

# Green Urban Economy

**A green economy improves human well-being and reduces inequalities over the long term, while not exposing future generations to significant environmental risks and ecological scarcities. Cities and urban areas offer unique opportunities to realize a green economy. Due to the geographical concentration of people, infrastructure, knowledge, economic activity and resources, cities are able to achieve 'more with less' - or, in other words, to turn density and urban systems into eco-efficiency. Cities and a green urban economy can realize opportunities to enhance human well-being and local natural resources, while reducing future costs, ecological scarcities and environmental risks.**

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January 2011 (Discussion Version)

## Emerging global debate on green economy

**Scope.** A green economy takes into account the wider concerns over rising energy costs, energy security, environmental risks, limited natural resources, declining ecosystem services and fears over economic slowdown and uncertainty. It also considers the impacts of investments in infrastructures and wider consumption and production cycles on the sustainability of natural resources and ecological services. Economic activities and their environmental implications need to be rethought, reshaped and remodeled to take into account future costs.

**Investments.** In the wake of the global financial crisis 2008-2010, the concept of a green economy was provided with fresh impetus following wide-spread discussions on a 'Green' New Deal, to enable a "green recovery". Large investments were seen as necessary to support the recovery of the world economy. These financial investments offered an opportunity to invest in green economic sectors.

**Rio+20.** Twenty years after the first Earth Summit, the United Nations Conference on Sustainable Development (UNCSD) will be held in May 2012 in Rio de Janeiro, also known as Rio+20. In 1992 the Earth Summit resulted in Agenda 21, the Rio Declaration on Environment and Development, and the three so-called Rio Conventions on Climate Change, Biodiversity, and Desertification. For Rio+20 the national governments have chosen green economy as one of two themes within the context of poverty eradication and sustainable development. The general debate on green economy at the global level will be intensified from 2011 onwards.

**Urban future.** By 2050 two-thirds of all humans will be living in cities and urban areas. Already the cities on this "urban planet" account for 67 percent of world primary energy consumption and contribute around 80 percent of total global greenhouse gas emissions. Societies are dependent upon the performance of urban economies, while the urban economy is dependent on ecosystem services and resources. Local governments wish to be recognized as relevant actors and provide their contribution to greening the urban and local economy, thereby contributing to a global green economy.

### Green Urban Economy

"A green urban economy realizes opportunities to enhance human well-being and local natural resources, while reducing future costs, ecological scarcities and environmental risks."

*Source: ICLEI, January 2011*

### Green Economy

"A green economy is one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. In its simplest expression, a green economy can be thought of as one which is low carbon, resource efficient and socially inclusive."

*Source: UNEP Green Economy Initiative, January 2011*

## Eco-efficiency

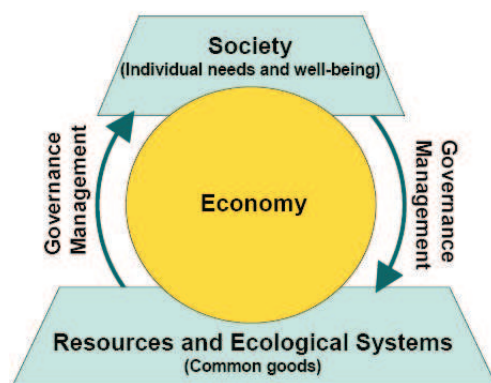
Eco efficiency means using fewer resources to produce more goods and services while at the same time reducing society's negative effects on the environment. Cities must become models of eco-efficiency by innovating solutions to wastage, excess and inefficiency.

Source: ICLEI, 2010

## Why a green economy?

**Costs of doing nothing.** The Stern Review (2006) shows that “the benefits of strong, early action on climate change outweigh the costs”. With a scenario of 2-3 °C degrees warming by the end of the century, a permanent loss of up to three percent in global economic output could occur compared to a world without climate change. With a warming of 5 to 6 °C degrees it could reach an average 5-10 percent loss in global GDP. Poor countries will suffer higher losses. The Economics of Ecosystems and Biodiversity (TEEB, 2010) study repeats a similar conclusion, stating that the “economic analysis indicates that maintaining healthy ecosystems is often the less expensive option”.

**Key challenges.** Our economic production and consumption patterns strongly interact with our social and ecological systems. Our governance and decision-making processes inform the future viability of our economic activities and social well-being. For example our political and economic foundations will determine whether we can build 4 billion new urban houses in the next 40 years, whether we can limit global warming to 2 °C degrees compared to 1990 levels, and whether the state and quality of our ecosystems and resources can be maintained.



Governance and management of economic activities and use of resources.

Source: ICLEI, 2010

**Green economy principles.** A green economy needs to be understood as a new way of looking at the contribution of economic

activities to sustainable development and not as the replacement of sustainable development. A green economy needs to recognize the true value of ecosystems and natural resources, and the economic benefits of long-term ecologically and socially sound economic activities. A green economy can contribute to decent jobs and improving social conditions through job security, reasonable career prospects, and worker rights, while mitigating pollution and health effects, resource degradation and exploitative, harmful work conditions. Reducing poverty goes hand-in-hand with sustainable resource management, and contributes to meeting the Millennium Development Goals.

## Cities' opportunities to green the urban economy

**Doing more with less.** The global debate on a green economy can be spelled out locally. Due to the concentration of people, knowledge, infrastructures, resources and economic activities cities offer unique opportunities to do more with less and to be highly eco-efficient. The largest 100 urban economic areas are estimated to account for \$ 15,247 billion USD GDP, almost 30% of global GDP in 2005. Cities can benefit and realize opportunities from green economies by enhancing their environmental assets, and by improving their environmental, social and economic conditions. Not only national leaders, but also local leaders can reduce carbon emissions and pollution, enhance ecological services, and minimize environmental risks.

**Green urban economy.** A viable green urban economy needs to be based on cradle-to-cradle material cycles, more eco-efficient systems, and the creation of decent jobs. The economic models and analysis for decision making processes need to integrate environmental and social costs, while governance and management need support and enable green economic conditions. Progressive urban areas and cities can benefit from being "green leaders" by attracting green economic activities to their cities. Employers and employees can directly benefit from the creation of new or the transformation of old jobs to decent green jobs.

**Green cities.** Urban form and density, land-use, integrated design strategies, technologies, and the construction of buildings, as well as urban utilities of energy, water, and waste systems can be improved to reduce resource and energy consumption. Social opportunities arise as cities start to benefit from cleaner urban environments and improved living conditions, lower exposure to resource scarcities, fewer price fluctuations and costs from energy wastage and more accessible public transportation.

## Role for local governments to green the local economy

**Local governments as actors.** Numerous economic activities fall under local governments' jurisdiction. Local governments' activities are not isolated from those of the private sector. Local governments take on managerial and economic roles, for example in the provision and operation of municipal utilities. Local governments can encourage, enable, motivate, measure and regulate the local economy to deliver better and greener returns. Together with other city actors they can engage, change and inform current debates.

**Steering municipal investments and purchasing power to influence the market.** Environmental and social criteria can be taken into account in investment and procurement decisions, for example when procuring municipal vehicles or investing in buildings. Investments into municipal services, such as energy, public transport, waste and water, can change the energy usage and waste production of a city. Such investments make utilities and services more efficient and environmentally sound. In such a process, clear signals are sent to the market in favour of sustainable goods and services.

**Setting framework conditions for investments.** Local governments can also use their regulatory powers for strategic urban development. A smart, connected and compact city can be enabled through building codes, land-use policies, and energy-efficiency standards. Strategic planning can support the growth of renewable energy and clean technologies, reduce energy loss and enhance the economic returns of public transportation systems.

**Incentives and finance.** Local governments can influence the private sector behavior through financial incentives and disincentives, such as environmental taxes, charges or reductions. Other mechanisms include land value or cost-recovery, attractive settlement conditions, Build-Operate-Transfer, purchasing pools, grants, loans and funds. Such special financial conditions can make more long-term investments in sustainable transportation or energy infrastructures more risk-proof and economically viable. Unsustainable industries and businesses can be more heavily monitored, taxed or have stricter licensing requirements.

**Informing private behavior.** Local governments already provide advice, information and services on activities in support of a green economy. These include the provision of green recreational areas, promotion of eco-labeling schemes and information centers on renewable energies or sustainable ecosystems usage.

### ICLEI's current and 2011 services and contributions to a green economy:

- Facilitating local government input and representation at the Rio+20 UN conference,
- preparing case studies on green urban economy,
- introducing the concept of green economy to local governments and city actors,
- looking to assist local governments towards greening the urban economy,
- connecting leaders from local governments and other sectors with each other,
- continuing ICLEI's Sustainable Procurement Program ([www.procuraplus.org](http://www.procuraplus.org)),
- promoting the Incheon Eco-efficiency Challenge for city actors to showcase their measurable achievements.

### ICLEI's Incheon Eco-efficiency Challenge

The Incheon Eco-efficiency Challenge calls on local government decision makers worldwide to transform their city or town into an eco-efficient city of the future.

Local governments, municipal associations, national and sub-national governments, NGOs, urban researchers, urban consultants, local businesses or households can submit a report on an activity or project.

Source: [incheon2010.iclei.org](http://incheon2010.iclei.org)

Raising awareness, providing public information and involving stakeholders enhances the understanding and support for certain policies and can contribute to changing purchasing and consumption patterns of individuals and organizations. Local governments can also increase public knowledge and awareness of the economic value of their ecosystems and the long term environmental costs and risks associated with economic activities.

**Driving local innovation.** Local governments can set targets for local renewable energy production, adopt innovative policies to overcome barriers, pioneer new approaches, create forums for exchange or bridge research and local practice. Local governments can support research and development in green and clean technologies, invest in waste treatment, improved freshwater provision and lower water loss, and even promote low-carbon and sustainable lifestyles and the uptake of more sustainably-produced goods.

**Scaling Up.** From procurement to construction, local governments can play a key role in catalyzing and scaling up a green urban economy. Many actors have already gathered around the topic green economy, attracted by the challenges and opportunities it offers. The solutions need to be implemented now involving a wide set of local stakeholders.

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### Acknowledgements

- Service of the ICLEI World Secretariat, Capacity Center, Urban Research Team.
- Contributor: Richard Simpson, Special Advisors: Philipp Rode (London School of Economics and Political Science, LSE Cities), Stefan Kuhn and Ania Rok (ICLEI European Secretariat), Susanne Salz and Monika Zimmermann (ICLEI World Secretariat).

**ICLEI – Local Governments for Sustainability** is an international association of local governments implementing sustainable development. ICLEI's mission is to build and serve a worldwide movement of local governments to achieve tangible improvements in global sustainability with special focus on environmental conditions through cumulative local actions. The author's views expressed in this Briefing Sheet do not necessarily reflect those of ICLEI.



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January 2011