OECD Report Questions the Effectiveness of Voluntary Approaches for Environmental Policy

Voluntary approaches in environmental policy are increasingly popular in a number of countries, but a new OECD report questions their environmental effectiveness and economic efficiency. The report notes that there are few cases where such approaches have improved the environment beyond a business-as-usual baseline. It also raises doubts about their economic efficiency because the cost of achieving additional environmental improvements differ considerably between polluters, in part because the environmental targets are set for individual firms or sectors, rather than at a national level.

Voluntary approaches include agreements on environmental performance negotiated with industry and public programs in which firms can volunteer to participate. They are increasingly supplementing or replacing other environmental policy instruments such as regulations, taxes and tradable permits.

This OECD report, Voluntary Approaches for Environmental Policy: Effectiveness, Efficiency and Usage in Policy Mixes, provides an in-depth assessment of the use of voluntary approaches, building on a number of new case studies and an extensive search of the available literature. The focus of the analysis is both on voluntary approaches used in isolation and on such approaches used as part of “policy mixes”.

The report shows that various types of administrative and transaction costs vary greatly between different voluntary approaches. However, if too few resources are spent in their preparation, negotiation and enforcement, their environmental impacts are likely to be very modest.

The study of policy mixes indicates that combining a voluntary approach with a tax or a tradable permit system can trigger quite significant additional administrative costs. In addition, the environmental impacts of the other instrument can be weakened.

Journalists may obtain a copy of the report from the OECD Media Relations Division (news.contact@oecd.org). For further information journalists can contact Nils Axel Braathen, OECD Environment Directorate (tel. 33 1 45 24 76 97 or Nils-Axel.Braathen@oecd.org) or Helen Fisher, OECD Media Relations Division (tel. 33 1 45 24 80 97 or Helen.fisher@oecd.org).