



2nd Steering Committee Meeting on

Costs of Inaction on Sound Management of Chemicals (SMC)

3-4 November 2010, International Environment House 1, Geneva, Switzerland

DRAFT Meeting Report

I. Introduction

UNEP Chemicals Branch, with the support of the government of Sweden, is currently developing a practical way forward on bringing further clarity and policy relevance to the issue of the costs of inaction (COI) on sound management of chemicals (SMC). By introducing the economic component of public and environmental health for budgetary considerations for SMC in national development plans, countries, in particular developing countries and countries with economies in transition, can get closer to achieving their national development plans and Millennium Development Goals. The COI Initiative will address the major barriers to investment in SMC, including the lack of an emerging global consensus on the costs of inaction.

The 2nd Steering Committee Meeting on the COI on SMC was convened in coordination and back to back with the 2nd Expert Group Meeting on The Development of Legal and Institutional Infrastructures and Cost Recovery Measures for the Sound Management of Chemicals, 1-2 November 2010, and the 1st Steering Committee Meeting on the Global Chemicals Outlook, 4-5 November 2010. The COI Initiative supports these two other initiatives and accelerates the UNDP-UNEP Partnership Initiative for the Integration of Sound Management of Chemicals into Development Planning Processes.

II. Meeting Goals

The Meeting was convened to present, discuss and approve of the approach and scope of the COI Initiative, as well as the draft outline for the baseline assessment report. A discussion was also held on the initial findings from a preliminary annotated bibliography and efforts to improve the targeted search for existing monetized and quantified data for the baseline assessment report.

III. Steering Committee Expertise and Input

Steering Committee expertise and input is critical to the COI Initiative, and in particular to the Baseline Assessment Report (BAR) which will provide timely input for the Global Chemicals Outlook, UNEP's Governing Council Meeting in 2011 and Green Economy Initiative discussion, as well as ICCM3 and Rio Plus 20 in 2012. Input from the COI Initiative can also inform the 2011 preparatory meeting(s) for ICCM3 as well as the 19th Session of the Commission on Sustainable Development.

The committee is comprised of representatives from the Government of Sweden; OECD, WHO, UNIDO, FAO; Secretariats of the Basel Convention and the Rotterdam Convention; the International POPs Elimination Network (IPEN); the Blacksmith Institute; and international experts from Canada, Germany and Nigeria. (See attached Participants List.)

IV. Principal Outcomes

The COI Initiative Approach and Scope and Draft Baseline Assessment Report Outline were approved with minor changes and are presented below. The Research Framework, Annotated Bibliography, and Initial



Findings were presented and discussed. The critical need for Steering Committee input into targeting the search for existing monetized and quantified data on the environmental and human health costs of harmful chemicals was agreed. Many sources for such data were put forward by Steering Committee Members. The COI Secretariat will produce a short information kit including background, request for information, and key search words for Members to share with colleagues in order to capture existing data as quickly as possible.

Significant attention will also be given to coordinating input and schedules between the COI Initiative and the Global Chemicals Outlook, as well as for COI Initiative findings into UNEP's Governing Council Meeting, ICCM3, and Rio Plus 20.

COI Initiative Approach and Scope

The Approach and Scope of the COI Initiative (Annex 1) was accepted with minor changes, as follows:

- While the initiative is likely to be driven by meso-effects and end-point conclusions (as described in the meeting discussion paper), this will not preclude trying to achieve some macro-effects conclusions.
- 'Active military chemicals', not simply 'military chemicals', are excluded from the project scope.
- 'Development Planning Effects Data' replaces the heading 'Sustainability Effects Data'

The field research module of the COI Initiative will remain focused on developing countries and countries with economies in transition. This is due to resource constraints. However, in Module C OECD countries have the financial and technical capability to add their data to the final COI data set if they see fit.

The COI Initiative will remain global in scope in order to achieve its objective of providing more than the existing fragmented information on the costs of inaction on sound management of chemicals.

Baseline Assessment Report (BAR) Draft Outline

The Draft Outline for the Baseline Assessment Report was approved with inclusion of edits made to the COI Initiative Approach and Scope. Recommendations for improvements in data collection methodology were also taken into consideration.

- ❖ A first draft BAR will be prepared by the end of March 2011 and distributed to the Steering Committee at least two weeks in advance of a 3rd Steering Committee Meeting tentatively scheduled for 20-22 April, 2011.

Research Framework, Initial Annotated Bibliography and Snapshot of Findings

The critical need for assistance from Steering Committee Members to target the search for monetized and quantified data on the environmental and human health costs of harmful chemicals, was discussed and agreed.

- ❖ An information package including COI Initiative information and request for data, including key search words, will be prepared for Steering Committee members to share with colleagues and contacts.
- ❖ A preliminary Annotated Bibliography and Draft Peer Review Process will be submitted to the Steering Committee in mid-January for feedback by the end of January.



UNITED NATIONS ENVIRONMENT PROGRAMME

Programme des Nations Unies pour l'environnement Programa de las Naciones Unidas para el Medio Ambiente
Программа Организации Объединенных Наций по окружающей среде برنامج الأمم المتحدة للبيئة

联合国环境规划署



V. Proceedings

Mr. Tom Conway (International Consultant, RFI) presented the approach and scope of the overall project, and Ms. Sharon Khan (Consultant, UNEP Chemicals Branch) presented the draft outline for the baseline assessment report, both for Steering Committee discussion and approval. Ms. Khanam Jauhan (Consultant, UNEP Chemicals Branch) presented the initial research framework, and Ms. Khan presented a snapshot of findings from an initial annotated bibliography, both for discussion and recommendations for improvement of targeting and collecting the monetized and quantified data required for the baseline assessment report.

COI Initiative Approach and Scope

Key messages:

The COI Initiative must capture synergies and avoid unnecessary overlaps and duplication of efforts, in particular with the Global Chemicals Outlook (GCO). The COI Initiative is a 4 year project (2010-2014) that will feed into the two year GCO Initiative that will be reported in the fall of 2011. Specifically, the COI Baseline Assessment Report will feed into the GCO's Pillar 2 on the costs of inaction.

The COI Initiative will be judged on how well it can uncover, interpret and aggregate existing data, information and knowledge and extrapolate that with defensible methods to a more fulsome quantitative picture than we have had to-date on the costs of inaction on chemicals management at national, regional, and global levels.

Conceptual definitions for 'costs' and 'inaction' will follow the concepts advanced in OECD's 2008 *Costs of Inaction on Key Environmental Challenges*; chemicals will be assessed under the same categories as given in SAICM. Costs will focus on monetized and quantified data, supported where appropriate (i.e. where the monetized costs are a clear underestimate of the total costs of inaction) with qualified information.

The BAR will assess what we know about COI on SMC at the international, national, and sub-national levels. It will also assess, with a sound methodological basis, what we do not know in order to inform work in Modules B and C where practicable methods will be developed and implemented to attempt to monetize costs, or at a minimum quantify them. The COI Initiative will fill the knowledge gaps to the extent possible and build a well-founded global picture of the COI on SMC.

The COI Initiative will make a case for additional resources to be invested in more detailed national case studies on particularly important issues. National case studies can expound upon the details of a "typical scenario" which, with appropriate adjustments, can be used to extrapolate highly probable costs to similar circumstances in other countries.

The COI Initiative will provide a foundation for subsequent work on future risk scenario with incremental additional research and analysis to the BAR. It could also provide the foundation for future work on costs of corrective or preventive action that would be extremely useful and relevant at the national level. However, additional financial resources and expertise would be required for this latter effort.

The COI Initiative will provide a meso effects endpoint statement, for example, relevant to MDGs or development sectors. It will attempt to provide a macro effects endpoint statement, such as effect on GDP. This latter type of endpoint statement may have a more powerful impact at the political level.

Baseline Assessment Report Draft Outline

Key Messages:

The Baseline Assessment Report will assess the existing knowledge on the monetized, quantified, and where necessary, qualified cost data on the environmental and human health consequences of chemicals



UNITED NATIONS ENVIRONMENT PROGRAMME

Programme des Nations Unies pour l'environnement Programa de las Naciones Unidas para el Medio Ambiente

Программа Организации Объединенных Наций по окружающей среде

برنامج الأمم المتحدة للبيئة

联合国环境规划署



production, use, and disposal. Health, environmental, and development planning effects data will be recorded in matrix form (Annex 2) in order to identify the strengths and gaps in knowledge of data as well as the strengths and weaknesses in methods used to capture the data. This assessment will assist in the development of a preliminary global picture and will inform the development of a sound methodology to produce as far as possible a defensible global estimate of the COI on SMC.

Key reports from international, national, and multilateral organizations, as well as secondary research papers and data sets such as the WHO's Global Burden of Disease will be searched and reviewed for cost data at the international, national, and sub-national levels.

The BAR will initially result in a situation analysis. As gaps are identified, the BAR will approach a needs analysis. High priority areas, such as those where health and environmental effects are known to be high, key development sectors, and key areas such as POPs and hazardous waste, need to be identified as resources are limited.

The BAR will provide input into the development of a compelling and positive communications tool that should begin to address solutions and provide a basis for specific policy actions.

Research Framework

Key Messages:

The initial research framework included a broad review of academic and grey literature using key words including cost of inaction, sound management of chemicals, environmental media (air, water, soil), chemical assessment, health, biodiversity, climate change, business/trade, policy/agreement, cost-benefit analysis, environmental economics, and economic valuation. The initial broad search for information produced information that helped develop a visual map of the spectrum of issues. This information assisted in the clarification and refinement of the scope of the COI Initiative.

Inventories of information were produced including for chemicals of high interest, key industries, and international agencies. From this inventory of information, an initial bibliography was prepared and key information was entered into an excel spreadsheet. This spreadsheet can be refined and shared on occasion with Steering Committee members for review and recommendations for input.

The critical need for assistance from Steering Committee Members in targeting information on the monetized and quantified environmental and health costs of harmful chemicals was discussed and agreed.

Initial Findings

Key Messages

Review of the relevant literature turned up in the broad search for information conducted thus far was used to produce an initial annotated bibliography and snapshot of initial findings. These findings included some baseline economic activity data, as well as monetized, quantified, and qualified data and information on the environmental and human health consequences of chemicals hazards.

It is clear that a more targeted search for literature is required with assistance from the Steering Committee. A two page project document and request for information that details the type of data being sought will be prepared for the Steering Committee to use and share with colleagues in the effort to ensure that the BAR captures the most relevant existing data.



UNITED NATIONS ENVIRONMENT PROGRAMME

Programme des Nations Unies pour l'environnement Programa de las Naciones Unidas para el Medio Ambiente

Программа Организации Объединенных Наций по окружающей среде برنامج الأمم المتحدة للبيئة

联合国环境规划署



VI. Timeline

The following schedule for the BAR was discussed and approved:

- ❖ Mid January 2011: Annotated Bibliography and Draft Peer Review Process to be submitted to the Steering Committee.
- ❖ End January 2011: Feedback from Steering Committee.
- ❖ March 2011: 1st draft baseline assessment of existing knowledge of COI on SMC and
- ❖ 20 to 22 April 2011 (tentative): 3rd Steering Committee Meeting on COI on SMC (In advance of COP5 Stockholm Convention, 25/29.2010)
- ❖ August 2011: Revised 1st draft
- ❖ Mid September 2011: Comments from Steering Committee
- ❖ October 2011: Finalize baseline assessment report (for input into GCO November 2011)

VII. Conclusion

The 2nd Steering Committee Meeting on the Costs of Inaction on the Sound Management of Chemicals was concluded by Mr. Kaj Madsen. The 3rd Steering Committee meeting is tentatively planned for 22-23 April 2011, Geneva, Switzerland.



Annex 1 Approved Approach and Scope

Approach and Scope of the Initiative on Costs of Inaction on the Sound Management of Chemicals

Dr. Thomas Conway, RFI

Steering Committee Meeting on Costs of Inaction on Sound Management of Chemicals (SMC) November 2010, International Environment House 1, Geneva, Switzerland



Purpose

- Discussion paper to guide the Steering Committee's discussions about the approach and scope of the Cost of Inaction (COI) Initiative
- Main objectives:
 1. Overriding objective for the Steering Committee must be the practicality and workability of the COI Initiative
 2. Encourage that the COI initiative build on accumulated experience of what works and what does not work, avoids unnecessary overlaps with similar efforts in other agencies, and that synergies between similar efforts are being maximized
 3. Early contributions to Module 2 of the overall COI initiative when a blue ribbon panel of experts in the field, including the current Steering Committee members, will develop peer reviewed methodological guidance for assessing the costs of inaction on SMC



Issue

- Lack of an emerging global consensus on the costs of inaction on SMC stated in monetized or at least quantitative accounts
- Lack of global consistency of message on the economic costs of inaction makes the prioritization of SMC at the national and international levels substantially more difficult
- UNEP is leading this Cost of Inaction initiative to help address this problem, including as called for in the Strategic Approach to International Chemicals Management (SAICM)

Approach Considerations (1)

1. Use of Existing Information versus Original Data Generation
 - The COI initiative, due to financial limitations, will depend largely on existing information and only very selectively on original data generation, which is very costly
 - More detailed national case studies on particularly important issues could receive additional resources to expound upon the details of a “typical scenario” which, with appropriate adjustments, can be used to extrapolate highly probable costs to similar circumstances in other countries
 - The COI initiative will be judged by how well it can uncover, interpret and aggregate existing data, information and knowledge and extrapolate that with defensible methods to a more fulsome quantitative picture than we have had to-date on the costs of inaction on chemicals management at national, regional and global levels



Approach Considerations (2)

2. Monetization, Quantification, Qualitative

- The term “cost of inaction” implies that the initiative will attempt to monetize or at least quantify its findings through various justifiable methods
- Qualitative description will be limited as far as possible to :
 - Explication of the monetized or quantitative findings of the COI Initiative
 - Areas where we suspect high levels of costs but where we are currently unable to explore quantitatively within our limited budget due to a fatal lack of data to be deployed in accepted methods
- Given this approach, the availability of baseline data and information that can be subjected to defensible methods of quantification and extrapolation will figure prominently to define the final scope and content of the COI Initiative

Approach Considerations (3)

3. Baseline, Costs of Action, Future Risk Scenario

- The COI Initiative will be producing a baseline situation as far as monetization and quantification can be credibly pushed with available data and information
- This becomes a foundation for potential further work on:
 - i. The future risk scenario from the baseline if developments continue without strengthening the current capacities for SMC
 - ii. The costs of corrective or preventive action in areas where inaction is found to be especially harmful and costly
 - iii. Areas where we suspect high levels of costs but where we are currently unable to explore adequately due to the need to address a critical lack of data to be used in accepted methods
- We would propose to take-up item i, but not items ii and iii
- What are the Steering Committee's views on this?



Approach Considerations (4)

4. Analytical End Point

- When an initiative proposes to look at the costs of inaction, the obvious question is, relative to what; effects on what?
- There are three generic options (as described in the discussion paper)
 - Macro end point
 - Meso end point
 - Micro end point
- We are proposing meso-effects, **and to the extent possible, macro-effects**, research questions
- They will need to be developed more fully during Module 2 of the COI Initiative and prior to the field research called for in Module 3
- What are the views of the Steering Committee at this point?

Approach Considerations (5)

5. What “Costs” and what is “Inaction”?

- The types of costs that the project field research in Module 3 will be most interested in will emerge out of the meso **and macro** research questions of Module 2 as currently proposed
- That said, our starting point, as noted in the first Steering Committee meeting, is to build on the concepts advanced in the OECD study, *Costs of Inaction on Key Environmental Challenges as far as possible* www.oecd.org/env/costofinaction/publication
- What are the views of the Steering Committee at this point regarding conceptual definitions?



Scope Considerations (1)

1. Geographical Scope by Project Module

- A Baseline
 - B Method Guidance
 - C Field Research Plan and Implement
 - D Information dissemination
- All modules apply to developing countries, countries with economies in transition and OECD countries, with one key exception
 - In module C: OECD countries have the financial and technical capability to add their data to the final COI data set if they see fit
 - As such, field research involving OECD countries will not be addressed by this particular COI initiative
 - What are the views of the Steering Committee?

Scope Considerations (2)

2. Chemicals in the Project Scope

- Commodity Chemicals (HPV, Industrial, Specialty)
 - Minerals and Metals
 - Agro-chemicals
 - Household Chemicals
 - Pharmaceuticals
- **Active** Military chemicals are excluded as with SAICM
 - Initial estimates on availability of economic activity data for these chemicals in developing countries and CEITs can be see in Section 4.2 of the discussion paper
 - What are the views of the Steering Committee on proposed scope by chemicals type?



Scope Considerations (3)

3. Health, Environmental, and Development Planning Effects Data
 - Health effects: acute and chronic
 - Environmental Effects: water, air and land
 - **Development Planning Effects:**
 - Degradation of essential inputs to productive activities (e.g. water quality decline in irrigation, land degradation)
 - Cross-sectoral negative effects on other sectors (e.g. decline in fish stocks, ecotourism values)
 - Escalating costs of providing for essential human needs (e.g. water purification costs, food shipping costs)
 - Module 2 will undertake to deliberate further on this
 - What are the views of the Steering Committee on the scope of effects data we should be seeking?

Scope Considerations (4)

4. Methods to be used
 - Costs/benefits is challenging for many environmental, health, and economic sustainability values because of the absence of pre-determined market prices
 - Where there are clear and reasonable (from a cost internalization perspective) market prices that can be used, we have fewer analytical issues to address
 - Where there are not clear market prices, methods must be practicable to try to monetize costs, or at a minimum quantify them
 - Module 2 of the COI initiative will be providing guidance in a chemical effects context regarding what methods are practicable
 - What are the views of the Steering Committee at this point?



Annex 2 Data Matrix



Identify Strengths and Gaps in Information

Table 1: Existing Studies on the Costs of Inaction on Chemicals Management: Strengths and Gaps in Cells of the Information Matrix

| Type of Chemicals | Relative Strength of Data Availability | Health Effects Data | | Environmental Effects Data | | | Development Planning Effects Data | | |
|--|--|---------------------|-----------------|----------------------------|-----|------|---|---|--|
| | | Acute Effects | Chronic Effects | Water | Air | Land | Degradation of essential inputs to productive activities (e.g. water quality decline in irrigation, land degradation) | Cross-sectoral negative effects on other sectors (e.g. decline in fish stalks, ecotourism values) | Escalating costs of providing for essential human needs (e.g. water purification costs, food shipping costs) |
| Commodity Chemicals (HPV, Industrial, Specialty) | | | | | | | | | |
| Minerals and Metals | | | | | | | | | |
| Agro-chemicals | | | | | | | | | |
| Household Chemicals | | | | | | | | | |
| Pharmaceuticals | | | | | | | | | 5 |