OECD ENVIRONMENT PROGRAMME

OECD Environment Directorate
Paris, France

OECD

THE OECD ENVIRONMENT PROGRAMME

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WHAT DOES THE OECD DO?

The Organisation for Economic Co-operation and Development (OECD) was founded in 1961, replacing the Organisation for European Economic Co-operation (OEEC) which had been established in 1948 in conjunction with the Marshall Plan. The main **aims of the OECD** are to 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 contributing to the development of the world economy.
- Contribute to **sound economic expansion in Member countries as well as non-member economies** in the process of development.
- Contribute to the **expansion of world trade on a multilateral, non-discriminatory basis** in accordance with international obligations.

At the annual meeting of the OECD Council at Ministerial Level in 1998, Ministers agreed to **interpret the term 'sustainable' in the aims of the Organisation as including social and environmental**, as well as economic, considerations.

The OECD is an **intergovernmental economic organisation** which brings together its **30 Member countries** to discuss the **broad economic, social and environmental policy concerns** of governments. The OECD provides sound and objective policy analysis, and enables dialogue and peer-pressure

THE OECD MEMBER COUNTRIES AS OF EARLY 2001

Australia • Austria • Belgium • Canada • Czech Republic • Denmark • Finland • France • Germany • Greece • Hungary • Iceland • Ireland • Italy • Japan • Luxembourg • Mexico • The Netherlands • New Zealand • Norway • Poland • Portugal • Republic of Korea • Slovak Republic • Spain • Sweden • Switzerland • Turkey • United Kingdom • United States.

between Member countries. Member countries compare their experiences, seek answers to common problems, work to co-ordinate domestic and international policies, and engage non-member countries in constructive dialogues.

The Organisation has become one of the world's largest and most reliable sources of **comparable statistical data and information**. The data received from governments is harmonised and then used to facilitate comparison and analysis. OECD databases cover areas as diverse as national accounts, various economic indicators, the labour force, trade, employment, migration, education, energy, industry, taxation, tourism, and the environment.

AN EVOLVING CONTEXT FOR ENVIRONMENTAL POLICY

As early as 1970, environmental issues were recognised as an important concern for public policy in OECD countries, a recognition which led to the establishment in 1971 of the Environment Committee (now the Environment Policy Committee) and the Environment Directorate at the OECD.

Amongst the early landmarks in the OECD's work on environmental policy was the historic decision by the OECD Council in 1972 on the **'Polluter Pays Principle'**. Complemented by the 'User Pays Principle', it is one of a number of principles which the OECD has espoused in the last three decades to encourage the **integration of environmental and economic policy**. Such integration is today even more important than it was in the 1970s and 1980s, as the environmental problems faced by OECD countries, and the policies used to address them, have evolved. Although much remains to be done to address pollution-related problems — such as air and surface water quality, industrial pollution and waste management — the policies required are generally

THE OECD POLLUTER PAYS PRINCIPLE

The polluter should bear the expenses of carrying out environmental protection measures decided by public authorities to ensure that the environment is in an acceptable state. In other words, the cost of these measures should be reflected in the cost of goods and services which cause pollution in production and/or consumption. Such measures should not be accompanied by subsidies that would create significant distortions in international trade and investment.

well understood and in many cases are already widely implemented in OECD countries.

In recent years, a **more complex set of environmental problems** has emerged, going well beyond the agenda of earlier decades. These new challenges centre on threats to strategic **natural resources** and to the 'global commons'. The *OECD Environmental Outlook* (2001) identifies climate change, loss of biodiversity, urban air pollution, hazardous chemicals in the environment, groundwater pollution, and the sustainable management of fisheries, forests and agricultural land as among the most important challenges of today. The accelerating phenomenon of **globalisation** has introduced a new dynamic element, as capital, goods, people and information have all become highly mobile across the world. The result has been dramatically increased interdependence – both economically and environmentally – between OECD and non-OECD countries.

Environment Ministers Respond

These two phenomena – a more complex set of environmental problems and increased global interdependence – mean that policy integration is more desirable than ever. **Environment Ministers** of OECD countries recognised this when they met in 1998, deciding to develop a new **OECD Environmental Strategy for the First Decade of the 21st Century**, for adoption at their meeting in May 2001. The Environmental Strategy specifies the necessary national actions by OECD countries to **address the most pressing environmental problems** they face at the dawn of the 21st century, the indicators that can be used to monitor their progress, and the work that the OECD can undertake to support these actions.

THE 5 OBJECTIVES OF THE OECD ENVIRONMENTAL STRATEGY

1. Maintaining the integrity of ecosystems through the efficient management of natural resources.
2. De-coupling environmental pressures from economic growth.
3. Improving information for decision making: Measuring progress through indicators.
4. The social and environmental interface: Enhancing the quality of life.
5. Global environmental interdependence: Improving governance and co-operation.

Sustainable Development at the OECD

A High-Level Advisory Group on the Environment, recommended that the OECD should "develop into the key intergovernmental organisation providing the industrialised nations with the analytic and comparative framework of policy necessary for their economies to make the transition to sustainable development". This challenge has been actively taken up in the OECD. The meeting of the OECD Ministerial Council in April 1998, an annual gathering of Ministers of economics, trade and foreign affairs, confirmed **sustainable development as a strategic priority for the Organisation**. A major 'horizontal' programme was undertaken, involving Committees and staff from across the Organisation to bring in expertise on the economic, social and environmental dimensions of sustainable development. In May 2001, the **OECD Ministerial Council Meeting** will review the results of this project.

The OECD's recent work on sustainable development and on environment will represent a significant contribution from the OECD to advancing the international agenda on sustainable development, particularly in the context of the **World Summit on Sustainable Development,** in South Africa in 2002.

HOW DO WE WORK?

The Environment Policy Committee (EPOC) and Partners

The Environment Policy Committee is one of the major policy committees of the OECD. It is in charge of implementing the environment part of the Organisation's biennial programme of work - the **"Environment Programme"** - once approved by the OECD Council. EPOC usually meets in Paris twice a year, and holds meetings at the **Ministerial level** every two to three years, most recently in May 2001.

EPOC oversees three **Working Parties** — on *Global and Structural Policies*, *National Environmental Polices*, and *Environmental Performance* — which are supported by Working Groups of experts on such topics as transport and biodiversity. **EPOC also co-operates with other OECD Committees and Bodies**, participating in two Joint Working Parties — on *Trade and Environment* and on *Agriculture and Environment* — and in Joint Meetings of Experts on Taxation and Environment.

The **Environment, Health and Safety (EHS) Programme** is part of the environment programme, but is largely funded by a specific (Part II) budget separate from the regular OECD budget. The *Chemicals Committee*, like EPOC, reports

MANDATE OF THE ENVIRONMENT POLICY COMMITTEE

EPOC's Mandate is to provide a forum for Member governments to:

- Address common problems and encourage co-operation on new approaches to policy.
- Promote, in support of sustainable development, the integration of environmental and economic policies, technological innovation and diffusion, and the protection of unique environmental assets and ecosystems.
- Share data, information and experience; assess the environmental performance of Member countries.
- Promote the sharing of knowledge with non-member countries.
- Ensure that the views and expertise of non-government institutions are drawn upon in its work.

directly to the OECD Council. EPOC's *Working Party on Chemicals* and the Chemicals Committee together form the *"Joint Meeting"* which oversees the EHS programme. A **Task Force for the Implementation of the Environmental Action Programme in Central and Eastern Europe (EAP)** is housed in the Environment Directorate, and forms part of the OECD's co-operative work with non-member countries. The EAP Task Force provides a forum for dialogue and co-operation between countries in transition and the members of the OECD on environmental policies and institutional frameworks. The **Annex I Experts' Group on Climate Change** is also based in the Directorate, and undertakes studies of issues related to the negotiation and implementation of international agreements on climate change.

The OECD Environment Directorate

The Environment Directorate is the part of the OECD Secretariat that **undertakes environment programme activities**. Working closely with Member countries, the staff researches and analyses the underlying issues. The findings and recommendations of this work are discussed at meetings of EPOC, its subsidiary and collaborating bodies, and with groups of experts.

The **main objectives** of the Directorate are to

- Contribute to sustainable development at the global, regional and national level.
- Contribute to the advancement of integrated policies for the management of the environment of OECD members and selected non-member countries, individually or in an international context.
- Provide and disseminate high-quality and reliable environmental information and data.

- Provide a platform for discussion on environmental issues for governments, NGOs, business, trade unions, and scientific institutions.

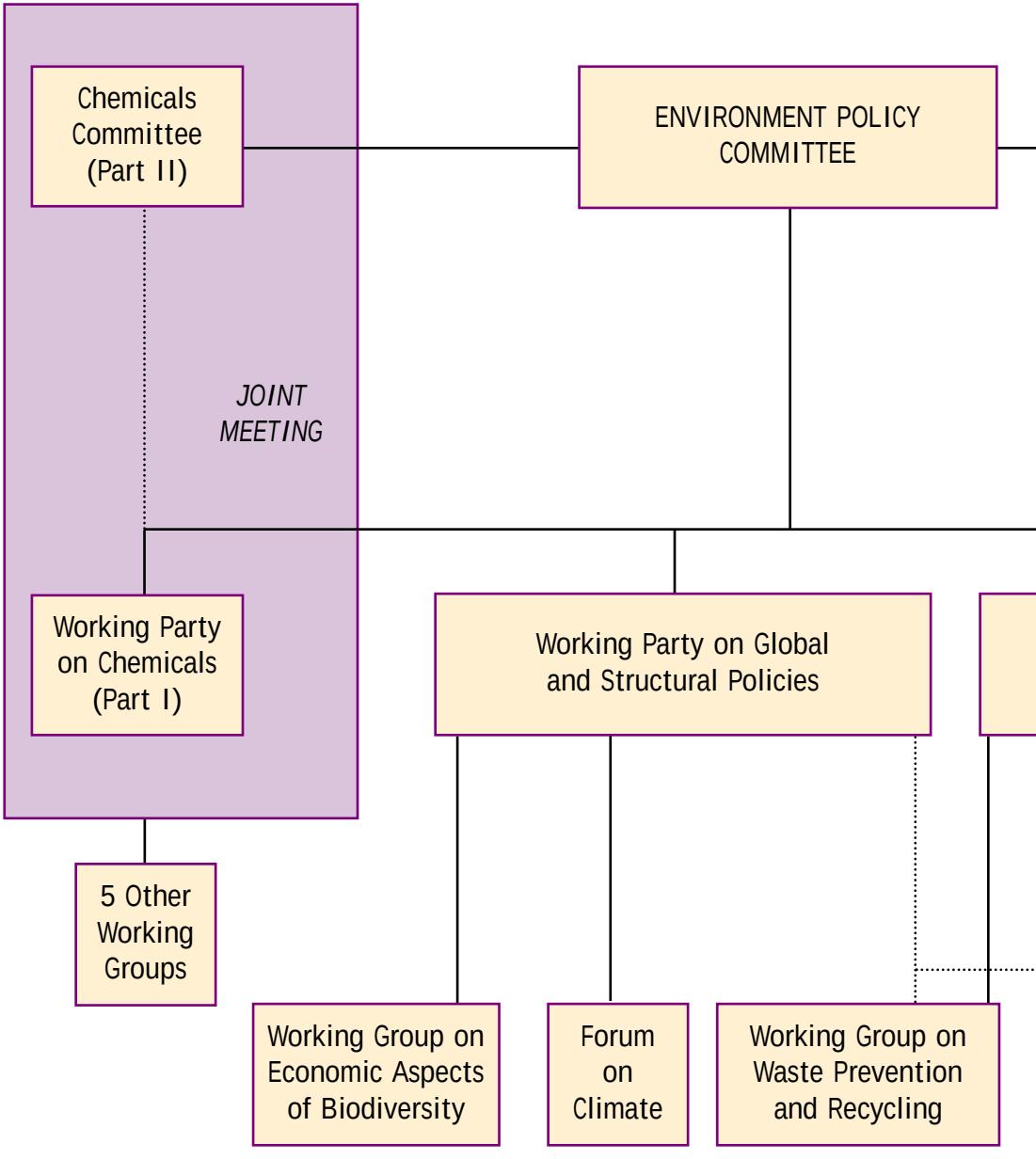
The Environment Directorate is structured around five units which work together to deliver the Environment Programme of Work: the National Policies Division; the Global and Structural Policies Division; the Environmental Performance & Information Division; the Environment, Health and Safety Division; and, the Non-Member Countries Division. Strategic leadership is provided by the Director's Office, and the Management Support Branch looks after administrative and budgetary issues. The **staff of the Directorate** is drawn from across the **30 countries** of the OECD, and numbered **over 100** in early 2001.

The Environment Programme's Budget

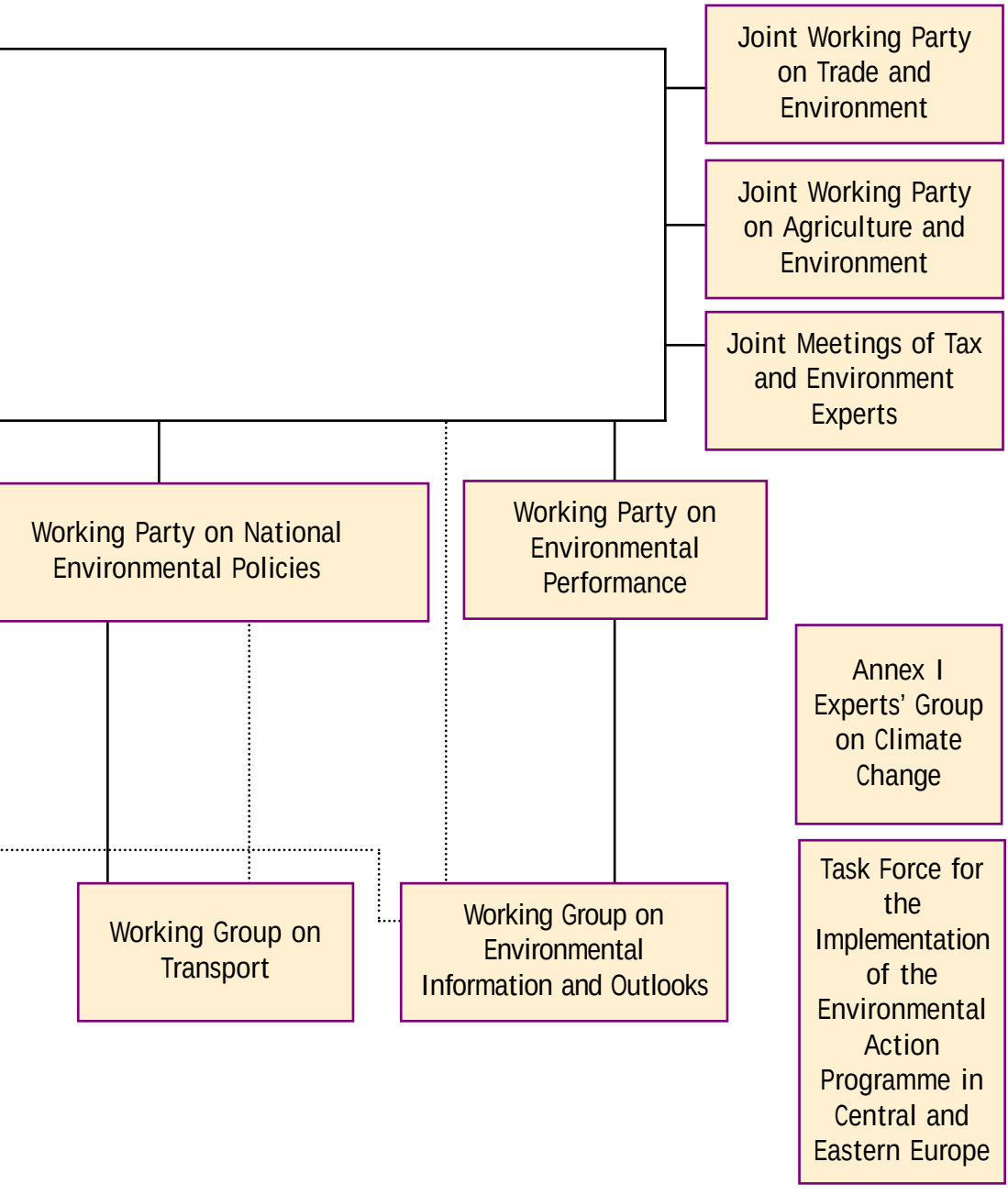
The Environment Programme is primarily financed by three distinct budgets, which totalled **FF44m – or €6.7m — in 2000**. The regular Environment Programme budget was FF29m, financed by the annual contribution paid to the Organisation by its Member countries. The Special Programme on the Control of Chemicals had a budget of FF11m, made up of the annual contributions of the 27 Member countries that support this Programme. In addition, FF4m was provided to the Environment Programme by the OECD Centre for Co-operation with Non-Members (CCNM) to finance a portion of the work with non-members. Some of these resources support project staff working directly within the Environment Directorate.

In addition to these three sources of finance, the Programme receives a number of **voluntary contributions** from Member countries to help fund its work. In 2000, the Programme received FF7.1m for work in its general programme, FF7.3m to support the work on chemicals and FF5.2m for work with non-members.

Environment Work At OECD:



Committee And Working Party Structure



WHAT DO WE DO?

The main areas of work undertaken by the Environment Directorate focus on: environmental outlooks and strategy; policies and instruments for integration; sustainable management of natural resources; globalisation and the environment; accountability for environmental performance; mutual acceptance of data on chemicals and biotechnology, and co-operation with non-member countries. The specific work undertaken in these activities is discussed in more detail on the following pages.

Environmental Outlook and Strategy

Understanding how environmental and economic forces and trends interact, and the directions they are likely to take in the future, is essential for setting policy priorities. Based on this understanding, practical strategies and common principles for addressing the most significant environmental pressures can be developed. The *OECD Environmental Outlook* (2001) was developed to generate an **economy-based vision of environmental conditions in 2020**, and to provide the underlying analysis for the OECD Environmental Strategy for the First Decade of the 21st Century.

Following on from this project, the OECD is continuing to develop quantitative projections and qualitative assessments of changes in selected pressures

FOUR CRITERIA FOR ENVIRONMENTAL SUSTAINABILITY

1. Renewable resources should be used efficiently, and their use kept to a level that is compatible with their regenerative capacity over the long term.
2. Non-renewable resources should be used efficiently, and their use limited to levels which can be offset by their substitution by renewable resources or by other forms of capital.
3. Releases of hazardous or polluting substances to the environment must not exceed its assimilative capacity, and concentrations must be kept below established critical levels for protecting human health and the environment.
4. Irreversible adverse effects of human activities on ecosystems should be avoided, and the natural processes capable of maintaining or restoring the integrity of ecosystems safeguarded.

on the environment and environmental issues that were not addressed in the 2001 report. These single issue outlooks identify the gap between projections of current trends and those that would be required for environmentally sustainable development, and **propose and assess the effects of policy packages** of economic, regulatory, voluntary or information-based policy instruments that could narrow these gaps.

While the Outlooks provide a strong quantitative foundation for the environment work programme, work is also being undertaken to enhance the conceptual basis of and ensure strategic coherence amongst existing **policy principles, guidelines and criteria for environmental sustainability**.

Relevant publications

OECD Environmental Outlook (2001)

OECD Environmental Outlook for the Chemicals Industry (2001)

To order these publications, visit http://www.oecd.org/publications/

Visit http://www.oecd.org/env for a selection of free downloadable OECD reports.

Policies and Instruments for Integration

The successful **integration of environmental policies with sectoral or economic policies can bring multiple benefits**, by ensuring that environmental policy goals are reached at least cost and that the burdens which economic or sectoral policies can impose on the environment are fully accounted for. **Economic instruments** such as taxes, charges and tradable permits are important for this integration, and are a continuing and significant focus of the environment programme's work. Current activities emphasise successful implementation strategies for **'green' tax reform** and the use of **environmentally related taxes**.

Domestic transferable permit systems and **voluntary agreements** are two relatively recent additions to the environmental policy tool kit. Preliminary work surveying the use of these instruments in OECD countries has been undertaken in recent years. **OECD strategic guidelines** for the practical application of domestic tradable permit schemes have been agreed, and are under development for voluntary approaches.

While the OECD has been recommending the use of market-based and other instruments for addressing environmental problems for a few decades, it is clear that there are often **barriers to their implementation**. These often arise from a concern that the burden of the environmental policy may adversely affect specific sectors or regions (i.e. impacting on sectoral competitiveness), or may fall most heavily on those that can least afford it (e.g. low-income households or farmers). Similarly, in many cases there is inequitable access to environmental resources and services — it is the poorer segments of the population that are most exposed to pollution and waste, and that have the

OECD ON-LINE ENVIRONMENTAL DATABASES

A comprehensive on-line database on the use of environmentally related taxes has been developed by the OECD in co-operation with Eurostat (www.oecd.org/env/policies/taxes/). It describes the level and types of environment related taxes in use in OECD Member countries, the revenues generated, and the conditions and levels of exemptions that are provided.

An OECD on-line database on the use of economic instruments for pollution and natural resource management will be available from late 2001.

least access to natural parks and areas. Greater attention is clearly needed to the **social dimension of environmental policies**. The OECD is examining some of these issues, particularly the **employment and distributive implications** (who pays and who benefits and how to alleviate possible regressive effects), as well as **public participation** and **environmental justice**. Ensuring that the public has easy **access to environmental information** is also a high priority for OECD countries, as reflected in the 1998 *OECD Council Recommendation on Environmental Information*.

Agriculture is one of the sectors of the economy **where failure to integrate environmental and economic policies** is most evident. Through the Joint Working Party with the OECD Committee for Agriculture, EPOC continues pioneering work on such issues as **sustainable agriculture**, the use of **'agri-environmental indicators'**, the full costs and benefits of irrigation subsidies, eco-labelling of agricultural produce, and the environmental implications of structural and technological change.

The OECD has been studying the relationship between **transport** and the environment since the earliest days of its environmental work. The continuing expansion of transport in OECD countries brings **huge costs, both social and environmental**, estimated to amount to 4%-6% of GDP. The OECD's project on 'Environmentally Sustainable Transport' developed Guidelines in 2000 of the kind of policy framework needed to **ensure that transport systems will be environmentally sustainable in the year 2030** and beyond. Over the next few years, the work will focus on establishing implementation strategies and best practices for environmentally sustainable transport in specific OECD regions.

Relevant publications

Design and Use of Domestic Transferable Permit Systems for Environmental Policy (2001)
Environmentally Related Taxation in OECD Countries: Issues and Strategies (2001)
Environmentally Sustainable Transport: Concepts and Strategies (2001)
Environmentally Sustainable Transport: Futures, Strategies and Best Practice (Proceedings of the Vienna Conference) (2001)

Environmental Taxes: Recent Developments in China and OECD Countries (1999)
Implementing Domestic Tradable Permits for Environmental Protection (1999)
Improving the Environment through Reducing Subsides: Part III, Case Studies (1999)
Voluntary Approaches for Environmental Policy: An Assessment (1999)
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Sustainable Management of Natural Resources

The sustainable management of natural resources is becoming ever more important, both for OECD and non-OECD countries, as the focus of environmental **concern shifts away from pollution-related problems towards resource-based ones**. In particular, many of our renewable natural resources are now being used or harvested at unsustainable rates – driving them, in some cases, to exhaustion. The Convention on Biological Diversity contains an important commitment to the conservation and sustainable use of **biodiversity**, and to the fair and equitable sharing of the benefits arising from the use of genetic resources. Following the release of a handbook on the practical design and implementation of **incentive measures** for biodiversity in 1999, work is now focussing on two specific measures – the **creation of markets for the sustainable use of biodiversity products and services**, and the **use of economic valuation techniques** to measure the full value of ecosystem services, such as the purification of water supplies by aquatic life-forms or the soaking up of carbon from the atmosphere by forests.

Global climate change is one of the most serious and complex challenges facing the world today, with serious implications for economies, societies and the environment. The OECD's long-standing work in this area is a central part of the Organisation's work on environmental issues, and the Environment Directorate plays a pivotal role in this process. The climate

work emphasises appropriate **sectoral mitigation policies**, monitoring of abatement performance, and the **ancillary benefits** of climate change policies (e.g. reduction of other air pollutants, health benefits, waste minimisation). Internationally, effort is being focused on how best to **ensure compliance** with the **Framework Convention on Climate Change** and the Kyoto Protocol, and to **monitor and review** their implementation by national governments. Analysis is also focussed on the **Kyoto mechanisms**, including emissions trading, the Clean Development Mechanism (CDM) and Joint Implementation (JI), and the development of **adaptation strategies** to minimise the costs of adapting to a changing climate. The OECD helps to advance the ongoing international discussions with its regular **Forums on Climate Change**, involving both non-member countries and other important stakeholders. An **Annex I Experts' Group** of specialists from Member countries and countries in transition provides a platform for the development of analysis and an exchange of ideas among this particular group of countries.

Technical, social and economic changes can contribute to major improvements in the efficient use of resources, helping to break the link between economic growth and the growth in resource use and pollution. To improve understanding of how **resource efficiency** can contribute to sustainable development, a cross-cutting work programme is underway in this area, with a particular focus on institutional responses. In addition, work is being undertaken on how governments can generate both direct and indirect environmental benefits through **green public purchasing programmes**. Particular attention is currently being paid to financial, budgeting and accounting issues. In a related programme, work is being undertaken on **sustainable consumption** patterns, particularly in the areas of tourism, food, energy and water consumption, waste generation and sustainable construction. This project seeks to provide governments with the most effective application of a broad range of policy instruments (regulatory, pricing mechanisms, information, etc.) to reduce the environmental impacts arising from current consumption patterns.

While **waste prevention** has been accepted as an essential element of environmental policy, limited attention has been paid to the establishment of

evaluation tools for countries to assess their performance in this area. A major project was recently undertaken to develop a **Reference Manual on Strategic Waste Prevention**, and building on this work a follow-up project has been initiated on the development of OECD-level performance indicators of waste prevention. In addition, considerable work has been undertaken in the OECD on the environmental benefits of providing economic incentives for households, commercial establishments and industrial facilities to **minimise their waste generation** and increase reuse and recycling. Work in this area includes the identification of **market barriers and failures in secondary material markets**, the waste reduction implications of different types of **waste service contracts**, and continuing work on **extended producer responsibility**.

A series of OECD Council Acts establish a broad framework for the **control of transfrontier movements of hazardous wastes**, such as the toxic residues from chemical and manufacturing industries. The OECD framework also includes a **control system for wastes which can be recycled or recovered** and which are moved between OECD countries, facilitating the environmentally safe movement of such wastes and increased recycling. To ensure the appropriate management and recovery of wastes, work is underway to develop **international guidelines for environmentally sound management (ESM) of recoverable wastes** in the receiving facility. Procedures for the management of the transfrontier movement of wastes also exist under the Basel Convention and within the European Union, and **harmonisation of the procedures and requirements of the different systems** is now almost completed**.**

Relevant publications:

Promoting Sustainable Consumption Patterns: Results from the OECD Work Programme (2002)
Creating Markets for Biodiversity Products and Services (2001)
Extended Producer Responsibility: Guidance Manual for Governments (2001)
Handbook of the Applied Valuation of Biological Diversity (2001)
Strategic Waste Prevention: Core Messages from the OECD Reference Manual (2001)
Valuing the Benefits of Biodiversity: Conference Proceedings (2001)

Ancillary Benefits and Costs of Greenhouse Gas Mitigation (2000)
Emission Baselines: Estimating the Unknown (2000)
Greener Public Purchasing: Issues and Practical Solutions (2000)
Handbook of Incentive Measures for Biodiversity: Design and Implementation (1999)
National Climate Policies and the Kyoto Protocol (1999)
The Price of Water: Trends in OECD Countries (1999)
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Globalisation and the Environment

The opening-up of the world's trade and investment regimes, an important element of **globalisation**, is likely to have a substantial effect on the environment – nationally, regionally and globally. Through changes in patterns of consumption, production and investment, globalisation can promote the more efficient use of resources; on the other hand, it can also contribute to increased pressure on natural resources and more pollution, particularly if strong environmental institutions are absent.

The OECD has examined the interaction between trade and the environment for over a decade. Since agreement in 1995 on a set of OECD Procedural Guidelines on Trade and the Environment, the focus has been on issues such as the environmental effects of trade liberalisation, the trade dimensions of **sustainable product policies**, and the development of **methodologies for assessing the environmental effects of trade agreements**. The extent to which trade and environment policies in OECD countries have been **transparent** to the general public is another focus of the work, with a series of cases studies on transparency in OECD Member countries currently underway. This work is discussed in a **Joint Working Party of EPOC and the Trade Committee,** and supports discussions in the **World Trade Organisation.**

A second significant feature of globalisation has been the phenomenal growth in flows of private capital, including **foreign direct investment**

(FDI) in recent years. In 1985, FDI flows to non-OECD countries totalled US$ 19.2 billion; by 1998, this had grown to about US$ 118 billion. FDI is the **most significant type of capital flow for the environment**: it directly influences whether or not investments harm or enhance the environment. The impacts of portfolio flows of investment are also of interest, and common approaches for OECD countries to integrate environmental concerns into **Export Credit Agency activities** are currently being developed. The **OECD Guidelines for Multinational Enterprises**, agreed in 2000, incorporated recommendations aimed at ensuring that MNE activities are undertaken in an environmentally sustainable manner. These issues are also being addressed as part of the OECD's **co-operation with non-member countries**.

Relevant publications

Assessing the Environmental Effects of Trade Liberalisation Agreements: Methodologies (2000)

Foreign Direct Investment and the Environment (1999)

Trade Measures in Multilateral Environmental Agreements (1999)

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Visit http://www.oecd.org/env for a selection of free downloadable OECD reports.

Accountability for Environmental Performance

The OECD has long been the authoritative source of **environmental data on its Member countries** – on pollution, natural resources, and on energy, transport, industry and agriculture. These data provide a strong factual and quantitative basis for much of the rest of the work of the Environment Programme. Ensuring that the public has easy **access to environmental information** is also a high priority, and work is continuing in support of OECD countries' efforts to this end, spurred on in part by the 1998 OECD Council Recommendation on Environmental Information.

Environmental progress across the OECD is monitored with the help of **environmental indicators** developed under the Programme. The widely used **'Pressure-State-Response' framework** helps decision-makers and the public to see how environmental, economic and social indicators are interconnected. The OECD regularly publishes a **core set** of such indicators, covering both environmental and socio-economic issues – for example, sectoral trends in transport and energy consumption, agricultural activity, climate change and biodiversity, and spending by OECD countries to achieve their environmental goals. New studies are underway on further developing appropriate **indicators of biodiversity, transport, tourism and sustainable consumption**. Indicators are also becoming increasingly important in the Environmental Performance Reviews, and in the OECD's wider programme on sustainable development. A headline set of **key indicators for the environment** has been established, drawn from the core set.

The OECD's Environmental Performance Reviews scrutinise the efforts of its Member countries to reach their environmental goals – both **domestic objectives and international commitments** – and **recommend changes that could lead to better performance**. They assess progress in reducing pollution, in improving the management of natural resources, in integrating environmental, economic and other policies and in strengthening international co-operation. For each individual country, the process is one of **'peer review'.** The report is prepared by experts from the governments of several OECD countries and the OECD Secretariat, and then is discussed in depth in EPOC's Working Party on Environmental Performance. Four or five OECD countries are examined in this way each year, with the first cycle of performance reviews now complete. The second cycle began in 2000 with reviews of Germany, Iceland, Portugal, Norway, Slovakia and Japan. It places more emphasis on the use of indicators to measure performance, the integration of environmental, economic and social policies to achieve **sustainable development**, and reviewing progress with respect to previous OECD recommendations.

OECD has had an active programme of co-operation with **non-member countries**, particularly Russia and China, on the collection of environmental data

and the development of indicators for some time now. **Environmental Performance Reviews** are conducted for selected non-member countries, and so far Russia, Bulgaria and Belarus have been reviewed. A series of seminars are being held in 2001-2002 on the use and further **development of environmental information systems** in China.

Relevant publications

Environmental Information: Performance and Challenges in OECD Countries (2001)
Environmental Performance in OECD Countries: Achievements in OECD Countries (2001)
Key Environmental Indicators (2001)
OECD Environmental Data – Compendium 2001 (2001)
Towards Sustainable Development: Indicators to Measure Progress (Proceedings of the Rome Conference) (2000)
OECD Environmental Data – Compendium 1999 (1999)

Environmental Performance Reviews

Italy (2002) • Japan (2002) • Slovak Republic (2002) • UK (2002) • Germany (2001) • Iceland (2001) • Norway (2001) • Portugal (2001) • Greece (2000) • Hungary (2000) • Ireland (2000) • Luxembourg (2000) • Czech Republic (1999) • Denmark (1999) • Russia (1999) • Turkey (1999)

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Mutual Acceptance of Chemicals and Biotechnology

The chemicals industry is one of the world's major industries. Annual production is worth some US$1.7 trillion (75% of it originating in the OECD area) and provides 12 million people with jobs. The OECD Chemicals Programme - now part of the **Environment, Health and Safety (EHS) Programme** - was established in 1971 to increase the OECD's capacity to foster international co-operation in order to help ensure the safety of the prod-

ucts of this massive industry. The work on chemicals and other topics in the field of environmental health and safety is intended to assist Member countries by developing high-quality **instruments for use in the protection of health and the environment, avoiding the duplication of effort among countries and minimising non-tariff barriers to trade.**

All new chemicals have to be tested for their effects on human health and the environment and for their degradation. The average cost of testing the safety of an industrial chemical is around US$150 000; the pre-clinical testing of a pharmaceutical costs something like US$2 million, and the safety-testing of a pesticide US$3 million. Testing the same chemical in different countries would be extremely costly, would lead to unnecessary use of laboratory animals and, by imposing costs on foreign producers, it would also create non-tariff trade barriers. The OECD has developed a set of **Test Guidelines** and laid down agreed **Principles of Good Laboratory Practice** so that safety tests undertaken in one Member country do not have to be needlessly repeated elsewhere. The EHS Programme allows Member countries to **share the burden of testing existing chemicals that are produced in high volumes** (defined as more than 1 000 tons in any one country). This massive workload is divided up among the participating countries, which share the data they generate and then make a co-operative hazard assessment. In most countries, **industry** is undertaking the necessary testing on a voluntary basis. The **savings** made possible by this OECD work on the mutual acceptance of data are conservatively estimated to be around **US$60 million a year.**

When industry has provided public authorities with the results of the safety-testing of a chemical, the **potential risks** of its use have to be assessed and, if necessary, managed. The EHS Programme develops and **harmonises methods** to do this – on, for example, questions of environmental exposure to, or the aquatic effects of, chemicals, or the exposure of workers applying pesticides. The OECD is also assisting its Member countries in developing **risk-management approaches** such as analysis of socio-economic factors and risk communication. The OECD has developed **harmonised criteria** for classifying hazardous chemicals which will be applied globally

through the United Nations. The new criteria will simplify risk communication for workers and consumers alike. The OECD is also developing harmonised criteria for the classification of chemical mixtures. The Pesticide Programme is helping OECD countries **share the work of pesticide registration** by harmonising both the way in which the industry submits data to the regulatory authorities, and the way in which regulators produce review reports. The Pesticide Programme also helps Member countries to find ways of **reducing the risks associated with pesticide use** and enables them to stay informed about other countries' activities. Work with similar objectives has started for **biocides**.

The EHS Programme is also developing **harmonised methodologies for assessing the safety of the products of modern biotechnology**, such as genetically modified crops and micro-organisms, and of novel foods and feeds. There is intense public interest in these, and the OECD data is made widely available through the **"Bio-Track On-Line"** system on the Internet (htttp://www.oecd.org/ehs/service.htm/). **Information** on releases into the environment of genetically modified organisms (GMOs) and the commercialisation of biotechnology products is thus **easily accessible to governments, industry and the public.** The OECD also provides a forum where government and industry experts, worker representatives, international organisations and environmental interest groups can **exchange information and experience on chemical accidents**. The OECD has established guiding principles for the prevention of, preparedness for and response to chemical accidents; these principles are now also widely used outside OECD countries.

The registration by public authorities of potentially harmful releases of pollutants into air, water and soil, as well as of wastes transferred elsewhere for treatment and disposal, allows a **database** to be built up, a Pollutant Release and Transfer Register (PRTR). This information is **available to the public**. Through it, governments and other interested parties can **track the generation and dispersal of pollutants** over time. This information is an important input in the formulation of national and international environment policy. The OECD provides countries with **guidance on how to develop a PRTR system.**

Relevant publications

OECD Environmental Outlook for the Chemicals Industry (2001)

Harmonised Integrated Classification System for Human Health and Environmental Effects of Chemical Substances and Mixtures (2001)

OECD Guidelines for the Testing of Chemicals (with regular addendums), also available in CD-ROM version

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Co-operation with Non-Member Countries

Sharing analysis and knowledge and **engaging non-member countries in a constructive dialogue** is essential for OECD countries in an era of global interdependence. The Environment Directorate provides the expertise to achieve the goals of this co-operation within the overall framework provided by the OECD's Centre for Co-operation with Non-Members (CCNM). The co-operation with non-member countries is carried out through regional programmes, country specific programmes and Global Forums

The OECD Environment Directorate houses the secretariat for a **Task Force for the Implementation of the Environmental Action Programme in Central and Eastern Europe (EAP).** The Task Force provides a forum for dialogue and co-operation between countries in transition and the members of the OECD, as well as international organisations active in the region and partners from business, labour and non-governmental organisations. The Task Force work on the new independent states of the former Soviet Union (NIS) is guided by the framework that emerged from the **Ministerial Conference** held in Almaty, Kazakhstan in October 2000. The current priorities are:

- **Strengthening environmental policies that encourage investments** in the NIS, including through reforming policy frameworks and instruments,

and ensuring better environmental compliance, enforcement and performance assessment;

- Identifying ways of **improving environmental financing**, including through developing environmental finance strategies and better integration of environmental finance into overall public finance.
- **Supporting reform in the urban water sector**, based on the Guiding Principles adopted at the Almaty Ministerial Conference.
- **Promoting public support for environmental improvement** in the NIS, including through improved education and awareness raising and co-operation with NGOs.

In implementing the EAP Task Force work programme, the OECD works closely with the Regional Environmental Centre for Central and Eastern Europe, an environmental organisation based in Hungary, which is taking the lead in implementing the sub-programme for central and eastern European countries.

Strong links have been developed with two globally significant countries — the Russian Federation and China — with the main topics being environmental information systems, environmental policy instruments and financing. Future work in Russia will focus on assisting the country to implement the key recommendations of the 1999 ***Environmental Performance Review of the Russian Federation***, in the context of the overall process of economic and political reform. The co-operation with **China** will focus on developing environmental indicators, as well as elaborating environmental finance strategies for the water and other sectors.

The Global Forums focus on high priority issues that are global in nature, requiring global participation. They address issues that defy resolution in individual countries or regions, such as Sustainable Development, Biotechnology and International Investment. The main objective of the **Global Forum on Sustainable Development** is to organise preparatory discussion and meetings for the World Summit on Sustainable Development in 2002. The main goals of the **Global Forum on Biotechnology** is to develop a lasting framework for co-operation between Member and non-Member countries in the regulatory

safety assessment of genetically modified organisms (GMOs). The **Global Forum on International Investment** will examine the environmental impacts of globalisation, in particular the environmental challenges and opportunities associated with trade and investment liberalisation as well as to engage non-Members in an on-going policy dialogue on these issues.

Relevant publications

Strategic Financial Planning in the Environmental Sector: the Case of Water (2001)
Water Management and Investment in the NIS: Proceedings of a Consultation between Economic/Finance and Environment Ministers 16-17 October 2000, Almaty, Kazakhstan (2001)
Environment in the Transition to a Market Economy: Progress in Central and Eastern Europe and the New Independent States (1999)
Environmental Performance Reviews: Russia (1999)
Environmental Taxes: Recent Developments in China and OECD Countries (1999)
Foreign Direct Investment and the Environment (1999)
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More detailed information on the work programme and associated events, documents to download in PDF format, and useful links to other sites on the environment and related issues, can be found at:
http://www.oecd.org/env/

The OECD's main website can be found at:
http://www.oecd.org/

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