

Green is Good for Business

Launch of Report on Opportunities and Challenges for Growing Environmental Goods and Services Sector

A study from Forfás and InterTradelreland reports that due to factors including rising energy costs, a more environmentally conscious consumer and increased environmental regulation, the market for environmental goods and services (EGS) will experience strong growth in the coming years. The value of this sector to the island of Ireland is growing and is currently estimated at €3.6 billion.

Commenting on the report Martin Cronin, Chief Executive, Forfás said, "The global community faces many environmental challenges as we all seek to reduce our carbon footprint. These challenges can open doors to new business opportunities for companies across the island of Ireland. We are facing difficult economic times and it is more important than ever that we focus on areas of potential where Ireland is well placed to compete and can win new markets. This joint report from Forfás and InterTradelreland shows that the environmental sector has the potential to become a valuable component of long-term economic development in Ireland."

"The Government's announcement that it is establishing a high level group to develop an action plan for the development of green enterprise is very welcome as we strive to optimise the opportunities in this area," concluded Cronin.

"It has never been more important to use our collective resources across the island to increase the competitiveness of individual companies and the two economies in the global marketplace. This report highlights how this emerging growth sector lends itself to a collaborative approach. Cooperation between companies and research institutes across the island will deliver technology and process advances that will be key in this knowledge intensive sector. The policy implications of the report dealing with green procurement, investment in R&D, business networks and trade missions will provide InterTradelreland and the other development agencies with scope for work on a North/South basis and within the two jurisdictions," commented Liam Nellis, Chief Executive, InterTradelreland.

Key Report Findings

- **The EGS market is significant and growing**
A number of studies have estimated that the value of the sector was in excess of \$600 billion worldwide in 2005 and is likely to exceed \$700 billion by 2010 and \$800 billion by 2015.
- **Indigenous EGS companies are small but are growing**
A small number of major players exist in this market on the island of Ireland. The market also has a high proportion of small and medium sized enterprises who have established a substantial business presence over the past ten years.
- **Research and Development**
With some notable exceptions, the island has displayed low levels of R&D investment in the EGS sector. A growing number of companies have been successful in developing business models which have commercialised R&D-intensive technologies in this sector.
- **Internationalisation**
While a large proportion of EGS companies are trading locally, some companies have moved to realise opportunities in emerging international markets. The ongoing development of indigenous EGS companies in international activity is considered a priority.
- **Foreign Direct Investment (FDI)**
Our strong ICT base, green credentials and past experience in attracting FDI should be to our advantage in attracting foreign direct investment in this sector. A targeted approach will need to be taken focusing on niche areas with the highest potential.

EGS Sector – The Opportunities

- While a wide range of enterprise opportunities are expected to arise in the growing EGS sector, the sub-sectors which the report sees as having the greatest potential are:
 - Renewable Energies
 - Efficient energy use and management (including eco-construction)
 - Waste management, recovery and recycling
 - Water and wastewater treatment
 - Environmental consultancy and services

Policy Considerations

- **Public procurement** has an important role to play in fostering and promoting the development and adoption of new environmental goods and services.
- The education system will be central to the development of **skills** to assist the future growth of the EGS sector. Environmental engineering is considered a critical skill, and programmes promoting engineering as a career should be cognisant of the opportunities offered in the environmental engineering discipline.

Environmental considerations should also be incorporated into continuing professional development programmes and supports for improved training and development in the environmental industry.

- Environmental **research** is central to the growth of the EGS sector. Given that the island of Ireland is starting from a lower base than a number of competitor countries, EGS-related and applied research targeted at specific areas of opportunity should continue to be prioritised for public investment.
- There should be continued implementation of **environmental legislation** which will provide the regulatory certainty needed for enterprises to invest in this sector.
- There is an ongoing role for **fiscal instruments** in developing the EGS sector.
- The EGS market includes a significant number of specialised start-ups and small companies. These firms face difficulties in accessing start-up and growth **finance** common to all small firms. Measures to improve seedcorn financing and remove market failures in the access of finance for these firms will continue to be important.
- **Building scale** in companies in the EGS sector has been identified as an issue. Collaborative business networks organised on an all-island basis can play a role in assisting companies to build up scale and capacity. Networks could prove important also in helping indigenous companies to internationalise.