



## PAMUN XIII RESEARCH REPORT - QUESTION OF: BALANCING ENVIRONMENTAL SUSTAINABILITY AND ECONOMIC GROWTH

### I. Introduction of Topic:

Since the dawn of the industrial revolutions in the United States and United Kingdom, countries in all corners of the world have experienced unprecedented economic growth. However along with this paradigm shift, unprecedented environmental degradation has ensued. Due to the burgeoning of factories, automobiles and other technology that burn fossil fuels, as well as the continual deforestation, and soil erosion, our world is becoming more and more polluted, and our limited resources are being depleted. The United Nations' World Commission on Environment and Development published a report in 1987 called, *Our Common Future*, that outlines that economic growth cannot be sustained into the future if environmental degradation is occurring and non-renewable resources are being exhausted. This report was the first to coin the term 'sustainable development', which it defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." In other words, it means preserving the environment so that future generations are not left unable to sustain themselves.

In our world, there is of course also the constant demand and need for governments to be seeking economic growth for their countries; however, it becomes increasingly vital to appreciate the possible negative consequences of economic growth in terms of the effects on the environment and the ability of future generations to meet their needs.

As the condition of our environment continues to worsen, it is important to engage on an international level to decide what further measures should be taken to better this situation, without sacrificing economic growth too greatly.

### II. Background:

The question of developing the world's economies, while ensuring environmental sustainability has long been discussed by the United Nations, yet the commitment of member nations has proven to be sporadic to nonexistent. In 2000, the UN established its Millennium Development Goals with the goal of ameliorating the eight major problems that our world faces by the year 2015. The seventh of these goals, is to "ensure environmental sustainability." This goal encompassed four targets:

- A: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources
- B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss
- C: Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation
- D: Achieve, by 2020, a significant improvement in the lives of at least 100 million slum dwellers

Now thirteen years into this global endeavor, where do we stand, both nationally and internationally?

The Deforestation continues to be a serious concern as trees are disappearing at an alarming rate. Of all developing regions, South America and Africa saw the largest net losses of forest areas between 2000 and 2010. Positively, since 1990 the number of protected areas has increased by 58%. Carbon dioxide and other greenhouse gas emissions continue to present a serious threat to our Ozone Layer. In fact, global emissions of carbon dioxide have increased by more than 46% since 1990. However there has been a significant effort to reduce the consumption of ozone-depleting substances, which has been reduced by 98%. These efforts have been back financially, as well, on an international scale. At Rio+20, the United Nations Conference on Sustainable Development, in 2012, world leaders approved an agreement which pledged \$513 billion towards global sustainable development initiatives.

Each country has made different extents of leeway in each of these areas. It is important to consider what factors may be preventing or incentivizing governments and nations from becoming more active in environmental preservation. By examining the Federal Republic of Nigeria one can better understand this.

With its first major oil refinery opened in 1958, Nigeria immediately began to reap the economic benefits of extracting crude petroleum. By the 1970s, the Nigerian economy had become the most powerful in all of Africa. At the crux of this economic growth was the Shell Petroleum Development Company -or Shell Nigeria,- a subsidiary of Dutch Royal Shell; the largest multinational company in the world in terms of revenue, and the dominant global oil provider. Since the 1950s, Shell has extracted \$30 billion worth of oil from in the Niger Delta. Over the past 55 years, the Nigerian economy has become one of the most powerful in Africa, and more importantly, has become heavily dependent on the petroleum industry. In fact, oil revenue constitutes 80% of the Nigerian economy; approximately \$10 billion annually. While there are several oil companies operating in Nigeria, more than half of the aforementioned revenue comes from Shell. Oil has become Nigeria's chief export, rising from less than 1% of total exports in 1958 to 97% in 1984. Since then, it has constituted no less than 90% each year. In the first half of 1990, it accounted for over 95 per cent of total exports and its share of GDP has ranged between 25 and 30 per cent in recent years. Nigeria produced more than 1.8 million barrels per day in 1990, and is the sixth largest oil producing country in the world.

Operating in over 90 nations, Shell and its subsidiaries have earned a reputation within western countries for their fair and clean practices; however, in Less Developed Countries, the oil titan has a less than stellar record. In the oil-rich region of the Niger Delta, Nigeria alone, there have been 300 major oil spills in the past 50 years. These spills have released approximately 546 million gallons of crude oil, approximately 10.8 million gallons per year. This essay will investigate the impact that Shell has had on Nigeria, particularly the oil-rich region of the Niger Delta. Thus, the Nigerian economy has grown tremendously throughout the past half century; however, at tremendous cost to its environment.

### **III. Relevant International Agreements, Conventions, Organizations and Resolutions:**

- **1980:** Convention on the Conservation of Antarctic Marine Living Resources: an international treaty to preserve marine life and the environment of Antarctica
- **1987:** Montreal Protocol on Substances that Deplete the Ozone Layer: an international treaty outlining how to phase out the production of numerous substances believed to

be responsible for ozone depletion. Signed by 197 states and the EU, it is the most widely ratified treaty in UN history.

- **1992:** The United Nations Framework Convention on Climate Change (UNFCCC): an international environmental treaty that sets an overall framework for intergovernmental efforts to tackle the challenges posed by climate change.
  - o **1997:** The Kyoto Protocol to the UNFCCC: an international treaty that sets binding obligations on industrialized countries to reduce emissions of greenhouse gases. While it has set very admirable and important environmental goals, its success has been limited by the lack of support from many industrialized nations such as the United States, Canada and Russia.
- **2000:** United Nations Millennium Development Goal – Goal 7: to ensure environmental sustainability.
- **2007:** The International Carbon Action Partnership (ICAP): an international cooperation forum between states and sub-state regions tasked with linking regional Emission Trading Schemes.
- **2012:** Rio+20, the United Nations Conference on Sustainable Development: an agreement which pledged \$513 billion towards global sustainable development initiatives.

#### IV. Main Issues:

**Federal level intervention:** One long lasting debate between politicians and diplomats is the question of government intervention on a federal, or national, level. While there are many arguments put forth both by advocates for and against this concept, economic law does seem to justify the following. If a government were to intervene, the economic costs might be high in the short run, but in the long run the intervention will actually save enormous amounts of money. Some argue that the government should not regulate how much pollution a company produces because it will stifle economic growth, and will lead to inefficiencies in production. There is much validity to this statement; after all, if the amount that companies can produce is limited by the amount they can pollute, then their output will be reduced. Furthermore, it can be argued that once output is reduced, then businesses won't need to hire as many workers, and so unemployment may increase as workers are laid off. However, in reality, if governments do not intervene, then there will actually be even more severe economic costs later down the road. As the ocean levels rise more and more, and natural resources continue to be depleted, it is very likely that there will be more natural and manmade damage in the world, meaning that billions of dollars will need to be spent on repairs and reconstruction. Therefore, if governments step in now, before it is too late, this terrible scenario can be averted.

**Achieving complete global cooperation:** While it may seem quite logical that governments should cooperate in international initiatives, it is not the case. This is in large due to the fact that not all countries are willing to do so due to the economic loss. This is a problem because this is a disincentive for the countries that are willing to take action to do so. For example, if Country A implements measures to reduce their carbon footprint, and imposes restrictions on companies, but Country B does not, then the businesses in Country A which are being negatively affected will relocate to Country B. In other words, businesses will go wherever there are fewest regulations, and because governments wish to avoid anything which could drastically hurt their economies, this is a significant hurdle, explaining why it is so difficult to reach an agreement on limiting greenhouse gas production. Thus it is up to this

Environment Committee to draft legislation that will incentivize member nations who fear the economic loss too great to join in on the global efforts to reach economic sustainability.

**Possible Further Steps:**

One step that can be more seriously considered is the more widely-used implementation of tradable emission permits. Said permits are issued by governments to firms, or companies, and the permits grant firms the ability to create pollution up to a set level, each year. This is very market-oriented, as once the permits are issued, the firms can buy, sell and trade their permits on the market. This is known as a cap and trade system. This solution is efficient as it provides genuine incentive for businesses to reduce their levels of pollution. This is because it is in a firm's best interest to pollute as little as possible, since in the case that a firm pollutes at a higher level than its permit allows, it will need to buy permits from other firms, raising its costs; whereas, if a firm pollutes at a lower level than its permit allows, it can sell its permit and profit from this exchange. Some examples of this already in application include the largest permit system for greenhouse gases, the European Union Emission Trading Scheme, and the permit system for acid rain and nitrogen oxides in the United States.

**V. Web Sites:**

United Nations Framework Convention on Climate Change  
<http://unfccc.int/2860.php>

Kyoto Protocol  
[http://unfccc.int/kyoto\\_protocol/items/2830.php](http://unfccc.int/kyoto_protocol/items/2830.php)

United Nations Millennium Development Goals  
<http://www.un.org/millenniumgoals/>

Speech on behalf the Environmental Children's Organization on the importance at UN conference on environment and development  
<http://www.youtube.com/watch?v=IqrBzuOwGqQ>