

Financing Chemicals Policy

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Content

- 1. Chemicals policy and need for financing**
- 2. Different ways to finance chemicals control**
- 3. Pros and cons of different ways of financing**
- 4. Some factors to consider in design of system for financing**

The role of legally defined responsibilities

- The **costs** of chemicals management depends on how **responsibilities** are defined in the law
- The main responsibilities for managing risks should be on the manufacturers and importers of chemicals
- This corresponds to the well established "polluter pays principle" as well as the principle that the employer is responsible for worker protection
- **Authorities should focus on development of legal framework and supervision of chemicals control**

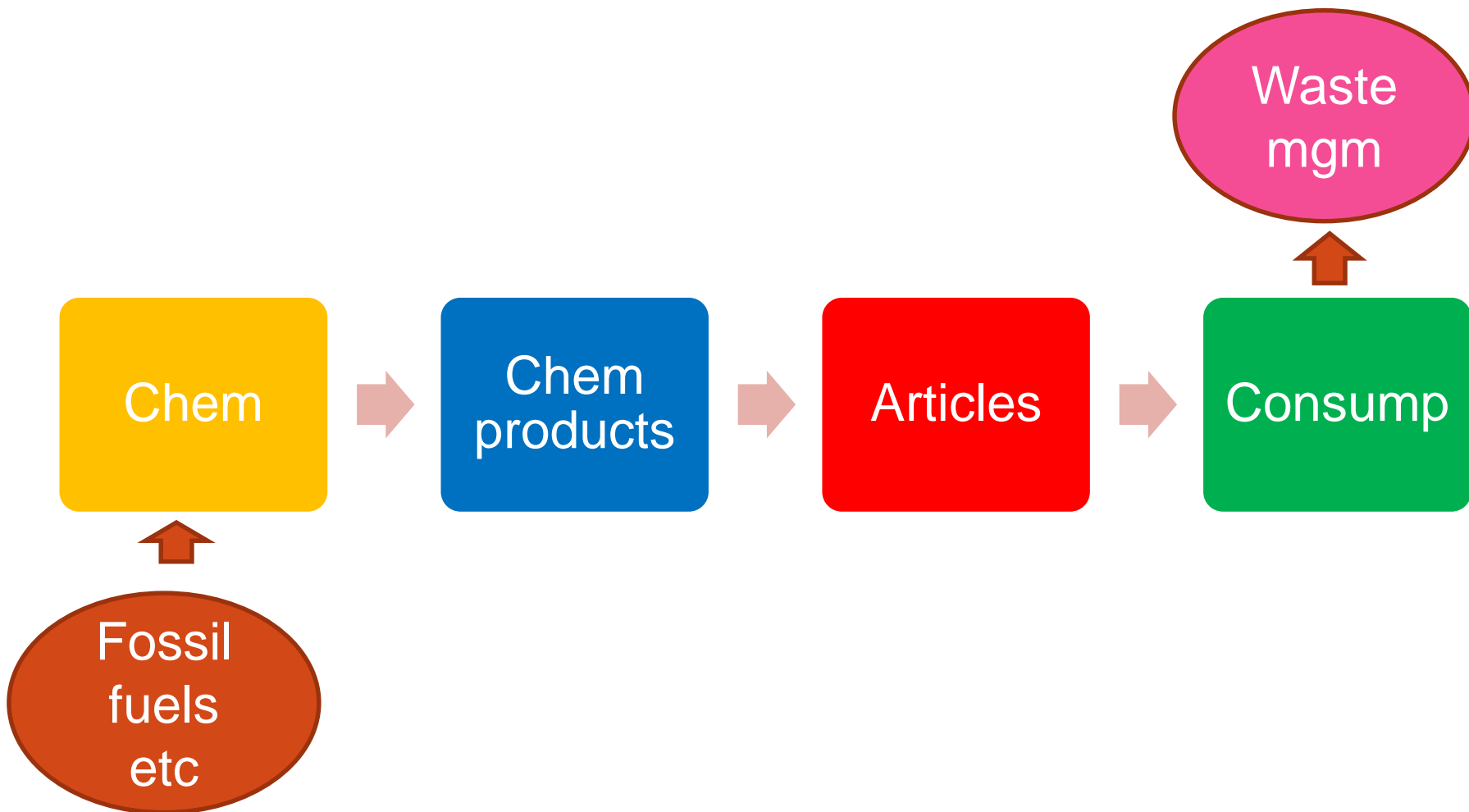
Cost reducing elements

- Use of existing data
 - The hazardous properties of chemical substances are the same independent of where they are used
 - Use data and evaluations done in line with GHS and/or CLP
- Share laboratory infrastructure with other countries
- Apply an efficient system for financing to cover the costs of government involvement

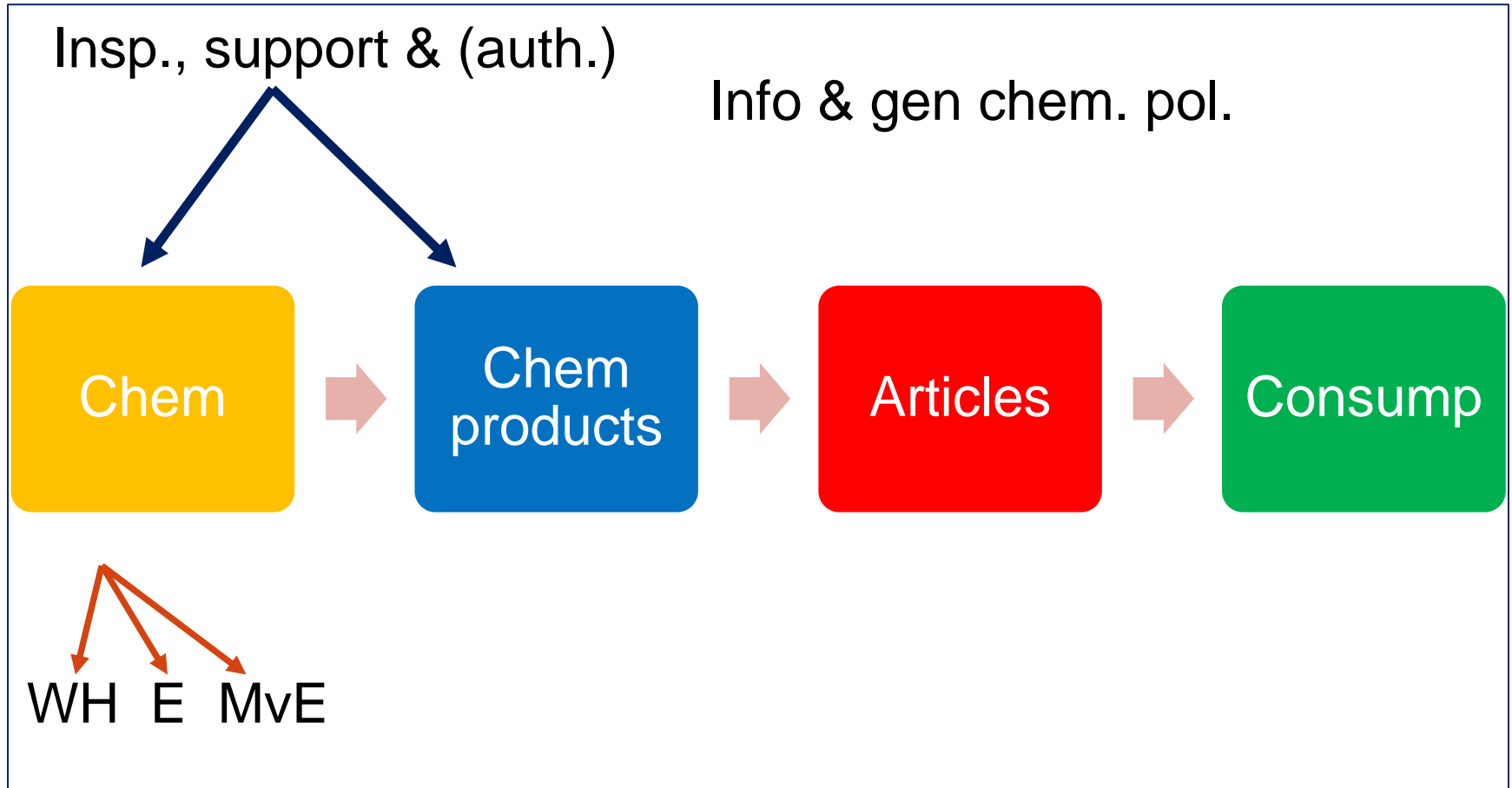
Basic issues in choosing policy measures

- **Who should pay?**
- **For what?**
- **Through which financial measure?**

Main routes for chemicals in the society



Financing policy measures in chemicals policy



WH=health of workers, E=environment, MvE=Man via environment

Examples

Fossil fuel	Chem	Chem prod	Articles	Consumer	Waste mgm
Oil	Solvent Flame retard	Paint	Table, Computer	Table, Computer	Wood, steel, plastic etc
WH, Env, MvE, Resou	WH, Env, MvE	WH, Env, MvE	WH, Env, MvE	Health , Env, MvE	WH, Env, MvE
Environ policy	Restr, Insp	Restr, Insp	(Restr, Insp)	Info	Rules for Wmgm

Criteria for choice of measures

1. Degree of secure financing
2. Administrative feasibility and simplicity
3. Fairness
4. Positive or negative incentives

Criteria normally used for choice of policy instruments:

- ☐ Goal attainment
- ☐ Cost efficiency
- ☐ Dynamic efficiency
- ☐ Administrative costs and control costs
- ☐ Distributional effects and political acceptance

Financing general chemicals **policy** (government part)

Demand information, create chemicals register,
develop restrictions, supply information

Simple option: Funding directly from the general
state budget (or external funding)

Financing general (cont.) ... Flat rate fees

- Flat rate fee (per chemical, per tonne,)

Financing gen. (cont.) Differentiated fees

- Differentiated in relation to properties of each chemical
- Needs quite a lot of information

Financing gen. (cont.) ... Import licenses

- Flat rate fee (per chemical, per tonne,) at border, administered by customs service
- The purpose is not to finance chemicals policy but could be used for that
- Information is normally not used for chemicals control

Financing inspections

- Flat rate fees (per visit, per chemical, per tonne ...)

Financing authorisations

- *Flat rate*: per application
- *Differentiated*: depending on size of business, tonnes applied for, complexity of application or biological/chemical base
- Expensive! Restrictions are cheaper.
(They both need inspections)

Criteria for choice of financing measures

1. Degree of secure financing
2. Administrative feasibility and simplicity
3. Fairness
4. Positive or negative incentives

Financing general chemicals policy (government part)

Demand information, create chemicals register, develop restrictions, supply information

Simple option: Funding directly from the general **state budget** (or external funding)

Secure financing: Competition for funding

Administrative aspects are related to payment of taxes.

Fairness depends on type of taxes

No incentive related to use of chemicals.

Financing general (cont.) ... Flat rate fees

- Flat rate fee (per chemical, per tonne,)
- *Secure financing. High*
- *Adm: Relatively cheap and easy*
- *Fair: OK*
- *Incentive: Insignificant*

Financing gen. (cont.) Differentiated fees

- Differentiated in relation to properties of each chemical
- Need quite a lot of information
- *Secure financing: High*
- *Adm: Higher costs than flat rate*
- *Fair: Better than flat rate*
- *Incentive: Positive if the level of fees are high and the differentiation considerable*

Financing gen. (cont.) ... Import licenses

- Flat rate fee (per chemical, per tonne,) at border administered by customs service
- The purpose is not to finance chemicals policy but *could* be used for that
- *Secure financing. Low to medium*
- *Adm: Relatively cheap for customs but not for the affected firms*
- *Fair: Not fair if domestic firms are not included (or two systems, i.e. higher admin. costs)*
- *Incentive: Some negative for business*

Financing inspections

- Flat rate fees (per visit, per chemical, per tonne ...)
 - *Secure financing. High for the limited purpose*
 - *Adm: OK, some risk for corruption*
 - *Fair: OK but could be distributed over the affected group of firms*
 - *Incentive: Very small*
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Financing authorisations

- Flat rate (per application)
- Differentiated depending on size of business, tonnes applied for, complexity of application or biological/chemical base
- Expensive! Restrictions with inspections are cheaper.
- *Secure financing. High for the purpose*
- *Adm: Very high costs*
- *Fair: OK*
- *Incentive: Positive since the level of fees and other costs create a threshold*

Factors to consider in designing sustainable financing measures (1)

- The allocation of responsibilities for hazard and risk analysis verification activities, stipulating essentially that the private sector should pay for costs of such activities to be undertaken,
- Which type of entities (firms etc) are required to report and pay
- A system for enforcement and collection of fee/tax
- Which chemical substances (and preparations) should be subject to a fee or tax

Factors to consider in designing sustainable financing measures (2)

- The actual fee amount to be paid for a first-time registration, authorization and licensing services;
- Annual registration/authorization maintenance fees;
- The interval at which renewals/repeat applications need to be made for the above, and the fees to be paid in respect of this service;
- The fees to be paid with respect to inspection, monitoring or verification conducted by the national authority,
- Fees for further laboratory analysis work, if required, particularly in relation to appeals procedures

Factors to consider in designing sustainable financing measures (3)

- A system for reporting, either using existing customs codes or establishing a national registration/licensing system
- Use of funds generated by the fees should be clearly stated
- Sanctions and penalties for those that don't follow the law
- Empowerment of Minister to enact regulations required for better implementation of the financing system
- Date of commencement of the financing system

Important choices

- **Level of fees, cost recovery**
 - may change over time
- **Collection of fees**
- **Monitoring and enforcing**

Summary

- ✓ **The law define responsibilities an thereby the distribution of costs**
- ✓ **Chemicals policy can be financed by a several different systems**
- ✓ **Start with a simple system for financing and increase precision and scope over time**