

# Towards a green economy in the Mediterranean region



## A note of the Plan Bleu for Rio+20

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October 2010



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### I. Green economy: a pre-condition for sustainable development

#### 1. A response to the crisis that arose in 2008

The recent focus on ‘green economy’ constitutes a response to the financial, economic and social crises that started in 2008, and the permanent environmental crisis. In several countries (China, Korea, Japan, Morocco, France and Germany, for example), the highest governmental authorities have sought to i) restore growth in quantitative terms and ii) change growth in qualitative terms in response to environment-related concerns and opportunities. This has translated in growth support ‘packages’ that include a key green dimension.

At international level, the UN along with the European Union and the OECD have insisted that green economy and green innovation must take clear precedence. High priority is attached in particular to reducing carbon and resources intensities of the economy; this is expected to create additional jobs. The GGGI (Global Green Growth Institute) was set up in Seoul. This issue will be the focus of discussions at the forthcoming Rio+20 Summit.

#### 2. Concept and metric

Thus a ‘green economy’ (some would say ‘green growth’) involves development and growth pathways where i) pressure on the environment and natural resources is reduced and ii) growth potential relating to environmental concerns is achieved. Such a green economy is a pre-requisite to sustainable development. .

It should be assessed using, amongst others, indicators of: i) the environmental efficiency of production (amount of carbon, water, materials, etc. per unit of output, for example), ii) the environmental efficiency of consumption, iii) the stock of natural capital and environmental quality and iv) the quality of environment as objectively and subjectively experienced by people. This reflects the issue of rethinking ‘the measurement of economic performance and social progress’ beyond GDP, as expressed in the Stieglitz-Sen-Fitoussi report.

### II. Promoting a green economy

Priority is given to three main lines of action towards promoting a green economy: i) promoting green technology and green innovation; ii) mainstreaming environmental concerns into economic development, and iii) cross-cutting action on issues such as reducing carbon intensity, preserving biodiversity and the services it provides, and progress on resource efficiency. Where action is taken in accordance with these three main orientations, and tailored to national contexts, an active economic crisis-busting transformation may be triggered both nationally and internationally. This could notably be the case in the Mediterranean, where Plan Bleu in particular regularly highlights the non-sustainable nature of development trends.

#### 1. Promoting green technology and green innovation

Many countries have seen a considerable increase in public authority funding (in conjunction with private financing) in response to the financial and economic crises, targeted in particular at innovation, technological change and transfer of technology likely to generate green growth and jobs.

The issue at stake is the production and dissemination of green technology thus promoting its supply and demand. It also involves contributing to social as well as technical innovation. In several Mediterranean

countries (Morocco, Spain, France, Tunisia, Algeria...), governments have therefore widely integrated technology and innovation relating to energy efficiency and renewable energy into economic recovery 'packages'. For example, in Algeria, the "Eco-Lumière" programme is to provide a million low energy light-bulbs and to introduce efficient lighting into housing, reducing electricity bills and encouraging the emergence of a domestic low energy light-bulb market in the longer term. In Tunisia, 100 W incandescent light bulbs were banned and replaced with low energy bulbs. Securing related public financing is crucial in a context of budget austerity.

## 2. Mainstreaming environmental concerns into economic development

### 2.1. Institutional integration

Depending on the administrative culture of each country, environmental concerns may be institutionally integrated into the economy through mainstreaming them into strategies, plans, investment programmes, budgets or projects. The focus may thus lie with different sectors, depending on the economic situation prevailing in the country: energy and transport in France and Morocco, agriculture in Spain... It is particularly necessary that this integration should take place at the institutional level in order to avoid development trends causing major damages to the environment, often more costly to repair than to prevent.

### 2.2. Integration through market mechanisms

The mainstreaming of environmental concerns into economic sectors through market mechanisms is a necessary and complementary issue. It is important that prices should provide the right signal to producers and consumers. Yet too often, price distortions (environmental externalities, environmentally harmful subsidies) exacerbate pressures on the environment instead of reducing them. To facilitate the transition towards green economy, prices must be adjusted in the concerned sectors through an increased use and an adaptation of economic instruments for environmental policies (subsidies, taxes and fees, emission trading systems, deposit-return systems, clean development mechanisms), whilst taking social conditions into account. It is thus possible to reap multiple benefits, such as environmental progress, public health and labour productivity.

In 2008, for instance, subsidies granted on fuel (oil and diesel) by Mediterranean fossil resources exporting countries (Algeria, Libya, Egypt and Syria) amounted to almost EUR 10 billion and contributed to the sharp rise in car motorisation and the marginalisation of public transport. Similarly, the high levels of agricultural subsidies received by European farmers have encouraged water-, fertiliser- and pesticide-intensive agriculture and undermined farming in the Southern and Eastern Mediterranean countries, which face difficulties to access European markets..

The issue of environment-related taxes and fees is of crucial importance in the Mediterranean water sector. Indeed, in Southern and Eastern Mediterranean countries water resources are at the same time the most limited and yet the cheapest. Whilst the concept of « water pays for water » makes little sense in countries regularly faced with recurrent shortages, more appropriate use of these scarce resources and the setting of a « fair » access price are still widely debated, notably within the preparatory work for the drafting of a Mediterranean Water Strategy. More generally speaking, the balance between environment-related taxation (energy and transport, for example) and labour-related taxation could usefully be rethought within the framework of tax reforms.

Regulatory instruments (for example property rights, protected areas, formal objectives) and information instruments (carbon or energy content of consumption products, ethical production, for instance) typically go hand in hand with economic instruments. There is still huge scope for action in the Mediterranean as far as commodity markets are concerned.

## 2.3. The role of business

Companies, including Small and Medium Enterprises (SMEs), must also embrace the promotion of green growth. This will require the clear identification of opportunities in production, the certification of company management and product distribution. Such steps require back-up as well as a more in-depth grasp of the costs and risks relating to environmental inaction. With its ability to rely on a dense network of companies active in the environment sector both in the North and the South, and on global leaders, the Mediterranean region benefits in this regard from a genuine comparative advantage. In Algeria, a EUR 1.5 billion investment in a factory producing photovoltaic panels would open the way for a production capacity of 50 MW/yr by 2013, for example. Financial institutions are also expected to make progress with green finance (e.g. environmental funds, ethical investment, private donations). Awareness raising campaigns and training programmes relating to green economy and sustainable development (e.g. Turkey, Balkans) can bolster such trends, as stock exchange prices evolutions can also do (e.g. following events damaging the environment and the company that caused them). The REMAP programmes (Rome Euro-Mediterranean Energy Platform) with their sustainable development component and the UNEP-backed MEDREP initiative (e.g. in Tunisia) are particularly innovative in promoting and funding renewable energy in the region.

## 3. Acting in key areas: carbon emissions, biodiversity, resources use

To reduce the carbon intensity of national economies, it is crucial that i) energy efficiency should be improved (particularly in buildings and construction, transport and other sectors) and ii) that non-fossil sources of energy (notably wind, solar, geothermal, hydraulic and biomass) should be promoted. Measures relating to climate change also include steps towards adaptation, forest protection and afforestation and the promotion of low fossil fuel production and consumption pathways, including through the transfer and financing of appropriate technology. Turkey, for example, is implementing large afforestation programmes.

Protecting nature and biodiversity means taking account of and paying for the environmental services rendered by ecosystems (against floods and climate change or for agriculture and tourism, for example). Greater awareness is emerging in this field. Several institutions, like Plan Bleu, are conducting studies on the economics of ecosystems and biodiversity (TEEB), and more specifically on the economic value of the benefits rendered by ecosystems.

Progress towards efficient resource use (mined resources in particular) as well as waste reduction, reuse and recycling (the 3Rs... figuratively known as 'urban mining') is expected to lead to a reduction in material imports and the environmental impact linked to their life cycle.

## III. Green economy: a powerful lever towards convergence for the Mediterranean region

Since the Cold War, the environment has always retained a marked diplomatic dimension, allowing links to be upheld between politically estranged or even warring countries. This is particularly true for the Mediterranean, where conflicts persist and where reconstruction is underway in the Balkans (including an environmental section in the Stability Pact). Plan Bleu's work aims at satisfying the essential needs of all those living in the Mediterranean area, facilitating the joint management of collective goods (first and foremost the sea) and, finally, encouraging economic, environmental and social convergence. In such context, a green economy is an essential prerequisite for the region's sustainable development and must play a leading role, particularly for the rapidly growing countries in the South and the East, such as Egypt, Morocco and Turkey, as well as those in the North, such as France, Italy and Spain.

### 1. Economic and environmental convergence

Economic convergence in the region must primarily be backed up by environmental convergence. By revisiting growth determinants and giving greater importance to natural resources management activities in

the production of wealth and well-being, « green economy » provides Southern and Eastern countries, still heavily dependent on natural resources, with a real opportunity to co-shape a new type of regional convergence.

Comparative advantages must also be exploited, particularly in the Southern and Eastern Mediterranean. There mainly rural populations often live from activities dependent on natural resources. These countries could adopt new forms of mobility and their massive housing needs could be met by adopting the most environmentally friendly construction techniques. In short, the strong need for investment in these countries provides an opportunity to embrace the highest environmental standards at the most favourable cost.

Finally, advantage must be taken of research and innovation capacities in Mediterranean countries and new technologies adopted in view of economic realities. For instance, this applies to energy efficiency (e.g. France, Italy), renewable energy (e.g. Spain, Morocco), integrated management of water resources, agriculture and transport sectors.

## 2. International transfers (investment, aid, trade)

International transfers (investment, aid and trade) are increasingly linked to environmental issues and are very important in the Mediterranean region.

As far as investment is concerned, foreign direct investment should more closely comply with socially responsible investment charters, contribute to environmental infrastructure and participate in financial transfers relating to climate change. Major investment is planned or already underway into the eastern and southern parts of the region (electrical interconnections, South Stream, Nabucco and Trans-Adriatic gas pipelines, the Desertec and Transgreen projects, motorways...), calling for environmental impact assessments.

Regarding official development aid flows, there should be an increase in the share allocated to environmental support (for the implementation of the three Rio Conventions or for water infrastructure, for example) as well as for environmental impact assessments for other projects.

Regarding international trade, greater prominence should be lent to trade in environmental goods and services and the carbon content of other trade flows, drawing on progress made in material flow analysis or footprint measurement.

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To conclude, Mediterranean riparian countries can rely on environmental assets and resources to better catch individually and collectively opportunities relating to green economy: some countries have already moved along such innovative paths. Further, besides driving the development of individual countries, a green economy also acts as a powerful lever for economic and environmental convergence and co-operation among Mediterranean riparian countries.