



CHAIR'S SUMMARY

MEETING OF THE ENVIRONMENT POLICY COMMITTEE AT MINISTERIAL LEVEL

20-21 April 2004

A new impetus

Our meeting has given a new impetus to implementation of environment policies in OECD and non-member countries and to international co-operation on environmental issues. We had an interesting and informative dialogue between Ministers or their representatives from 37 countries. We endorsed 3 OECD Council Acts. We adopted a Ministerial Statement on Further Work at the OECD on Sustainable Development. Altogether, these set clear directions for work at the global, regional, and national levels over the years ahead.

We have reaffirmed our commitment to implement the *OECD Environmental Strategy for the First Decade of the 21st Century* by 2010, not least because of our responsibility to lead by example. In doing this, we noted that progress had been made in some areas, such as management of freshwater resources, reductions in air pollution from transport, and securing greater energy efficiency.

It is clear to us, however, that further action is needed urgently to ensure environmental sustainability in a cost-effective and socially equitable way. Accordingly, we have agreed to address the remaining challenges and work to overcome the obstacles to full implementation of the *OECD Environmental Strategy*. These challenges include, in particular, intensified implementation of policies to limit and reduce greenhouse gas emissions, halting biodiversity loss, better management of urban transport demand, improved regulation of harmful chemicals, reform of environmentally harmful subsidies, and better integration of environmental considerations into sectoral policies generally.

Particular emphasis was placed in our discussions on the fact that progressive environmental policies present significant economic and social opportunities. For example, clean technologies protect the environment, while also contributing to economic growth, competitiveness, and employment. Alongside such “win-win” opportunities, we drew attention to the need for a deeper analysis of the cost of inaction on key environmental challenges.

A participative meeting

Our discussions were enriched by the valuable perspectives brought to us through the presence of Ministers or their representatives from selected non-member countries (Argentina, Brazil, China, Israel, Kazakhstan, Russia, and Slovenia). We welcomed the request by the Vice-Minister of China to start an OECD Environmental Performance Review of the country in 2005. As a welcome addition, this was also the first time that stakeholder representatives took part in an OECD Ministerial meeting.

A consultation with stakeholder partners was held on 19 April. Representatives from business, trade unions, and environmental NGOs highlighted the responsibility of governments to set the right policy frameworks, establish ambitious targets over appropriate timescales, provide early notification of planned policies, and address their social implications. Participants also noted the need and opportunities to work together in partnership to address environmental challenges, and to support actively government efforts to implement the Strategy.

A timely review of progress

We adopted an ambitious *OECD Environmental Strategy for the First Decade of the 21st Century* when we last met in 2001. At this meeting, we returned to assess the progress we have made so far in its implementation.

This was a timely review of progress. It is 3 years into the implementation of the 10-year Strategy, and so it is an opportune time to take stock of which national actions are “on track” and which will require renewed efforts if they are to be achieved. Furthermore, having made a number of national and international environmental commitments in recent years, this meeting provided an opportunity to assess and report on the progress we have made so far, and to share our experiences with a view to strengthening our performance.

Assessment and reporting: Are we on track for implementing the OECD Environmental Strategy?

Suichi Katoh (Japan) and Lena Sommestad (Sweden) led the discussion. Suichi Katoh highlighted the urgency for those who have not done so to ratify the Kyoto Protocol, the need to put into practice the implementation guidelines for the ecosystem approach to biodiversity management, and the usefulness of both the “three R” (reduce, reuse, recycle) approach and material flows accounting to achieving sustainable production and consumption. Lena Sommestad stressed the importance of integrating environmental concerns in economic policy, the need for clear and time-bound national and international targets, the role of environmental technology, and the importance of dialogue with countries with rapidly growing and transforming economies.

We reaffirmed our commitment to implementation of the *OECD Environmental Strategy*, and noted that progress had been achieved in some key areas, for example through the development of new environmental technologies and some ambitious national environmental policies and plans. Ministers agreed, however, that we are currently not “on track” for implementing the *Strategy* by 2010, and more ambitious policies are needed. Among the main challenges we discussed were the need to reduce greenhouse gas emissions, halt biodiversity loss, and decouple environmental pressures from economic growth.

Participants shared a sense of urgency on the need to address climate change. Ministers stressed the need to ensure sufficient ratification of the Kyoto Protocol for its entry into force, the importance that signatories move ahead to meet their Kyoto commitments, and, very importantly, the need to look ahead towards post-Kyoto actions. Ministers also highlighted the importance of addressing biodiversity loss, including through the development of markets to support sustainable use of biodiversity and the application of more integrated approaches to ecosystem management. Participants noted that decoupling of environmental pressures from economic growth is both possible and measurable. They attached particular value to sharing experiences with policies and measures to achieve a better energy mix, tackle transport and construction challenges, and to address air and water pollution. They also acknowledged the role of education and awareness-raising initiatives in promoting more sustainable consumption and production by consumers and business alike.

Participants highlighted the need for a stable and predictable policy environment, the usefulness of environmental taxes and other economic instruments, and the continuing existence of “win-win” opportunities for both environmental and economic benefit.

Ministers asked the OECD to work on quantifying the costs of inaction on environmental challenges (including the health impacts), increasing understanding of potential international competitiveness effects of environmental policies and means to address them, and identifying the flanking and transitional policies that can be used to ensure social acceptance of environmental policies. The OECD should continue to support countries to monitor progress in implementing the *OECD Environmental Strategy* through its Environmental Performance Reviews.

Ministers endorsed a draft Recommendation of the Council on the Use of Economic Instruments in Promoting the Conservation and Sustainable Use of Biodiversity, as a practical tool to support implementation of Objective 1 of the *OECD Environmental Strategy* which aims to maintain the integrity of ecosystems through the efficient management of natural resources and public access to nature.

Ministers agreed to meet again no later than 2008 for a second interim review of implementation of the *OECD Environmental Strategy*.

OECD's role in implementing the Johannesburg Plan of Implementation

Berglind Ásgeirsdóttir (OECD) and Børge Brende (Norway) led the discussion. Berglind Ásgeirsdóttir indicated the range of work at the OECD that supports the Johannesburg Plan of Implementation. She highlighted some of the key messages of recent work, including the possibility to

achieve current environmental objectives at 25% less cost with the better use of economic instruments (environmental taxes, tradable permits), and the importance of reforming environmentally harmful subsidies, which are often ineffective instruments for achieving their social goals. Børge Brende stressed the important role of CSD12 in assessing implementation and sharing best practices regarding the targets for water, sanitation and human settlements. He noted that 50% of developing countries are on track for achieving the access to water target, 30% on track for achieving the sanitation target by 2015, and 50% on track for developing Integrated Water Resources Management Plans by 2005.

Ministers recognised that long-term and global considerations are at the heart of the environmental agenda. Ministers were concerned with how they, through the OECD, could contribute to the Johannesburg Plan of Implementation, the Doha Development Agenda and the Monterrey Consensus.

We discussed the importance of maintaining ecosystems for water protection, the development of IWRM plans, the need for an international structure to support water developments, the gender aspects of adequate water supply and sanitation and the role of education, notably in developing countries, as well as issues regarding water financing and management. Ministers noted the need to exploit today's technologies, as well as the role of new technological development in water management.

The need to work closely with other colleagues – Finance and Development Ministers as well as sectoral ministries – is of particular importance in addressing sustainable development. We agreed that, while we share common objectives with Development Ministers, we need to overcome practical challenges in, and pursue more integrated means of working together. We ask the OECD to consider the possibility of a joint meeting of Development and Environment Ministers. The important role played by stakeholder partners was again highlighted – business and industry as resource and energy users, and environmental NGOs and trade unions as communicators with workers and consumers.

All Ministers recognised the importance of further work at the OECD on sustainable development. Together, we adopted a Ministerial Statement highlighting our priorities and our support for the recommendations of the OECD Ad Hoc Group on Sustainable Development. We asked that this Statement be presented to the OECD Meeting of Council at Ministerial Level (13-14 May 2004), to be taken fully into consideration in its deliberations on the future work in this area. The important contribution of the OECD to the next and future UN CSD cycles was also highlighted, including the need to maintain continuing momentum towards achieving the water and sanitation targets by 2015.

Efficiency and effectiveness: Improving domestic policies

I would like to thank the vice-chair, Lena Sommestad of Sweden, for presiding over this Session of the meeting.

Miklos Persanyi (Hungary) and Laszlo Miklos (Slovak Republic) led the discussion. Miklos Persanyi stressed the effectiveness of economic policy tools for achieving environmental objectives at least cost, while also addressing social impacts. He called for the reduction of exemptions from environmental taxes provided for competitiveness reasons, and for closer examination of these arguments. Laszlo Miklos critically noted the increasing emphasis on sustainable growth, highlighted the need for efficiency in the expanding number of international environmental commitments and bodies, and stressed the need for further decoupling.

In the discussions, Ministers highlighted the shift in paradigm that has been occurring with respect to environmental policies, in particular the increasing interest in developing market-based policies that combine environmental effectiveness with economic efficiency and social equity. We shared our positive experiences with the use of economic tools for environmental policy, including environmental taxes, tradable permits, individual transferable quotas for fishing, tax breaks, and removal of environmentally harmful subsidies. Work is still needed however, especially in the transport sector. Better application of the Polluter Pays Principle was stressed.

The need to use a balanced mix of policy instruments was stressed, including both economic instruments and regulations. We discussed the need to identify and gradually remove exemptions to environmental taxes and environmentally harmful subsidies. The importance of better understanding the potential effects of environmental policies on competitiveness and measures to address them was raised by a number of Ministers, as well as the benefits of international co-ordination for environmental taxes, an area in which further work in the OECD would be of particular value. Greater information, transparency and the participation of stakeholders are also essential for building public acceptance of policies.

A number of Ministers asked that OECD look into the possibility of a joint meeting of Environment and Finance and Economic Ministers on these issues. Ministers asked the OECD to continue to develop analysis of the obstacles to environmental policy reform and how these can be overcome, and to assess the effectiveness of different environmental policy tools and policy mixes.

Ministers endorsed a draft Recommendation of the Council on Material Flows and Resource Productivity, as a practical tool to support monitoring the effectiveness of environmental policies.

The challenges we face in the context of policy integration

Catherine Day (EC) and Werner Wutscher (Austria) led the discussion. Catherine Day noted progress in some areas of policy integration – such as agriculture, fisheries and the involvement of stakeholders – but also stressed the challenges that remain in the transport sector. Policy integration considerations are driving preventative action and investments, for example reform of the chemicals sector and stronger linkages between environment and health. She highlighted key issues, including the demand for real evidence of unsustainable trends, the “win-win” opportunities that could still be seized, for example through resource efficiency and environmental technologies, and the need to work together for global solutions to global problems. Werner Wutscher stressed the essential pre-condition of information – on loss of biodiversity, health impacts, chemicals, traffic, air pollution, policy alternatives, etc. – and the role of the OECD in monitoring environmental performance and the effectiveness of policy integration. He highlighted the development of innovative environmental policy tools, and the importance of stakeholder co-operation for implementation.

The necessity for strengthened partnerships – with other Ministers, other countries, and stakeholder partners – for the successful development and implementation of appropriate environmental policies was a recurrent theme in the discussions, with examples of success stories shared. Ministers underlined the need to talk the language of others in government, to bring stakeholders on board early in policy development, and to utilise integration processes at the regional and local level.

Others challenged whether “too much” integration had led to a weakening of environmental policies in the face of competitiveness concerns of other Ministries. It was suggested that sustainable development can be a two-edged sword: while we want integration, we risk losing some of our own decision-making powers. The opportunities for raising sustainable development concerns, including environmental issues, to the top of the government were also stressed.

Ministers highlighted the usefulness of environmental impact or sustainability assessments as a regulatory tool for encouraging integration of environmental concerns in other policy developments, as well as other instruments such as environmental management processes.

Ministers endorsed a draft Recommendation of the Council on Assessment and Decision Making for Integrated Transport and Environmental Policy, which provides clear recommendations for the integration of environmental concerns in transport policies.

Partnerships: the environment in a globalising economy

Altero Matteoli (Italy) and Michael Leavitt (United States) led the discussion. Altero Matteoli stressed the contribution of new partnerships to addressing the environment and sustainable development challenges. He highlighted the role of partnerships in leveraging funding from different sources, supporting dissemination of technology, and bringing together expertise from government, academia, the business community, environmental organisations and others. Michael Leavitt highlighted the benefits to all of the combination of collaborative partnerships, market-based solutions, and new technologies, as well as the mobilisation of new resources. He also emphasised the need to keep partnerships squarely focussed on the environmental results that are desired.

Ministers shared their successful experiences with WSSD Type II Partnerships, highlighting their benefits to all parties. A great range of partnerships were discussed, many directed towards supporting access to water and sanitation, development of clean energy sources, and addressing air or water pollution. It was clear that OECD countries are fully committed to Type II Partnerships, in both financial terms and technical terms.

The importance of drawing on technical know-how from local people (municipalities, regions) and environmental NGOs was highlighted, in order to ensure the projects supported through partnerships are economically and environmentally sustainable. The contribution of the private sector to environmental protection, including through corporate social responsibility, was also stressed.

Ministers suggested that environmental protection should be one of the criteria considered for all development aid. The role of ODA in encouraging partnerships for environmental improvement, and the role of the OECD in helping to develop more trust among stakeholders involved in partnerships, were both emphasised.

Ministers stressed that partnerships should be seen as an important complement to, rather than a substitute for, governmental leadership and decision-making to ensure globalisation and environment are mutually supportive.

Ministers recognised the need to ensure export credits support environmental aims, and welcomed the OECD Council Recommendation on Common Approaches to Environment and Officially-Supported Export Credits.

The role of the OECD in working with non-member countries was highlighted, including in terms of providing environmental information and analysis, indicators and measurement tools. The OECD was asked to continue to work on trade and environment and investment and environment, and to work on monitoring the effectiveness and efficiency of partnership initiatives.

Subsidies: Overcoming obstacles to reform

Hendrik Vygen (Germany) led the discussion. He stressed the importance of reducing or phasing out environmentally harmful subsidies, including tax exemptions. He shared the experiences in Germany with ecological fiscal reform, indicating that reforms are possible. He stressed that subsidy reform requires partnerships between Environment and other Ministries, and highlighted the importance of international efforts to work towards multilateral subsidy reform, in particular agricultural subsidies and subsidies to aviation fuel.

It is clear from our discussions that subsidies that are environmentally harmful remain a serious problem in most of our countries, and we face great challenges in working with sectoral and industry Ministries to reduce or reform these. The reasons for reforming such subsidies are clear: they contribute to environmental damage, they are trade distorting, and they often do not achieve their social objectives. However, the obstacles to their reform are also clear, including lack of information, the need to adequately address social impacts of reform, and vested interests in maintaining the subsidies.

Ministers welcomed the extensive work of the OECD on subsidies, in particular the work on the identification and measurement of environmentally harmful subsidies. They asked the OECD to work further, in particular on subsidies in the transport (including aviation) and energy sectors, and the development of guidelines for overcoming the obstacles to subsidy reform. Ministers asked the OECD to include analysis of subsidy reform and the costs of inaction in the next *OECD Environmental Outlook*.

The way forward

This meeting of OECD Environment Ministers and our partners was a timely opportunity to take stock of implementation of the *OECD Environmental Strategy*, to share experiences with the design of efficient and effective environmental policies and how to overcome some of the challenges to better policy integration and subsidy reform, and to highlight the role of partnerships in a globalising world. We adopted a Statement outlining our priorities for Further Work at the OECD on Sustainable Development, and endorsed 3 OECD Council Acts to support environmental policy design and monitoring.

Going forward, we are committed to working more closely with others – economic and sectoral Ministers, other countries, and stakeholder partners – to achieve successful environmental outcomes. We support the analytical work of the OECD to underpin action for environmental protection and sustainable development. We ask OECD to continue to support and monitor our efforts to implement the *OECD Environmental Strategy*, and look forward to meeting again no later than 2008.

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