

BRINGING VICTORIA'S ECONOMY INTO THE 21ST CENTURY

**BUILDING PROSPERITY FOR VICTORIA'S
ECONOMY, EMPLOYMENT AND ENVIRONMENT**



THE FUTURE ECONOMY GROUP

A call for Government action and survey of each political party's policy

October 2014



Introduction

A strong and vibrant economy is fundamental to Victoria's future and the well-being of all Victorians. To be viable into the future, Victoria's 21st-century economy needs to be smart and sustainable, and to deliver economic, employment and environmental value. This will ensure that Victoria enjoys economic strength, thriving businesses and more jobs for Victorians.

The Future Economy Group was formed to understand the risks of a 'business-as-usual' economy and the opportunities of a '21st century economy'. We sponsored research to quantify the risks of leaving the economy as it is and investigated how the Victorian economy and employment could benefit from the changes we advocate. Our cutting-edge research shows that we do not have to choose between nature and the economy. Not only can Victorian businesses and employees reap economic reward and reduce risk by rebuilding natural capital, but by doing so we will out-perform the old economies of yesterday.

Our vision for the future economy is one of economic and employment prosperity. We believe that we can achieve this through economic innovation that drives public and private investment, reduces pollution, improves energy and resource productivity, and prevents the loss of biodiversity. Crucially, the future economy leaves a legacy for future generations, not a liability.

In June 2014 we formally released our Future Economy Plan. This plan provided information and insights into the research we undertook, our six powerful ideas to stimulate growth and innovation and a call to action for both Government and business alike. The purpose of this supplementary paper is to a) provide further information on the role we believe the State Government should play in stimulating positive economic and environmental results for Victoria's future; and b) seek each political party's response on each of these policy suggestions so that we can provide these responses to our stakeholders in advance of the November 29 State election.



The Future Economy Plan – Six Powerful Ideas

The economic research that we undertook through the Future Economy Group project sought to understand natural capital risks and what they mean for Victoria's economy and employment. Our research report quantifies the risks of a 'business-as-usual' economy, which will deplete natural capital, and the economic opportunities of a '21st century economy', which will rebuild natural capital.

The Future Economy Plan, which was developed as an outcome of our research, proposes six powerful ideas that, if adopted in Victoria, could increase economic, employment and environmental value and prosperity for Victorians. These six powerful ideas apply to both Government and business alike, and include:

First powerful idea: The first is to replace traditional manufacturing-consumption-discard patterns with a 'circular' system in which products are designed for longevity, remarketing, refurbishing, disassembly and changes of function. Adopting this 'cradle-to-cradle' approach will meet society's needs within the limits of nature and our natural resources. It will also create new markets and jobs.

Second powerful idea: Business leaders who understand how nature supports their business often say: 'we use nature because it's valuable but we lose nature because it's free'. Understanding the value nature provides to business balance sheets and placing a price on this value is essential for any shift to a 21st-century economy, and our second powerful idea.

Third powerful idea: Our third is to redirect government payments from polluters to problem solvers. It is proposed that we phase out subsidies for activities that diminish natural capital, and provide incentives for those that aim to replenish it.

Fourth powerful idea: A 21st –century economy is not possible without well designed regulations that control the most harmful forms of unsustainable behavior – our fourth powerful idea. A smart regulatory framework reduces business risks and increases confidence of investors and markets. And it often does so at least cost and sparks innovation.

Fifth powerful idea: Our fifth powerful idea is to measure all prosperity – moving beyond GDP to measure the natural and social capital that underpins every business. Measuring wellbeing is also important as it reflects the true progress and resilience of a society.

Sixth powerful idea: Finally, a 21st-century economy will need skilled Victorians who understand how to embed natural capital into our businesses. Accountants, economists, lawyers, managers, designers, builders and plumbers for instance, will have to understand what natural capital is all about and how to rebuild it.

The Role of Victoria's State Government in the short term

Adopting a new agenda that sets a pathway and plan to transition from a 'business-as-usual' to a 21st-century economy will result in better long-term outcomes for everyone – businesses, governments and all Victorians. But only if we choose this future today.

The Victorian Government has a fantastic opportunity to create the conditions that will make the 21st-century economy a reality. We have summarised a list of activities that we believe the Victorian State Government should undertake to deliver on the six 'powerful ideas' contained in our Future Economy Plan. We ask that you respond to how your party's policies will support each of our six 'powerful ideas' in the table to follow.



Response from Victorian Greens leader Greg Barber to the Future Economy Group survey

Powerful idea	Examples of suggested Victorian Government action	Your party's policies which support this powerful idea:
<p>1 Build a circular system of production and consumption</p>	<ul style="list-style-type: none"> ▪ Product stewardship schemes (e.g. electronic waste, tyre recycling and container deposit legislation schemes). ▪ Support for a services-based, dematerialised economy and low environmental impact industries (e.g. Australian Centre of Financial studies- aims to drive financial services centre for Victoria and investment in knowledge-based economy). ▪ Reduce and ultimately phase out landfill by increasing landfill levies and making recycling more economically competitive. ▪ Set new standards for products by supporting consumer labelling and certification schemes and leading the way through government procurement (energy efficiency, Greenpower purchase, life-cycle assessment of products, Forestry Stewardship Council certification, and organic certification of food). ▪ Invest in research and innovation in circular material flows across industry sectors to assist businesses to shift to a circular economy (e.g. funding for Sustainability Victoria to run new programs). 	<p>The Greens have released two detailed initiatives to show what our MPs will do to promote recycling and reduce waste. Our MPs supported increased levies, and have twice introduced legislation for a 10c refund on bottles, cans and cartons.</p> <p>http://greens.org.au/initiatives/vic/waste-matters</p> <p>http://greens.org.au/initiatives/vic/cash-containers</p> <p>With successive governments failing to properly manage and reduce waste, it's the community that is getting dumped on.</p> <p>Waste going to landfill is increasing year on year in Victoria. To reduce and better manage waste and landfills, the Victorian Greens will:</p> <ul style="list-style-type: none"> • Introduce a 10c cash for container scheme. This will significantly increase recycling of bottles and cans; reduce plastic litter in our parks, rivers and oceans; help protect marine animals; and generate jobs. • Set limits on the size, height and life-spans of landfills, particularly in urban areas. This

Powerful idea	Examples of suggested Victorian Government action	Your party's policies which support this powerful idea:
		<p>will prohibit proposals with significant negative local community impacts, such as waste mountains.</p> <ul style="list-style-type: none"> • Create primary waste management infrastructure hubs outside the urban growth area of Melbourne, with existing urban landfills to become smaller, secondary hubs if they adhere to restricted operational policies.
2 Place a value on nature	<ul style="list-style-type: none"> ▪ Provide resources for the Commissioner for Environmental Sustainability's office adequately to undertake and support research on valuing nature and its impacts on the Victorian economy. ▪ Continue to measure the state of natural capital in Victoria through the State of the Environment Report. ▪ Require the Treasurer and Minister for Finance to disclose the environmental costs of Victoria's economy through annual budget papers. ▪ Support product labelling which discloses the environmental costs of products. ▪ Strengthen the protection of protected areas such as national parks and marine reserves and invest in their management. 	<p>The Greens support a well functioning, independent Commissioner for Sustainability.</p> <p>Victorian Greens leader Greg Barber has spoken about the Commissioner and the State of the Environment Report in Parliament, highlighting the report's stance on product stewardship; and has recommended stronger powers for the Commissioner</p> <p>The Greens support the better protection of parks and reserves. Greg Barber has spoken in parliament against the cuts to Parks Victoria staff, for example here and here.</p> <p>The importance of parks is highlighted in our Healthy Neighbourhoods initiative</p>
3 Redirect government	<ul style="list-style-type: none"> ▪ Conduct a government audit of subsidies which diminish natural capital or encourage pollution. 	<p>The Greens support the use of incentives and market mechanisms to create a level playing field for</p>

Powerful idea	Examples of suggested Victorian Government action	Your party's policies which support this powerful idea:
payments from polluters to problem solvers	<ul style="list-style-type: none"> ▪ Develop criteria for subsidy programs to determine their public good for nature or otherwise. ▪ Remove State level subsidies which are found to have a negative impact on the environment. ▪ Establish subsidies and incentives to support the transition to the future economy and that rebuild natural capital e.g. direct subsidies, feed in tariffs, loans for sustainable investments, market-based instruments such as tradable permits and options and tax reform such as accelerated depreciation of sustainable infrastructure. 	<p>renewable energy, including -</p> <ul style="list-style-type: none"> • Reinstating the Victorian Renewable Energy Target to create certainty for new large scale renewable projects, to complement the existing Commonwealth RET • Create a Victorian Solar Bank to help bring solar PV panels, solar hot water, energy saving and other technologies to low-income households. • Equalise the feed-in tariff and create a guaranteed right of connection into the grid for renewable energy, to encourage individuals, farms and businesses to invest in solar and wind power. • Reinstating the VEET scheme and create basic standards for rental homes, to encourage energy efficiency.
4 Create smart governance and regulation	<ul style="list-style-type: none"> ▪ Introduce standards to achieve environmental objectives e.g. standards for consumer products and efficiency standards for home energy and water use for our housing stock. ▪ Government commitment to and delivery of sustainable procurement practices across all areas. ▪ Mandatory sustainability reporting (and/or integrated reporting) for all of Government and companies over a certain size or whose operations have an environmental impact above a given threshold. ▪ Encourage the development of alternative business models e.g. cooperatives, which allow businesses to have other objectives in 	<p>The Greens support the use of standards to achieve environmental objectives, as well as other worthwhile objectives.</p> <p>For example, our 'Rental Health' legislation will create basic standards for rental homes, to encourage energy efficiency.</p> <p>We support the concept of mandatory sustainability reporting.</p>

Powerful idea	Examples of suggested Victorian Government action	Your party's policies which support this powerful idea:
	<p>addition to sustained financial returns.</p>	
<p>5 Measure all prosperity</p>	<ul style="list-style-type: none"> ▪ Introduce new measures of the Victorian economy into the State Budget papers that better reflect well-being than Gross State Product. 	
<p>6 Invest in capacity building and skills</p>	<ul style="list-style-type: none"> ▪ Review the industries and jobs expected to be the largest contributors to the future economy to understand the types of jobs and skills that will be required in the future. ▪ Audit jobs and skills on a region-by-region basis to understand which communities are most vulnerable and need most supporting during transition. ▪ Commit to clear schedules and transition plans for the industries most affected by change to give them time to re-adjust, re-skill and avoid hardship and commit government resources to assist this transition process. ▪ Establish centres of excellence for skills needed in the future economy. ▪ Explore the potential for expanding Victorian expertise and knowledge in clean economies to become a new export opportunity. 	<p>The Greens want quality, affordable and accessible training to be available to all Victorians. TAFE can skill and re-skill Victorians for the jobs in a sustainable economy.</p> <p>http://greens.org.au/initiatives/vic/standing-tafe</p>

The Role of Victoria's State Government in the short term

Governments have a crucial role to play in stimulating the future economy. They create the conditions that can make it happen. They can foster technologies and innovation oriented towards sustainable, inclusive development. And they provide frameworks within which sustainable decisions can be made. Of all the activities critical to the future economy, The Future Economy Group considers the policy recommendations outlined in the table below as the most immediate. In addition to adopting the six 'powerful ideas' that are outlined in our Future Economy Plan, The Future Economy group recommends that in the next two years the government of Victoria works with business on each of these areas. We ask for your responses to each of these Future Economy Group recommendations in the table below.

What we are asking the Victorian Government to do	Actions that we would like the Victorian Government to commit to an undertake	Your party's response to these suggested actions:
<p>Build on the work of The Future Economy Group and undertake economic modelling to get a clear picture of the relationship between Victoria's economy and its natural capital.</p>	<ul style="list-style-type: none"> ▪ Commit to funding detailed modelling of sectoral and regional vulnerability and opportunities. This commitment should be progressed in the first year of the next term of government. 	<p>The Greens support this measure in principle.</p>
<p>Develop a plan to move towards an economy that reduces carbon emissions and pollution, stops the loss of natural capital, and improves productivity.</p>	<ul style="list-style-type: none"> ▪ Establish a process and strong governance model to develop a Future Economy Plan for Victoria. This plan should be publicly released in the first two years of the next term of government. The plan would articulate short, medium, and long term possibilities and: <ul style="list-style-type: none"> – Review the industries and jobs expected to be the largest contributors to the future economy to understand the types of jobs and skills that would be required in the future. – Audit jobs and skills requirements on a region by region and sector by sector basis to understand which communities are most vulnerable and need 	<p>The Greens have a plan to move towards a clean energy economy. The plan includes the solar and renewables initiatives outlined above, as well as:</p> <ul style="list-style-type: none"> • Abolish the 2km wind farm veto and instead have a science-based approach to instead using a science based approach for locating wind energy infrastructure. • Ban new coal mines and the development of new coal infrastructure. • Permanent moratorium (a ban) on onshore gas

What we are asking the Victorian Government to do	Actions that we would like the Victorian Government to commit to an undertake	Your party's response to these suggested actions:
	<p>most supporting during the transition to a new economy.</p> <ul style="list-style-type: none"> – Commit to clear schedules and plans for the industries most affected by a change to the new economy to give them time to readjust, reskill and avoid hardship. 	<p>drilling and fracking without condition, without delay and without the uncertainty of a parliamentary inquiry.</p> <ul style="list-style-type: none"> • Improve public transport, walking and cycling to get people out of their cars • Store green carbon in our forests by creating the Great Forest National Park and stopping the clearfelling of our forests across the state
<p>Measures and discloses the environmental costs of Victoria's economy through annual budget papers.</p>	<ul style="list-style-type: none"> ▪ Prior to the delivery of the 2016-17 Victorian Budget: <ul style="list-style-type: none"> – Conduct audit of government programs and funding to understand environmental impact and economic implications. – Treasury project/research into how natural capital could be incorporated into Budget papers. 	<p>The Greens support these measures in principle.</p>
<p>Expand the State's knowledge on pollution reduction and clean technologies through trade missions and international collaborations, with a view to positioning Victoria as a global knowledge leader and broker.</p>	<ul style="list-style-type: none"> ▪ Position Victoria as a knowledge broker in clean economies by: <ul style="list-style-type: none"> – Investing in education and training skills development. – Establishing centres of excellence for skills needed in the future economy. – Exploring the potential for expanding Victorian expertise and knowledge in clean economies to become a new export opportunity. – Establishing centres of excellence and innovation for particular trades/industries (e.g. Plumbing Industry Action Centre). 	<p>The Greens support these measures in principle.</p>

What we are asking the Victorian Government to do	Actions that we would like the Victorian Government to commit to an undertake	Your party's response to these suggested actions:
Continue to measure the state of Victoria's natural capital through the State of the Environment Report.	<ul style="list-style-type: none"> ▪ Establish a clear and long term commitment to undertaking State of the Environment report and adequately resourcing the Commissioner for Environmental Sustainability's office. 	The Greens are strong supporters of the Commissioner for Environmental Sustainability's Office and the State of the Environment Report. See my answer above for more details.