

A Special Report on Selected Side Events at the UN Conference on Sustainable Development (UNCSD or Rio+20)

Published by the International Institute for Sustainable Development (IISD)
in cooperation with the World Bank, the IFC and the EC

Online at <http://www.iisd.ca/uncsd/rio20/enbots/>



Issue #5 | UNCSD or Rio+20 | 13-22 June 2012 | Rio de Janeiro, Brazil | Monday, 18 June 2012

Events convened on Sunday, 17 June 2012

Corporate Sustainability Forum: Economics & Finance of Sustainable Development

Green Gold: Financing the green economy

Organized by Global Compact, UNEP, and UNEP Finance Initiative



José María Figueres, Former President of Costa Rica and Director of the Carbon War Room, said that “flex fuels beat the hell out of tar sands any day of the week.”

This event highlighted how the finance sector supports green business and industry, and the role it can play in catalyzing a corporate transition to the green economy.

Sylvie Lemmet, UNEP, moderating the event, said the private sector should not wait for government to start the transition to a green economy, but rather take the steps that experience has shown will trigger the confidence, regulation and fiscal policies needed to scale finance to the levels needed for green business to become self-financing.

José María Figueres, Former President of Costa Rica and Director of the Carbon War Room, said that it is time to “stop rearranging the deckchairs on the Titanic,” and instead move forward with the myriad of good, solid business opportunities poised to cut carbon emissions in half.

Rashad Kaldany, IFC, said that in order for the private sector to realize the tremendous green business opportunities that already exist, legal and regulatory hurdles need to be overcome by advising local and national governments on how to establish a finance-friendly regulatory environment.

Eugênio Velasques, Bradesco Seguros, on the mainstreaming of green approaches in the insurance industry, described the successful use of micro-insurance, mobile phone applications, and education to reach the bulk of the population whose foremost concerns are day-to-day problems like crime and paying the bills.

Alice Steenland, AXA, said that the insurance industry has become a key player on the path to greener markets, citing its growing role in insuring and investing in renewable energy, green products and incentives to change consumer behaviour. Steenland underscored the importance of working with academics and other partners to understand social and environmental risk, and integrating insurance along the entire value chain in green products.

Karin Ireton, Standard Bank, supported the success of a small number of extraordinary companies, but underscored that true transformation must find a way of shaping the daily lives of large numbers of individuals. Ireton, noting that the falling price of carbon in the European market has taken steam out of one of the most important mechanisms for sustainable finance, highlighted the need for organizations like Standard Bank and UNEP to scale-up financing through new partnerships aimed at helping small projects conduct the feasibility studies needed to guarantee loans.

Roberto Dumas-Damas, Itaú BBA, refuted that corporate reputation and consumer awareness are enough to green the economy, saying that government regulations are needed to create the incentives for unleashing the innovative potential of bankers and investors. Dumas-Damas, however, said that there is no need to wait for a global policy when local strategies that bring in government, investors, and consumers, are sufficient to make a real change.

Steve Waygood, Aviva, highlighted government policies for market mechanisms and standards to set up the environment for thriving green business, adding that the decisions coming out of Rio+20 are key to establishing best practices and international policies for generating the information about company performance needed to secure new finance.

In the discussion, participants inquired into: what entrepreneurs must do to get projects approved by banks; how to assess the relationship between margin and risk; and how financial institutions should begin assessing environmental and social risk.

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Standards Driving Sustainability through Financial Markets

Organized by IFC

This session explored the role that standards play in driving sustainability, showing presentations from representatives of financial institutions, regulators and clients.

William Bulmer, IFC, introducing the panel, said that while financial markets must play a role in the transition to a green economy, important questions remain, particularly with regard to promoting and enforcing standards and the relative contributions from incentives, regulations and voluntary standards.

Roberto Dumas-Damas, Itaú BBA, underscored that senior management in financial institutions must realize that environmental and social risks affect cash flow, and urged such risks be made integral to financial analysis in credit departments, rather than isolated in specialized departments to accommodate concerns of NGOs and the media.

Maria de Fátima Cavalcante Tosini, Brazilian Central Bank, reviewed the development of sustainability criteria in Brazil's financial institutions and regulatory frameworks, noting that the Brazilian Central Bank has proposed a new social and environmental responsibility policy that would integrate economic, social and environmental investment criteria and advance ethical and transparent relationships with stakeholders.

Sônia Bruck Pereira, BM&FBOVESPA, one of the largest stock exchanges in the world, highlighted the success of the Corporate Sustainability Index (ISE), and explained the strategy to further advance sustainable investments through the ISE by: improving information disclosure to the market; increasing participation of companies in portfolio selection; increasing the volume of funds and number of products; and strengthening communication with stakeholders.

Juliana Lopes, Grupo André Maggi (AMG), conveyed a client's perspective, describing that AMG has become a leader in socially and environmentally responsible investment in Brazil over the last year with assistance from the IFC. Lopes said that sustainability has risen to become a core value at AMG from its marginal position ten years ago, and described sustainability initiatives the company is pursuing, including the Soy Moratorium, the Prince's Rainforest Project, the Forest Footprint Disclosure project and the support of Brazil's slave labor eradication pact.

The ensuing discussion addressed whether enough was being done to trigger transformative change, and how common sustainability principles are key to creating a shared language for investment.



Roberto Dumas-Damas, Itaú BBA, stressed that top-management must understand environmental and social risk as essential to credit enhancement analysis.



Sônia Bruck Pereira, BM&FBOVESPA, said the ISE had much better performance and less volatility over the last two years than the main stock exchange index.

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L-R: Maria de Fátima Cavalcante Tosini, Central Bank of Brazil; Roberto Dumas-Damas, Itaú BBA; Sônia Bruck Pereira, BM&FBOVESPA; and Juliana Lopes, AMG

Sustainable and Affordable Access to Energy: From field to policy

Organized by the World Wide Fund (WWF) for Nature European office and the Governments of West Bengal, Madagascar and Uganda

This side event addressed the problems of lack of access to reliable energy and to clean cooking facilities. It shared success stories from the field and demonstration projects that depicted energy access models, underscoring the link between fieldwork and national policy.

Chairing the event, David Nussbaum, Chief Executive, WWF UK, highlighted that access to reliable energy, as well as to food and water, is essential to achieve a sustainable, equitable and attractive future for the world.

Voahirana Randriambola, WWF Madagascar and the West Indian Ocean, presented a case study from Madagascar, describing the “energy tragedy” of a country where 92% of energy is derived from woodfuel, 7% from imported oil and only 1% from renewable sources. Noting that by 2020 the potential wood stock will run out, she questioned the survival of thousands of households that depend on charcoal for cooking. Randriambola stressed the need to regulate the fuelwood chain to achieve a 30% reduction of charcoal coming from forests, and outlined the country position for a new energy policy including sustainable electricity, bioenergy and consumptions savings.

Describing the climate, economic and social challenges in India, Sejal Worah, WWF India, said the answer lies in a mixture of technological, financial, institutional, governance and environmental sustainability solutions. Focusing on the Sundarbans region, Worah presented an initiative that supplies solar power plants to local communities, and lamented the difficulty of replicating the model at the required scale. She highlighted the critical role of policy in increasing incentives for renewable energy so as to bring it to the needed 25-30% of the energy mix in India.

Robert Ddamulira, WWF Uganda, said that solutions to the energy access problem include efficient policies and institutions, strong implementation capacity, and technology diffusion at scale. Presenting a case study from Uganda, he described a three-year effort undertaken in 2011 by WWF Uganda, supported by local actors and institutions, to build a clean energy champion district model that can be replicated on a larger scale.

Yolanda Kakabadse, President, WWF International, highlighted the extreme importance of renewable energy and the strong link that must be made between aspirations and the ongoing discussions under UNCSD.

Richenda Van Leeuwen, UN Foundation, provided a private sector view by presenting her work with the Solar Electric Light Company (SELCO) in India. Touching on the issue of financing, she said that expensive renewable energy is a myth and that the key is matching customers’ ability to pay. One solution Van Leeuwen identified was offering support to the poorest communities that are not able make a down payment for solar energy.

Alison Tate, ITUC, provided the perspective of the workers, as well as that of financiers. Talking on ways to fund energy access, she focused on pension funds and their importance for unions. Recalling that the OECD accounts for 94% of the world pension assets, Tate highlighted that the problem is not in the demand side of the market, but in the supply side, concluding that the enormous potential of pension funds, US\$ 302 billion in 2015, should be unleashed.

Ronald Kaggwa, Uganda, lamented that, while energy efficiency has increased with some recent structural changes in the energy system in Uganda, the cost of energy remains high and renewable solutions such as solar panels unaffordable. He added that subsidies to solar panels have brought issues of inequity, where urban areas and monopoly suppliers have benefitted more than rural areas and smaller suppliers.

In the ensuing discussions, participants commented on financing issues and risks posed by pension funds, as well as the definition of renewable energy. Speaking about investments in renewable energy, Tate stressed the need for transparency and accountability, both socially and environmentally.



Yolanda Kakabadse, President, WWF International, expressed her disappointment with the current draft of the outcome document for Rio+20, and urged for strong messages to be delivered to decision makers in order to reverse their lack of responsibility.



Alison Tate, ITUC, stated that access to renewable energy is a human right.

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Sustainable Development: Do we need a green industrial policy?

Organized by the UN Industrial Development Organization (UNIDO), World Bank, ECLAC, German Development Institute, Fundação Getulio Vargas, Banco Nacional de Desenvolvimento Econômico e Social

The side-event, moderated by Wilfried Lütkenhorst, Managing Director, UNIDO, focused on greening industrial policies, and widening the scope of traditional industrial policy to incorporate environmental objectives in such a way that industrial development is not only economically and socially sustainable but also environmentally sustainable.

Lütkenhorst emphasized the need for moving industrial policies into the green economic space. Citing the reasons for this, he elaborated on the current global economic crisis and the rise of the emerging economies in the global South and called for technologies and policy interventions that would address the current market failures.

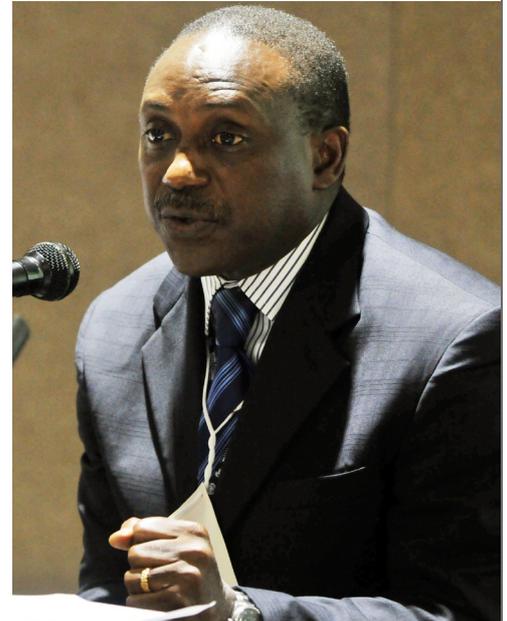
Kandeh Yumkella, Director-General, UNIDO, presenting on the need for a third industrial revolution, emphasized that production must deal with resource constraints, and called for embedding recycling and reuse in industrial policies. On addressing the large portion of GHG emissions from the energy sector, he said industrialization must be part of the answer, and developing countries, in particular, need to accelerate the transition toward manufacturing and industrialization. Calling for strong political leadership, Yumkella said the future rewards are worth the effort, urging governments to experiment with combinations of policy instruments to ensure that the third industrial revolution can guarantee prosperity for future generations.

Tilman Altenburg, German Development Institute, on the need for industrial policies, cited an increasing recognition of the pervasiveness of market failures. He recognized that the current economic era indicates that people should be able to choose the kind of societies that they want to live in, through societal consensus building. Altenburg lamented that economic instruments are too slow, and urged targeted measures to accelerate technology development. Noting the requirement for adaptive development measures that should be embedded in a new social contract that will achieve socially desirable change, he called for systemic changes in the energy and individualized traffic-based mobility sectors.

Alicia Bárcena, Executive Secretary, ECLAC, reflecting on the regional challenges of industrial policies, said Latin America took 14 years to regain its per capita production levels since the recession in the 1980s, as well as 25 years to recover from a rise in poverty. Bárcena warned that its social fabric was destroyed during this economic crisis, saying that de-industrialization took place and that this prompted the structural policy changes introduced in the Latin American region. Emphasizing the need for macro-economic approaches due to governments' fear of inflation rates and exchange rates, she urged economic stabilization to achieve industrialization.

Andrew Steer, World Bank, speaking of the paradoxical achievements of lifting millions of people out of poverty over the last two decades, and the acceleration of climate change, urged the establishment of green growth policies. Questioning the worldwide tendency to subsidize the wrong industries and not invest in technological research, he stressed the need to integrate people into industrial policies, and called for governance that sets clear regulations and allows technologies to emerge.

During the discussion, participants deliberated on: the institutional framework of industrial policies; resistance to creating transparent systems; challenges of creating monitoring systems; conflicts between subsidies and agreements; the paradox of industrial policies that are harmful to development policies in some countries; the reticence of Latin American countries to transition to green economies; and the legal frameworks of industrial policies.



Kandeh Yumkella, Director-General, UNIDO, said that humanity is at the beginning of a third industrial revolution.



Alicia Bárcena, Executive Secretary ECLAC, said in revolutionizing economic policies the greatest key is creating decent stable jobs.

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Institutional and Strategic Frameworks for Sustainable Development in Africa: Integrating the three pillars of sustainable development

Organized by the ECA

In this side event, moderated by Jenerali Ulimwengu, Raia Mwema Newspaper, panelists deliberated on institutional frameworks at the regional, sub-regional, national and local levels that are responsive to the requirements of sustainable development, as well as on the model of global level institutional architecture that could support such institutions and their strategies.

Josué Dioné, ECA, elaborated on the Africa Report on the Institutional and Strategic Frameworks for Sustainable Development, saying the report's objective was to guide the establishment, strengthening and operationalization of institutions, and the development and implementation of policies and strategies on sustainable development at regional, national and international levels. On key findings, Dioné identified the link between good governance and sustainable development as well as the appreciable progress in institutional reforms and strengthening of institutional frameworks. He called for effective linkages among global, regional, sub-regional and national institutions and processes based on the principle of subsidiarity.

Susanne Salz, ICLEI, speaking on the role of local governments in Africa, said that although the pillars of sustainable development are distinct in character, it is important to integrate them. She identified linkages with local governments, saying that a key challenge to making these linkages is a lack of expertise. Salz also emphasized the importance of bringing local politicians into the global debate.

Noting that his ministry could be used as a model of sustainable development integration at the ministerial level, Luc Oyoubi, Gabon's Minister of Economy, Labour and Sustainable Development, presented on his country's attempts to integrate the three pillars of sustainability at the cabinet level, stating that including natural capital in national accounting will drive integration of sustainability issues at the national level.

Observing that institutional frameworks for sustainable development already exist in Africa, Lapodini Marc Atouga, Economic Community of West African States (ECOWAS), called for better coordination of regional, national, sub-national and local institutions while respecting the subsidiarity principle.

In the ensuing discussion, participants addressed the importance of addressing local corruption and the deleterious aspects of the New Partnership for Africa's Development (NEPAD) to sustainable development. Upon the request by one participant to adopt monitoring, reporting, auditing, and accountability of sustainable development institutions and programmes, one participant drew attention to a report recently released by the International Organization of the Francophonie comparing sustainable development governance in French-speaking countries, including their strategies and indicators. He invited non-French speaking countries of Africa to use this resource to assess their sustainable development institutions. Another participant underscored the importance of learning from the lessons of African governments that have already implemented their sustainable development strategies. Participants also acknowledged the difficulties of states foregoing national interests for regional and continental sustainable development interests, as well as translating sustainable development governance jargon into local vocabularies.



Josué Dioné, ECA, lamented the inadequacy of human, financial and institutional resources to ensure integration of policies at national and regional levels.



Luc Oyoubi, Minister of Economy, Labour and Sustainable Development, Gabon, emphasized the need for cross-sectorial integration within national cabinets.

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L-R: Luc Oyoubi, Gabon's Minister of Economy, Labour and Sustainable Development; Josué Dioné, UNECA; Jenerali Ulimwengu, Raia Mwema Newspaper; Lapodini Marc Atouga, ECOWAS; and Susanne Salz, ICLEI

Banking As If The Future Matters: Making the change from short term profit to long term prosperity

Organized by the Norwegian Forum for Development and Environment (ForUM), Global Alliance for Banking on Values (GABV), Green Economy Coalition, Denmark's Merkur Cooperative Bank and Norway's Cultura Bank

This event, moderated by Andrew Kroglund, President of the Board, ForUM, discussed key policy changes that governments can make to help shift finance from a short term focus to long-term sustainable value creation, and presented the results from an online consultation identifying enabling policies to promote a long-term financial approach.

Lars Pehrson, Merkur Cooperative Bank, underscored the importance for large banks to serve ordinary people and their green values.

Noting that the UNCED stressed the importance of the environment, and that the World Summit on Sustainable Development (WSSD), held in 2002, stressed the interlinkages between the environment and development, Ida Auken, Denmark's Minister of the Environment, said Rio+20 had the opportunity to stress the importance of an inclusive green economy. She added that the pillars of sustainable development should be the DNA of the green economy. Referencing work from the World Bank, Auken drew attention to the cost of environmental inaction in developing countries, which can correspond to 8% of their GDP. She stressed that the financial sector must change its assumption of decreasing resource prices, and pension funds must also integrate socio-environmental concerns into their portfolios. She cautioned against natural resource speculation.

Oliver Greenfield, Green Economy Coalition, mentioned linked themes for positive change, including: improving governance and measurement; influencing financial flows; greening economic sectors; investing in people; and managing natural capital. He noted that sustainable banking is critical if a green economy is to emerge. Greenfield highlighted popular policies emerging from consultations within the Green Economy Coalition, such as: incentivizing private institutions and creating public institutions to offer sustainable products; promoting diversity to increase innovation; long-term sustainability reporting; and discouraging speculative activities with no socio-environmental benefits.

Nick Robins, HSBC, noted that raising capital for sustainable transitions in the energy and agriculture sectors will require trillions rather than billions of dollars. He predicted that many fossil fuel assets, such as oil, will no longer be valuable in the future and mentioned the importance of reorienting the Priority Lending Schemes of banks toward renewable energy. Robins also drew attention to the creation of a new stock exchange in London for companies that seek to embrace sustainable development principles.

Pavan Sukhdev, Corporation 2020, underscored the importance of engaging in an economic transformation toward the green economy in order to achieve the proposed SDGs. He added that there can be no green economy when corporations are still pointing in another direction, lamented that at least six times the amount presently invested in the green economy is being used to "bail out" the brown economy and deplored existing fossil fuel, intensive agriculture and fisheries subsidies. Noting that taxes and subsidies are the most important tools of public policy, Sukhdev expressed concern for their exclusion in Rio+20. He applauded the plans by development banks to put 25% of their balance sheet into the green economy and added that the players of the World Economic Forum cannot make the necessary changes toward a green economy without having public frameworks, subsidies, taxes and NGO support.

Ladislau Dowbor, Catholic University of São Paulo, stressed the importance of democratizing not only political, but also economic systems. Underlining the importance of addressing the information gaps in financial flows, Dowbor echoed the disappointment of other panelists in not seeing sufficient reference to finance in the Rio+20 outcomes document currently being negotiated.

Hæge Andenæs, Norway's Ministry of the Environment, said Norway is working to include text on how to measure beyond GDP, in the outcome document of Rio+20. Andenæs noted the importance of comparable datasets and called for simple, globally agreed, reliable and transparent parameters that measure sustainable development integration in companies such as those mooted by the Global Reporting Initiative (GRI).

In the ensuing discussion, participants addressed: whether banks should take co-responsibility for the external effects of projects they invest in; perverse effects of efficient subsidy regimes; and hurdles for companies operating in the socio-environmental field to obtain large-scale funding. One participant inquired whether the GRI metrics demonstrate corporate sustainability or merely transparency.



In answering questions from the audience, Hæge Andenæs, Norway's Ministry of the Environment, drew attention to her country's Ministry of Finance that is responsible for sustainable development and national accounting.



Oliver Greenfield, Green Economy Coalition, urged for public sector finance, through development banks and public procurement policies, to create signals to leverage private finance.

More information:

<http://www.gabv.org/>
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