

Rent Management for the Green Transformation

Hubert Schmitz
IDS-Brighton and DIE-Bonn

Our Question

What are the critical success factors for rent management?

Definitions

- Green Transformation = *the pro-active restructuring of the economy in a way that respects planetary boundaries.*
- Rent management = *providing (and withdrawing) opportunities for above-average profits on investment.*

Rent management approach useful because

- Enormous investment is needed to bring about the green transformation.
- The bulk of this investment has to come from the private sector.
- Due to market failures government needs to intervene

The Challenges

Combination of:

- **Urgency / deadline / irreversibility**
- **Enormous uncertainty**
- **Long time horizon**

Trade offs for policy making

- Embeddedness versus autonomy
- Big push versus experimentation
- Current versus future generations

Our Question

What are the critical success factors for rent management?

Risks

- Abuse (capture)
- Wrong instruments
- Wrong technologies/sectors
- Too little

Risk 1: Abuse (political capture)

● Multiple forms of monitoring

- Independent research organisations
- Consumer protection agencies
- Free press

● Countervailing pressure

- Competitive pressure on business
- Upward and downward accountability of policy makers

Risk 2: Wrong Instruments

- Best fit rather than best practice
- Testing in selected parts of the country – organised by central government
- Competition between provincial (state) governments (sub-national units = laboratories)
- Policy learning

Risk 3: Wrong Technologies or Sectors

- Making mistakes is unavoidable.
- Do not minimize the chance that a mistake might occur.
- Minimize the costs of mistakes when they occur.

Risk 4: Doing too little

- Providing incentives for low carbon investment is politically contested (billions invested in low carbon versus trillions invested in high carbon).
- Overcoming resistance requires public-private-civic coalition – or *transformational alliance*
- No problem if members of alliance have different priorities: carbon emissions, energy security, competitiveness, job creation

And now?

- We know a lot about making rent management work.
- Why is not working?
- Biggest attention is given to the smallest risk: rent seeking.
- Biggest actual risk is doing too little.
- Debate on rent seeking derails up-scaling.
- The financial crisis exacerbates the problem.