A coordinated tax or fee on the chemical industry

Financing the sound management of chemicals and waste Beyond 2020
The chemical industry is bigger than you think

#1 Industrial energy consumer

#3 Emitter of carbon dioxide
Rapidly expanding to Asia and the Middle East

Proportion of 2017 Sales

Proportion of 2030 Sales
Rich industry to get richer

US dollars (trillion)

Sales (including pharmaceuticals)

2017

2030
USD$1 million (in $100 bills)
USD$1 trillion
USD$5.7 trillion
Internalizes Profits

Externalizes Harms
Principle 16

“... promote the internalization of environmental costs...the polluter should, in principle, bear the cost of pollution...”
2006 Overarching Policy Strategy
“Financial arrangements for the Strategic Approach include... economic instruments intended to internalize the external costs of chemicals”

Integrated Approach
“The main activity expected of industry is to take further measures to internalize costs, in accordance with the polluter pays principle”

2012

2015 QSP Impact Evaluation
“The proposals should also provide for stronger industry participation in cost sharing (e.g. as co-finance or through longer term approaches such as economic instruments).”
SAICM Independent Evaluation

“Industry involvement was envisaged as meaning that industry internalizes the costs of complying with chemicals and waste regulations, with economic instruments ...used to shift the external costs of production, use and disposal of chemicals away from the public sector to the private sector.”

OEWG3 Request to the Secretariat

“Calls on the secretariat: To prepare a report... of examples of successful mechanisms for cost recovery and implementation of polluters pay principle for the financing of risk management and risk reduction activities at national level”
“Hazardous chemicals and other pollutants… continue to be released in large quantities.”

“They are ubiquitous in humans and the environment…”
Examples of the industry’s externalized costs

- **Illnesses due to endocrine disrupting chemicals in the EU**
  - €157 billion annually

- **Pollution associated with production and use of volatile organic compounds**
  - $236 billion annually

- **Childhood lead poisoning in low- and middle-income countries**
  - $977 billion annually

US dollars (billion)
Externalized cost of pesticide poisoning in Sub-Saharan Africa in 2009

US dollars (billion)

Overseas Development Assistance to health excluding HIV/AIDS

Costs of injury from pesticides
It is estimated that one worker dies every 15 seconds from toxic exposures at work…
Shortfall in Stockholm Convention funding

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<th>US dollars (million)</th>
<th>Stockholm Convention Needs Assessment</th>
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SAICM’s Problem: Small $ - Broad Scope

GEF-7 Funding: 0.2% of budget
No. of Substances: 99.9% of substances
“...the potential of SAICM to deliver its outcomes has been limited by insufficient external donor funding.”

“...funding for the secretariat was less forthcoming. For six of the 10 year period the annual budget shortfall was at least 43%...”

“...the gap between countries in different development categories...was widening rather than narrowing....”
Integrated Approach to Financing

- Dedicated External Financing
- Industry Involvement
- Mainstreaming in Development Planning
Dedicated External Financing

Industry Involvement

Mainstreaming in Development Planning
A tax or fee on basic chemicals

0.5% tax on production value of ~35 basic chemicals
0.5% tax or fee
Global fund for chemical safety

Developing or transition country produces basic chemicals
Annual sales of basic chemicals

USD $2,300,000,000,000,000

Extremely small tax

USD $11.5 billion

Amount available for chemical safety per year
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77% of basic chemicals production by value (UNIDO 2009)
Cost Recovery

Global
- Implements polluter pays
- Level playing field
- Significant revenue

National
- Insufficient revenue
- Incentivize industry exit
- Partly implements polluter pays
A coordinated tax or fee on the chemical industry

www.ipen.org/ChemicalTax
www.ciel.org/ChemicalTax