



North American Roundtable on Sustainable Production and Consumption

Green Economy Multi-stakeholder Dialogue Background Document

Wednesday 2 February 2011 – 9:00am – 12:30pm

Venue: Oxfam Offices Board Room, 39 McArthur Ave, Ottawa, ON, K1L 8L7

Recently, the concept of a Green Economy emerged as one of the leading solutions for tackling multiple global challenges. Despite its growing popularity, the concept, as well as its relationships with other related concepts, has not been clearly articulated, even by those who embrace it (Fulai, 2010). The goal of this background document is to provide workshop participants with various definitions of Green Economy and to stimulate dialogue. The document includes

- (1) an introduction to the concept of Green Economy in the context of sustainable development and the six principles of a Sustainable Economy (as defined by ESDN 2010b),
- (2) the dominant positions surrounding sustainable development and economic growth,
- (3) descriptions of the two different lenses through which Green Economy may be viewed, and the concept of Green Growth,
- (4) a range of definitions of the Green Economy from a diversity of sources, and
- (5) descriptions of a variety of concepts related to the Green Economy.

The chart on the final pages summarizes the two different lenses through which Green Economy may be considered, as well as the concept of Green Growth (Appendix 1). The chart is intended to enable you to quickly and easily access the various interpretations of Green Economy.

SUSTAINABLE DEVELOPMENT, SUSTAINABLE ECONOMY, AND GREEN ECONOMY

Sustainable development, as defined by the Brundtland Commission (World Commission on Environment and Development) in 1987, is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. It is commonly accepted that development should be sustainable in economic, social, and environmental terms. Six principles of a Sustainable Economy have been identified (ESDN 2010b, Sen 1999, Jackson 2009) with the goal of bringing together green economics and rigorous environmental and social sustainability perspectives (Table 1). As a Sustainable Economy is a necessary component of a Green Economy, these principles inherently guide the concept of Green Economy and provide an introduction to the core values that define the Green Economy. The principles are intended to be broad so as to incite further discussion and exploration regarding perceived tensions between social, economic, and environmental perspectives.

Table 1: Six Principles of a Sustainable Economy (adapted from ESDN 2010b, Sen 1999, Jackson 2009)

Principle	Description
A Sustainable Economy should be based on a redefinition of what 'good' development means	<ul style="list-style-type: none"> • Redefine the primary objective of an economic system (e.g., new objectives may include realising people's capabilities, providing people with the opportunity to flourish, etc.) • Shift attention away from traditional economic concepts (e.g., material consumption, income, economic growth, material standards of living, etc.) • Initiate indirect impacts in the areas of measurement of economic performance, work times, lifestyles and consumption patterns or layout of cities (i.e., these are secondary impacts of the redefinition of the primary objective of an economic system)
A Sustainable Economy should be based on a more realistic conception of human nature	<ul style="list-style-type: none"> • Cultivate the aspects of human nature that lead to socially and environmentally benign values and behaviours (e.g., aim for attitudinal and behavioural change away from conspicuous material consumption) • Move away from a reductionist perspective that views people, their behaviour, and their values/desires as purely economic
A Sustainable Economy stays within 'ecological limits' (i.e., economic scale)	<ul style="list-style-type: none"> • Keep the consumption of resources in line with resources' natural regeneration (e.g. forests) or generation through investment (e.g. windmills) • Reinvest the proceeds from the consumption of non-renewable resources into renewable substitutes • Keep the production of waste within waste-assimilation capacity (e.g., this can be achieved through reduction of scale (degrowth), technological innovation, changes in management, etc.) • Maintain strong links between real economy and the 'real real' economy of natural ecosystems
A Sustainable Economy addresses a range of social concerns	<ul style="list-style-type: none"> • Produce a range of accessible social goods • Prevent severe inequalities and other disruptive social consequences • Strive for a fair and equitable distribution of benefits, costs and risks • Remove barriers so that people can lead healthy and fulfilling lives (e.g., enable meaningful participation of all people in economic life and the institutions that govern it)
A Sustainable Economy is resilient	<ul style="list-style-type: none"> • Withstand and adapt to stresses and shocks without significant crises and shortages • Increase resilience through a range of means (e.g., decentralisation, diversification, conservation of natural assets, application of function-specific governance arrangements such as nonmarket regimes, risk prevention, self-sufficiency, technological innovation, limitation of the scale of economic units, limitation of the scale of financial economy, etc.)
A Sustainable Economy is appreciative of diversity and is based on respect of human rights and the rights of those who do not have a voice (e.g., future generations, other species, ecosystems)	<ul style="list-style-type: none"> • Address issues outside of the traditional economic paradigm (e.g., working conditions, fairness of pay, outcomes of development decisions, etc.)

In addition to the six principles that have been identified for a Sustainable Economy, several requirements have been developed for the steering of a Sustainable Economy (ESDN 2010b). As a Green Economy is innately a Sustainable Economy, these requirements are relevant and help to explore the concept of Green Economy.

These requirements mandate that an effective Sustainable Economy should be

- based on a democratic and shared understanding of the goals of a Sustainable Economy;
- reflexive, adaptive, polycentric, holistic, and participatory; and,
- based on a sound understanding of human nature, collective human behaviour, and ecological principles.

You may find that you agree or disagree with one or several of the principles and requirements described above, and that you interpret or value one or several of these concepts differently than your colleagues at the workshop. Before delving into the different lenses through which Green Economy can be viewed, we ask that you reflect on your own lens with the goal of explicitly identifying your individual values and biases.

Traditional economics has addressed the environment in an imbalanced manner. While it has recognized several environment-related issues (e.g., the exhaustion of natural resources), it has largely ignored ecological principles (e.g., carrying capacity, resource reuse and recycling, etc.) (ESDN 2010a). This has contributed to environmental degradation, inequitable distribution of wealth, uneven production and consumption patterns, and a questioning of traditional concepts of economic growth. In combination with a growing movement that views the economy as a subsystem of the environment, which began in the 1960s, as well as the recent financial and economic crisis, these issues have fuelled discussion of the link between economic growth and sustainable development. Debate by policy-makers, researchers and the media has brought this discussion to the mainstream and has made many in the global North question what kind of growth, if any, should be promoted (ESDN 2010a).

The next section provides the dominant positions through which individuals often reconcile sustainable development and economic growth, and encourages you to find the position(s) that best fit(s) your perspective and understanding.

DOMINANT POSITIONS

Three dominant positions regarding the relationship between sustainable development and economic growth have been put forward (Table 2) (Rapp Nilsen 2010, Hopwood et al. 2005, Davidson 2000). Which position(s) do you recognize yourself within?

Table 2: Three positions on the relationship between sustainable development and economic growth

	Transformational Position	Reformist Position	Current Mainstream Economic Position
Attributes	<ul style="list-style-type: none"> • Acknowledgement of the biophysical limits to growth (i.e. there are limits to continued growth of material and energy throughputs at the global scale) • Understanding that getting our societies on the right path would probably require significant changes in socio-economic organization. Human well-being is central • Focus on immaterial rather than material well-being • Absolute de-coupling 	<ul style="list-style-type: none"> • Politically acceptable solutions • Involvement of a large range of societal actors (especially businesses) • Re-thinking growth • Focus on qualitative growth • Economic growth and environmental protection are understood as synergistic objectives • Recognition of the different needs of developed and developing countries • Shift from material products to immaterial services • Relative de-coupling 	<ul style="list-style-type: none"> • No contradictions between economic growth and environmental protection • Understanding of environmental problems as mostly a question of property rights and market deficiencies • Trust in the ability of the markets and technology to address the problem of dwindling resources • Emphasis on the material component of well-being • Trust that economic growth is to the ultimate benefit of all • Focus on (material) consumption • Relative de-coupling

The position you chose has consequences for how you view Green Economy. Understanding your position can help you to recognize your biases, principles, and morals, as well as identify why your lens may vary from those of others. Keep this in mind as you continue to the next section.

LENSES SURROUNDING GREEN ECONOMY

This section addresses two different lenses through which the concept of Green Economy may be viewed, as well as the concept of Green Growth.

Conventional Definition

The conventional definition requires that a Green Economy be environmentally friendly and ecological, compatible with the natural environment, and socially just. This traditional approach applies a “greening of an economy” attitude, and calls for such actions as creating renewable substitutes for non-renewable resources, using renewable resources within their regenerative capacity, limiting pollution within the sink functions of nature, and maintaining ecosystem stability and resilience (WWF International 1992). Further, the conventional definition requires that a Green Economy (1) ensure good governance and democracy, (2) enable future generations’ to meet their needs, (3) protect the rights to development of poor countries and poor people, (4) insist that rich countries and rich people meet their obligations to

change their excessive consumption levels, (5) ensure the equal treatment of women, and (6) provide decent global labour conditions (Fulai 2010).

While the conventional definition of Green Economy addresses jobs, technology, innovation, and investment leveraging as means to reduce social impacts on the natural world (e.g., such as the Green Economy strategy applied by the United Nations Environment Programme), it does not recognize the fundamental flaws and weaknesses of our current economic paradigm (Canadian Environmental Network 2010). It lacks a broader vision, and does not intend to deliver an entirely new economic paradigm that introduces progressive economic models, mindsets and metrics (Canadian Environmental Network 2010).

Transformative Definition

The transformative definition of a Green Economy views green conditions (i.e., environmentally- and socially-oriented conditions such as those described above) as forces to generate new economic opportunities and enhance human wellbeing. In contrast to the conventional definition of Green Economy, in which green conditions serve as constraints that economies are subjected to, green conditions are regarded as means to expand and reshape, and not reduce, economic development. Incentives are applied to encourage economic agents to produce, trade, distribute, and consume products and services that are environmentally friendly (i.e., cause no harm to the environment) or environmentally enhancing (i.e., strengthen ecosystem function). In response, a positive feedback loop is established as the income and jobs created through incentives are intended to further motivate economic agents to meet environmental requirements. In this way, the transformative definition of a Green Economy proposes that public and private investments in innovation, technology, infrastructure, and institutions can shift the course of an economy and achieve fundamental structural change (Fulai,2010).

The cost of production within a transformative Green Economy is upfront brain work of ecologically-driven design (i.e., green ideas), as opposed to materials (e.g., natural resources) (Schor 2010). As such, an alternative production model emerges in which decentralized production and dissemination of ideas by individuals and small groups replaces large-scale, command-and-control production by corporations. This new production model involves material and energy degrowth in which small-scale, local businesses share ideas and skills (e.g., yoga studios, community gardens, music conservatories, etc.). The outcomes of this model include reduced working hours, an expanded number of self-provisioners and small local businesses, and the reinvigoration of social capital (Schor 2010). Shorter working hours are expected to raise productivity and provide livelihoods (i.e., increased numbers of jobs), while greater social capital is expected to facilitate the successful management of ecological commons.

A transformative Green Economy is also expected to enable energy and resource conservation (i.e., low energy lifestyles) and increased energy security (i.e., reduced dependence on imported, non-renewable energy sources). New green technologies not only provide new markets but also offer consumers greater choice (i.e., more opportunities to select green products). For example, dual flush toilets, which allow users to select high or low flow flushes, are a relatively new technology that allows users to reduce their water and energy consumption. It should be noted, however, that reductions in the intensity of use of materials and energy can lead consumers to demand more products overall, thereby exerting increased pressure on the environment in absolute terms (i.e., rebound effect) (Fulai 2010).

Green Growth

A third concept that is relevant for our discussion on the Green Economy is the concept of Green Growth, as defined by the Organisation for Economic Co-operation and Development (OECD). Green Growth

identifies the environment as a driver for economic growth, and is defined as the concurrent promotion of economic growth, minimization of waste and inefficient use of natural resources, reduction of pollution and greenhouse gas emissions, increased energy security, and maintenance of biodiversity (OECD 2010a). Green Growth involves embracing opportunities for development of new green industries, jobs, and technologies (i.e., transformative definition of Green Economy), as well as managing transitions that aim to green more traditional sectors (i.e., conventional definition of Green Economy). It requires that new technologies be adopted, and that new products be developed as well as consumed by households, companies and governments (OECD 2010b).

The concept of Green Growth, which was developed in Korea, is intended for developing nations. While it encompasses some elements of a transformative definition of Green Economy, it also contradicts elements of this definition, as a transformative Green Economy does not take growth for granted and is critical of the need for constant economic expansion. Many developed countries assume that it is necessary for them to grow, but this attitude is questioned within frameworks that aim for energy and material degrowth.

Green Economy Definitions

This section provides a range of Green Economy definitions from various sources (e.g., a political party, an independent non-partisan organization, a programme of the United Nations) with the goal of demonstrating the diversity of interpretations of Green Economy.

“The overarching goal of the green economy should be defined in the context of a fair and socially just economic system that meets the needs of all people within the ecological carrying capacity of the planet.” (Canadian Environmental Network 2010)

“A Green Economy is a system of economic activities related to the production, distribution and consumption of goods and services that results in improved human well-being over the long term, whilst not exposing future generations to significant environmental risks and ecological scarcities.” (UNEP 2010)

“A rapidly growing billion-dollar sector that includes renewable energy sources, organic produce and products, green buildings, alternative fuel vehicles, and more.” (EBCHR 2011)

“[A] sustainable and resilient economic model based on conservation and renewable resources, a model that advances the common good and ensures quality of life for all Canadians.” (Green Party of Canada 2009)

“The building blocks [of a Green Economy] include low-carbon energy, infrastructure and transport; sustainable systems of food production, water and sanitation, and waste; ways of protecting and sustainably using biodiversity, green jobs and livelihoods that ensure social justice and equity, and that set real measures for progress and wellbeing; investment in green sectors, environmental ‘accounting’ and the introduction of new business models; and, policy reform.” (Green Economy Coalition 2011)

“A green economy is an economy that imitates green plants as far as possible.” (Post Carbon Institute 2010)

CONCEPTS RELATED TO GREEN ECONOMY

This section outlines various concepts related to Green Economy. It is provided with the goal of demonstrating how Green Economy is interrelated with a range of other types of economies, growth models, and views.

Low Carbon Economy

A low carbon economy emits minimal amounts of carbon dioxide and other greenhouse gases (GHGs). It is a component of a Green Economy as investing in renewable energy and energy efficiency within a Green Economy is anticipated to reduce carbon emissions in addition to generating new sources of income and jobs (Fulai 2010).

Circular Economy

A circular economy reduces the consumption of resources and the generation of wastes by reusing and recycling wastes throughout the production, circulation and consumption processes. It is recognized as an element of a Green Economy as investing in resource efficient technologies and waste management/recycling within a Green Economy is expected to improve resource efficiency and waste management (Fulai 2010).

Democratic Economy

A democratic economy involves a reduction in power of large corporations and a shift in priorities from shareholder to stakeholder interests, as well as growth in cooperative enterprises, new social benefit corporations, smaller place-based businesses and self-employment. A democratic economy is a necessary element of a Green Economy as a democratic economy empowers citizens, expands democratic control of and participation in the economy, and enhances the communities in which enterprises operate (Capital Institute 2010).

Service-based Economy

A service-based economy is grounded in the production and sale of de-materialised services as opposed to material products (e.g., community energy projects, local farmers' markets, libraries, etc.) and, therefore, involves material and energy "degrowth". While the North can greatly benefit from such degrowth, it is argued that the South should be allowed to grow. However, this does not mean that current practices, in which heavy manufacturing is relocated to the South while the North continues to import consumption goods from abroad, should be continued. A service-based economy simply calls for the development of a relatively local 'green services sector' that provide forms of meaningful work to support community and sustain people's livelihoods. A service-based economy can be an important element of a Green Economy.

Local Economy and Social Movements

A local economy fosters community networks, social movements, and peer production (i.e., the sharing of ideas within an open, non-proprietary, cooperative framework) through the establishment and support of community enterprises (Schor 2010). It focuses on health and wellbeing, and enables discussions surrounding economies to include not only the typical players (e.g., non-governmental organizations, researchers, policy makers, etc.), but also those who have not traditionally been involved in policy debates (e.g., people involved in urban gardening, climate change activists, social movements, etc.). A local economy is an important element of Green Economy.

Sustainable Consumption and Production (SCP)

SCP is an important element of a Green Economy. The concept of sustainable consumption and production (SCP) is a whole-systems approach through which to consider the practical means of aligning economic systems to meet the needs of current and future generations within the ecological carrying capacity of the Earth. It examines our needs and values as a society, and applies a lifecycle and value chain perspective to the production and consumption of goods and services, and includes categories such as food systems, the building sector, households, infrastructure, transportation, consumer items, large infrastructure (e.g. waste operations), etc. Shaping and transforming the production and consumption system requires the participation and collaboration of all key actors in society, notably government, business and industry as well as communities, civil society and NGOs, who need to work together to establish the structures through which sustainable patterns of production and consumption arise.

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Smart Growth

Smart growth is the strengthening of knowledge and innovation as drivers for future growth (ESDN 2010a), and is a key element of a Green Economy.

Inclusive Growth

Inclusive growth empowers people through high levels of employment, increased skills, fighting poverty and modernising labour markets (ESDN 2010a). It is an important component of a Green Economy.

Millennium Development Goals

The Millennium Development Goals are eight international development goals that all United Nations member states and over twenty international organizations have agreed to achieve by 2015. The focus of these goals is poverty eradication. A Green Economy should and could contribute to the achievement of poverty eradication as pursuing a green economy without addressing poverty concerns is unlikely to be successful, and a number of sectors with green economic potential are particularly important for the poor (e.g., agriculture, forestry, fishery, and water management) (Fulai 2010).

SUMMARY

Although many agree that a Green Economy is a desirable goal, the concept is not yet clearly defined and debate exists surrounding its true meaning. The two lenses through which the basic notion of a Green Economy may be interpreted include both conventional and transformative definitions, as well as a definition that likens a Green Economy to Green Growth. Within each of these themes, a range of outcomes from a Green Economy are proposed, including new sources of income and jobs, low carbon emissions, reduced use of resources and generation of waste and pollution, sustainable development, social equity, and poverty reduction. In addition, a Green Economy is linked to low carbon, circular,

democratic, service-based, and local economies, as well as to sustainable consumption and production, smart and inclusive growth, and the Millennium Development Goals.

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Appendix 1: Outline of Green Economy lenses and Green Growth (adapted from ESDN 2010b and Schor 2010)

	Main Elements	Policy Tools
Conventional Definition	<ul style="list-style-type: none"> • Operates within existing, traditional economic systems • Focus on monetary incentives and taxes/fees • Consumers and producers are considered to “bear the costs” of environmentally-oriented initiatives • Environmental initiatives are seen to require a trade-off between economic growth and environmental protection 	<ul style="list-style-type: none"> • Providing incentives to coax companies to undertake “green” initiatives (i.e., using the “carrot approach” to encourage desirable behaviours) • Penalizing companies that apply unsustainable practices (i.e., using the “stick approach” to punish poor behaviours)
Transformative Definition	<ul style="list-style-type: none"> • Analysis of market failure and the internalization of externalities • Systemic view of the economic structure and its impact on relevant aspects of sustainable development • Focus on social aspects (e.g., jobs) and policies needed to reconcile social objectives with other objectives of economic policy • Focus on macro-economic framework with the goal of identifying dynamic pathways towards sustainable development • Contribute to the goals of sustainability • Be a new economy, with new models, mindsets and metrics based on a systems approach • Recognize ecological limits • Enable people to meet their basic needs 	<ul style="list-style-type: none"> • Getting prices right (e.g., removing environmentally harmful subsidies, valuing natural resources, etc) • Public procurement policies that promote greening of businesses and the market • Ecological tax reform (i.e. shifting taxation from labour to resource use) • Public investments into sustainable infrastructure (e.g. public transport, renewable energy, improved energy efficiency of buildings, etc.) • Targeted public support for research and development on environmentally sound technologies • Strategic investments through public sector development outlays for a self-sustaining process of socially and environmentally sustainable economic growth • Social policies to reconcile social objectives with existing economic policies
Green Growth Definition	<ul style="list-style-type: none"> • Remove barriers to Green Growth <ul style="list-style-type: none"> ○ Remove environmentally harmful subsidies ○ Remove barriers to trade in environmental goods and services ○ Strengthen policy coherence • Promote trajectory shift <ul style="list-style-type: none"> ○ Adopt integrated policy mix (i.e., market- and nonmarket-based instruments) ○ Accelerate the innovation and diffusion of green technologies ○ Encourage measures for greener consumption and develop innovate financial mechanisms 	<ul style="list-style-type: none"> • Putting a price on pollution sources or scarce resources (e.g., taxes, natural resources charges, tradable permit systems, etc.) • Regulations when market failures result in weak responses of agents to price signals • Combination of taxes, tradable permits and performance standards in case of multiple and varies sources of pollution • Policies to support green technologies and innovation • Subsidising green activities is not favoured, but may be an effective option where pricing instruments would be difficult or very costly to enforce • Voluntary approaches or information-based instruments (e.g.,

	<ul style="list-style-type: none"> • Support the transition <ul style="list-style-type: none"> ○ Smooth reallocation of labour through key labour market and training policies ○ Upgrade workers' skills and competencies ○ Address distributional effects of the associated structural change • Strengthen international cooperation <ul style="list-style-type: none"> ○ Improve financing mechanisms for global public goods ○ Enable pro-poor Green Growth ○ Address potential competitiveness issues ○ Promote technology transfer and R&D cooperation • Measure progress <ul style="list-style-type: none"> ○ Develop a new accounting framework and a set of Green Growth indicators ○ Measure impact of specific policies 	<p>energy efficiency ratings or eco-labelling) could complement other policies</p>
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