

Voluntary Approaches for Environmental Policy

EFFECTIVENESS, EFFICIENCY
AND USAGE IN POLICY MIXES



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Table of Contents

1. Summary, Conclusions and Policy Recommendations	9
1.1. Summary	10
1.2. Conclusions.....	13
1.3. Policy recommendations.....	15
2. Introduction.....	17
Notes.....	23

PART I

Voluntary Approaches Viewed in Isolation

3. New Case Studies.....	27
4. Environmental Effectiveness of Voluntary Approaches	41
4.1. The issues at stake.....	42
4.2. Have the environmental targets been set at an appropriate level?	42
4.3. Have the existing environmental targets been met?	43
4.4. To what extent have the realised achievements been due to the voluntary approach?.....	49
4.5. Conclusion.....	62
Notes.....	63
5. Economic Efficiency of Voluntary Approaches	65
5.1. The issues at stake.....	66
5.2. Are marginal abatement costs equalised?	66
5.3. Are firms given (increased) flexibility to find less expensive abatement possibilities?.....	69
5.4. Are there impacts on the structure of an industrial sector?.....	71
5.5. What are the impacts on technology diffusion and technology development?	72
Notes.....	73
6. Administration and Transaction Costs.....	75
6.1. Costs of negotiating the agreements.....	76
6.2. Costs of operating the voluntary approach	80
Notes.....	81
7. Implementation Issues	83
7.1. Free-riding.....	84
7.2. Third-party involvement.....	85

7.3. Monitoring.....	85
7.4. Sanctions for non-compliance	86
7.5. Evaluation, revision and adaptation.....	86
Notes.....	87
8. Comparison of Voluntary Approaches and Tradable Permit Systems ..	89
8.1. The setting of targets.....	90
8.2. The achievement of targets	91
8.3. Economic efficiency – Equalisation of marginal abatement costs..	91
8.4. Technology diffusion and technological development.....	92
8.5. Trading within voluntary approaches	92
8.6. Administrative costs and transaction costs	93
8.7. Conclusions.....	93
Notes.....	94

PART II

Voluntary Approaches as Part of Policy Packages

9. Introduction.....	99
Notes.....	104
10. Voluntary Approaches Used in Combination with Environmental Permit Systems	105
Notes.....	108
11. Voluntary Approaches Used in Combination with Environmentally Motivated Subsidies	109
Notes.....	111
12. Voluntary Approaches Used in Combination with Taxes or Charges ...	113
12.1. Introduction and background.....	114
12.2. The energy efficiency agreements in Denmark.....	116
12.3. The Climate Change Agreements in United Kingdom	117
12.4. The Intention Agreement on SO ₂ emission reductions in Norway	118
12.5. The Load Reduction Agreements in New South Wales, Australia	120
12.6. Conclusions.....	123
Notes.....	124
13. Voluntary Approaches Used in Combination with Emission Trading Systems	127
13.1. Voluntary adherence to trading systems.....	128
13.2. Emission trading as elements of voluntary approaches.....	132
13.3. Accounting for voluntary approaches in permit allocations and baseline estimation.....	133
13.4. Conclusions.....	134
Notes.....	135
References.....	137

