



# Voluntary Incentives Are No Shortcut to Pollution Abatement

Federal programs designed to convince businesses to reduce pollution voluntarily often have not achieved much beyond good intentions. That's the conclusion Terry Davies, director of RFF's Center for Risk Management, reached after studying five such programs this past fall. Davies and CRM staff members Nicole Darnall, Jan Mazurek, and Kieran McCarthy conducted the study for the Global Environmental Management Initiative (GEMI), a nonprofit group of twenty-five U.S.-based companies interested in corporate environmental improvement efforts.

Believing that voluntary efforts might work better than command-and-control regulations, GEMI tested its premise by asking CRM to evaluate the most prominent of the voluntary federal programs. The Environmental Protection Agency initiatives that CRM looked at were the Common Sense Initiative, the "33/50" Program, Project XL, and the sulfur-dioxide emissions trading program. CRM also reviewed the Occupational Safety and Health Administration's Voluntary Protection Programs.

Instead of finding evidence of a "win-win" situation for regulators and private enterprise, CRM found an effect closer to "null-null." The programs were mostly judged "peripheral" to solving the important problems that contribute to the nation's "badly broken" pollution control regulatory system. From the point of view of industry, CRM judged the incentive programs to be no better. The exception was the sulfur-dioxide emissions trading program, distinctive because it is statute-based and offers participants the chance to save significant money.

To a large extent, the voluntary programs were conceived to work around a system of laws and regulations that is disliked on both sides of the regulatory divide, CRM noted in its report to GEMI. But Davies, et al. came away from their examination more convinced than ever

that no shortcut will be found around the difficult task of legislating a better pollution control system.

"It's difficult to create strong incentives for industry action without legislative change," Davies says. "The SO<sub>2</sub> trading program succeeds because of its statutory base. 33/50 may have succeeded some, too, but that's mostly because so little is required to join the program." Relief from command-and-control regulations will change business behavior, he believes. So will financial incentives, "but probably only Congress or state government has the power to make such incentives work."

Alternatively, consensus might provide the necessary clout. But, unfortunately, nothing close to consensus exists on how to fix the system's shortcomings, despite widespread dissatisfaction with the current legal framework. "Businesses, environmentalists, EPA, the states, and Congress tend to be mutually adversarial," Davies says. Attempts like the voluntary, incentive-based programs that CRM studied for GEMI "do not fare well in the mistrustful atmosphere of pollution control." Without a consensus, a mechanism for negotiating binding compromises is necessary.

"It so happens," Davies elaborates, "that the Founding Fathers provided just such a mechanism in the form of the U.S. legislative system." Redefining legislation need not rule out incentives. In fact, incentives will be more effective if woven into law, Davies notes. Again, a good example is the SO<sub>2</sub> program, where the standards are set by law but industry is given financial incentives to comply in efficient and innovative ways.

For its part, GEMI is not giving up on agency initiatives but does concede that the RFF study shows the need for bolder programs than exist now if incentives are to hold promise. Environmental objectives need to be made clearer and more measurable, and incentives more substantial. Advance program planning is needed to

avoid mistakes and delays from the outset. Follow-through evaluation is needed to critique what an agency program actually offers and to offset the temptation to put a political spin on it.

## Federal Incentive-Based Programs

**Common Sense Initiative:** Establishes a forum for competing interests to develop joint environmental management plans based on industrial function rather than on the specific environmental medium to be protected. **33-50**

**Program:** Is premised on the notion that giving participants flexibility in their approach would speed the process of meeting the initial goals for which the program was named: a 33-percent reduction by 1992 and a 50-percent reduction by 1995 in the release of seventeen chemicals. **Project XL:**

Waives certain EPA requirements when participating facilities demonstrate they can attain better environmental results by not having to comply fully with present laws and regulations. **Sulfur-dioxide emissions trading program:** Permits firms to transfer or sell surplus SO<sub>2</sub> emission allowances to meet the limits under Title IV of the Clean Air Act. **Voluntary Protection Programs:** Reward with fewer inspections firms that already exceed OSHA safety and health workplace standards and aims to encourage others to do the same.

For a full analysis of each program's strengths and weaknesses, see the RFF report "Industry Incentives for Environmental Improvement: Evaluation of U.S. Federal Initiatives," on sale for \$25 from GEMI, 1090 Vermont Avenue, NW, Washington, DC, (tel) 202-296-7449; <http://www.gemi.org>