

INSIDE TRACK

NAVIGATING THE ECONOMIC STORM

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alliance...”

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THE QUARTERLY MAGAZINE
OF GREEN ALLIANCE

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COMMENT

Economic and financial uncertainty is creating a new operating environment for our community, one in which there will be fewer new policy programmes, but where there will be unique opportunities to achieve permanent shifts in the way society, business and the state pursue sustainability. History tells us that the most powerful ideas and the biggest reforms emerge from the hardest times.

The financial crisis has shown us what environmental scientists have known for a long time, that we are all in this together, and that we neglect systemic risk at our peril. Business thinking is often ahead of government policy in grappling with resource stewardship, and NGO and academic understanding of risk and uncertainty is often ahead of that of business and government.

We start 2012 keen to stimulate some big thinking and bring the ideas from these sectors together. So, in this *Inside Track*, we offer some powerful ideas on where the answers might lie, from **Carlota Perez**, an expert in economic history, and **John Elkington**, an authority on corporate responsibility and sustainable development. I also give my own view of the opportunity this political phase provides for NGOs to galvanise major change.

We will shortly publish Green Alliance's new strategy for the period to 2015. It will recognise the need for a greater focus on economics, both so that we can influence the central debates of public policy, and to help achieve the big structural change needed to achieve a greener society. Our first step in this direction is to create a new role of chief economist at Green Alliance, which will allow us to engage on the macro-economics of the recovery. We will also be creating a new structure that allows us to work as closely with business as we do with NGOs, so that we can use the leverage provided by the combined force of these two sectors. Only business and civil society leadership can ensure that the post-crisis phase of politics delivers for sustainability.



Matthew Spencer, director

The views of contributors are not necessarily those of Green Alliance.



GREENING THE GLOBAL ECONOMY

By focusing on sustainable production and consumption, aided by the continued development of information technology, **Carlota Perez** suggests that we can enter a new global golden age. This, she says, is the real answer to the financial crisis

The whole discussion about how to overcome the financial crisis and its consequences on the economy is wrongly focused. Getting public finances in order and the financial world back on its feet will not bring the world economy back to business as usual. Healthy finance with a languid real economy will naturally find new ways of casino behaviour. What is needed is a set of policies that will decidedly tilt the playing field in such a way that finance would find it more profitable to fund production than to gamble in derivatives or futures, while production, in turn, would find clear pathways to profitable innovation and expansion. We are facing a recurring twice-in-a-century event, equivalent to the 1930s after the crash of 1929, which needs to be understood to find the effective solutions.

Growth in the world economy takes place by successive surges of 40 to 60 years, each driven by a technological revolution. The massive changes that this brings each time, not only in technology but also in production systems and organisation, in the means of communication, transport and distribution, in patterns of consumption and styles of living, involve great

behavioural upheavals in the economy and society. For that reason, the difficult process of unlearning the old and absorbing the new takes twenty or thirty turbulent years of 'creative destruction'. It is after that massive paradigm shift, that the fruits of the new technologies in higher productivity and widespread innovation can be reaped and socially shared.

Historically, the first half of each surge, the Installation Period, has been the time when financial capital shapes the economy, while the ideology of laissez faire shapes the behaviour of governments. It is a grand experiment when unrestrained finance can override the power of the old production giants and fund the new entrepreneurs in testing the vast new potential. Finance then helps the new giants emerge, enables the modernisation of the old industries and facilitates the necessary over investment in the new infrastructures, so coverage is enough for widespread usage. Thus, the extreme free market ideology has a role to play in the early decades of each surge.

The Installation Period has led each time to a major bubble followed by a major crash: the canal and railway manias ended in panics and

the roaring twenties ended in the crash of 1929. The collapse reveals the need for regulation to restrain financial excesses and to favour the real economy, usually under political pressure for reversing the income polarisation and other negative consequences of the bubble times. When, and if, this is done, what follows is a golden age, the Deployment Period, when production, rather than finance, leads the expansion. The benefits of the new technological potential are fully realised across the economy and its social benefits better spread, as in the Victorian boom, the Belle Époque and the post-war golden age. But this result depends on whether adequate policies are put in place to facilitate and develop the conditions for healthy market operation and social fairness. The question is, of course, what is meant by 'adequate policies' in this case.

Essentially it is about shifting the attention of finance from the casino to the real economy, by changing the relative tax and profit structures. But, mainly, it is about reshaping the market through establishing reliable conditions for demand to grow in sufficient volumes and in clear directions.

In the previous crisis, for example, the potential was there for mass production of energy-using assembled products and for continuous processing of disposable plastics. Growth could be led by producing military equipment and/or home electrical appliances and private automobiles. The road chosen by Hitler was centred on tanks and weapons and was indeed successful in bringing growth in the 1930s, while others were in recession.

The path chosen by the Keynesian democracies, after the war, was to establish the welfare state. This enabled constant demand growth by redistributing income and increasing salaries with productivity, through union action. While the banks innovated in forms of consumer credit, governments guaranteed continuous monthly payments in recessions, through unemployment insurance, and facilitated the growth of low cost suburban housing through protected access to mortgages or, simply, by providing public housing. These measures, together with public services and military spending, led to the post-war golden age, possibly the greatest and most prolonged boom in history. It also brought the patterns of consumerism, disposability and excess use of energy and materials that still prevail and are confronting the world with major environmental challenges.

In the current crisis, innovation potential is provided by the information and communications technologies (ICT) revolution and its flexible production paradigm. These technologies could lead to a sustainable global golden age, through favouring intangible consumption of services, through massively increasing the productivity of resources by making beautiful, durable, refurbishable and recyclable products, all while incorporating millions of new consumers across the planet to a good healthy life. Indeed it is not feasible to maintain the current rates of growth of China, India and all the rest without green patterns of consumption: we only have one planet.

The change in the pattern of consumption has occurred with each technological revolution. The comfortable American way of life was very different from the cosmopolitan Belle Époque which, in turn, differed from the austere elegance of Victorian living. What history teaches us, though, is that such changes take place, not by guilt or fear, but by desire and aspiration. For a

green style to propagate, it must become the 'luxury life'.

Admittedly, that seems very unlikely now. The availability of cheap energy in the 1990s and of cheap Asian labour, then and in the 2000s, enabled the old mass production model of frequent disposability to be perpetuated, even in the ICT industries. However, those prices are changing and will continue to increase while the logic of the ICT paradigm is already making inroads. The lifestyles of the rich favour exercise over 'couch potato' living, organic and gourmet foods rather than processed ones, natural materials, minimalist design, luxury



focusing on saving finance will get us nowhere unless it occurs as a result of reviving and reorienting the economy. Promoting a green economy is a solid route to jobs and growth



solar panels, creativity and social interaction as entertainment and so on. The gradual dematerialisation of the music and the media industries is moving us in the same direction. Major changes have small beginnings but at some point they take off and diffuse very rapidly. Suffice it to realise that the internet has only been available to us for 16 years.

The policies that could make green growth the most profitable pathway for producers will probably have to be a complex mixture of carrots, sticks and education. They will indeed require bold leadership and massive imagination, as was shown by Keynes, Roosevelt and the leaders that established the Breton Woods agreements. Focusing on saving finance will get us nowhere unless it occurs as a result of reviving and reorienting the economy.

Promoting a green economy is a solid route to jobs and growth today. It implies redesigning all products and equipment as well as revamping all

structures and infrastructures. It also supposes bringing back maintenance and organising second, third and 'n'th hand markets across the world on a massive scale, plus disassembly, recycling and other materials-saving processes. All this would create jobs for the displaced manufacturing workers, while design, redesign and all the other creative industries and services would employ young university graduates. It would be equivalent to post-war reconstruction and suburbanisation in terms of employment and demand creation.

Facilitating and funding investment in the lagging countries of Africa, the Middle East and Latin America would create markets for green infrastructural technologies and, through job creation, would incorporate new consumers and generate new trade flows for all. Sustainable innovation geared to other climates and cultures can improve lives, strengthen dignity, favour peace and also strengthen the world economy.

The combination of ICT, green growth and full global development can be a win-win game between business and society, among the advanced, emerging and developing countries and between humanity and the planet. That is the real answer to the current financial crisis.



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www.carlotaperez.org

The potential for a new global positive sum game

Full and cheap internet access is equivalent to electrification and suburbanisation in facilitating demand for products (and, this time, also for services and education)

Universal ICT

ICTs are the main enabling instruments of sustainable innovation

Internet access is the social and geographic frontier of the global market

Green growth

Full global development

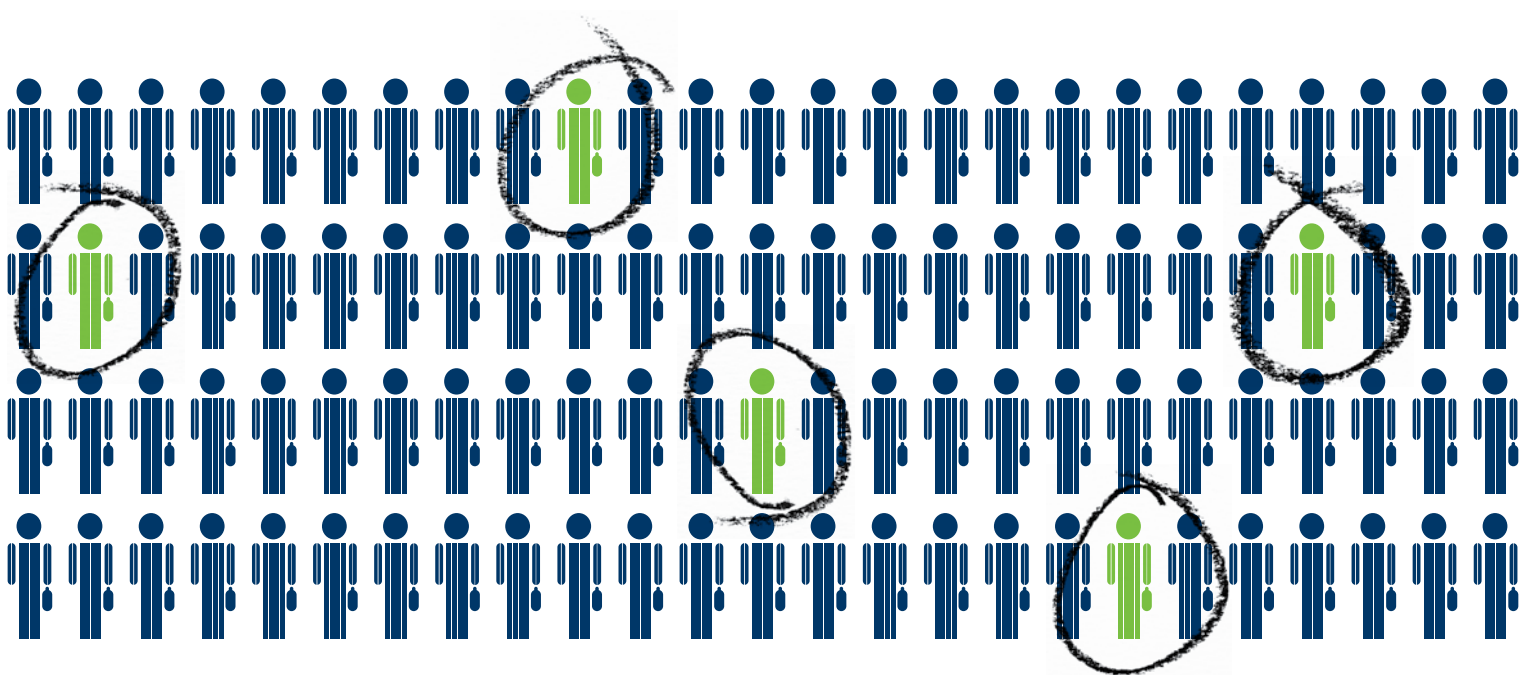
Only with sustainable production and consumption patterns is globalisation possible

Revamping transport, energy, products and production systems to make them sustainable is equivalent to post-war reconstruction and the spread of suburbia in terms of guiding profitable innovation

Incorporating successive new millions into sustainable consumption patterns is equivalent to the welfare state and government procurement in terms of demand creation

WHERE POLITICS MEETS BUSINESS

To solve our economic and environmental crises, business leaders who care about sustainability need to stand up and be counted, says **John Elkington**



There's no question, business leaders are increasingly frustrated with political leaders, and their apparent inability to get to grips, effectively and in good time, with challenges as diverse as the Eurozone crisis and climate change. Henry Ford once described history as "one damn thing after another," which might well be the motto of the political classes these days, and the same could be said of politics.

Because of this frustration, we are seeing more initiatives designed to give business a greater voice not just, as in the past, in stopping action on the sustainability agenda but increasingly on identifying, developing and deploying pro-market solutions at scale.

That said, there are three fundamental points to make here.

The first is that business people, and business interests, are at least as diverse as those you find in the world of politics. And the evidence suggests that it is becoming ever harder for business leaders to think long term, something that Andrew Haldane of the Bank of England has been warning about and John Kay's review of the UK equity markets has been asked to address (see www.johnkay.com).

Part of the reason is that there are very different schools of thought in business about how the economy operates best. This was recently driven home by Nicholas Wapshott's excellent new book on the rivalry between two of the great economists of the last century, Keynes and Hayek.

The book kicks off in 1942, in the dark: "It was, perhaps, the most unusual episode in the long running duel between the two giants of

twentieth century economic thought," Wapshott notes. "During World War Two, John Maynard Keynes and Friedrich Hayek spent all night together, alone, on the roof of the chapel of King's College, Cambridge. Their task was to gaze at the skies and watch for German bombers aiming to pour incendiary bombs upon the picturesque small cities of England."

Soon they would be warring over the best route forward for capitalism. I gave up the study of economics after one year, in 1968, because it then seemed to have little constructive to offer in relation to the environmental issues I was increasingly interested in. I have sometimes since regretted not being part of the process as economics started to go green at the edges, beginning to embrace issues like climate change (see the *Stern Review on the economics of climate*

change) or biodiversity (see Pavan Sukhdev's 'The economics of ecosystems and biodiversity' study www.teebweb.org).

But wars between economists tell you a great deal about the spectrum of political orientations you find in the world of business. To get a sense of the span, think of the *Guardian Sustainable Business* website on the left side of the middle ground of the debate about the responsibilities of business, and *Forbes* and *The Wall Street Journal* on the more rational side of the right wing end of the spectrum.

Still, you don't have to be an Occupy activist to think that capitalism is in crisis. Indeed, the *Financial Times* recently ran a series of articles with pretty much that title. "Greedy bankers, overpaid executives, anaemic growth, stubbornly high unemployment," the first article began: "these are just a few of the things that have lately driven protesters onto the streets and caused the wider public in the developed world to become disgruntled about capitalism."

The second key point is that some business leaders are trying to put their shoulder to the political wheel. This is something the World Business Council for Sustainable Development attempted with its Vision 2050. The aim: to co-evolve "a new agenda for business, laying out a pathway to a world in which nine billion people can live well, and within the planet's resources, by mid-century." The report was compiled by 29 leading global companies from 14 industries, involving dialogues with more than 200 companies and external stakeholders in around 20 countries.

Other notable initiatives have included the US Climate Action Partnership (USCAP), the Corporate Leaders Group on Climate Change, and the P8 Group of pension funds. Peel back the lid, however, and it's hard to see how even such efforts can wrestle the lever of politics towards the sort of policy measures needed to ensure that the UK shifts to more sustainable forms investment, energy, transport, construction and the like. Particularly when countered by intense lobbying by incumbent sectors and companies with sunk capital to protect.

This is something that SustainAbility began to dig into many years ago and a growing number of NGOs have tackled, too. The best book in the field is *Merchants of doubt*, by Naomi Oreskes and Erik Conway, which reveals how more or less the same industry lobbyists can be found defending everything from tobacco to climate-unfriendly industries. There are few more important tasks than getting a better grip on the lobbying objectives and activities of all business, not just the leaders we happen to like. We really have

to give this area the attention, and the transparency, it deserves.

The third point is that we should be very careful about what the Americans call "breathing your own exhaust fumes." While we may pride ourselves on what I have labelled the 'London Sustainability Cluster', take a closer look and the picture is a good deal less positive than you might expect. One of my wake-up moments was reading the *Unburnable carbon* report from Carbon Tracker, which noted that some 70 per cent of the IPOs (Initial Public Offerings) launched by the City of London in the first six months of 2011 were focused on fossil fuels and/or mining.

We have to get much better at understanding the political dynamics of all of this, something that Green Alliance was founded to achieve in the world of politics. The political roles



we are at an inflection point in the evolution of capitalism and a stretch business agenda is undeniably emerging



of business and financial actors really have to be at the forefront of our minds in the coming years. For an idea of what this might mean, take a look at the *Manifesto for sustainable capitalism*, already spotlighted in *The Wall Street Journal* by Generation Investment Management's founders, the former US vice president Al Gore and the former Goldman Sachs investment banker David Blood.

"We are once again facing one of those rare turning points in history when dangerous challenges and limitless opportunities cry out for clear, long term thinking," Al Gore and David Blood argue in their article. "The disruptive threats now facing the planet are extraordinary: climate change, water scarcity, poverty, disease, growing income inequality, urbanisation, massive economic volatility and more. Businesses cannot be asked to do the job of governments, but companies and investors will ultimately mobilise most of the capital needed to overcome the unprecedented challenges we now face."

They recommend "five key actions for immediate adoption by companies, investors and others to accelerate the current incremental

pace of change to one that matches the urgency of the situation."

CEOs and other senior business leaders are encouraged to identify and account for the growing risk from 'stranded assets', of the sort identified by Carbon Tracker. They call for mandatory integrated reporting, promoted by the International Integrated Reporting Committee and an end to the practice of issuing quarterly earnings guidance. They see a need to better align senior executive compensation structures with long term sustainable performance. They conclude that there is a growing need to incentivise and reward long term investing with 'loyalty-driven securities'. The logic here is that "the dominance of short termism in the market fosters general market instability and undermines the efforts of executives seeking long term value creation."

The time has come for business leaders to stand up and be counted, particularly those who are pro-sustainability. Yes, politics may seem like one damn thing after another, but we are at an inflection point in the evolution of capitalism and a stretch business agenda is undeniably emerging. The key question is whether they want to be on the right side of history, or whether they are happy to be run over by the forces of creative destruction.



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HOW SHOULD WE RESPOND TO AUSTERITY POLITICS?

A new post-crisis politics, in which sustainability is at the heart of the new relationship between the state, business and society, says **Matthew Spencer**



Rereading Green Alliance's 2007 pamphlet *A greener shade of blue?*, on conservative environmental thinking, it's hard not to feel nostalgic for a dynamic Conservative opposition, and a time when environmental debate seemed altogether more optimistic. As David Cameron wrote in our pamphlet "For the first time in British politics a major political party has given the environment equal billing alongside economic and social matters". And so he had. He was asking the public to 'vote blue, go green', and pushing for annual targets in a new Climate Change Act, and George Osborne was upbraiding Gordon Brown for failing to deliver a green budget.

Osborne's 2011 autumn statement, in which he broadcast disdain for environmental protection, signalled an altogether harsher political climate. It shocked many because it challenged the long-standing consensus that environmental sustainability and economic growth are intertwined, not in conflict. The economic crisis was always going to test that half-truth, since so many forms of economic activity are still unsustainable, but the uncertainty and confusion it has generated are profound. Indian inward investors ask whether they should believe the sentiments of the chancellor, or those of the secretary of state for energy and climate change, in assessing the UK's direction. British energy businesses talk of the increased cost of capital for their projects as political risk rises. And the trustees and members of the UK's largest conservation charities worry that their achievements will unravel in the face of the government's deregulation drive.

The threat of a more contested environmental politics poses a dilemma for the NGO community. Put at its simplest, should they hunker down for a protracted defence of the special places and the high environmental standards they thought were safe, or should they redouble their efforts to drive a green transformation of our economy and society?

A strong defensive play will be inevitable if they are forced to campaign against government deregulation that threatens environmental protection. We should not count on the coalition having the bandwidth to stop these disagreements escalating. It is preoccupied with the economic crisis, spends less of its time talking to stakeholders, and is prone to discounting outside views. This makes the process of developing or changing policy more adversarial than it needs to be, and leads to the coarsening of public debate. The Solar FIT review, to which very few people objected in principle, is an example of how a small skirmish can blow up into a question of public faith in the government's green intentions. The bigger risk is if these disputes become partisan and erode the consensus on environmental modernisation in British politics. If the environment becomes a wedge issue between

the political parties, as it has done in the US, then progress will grind to a halt.

No one takes these risks intentionally, but the past 15 years of environmental politics in America demonstrate the limitations of defensive strategy. The environmental community invested too much time in fighting legislative fires, and didn't nurture the ideas and ownership on the right of American politics, which might have prevented it becoming part of the culture wars between Republicans and Democrats.

So a defensive strategy is a necessary but insufficient response to austerity politics. Done well it can revitalise public engagement on the environment and reinforce the Burkean view of the moral value of stewarding natural resources on the right of British politics. But it doesn't achieve a green economic transition, or settle the question of how to create a sustainability state that can manage such a transition at a time of declining public spending. To do that requires something counter-intuitive, which is for the environment community to be even more



the financial crisis has acted as an effective filibuster, blocking debate about both sustainable economics and the value of nature and natural beauty, but it doesn't have to be that way



ambitious for change than in good times, and to think beyond the boundaries of current policy.

So far the financial crisis has acted as an effective filibuster, blocking debate about both sustainable economics and the value of nature and natural beauty, but it doesn't have to be that way. Sadly, it will slow the delivery of major new policy outcomes in the short-term, but it also provides the opportunity to create the big ideas that can shape the policy and politics after the acute phase of the current crisis has passed. This means grappling with the big questions which are avoided when times are good. The ones that sit beneath Osborne's lazy assumption that good economics and high environmental standards are in conflict. How can we meet growing housing needs without losing treasured places? What can a green economy offer for the poorest? Where can growth come from without increasing material consumption? There is a public thirst for new answers, and it will get stronger as the political response to economic uncertainty gets narrower.

The second benefit of being bold whilst

politics retracts is that NGOs will find new alliances as old allegiances shift. Government and business are profoundly unsure about what the future holds, and are disturbed by the volatility of public opinion. Civil society organisations have the legitimacy and experience to channel the public mood, and to spot the opportunities to create new coalitions of interest. Public anger about bankers' bonuses may seem distant from NGO concerns but it also reflects a wider frustration that government is sitting on its hands. It's a close cousin to the desire the environment community has for active, strategic government and governance for the long term.

The effect of such enquiry will be that it will generate new proposals for institutional and policy reform. Big ideas emerge from hard times, but survive for decades. The Depression of the 1930s resulted in both the birth of the welfare state, and the Hayekian anti-regulation thinking which led directly to today's financial implosion.

Out of the current crisis will emerge new expectations of what is needed from the state, society and business. It's a good time to make the case for a new settlement, where communities are given greater power in return for new environmental responsibilities, businesses are given a licence to operate in return for sustainable long term investment, and the state reinvents its purpose as sustainability, negotiating the big private and public shifts in behaviour we need to achieve stability in a resource depleted world.

It's not something that environmental NGOs can or will do alone but, by working with the best thinkers from academia and business, the aim should be to escape the confines of austerity thinking and to set more optimistic terms for the post-crisis phase of politics.



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THE ROAD LESS TRAVELLED

The latest report from the Environmental Funders Network reveals the low level of philanthropic giving to environmental causes in the UK and helps to provide a guide for future support, say **Jon Cracknell** and **Nick Perks**

The fifth edition of *Where the green grants went*, published in January 2012 by the Environmental Funders Network (EFN), shows that environmental issues continue to receive just three per cent of overall UK philanthropy. The research also shows that, over the three financial years from 2007 to 2010, funding from the 147 trusts covered by the report has plateaued at around £75 million per year.

Behind these figures, some of the news is good: grants supporting climate change work have increased as a proportion of environmental grants, from less than nine per cent in 2006-07 to more than 21 per cent in the new research. They amounted to just under £48 million between 2007 and 2010. This sounds impressive until compared to patterns of wider philanthropic giving. For example, the National Galleries in London and Edinburgh raised £50 million over four months in 2009-10 to purchase a single painting.

Drilling down into the distribution of philanthropic grants between different thematic environmental issues around the world (see table) there are evident Cinderella issues like transport, trade and finance, and consumption and waste, which receive very small shares of environmental philanthropy, despite their importance in terms of systemic change.

The new data reinforces the observation made in the fourth edition of *Where the green grants went*, that many philanthropic grants seem to be guided by discourses of environmentalism based on conservation, regulation, and incremental shifts in behaviour, whether by business or consumers, rather than by more radical paradigm changes.

UK trusts and foundations spent more than nine times as much on bats, butterflies and moths between 2007-08 and 2009-10 as they did on aviation policy, while funding for work targeting the global oil industry over that period (£1.2 million), was only marginally more than that spent on protecting water voles.

In an era of swingeing cuts to statutory funding, which on average accounts for 29 per

cent of the income of the environmental groups profiled in the report, the need for effective targeting of philanthropic resources becomes ever more important. It is clear that philanthropists are not going to be able to cover all the gaps left by declining public funding. Given the potential for philanthropic capital to support work that government and corporate funders are less likely to fund, ie risky projects, innovation and challenges to the status quo, it is questionable whether this would be a good thing even if it were possible.

As finances are squeezed, the need for better information about the environmental sector becomes more pressing. EFN's research provides



is it necessarily the case that increased numbers of environmental organisations (and environmentalists) lead to better environmental policy outcomes?



a clear analysis of what trusts and foundations are funding, but much less information is available about the allocation of other resources across the ecosystem of environmental NGOs. Data on gaps in capacity could be very valuable for funders as it would help to identify opportunities where philanthropic funds can be used to maximum effect. Geoff Mulgan has compared philanthropic grants to acupuncture needles: small in terms of the body politic, but powerful when inserted in the right places.

Last summer six EFN members commissioned the Food Ethics Council to carry out *The food issues census*: a survey of UK civil society which surveyed several hundred UK

non-profit groups working on food and farming. The survey provided a wealth of information about NGOs working on food, amongst other things showing that lobbying and activism directed at changing the power relationships within the food system received considerably less funding than the commissioning of expert advice, co-ordination and capacity building and awareness-raising. The findings were much appreciated by NGOs working in the field, because they provided an overview that no single NGO could gain on its own.

Research by colleagues in the United States (*The broader US environmental movement: composition and funding insights*, Environmental Grantmakers Association, June 2011) has looked at the income of the whole US environmental movement, a massive \$11.3 billion in 2008, and at its geographic distribution across the country.

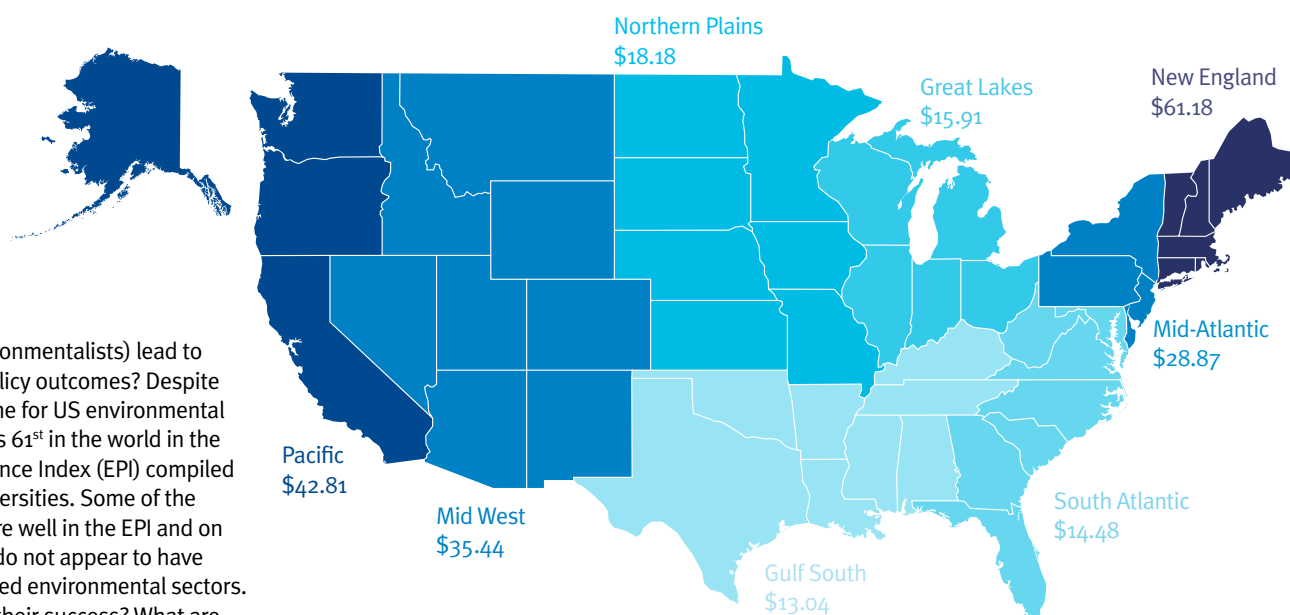
It revealed that funding is heavily concentrated on the coasts, and that one third of the sector's total revenue funds work in Washington DC, primarily on national issues. This distribution of resources has political consequences.

EFN believes that more analysis of this kind would help both environmental NGOs and their philanthropic supporters. Having coded more than 11,000 environmental grants, it is hard to avoid the sense that there is significant duplication within the UK environmental community, with over-funded activities and approaches sitting alongside significant gaps in capacity.

Perhaps the time has come to ask some hard questions about which bits of NGO infrastructure are most vital in an era of declining funding. Data-gathering and information visualisation tools are becoming more sophisticated, and the time burden on busy NGOs can be reduced by making smart use of these tools. Recently the Green 10 group of NGOs based in Brussels carried out a simple audit of the thematic issues that its policy and communications staff are working on, and the results immediately provided a fresh perspective on gaps in capacity.

Thinking more broadly, is it necessarily the case that increased numbers of environmental

US environmental groups' income, by region, per capita in 2008*



*Excluding 33% of the sector's total revenue (c.\$3.75 billion) generated by groups in the Washington metropolitan area, which primarily work on national issues.

organisations (and environmentalists) lead to better environmental policy outcomes? Despite the \$11.3 billion of income for US environmental groups the country ranks 61st in the world in the Environmental Performance Index (EPI) compiled by Yale & Columbia Universities. Some of the other countries that score well in the EPI and on other similar indicators do not appear to have particularly well-resourced environmental sectors. What then accounts for their success? What are the niches, organisational types, and skill sets within the NGO ecosystem that are most important in accelerating change, and how do these interact with the cultural DNA and differing political and economic systems around the world?

Given the need to accelerate progress towards sustainability these are vital questions to address, the more so when resources are under pressure. *Where the green grants went 5* is one effort by foundations to try and identify the gaps and limits in their practice, and to become better informed. EFN hopes that the UK's leading environmental NGOs will bring their insights to the table to complement this analysis. EFN would welcome comments on the research, or examples of NGO capacity mapping that we can share with our membership.



Jon Cracknell (left) is a steering group member of the Environmental Funders Network (EFN), and manages the Goldsmith family's philanthropy.

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Where the green grants went 5, EFN, 2012, is available at www.greenfunders.org

Distribution of environmental grants by thematic issue – an international comparison

Geographic region	UK	Europe	USA	Canada	Australia
Year in which grants were made	2007–10*	2009	2009	2007	2006–08
Thematic issue					
Biodiversity & species preservation	21.7	16.9	8.3	14.5	52.6
Agriculture & food	16.5	7.5	3.2	5.5	0.0
Terrestrial ecosystems & land use	12.5	19.7	13.0	25.7	15.8
Climate & atmosphere	11.1	12.4	18.1	3.5	9.3
Multi-issue work	8.2	15.9	10.8	7.5	8.6
Sustainable communities	7.0	1.8	3.2	4.9	2.0
Energy	5.2	5.9	13.9	4.5	0.9
Toxics & pollution	4.8	2.9	1.1	0.7	0.0
Fresh water	4.3	2.5	6.6	8.2	7.7
Coastal & marine ecosystems	4.1	11.2	12.8	22.6	3.0
Transport	2.4	2.1	3.3	0.6	0.1
Trade & finance	1.8	0.9	1.1	n/a	0.0
Consumption & waste	0.5	0.2	0.8	1.5	n/a
Other categories†	n/a	n/a	3.9	0.4	n/a
TOTALS	100	100	100	100	100

*UK figures are averaged across the three financial years, 2007–08, 2008–09 and 2009–10.

† In the US research the categories environmental health, environmental justice, indigenous communities, and population together account for 3.9%. In the Canadian research mining accounts for 0.4% of grants given.

A GREEN DEAL FOR THE PEOPLE

The government's new energy efficiency scheme has to address local needs to be a success, says **Alastair Harper**

A good way of ensuring a government initiative is never heard of again is for it to be declared the "centrepiece" of a policy area. That was how Chris Huhne announced the Green Deal's place within the Energy Bill when it was introduced in 2010. Since then there has been an arms race of superlatives for just how important the Green Deal is. It is the "cornerstone" of government energy efficiency policy, the "flagship". Whether it's on the corner, in the centre or out at sea, it's pretty clear that the Department of Energy and Climate Change (DECC) want us to be excited about the Green Deal.

With all this enthusiasm bursting out the insulated roof of Whitehall, surely the general public are on the edge of their seats? But the reality is somewhat different.

Late last year, Green Alliance went into three constituencies to talk to businesses, residents, local authorities, housing associations and community groups about what the Green Deal means to them. They were in very distinct areas:

Hexham, a large rural constituency with high levels of fuel poverty and many off-grid properties; Bristol North West, a diverse constituency in the south west consisting of affluent areas, urban spaces, and heavy industry; and Redcar, a small north east constituency suffering from high levels of unemployment, with people on low incomes, and vulnerable households in fuel poverty.

The resulting report, written with three constituency MPs: Charlotte Leslie (Bristol North West), Guy Opperman (Hexham) and Ian Swales (Redcar), showed the gap which remains between DECC's expectations for uptake and the reality on the ground. While the MPs and stakeholders we spoke to wanted the Green Deal to work, they didn't see it happening unless it addressed the problems in their area. Each group had its own issues, from the need for it to help off-grid properties to the risk of low income households not being able to keep up loan repayments. But all were united on the point that, to work, the Green

Deal must be seen to reflect their needs, not the targets of Whitehall. To get people as excited as Greg Barker, the Green Deal must be about not just energy efficiency, but local jobs and help for the fuel poor too.

The government is right to stress how important the goals of the Green Deal are. If it does not succeed in taking on the retrofitting challenge for our buildings, then meeting our decarbonisation goals is going to be a very tall order. But just because it must succeed doesn't mean it will. Now's the time for DECC to listen to the people it wants to attract and make sure the scheme works for them.

Contact **Alastair Harper**, senior policy adviser in charge of Green Alliance's Political Leadership theme, aharper@green-alliance.org.uk 020 7630 4527. Read *Getting a good deal from the Green Deal*, Green Alliance, January 2012, at www.green-alliance.org.uk



AIMING HIGH

How tower blocks can offer a unique opportunity for greener living

Futuristic visions of humans leading radically greener, lower impact lives often entail some form of high density living. We are already heading that way with the new eco-tower in London's Elephant and Castle.

But the reality for Londoners living in existing high density tower blocks is very different. Around half of Londoners live in flats or high rise dwellings, but they are repeatedly bypassed by green living efforts, even fairly standard measures like recycling. In short, they are being robbed of the chance to live greener lives because where

they live presents challenges that decision makers see as too complex. This has to change.

Tower blocks do present undeniable challenges, especially as policies to support greener choices are often designed for houses. There is little space to store recyclables, collect food waste or keep bicycles safe. Public transport provision is often poor and flats are frequently ineligible or inappropriate for simple insulation.

But that's no excuse for overlooking them. Green living should be available to all and tower blocks offer unique opportunities for green living. As dense communities, new social norms have the potential to spread and embed quickly. They allow the value of collaborative efforts and the sharing of resources to be explored. The greener living potential of tower blocks could also breathe new life into the reputation of this often maligned type of housing.

Green Alliance is embarking on a new project, supported by the City Bridge Trust, to identify how green living can be supported. Through a number of case studies, working directly with communities in London tower blocks, it will learn from existing successes, analyse the

challenges and hear from residents about what works and where their ambitions are frustrated. We will be drawing on best practice from around the city and the country and running workshops for residents. At the end of the project we'll publish a handbook that provides suggestions for practical support, as well as a policy report aimed at influencing decision-makers.

We look forward to learning from the many existing projects underway around London, for example Waste Watch's work with 23 communities, and Rockwool and LSE's work to examine how insulating tower blocks could have social benefits.

If you are aware of any projects that would be relevant to this work, please get in touch with Green Alliance's head of research, Faye Scott.

Contact **Faye Scott**, head of research, fscott@green-alliance.org.uk 020 7630 4524

WHAT IS ENERGY FOR?

If we ask this question, instead of assuming
boundless energy for our needs, suggests
Rebecca Willis, we will find it easier to hit carbon
targets and achieve energy security

Demanding less: why we need a new politics of energy

by Rebecca Willis and Nick Eyre



“

energy policy based largely
on supply is not only
inadequate, it is misleading
and potentially damaging.
We need a new approach,
one that starts from how
and why energy is used

”

There are no pavements in downtown Bahrain. Visiting a few years ago for a family wedding, I wanted to pop to the shops to pick up some nappies. I could see a chemist from our hotel window, but the receptionist looked horrified when I asked her how to walk there and insisted on calling a cab for me. Though it was only half a mile, I couldn't have negotiated the four-lane expressway and mammoth roundabout on foot. But why walk, when petrol costs a few pence pence a litre? Access to abundant energy has shaped the country, from the lack of pavements to the extravagant construction projects, artificial beaches and ultra air conditioned buildings.

Japan is richer than Bahrain, but it has no indigenous oil or gas. It uses a quarter of the amount of oil per person, and a third of the carbon dioxide. Its society and economy have developed in a very different way. Profiting from lean manufacturing and fuel-efficient cars, the Japanese have made a virtue out of a necessity.

The contrast between Japan and Bahrain shows how economies and societies are shaped by energy, and how the demand for energy can vary hugely, between countries and over time. Our cities, our history, even our food has been shaped by access to energy.

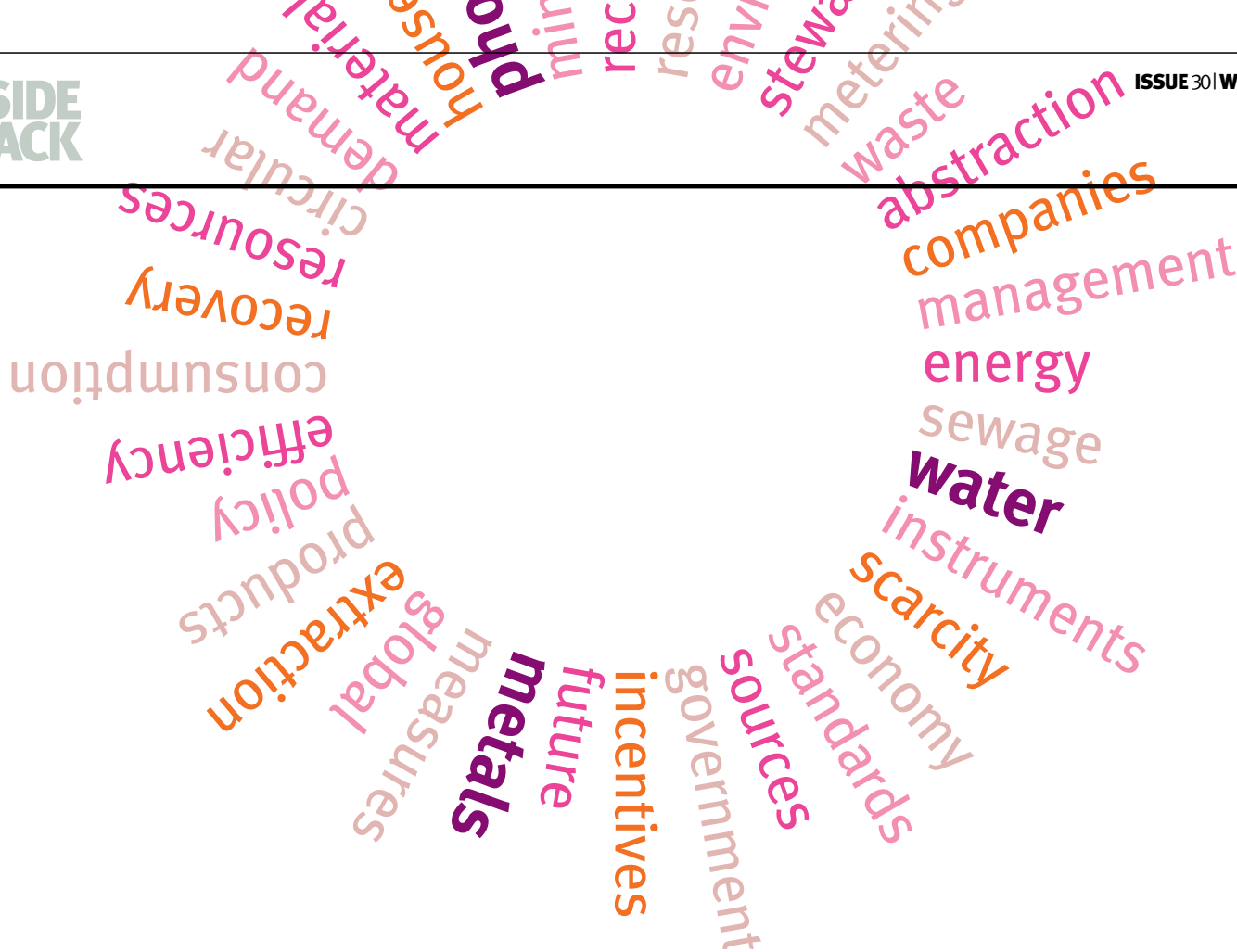
Yet in all the debates about energy, climate change and carbon reduction, very little thought is given to the crucial question: what's it all for? Energy policy and politics are all about supply. There is a clearly defined group of energy experts, in major companies and government, who are paid to think about energy supply. Granted, they also think about the efficiency of energy use. But there are plenty of things that have a huge impact on energy use, which are not considered by the experts, at least not as part of their day job. They are not required to think about energy and carbon embedded in imported goods, or about the energy implications of land use planning, or energy used in food production or wasted through food waste.

Meanwhile, people who influence energy demand, experts in design, construction, transport, planning, farming or trade, don't usually examine the energy implications of what they do. Energy experts have encouraged the assumption that we can supply as much energy as we need. By focusing on providing cheap, reliable supplies, they have encouraged us to forget about energy.

As we work to meet carbon targets, and as fossil fuels become more difficult, expensive and environmentally harmful to extract, we will no longer be able to keep up this artificial distinction between energy supply and demand. Energy policy based largely on supply is not only inadequate, it is misleading and potentially damaging. We need a new approach, one that starts from how and why energy is used. We need to move the thinking from being narrow, technical and supply-dominated to a broad, political question that concerns everyone.

Once you open up the question this way, it reveals new solutions. It is no longer just a question of predict-and-provide. Instead, we can influence what we buy and how we live, as the contrast between Bahrain and Japan shows. It determines whether we live close together or far apart, how we get around, the food we eat and the work we do. If we are serious about meeting carbon targets and achieving energy security, we need to get serious about energy demand.

Rebecca Willis is an independent researcher and Green Alliance associate, www.rebeccawillis.co.uk
Read more about the case for energy demand reduction in *Demanding less: why we need a new politics of energy* by Rebecca Willis and Nick Eyre, Green Alliance, December 2011, available to read online at www.green-alliance.org.uk



NEXT STEPS TO A CIRCULAR ECONOMY

Julie Hill reports on Green Alliance's major conference with the CBI in December 2011 and signals the way forward for the UK on resource stewardship

Green Alliance partnered with the CBI in December for a major conference tackling the multi-dimensional challenge of resource security. We wanted to understand how the concept of the 'circular economy' fits into political views of resource availability. We discovered that it is central.

EU Environment Commissioner Janez Potočnik was clear that our resource situation is not sustainable, and that there is no prospect of sustainable growth without better resource efficiency. Environment secretary Caroline Spelman talked of the need to build a new, green, circular economy while the business secretary, Vince Cable, was fully on board with the need for catalytic economic instruments, the thrust of Green Alliance's recent report *Reinventing the wheel* (October 2011).

The CBI used the occasion to launch its own plea for a clearer government policy framework to support resource efficiency. Businesses presenting to the conference, including Boots, Interface, Kyocera, PepsiCo and Veolia, reinforced the message that carefully targeted government intervention is imperative if we are to ensure that resources circulate more effectively in the economy.

So there is an encouraging political and business consensus on the nature of the challenge, but what about the policy detail? It's clear that there is much that businesses can do to promote more circular use of resources, but equally clear that they crave a level playing field, more access to investment, and greater rewards for innovation. Examples of ways to shape this are gradually emerging.

Vince Cable undertook to take a “hard look” at introducing a system of greater individual producer responsibility for electronic goods, as a way of encouraging better design. The Green Deal will include water efficiency as well as energy efficiency. The Green Investment Bank will provide funds for innovation in industrial waste treatment, a relatively neglected area in policy terms. The European Union will shortly be considering the expansion of the ecodesign directive beyond standards for energy efficiency to other parameters, such as ease of recycling.

These early policy forays need to be sharpened and extended. We hope that the forthcoming UK Resource Security Action Plan will be the place to do this. It should give a central role to resource efficiency and circularity,

and should acknowledge the need to reshape markets in line with these goals. It should provide a coherent set of incentives for redesigning products, so that all the resources used in our purchases are part of the flow of the circular economy, rather than constantly leaking from it in a myriad of wasteful ways. It should promote a shift from products to service-based solutions as a way to lessen environmental impacts.

Perhaps, most importantly, the UK should be a keen supporter of the ecodesign process, as it has been with energy efficiency rules, because this is the prime way that a level playing field will be secured. Green Alliance, in partnership with our Designing Out Waste business consortium, will be ready to help put flesh on these ideas.

Julie Hill is a Green Alliance associate, author of *The secret life of stuff*, Vintage, 2011, and co-author of *Reinventing the wheel: a circular economy for resource security*, Green Alliance, October 2011, available to read at www.green-alliance.org.uk

GREEN ALLIANCE NEWS

ALASTAIR JOINS FROM CBI



Alastair Harper is Green Alliance's new senior policy adviser in charge of our Political Leadership theme. He brings great experience from his former role as senior campaigns adviser at the CBI, and past work in

parliament and journalism. Alastair has taken over from Amy Persson, who returned to continue her career in Australia, running our Climate Leadership Programme for MPs and joint advocacy work with the major green NGOs.

ANNUAL REVIEW

You can read about our achievements in 2010-11, the challenges we see ahead and our plans for the future in our latest annual review at www.green-alliance.org.uk/annualreview



GREEN ALLIANCE ANNUAL DEBATE 2012

Our annual debate this year will be held at the German Embassy on 1 March, courtesy of the German Ambassador.

We are very pleased to have the former German environment minister, **Professor Dr Klaus Töpfer**, as a keynote speaker at this event. Professor Töpfer was responsible for ground-breaking environmental policies in Germany and he was former executive director of UNEP. He is founder and current executive director of the Institute of Advanced Sustainability Studies in Potsdam. The assistant editor of the *Daily Telegraph*, **Mary Riddell**, will chair the debate.

This event is invitation only

For more information, please contact **Katie Miller**, events co-ordinator, kmiller@green-alliance.org.uk

WHAT IMPACT WILL THE FINANCIAL CRISIS HAVE ON THE GREEN ECONOMIC TRANSITION?

NEW INDIVIDUAL MEMBERS

welcome to:

Margaret Dantas Araujo
Jim Hubbard
Morice Mendoza
Mark Robbins
Adam Scott
Sarah Simmons

BUSINESS CIRCLE

Welcome to **BASF**, the latest recruit to our business circle. For more information about our work with business, contact **Tamsin Cooper**, deputy director, tcooper@green-alliance.org.uk www.green-alliance.org.uk/businesscircle

Green Alliance is a charity and independent think tank focused on ambitious leadership for the environment. We have a track record of over 30 years, working with the most influential leaders from the NGO, business, and political communities. Our work generates new thinking and dialogue, and has increased political action and support for environmental solutions in the UK.

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