

# Law as a Tool to Promote Green Economy

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# Outline

- What is green economy?
- The role of law?
- Examples of national legislations?
- Key mechanisms?

# 1. What is green economy?



# Global Multiple Crisis

- **Financial**
  - 18m to 51 million unemployed over 2007 levels (ILO)
  - -1% of growth in developing countries = 20+ million people consigned to poverty (WB)
- **Fuel** – Rising prices cost consumers in developing economies USD 400 billion in 2007
- **Food** – Rising prices cost developing countries USD 324 billion in 2007
- **Ecosystem** – EUR 50 billion worth of biodiversity is being lost each year
- **Climate** – current global GHG emissions at 42 Gt per annum
  - 5 times higher than the thresholds
- **Poverty** – the number of extremely poor has increased by at least 100 million people worldwide (WB)

# What is the future without change?

*(The business as usual path)*

By 2030

- Global energy demand up by 45%
- Oil price up to US\$180 per barrel (IEA)
- GHG emissions up 45%
- Global average temperature up 6 C
- Sustained losses equivalent to 5-10% of global GDP
- Poor countries will suffer costs in excess of 10% of their GDP (Stern)



# What is the problem?

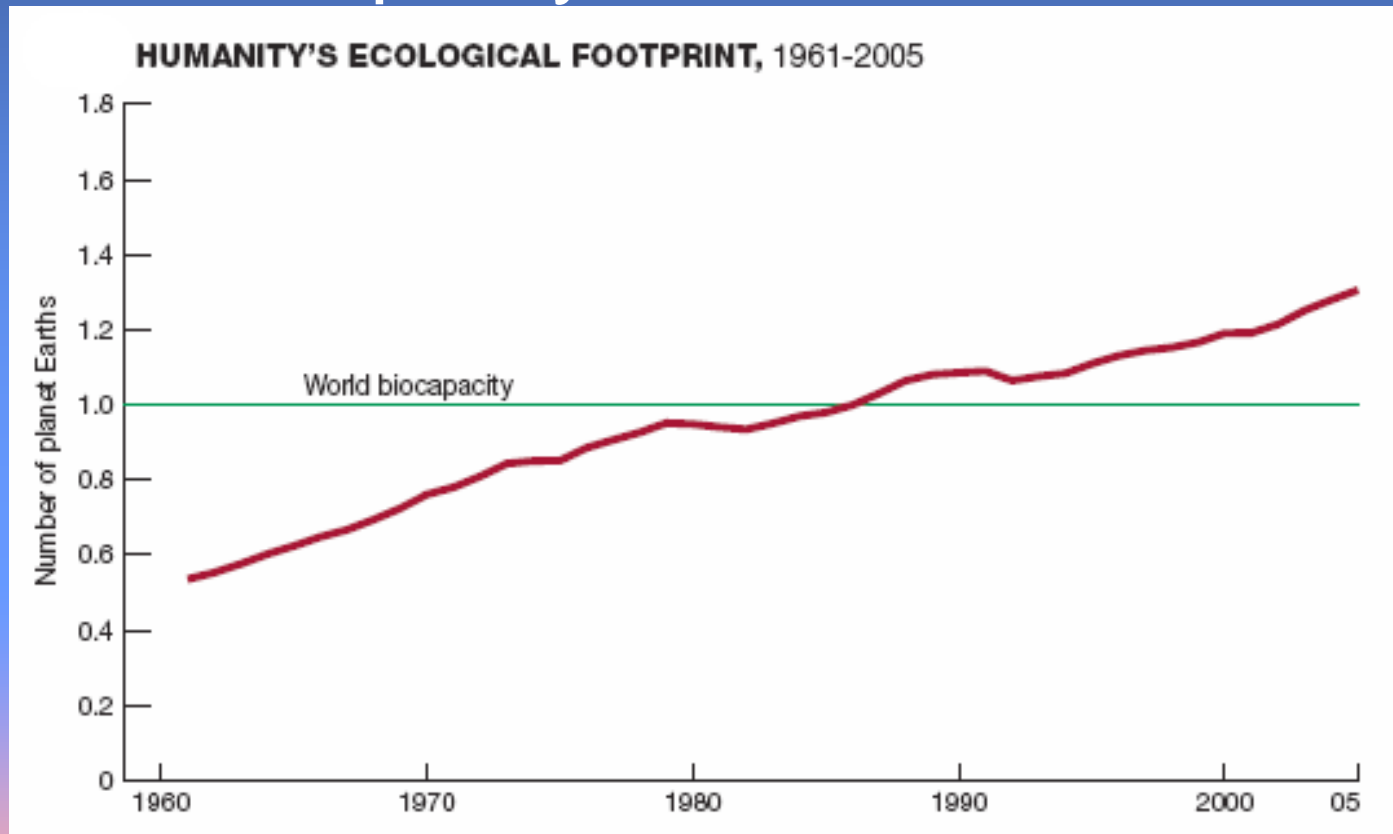
*“The major cause of the continued deterioration of the global environment is the **unsustainable patterns of consumption and production**, which is a matter of grave concern, aggravating poverty and imbalances.”*

*Agenda 21 (Chapter 4.3), Earth Summit, Rio 1992*

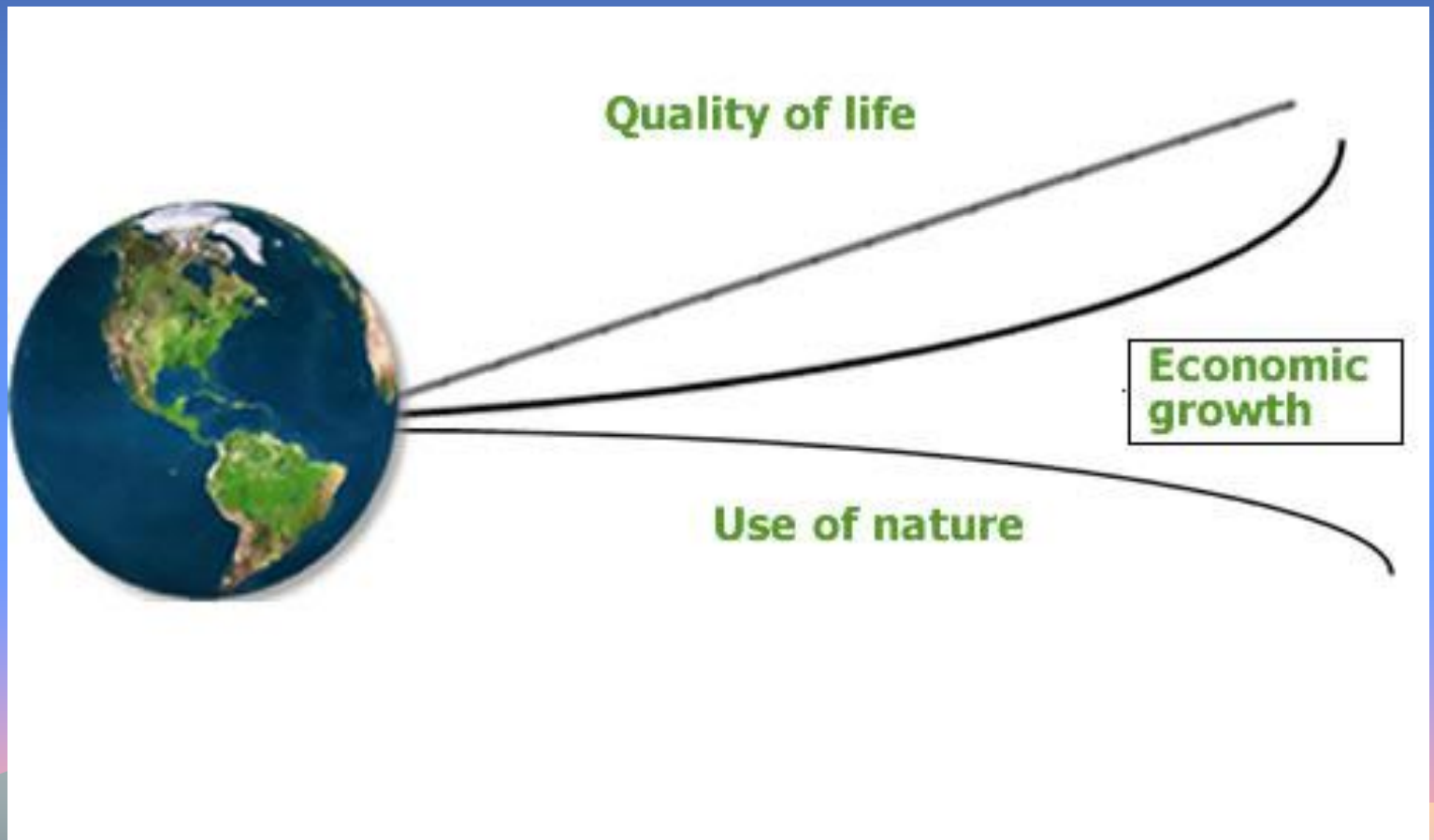


# The challenge

- World bio-capacity



# Challenges



# What is green economy(GE)?

- ❖ Increase in **green Investment**
- ❖ Increase in quantity & quality of **jobs in green sectors**
- ❖ Increase in **share of green sectors in GDP**
- ❖ Decrease in energy/resource use per unit of production
- ❖ Decrease in environmental cost of production/consumption
- ❖ Decrease in wasteful consumption



# Some key green economy concepts

- ❖ Green growth – GDP growth subject to green conditions as well as focusing on green sectors as new growth engines
- ❖ Green jobs – jobs in green sectors (green collar jobs)
- ❖ Low carbon economy – part of GE measured by the carbon level of economic activities
- ❖ Circular economy – an economy in which the waste from one production/consumption process is circulated as a new input into the same or a different process
- ❖ Ecological economy – an economy subject to ecological principles (e.g., biodiversity & carry capacity) as well as utilizing ecological functions to contribute to both economy and ecosystems (e.g., organic farming)

# Emerging Opportunities

- Opportunities from stimulus packages to jump start a transition towards a green economy: out of 3.1 trillion stimulus packages, US\$ 512 (16%) bn have been identified as green stimulus
- Opportunity for the global collective rethinking of the development and business models of the last century – an overwhelming acceptance of the need to move towards a green economy
- Support for transition to a green economy from UNGA, World Leaders, G8, G20, UNEP, CSD, OECD, etc.



# UNEP Green Economy Initiative

- ❖ Launched in October 2008
- ❖ UNEP GC25/GMEF in February 2009 – “Creating a green economy goes hand-in-hand with sustainable development and the achievement of the Millennium Development Goals”
- ❖ Implemented by UNEP in partnership with over 20 UN, the IMF, World Bank, OECD, private and civil society partners
- ❖ Funded by the Governments of Norway, Switzerland, UK and UN Foundation
- ❖ Seeks to mobilize the international community and countries individually, towards green investments in key sectors and in ‘natural infrastructure’



# UNEP Green Economy Initiative

## OBJECTIVE

Promoting Investment in long-term environmental sustainability and putting the world on a climate-friendly path



# Key messages from UNEP GEI

- ✓ Place green investment at the core of the stimulus packages
- ✓ Include green investment in regular government budget
- ✓ Create public-private green investment funding mechanisms
- ✓ Provide domestic enabling conditions



# Key green sectors

- Energy
- Cities
- Buildings
- Tourism
- Finance
- Industry
- Transport
- Renewable energy
- Waste management
- Agriculture
- Water
- Forests
- fisheries



# What is good about GE?

- It emphasizes green growth
- It focuses on the positive links between being “green” and economic growth/decent jobs creation/poverty reduction
- It promotes green sectors as new growth engines and enables developing countries to leapfrog into modern economies, while ensure long-term benefits
- It has the potential to address multiple challenges facing the humankind
- It addresses “inertia” among policy-makers, business and consumer.



# Enabling conditions

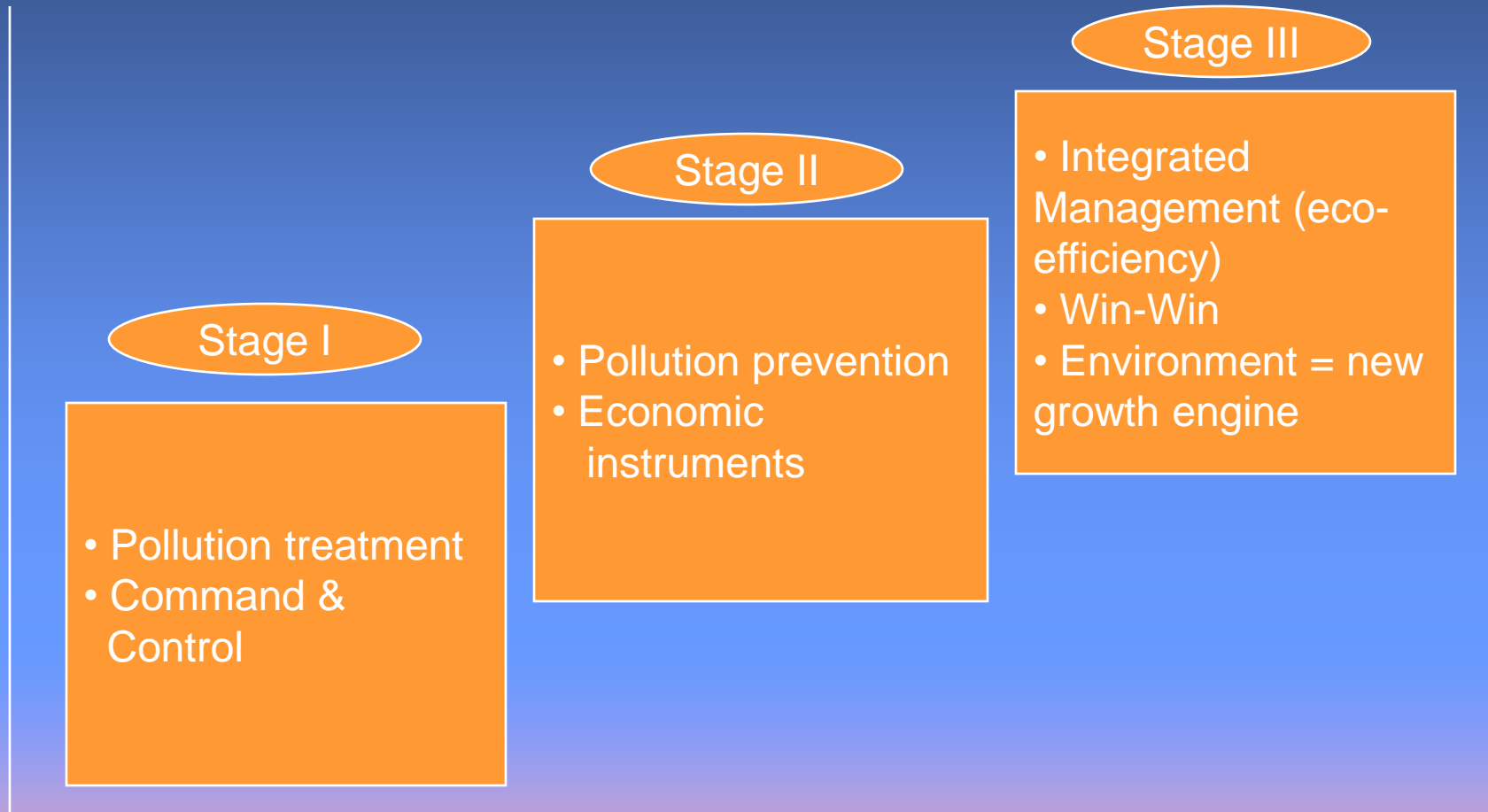
- The promotion of green economy requires enabling conditions
- **Domestically** – these include **legislation**, standards, fiscal reforms, technology, trade, incentives for financing technology, and capacity building, among other prerequisites
- **Internationally** – international environmental governance, international trade, international aid, global carbon market, global markets for ecosystems services, and development and transfer of technology, etc.



## 2. The role law?



# Evolution of environmental law



# Law as a tool

Plays an important role in:

- Creating rights and obligations
- Creating or strengthening institutional arrangements
- Specifying responsibilities of different stakeholders
- Shifting funding towards green investments
- Providing for incentives for the development of green technologies
- Specifying other policy measures for accelerating green economy
- Imposing sanctions for violations

# Law as a tool

- There are many innovative and carefully crafted national legislation around the world to promote green economy
  - Promoting energy efficiency and renewables
  - Promote 3Rs (reduce, reuse and recycle) – life cycle approach
  - Promoting sustainable production & consumption
  - Promoting green growth



# **3. Examples of existing national legislation to promote green economy**



# Examples of national legislation

- ❖ Law on energy and climate change
  - Germany – Renewable Energy Law
  - China – Energy Efficiency Law and Renewable Energy Law
  - Japan – Law on Global Warming
  - UK, Canada – Climate Change Act
- ❖ Law on sustainable production & consumption (SPC)
  - Japan – 3Rs laws
  - China – Circular Economy Law
  - China – Cleaner Production Law
  - EU – Eco-design Directives
- ❖ Law to promote green economy/green growth
  - South Korea – Low Carbon & Green Growth Bill

# Law on Energy and Climate (1)

## Germany – Renewable Energy Law – 2000, 2004

- Provides guaranteed access to the grid for renewable energy power supplier
- Requires utility companies that collect renewable energy to provide a guaranteed price for suppliers
- Encourages private individuals and companies to invest in the generation of renewable energy
- Greatly stimulated private investment in power generation and in development of new technologies
- Already exceeds the target set in 2000 to increase electricity from renewable to 12.5% by the year 2010



# Law on Energy and Climate (2)

China – Renewable Energy Law – 2006

Major measures:

- Renewable energy target of 15% by 2020
- an investment commitment of US\$180 billion by 2020
- To improve the energy infrastructure, diversify energy supplies and enhance energy security
- Incentives include:
  - Require the national grid to purchase power from renewable energy producers
  - Two forms of renewable energy pricing: a government-set price and a government-guided price
  - A government subsidy for renewable energy projects the first 15 years, this subsidy will reduced by 2% after 15 years



# Law on Energy and Climate (3)

China – Energy Conservation Law – 1997, 2007

Major measures:

- Energy conservation planning, including investment planning
- Energy efficiency target
- Prohibiting high energy consumption industry projects
- Energy efficiency standard
- Eliminating outdated and high energy consumption products
- Certification and labeling for energy efficiency products
- Requiring key energy users to take necessary measures to increase their energy efficiency
- Research and development funding for energy efficiency technology

# Law on Energy and Climate (4)

Japan – Act on Promoting of Global Warming Countermeasures – 1998

Major measures:

- The Council of Ministers for Global Environmental Conservation
- Kyoto Protocol Target Achievement Plan
- Global Warming Prevention Headquarters
- Government Action Plan/Local Government Action Plan
- Reporting by special emitters
- CO<sub>2</sub> quota inventory account

# Law on SPC (1)

- Japan – 3Rs Law:

- Fundamental Law for Establishing a Sound Material-Cycle Society - 2000

- Requires all competent ministries to establish basic polity to promote 3Rs
    - Specifies responsibilities:
      - Government/local authorities
        - Securing funds
        - Green procurement
        - promoting science and technology
        - awareness raising
      - Businesses
        - take necessary measures to reduce, reuse and recycle
        - promoting recycling and reusing
      - Consumers
        - reduce waste and promote recycling in their daily life
    - Establishes a number sectoral lists requiring industries to take measures to practice 3Rs in their production processes

# Law on SPC (2)

## China – Clean Production Law – 2002

### Major measures:

- ❖ ‘producer responsibility’ concept
- ❖ eco-design & the life-cycle approach
- ❖ phase-out of obsolete production processes & products
- ❖ compulsory recycling policy
- ❖ economic & financial measures
  - ✓ preferential tax, green loan
  - ✓ Special Tech Development Fund
  - ✓ Small- and Medium-sized Enterprise Development Fund
- ❖ information disclosure
  - ✓ ecolabels
  - ✓ black-list
  - ✓ award list
- ❖ government procurement
- ❖ technology innovation

# Law on SPC (3)

## China – Circular Economy Law - 2008

- Specifies responsibilities for:
  - Governments at all levels
    - ✓ **Formulate the national and local plans**
    - ✓ **Support research, science and technology**
    - ✓ **Green consumption (green procurement)**
  - Industries/businesses:
    - ✓ **Establish sound management systems and take measures of 3Rs**
    - ✓ **Industry associations to develop sectoral 3Rs guidelines**
  - Responsibilities of consumers/citizens
    - ✓ **Resource conservation and sustainable consumption**
- Provide incentives
  - Directs local governments to establish funds to support circular economy
  - Tax preferences to industries and activities that promote the conservation of energy, water and materials
  - Financial institutions to give priority to loans and businesses promoting 3Rs
  - Develop pricing policies that encourage 3Rs
- Legal liability
  - Higher levels of government being authorized to punish individuals
  - Enterprises producing or sell prohibited equipment or products can be punished – ranging from fines up to 50,000-200,000 RMB to being ordered to shut down
  - Business that import prohibited materials or equipment may be fined from 100,000 up to 1 million RMB
  - Criminal punishment could be also imposed if a crime is committed

# Law on SPC (4)

## EU – Eco-design Directives

- In a process of developing eco-design regulation covering all energy using products (EuPs) on the EU markets
- 2005 - Eco-design of EuPs Directive
- 2009 – a number of Implementing Directives covering different EuPs (e.g., (TV, refrigerator and other appliances)
- A total of 25 regulations are now in place covering 23 EuPs (each of 23 EuPs is governed by an implementing measure/directive)



# Law on SPC (5)

## EU EuPs Eco-design Directives - 2005

- Established a framework for eco-design requirements for EuPs
- Major measures:
  - EuPs be placed on the market only if they comply with the eco-design requirements
  - Designation of the authorities responsible for market surveillance
  - A CE marking and declaration of conformity
  - Conformity assessment
  - Non-compliance safeguard clause
  - Implement measure (to be adopted later)

# Law on SPC (6)

## Implementing Directive/Measure for TV - 2009

- Set up a multi-step approach towards stronger energy efficiency requirements
  - **20 August 2010** - TV sets (on-mode) = 20 Watts; TV monitor (on-mode) = 15 Watts
  - **1 April 2012** - TV sets (on-mode) = 16 Watts; TV monitor (on-mode) = 12 Watts
  - **7 Jan. 2010** - TV (off-mode) = 1-2 Watt; standby-mode = 1 Watt
  - **20 Aug. 2011** - TV (off-mode) = 0.3-0.5 Watt; standby-mode = 0.5 Watt
- Measurement for complying with the eco-design requirements
- Measurement for conformity assessment
- Verification procedure

# Law on Green Economy/Growth (6)

## South Korea – Low Carbon & Green Growth Bill

- A basic law to replace Energy Basic Act, Sustainable Development Basic Act
- Major measures:
  - Establish and implement a National Green Growth Strategy
  - Establish Green Growth Committee
  - Cultivate and support green economy and industries
  - Eco-friendly taxation system
  - Respond to climate change & develop Energy Basic Plan with medium & long-term targets
  - Cap and trade system
  - Establishment of green industrial investment company

# 4. What are key mechanisms?



# Key Mechanisms

- Stakeholders responsibilities
- Command and control
- Economic instruments
- Information disclosure
- Government procurement

# Stakeholders responsibilities

- Government
  - Strategy, action plan, specific plan
  - Funding
  - R&D
- Business
  - Take necessary measures to limit resource use and increase efficiency, cooperate with policies
- Citizens/consumers
  - Reduce consumption and cooperate with governmental policies



# Command and control

- Deadlines for compliance (Japan 3Rs Law, EU eco-design directives)
- Deadlines for phasing out bad technology (China Clean Production Law)

# Economic instruments

- Pricing
- Special funds
- Taxation
- Cap and trade
- Subsidies

# Information disclosure

- Ecolabelling (China Clean Production Law, Circular Economy Law)
- CE Marking (EU eco-design directives)
- Disclosure black-list and award-list (China Clean Production Law)

# Government procurement

- Government to purchase environmentally friendly products (Japan 3Rs Law, China Clean Production Law, Circular Economy Law)



# Conclusions

- ❖ Many countries have adopted new & innovative national legislation promoting GE
- ❖ Law – as a important tool for GE
- ❖ Although very broad and general, yet may potentially have far-reaching effect to shape green economy
- ❖ Many excellent initiatives & mechanisms may be replicable to other countries
- ❖ Law – not the end, but rather the beginning for shaping GE (many existing national laws need further adoption of regulations to implement them)
- ❖ Implementation, compliance and enforcement of law by multi-stakeholders are more important

# *Thank you!*

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