



Business and Industry Advisory Committee to the OECD

Comité Consultatif Economique et Industriel Auprès de l'OCDE

BIAC Statement

Voluntary Approaches in Environmental Policy

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Voluntary actions by industry are increasingly gaining the attention of international organisations such as the United Nations, the OECD and the European Union as an effective option for moving towards environmental goals, and one that should be widely encouraged. Voluntary approaches in environmental policy cover a large variety of different arrangements including business commitments without state intervention and commitments in which governments and other organisations are partners. There exists a very broad array of voluntary initiatives, which are tailored to local circumstances, the industry concerned, other societal partners which may be involved and the environmental challenge at hand. These initiatives range from individual company programmes to agreements with government and other societal partners, to sectoral programmes and principle-based initiatives.

Both unilateral industry commitments and bilateral agreements between industry and public authorities have proved to be cost-effective and pro-active ways of achieving environmental goals. Indeed, the variety of voluntary initiatives is a resource, offering a host of cost-effective and efficient means to address environmental problems in a way that more traditional command and control approaches cannot.

There are instances of successful voluntary actions in all areas of environmental policy. As one example, a number of voluntary initiatives are underway to respond to climate change issues, such as the Australian Greenhouse Challenge and the German agreement on climate change, which have become cornerstones of national climate change policy (see also the Keidanren/ICC/WBCSD joint statement on voluntary business initiatives for mitigating climate change, which was endorsed by BIAC).

An example of a successful unilateral initiative is the chemical industry's global voluntary commitment to continuous progress in the field of health, safety and environment (Responsible Care). An example of bilateral agreements are the "environmental agreements" between industry and public authorities on the achievement of environmental objectives, as they exist in the European Union.

Voluntary initiatives comprise many elements, which can include setting objectives and/or defining principles, implementation, assessment and reporting. They are not only "stand alone" measures, but can be used as a supplement to laws and regulations and can serve as an efficient tool to implement politically defined objectives. Thanks to their voluntary nature and flexibility, they can offer innovative solutions and reduce regulation. For voluntary actions to be most successful, it is essential that government, business and the public co-operate and that policies be designed to promote cost-effective voluntary action. Transparency is a key element to enhance credibility and broad acceptance.

Some essential elements for successful voluntary initiatives/agreements include, but are not limited to:

- **Sustainable Development**
The design and implementation of voluntary initiatives should take due account of economic, environmental and social factors and should contribute effectively to sustainable development (as stated in Agenda 21).
- **Social Context**
Voluntary initiatives should be appropriate to the social, historical and other circumstances in which they operate.
- **Objectives**
Voluntary initiatives should include objectives that are attainable, meaningful and address the challenge at hand. In some instances, a principle-based voluntary approach may be deemed to be more effective.
- **Flexibility**
Voluntary initiatives should allow for and stimulate innovation, technological development and the employment of companies' strengths.
- **Consistency**
Voluntary initiatives should be supported by governments, and be consistent with existing regulations. Governments should avoid subsequent rules and requirements that undermine or contradict existing voluntary initiatives.
- **Gradual Phase-in**
Voluntary agreements should be phased-in gradually, and rapid changes in their design after implementation has begun should be avoided.
- **Free riders**
Voluntary initiatives should be carefully designed to minimise the degree to which any free riders would hinder the attainment of environmental goals.

Voluntary approaches in environmental policy help reduce both compliance and enforcement costs and can provide businesses with additional flexibility and motivation to tailor approaches to their specific needs. They are a flexible instrument of environmental policy, which can stimulate the development of cost-effective and clean production methods and encourage companies to respond to environmental demands. They can help promote partnerships with public authorities, allow for a quicker and smoother achievement of environmental objectives and reduce the administrative burden. Implemented wisely, they have the important feature of achieving change without forcing the early retirement of capital stock and the commensurate loss in economy and jobs.

In many countries, industry, governments and societal partners have had positive experiences with voluntary initiatives, which demonstrates the following conclusions:

- Voluntary initiatives can be more cost-effective than alternative measures in a given period, due to their flexibility and reduced bureaucracy.

- Voluntary initiatives provide a framework for innovation and creativity that allows for new approaches, the opportunity to improve environmental competitiveness and more rapid changes than would be possible under mandatory programmes.
- Voluntary initiatives allow for easier and thus more rapid adaptation to changing conditions than legislative measures.
- Voluntary initiatives are an effective means of promoting consultation and partnership in achieving environmental policy objectives.
- Voluntary initiatives promote awareness of existing and new technical management practices and can serve to improve standards.
- Voluntary initiatives encourage the dissemination of existing effective technologies, the development of innovative approaches, and faster implementation of both.
- Voluntary initiatives can have a long-term application and include continual improvement, which should be supported by government policies wherever possible.

The complexities of environmental policies require a full range of responses and cannot be limited to unilateral regulation. The challenge of implementing sustainable development goes beyond what can be achieved by traditional instruments. Sustainable development, for which economic, social and environmental aspects need to be taken into account, can best be achieved by instruments that foster a decentralised search for measures which are environmentally effective and economically efficient, and allow for the development of actions tailored to individual needs and circumstances of the participating organisations.

Due to the above-mentioned advantages, business-led, market-based voluntary actions should be recognised as an effective policy option when seeking environmental improvement. Governmental actions should be designed to encourage as many companies as possible to initiate and implement voluntary initiatives. Since such efforts can supplement regulation, they should serve the legitimate self-interests and needs of business as they contribute to sustainable development; going beyond the law must have a business basis. We welcome the opportunity to contribute constructively to OECD discussions on promoting the concept of voluntary approaches in environmental policy and encourage the OECD to continue work in this area.