

*End-of-Pipe or Cleaner Production? An
Empirical Comparison of Environmental
Innovation Decisions Across OECD Countries*

Manuel Frondel

Rhine Westphalia Institute for Economic Research Essen
(RWI)

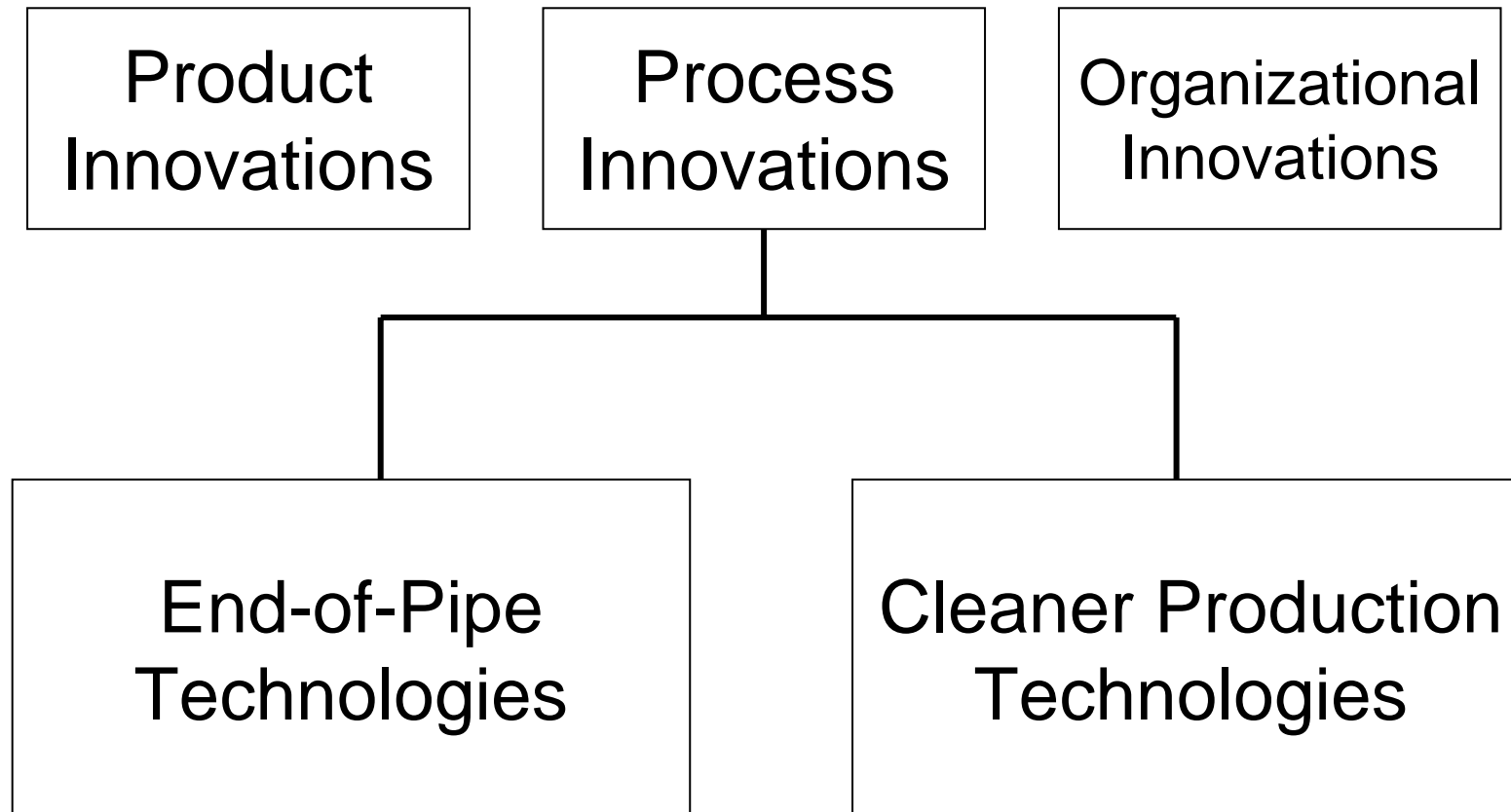
Jens Horbach

University of Applied Sciences Anhalt (Bernburg)

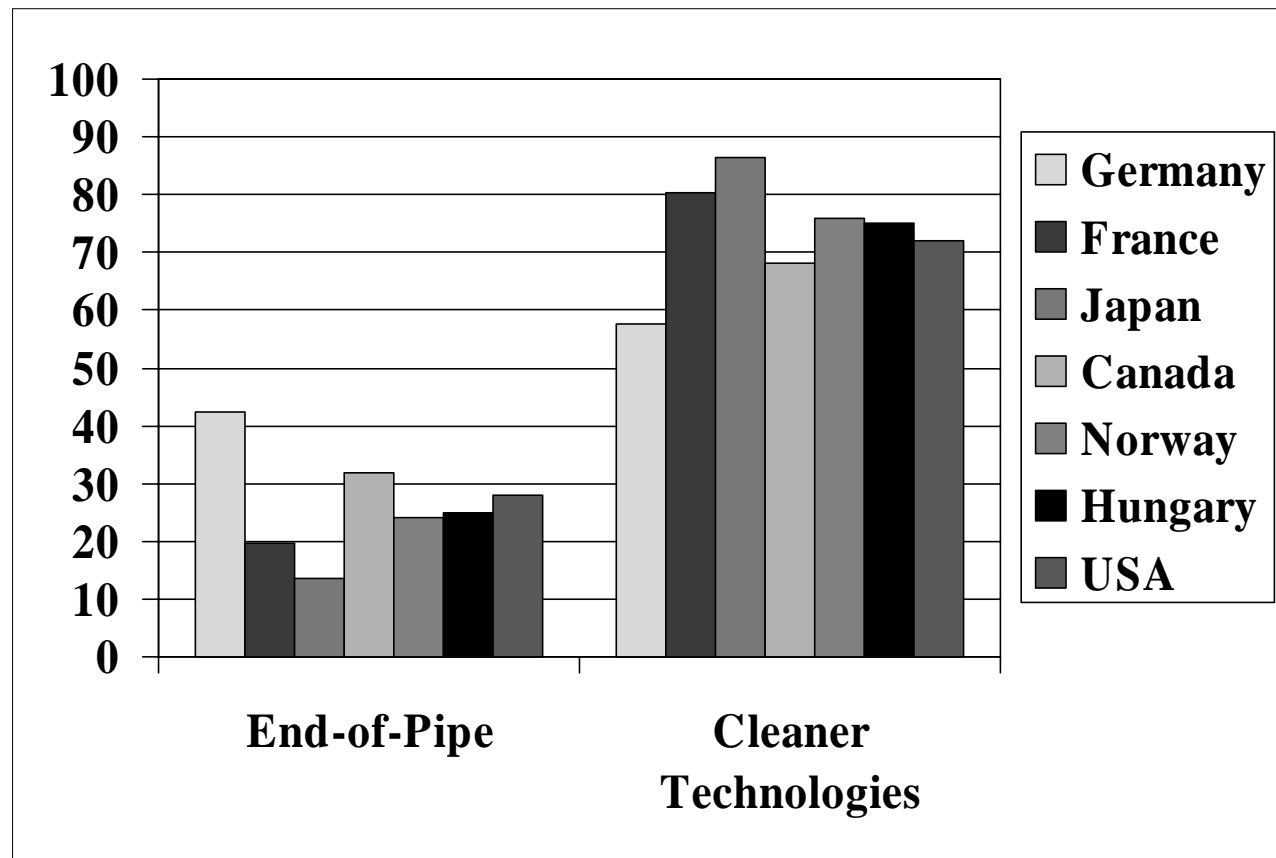
Klaus Rennings

Centre for European Economic Research Mannheim (ZEW)

Types of Environmental Innovations



Choice of Environmental Technologies in Different OECD Countries



Source: OECD database.

Econometric Analysis: A Multinomial Logit Model

Dependent variable:

Choice of abatement technology (end-of-pipe, cleaner technology, no new technology)

Five sets of independent variables:

- Environmental policy instruments
- Motivations for environmental activities
- Pressure groups and stakeholders
- (Environmental) management tools
- Facility characteristics

Results of the Econometric Analysis

	End-of-pipe	Cleaner Production
	Environmental Policy	
Policy Stringency	1.43 (2.15)*	1.22 (1.27)
Regulatory Measures	1.34 (2.11)*	1.14 (1.12)
Market Instruments	1.30 (1.86)	1.06 (0.47)
Information	0.82 (-1.13)	0.80 (-1.48)
Voluntary Measures	0.90 (-0.52)	1.02 (0.12)
Subsidies	1.08 (0.46)	1.15 (0.97)

Number of observations: 3699. $\chi^2(78) = 1267.71$. Pseudo $R^2 = 0.178$. The base category is “no abatement technology”. Z-statistics are given in parentheses; * and ** denote significance at the 5% and 1% level, respectively. Relative Risk Ratios for the corresponding variables are reported instead of coefficients.

- The strictness of environmental policy and regulatory measures are more important for the introduction of end-of-pipe technologies
- No significant impacts of market-based instruments

	End-of-pipe	Cleaner Production
	Pressure Groups	
Internal Forces	1.43 (2.60)**	1.52 (3.57)**
Unions	0.65 (-1.92)	0.84 (-0.88)
Green orgs	1.01 (0.09)	0.96 (-0.32)
	Motivations	
Image	1.03 (0.18)	1.10 (0.84)
Incidents	1.47 (2.85)**	1.37 (2.88)**
Cost Savings	1.23 (1.63)	1.62 (4.53)**

- Cost savings are only relevant for cleaner technologies
- Among the influences of pressure groups only internal stakeholders promote both types of environmental innovation
- Environmental incidents spur the realization of both environmental technologies

	End-of-pipe	Cleaner Production
	Management Tools	
Health and Safety System	1.29 (1.98)*	1.44 (3.49)**
Process or Job Control System	1.13 (0.85)	1.33 (2.35)*
Written Environmental Policy	1.45 (2.42)*	1.52 (3.31)**
Internal Audits	1.26 (1.53)	1.58 (3.72)**
Environmental Accounting and Reports	2.00 (4.05)**	1.71 (3.52)**
	1.28 (1.56)	1.52 (2.98)**

- (Environmental) management tools (especially process or job control systems, internal environmental audits and environmental reports) seem to be particularly important for the introduction of cleaner technologies

	End-of-pipe	Cleaner Production
	Facility Characteristics	
Competition	0.91 (-0.79)	1.02 (0.15)
Impacts	1.78 (4.34) **	1.40 (2.95) **
Officer	2.11 (4.86) **	1.63 (4.07) **
R&D	1.31 (1.03)	1.75 (2.47) *
Size	1.00 (-0.27)	1.00 (-1.95) *
Turnover	1.07 (0.51)	1.02 (0.23)

- R&D promotes cleaner technologies but is not significant for end-of-pipe
- The existence of a person explicitly responsible for environmental concerns triggers environmental innovation
- Environmental impacts spur the realization of both environmental technologies

Policy Recommendations

- The strictness of environmental policy but not the choice of the policy instrument matters
- Support of the introduction of (environmental) management tools is useful because these tools improve the information basis for cleaner technologies
- Widening the cost gap between the two types of technologies, for instance, by additionally charging for the use of waste and energy is useful to support cleaner technologies