



**OECD Seminar on Environmental Policy Planning
“Win-win ideas in Sustainable Development” Environmental Policy
Planning in the First Quarter of the XXI Century**

**OECD experiences in integrating environmental
and economic policies: results and challenges**

Aldo Ravazzi Douvan

Chair OECD Committee for Economic Performance Country Reviews;

Past-Chair OECD Committee on Taxation & Environment;

Past-Chair OECD C. Integration of Environmental & Economic Policies;

Past-Chair OECD Committee Biodiversity, Water & Ecosystems.

Chief Economist

DG Sustainable Development & International Affairs - A.T. Sogesid

Italian Ministry of Environment, Land & Sea

**Budapest
19 October 2016**

What I have learned at OECD (1)



OECD CORE BUSINESS

- **Data, statistics, indicators**
- **Policy analysis and assessment**
- **Peer Reviews:**
e.g. Economic Surveys and EPR (Environmental Performance Reviews) under SG responsibility
+
- **Economic Analysis for Environmental Policy**
- **Environmental Integration in Economic Policy**

What I have learned at OECD (2)



OECD EPRs

- **Learning from country experiences and exporting best practices**
- **Accountability, responsibility, transparency (declaring national and international objectives, measuring performance)**
- **Encouraging one another to adopt the ambitious and efficient policies we need for environment and sustainable development**

What I have learned at OECD (3)



- **Prevention P.**
- **Precautionary P.**
- **Correction, with priority at source, of damage**
- **Integration P. (of environmental policies into economic-financial-fiscal policies and sector policies e.g. agriculture-energy-transport)**
- **Polluter-Pays-Principle and User-Pays-Principle**
- **Sustainable Development**

transposed in EU Treaties...

Paris vs. Bruxelles



- **De facto competition for EU countries**
- **EU deciding day-to-day Directives & Regulations**
- **OECD Research Centre of Governments preparing the future**
- **OECD wider approach:**
 - **Pacific countries: Japan-S.Korea-Australia-N.Zeland**
 - **American countries: Usa-Can-Mex-Chile (+Colombia+C.Rica)**
 - **Key Partners: Brazil-China-India-Indonesia-Russia-S.Africa**
- **OECD Council Decisions and “compulsory” (10%?)**
(e.g. ODA; anticorruption and antibribery, transparency and off shore financial regulation; chemicals, transboundary movement of waste)
- **OECD work is analysis, dialogue, exchange of experiences (90%?)**
- **Major Challenge for the future: taking more common action together (35 market-based advanced-industrialised democracies)**

What I have learned at OECD (4)



Growth
Development
Welfare

Sustainable Development - UN

Développement Durable - France/Québec/FR

Green Growth - OECD

Green Economy - UNEP

Harmonious Society - China

Sustainable Prosperity - Canada

Prosperity without growth - Tim Jackson UK SD Commission

Limits to Growth - Club of Rome

Planetary Boundaries - Rockstroem

Sustainable Economy - UK against (eq. to assisted economy)

Degrowth - Smart Degrowth - Happy Degrowth - Serge Latouche

Sustained Growth - LDCs - WB

What I have learned at OECD (5)



Instruments for EP-GG-SD

(Environmental Policy – Green Growth – Sustainable Development)

- **Regulatory Instruments**
- **Voluntary Instruments**
- **Economic Instruments**

Economic Instruments for EP-GG-SD

- **Environmental Taxes or Taxes with an environmental impact.**
- **Environmental Fees/Charges/Tariffs**
- **Deposits systems**
- **Creation of markets where they do not exist (e.g. ETS-Insurance-GPP)**
- **Sanctions-penalties**

What I have learned at OECD (6)



- **GFR: Green/Environmental/Ecological Tax/Fiscal Reforms**
- **Level of Environmental taxation still low (1-5% of GDP, 2-14% of Total Revenues); wide margins; shifting tax-bases;**
- **Distribution problems can be solved (income tax, direct s.)**
- **Removing EHS Environmentally Harmful Subsidies (Fossil Fuel Subsidies but not only: Nuclear, Water, Waste, Transport, Land, ...)**
- **Introducing EFS Environmentally Friendly Subsidies must be done efficiently but is justifiable for a transition period**
- **Environmental taxes do not distort the market, they restore fair market conditions (transparency, competition, economic efficiency, level playing field)**

What I have learned at OECD (7)



☀ **3Rs (Reduce, Reuse, Recycle)**

☀ **RE Resource Efficiency**

☀ **CE Circular Economy**

3Rs – CE – RE



- ☀ 3Rs (Reduce, Reuse, Recycle) – Japan – G8
- ☀ Waste Hierarchy - EU
- ☀ **Material and energy flows, Resource Productivity and Resource Efficiency Council Recommendations, Sustainable materials management - OECD**
- ☀ Circular Economy - China
- ☀ Zero-Waste or Low-Waste Economy or Sound Material Cycle Economy - Japan
- ☀ Cleaner Production and Technologies - Usa
- ☀ Sustainable Production & Consumption Models - UNEP-CSD
- ☀ Product design, Life cycle assessment
- ☀ From Cradle to Cradle
- ☀ Extended Producer Responsibility
- ☀ Green Purchasing Procurement
- ☀ Factor 4 policies

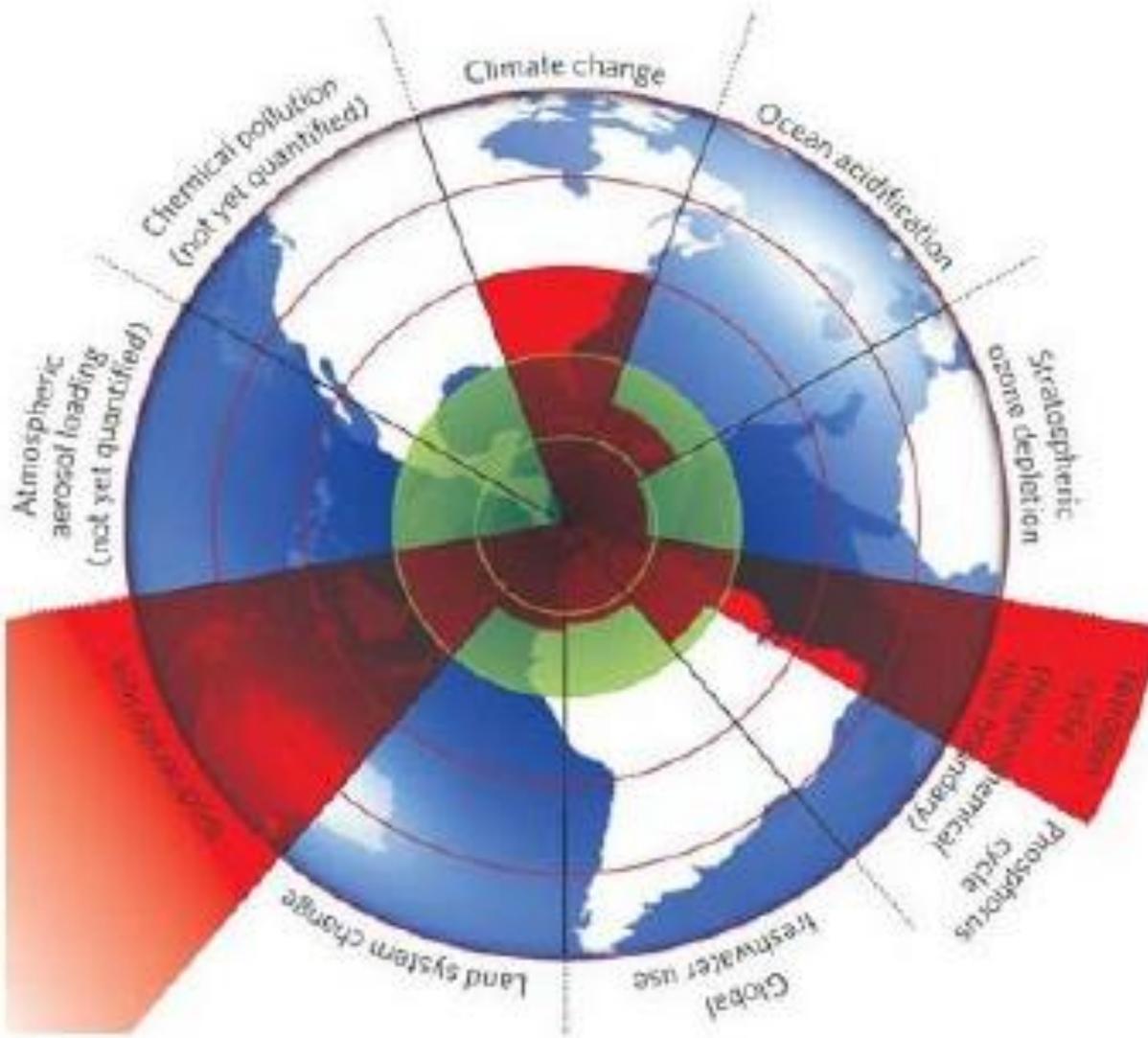
An exceptional 2015 OECD supporting the global agenda

- **Paris Agreement on Climate Change
(UN-FCCC, December 2015)**
- **Addis Abeba Agenda on Finance for Development
(UN, July 2015)**
- **SDGs and Agenda 2030 (UN, September 2015)
17 Sustainable Development Goals, 169 SD Targets, ca. 240
Indicators by UN-Stats**
- **Economic analysis for Climate Change and decarbonisation**
- **First analysis of where OECD countries stand in SDGs**
- **Setting up an OECD Green Finance Centre**
- **Work on data: 100B\$ climate, TOSSD, biodiversity, SDGs**



- **Carbon Pricing Principles (WB and OECD)**
- **Washington, April 2016, First General Assembly of the CPLC (Carbon Pricing Leadership Coalition)**
- **Ban-Ki-Moon UN**
- **Lagarde IMF**
- **Kim WB**
- **Royal UNFCCC COP Chair**
- **“A big fat carbon price”**
OECD SG Angel Gurría
- **All using the same concepts we’ve been saying at OECD with Barde, Potier, Avérous, Pearce, Gerelli for 25 years**

PLANETARY BOUNDARIES



Source: Rockstrom et al (2009)

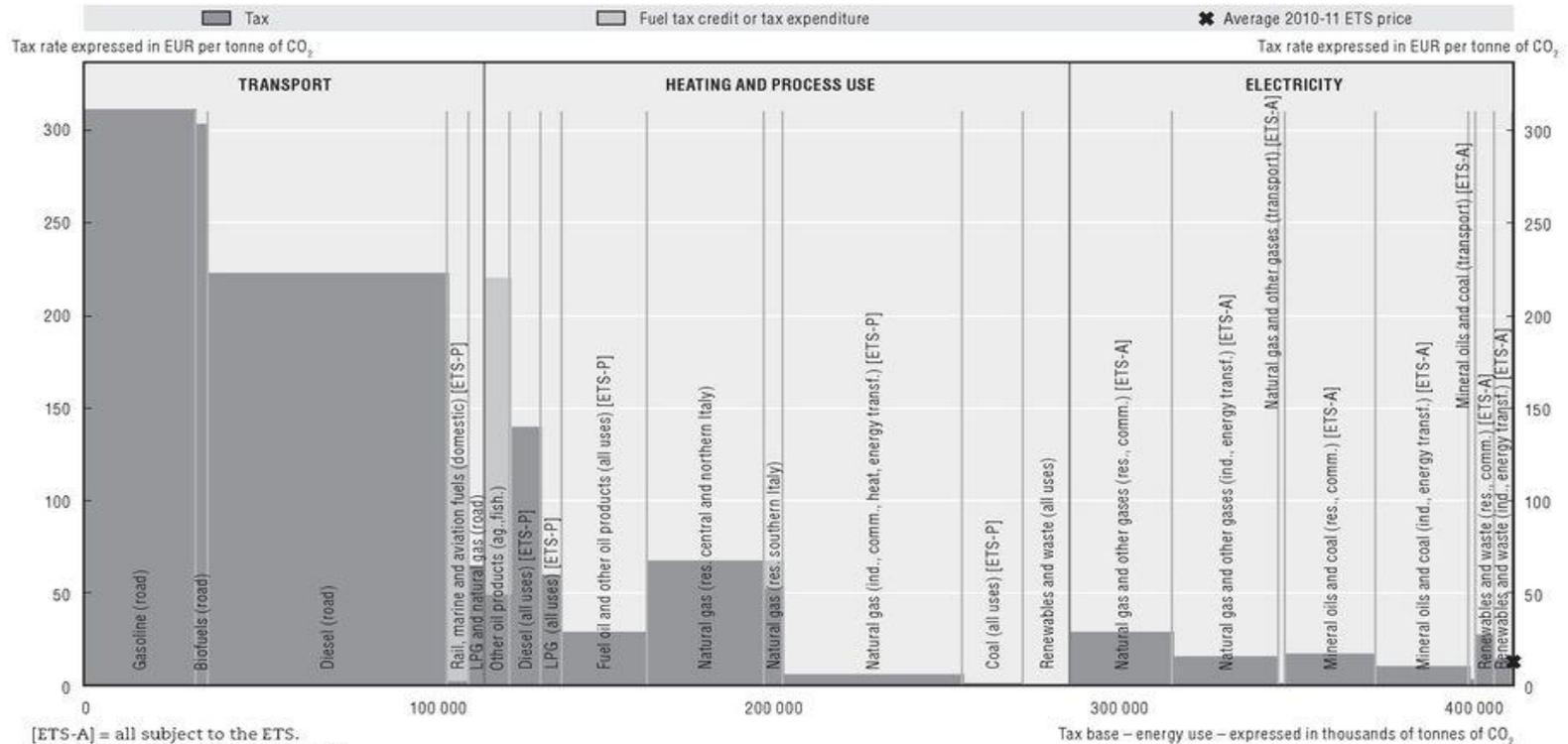
10 Planet
Ecosystems
to be kept
under control:

1. Climate change
2. Biodiversity loss
3. Nitrogen cycle
4. Phosphorus cycle
5. Stratospheric ozone depletion
6. Ocean acidification
7. Global freshwater use
8. Land system change
9. Atmospheric aerosol loading
10. Chemical pollution

POINTS OF VIEW ON ENERGY TAXATION IN ANY COUNTRY (E.G. ITALY (1/5))

2012 ANALYSIS (OECD)

Figure 17.2. Taxation of energy in Italy on a carbon emission basis



[ETS-A] = all subject to the ETS.
 [ETS-P] = partially subject to the ETS.

Abbreviations: Res. = residential; comm. = commercial; ind. = industrial; ag. = agricultural; fish. = fishery; energy transf. = energy transformation; heat = merchant heat.

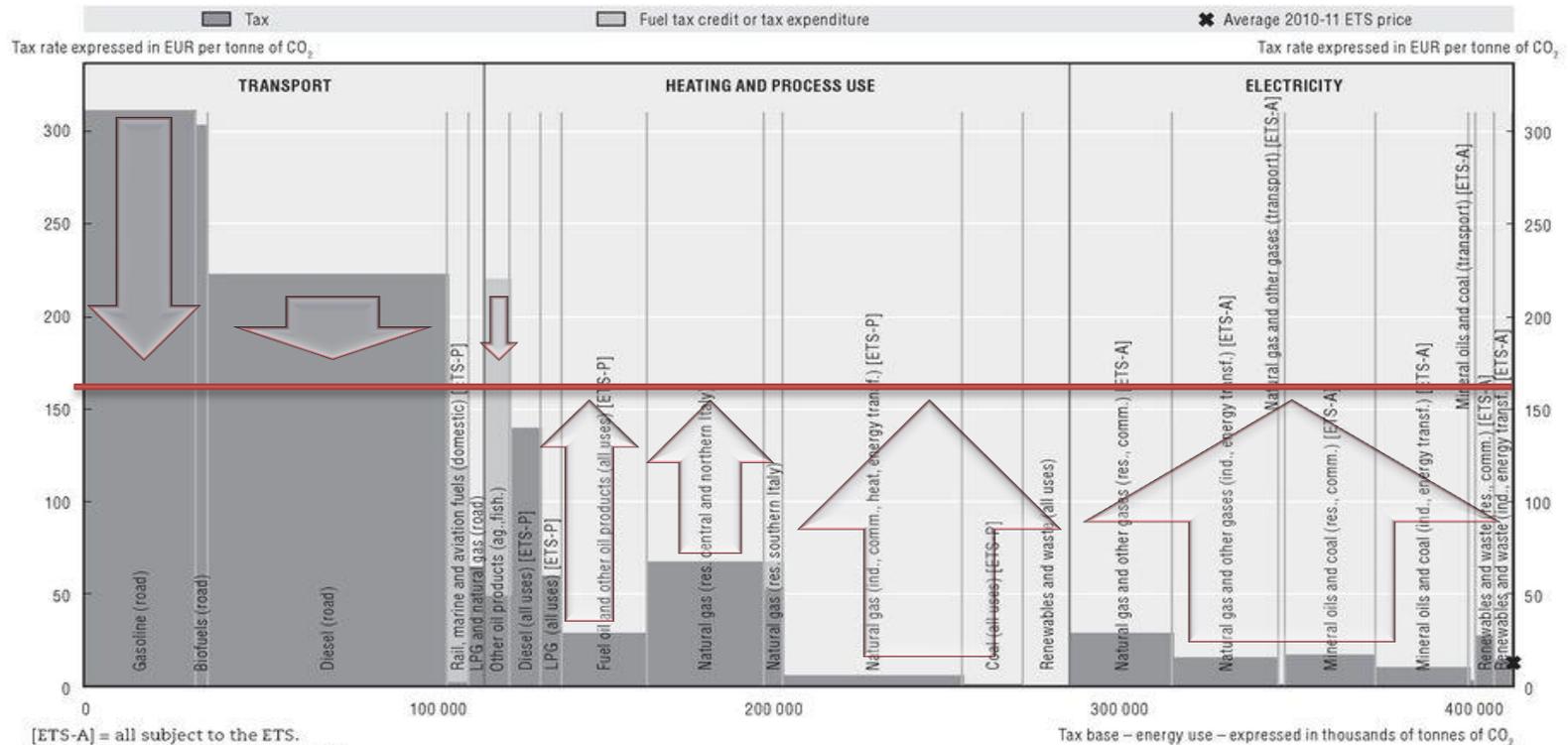
Source: OECD calculations based on IEA data and country-specific tax information (detailed in Annex A). Tax rates are as of 1 April 2012; emissions are based on IEA data for 2009.

StatLink <http://dx.doi.org/10.1787/888932766548>

POINTS OF VIEW ON ENERGY TAXATION IN ANY COUNTRY (E.G. ITALY (2/5))

LIKELY MINISTRY OF ECONOMY & FINANCE: HARMONIZE TAXATION (LEVEL PLAYING FIELD)

Figure 17.2. Taxation of energy in Italy on a carbon emission basis



[ETS-A] = all subject to the ETS.
[ETS-P] = partially subject to the ETS.

Abbreviations: Res. = residential; comm. = commercial; ind. = industrial; ag. = agricultural; fish. = fishery; energy transf. = energy transformation; heat = merchant heat.

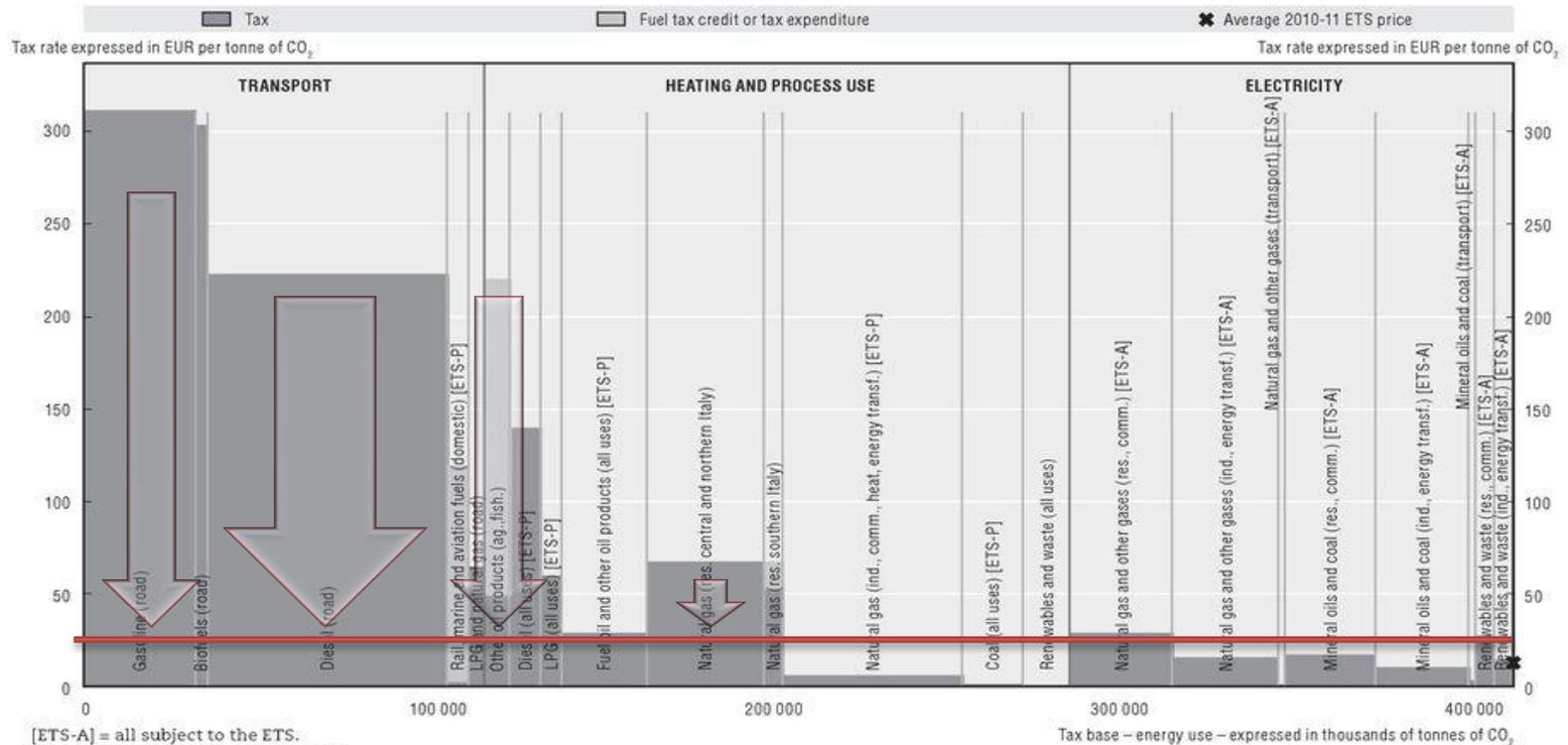
Source: OECD calculations based on IEA data and country-specific tax information (detailed in Annex A). Tax rates are as of 1 April 2012; emissions are based on IEA data for 2009.

StatLink <http://dx.doi.org/10.1787/888932766548>

POINTS OF VIEW ON ENERGY TAXATION IN ANY COUNTRY (E.G. ITALY (3/5))

**LIKELY MINISTRY OF ECONOMIC DEVELOPMENT (INDUSTRY, ENERGY, TRADE):
HARMONIZE TAXATION AT THE LOWEST LEVEL TO INCREASE COMPETITIVITY**

Figure 17.2. Taxation of energy in Italy on a carbon emission basis



[ETS-A] = all subject to the ETS.
[ETS-P] = partially subject to the ETS.

Abbreviations: Res. = residential; comm. = commercial; ind. = industrial; ag. = agricultural; fish. = fishery; energy transf. = energy transformation; heat = merchant heat.

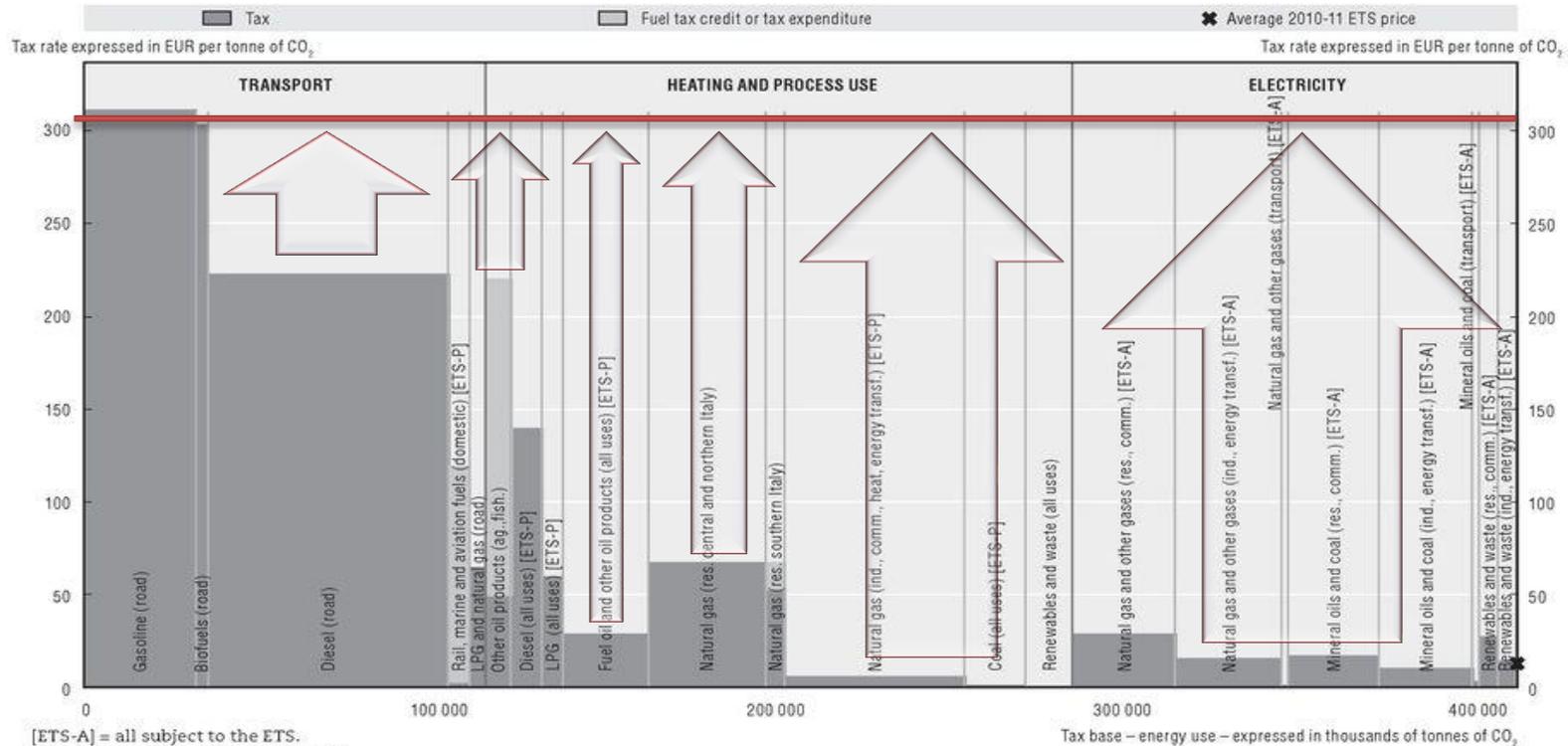
Source: OECD calculations based on IEA data and country-specific tax information (detailed in Annex A). Tax rates are as of 1 April 2012; emissions are based on IEA data for 2009.

StatLink <http://dx.doi.org/10.1787/888932766548>

POINTS OF VIEW ON ENERGY TAXATION IN ANY COUNTRY (E.G. ITALY (4/5))

LIKELY MINISTRY OF ENVIRONMENT (ECOLOGY, SD): HARMONIZE TAXATION AT THE HIGHEST LEVEL TO PROTECT THE ENVIRONMENT

Figure 17.2. Taxation of energy in Italy on a carbon emission basis



[ETS-A] = all subject to the ETS.
[ETS-P] = partially subject to the ETS.

Abbreviations: Res. = residential; comm. = commercial; ind. = industrial; ag. = agricultural; fish. = fishery; energy transf. = energy transformation; heat = merchant heat.

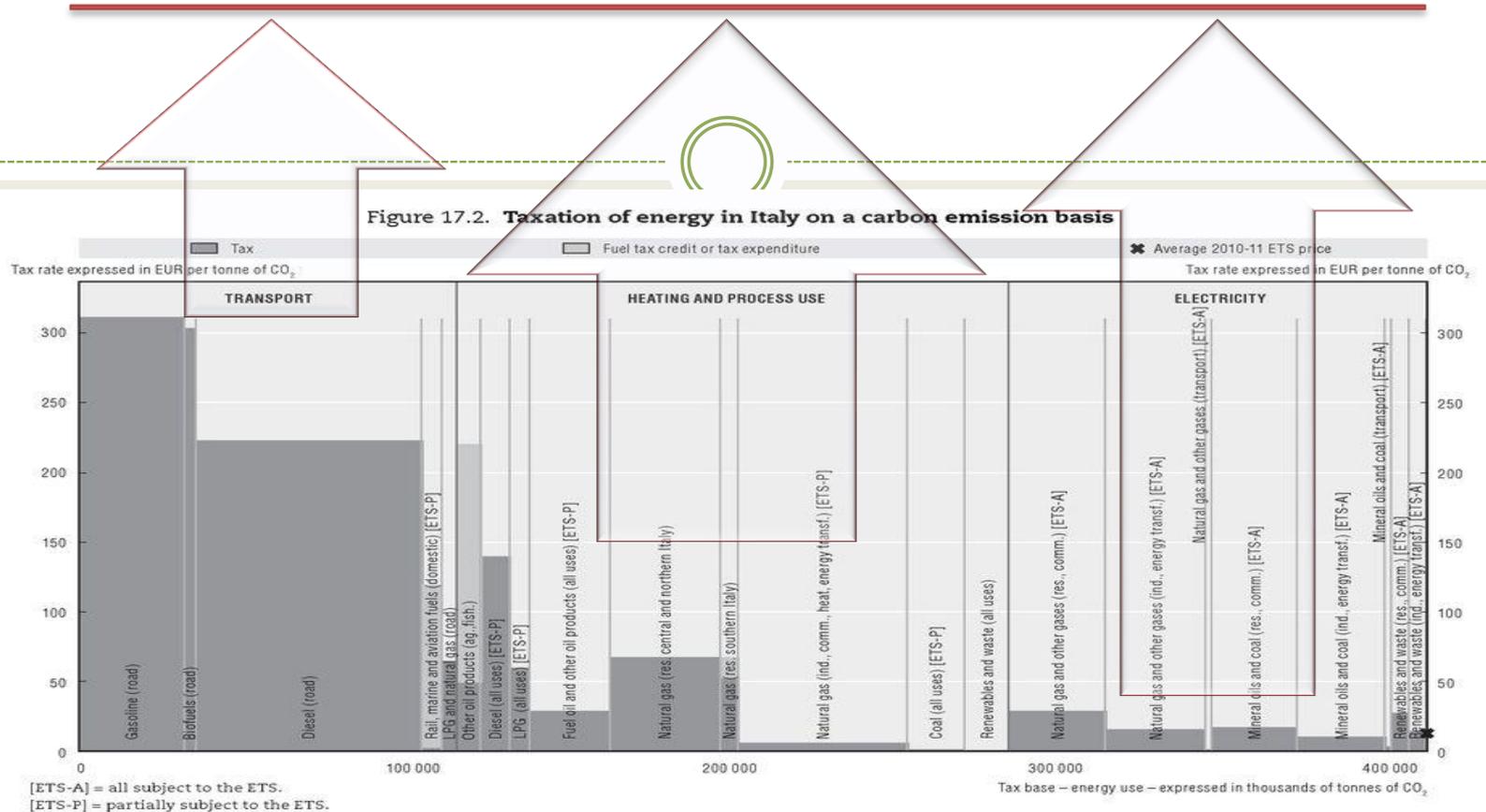
Source: OECD calculations based on IEA data and country-specific tax information (detailed in Annex A). Tax rates are as of 1 April 2012; emissions are based on IEA data for 2009.

StatLink <http://dx.doi.org/10.1787/888932766548>

POINTS OF VIEW ON ENERGY TAXATION IN ANY COUNTRY (E.G. ITALY (5/5))

SCIENTIFIC COMMUNITY:

INCREASE ALL TAXES ON GOODS AND SERVICES WITH AN IMPACT ON EMISSIONS SO TO MAINTAIN THE PLANET WITHIN +2 C° AND POSSIBLY 1,5C° OF AVERAGE GLOBAL WARMING



[ETS-A] = all subject to the ETS.
 [ETS-P] = partially subject to the ETS.
 Abbreviations: Res. = residential; comm. = commercial; ind. = industrial; ag. = agricultural; fish. = fishery; energy transf. = energy transformation; heat = merchant heat.
 Source: OECD calculations based on IEA data and country-specific tax information (detailed in Annex A). Tax rates are as of 1 April 2012; emissions are based on IEA data for 2009.
 StatLink <http://dx.doi.org/10.1787/888932766548>