

CONTEXT

OECD (1999) report on VAs

- *Context, definition, framework for assessment*

OECD (2003) report on VAs

- *Effectiveness, efficiency and policy mixes*
- *Case study examples; Literature survey*

OECD (2004) Report on Lessons Learned in EDRC Peer Review Process on SD

OECD (2000) Review of OECD Guidelines for Multinational Enterprises

- *Environmental Chapter significantly updated.*
- *New Implementation Guidelines issued.*

OECD (2004) Encouraging the contribution of Business to Environment Through the OECD Guidelines for Multinational Enterprises

- *Review of available good practices*



TYPES OF VAs

- *Unilateral commitments made by polluters (eco-efficiency)*
- *Private agreements between polluters/pollutees (PPP)*
- *Negotiated agreements between industry and public authorities (element of public environmental policy)*
- *Voluntary agreements developed by public authorities to which individual firms are invited to participate.*
- *Target based vs. implementation (process) based.*



Table 8. The use of voluntary agreements

	Climate change	Air pollution	Water pollution	Waste management
Australia	X			
Austria				X
Belgium				
Canada	X	X	X	X
Czech Republic			X	X
Denmark	X	X		X
Finland	X			
France	X			X
Germany	X			X
Greece	X			
Hungary				
Iceland				
Ireland	X		X	
Italy	X	X		X
Japan		X		
Korea	X			
Luxembourg	X			
Mexico				
Netherlands	X		X	
New Zealand			X	
Norway		X		
Poland				
Portugal				
Slovakia				
Spain	X			X
Sweden				
Switzerland	X		X	
Turkey				
United Kingdom			X	
United States	X	X	X	
OECD total				
EU				

Source: OECD Economic Surveys, OECD(2003*b*), OECD/EEA economic instruments database.



ENVIRONMENTAL EFFECTIVENESS

- Have the existing environmental targets been met? *Mostly yes, but not always.*
- To what extent have the achievements been due to the voluntary approach in question?
In most cases, only to a very limited extent.



ECONOMIC EFFICIENCY

- Are marginal abatement costs equalised – implying that total abatement costs are minimised? *No.*
- Are targets set in appropriate way, at the right level? *No . Most often, targets are set at a sector or firm level, not covering all relevant sources.*
- Are firms given increased flexibility to find cheap abatement possibilities? *Compared to command and control regulation, Yes. Compared to economic instruments, No.*
- Does the existence of a voluntary approach impact on the structure of, and competition in, a sector? *VAs tend to be more environmentally effective when competition is limited.*
- Positive impacts on technology diffusion and/or development? *While VAs often include diffusion provisions, they provide much weaker incentives for new development than economic instruments -- especially if targets can be changed over time.*



CONCLUSIONS

- The environmental targets of most voluntary approaches seem to have been met.
- However, there are only few cases where such approaches have contributed to environmental improvements significantly different from what would have happened anyway.
- Hence, the environmental effectiveness of voluntary approaches is questionable. But it remains unclear what would have been the realistic alternative to VAs.
- Would there have been political willingness to give priority to reach ambitious environmental targets – if that would jeopardise employment in the most affected sectors?
- The broadening use of voluntary approaches may reflect a wish to find an instrument through which one would avoid having to make such trade-offs.
- It is unlikely that difficult trade-offs can be avoided if more ambitious environmental targets are to be met.



CONCLUSIONS (cont'd)

- Although VAs do not equalise abatement costs at the margin, neither do traditional “command and control” policies. Administrative and transaction costs also vary considerably among VAs.
- Voluntary approaches *can* offer *higher economic efficiency* than “command and control” policies, by providing increased flexibility in how environmental improvements are accomplished.
- A “first best” approach would be to replace the “command and control” policies by economy-wide economic instruments -- where technically and administratively possible.
- Broader application of such instruments is, however, frequently hampered by a fear of loss of international competitiveness for the most affected sectors.
- Providing tax exemptions to these sectors in return for “voluntary” abatement commitments *can* be one way to overcome this “obstacle”. However, the environmental and/or economic costs of applying this option could be high; increased international co-operation to facilitate a broader use of economic instruments would seem a better option.
- A “second-best” option could be to improve the general flexibility of pre-existing “command-and-control” regulations, instead of a piece-meal approach that lets (only) a few companies attain environmental improvements in a more flexible manner.
- Overall, public authorities should not rely on VAs alone to reach their environmental targets.



CONCLUSIONS (cont'd)

Performance of VAs would be increased if:

- When developing a *new* voluntary approach, elaborate first a “Business-as-Usual scenario”, describing likely developments if no policy-changes were to be made. Targets should be set with reference to this scenario, in such a way that marginal abatement costs and marginal benefits of the environmental improvements balance *reasonably* well.
- Targets are set to include as many sources of a given problem as possible, and the targets are clear.
- Develop appropriate mechanisms to reduce competitive distortions.
- Credible threat exists that other instruments will be used if environmental goals are not met (also, consider if social goals could best be achieved by other policies).
- Local circumstances need to be reflected.
- Stay committed.
- Provide regular and credible monitoring.
- Involve credible third parties in negotiation and implementation.
- Emphasise process issues too (not just targets).



OECD GUIDELINES FOR MNEs

- Voluntary principles and standards for responsible business conduct.
- Several themes, including environment.
- Express shared values of 38 adhering countries (OECD+).
- The only multilaterally endorsed and comprehensive code that governments promote.
- Part of OECD Declaration on International Investment and Multinational Enterprises (others are National Treatment, Conflicting Requirements; International Investment Incentives and Disincentives).
- Guidelines: Apply to MNEs operating in or from adhering countries, and wherever they operate.



ENVIRONMENT IN THE GUIDELINES (I)

Chapter V (Environment)

- *Environment, economy, social (sustainable development)*
- *EMS*
 - *establish environmental targets*
 - *information on environmental impacts*
 - *monitor progress*
- *Public Disclosure*
 - *about environmental impacts*
 - *engage in communication/consultation*



ENVIRONMENT IN THE GUIDELINES (I) cont.

- Assess foreseeable impacts over full life cycle; if appropriate, do an EIA.
- Precaution
- Contingency plans
- Seek to improve environmental performance:
 - *adopt BAT logic inside the firm.*
 - *develop environmentally friendly products/services for the market.*
 - *promote customer awareness.*
 - *research.*
- Educate/train employees.
- Activity contribute to public environmental policy.



ENVIRONMENT IN THE GUIDELINES (II)

Chapter I: (Concepts and Principles)

- *No differences between national/foreign firms.*
- *Not to be used for protectionist purposes.*

Chapter II: (General Policies)

- *Not seek inappropriate exemptions.*
- *Whistle blowing.*
- *Supply chain.*

Chapter III: (Disclosure)

- *Regular disclosure of risks/responses.*

Chapter IV: (Employment and Industrial Relations)

- *EHS of employees.*



ENCOURAGING THE POSITIVE CONTRIBUTION OF BUSINESS TO IMPLEMENTATION OF THE OECD GUIDELINES

- Positive messages
- Informative/not prescriptive (“good practice”)
 - *EMS*
 - *Public Information/Consultation*
 - *LCA*
 - *PrecautionContingencies*
 - *Continuous Improvements*
 - *Education/Training*
 - *Contribute to development of environmental policy*
- For each topic. . .
 - *Challenges/opportunities*
 - *Tools and approaches*
- Each firm has to decide for itself how best to respond to G/L.

