ENVIROMENT POLICY COMMITTEE

HIGH-LEVEL SPECIAL SESSION
ON THE COSTS OF INACTION

14 April 2005

AGENDA
While the costs of implementing an environmental policy are often well known, there is usually an inadequate understanding of the consequences of environmental policy inaction or, in other words, the benefits of policy intervention. For a number of reasons – such as non-linear environmental impacts, aggregation across heterogeneous populations, secondary/ancillary impacts on other environmental factors – it can be extremely difficult to properly assess these consequences. In order to bridge this gap and to better inform decision making, OECD Environment Ministers highlighted the need for a deeper analysis of the costs of inaction on key environmental challenges and requested in April 2004 that the OECD initiate work on the ‘costs of inaction’ with respect to environmental degradation.

This High-Level Special Session (HLSS) organised by EPOC is a step towards responding to this request by OECD Environment Ministers. Its purpose is to:

i. inform Delegates of existing work and knowledge on the costs of inaction in three broad issues areas that are of relevance to OECD countries,

ii. explore some of the methodological issues associated with the valuation, whether or not quantified, and analysis of these costs, and

iii. gather views from experts and discussants on prospects and options for further work on the costs of inaction.

1. 9h30 Introduction

- Opening remarks will be made by the Chair of EPOC, Mr. Mats Olsson (Sweden), and Mr. Kiyo Akasaka (Deputy Secretary-General, OECD) on behalf of the Secretariat.

- Mr. Serge Lepeltier (Minister of Ecology and Sustainable Development, France) will inaugurate the High-Level Special Session and give a personal view on the importance of improving our understanding of the costs of inaction in informing decision making and setting policy priorities.

- Mr. Sherif Arif (Environmental Economist, World Bank) will share the World Bank’s recent experience on the quantification of the costs of inaction in developing countries.
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2. 10h15 The Costs of Inaction with Respect to Human Health Impacts from Pollution

   - Human health impacts from air and water pollutants (e.g. particulate matter, lead, hydrocarbons, heavy metals, PCBs, endocrine disrupters) can be significant and have received increasing policy attention in the past few years. In this session, Dr. Ståle Navrud (Norwegian University of Life Sciences) will provide a review of work and evidence to date of the costs of human health impacts for selected pollutants, and will outline some of the methodological difficulties associated with their valuation, such as the need to take into account factors such as latency and persistence, nature of risk factor, potential averting behaviour.
   - This will be followed by an intervention from Dr. Graham Loomes (University of East Anglia) as expert discussant, Dr. Fernando Tudela (Deputy Minister for Planning and Environmental Policy, Mexico) as a government policy discussant, and Mr. Bjorn Erikson (OHS Senior Adviser, Norwegian Confederation of Trade Unions) as a trade union discussant. The session will then be opened for a plenary discussion.

3. 11h45 The Costs of Inaction with Respect to Climate Change

   - The costs and benefits of climate change policies have received considerable attention in recent years and have long been on the policy agenda of OECD countries and of the international community. In this session, Dr. William Cline (Institute for International Economics) will provide a review of work and evidence to date of the costs of policy inaction with respect to climate change. He will outline some of the methodological difficulties associated with their valuation, such as questions regarding thresholds and abrupt events, adaptation of economic agents, discounting of very long-run impacts, ancillary effects.
   - This will be followed by an intervention from Dr. Richard Tol (Hamburg University and Free University of Amsterdam) as expert discussant, Dr. Karsten Sach (Deputy Director-General International Co-operation, German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety) as government policy discussant, and Mr. Baudouin Kelecom (Corporate Issue Senior Advisor, ExxonMobil, and Vice-Chair of the BIAC Energy Committee) as a business discussant. The session will then be opened for a plenary discussion.
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| 15h00 | The Costs of Inaction with  | - The costs of inaction in the area of biodiversity loss have been open to considerable discussion, with progress made in recent years in particular in the identification and valuation of specific ecosystem services. In this session, Dr. Geoffrey Heal (Columbia University) will provide a review of work and evidence to date of the costs of policy inaction with respect to biodiversity loss. He will outline some of the methodological difficulties associated with their valuation, including questions such as irreversibility and uncertainty, option values, ‘ethical’ values, resilience and vulnerability of ecosystems.  
- This will be followed by an intervention from Dr. Jackie Van Goethem (Belgian Focal Point to the CBD, Royal Belgian Institute of Natural Sciences) as government policy discussant, and Mr. Ian Dickie (Senior Economist, Royal Society for the Protection of Birds) as an environmental NGO discussant. The session will then be opened for a plenary discussion. |
|       | ENV/EPOC(2005)11            |                                                                                                                                        |
| 16h15 | **COFFEE BREAK**            |                                                                                                                                        |
| 16h30 | Round Table on Prospects for | - Building on the presentations and discussions under the thematic sessions, and on their experience, experts and discussants will be invited to give their views on the prospects and options for further work on the costs of inaction. They may choose to identify specific areas where further work is likely to be most valuable, potential case studies that might be undertaken, as well as to discuss more general methodological issues which need to be addressed.  
- The results of this Round Table will serve as a basis for informing a discussion and decision by EPOC on 15 April on the nature of any additional work it may wish to undertake on the costs of inaction, either within EPOC itself or within its subsidiary bodies. |
|       | Further Work                |                                                                                                                                        |
| 17h45 | Closing Remarks             | The Chair will conclude the High-Level Special Session.                                                                              |
| 18h00 | **COCKTAIL HOSTED BY AUSTRALIA** |                                                                                                                                     |