

Making a Green Recovery Work for Jobs, Income and Growth

**Business Contributions to the OECD Ministerial Council Roundtable on
“Economic Recovery: Strong, Resilient, Green and Inclusive”
14 September 2020**

Across OECD countries and beyond, the Covid-19 pandemic triggered the most severe economic recession in almost a century, and its devastating effects still continue to unfold around the globe. It is clear that, while some sectors of the economy see limited effects resulting from the pandemic, others face existential challenges, and many are still wary about consequences to come. Beyond phases of immediate response and preserving capacity, effective recovery plans and successful international coordination and cooperation are needed to ensure that our open global market environment can continue to leverage growth and sustainable development.¹

In this context, the *Business at OECD* (BIAC) constituency - including the leading business federations in all 37 OECD member countries - urge governments to establish economic stimulus measures that help restart our businesses and sectors, especially where these have been hit hardest. Such measures should safeguard economic growth, jobs and incomes, and can yield “double dividends” towards the achievement of important long-term policy objectives where possible, particularly addressing climate change risk and a just transition, increasing resource efficiency, ensuring energy security and preventing biodiversity loss.

We therefore encourage governments to work with the OECD and like-minded member and partner countries to advance a clear and common vision of a sustainable green recovery from the Covid-19 pandemic. We emphasize that necessary short-term fiscal policies to stimulate demand need to be accompanied by structural reforms that encourage competition, spur energy and environmental innovation, reduce unnecessary regulatory burdens, mobilize sustainable finance and investment, develop sustainable infrastructure, enable education and training and strengthen greater international policy coherence.

In this regard, policies to advance a sustainable green recovery must not be misused as a vehicle for discriminatory or protectionist actions, and they should unconditionally comply with existing international agreements to facilitate multilateral cooperation. Governments should consider the opportunity to reduce or eliminate unnecessary tariff and non-tariff barriers on goods and services essential to green recovery. To ensure the sustainability of natural resource use, positive and negative externalities should be reflected in international market outcomes, while at the same time, avoiding ill-prescribed unilateral action.

Overall, the effectiveness and cost-efficiency of any green stimulus measure should be safeguarded. As acting quickly is vital to secure employment, supporting existing industries and scaling already consolidated green economy sectors should be an immediate focus area. As innovative businesses can provide complementary contributions to a green transition, we underline the importance of technology-neutral policies looking for efficiency improvements across sectors. Where governments identify a need to encourage swift technological change towards pressing societal and environmental grand challenges, any government support measures should be designed in a transparent, targeted and temporary manner to ensure they do not result in enduring global market distortions.

¹ [Business at OECD \(BIAC\) Economic Survey 2020: Views from the Frontline](#)

It is now more important than ever for the OECD to further its unique role at the international level, as a platform for holistic policy dialogue based on facts, quantifications and evidence. The Organization should work across Committees to foster the dissemination of best-fit policies for a sustainable green recovery and continue to closely liaise with autonomous bodies within the OECD framework, particularly the International Energy Agency, and the OECD's constitutional advisory bodies and other stakeholders as suitable.

To this end, we encourage strong collaboration between governments, OECD and the business community when developing and implementing policy responses to the Covid-19 pandemic that leverage growth and sustainable development. In this regard, *Business at OECD* and its constituents are most appreciative of this opportunity to contribute to the OECD Ministerial Council Roundtable on "Economic Recovery: Strong, Resilient, Green and Inclusive" – and will continue to contribute to a sustainable green recovery from the Covid-19 pandemic in our daily work.

Business recommendations to be considered by OECD and governments

We call on Ministers and the OECD to address the following policy issues in particular:

- **Increasing resource efficiency and energy access** should be a focus area for governments to meet our societies' growing demand for resources, while implementing important environmental policy goals, including ambitions under the Paris Agreement. We emphasize the OECD Global Materials Outlook² projected global materials use to double up to 167 Gt by 2060, and that management of all materials give rise to significant greenhouse gas emissions. We therefore call on the OECD and governments to support our businesses in their efforts to achieve higher resource efficiency and establish more climate-friendly production routes, gear their operations towards more circular economy business models, particularly based on international, open standards for products identification, and explore the potential for recycling. We caution that market interventions - including bans on specific technologies, products or applications - without a complete and evidence-based understanding of the impact of alternatives and risk assessment, may not only have collateral effects on business competitiveness but also fail to effectively achieve desired environmental policy objectives, or address environmental challenges overall.
- **Facilitating international trade** – specifically for second-hand goods, goods for repair, refurbishment and remanufacturing, waste and scrap and secondary materials, as well trade in related services – should be central to help our businesses scale up their operations towards more resource efficiency and circularity. We applaud OECD efforts to move forward evidence-based discussions on this topic between like-minded governments and business, and other relevant stakeholders. We strongly encourage constructive international cooperation between OECD governments, including maintaining the full potential of existing OECD legal instruments such as the *OECD Council Decision on the Control of Transboundary Movement of Wastes Destined for Recovery Operations*. National resource efficiency and circular economy initiatives should not create unnecessary barriers to a circular economy and global trade.
- **Reducing and eliminating unnecessary tariff and non-tariff barriers** is an effective tool in stimulating the economy and should be a critical part of a holistic economic policy response to this pandemic, which impacts but does not destroy the global supply chains and networks. Supporting environmental policy goals through trade tools, negotiations and agreements should further synergies to widely deploy cleaner energy and products, while ensuring that environmental policies are not used artificially and arbitrarily to hamper cross-border flows of goods and services. Consistency with existing relevant international commitments and agreements must be safeguarded. In particular, as trade measures are being considered to rebalance potential competitive disadvantages from measures against climate change and to avoid carbon leakage, the compliance with WTO rules of any such measures must be safeguarded³. To strengthen fact-based and prudent decision-making, further evidence on technical design, the trade and economic impacts and environmental effectiveness are important prerequisites to avoid arbitrary or unjustifiable discrimination or disguised restrictions on trade. In this context, especially the effects on products and materials with low carbon footprint independently verified by certified organizations could

² [OECD Global Material Resources Outlook to 2060: Economic Drivers and Environmental Consequences](#)

³ In this context, we also emphasize the provisions of the United Nations Framework Convention on Climate Change, according to which measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.

be considered. Overall, it is vital that any initiatives taken do not aggravate the stagnation of global trade due to the spread of COVID-19.

- **Developing and diffusing environmental innovation and accelerating the green transformation** should be supported by governments, particularly at a time when depressed economic activity might necessitate the reduction of business spending on research, development and staff training, and in particular of large capital expenditure. Underlining the importance of technology-neutral policies, governments should identify general-purpose technologies with environmental benefits and diversify the portfolio of technologies for which support is provided. As the interplay of different policy instruments determines the effectiveness of incentives for innovation and most importantly their deployment, governments should foster an enabling environment for business developments – including by ensuring certainty, reducing unnecessary regulatory burden and ensuring robust intellectual property systems. As one government’s national policies alone may not be sufficient to achieve a step change in environmental innovation, facilitating international co-operation in research and development is important. In these regards, we strongly encourage the OECD to focus cross-Committee work on enabling innovation in industries which are likely to be harder to decarbonize, foster the transition to a more resource efficient and circular economy and enable digital technologies.
- **Green public procurement** should be a major driver for innovation, incentivizing where possible the development and scalability of environmentally-friendly products and services, such as goods and materials with low-carbon footprint or high recyclability rate, while ensuring that necessary public goods and services can be delivered in a timely, economic and efficient manner without decreasing quality attributes. We emphasize that public procurement represents about 13% of government spending in OECD countries on average, and can therefore be a major engine for the green recovery. OECD work on public procurement should support countries in creating an overarching approach to procurement that enables efficiency, fosters growth and accomplishes the achievement of important long-term policy objectives, while safeguarding the non-discrimination of foreign bidders.
- **Encouraging investment in low-emission, energy-efficient and climate-resilient infrastructure** is a critical factor for sustainable growth, especially as many OECD economies have been struggling with chronic underinvestment in their ageing infrastructure. In this regard, the OECD report *Investing in Climate, Investing in Growth* also highlights that the stock of public capital relative to GDP decreased by 15% globally over the past 30 years. To manage climate risks and deliver long-term sustainable growth, infrastructure investment should cover various sectors including energy (such as hydrogen or CCUS), water, telecommunications and transport as the backbone of our economies and a green transition. As governments also need to provide an enabling policy framework for business across sectors⁴, to facilitate and engage in investment to address climate change,

⁴ For example, telecom operators have ambitious environmental objectives and programs aimed at improving energy efficiency, increasing the use of renewable energy and reducing carbon footprint. The way in which 5G is being conceived and rolled out represent an important element of the Telecoms environmental plan. More energy efficient equipment per unit of data transferred compared to previous generations, new features allowing improvements in energy efficiency of operating networks such as putting base station into a ‘sleep mode’ as well as replacement of older generations of hardware and software will contribute to meeting the industry’s environmental objectives. Beyond that, connectivity is also a crucial enabler for the entire economy to reach its sustainability and climate objectives. To this aim, it is important to define a regulatory framework that ensures the development of 5G and fiber, enabling investment and cost optimization among operators (network sharing agreements).

international co-operation remains essential. In this respect, an in-depth OECD dialogue on investment and climate change across Committees would be particularly helpful.

- **Foreign direct investment** is an important driver for sustainable development, economic growth and employment, supporting domestic capital accumulation, economic diversification, skills development and market access. FDI also plays an important role in the spread of technology and know-how needed to address urgent environmental challenges. The OECD's research on FDI qualities can help highlight the positive contribution FDI can make and help policy makers to reap the benefits of FDI contributing to a positive environmental outcome. Due attention should be paid to the interlinkages between different policy objectives, the importance of energy efficiency improvements and the potential that different energy option can provide. Emerging instruments such as Article 6 of the Paris Agreement must be geared towards enabling a swift global transition.
- **Encouraging sustainable finance** through well-designed definitions and taxonomies may help foster transparency, long-termism and spur sustainable growth. An inclusive, flexible and technologically neutral approach should cover any activity that might contribute to a sustainable recovery⁵. We encourage the OECD to lead in this debate and work to reduce fragmentation across markets, avoiding a "one-size-fits all" approach, ensuring a holistic approach towards a net zero-carbon economic system, and averting burdensome compliance verification.
- **Tracing materials and goods flows for climate and resource efficiency considerations** at both enterprise and "macro" or sectoral levels enables businesses and societies to better understand environmental impacts and value chain emissions, and provide instruments for monetarizing these sustainability benefits, but it is important that this does not impose burdensome requirements, which may particularly negatively affect not only large companies but also SMEs. Life-cycle information tools and market mechanisms such as voluntary disclosure of carbon content should be given due consideration where practical. Information disclosure to public and third parties must allow for appropriate confidential business information protection, balanced with the right to know for health, safety and environmental protection.
- **Ensuring the workforce is prepared with the new skills profiles** needed by employers should be a further focus area for governments, with education and training aligned with the new in-demand jobs of the Green Recovery. In particular, accessible and affordable retraining options are needed for workers in sectors under transition. Governments should facilitate job-to-job transitions for workers by underwriting retraining costs and identifying skills adjacency profiles to better align workers with new opportunities. Overall, greening jobs across sectors will be of major importance, and we encourage OECD and governments in this regard to recognize links across sectors of the economy to ensure all jobs, rather than a selected few "green jobs", can become more environmentally sustainable in the long-run.

⁵ We emphasize that the contribution of all forms of energy should be recognized as levers in the same direction providing important synergies.