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Conference report

7th British-German Environment Forum

The crisis of growth:

threat or opportunity for sustainable development?

Thursday 24 – Saturday 26 February 2011 | WP1069



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Issues discussed and summary

The 7th British-German Environment Forum addressed the question whether the financial crisis and the dearth of economic growth the world is experiencing at the moment is a threat or an opportunity for sustainable development. The discussions centred on the concept of a low-growth or no-growth sustainable society, and whether such a concept is realistic. It was agreed that to become more sustainable, both the UK and Germany have to move away from the traditional, profit-gearred concept of wealth and economic success and towards a society that puts less value on income and consumer goods acquisition, and more on personal wellbeing and life in tune with environmental needs.

The overarching conclusions of the conference were that such a change needs to happen as soon as possible, and that governments must play a crucial role in achieving this. However, it is recognised that it will be difficult to convince governments to support sustainable living, because moving towards a sustainable economy and society will affect a myriad of parties, including industry, society and political parties. In addition, global sustainability can only be achieved with global support, and it is vital to get international backing from developed and developing nations for sustainable living. Strategies for achieving the sustainable society must include stringent government regulation, large-scale public engagement and education, and the decoupling of current economic and social values from economic growth and high-carbon activities.

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A set of core issues to be addressed emerged from the conference:

- Climate change is an international threat, and the transition to a low-carbon economy only makes sense if undertaken by the whole world
- The global financial crisis is a unique opportunity to set this transition in motion, as traditional economic structures are breaking up
- To become more sustainable, society has to undergo a change of mindset away from the current consumer/acquisition-oriented lifestyle
- The new mindset must focus not on making profit and growing economically, but on personal wellbeing
- This includes changing the meaning of wealth and being well-off towards one which is in tune with the environment and a sustainable lifestyle
- Industry and the general public must be on board at all times during this transition period to make sure new goals and targets are accepted and validated by the whole of society
- Governments play a crucial role in this, bringing together expertise, funding and regulatory power

Concluding from the presentations and discussions during the conference, a series of recommendations can be made:

Government

- Governments must increase spending on low-carbon innovation and research to provide industry and society with the skills to live more sustainably
- Governments must spend more on public engagement and education to make sure the public is supporting the transition to a low-carbon society
- Each country needs a sustained and active industry strategy to deal with the transition from high-emission manufacturing to lower emission production
- Governments in the developed world must reach out to developing countries to make sure they are changing their lifestyle while continuing to develop a better future for their citizens
- Industry needs stringent regulation, and this regulation must be enforced. Governments need to take a strong stance in this to make sure that emission targets are met
- To achieve the sustainable society, income and wealth must be redistributed. Governments should oversee this transition and put incentives and support mechanisms in place to make sure it goes smoothly

Industry

- Industry should promote sustainable products and services to encourage the public to change their lifestyle
- Industry partners must work with developing countries to make sure their resources are used efficiently and sustainably. They must understand that the short-term exploitation of resources will destroy long-term capital assets
- The economy needs to change from profit-based consumerism to an alternative, more sustainable model. Industry need to recognise this and change business and employment models to ensure the transition goes smoothly

Environmentalists/Green activists

- The international green movement must develop a coherent strategy for the transition to a greener and more sustainable development, and come up with a clear picture of a no-growth society
- Environmentalists must continue to promote the benefits of a post-growth sustainable society
- All interested parties must convince governments, industry and the general public that the only alternative to sustainable living is a world without humans
- Green movements must adopt a more holistic approach to politics and try to appeal to various areas of the political and social sphere to achieve broader public support
- Experts on sustainability should be on hand to advise both government and industry on the pitfalls and dangers of transforming into a sustainable post-growth society. This should also become an international endeavour

Growth and Sustainable Development in the UK and Germany

Both the UK and Germany are facing the challenge of moving their economies from the present times of abundance to a scarcer and leaner future in which fewer resources will be available. The double problem of climate change and the economic downturn need to be addressed by policymakers, industry and the general public. The future for both countries will hold major challenges such as ever-increasing food prices, increasing petrol prices, and economic austerity – along with associated issues such as unemployment, migration,

and increased international economic competition.

The UK government gave fresh impetus to the discussion on sustainable growth in 2005 with the publication of a report titled *Securing the Future*. In this report, the government set out its vision to make the UK greener by putting sustainable development at the heart of all government policies. The ultimate goals of this strategy are to achieve a better resilience to climate change, a healthier economy and to let sustainable development make a positive impact on people and the society.

However, rather than imposing such policy changes from the outside, the government should leave space for businesses and people to change from within. This would be best facilitated by a range of activities the UK government could undertake, including:

- Supporting and financing innovation for low-carbon technologies
- Engaging society by promoting more sustainable consumer choices and encouraging people to change their lifestyles
- Using resources more sustainably and enabling private stakeholders to do the same
- Encouraging and supporting the development of strong and diverse local economies

Germany has also recognised that sustainability has to be the basis for future economic activity, and that the challenges to achieve this have become more complex and interrelated. The German government is convinced that short-term and late rescue packages will not help change the economy. Instead there needs to be a sustained and holistic effort to turn the economy towards slower and more sustainable growth by promoting research and innovation into low-carbon technologies and helping businesses change the way they operate.

The German government is working on an economic strategy to tackle the long-term issues around sustainable growth to prevent further economic disasters like the 2008 financial crisis, which was caused by short-term thinking and a concentration on profit-making. The strategy is expected to include stringent targets, and will be based on the 2002 strategy *Perspektiven für Deutschland* (Perspectives for Germany), which included the following aims:

- Developing a national and international sense of responsibility for climate change
- Researching and developing new technologies to enable greener behaviour among industry and the general public
- Developing and rolling out a sustainable climate protection strategy

The German strategy is backed by a €20 billion investment into renewable technologies, which was announced in 2009 and is expected to reduce energy impact by €5 billion a year.

In summary it was found that both the UK and the German economy have the potential to be far more resource-efficient and sustainable. However, there is still a great need to dematerialise both the production of consumer goods and their subsequent consumption. The two greatest challenges that have to be overcome are changing consumer behaviour and developing consumption regulation. The former will require long-term education and a government-supported change of mindset among the general public. The latter needs a more radical approach by government and a readiness to step in on consumer behaviour. However, it will be difficult to achieve the right level of interference. While something needs to be done to change consumerism in Europe, it is questionable whether hard-handed approaches seen in other regions – for example China, where the government regulates the maximum level thermostats can be set to – will be accepted by European citizens.

Sustainable growth and the free market

The free market is profit-oriented, and therefore will not deliver sustainable growth without some form of regulation or encouragement, or a combination of the two. Businesses can be encouraged to become more sustainable if they see a financial advantage. This advantage can come in many forms, including greater customer demand for sustainably-sourced products, tax incentives and other financial rewards for sustainability, and an international competition advantage in the global market.

Paradoxically, some businesses are more aware of the need to change and become more sustainable than many government departments. In particular large and international companies are often directly exposed to the effects of global warming and over-consumption, and they experience daily how these factors impact on their resources and stock. Oil companies, for example, are aware of the pollution potential and the limitations on oil use around the world, and farming and timber businesses know how devastating some of their practices are on local environments and resources. Nevertheless, most companies will not change their behaviour without strong incentives.

One way to encourage businesses and industry to change towards sustainable growth is the promotion and financing of low-carbon technologies and innovation in the renewable-energy sector. Fossil fuels did not become an energy source for humans until they learned how to use them effectively. In the same way industry cannot be expected to make large-scale use of renewable energy sources unless there is a cheap and effective way of harnessing them. It is up to governments to invest in these areas and ensure that alternative energy sources become a competitive resource for industry.

Conference attendants noted that so far the best results in decreasing industry pollution have not been achieved by promoting a greener mindset, but by stringent regulation. However, regulation can only work on a national, or at most, European basis. To achieve a global economic change towards sustainability and green growth, international incentives other than regulation might be necessary. For worldwide pollutants, like carbon dioxides, setting prices might work better to make industry change its behaviour. This could also have a trickle-down effect on carbon-using activities by people, such as flying.

There is another issue to regulation: enforcement. For agreements on emissions and pollution to be binding they need a system of enforcement. However, such a system is very difficult to create, in particular when it comes to international companies who will move to the best business environment and easiest access to resources. Many governments are afraid that by imposing strict regulations on industry, they risk losing vital parts of their economy if businesses move elsewhere.

The post-growth society

Changing people's mindset to demand sustainable products and services and thus create a market for these is possibly the most difficult and unpredictable task ahead. This is despite widespread general support for sustainability. Both the UK and Germany face the problem of a society that wants to be green, but does not want to change its lifestyle. The current pattern of social demands and consumption is based on high-carbon activities – holidays, cars, large houses – and it will take a long and sustained effort to convince the general public that the traditional pattern of continuous economic growth and constant increase in affluence needs to change.

In Germany for example the demand for green products is very high – but so is consumption. German people love to be seen as environmentally aware, but they are reluctant to spend more on sustainable products or decrease their consumption of other more harmful products. Reconciling these two traits – love for environmentalism and love of consumption – is a challenge the German government must face.

To achieve what is termed a post-growth society governments must shift more

responsibility back to the people. Measures suggested included promoting more personal responsibility in health, strengthening the pay-as-you-go principle for pensions, reducing pressure on businesses to increase profits year on year and redistribution within the labour market to create more part-time jobs and scope for volunteering. Governments could go some way towards this by advertising the benefits of such a lifestyle, and regulating prices and salaries in some areas.

'Dematerialising' the economy through such initiatives and encouraging people to live more responsibly would go some way to reducing consumption and shifting consumption patterns towards sustainable products and services. Some efforts are already under way to achieve this, most notably the Europe 2020 strategy, which includes initiatives to encourage greener living and less consumption. However, some conference participants noted that the strategy does not go far enough. Instead of reducing carbon emissions by 20 per cent compared to 1990 levels by 2020, the target should be 30 per cent (the target needed to achieve greenhouse gas sustainability).

Any strategy on sustainable growth and 'dematerialisation' should raise public awareness that there is a final boundary of resource use, after which there is no return. Once the global climate and ecosystem are destroyed, a vicious circle will be set in motion, which will ultimately make the planet uninhabitable for humans. It is true that nature is likely to adapt somehow, but humans probably will not. It is therefore crucial to develop a strategy that completely pre-empts rather than defers reaching this final boundary, and this is where the EU 2020 strategy is seen as not going far enough.

The global perspective

Convincing the public to live more sustainably is seen as incredibly hard. The disconnect between cross-border institutions, governments and businesses is an additional obstacle to achieving a sustainable society. Conference participants noted that they found it difficult enough to get people in the same building or department to work together on being more environmentally aware and changing their lifestyle towards sustainability. It is seen as much harder to achieve similar collaboration across borders and between institutions.

But international cooperation on sustainability and emission targets will be crucial for the survival of human life on the planet. Consumerism and consumption need to be reduced globally to curb climate change and move towards sustainability. It is equally important to recognise that agriculture will continue to be a crucial part of the economy in most developing countries for some time to come. Rather than trying to wean these countries off farming, the international community must enable them to access the latest technologies to promote sustainable farming, and educate workers in agriculture about environmentally-friendly farming techniques.

However, many of the world's developing societies are striving to achieve the high-carbon lifestyle that the north-western hemisphere has enjoyed since the last century. It will be difficult for rich countries to convince upcoming economies that they should find alternatives to the amenities they want, such as fridges, cars and air conditioning. To gain influence on emerging economies rich nations should embark on programmes of collaboration, discussion and aid with developing countries. It was noted that Asia, China and Brazil, emerging economies themselves, are already investing heavily into poorer nations in Africa and the Middle East, and that Europe and America must up their game in these regions to retain an influence.

The rise of emerging economies also puts greater demands on sustainability at home. It is not enough for developed nations to lower their emissions and increase sustainability through targets based on their own consumption. They must also make room for emerging nations. Therefore, even greater sustainability effort is required from developed nations to meet national and global targets while accommodating increased consumption and emissions from emerging economies.

Internationally it will be important to distinguish between developed countries, who are likely

to follow similar paths to the UK and Germany; those developing countries that have already gone through an agricultural revolution and those whose economy is still based on small-scale traditional farming. The BRIC countries – Brazil, Russia, India and China – can be seen as countries that are passing through an intermediate economic state. Their economy has been kick-started by an agricultural production revolution, which boosted output but depleted natural resources. When developing partnerships with these countries it is important for western nations to remember that they have different needs and demands than other developing countries.

Achieving government and public support

Any strategy to achieve a sustainable, post-growth society must be supported by national governments. However, conference participants noted that governments were not yet addressing the issue of whether a post-growth society can be achieved, and how this will influence the happiness of citizens. Many governments are not even aware of the problems, let alone possible solutions and need more or better motivation than simply the happiness of their citizens to address whether it is possible to achieve a post-growth society.

It is therefore crucial to win government support for sustainability efforts. This can be done by appealing to the government's interest in the wellbeing of its citizens. Generally, people want the next generation to have a better life, and governments' political interests are geared towards this. By convincing politicians that the world is faced with a question not of choice but of adaptation the sustainability movement can gain support. If politicians understand that the problem of over-consumption of the planet's resources will be dealt with one way or another – by design or by disaster – they are more likely to support initiatives to prevent the disaster from happening.

However, getting political support will need sustained and strong lobbying. Long held views are hard to change, and in times of economic austerity many governments prefer to return to proven strategies rather than gambling with new ideas. In addition, the challenges of a global market and an international business world have unbalanced governments in their view of themselves. Many governments are uncertain which role they fulfil in an essentially globalised world, making it harder to convince them to take action.

Lobbyists for sustainable growth should appeal to government interests in preserving their citizen's wellbeing. If climate groups can speak to the people's desire for a happy future and governments' anxiety to meet these desires, there is a good case to be made to promote sustainable living and increasing environmental protection. The green movement should strive to regain some of the influence it used to have in the 1990s, and try to appeal to a larger, more mainstream crowd. This could be done by creating soft incentives, such as social recognition and admiration for green living. Lobby groups should also look into using alternative indicators to Gross Domestic Product to explain and clarify the benefits of a sustainable society.

Increasing support for sustainable living is also a marketing challenge. People will support green living, and will pay more for sustainably-sourced products if they think it is the right thing to do. Governments should be encouraged to set aside large-budgets for public engagement to educate and inform their citizens about sustainable living strategies and the advantages of a slow-growth or no-growth society. In the end it is the responsibility of governments to make the public understand these issues.

The role of the green movement

The green movement, which led to the formation of Green political parties in both Germany and the UK, has, it is argued, somewhat lost its direction and impact. These movements have led to the creation of greater awareness about green issues in both countries. However, this has not resulted in substantial change. In the UK in particular there has been a backlash against the green movement from some in the business community and from

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some sections of society. This is partly due to misinformation about environmental campaigns, for example recycling, and a lack of sound scientific debate on green issues.

The Green parties in both countries could increase their political scope. The previous concentration on purely climate and environment-related issues is not fit for a modern political world and a somewhat politically disillusioned public. Green parties must come up with holistic policies dealing with a range of subjects, including education, economics and defence to become ready for government and achieve broader support from voters.

A shift towards a more holistic political concept based on sustainability might also help in drawing in voters and supporters from the centre and ‘conservative’ communities, who are traditionally less supportive of Green parties. Many ‘conservative’ voters have a strong nature-spiritual streak, and are actively engaged in conservation work and environmental activities. In appealing to this community’s love for their country, its wildlife and its landscape the green movement can increase the number of its supporters and prove that green ideas and thinking can come from a wide range of political backgrounds.

Transition to a sustainable society

To promote the change towards a low-carbon economy environment groups will first have to develop an international definition of a low-carbon economy. The main features should be sustainable carbon emissions coupled with efficient use of energy. Service supplies such as electricity, gas and heating need to be decarbonised. The public needs to be made aware of the dangers of carbon emissions and of ways to live more sustainably. There also needs to be a fundamental change of mindset, in which traditional notions of happiness and prosperity are decoupled completely from economic growth and income.

It is important to enable people to make decisions to achieve the low-carbon society. Communication and guidance will be crucial to facilitate change in people’s behaviour and demands. People need to have the choice to change, rather than being forced from above to adapt to climate change by imposed regulation. This will make it easier for them to ultimately behave in a greener way and consume less and more effectively.

The sustainability movement should harness the ongoing financial crisis to promote its agenda. Financial turmoil has traditionally led to innovation and increased efficiency. For example, people are more likely to save energy or use it more effectively if they have less money. The additional pressure of depleted resources coupled with higher food and consumer product prices will help establish the need for change, and throw a good light on less resource- and money-consuming social models.

These trends need to be recognised by finance ministries, who should free up public spending on renewables and energy efficiency to lead by example and decouple growth from emissions. In general governments should strive to get a coherent message out during the financial crisis and promote sustainable living as a way to shift away from a carbon-emission and profit-based society towards a resource efficient post-growth society,

However, when putting plans to reduce emissions and change economic priorities into action governments must learn from past mistakes. Any social strategy to reduce carbon emissions needs to be backed up with an active and sustainable industrial strategy to guarantee economic continuation. This could include more direct investments into low-carbon industry, training the workforce and increasing their involvement in innovation, and allowing the government to step in when there is market failure to prevent the collapse of entire industry branches.

In advanced societies like Germany and the UK it should be possible to achieve a prosperous society without the classical economic growth model within the next 50 years. However, this will depend on substantial changes to public perception of wealth and prosperity as well as significant investment into low-carbon technologies and renewable energy sources. This development might need to happen alongside some changes in wealth distribution, which could make societies more equal, but might also lead to

disagreement and strife among those who will be less well off after the transition. There might also be an international backlash from countries that are less well prepared for such changes, or are faced with increased pressure on their markets and resources as western governments change their economic profile. It is crucial that these issues are taken into account and considered when implementing sustainable growth strategies.

It is important that supporters of the sustainable society press ahead with their plans without waiting for other players to join. A case can be made that no strategy to curb emissions and resource consumption will make sense without large consumers such as China and the United States on board. But waiting for these countries to join could backfire. Rather, the UK, Germany and other partners should go ahead with their transition to a low-carbon society and allow other governments to join later once the benefits become clear.

Conclusion

The urgent need to transform our society into a low-carbon, sustainable society with less concentration on growth and high-carbon activities is well recognised. Achieving such a society, however, presents a problem which requires the full commitment of industry, governments and the general public to be overcome. Underlying this transition is an important change of mindset. The world must understand that economic growth and expansion cannot continue forever in the way it has for the past 50-odd years. Instead, global economics must change gears towards using resources carefully and reducing consumption of goods and services that put pressure on the planet's ecosystem. This might entail moving away from a society focused on economic growth and towards one with different values, which are centred on personal well-being and sustainable living.

The pitfalls waiting on this path include the difficulty of getting industry and the public on board with this. Industry actions are dictated by money and profit, and there need to be strong business incentives for industry to change the way it operates. Governmental bodies must implement these incentives strictly to ensure targets are reached and regulations are complied with. The general public needs to be educated on the necessity of the transformation to a low-carbon society, and must be convinced of its feasibility. This includes changing public notions of wealth and success towards more sustainable goals. A strategy must be found to roll out such developments internationally and achieve global action on sustainability.

Looking back at the common history of Germany and the UK, many of today's policymakers must have asked their parents why, when faced with the dawning atrocities of World War 2, they did not take any action and instead turned a blind eye until it was too late. The attendants of the conference agreed that all must be done to ensure that our children will not have to ask us the same question about our climate.

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