



Business and Industry Advisory Committee to the **OECD**

Comité Consultatif Economique et Industriel Auprès de l' **OCDE**

**BIAC STATEMENT
to the OECD EPR Workshop 3 on
Extended and Shared Responsibility for Products
Washington, D.C., December 1-3, 1998**

(based on the conclusions of the BIAC Symposium on Product Responsibility)

I. INTRODUCTION:

A wide range of product and producer responsibility policies have been developed in a growing number of areas to address a range of environmental objectives. Reliance on the life cycle approach to identify and address priority areas of a product's environmental impact offers the biggest gain across all environmental objectives by including all of the actors in the product chain. Differing circumstances and goals will dictate the appropriate policy option, with cost-effectiveness being a deciding factor. Within this framework, the programs most likely to succeed are those that rely on and support basic economic functions: free trade, innovation, sound data, and the power of consumer choice.

II. ENVIRONMENTAL OBJECTIVES:

In the development of public policy or governmental guidance to address product or producer responsibility within the context of pollution prevention and control, the process must begin with an articulation of the environmental objectives of any such policy. From a pollution prevention standpoint, such policies seek to minimize the environmental impacts of the product through a series of objectives:

- ∃ resource efficiency
- ∃ cleaner products and technologies
- ∃ efficient and competitive manufacturing
- ∃ safe storage and shipping of products
- ∃ safe and efficient use of products
- ∃ improved recovery and recycling
- ∃ responsible consumer choices

While these and other objectives are all important and laudable, it should be noted that they are not always compatible, and that efforts to address one area may aggravate the environmental consequences in another.

a) Assess the Entire Product Life Cycle:

Given the range of environmental issues that may affect products and the balance between various environmental impacts, the development of product responsibility programs must cover the entire life cycle of a product rather than be limited to any one particular aspect. Under this framework, examination of a product life cycle would consider: design; development; choice of raw materials; manufacturing and/or assembly; distribution; use and/or consumption; service and/or upgrade; and disposal through sale, recycling, energy recovery, or disposal. A life cycle review seeks to identify:

- ∃ the stage of life cycle with most significant relative environmental impacts
- ∃ the best options for improving environmental performance of products
- ∃ the most cost-effective solutions
- ∃ any regulatory or legal constraints for making the desired changes
- ∃ actors in the best position to improve performance

b) Involve All Actors in the Product Chain:

The different actors in the product life cycle chain are an important and vital consideration in the development of a product responsibility program. As products move through their life cycles, the actor with control of the product in each stage plays an integral role and becomes a key determinant in ultimate environmental impact resulting from the product. Thus, the various actors play a key role in minimizing any environmental impacts of a product. The life cycle review, therefore, should include:

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| ∃ designers | ∃ consumers |
| ∃ suppliers/contractors | ∃ service/upgrade providers |
| ∃ manufacturers | ∃ local authority/government |
| ∃ distributors/retailers | ∃ waste management firms |

c) Balance Multiple Objectives:

Within the framework of a product responsibility program using a life cycle review, all of the environmental impacts of a product are assessed, based on level of priority, and addressed in conjunction with other environmental, business, and cost objectives. End-of-life waste minimization is an important element of the life cycle review, but, like all others, one that must be prioritized and addressed in a manner that balances the environmental trade-offs and cost objectives in any particular circumstance. A program or policy that seeks to sub-optimize any one element of a product life cycle, including end-of-life wastes, will likely skew the process, shifting or raising environmental impacts in others stages and negatively impacting the overall cost effectiveness of the product responsibility program.

III. DIFFERENT APPROACHES TO PRODUCT AND PRODUCER RESPONSIBILITY:

A careful examination of the product and producer responsibility programs that have been created at the company, local, national, and regional levels clearly reveals a wide range of approaches, with significant differences between the various programs in almost every key aspect. Indeed, this outcome should be expected as the many programs have been developed to meet their particular circumstances and objectives.

a) The Product-Producer Responsibility Continuum:

Of the many basic characteristics of such programs, existing schemes vary on many important aspects, and represent variations on a theme rather than one uniform approach or framework. The general continuum of approaches from product stewardship to extended producer responsibility is presented below:

Product Stewardship	Shared Product Responsibility	Shared Producer Responsibility	Producer Responsibility	Extended Producer Responsibility
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Within these general categories, the programs differ on the types of actions sought or mandated, and cover a range of policy options, including: leasing, reuse, buy back, and take back; consumer education, information, and training; fixed targets or flexible goals; and subsidies/credits, taxes, user fees. The differences between these various approaches to product and producer responsibility, including whether they are voluntary or mandatory, reflect the nature of their objectives, the local/regional circumstances (e.g. geographic distribution), and differences between product characteristics.

b) Differing Product Characteristics:

Differing product characteristics and their resulting environmental impacts are a key determinant of the appropriate approach to take in different circumstances. Products vary according to life cycle time frame (very short to very long), complexity of the product, ownership and sales arrangements, hazardousness, energy efficiency, and intrinsic value at the end of its useful life. The most environmentally and economically efficient product responsibility approach will, of course, vary depending on these attributes. For example, in cases where the end-of-life product has a high intrinsic value (e.g. steel, paper), markets have developed to capture the value. The range of existing products and/or producer responsibility programs clearly show that one approach will not be optimum in every situation or for every product category.

IV. PROGRAM EFFICIENCY AND COST-EFFECTIVENESS:

Given the range of environmental objectives related to product responsibility and the wide array of policy options that can be used to achieve them, careful consideration must be given to maximizing the efficiency and cost-effectiveness of the policy options against their effectiveness in meeting different environmental objectives. Such considerations should include the overall monetary costs of the program, any administrative burdens that may result, the impact on product development (such as cost of production, energy and product efficiency, and durability/safety issues) and innovation, and consumer satisfaction.

a) Minimize Costs:

Sound management of any product or producer responsibility program would dictate that, given equal or better performance, the least cost policy option should prevail. One element of such programs for which considerable information exists is the cost of parallel waste collection systems relative to integrated waste management systems with comparable results. The underlying economic inefficiency of multiple, parallel waste collection schemes for various products have, in some cases, resulted in costs nearly 10 times greater than those using a single, integrated system, with little or no additional environmental benefit. As the consumer, in the end, ultimately pays through either taxes, fees, or purchases, every effort must be made to

avoid less efficient and more expensive programs, particularly those that do not result in any clear environmental benefit.

b) Maximize Flexibility:

In order to leverage the increasingly faster cycle times that characterize product development and consumer purchasing, product and producer responsibility programs should be as flexible as possible. Fixed, static systems that require significant efforts to modify or revise will likely result in less efficient programs due to the rapidly changing nature of products, raw materials, sales arrangements and customer relationships. Clearly, programs that legislate every aspect of the system will require more overt effort to keep up to date than one which does not, is voluntary, or relies on market forces.

c) Assess Environmental Effectiveness

The environmental effectiveness of the program or policy is best determined by assessing how effectively the different environmental objectives have been achieved. The assessment will consist of priori and posteriori components, which are indispensable to inform about the realities of a given policy in a transparent and accurate manner.

V. TRADE AND COMPETITIVENESS ISSUES:

Product and/or producer responsibility programs have created a number of significant trade issues that have added to the costs of such programs. In general, different product rules across jurisdictions impedes market access and removes economies of scale. Additionally, importers are disadvantaged by differing local collection targets and reporting requirements, both through infrastructure limitations and relative costs. Also, importers' transboundary shipments of used products may conflict with regional or international waste management rules, which may restrict their return to the exporting country.

Additionally, unless appropriately devised, product and/or producer responsibility may inhibit innovative advancement by limiting use of new materials or improvements in energy efficiency, primarily through standardization. Appropriate product policies stimulate technological and managerial advancement and encourage choice in alternate or experimental raw materials.

VI. CONCLUSIONS:

Product and producer responsibility programs for pollution prevention must first articulate the environmental objectives of any such policy. Given the range of environmental issues that may affect products and the balance between various environmental aspects, the development of product responsibility programs must cover the entire life cycle of a product rather than be limited to any one particular aspect. Additionally, the different actors in the product life cycle chain are an important and vital consideration in the development of a product responsibility program. A wide range of policy approaches have been developed, with significant differences between the various programs in almost every key aspect, reflecting appropriate adjustments for the target products and local circumstances. Given the range of environmental objectives related to product responsibility and the wide array of policy options that can be used to achieve them, careful consideration must be given to maximizing the efficiency and cost-effectiveness of the policy options against their effectiveness in meeting different environmental objectives. As the consumer, in the end, ultimately pays through either taxes, fees, or purchases, every effort must be made to avoid less efficient and more expensive programs, particularly those that do not result in any clear environmental benefit.

***Note:** The BIAC symposium on Product Responsibility was held September 30, 1998 at the OECD in Paris. A summary of the presentations made at the symposium is attached.

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