

Sustainable Development in Germany

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Ladies and Gentlemen, good morning!

It's a great pleasure to be here with you today. I've had the pleasure in the past on a couple of occasions to meet the Council for Sustainable Development. Three years ago, I gave a speech to an international gathering of the Council on a canal boat here in Berlin. This is a little bit more of a structured session here today.

I will spend the next thirty minutes to give you a feeling for our report which is going to be formally launched this afternoon. And I have some slides to help me with that.

We have called our report "Sustainability 'Made in Germany' – We Know You Can Do It". We recognise that countries are different and our report is about Germany. But it is about Germany in an international context. And in the context of the big innovation towards a low carbon global economy that is ongoing.

We have been working on this for a year. And we've had consultations with many parts of the German community. We were formally mandated to do this job by the Federal Chancellery. And we've had consultations with them during this process as well as with many other parts of the German society.

In particular, we spent a lot of time here in Berlin in June. We had what we call a Peer Review Week and worked together from Monday to Friday as a Peer Group and were going around meeting different Ministries and different stakeholders including the Council during that week.

The process of our work is explained more in detail in the report. So I'm not going into that further. I just want to say that as we started, we got a clear message from the Chancellery and from the Council that there is an openness from Germany to rethink the sustainable development policies and related actions. And there is a need to speed up the delivery of actions, and we were asked to look at these issues in that spirit.

We were helped by two reports that we had as a background for this. One was the report about Progress on Sustainable Development by the government from 2008. And then the Traffic Light Report that you as the Council had produced. There were very many red lights in that report, and serious red lights, about underperforming in implementation and about underestimating the international context of sustainable development. So that formed the starting point for our work.

These are the Peer Review Members, and you've been introduced to four of them here and they will appear later on today, there is also Dr. Suresh P Babu from India and Malaysia who

is not here, Dr. Jeroen Bordewijk from Holland, and Pamela O'Donnell from Canada that have been part of this.

Before I go into the work, I would like to thank those that have been working with us: The Leadership from the Council, the Chairman Volker Hauff, Günther Bachmann and his colleagues, and a number of experts that have also been brought into. This has been a very important part of the process.

So, with that as an introduction – and I should say, by the way, there are also biographies of the Peer Review Members in the report – so, with that as a background, let me go into the report.

These are the six chapters that you will find in the report. I'm going to start by saying a few things about the global context. If we look to the future, then I see an enormous growth story over the next few decades, up to 2050. We're going to be fifty percent more people on this planet, three billion more people in only forty years' time. And the majority of these new people will be born in the developing countries. So by 2050, eighty-five percent of the world's population will live in what we today call developing countries. And these people will – these countries will focus on poverty alleviation in all aspects: economic poverty, energy poverty, mobility poverty, water poverty, and we could make the list much longer.

We will also, as a global society, move into cities. We expect that in forty years' time, by 2050, seventy percent of the world's population will be living in cities. And if we look at what that means in absolute numbers – it means that we will double the number of people living in cities, in only forty years' time. This means an enormous amount of demand for infrastructure, for societal infrastructure, and in particular in the developing countries. And this is going to drive economic growth. I don't think we need to worry about demand in that context. There is going to be an enormous demand. And this means that the economic growth in the developing countries will be faster than in the OECD countries.

Already today, the economic activity in what we call emerging economies is bigger than in OECD. And only in fifteen years' time, about two thirds of the world's economic activity will be in what we today call emerging economies.

That's the way the world is going to develop in a very short period of time. We have never, in human history, seen this kind of development in such a short period of time.

At the same time, we see changes in demographics. And we see changes in working-age population. Especially in industrialised countries, it is a long-term trend of reduced number of people in the working age. It's a growing number in the developing countries. And Germany belongs to those that have the projection of fewer working-age people.

There are a few industrialised countries that have growing populations – the US, Australia and Canada, due to very extensive immigration.

This is a complicated chart, but I'm using this to explain what is going on today in the world in the transition to sustainability. We have the three pillars of sustainability in the centre. And, as you heard me say, the economy and society will change dramatically over forty years. The environment cannot change in the same way. And that means a lot of pressure on the environment.

As we start to address this, we see that Mindsets are very different when people think about sustainable development. There is not a shared vision, there are not the same values, there are differences due to religion, culture, history. And there are different priorities. It might be for a country that poverty alleviation is the most important, or food or water security, or national security – and for some it is climate change.

One of the most important differences in mindset is the thinking about equity. Who has got the right to what resources and benefits going forward? Who is responsible for what parts of the pollution? Who is going to pay for what as we move forward?

And then, as we look at the Solution space, business comes in. Because business is the main provider of efficiency measures, of technology, of markets, infrastructure, money. Eighty-five percent of the financial flows to the developing countries are private sector flows. But business can be more or less efficient, depending upon the institutions and the regulatory framework that governments provide.

Then we come to Geography. Where do we take action, where are solutions and implementation happening? That's primarily on the national level. It is not going to happen in Copenhagen. You don't implement on a global level. There, you agree on certain principles, on certain mechanism, ambition levels. It's primarily a national issue and in some countries like here in Germany, it is also on the Laender level or sometimes, when you have a coalition like the European Union, some actions take place on that level. But it's primarily a national level issue that we are talking about here. Germany is highly relevant.

Governments have realised that this is what the world is looking like: There is going to be a carbon-constrained, a resource-constrained world. And the green race is on, as I've called it, between the leading economies.

Historically, Japan was first in this race, after the oil crisis in the seventies, pushing energy efficiency. Europe did catch up, Europe is today the market leader on green technologies, with Germany as the most important supplier, but China is now catching up. China is investing heavily and wants to be the world's leader in green technology, be the leading exporter going forward. And this is an important element of the next five-year plan. And this is also something which the new US-administration is working on. The US also wants to be the world leader on green technologies.

So for me, this is a very healthy competition. The green race is on, and may the best man win! And it was interesting when I looked at the Financial Times this morning, there is an article that's got the headline saying "Europe looking to lead green revolution" It's talking in particular about Siemens and about Renault, as two companies that are investing heavily into this.

Now, with that as a background, let me talk about how we see Germany today. And in chapter three in our report we talk about what is called a SWOT analysis: strengths, weaknesses, opportunities, threats.

We see a lot of strengths in Germany. Sustainable development has got deep roots in all parts of the society, we see that you have a sustainability strategy in place since 2002, there is a lot of institutions, institutional competences: the Committee of State Secretaries, the sub-

committee in Parliament, this Council, “econsense” in the business community, and a lot of civil society organisations. And you have a very strong technology base.

We also see substantial weaknesses. We see a lack of vision about sustainability in Germany in the longer-term future. And I have been surprised about the very strong resistance to long-term planning that I get.

When I’m asking for a plan, I sometimes get the push-back “we don’t like Soviet-style planning in this country”, and I’m saying “I’m an international business man, I’m trying to talk about the business plan for how this country should develop”. And especially, we see that on the energy side. There is weak coordination between Ministries and between the Federal Government and the Laender, and we have put question marks around the ability for Germany to speed up change. Is Germany really prepared to speed up change and follow this green race that is on internationally? Can you upgrade the institutional machinery to make that happen?

We talk about opportunities. There is enormous demand for sustainable products, green products. Germany has a strong position to contribute and we have in particular pointed here at some of the energy-related issues. And we believe these represent a very substantial opportunity going forward.

Threats: The increased global pressure that I talked about. Who is going to be the leader and win the green race? Germany is dependent on imports of energy and of raw materials, and you have the demographic change in your country.

Having done this analysis, we were saying “so how do we then move forward”? . And we called that chapter “Pathways to 2050”. And we talked about – and we do that in our report – a Grand Design - to spell out what the low carbon economy means for Germany. We see there several objectives for 2020, but post-2020, there are very limited signals to society, to business, to markets of where the government wants the country to go.

And we said: Germany has a choice in this situation. You can either go on with business as usual and then you won’t win the race, or you decide to gear up and make sure that you defend your leading positions. And clearly as I said before, the report that we were basing ourselves on, is pointing to the need to strengthen delivery. And I should say that in my discussions with Minister de Maizière, he clearly stated that as well. And he stated it when we had the meeting with a number of you from the Council in June.

The Grand Design, we believe, must be ambitious. It must focus on 2050, and the key challenge is around climate change. Mrs. Merkel has been part of the G8 and G20 and part of the decisions to state that we should, as a global community, reduce carbon emissions with 50 percent by 2050. And that’s why Germany needs now to develop plans for making that happen – building a clean energy system and positioning Germany in the world.

We are talking in the report about the importance of triggering this transition. We believe that looking at sector-specific transformations for the building industry, electricity generation, transport, and some others, could be the platforms to start thinking about what needs to happen.

With that as a platform, we made recommendations to nine different parts of the German society. And the first five recommendations are to the Federal Government and Parliament and we saw this as the key for starting this process.

Regarding the Federal Government, we said that we need to strengthen the Chancellery's leadership on defining and implementing the Grand Design. And we talked about the need for a Sustainability Action Plan that can support the good progress reporting that you have. And we also said that process won't be enough, there need to be structural changes. And we are proposing there should be a Commissioner on sustainable development in the Chancellery to support the Minister of the Chancellery and to support the Committee of State Secretaries. And we are also proposing that there should be a Ministry for Energy and Climate Change. It's a very split responsibility today for these matters.

I think I counted up to seven Ministries that are involved in this issue today. And given the importance, this needs to be more structurally organised.

We talk about Parliament, we believe Parliament should be empowered and I believe that there is a decision already that Parliament should look at sustainability assessment of legislation. But the sub-committee that is supposed to do that needs to be better empowered and resourced to do that. And we believe that Parliament should review the Sustainability Reports by Ministries.

Then we go to you, to the Council, and we believe you can have a stronger role in Germany. And I think you should think about what role you want to play. I asked you when we met during the Peer Review Week in June, and I didn't get too strong feedback from you.

I think you can play a very strong role going forward.

We believe that there is a need for more vertical integration between the federal level, the Laender, and the local level and we understand that there have been ongoing discussions but we believe that the interaction can be further strengthened and that can be more institutionalised. But there has to be a more formal working group led by the Chancellery to do this.

We talk about the Business community. We believe that there should be a stronger public private partnership, as I said when I talked about this graph on how to make transition towards sustainability. Business is really crucial when it comes to solutions.

And I have been surprised about how much tension there is between the business community and other parts of the German society. I think one needs to find a new type of cooperation. And the sectoral road maps that I talked about could be a platform for that. Coming from business, I also recognise that the voice of German business is not the most coordinated. There could certainly be a more coherent message coming from the business community.

We talk about Consumers, Customers, Markets. And when you look at the transition to sustainability, it is not going to be sufficient just to rely on technology and efficiency. It is not going to be able to transform society to the extent it needs to be transformed.

If in forty years we are to reduce carbon emissions with fifty percent globally, and even more in industrialised countries, like in Germany, the numbers that have been mentioned of sixty to eighty percent – it's a complete transformation of society. Society cannot look the same and achieve that. And technology and efficiency alone won't do it. There have to be impacts on

lifestyles and consumption patterns. And that means that there has to be a lot of work going on in trying to stimulate consumers, customers to live differently and buy differently.

And the quality of information to consumers is not the greatest. And I should say Germany is not alone in trying to solve this problem. We stumbled in particular on product labelling. I visited myself the Ministry of Agriculture that's responsible for this. And I learned that you have one thousand labels in Germany.

And they are from different producers, from different retailers and some are more general, and so on. And there is no way you can, as a consumer, make sense out of this, and the Ministry agrees on that. You might not be able to solve this on your own, in Germany. It might have to be discussed more on an EU-platform. But Germany can certainly play a very important role in that process.

We talk about Citizens and in grassroots actions, and we recognise that a lot is going on in Germany. There is a lot of civil society activities. And we clearly recognise that sustainable development requires the full involvement of civil society.

We recommend that one can do more in showcasing the good things that are going on and recognise all the different very good voluntary actions that are happening.

Then we come to education. One needs to build capacity, capability to handle a transition to sustainable development. And one of the key issues everywhere in the world is that we lack people that know how to do this. It goes all the way from management down to the installers and service people. There is a very substantial lack of knowledge and capability in actually doing things on the ground. If you want to build an energy-efficient building personally, it's not easy to find people to help you and who can do it. And that goes to many things in society. There is a big need to bring sustainability into education and to upgrade the capacity. And part of the capacity-building can also be done together with institutions in other countries.

Finally, we talk about Research and Innovation. You have a strong technology base in Germany, as I said, you have world-class research centres, a number of them, but still there is a need to increase research and innovation. It's happening in other parts of the world. EU is also putting money into this. But the money going into this in China and the United States are quite impressive.

And also here, you can look at international cooperation. But there is, inside Germany, clearly a need to bring together the competences more in the centres of excellence, or clusters as it is sometimes called.

So, these are the nine areas where we make recommendations. And we encourage you to look at this report more in detail. We'll have further discussions here in a moment, – and I'm sure that there will be a lot of follow-on dialogues around our recommendations. We don't expect, as foreigners, that you'll agree with everything. We were asked to make an open, frank review. And when I met with Minister de Maizière after I had been asked if I could do this, he said "you have a free hand, it's up to you, you have to defend in public what you're saying.

We are going to make your recommendations public, so you cannot hide, you have to stand up and defend it", like I'm trying to do today. But let me say as foreigners and peers, this has

been a very interesting process, a very rewarding process for us as well. And we are impressed about the interest that we met, the willingness that people have to discuss this, the willingness to be open. So I think that represents an important platform for you going forward.

We think it was bold for the German government and the Chancellery to ask a group of foreigners to do this, not knowing what we were going to do and say, and give us access “to whoever you want to talk to”.

We hope that what we are bringing forward in our report will be a help to you. That’s what the work has been all about, trying to, as foreigners, look at this from the outside, say “this is what we see. We might not fully understand all the reasons why it looks like this, but this is what we see. This is what we see in our own countries and in other parts of the world, that might be of interest for you”.

So, like the title of our report says, it’s about sustainability made in Germany. This is about your country, it’s about your country in a global context. But we are convinced that you can do it if you decide to do so. If you make the choice, we believe you can make Germany sustainable.

Thank you very much.