

## **Resource efficiency in a global context, Wednesday 23 April 2008. Dirk Hazell**

On behalf of BIAC, I would like to thank the OECD and UNEP for arranging this important Conference and for letting BIAC speak.

BIAC particularly appreciates the great economic expertise and cross-disciplinary perspective the OECD brings to environmental debate. This really matters if we are to reconcile environmental protection with good standards of living.

The private sector's incentive to improve resource efficiency rises as resources cost more and as consumers expect more.

Multinational businesses with good operating standards also raise standards in developing economies: this helps to solve rather than merely shift environmental problems.

Where wider environmental impacts are not fully reflected in prices paid by consumers, good inter-governmental co-operation can help and my presentation briefly notes three topics relevant to resource efficiency.

### **Metrics**

My first topic is metrics.

Business can best deliver if it understands what is being measured, how and why.

OECD's staff are to be warmly congratulated for their efforts in trying to develop robust metrics often in the face of lukewarm support from governments. We need an international environmental accounting framework that is consistent, coherent and robust and which facilitates innovation while minimising competitive impacts.

A global context is required to capture the full lifecycle emissions of products and services which – in our globalised era – may be consumed thousands of miles from where they are produced. For example, what appears to be emissions from the waste and secondary resource sector would be better seen as avoidance of larger emissions from the extraction of virgin material that would otherwise have taken place in another part of the globe.

Established concepts exist for the development of material flow and resource productivity indicators, but a lack of data has prevented widespread adoption of these tools. This is now starting to change.

As part of its 6<sup>th</sup> Environment Action Plan the EU asked the European Environment Agency to develop a robust set of metrics by 2008. The EEA is presenting its initial findings for the first time at this conference, a moment of truth for *cognoscenti*.

Britain's private sector, led by Biffa, developed material flow accounts through the 'mass balance movement'. This tracked materials through Britain's economy both in terms of material and by sector.

Britain's waste and recycling industry has also made significant progress in tracking our own environmental performance through indicators which demonstrated significant improvements in our environmental efficiency. We did this voluntarily first with the Green Alliance, a leading green NGO, and now through with our sector's voluntary agreement with our environmental regulator.

## **Voluntary approaches**

Indeed, my second theme is that voluntary initiatives like this can and do deliver environmental improvements when there is agreement as to what needs to be achieved and it is worthwhile for governments to invest in trying to secure such agreement.

Business understands technical trends, customers' needs and management issues.

This can be harnessed through industry-led voluntary initiatives which can help to spread best practice and technology across a sector and international borders.

One example – and there are many - of a voluntary approach reducing a sector's environmental impacts was the agreement between the British Government and the Newspaper Publishers Association (NPA), in which it was agreed to increase the recycled content of newsprint. Rising voluntary targets were set from 2001 onwards and the recycled content is now 80%.

## **Economic instruments**

Turning to my final theme, the OECD's repertoire includes very useful work highlighting the positive contribution that can be made by well designed economic instruments like cap and trade schemes which can limit specified environmental impacts in an economically efficient manner.

Green taxes are another weapon in the armoury of governments. It is a useful discipline for governments to regard introduction of any green tax as fiscally neutral.

In Britain, the landfill tax rose in three distinct phases. It was initially fiscally neutral: as the tax on landfill rose, the tax on jobs fell. When this principle was subsequently abandoned, ESA's prediction came true: more of British business opposed the tax. The Government this year reintroduced fiscal neutrality – as tax on landfills rises, tax on companies falls – but the price paid by the Government is greater business scepticism.

Governments can legislate and regulate but only business can deliver combined economic and environmental sustainability. We owe it to each other to be a global team working together to deliver the economic and environmental outcomes that most matter.