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The activities of the Organisation for Economic Co-operation and Development (OECD) in 2008-2009

Contribution¹

Committee on the Environment, Agriculture and Local and Regional Affairs

Rapporteur: Mr Rudi VIS, United Kingdom

1. Introduction

1. The Committee on the Environment, Agriculture and Local and Regional Affairs congratulates both the rapporteur, Ms Lilliehöök, and the Committee on Economic Affairs and Development on this excellent report, which it fully supports. Although the inextricable link between climate change, environmental protection and the world's economy is clearly underlined, we feel that even more emphasis should be placed today on the consequences for the economy of climate change.

2. Explanatory memorandum

2. According to Lord Stern's review, climate change is an economic externality, and addressing this externality should compel the market to develop low-carbon technologies. The report concludes that mitigation, that is addressing the issue now, is the best economic option and that the ethics of the issue cannot be ignored, or even dealt with separately.

3. Indeed, the benefits of strong, early action on climate change considerably outweigh the costs. If 1% of global gross domestic product (GDP) were invested each year, the worst effects of climate change could be avoided. Failure to do so could risk bringing global GDP as much as 20% lower than it otherwise might have been. The figure was increased from 1% to 2% in 2008, as it had been observed that climate change was occurring faster than had been expected.

4. Climate change presents a unique challenge for economics. Lord Stern's review provides prescriptions, including environmental taxes to minimise economic and social disruption. It states, "our actions over the coming few decades could create risks of major disruption to economic and social activity, later in this century and in the next, on a scale similar to those associated with the great wars and the economic depression of the first half of the 20th century. And it will be difficult or impossible to reverse these changes. Tackling climate change is the pro-growth strategy for the longer term and it can be done in a way that does not cap the aspirations for growth of rich or poor countries".

5. Action must include mitigation, innovation and adaptation. There are many opportunities to start now, including some with immediate benefits and others where large-scale pilot programmes will generate valuable experience. And we have already begun to create the institutions to underpin co-operation. The challenge is to broaden and deepen participation across all the relevant dimensions of action – including co-operation to set prices and create markets for carbon, to accelerate innovation and the deployment of low-carbon technologies and to help poor countries adapt to the worst effects of climate change.

1. See [Doc. 11985](#), report of the Committee on Economic Affairs and Development.



6. There are means of reducing the risks of climate change. With the right incentives, the private sector will respond and can deliver solutions. The stabilisation of greenhouse gas concentrations in the atmosphere is feasible, at a significant but manageable cost.
7. Encouragement must be given to change investment patterns, and the global economy must be moved onto a low-carbon path. There is no shortage of means, but they must go hand-in-hand with increased action to adapt to the effects of the climate change that can no longer be avoided.
8. Above all, reducing the risks of climate change requires collective action. It requires co-operation between countries, through international frameworks that support the achievement of shared goals. This requires a partnership between the public and private sector, working with civil society and with individuals. It is still possible to avoid the worst effects of climate change; but it requires strong and very urgent collective action. Delay would be costly and dangerous.
9. As parliamentarians, as political deciders, it is very much our responsibility to play a part in these efforts.
10. With more specific reference to the consequences of the economic crisis for the environment, and in view of its magnitude and scope, the world will no doubt experience a significant economic downturn – of what degree and duration, no one can say – profoundly affecting all aspects of international society. Our lifestyles will be greatly affected by the downturn, as will the environment in particular, which is closely tied to the pace of resource consumption. Significant efforts to slow environmental decline will prove very expensive and be out of reach for already tightly-stretched budgets. The question thus arises: will the crisis be bad for the environment or not, and what will its effects be on global warming in particular?
11. Prior to the crisis, the steady growth in the world economy – much of it driven by phenomenal economic expansion in China, India, and other nations – was producing a corresponding increase in demand for energy in all its forms, especially fossil fuels. According to certain pre-crisis projections, combined energy consumption by all nations of the world was expected to grow by 22% between 2005 and 2015. Most (almost 90%) of this increase was expected to come from fossil fuels – oil, coal, and natural gas.
12. The result was a proportionate projected increase in emissions of CO₂. Total CO₂ emissions worldwide were expected to increase by 22% between 2005 and 2015. Such an increase in greenhouse gas emissions would have frightening consequences, hastening global climate change resulting in persistent droughts, increased storm activity and a significant rise in sea levels.
13. Due to the rising price of oil, many governments and energy firms announced plans to spend vast sums on the development of climate-friendly alternative fuels and on greater use of wind and solar power.
14. The current economic hard times have caused some people to drive less (and prefer public transport), fly less often and otherwise consume less energy, thus reducing the level of expected greenhouse gas emissions. However, as oil consumption declined, its price also dropped – thereby discouraging investment in innovative energy projects. Many energy consumers returned to their previous bad habits. For example, many drivers are once again engaging in the wasteful driving habits they had given up when the price of petrol soared.
15. It is not only energy consumption which has decreased, but also consumption as a whole. Sales of electrical appliances have fallen, and households are tending to use for a second or third time some of the products that they would previously have thrown away after a single use, and so on. This tendency is confirmed by an overall reduction in quantities of household waste.
16. Other aspects of the economic crisis may also have positive effects on the environment: the slowdown in the property sector means that infrastructure projects affecting natural ecosystems may come to be considered unprofitable, and the fall in the prices of raw materials has eased the pressure on forests.
17. On 25 June 2009, the OECD Council at Ministerial Level adopted a "Declaration on Green Growth" emphasising that "green" and "growth" can go hand-in-hand", and inviting the OECD to draw up a Green Growth Strategy in order to achieve economic recovery and environmentally and socially sustainable economic growth.

3. Conclusions

18. It remains unclear at this point what impact the economic crisis will have on the environment. In the short term, it certainly might slow the increase in CO₂ emissions, but any significant delay in the development of energy alternatives could cancel out these benefits. There is a risk of the crisis resulting in environmental concerns being forgotten, as happened at the time of the first oil crisis, in 1973.

4. Amendment proposed by the committee

19. The Committee on the Environment, Agriculture and Local and Regional Affairs proposes that the following paragraph be added to the preliminary draft resolution put forward by the Committee on Economic Affairs and Development:

"The Assembly expresses its concern about the effects of the economic crisis on the environment in general, and invites States to continue their efforts to reduce the risks resulting from climate change and to ensure that the development of renewable energies is not neglected for economic reasons. It takes this opportunity to welcome the adoption, at the meeting of the OECD Council at Ministerial Level on 25 June 2009, of the "Declaration on Green Growth", which invites the OECD to draw up a strategy in order to achieve economic recovery and environmentally and socially sustainable economic growth."

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Reporting Committee: Committee on Economic Affairs and Development ([Doc. 11985](#))

Committee for contribution: Committee on the Environment, Agriculture and Local and Regional Affairs

Reference to committee: standing mandate

Contribution approved by the committee on 4 September 2009

Secretaries to the committee: Mrs Agnès Nollinger, Mr Bogdan Torcătoriu and Mrs Dana Karanjac