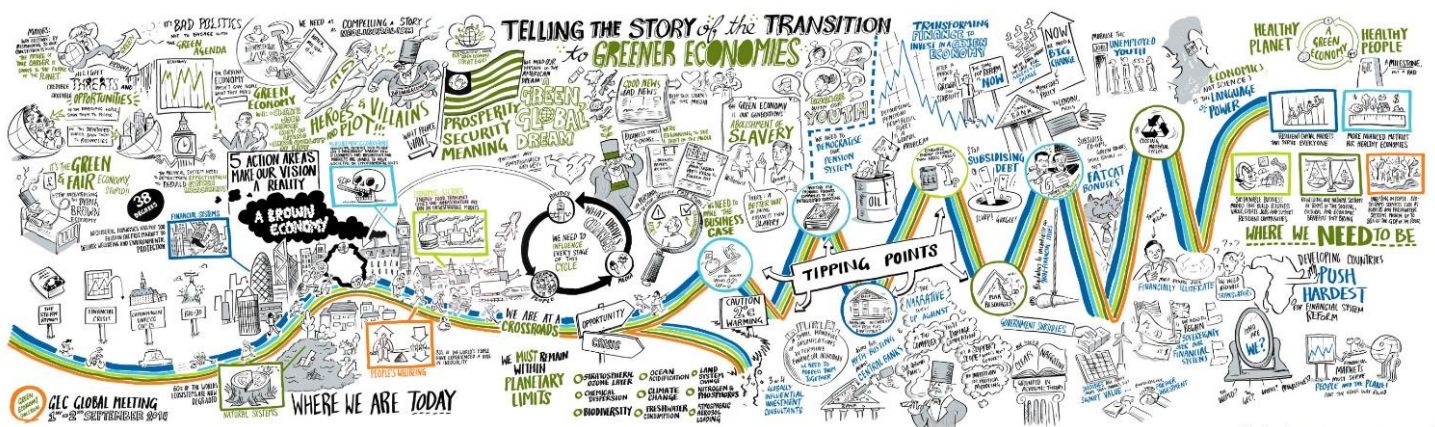




Green Economy Coalition
Global Meeting
1st September 2014
London

Taking the Green Economy into the mainstream: Telling the story of the transition

SUMMARY REPORT



For an online version of the 'Story of Transition' summary click [here](#)

Executive Summary

The green economy narrative is working. Governments, north and south, are taking action. Businesses are seeing financial opportunities. But it is not yet the mainstream choice. Why not?

For people: For many, the green economy narrative hinges on a core moral argument - just as anti-slavery and women's rights did. Issues of equity, fairness and inclusivity sit front and centre of the transition. This is about redistributing power and resources (natural and financial).

Just one percent of the population now owns almost half of the world's wealth (Oxfam)

For others it is a story of economic improvement. We need to show how the finances, employment and lifestyles of all people will improve by green economy adoption; how changes in the financial markets and key industries will create more freedom, generate new jobs, better public services and greater social cohesion.

GEC believes both the moral and economic case needs to be made. But the narrative will only come to life through real heroes, local stories and human language.

Today in Germany 65% of renewable energy is produced by 1.3 million community or individual renewable energy producers across the country (Energiewende)

For politicians: The emerging economies are adopting the green economy narrative more enthusiastically than their northern counterparts. In the face of political apathy in the North, and the imperative for poverty alleviation in the South, this transition must restore citizen belief in political change. More 'entrepreneurial states' are needed to drive long term change and empower local community action. Commitments of 'solar panels on every school building' or 'no money down' or 'lighting a billion homes' deliver on emotional as well as political and economic needs.

"The dominant economic system has outgrown its environment. It now eats the hand that feeds it, and fails to share its benefits fairly. The good news is that a new system is emerging; its principles, policies and leaders grow in confidence across the world. In this system the economy is the means not the end. It serves societal wellbeing and improved environmental health. It creates jobs, purpose and security, and leaves the world in a better shape than it found it in." (Oliver Greenfield, Convenor, Green Economy Coalition)

For power: The transition is underway and gathering pace. Failure to transform business models will expose societies and whole economies to systemic global risks. The private sector has an opportunity to show progressive leadership and radical thinking to drive the next transformation in business goals, priorities and delivery models to meet the needs of people as well as planet. The innovation needed is likely to spur the next industrial wave. However, those who fail to act will lose their societal licence to operate, most likely due to advances in social media, more quickly than ever before.

Between 60-80% of coal, oil and gas reserves of publicly listed companies are 'un-burnable' if the world is to have a chance of not exceeding global warming of 2°C (The Carbon Tracker)

The time for financial system reform is ripe. Driven by civil society collaboration, the narrative for reform needs to move beyond 'green finance' and show that finance is failing in its declared purpose of assessing and spreading risk efficiently and allocating society's investments effectively for the long term. Central banks and monetary policy are the key targets for change.

The GEC brings convening power and a huge range of expertise within its membership. By expanding its network, and focusing on equity and inclusivity, it is well placed to take the 'story of the transition' into the mainstream. Indeed, with trust in politics and business continuing to decline, perhaps only civil society can lead the change.

The ten essentials for telling the story of transition

1. Heroes and villains



Don't be afraid of conflict. Critique the failings and myths of the brown economy robustly.

E.g. financial markets spread risk efficiently; market regulation restricts growth; that wealth 'trickles down'.

2. Compelling vision



Articulate an improved quality of life (prosperity, security, and meaning)

E.g. energy ownership; community empowerment; job opportunities; political re-engagement.

3. Put fairness at the core



Make the central narrative about a fairer world

E.g. reduced inequality; greater social mobility; improved economic democracy.

4. The challenges ahead



Be prepared for and honest about the scale of the changes required

E.g. reform will bring (market) uncertainty; carbon intensive industries will be ill-equipped to compete; extent of political capture in all sectors.

5. Finance must reform

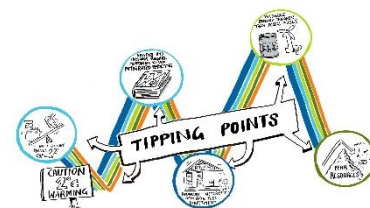


Stress the need for systemic financial change

E.g. target monetary policy and central banks; quantify systemic risks; highlight secular stagnation.

6. Tipping points

Articulate tangible and realistic tipping points



E.g. renewables become cheaper than fossil fuels; integrated financial reporting mandatory; fossil fuel subsidy reform.

7. Urgency



Maintain urgency by communicating planetary boundaries and societal risks.

E.g. systemic risks posed by severe climatic events; 'lost generation' of young and unemployed as inequality increases.

8. Unexpected voices

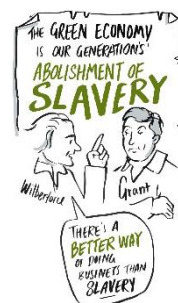
Cultivate new and unexpected leaders to deliver the message



E.g. Russell Brand on capitalism; Nick Stern on climate change; Financial Times on economic reform.

9. Moral and economic

Be confident in the moral case whilst also making the economic case



E.g. Our choices, values and principles; moral and legal frameworks that need to underpin economics.

10. People's stories

Tell the big story through simple language and real life stories



E.g. Find the Steve Jobs of green & clean?; locate local heroes and change-makers.

Introduction

On 1 September 2014, 120 leaders from business, civil society, research, policy and the UN gathered at ICAEW's offices to consider how to take the green economy into the mainstream. Together, participants tackled three questions.

1. What is the current status of the transition to green economies across the world?
2. What are the best green economy pitches to people, power, and media?
3. What progress is being made on financial system reform and how can green economy contribute?

Before answering these questions and in preparation for the event, the GEC secretariat prepared five straw-man story lines of change to warm up the debate.

Story lines

There are many narrative strands that build the case for greener and more equitable economies. Here we summarise just a few of the key storylines already in use to see how they might respond to the next phase of development for the global economy.

The Phoenix: A story of economic revival and growth: This is the story of an economy that is revving up again or finding new pathways for growth and job creation. Here the language is of 'green shoots', 'eco-innovation', 'green jobs', 'resource efficiency' and 'entrepreneurial spirit'. This is the new clean industrial revolution that is sweeping through our markets, and the race is on to lead the pack and capture competitive advantages. In South Africa the narrative has proved popular. The 'Green Economy Accord' (2011), a public partnership of government, the business community, trade unions and civil society, is one in a series agreed under South Africa's New Growth Path, which sets goals to create 300,000 new jobs in contribution to the New Growth Path's objective of creating five million new jobs by 2020, and to double the country's clean energy generation. The EU also emphasises the opportunities of a Green Economy by focusing on the turnover of 'environmental technologies' (EUR 320 billion) and new competitive and innovation programmes. Several regions including California, Dubai, South Korea, and Denmark are jostling to become world 'green hubs'.

Frodo vs. Mordor: A quest of community empowerment and resilience: This is the story of communities defining their futures and managing their own energy, food, and public systems far from the clutches of large companies or remote government. Germany's energy transition plan, *Energiewende*, has been branded not only as one helping to combat climate change but one that empowers local communities – financially and societally. The language is of 'energy revolution', 'social justice' and decentralisation. Trillion Fund, a crowd financing platform for renewable energy projects in the UK, pitches the local renewable projects as the 'glue' which is needed to bring communities back to life and work towards a common goal. The heroes of the piece are the villages and local authorities who are working together to raise money for a biomass boiler or solar panelled roof in order that they can generate their own energy and sell it back to the grid. The villains are the profiteering 'big energy' companies or disinterested central government. For developing countries, where many rural communities lack any electricity, localised renewable power offers the chance to turn their lights on for the first time.

Playing with fire: A story of crisis: The narrative of environmental crisis, including exceeding our planetary limits and ecological break down, has more recently been extended into financial crisis. Prompted by the Carbon Tracker's research, headlines warn of how the stock markets are over-invested in fossil fuels, none of which can be burnt if we are to stay within a 2 degree temperature rise. 'Carbon bubbles', 'un-burnable carbon', 'stranded assets' and 'systemic risk' have all become familiar terms in mainstream media and investor circles.

For the commentators less convinced by the Carbon Tracker's assumption that policy will gear up to prevent carbon being burnt, the argument is won on more simple terms. Ambrose Evans Pritchard, the Business Editor of *The Telegraph* describes how oil exploration and production have risen three fold since 2000 but output is up just 14%^{xv}. The largest European oil groups (BP, Shell, Total, Statoil and Eni) spent \$161bn on operations and dividends last year, but generated \$121bn in cash flow. They are 'throwing good money after bad' and the 'fossil industry is the subprime danger of this cycle'^{xvi}.

The villains in this story are the investors, or gamesters, who are playing Russian roulette with our pensions, sovereign wealth funds and future. The solution is to 'detangle' and 'divest' investments away from 'toxic assets'. The narrative is creating a stir beyond the media. In June 2013, Norway's major pension fund Storebrand 'divested' from 19 fossil fuel companies to ensure 'long-term stable resources'. In May 2014 Shell published a 20 page letter to its shareholders disputing the 'flawed' analysis of 'stranded assets' on the basis that it underestimated the impact of a growing population and increased energy demand.

Robin Hood: The story of combating the gap between rich and poor: Inequality has now taken central position in international debates. Daily headlines announce an ever widening gap '10% of Britain's population owns almost half of the nation's household wealth' (Sky News) and 'Income disparity between rich and poor growing rapidly (Times of India), and the debate is prompting people to hit the streets of Sao Paulo, Berlin, Washington and Hong Kong (etc.). Rising inequality is no longer a moral issue, but an economic risk and a threat to political order. This is a story of 'fairness', 'inclusivity' and 'equity'. Pope Francis, Christine Lagarde, Barak Obama and Mark Carney are just some of the mainstream players who have taken up rhetoric of 'inclusivity', 'fairness' and 'redistribution'. The World Economic Forum is now speaking of the need for 'Inclusive capitalism'. The time has come for a major shift in who controls our natural and financial resources. It is time for the people to define their own economies.

Rising sun in the East: The dawn of state-led capitalism. The axis of power is shifting. As China awakes a new form of capitalism is emerging in which the state is taking part as a player and a master. This system is one that takes the long view, decides its industries, buys up other countries' debt and secures its resources. The 'free market' becomes a dying religion whose priests live only in London and Washington. As the sun sets on the West, this is an era of a new competitive reality, where the incumbent businesses will compete not only with each other but also their state backers. The implication for Western Governments is act now, lay down the foundations – the skills, the policy frame, the Research and Development and above all develop an industrial policy before it is too late.

What is the current status of the transition?

The race is on...

The vision of a green economy is no longer a remote or abstract one for many governments. **Fulai Sheng** (UNEP) described the surge of interest from governments in the south as 65 countries have developed their own national green economy strategies and sector plans. The UN Partnership Action for a Green Economy (PAGE) are scaling up their efforts to support and connect governments to make that transition.

No country will take a strong position on climate unless it benefits their economy commented **Sir David King** (UK Foreign Office). But for the first time we are seeing new political leadership emerging from the US and China who are negotiating a bilateral agreement on climate change. Both emerging and BRICS economies are acting on the imperative to provide a new generation of green jobs. **Sarah Chapman** (New Climate Economy) described how their work is generating independent and objective evidence that action on climate change is compatible with growth. Their independent global research has highlighted ten areas for growth ranging from carbon pricing and the phasing out of subsidies, to urban development and low-carbon infrastructure.

But who will it benefit?

This transition is above all a political one and hinges on state-led innovation and civil society involvement stressed **Prof. Melissa Leach** (Institute of Development Studies). It is bottom-up, local green economy solutions that can drive that political change. **Steve Bass** (IIED) noted that the strength of the GEC is to bring together ideas, key players and stories to tackle this transition from multiple perspectives.

We need retransformations and green economies that work for both people and planet.
Professor Melissa Leach

Will it tackle structural change?

Participants commented that steps made on green economy in recent years, particularly in monetising natural and social assets to prove their 'value', should not obscure the need for structural economic change. Progress has also been uneven (e.g. while 79 countries have grid parity for solar the UK is not one of them). For the transition to go to scale it needs to set social inclusion, employment, and youth engagement as its goals. It also needs to be wary of only using economic language. Healthy forests, soil and water systems are things that we love not just need.

How can we pitch to people and power?

Make the transition relevant to lives

Political apathy is rife in developed economies commented **Joan Walley** (MP). Politicians are searching for new ways to connect with their voters. The longer term goals of the transition make the green economy difficult to 'deliver on' to an often apathetic and impatient electorate (e.g. the UK Green Deal failed to engage the British public), we need to find the linkages between 'green' issues and peoples' lives.

The tipping points will come down to prices and jobs

For Walley, the green economy will accelerate when it offers more job opportunities than old industry, particularly beyond big cities. When we can say of renewables 'they are just cheaper' this will prompt the change we need. For **Hunter Lovins** (Natural Capitalism Solutions) it is a 'no money down' slogan that will bring about a step-change. This requires huge state intervention of the type we are seeing in China. Political campaigns promising 'community renewable energy' are too remote agreed **James Murray** (Business Green). Rather, election promises to 'put solar panels on every school building' offer more tangible outcomes.

Tackle the macro moral argument

The neo-liberal narrative is consistent, appealing and simple because it is founded on the vision of individual freedom argued **Hunter Lovins**. The green economy transition needs to tackle this over-arching narrative and not be afraid of conflict. The green economy will need to answer demands for prosperity, security and meaning. Just as the battles for the abolition of slavery and gender equality were won on wide acceptance of a core moral argument, so too the green economy needs to be assertive in defending its core case and point out how laissez faire economics are incompatible with the long term economic sustainability. There is appetite to tackle the big story. One of the most popular YouTube videos was Russell Brand vs Jeremy Paxman, but Brand only had the critique: The green economy transition must provide the solutions.

*You really want a revolution?
Sarah Palin shoots better than
you do
Hunter Lovins*

The media need news, conflict and opportunity

Selling stories to the media and to politicians involves similar principles said Murray: the pitch requires a key emotional offer within the first paragraph. A 'story' usually requires conflict, opportunity or something new. The 'opportunity' narrative of the green transition has already made an impact in business circles (i.e. coverage in the Financial Times and the Economist). Good news on advances in renewables and green innovation is selling papers.

Choose champions

To unite the pitches to people, power and media, green economies would need winning slogans and key figureheads willing to stand up and champion sustainability, stressed Murray. IT pioneers like Bill Gates and Steve Jobs have managed to capture, package and sell modernity in recent decades, becoming cultural icons in the process. The green economy needs to do the same with the clean tech revolution and create its own advocates and public champions if the narrative is to breach the mainstream.

What does a sustainable financial system look like?

Historical efforts around financing the green economy have centred on 'cost gaps' and hence the need for subsidies or fiscal measures commented **Dr Simon Zadek**. However, the current financial system is not capable of supporting a transition. It cannot quantify long-term sustainability, central bank mandates focus only on the price level, and the macro-prudential horizons of regulators are often a mere 36 months. Neither central bankers nor financial regulators consider environmental sustainability as their business. A fundamental shift in the mind-set is required within the financial system before policy techniques can take effect. UNEP's Inquiry into the Design of a Sustainable Financial System is explicitly focused on the role of ministries of finance, financial regulators, central bankers and fiscal measures targeted at finance.

The arguments

The common arguments for not intervening in the financial system include: complexity, competitiveness, sub-optimal policy, slippery slope, and politicization. These points need to be taken seriously. The arguments for intervening are robust: systemic risk return pricing bias, systemic risk, enabling financial innovation and policy coherence.

Signs of change

For the first time in 20 years, central bankers at the 2014 Jackson Hole summit discussed the state of the labour market. With the financial crisis still raw in people's minds and wallets, concerns about systemic financial risk and climate exposure are growing, with Standard & Poor's sovereign creditworthiness report reflecting climate risk in its cost of capital for the very first time.

There is an opportunity for a major OECD player to make key changes to the role of its central bank. Dr Simon Zadek

The BRICS lead the way

The close proximity of environmental problems in many non-OECD economies, particularly China and India, has made sustainable finance more of a public and political priority than in London, Washington or Tokyo. China will be putting up to half a trillion dollars behind measures to address air pollution over the next 5 years. South Africa has already negotiated one of the most progressive financial sector social compacts in the world. By contrast, the OECD is divided and distracted.

Role for civil society

The time for action on financial system reform is ripe. CSOs should consider not only collaborating on ideas and research but also be considering implementation, for example on issues of investor liability and fiduciary responsibility. Action should not focus solely on Paris 2015, the UNFCCC negotiations are steeped in politics and climate finance should be kept separate from the financial system reform agenda.

Linking interventions

Eight interventions for financial system reform were presented:

- Harnessing the power of sell-side research to promote long-term behaviours by investors and corporations – **Raj Thamootheram, Perennial Research Trust**
- Exposing the opportunities of sustainable infrastructure as an Asset Class and hence showing the risk profile of sustainable vs non-sustainable infrastructure - **Hans-Peter Egler, Global Infrastructure.**
- Integrating environmental risk into sovereign credit and country risk analysis – **Global Footprint Network**
- Increasing the cost of capital for fossil fuels – **James Leaton, Carbon Tracker**
- Empowering pension savers to unlock sustainable investment – **Catherine Howarth, Share Action**
- Activating an international debate on monetary policy – money should be created by government, not commercial banks – **Fran Boit, Positive Money**
- Integrating sustainability into monetary policy mandates and criteria – **Tony Greenham, NEF**
- Mobilising a 'transforming finance' collaborative network to promote a new narrative building social and political will – **Chris Hewett, Finance Innovation Lab.**

Large parts of pension fund management actually destroy value. Only 2 out of 2000 beat the market benchmark over a long period. Dr Raj Thamootheram

Levers for financial change?

Pressure points: Monetary policy and capital markets are the levers of change. Specifically, the mandates of central banks – which tend to be wider in developing countries – need to be targeted. Capital market benchmarks need to be more forward looking along with credit ratings. Fiduciary duty should be emphasised to shift power back to the people. There are 6 key global economic institutions to target: the IMF, the World Bank, the OECD, the Bank of International Settlements, the G20, and the Financial Stability Board. There is also a need for an EU strategy to counter-act the finance lobby, for example Oxfam/Food Watch’s campaign to limit food commodity derivative speculation proved successful. Civil society can make the difference by pushing the case for reform and championing the successful stories and finance models coming out of emerging economies.

Narrative: Our story of change needs move beyond the language of ‘green finance’. Rather, this is about showing how the financial system is not fit for purpose. The financial sector argues that it is a wealth creator, and yet much of that value stays within its own borders or is drained by rent-seeking. It is also a risk issue because the system is now ‘too big to fail’. Climate threats and stranded assets are being ignored while there was a dysfunctional tendency for finance to privatise reward and socialise risk. Finance is failing in its declared purpose of spreading risk efficiently and allocating society’s investments effectively for the long term. By contrast, institutions with longer term horizons have been proven to be more stable and resilient. For example evidence shows that ‘green’ and ‘slow’ banks survived the financial crisis because they were not chasing bubbles all over the world.

Taking action

The demand for change in finance is clear and the policies to deliver reform are many. Civil society can accelerate the shift by; first, building a narrative on sustainable finance reform; and second, pressurising key institutions to ensure reform happens from the top down as well as bottom up. The capacity of civil society and media on financial system reform needs strengthening, particularly over the role of monetary policy and central banks.

The GEC’s strength is in convening civil society, business and international groups around central green economy message, and so by building stronger links with the finance community the network can apply pressure to the key financial players, as well as develop a challenging narrative that can build public support for a sustainable finance system that measures its successes in terms of long-term prosperity, jobs and stability.

The GEC is a phenomenal network of institutions aimed at bringing people into the green economy discourse. Fulai Sheng

For more information on next steps, please see the [GEC’s Action Plan](#) (2014 – 2017).

Participants List

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