

## TOWARDS SUSTAINABLE HOUSEHOLD CONSUMPTION? TRENDS AND POLICIES IN OECD COUNTRIES

### EXECUTIVE SUMMARY

*This book is about household consumption and their environmental impacts...*

The OECD publication, *Towards Sustainable Household Consumption? Trends and Policies in OECD Countries*, is about the day-to-day actions of households in OECD countries and how these actions affect the environment. It presents data and trends in five key areas of household consumption: food, tourism travel, energy, water and waste generation. The data shows that environmental impacts from household activities have grown over the last three decades and are expected to intensify over the next twenty years, particularly in the areas of energy, transport and waste.

*...and about what OECD governments can do to reduce these impacts.*

It is also about what OECD governments are doing, or can do, to help households reduce these environmental impacts. It reviews the framework and objectives of policies to promote sustainable consumption, examines the effectiveness of different types of policy instruments (regulatory, economic, social) to influence consumer decision-making, and identifies combinations of instruments for promoting more sustainable consumption in the five areas studied. It identifies some of the key challenges to developing policies to influence household consumption patterns, but also the opportunities and potential effective strategies to generate greater action by consumers.

*Environmental pressures from consumption will intensify...*

#### Key data and trends in household consumption

Per capita private consumption has increased steadily in OECD countries over the last two decades, and is expected to continue to follow GDP growth in the period to 2020. Product and technological innovations have reduced the energy and material intensity of many consumer goods. However, the increasing volumes of goods used and discarded, and the structure of consumer demand have outweighed many of these gains. Households as a group are not the largest contributor to most environmental pressures, but their impact is significant and will intensify over the next two decades:

*... energy use is expected to grow 35% by 2020,...*

➤ **Energy** - energy use in OECD countries grew by 36% from 1973-1998 and is expected to grow by another 35% to 2020, despite increases in efficiency. Commercial and residential energy use (approximately 30% of current final energy consumption) is the second most rapidly growing area of global energy use after transport.

*...motor vehicle stock will increase 32% by 2020,...*

➤ **Transport** - the total motor vehicle stock in OECD countries is currently 550 million vehicles (75% of which are personal cars), and it is expected to grow by 32% to 2020, while motor vehicle kilometres are projected to increase 40%. Global air travel is projected to triple in the same period.

*... municipal waste is projected to grow by 43% to 2020,...*

➤ **Waste** - municipal waste is projected to grow by 43% from 1995 to 2020, to approximately 700 million tonnes per year in OECD countries. Recycling rates have increased, which has slowed the rate of growth of waste destined for final disposal, but has not reduced the total volume of waste generated.

*...but water consumption has stabilised or declined in 9 OECD countries.*

➤ **Water** - households are relatively low consumers of water and household demand for freshwater has stabilised or declined in 9 OECD countries. But in many others population growth and expanded water use have outweighed the effects of water saving technology and behaviour.

# THE OECD ENVIRONMENT PROGRAMME

*The most significant environmental impacts from food occur early in the production chain.*

- **Food** - OECD households are consuming more meat, vegetables, fish, processed, imported and organic food than in the past. The most significant environmental impacts from food occur early in the production chain, but households influence these impacts through their choice of diet and demand for food-related services. Households also directly affect the environment through food-related energy consumption and waste generation.

*Household consumption patterns are influenced by a number of different driving forces.*

## **Understanding the trends**

Current and projected household consumption patterns are influenced by a number of different driving forces, including rising per capita income, demographics and accompanying changes in lifestyles. Technology, institutions and infrastructure also play an important role in influencing household consumption and behaviour. The choice of policies to influence consumption patterns needs to carefully consider the impacts of different policy instruments on consumer decision-making, which determines the type and speed of changes in consumption. This has direct implications for the choice and implementation of different policy instruments.

*It is resource use and environmental pollution that have to be brought to sustainable levels, not the consumption of products and services as such.*

## **Policies to promote sustainable consumption**

It is resource use and environmental pollution that have to be brought to sustainable levels, not the consumption of products and services as such. This means that action is needed to promote a shift in the *structure* of consumption and production (*i.e.* the environmental and resource intensity linked to different goods and services) so as to reduce the environmental impacts of households in the key areas of energy, transport, and waste. This can be achieved, for example, by moving from consumption of products to that of services. Sustainable consumption can also be associated with absolute reductions in some scale impacts (*e.g.* CO<sub>2</sub> emissions or water consumption).

*There are many options for influencing consumption patterns...*

The web of driving factors that shape household consumption patterns means that there are many options for influencing consumption patterns. Promoting more sustainable consumption requires a multi-stakeholder approach, including public policy, market innovation, NGO mobilisation of consumer groups, and voluntary initiatives.

*... and generally a combination of instruments will be needed.*

In most cases, reducing environmental impacts from household consumption will require a combination of instruments. In some areas (*e.g.* household food and tourism travel), there are few co-ordinated policies intended to reduce environmental impacts from households. However, lessons can be drawn from a longer and broader experience with different instruments and combinations of instruments in the areas of household energy and water use and waste generation and recycling.

*Most OECD countries have implemented policies to reduce the environmental impacts from households, but overall results appear to be modest.*

## **Moving forward**

Most OECD countries have implemented policies to reduce the environmental impacts from household activities (*e.g.* energy taxes, eco-labelling, waste recycling schemes, information campaigns, etc). Some of these policies have resulted in limited changes in behaviour, but overall results appear to be modest. Many of the environmental impacts resulting from household decisions are expected to intensify over the next two decades. Governments could play a more active role in facilitating household action than they currently do. In particular, they need to better clarify objectives for household action, reinforce existing policies, and improve the co-ordination and consistency of policies in order to help consumers to develop less material- and pollution-intensive lifestyles. Five general conditions are required to create a framework for sustainable consumption:

## THE OECD ENVIRONMENT PROGRAMME

*Five general conditions are needed to create a framework for sustainable consumption...*

- 1) A price structure for consumer goods and services that internalises environmental costs and benefits.
- 2) A policy and regulatory framework that makes clear the priorities and direction for change.
- 3) Availability of a range of environmentally friendly goods and services.
- 4) Technology and infrastructure that includes environmental quality criteria in the design and running of transportation networks, housing, waste management, etc.
- 5) An educational, learning and information-rich environment that motivates and enables consumer action.

*... combined with some straightforward guidelines for policies .*

Within the context of these five framework conditions, several broad guidelines for policies to promote sustainable consumption can be drawn from OECD analysis. Policies for sustainable consumption should:

- Shift the structure of consumption.
- Change both the “hardware” and “software” of consumption patterns.
- Use a life-cycle approach for determining points of policy intervention.
- Privilege upstream intervention.
- Apply a combination of instruments.
- Ensure consistent cross-sector policies.
- Promote and support initiatives by private sector and civic organisations.

*What additional scope is there for applying economic instruments?*

### **Some unresolved policy questions**

What additional scope is there for applying economic instruments? Most environmentally related taxes are in fact already leveraged on households. Moreover, environmental taxes are often not well targeted and remain unpopular. Applying further taxes on consumer products raises questions about the distributional and social implications of such policies, particularly if they raise consumer prices for key goods and services.

*How can governments effectively target and combine policies to promote sustainable consumption?*

How can governments most effectively target and combine policies to promote sustainable consumption? An important step for designing more cost-efficient, environmentally effective, and equitable consumption policies is to better understand how information and price signals are transmitted for different consumer goods, and how these and other drivers affect consumer preferences. Progress is also needed in identifying and implementing effective packages of instruments that give consumers a consistent message about the sustainability of their consumption choices.

*What potential exists for using social instruments to promote sustainable consumption?*

What potential exists for using social instruments to promote sustainable consumption? Consumers are difficult economic actors for governments to reach. And governments generally want to avoid excessive intervention in consumer decision-making. As a result, more attention should be given to the scope for different social instruments to promote sustainable consumption, including co-ordinated voluntary initiatives, participatory decision-making, and information-based instruments in general.

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For more information about the publication **Towards Sustainable Household Consumption? Trends and Policies in OECD Countries** or OECD's work on sustainable consumption, contact : Ysé Serret , National Environmental Policies Division, OECD Environment Directorate, Email: [yse.serret@oecd.org](mailto:yse.serret@oecd.org) , Fax : +33 1 44 30 61 79; or Adriana Zacarias Farah, Email: [adriana.farah@oecd.org](mailto:adriana.farah@oecd.org), Fax : +33 1 44 30 61 79.

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