

(Draft) ACTIVITY PLAN OF ECO-EFFICIENCY PARTNERSHIP IN NORTH-EAST ASIA

1. BACKGROUND

The Framework of NEASPEC adopted at the 3rd SOM in 1996 defines the principle objective as the promotion of subregional environmental cooperation and sustainable development efforts. Subsequently, the Vision Statement adopted at the 5th SOM in 2000 calls upon the member countries to develop the current mechanism as a comprehensive programme. Finally, it was the 10th SOM in 2004 at which member countries discussed the adverse impacts of the current trend of economic growth on sustainability in North-East Asia. The meeting also reviewed new approaches to economic growth for enhancing eco-efficiency leading to the improvement of environmental sustainability. Based on the discussion, the meeting recommended the Secretariat to develop a detailed paper on emerging issues related to environmentally sustainable economic growth in North-East Asia, and present it to the next SOM in order to formulate future activities of NEASPEC.

Thus, the Secretariat facilitated consultations among government officials and experts by holding expert group meetings in 2005 and 2006, respectively, and identified key subregional and national challenges in the context of eco-efficiency. Also it was well perceived that the concept of eco-efficiency should be complementary to existing national policies such as Resource-saving Society policy of China and 3R policies of Japan. Based on the finding and recommendations from the consultation and research, the Secretariat prepared a guidebook, "Eco-efficiency: a practical path to sustainable development" in 2007 and presented it to the 13th SOM in 2008. The meeting requested the Secretariat to identify potential activities and submit the outcome to the 14th SOM to make the final decision on launching the Eco-efficiency Partnership.

2. JUSTIFICATION FOR NEASPEC ACTION ON ECO-EFFICIENCY

The recent achievements in North-East Asia's economic and social development, fueled by its rapidly growing industries, have come at the heavy cost of environmental degradation and created highly energy-intensive industries and -dependent societies. North-East Asia is ranked the highest in terms of consumption pressures on the environmental resources among the countries of Asia and the Pacific. In 2006, China's Sustainable Development Strategy Report also pointed out that among 59 countries in the world assessed, China, the Republic of Korea,

and the Russian Federation scored poorly in terms of the correlation between economic performance and resource inputs, while Japan placed itself in the middle range. Furthermore, the energy demand in the subregion is expected to almost double by 2020, implying the significance of improving energy efficiency and lowering its carbon intensity of the current and future energy mix as NEASPEC member countries currently share 32 percent of the global CO₂ emission.

In the light of globalization, the upsurge of oil and resources prices in the recent years, followed by the global financial turmoil, have brought the world's attention to the interdependency of the global economies and the resilience and coping mechanisms of each country against such global phenomena. The price volatility also increased financial vulnerability of resource-exporting countries. As a result, the price volatility acted as a double-edged sword for resource-exporting countries rather than giving new economic benefits only. Climate change is another key factor, threatening to hamper economic and social development globally through widespread desertification and water shortages, increased frequency and intensity of natural disasters. North-East Asia has been one of the hardest hit parts of the world by these global phenomena largely due to its highly production-based economies, dependency on oil imports and comparatively large populations. For example, both the Republic of Korea and Japan, which are heavily import-dependent, have suffered sharply from the drastic increase in transport and production costs due to the oil price hike in early 2008, drastically raising the prices of consumer goods and services. At the same time, the combination of the reduced global consumer confidence and spending, rising costs of production and transport and global financial instability has all led to the current economic downturns across North-East Asia and around the world. Meanwhile, China has become a net coal importer to fuel its rapidly growing economy, and its oil demand for transport is expected to quadruple between 2005 and 2030, contributing more than two-thirds of the overall increase in China's oil demand, despite its fuel-economy regulations adopted in 2006. At the same time, climate change is expected to severely affect North-East Asia's economies through water shortages, natural disasters, land degradation, and a number of other factors. Therefore, it is imperative for the governments of the subregion to act swiftly and jointly to mitigate the causes and effects of climate change by curbing emissions and adapting to changes in a most sustainable fashion so as to continue to enjoy the benefit of economic growth across North-East Asia.

To this end, the challenge for the subregion is to build greater resilience against these global phenomena by making its economies and societies more robust and less dependent of fossil fuels and other natural resources. Eco-efficiency for this purpose is a great vehicle for effectively addressing this challenge by helping economies delink economic growth from environmental degradation and use of natural resources to make economies and societies more robust and cost-effective. This is of course by no means a new concept in North-East Asia. For instance, Japan's 3R initiative for a sound material cycle-society, and China's strategy for

“Resource Efficient and Environment-Friendly (REEF) Society” are some of the prominent efforts toward eco-efficiency in the subregion. Also, it is worth noting that the difference between 3R and REEF is that REEF aims to promote a more comprehensive approach to cover consumer awareness and attitude in addition to the resource efficiency of economic production. Nevertheless, more efforts are needed at the subregional scale to ensure that North-East Asia will enjoy sustainable development, driven by eco-efficient industries and societies.

North-East Asia, in terms of GDP, ranges from Japan’s second largest to Mongolia’s one of the smaller economies in the world. While Japan and the Republic of Korea are already moving towards knowledge-based economy to further decouple economic growth and the use of natural resources, the question becomes which directions will the other North-East Asian countries at different stages of development take to achieve eco-efficiency if at all and what can be done at the subregional level to guide each other toward sustainable futures? Knowledge sharing and joint dialogue over challenges and opportunities faced by each country and the subregion might perhaps be a good start. In this context, the guidebook “Eco-Efficiency Partnership in North-East Asia” identifies subregional challenges and opportunities together with best practices and practical references in order to provide pragmatic reference points based on which the Eco-Efficiency Partnership will be able to develop a set of concrete approaches and actions towards eco-efficient and sustainable futures.

Having provided with the necessary reference points, NEASPEC should swiftly take a further step towards developing and implementing a firm subregional action plan. In practical terms, this will entail introducing favorable policies, adopting alternative production models to create more values with less resources and environmental impacts, and changing consumer attitudes to promote more eco-efficient consumer goods and services from the industries and choices from consumers.

3. THE APPLICATION OF ECO-EFFICIENCY APPROACH AND ROLES OF MAJOR STAKEHOLDERS

(1) Government

At the macro-, economy-wide level, North-East Asian countries should build and support a societal consensus on the objective of sustainable development in an eco-efficiency framework. Governments need to reform their public policies in order to promote eco-efficient production and consumption at all levels, including government activities, consumer and producer activities, and international policies and regulations. Currently many governments

have in place policies that unnecessarily discourage resource efficiency. For example, fuel subsidies for industry allow firms to ignore the true costs of energy for production, thereby resulting in wasteful use with little incentive to change their behavior. If North-East Asia recognizes the importance of reduced fuel consumption and efficient use of energy resources, then governments should create incentives for industry to alter production patterns to enable energy efficiency.

The first step for government action in regards to eco-efficiency is identifying policies that discourage eco-inefficiency and introduce incentives for eco-efficiency. This will build a solid foundation for further macro-level policies to promote sustainable development through eco-efficiency. Following the identification of perverse incentives for inefficiency, national governments should adopt economy-wide reforms to make pricing mechanisms internalize environmental externalities and utilize full cost accounting across all levels and sectors of society. Full cost accounting takes into account all costs associated with a given activity, including social, environmental, and long-term costs. The integration of environmental accounting into government activities will build a culture of accountability for actions and impacts on the environment and thereby greater social welfare.

Governments are also in a unique position to make a dramatic effect on consumer behavior. This can be achieved through similar measures such eco-tax reform that provides incentives for reducing consumption of energy and water or utilizing public transportation. The transportation sector, particularly, offers numerous opportunities to alter consumer behavior over the long-term. For example, rather than planning new highways to prepare for projected future growth in personal automobile use, governments can invest the money in railway infrastructure and in incentives for consumers to use public transportation instead of personal vehicles. By planning for future increases in the need for transportation infrastructure and choosing more sustainable options, governments can alter the mindsets of citizens gradually over time.

Governments should utilize their influence at the international level to help change international policy rules, regulations, and systems for trade and financial transactions. These actions include altering the perception that incentives for decreasing environmental degradation are barriers to trade. Additionally, by supporting and advocating for higher resource productivity and emissions reductions, the governments of North-East Asia will help shift the region towards a more eco-efficient mindset for future economic growth patterns.

(2) Private Sector

The private sector has been the starting point for eco-efficiency in the world since the early 1990s. It is clear that, without the participation of the private sector, society will not be able to achieve its eco-efficiency goals. To that end, the private sector has a special role to play in shaping certain patterns of economic growth and can help lead nations towards eco-efficient consumption and production. It is important to bear in mind that the private sector alone cannot achieve eco-efficiency for society and governments need to support actions of the business sector through a reward or merit system that recognizes the positive eco-efficiency impacts.

The private sector should:

- Integrate eco-efficiency into their business strategy, including their operational, product innovation and marketing strategies. This means the permeation of eco-efficiency at all levels of operation in a business. As demonstrated by Toyota, it is possible to affect an entire supply chain and ensure eco-efficiency of a line of products on a larger scale.

- Report corporate eco-efficiency and sustainability performance openly to stakeholders. Corporations are realizing the value that is associated by consumers with corporate responsibility, which includes the eco-efficiency of company's operations and products. Reporting their efforts provides more concrete value to a business' efforts and also contributes to the awareness of consumers and helps them to make better choices about where and how they spend their money.

- Support policy measures which reward eco-efficiency. The private sector can play a very powerful role in a society, given its role as a driver for economic growth. Business should use this power to promote eco-efficiency across society, which will benefit not only itself, but all of society, for generations to come.

(3) Civil Society

Civil society is extremely important for promoting eco-efficiency, especially with regards to their potential impact on the eco-efficiency of consumption. While government actions can clearly and rapidly alter the eco-efficiency of production by working with businesses, civil society can provide a framework and a message for consumption, the long-neglected side of eco-efficiency patterns of economic activities.

Civil society should:

- Promote a major psychological and cultural shift from 'having towards being'. In some countries, such as Thailand, this is dubbed as a "sufficiency economy" - happiness does not

come from the things that we have and consume, but from being part of a family and community and contributing towards the growth and opportunities therein. By promoting a shift in mindset, civil society will greatly contribute to the success of achieving economy-wide eco-efficiency.

- Encourage consumers to prefer eco-efficient and sustainable products and services. This involves public education and outreach on what types of services and products are eco-efficient, as well as tips on being an aware and responsible consumer.

- Support political measures to create the framework conditions which reward eco-efficiency. Civil society can, through political support, advocate for overall change in a nation's economic patterns of growth, addressing both the production and consumption sides of eco-efficiency.

4. MAIN GOALS OF THE PARTNERSHIP

The Partnership could aim at (a) creating a common view and knowledge among major stakeholders (b) facilitating the creation of subregional common policies in North-East Asia, (c) assisting in strengthening national capacity, and (d) raising public awareness.

5. MAJOR ACTIVITY AND PLAN

As shown above, key drivers of economy are governments, the private sector and civil society. Therefore, achieving eco-efficiency requires these key drivers to work harmoniously and be accountable for their actions. NEASPEC, as an intergovernmental mechanism, should help establish a common vision and raise awareness on eco-efficient society by working with member countries in facilitating discussions for improving resource efficiency and disseminating information on eco-efficient practices across various sectors. In particular, NEASPEC could facilitate all key stakeholders in member countries to learn each other's successes and limitations of the efforts for which countries can base their future eco-efficiency strategies while it is necessary to identify a limited number of thematic areas of action.

Thus, the below matrix was prepared to indicate a number of potential actions, which can be taken at three strategic levels, policy dialogue, policy initiative and ground demonstration.

[Table 1] Proposed Activity for the Partnership

Thematic Areas	Key Topics	Policy Dialogue and Initiative	Ground Demonstration
<p>Eco-Tax Reform Partnership (Thematic Leader:)</p>	<p>Topic:</p> <ul style="list-style-type: none"> ○ Sharing conceptual and policy framework for Eco-tax reform and Subsidy Reform ○ Environmental budgeting Public Administration and businesses 	<p>Type:</p> <ul style="list-style-type: none"> ○ Joint study on the application of eco-taxes in the subregion ○ Joint study for subsidy reduction/elimination 	<p>Activity:</p> <ul style="list-style-type: none"> ○ Publication on the application of eco-taxes in the subregion ○ Thematic experts/stakeholders workshop
Thematic Areas	Key Topics	Policy Dialogue and Initiative	Ground Demonstration
<p>Public-Private-Civil Society Partnership (Thematic Leader:)</p> <p>Target groups: Governments and Businesses, Civil Society</p> <p>Partners: Private Sector, labeling institutes, NGOs and National BCSDs</p>	<p>Topic:</p> <ul style="list-style-type: none"> ○ Achieving sustainable consumption (policies and awareness-raising) ○ Voluntary household-level contribution to climate change mitigation through economic incentives (tax breaks, carbon mileage through purchasing, etc.) 	<p>Type:</p> <ul style="list-style-type: none"> ○ Joint study on sustainable consumption incentive mechanisms and best practices ○ Create subregional eco-efficiency knowledge products and key performance indicators for the private sector 	<p>Activity:</p> <ul style="list-style-type: none"> ○ Capacity building of Civil Society in eco-efficient production and consumption ○ Subregional eco-efficient products and key performance indicators for the private sectors. ○ Improvement and standardization of certification criteria of environmental labels ○ Thematic experts/stakeholders workshop

<p>Urban Governance Partnership</p> <p>(Thematic Leader:)</p> <p>Target groups: Local governments and Urban residents</p> <p>Partners: Local Governments, Public-enterprises, Private Sector and NGOs</p>	<p>Topic:</p> <ul style="list-style-type: none"> ○ Sustainable transport (inter-and intra city transport, role of public transport) ○ Sustainable building (energy efficiency) ○ Sustainable public utility supply (especially energy supply) 	<p>Type:</p> <ul style="list-style-type: none"> ○ Knowledge exchange between cities and sectors (e.g., bicycle friendly cities - different experiences from Korea, Japan and China) ○ Joint assessment of status quo, challenges, opportunities and innovative approaches in subregion ○ Creation of subregional performance guideline and indicators for local governments, public utility suppliers and NGOs 	<p>Activity:</p> <ul style="list-style-type: none"> ○ Staff swap programme between cities and sectors ○ subregional performance guideline and indicators ○ Pilot local government assistance project to mainstream sustainable infrastructure ○ Rental bicycle points and facilities for greener city development ○ Thematic experts/stakeholders workshop
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Eco-tax Reform Partnership: Tax structure is a key to shaping the production and consumption patterns of society. Thus, improving eco-efficiency requires devising a tax system that discourages inefficient use of energy resources and in turn encourages saving resources in production and consumption. Ecological tax reform is a shift in policy, which promotes ecologically sustainable activities through economic incentives. The overriding idea of ecological tax reform is to place (higher) taxes on energy, water and raw materials consumption, emissions and wastes, while significantly reducing other conventional taxes such as income, property and corporate taxes. Therefore, not only producers pay more for energy- and natural resource-intensive and polluting activities, but also households pay more for goods and services that require energy- and natural resource-intensive production processes. It has become evident that such a tax reform will bring more efficient use of natural resources while raising productivity and realizing fairer valuation of human resources in economic activities and societies.

In this context, reduction or removal of government subsidies is also a key area of policy reformulation. There requires ecologically motivated reduction or removal of government subsidies. For years, energy and water have been heavily subsidized in many parts of the world, and because of this, the true cost of the use of these resources has been largely overlooked by industries and households. These government subsidies have successfully provided temporary relief to the problems, but instead have undermined sustainable socio-economic growth and slowed potential technological advancement to move towards sustainable futures in many countries. Certainly, undertaking a subsidy reform should require

a country to first better understand its economic, environmental and social costs and benefits at both the domestic and international levels. Nevertheless, it is significant to share knowledge on the conceptual framework and practical policy experiences among countries to forge an ecologically and economically desirable tax structure.

Public-Private-Civil Society Partnership: Improving eco-efficiency at both micro-and macro-levels can only be achieved by businesses working together with governments, consumers and civil society. In terms of partnership among two major stakeholders, i.e., public and private sectors, eco-efficiency can be pursued based on voluntary initiatives or/and negotiated agreements. While acknowledging voluntary initiatives by businesses to promote sustainability in particular sectors or markets as seen by Japanese manufactures like Toyota and Fujitsu, governments should also negotiate certain agreements in terms of eco-efficiency standards and targets with businesses to encourage taking concrete actions towards eco-efficiency.

The Republic of Korea's "Law on Green Procurement" has been in effect since 2005 to require National and local government agencies and designated institutions, totaling 33,000 organizations, to encourage purchasing of goods and services that are eco-labeled, recycle marked, or approved by its Ministry of Environment. Japan has also implemented its "Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities" since 2001. The law encourages its National and local governments and other administrative institutions to procure specific eco-friendly goods and services, which are already preapproved and itemized based on specific environmental criteria, to require information verifying the legitimacy and sustainability of procured items, and to practice low environmental impact and culturally sound activities. However, a challenge remains in the promotion and expansion of such procurement practices among businesses.

In greening business, the roles of civil society as a watchdog and/or a strategic partner of the private sector are particularly significant. As the improvement of eco-efficiency is a key to low-carbon society which is strongly promoted by several NEASPEC member countries, sustainable consumption and voluntary contribution to mitigating greenhouse gases (GHG) emissions by individual consumers are especially critical in achieving a low-carbon society. Civil society can play crucial roles in promoting such options through public awareness-raising on sustainable purchasing and consumption. Furthermore, by teaming up with corporations that put corporate social responsibility into practice, civil society can significantly help the private sector move on to a path of eco-efficient business.

Urban Governance Partnership: It will aim to minimize the use of natural resources, while enhancing the urban environment and promoting sustainable growth, is a key challenge for the governments of North-East Asia. This has recently been further emphasized by the World Cities Report by UN-HABITAT that Asia is facing a great challenge in terms of urbanization. The report indicates that cities of the developing countries will become home to almost 4 billion people, or 80 % of the world's urban population. At the same time, the rural populations will begin to reduce in size while urban growth intensifies in cities of Asia and Africa after 2015. Under such a circumstance, pressures of increasing demands for energy, water and food, and increasing scales of pollutions and environmental degradation are expected to be further underlined. This trend is equally important for North-East Asia as most countries still experiences continuing urbanization. Therefore, there is an increasing need for North-East Asian countries to place particular emphasis on sustainable urban management and growth to ensure that its cities are well equipped and prepared to cope with the expected influx from rural areas by making cities less energy dependent, less water consuming, and less polluting, while increasing the quality of urban life.

In this regard, having eco-efficient buildings, transport and public utility systems is crucial. Eco-efficient buildings can cut down drastically on energy and water consumption, wastewater discharge and GHG emissions. An efficient mass transport system can effectively reduce traffic volumes, fuel consumption, emissions and infrastructure requirements. Such a system is even more effective when combined with traffic zoning and additional vehicle taxation systems to discourage unnecessary use of private vehicles in urban centers. Furthermore, the use of alternative energy sources such as solar, wind and solid wastes to power cities, and an improved wastewater treatment and recycling system, for example, can make a public utility system not only eco-efficient but also cost-effective.

Among others countries in the subregion, China, for example, has been rigorously promoting energy-saving design standards for all newly built residential and public buildings through the implementation of the "Guidelines on the Development of Energy- and Land-saving Residential and Public Buildings" and "Energy-saving Design Standards for Public Buildings" to achieve energy saving of up to 65%. While implementing national standards on vehicle fuel economy, the development of eco-efficient public transport system has been identified as a priority for the country. Furthermore, China also promotes water conservation in cities by setting standards and labels for domestic and industrial appliances and equipment, by renovating water supply pipeline networks to reduce leakage, and by improving water waste treatment and recycling facilities to maximize water reusability.

6. INDICATIVE BUDGET

The Eco-efficiency Partnership will be implemented on continuous basis over the period of 2009-2010. The indicative budget for the abovementioned activities for the first period covering 2009-2010 is presented as follows. However, the proposed budget does not require allocating an additional budget from the Core Fund, as the 13th SOM already approved US\$105,000 under the budget item of following-up activities on nature conservation and eco-efficiency.

Based on the decision of the 14th SOM, the budget plan for the second period covering 2010-2011 will be prepared and submitted to the 15th SOM.

[Table 2] Budget Plan for the Partnership

Budget Items	Year 2009	Year 2010	Total
Meetings/trainings	20,000	30,000	50,000
Consultants/resource persons		5,000	5,000
Publicity(printing, website, etc)		5,000	5,000
<i>Total</i>	<i>20,000</i>	<i>40,000</i>	<i>60,000</i>