

## A Green New Deal in South Africa? The future of economic growth and social justice in an age of financial and climate constraints

Summary of dinner debate discussion hosted by the Southern Africa regional office of the Heinrich Böll Foundation, 05.08.2009, Cape Town.

### Background:

On the occasion of the visit of its Co-President Ralf Fuecks to South Africa, the Heinrich Böll Foundation Southern Africa hosted an informal dinner debate that aimed to explore the possibilities and challenges for establishing a greener economy in South Africa. The event was attended by academics, business and civil society representatives as well as decision makers with expertise related to economics, energy, public infrastructure and Climate Change. Discussions were held under the Chatham House rule.

### The case for a Green New Deal

Ralf Fuecks, Co-President of the Heinrich Böll Foundation opened with a lead in presentation that outlined the primary motives and principles of the concept of the Green New Deal [full speech available below].

In short, Fuecks reasoned that while some argue that ambitious climate measures should be postponed until the global economy has recovered, it's exactly the opposite: those economies and companies who simultaneously address the economic and climate crises through 'green' investment now – will weather the economic storm best and lay the groundwork for a new wave of sustainable growth.

The premise of the Green New Deal [GND] is that the financial crisis presents a unique opportunity to remodel our economic framework to one that can respond to a future characterised by first, the depletion of the natural resources which fuelled the economic growth of the last century; second, the increased emphasis on a knowledge based products and services as economic central drivers; third, the emergence of China and other economic and political powers; and crucially, the need to keep global warming below tipping points while maintaining economic growth for a rapidly growing population. Fundamentally, the GND is about developing an economic model that seeks to achieve growth without devastating the environment and is sensitive to natural resource limitations.

In this context, the first pillar of the Green New Deal is the promotion of energy efficiency, a switch to renewable energies, and new generation low carbon technologies and products. The transition to a green economy will improve energy security, shift global dynamics and importantly, create huge employment and domestic investment opportunities. To date, around 1.8 million 'green' jobs have been created in Germany. By 2020, these employment figures are set double, and green industries are envisioned as the country's leading economic sector. Alongside renewables, resource efficiency (energy savings, water treatment, waste recycling, public transport and the refurbishment of housing which is particularly labour intensive) mean lower costs, better environment and more jobs.

The second pillar of a Green New Deal is massive investments in human resources (enhanced child care, education, research and job training). Making education a top priority will enable our societies to manage the transition to a knowledge-based era and to maintain a high degree of innovation.

With regards to countries in the South, green economies hold huge potential. They offer rural based jobs, and given the abundance of sun and wind, huge economic opportunities. However, developing countries will not be able to build green economies without significant funds and technology transfer from the global north. As a funding mechanism, the system of Co2 exchange will therefore be central to the channelling of resources.

In the ensuing discussion the following themes emerged as central:

Is the GND a model for sustainable economic growth?

While all agreed that there is a need to find a growth model that does not destroy the earth, it was questioned whether the GND offered a genuinely reformed economic framework to do so. It was noted that while the model of the GND may be based on a green economy (RE etc.), it still adheres to the capitalist system and values. As such, the GND does not address the fundamental question of whether the global system – one based on principles of competition, accumulation and individualism – is fundamentally at odds with environmental sustainability, and whether addressing climate challenges will require an entirely different approach in which principles of sufficiency and lifestyle changes will be primary. [A similar challenge was made on the basis of technology development, see pg 4].

A counter argument was that there is no one single 'capitalism', but rather, highly diverse capitalisms. China, Japan, Scandinavia, Russia and the EU all embody extremely different forms of capitalist economies. While the GND is a model which seeks to harness the power of innovation fostered by competitive markets, it also recognises the importance of strong market regulation that prevents the overuse of natural resources. As such, the framework of the GND emphasises the importance of utilizing policy instruments such as eco-taxes, regulated access to resources etc., to ensure that principles of long term responsibility and sustainability are integrated into processes of economic development – as well as corporate logic. In addition, it was noted that the growing middle class in the south was adding to the global numbers of those living resource intensive lifestyles, and that many of the poor in developing countries also aspire to those lifestyles. As this was unlikely to change it was key is to manage growth without devastating the environment.

North South relations

The discussion of Climate Change as a global problem and the accompanying need for a global solution brought into focus global power dynamics. Central to the GND is the need for both developed and developing countries to cap carbon emissions, as well as the need for both technology and funds to be transferred to developing countries.

While all agreed that Climate Change is a global problem that must be addressed from a global perspective, there was disagreement about what exactly this meant. Some of the participants emphasised that the solution to Climate Change must be centred on the recognition of inequality between North and South. Fundamental to this is the South's right to development alongside the North's obligation to re-distribute its resources. Others emphasised that while there is an unquestionable need for a massive transfer of both technology and funds from the North to the South (all seemed to support this idea), Climate

Change is no longer a simple North-South issue, and that in the context of Co2 emissions, the South contributes almost as much as the North, and that in absolute numbers (not in per-capita) of emissions China has already past the US.

It was further stressed that alongside carbon emissions, the desire for an urban middle class lifestyle – a resource intensive lifestyle – is a growing global phenomenon (visible in China, India, Brazil, South Africa) in which, because of population trends and existing inequality is likely to centre in the South. It was argued that the responsibility of the North was to firstly reduce consumption of resources to a level that is fair, and secondly, fundamentally change production systems and cities etc. Thirdly, the north must deliver prototypes to the South e.g. zero-emission houses, (a process that has already started) alongside financial and technological support.

The table was more equivocal on whether global power relations have indeed shifted. Some participants maintained that the North – and the International Financial Institutions biased in its favour – still 'call the shots'. It was questioned whether in such a context it is possible to reinvent the economic system. Others around the table disagreed and felt that along with the rise of new regional powers, the economic crisis did represent a potential turning point for north-south relations. It was contended that over the past 2 decades, the North has lost power, now exacerbated by the economic crisis, and that this has now presented opportunities for engagement that preclude pre-determined logics. Instead, a space now exists for contestation, and there are opportunities for the South in the context of the economic crisis.

### **Is a GND feasible in SA?**

While many of the participants agreed that in principle the GND is a good idea, and that it spoke to South Africa's needs and priorities for quality jobs and lives, there were many doubts as to whether the GND was a feasible option in South Africa. Simultaneously, opportunities for pushing a greener agenda were identified.

South Africa's brown investments: A major challenge is that South Africa's energy security has been locked into a 'Brown New Deal'. Over the past decade, South Africa's government has been unable to diversify its energy sources, break the country's long established reliance on coal for electricity or invest in energy efficiency. The long standing emphasis on coal and nuclear has crowded out attempts to look at renewables. This accounts for South Africa's energy intensive economy (number 16 in the world in terms of emissions). In response to the electricity shortages experienced since 2006, more coal fired power stations are on the cards, alongside the development of nuclear energy. These constitute long term investments that have already begun which will lock in energy spending patterns and preclude alternative energy investments. It was noted in response that SA should make it more transparent that alternatives to coal like wind are competitive, as is already the case in the EU. Importantly, wind energy avoids indirect costs such as environmental degradation or negative health impacts that are associated with coal energy.

Political will and policy co-ordination: Central to SA's 'brown investments', is political will and weak policy co-ordination. While South Africa has played a strong leadership role in international Climate Change debates, and is looking for a 'good' deal in Copenhagen, on the ground there are contradictions between Climate Change and energy policies, let alone actual energy investments (i.e. Coal fired power stations). In long standing contestations between interest groups arguing for clean energies and pursuers of the 'Brown Deal', the latter are long established and have prevailed. However, for the first time in South Africa,

the notion of alternative energy as a viable solution is firmly rooted in civil society, and has some supporters in government. This means that there is a space for contestation. Further, it was argued that SA's response to the economic crisis is firmly rooted in the notion of green jobs.

Further to that, state capacity and management poses a problem to the realisation of a GND in SA. Weak institutions and complex problems mean that South African ministries respond to immediate demands and needs, often at the expense of long term planning.

Access to technology poses a further challenge, and one participant argued that SA's basic problem is not overuse of energy but access to technology. It was noted that South Africa needs technology transfer including prototypes and close cooperation with partners who have the technology.

It was recognised that perhaps more than renewable energy, SA must find ways to increase energy efficiency. With the exception of water, SA is extremely resource rich, and so both money and resources could be saved if energy efficiency is developed. As was already noted, SA holds huge potential for energy savings as opposed to other developing countries.

There was also some doubt whether a GND can really be implemented in a context of extreme poverty and inequality. Core for the South African context is the question of how to balance poverty challenges with environmental considerations. Can the GND really address immediate needs and priorities such as food security, education, and health?

Lastly, greening SA's economy will have to address the number of jobs in the coal industry. However, while workers rely on coal jobs, they are also conscious of both environmental and health impacts of coal mining.

### **The technology – is it there, and will it deliver jobs?**

There was extensive doubt related to how realistic renewable energy solutions and technologies related to energy efficiency really were. There was a feeling that while technology was being presented as the basis for the solutions, these were yet to be proven, and that this was part of the reason for SA's investment in proven brown energy. Technologies such as Carbon Capture and Storage (CCS) demonstrated that many technologies remain untested, expensive, potentially unsafe and unlikely to generate job opportunities. This suggested that a refocused economy would place greater emphasis on efficiency and conservation of resources. Aside from scepticism as to the readiness of the technologies, there was also doubt as to whether green technologies could indeed create jobs.

Contrary to these doubts, it was noted that SA has huge potential in REs, wind power (that could be utilised within two years), solar water heating, massive opportunities in energy efficiency projects which can create many jobs. In addition, it was argued that new generation energy projects – such as that in the Sahara – are paving the way for very real renewable energy solutions. It was again stressed that technology and prototypes should be delivered to developing world.

### **Opportunities?**

The debate on the Green New Deal is emerging at an opportune moment: both in terms of global politics, but also in terms of South African politics. Despite SA's existing investment in fossil and nuclear energy, alongside other challenges, the notion of green energy as a viable

alternative is taking root, both in government and in civil society, and has created space for contestation and promotion of a greener economy.

The discussion suggests three entry points.

First, discussion of the GND in South Africa will not progress if it does not acknowledge that energy security is at the heart of the debate. The question of energy Security has to be addressed for the discussion on REs is to move forward.

Second, energy efficiency is key, and possibly even more important than RE. Resource/energy efficiency means lower costs, better environment and more jobs, many in rural areas.

Lastly, like other countries, South Africa is searching for avenues to create jobs and address poverty. REs and energy efficiency can speak louder to SA's priorities of quality job creation and clear environments at a time when a new government is open to engaging with civil society. That there are voices within government who speak of green jobs is an opportunity to exploit

The following steps forward were proposed:

- There is an urgent need for scientific evidence and information. Written material and other.
- Possibly a group of experts should be put together to think the topic through with politicians

Ralf Fücks

## Towards a Global Green New Deal

### Presentation notes

The international debate on a Green New Deal (Ban Ki Moon, Achim Steiner, Nicholas Stern et al) takes place just in time. The economic Tsunami which today is devastating the world economy is much more than just a widespread recession. It marks the end of an old model for economic growth and the beginning of a new era. What we are now talking about is a structural change in the industrial system and the financial markets, a historical turn from unsustainable, destructive growth to sustainable growth.

The concept of a Green New Deal is based on two fundamental ideas: First, we should look at the current crisis as an opportunity to implement forward looking policies instead of just muddling through. In the Greek as well as in the Chinese tradition, crisis also means "Katharsis", a turning point in the life of individuals and societies. Instead of being scared, we should embrace the current crisis as an opportunity to transform an outdated model of economic growth into something new.

Second, the Green New Deal is about anticipation of future trends and developments: we need long term oriented, foresighted policies in order to meet the fundamental challenges our societies face. Looking forward 20, 30, 40 years seems to be quite a speculative task; but in fact most of the developments which will shape our future in the medium term are already in place.

Particularly this is the case with

- Climate Change, which according to new scientific findings is happening more rapidly than initially anticipated. This was predicted in the last report of the International Panel on Climate Change)
- A shortage of the natural resources on which economic growth has been based, in particular oil (which still is the source for roughly one third of total global energy consumption)
- Demographic trends: European societies will get older, whereas the global population will grow rapidly.
- The global shift to a knowledge-based economy, where education, research and the development of new technologies are becoming the main sources of economic success
- And last but not least, the emergence of new economic and political giants, especially China, which raises the question of what the global division of labour will look like in the future. Pioneering the upcoming green industrial revolution will provide early mover advantages and offer new opportunities to Europe and the US.

Against this background, the first pillar of the Green New Deal is the promotion of energy efficiency, a switch to renewable energies, and a new generation of low carbon technologies and products. Such a shift will hand multiple dividends to our societies:

- Greening the economy is imperative if we are to avoid chaotic Climate Change. In order to keep global warming within a range of 2 degrees Celsius, we need to reduce global greenhouse-gases by at least by 50% by mid-century. At the same time, however, global GDP will approximately double as a result of steep global population growth (the current population of 6.3 billion is estimated to grow to about 9 billion human beings), and the enormous appetite for raised living standards, especially by those on the economic margins. If we take these global trends into account, it is clear that no growth is simply not an option. Rather, the challenge we have to master is to decouple economic growth from the over-consumption of natural resources. Sounds like quadrupling the circle – and will only take

place through a fully fledged green industrial revolution.

- The transition towards an economy based on renewable energy sources will, while improving energy security, allow us to spend trillions of dollars on domestic jobs and services instead of feeding oil-based autocracies in the Middle East, Central Asia or Latin America.
- Going green will offer big opportunities to entrepreneurs and workers alike – as can be seen by what happened in Germany within the last decade. Today, in Germany, there are about 1.8 million jobs in the green sector, about 270.000 in the renewable energy-sector alone, and we are confident that by 2020, these figures will double – by which time green industries will have become the leading sector of Germany's economy. The German concept of a "Feed-In Tariff" played an important role in that success story. Meanwhile it has been adopted by almost 30 countries all over the world. ((I would be interested to learn a little bit more about the South African version)).

Critics of the idea of a Green New Deal usually argue that we (or more precisely: the bulk of enterprises) could not afford ambitious climate – and environment measures in the midst of a deep economic crisis. Therefore green projects like auctioning CO<sub>2</sub>-Emission-Allowances or the introduction of eco-taxes should be postponed until the economy has recovered.

But if we put on hold serious efforts to cut greenhouse gas emissions until the economic crisis is resolved, we would not only be irresponsible in terms of climate policy. We would also squander a once-in-a-lifetime opportunity to lay the groundwork for a new wave of sustainable growth. It's just the other way around: those economies and single companies who invest in new, green technologies, products and services now – will weather the economic storm best.

Up to now, governments have moved towards greener economies with very different determination and speed. If you compare the current economic-recovery-programs, which mobilise hundreds of billions of dollars in a desperate effort to stop the economic depression, only a few governments have tailored their programmes along green criteria and targets. The green frontrunner is – maybe surprisingly – South Korea, where more than 75% of spending is linked to sustainable projects and purposes (in particular public transport). Not less surprisingly, China has dedicated almost a third of its 450 billion dollar programme to green projects.

European governments as well as the US have been much more reluctant (or ignorant) in terms of greening their stimulus-packages. We are about to miss a historical opportunity to drive forward in a new, sustainable direction. If the German Greens will have the opportunity to join the next federal government, their main purpose will be to inject more green substance into public spending.

The second pillar of a Green New Deal is the provision of massive investments in human resources. This includes enhanced child care, education, research and job training. Thus the promise of upward mobility may be restored by offering all citizens the opportunity to better themselves through their own efforts. At the same time, making education one of our top priorities will enable our societies to manage the transition to a knowledge-based era and to maintain a high degree of innovation.

Finally: How can we extend the concept of a Green New Deal to the developing world? To reduce CO<sub>2</sub>-emissions can't be an obligation of the "old" industrial countries alone. If we want to turn around global greenhouse-gas-emissions by 2020 (and according to the findings of the International Panel on Climate Change that is what is needed to avoid tipping point-effects), it's essential that emerging economies are ready to cap their greenhouse-gas-emissions in the short term, and to reduce them in the long term.

This will only happen once we develop a consensus about what constitutes a fair modus of burden sharing linked to the transition towards low-carbon-societies and how to exploit the opportunities this shift offers. We must set incentives for developing countries not to devastate their forests. We must find ways to increase energy efficiency in big leaps. Renewable energies must not remain a domain of the highly industrialised countries – they offer promising solutions, particularly for rural areas in the developing world.

At the same time, poor countries must be assisted to improve their education systems, from kindergarten through to the universities: in the long run, it is not the natural resources of a country that matter, but its human resources.

All these issues depend on agreements on technological and financial transfers from the highly industrialised world to developing countries – a difficult task, especially in times of financial trouble, plunging revenues and rising public debt levels.

The introduction of an international emissions-trading-system (based on restricted allowances for CO<sub>2</sub>-emissions which have to be bought by major polluters) will help to raise funds to be redistributed to developing countries.

A promising pilot project in the area of renewable energy is currently being developed by European and Middle Eastern partners. It's about the installation of highly effective Solar Thermal Power Stations in the Sahara on a large scale. The potential for solar power in the desert zones of North Africa is huge – more than enough to supply the energy needs of the respective partner countries as well as meet a substantial portion of Europe's electricity needs.

We need more of these pioneering projects. There are many opportunities to exploit: off shore wind, highly concentrated solar power, geothermal, tide and wave-energy. Part of the broader picture also has to be a new generation of biofuels, based on organic waste, thus avoiding the fatal competition between food production and energy plants.

These are great challenges for scientists, entrepreneurs, trade unions, engineers, house builders, farmers, transport companies, city developers, teachers – and politicians.

New alliances and bold innovations are needed in every sphere of our economic, political and social life. If we are able to meet these challenges, our world will become a better place. If not, future generations will hold us responsible.