

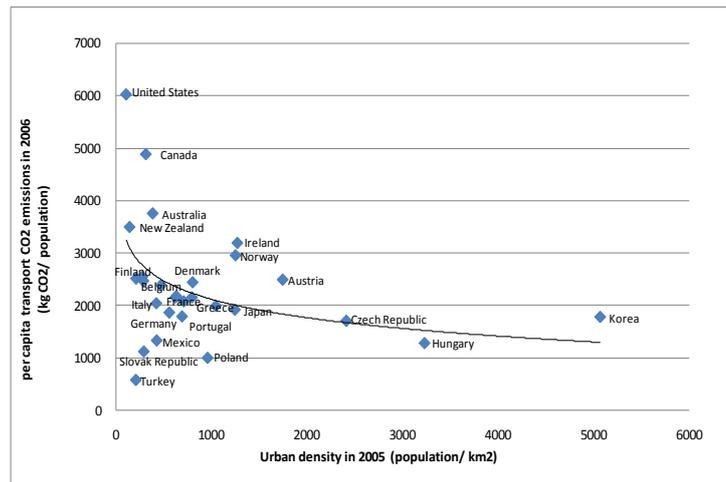
Cities and Green Growth

KEY POINTS

Cities' growth impacts both environmental quality and national competitiveness.

- Cities are high drivers of national GDP and main centres of innovation and typically feature higher levels of productivity than their country's average thanks to specialisation.
- Cities are also major energy and resource consumers. In a predominately urban world, cities consume 60-80% of energy worldwide and therefore are responsible for large shares of GHG emissions.
- The urban form matters: the lower the urban density, the more energy is consumed for electricity and transportation. CO₂ emissions per capita drop significantly as urban areas densify.
- Cities provide the right scale for markets of eco-products and for large-scale green infrastructure investment.
- Short-term costs of urban environmental policies are lower than at the national level because of the effects of stronger synergies. Local policies to reduce pollution increase attractiveness – a main factor of city competitiveness, especially in economies that are higher up the value chain.

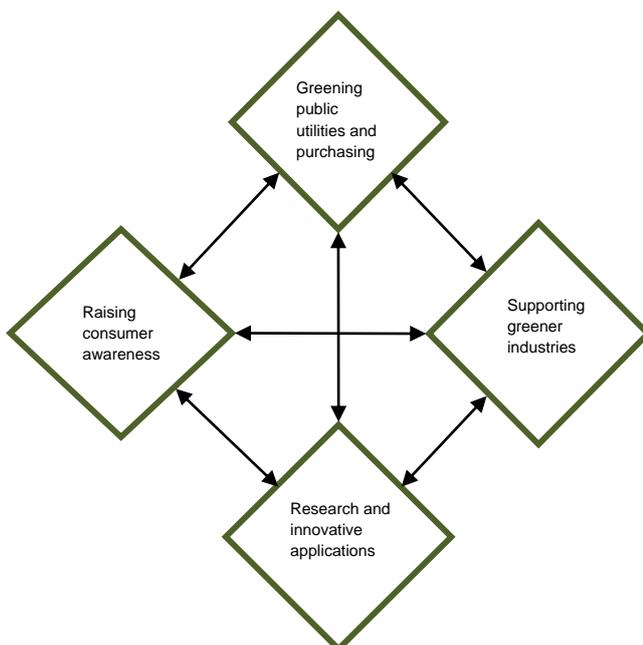
1 As Urban Density Increases, CO₂ Emissions from Transport Decrease



Source: OECD Regional Database; IEA (2008), *CO₂ Emissions from Fuel Combustion*, OECD/IEA, Paris.

Cities have a pivotal role in national and global green growth strategies.

2. The Green Growth Diamond for Cities



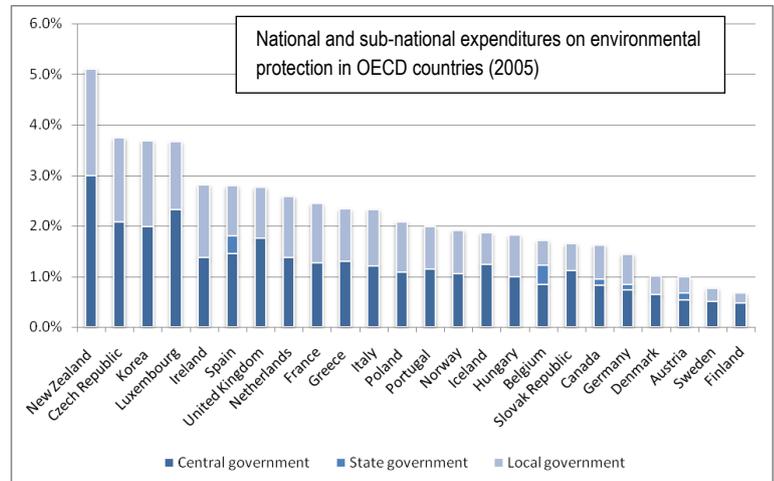
- Cities and regions are promoting green growth through an arsenal of innovative tools, which need to be pursued simultaneously to unlock policy complementarities:
 - Greening public investment and purchasing – in infrastructure, building, transport, communication networks and utilities.
 - Supporting greener local industries by improving the eco-efficiency of production, easing the way for green start-ups and training local workers.
 - Raising consumer awareness through consumer education and lowering the cost of green technology purchases.
 - Catalysing research and the development of the green-tech clusters that will become the engines of cities' green economic growth over the long term.

- Compact cities policies can contribute to green growth and significantly reduce energy consumption. Successful "compact cities" rely on transportation linkages, mixed land uses, and high-quality urban services. Applying densification policies or congestion charges can have long-term positive effects on the economy due to technological innovation: *e.g.* high-quality, more-efficient public transport that responds to economic needs and better connects labour with employment, thus increasing firms' productivity.

Moving towards a low-carbon, more sustainable society will require significant up-front investments.

- Acting on green growth in cities requires new financial instruments, such as urban use of carbon markets, local cap-and-trade systems and grants that take environmental sustainability into account.
- Existing urban revenue sources could be “greened”: congestion charges and road taxes can reduce car travel and fund green infrastructure; local energy fees that put a price on wasteful energy use can increase efficiency; and property taxes can stop favouring urban sprawl and start encouraging development in the urban core and around transportation linkages.
- Private financing will be important: public-private partnerships could bolster urban green growth goals but must be transparent and clearly accounted for.

3. Local and regional governments spend nearly as much on the environment as national governments



Source: OECD National Accounts Statistics Database.

National governments have a key role to play in enhancing cities' capacity to act on green growth.

- There is a need to bridge the gap between national and local approaches to green growth. National plans do not account for the spatial elements of green growth, nor for cities' existing contribution to green growth. Urban green growth strategies tend to be stand-alone, “flagship” green projects that are dependent on short-term political cycles, but long-term sustainable economic growth calls for a systematic, citywide, multi-sectoral approach.



- National governments could green urban finance by re-designing taxes and grants to sub-national governments to correct incentives for unsustainable behaviour and reward cities that create environmental benefits beyond their borders.
- Technical assistance, funding and knowledge-sharing is needed for large-scale infrastructure projects – such as smart grids, high-speed trains, and green R&D – and to help cities measure the economic and environmental impact of green growth initiatives.

- Strong national and international environmental targets and baseline standards are needed to remove policy obstacles, prevent harmful competition among regions and promote incentives for a “race to the top”. Cities also need flexibility to innovate urban-level policy responses that can then be scaled up.
- Green growth is impacted by the way carbon emissions and environmental quality are valued. Urban green growth policies would benefit from national price signals and standards – e.g. through carbon taxes or other pricing mechanisms.

Better monitoring is needed.

- A common set of urban environmental and economic indicators are needed to compare best practices and measure green jobs and growth. Inconsistent methodologies across cities counteract any attempt to monitor and evaluate progress on green growth.
- An urban green growth strategy should include data generation, market information and analysis of the local economy to better understand how local energy use and emissions relate to economic activity. Access to this information by national governments could inform both urban and national strategies.