

Ladies and Gentlemen:

It is a great pleasure to return here to join you at this dialogue. With the economic crisis continuing to affect growth, and environmental challenges persisting, governments around the world are increasingly seeking more innovative ways to promote economic activity and enhance sustainability.

Overall, we see that East Asian countries are taking important steps. Already, countries like China, Japan and Korea are emerging as leading international examples of a green growth approach.

Already, they are applying a range of policies aimed at enhancing efficiency in the use of natural capital and energy, and fostering new economic opportunities through green innovation. Many of these policies reflect the recommendations of the OECD Green Growth Strategy that we presented to finance and economy Ministers in 2011.

However, incremental improvements and innovations alone will not achieve a decoupling of growth from environmental impacts. We need a more radical increase in the development and uptake of systemic eco-innovations, including new business models. That is why we have just released¹ this new report "*Why New Business Models Matter for Green Growth*".

Through 55 case studies from 14 countries and based on a range of OECD work on entrepreneurship, it explores the potentially very important contribution of new business models to green growth and examines how successful models can be scaled up and accelerated through appropriate policy action.

While some new business models involve large firms, others are small start-ups that seek to exploit opportunities that have been neglected by more established firms.

New firms tend to engage in more radical innovation than existing firms, and expanding the scale and application of new business models can therein help reduce pollution, increase resource productivity and efficiency, and provide a new foundation for growth.

Although the market for green goods and services is growing, businesses wanting to enter the market face a range of barriers, many of which can be addressed by well-designed policies.

¹ In February 2013

Key areas for policy action include:

1. Strengthening market demand for green products and services by providing long-term and stable incentives including through a well-designed regulatory framework conducive to start-ups with supportive demand-side policies (i.e. clear, long-term environmental policy signals).²
2. Enhancing access to financing, including risk capital, by supporting market development for risk financing and the development of entrepreneurial skills.
3. Removing perverse subsidies that support incumbent business models. The OECD and IEA estimates that support to fossil fuel production and use amounts to about 500-600 billion dollars per year globally. This is locking-in the dominance of fossil fuels in the energy mix.
4. Also key is reducing barriers to the entry, exit and growth of new firms. Enabling entrepreneurs to fail and try again is particularly important, as it helps in finding out what business models work.
5. We need to reduce the costs of intellectual property rights, in particular for start-ups while supporting skills development, including for existing workers.
6. Closely linked to this is supporting R&D and innovation, including the demand for more innovative products and services.
7. And finally, improving governance to ensure that national and regional policies to support green growth are well aligned.

While policy action at the national level is essential, action at the level city level will also be critical. The OECD has launched a new project on "Urban Green Growth in Dynamic Asia" under our Green Cities programme.

It is exploring effective policy frameworks and instruments to achieve urban green growth in fast-growing Asian cities. At the heart of the project is knowledge sharing - how experience from OECD cities and how lessons can inform strategies and implementation of green urban development projects in Asia.³ We strongly welcome your engagement in this work.

² This allows for firms to internalise the environment and natural resources in their decision making.

³ We plan to study 4-6 Asian cities in the coming two years.

Ladies and Gentlemen,

The time has come to change the industrial metabolism of our economies.⁴

To help achieve this, we have built a Green Growth Knowledge Platform (GGKP) to support research in the many areas where knowledge gaps persist and, crucially, to learn from each other and share best practices more effectively. We have taken the first steps to develop and apply a set of green growth indicators, in order to monitor progress. We stand ready to help governments and stakeholders here in East Asia in moving toward a richer, greener and more sustainable development path.

Thank you.

⁴ We cannot return to a growth path that is driven by pollution-generating forms of energy and production – the costs to our health, our livelihoods and the planet is simply too high.