Recommendation of the Council on Guiding Principles concerning International Economic Aspects of Environmental Policies

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Background Information

The Recommendation on Guiding Principles concerning International Economic Aspects of Environmental Policies as adopted by the OECD Council on 26 May 1972 on the proposal of the Environment Policy Committee. The Recommendation recommends that Adherents, in determining environmental control policies and measures, observe the Guiding Principles Concerning the International Economic Aspects of Environmental Policies set forth in the Annex to this Recommendation. These Guiding Principles introduce the Polluter-Pays Principle and the economic and trade implications of environmental policies. The Recommendation was abrogated on 8 November 2023.

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 Resolution of the Council of 22 July 1970 establishing an Environment Committee [C(70)135];

HAVING REGARD to the Report by the Environment Committee on Guiding Principles Concerning the International Economic Aspects of Environmental Policies [C(72)69];

HAVING REGARD to the views expressed by interested Committees;

HAVING REGARD to the Note by the Secretary-General [C(72)122(Final)];

I. RECOMMENDS that the Governments of Member countries should, in determining environmental control policies and measures, observe the Guiding Principles Concerning the International Economic Aspects of Environmental Policies set forth in the Annex to this Recommendation.

II. INSTRUCTS the Environment Committee to review as it deems appropriate the implementation of this Recommendation.

III. INSTRUCTS the Environment Committee to recommend as soon as possible the adoption of appropriate mechanisms for notification and/or consultation or some other appropriate form of action.

ANNEX

GUIDING PRINCIPLES CONCERNING THE INTERNATIONAL ECONOMIC ASPECTS OF ENVIRONMENTAL POLICIES

Introduction

1. The guiding principles described below concern mainly the international aspects of environmental policies with particular reference to their economic and trade implications. These principles do not cover, for instance, the particular problems which may arise during the transitional periods following the implementation of the principles, instruments for the implementation of the so-called "Polluter-Pays Principle", exceptions to this principle, transfrontier pollution, or possible problems related to developing countries.

A. Guiding Principles

a) Cost Allocation: the Polluter-Pays Principle

2. Environmental resources are in general limited and their use in production and consumption activities may lead to their deterioration. When the cost of this deterioration is not adequately taken into account in the price system, the market fails to reflect the scarcity of such resources both at the national and international levels. Public measures are thus necessary to reduce pollution and to reach a better allocation of resources by ensuring that prices of goods depending on the quality and/or quantity of environmental resources reflect more closely their relative scarcity and that economic agents concerned react accordingly.

3. In many circumstances, in order to ensure that the environment is in an acceptable state, the reduction of pollution beyond a certain level will not be practical or even necessary in view of the costs involved.

4. The principle to be used for allocating costs of pollution prevention and control measures to encourage rational use of scarce environmental resources and to avoid distortions in international trade and investment is the so-called "Polluter-Pays Principle". This principle means that the polluter

should bear the expenses of carrying out the above-mentioned measures decided by public authorities 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. Such measures should not be accompanied by subsidies that would create significant distortions in international trade and investment.

5. This Principle should be an objective of Member countries; however, there may be exceptions or special arrangements, particularly for the transitional periods, provided that they do not lead to significant distortions in international trade and investment.

b) Environmental Standards

6. Differing national environmental policies, for example with regard to the tolerable amount of pollution and to quality and emission standards, are justified by a variety of factors including among other things different pollution assimilative capacities of the environment in its present state, different social objectives and priorities attached to environmental protection and different degrees of industrialisation and population density.

7. In view of this, a very high degree of harmonisation of environmental policies which would be otherwise desirable may be difficult to achieve in practice; however it is desirable to strive towards more stringent standards in order to strengthen environmental protection, particularly in cases where less stringent standards would not be fully justified by the above-mentioned factors.

8. Where valid reasons for differences do not exist, Governments should seek harmonisation of environmental policies, for instance with respect to timing and the general scope of regulation for particular industries to avoid the unjustified disruption of international trade patterns and of the international allocation of resources which may arise from diversity of national environmental standards.

9. Measures taken to protect the environment should be framed as far as possible in such a manner as to avoid the creation of non-tariff barriers to trade.

10. Where products are traded internationally and where there could be significant obstacles to trade, Governments should seek common standards for polluting products and agree on the timing and general scope of regulations for particular products.

National Treatment and Non-discrimination

11. In conformity with the provisions of the GATT, measures taken within an environmental policy, regarding polluting products, should be applied in accordance with the principle of national treatment (i.e. identical treatment for imported products and similar domestic products) and with the principle of non-discrimination (identical treatment for imported products regardless of their national origin).

Procedures of Control

12 It is highly desirable to define in common, as rapidly as possible, procedures for checking conformity to product standards established for the purpose of environmental control. Procedures for checking conformity to standards should be mutually agreed so as to be applied by an exporting country to the satisfaction of the importing country.

Compensating Import Levies and Export Rebates

13. In accordance with the provisions of the GATT, differences in environmental policies should not lead to the introduction of compensating import levies or export rebates, or measures having an equivalent effect, designed to offset the consequences of these differences on prices. Effective implementation of the guiding principles set forth herewith will make it unnecessary and undesirable to resort to such measures.

B. Consultations

14. Consultations on the above mentioned principles should be pursued. In connection with the application of these guiding principles, a specific mechanism of consultation and/or notification or some other appropriate form of action should be determined as soon as possible taking into account the work done by other international organisations.

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