<u>Green Growth and Territorial Development – OECD Focus Group</u>

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Presentation by
Dr. Klaus U. Hachmeier
Deputy Head of Division – North Africa, Near and Middle East
Federal Ministry of Economics and Technology
Berlin, Germany

(summary)

<u>1. "Green Growth" within the German economic policy framework</u>

GER does **not** follow a specific "Green Growth" (GG) policy. Rather, GG forms part/ is seen as part of (the debate revolving around) **"sustainability" or "sustainable development"**. (Presently, our ministry works on a paper entitled "GG: a core element of sustainable growth", to which the ministry of environment will also contribute substantially.)

GER position on GG is largely **in line with the OECD position** (viz. OECD doc. C(2010)125, "Outline for the GG strategy's synthesis report"). However, some elements of the GER approach should be stressed:

- GG is an element of the necessary structural change which **needs governmental support** bec. GG policies (e.g. environmental measures) incur additional/ hidden costs (due to external effects), resulting in market failure;
- **however**, GG policies should – as far as possible – not impede/ influence competition/ market forces.
- **As a result**, we see the primary role of the state/ government in this context as follows: (a) state should set laws/ regulations under which GG may foster, e.g. by setting goals for the share of renewable energy in the energy mix (cf. 2. below); (b) incentives (esp. subsidies) to certain technologies/ products should be applied only in rare and "deserving" cases (e.g. electro-mobility); (c) a GG strategy should be **"technology-open"**, not being reduced to a specified number of industries/ products. **GG is not to be taken as tool to promote *individual* industries (e.g. renewables) BUT a policy aiming to bring about a *broader structural change* in the economy and our living environment. GG therefore forms in our view part of the broader "sustainability" debate.**

Elements of GG appear and are incorporated into a broad variety of political initiatives/ activities on different policy levels (EU-, Federal, local …), ranging from industry policy programs to initiatives to strengthen consumer awareness. *(n.b.: this approach is much different from the one in South Korea, where a specific "Green Growth" industrial initiative has been implemented, as I have learned during the conference.)*

With regard to **territorial development**, we do not see GG as a "primary" goal of regional policy. "Primary goals" here remain (a) innovation policy (i.e. creating innovative/ competitive industries), (b) regional development (supporting structurally weak regions), and (c) industrial policy (e.g. SME promotion, start-up promotion). In a country with federal structures such as GER, it remains the task of the actors on **local level** to coordinate and use the existing policy programs (which, of course, are (to a large extent) formulated and facilitated by the federal government).

<u>2. Examples for policies with a high share/ direct reference to GG in GER</u>

As already said, we do not see GG as a specific policy, but rather enforce GG through a broad set of policy measures in different policy areas. Here are some examples:

(a) the Energy Concept (EC)

Decided upon by the cabinet in Sept 2010, the EC formulates binding guidelines for GER energy policy up to 2050. It is a broad, encompassing concept, looking at both the supply/ demand side of energy policy and different sectors: electricity, warmth, transport/ mobility. It consists of **three parts**:

1. **Ambitious goals**: until 2050, greenhouse-gas emissions must be reduced by at least 80%. By that time, renewable energies (**excluding** nuclear energy) must supply 60% of total energy, and 80% of electricity. **Energy efficiency** is a decisive component to reach these goals: primary energy consumption must be reduced by 50% 2050, and by 80% for buildings.
2. **Concrete/ tangible measures**: the EC contains a 10-point-plan. These are mainly measures to modernize and enlarge the energy grid.

3. **Financing the EC**. The EC should be financed from revenues from the trade in energy certificates. The government expects revenues of **2.5 bln. (!!) Euro** annually from 2013 onwards.

(b) the "Waste circle management law" (Kreislaufwirtschaftsgesetz)

This law regulates inter alia the recycling quotas for industrial and household waste. The amendment to the existing law, which is presently under discussion in the government, goes far beyond the limits of the existing EU-directive: according to present plans, until 2020, 65% of household waste and 80% of all waste from construction/ demolition activity should be recycled.

(c) examples of other policy measures that support GG

Many other policy measures (laws, regulations) do in fact support GG (and could arguably be seen as part of a GG policy): e.g. labelling duties on consumer goods, e.g. fridges (the consumer is informed how much energy the fridge consumes – this forces the industry to develop more energy-saving fridges, also reducing profit margins on energy-intensive fridges).

3. Scope for cooperation with MENA-countries: energy partnerships

The ambitious goals set in the GER EC will force energy producers to increase the production capacities for renewable energies. The EC **explicitly** states that GER needs to import "green" energy from abroad. A realistic provider of renewable energy could be the MENA countries. Ideas are presently developed by various initiatives, of which the Dii (Desertec industrial initiative) is probably the most well known. Parallel/ in conjunction with such initiatives, the GER government seeks to engage into a dialogue with MENA countries to set and define the general conditions to make an energy transfer possible. GER already has approached these countries with the offer to establish "energy partnerships". It is yet very much undefined what form these partnerships could take, but it is highly certain that **regulatory questions** (market access, feed-in prices) as well as **investment issues** (investment protection, financing structures) will be among the topics that need further discussion.

We recognize a clear and irreversible development towards transnational energy supply structures, certainly within the EU (common energy market) but also with non-EU countries. In this context, the MENA region faces new opportunities in becoming a potential supplier of “green” energy to GER and other European countries. GER – the federal government and the industry – wants to be at the forefront of this development and wants to actively lead the way in this direction.