



The Green New Deal as a Transatlantic Challenge: How We Can Transition to Greener and Cleaner Economies

Reinhard Buetikofer

FACET Commentary No. 17 – July 2009

Let me start with a disclaimer. The slogan Green New Deal is not a Green Party invention. The Green New Deal is not a Green Party pet project, even though we Greens probably are among the most enthusiastic supporters of such a policy. The Green New Deal is a national as well as an international strategy that signals a basic paradigm shift for industrialized and also for developing countries. Green thinking, which has been ridiculed for so long, is going main stream. The narrative not only of progressive politics but the narrative of any political strategy which refuses to allow the dictatorship of the present and the past over the future, will be green.

A unifying strategy

By advocating broad green investment and innovation, the Green New Deal proposes an immediate answer to the present global economic crisis as well as a longer term answer to the even more fundamental environmental crisis that has come to be known as global warming. The alliance of supporters of the Green New Deal is indeed impressive: It comprises United Nations General Secretary Ban Ki-moon, UN Environment Program Executive Director Achim Steiner, and the Government of Korea; it also includes John Podesta's Center for American Progress (CAP), President Obama's new Green Jobs advisor Van Jones, and many political, academic and business leaders in Europe; Governor Schwarzenegger as well as President Obama have also advocated a corresponding strategy, albeit without referring to the exact term.

In his inaugural address in January, Barack Obama argued that we lack the time to tackle the different crises that have beset us, one after another. Instead, he laid out a more ambitious approach: to combine the efforts made in different fields. Indeed, we

have to give one common answer to the economic crisis and the hunger crisis in poor countries – more than 1 billion people are presently suffering from hunger, the highest number in history – and the climate crisis which is increasingly becoming inter-twined with many international security challenges. The need for a new development strategy has even hit home with the OECD, which has been obliged by its members to come up with a concept for environmentally friendly growth until next year. I believe this answer can be – and should be! – a Global Green New Deal.

The Green New Deal obviously alludes to President Franklin D. Roosevelt's New Deal in the 1930s. This is for good reason: Notwithstanding all the changes since, there is an obvious parallel between now and then. As was the case in Roosevelt's time, we are today not only confronted with a deep and economic disaster, we are also challenged to find a way of changing our mode of production and consumption in a fundamental manner. The challenges to our economic system and to our life style do not arise from forces beyond it. Rather, it is flaws *in* our economic and political systems plus a lack of sustainability *in* our life style that have brought us into a situation in which capitalism is in fact in danger of committing suicide. It is now the job of environmentalism to save the economic order by re-inventing our economies and our life styles in the green way. We have to find a way to cope with the necessity to live according to the principle of sustainability.

A new industrial revolution to prevent economic disaster

What I am advocating, and what I believe we need, is a new industrial revolution, a transformation of the industrial metabolism, the development of an environmental civilization. The basis for this tremendous change has to be laid through an industrial policy that revolutionizes our energy consumption by going for ambitious eco-innovation with the clear goal of building low-carbon economies. To concretize one goal: In the EU, it is without a doubt possible to go 100% renewable before 2050.

What, if humanity fails to embrace such a far-reaching alternative to the status quo? If we let climate change get out of control – and we are in fact close to that point – we will cause disasters of unknown dimensions. Sir Nicholas Stern, the former chief economist of the World Bank, calculated in his 2006 climate change economic review for the British government that the costs of unmitigated climate change could add up to 20% of global GDP. More recently, in June of this year, the U.S. National Oceanic and Atmospheric Administration noting that “climate change impacts appear to be increasing faster than previous assessments had suggested,” predicted a 90% probability that unmitigated climate change would force up to 3 billion people to choose between starvation and moving to milder climates within the next 100 years. If that is too gloomy for you, what about the 200 billion U.S. dollars it would cost just to provide enough water for the western United States by 2020? What about the imminent security risks from competition over dwindling resources, diminishing water supplies, and a growing scarcity of arable land? Nature has given us a limited CO₂ credit. We are consuming this credit fast. We are in fact close to CO₂ insolvency. And once we are insolvent, there will be no one to ask for a respite. The atmosphere will not grant one.

In order to avoid that sort of chaos, we will have to meet three very clear goals: First, global CO₂ emissions have to drop to 50% of what they were in 1990 by 2050; second, industrialized countries have to reduce their emissions by 80-95% by 2050; and third, global CO₂ emissions must peak by 2015. This obviously is a tall order, but it is not impossible.

Obviously, the vision of a Green New Deal is not universally shared. Silvio Berlusconi, the Italian prime minister, is one of those people, who argue that the world cannot afford to focus on mitigating climate change in a time of economic crisis. At the recent G8 summit in Italy, he sardonically quipped that talking about CO₂ emissions in times of economic crisis was like concentrating on your permed hair style when you are suffering from pneumonia. This sort of polemic shows an important misunderstanding.

Yes, we have to focus on jobs, as President Roosevelt did during the first New Deal; yes, we have to seek market re-regulation as Roosevelt did; and yes, we have to fight poverty and exclusion as Roosevelt did in his time. But opting for a Green New Deal will help us to do just that. Saving the planet will help us rebuilding our economies.

Creating jobs on a massive scale

Advocates of a Green New Deal are not preaching the frivolous gospel of putting luxurious niceties and whimsical fancies first. Instead, we are arguing: First, the Green New Deal will help create new jobs and foster social equity; and second, the Green New Deal will help ensure better competitiveness. So to all those who refuse to buy into the Green New Deal for climate reasons, my message is: Do it for economic reasons! There is so much environmentalism has to offer to the economy. Let us save the economy by saving the planet.

Let's talk jobs. According to a study by the Center for American Progress, the American Clean Air and Security Act and the American Recovery and Reinvestment Act together will create green investment of 150 billion U.S. dollars per year over the next 10 years resulting in 1.7 million new jobs. The German experience with renewable energies shows that such a calculation is not an empty promise. In Germany, we have already seen 280,000 new jobs in the renewables sector and will be able to add another 220,000 until 2020. So far the real expansion of the renewables sector has continuously beaten even the most optimistic predictions. We now have a globally competitive renewables industry in Germany that is second to none. As of today, 8% of the German economy (and 2.2% of the economy of the EU-25) is classified as eco-business. According to a study by the German Institute for Economic Research (DIW), the eco-sector will beat out machine building and the car industry as Germany's number one most important sector as early as in 2020.

But a Green New Deal goes beyond developing an eco-business sector. It advocates a comprehensive strategy for greening all industrial sectors. This strategy builds on three

pillars: renewable energy, energy efficient low carbon technology, and green infrastructure. If we go for this strategy, we will be able to create 5 million new green jobs over the next five years in the EU alone. EU Commissioner for Economic and Monetary Affairs Joaquín Almunia therefore called on his colleagues: “Put green growth at the heart of the agenda.”

Take the automobile industry as an example: Dieter Zetsche, the CEO of Daimler, recently said: “We must re-invent the automobile.” He is right, we have to do it under negative market conditions. A recent study of global automobile production by ALIX Partners predicts the most difficult and threatening situation for this industry since the second world war. It is not at all difficult, however, to foretell that it will be the race toward energy efficiency that will determine which companies will survive these challenging times. In paraphrasing Thomas Friedman, I would say: Who becomes the greenest the fastest with the smartest technology, that is the auto company that will lead the industry in the 21st century.

Or take the construction industry: Energy efficient houses and green buildings will be the norm in the near future – if simply out of necessity to save energy. We will have low-energy houses, e.g. 1-litre-houses or even energy-producing houses. I am not talking about fantasy land here. I am talking about technologies that companies like BASF already have. Here is an interesting figure: China will build as many new buildings between now and 2020 as we have today within the EU-15. Who will build these houses under what standards with what technologies? Is it not obvious that the greenest solution has the best chance of winning the economic competition?

Competition and cooperation

There is bound to be competition between companies and nations over who will most successfully ride the green wave. This competition is necessary and it is going to help speed up the transition we are looking for. But I would also argue that both the EU and the United States will be more successful if there will be more green cooperation than

we have had so far. The new U.S. administration opens many options for such cooperation, and the up-coming review of the EU's Lisbon strategy can also be used as an opportunity to move forward with more green ambition. Neither side has a comprehensive industrial policy for eco-innovation yet. But both sides do have some positive experience that can be valuable to the other, too.

The United States has a well-established environmental technology verification scheme. The European Union is planning to set up its own. Will there be mutual recognition? The EU has experience with promoting renewables that the U.S. can learn from. Germany's feed-in tariff in particular is an extremely efficient policy tool that comes at low cost to the consumers and results in a huge benefit to the economy. Can it be employed in the States as well? The European Emission Trading Scheme has put a price tag on CO₂ from energy production and industrial production. The United States is currently devising its own cap-and-trade system. How soon can these two mechanisms be connected?

New technologies need new standards. Why should there be competing standards for green technologies between the U.S. and the EU? Would it not help both sides in the global market place to cooperate? Why is there no stronger exchange of experience concerning regulatory and financing mechanisms? What use can the United States make of the experience the EU has gathered with its Eco Design Directive established in 2005? Why don't we cooperate in defining the extension of this approach from energy-using to all energy-related products?

The green movement and business depend on each other

There is, of course, progress already with regard to transatlantic green cooperation. For instance, the recent Prague U.S.-EU summit agreed to include "common approaches to combat climate change and [...] transition to greener and cleaner transatlantic economies" in the future work program of the Transatlantic Economic Council (TEC). EU Commissioner for Enterprise and Industry Günther Verheugen told me recently that the Commission wants to make this a center piece of the TEC road

map. The European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC) used their 2009 Madrid conference to discuss the contribution of standardization to eco-innovation. I very much hope that there will be intensive efforts for transatlantic cooperation in this field as well. What I would like to stress, though, is a sense of urgency. Whatever progress is being made in the direction of a Green New Deal, we are still far off the mark. More than that, right now it looks like we may be losing a race against time. Climate change is still making the world a hotter place while the economic recovery is dragging its feet. Thus, we need more ambitious initiatives, more daring policies, as well as more far-reaching cooperation between policy-makers, the business community, the public and non-governmental organizations.

Still, I would like to end on an optimistic note. While the odds are shrinking that we will have a diplomatic climate breakthrough in Copenhagen at the end of this year, let me point to an industrial initiative as an indicator of movement in the right direction. In the Desertec project, twenty major European companies, many of them from Germany, are getting together to pursue a 400 billion Euro investment in solar energy production in Northern Africa that will, hopefully, provide up to 15% of EU energy consumption by 2050. Why does this make me optimistic? For two reasons: First, because it represents a new economic rationale. Going green from this perspective is no longer about burden-sharing; in fact, it is about opportunity-sharing. Second, because it happens in the midst of our economic crisis, it gives credibility to the understanding that going green will help us get out of the hole that we have dug.

Green is becoming mainstream

As I said: Green has begun to go mainstream. The Green New Deal, or call it by any other name you like, is in fact starting to take off. As a Green, I of course welcome this. I welcome it in the company of what no longer can be cast aside as a movement of romantic tree huggers and idealistic enemies of industrial interests. The truth is – like it

or not – Green cannot succeed without business; but business cannot succeed without Green either. So let's muster all our can-do spirit! Let's make sure that going green, that eco-innovation will be a pillar for successful transatlantic cooperation in the 21st century!

Reinhard Bütikofer (bueti@gruene.de) is a Member of the European Parliament and Vice Chairman of the Group of the Greens/European Free Alliance. In the 2009 EP elections, he was the front-runner for the German Alliance 90/the Greens. From 2002 until November 2008, he was the Green federal party's co-chairman.