

HIGHLIGHTS

OECD ENVIRONMENTAL STRATEGY: 2004 REVIEW OF PROGRESS



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Highlights

**OECD
Environmental
Strategy**

2004 REVIEW OF PROGRESS



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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Publié en français sous le titre :

Synthèse

Stratégie de l'environnement de l'OCDE

Bilan en 2004

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This booklet summarises the main findings in the background report on implementation of the OECD Environmental Strategy produced to support the Meeting of OECD Environment Ministers in April 2004. Overall, the report finds that countries have made a good start in a number of areas, but much more ambitious measures will be needed if the Strategy is to be fully implemented by 2010. Current policies are insufficient to adequately protect biodiversity or address climate change, and the decoupling of environmental pressures from economic growth in key sectors is proceeding too slowly. A number of obstacles to environmental policy reform are identified in the report – including political obstacles, such as poor policy integration, and inadequate information – which will need to be faced. Increasingly, OECD Environment Ministers will need to work together with colleagues in other Ministries, colleagues in other countries, and with partners from business and civil society in order to ensure that appropriate environmental policies can be developed and implemented.

Introduction

The OECD Environmental Strategy is an ambitious plan of action, adopted by OECD countries in 2001.

The OECD Environmental Strategy for the First Decade of the 21st Century was adopted by OECD Environment Ministers on 16 May 2001, and endorsed by the OECD Meeting of Council at Ministerial level on 17 May 2001. Its purpose is to provide clear directions for environmentally sustainable policies in OECD countries, and to guide the future work of the OECD in the field of environment. The Strategy identifies five inter-linked objectives for enhancing cost-effective and operational environmental policies in the context of sustainable development:

It includes five inter-linked objectives for achieving environmental sustainability,...

- Objective 1: Maintaining the integrity of ecosystems through the efficient management of natural resources (with a special focus on climate, freshwater, and biodiversity).

- Objective 2: De-coupling environmental pressures from economic growth (with a special focus on agriculture, transport, and energy).
- Objective 3: Improving information for decision making: Measuring progress through indicators.
- Objective 4: The social and environmental interface: Enhancing the quality of life.
- Objective 5: Global environmental interdependence: Improving governance and co-operation.

... 71 national actions OECD countries agreed to take by 2010, and...

OECD countries identified the key challenges they face under these objectives, agreed 71 national actions they would take to address these challenges, and asked the OECD to support them by undertaking further work in a range of areas.

... various work activities requested of the OECD to support them.

Ministers agreed in the Strategy [paragraph 2] that:

The Strategy should be implemented before 2010. The OECD Environmental Performance Reviews and the environmental indicators programme will be used for the monitoring of progress. Future meetings of the OECD Environment Policy Committee (EPOC) at ministerial level will review the progress achieved in implementing the Strategy.

OECD Environment Ministers will have an initial review of implementation of the Strategy in April 2004.

The first opportunity for OECD Environment Ministers to review their progress in implementing the *OECD Environmental Strategy* will be when they meet in Paris on 20-21 April 2004. This booklet provides a summary of the main background report to support those discussions. As this review takes place only three years after the adoption of the *OECD Environmental Strategy*, the indications of progress achieved are only very preliminary for most areas. Furthermore, data and indicators to measure the achievements made are often lacking. As such, this first report on implementation is intended to

provide a general overview and baseline against which future reviews can measure progress made.

Objective 1. Maintaining the integrity of ecosystems through the efficient management of natural resources

Climate

The OECD *Environmental Strategy* identifies three main challenges facing OECD countries in tackling climate change:

- A. Significantly reduce global greenhouse gas emissions, with developed countries taking the lead, and protect and enhance greenhouse gas sinks and reservoirs in order to stabilise concentrations in the atmosphere over the long term at a level that would prevent dangerous anthropogenic interference with the climate system.
- B. Meet all obligations under the UNFCCC and work through international processes to take forward its objectives; for a large majority of OECD countries this means seeking entry into force of the Kyoto Protocol by 2002, with timely ratification processes, and with the broadest possible support of the international community.
- C. Further develop new technologies, market approaches and other innovative solutions to address climate change, in particular with a view to combining actions for energy savings, and efficient and low greenhouse gas-emitting technologies.

Although greenhouse gas (GHG) emissions are still growing in many OECD countries, they have grown more slowly in OECD countries as a group than they have worldwide. OECD countries' contributions to the greenhouse effect, and rates of progress towards stabilisation, vary significantly. Carbon dioxide (CO₂) emissions from energy use continue to grow, particularly in the OECD Asia-Pacific region and in North America. This can partly be attributed to energy production and consumption patterns and trends, often combined with low energy prices. In OECD Europe, by contrast, CO₂ emissions from energy use have fallen since 1990, however this is largely due to economic restructuring in the early 1990s rather than the result of mitigation actions alone.

Despite continued increases in absolute emission levels, most OECD countries have reduced the GHG-intensity of their economic growth. In particular, decoupling of CO₂ emissions from GDP growth has resulted from economic changes; restructuring of energy supply, complemented by improvements in energy efficiency in production processes; and climate change related policies. Reductions in GHG emissions in the industrial, agricultural, and waste sectors have been an ancillary benefit of policies to tackle other environmental concerns in these sectors. In many countries, scale effects have outweighed

the benefits of such improvements, so that the overall level of GHG emissions has been increasing since 1990.

OECD countries have started to implement a range of policies to address GHG emissions, with some success in reducing the GHG-intensity of their economies.

About half of OECD countries have implemented carbon or energy taxes, and a similar number have formal government initiated voluntary approaches with industry to address climate change. A few countries have earmarked some of the revenues from these taxes for climate-related programmes, in order to increase their acceptability and environmental effectiveness. About one-third of OECD countries have implemented domestic emissions trading schemes or have announced firm plans to do so. A few countries have also introduced economic incentives to encourage CO₂ sequestration through land use management, afforestation, and reforestation activities.

More ambitious policies will be needed, however, for OECD countries to meet their existing climate objectives, and...

All but three OECD countries (Australia, Turkey, and the United States) have now ratified the Kyoto Protocol to the UN Framework Convention on Climate Change, many depositing their instruments of ratification in the last couple of years. As of early 2004, however, the Protocol had not yet entered into force because of insufficient ratification. Nonetheless, for those countries that have ratified the Kyoto Protocol, it is clear that additional measures will be needed if the agreed emission commitments are to be met. To keep costs to an acceptable level, the use of emission trading schemes, carbon-related taxes, and the project-based flexibility mechanisms (i.e. the Clean Development Mechanism and Joint Implementation) allowed under the Protocol will become an increasingly important part of the policy mix used to achieve Kyoto commitments. Even in those countries that intend to remain outside of the Protocol, such instruments are expected to play a role in the policy mixes designed to deliver emission reductions.

Many OECD countries have partnered with the private sector to begin to develop a range of new technologies to address climate change. These include renewable energy sources, especially wind, cleaner fossil fuel electricity generation, and carbon capture and storage in the energy sector, gas/electric hybrids and hydrogen fuel cells in the transportation sector, and energy

efficient products and technology in buildings and construction, and in processing industries. Some countries have also entered into bilateral and other multilateral agreements outside of the Climate Convention to create synergies in developing tools to mitigate climate change.

... to adapt to the impacts of climate change in coming decades.

Given that significant climate change impacts are expected in coming decades, despite current commitments to reduce GHGs, efforts will be needed by OECD countries to integrate adaptation to climate change into both domestic policies and development assistance programmes.

Freshwater

The *OECD Environmental Strategy* identifies two main challenges facing OECD countries in the management of freshwater resources:

- A. Manage the use of freshwater resources and associated watersheds so as to maintain adequate supply of freshwater of suitable quality for human use and to support aquatic and other ecosystems.
- B. Protect, restore and prevent deterioration of all bodies of surface water and groundwater to ensure the achievement of water quality objectives in OECD countries.

OECD countries have made progress in managing water demand, while addressing concerns about access to and affordability of water services.

OECD countries have been managing their abstractions of freshwater resources for a number of years to ensure an adequate supply for human needs, including through the extensive use of water pricing mechanisms to manage water demand. Increasingly, there is a move towards the use of volumetric pricing tariffs in order to reflect the marginal costs of water use and to provide incentives for efficient water use. While charges for water services to households and industry are approaching levels appropriate for full cost recovery for these services, OECD countries have had less success in reducing the often large subsidies to agricultural irrigation water.

One of the main challenges facing OECD countries in managing demand for water is to adequately address social concerns regarding access to and affordability of water services. Measures have been introduced in most countries to address these concerns, and are becoming more effective as governments learn from their own and others' experiences.

Integrated water resources management plans are now being developed, but their implementation will require considerable investment.

OECD countries are increasingly implementing water management policies that reflect ecosystem demands for freshwater, as well as human demands. Thus, a number of countries are experimenting with ecosystem-based or river basin management approaches. OECD countries are committed to developing integrated water resources management (IWRM) plans by 2005, but their full implementation will require considerable investment. Many are starting to apply minimum flow requirements to specific water bodies, ensuring sufficient water remains to support the local ecology.

Progress has been made in reducing water pollution, but the baseline quality standard for inland waters is still not met in most OECD countries, and groundwater quality is declining.

OECD countries have made great progress in cleaning up the worst polluted water bodies in recent decades, and in significantly reducing point source discharges to surface waters, such as those from industrial and urban municipal systems. Less progress has been made in addressing non-point sources of pollution, such as agricultural run-off of nutrients and pesticides, diffuse pollution from traffic, deposition of heavy metals and persistent organic pollutants, and soil erosion from earthworks. While a number of OECD countries have recently started to implement policies to address agricultural pollution of waterways, it remains a serious problem in most countries. Overall, most OECD countries do not yet meet the baseline quality standard for inland waters (i.e. suitability for fishing and swimming).

Most OECD countries have found it very difficult to protect groundwater resources, and available information indicates that in many places the trend is towards a worsening of groundwater quality. Of particular concern are elevated levels of pesticides and nitrates. Groundwater salinisation is also a problem in many countries, due to over-abstraction and low recharge rates.

Biodiversity

The *OECD Environmental Strategy* identifies two main challenges facing OECD countries in the management of biodiversity resources:

- A. Maintain, restore and enhance the diversity of landscapes, ecosystems, species and genetic material.

- B. Significantly reduce threats to ecosystems and their species from habitat loss and fragmentation, changes in land use patterns, pollution, introduction of invasive species, and overexploitation or extinction of wild species, etc.

Protected areas are increasing in OECD countries, but biodiversity loss outside of these areas continues.

The main instrument actively used in OECD countries to achieve biodiversity-related goals is the development of protected areas. Such areas have reached 14.6% of the total land area for OECD countries as a whole, and progress has been made in creating ecological networks with corridors to connect the protected areas. Progress in creating marine protected areas has been uneven, however, with existing areas remaining far from adequate. Effective management of protected areas often suffers from lack of management plans and adequate staff. Public and private expenditures on nature conservation remain low, when compared, for example, with expenditure on pollution abatement and control.

Further work is needed to integrate biodiversity concerns into sectoral policies, and to apply an ecosystem approach to natural resource management.

Little overall progress is being made to slow habitat loss and fragmentation outside of protected areas or to apply an ecosystem approach to natural resource management. The percentage of known species that are endangered continues to increase, and indicators of the total biomass of vertebrates in the wild continue to register declines. Pollution emissions to air and water continue to exert harmful pressures on biodiversity and habitats. Expansion of human settlements, especially in coastal areas, continues to degrade coastal ecosystems. Biodiversity concerns are yet to be well integrated into sectoral policies, although, initiatives to use agricultural policy to achieve biodiversity goals have begun, and there are some examples of reconciling transportation planning with wildlife ecology.

OECD countries have begun to deploy a wide array of tools to provide incentives for the sustainable use and conservation of biodiversity by private agents. These include fees, charges, and environmental taxes; standard setting; and assignment of well-defined property rights, including in the form of individual transferable quotas (fisheries) and transferable development

rights (wetland conservation). In many cases, market opportunities have arisen from consumer preferences which have led to private sector initiatives to create biodiversity/environment-friendly products. These include eco-labelling or certification schemes, such as those for organic agriculture and sustainably harvested forest or marine products.

Despite the recent entry into force of several important agreements on sustainable fisheries management, many fish stocks continue to be over-exploited.

A couple of major international instruments for sustainable fisheries management have recently entered into force. Moreover, many OECD countries have been reducing the fishing capacity of their fleets, mainly through vessel and license buy-back programmes, but also through a host of other measures, mainly of a regulatory nature to reduce fishing effort. Despite these efforts, the trend towards over-exploitation of fish stocks continues.

A global target, endorsed in 2002 at the World Summit on Sustainable Development, aims to significantly reduce the rate of loss of biodiversity by 2010 at the global, regional, and national levels. Achieving this objective, however, will require significant financial and technical resources.

Objective 2. Decoupling environmental pressures from economic growth

Agriculture

The *OECD Environmental Strategy* identifies two main challenges facing OECD countries in ensuring environmental sustainability in the agriculture sector:

- A. Progressively decrease the negative environmental effects and increase the positive effects of agricultural production so that ecosystem functions can be maintained or restored, while ensuring sufficient and safe agricultural production to provide food security for the world's population.
- B. Extend the application of technologies and management practices that can improve environmental performance, while ensuring that new technologies, for example genetically modified organisms (GMOs), do not entail unacceptable environmental or health risks.

Despite the introduction of some policies to limit agricultural pollution, pesticide and nutrient run-off remains high.

Some progress has been made in reducing the negative environmental pressures of agriculture, but much more needs to be done. Land use and soil loss have decreased, but water use has increased; nutrient surpluses have decreased in many countries, beginning to reduce pressure on water quality; environmental risks of pesticide use have been reduced, but remain high; long-term decreases in on-farm biodiversity have slowed; and some reductions in greenhouse gas emissions have occurred.

OECD countries have been working to reform agricultural subsidies in ways that reduce their negative environmental impacts, but progress is slow.

In many OECD countries, agricultural support has increasingly been linked to agri-environmental measures (e.g. organic production, land set-aside) and to cross-compliance (i.e. requiring that farmers meet environmental conditions to be eligible for support). This is reflected in 2003 regulations of the European Union Common Agricultural Policy reform and in the 2002 United States Farm Bill. However, market price support, output payments, and input subsidies – potentially the most environmentally harmful types of support – still account for nearly 80% of total support. Environmental damage associated with monoculture, intensification, and use of environmentally sensitive land – practices that are encouraged by support measures linked to production of specific agricultural commodities – continue.

Direct regulation of some pollutants (pesticides and other agro-chemicals) has also played a major role in improving environmental performance. Internalisation of environmental costs through economic instruments such as taxes, charges, and tradable permits is not yet widespread but has begun to reduce agro-chemical use (fertilisers, pesticides) and agricultural emissions (livestock effluents).

All OECD countries have in place a system of regulatory oversight over the environmental and health impacts of GMOs.

Regarding the potential environmental and health impacts of genetically modified organisms (GMOs), all OECD countries have in place a system of

regulatory oversight; many have approved field trials, mainly of transgenic crop plants; and some have approved their commercial use leading to the accumulation of further experience in the risk/safety assessment of uses of transgenic crops in the environment. The entry into force of the Cartagena Protocol on Biosafety in 2003, with its Biosafety Clearing-House, is an important step in helping OECD and non-OECD countries alike to establish or further strengthen national biosafety frameworks.

Transport

The *OECD Environmental Strategy* identifies two main challenges facing OECD countries in ensuring environmental sustainability of the transport sector:

- A. Significantly reduce the environmental and health effects of transport, particularly regarding air pollution and climate change, by ensuring that efficiency gains from technological developments and demand side management achieve lasting environmental quality improvements.
- B. Avoid exceeding air quality and noise standards, critical levels and loads for acidification, eutrophication and tropospheric ozone, prevent habitat fragmentation and minimise transport-related land use, run-off and waste, and reduce risks associated with maritime transport of hazardous substances.

Significant reductions have been made in a number of air pollutants from transport, but...

The environmental and health effects of air pollution from transport emissions in OECD countries have been decreasing for several years, and are expected to continue to do so as vehicles incorporating advanced technologies increase their share of the vehicle fleet and as cleaner fuels are put on the market. Emissions of most pollutants remain high, however, and limit-standards for air quality, and critical levels and loads for acidification, eutrophication, and tropospheric ozone, continue to be exceeded. Progress in noise reduction, the prevention of habitat fragmentation, and reducing run-off from transport is proceeding even more slowly, due to continued expansion of road networks and overall transport activity. CO₂ emissions from transport have continued to rise, as volume increases in demand have persistently outweighed improvements in fuel efficiency. A number of OECD countries have started using electric buses for public transport, and the commercial introduction of hybrid fossil fuel/electric passenger vehicles is beginning in some countries. However, the widespread use of alternative-fuel vehicles, including those with reduced or zero carbon emissions, is unlikely before the end of the decade.

... limit-standards for air quality, and critical levels and loads for acidification, eutrophication, and tropospheric ozone, continue to be exceeded.

Regarding the policy mix in use, regulatory timetables for meeting air quality goals and emission ceilings in most OECD countries have been established through 2008. These have been supplemented with the early introduction of low sulphur fuels, by the use of differentiated taxes in some countries, and voluntary agreements in others. A number of countries have been reforming their system of transportation taxes and charges to better target environmental and economic externalities (e.g. distance-related, vehicle weight, and emission-related charge systems for trucks, congestion charging, and differentiated fuel taxation). Efforts to shift demand toward greater use of public transport include greater emphasis on tram and light rail systems in some cities in OECD countries and efforts to increase the capacity of inter-city passenger rail in a few areas. Use of strategic environmental assessments for the development of major transport infrastructure is still in its infancy, with only a few examples of changes in project design to address environmental concerns.

A more ambitious policy mix will be needed to manage transport demand in the future, to tackle urban congestion, and to reduce transport-related CO₂ emissions.

Regarding the maritime transport of hazardous substances, OECD countries developed an action plan to combat substandard shipping in 2001. Until this plan is fully operational, however, marine pollution from oil and hazardous material continues to be a risk. In 2003, the European Commission implemented an accelerated timetable to phase-out single-hulled vessels in the transport of fuel oil and implemented more stringent port-side inspection and regulatory procedures

Energy

The *OECD Environmental Strategy* identifies one main challenge facing OECD countries in ensuring environmental sustainability of the energy sector:

- A. Redesign and modify energy supply and use systems so as to reduce the negative environmental effects of energy production and use, in particular the emission of greenhouse gases and other air pollutants.

Energy efficiency is increasing, but better internalisation of environmental costs in energy prices could significantly reduce environmental impacts of energy use.

Industry related CO₂ emissions from energy use have decreased for OECD countries as a whole, driven by changes in energy prices, fuel switching in energy generation, and structural changes which have reduced the share of energy-intensive industry in OECD economies. Energy use in the residential sector has steadily increased over the past decade, highlighting the important role to be played by energy efficiency policies and measures. Existing policy instruments in use include combinations of regulations and voluntary approaches aimed at improving energy efficiency in buildings, particularly as regards new construction, and in electrical appliance use. However, much of the potential for further energy efficiency improvements remains untapped, including low or no cost options. For example, standby power consumption from consumer electronics, the fastest growing use of household and office electricity, remains unregulated in most OECD countries.

A combination of pricing instruments and regulatory decisions has resulted in a slow shift in the fuel mix in OECD countries in favour of less environmentally damaging fuels.

Policies implemented in OECD countries to address the negative environmental effects of energy production and use have involved changes in electricity production, household, and commercial consumption, and transport. Regarding energy production and transformation, a combination of market forces and changes in regulation have fostered fuel-switching from coal to gas in many OECD countries. Fiscal policies, feed-in tariff compensations, tradable renewable energy certificates, and other policies have encouraged the deployment of renewable energy sources where growth has accelerated to the double-digit level, albeit from a low base. A few countries have deployed similar policies to promote combined heat and power. These measures have reduced emissions of carbon dioxide, sulphur dioxide, particulate matter, and other air-borne pollutants from power generation. Ancillary health and other environmental benefits accompany many of the policies aiming to reduce CO₂ emissions from the energy sector.

Continued research and development into new technologies to reduce energy-related emissions is important.

In addition, several new research initiatives have recently been launched on the viability and cost-effectiveness of carbon capture and storage, as well as on ways to reduce its cost. At least one pilot project has been initiated to generate electricity from fossil fuels with no carbon emissions. Combined with aggressive development of renewable energy sources, such as biomass, environmentally sound carbon capture and storage could open the way to low-emission or no-emission energy pathways.

The combination of structural change and energy efficiency have led to some decoupling of energy use from economic growth, notwithstanding continued high growth in the transport sector. Growth of CO₂ emissions has also slowed in recent years, aided by the small but perceptible increase in less CO₂-intensive fossil fuels, renewables, and nuclear power in some countries, but major progress will require substantially more ambitious policies and measures.

Objective 3. Improving information for decision making: measuring progress through indicators

The *OECD Environmental Strategy* identifies two main challenges facing OECD countries in improving information for environmental decision making:

- A. Use environmental indicators and related targets to measure progress in achieving environmental sustainability and in implementing this Strategy.
- B. Support national policies in stimulating greater accountability, with respect to their national objectives and international commitments (global and regional).

Better collection and dissemination of environmental information are contributing to increased transparency and accountability in policy making.

OECD countries have three decades of experience in environmental information and reporting, and pioneered the development and harmonisation of environmental indicators at the international level in the 1990s. In recent years, progress has continued in the use of indicators to measure progress in achieving environmental sustainability and related national objectives. Many countries have also identified small sets of

summary or “key” indicators intended to address the information needs of senior policy-makers, legislators, and the general public. A few countries have linked indicators to modeling and forecasting exercises to examine alternative policies and strategies in a medium and long-term context.

At the same time, the number of OECD countries carrying out basic data collection and dissemination work has increased, as has the thematic scope of the data produced. Major successes include, for example, the regular compilation of air emission inventories, and the increasing number of OECD countries (14 to date) that have established operational pollutant release and transfer registers (PRTR). The use of efficient web-based technologies for reporting and exchange of environmental information is increasing rapidly, often utilising large-scale environmental information networks or portals.

Some gaps remain, notably in areas such as biodiversity, risks related to toxic contamination, and sectoral breakdown of environmental data.

However, providing the right information for the right purpose remains a challenge in all OECD countries. Public authorities often have to cope with stable or declining funding, and find it increasingly difficult to keep pace with new and expanding demands for environmental information while maintaining continuity and regularity in core data activities. Good quality and policy relevant information remains scarce in areas such as biodiversity, economic aspects of environmental performance, risks related to toxic contamination, and sectoral breakdown of environmental data. Timeliness of the data published has not improved; and comparability among countries and over time is still an issue. This limits the effective use of many environmental indicators in public debate.

Other tools that promote accountability with respect to national environmental objectives, such as impact assessments, cost-effectiveness studies, and cost-benefit analyses are also becoming more prevalent in OECD countries. However, systematic and independent evaluations of these studies remain relatively rare.

OECD Environmental Performance Reviews have been extended to selected non-member countries, with a review of Chile upcoming.

Country environmental performance reviews carried out by the OECD provide peer-reviewed and comparative analysis of environmental performance in OECD countries. As such, they have contributed to strengthen public

accountability for both national environmental objectives and international commitments. In some regions, such as through the UN ECE Environment for Europe process, OECD has supported the use of environmental performance reviews for non-OECD countries in the region. The OECD programme has already reviewed environmental performance in Russia, and will cover Chile in the near future.

Objective 4. The social and environmental interface: enhancing the quality of life

The *OECD Environmental Strategy* identifies one main challenge facing OECD countries in enhancing the quality of life through addressing the social and environmental interface

- A. Address the various links between environmental and social conditions and trends, and the social impacts of environmental policies, in order to enhance human health, environmental equity, employment, access to information, public participation in decision-making, access to justice in environmental matters and environmental education, thus contributing to enhancing the quality of life.

OECD countries are working nationally and through international forums to address environmental and health risks related to the production and use of chemicals.

As regards environmental issues related to health and safety, some progress has been made in taking into account the cumulative and combined effects of some chemicals (especially pesticides) in the setting of regulatory standards, notably for water quality. Regarding the effects on health from chemical releases to the environment more generally, progress has been made on harmonising classification and labelling, on endocrine disrupters testing and assessment, in testing and assessment of high production volume chemicals, and on the development and revision of test guidelines for chemicals. A number of steps have been taken nationally and through international co-operation to prevent hazards from major accidents.

OECD countries are working together with others on a number of international initiatives, including a Globally Harmonised System for Classification and Labelling of Chemicals, and a Strategic Approach to International Chemicals Management. The Rotterdam Convention on Prior Informed Consent (PIC), which requires the prior permission of importing countries for the receipt of banned or severely restricted chemicals, entered into force in February 2004. The Stockholm Convention on Persistent Organic Pollutants (POPs), which

identifies persistent chemicals whose use is to be phased-out or limited, will come into force in May 2004.

Some countries have introduced measures to limit the exposure of sensitive groups (e.g. children, the elderly, pregnant women) to hazardous chemicals.

Measures to limit exposure to hazardous chemicals and air pollution of sensitive groups – such as children, pregnant women, the elderly, and the ill – have been introduced in a few countries. These include targeted chemical assessment programmes, or phase-outs of specific chemicals from certain products. Others have included safety factors in setting standards that are judged to be sufficiently high to address this issue by taking into account differences in the physical characteristics and behaviour of these sensitive groups.

Environment-related employment amounts to as much as 3% of total employment in some countries.

A few OECD countries have sought to integrate environmental and employment objectives by using some of the proceeds from environmentally related taxes to reduce taxes on labour or reduce pension insurance contributions, although the employment effects of this “double dividend” approach need to be assessed. At the same time, environmental expenditures are responsible for a significant source of employment, in some OECD countries amounting to as much as 3% of total employment.

OECD countries are using a range of measures to ensure access to and affordability of environmental services.

Most OECD countries have measures in place to ensure access to and affordability of environmentally related services such as water, energy, and waste disposal. These include a range of measures, including tariff adjustments, direct income support, and service vouchers.

With regard to information, participation, and access to justice in environmental matters, and environmental education, there has been considerable progress in recent years. Most OECD countries are under a legal obligation to provide environmental information on request. Many OECD countries have taken a pro-active approach to encourage citizens to make use of this enhanced access. Access is, however, somewhat uneven when the

environmental information is held by ministries other than the environment ministry or by semi-public bodies. Regarding public participation in policy development, the participation of stakeholders has improved in most OECD countries, with public hearings on major projects or policy initiatives common. Similar arrangements are increasingly common in international organisations. All OECD countries have integrated environmental education into formal education, but there is further scope for integration of environmental issues into mainstream school curricula.

Objective 5. Global environmental interdependence: improving governance and co-operation

The *OECD Environmental Strategy* identifies two main challenges facing OECD countries in improving governance and co-operation in the context of global environmental interdependence:

- A. Ensure coherence within, and strengthen, international environmental governance.
- B. Improve management of the environmental effects of globalisation, and ensure that environmental aspects are taken into account in international governance related to trade and investment, in particular in the World Trade Organisation (WTO) and international financial institutions.

Some key multilateral environmental agreements have entered into force, while others have been strengthened.

International environmental governance has been strengthened by the entry into force of a number of important multilateral environmental agreements (MEAs) in recent years. OECD countries have ratified an even larger number of important environmental conventions, not all of them yet in force, and have supported measures to strengthen the control or review mechanisms of several existing conventions. OECD countries have also supported measures to enhance coherence among MEAs.

The implementation of MEAs has become more demanding for OECD countries, as the number of such agreements in force has continued to expand. Most OECD countries devote considerable government resources to co-ordinating national implementation measures, and to fulfilling associated reporting requirements. Nonetheless, a number of OECD countries report delays in implementation due to institutional obstacles. Little progress has been made in ratifying a number of international agreements on liability for environmental damage, although four were negotiated and opened for signature between 1989 and 1999.

Resource mobilisation is insufficient to meet internationally agreed environmental goals, such as those on access to water and sanitation.

DAC member countries have provided USD 50 to 55 billion per year in the form of official development assistance (ODA) since 1998, with about USD 5-6 billion given to environmentally related projects. A number of donor countries have recently introduced measures to “mainstream” environmental concerns into all major projects funded by ODA. Despite commitments to address drinking water and sanitation needs made through the Johannesburg Plan of Implementation in 2002, resource mobilisation towards this end is still clearly insufficient to meet the internationally agreed goals.

Environmental concerns are increasingly being reflected in international trade and investment discussions.

Economic agreements also increasingly include environmental elements – for example, regional and bilateral investment and trade agreements, and the 2001 Declaration of WTO Ministers (the Doha Development Agenda). Several OECD countries have started to apply the methodologies developed by the OECD and others to assess the environmental effects of trade, including environmental reviews of on-going trade negotiations.

OECD Council has adopted a Recommendation on Common Approaches on Environment and Officially Supported Export Credits.

OECD countries agreed in late 2003 on a Council Recommendation on Common Approaches on Environment and Officially Supported Export Credits. During its development, a number of OECD countries strengthened environmental impact assessment (EIA) requirements for projects benefiting from credit guarantees, and took other steps to ensure transparency in integrating environmental objectives into project planning and financing decisions.

As part of broader initiatives to improve corporate governance, several OECD countries have promoted implementation of the OECD guidelines for multinational enterprises (MNEs), including their environmental component. This has led to a number of “specific instances” of alleged non-compliance, and thus raised awareness of environmental performance as a component of corporate governance. Meanwhile the practice of implementing

environmental management systems and issuing environmental reports has taken hold in the enterprise sector of OECD countries, with well over 50% of MNEs canvassed in large surveys reporting such systems to be in place. However, far fewer businesses engage in environmental cost accounting or associated reporting, and fewer still make use of third-party certification.

Further work in the OECD

While the *OECD Environmental Strategy* is intended to be fully implemented by the end of the decade, this initial review provides an opportunity to consider:

- the elements of “Further Work in the OECD” requested in the *Strategy* that have not yet been started;
- some of the gaps in data and information that hamper adequate monitoring of the implementation of the *Strategy*; and
- the process for future reviews of implementation.

OECD has started activities in most of the 55 areas of further work requested in the Strategy...

The OECD has undertaken considerable work since 2001 on the 55 items of “Further Work in the OECD” requested in the *OECD Environmental Strategy*. While much of the work is being carried out under the auspices of the OECD Environment Policy Committee (EPOC) or its subsidiary bodies, a number of elements are undertaken through other OECD Committees or bodies or through associated organisations, such as the International Energy Agency (IEA) and the European Conference of Ministers of Transport (ECMT).

For some of the items of further work requested, new work activities were begun. For others, existing activities were focussed or accelerated. Only for a few items was there very little or no recent work of relevance. These included the further work requested of the OECD to:

- Provide information and analysis related to transboundary water resources and security threats from water scarcity or pollution.
- Analyse barriers to market penetration by environmentally friendly technologies and develop approaches on how to overcome this.
- Analyse the scope for policies to mitigate the negative environmental impacts from leisure and tourism travel.
- Continue and further the development of environmental outlooks.
- Further develop methods for environmental accounting in the context of the System of National Account.
- Analyse policy implications of urban environmental problems and urban sprawl.

... and further work will be undertaken in the context of the 2005-2006 programme of work.

For some of these, work is planned to start in the near future, for example the development of a new *OECD Environmental Outlook*. Similarly, work was started in late 2003 on Material Flows Analysis, contributing to the further work requested on environmental accounting, and as was requested by the G8 Heads of State and Government (June 2003, Evian, France).

For a number of the National Actions listed in the Strategy, available information is insufficient to adequately review progress in their implementation.

In producing this report, it became clear that considerable gaps remain in the data and information that would be required to undertake a thorough review of OECD country implementation of the 71 National Actions. To improve coverage and comparability in future reviews of implementation of the *OECD Environmental Strategy*, work should be undertaken to fill these gaps. Increased data collection and indicator development may be necessary in some cases, while better analysis of the impact of specific policies will be needed in others. The *OECD Environmental Strategy* is intended to cover the first decade of the 21st Century, and as such should be implemented by 2010. This report provided an initial review of implementation, but further reviews up to the 2010 deadline will be needed to monitor progress and highlight obstacles to implementation.

OECD will continue to monitor country implementation of the OECD Environmental Strategy.

Following recent trends, it might be expected that OECD Environment Ministers will meet at the OECD once more before the final review of implementation of the *Strategy*. That would provide one additional opportunity for an interim review by Ministers of implementation, perhaps in 2007. To support that meeting, there will be further results available from the second cycle of the OECD Environmental Performance Reviews, as well as an updated *OECD Environmental Outlook*. The next meeting of OECD Environment Ministers, in 2010 or 2011, would provide the opportunity for a final review of implementation of the *OECD Environmental Strategy*, and

identification of any new actions or policies needed to continue toward environmentally sustainable development in OECD countries.

In the meantime, the OECD Environment Policy Committee and its subsidiary bodies will continue to track country progress in the 71 National Actions, in particular through the OECD Environmental Performance Reviews and through the work on environmental indicators and data. To support the next Ministerial review, EPOC might also monitor in more depth the implementation of each of the Objectives (or their sub-Objectives) in turn over the next few years.

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(00 2004 64 1 P) – No. 82609 2004