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Markets in the Compilation Document for Rio+20

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The following is an overview of markets-based language in the submissions of member states and inter-governmental organizations compiled by the Secretariat of the United Nations Conference on Sustainable Development 2012. They are organized according to major themes:

- Market-based mechanisms
- Labor Markets
- Water Markets
- Green Markets
- Quantification/Valuation/Payment for Ecosystem Services
- Removal of Trade Barriers and Subsidies
- Financing the Green Economy
- Regulation, Correction of Markets
- Market Transparency

It is intended as a reference paper for civil society organizations who wish to influence the negotiating positions of members states and promote a rights-based approach to sustainable development as a way of ensuring that inter- and intra-generational equity and justice are central concerns in the reform agenda at Rio+20 and beyond.

Everyone interested in participating in the Rights for Sustainability Initiative may email Paul Quintos pquintos.ibon@gmail.com for more information.

MARKET

Market-based mechanisms

The application of market based-mechanisms is highly popular among countries, political groups, and the UN and intergovernmental organizations **(provide stats.)**

Market-based mechanisms

European Union (EU) and Member states fiscal incentives, emissions trading, gradual elimination of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development, green public procurement, the promotion of eco-innovation and clean technology, green entrepreneurship, knowledge building schemes, etc. should be implemented to have a level playing field for green markets.

India pointed out that market-driven approaches for greening of the economy have gross limitations for developing countries. In some sectors where the goods are public or merit goods, market outcomes may not be socially desirable

Nepal considers the creation of incentive mechanism and providing support for market -driven investments and flow of financial resources (including remittances) for sustainable development.

Switzerland wants to develop a voluntary water benefit market that is similar to carbon markets. Enabling conditions for a green economy support the green economy transition and the continued effort to eradicate poverty. This does not only include the establishment of sound regulatory frameworks, the employment of taxes and market-based instruments for sustainable investments as well as for setting the prices right for consumers and producers (prices should reflect the scarcity of natural resources and internalize external cost), the limitation of governmental spending in areas that deplete natural capital, and other important areas of actions for governments, but also the strengthening of international governance and cooperation

In **Montenegro,** pollution charges are in place (although with limited effects) as a way of implementing polluter pays principle. Nevertheless, Montenegro still sees the need for more comprehensive and effective application of market- based instruments for greening the economy. Legislation, strategies and action plans to improve resource efficiency are being developed, and specific projects are implemented in the areas such as energy and waste management. Incentives for energy efficiency improvements in small and medium sized enterprises, public buildings and housing sector are increasing both in number and scope.

The **Republic of Korea** says that a diversified policy mix is needed to achieve green, inclusive and competitive economy. Market-based instruments include environmental taxes, charges and fees, tradable permits and subsidies. Carbon pricing, which comprises carbon taxes and emission-trading schemes, has a central place in global attempts to achieve green economy. Non-market instruments include regulatory and voluntary approaches. Legislative or regulatory instruments are based on performance standards, licensing and banning of certain products or practices, while voluntary approaches include ratings, labeling and certification. Within the EU accession process, Montenegro needs to develop adequate policy mix that will deliver results in its transition to a green economy in the context of sustainable development and poverty eradication.

For **Grenada,** the green economy requires phasing out of harmful subsidies, reforming policies and incentives, strengthening market infrastructure, introducing new market -based mechanisms, redirecting public investment, zoning and land use/ land tenure policies; as well as greening public procurement.

Jamaica on the other hand recognized that SIDS have valid concerns regarding the potential for trade distortions through the creation of international environmental benchmarks and standards which could place them at a disadvantage. Every effort must be made to ensure that the Green Economy does not become a market-driven concept that benefits only developed countries and creates barriers to trade for developing countries.

The **Sri Lanka**n Ministry of Environment established Sri Lanka Carbon Fund (SLCF) to actively participate in the carbon trading business. The SLCF was established in 2008 (Reg.No. PV63181) by a Cabinet decision as a company registered under the Companies Act No. 7 of 2007. The fund is a private company, which will facilitate CDM project development within the country and will facilitate the potential CDM project developers in project development, facilitate financing and other related matters. It will also participate in carbon market scheme and to obtain maximum benefit to the country via carbon trading. Objectives of establishing SLCF are to provide technical and financial assistance to the Clean Development Mechanism (CDM) Project developers for the preparation of project documentations, to facilitate bundling of small CDM projects, to facilitate access to capital funding for CDM projects through commercial banks, to provide investment capital for CDM projects, to engage in Carbon Trading through purchasing and subsequent sale for carbon credits.

For, **Liechtenstein** market-based instruments are flexible and cost-effective tools that stimulate and support the transformation process towards greener economies. In order to guarantee a successful transition to a green economy, capacity building and technical assistance on the basis of national ownership and leadership are keys. An objective of the green economy should be to enable innovation. Responsible entrepreneurship, networks, and innovation should therefore be promoted. Environmentally harmful subsidies should be eliminated, as they further unsustainable practices.

Australia's recommended for the outcomes of the Rio+20 to include support for innovative and market- based financial solutions from a range of sources, including both public and private finance, to ensure that limited public resources are invested to maximum effect in sustainable development:

Australia supports the use of market- mechanisms to ensure the environmental costs of production (externalities) are accurately reflected in the prices of products and services. For example, in countries without carbon pricing fossil fuel prices do not incorporate the cost of the negative externalities associated with the production and burning of such fuels. Putting a price on carbon through taxes, regulation or emissions trading systems can be an effective tool for securing emissions reduction at least possible cost.

In **Albania,** market-based instruments, such as environmental taxes, tradable permit systems or targeted subsidies for economic operators and individuals will be adopted in compliance with the principles of the free market. Fiscal incentives and economic instruments will be applied in order to drive up the cost of environmentally harmful activities, promote reduction of pollution by businesses and individuals, investments in cleaner technology, energy savings, efficient use of natural resources, and stepping up efforts to promote sustainable consumption and production patterns. The revenues from pollution charges and green taxes will be used to provide, through an Environment Fund, loans and grants to municipalities and/or to local enterprises for the purchase of abatement equipment and the introduction of clean technologies. The establishment of the Environment Fund is particularly important from the European integration perspective, as essential investments are needed in the fields of waste management, the improvement of water quality, and the enforcement of integrated pollution prevention and control in order to streamline domestically the EU acquis for the environment.

Albania's government is committed in the effort to increase the area of protected forest in order to preserve the rich biodiversity and the landscape. The government will develop its capacity not only to better manage those areas designated as protected for bio-diversity conservation, but also to boost their development through appropriate environmental and market instruments.

Moldova says that the Outcome document (Declaration or Resolution) have to reconfirm and reinforce the commitments of the Governments to promote SD and Green Growth principles, using market and policy initiatives, adequate investments, promoting eco-innovation, facilitating awareness and information campaigns in this field, mobilizing and applying new knowledge and skills, including the promotion of education for sustainable development at all levels.

For **Japan**, in planning for sustainable development, there are some opinions that consider not only regulatory approaches but also an approach that encourages effort, such as putting a price on carbon, is also important. A typical example of this is the introduction of an economic approach that utilizes market mechanisms. However, there are also views that in Japan with superior environmentally sound technologies, this approach does not work, and it might make a negative contribution to solving global problems due, for example, to a loss of financial resources caused by further development of the latest technologies. In the introduction of the economic approach, we should consider its purpose to be fulfilled and the way we take the burden, and necessarily gain the understanding and agreement of citizens of every level.

Local governments have the capacity to advance low-carbon and facilitate a green economy using their authority in the field of urban development, transportation, water and sewage services, waste disposal, education, conservation and utilization of natural resources. Local governments are able to facilitate low-carbon business as a leader in public facilities construction, infrastructure maintenance and public transport management, which could be a major project. They can also promote the improvement of energy-saving functions in buildings in the entire local community, including the private sector and the restriction of GHG emission from economic and industrial activities, with a system that uses a regulatory authority and market mechanisms. In addition, as the government closest to local businesses and consumers, local governments can provide detailed guidance and advice on energy consumption, and are capable of facilitating energy measures for the demand-side thoroughly.

Singapore believes that the market is the key to growth of 3Rs technologies. Markets will drive technology development, adaptation and adoption. Most economies rely on the free market system to ensure the efficient use of resources. However no market operates perfectly. This creates room for governments to intervene by formulating necessary market-based mechanisms and policies that favor promotion of the 3Rs through fostering business-to-business technology transfer.

For **United Kingdom,** market-based instruments can help to establish the right incentives for participants. The EU Emissions Trading System places an explicit cap on the volume of emissions from ETS sectors and allows trading between participants. This incentivizes decarbonization of production, but ensures that this occurs where the cost is lowest. The creation of a price for carbon through this system is an important part of incentivizing wider investment in both abatement technology and low carbon generation.

The **UK** will continue work towards to reform their regulatory frameworks moving towards more efficient mixes of instruments to achieve environmental outcomes, for example using market - based instruments where possible rather than prescriptive regulations. For example a programme of work is underway in DEFRA (Department for Environment, Food and Rural Affairs), including much better evidence about the stock of regulation and about the effectiveness and efficiency of available policy approaches.

The **Philippines** supports the identification of a menu of options towards green economy that considers the need for differentiated responsibilities between developed and developing countries. The country puts premium on this important difference and therefore calls for appropriate regulatory mechanisms and market -based instruments to be put in place to provide an enabling environment for sustainable development. A results-based and action-oriented outcome document is anticipated.

World Bank (WB) considers market-based fiscal instruments – like taxes, targeted subsidies, renewable energy feed in-tariffs, energy efficiency certificates, and emission trading schemes - as critical to ensuring the right incentives for shifting consumption, production, investment and innovation to efficient, clean, least-cost options. Targeted fiscal policies can help create the conditions for the poor to contribute to green and inclusive growth, while reducing unintended costs in terms of public health, social tensions and violence.

The WB's Low Carbon Development studies - undertaken between 2008-10 in seven client countries have been scaled up into Development Policy Operations and Clean Technology Fund Investment Plans, among other options. Numerous Low-Emission Development studies (LEDs) have also been undertaken. The creation of a decentralized knowledge platform for low emission development that can provide upstream advice and support to developing countries is being considered with external partners. This includes paying careful attention to the distributional, poverty and social impacts of policies designed to bring about low-emission development, with systematic use of Poverty and Social Impact Analysis (PSIA) to help better inform policy choices

The WB will continue to support developing countries with their Nationally Appropriate Mitigation Action plans **(NAMAs),** enhancing access to the carbon market including through the newly established Partnership for market Readiness, capacity building activities, and the establishment of innovative financing schemes for LED.

The **International Monetary Fund (IMF)** has focused considerable attention on the areas of carbon markets and carbon taxation, energy subsidies, the taxation of natural resources, etc., as well as fiscal policies for correcting market externalities and creating appropriate incentives for the transition toward off public more sustainable patterns of production and consumption. Recent analytical work has focused on fiscal and macro issues relating to climate change, particularly in the context of the recovery from the crisis.

It is of utmost importance for the **International Civil Aviation Organization (ICAO)** that the design and implementation of market-based measures for international aviation be treated as an element of ICAO's comprehensive mitigation strategy to achieve the global aspirational goals, as part of a global strategy for the sustainable future of international aviation, and not in isolation.

In this regard, ICAO convened the Workshop on Aviation and Sustainable Alternative Fuels (www.icao.int/sustaf) in October 2011, as part of its preparations for Rio+20. Mr. Sha Zukang, UN Under-Secretary-General for Economic and Social Affairs and Secretary-General of Rio+20, remarked in his keynote address to the workshop that "The development of an effective and efficient transport system is essential to secure sustainable development…", that the International Civil Aviation Organization is "actively promoting the reduction of aviation environmental impacts through appropriate operational measures, standards and market -based options" and concluded, stating that he hopes ICAO "will report the outcome of the workshop and inform the intergovernmental process of [its] findings, valuable efforts and forward-looking activities".

According to the **Asian Development Bank (ADB),** policy and market failures must be corrected to improve incentives for sound environmental management. In most cases, no one single policy tool can bring about the needed changes in behavior. Thus, a range of approaches are necessary, including regulations, market-based instruments, voluntary schemes, and information disclosure. At local level, more policy and legal reforms that strengthen community rights and create incentives for sustainable local resource management are needed. At the country level there is a need to strengthen and clarify roles and mandates of environmental and sector ministries and agencies, as well as provincial and local authorities. At the regional level, it will be crucial to build on the experience from regional and national networks such as the ADB-supported Asian Environmental Compliance and Enforcement Network.

ADB and those managed and implemented jointly with other partners, such as with the Global Environment Facility, and the Climate Investment Funds (CIF) (ii) facilitating countries' access to innovative market mechanisms such as payment for ecosystem services (PES) and reduced emissions from deforestation and forest degradation (REDD+) and (iii) whenever feasible, assist countries in further leveraging private sector financing through appropriate funding instruments and vehicles such as equity funds and venture capital programs. ADB will also actively develop partnerships to provide access to complementary knowledge and expertise.

UN Economic Commission for Europe (ECE) promotes progress on REDD+ and FLEGT initiatives at all levels, horizontal policy frameworks, as well as market instruments that effectively slow, halt and reverse deforestation and forest degradation and promote the sustainable use and management of forests, as well as their conservation and restoration.

The **UN Research Institute for Sustainable Development (RISD)** says that PES and REDD+ schemes address *drivers* of ecologically destructive behaviours through market mechanisms, enabling individuals and communities to be financially rewarded for reducing emissions from deforestation, forest degradation and enhancement of carbon stock. PES/REDD+ policies can have significant economic, environmental and social *co-benefits*, including improving community livelihoods, conserving biodiversity and protecting water resources. They have received growing investment from a range of actors including the private sector, national governments, multilateral organizations, environmental groups and grassroots actors.

According to the **World Trade Organization (WTO),** countries increasingly are using, or contemplating the use of, price and market mechanisms such as taxes and tradable permits to reduce pollution, waste, and resource depletion, along with technical requirements, as part of policy efforts to foster a green economy. Environmental taxes and tradable permits add to the market price of an economic activity the external cost that the activity imposes on society through environmental damages, thereby influencing the behavior that causes the environmental damage as directly as possible. Thus, environmental taxes and tradable permits can guide consumers and producers towards decisions that result in less pollution or waste, or slower resource depletion.

Environmental taxes comprise taxes levied directly on pollution or other environmentally harmful activities and taxes on the sale of goods associated with such externalities. Tradable permit schemes have been mostly used to address air pollution from emissions (such as sulphur dioxide, nitrogen oxides or greenhouse gases), but also exist in the areas of water management, fisheries conservation and agriculture nutrients.

The design features of environmental taxes and trading schemes have far-reaching implications for the cost to participants, the possible trade effects and the environmental effectiveness of the measure. The extent to which price and market mechanisms affect international trade depends, among other things, on the impact of these instruments on production costs and on the prevailing market structure.

The **UN-Water Decade Programme on Advocacy and Communication** advocates for environmental or green taxes, water and sanitation charges, marginal pricing to incorporate the scarcity value of water, markets and trading (of water use and pollution rights); and market based instruments such as payment of ecosystem services.

The challenges being faced by **International Maritime Organization (IMO)** and the shipping industry include developing additional means – such as market-based measures – to further reduce emissions of greenhouse gases from ships and promoting greater energy-efficiency of ships, including through the development of market-based measures, and, as a consequence, reductions in fuel consumption and in emissions of both air pollutants and greenhouse gases.

The investment by the **Global Environment Facility (GEF)** and its partners over the past 20 years produced impressive returns, such as 734 million hectares of new and improved land and oceans dedicated to biodiversity conservation and sustainable use of biological resources, and the catalytic transfer of 30 climate-friendly technologies for energy efficiency, renewable energy, sustainable urban transport, and methane reduction, among other benefits. In this process, projects have mobilized additional investments, created enabling environments, pioneered innovative financial instruments, and promoted market-based mechanisms, leading to widespread adoption and dissemination of climate-friendly technologies. Collectively, this wealth of experience lays the foundation and the tools with which to push for the emergence of green economies.

For the **Theme on the Environment, Macroeconomics, Trade and Investment (TEMTI) of the Commission on Environmental, Economic and Social Policy (CEESP), IUCN - International Union for the Conservation of Nature,** in so far as climate change policies are concerned, it is important to understand the relation between carbon trading schemes and financial regulations. Carbon trading leads to the creation of assets (emissions rights) that are traded like financial instruments. They can lead to derivatives, securitization and speculative transactions. Also, emissions rights' prices can be volatile and this will not only lead to greater speculation, but can also delay investments that incorporate a low carbon footprint. A discussion on the transition to a green economy must incorporate a debate on the relation between financial regulations and carbon trading schemes.

The **Caribbean Community (CARICOM)** says that the provision of assistance to address the special competition constraints of SIDS, due to their very small markets. The Green Economy should not become a market-driven concept that only benefits developed countries

In **Venezuelan,** natural resources have benefited and strengthen the social programs, at the national level; and, at the regional level, they have allowed the country to foster policies of integration and regional cooperation, based on complementarity – and not on the laws of the market.

For **Bolivia,** it is necessary to eliminate carbon market mechanisms and offsets so that real domestic reductions are made within the countries with said obligations. South Africa should not be another Cancun, delaying once again the central issue of substantive reductions in greenhouse gas emissions. The Rio+20 Conference should not create market mechanisms with regard to nature, biodiversity and the so called environmental services: a) The logic of the market and monetary valuation applied to environmental services and biodiversity will generate greater inequality in the distribution of those resources, which are essential for humanity and Mother Earth; b) The establishment of these market mechanisms will deepen the imbalance with nature because they are driven by the search for maximum profits and not harmony with nature; c) It will affect the sovereignty of our States and peoples by generating new forms of property rights over the functions of nature that will be in the hands of investors. These mechanisms are uncertain, volatile and the source of financial speculation given that the bulk of the money they mobilize will remain in the hands of intermediary actors.

Labor Markets

Bhutan says that if a new global depression hits, as is increasingly likely, if our markets dry up and our economies shrink, our first concern in the new paradigm must be to make sure no one gets unduly hurt. Full-cost accounting systems, which account fully and properly for the value of our natural, human, and social capital, and which must be part of the new economic paradigm, show that unemployment produces huge illness, crime, addiction, and other costs. And so, in the new economic paradigm, Bhutan will try not to lay off anyone at a time of crisis. Instead, the government would redistribute work so that all people work shorter hours. They might even appreciate having more time with family and friends and more time to contemplate, volunteer, build relationships and enjoy themselves.

For **Jamaica,** reforming the labor market and ensuring that education and training programs equip workers to be able to take-up green jobs as the country pursues the competiveness of its productive enterprises through the pursuit of the green economy. Improving the capabilities of micro, small and medium sized enterprises to seize the opportunities created by pursing the greening of the economy and builds their capacities to pursue business that sustainably manage and use environmental resources in the quest for profitability.

According to **Australia,** Rio+20 outcomes should include a commitment to building the Global Partnership for Education into an effective and well capitalized global fund for education that can harness the resources of the private sector and assist developing countries to achieve MDG 2 by 2015, and also a commitment to ensuring all young men and women are able to access a vocational education and training sector that is high quality, flexible and responsive to labor market needs, recognizing that the transition to new sustainable industries will create strong demand for new skills and the need for Governments to facilitate the skilling up of workers for these emerging sectors.

Ghana believes that there is a need to develop more capacities and re-orient tertiary education to the needs of the labor market. Re-structuring the academic system to groom students and to prepare them to take up positions in industry as well developing courses that meets the labor market are needed.

ECESA plus Cluster on Social Development says that in order to take advantage of the opportunities given by a green labor market and face its demands, youth must have the skills required. They must be given opportunities to participate – in both green jobs and in the processes of social dialogue that shape the social and economic conditions of those jobs. In this regard, it is critical to invest in young men and women and to ensure that they have access to adequate training, and education beyond primary education and in line with the fast evolving technological changes. But to enable young people, especially girls, to pursue their education and engage in labor markets also require a better health care, including reproductive health care and family planning.

Active labor market policies support broader social protection by helping to ensure inclusive social outcomes stemming from the changes in the structure of production brought about by the transition to a green economy. Such policies are intended to facilitate the reintegration of the unemployed into the labor market as well as the reallocation of labor resulting from structural changes or geographical, occupational and skill mismatches. Such measures include retraining schemes for displaced workers, job-search assistance, direct employment creation programs, training programs, and employment subsidies to promote the hiring of vulnerable groups such as low-skilled workers and new entrants to the labor force. The combination of active and gender-responsive labor market policies, which focus on the supply-side of labor market, and growth and employment-oriented economic policies, which focus on the demand-side, can, if properly designed and implemented, help raise the overall employment rate, thereby boosting the employment intensity of the green economy and generating the triple dividends of social, economic and environmental progress.

According to the **UN Development Programme (UNDP)**, there will be increasing shifts in employment patterns at the global and national levels to address the growing demand for skilled labor in the green sectors. Labor market policies must support youth, the poor and marginalized groups to acquire adequate skills for new jobs and provide social protections to avoid negative impacts of labor market shifts through income protection and educational support. Investments to create new green jobs should be accompanied by support for training and skill development, including access to volunteering opportunities.

For the **International Labor Organization (ILO)**, a transition to a green economy is a necessary precondition for sustainable development in general and from a social and labor market perspective in particular. The ILO acknowledged that greening economies offers major opportunities for employment creation and social inclusion, but it can also have downsides. To ensure that a green economy is rich in employment, socially inclusive and fair, complementary social and economic policies are needed along three lines:

I) Social protection as a means of social inclusion cushions the negative effects of temporary and structural change in the move to a green economy; the extension of social protection and the creation of a social protection floor for all are essential in a transition to a green economy and for the adaptation to climate change as well as a stabilizer in times of economic crisis. They are indispensable components of sustainable development.

II) Entrepreneurship and sustainable enterprise development in green sectors with high potential for job creation should be actively promoted, with a focus on youth and women.

III) A just transition policy framework should be adopted for workers and enterprises facing restructuring or having to adapt to climate change. This framework complements access to social protection with economic diversification and active labor market policies to facilitate adjustments through (re-) training, skills upgrading for green jobs and enterprises, enabling technologies, employment placement and, where necessary, targeted public employment schemes.

The **International Organization for Migration (IOM)** says that policies that encourage and facilitate circular migration and trans-national migrants provide vital transfers of knowledge and skills in key labor markets areas and such movements should be promoted. Furthermore, undue barriers to migration should be removed. Promotion of legal avenues of migration through, inter alia, bilateral and multilateral agreements should be supported.

UN-Water Decade Programme on Advocacy and Communication sees the need to foster labor market dynamism in order to facilitate the transition in the labor market, reduce unemployment in the interim and reduce social conflicts. The UN Water also wants to promote an inclusive labor market and sees the need for the workforce to adapt skills in advance to the emerging green job market.

For this transition to green economy be smooth, labor market institutions need to be reshaped. Some of the steps suggested by the UN-Water are helping workers move from jobs in contracting sectors and taking into account the needs of the vulnerable in green economy policies and measures that affect employment.

The **Pacific Islands Forum** recommended that educational standards should be raised and should expand opportunities for acquiring technical and vocational skills relevant to job markets, especially for women, including through non-formal education and training provision. The forum also called for the increase of opportunities for women to participate in the formal labour market as entrepreneurs.

According to the **UN Educational, Scientific and Cultural Organization (UNESCO),** the transition to green economies requires well-trained professionals able to address and cope with the challenges of major social and economic transformations. Focusing on entrepreneurship skills for Technical and Vocational Education and Training (TVET) graduates can provide opportunities for income generation, by encouraging the set-up of new enterprises and self-employment directly or indirectly related to green economies. TVET is especially important to empower women and girls and to ensure that they have the necessary skills to fully participate in and contribute to the green labor market.

Water Markets

The **UN-Water Decade Programme on Advocacy and Communication** advocated for the establishment of water markets because according to them, water markets can:

-help secure water supply by allowing the trade of water from areas of surplus to areas of scarcity.
-reduce water demand by allowing the trade of water from low to high value uses, creating incentives to use water efficiently and reduce demand.
- can enable irrigators to respond more flexibly to drought; and
-the buy-backs of water use rights for the environment can secure water for environmental flows and offset economic losses.

The use of water markets and trading needs to be properly regulated to safeguard public, third party interests and to ensure environmental objectives are met.

Green Markets

Among the 6 countries and 5 IGOs/UN Bodies that mentioned green markets, the submissions made by the countries below made recommendations on the establishing of green markets.

Montenegro says that the transition to a green economy will require significant efforts on education and awareness raising for all stakeholders, including consumers and businesses, environmental and non-environmental parts of administrations and others, to allow for informed decision-making. Governments should stimulate green markets creation through green public procurement and similar instruments.

For the **Republic of Korea,** GE cannot be achieved without stable economic development. Therefore, eco-friendly growth engines need to be created based on a new market system which encourages public and private green funds and green technology, market -friendly regulations, green purchase and procurement, as well as a balanced distribution system of wealth for poverty eradication. The creation of jobs should be one of the top priorities.

According to **India,** market-driven approaches for greening of the economy have gross limitations for developing countries. In some sectors where the goods are public or merit goods, market outcomes may not be socially desirable. While greening of the market can be taken up by States as per their national priorities and policies, the developed countries should take the lead on eco-labeling. Greening of public procurement may be directed at equity imperatives like procurement of food grains from small and marginal farmers for the Public Distribution System (PDS) and allocation for MSME sector for government purchases. Moreover, such exercises should not result in any form of green protectionism under the guise of addressing legitimate environmental goals.

Quantification/Valuation/Payment for Ecosystem Services

Schemes such as the valuation of natural resources and payment for ecosystem services are paving the way for the (formal) inclusion of the environment into the market system.

G77 +China wants to analyze the effects of practices conducive to the quantification and evaluation of ecosystem services oriented to establishing market mechanisms.

For **Switzerland,** the employment of taxes and market-based instruments for sustainable investments as well as for setting the prices right for consumers and producers (prices should reflect the scarcity of natural resources and internalize external cost) are among the actions that provide enabling condition for the green economy transition and the continued effort to eradicate poverty. According to Switzerland, setting the right prices for natural resources, while being central to a green economy, should also secure access and tenure right of the poor to natural resources. Governments have a central role in creating the right framework for creating incentives, where market-based policies are important tools to get the prices right for natural resources.

According to **USA,** there are two central challenges to ensure sustainable uses are: to develop and implement ecosystem-based management and planning approaches, and for markets and government policies to adequately recognize the values of biodiversity and ecosystems. While there is no one metric used today that goes “beyond GDP,” an important first step towards better characterization of market externalities –such as depletion of natural resources or negative public health outcomes–is for national governments to systematically quantify, monitor, and assess our natural capital. Rio+20 should prioritize the ability of all countries to monitor and assess their own environment and integrate social, economic, and environmental information to inform the development decision making process.

Israel believes that RIO+20 will provide the start of a process of national commitments towards a green economy, the various topics that might be considered and included in a best practices toolkit could include: the use of taxation to create incentives for sustainable production and consumption; the removal of harmful subsidies; the internalization of environmental externalities, [and] correctly value natural resources and ecosystem services.

The **United Kingdom’s** National Ecosystem Assessment published in June, shows the enormous value to the economy of properly managing the natural environment and resources beyond the traditional market prices on which they are valued. The Natural Environment White Paper published in June set out measures to better connect people and nature. Getting there will require better data on the value of nature, to which end a business led Ecosystems Taskforce is being set up to expand business opportunities for new products and services that benefit the economy and environment alike. In addition, a Natural Capital Committee will put natural value at the heart of Government's economic thinking. Finally the Government's Waste Review is driving innovation in the waste and recycling sector.

Nepal aims to promote low-carbon socio-economic development by creating green jobs and environmental services related businesses such as REDD+ and payment for ecosystem services.

Philippines considers PES and polluters and principle as incentive-based mechanisms that are needed to move towards a sustainable development.

World Bank says that for middle-income countries, domestic financing options such as green taxes and Payments for Environmental Services are becoming viable options for leveraging financing for environmental investments. In the interim, concessional financing will still be necessary to promote sustainable energy and environmental efforts. Financial markets have a key role to play in mobilizing financing that is long-term and suitable to finance the transformation. Special attention needs to be paid to how such innovative mechanisms are structured to ensure that the poor and vulnerable are not further marginalized but are empowered to contribute actively to realizing the goals of sustainable development.

ADB also wants to promote market mechanisms such as payment for ecosystem services and REDD+ to mobilize funds for the transition to green economy.

The **UNRISD** sees the payment for ecosystem services and REDD+ as market incentives/disincentives to conserve the global environmental commons.

The **UN Global Compact** wants to promote the adoption of smart regulatory and incentive structures so that environmental costs and benefits are more fully reflected in prices.

For the **Organisation for Economic Co-operation and Development (OECD),** prices that reflect the scarcity value of natural resources will contribute to greater efficiency. Economically inefficient and environmentally harmful subsidies should be phased-out. The Polluter Pays Principle needs to be enforced through charges and regulations. Incentives should be provided for maintaining biodiversity and environmental services.

UNESCO believes critical steps in the transition to green economies include the integration of biodiversity and ecosystem services into the economic marketplace. Human impact on biodiversity, ecosystems and climate continues unabated and the complexity and diversity of the range of services that flow from biodiversity are often unknown and undervalued.

For **World Health Organization (WHO), UN Environment Programme (UNEP), UN Women, ILO,** and **UNDP,** better fiscal policies providing incentives for sustainability, comprehensive wealth accounting and valuation of ecosystem services, are among the factors on which the sustainability of future growth and development will rely on.

The **EU and Member states** wants to establish an International Partnership amongst governments, international organisations, NGOs, financial actors and private companies to share and promote best practices relating to 'Investing in Natural Capital'. Initiatives under this heading would address the following key issues:

- Measuring natural capital (statistics and trends, indicators, research and development, valuation of ecosystem services.);
- Integrating physical and monetary natural capital values in accounting and reporting systems at national and international level (e.g. System of Environmental and Economic Accounting (SEEA), ecosystem accounting, economic and social progress reports, accounting and reporting rules for businesses);
- Promoting incentives and policies to encourage investment in natural capital (market-based instruments and innovative financing instruments for ecosystem protection and restoration, promoting business models that integrate risks and opportunities relating to biodiversity and ecosystem services).

The **UN-Water Decade Programme on Advocacy and Communication** recognized the opportunities that payment for ecosystem services (PES) offers to bring the value of nature into the economic arena and thus promote improvements in natural capital. UN-Water listed the following lessons learned in the implementation of payment for ecosystem services:

- Public information and awareness to promote PES schemes:
- Education, public campaigns and dissemination of robust studies of the challenges faced are required to increase the public and private awareness of the importance of ecosystem services;
- Better information on the importance of ecosystems services can be important in sensitizing stakeholders to upstream–downstream environmental linkages and to the economic significance of the ecosystem services provided;
- Increasing the recognition of how individuals' actions and welfare are interconnected through freshwater ecosystems is important for generating the willingness to engage in negotiations to find mutually beneficial agreements for ecosystem conservation. This is also important to gain social acceptance of PES as an instrument for water management;
- Information is essential to convince downstream water users that they should contribute financially to the protection, maintenance or restoration of ecosystem services by upstream landowners/managers. Downstream water users who already pay fees or taxes for their water consumption, may be 'forced to pay twice' by any additional levy or charge for ecosystem services;
- It is important to identify 'beneficiaries' and 'suppliers' of ecosystem services and representatives of each group who are able and willing to participate in discussions/negotiations on behalf of others. Stakeholders may include different categories of 'actors', some of whom are direct suppliers/sellers or users/buyers.
- PES can be institutionalized as a financing mechanism for river basin management;
- Corporate and social responsibility (e.g. image, reputation) can help attract private sectors as buyers;
- The 'payment' in PES can be non-monetary. For example, conditional land tenure can be a pro-poor reward to upstream farmers for providing ecosystem services (e.g. Indonesia);

Removal of Trade Barriers and Subsidies

Several countries, UN Bodies, and IGOs stressed that the removal of trade barriers and some subsidies are essential for green economy to work.

The **G77+China** underlines that agricultural development and food security need to be prioritized to fulfill the right to food and proper nutrition. This must be done by eliminating barriers that distort international trade as well as by promoting local food production by small farmers, women, youth, indigenous peoples and rural communities, and, where appropriate, by practices that contribute to stability of food prices and domestic markets, and regulation of food prices to meet social needs. . Any discussions on the Rio Conference in relation to "green economy in the context of sustainable development and poverty eradication" should not resort to any form of protectionism, unilateral measures or other border trade measures.

The **Pacific Islands Forum** is calling for the reduction of barriers to regional trade and investment. **Russia** and the **UN Conference on Trade and Development (UNCTAD)** on the other hand made explicit that the green economy should not result into "green protectionism." Meanwhile, **Thailand** supports green economy options that are consistent with a fair, open, equitable, rules-based, non-discriminatory multilateral trading system which ensures market access for developing countries and which narrows rather than widens the technology gap between developed and developing countries. In addition, measures for environmental protection should not be used as a disguised restriction on international trade or as trade protection measures, especially for trade that is related to food security.

G77+China also pointed out that green economy should allow for expanded market access for products from developing countries and address trade-distortive measures; and should not generate conditionalities, new parameters or standards in the areas of financing, ODA and other forms of international cooperation. G77+China express serious concern regarding subsidies by many developed countries. **Brazil** on the other hand pushes for the elimination of unsustainable agricultural subsidies provided by developed countries that distort the market and render production in less developed nations unfeasible. Similarly, **Cuba** agreed that the paradigm of the "green economy" could also serve as a pretext for protectionist measures that penalize other low-income countries, as well as introducing of new conditionality for access of developing countries to commercial markets, loans, aid flow, debt refinancing.

The **EU and member states** believe that a commitment to open markets is important and that the transformation to a green economy should not be used to introduce new trade barriers. Also, further opening up markets for sustainably produced goods and services would boost trade in key technologies. The prospects of a global market, rather than regional or local markets would also strengthen incentives for firms to invest in R&D. Framework conditions should be established, primarily at national and sub-national level, making use of policies and actions able to establish favorable regulatory frameworks and a level playing field for green markets such as fiscal incentives and emissions trading. Like the **IUCN and International Renewable Energy Agency (IRENA),** the EU and member states also called for the gradual elimination of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development, green public procurement, the promotion of eco-innovation and clean technology, green entrepreneurship, knowledge-building schemes, etc.

Similarly, the **United States of America** is also promoting innovative, open, and competitive markets. Like the **New Zealand,** the **ADB,** the **WTO,** and the EU and member states, the USA also wants market distortions removed, including phasing out fossil fuel subsidies and barriers to trade in environmentally friendly goods and services.

The **WTO** is working on the liberalizing of trade in the goods and services that can benefit the environment - goods like solar panels and solar water heaters, hydropower turbines and equipment for biogas production; and services like environmental consulting or soil conservation services and nature and landscape protection services. The elimination of tariff and non-tariff barriers to trade in these areas can facilitate access to products and services which directly impact on the protection of air, water and soil, and natural resources conservation. In addition to that, the **WTO** says that the negotiations could result in fewer and lower barriers to trade in environmental goods and services, thereby improving global market access to more efficient, diverse, and less expensive goods and services that can contribute to environmental objectives. Increasing access to, and use of environmental goods and services can yield a range of benefits including reducing air and water pollution, facilitating resource conservation and improving energy efficiency. Market opening in these sectors can be a powerful tool for economic development by generating economic growth and employment and enabling the diffusion of valuable skills and technology embedded in such goods and services.

Australia is also calling for trade liberalization, removal of agricultural subsidies that distort trade and the elimination of market barriers. According to Australia, decades of subsidized agricultural production in the Organization for Economic Co-operation and Development (OECD) countries, together with market barriers, disadvantage developing country farmers and discourage greater agricultural investment in those countries. Australia also called for improving international market access for food producers, including smallholders and women, through trade liberalization measures such as the elimination of tariff and non-tariff trade barriers and avoidance restrictions on food imports.

Aside from the removal of trade barriers, **Nepal** wants developed countries to take concrete steps to reduce and cancel debt, open up their markets, and build capacity in the LDCs.

Mexico also believes that open markets and harmonized standards are essential in order to secure the global development and dissemination of cost effective solutions that support diffusion of green technologies, reduce costs by enabling scaling up of production, encourage competition and enable consumers globally to purchase green technologies at world market price. Mexico also called for the fulfillment of the WTO agreements and an early conclusion of the Doha round of trade negotiations, fair and equal access to markets, removal of trade and non-trade barriers, and prevention of green protectionism as well as leveling the playing field for green solutions.

The **Theme on the Environment, Macroeconomics, Trade and Investment (TEMTI) of the Commission on Environmental, Economic and Social Policy (CEESP), IUCN - International Union for the Conservation of Nature** criticized the lack of reference to market concentration, oligopolies and anti-trust enforcement measures. According to them, free trade has become the equivalent of a world in which international market prices are affected by collusion, unfair business practices and market concentration. But the WTO has left this reality untouched. Leaving these problems to the obscure workings of international commerce arbitration boards is not the solution; their scope of competence does not include mandatory anti-trust measures applicable to general cases. Although this problem is screaming for attention, it has not been addressed by the WTO. The UNCSD cannot ignore this.

Similarly, **Cuba** says that this entire new proposal is aligned with the policy developed in the WTO and other fora such as the ILO and UNEP itself, designed for rich countries to invade the world with their goods without any restriction, and settle industrial development and poor countries' farm. Under the proposed green economy, this would be done using an environmental or ecological label, leaving them the only option to open their markets under the guise of saving the global environment.

Financing the Green Economy

The statements below are the strategies that the countries, IGOs, and UN Bodies will adopt to finance the shift to green economy.

India sees the need of developing countries for a supportive international financing system and technological support and enhanced access to market opportunities for a transition to Green Economy. In strengthening international partnership, developed country financing was seen as crucial for developing countries to undertake and implement policies for sustainable development. These would supplement domestic resources. The developing countries should not be burdened with the costs and risks of transition to a GE. In the context of dematerialization of growth and competition for resources, it was considered important that developed countries should not relieve themselves of their responsibilities.

Australia says that the public sector and the use of public finance, including ODA, will have a key role in providing enabling policy settings, regulations and incentives (such as innovative market-based tools) to catalyze private finance in sustainable investments.
Australia suggested the " support for innovative and market -based financial solutions from a range of sources, including both public and private finance, to ensure that limited public resources are invested to maximum effect in sustainable development" to be included in the outcomes of the Rio+20..

To help support sustainable development initiatives and spur green innovation at the local level, **Canada** endowed the Federation of Canadian Municipalities (FCM) with $550 million to establish the Green Municipal Fund (GMF), which is co-managed by Natural Resources Canada and Environment Canada at arm's length (the FCM Board of Directors, the decision-making body for the GMF, is advised by a 15 member Council with five appointees from the federal government). The Fund supports municipal initiatives to improve local air, water and soil quality and promote renewable energy with grants and below-market loans.

Serbia supports sustainable financing through public-private partnerships. Serbia sees PPPs as essential tool for creating sustainable financing for green economy. In addition, Serbia also calls for the strengthening of partnerships with all Major Groups and financial institutions.

The **Philippines** says that a green finance window should be put in place to provide financial assistance, such as the establishment of a mine rehabilitation fund, in sustaining the country's natural capital given the need to develop them to fuel economic growth in the countryside. In addition to the market and tax incentives that can be provided by the government, investments are necessary to enable the shift from the use of conventional to green and cleaner production technologies. For instance, there would still be unviable areas (off-grid areas) within developing countries that would require technological and financial aid from developed countries. Therefore, the effort of developed countries to scale up renewable energy in developing countries is a welcome effort. However, it should be carried out within a context that is sustainable and aligned with the developing countries' national priorities and strategies. The country believes that the greening of the business processes is a tenet of a green economy.

For the **World Bank,** middle-income countries can use domestic financing options such as green taxes and Payments for Environmental Services as viable options for leveraging financing for environmental investments. In the interim, concessional financing will still be necessary to promote sustainable energy and environmental efforts. Less developed countries will rely more on international transfers and private capital flows to meet their needs to finance the transformation. Private investors will need stable investment climates and different incentive structures, promoting accountability through transparency, and deploying inclusive business models in sourcing and distribution. Financial markets have a key role to play in mobilizing financing that is long-term and suitable to finance the transformation. Special attention needs to be paid to how such innovative mechanisms are structured to ensure that the poor and vulnerable are not further marginalized but are empowered to contribute actively to realizing the goals of sustainable development. Social protection policies can complement such mechanisms so as to ensure that the livelihoods of vulnerable groups are resilient in the face of episodic shocks and chronic stresses.

UNECE wants to establish schemes that expand public-private partnerships and facilitate multistakeholder and certification initiatives to promote sustainable, climate-smart and high-productive agriculture and agri-food chains and markets. Public-private partnerships and strengthen dialogue and information flow between science and practice along the whole value chain. This would focus on innovation in the field of new forest-based products and responsibility for forest management that takes climate change, biodiversity and other global challenges, (such as water scarcity, poverty, hunger, and employment) into account.

The **UN Global Compact** says that systemic change is only possible with the coordinated efforts of a wide variety of actors in partnership. Public-private collaboration is evolving, with partnership models increasingly striving for transformational impacts, for example in policy, market structure, and social norms.

Regulation, Correction of Markets

Brazil says that the State should promote the commitment of both companies and society to the construction of sustainable development. This process requires knowledge and valuing of local specificities, compatible regulatory frameworks, regulated demand and markets, access to credit, and investments in technological research and development.

Mexico sees the need for collaboration between governments and business that are needed to effectively align policy signals, effective regulatory interventions and removal of key barriers with investment and market potential for green growth. Through this innovative collaboration, we are aiming at filling a gap in the current international architecture, which existing structures, institutions and processes are currently not mandated or equipped to address, while at the same time, we would be mindful of existing efforts and would be seeking to complement these.

According to **Japan,** speculative money needs international regulation because it has brought about disorder in international financial markets and unjustly inflated the international price of crude oil and mineral resources, which are the cornerstones of economic and industrial activities, as well as foodstuff essential to the daily life of humankind. Given the limits on the environmental capacity of the earth, sustainable development and growth requires the realization of economic growth and creation of employment. In addition, in the present capital market, stabilization of the financial markets is an important factor. In order to promote the green economy, financial instability that could hamper corporate activities poses a major impediment and causes a setback in the driving power. Regulations on excessively speculative investment and regulations to break wild fluctuations would be required.

Liechtenstein sees the green economy as a pathway to sustainable development, which provides policy tools to correct deficiencies in market, development and trade policies and mechanisms that have contributed to current global problems including climate change, resource depletion, inequality, poverty, and economic instability. It should include a range of economic and policy options that will advance all countries on this pathway.

The **United Kingdom** says that in some cases, market reforms are needed. In some cases, the Government has to fundamentally reform the market in order to signal the need for change and give the right incentives. For instance, the government White Paper on Electricity market reform sets out the commitment to transform the UK's electricity system to ensure that our future electricity supply is secure, low-carbon and affordable.

G77+China supports adequate regulation of markets and corporations by policy frameworks to be implemented by governments. These frameworks must guide corporate practices towards environmental, social and developmental objectives.

IMF pushes for the fiscal policies for correcting market externalities and creating appropriate incentives for the transition toward off public more sustainable patterns of production and consumption. Recent analytical work has focused on fiscal and macro issues relating to climate change, particularly in the context of the recovery from the crisis.

IUCN says in order to go further in correcting markets and implementing the deep changes needed for an effective transition to a Green Economy, governments must also comply with Target 3 of the Biodiversity Strategic Plan, i.e. “By 2020, at the latest, incentives, including subsidies, harmful to biodiversity are eliminated, phased out or reformed in order to minimize or avoid negative impacts…” Government support for destructive and inherently unsustainable enterprises, such as overfishing and the extraction of fossil fuels, needs to be phased out and shifted towards activities which ensure a utilization of natural resources that is sustainable and which generates employment (e.g. sustainable energy, waste management and recycling, ecosystem restoration, sustainable agriculture and forestry, etc.). offers a strong foundation for further strengthening this important area of work.

United Nations Global Compact likewise calls for correcting market failures along with the institution of new policies and rules and shifting behavioral norms.

Market Transparency

For **Japan**, international policy coordination such as responsible agricultural investment, improvement of market transparency, improvement of agri-business and increasing investment to agricultural sector to increase food production is also urgent. In order to harmonize and maximize the interest of investors, recipient countries and local residents, Japan has been promoting the "Responsible Agricultural Investment (RAI)" with related international organizations such as World Bank, Food and Agricultural Organization (FAO), United Nations Conference on Trade and Development (UNCTAD) and International Fund for Agricultural Development (IFAD) etc.

Switzerland advocates for ecological market transparency and trade. Sustainable consumption and production is central to a green economy. Environmental and social aspects need to be respected in economic activities in order sustainable development can be assured. This means that information on the social and environmental impact of production be available in order economic actors take them into account. Ecological market transparency takes only into account the environmental aspect whereas Switzerland recognizes the need for information on the social impacts. Ecological market transparency contributes to the social dimension of sustainable development.

Market transparency helps also countries to exploit their comparative advantages in natural resources and, therefore, do not have to increase pressure on already scarce resources. In the end, trade flows will be increased while specializing in sustainable consumption and production. An international trade system that accounts for the different production methods of goods and services is therefore essential for securing our natural resource base. Nevertheless, the importance of combining and balancing environmental protection with safeguarding market access has to be kept in mind.

Australia recognizes that open and transparent market, as facilitated through the work of bodies like the G20 and International Metals Study Groups are an important element of sustainable mining.

The plurilateral ***WTO*** *Agreement on Government Procurement* aims at opening up procurement markets to international competition on a transparent and non-discriminatory basis. Under the Agreement Parties and their procuring entities may prepare, adopt or apply technical specifications aimed at promoting green procurement.