



Recommendation of the Council on
the Implementation of the
Polluter-Pays Principle

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Date(s)

Adopted on 14/11/1974

Background Information

The Recommendation on the Implementation of the Polluter-Pays Principle was adopted by the OECD Council on 14 November 1974 on the proposal of the Environment Committee (now called Environment Policy Committee). The Polluter-Pays Principle was adopted by the OECD Council in 1972 in its Recommendation on Guiding Principles Concerning International Economic Aspects of Environmental Policies as an economic principle for allocating the costs of pollution control. The 1974 Recommendation provides that the principle represents for the Adherents the basic principle for the allocation of costs for pollution prevention and control measures implemented by public authorities in Adhering States. It further elaborates the circumstances in which government assistance would be considered compatible with the principle and recommends conditions to the granting of government assistance in bearing the costs of pollution control whether by means of subsidies, tax advantages or other measures.

THE COUNCIL,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the provisions of the General Agreement on Tariffs and Trade;

HAVING REGARD to the Recommendation of the Council of 26 May 1972 on Guiding Principles concerning International Economic Aspects of Environmental Policies [C(72)128];

HAVING REGARD to the Note by the Environment Committee on Implementation of the Polluter-Pays Principle [ENV(73)32(Final)];

HAVING REGARD to the possibility, approved by the Council, of holding informal consultations on the Guiding Principles within the OECD [C/M(74)16(Final), Item 157];

On the proposal of the Environment Committee;

I. REAFFIRMS that:

1. The Polluter-Pays Principle constitutes for Member countries a fundamental principle for allocating costs of pollution prevention and control measures introduced by the public authorities in Member countries.

2. The Polluter-Pays Principle, as defined by the Guiding Principles concerning International Economic Aspects of Environmental Policies [C(72)128], which take account of particular problems possibly arising for developing countries, means that the polluter should bear the expenses of carrying out the measures, as specified in the previous paragraph, to ensure that the environment is in an acceptable state. In other words, the cost of these measures should be reflected in the cost of goods and services which cause pollution in production and/or consumption.

3. Uniform application of this principle, through the adoption of a common basis for Member countries' environmental policies, would encourage the rational use and the better allocation of scarce environmental resources and prevent the appearance of distortions in international trade and investment.

II. NOTES that:

1. There is a close relationship between a country's environmental policy and its overall socio-economic policy;

2. In exceptional circumstances, such as the rapid implementation of a compelling and especially stringent pollution control regime, socio-economic problems may develop of such significance as to justify consideration of the granting of governmental assistance, if the environmental policy objectives of a Member country are to be realised within a prescribed and specific time;

3. Aid given for the purpose of stimulating experimentation with new pollution-control technologies and development of new pollution-abatement equipment is not necessarily incompatible with the Polluter-Pays Principle;

4. Where measures taken to promote a country's specific socio-economic objectives, such as the reduction of serious interregional imbalances, would have the incidental effect of constituting aid for pollution-control purposes, the granting of such aid would not be inconsistent with the Polluter-Pays Principle.

III. RECOMMENDS that:

1. Member countries continue to collaborate and work closely together in striving for uniform observance of the Polluter-Pays Principle, and therefore that as a general rule they should not assist

the polluters in bearing the costs of pollution control whether by means of subsidies, tax advantages or other measures;

2. The granting of any such assistance for pollution control be strictly limited, and in particular comply with every one of the following conditions:

- a) It should be selective and restricted to those parts of the economy, such as industries areas or plants, where severe difficulties would otherwise occur;
- b) It should be limited to well-defined transitional periods, laid down in advance and adapted to the specific socio-economic problems associated with the implementation of a country's environmental programme;
- c) It should not create significant distortions in international trade and investment;

3. If a Member country, in cases of exceptional difficulty, gives assistance to new plants, the conditions be even stricter than those applicable to existing plants and that criteria on which to base this differentiation be developed;

4. In accordance with appropriate procedures to be worked out, all systems to provide assistance be notified to Member countries through the OECD Secretariat. Wherever practicable these notifications would occur prior to implementation of such systems;

5. Regardless of whether notification has taken place, consultations, as mentioned in the Guiding Principles [C(72)128] on the implementation of such systems, will take place at the request of any Member State.

IV. INVITES the Environment Committee to report to the Council on action taken pursuant to this Recommendation.

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