have as much, if not more, to gain from investment in green products/services creating green-collar jobs, social benefits and economic growth
 - For LDCs: sustainable agriculture, integrated renewable energy packages for rural areas, biofuels, reforestation/aforestation and related sequestration services



3. Promising areas for Green Trade

- Generally:
Energy and material efficiency; renewable energy; sustainable agriculture (including desirable land-use changes, sequestration & adaptation); green transport; green buildings
- Most promising areas for developing countries:
 - enhancing energy efficiency of buildings/construction/retrofitting
 - low-cost, standardized renewable energy units
 - material re-use/recycling
 - sustainable agricultural products
 - biofuels (South-South)
 - LPG or electrical vehicles (air pollution)



4. Challenges

- Benefiting from promises of green trade can be particularly challenging for SMEs, even more so in developing countries:
 - Promising markets, but very competitive (Europe, US, China). Identification of niche products or markets may prove strategic
 - While many technological improvements are at arms length, some may be protected by intellectual property rights
 - While many investments are cost saving, some may require considerable volumes of up-front or seed finance
 - Standards, regulations, certification and labeling requirements may become burdensome, expensive and restrict international green trade:
 - E.g. carbon footprint, food-miles
 - Tendency of gold-plating and multiplicity of standards – may discriminate against Green Goods

4. Challenges (contd.)

- Accessing benefits (tax and fiscal incentives) requires a close monitoring of policy frameworks (information), and business planning (senior level commitment and vision)
- The implementation of new technologies or business practices generally requires the availability of trained personnel
- Investments require predictability: Volatility of carbon and fossil fuel prices; green tax reform; liberalization of green trade etc.
- In many cases: Green Markets still have to be mainstreamed (i.e. market creation), which requires coherent and visionary governmental policies:
 - Ecological tax reform
 - Government procurement
 - Public investment
 - R&D and related support
 - Ecological standards
 - Emission-trading schemes (investment flows to places with lowest marginal abatement costs)
 - Removal of perverse economic incentives