For Official Use **ENV/EPOC(2001)12**

Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

09-May-2001

English - Or. English

ENVIRONMENT DIRECTORATE
ENVIRONMENT POLICY COMMITTEE

ENV/EPOC(2001)12
For Official Use

Cancels & replaces the same document of 24 April 2001

AGENDA AND ISSUES PAPER FOR THE ENVIRONMENT POLICY COMMITTEE AT MINISTERIAL LEVEL

16 May 2001

For information, please contact Ms. Helen Mountford, OECD Environment Directorate.
Tel: +33 1 45 24 79 13; E-mail: helen.mountford@oecd.org

JT00107283

English - Or. English

OECD ENVIRONMENTAL STRATEGY FOR THE FIRST DECADE OF THE 21ST CENTURY :

DE-COUPLING ENVIRONMENTAL DEGRADATION FROM CONTINUED ECONOMIC GROWTH

ENVIRONMENT POLICY COMMITTEE AT MINISTERIAL LEVEL

AGENDA

Wednesday, 16 May 2001
OECD Headquarters

1.	*9h00-10h00*	**Ministerial Conference with Stakeholders** Report by the Chair of the OECD Forum 2001 roundtable discussion on the Environmental Strategy
2.	*10h00-10h10*	**Statements by the Chair (Mme Dominique Voynet, Minister for Spatial Planning and Environment, France) and the OECD Secretary-General (Mr Donald Johnston)**
3.	*10h10-11h30*	**Maintaining ecosystem integrity: Stopping renewable natural resources from becoming "non-renewable"** Lead speakers: *Mrs Siri Bjerke (Norway)* *Mr José Sócrates (Portugal)*
4.	*11h30-13h00*	**De-coupling environmental degradation from economic growth: How do we achieve it?** Lead speakers: *Mr Robert Hill (Australia)* *Ms Christine Todd Whitman (United States)* *Mrs Margot Wallström (European Commission)*
5.	*13h00 - 15h00*	**Working lunch at the invitation of the Chair of the Meeting, Mme Voynet** **On the road to the World Summit on Sustainable Development: Global environmental interdependence** Key-Note Speaker: *Mr Ian Johnson* *Vice President for Environmentally and Socially Sustainable Development, World Bank*

6.	*15h00-16h30*	**De-coupling in specific sectors:** **Putting the brakes on environmental pressures from increased energy and transport use** Lead speakers: *Mr Milos Kuzvart (Czech Republic)* *Mr Svend Auken (Denmark)*
7.	*16h30 - 17h00*	**Adoption of the OECD Environmental Strategy** **Endorsement of the use of the Key Environmental Indicators** **Endorsement of the Guidelines for Environmentally Sustainable Transport**
8.	*17h00 - 18h00*	**Closing the "implementation gap":** **The OECD Environmental Strategy in action** Lead speakers: *Ms Yoriko Kawaguchi (Japan) (tbc)* *Mr Jürgen Trittin (Germany)*

ISSUES PAPER

Introduction

1. OECD Environment Ministers adopted a set of Shared Goals for Action when they met in April 1998. As part of these Shared Goals, they "invited the OECD to develop a new environmental strategy for the next decade and agreed to review it when they meet in 2001". Today, the draft *OECD Environmental Strategy for the First Decade of the 21st Century* is presented for adoption by OECD Ministers. OECD *Guidelines for Environmentally Sustainable Transport* and *Key Environmental Indicators* are presented to Ministers for endorsement. The Draft Decisions are annexed to this Issues Paper.

2. The overarching theme of the Meeting is "de-coupling environmental degradation from continued economic growth", a key condition for achieving environmental sustainability. Three discussion sessions will focus on particular aspects of achieving environmental sustainability, notably *why* we should de-couple ("maintaining ecosystem integrity: stopping renewable natural resources from becoming 'non-renewable'"), *how* we can de-couple ("de-coupling environmental degradation from economic growth: how do we achieve it?"), and *where* we should de-couple ("de-coupling in specific sectors: putting the brakes on environmental pressures from increased energy and transport use"). A working lunch will be held to help position the *OECD Environmental Strategy* in a global context. Discussion will focus on the synergies in the messages emerging from the environmental strategies of two key economic organisations, the OECD and the World Bank, and the role of these organisations in international environmental governance and in the lead up to the World Summit on Sustainable Development in 2002.

3. The Ministerial Meeting will be preceded by a Ministerial Conference with Stakeholders. Representatives of the three stakeholder groups – business, trade unions and environmental non-government organisations – have actively participated in the development of the *OECD Environmental Strategy* through regular dialogues with the Bureau of the Environment Policy Committee and they will be instrumental in supporting its implementation. The Conference will provide an opportunity to discuss the conclusions of the OECD Forum 2001 session on the *OECD Environmental Strategy*, to hold a dialogue between the representatives of the three stakeholder groups and Ministers on some of the specific concerns raised at the Forum session, and to discuss the role of stakeholders in implementing the *OECD Environmental Strategy*.

4. The OECD Environment Policy Committee Meeting at Ministerial Level will be followed by a discussion at the Ministerial Council Meeting on 17th May on "Sustainable Development" between OECD Ministers responsible for both economic/finance and environmental policy-making. The *OECD Environmental Strategy* provides a strong basis for the development and implementation of the environmental pillar of sustainable development.

5. This Issues Paper highlights some of the most important dimensions of the issues for discussion by Environment Ministers. Much of the material presented in it has been drawn from the recently released *OECD Environmental Outlook*, which describes an economy-based vision of environmental concerns for OECD Member countries to 2020, taking into account the social aspects of environmental developments. The *Environmental Outlook* was produced to support of the development of the *OECD Environmental Strategy*.

Maintaining ecosystem integrity
(Agenda Item 3)

6. Maintaining the integrity of ecosystems through the efficient management of natural resources is a key objective for OECD countries over the next decade, and is reflected in Objective 1 of the *OECD Environmental Strategy*. Ecosystems provide a fundamental basis for many social and economic activities, as well as supporting human life on earth. Yet, as indicated by the "red light"[1] environmental concerns identified in the *Environmental Outlook*, a number of renewable natural resources are being used at unsustainable rates, surpassing their capacity to regenerate. In addition, pollution of some ecosystems exceeds the assimilative capacity of the environment, threatening the ecological balance and long-term stability of these ecosystems.

7. Human-induced climate change is already affecting weather patterns world-wide, and this is expected to worsen in the near future as greenhouse gas emissions continue to increase, despite commitments to reduce them. The *Environmental Outlook* projects that OECD emissions of carbon dioxide will increase by 33% to 2020 under current policies, driven primarily by rising demand for energy and transport. Urban air quality is continuing to deteriorate in many countries and associated health problems to increase, a concern highlighted in Objective 4 of the *OECD Environmental Strategy*. Groundwater resources are expected to become increasingly polluted in many OECD countries, primarily from the leaching of agricultural pesticides and nutrients through soils. One-quarter of marine fisheries are now over-fished or recovering from over-fishing, and a further one-half are fished to their limits. Deforestation and biodiversity loss are continuing at alarming rates. Many of these threats extend beyond the boundaries of OECD countries. The current consumption and production patterns of OECD countries not only impact on natural resource use within their national boundaries, but also place significant demands on natural resources and ecosystems in non-OECD countries.

8. The *OECD Environmental Strategy* identifies four key criteria for environmental sustainability: respect for the regenerative and the assimilative capacity of the environment, avoidance of irreversible effects on ecosystems, and ensuring that substitution possibilities exist for non-renewable resources. However, because of uncertainty about the often complex interactions that affect the environment, and the resilience of particular ecosystems, often there are no agreed or quantified environmental thresholds on which to base environmental policies. When designing environmental policies which operationalise these criteria, countries should apply precaution as appropriate in situations where there is a lack of scientific certainty.

QUESTIONS FOR DISCUSSION:

- How can the criteria for environmental sustainability identified in the *OECD Environmental Strategy* be better integrated into policy development in OECD countries, including for the development of policies that impact on environmental resources in non-OECD countries?
- Is our knowledge of the state of resources and ecosystems sufficient to ensure that these criteria for environmental sustainability can be respected? For which priority environmental concerns do quantifiable thresholds or targets still need to be set in order to protect the environment or human health?

1. The "red light" environmental concerns identified in the *OECD Environmental Outlook* are those for which recent trends have been negative and are expected to continue to be so to 2020, or which have been more stable but are expected to worsen.

De-coupling environmental degradation from economic growth
Agenda Item 4

9. The *OECD Environmental Strategy* identifies the de-coupling of environmental degradation from economic growth as a necessary step towards reducing environmental problems and achieving environmental sustainability. Most OECD countries have already realised considerable improvements in resource and energy efficiency, helping to reduce pressures on the environment from economic growth. Thus, the intensity of resource and energy use in most OECD economies has been declining in recent decades. For example, OECD energy use per unit of GDP declined by just over 16% between 1980 and 1995, while per capita water use declined by 11% over the same period. Similarly, the use of agricultural inputs and metals appears to be increasing at slower rates than GDP in many OECD countries. In some cases, increases in resource efficiency have been large enough to offset the overall effects of growth in per capita incomes and in population. Thus, a number of OECD countries have decreased their total water withdrawals since 1980. For most OECD countries, however, the volume effects of total increases in production and consumption have outweighed the efficiency gains achieved per unit of product. For some sources of environmental pressure, little or no de-coupling has been evident. For example, municipal waste generation in OECD countries has largely kept pace with economic growth in recent decades, and is expected to continue to do so in the near future, implying more than a 40% increase by 2020.

10. Governments have the responsibility to provide the necessary framework conditions to encourage a de-coupling of environmental pressures from economic growth. These include the setting of clear targets and objectives for environmental improvements, ensuring that the full costs of environmental degradation are internalised in production and consumption decisions, and providing incentives for continued development and diffusion of environmental technologies. A key element of this is "getting the prices right" for environmental sustainability. The *Environmental Outlook* suggests that an appropriate policy package for addressing environmental concerns should include a combination of:

- economic instruments (e.g. taxes, charges, subsidy removal, tradable permits);
- a strong regulatory framework;
- information-based instruments (e.g. environmental education, environmental indicators, eco-labels and certification schemes);
- voluntary approaches; and
- other instruments such as land use planning and infrastructure provision.

11. For the effective implementation of these instruments, co-ordination between environment ministries and sectoral ministries is essential. The pace of development and implementation of the policy instruments will depend on the capacity and resources of individual countries.

12. Evidence is increasing that public policy makers need to re-evaluate their environmental policy regimes in light of the challenges and opportunities presented by information and communication technologies (ICTs). On the one hand, the far-reaching substitution effects (in terms of inputs to production and product choices) that are arising as new ICTs develop have implications for the prioritisation of environmental concerns. On the other hand, falling information costs associated with ICTs will have implications for all aspects of environmental policy – from design, to monitoring and enforcement. Moreover, the use of ICTs can increase the potential for public participation in all aspects of environmental policy.

QUESTIONS FOR DISCUSSION:

- Acknowledging that economic instruments (subsidy removal, green tax reform, tradable permits) should play a greater role in the environmental policy mix, what are the principle obstacles to proceeding in this direction and how can they be overcome? How can other policy instruments be used to support economic instruments in this mix?
- What should be done to further explore and use ICTs for environmental policy design and implementation?

Global environmental interdependence
(Agenda Item 5, working lunch)

13. As OECD Environment Ministers adopt an *Environmental Strategy* to guide their actions to address some of the most pressing environmental problems OECD countries face, the World Bank is also developing an Environment Strategy, with an emphasis on poverty alleviation and the environment in lower income countries. The two strategies can be seen as complementary, both reflecting the notion of common but differentiated responsibilities in the achievement of the shared environmental goals of OECD and non-OECD countries.

14. OECD countries are parties to a number of multilateral environmental agreements, conventions, treaties, and protocols, and various inter-governmental organisations or secretariats exist to support these. In many cases, however, political delays in the ratification of multilateral agreements and the lack of adequate international monitoring and enforcement regimes have limited the success of some of these arrangements. Moreover, if political momentum to further liberalise global trade and investment is to be maintained within OECD countries, further efforts will be needed to ensure that environmental policies and those to promote trade and investment are mutually supportive and that adequate capacity to address environmental concerns is developed in all countries. In this context, the role of international economic and financial institutions will deserve special attention. In the run-up to the World Summit on Sustainable Development in South Africa in 2002, a stocktaking of the frameworks and institutions in place for guiding environmental policy at the international level is being undertaken.

QUESTIONS FOR DISCUSSION:

- What are the main synergies in the messages emerging from the *OECD Environmental Strategy* and the World Bank Environment Strategy? How can Environment Ministers ensure they are incorporated into the preparations for the World Summit on Sustainable Development in Johannesburg, South Africa, in 2002?
- What changes do Environment Ministers consider necessary regarding the role of economic organisations like the OECD and the World Bank in international environmental governance and environmental capacity building?

De-coupling environmental pressures from increased energy and transport use
Agenda Item 6

15. The efficiency of energy use in OECD economies has improved significantly over the last 30 years, and further technological development and diffusion are expected to lead to yet more reductions in energy and carbon intensity in the future. However, continued economic growth has so far been accompanied by total increases in demand for energy-based products and transport services, outweighing the relative efficiency gains achieved.

16. The policy instruments presented in Objective 2 of the *OECD Environmental Strategy* for tackling environmental pressures from energy and transport use are important tools for stimulating further energy and fuel efficiency. But will they be sufficient to de-couple the environmental pressures from continued growth in energy demand and transport use, including stabilising or reducing carbon emissions? The *Environmental Outlook* suggests that the current policies in place in OECD countries are not. Thus, while OECD countries are expected to reduce the energy intensity of their economies by a further 20% to 2020 under the business as usual scenario, their total energy use is expected to increase by 35%. OECD motor vehicle kilometres travelled are expected to increase by 40%, and world passenger air kilometres to triple. As a result, carbon dioxide emissions from OECD countries are expected to increase by one-third between 1995 and 2020.

17. The *Guidelines for Environmentally Sustainable Transport* describe a path towards a sustainable transport future. The EST project indicated the need for a mix of further technological development and improved transport demand management to influence consumption patterns. In terms of the demand-side management, enhanced use of new information and communication technologies, for example for improving traffic management and the efficiency of public transport systems, hold considerable potential.

QUESTIONS FOR DISCUSSION:

- What types of approaches would be needed to drive the significant changes in our energy and transport use patterns necessary to de-couple environmental pressures in these sectors from economic growth?
- What is the potential for innovative technologies to contribute to such changes? What polices and framework conditions can encourage their development and use?

Closing the 'implementation gap'
Agenda Item 8

18. The *OECD Environmental Strategy* identifies a number of actions which OECD countries can take to address the most serious environmental problems they face. Many of the policy instruments are not new, and are already well understood. In practice, however, there are often gaps in the implementation of environmental policies. The source of these implementation gaps is usually either insufficient environmental accountability, or concerns that the policies may have adverse distributional or competitiveness effects.

19. Often, targets for environmental improvements have not been agreed, indicators to measure progress have not been identified, or processes to review progress are too weak or not in place. The *OECD Environmental Strategy* stresses the important role of indicators and accountability, both in Objective 3 and in the specific indicators identified for monitoring implementation of the other Objectives. Collecting reliable environmental information and ensuring it is made available to civil society is not only essential for defining, implementing and assessing appropriate environmental policies, but also for ensuring better communication with the public, a particular focus of Objective 4. A set of ten *Key Environmental Indicators* will be presented at the meeting for endorsement by Ministers and for use by the OECD.

20. In other cases, appropriate policies may not be established or fully implemented because of concerns about the distributional effects of the policies on particular income groups, regions, or industries. Exemptions are often provided to specific industries with respect to environmental policy instruments, such as energy taxes, where there is a fear that applying such policy instruments could affect the competitiveness of the industry. Similarly, subsidies that are environmentally damaging are often maintained to ensure regional stability and continued employment. As recommended in Objective 4 of the *OECD Environmental Strategy*, in many cases policies are available which could be used instead to achieve the desired social or economic objectives without providing incentives for environmentally damaging activities. For example, while subsidies to agriculture in OECD countries have remained relatively stable in recent years, there has been a noticeable shift away from subsidies that encourage production and input use, and towards those that support farm incomes more directly or which encourage on-farm environmental improvements.

QUESTIONS FOR DISCUSSION:

- What are the potential obstacles to the successful implementation of the *OECD Environmental Strategy*? What steps can OECD countries take – individually and together – to overcome obstacles related to distributional and competitiveness concerns?
- How can the OECD best assist its Member countries in such a follow-up process? What would be an appropriate schedule and procedure for reviewing implementation of the *OECD Environmental Strategy*?

DRAFT DECISIONS

(i) Decision to adopt the *OECD Environmental Strategy for the First Decade of the 21st Century*

Having regard to the Shared Goals for Action adopted by OECD Environment Ministers when they met in April 1998, including an invitation to the OECD "to develop a new environmental strategy for the next decade".

Recognising the importance of clear objectives and targets for OECD countries to achieve environmental sustainability and to guide OECD work in support of these objectives.

Ministers adopt:

- the *OECD Environmental Strategy for the First Decade of the 21st Century*.

(ii) Decision to endorse the *Key Environmental Indicators*

Recognising the importance of monitoring environmental progress, raising public awareness about key environmental issues and informing the public about results obtained.

Recognising the importance of common environmental indicators and the need to interpret indicators against specific national circumstances.

Ministers endorse:

- the "key environmental indicators" of OECD as a tool for use in OECD work and for public information and communication by OECD.

Ministers further call upon the OECD to:

- use these indicators systematically in its environmental policy analysis and evaluation work (e.g. country environmental performance reviews), together with other indicators and with country specific information.
- update and publish these indicators regularly.
- dedicate special efforts to further develop this set of indicators, including concepts and data for medium term indicators, interpretation in context, feasibility and credibility of aggregation methodologies and addition of supplementary core indicators.
- assist in the further development and use of environmental indicators in OECD Member countries, and promote the exchange of related experience with non-OECD countries and other international organisations.

(iii) Decision to endorse the *Guidelines for Environmentally Sustainable Transport*

Recognising the importance of ensuring that transport becomes environmentally sustainable, Ministers endorse:

- the use of the EST Guidelines as a practical tool to guide the development and implementation of national environmentally sustainable transport strategies.

Ministers further call upon the OECD to:

- assist in the further development at the regional level of strategies and processes for implementation of the EST Guidelines, including in non-OECD countries.
- provide analysis on the driving forces of transport growth and potential strategies for overcoming barriers to achieving EST, for example through the development of financial and business opportunities (e.g. for investment in new markets), and the removal of market and tax distortions.
- further disseminate the EST concept, for example through media and other awareness-raising activities, and best practice benchmarking.