

OECD's Rural Agenda for Climate Action



Rural Agenda for Climate Action

The mandate of the OECD's Working Party on Rural Policy (WPRUR) ([CFE/RDPC/RUR\(2020\)1/FINAL](#)) tasks the OECD's Secretariat to examine how rural areas can contribute to climate change mitigation and adaptation, and transition to zero-carbon economies, successfully reversing biodiversity decline and increasing the provision of ecosystem services. The WPRUR's mandate focuses on all non-agricultural economic activities that take place in OECD rural regions. In order to fulfil this mandate, the WPRUR has developed the *Rural Agenda for Climate Action* to draw attention to the role rural areas play in accelerating much-needed reforms to reach net-zero emissions and to call for a stronger role of rural policies towards achieving climate change mitigation goals. To that end, the *Agenda* highlights the opportunities for rural development linked to net-zero emissions economies, showcasing leading policy practices and advances made in implementing climate-friendly rural policies. In addition, it promotes a long-term dialogue on how rural policies can better support subnational actors, private stakeholders and civil society in managing the transition to net-zero emissions economies. Furthermore, it encourages countries to better integrate rural development opportunities into broader national and subnational climate strategies. The *Agenda* was approved by the WPRUR in October 2021. It will be launched during the *Rural Policies and Climate Change: Why are rural areas crucial for the green transition?* event on 2 November 2021 in the Nordic Pavilion inside the Blue Zone at the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow and further discussed at an event, co-organised with the UK and Scottish Governments, on 4 November 2021 at Loch Lomond and Trossachs National Park HQ in Balloch.

Rural regions have an essential role in the transition to net-zero emissions economies and building resilience to climate change. Rural regions cover around 80% of the territory in OECD countries and associated natural resources, biodiversity and ecosystem services needed to sustain our lives. They produce food and energy, clean water and air, and sequester carbon. Simultaneously, there is an urgent need to transform emission-intensive activities in rural regions into environmentally friendly and net-zero alternatives, not least as emissions per capita are on average higher in rural regions:

- In many OECD countries, including Chile, Finland, Germany, the United Kingdom, and the United States, rural regions have the highest emissions per capita, often driven by the lack of deployed sustainable alternatives and the demands of metropolitan areas for power generation, mineral extraction and agricultural production (OECD, 2021^[2]).
- Average emissions per capita in OECD countries in 2018 were three times higher in remote rural regions (26.3 tons of CO² per capita¹) compared to large metropolitan regions (9.3 tons of CO² per capita) (OECD, 2021^[1]).
- Remote regions, home of about 8% of the OECD population contributed to 17% of total GHG in the OECD in 2018. In the same year, non-metro regions, which including regions close the large metro, regions close small and medium cities and remote regions, home to 28% of the population contributed to 40% of total GHG in the OECD (OECD, 2021^[2]).

¹ Combined average emissions values of all OECD Members estimated using the Emissions Database for Global Atmospheric Research of the European Commission's Joint Research Centre (ECJRC). Divergence from average emissions reported in one particular OECD Member may exist.

This illustrates the extent of economic activity transformations required in rural regions, especially in transport and industry where emissions are highest. Furthermore, smaller administrations often lack knowledge, ability, skills, and funds to manage transitional processes and adapt to climate change. Ageing population, limited economic diversity, remoteness, dependence on external markets for exporting commodities, and lower quality physical and digital infrastructure can exacerbate rural vulnerabilities.

While rural places are not without their challenges, they are also places of opportunity for delivering wider well-being to current and future generations. Rural policies have an essential role to play in reaching net-zero GHG emission targets while also generating benefits for rural communities. Areas of action include, but are not limited to: 1) improving the evidence base at the regional and local level; 2) building local capacity; 3) fostering renewable energy; 4) promoting sustainable land management and higher valorisation of ecosystem services; 5) accelerating the circular and bio-economy; and 6) decarbonising transport. Given the large scale of financial resources required and the new business opportunities the transition can create in rural regions, there is potential to attract green private investment and increase economic activity while safeguarding the natural environment and reducing emissions. For instance:

- The GreenLab Skive in Denmark is the world's first green, circular industrial business park and intelligent energy platform. Established using a Private-Public-Partnership model and with an initial national government grant of 1.2 million euros in 2018, GreenLab Skive supported the development of the bio-economy and renewable energy technologies, creating about 70 permanent jobs in 2020 and attracting investments of approximately 150 million euros by the end of 2020. (OECD, 2020^[3]).
- Renewable energy projects in the State of Minnesota in the United States are expected to bring around 800 new jobs and a better-trained workforce while generating over 500 megawatts of renewable energy (KEYC News, 2021^[4]).
- The Austrian company Egger has invested 400 million pounds in facilities to produce state-of-the-art wood-based materials production in Hexham in the United Kingdom, employing over 600 people and generating a positive impact on the local economy (The Government of the United Kingdom, 2018^[5]).

Rural regions come in different shapes and sizes— policies seeking to address climate change need to reflect this diversity to be effective. Rural regions are socially, economically, geographically and culturally diverse and combine a wide variety of characteristics, experiences, perspectives, and learning processes. Understanding this diversity helps to design climate-sensitive policy responses. For instance:

- Rural regions close to cities can substitute carbon-intensive car use more easily than remote regions.
- Remote regions may have an advantage in providing renewable energy and in sequestering carbon from the atmosphere through sustainable land use but can be less economically diverse.
- Rural regions could be better placed to capitalise on increasing social demand for smaller carbon footprints given their closer proximity to agro-food centres of production. The strategies will be different for different types of rural regions.

Place-based approaches that adapt to unique rural assets function only through meaningful cooperation. To ensure that rural development policies are aligned with climate change goals, national, regional and local governments will need to collaborate with private sectors and civil society. The OECD's WPRUR can provide an international platform to work together to achieve these outcomes.

To fully attain the potential of rural regions in combatting the climate emergency, rural policies need to play a more active role in achieving the net-zero GHG emission targets. In many countries, rural policies related to climate change tend to focus on agriculture, be fragmented and of limited scale. While the agricultural transition is important, with the food system responsible for around 30% of global

GHG emissions, there is scope to not only improve the performance of the sector but also broaden the policy approach beyond sectoral considerations (Henderson, Frezal and Flynn, 2020^[6]) (OECD, 2021^[2]). To this end, rural policies need to include aspects like emission free forms of mobility across territories and diversifying rural economies depended on carbon intensive activities.

A holistic approach will ensure that rural regions make the most of new opportunities in the transformation to net-zero and environmentally friendly economies. Effective rural climate policies should acknowledge and integrate multiple policy objectives to accelerate the transition to net-zero rural economies (OECD, 2019^[7]). A place-based approach can support developing capabilities needed to manage transition processes by mobilising local stakeholders and bottom-up initiatives, making use of local knowledge and data, and enhancing innovation. It can also help to assess and foster urban-rural linkages needed to close resource loops. Integrated policy approaches at the local and regional levels are also needed to reinforce the impact of different actions and address emerging trade-offs, for example, from the competing use of resources. Policies promoting energy generation from biomass can support local bio-economy and boost the energy transition, but also increase the pressure on preserved forests, which are important carbon sinks and play a fundamental role in the transition to net-zero economies.

Obtaining local ownership and support of climate policies in rural regions is essential to accelerate and secure a ‘Just Transition’ and their long-term effectiveness. There is increased focus on both the social and the economic dimensions of climate-related policy, as well as increasing awareness that the transition will affect some communities more than others. Although few countries have regions with over 5% risk of employment loss due the transition to a zero carbon economy, employment impacts tends to concentrate locally (OECD, 2021^[2]). For example, Finland’s Åland Islands have 18% risk of employment loss and Poland’s Silesia region with 7%. Spatially blind policies that fail to consider these effects may undermine the political and social support needed to achieve transformation processes. The ‘Just Transition’ concept demands policymakers consider environmental sustainability in concert with delivering decent work and social inclusion.

- For example, the Latrobe Valley in the State of Victoria in Australia illustrates a transition programme adjusted to local contexts. It will close four coal power stations over the next 27 years. The Victorian Government has established an authority to co-ordinate the transition and endowed almost 300 million Australian dollars to promote economic diversification projects to secure economic, social, and environmental future to the region (OECD, 2021^[2]).

The WPRUR is committed to this *Agenda*, which outlines how its Members can climate-proof rural development policies and increase the role rural policies play in reaching climate change goals. National and supranational governments worldwide are mobilising vast amounts of resources to accelerate the green transition in rural areas. The *Agenda* aims to support OECD Member countries in the implementation and effective use of available funds. Examples of recent commitments capable of accelerating the transition to net-zero in rural areas include:

- The new European Union (EU) Common Agricultural Policy (CAP) (2023-2027) allocated 387 billion euros over seven years to support farmers and rural populations to contribute more decisively to tackling climate change, protecting the environment and moving to more sustainable and resilient food systems (European Commission, 2021^[8]).
- The United States Department of Agriculture (USDA) will allocate over 914 million dollars of new fiscal year 2022 discretionary investments in climate smart agriculture and forestry activities, as well as 564 million dollars of new fiscal year 2022 discretionary investments for clean energy activities across USDA (United States Department of Agriculture, 2021^[9]).
- The Australian federal government announced, in 2020, a 1.9 billion Australian dollars investment in a new energy technology package, which will establish Australia’s first regional hydrogen export hub, a King Review Co-Investment Fund, a carbon capture and storage (CCS) Deployment Fund

and a Future Fuels Fund to support new and emerging technologies (The Sydney Morning Herald, 2020_[10]).

To take the work further, WPRUR will aim to work at multiple governance levels, share knowledge, learning about leading practices, build evidence to inform effective policies and decision-making, and take action to deliver improved well-being and long-term prosperity for our rural dwellers/ residents. The goal is to make use of intrinsic competitive advantages of rural regions that could be leveraged on in a 'Just Transition', and work beyond existing sectoral policy areas towards place-based approaches that draw on the expertise and engagement of local actors including, civil society and the private sector, to deliver coherent, cost-effective and inclusive outcomes.

Areas of Climate Action for Rural Policies

The following areas of action can support and accelerate the transition to an environmentally sustainable, net-zero emission economy in rural regions to overcome challenges and take advantage of opportunities:

1. Strengthen the evidence base by collecting and consolidating regional and local data assessing how opportunities and challenges related to climate change will play out in all kinds of rural areas. Develop indicators capable of informing policymaking and facilitating communication to support rural places transition more effectively. In that process, local and regional actors should be involved in partnership with national policy making sure their views are considered across levels of government.
2. In line with the principle of 'Just Transition', empower rural regions to develop and implement effective transition strategies, ensuring they are involved and have sufficient enabling conditions (i.e. knowledge, institutional capacity, good governance, data, digital infrastructure, and funding) to adapt and build resilience to climate change as well as assure the uptake of climate change mitigation actions that can create win-win situations for rural development. Facilitate the attraction of private investment for innovative climate solutions, where public funding is not sufficient.
3. Build on the competitive advantage of rural regions in producing renewable energy, establish local innovation ecosystems and link them to new initiatives such as green hydrogen production. Assure that local communities benefit from partnerships with private investors through meaningful co-ownership or benefit-sharing agreements.
4. Support the sustainable management of natural capital, sustainable land-management practices and value creation from restoring, preserving and enhancing ecosystems for rural development. Establish integrated spatial and land-use planning across functional territories to minimise unsustainable development patterns (such as urban sprawl and biodiversity loss) and increase sustainable ones with high carbon sequestration and socio-economic development potential, such as agroforestry, climate-smart agriculture, eco-tourism, and sustainable forestry. Critically the process requires: inclusion of local rural voices (e.g. traditional Indigenous knowledge); investment in nature-based solutions (e.g., flood and drought risk management); and the development of innovative market mechanisms like certification and payments for ecosystem services (PES) schemes.
5. Support the shift to a circular and bio-economy to minimise environmental pressures and promote resource efficiency to offer opportunities for new rural business models and create new markets. This includes exploring rural-urban linkages and supporting the engagement and buy-in of local communities in the process.
6. Contribute to decarbonising transport in rural regions by accelerating the transition to more sustainable and innovative mobility options whilst developing and smartly connecting the required physical and digital infrastructure (e.g. renewable energy generation, green hydrogen production, and fast internet connection).

References

- European Commission (2021), *The new common agricultural policy: 2023-27*, [8]
https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/new-cap-2023-27_en.
- Henderson, B., C. Frezal and E. Flynn (2020), “A survey of GHG mitigation policies for the agriculture, forestry and other land use sector”, *OECD Food, Agriculture and Fisheries Papers*, Organisation for Economic Co-Operation and Development (OECD), [6]
<http://dx.doi.org/10.1787/59ff2738-en>.
- KEYC News (2021), *KEYC News Now*, <https://www.keyc.com/2021/06/23/senate-rural-development-energy-panel-tackles-renewable-energy/>. [4]
- OECD (2021), *OECD Regional Outlook 2021*, OECD, <http://dx.doi.org/10.1787/17017efe-en>. [2]
- OECD (2020), *Managing Environmental and Energy Transitions for Regions and Cities*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/f0c6621f-en>. [3]
- OECD (2020), *Rural Well-being: Geography of Opportunities*, OECD Rural Studies, OECD Publishing, Paris, <https://dx.doi.org/10.1787/d25cef80-en>. [1]
- OECD (2019), *OECD Principles on Urban Policy and the OECD Principles on Rural Policy*. [7]
- OECD (2017), *Water Risk Hotspots for Agriculture*, OECD, [13]
<http://dx.doi.org/10.1787/9789264279551-en>.
- Serin, E. et al. (2021), *Seizing sustainable growth opportunities from carbon capture, usage and storage in the UK*, https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/09/Seizing-Sustainable-Growth-Opportunities-from-CCUS-in-the-UK_FULL-REPORT.pdf. [11]
- The Government of the United Kingdom (2018), *Growing the Bioeconomy*, [5]
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/761856/181205_BEIS_Growing_the_Bioeconomy_Web_SP_.pdf.
- The Sydney Morning Herald (2020), ‘Unlocking new tech’: \$1.9 billion for low-emission energy projects, <https://www.smh.com.au/politics/federal/unlocking-new-tech-1-9-billion-for-low-emission-energy-projects-20200916-p55was.html>. [10]
- United States Department of Agriculture (2021), *FY Budget Summary 2022*, [9]
<https://www.usda.gov/sites/default/files/documents/2022-budget-summary.pdf>.
- Weekly, M. (2021), *Australian miners accelerate green investment amid net-zero flurry*, [12]
<https://www.miningweekly.com/article/australian-miners-accelerate-green-investment-amid-net-zero-flurry-2021-08-13>.

About us

The OECD Centre for Entrepreneurship, SMEs, Regions and Cities provides comparative statistics, analysis and capacity building for local and national actors to work together to unleash the potential of entrepreneurs and small and medium-sized enterprises, promote inclusive and sustainable regions and cities, boost local job creation, and support sound tourism policies.

If you are interested to learn more about the project or to get involved, please contact rural@oecd.org

