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SUSTAINABILITY  
SINCE 1992

# Transforming the Baltic Sea Region



*A pathway for the realization of the  
Sustainable Development Goals*

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## About

**The AtKisson Group** has been a pioneer and innovator in the field of sustainability since 1992. Our earliest work helped to establish standard practice in professional sustainability, especially in the field of indicator development and the training of sustainability change agents. Today, we advise large companies, NGOs, governments, and the United Nations on sustainability strategy, policy, training and decision-making. Our tools and methods have been adopted for use around the world by companies, international agencies, schools and universities. See [www.AtKisson.com](http://www.AtKisson.com) for more information about our history and our other service offerings.

**This Executive Briefing** is the written version of the keynote presentation delivered by Alan AtKisson at the 2016 Strategy Forum for the European Union Strategy for the Baltic Sea Region - EUSBSR - Stockholm, Sweden, 9 November 2016.

**The views and opinions expressed here are those of Alan AtKisson and should be not be construed as representing any government or sponsor of the EUSBSR Strategy Forum 2016.**

## Key Message

**We need to raise the bar on our collective ambitions for sustainable development in the Baltic Sea Region. We need a vision of transformation.**

This presentation is focused on pathways to transformation in the Baltic Sea Region and has three objectives:

- Objective 1: To present the global context for regional collaboration
- Objective 2: To show how “transformation” is both real, and realistic
- Objective 3: To sketch a roadmap to transformation in the Baltic Sea Region by 2030

## The Global Context



Global developments, including developments in this region, are being driven by a set of long-term trends that are characterized by exponential growth patterns in human technology, economic activity, population numbers, and resulting impacts on the Earth system. Scientists call this the “Great Acceleration.”<sup>1</sup>



In recent decades, these trends have translated into unprecedented benefits to humanity — while also testing the limits of what planetary ecosystems can tolerate.

The concept of “planetary boundaries” was first introduced in the 1970s (using other language) with the MIT / Club of Rome study *The Limits to Growth* (1972). It was further elaborated and described in a highly influential set of scientific studies led by Rockström, Steffen et al. (2009, 2015), who described how human activity is causing some global ecosystems to approach, or in some cases already exceed, the limits of their stability and sustainability. These are Earth’s *non-negotiable ecological limits*, and we have no choice but to take them seriously and respond to the challenge that these trends represent. To pretend otherwise is foolhardy in the extreme.<sup>2</sup>

<sup>1</sup> For a complete introduction to the “Great Acceleration,” and links to the academic papers that underlie these graphs, see <http://anthropocene.info>

<sup>2</sup> For a complete introduction to the Planetary Boundaries concept, see the Stockholm Resilience Center’s excellent website, with links to the scholarly and scientific articles: <http://www.stockholmresilience.org/research/planetary-boundaries.html>



At the same time, however, we face a set of *socio-economic imperatives* linked to the equally compelling fact that there will eventually be nine or ten billion human beings on this planet — all of whom deserving not just of their basic needs to be met, but also the opportunity to live a full, satisfying and free life, at a reasonable and secure level of material prosperity. This is illustrated by Kate Raworth’s concept of the “doughnut”: the green ring of sufficiency, wellbeing, and opportunity that meets human needs but does not compromise the integrity and stability of global ecosystems.<sup>3</sup>

This perplexing situation — humans are enjoying longer life spans and ever improving quality of life, while global ecological conditions deteriorate and partly drive social instabilities and conflicts — was once summed up concisely by the American social philosopher Tom Atlee:

*“Things are getting better and better  
and worse and worse  
faster and faster.”*

These accelerating mega-trends and global ethical imperatives were the ultimate driving forces behind the passage, on September 25, 2015, at the United Nations, of the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs).<sup>4</sup>

The SDGs provide a common vision both for humanity’s social and economic development, and for its stewardship of the planet, from now through 2030. The 17 Goals themselves are by now familiar, so I will not repeat them here. Instead I will point to the three key *attributes* of the SDGs that are most important to keep in mind. By remembering these attributes, we can see how every single one of the Goals relates to us in the Baltic Sea Region.

1. The SDGs are **universal**, which means they apply to all countries, all sectors, all people, everywhere. In the BSR, we might look at some of the goals and think, “we’ve already accomplished that.” Goal 2, for example, is about ending hunger, something that very few people in our region experience regularly. But Goal 2 is also about achieving *sustainable agriculture* — and on this topic our region, because of its heavy use of fossil fuels and fertilizers and many other issues, is far from achieving that goal.
2. The SDGs are **integrated**, which means that they are inter-linked, and no one Goal can be given preference over others, or be sacrificed in order to attain the others. While some countries in our region have the intention of achieving policy coherence and full integration

<sup>3</sup> See Kate Raworth’s website, <http://www.kateraworth.com/doughnut/>

<sup>4</sup> AtKisson Group co-sponsors a voluntary partnership called 17Goals, which provides access to many tools, links, and documents about the 2030 Agenda and the SDGs, including links to the original UN source documents. See: <http://17Goals.org>

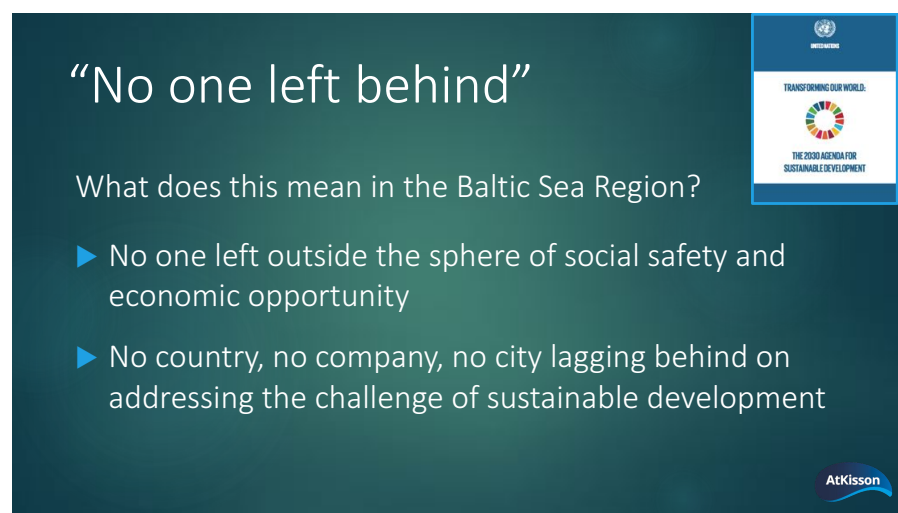
of SD into their policy systems, I doubt anyone here would claim that this has been achieved yet. We have a long way to go, in government and also in the private sector, before we can declare our decision-making processes truly and systemically integrated.

3. Finally, the SDGs are intended to be **transformational**, meaning that they should catalyze fundamental and structural changes in humanity's way of life, in order to meet their interwoven challenges, before any of the world's galloping mega-trends reach a breaking point. Clearly, if we had already managed to transform, we would not be having this conference.

In fact, the final document passed by the Member States at the United Nations, in which the 2030 Agenda and SDGs are embedded, is entitled **Transforming Our World**. The theme of transformation returns again and again in this globally negotiated text, starting in the Preamble:

*"We are determined to take the **bold and transformative steps** which are urgently needed to shift the world on to a **sustainable and resilient path**. As we embark on this collective journey, we pledge that **no one will be left behind**."*

— From the Preamble, *bolding added for emphasis*



**"No one left behind"**

What does this mean in the Baltic Sea Region?

- ▶ No one left outside the sphere of social safety and economic opportunity
- ▶ No country, no company, no city lagging behind on addressing the challenge of sustainable development

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The phrase "no one left behind" is also a constant and recurring theme in the new international context of universal commitment to sustainable development. It is usually interpreted as referring to addressing the needs of those who are most marginal, vulnerable, and, indeed, poor.

But in the Baltic Sea Region, I believe this phrase, "no one left behind," has another, equally pressing meaning: that none of our region's countries, cities, companies or communities can be left lagging too far behind the others as we pursue our own accelerated transformation to sustainable development.

Our region is, in fact, considered a global leader in sustainable development ("SD"). A set of indicators assembled by the Bertelsmann Foundation and the Sustainable Development Solutions Network ranked five of the region's countries in the top ten of SD performance. All the region's countries are in the top fifty.

However, that ranking reflects a certain specific set of measures that align well with our region's overall level of economic development. The measures do not capture, or weigh, factors that might be decisive when it comes to achieving actual sustainability in the management of our economies and societies — for example when it comes to our collective use of resources and our emissions of pollutants like CO<sub>2</sub>. A consolidated measure of our impact on the planet, called the ecological footprint, *also* ranks many countries in our region highly. In fact, Sweden holds the distinction of placing number one on *both* lists — the list of "most sustainable countries" from the

Bertelsmann/SDSN perspective, and “least sustainable countries” according to the analysis produced by WWF and the Global Footprint Network.

**Baltic Sea Region countries — ranks and scores on the Bertelsmann/SDSN “SDG Index”<sup>5</sup>**

Baltic Sea Region Country	Rank in the “SDG Index” (out of 145)	Score on the Index (% Fulfillment of SDGs)
Sweden	1	84.5
Denmark	2	83.9
Norway	3	82.3
Finland	4	81.0
Germany	6	80.5
Iceland	9	78.4
Estonia	21	74.5
Latvia	28	72.5
Lithuania	31	72.1
Poland	38	69.8
Russian Federation	47	66.4

**Baltic Sea Region countries — Ecological footprints and ranks among countries<sup>6</sup>**

Baltic Sea Region Country	Ecological Footprint (glob. hectares per cap.)	Rank (low # = worse)
Sweden	7.3	9
Denmark	5.5	24
Norway	5.0	32
Finland	5.9	15
Germany	5.3	26
Iceland	N/A	N/A
Estonia	6.9	10
Latvia	6.3	11
Lithuania	5.8	16
Poland	4.4	38
Russian Federation	5.7	21

The combination of accelerating negative trends in many areas of environmental performance, social pressures building up in vulnerable parts of the world (and resulting, among other impacts, in growing refugee flows into Europe), and the rapid approach of “tipping points” in the global system mean that our progress towards sustainable development cannot be incremental. It must be *transformational*.

## What is Transformation?

In order to demystify the notion of transformation, let’s consider how it is defined, and what examples we can see around us.

First, consider the smartphone in your pocket. Few would say that the arrival of the Internet, smartphones, and our recently hyper-connected world are not examples of transformation — what the dictionary defines as “a marked change in form, nature, or appearance.” These technological advances have fundamentally altered the “form, nature, and appearance” of our societies. They have changed markets, social structures, cultural norms and habits, educational systems, and much more besides.

Thinking politically, we can also look to the collapse of the Berlin Wall in Europe, or the end of Apartheid in Africa, as obvious examples that transformation — deeply structural and fundamental change — is possible.

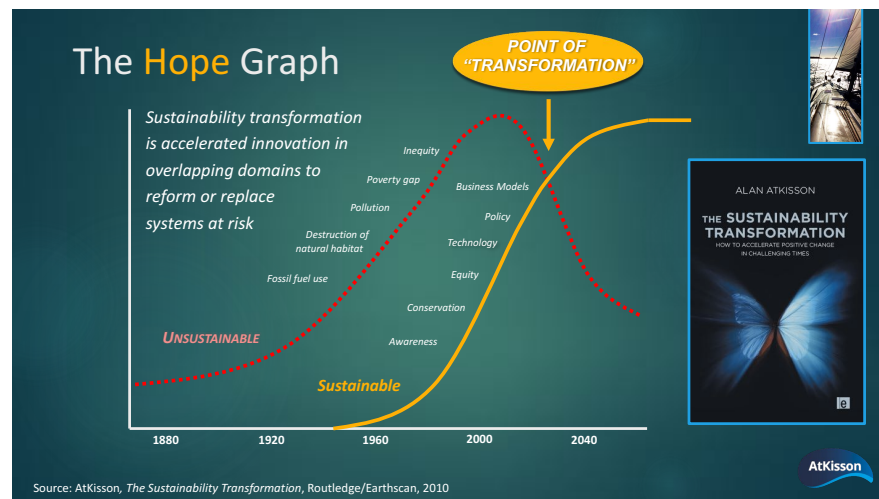
But what does transformation consist of, particularly in the context of sustainability? In my 2010 book *The Sustainability Transformation* I described the process with the help of a symbolic diagram called the “Hope Graph.”<sup>7</sup>

<sup>5</sup> Bertelsmann Stiftung and SDSN, “SDG Index and Dashboards,” June 2016, <http://sdgindex.org/>

<sup>6</sup> © Global Footprint Network 2016. National Footprint Accounts, 2016 Edition. Licensed and provided solely for informational purposes. Contact Global Footprint Network at [www.footprintnetwork.org](http://www.footprintnetwork.org) to obtain more information.

<sup>7</sup> AtKisson, *The Sustainability Transformation*, Routledge/Earthscan, 2010.





Undesirable and unsustainable trends may be growing, but they will necessarily peak and diminish — either because planetary and human systems can no longer tolerate them and they “crash,” or because we make fundamental changes. The second line is the curve of sustainable, positive innovation in our societies, growing from initial awareness of the challenges to more fundamental and accelerating innovation in technology, policy, business models and more.

At some point in the future, we may look back — as we do on the computer and smartphone revolution, or the reunification of Europe — and say, “that was when the sustainability transformation occurred.”

In reality, transformation is never a moment, but a process, which I define this way: “accelerated innovation in overlapping domains to reform or replace systems at risk.”

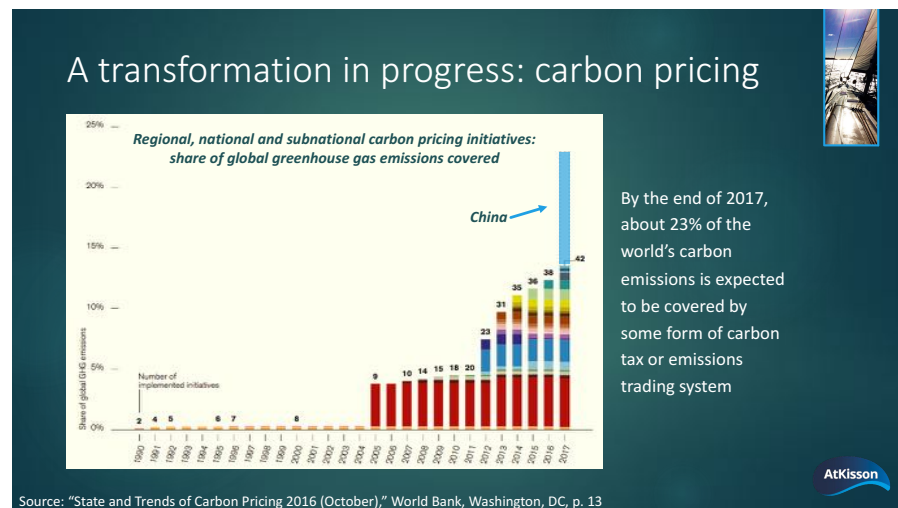
My grandfather had a saying: “If it ain’t broke, don’t fix it.” But the opposite is also true: if a *lot* of things are broken, or at risk of breaking down, and they are all linked together in a complex system, so that if one breaks they will all stop working ... then all of them have to change. And quickly.

That is the sustainable development transformation challenge.

Transformation is almost always driven by the same mathematical process we saw at the beginning of this presentation, visible in the shape of those curves in the “Great Acceleration” slide: exponential growth. A change of just 5 or 6% per year actually translates to a *doubling* every decade. In system terms, a transformation is usually the result of multiple accelerating processes that also reinforce each other, just as microchips, software, broadband and other technologies tend to work together and speed each other up. Similarly, as more and more initiatives are taken in response to undesirable trends, or to seek the opportunities in new sustainable solutions, the result is a systemically reinforcing “pile-on” effect. Certain highly visible or climactic moments may make the transition from one state to another look sudden, but in fact it is the result of multiple waves of change, all stacked up on each other.

Changes like this unfold over different but overlapping time scales, some short, some decades long — but the end result is a world that looks very different, very quickly. Nonetheless, we humans are usually focused on matters near at hand, and we also seem capable of getting used to incrementally new situations quickly. These accelerating changes and cumulative impacts often seem, therefore, to creep up on us unawares. We notice, in retrospect, that a transformation has occurred.<sup>8</sup>

<sup>8</sup> For a recent comprehensive review of transformation and transition science and sustainability, see Maja Göpel, *The Great Mindshift*, Springer 2016. Free e-book: <http://link.springer.com/book/10.1007/978-3-319-43766-8>



*Regional, national and subnational carbon pricing initiatives:  
share of global greenhouse gas emissions covered<sup>9</sup>*

Above is just one rather unexpected example of this process in action: carbon pricing is in the process of going through just such a transformation. The idea of carbon taxes and trading schemes has seemed, for many years, like a very slow process that might never catch on globally. Suddenly — by the end of next year — about 23% of the world's carbon emissions are expected to be covered by some type of carbon pricing mechanism. The change has crept up on us because the news about it has come in episodic jumps (e.g. China's system should come on line next year and bump the number up by a big margin); but the *curve* follows the familiar long-term exponential pattern.

This leads to a prediction, one that is probably as safe to make as Moore's Law (about how microchips become more efficient with predictable speed): it is *highly likely* that within a decade, most of the world will be operating with some kind of carbon pricing mechanism attached to its emissions.

## How do we make transformation happen?

While transformation probably cannot be "forced" by simple policy solutions, it can certainly be encouraged. A new study published by the United Nations Economic and Social Commission for Asia and the Pacific does an excellent job of describing some of key steps to take if you want to encourage society-wide transformation toward sustainability:<sup>10</sup>

- Use top-down actions to foster the scaled expansion of bottom-up innovations and alliances between stakeholders
- Support the creation, clustering and scaling up of good practices or "niches" for transformation
- Change mindsets and behaviors to create the conditions that enable change on a wide scale
- Harness the potential of technology to facilitate and accelerate transformation

I think it's fitting that this study was published in Asia, because Asia is increasingly "where the action is" on many types of sustainability innovation. Asian consumers, for example, are now *more* likely than European or North American consumers to care about a company's values, and its sense of

<sup>9</sup> "State and Trends of Carbon Pricing 2016 (October)," World Bank, Washington, DC, p. 13

<sup>10</sup> Adapted from "Transformations for Sustainable Development," UNESCAP, 2016, available for download here: <http://www.unescap.org/publications/transformation-for-sdg>



purpose over and above making a profit.<sup>11</sup> So our region can learn a lot from studying reports like this from Asia.

These “niches for transformation” mentioned in the UNESCAP report have also been described with another phrase: “bright spots” In this presentation, I am focusing on bright spots — examples of transformative change that are:

- Innovative
- Solutions-focused
- Results-driven
- Replicable

“Bright spots” are the seeds out of which transformation can grow — and by the way, this is also a concept that first emerged in Asia, in Vietnam. The more you cultivate bright spots, and the more strategically you support them to scale up and diffuse, the faster you can reach that symbolic “Transformation Point” in the Hope Graph. For that reason, I will be featuring Bright Spots throughout the rest of this presentation.”<sup>12</sup>

## Starting Conditions for Transformation in the BSR

I contend that SD in our region needs a significant upgrade, so let me provide some evidence to back up this statement. A recent study from the Baltic University Program, conducted on behalf of CBSS, concluded that essentially every country in the Baltic Sea Region not only had varying levels of action on sustainable development — they had different definitions or visions of what “sustainable development” *means*. In some cases, these definitions had very little to do with the issues and trends I have been talking about so far.<sup>13</sup>

But now the 2030 Agenda and SDGs provide a solid global reference and common definition for sustainable development. It provides us, and the world, with a sense of shared clarity and specificity that we desperately needed. And the new Baltic 2030 Declaration, struck in June 2016 under the leadership of the Polish Presidency of the CBSS, offers a renewed regional consensus on working together to achieve it. This Baltic 2030 agreement complements and supports the EUSBSR process — and helps to align it with the new global agenda.

As the countries of our region have recognized:

“[Economic prosperity, social welfare and well-being, human rights, gender equality, safety and the environment are] deeply inter-connected and inter-dependent goals that can only be achieved through the common and cooperative efforts of all our countries, sectors, and stakeholders.”<sup>14</sup>

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<sup>11</sup> Globescan study reported at Sustainable Brands conference, Bangkok, 6 Oct 2016

<sup>12</sup> For a brief version of the story on how the concept of bright spots was first framed, and for links to two good books on the topic, see <https://brightspotsculture.wordpress.com/the-original-story/>

<sup>13</sup> “Assessing the status of sustainable development in the Baltic Sea region: a macro-regional perspective,” Baltic University Program, Dec 2015

<sup>14</sup> “Baltic 2030: Renewing the Commitment to Sustainable Development in the Baltic Sea Region,” 4 June 2016, <http://www.cbss.org/new-baltic-2030/>

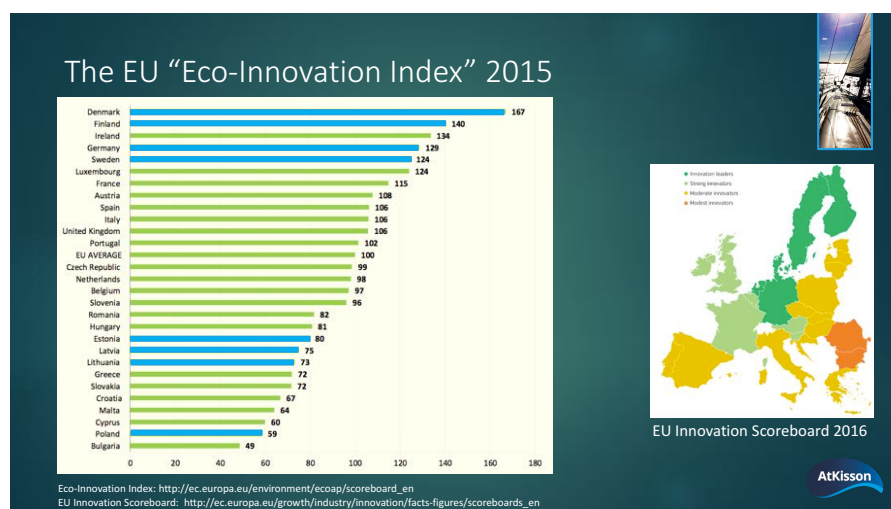
We now have the means to overcome our differing understandings of sustainable development. But we also need to look at our starting points for *transformation*.

Since transformation is about accelerated innovation, I reviewed the data on innovation trends for our region, trends which are studied in some depth by the European Commission on a regular basis.

The situation can be summed up by another pithy quote from a writer, this time the famous science fiction novelist William Gibson:

“The future is already here — it’s just not very evenly distributed.”

At first glance, what we see (below) is a stark difference, on east-west lines: the Nordic countries and Germany rank highest on this list of “eco-innovators,” while the Baltics and Poland fall below the EU average. This breakdown follows the general pattern seen in EU innovation data, which is pictured in the map on the right, which is on the cover of the study from which some of this data originates. There are “green” countries (innovation leaders) and “yellow” countries (moderate innovators).<sup>15</sup>



However, this is an unhelpful and indeed deceptive picture of the situation in the Baltic Sea Region, as a deeper dive into recent data reveals.

For example, two of our countries, Latvia and Lithuania, are the number one and number three fastest *growing* innovators in the EU respectively. And they are advancing so much faster than other member states that, because of the magic of exponential growth, they could potentially catch up with the leaders in just a decade or two — that is, right around 2030.<sup>16</sup>

If you look even more specifically at how firms currently do (or do not) invest in new, more sustainable manufacturing technologies, the picture is clearly an east-west story no longer. Finland, Germany, and Lithuania lead the charge here, while Poland, Estonia, and even Sweden appear to be reversing course on this important indicator of transformation (in terms of the results of this one survey).<sup>17</sup>

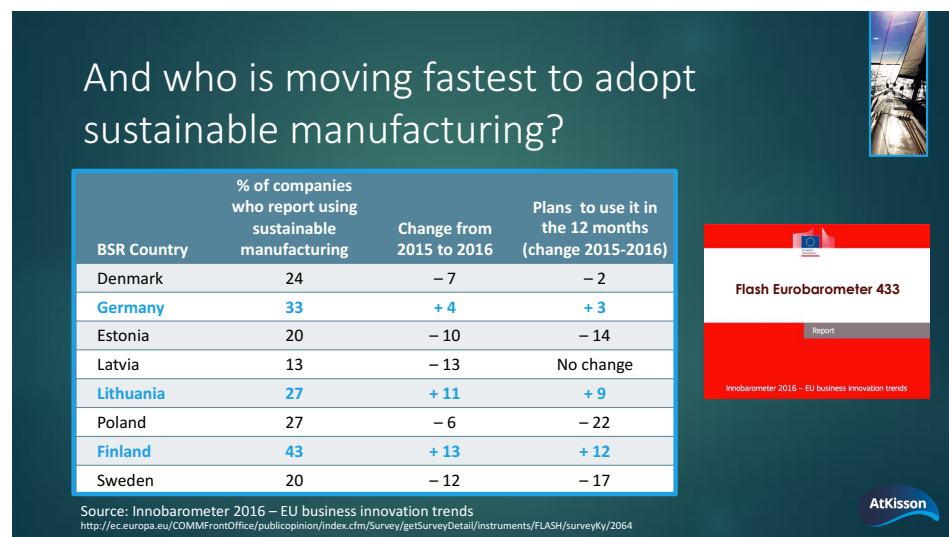
<sup>15</sup> Eco-Innovation Index: [http://ec.europa.eu/environment/ecoap/scoreboard\\_en](http://ec.europa.eu/environment/ecoap/scoreboard_en)

EU Innovation Scoreboard: [http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards\\_en](http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en)

<sup>16</sup> European Innovation Scoreboard, 14 July 2016, cited above.

<sup>17</sup> Source: Innobarometer 2016 – EU business innovation trends

<http://ec.europa.eu/COMMFrontOffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/FLASH/surveyKy/2064>

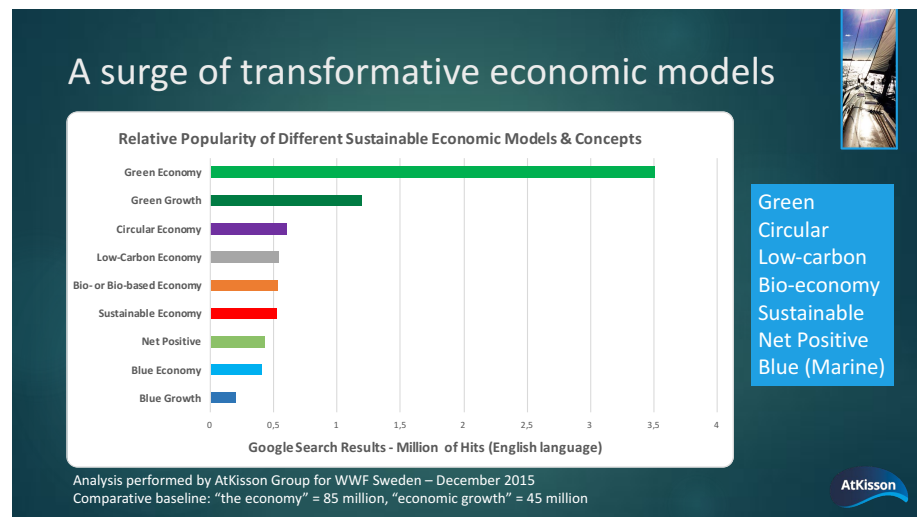


Conclusion: we need to *stop* seeing our region as differentiated along simple east-west lines when it comes to innovation for sustainable development. Instead, we need to *start* seeing it as a single, unified “incubator” of solutions and new ideas. Under this model, bright spots — examples of a sustainable future — can pop up anywhere, seeding the economy and the sustainable society of the future.

That is exactly what is happening already, and that is what we need to encourage, cultivate, and accelerate. Let me show you a range of bright spots that are very “unevenly distributed” in our region.

## Pathways to Transformation

While many of the impacts and conditions we need to change are environmental and social, most the *changes* we need to make are socio-economic. To get to transformation, we need to redirect the power of our dynamic regional economies in some new directions.

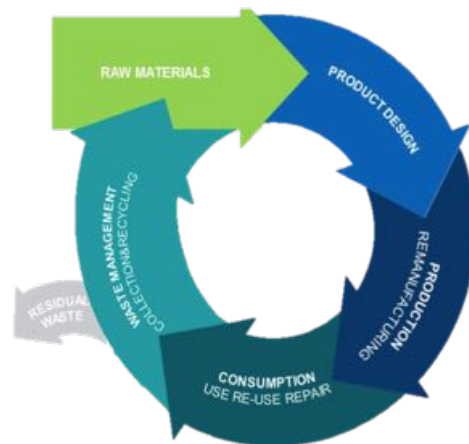


In recent years, a range of new economic concepts or models have been climbing up those exponential growth curves I keep talking about. Here are some of the most common ones, many of which you probably are familiar with. The chart shows the results of some research my firm did for WWF last year on where these new concepts are being used, and how fast they are spreading.

The answer is: they are spreading very fast, and faster all the time. I can also tell you from personal experience that many people in decision-making positions are understandably confused about the differences between these concepts. More importantly, they are under-informed about just how fast these concepts have gone from being nice, fluffy ideas to hard-core economic strategies, with very large numbers attached to them.

Consider the Circular Economy, which many people misunderstand as just being about waste reduction. In fact, it's about redesigning the whole paradigm of product design, manufacturing, use and re-use. Here is what a very recent study, published last month, found when it looked at what implementing circular economy concepts could do in Europe:

- Reduce material inputs in the EU by up to **24%** by 2030
- Reduce greenhouse gas emissions **48%** by 2030 and **83%** by 2050 (compared to 2012) ... just in the food, mobility, and building sectors alone
- Generate net benefits of between **EUR 245 and 604 billion** through measures such as waste prevention, the recovery of materials, changing procurement practices and the re-design of products: an average of 3–8% of annual turnover.<sup>18</sup>



*The Circular Economy: "Using innovative technologies and resource efficiency improvements along all value chains"*

Or consider what the Business Commission on Sustainable Development found when it studied the economic impact of actually following through on the SDGs in the agricultural sector:<sup>19</sup>

<sup>18</sup> "Pathways to a Circular Economy in Cities and Regions (policy brief)," ESPON, Interact, Interreg Europe and URBACT, 2016. Download from: [https://www.espon.eu/export/sites/default/Documents/Publications/PolicyBriefs/07-CircularEconomy-1016/Policy\\_brief\\_on\\_Circular\\_economy.pdf](https://www.espon.eu/export/sites/default/Documents/Publications/PolicyBriefs/07-CircularEconomy-1016/Policy_brief_on_Circular_economy.pdf)

- **14** major business opportunities
- Worth **US\$ 2.3 trillion annually by 2030**
- Of which **USD 200 billion per year** would be realized in Europe
- With a return on investment of **700%**.

The innovations they studied involved a wide range of interventions, ranging from simple actions like reducing food waste to more complex technological advances. But the authors noted that in order to emphasize the business feasibility of this pathway, their analysis was “based on currently available technologies where there is an existing model in operation in some part of the world.”<sup>20</sup>

In other words, bright spots.

There are many examples of these bright spots here in the Baltic Region — and once again, they are spread around and “not very evenly distributed.” In researching this presentation, I and my team stumbled (virtually) over many new and wonderful things, often in expected places — an enormous bioproducts mill in the middle of Finland that will produce renewable electricity and 2500 jobs,<sup>21</sup> or a “green incubator” in Latvia that has generated hundreds of ideas and dozens of workable business proposals and start-ups. In fact, employment in Latvia’s “eco-industries” now accounts for **3.16% of total employment in the country** — which is 151% greater than average for EU countries.<sup>22</sup>

That’s all good news, and there is more good news to come in this presentation; but while green, circular, low-carbon, and sustainable economic processes are showing exponential growth and creating so much innovation, they are not yet mainstreamed into regional innovation policy.

This year’s “Innovation Strategy Guide” from the Nordic Council of Ministers — which does excellent analysis work — nonetheless puts innovation for sustainable development in the special category of “challenge driven” rather than “market driven.” The guide notes:

*“Future solutions to address such challenges are likely to refer to the efficient use of natural resources and the circular economy.”*

*“Increasingly [innovation] is also seen as the best way to address some of the world’s most urgent challenges – e.g., in relation to climate change and sustainable development.”<sup>23</sup>*

The italics are added for emphasis. From a policy standpoint, things like sustainability innovation and the circular economy are a *future* concept. But in the private sector, they are already a reality. They are the *present*.

Consider the iconic global sports clothing and equipment brand, Nike. A few years ago, Nike merged its sustainability work into its innovation function, to create “sustainable innovation.” Their corporate communications, and their many years of documented practice, make it clear that sustainability is not a special challenge-based add-on to traditional market-driven business processes. This *is* a market-driven business process. They consider sustainable innovation “a powerful engine for growth,” and

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<sup>19</sup> “Valuing the SDG Prize in Food and Agriculture,” Business Commission on Sustainable Development, 2016: <http://businesscommission.org/our-work/valuing-the-sdg-prize-in-food-and-agriculture>

<sup>20</sup> Report co-author Fraser Thompson: [http://www.huffingtonpost.com/entry/sustainable-farming-economic-impact\\_us\\_5808ee80e4b0180a36e9dc35](http://www.huffingtonpost.com/entry/sustainable-farming-economic-impact_us_5808ee80e4b0180a36e9dc35)

<sup>21</sup> See “Green Growth in Nordic Regions: 50 Ways to Make it Happen,” Nordregio, 2016

<sup>22</sup> “Eco-Innovation in Latvia: EIO Country Profile 2014-2015,” available from [https://ec.europa.eu/environment/ecoap/sites/ecoap\\_stayconnected/files/latvia\\_eco-innovation\\_2015.pdf](https://ec.europa.eu/environment/ecoap/sites/ecoap_stayconnected/files/latvia_eco-innovation_2015.pdf)

<sup>23</sup> “Policy Area Innovation Strategy Guide: Putting the Action Plan into Practice,” Nordic Council of Ministers, 2016. Download: <http://norden.diva-portal.org/smash/record.jsf?pid=diva2%3A957324&dsid=7501>

CEO Mike Parker says: “This [Nike’s business strategy] represents a *new business model, driven by sustainable innovation*. I believe it will accelerate change like the world has never seen.”<sup>24</sup>

While we are on the subject of athletics, we can bring the topic of green, circular, sustainable innovation back to the Baltic Sea. Consider these beautiful running shoes, made by the German company Adidas and presented to the world in the summer of 2015. They are made from abandoned plastic fishing nets from the Baltic Sea.<sup>25</sup>



In fact, economic innovation in the marine context is one of our region’s strong points, thanks to years of thoughtful political, political, and civil society collaboration. But we still have a long way to go if we are to create a truly sustainable Blue Economy, as everyone involved in Baltic Sea issues, or who likes to swim and fish in the Baltic, knows all too well.

There again, regional innovation is emerging as a bright spot with global impact, this time in the field of policy and management guidance. Last year WWF produced a series of reports on our region that have already had a global impact. And its new “Principles for a Sustainable Blue Economy,” first developed here, have already been looked to as a model by the World Bank and other actors. These Principles combine the best of green, circular, sustainable and socially equitable economic thinking into a very straightforward guidance document that any country, city, or company can use to review and improve its decision-making and investment on the Blue or marine economy.<sup>26</sup>

## The Red Queen Problem

To keep building the case that transformation is already happening, let’s look at the energy sector. There again you can see the way transformative change sneaks up on us. Yesterday, wind energy and solar energy were marginal, “green” alternatives that would probably never compete economically with cheap coal and natural gas. Today, they are *by far* the largest source of new power in Europe. Renewables accounted for 75% of new power generation capacity in Europe last year. Baltic Sea Region countries are leading there as well: we accounted for about 2/3 of all the wind power installed in Europe last year.<sup>27</sup>

<sup>24</sup> Nike Sustainable Business Report 2014-15, <http://about.nike.com/pages/sustainable-innovation>

<sup>25</sup> <http://news.adidas.com/US/Latest-News/ALL/adidas-and-parley-for-the-oceans-showcase-sustainability-innovation-at-un-climate-change-event/s/f66a1b3e-8a9f-48b5-825f-63ddc72c09e7>

<sup>26</sup> “All Hands on Deck: Setting Course for a Sustainable Blue Economy,” WWF, 2015; and “Principles for a Sustainable Blue Economy,” both available from <http://panda.org/balticblue> (note: WWF is a client of AtKisson Group and we supported WWF in the development of these documents).

<sup>27</sup> Next Generation Wind and Solar Power: From cost to value,” IEA 2016, p. 8, available from <http://www.iea.org/publications/freepublications/publication/NextGenerationWindandSolarPower.pdf>



In fact, just a few weeks ago, the International Energy Agency announced that when it comes to generation capacity, renewables have now *overtaken* coal.<sup>28</sup> But that is just the beginning: not only is this transformation gaining speed at rates that surprise even the IEA, it *has* to gain speed.

On the one hand, the good news is that in 2014 and 2015, CO<sub>2</sub> emissions from energy use flattened, even though GDP kept going up. Economists call that “decoupling.” That’s good. On the other hand, “flattened” emissions are not good enough. We have to *reduce* emissions 80% from current levels, if we do not want to condemn our grandchildren to a very hot world.<sup>29</sup>

This is why we cannot sit back and say, “the energy transformation is taking care of itself.” Yes, it is going rapidly in the right direction — but it must go much faster, or we will stay in the same place, emissions-wise. Growth in the size the economy will simply eat up all the efficiency and renewables gains.

This is called the “Red Queen problem,” after a passage in the classic 1872 children’s book, *Through the Looking Glass*. In that book, she grabs Alice, and they start running as hard as they can, but Alice notices that the trees and landscape are stationary. Why is that? she asks the Red Queen, who answers:

“HERE, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, *you must run at least twice as fast as that!*”<sup>30</sup>

Compare this fictional quote from 1872 with a real one, from Jenny Braat, Managing Director of Danish Maritime, speaking at a conference in 2015 on the Blue Economy:

“... the steady increase in transportation by sea means that we *need to improve technologies just to keep the current emission levels.*”<sup>31</sup> [italics added]

To really achieve transformation, we will have to run faster still — but the IEA thinks this will happen in Nordic region, at least, if we continue to push hard in the current direction. Their projects show emissions of carbon dioxide and equivalents from energy use falling dramatically between now and 2050, while GDP continues to rise. Many environmental economists are understandably skeptical of the phrase “decoupling,” noting that historically, most gains in energy efficiency have been ultimately consumed by increased consumption. But unless we believe that the world will voluntarily embrace a more steady-state, non-growth economic model — a prospect that seems unlikely in the near term, at least — a serious attempt to achieve decoupling is essential. And here in the Baltic Sea Region, we could well be the first macro-region in the world to prove it.

But achieving that dream is going to take serious innovation as well. And once again, it is possible to see the seeds of the breakthroughs we need for the energy transformation right here in our region, this time in Hamburg. Siemens new “hot rocks” energy storage technology should be operational, as a working bright spot, in just over a year [see image next page].<sup>32</sup>

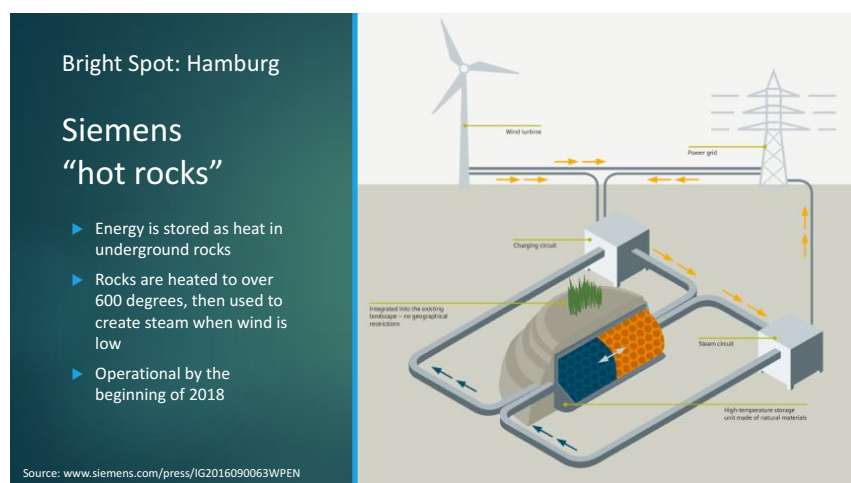
<sup>28</sup> <http://www.bbc.com/news/business-37767250>

<sup>29</sup> <http://www.nytimes.com/2016/11/03/business/energy-environment/climate-crisis-big-question-how-to-inspire-innovation.html>

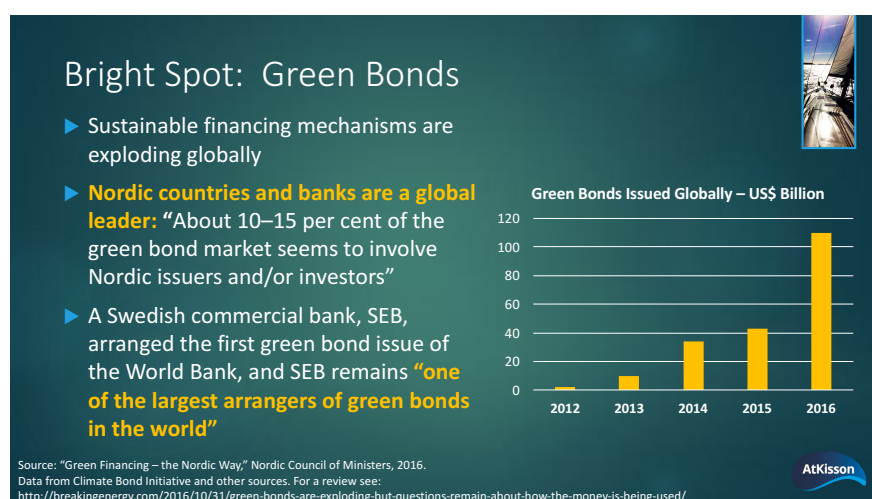
<sup>30</sup> *Through the Looking Glass*, Lewis Carroll, 1871, italics added. Available to read free online at Project Gutenberg: <http://www.gutenberg.org/ebooks/12>

<sup>31</sup> Conference Report on “Drivers for Blue Growth in the Baltic Sea Region,” Oct 2015, available for download at <http://mdc.center/news-input/2016/1/22/drivers-for-blue-growth-conference-rapport>

<sup>32</sup> [www.siemens.com/press/IG2016090063WPEN](http://www.siemens.com/press/IG2016090063WPEN)



Innovations like this need investment, of course, and investment is another area where the signs of transformation in the direction of sustainability are very clear. I have been tracking developments in this sector for a few years now, for a number of clients, and every year the data and the qualitative trends become more and more compelling. The idea that sustainability is some sort of “cost”, which always been a misapplication of that term, has begun to give way to the more correct understanding that it is an investment, with high returns, creating lasting value in any portfolio.



To pick just one indicator, consider the rise of green bonds. By now, rapidly rising curves like this are very familiar. Of course the size of the global green bond market today is still tiny compared to the size of that market overall — \$100 billion (expected in 2016) compared to \$90 trillion.<sup>33</sup> But this is just one indicator among a hundred that I could have presented here. And it is one with a strong connection to our region: our region alone accounts for up to 15% of the global market in green bonds right now. And one Swedish bank — a financial bright spot, SEB — is one of the biggest players in the market. SEB helped to arrange the very first issuance of green bonds by the World Bank.<sup>34</sup>

<sup>33</sup> <http://breakingenergy.com/2016/10/31/green-bonds-are-exploding-but-questions-remain-about-how-the-money-is-being-used/>

<sup>34</sup> “Green Financing – the Nordic Way,” Nordic Council of Ministers, 2016, <https://norden.diva-portal.org/smash/get/diva2:955115/FULLTEXT02.pdf>

Finally, after looking at economic models and studies, and bright spots featuring mostly smaller regional companies and sport shoes, let's look at big business more generally. Who else besides Nike and Adidas is taking this stuff seriously?

The answer is, *many* companies are taking sustainable development *very* seriously,<sup>35</sup> and in fact a growing number have moved beyond notions of reducing their environmental impact, or improving their social responsibility, to a transformative concept that goes far beyond the SDGs in terms of its ambition.

Global business is fond of what some executives like to call “BHAGs”, a piece of management jargon that originally stood for “big, hairy, audacious goal” — a kind of *scary* goal that is so ambitious and aspirational that it sounds almost impossible at first.

One of these new BHAGs for business, in the sustainability space, is called “Net Positive.” It means just what you think it means: not just avoiding negative impacts on climate change or the health of the oceans or workers and their wellbeing, but making sure that your company's negative impact in all of these areas is *zero* — or even positive.<sup>36</sup>

Imagine running a company in such a way that it helped *restore* ecosystems, build healthy communities, and increase fairness and justice in our world. A growing number of companies are realizing that embracing a set of goals that are any less aspirational is just no longer worth it.

One of these companies is a local Swedish-origin firm you may have heard of, IKEA<sup>37</sup> — but there are many others. And once again, their numbers are growing.

To close off this review of pathways to transformation, let me just mention a new initiative that is once again starting in our region, and aiming to a bright spot — a joint Swedish-Norwegian project called the Oslo Manifesto. The aim of this project is translate the SDGs into a global “design brief,” a set of guiding questions for designers, architects, city planners, and other creative professionals.

The aim is to get as many of them as possible committed to thinking about the SDGs, and the vision of a truly sustainable world, *before* they — and the companies they work for — start their design projects. So that we can design bright spots, right from the start. That initiative formally launches on 17 November 2016, at this website: <http://OsloManifesto.org>.

## A Modest Proposal

To round off this review of what is happening, what is needed, and what is possible in the Baltic Sea Region, let me offer small proposal — a set of five strategic recommendations that are the result of many years studying trends in the Baltic Sea Region, and this more recent review of the prospects for transformation here.

### 1. Set a bold new regional vision — for real

To achieve the potential for transformation that we have in this region, we need align the scale of our vision, and our ambition, with the scale of the challenge — and the opportunity. This means aiming *higher* than current policies. That is what visions are about: we need to clearly define success, in every sector and dimension, and then aim for it. Current policies like the EUSBSR and the new Baltic 2030 Declaration are already there, serving as guard rails, and we can use the SDGs as a guide for formulating our ultimate destination.

<sup>35</sup> Examples: [http://www.huffingtonpost.com/ingrid-embree/how-17-companies-are-tack\\_b\\_11991808.html](http://www.huffingtonpost.com/ingrid-embree/how-17-companies-are-tack_b_11991808.html)

<sup>36</sup> For an overview of Net Positive and the companies currently pursuing it see: <http://netpositiveproject.org/>

<sup>37</sup> IKEA's plan is called “People and Planet Positive. For an overview and the current company annual report, see: [http://www.ikea.com/ms/en\\_US/pdf/reports-downloads/sustainability-strategy-people-and-planet-positive.pdf](http://www.ikea.com/ms/en_US/pdf/reports-downloads/sustainability-strategy-people-and-planet-positive.pdf)

But if we want to achieve transformation, we need to set a regional “BHAG”. And then we need to manage our affairs as though we actually mean it.

## 2. See our diversity for what it is — a major asset

We need to notice — *really* notice — that innovation and leadership for sustainability can pop up everywhere in our region. Maybe it is in policy leadership, such as that shown by Poland in spearheading the process of getting the Baltic 2030 Declaration established. Maybe it is in business leadership, such as the innovations in bio-economy coming out of Finland or the eco-businesses sprouting up in Latvia. We need to embrace our regional differences as a source of creative “juice”, and invest in innovation *polycentrically*<sup>38</sup> — creating multiple concentrations of young “sustainable wealth creators” all over the BSR.<sup>39</sup>

## 3. Embrace the global wave of sustainability innovation — region-wide

We need to dismantle the region’s innovation border, which exists more in our minds than it does in reality. We need to make the whole regional map “green” — and circular, low-carbon, blue, sustainable, net-positive etc. These are no longer marginal or “add-on” ideas; they are central to building the economy of the 21st century. If we fully integrate these new transformational economic models into every collaboration platform, financing mechanism, and innovation process we have, we can double or triple the rate at which we find, create, and scale up solutions.

We can build on the resulting bright spots — and create a bright region.

## 4. Create our own scoreboard — and start counting the wins

To better track our progress, we need to review our region’s indicators — and very likely build a new dashboard. It needs to be focused less on traditional “lagging” indicators like GDP, and more on “indicators of transformation” — rates of innovation, diffusion, scaling, goal-setting, transboundary collaboration, and more. Then we need to *watch* those indicators carefully: discuss them, work on them, try to move them.

We need indicators that aim us in the right direction — and tell us whether we are actually going there, and how fast.

## 5. Wear the “leader’s jersey” with pride — and ride

Let’s imagine regional transformation to sustainable development as though it were a “Tour de France” bicycle race — or “Tour Baltique” in our case. A bike race of this kind happens in stages. Different people take turns as leaders. Teams compete, but they also take care of each other: *everyone* needs to get across the finish line.

In the eyes the world, in the global “Tour de Sustainable Development,” we are wearing the leader’s “yellow jersey.” And like star athletes, we need to live up to the hype, our global reputation as a source of smart, innovative, principled yet profitable economic development, with a special understanding of global challenges and opportunities, and how to turn them into business advantages.

<sup>38</sup> For an overview of the “polycentric” development vision for Baltic cities, see “Development of Cities in the Baltic Sea Region,” VASAB, Jan 2016, page 29. Available from: <http://www.vasab.org/index.php/urban-rural-relations/cities-development>

<sup>39</sup> See “Magnet Cities,” KPMG, 2015, which describes the profile of young wealth creators — who are attracted to cities that have a commitment to sustainability. See: <https://assets.kpmg.com/content/dam/kpmg/pdf/2015/03/magnet-cities.pdf>



Photo by Laurent Cipriani, AP

There will always be “sustainability stars” in the Baltic Sea Region — governments, national and local, as well as cities or companies or other institutions that are especially bright spots, and grab the attention of the world. But we can go forward knowing that everyone in our region has a role to play, often a leadership role to play. Like bicycle racers, or like migrating birds, we can take turns taking the leader’s post — but we must *leave no one behind*.



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