

OECD
ENVIRONMENT PROGRAMME
2003-2004





PROGRAMME

THE OECD ENVIRONMENT PROGRAMME

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THE OECD

THE OECD IN BRIEF

IN BRIEF



The Organisation for Economic Co-operation and Development (OECD) was founded in 1961. It succeeded the Organisation for European Economic Co-operation (OEEC), which was established in 1948 to help implement the Marshall Plan. Today the OECD has 30 member countries. Its principle aim is to promote policies for sustainable economic growth and employment, a rising standard of living, and trade liberalisation. By 'sustainable economic growth' the OECD means growth that balances economic, social and environmental considerations. The OECD 'family' of organisations also includes the International Energy Agency (IEA), the Nuclear Energy Agency (NEA) and the European Conference of Ministers of Transport (ECMT)

The OECD brings together its member countries to discuss and develop both domestic and international policies. It analyses issues, recommends actions, and provides a forum in which countries can compare their experiences, seek answers to common problems, work to co-ordinate policies and engage non-member countries in constructive dialogues.



The OECD Member Countries as of 2003 *

Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States

* The European Commission also takes part in the work of the OECD



The OECD and its partner organisations have programmes of work on economic policy; education; employment, labour and social affairs; energy; environment; development co-operation; financial, fiscal and enterprise affairs; food, agriculture and fisheries; international trade; public governance and territorial development; science, technology and industry; and transport. The OECD also has inter-disciplinary programmes on issues such as sustainable development, health care, policy coherence and regulatory reform.

The Organisation has become one of the world's largest and most reliable sources of comparable statistical data and information. The data received from governments is harmonised and then used to facilitate comparison and analysis. OECD databases cover areas as diverse as national accounts, various economic indicators, the labour force, trade, employment, migration, education, energy, industry, taxation, tourism, and the environment.

The OECD's work is overseen by several bodies. At the highest level is the OECD Council, made up of Ambassadors from all member countries. The Council's main role is to review and approve the OECD budget and programme of work. It can also adopt Council Decisions (which legally bind all member countries to a particular course of action) and Council Recommendations (which strongly encourage action). The specific policy and technical work of the OECD is directed by specialised Committees, supported by Working Parties, Working Groups and ad hoc technical groups, which are composed of experts from member countries. The Council and several of its committees meet regularly at the ministerial level. The Council and all other OECD bodies work by consensus. The OECD also actively supports several other standing groups or bodies that work on topics of particular interest to the Organisation, and in which OECD member countries are actively involved (e.g. climate change).

The daily work of the OECD is co-ordinated and supported by its Secretariat located in Paris, France, which has approximately 1 800 employees.

OECD AND THE EVOLVING CONTEXT FOR ENVIRONMENTAL POLICY

Environment in OECD for Three Decades

The role of environmental issues as an important concern for public policy in OECD countries was recognised by the Organisation in the early 1970s, leading to the establishment in 1971 of the Environment Committee (now the Environment Policy Committee) and the Environment Directorate at the OECD.

Amongst the early landmarks in the OECD's work on environmental policy was the historic Recommendation by the OECD Council in 1972 on the 'Polluter Pays Principle'. Complemented by the 'User Pays Principle', it is one of a number of principles which the OECD has espoused in the last three decades to encourage the integration of environmental and economic policy. Such integration is today even more important than it was in the 1970s and 1980s, as the environmental problems faced by OECD countries, and the policies used to address them, have evolved. Although much remains to be done to address pollution-related problems – such as air and surface water

The OECD Polluter Pays Principle

The polluter should bear the expenses of carrying out environmental protection measures decided by public authorities to ensure that the environment is in an acceptable state. In other words, the cost of these measures should be reflected in the cost of goods and services which cause pollution in production and/or consumption. Such measures should not be accompanied by subsidies that would create significant distortions in international trade and investment.

quality, industrial pollution and waste management – the policies required are generally well understood and in many cases are already widely implemented in OECD countries.



In recent years, a complex set of environmental problems has emerged, going well beyond the agenda of earlier decades. These new challenges centre on threats to strategic natural resources and to the 'global commons'. In order to better understand how environmental and economic forces and trends interact, an economy-based vision of environmental conditions to 2020, the *OECD Environmental Outlook*, was prepared in 2001. The *Outlook* identifies climate change, loss of biodiversity, urban air pollution, hazardous chemicals in the environment, groundwater pollution, and the sustainable management of fisheries, forests and agricultural land as among the most important challenges of today. The accelerating phenomenon of globalisation has introduced a new dynamic element, as capital, goods, people and information have all become highly mobile across the world. The result has been dramatically increased interdependence – both economically and environmentally – between OECD and non-OECD countries.

Environment Ministers Respond

These two phenomena – a more complex set of environmental problems and increased global interdependence – mean that a new strategic approach to environmental policy is urgent. In response to the analysis in the *OECD Environmental Outlook*, the Environment Ministers of OECD countries adopted in 2001 and the *OECD Environmental Strategy for the First Decade of the 21st Century*. The Environmental Strategy articulates four criteria for gauging environmental sustainability and identifies five key strategic objectives.



Four Criteria for Environmental Sustainability

- I. Renewable resources should be used efficiently, and their use kept to a level that is compatible with their **regenerative capacity** over the long term.
- II. Non-renewable resources should be used efficiently, and their use limited to levels which can be offset by their **substitution** by renewable resources or by other forms of capital.
- III. Releases of hazardous or polluting substances to the environment must not exceed its **assimilative capacity**, and concentrations must be kept below established critical levels for protecting human health and the environment.
- IV. **Irreversible adverse effects** of human activities on ecosystems should be avoided, and the natural processes capable of maintaining or restoring the integrity of ecosystems safeguarded.

The Strategy also specifies the necessary national actions by OECD countries to address the most pressing environmental problems they face at the dawn of the 21st century, the indicators that can be used to monitor their progress, and the work that the OECD can undertake to support these actions. Environment Ministers will meet again in April 2004 to review the progress made by countries and by OECD to date.

The 5 Objectives of the OECD Environmental Strategy

1. Maintaining the integrity of ecosystems through the efficient management of natural resources.
2. De-coupling environmental pressures from economic growth.
3. Improving information for decision making: Measuring progress through indicators.
4. The social and environmental interface: Enhancing the quality of life.
5. Global environmental interdependence: Improving governance and co-operation.

Recent Publications:

- OECD Environment Strategy for the First Decade of the 21st Century (2001)
- OECD Environmental Outlook (2001)
- Chemicals Outlook (2001)

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Sustainable Development at the OECD

In 2001 as well, the OECD Ministerial Council Meeting reviewed the results of a major three-year cross-organisational programme on the economic, social and environmental dimensions of sustainable development. The Ministers agreed that sustainable development was an overarching goal of OECD governments and the OECD itself. They recognised that OECD countries bear a special responsibility for leadership on sustainable development because of their effect on the global economy and environment. OECD thus committed to advancing the international agenda on sustainable development by closing the gap between policy design and implementation and working with non-OECD countries to jointly enhance economic growth, promote human and social development and protect the environment. Work began immediately to develop indicators that measure progress across all three dimensions of sustainable development and to incorporate them into OECD's peer review processes. Work is also being undertaken on overcoming barriers to policy reform – in particular to the better use of market-based instruments and the phasing-out of environmentally harmful subsidies – and on the social aspects of sustainable development. The results of this Organisation-wide programme on Sustainable Development will be reviewed by OECD Ministers in mid-2004 and the next steps determined.

Extract from a Communiqué by the Finance and Environment Ministers in May 2001

"Sustainable development is an overarching goal of OECD governments and the OECD. The three dimensions of sustainable development - enhancing economic growth, promoting human and social development, and protecting the environment - are interdependent objectives requiring concerted international action by OECD, transition and developing countries, based on their common and differentiated responsibilities, to deliver essential public goods of a global nature. We recognise that OECD countries bear a special responsibility for leadership on sustainable development worldwide, historically and because of the weight they continue to have in the global economy and environment. We recognise the urgency of the challenge and the gap between policy design and implementation. We are committed to closing this gap and will work energetically with countries outside the OECD's membership to achieve our joint sustainable development goals."



Much of the on-going work in OECD supports directly or indirectly the actions identified in 2002 by the World Summit on Sustainable Development in its plan of implementation. In follow-up to WSSD, new emphasis is currently being placed on cross-cutting work related to aspects of poverty eradication, sustainable consumption and production patterns, corporate responsibility and good governance.

Recent Publications:

- Working Together Towards Sustainable Development: The OECD Experience (2002)

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THE OECD ENVIRONMENT PROGRAMME: HOW IT WORKS

The Environment Policy Committee (EPOC) and Partners

The Environment Policy Committee is one of the major policy committees of the OECD. It is in charge of implementing the environment part of the Organisation's biennial programme of work – the Environment Programme – once approved by the OECD Council. EPOC usually meets in Paris twice a year, and holds meetings at the Ministerial level approximately every three years, most recently in May 2001, and with the next one scheduled for Spring 2004.

EPOC oversees three Working Parties – on **Global and Structural Policies**, **National Environmental Policies**, and **Environmental Performance** – which are supported by Working Groups of experts on such topics as transport, waste and biodiversity. EPOC also co-operates with other OECD Committees and Bodies, participating in two Joint Working Parties - on **Trade and Environment** and on **Agriculture and Environment** - and in **Joint Meetings of Tax and Environment Experts**.

The Environment, Health and Safety (EHS) Programme is part of the Environment Programme, but is largely funded by a specific (Part II) budget separate from the regular OECD budget. The **Chemicals Committee**, like EPOC, reports directly to the OECD Council. EPOC's Working Party on Chemicals, Pesticides and Biotechnology and the Chemicals Committee together form the **Joint Meeting** which oversees the EHS programme.



A **Task Force for the Implementation of the Environmental Action Programme in Central and Eastern Europe (EAP)** is serviced by the Environment Directorate, and forms part of the OECD's co-operative work with non-member countries. The EAP Task Force provides a forum for dialogue and co-operation between countries in transition and the members of the OECD on environmental policies and institutional frameworks.



Mandate of the Environment Policy Committee

EPOC's Mandate is to assist member countries in implementing the Environmental Strategy and to provide a forum for governments to:

- Address common problems and encourage cooperation on new approaches to policy.
- Promote, in support of sustainable development, the integration of environmental and economic policies, technological innovation and diffusion, and the protection of unique environmental assets and ecosystems.
- Share data, information and experience; assess the environmental performance of member countries.
- Promote the sharing of knowledge with non-member countries.
- Ensure that the views and expertise of non-government institutions are drawn upon in its work.

The **Annex I Experts' Group on Climate Change** is also serviced by the Directorate, and undertakes studies of issues related to the negotiation and implementation of international agreements on climate change.

Work on the Environment Programme is carried out in co-operation with a range of global and regional international organisations, as well as with government officials of member countries. Key research institutes around the world are also important partners, as are 'civil society' represented through business, labour and non-governmental environmental citizens organisations.

The OECD Environment Directorate

The Environment Directorate is the part of the OECD Secretariat that undertakes Environment Programme activities. Working closely with member countries, the staff researches and analyses the underlying issues. The findings and recommendations of this work are discussed at meetings of EPOC, its subsidiary and collaborating bodies, and with groups of experts.

The Environment Directorate is structured around five units which work together to deliver the Environment Programme of Work: the National Policies Division; the Global and Structural Policies Division; the Environmental Performance & Information Division; the Environment, Health and Safety Division; and the Non-Member Countries Division. Strategic leadership is provided by the Director's Office, and the Management Support Branch services EPOC and looks after administrative, communications and budgetary issues. The staff of the Directorate is drawn from across the 30 countries of the OECD, and there were more than 100 full time staff working in the Directorate in early 2003.

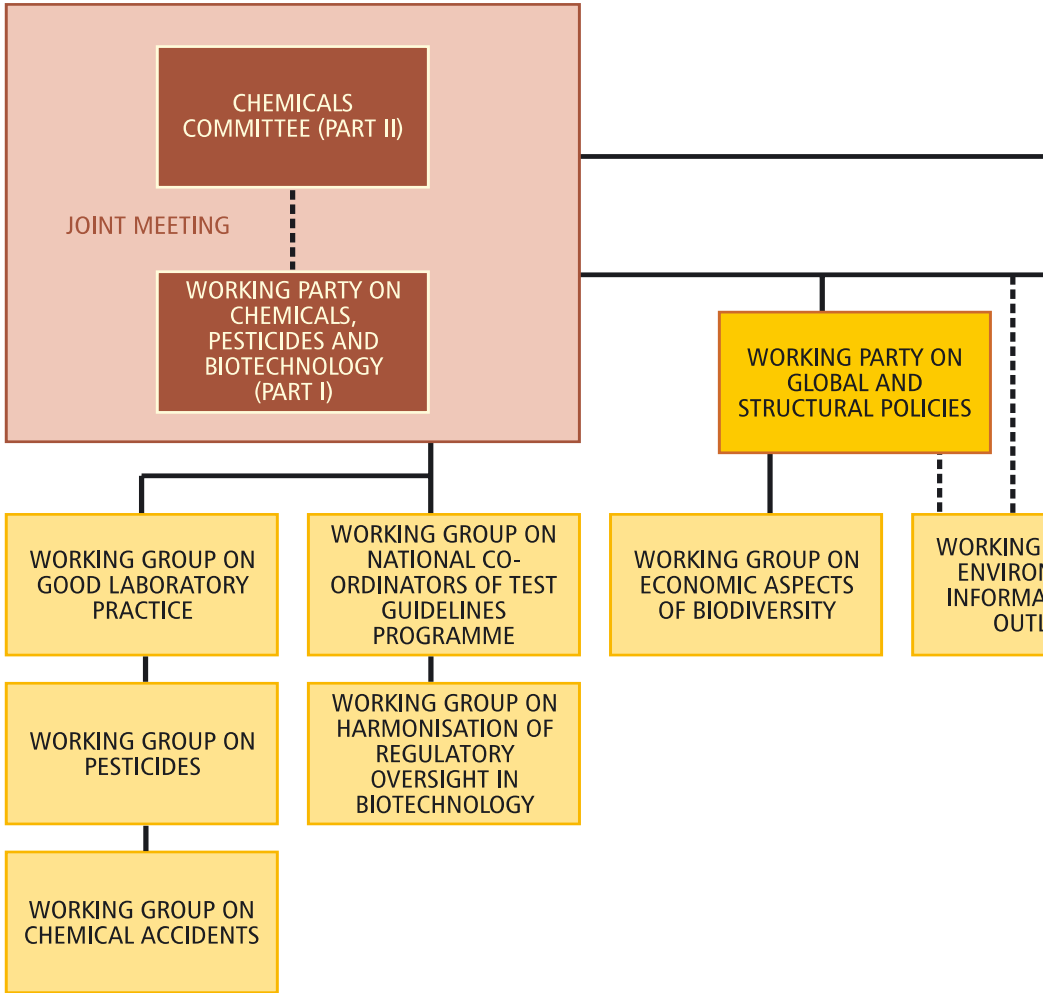
The Environment Programme's Budget

The Environment Programme is primarily financed by three distinct budgets, which totalled 7.0 million Euros in 2003. The regular Environment Programme budget was 4.5 million Euros, financed by the annual contribution paid to the Organisation by its member countries. The Special Programme on the Control of Chemicals had a budget of 1.7 million Euros, made up of the annual contributions of the 28 member countries that support this Programme. In addition, 0.8 million Euros were provided to the Environment Programme by the OECD Centre for Co-operation with Non-Members (CCNM) to finance a portion of the work with non-members. Some of these resources support project staff working directly within the Environment Directorate.

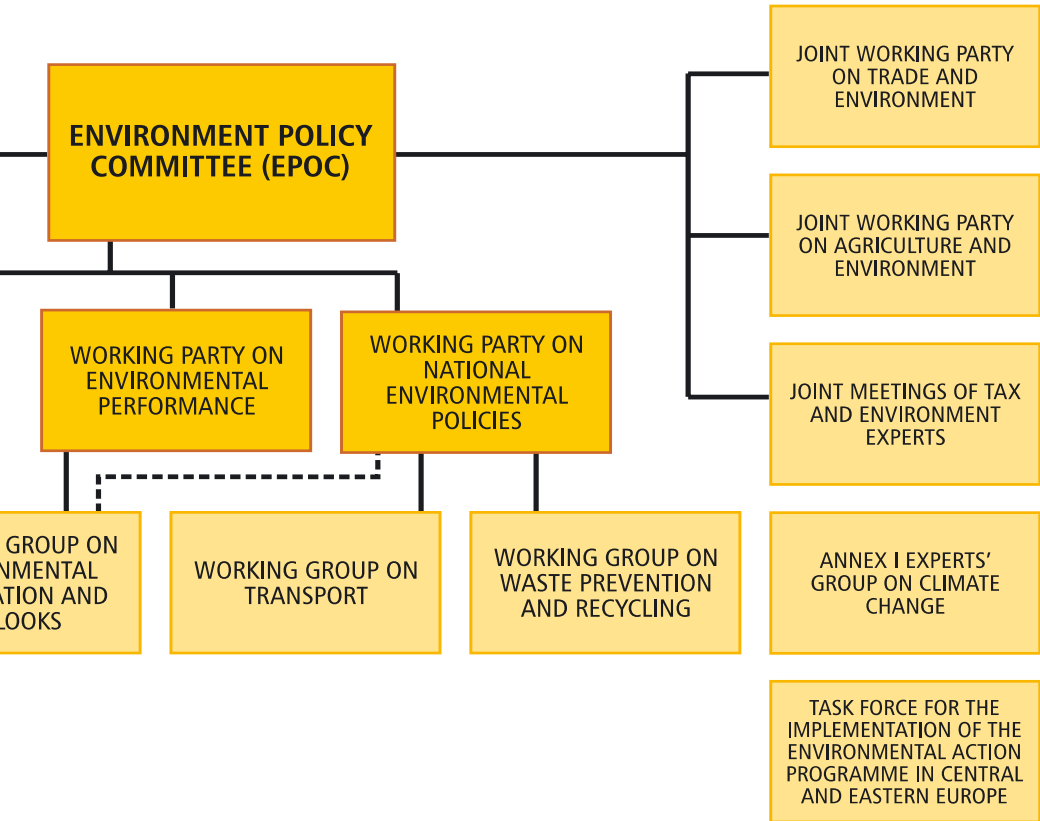
In addition to these three sources of finance, the Programme receives a number of voluntary contributions from member countries to help fund its work. In 2002, the Programme received 2.1 million Euros for work in its general programme, 0.33 million to support the work on chemicals and 2.2 million for work with non-members.



ORGANIGRAMME OF THE ENVIRONMENT



COMMITTEES' STRUCTURE



THE ACTIVITIES OF THE ENVIRONMENT PROGRAMME

The main areas of work undertaken by the Environment Programme support the OECD's overarching objective of promoting sustainable development and are specifically aimed at responding to the challenges of the *OECD Environmental Strategy for the First Decade of the 21st Century*. The ultimate aim is to enhance environmental quality by facilitating the efforts of member countries to improve environmental management. A set of output groups has been defined which aim to do this by developing and using indicators and outlooks to identify issues and prioritise them; analysing policy options from the perspective of environmental effectiveness, economic efficiency, and equity in order to benchmark good practice, harmonise regulatory oversight and facilitate work sharing among countries; applying this framework to priority issue areas; promoting accountability through an environmental performance review process; and disseminating OECD best practices in non-member countries and promoting consensus on efficient and effective approaches that could contribute to resolving regional and global environmental problems.

The activities are grouped into five areas where work is undertaken to respond to the challenges of the *Strategy*: ecosystem integrity; decoupling environmental pressures from economic growth in the context of sustainable development; environment peer reviews, indicators and outlooks; environment, health and safety and social linkages; and co-operation with non-member countries. The specific work undertaken in these activity areas is discussed in more detail on the following pages.

1. Ecosystem Integrity

Many renewable natural resources are now being used or harvested in ways that are considered to be unsustainable, especially as economic activity becomes more globalised. World attention is increasingly turning to this problem – for example, the Convention on Biological Diversity contains an important commitment to the conservation and



sustainable use of biodiversity resources. Work of the Environment Directorate related to biodiversity is currently focussing on the creation of markets for the sustainable use of biodiversity products and services and on techniques to measure the full value of biodiversity services to both the economy and to ecosystems. **Water** is another key renewable natural resource which needs to be managed on a sustainable basis. Recent projects by the Environment Directorate in this field have focused on improved ways of financing urban water infrastructure (especially in Eastern Europe, the Caucasus, Central Asia, and China), on the social aspects of water pricing policies and producing an overview of performance in and challenges to water management in member countries. A summary of OECD work related to water management was also prepared for the Third World Water Forum in 2003 (Kyoto-Osaka-Shiga, Japan). **Agriculture** is a key economic sector, with strong connections to environmental and resource management objectives. The Environment Directorate therefore contributes actively to joint work with the Agriculture Directorate on this topic.

Global **climate change** is one of the most serious and complex challenges facing the world today, with potentially serious implications for economies, societies and the environment. The OECD's long-standing work in this area is a central part of the Organisation's work on environmental issues. Current projects emphasise the benefits of climate policies as well as assessing cost-effective strategies for both mitigation and adaptation. Working jointly with the Development Co-operation Directorate in 2002-2003, a series of case studies has been developed to assess strategies to mainstream climate change responses within economic development planning and assistance programs in developing countries. On mitigation, the OECD-IEA Annex I Experts' Group on Climate Change, with representatives from member countries and countries in transition, provides a platform for analysis and exchange of ideas focused on how best to implement the Framework Convention on Climate Change. This work comprises assessment of policies that will curb emissions over the long term as well as more focused work on the Kyoto Protocol, including options to advance the cost-effective use of Kyoto mechanisms (international emissions trading, the Clean Development Mechanism and Joint Implementation).



Through changes in patterns of consumption, production and investment, globalisation can promote the more efficient use of resources; on the other hand, it can also contribute to increased pressure on natural resources and more pollution, particularly if adequate environmental policies are absent.

The Environment Directorate is working actively with the Trade Directorate and the Directorate for Financial, Fiscal and Enterprise Affairs to better understand the interaction between **trade** patterns and their environmental consequences. Recent work in this field has been focussing on the environmental dimensions of negotiations related to the Doha Development Agenda. In particular, projects concerning the environmental effects of OECD trade policies on developing countries, as well as on trade issues connected to eco-labelling schemes, are currently underway. Recent work in the **investment** area has also emphasised the environmental effects of foreign direct investment, and of

policy-based competition to increase that investment. Another current project in this area is examining ways of achieving more effective implementation of the environmental components of the OECD Guidelines for Multinational Enterprises.

Recent Publications:

- Benefits of Climate Policy: Improving Information for Policymakers (forthcoming)
- Global Forum on Emission Trading (forthcoming)
- Improving Water Management: Recent OECD Experience (2003)
- Social Issues in the Provision and Pricing of Water Services (2003)
- Water: Performance and Challenges in OECD Countries (2003)
- Harnessing Markets for Biodiversity: Towards Conservation and Sustainable Use (2003)
- Handbook of Biodiversity Valuation: A Guide for Policy Makers (2002)
- Uncertainty and Environment (2002)
- The Polluter Pays Principle as it related to International Trade (2002)
- The Development Dimension of Trade and Environment: Case Studies on Environmental Requirements and Market Access (2002)
- Valuation of Biodiversity Benefits: Selected Studies (2001)
- Ancillary Benefits and Costs of Greenhouse Gas Mitigation: Policy Conclusions (2001)
- Environmental Benefits of Foreign Direct Investment: A Literature Review (2001)
- Environmental Issues in Policy Based Competition for Investment: A Literature Review (2001)

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2. Decoupling Environmental Pressures from Economic Growth

It is becoming increasingly urgent to adopt more sustainable patterns of production and consumption in order to decouple environmental pressures from economic growth. OECD is currently concentrating its efforts on two sectors of economic activity – waste and transport.

While **waste prevention** has been accepted as an essential element of environmental policy, limited attention has been paid to the establishment of evaluation tools for countries to assess their performance in this area. A major project was recently undertaken to develop a Reference Manual on Strategic Waste Prevention, and follow-up work is underway on the development of OECD-level performance indicators of waste prevention. In addition, considerable work has been undertaken in the OECD on the environmental benefits of providing economic incentives for households, commercial establishments and industrial facilities to minimise their waste generation and increase reuse and recycling. Work in this area includes the identification of market barriers and failures in secondary material markets, the waste reduction implications of different types of waste service contracts, identification and promotion of cost-efficient waste management options and new work on the economics of extended producer responsibility. A new focus in the waste-related work is being put on such economic aspects as economic instruments.



A series of OECD Council Acts establish a broad framework for the **control of transfrontier movements of hazardous wastes**, such as the toxic residues from chemical and manufacturing industries. The OECD framework also includes an operational control system for wastes which can be recycled or recovered and which are moved between OECD countries, facilitating the environmentally sound and economically efficient movement of such wastes and increased recycling. To ensure the appropriate management and recovery of wastes, work is underway to develop international guidance for environmentally sound management of recoverable wastes in the receiving facility. Procedures for the management of the transfrontier movement of wastes also exist under the Basel Convention and within the European Union, and harmonisation of the procedures and requirements of the different systems is now completed. Further harmonisation of waste lists is underway.

The OECD has been studying the relationship between **transport** and the environment since the earliest days of its environmental work. The continuing expansion of transport in OECD countries brings huge costs, both social and environmental, estimated to amount to 6-8% of GDP (recent evaluations for transition economies indicate that this figure is almost double). The OECD's project on Environmentally Sustainable Transport developed Guidelines for policy-making that were endorsed by Environment Ministers in 2001 in order to assist governments at all levels when developing strategies so that transport systems will be environmentally sustainable by the year 2030 and beyond. Over the next few years, the work will focus on establishing implementation strategies, identifying barriers and solutions to overcoming them, as well as reviewing best practices and priority actions for environmentally sustainable transport in different OECD regions. To follow current trends in pollution from motor vehicles, the MOVE II project provides emission projections for different world regions based on currently adopted and planned control measures for all major air pollutants and greenhouse gases. It also evaluates the impacts – costs and air quality benefits – from advanced control technologies and cleaner fuels on vehicle emissions over the next three decades. A newly initiated project is looking at the decoupling issue for the transport sector, including an examination of the interrelations between economic growth and transport demand. It focuses on the identification of non-technical measures and demand management approaches to promote more sustainable transport patterns. A number of case studies addressing specific sectors or broader economic trends and their impact on transport demand will complete this project that aims at identifying options and policy instruments for decoupling. This programme includes also an important outreach component to Central and Eastern Europe. In transport-related environmental pressure, co-operation with UNEP's Regional Office for Europe and the Central European Initiative (CEI) of Environment Ministers has resulted in the project "EST goes EAST" which promotes pilot projects for investment and partnership opportunities for sustainable transport. A study on external costs of transport for all countries in the region has also been carried out. The evaluations contained therein will be important for transport project assessment and policy-making in the future.

Links between **public environmental policy design and firm-level management** are being explored through the analysis of a large industrial survey in seven OECD member countries. The project involves statistical analysis of how the design of environmental policies and the choice of policy instruments affect the ways in which firms in manufacturing sectors address the environmental impacts from their production processes. This includes analyses of the efficacy of environmental management systems and tools, as well as more general firm-level management practices and organisational structures.

In related programmes, work has also been undertaken on **environmentally sustainable buildings** and on **sustainable household consumption**. Consumption trends and drivers have been analysed, as well as environmental impacts, in five key areas: food, tourism-related travel, energy, water and waste generation. Policy implications have been drawn considering the effectiveness of different types of policy instruments. As a follow-up, an activity will be carried out on combinations of instruments to promote sustainable household consumption adopting a broad approach of policy mixes, looking at the combination of environmental policies and other public policies.

Technical, social and economic changes can contribute to major improvements in the efficient use of resources, helping to break the link between economic growth and the growth in resource use and pollution. To improve understanding of how **resource efficiency** can contribute to sustainable development, a cross-cutting work programme is underway in this area, with a particular focus on institutional responses. In addition,

Recent Publications:

- Technical Guidance for the Environmentally Sound Management of Specific Waste Streams: Used and Scrap Personal Computers (2003)
- The Environmental Performance of Public Procurement: Issues of Policy Coherence (2003)
- Environmentally Sustainable Buildings: Challenges and Policies (2003)
- Towards Sustainable Household Consumption? Trends and Policies in OECD Countries (2002)
- Guidance Manual for the Implementation of the OECD Council Decision on the Control of Transboundary Movements of Wastes Destined for Recovery Operations (2002)
- Toward Performance Indicators (Proceedings of Workshop on Waste Prevention) (2002)
- Policy Instruments for Achieving Environmentally Sustainable Transport (2002)
- Guidelines for Moving towards Environmentally Sustainable Transport (2002)
- Environmentally Sustainable Transport: Concepts and Strategies (2001)
- Environmentally Sustainable Transport: Futures, Strategies and Best Practice (Proceedings of the Vienna Conference) (2001)
- Extended Producer Responsibility: Guidance Manual for Governments (2001)
- Strategic Waste Prevention: OECD Reference Manual (2001)

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work is being undertaken on how governments can generate both direct and indirect environmental benefits through **green public purchasing** (GPP) programmes. Particular attention is currently being paid to the links between GPP programmes and policies and the broader public policy context, including general environmental policies, public expenditure management and the legal framework for public procurement.

3. Environmental Peer Reviews, Indicators and Outlooks (including policy mixes and instruments)

The OECD's **Environmental Performance Reviews** scrutinise the efforts of member countries to reach their environmental goals – both domestic objectives and international commitments – and provide for each country around 50 recommendations that could lead to better performance. They assess progress in reducing pollution, in improving the management of natural resources, in implementing economically efficient and environmentally effective policies and policy mixes, and in strengthening international co-operation. For each individual country, the process is one of '**peer review**'. The report is prepared by the OECD Secretariat, and then is discussed in depth in EPOC's Working Party on Environmental Performance (WPEP), assembling representatives of all member countries. In total, 42 such country reviews have been conducted to date. For each review, there are some 50 recommendations approved by the WPEP. The first cycle of performance reviews for all member countries was completed in 2000 and a second cycle is now underway. This second cycle – in view of stimulating greater environmental **accountability** – places more emphasis on the use of indicators to measure performance, the integration of environmental, economic and social policies to achieve sustainable development, and reviewing progress with respect to **international commitments**, including OECD decisions and recommendations. OECD Environmental Performance Reviews are an essential tool in monitoring implementation of the *OECD*

Recent OECD Environmental Performance Reviews:

Mexico	(2003)	Slovak Republic	(2002)	Hungary	(2000)
Austria	(2003)	Norway	(2001)	Ireland	(2000)
Poland	(2003)	Portugal	(2001)	Luxembourg	(2000)
Netherlands	(2003)	Germany	(2001)	Russian Federation	(1999)
UK	(2002)	Iceland	(2001)	Turkey	(1999)
Italy	(2002)	OECD Countries	(2001)	Denmark	(1999)
Japan	(2002)	Greece	(2000)	Czech Republic	(1999)

Environmental Strategy for the First Decade of the 21st Century. Special emphasis is being placed on overcoming barriers to policy reform in member countries, by identifying, for example, obstacles which can slow down implementation of fiscal reform. Review recommendations are presented at a press conference, usually given by the Environment Minister in the capital of the reviewed country to reach public opinions and decision-makers. Subsequently, formal 'government responses' are made public.

The OECD has long been the authoritative source of **environmental data and indicators** on its member countries – on pollution, natural resources, and on energy, transport, industry, waste and agriculture. These data provide a strong factual and quantitative

OECD Environmental Indicators in brief

- Core Environmental Indicators (CEI): for communication
- Key Environmental Indicators* (KEI): for policy analysis
- Sectoral Environmental Indicators* (SEI): for integration
- Decoupling Indicators* (DI): for sustainable development analysis

*available at www.oecd.org/env/.



basis for much of the rest of the work of the Environment Programme. Notably, they contribute to the underlying analysis and quantitative modelling needed for the *OECD Environmental Outlook*, first published in 2001. The *OECD Compendium of Environmental Data* is published every second year. This work has proven to have had a substantial impact beyond OECD, for example in countries of Eastern Europe, Caucasus and Central Asia and the Asia Pacific and Mediterranean regions.

Environmental progress across the OECD is monitored with the help of environmental indicators developed under the Environment Programme. The widely used '**Pressure-State-Response**' framework helps decision-makers and the public to see how environmental, economic and social indicators are interconnected. The OECD regularly publishes Core Environmental Indicators which cover both environmental and socio-economic issues – for example, sectoral trends in transport and energy consumption, agricultural activity, climate change, waste prevention and biodiversity, or spending by OECD countries to achieve such environmental goals as improved water and wastewater infrastructure. New studies are underway on developing or improving indicators of biodiversity, transport, tourism and sustainable consumption. Indicators are also becoming increasingly important in the Environmental Performance Reviews, and in the OECD's programme on sustainable development. A headline set of *Key Environmental Indicators* was approved by the OECD meeting of Environment Ministers in 2001. An OECD-China seminar on Environmental Indicators took place in June 2003. Indicators to measure decoupling of environmental pressures from economic growth have been published and are being further developed.

OECD undertakes fact-based analyses of **policy instruments and mixes** to assist member countries to ensure that their environmental policies are economically efficient and environmentally effective. This work has shown that the successful integration of environmental policies with sectoral or economic policies can result in economic, social and environmental benefits. Economic instruments such as taxes, charges and tradable

permits are important for this integration, and are a continuing and significant focus of the Environment Programme's work. Current activities emphasise successful implementation strategies for **'green' tax reform** and tradable emission permits.



OECD On-Line Environmental Databases

A comprehensive on-line database on the use of environmentally related taxes, fees and charges has been developed by the OECD in co-operation with the European Commission and the European Environmental Agency (www.oecd.org/env/tax-database/). It describes the level and types of environmentally related taxes in use in OECD Member countries, the revenues generated, and the conditions and types of exemptions that are provided.

A complementary database on other economic instruments (tradable permits, deposit-refund systems and environmentally motivated subsidies) and voluntary approaches used in environmental policy is available at www1.oecd.org/scripts/env/ecolnst/index.htm.

While the OECD has been recommending the use of market-based and other instruments for addressing environmental problems for a few decades, it is clear that there are often barriers to such policy reform. These often arise from a concern that the burden of the environmental policy may adversely affect specific sectors or regions (i.e. impacting on sectoral competitiveness), or may fall most heavily on those that can least afford it (e.g. low-income households). Special emphasis is being placed on overcoming barriers to policy reform in member countries, by identifying, for example, obstacles which can delay the implementation of environmentally-related taxes or the removal of **environmentally harmful subsidies** (in particular in agricultural, energy, transport and manufacturing sectors). On tradable permits, OECD strategic guidelines for the practical application of domestic schemes have been elaborated and the economic and policy requirements for *ex post* evaluation systems have been reviewed. The transition from national to international systems for emissions trading is also being analysed. A third issue addresses in this area is the *ex post* evaluation of tradable permit schemes and their links with policy design and reform.

Voluntary approaches, such as agreements negotiated with industry, public programmes in which firms can volunteer to participate, are increasingly supplementing other environmental policy instruments, like regulations, taxes, tradable permits. A recent report on voluntary approaches concludes that the environmental achievements of such approaches do not always represent additional benefits compared with business-as-usual, while their economy-wide economic efficiency can be low. It provides guidance on how voluntary approaches can best be designed and used in conjunction with other policy instruments.

New work is being undertaken on **'policy mixes'**, i.e. how different policy instruments (such as taxes, tradable permits, voluntary approaches) could – or should not – be combined to achieve specific goals.

Recent Publications:

- OECD Environmental Performance reviews (1999-2003): see box on page 22
- Ex Post Evaluation of Tradable Permits (forthcoming)
- Voluntary Approaches for Environmental Policy: Effectiveness, Efficiency and Usage in Policy Mixes (2003)
- Identifying Environmentally Harmful Subsidies: Policy Issues and Challenges (forthcoming)
- OECD Environmental Data - Compendium 2003 (forthcoming)
- Indicators to Measure Decoupling of Environmental Pressure from Economic Growth (2002)
- Implementing Domestic Tradable Permits: Recent Developments and Future Challenges (2002)
- Domestic Transferable Permits for Environmental Protection: Design and Implementation (2001)
- OECD Environmental Indicators: Towards Sustainable Development (2001)
- Key Environmental Indicators (2001)
- Environmentally Related Taxes in OECD Countries: Issues and Strategies (2001)
- Towards Sustainable Development: Indicators to Measure Progress (Proceedings of the Rome Conference) (2000)

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4. Environment, Health and Safety and Social Linkages

The chemicals industry is one of the world's major industries. Annual production is worth some US\$ 1.5 trillion (75% of it originating in the OECD area) and provides 12 million people with jobs. The OECD Chemicals Programme – now part of the Environment, Health and Safety (EHS) Programme – was established in 1971 to increase the OECD's capacity to foster international co-operation in order to help ensure the safety of the products of this massive industry. The work on chemicals and other topics in the field of environment, health and safety is intended to assist member countries by developing harmonised policies and high-quality instruments for use in the protection of health and the environment, avoiding the duplication of effort among countries and minimising non-tariff barriers to trade.

All **new chemicals** have to be tested for their effects on human health and the environment and for their degradation. The average cost of testing the safety of an industrial chemical is around US\$ 150 000; the pre-clinical testing of a pharmaceutical costs something like US\$ 2 million, and the safety-testing of a pesticide US\$ 3 million. Testing the same chemical in different countries would be extremely costly, would lead to unnecessary use of laboratory animals and, by imposing costs on foreign producers, it would also create non-tariff trade barriers. The OECD has developed a set of **Test Guidelines** and laid down agreed **Principles of Good Laboratory Practice** so that safety tests undertaken in one member country do not have to be needlessly repeated elsewhere. The EHS Programme allows member countries to share the burden of



testing existing chemicals that are produced in high volumes (defined as more than 1 000 tons in any one country). This massive workload is divided up among the participating countries, which share the data they generate and then make a co-operative hazard assessment. In most countries, industry is undertaking the necessary testing on a voluntary basis. The savings made possible by this OECD work on the mutual acceptance of data are conservatively estimated to be at least US\$ 50 million a year.

When industry has provided public authorities with the results of the safety-testing of a chemical, the potential risks of its use have to be assessed and, if necessary, managed. The EHS Programme develops and harmonises methods to do this – on, for example, estimation of environmental exposure to, or the aquatic effects of, chemicals, or the exposure of workers applying pesticides. The OECD is also assisting its member countries in developing **risk-management approaches** such as analysis of socio-economic factors and risk communication. The OECD has developed **harmonised criteria** for classifying hazardous chemicals which will be applied globally through the United Nations. The new criteria will simplify risk communication for workers and consumers alike. The OECD is also developing harmonised criteria for the classification of chemical mixtures. The **Pesticide Programme** is helping OECD countries share the work of pesticide registration by harmonising both the way in which the industry submits data to the regulatory authorities, and the way in which regulators produce review reports. The Pesticide Programme also helps member countries to find ways of reducing the risks associated with pesticide use and enables them to stay informed about other countries' activities. Work with similar objectives has started for biocides.

The OECD also provides a forum where government and industry experts, worker representatives, international organisations and environmental interest groups can exchange information and experience on **chemical accidents**. The OECD has established and recently revised guiding principles for the prevention of, preparedness for and response to chemical accidents; these principles are now also widely used outside OECD countries. OECD has also developed safety performance indicators which help countries to measure progress in working towards safe chemical plants and ware houses.

The registration by public authorities of potentially harmful releases of pollutants into air, water and soil, as well as of wastes transferred elsewhere for treatment and disposal, allows a database to be built up, a **Pollutant Release and Transfer Register** (PRTR). This information is available to the public. Through it, governments and other interested parties can track the generation and dispersal of pollutants over time. This information is an important input in the formulation of national and international environment policy. The OECD provides countries with guidance on how to develop and implement a PRTR system.

The EHS Programme is also developing harmonised methodologies for assessing the **safety of the products of modern biotechnology**, such as genetically modified crops and micro-organisms, and of novel foods and feeds. There is intense public interest in these, and the OECD data is made widely available through the 'Bio Track On-Line' system on

the Internet (see www.oecd.org/ehs/service.htm). Information on releases into the environment of genetically modified organisms (GMOs) and on the commercialisation of biotechnology products is thus easily accessible to governments, industry and the public.

This overall output area also includes the development of policy recommendations on the **social and distributive implications of environmental policies** applied in member countries, which will contribute to better coherence and integration of economic, environmental and social policies. In many cases, there is inequitable access to environmental resources and services – it is often the case that the poorer segments of the population are most exposed to pollution and waste, and have the least access to natural parks and areas. Similarly, the distribution of the cost of environmental policy may be regressive (e.g. the incidence of environmentally related taxes). The OECD is examining some of these issues, particularly the employment and distributive implications (who pays and who benefits and how to alleviate possible regressive effects), as well as public participation and environmental justice and the social aspects of water provision and pricing. The **employment** implications of environmental policy are analysed, in particular the economic-wide employment impacts (positive or negative) on climate change policies, the role of local initiatives to combine environmental protection and job creation, and how to better integrate environment and employment policies.

The links between **environmental degradation and children's health** call for reliable estimates of impacts of environmental conditions in order to help policymakers to examine the economic efficiency and effectiveness of policies aimed at reducing children's health impacts. OECD is currently examining the economic valuation of environmental health risks to children in order to help policy-makers identify health risks that particularly affect children, and make appropriate decisions to reduce these risks.

Recent Publications:

- Social Issues in the Provision and Pricing of Water (2003)
- Guiding Principles for Chemical Accident Prevention, Preparedness and Response (2003)
- Guidance for Safety Performance Indicators (2003)
- Chemicals Outlook (2001)
- Harmonised Integrated Classification System for Human Health and Environmental Effects of Chemical Substances and Mixtures (2001)
- OECD Guidelines for the Testing of Chemicals (with regular addendums), also available in CD-ROM version

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5. Co-operation with Non-Member Countries

Sharing analysis and knowledge and engaging non-member countries in a constructive dialogue is essential for OECD countries in an era of global interdependence. One of the five objectives of the *Environmental Strategy for the First Decade of the 21st Century*



is to improve governance and co-operation in this context of global environmental interdependence. The Environment Directorate provides the expertise to achieve the goals of this co-operation within the overall framework provided by the OECD's Centre for Co-operation with Non-Members (CCNM). The co-operation with non-member countries is carried out through regional programmes, country specific programmes and Global Forums.

The OECD Environment Directorate functions as the secretariat for a **Task Force for the Implementation of the Environmental Action Programme in Central and Eastern Europe (EAP)**. Since 1993, the Task Force has provided a forum for dialogue and co-operation between countries in transition and the members of the OECD, as well as international organisations active in the region and partners from business, labour and non-governmental organisations. Since 1998, the work of the Task Force has been focussed on the countries of Eastern Europe, Caucasus and Central Asia (EECCA). At the 'Environment for Europe' Ministerial Conference held in Kiev in May 2003, the EAP Task Force was asked to play the lead role, in co-operation with other international institutions, in supporting and facilitating implementation of an Environment Strategy for EECCA countries.

The current priorities for OECD's direct co-operation with EECCA countries are: promoting **reform of the urban water sector**, based on Guiding Principles adopted at a Ministerial Conference held in Almaty in 2000; identifying ways of **improving environmental financing**, including through the application of tools for environmental finance strategies, investment planning and better integration of environmental perspectives into public financial management; and **strengthening environmental policies** by reforming policy frameworks and instruments, and **ensuring better environmental compliance, enforcement and performance assessment**. In implementing the EAP Task Force work programme, the OECD works closely with the Project Preparation Committee, a network of donors and International Financial Institutions that aim to accelerate environmental investments.

OECD has an active programme of co-operation with non-member countries, particularly Russia and China, on the collection of environmental data and the development of indicators. Environmental Performance Reviews are also conducted for selected non-member countries, and to date Russia, Bulgaria and Belarus have been reviewed. China is currently being considered for review in 2004. Co-operative programmes have been set-up with UN-ECE and are being considered with UN-ECLAC.

Strong links have been developed with two globally significant countries – the Russian Federation and China – in other areas with the main topics being financing environmental investments and environmental policy instruments. Future work in Russia will focus on assisting the country to implement the key recommendations of the 1999 Environmental Performance Review of the Russian Federation, in the context of the overall process of economic and political reform. The co-operation with China will focus on elaborating environmental finance strategies for the water sector.

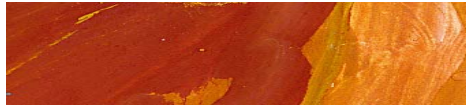
The **Global Forums** focus on high priority issues that are global in nature, requiring global participation. They address issues that defy resolution in individual countries or regions, such as Sustainable Development, Biotechnology and International Investment. The Global Forum on Sustainable Development addresses various issues on the sustainable development agenda, including finance, creating markets for environmental goods and services and linkages between environment, poverty and the development. The main goal of the Global Forum on Biotechnology is to develop better understanding between member and non-member countries in the regulatory safety assessment of genetically modified organisms (GMOs) and thereby help avoid non-tariff barriers to trade in this sector. The Global Forum on International Investment will examine environmental challenges and opportunities associated with trade and investment liberalisation and engage non-members in an on-going policy dialogue on these issues.

Recent Publications:

- Financing Environmental Protection in EECCA (forthcoming 2003)
- Financing Strategies for Water and Environmental Infrastructure (2003)
- Environmental Financing in Transition Economies (2003)
- Trends in Environmental Expenditure and International Commitments for the Environment in Eastern Europe, Caucasus and Central Asia (EECCA) 1996-2001 (2003)
- Progress Report on Urban Water Sector Reform in the EECCA, Progress since the Almaty Ministerial Conference (2003)
- Environmental Requirements for Industrial Permitting in OECD Countries (2003)
- Good Practices in Public Environmental Expenditure Management in Transition Countries (2003)
- Developing effective Packages of Environmental Policy Instruments in the EECCA: Practical Experience and Directions for Reform (2003)
- Guiding Principles for Reform of Environmental Enforcement Authorities in Transition Economies of EECCA (2003)
- Russian-English Glossary of Terms on Environmental Compliance and Enforcement (2003)
- Foreign Direct Investment and the Environment: Lessons from the Mining Sector (2002)
- Water Management and Investment in the NIS: Proceedings of a Consultation between Economic/Finance and Environment Ministers 16-17 October 2000, Almaty, Kazakhstan (2001)

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The OECD's main website can be found at:

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