

Overview

The 2008 financial crisis has demonstrated that inadequate regulation and the misallocation of capital can have devastating impacts on human enterprise and well-being. Yet today, we are treating the world's finite natural capital in a similarly dangerous way, with significant ramifications not only for global supply chains but also for food, water and energy security as resources are depleted or polluted. The present approach threatens to accelerate a global environmental, economic and social crisis, instead of seizing upon the immense potential of green, sustainable growth and development.

The G20 can respond positively by supporting the transition to a green economy, especially in the run-up to the UN Conference on Sustainable Development scheduled for 4-6 June 2012 in Rio de Janeiro. Above all, this implies achieving long-term food, water and energy security for the world's people. Ways of doing this include:

1. **Moving toward a standard set of metrics to measure environmental performance alongside economic growth (GDP); this can notably be done by reinvigorating the UN's System of Integrated Environmental Accounting (SEEA) and the World Bank's Global Partnership for Wealth Accounting and the Valuation of Ecosystem Services (WAVES);**
2. **Encouraging the setting up of national cross-sectoral committees reporting to the Head of State/Government to better coordinate Low-Carbon Action Plans and decisions impacting water, food and energy security (ex: Economy, Finance, Trade, Agriculture, Fisheries, Health), ensuring that relevant stakeholders are included.**
3. **Pledging to involve Ministries of Economy/Finance in the Rio+20 process and Summit.**

Background

1. **Move toward a standard set of metrics to measure environmental performance**
Conventional growth metrics such as GDP and corporate earnings do not adequately capture the economic flow of biodiversity and ecosystem services. Better accounting for the flows of natural capital would ensure higher prominence is given to the environment and all the world's natural resources, hence contributing to ensuring food, water and energy security for all.

There already exists several initiatives setup to standardise the accounting of natural capital flows, notably the UN's System of Integrated Environmental and Economic Accounting, the World Bank's Global Partnership for Wealth Accounting and the Valuation of Ecosystem Services (WAVES). There are also national initiatives in a number of G20 countries (ex: National Ecosystem Assessments in the UK) which would benefit significantly from sharing best practices and harmonising methodologies.

- The G20 should move toward the **adoption of metrics that capture the annual flows of natural capital**. The G20 should take the lead by agreeing on the scope and parameters of such an index in order to guide existing international and national processes. This should lead to a set of metrics that are transparent, understandable and comparable at the international level (ex: on quality of air, soil and freshwater, biodiversity, GHG emissions, etc) that can be **bundled into a single headline indicator**. Such environmental metrics should be embedded in the G20's Framework for Strong, Sustainable and Balanced Growth and progress measured as part of the Mutual Assessment Process.
- **The G20 countries can set an example by volunteering annual reports on environmental performance** every year ahead of the G20 summit until such a global standard is achieved.
- **The G20 can also encourage the adoption of similar environmental accounting in regulated corporate earnings to better internalise environmental externalities**, notably by taking into account

the costs of damage repair in balance sheets (as suggested by TEEB), or promoting the regulatory disclosure of environmental risk and commensurate liabilities for incurred risk (including from potential to induce climate change or loss of ecosystems) in a way that can be reflected in market valuations.

2. Encourage the setting up of national cross-sectoral committees reporting to Head of State/Government

Environmental degradation – and its consequences for food, water and energy security as well as climate change – increasingly stems from decisions that are made in Ministries outside of the Environment (ex: Finance, Economy, Trade Energy, Agriculture, Health, etc). Fiscal and budgetary decisions involving subsidies, for example, have a direct impact on the environment in terms of air, soil and freshwater quality as well as in terms of the climate. The G20 should encourage the creation of national cross-sectoral committees to better coordinate Low-Carbon Action Plans and between different Ministries and institutions whose decisions impact water, food and energy security, and lead the experiment by proposing a global platform to address the interrelated issues and solutions to global problems related to environmental degradation. This new platform could gather multiple actors responsible for, and with a stake in, global stability and sustainability. The platform's mission could be to share knowledge, define issues devise common parameters for reducing future scarcity while preparing for possible tensions stemming from limited resources.

- The G20 countries should set up a **collaborative platform for improved environmental governance**. This platform could be hosting both state and non-state actors such as business, NGOs, academia and media; be cross-sectoral and involve Ministers of Economy, Finance, Energy, Industry, Trade, Agriculture, Environment and Defence; and be flexible and opportunistic to be able to address global challenges in a rapidly evolving environment. **This platform could build and share knowledge of inter-linkages and solutions to food, water and energy scarcity issues as well as disaster prevention and response.**

G20 countries should also **invest as a priority in developing and implementing low carbon development strategies, which among their other co-benefits have a high potential for job creations**; investing in energy efficiency, renewable energy, housing insulation, and public transportation could create millions of jobs around the world. The Brief was prepared by the Hot House, WWF Int. For further information, please email hothouse@wwfint.org

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3. Pledge to involve Ministries of Economy/Finance in the Rio+20 process and Summit

The Rio+20 Conference on Sustainable Development, to be held 4-6 June 2012, is set to address the issue of Green Economy. The G20 should recognise that this issue is also in the remit of Economy and Finance Ministers and thus pledge support for the process and involve their Ministry in ensuring that the Green Economy chapter of Rio+20 is a success.