

## ENVIRONMENTAL PERFORMANCE REVIEW OF AUSTRIA

### EXECUTIVE SUMMARY

***Austria has achieved strong decoupling of environmental pressures from economic growth, to the extent of reaching low levels of energy, material and pollution intensities of its economy.***

Austria's GDP increased by 27% between 1990 and 2001. The Austrian economy, which is very open and highly dependent on foreign exchange, experienced an economic upswing in the late 1990s and a slowdown in 2001-02. Federal and provincial governments have long had ambitious environmental policies to respond to pressures on the environment from sectors such as industry, transport, agriculture and energy, as well as the reliance on the environment of the tourism and leisure industry, which generates about 18% of GDP.

Austria's decoupling of environmental pressures from economic growth was very strong during the review period. Overall, the energy, material and pollution intensity of the economy have continued to decrease. However, progress has been elusive for municipal waste generation, certain air emissions and biodiversity conservation. As a landlocked country, Austria partly depends for its environmental quality on progress by its neighbours. Within the context of its membership of the European Union since 1995 and of its expanding relations with central and eastern European countries, Austria faces both further pressures on its environment and opportunities to co-operate with its close partners. Today, priority environmental issues include climate protection, nature and biodiversity conservation, waste management, and water and soil management.

To meet these challenges, Austria will need to i) implement more efficient environmental policies; ii) further integrate environmental concerns into economic and sectoral policies; and iii) further strengthen its international environmental co-operation. This report evaluates Austria's performance in meeting its domestic objectives and international commitments concerning environmental management, especially since the 1995 OECD Environmental Performance Review. It also reviews the country's progress in implementing the objectives of the OECD Environmental Strategy.<sup>\*\*</sup> Some 44 recommendations are made with the aim of helping to further strengthen Austria's environmental performance in the context of sustainable development.

***Effective policies helped reach demanding environmental objectives***

Austria's environmental policies have been quite effective in meeting a number of demanding environmental objectives (e.g. strict air quality standards; quality of receiving waters; sewerage connection rate reaching 85% of households; reintroduction of Danube salmon to designated river reaches; high rates of material recycling for several waste streams). This success results from a convergence of public demands, federal and provincial administrative efforts and industry's commitment to environmental progress. Expenditure on pollution abatement and control (PAC) has exceeded 2.1% of GDP since 1990, placing the country among the top PAC spenders in the OECD. The emphasis of this expenditure has gradually moved from air and water management towards waste management. Austrian policies rely on detailed environmental regulation, targeted investment support, use of best available technology and solid federal and provincial environmental administrations. Austria has been a member of the European Union since 1995, and its environmental regulation is increasingly shaped by EU regulation. For instance, steps have been taken to streamline environmental permitting procedures by implementing the EU directive on integrated pollution prevention and control, although differences remain concerning inspection frequency and reporting requirements. Federal funds to support environmental investment have effectively stimulated priority environmental investments (e.g. in wastewater treatment facilities, for energy conservation). Since 2001, water-related investment support has been slightly restructured to give utilities incentives to improve the cost-effectiveness of their services. Austria has recently increased its use of economic instruments and voluntary approaches. Waste recycling and energy recovery have been promoted effectively through a mix of taxes, charges and voluntary initiatives. A 1989 landfill levy has served as a strong disincentive for landfilling of waste, especially in substandard facilities; it has also generated funds to clean up orphaned contaminated sites.

<sup>\*\*</sup> Objectives of the "2001 OECD Environmental Strategy for the First Decade of the 21<sup>st</sup> century" covered in these Conclusions and Recommendations include maintaining the integrity of ecosystems (Section 1), decoupling of environmental pressures from economic growth (Sections 2.1 and 2.3), the social and environmental interface (Section 2.2) and global environmental interdependence (Section 3).

## THE OECD ENVIRONMENT PROGRAMME

***Austria should implement more efficient environmental policies and implement better the polluter pays principle.***

Although Austrian environmental policies have been quite effective and have generated significant economic benefits (e.g. exports of environmental technology and positive conditions for the tourism industry), there is scope for improved cost-effectiveness. Meeting several challenging environmental objectives (e.g. for climate, NO<sub>x</sub> and NMVOCs, water and soil protection, waste, nature and biodiversity conservation) at least cost will require use of the most efficient policy instrument packages possible, including economic instruments. Environmental legislation remains complex and dispersed in numerous federal and provincial laws and ordinances, although the recent elevation to the federal level of legislative powers concerning waste management, air quality management and environmental impact assessment has helped in constructing a nationally harmonised approach in these areas. Despite progress in adhering to the user pays and polluter pays principles with respect to provision of environmental services, full cost recovery is not yet being achieved. Overall, there is insufficient economic analysis in the setting of environmental objectives and in the choice of instruments to reach them. In addition, the sharing of costs and responsibilities among provinces concerning a number of commitments (e.g. climate protection, nature conservation) needs to be more clearly addressed. Spatial plans set at the provincial level are often not fully co-ordinated with detailed planning and zoning decisions taken at the municipal level, particularly as regards nature conservation, flood protection and transport. Although the 1995 National Environment Plan was a significant first step in national-level environmental planning, and was catalytic in solidifying socio-political consensus on environmental objectives, its implementation and monitoring were not pursued.

***Integrating environmental concerns into economic decisions should be pursued further (e.g. transport, energy, agriculture and forestry sectors).***

Austria's overall progress in decoupling environmental pressures from economic growth was remarkable in the review period. While GDP increased by 27% between 1990 and 2001, further decoupling was achieved concerning materials and energy use, emissions of SO<sub>x</sub>, NO<sub>x</sub> and NMVOCs, and use of nitrogenous fertilisers and pesticides. Improvements in material efficiency and energy efficiency stemmed from a shift towards less input-intensive production processes, as well as sharp increases in waste recovery and recycling rates. Austria's economic growth has also become less pollution intensive in recent years, reflecting the introduction of cleaner production processes and the strengthening of technological pollution controls. Integration of environmental concerns in energy policies has led to high energy efficiency and a high share of renewables in the energy supply. The introduction of an energy consumption tax on electricity and natural gas has created energy conservation incentives for some end-users despite its limited tax base and its lack of differentiation in proportion to fuels' environmental externalities. The incentive structure created by feed-in tariffs for electricity produced from "new renewable" energy sources (wind, biomass, biogas, geothermal), while a step in the right direction, was overly complex but has recently been harmonised at the national level. Greater differentiation of fiscal instruments in the transport sector has helped contain the trend towards more powerful and more fuel-consuming private cars, although there is a bias in favour of diesel vehicles that is difficult to justify on environmental grounds, and tax rates on motor vehicle fuels remain lower than those in several neighbouring countries. A 1998 report from the tax reform commission outlined comprehensive and detailed proposals for a planned ecological tax reform. A recently adopted green tax reform, to enter into force in January 2004, will recalibrate and increase levies on natural gas, fuel oil, diesel and gasoline, and introduce a new tax on coal, though with many exemptions. Agri-environmental measures have been effectively and widely used to moderate environmental pressures from agriculture, for instance, Austria had the lowest average nitrogen balance in the EU in 2001. The 2002 National Strategy for Sustainable Development attaches priority to integrating environmental concerns into sectoral policies. To be translated into action, objectives of the strategy will require priority setting and negotiation to allocate responsibilities among the provinces. Ex-post evaluation of the benefits and costs of the "first step" measures already undertaken should be used to inform this process.

Austria's decoupling progress has been less than satisfactory with regard to municipal waste (whose growth tracked that of GDP) and the impact of road traffic (which grew faster than GDP from 1990 to 2001), signalling a need to reinforce demand management measures to influence consumer choices. Considerable room remains for adjustment of energy and transport taxation to internalise environmental externalities and to remove environmentally harmful price and fiscal distortions. In implementing a recently adopted system of distance-based electronic road pricing for lorries, Austria should work to ensure that the system allows the internalisation of external environmental costs. The complexity of eco-labels for organic food undermines their effectiveness in shaping consumer choice; their simplification and standardisation at national and international level should be pursued.

## THE OECD ENVIRONMENT PROGRAMME

***Active international environmental co-operation, should be enhanced by further results with climate change (ongoing eco-tax reform) and financial assistance.***

As Austria has a very open economy and shares borders with eight countries, its environmental diplomacy priorities have long been shaped by strong regional interdependencies, both environmental and economic. The country has also played a proactive role in promoting international co-operation on global issues such as ozone layer protection, backed by strong public support. Concerning climate change, Austria has adopted a comprehensive national strategy, ratified the Kyoto Protocol and agreed to a challenging target of reducing greenhouse gas (GHG) emissions under the EU burden-sharing agreement. The energy intensity of the Austrian economy (TPES/GDP) is among the lowest for OECD countries. CO<sub>2</sub> emissions per unit of GDP have decreased by 13% since 1990. Concerning transboundary air pollution, the country has met almost all its commitments to reduce SO<sub>x</sub>, NO<sub>x</sub> and NMVOC emissions under the Convention on Long-Range Transboundary Air Pollution, and recently ratified the Aarhus Protocol on Persistent Organic Pollutants. A relatively minor contributor to the pollutant loading of the Danube River, Austria has been proactive in strengthening international efforts to protect the Danube basin, although progress on funding mechanisms has been slow. The country's implementation of international agreements concerning trade and environment is generally good, with strong inspection and enforcement at borders, although enforcement of reporting obligations need to be strengthened. Environmental impact assessment procedures have been applied systematically to bilateral aid projects since 1997. Concerning export credits and credit guarantees, Austria has introduced procedures for environmental screening and evaluation of proposed projects that are consistent with those called for in the draft OECD recommendation on environment and officially supported export credits; however, further steps will be necessary to meet relevant benchmarking objectives.

To build on these accomplishments, and to further improve its record on international co-operation on environmental issues, Austria should prioritise action in several areas. With regard to climate protection, additional concerted and efficient effort will be necessary if Austria is to meet the Kyoto target of cutting its total GHG emissions by 13% between 1990-95 and 2008-12; total emissions have in fact increased by nearly 3% since 1990. The development of climate protection measures has thus far included little consideration of cost-effectiveness or distributive concerns, and no burden-sharing agreement exists among provinces. Environmental tax reform is recognised as a priority in the 2002 National Climate Strategy; the recently approved green tax reform should be implemented as soon as possible and further developed so as to support future GHG reductions. Although the commitment period for the Gothenburg Protocol is half over, progress towards the NO<sub>x</sub> and NMVOC reduction targets has been limited, and measures under way appear insufficient. Austria's official development assistance (ODA), which totalled 0.29% of GNI in 2001, is still far from meeting the 0.7% UN target to which Austria subscribes; the country made a commitment, at the 2002 Barcelona EU Council meeting, to reach 0.33% by 2006. In general, there is relatively little translation of the country's environmental diplomacy objectives into ODA programmes and into financial assistance to central and eastern European countries.

# THE OECD ENVIRONMENT PROGRAMME

## Annex: 44 Recommendations\*

<b>Environmental management</b>	<ul style="list-style-type: none"> <li>• extend the use of economic instruments for environmental management, seeking to more fully apply the <u>polluter pays and user pays principles</u>;</li> <li>• improve the <u>efficiency and transparency</u> of water and waste management services provided at municipal level;</li> <li>• increase <u>economic analysis</u> of environmental policy measures with the aim of achieving environmental objectives more cost-effectively;</li> <li>• further integrate environmental concerns into <u>spatial plans</u> at provincial level and into planning and zoning decisions at municipal level;</li> <li>• improve <u>co-ordination among the provincial and federal governments</u> with regard to meeting national and international environmental commitments (e.g. on climate protection, nature conservation).</li> </ul>
<b>Air</b>	<ul style="list-style-type: none"> <li>• develop and implement a <u>national emission reduction strategy</u> to meet the objectives of the EU directive on national emission ceilings, giving priority to cost-effectiveness and to achieving synergy with the National Climate Strategy;</li> <li>• further extend the use of <u>market-based instruments in the energy and transport sectors</u> (including road pricing and emission trading programmes) to help achieve national objectives regarding NO<sub>x</sub>, NMVOC and CO<sub>2</sub> emissions;</li> <li>• further reduce <u>ambient levels of ozone and small particulates</u> through measures related to mobility, energy, climate and spatial planning;</li> <li>• assure <u>effective co-ordination</u> among federal ministries and federal, provincial and local governments with respect to i) implementation and monitoring of measures to achieve federal emission targets and ii) integration of air quality concerns into sectoral policies;</li> <li>• develop and implement a <u>sustainable transport strategy</u>, including measures to reduce vehicle emissions, to strengthen alternatives to road transport for long-distance freight shipping and to promote integrated services for freight and passenger transport.</li> </ul>
<b>Water</b>	<ul style="list-style-type: none"> <li>• continue programmes to <u>restore designated river channels</u> to their near-natural state as a means of enhancing flood protection and nature conservation;</li> <li>• ensure that <u>land use planning</u> in upper catchments takes full account of potential downstream effects on flood prevention and control, and take measures to enhance enforcement of <u>construction and land use restrictions</u> in designated hazard zones;</li> <li>• continue efforts to improve the <u>cost-effectiveness of water management</u>, seeking economies of scale where possible and enhancing best-practice sharing among utilities;</li> <li>• move towards greater transparency in <u>water pricing</u> and fuller application of the user pays and polluter pays principles;</li> <li>• continue programmes to reduce the environmental impacts of <u>agriculture</u>, reinforcing efforts to control nitrate run-off in particularly sensitive areas;</li> <li>• improve statistics on water use and wastewater discharges by <u>industry</u>, including consolidation at federal level.</li> </ul>
<b>Nature and biodiversity</b>	<ul style="list-style-type: none"> <li>• set up a national <u>co-ordinating body</u> to help establish a coherent <u>national network of protected areas</u>, with wildlife migration or dispersal corridors that take into account the needs of endangered or threatened species;</li> <li>• ensure that nature conservation objectives are more systematically incorporated into <u>spatial planning</u> at provincial level, and <u>planning and zoning</u> at municipal level;</li> <li>• adjust <u>hunting regulations</u> to fully implement EU legislation concerning the protection of birds, and ratify the Bonn Convention;</li> <li>• maintain programmes to <u>rehabilitate and restore</u> riverine habitats and wetlands, and further extend cross-border co-operation to this end;</li> <li>• pursue nature conservation objectives in <u>agri-environmental</u> programmes and explore possibilities for co-financing from the tourism sector.</li> </ul>
<b>Integration economy-environment</b>	<ul style="list-style-type: none"> <li>• identify the most cost-effective measures to meet the objectives of the <u>National Strategy for Sustainable Development</u>, and incorporate them into relevant sectoral plans and programmes;</li> <li>• implement and further develop the agreed <u>ecological tax reform</u>, adjusting tax levels and tax bases so as to better internalise environmental externalities and remove distortionary exemptions;</li> <li>• continue to review potentially <u>environmentally harmful subsidies</u>, and take action to reduce their distortionary impacts;</li> <li>• assure that road pricing provisions allow full internalisation of environmental costs;</li> <li>• introduce cost-effective <u>demand management measures</u> to decouple municipal waste generation and road traffic growth from economic growth, in line with Objective 2 of the OECD Environmental Strategy;</li> <li>• harmonise <u>eco-labelling</u> standards for organic foodstuffs at the national level, and support related international efforts.</li> </ul>

\* These Recommendations were formally approved by the OECD Working Party on Environmental Performance.

# THE OECD ENVIRONMENT PROGRAMME

<b><i>Integration social-environment</i></b>	<ul style="list-style-type: none"><li>• continue the active and effective <u>environmental employment</u> policy, with its positive effects on the environmental manufacturing sector and associated exports;</li><li>• improve <u>access to justice</u> for environmental stakeholders and broaden the scope for legal representation by non-governmental organisations in environmental cases;</li><li>• strengthen <u>public participation</u> in the early stages of permitting, licensing and environmental impact assessment procedures;</li><li>• broaden <u>environmental education</u> to promote more sustainable consumption patterns and to encourage households to help reach the ambitious waste separation targets;</li><li>• introduce a <u>pollutant release and transfer register</u>, and assure public access to the data thus generated;</li><li>• assure access to <u>environment-related economic and social data</u> and continuity in their production.</li></ul>
<b><i>Sustainable forest management</i></b>	<ul style="list-style-type: none"><li>• establish quantified <u>environmental goals for the forestry sector</u> and monitor their achievement, possibly as part of the forthcoming National Forest Programme;</li><li>• improve <u>policy and planning integration</u> between the federal and provincial levels concerning forestry as it relates to hunting, nature conservation, spatial planning and agriculture;</li><li>• in the context of agricultural policy reform, which will reduce support to agricultural production, compensate forest owners for environmentally beneficial services at levels sufficient to improve the <u>economic returns from small-scale forestry</u>;</li><li>• assess the environmental benefits of the <u>forest subsidy programme</u>, and make support to forest owners conditional on fulfilling ecological criteria; explore the use of <u>economic incentives</u> to forest owners;</li><li>• develop <u>voluntary initiatives</u> aimed at forest quality enhancement (e.g. contracts between hunters and forest owners to protect the natural regeneration of forests; agreements between tourism operators and managers of natural forest reserves to improve and extend the reserve network).</li></ul>
<b><i>International commitments</i></b>	<ul style="list-style-type: none"><li>• identify and carry out cost-effective measures to achieve the objectives of the <u>National Climate Strategy</u>; in particular, implement them with full participation of, and clear division of responsibilities among, all relevant sectors and various levels of government;</li><li>• continue to support international efforts to inventory, and set reduction targets for, <u>pollutant discharges to the Danube River</u> and to strengthen regional institutions (e.g. the DABLAS Task Force) in the interest of facilitating needed investments in downstream countries;</li><li>• improve enforcement of reporting obligations regarding <u>trade and environment</u> issues (e.g. hazardous waste and chemicals, tropical timber, endangered species), and clarify reporting requirements at provincial level;</li><li>• ensure that environmental evaluations of projects supported by <u>export credits and credit guarantees</u> reflect good practice, using international standards or equivalent host country standards as benchmarks;</li><li>• increase ODA levels, and give greater emphasis to environmental projects that support the priorities set out in the <u>2002 Development Co-operation Act</u> (e.g. management of water resources, development of renewable energy sources);</li><li>• improve coherence between objectives of Austria's <u>environmental diplomacy</u> in central and eastern Europe and official aid priorities (e.g. improving wastewater treatment in the Danube basin, implementing climate protection measures through Kyoto mechanisms).</li></ul>

To purchase the OECD Environmental Performance Review of Austria, and other OECD publications, visit the OECD Online Bookshop at <http://www.oecd.org/bookshop> or send an email to [sales@oecd.org](mailto:sales@oecd.org). For more information about the OECD's series on countries' environmental performance, contact : Christian Avérous, Head, Environmental Performance and Information Division, Environment Directorate Email - [christian.averous@oecd.org](mailto:christian.averous@oecd.org); Fax : +33 1 45 24 78 76 For more general information about the OECD Environment Programme, 2001-2002, visit our website at: <http://www.oecd.org/env> or send an Email to [env.contact@oecd.org](mailto:env.contact@oecd.org)