



## Conference Report

### Green Growth and EU Baltic Sea Strategy

**Riga, 5-6 may 2011**

In Riga on 5-6 May 2011 the Nordic Council of Ministers together with the European Commission, The Interact Programme and Baltic Development Forum hosted the conference "Green Growth in the Baltic Sea Region".

The conference was the second in a line three conferences foreseen in 2011 emphasising on EU Strategy for the Baltic Sea Region contributions to support the realization of the Europe 2020 objectives for smart, sustainable (green) and inclusive growth.

The conference was opened by Latvia's Minister for Foreign Affairs, Mr. Girts Valdis Kristovskis and attended by 150 stakeholders and green growth practitioners from private and public sector from all countries in the Baltic Sea Region. The conference aimed to cross-fertilise and accelerate green/sustainable growth efforts. Also, the conference aimed to bring forward practical proposals that will allow citizens and enterprises to seize opportunities associated to green growth in the Baltic Sea Region.

The below summarizes key conference findings and conclusions:

#### **Key findings**

The EU 2020 Strategy provides additional momentum to regional, national and European efforts to accelerate green growth. The 20-20-20 targets for reducing greenhouse emissions; increasing renewable energy consumption; and increasing energy efficiency provide a number of opportunities for accelerating growth. It is a priority of the European Commission that the EU Baltic Sea Strategy supports the realisation the EU 20-20-20 targets.

To have the widest possible outreach and impact in the Region, efforts should build on existing cooperation mechanisms and structures. This includes for example building on numerous on-going Baltic Sea Region collaboration projects co-financed by the European Regional Development Fund (ERDF) and other European Union instruments and programme. The conference brought forward experiences and practices from a number of such collaboration activities, of which some with "Flagship Project" status are already an integrate part of the Action Plan for the EU Strategy for the Baltic Sea Region.

It also includes building on the Nordic Council of Ministers' network and partnerships with regional stakeholders, including in Russia for though Russia is not part of the EU Baltic Sea Strategy, Russia has expressed an interest to engage in concrete activities of joint interest. Energy saving and economic modernisation could be one such area of joint interest.

In the Nordic region, all Nordic countries have developed national green growth strategies and in 2010 the Nordic Prime Ministers agreed to make Green Growth a benchmark for the Nordic countries' future intergovernmental cooperation. The overall objective is to pool Nordic knowledge and excellence and thereby accelerate the speed and scale with which green products and services reach consumers. A large number of green growth efforts are already rolling out on initiative by the Nordic Council of Ministers and a number of Nordic institutions. Efforts are to a large extent encouraged by a changing mind-set: politicians, researchers and entrepreneurs alike now predominately see the transition to a greener more sustainable economy as an opportunity rather than a challenge. Increasingly the urgency of transformation is voiced – for when factoring increasing fossil fuel costs it becomes apparent that already within the short run (5-10 years) those enterprises and economies that will not master the green transition will stand to lose competitiveness and wealth.

The Baltic Development Forum (BDF) network echoes the call of urgency in making the green transition. A recent study by BDF demonstrates that there could be an economic benefit of €5 billion over the next decade to gain through a regional and coordinated implementation of the Europe 20-20-20 targets – the reason being that the Baltic Sea Region has an exceptionally complementary energy mix.

Other studies by BDF have crystalized a need for taking strategic actions in the Baltic Sea Region: Some steps towards green growth are more urgent and important than others. Efforts should focus on smart green investments and regional specialisation. BDF therefore supports a combination of small-tech and big-tech solutions, in particular in the areas of: Innovation, Climate and Energy, Sustainable Transport and Digital Single Market. The corresponding action areas that BDF proposes are: Top-down innovation policies facilitating cross-border competition; Integration of energy markets and a joint market for renewable energy; Improved inter-modal transportation and green corridors; and harmonisation of national regulation to create a regional digital single market.

A paper prepared ahead of the conference with examples of green growth efforts in the Baltic Sea Region further demonstrates that there are already a number of green growth initiatives and efforts unfolding in the Baltic Sea Region. These activities are facilitated through collaborative efforts at all levels (global, transnational, national and regional policies) and through a wide range of instruments, including: R&D programmes; entrepreneurship/SME development schemes; regional development programmes such as cleantech cluster development; and venture capital initiatives to match better green ideas with risk capitalists. However, overall green growth initiatives remains mostly fragmented with little cooperation on the Baltic Sea Region level.

The conference showcased a number of on-going green growth initiatives and solutions, including Sustainable Transport and Green Corridors; the Baltic Sea Region as a Demonstration Region for Hydrogen Cars; Eco-Construction; Sustainable Urban Planning; Bioenergy and Wind Energy; Green Public Procurement schemes and an effort to facilitate green business partnerships in Kaliningrad, Russia. A large number of these regional collaboration activities are co-financed by the European Regional Development Fund (ERDF) – others are supported by Nordic cooperation instruments.

Also, a number of private sector development practitioners presented practices and solutions to accelerate green growth in the Baltic Sea Region, including: a scheme to accelerate uptake of green technologies in SMEs; the "Bright Green Island" initiative on the island of Bornholm that has significantly accelerated

growth in the green economy; successful cleantech cluster development in Finland and Sweden; venture capital schemes and competitions to match cleantech entrepreneurs and investors; and larger European investments in the green economy.

### ***Key conclusions on realizing synergies to accelerate green growth***

The participants identified in breakout session format a number of opportunities for accelerating green growth by realizing synergies between existing instruments and activities in the Baltic Sea Region. Also the participants identified preferred practical steps to realize these opportunities through enhanced regional collaboration:

On issues related to synergies in efforts in the **Transport sector** the following was agreed:

- There is a outspoken need to transiting towards renewable energy in the transport industry.
- There are many efforts on-going. Synergies can be realized by: developing an oversight of efforts; cluster efforts and projects; and channelling solutions to transport spatial planning policy makers – including with a view to improve inter-modal transportation and green corridors.
- There is an opportunity to push green technologies and solutions by working closer with industry and “pull opportunities” by working with consumers to increase the demand for sustainable transport solutions.

On issues related to synergies in efforts in the **Living/Urban sector** the following was agreed:

- There are opportunities for accelerating green growth in the construction sector by introducing standards and certification for eco-construction. A first step forward would be to screen existing (global) standards and identify best practices and feasibility/value of regional cooperation.
- There seem to be attainable benefits by pooling complementary expertise in Baltic Sea Region. It was mentioned – building on the example of Hamburg – that Germany is particularly strong on holistic/systemic green approaches while Nordic strongholds are more on components. A first step could be to develop learning networks between cities – and engage businesses through cleantech clusters in such learning networks.
- Platforms to crystalize consumer/user/SME-driven eco-innovation could provide fruitful synergies. A first step would be to connect to existing user-driven innovation partnerships in the Nordic/Baltic Sea Region. To accelerate eco-innovation there is a need for a combination of top-down initiatives (such as tax incentives) and bottom-up advocacy activities to demonstrate/showcase business opportunities and consumer benefits.

On issues related to synergies in efforts in the **Energy Production sector** the following was agreed:

- There is a need and opportunity for integrating energy markets at regional, national and Baltic Sea Region level. A mix of actions are needed including: Infrastructure and interconnections (smart grids) to enlarge energy markets; parallel development of big tech and small tech solutions,

including decentralized energy production solutions; and for unbundling the energy sector to allow new actors to introduce energy production innovations and solutions.

- There is a need and opportunity for promoting diversification and specialisation of renewable energy production in the Baltic Sea Region. This could happen through cross-cluster collaboration and exchange of best practices.
- There is a need and opportunity for utilizing better existing technologies and renewable energy production solutions already available in the Baltic Sea Region. Training programmes in energy planning could facilitate utilization of different and complementary energy solutions. Solutions should be deployed through inclusive stakeholder processes and public and private partners.

On issues related to synergies in efforts in the **Energy Consumption sector** the following was agreed:

- There is a need and opportunity for utilizing Green Public Procurement (GPP) schemes. The potentials are obvious but targets are not reached. A main challenge is lack of awareness and capacity. A first next step could be to map existing GPP initiatives to identify and disseminate best practices – in particular to local and regional authorities.
- There is a need and opportunity for extending cooperation with Russia. The energy saving potential in Russia is large but challenges for deployment remain, including: non-transparency, inadequate financial and legislative framework, and a generally hesitant Russian private sector towards the uptake of green innovative solutions. First next steps could be to promote public-private partnerships by developing and showcasing good examples from e.g. Nordic partnerships and to develop business models and awareness-raising campaigns on (economically) attractive energy saving solutions available to stakeholders in Russia.
- There is a need and opportunity for encouraging greener more sustainable life-styles: Lack of awareness or lack of a perceived need to change consumption patterns lead to unnecessary energy consumption. A first next step could be to implement consumer campaigns for more eco-friendly (and at the same time more economic) consumption patterns. A focus on youth is particularly important (e.g. make it "smart" to be green).

On the general level i.e. **across sectors** the conference participants widely agreed that:

- There is a need for raising awareness about attainable economic benefits from green technologies and solutions.
- The Baltic Sea Region has the potential – through enhanced collaborative efforts – to pioneer green growth best practices and solutions.
- Countries, regions and stakeholders in the Baltic Sea Region have a different focus on different aspects of green growth – for example some tend to emphasise on energy security and others emphasise more on business opportunities associated to making the transition to a greener and more sustainable economy. To seize opportunities for green growth and regional integration there is a need and opportunity for further

initiatives to connect stakeholders' complementary starting points.

- Green growth policy orientations and initiatives provide a number of opportunities to engage Russia more in Baltic Sea Region collaboration.

### **Key conclusions on implications for the EU Baltic Sea Strategy**

Also in breakout session format the conference participants identified opportunities for accelerating green growth in the Baltic Sea Region through test-bed, cluster, branding and financing instruments – and they went on to identify associated implications for the Action Plan for the EU Strategy for the Baltic Sea Region.

On promoting the Baltic Sea Region as a **test-bed** for green growth solutions it was concluded that:

- The Baltic Sea Region has potential to be a test-bed and demonstration region for green growth solutions. There are in particular opportunities for: public private partnerships on sustainable city development based on bottom-up approaches that engage local stakeholders through awareness campaigns and training activities; pilot initiatives bringing local authorities and ministries together to demonstrate the value of cross-border green public procurement schemes; and development of innovation policies that – based on best regional practices – facilitates regional specialisation and green/sustainable innovation hotspots.
- The Action Plan for the EU Strategy for the Baltic Sea Region could facilitate regional test-bed and demonstration efforts by encouraging: initiatives to establish national green growth training hubs across the Region; information and communication initiatives to increase awareness of the Action Plan's role in promoting green growth networks; and match-making events that e.g. promote green growth networks and public-private partnerships.

On green clusters and **cross-cluster cooperation** it was agreed that:

- There are great potential for value adding regional cooperation by pooling excellence across cleantech clusters in the Baltic Sea Region. This could increase impacts of single clustering efforts through experience sharing; synergies; specialization; and by gaining scale and thereby increase global attractiveness. Also cross-cluster collaboration would be likely to accelerate cross-sector (business and environment sectors/policies) collaboration, which is an area that remains underdeveloped.
- The Action Plan for the EU Strategy for the Baltic Sea Region could promote cross-cluster cooperation in a number of ways including by: European Union green growth thematic calls on cleantech sector level (e.g. Water) and/or on the instrumental level (e.g. best practice cleantech cluster tools); and by mapping complementary cleantech excellence with a view to cross-fertilize cleantech clusters.

On **branding** the Baltic Sea Region as a region for green growth excellence it was agreed that:

- The Baltic Sea Region has potential to position/brand itself as a "Green Region". Important first steps are to single out "What we want to brand?"; analyse outside the Region the perception of the Baltic Sea Region as a

Green Growth Region; and enhance further regional cooperation efforts with a view to strengthen and crystalize the specific Baltic Sea Region green brand.

- The Action Plan for the EU Strategy for the Baltic Sea Region could facilitate regional coordination of branding efforts – including crystalizing the understanding / definition of green growth and by supporting also from a political level the vision of the Baltic Sea Region as a Green Growth Region.

On **financing** green growth initiatives at the Baltic Sea Region level it was agreed that:

- There is an opportunity for the Baltic Sea Region to accelerate green growth through improved finance enabling policies, in particular by: pooling at a regional level venture capital (most importantly seed finance); increase targeting of EU funds and other resources to leverage existing venture capital schemes; and to develop a (new or existing) platform to demonstrate best green growth finance solutions. Such a demonstration platform should engage consumers.
- The Action Plan for the EU Strategy for the Baltic Sea Region could facilitate improved green growth finance enabling policies by encouraging project activities to: develop and set clear green growth targets (to reduce risks and thereby costs of investments); and by ensuring ownership and commitment to green growth finance efforts at all levels.

***Additional information:***

Go to <http://www.norden.lv/en/Green-growth> to retrieve conference presentations and additional information.