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STEEL AND THE ENVIRONMENT -- RECENT DEVELOPMENTS

This document is for discussion at the Steel Committee meeting to be held in Paris on 29 May 1998.

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SUMMARY

The attached report on steel and the environment provides updated information on work being carried out at the OECD and other international organisations on issues of potential interest to countries participating in the Steel Committee.

The principal developments appear to be in the following areas:

- *Climate change.* Countries are intensifying their efforts to reduce greenhouse gas emissions as an outgrowth of the Kyoto Conference of the Parties to the United Nations Framework Convention on Climate Change.
- *Hazardous waste disposal.* Parties to the Basel Convention have agreed to place ferrous scrap on a list of materials which are not, as a general rule, hazardous; as such scrap would not be subject to any international trade bans.
- *European transition economies.* Environmental issues related to the transition economies will be addressed at Ministerial level in a June 1998 *Environment for Europe* conference in Denmark.
- *Sustainable development.* Governments are making greater efforts to involve industry in the study of issues related to sustainable development.

ACTION

The document is for consideration at the Committee's meeting on 29 May 1998.

RELATED DOCUMENT

DSTI/SI/SC(97)45

STEEL AND THE ENVIRONMENT -- RECENT DEVELOPMENTS

Background

1. At its 51st meeting, the Steel Committee discussed issues related to steel and the environment, in support of which the Secretariat had prepared a document on recent developments [DSTI/SI/SC(97)45]. This report updates that document. It is for consideration at the Committee meeting to be held on 29 May 1998.

Climate change

Overview

2. At the third Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Kyoto, Japan, in December 1997, industrialised countries agreed on legally binding emission targets. The negotiated Protocol strengthens obligations by industrialised countries to reduce greenhouse gas emissions in the medium term (through 2012). The main features of the agreement are:

- an overall target for the group of industrialised countries to reduce emissions by at least 5 per cent compared to 1990 levels in the initial 5 year commitment period (2008-2012);
- differentiated emission reduction targets for individual countries, as follows: Russia and Ukraine - stabilisation; Japan - 6 per cent reduction; the United States - 7 per cent reduction; the EU countries - 8 per cent reduction. Several countries are allowed emission increases, for example: Norway (1 per cent), Australia (8 per cent) and Iceland (10 per cent);
- full coverage of the 6 known direct greenhouse gases in the emission targets (CO₂, CH₄, N₂O, PFC, HFC, SF₆);
- offsets for some forestry CO₂ sinks are allowed to be used to achieve the national targets.
- a number of mechanisms allow transfers of emission reductions:

Ratification and implementation of the agreement will be a high priority in the near term for OECD Member countries, as will preparations for the fourth Conference of the Parties, which will be held in Buenos Aires in November 1998. Beyond these nearer term goals, there is a need for analysis of longer term strategic options to address climate change.

3. Further information on climate change issues can be accessed via the Internet at:

- <http://www.unfccc.de/index.html>
- <http://www.ipcc.ch>

The text of the Kyoto Protocol can be accessed at:

- <http://www.unfccc.de/fccc/docs/protintr.html>

OECD initiatives

4. The OECD is significantly increasing its commitment to climate change analysis. In part, the increased attention is because of the recent Kyoto agreement, but it is also a response to recommendations from the High Level Advisory Group on the Environment (HLAGE), which reported to the OECD Secretary General last year. The Group's report can be ordered from the OECD's Environment Directorate (it was not issued as an official OECD document), or accessed via the Internet at the following address:

- <http://www.oecd.org/subject/sustdev/>

5. The OECD work programme will involve several Directorates, the International Energy Agency, and the Nuclear Energy Agency, working in close collaboration. Relevant committees will discuss individual pieces of work which will fit into the overall project. Within this cross-cutting approach, individual directorates will contribute in various ways. These contributions are likely to include:

- Work of the OECD Economics Department will follow a three-stage process. A first stage, lasting until spring 1999, will include a general evaluation of the Kyoto agreement focused on its macroeconomic effects, a review of implementation issues, and an assessment of how incentives can be established for a wider set of countries to participate in future agreements. A second stage, continuing through the year 2000, will review the policies pursued by individual countries to implement the agreement. The third phase, which will feed into a report to be completed in 2001, will consist of drawing out the cross-country implications.
- The work of the Environment Directorate will be along two main lines. The first will be on the international aspects of climate change issues, focusing on input into UNFCCC and the Kyoto Protocol. The second will be on domestic policy options and strategies, with an initial focus on environmentally sustainable transport. The main contribution to the work on the international aspects of climate change will be through the Annex I Expert Group. The Group has agreed to focus on practical issues relating to emission trading and joint implementation among Annex I Parties, and on monitoring, verification and compliance in the context of the Kyoto Protocol. In addition, the OECD and the IEA will continue to support the joint Intergovernmental Programme on Climate Change (IPCC) programme on national greenhouse gas (GHG) inventories.
- The Development Co-operation Directorate is likely to make a number of specific contributions including: an in-depth study of selected donor programmes, policies and strategies promoting cleaner production in developing countries; and an examination of the role of development co-operation in assisting developing countries to fulfil their obligations

in the context of the major Rio conventions, while fostering the broad objective of sustainable development. Finally, the Directorate will track development finance flows, and assess of donor programmes, policies, and strategies in support of sustainable development goals.

- The Development Centre has recently produced a draft paper using a model to simulate various scenarios for the Kyoto Protocol. Further work in this area could be envisaged, as needed by the Organisation in preparation for COP4 and beyond. A comparative modelling project involving Member countries and outside experts can also be envisaged.
- The IEA has a major programme of work concerning climate change which is along five main lines: 1) explaining the Kyoto Protocol; 2) exploring the new mechanisms under the Protocol; 3) identifying the energy challenges and opportunities; 4) designing policies and measures; and 5) engaging non-Annex I countries. As part of this work it will conduct an in-depth study of relationships between CO₂ emissions from energy and economic growth, using IEA data covering about 140 selected countries and region.

The IEA's work on energy and environment has focused on innovative policy options to limit carbon-dioxide emissions in the most cost-effective fashion. The options include voluntary approaches with industry, economic instruments (such as emissions trading and taxation), and practical ways to enhance co-operation with non-member countries.

- The European Conference of Ministers of Transport (ECMT) will continue to work in several areas related to transport..
- The NEA will consider the implications of targets for emission reduction on nuclear energy use.

6. Further information on the work of the OECD on climate change issues can be accessed via the Internet at :

- <http://www.oecd.org/env/cc/index.htm>
- <http://www.oecd.org/subject/climatechange/kyoto.htm>
- <http://www.iea.org/IEAKyoto>

OECD industrial permitting project

7. The reports prepared on industrial permitting (which includes one on the steel industry) will be released as a group during the second half of 1998.

Waste issues

Basel Convention

Conference of the Parties

8. The fourth Meeting of the Conference of the Parties to the Basel Convention (COP4) was held in Malaysia in February 1998. More than twenty decision were adopted. One concerned the types of waste that would be considered hazardous (and therefore subject to controls), and the types of waste that would not. Two annexes to the Convention were adopted. The first (Annex VIII) lists waste that OECD countries would not be able to ship to non-OECD areas, if a proposed ban on such exports comes into force. The second (Annex IX) lists waste that generally would not be considered hazardous, and would therefore be outside the scope of any bans. Currently iron and steel scrap is listed in Annex IX.

Co-operation with the OECD

9. The OECD's Environment Policy Committee (EPOC) decided that the Waste Management Policy Group (WMPG) should increase co-operation with the Secretariat of the Basel Convention (SBC), as called for under a OECD-SBC Memorandum of Understanding. The WMPG is to identify areas where it would be feasible and appropriate to harmonise the procedures and requirements of OECD Council Decision C(92)39/FINAL with those of the Basel Convention, and to identify areas where duplication could be eliminated. The Group is to report back to EPOC before June 1999. A draft preliminary assessment will be discussed at the WMPG meeting in April 1998. One option being considered is the repeal of all OECD Acts concerning the transfrontier movements of wastes. Any such movements would then only be controlled under the Basel Convention.

10. Further information on waste issues can be accessed on the Internet at the following site:

- <http://www.unep.ch/basel/>

Waste/ non-waste issues

11. The OECD's Waste Management Policy Group will consider a final draft guidance document addressing issues related to the definition of waste and non-waste items at its April 1998 meeting. The document does not attempt to establish definitive guidance. It instead outlines the inconsistencies which exist in implementing legislation among OECD Member countries.

Environmental action programme with the CEE and NIS economies

Cleaner production

12. In follow-up to the April 1997 workshop held in Lithuania on cleaner production (CP) centres [see DSTI/SI/SC(97)14, paragraph 20 and DSTI/SI/SC(97)45, paragraph 12], a workshop on business planning for CP centres was held in February 1998, in Prague. Principal items discussed were:

- role of CP centres and their stakeholders;
- business plans and their main components;
- project and programme management;
- performance monitoring; and
- income and sustainability.

The seminar was organised by the UK firm ETSU, with support from the UK Know-How Fund and the Task Force Secretariat for the Environmental Action Programme [see DSTI/SI/SC(96)18, paragraph 12-17].

13. In addition, country seminars on cleaner production have now been held in Uzbekistan (June 1997), Moldova (September 1997), Kyrgyzstan (October 1997), Kazakhstan (October 1997), Armenia (November 1997) and Azerbaijan (December 1997) [see DSTI/SI/SC(97)45, paragraph 13].

Ministerial Conference on Environment for Europe

14. At the Sofia Environment for Europe Conference in October 1995, Ministers invited the EAP Task Force to draw up a work programme to promote implementation of cleaner production programmes in all CEE countries by 1998, and to foster co-operation and networking among all stakeholders involved in cleaner production. Progress in achieving these objectives was recently reviewed [see CCET/ENV/EAP(97)115/REV1].

15. The review shows that impressive gains have been made in some countries, notably the Czech Republic, Poland, Hungary, the Slovak Republic, Lithuania, Estonia and the Russian Federation. Overall, however, progress has been less than hoped for, due to a variety of obstacles in enterprises and in the policy and economic contexts within which they work. Moreover, it has proved difficult to convince donors to support initiatives in CEEC/NIS, despite the potentially high benefit/cost ratios.

16. It has since been decided to draft a policy statement to focus attention on this issue, for consideration at the upcoming “Environment for Europe” Ministerial conference. The conference will be held on 23-25 June 1998, in Aarhus, Denmark. The text of the draft statement is contained in OECD document CCET/ENV/EAP(97)114/REV1.

17. Further information on activities involving the CEE and NIS economies can be obtained via the Internet at the following site:

- <http://www.oecd.org/env/eap/index.htm>

US Environmental Protection Agency

18. The Atmospheric Pollution Prevention Division of the US Environmental Protection Agency designs and supports programmes and initiatives in the United States and abroad to reduce global greenhouse gas emissions through improvements in energy efficiency. The Division has been exploring whether Chinese and Russian steelmakers could be interested in including energy efficiency as a priority

in the modernisation of their respective steelworks. Meetings to explore the situation with Russian steelmakers were held in Russia in February 1998.

Sustainable development

19. The sixth session of the United Nations Commission on Sustainable Development (CSD) will take place on 20 April to 3 May 1998. One of the issues to be addressed concerns industry and sustainable development. In support of this discussion, the United Nations has issued a background paper and three annexes. The titles and UN reference codes for the four documents, all of which are available on the Internet, are:

- *Industry and sustainable development*, E/CN.17/1998/4;
- *Industry and economic development*, E/CN.17/1998/4/Add.1;
- *Industry and social development*, E/CN.17/1998/4/Add.2; and
- *Industry and environmental protection*, E/CN.17/1998/4/Add.3

20. The background paper indicates that there is now a consensus among policymakers that governments and nonstate actors need to make greater efforts to integrate economic, social and environmental goals into industrial policy and decisionmaking. The UN hopes that focusing on the relationship between industry and sustainable development will add value to the CSD's work. This is to be achieved as follows:

- many issues previously addressed on a general basis will be discussed with a greater emphasis on industry -- including such subsectors as iron and steel (and others);
- some complementarities and conflicts between economic, social and environmental goals of sustainable development will be revisited;
- the main national and international challenges facing industry as a result of a variety of relatively recent agreements and conferences will be addressed;
- the effectiveness of a number of recent policy changes in promoting sustainable development will be addressed;
- the involvement of industry in policy formulation and standard setting, both at the national and international levels, will be discussed; and
- the industry's support of sustainable development goals through voluntary measures will be assessed.

Further information on the work of the CSD and the upcoming session can be accessed at the following Internet site:

- [gopher://gopher.un.org/11/esc/cn17](http://gopher.un.org/11/esc/cn17)

Trade and the environment -- World Trade Organisation

21. The WTO has been examining environmental issues in two areas -- those related to market access and those related to multilateral environmental agreements (MEAs). In the market access area, the WTO has completed a report that examines the potential environmental benefits of trade liberalisation in seven sectors, including energy and non-ferrous metals. The report, *Environmental benefits of removing trade restrictions and distortions*, received considerable attention at a March 1998 symposium on trade, environment and sustainable development that was organised by the WTO with non-governmental organisations. A summary of the symposium proceedings prepared by the International Centre for Trade and Sustainable Development can be obtained via the Internet at:

- <http://www.iisd.ca/sd/wtongo.html>

The WTO's Committee on Trade and Environment will be discussing these and other MEA-related issues at its July 1998 meeting.

United Nations -- Economic Commission for Europe

22. On 22-24 April 1998, a *Seminar on Economic Aspects of Clean Technologies, Energy and Waste Management in the Steel Industry* will be held in Linz, Austria. The seminar is being organised at the invitation of the Austrian Government, in collaboration with the Technisch-Wissenschaftlicher Verein Eisenhütte Österreich, the Fachverband der Bergwerke und Eisen Erzeugenden Industrie and the Austrian steel industry, under the auspices of the UN/ECE. The seminar will focus on pollution prevention technologies that can be used to minimise the input of raw materials and energy, while minimising the output of waste materials.

23. The UN/ECE is considering a proposal to hold a seminar on *Radioactive contaminated metallurgical scrap -- Impact, control and regulations*. The seminar would take place in 1999, in the Czech Republic.