



# STRATEGIC APPROACH TO INTERNATIONAL CHEMICALS MANAGEMENT



## TECHNICAL BRIEFING

Financial considerations for the sound management of chemicals and waste under the Strategic Approach and the “Beyond 2020” framework

**Study on industry involvement in the integrated approach to financing the sound management of chemicals and waste**

Sunday, 28 August 2022, Bucharest, Romania

Olivier Baldan, SAICM Secretariat

# STRATEGIC APPROACH TO INTERNATIONAL CHEMICALS MANAGEMENT

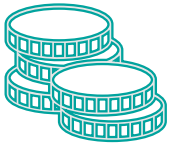


## CONTEXT

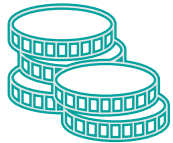
- The **integrated approach to financing the sound management of chemicals and waste** was proposed to the Governing Council of UNEP, at its twenty-seventh session in 2013, by the Executive Director of UNEP, in his report on the consultative process on financing options for chemicals and wastes.

- Independent evaluation of implementation of the integrated approach to financing the sound management of chemicals and waste ([UNEP/EA.4/INF.16](#), 2019) identified gaps in the component concerning industry involvement.

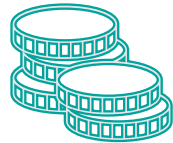
- The three components of an integrated approach are:



Mainstreaming



Industry involvement



Dedicated external finance

- GAPS:**



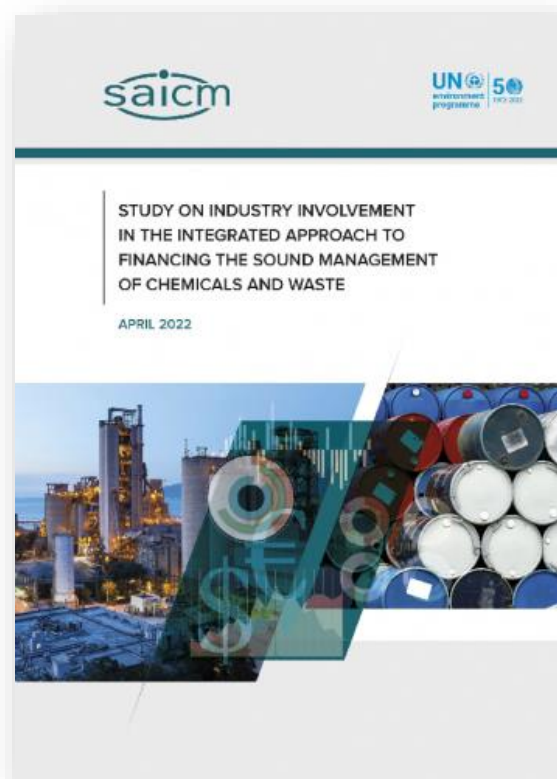




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## Study on industry involvement in the integrated approach to financing the sound management of chemicals and waste



Identify scope and follow-up for industry

Cover entire life cycle of chemicals and address both national and international levels.

Findings and recommendations to inform preparations for 5th Session of the International Conference on Chemicals Management (ICCM-5).



## Methodology

### Stage 1

#### Survey

December 2020

- Online survey circulated to all SAICM stakeholders.
- 56 responses used as a basis for the draft outline.

### Stage 2

#### Online consultations

March 2021

- The draft outline was posted online for comments.
- 15 responses were received: United Kingdom, United States of America, Colombia, Mexico, Japan, Germany, Sweden, Finland, Estonia, Canada, Togo, Bangladesh, IPEN, ICCA, and CREPD Cameroon.
- The comments were incorporated into a zero outline, used as a basis for the next stage.

### Stage 3

#### Literature Review and Interviews

- A literature review was conducted focusing on academic and policy outlets.
- A range of knowledge resources consulted, emphasis on relevant United Nations documents concerning the Approach, including the evaluation of the Integrated Approach and the independent evaluation of SAICM
- Interviews, see next slide

### Stage 4

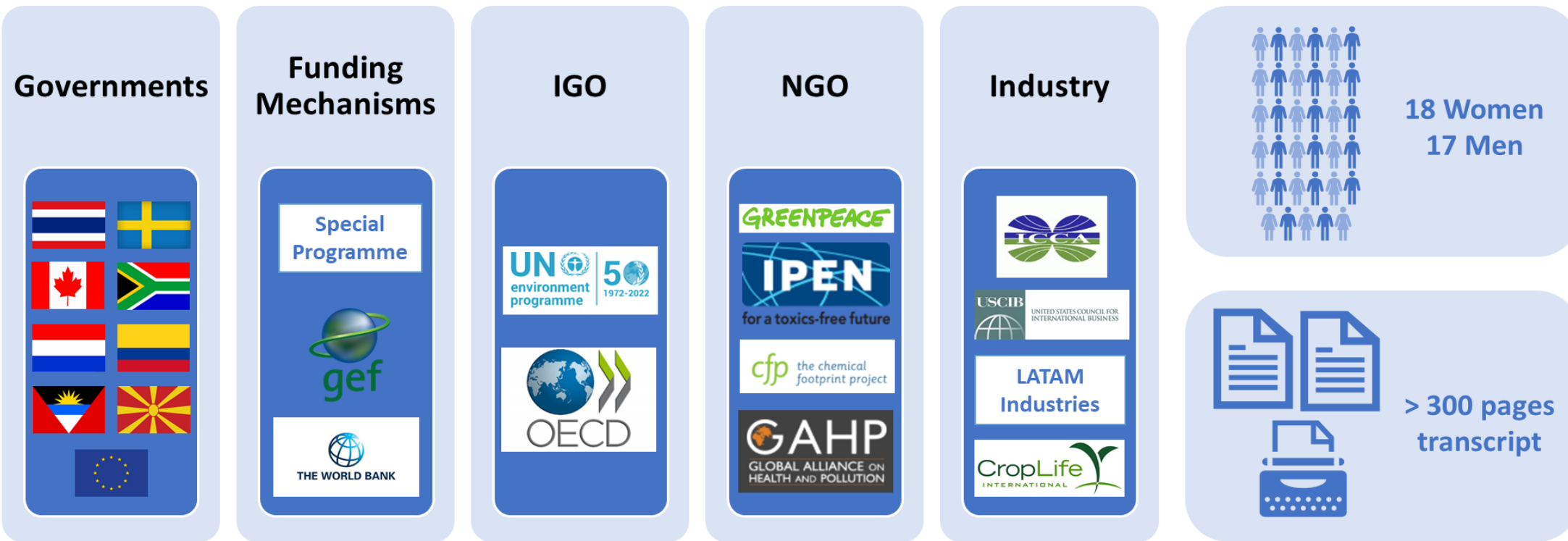
#### Webinar

September 2021

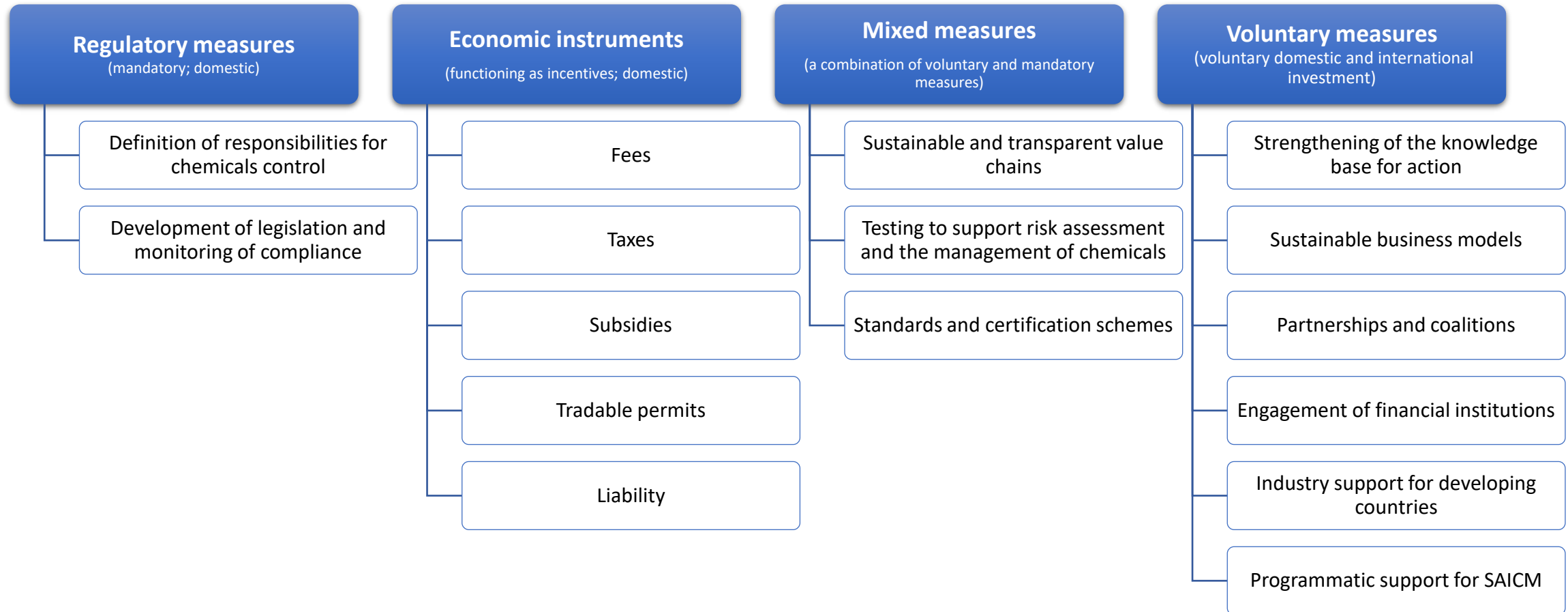
- Draft report posted online for comments
- Webinar organized to present the draft and provide clarifications
- 11 stakeholders answered: Canada, Germany, Japan, Mexico, South Africa, Sweden, the United Kingdom, the United States, ICCA, IPEN and the UNEP Special Programme
- Final study published in April 2022

## Methodology - Interviews

A set of 22 semi-structured interviews with 35 experts were conducted to deepen data collection.



## Activities for industry involvement







## Tracking progress in industry involvement

- Proposed way forward: process in stages, starting with high-level indicators focusing on three streams:
  - 1) Funds collected through economic instruments
  - 2) Costs faced by industry in complying with regulations
  - 3) Funds channeled through voluntary measures
- The present study offers a preliminary and non-exhaustive list of indicators on which Governments and industry could report. Stakeholders other than industry are also identified for the provision of data.
- In addition to the design of the mechanism, a related communication and engagement strategy should be developed and implemented to increase reporting rates.



## The way forward at the international level

- Urgent need to increase the accountability of industry at the international level in terms of internalizing the externalities of unsound management of chemicals and waste.
- Each Government is free to determine what activities best meet its national needs.
- The fifth session of the International Conference on Chemicals Management represents a unique opportunity to articulate how the framework/instrument for the sound management of chemicals and waste beyond 2020 can foster accountability through a multi-stakeholder approach.
- Stakeholders may thus wish to consider:

Implementing the industry involvement component of the integrated approach

Developing a mechanism to track progress in industry involvement

Establishing a capacity-building clearing-house mechanism

Developing and promoting the use of a comprehensive and harmonized set of recommendations for chemicals-related sustainability disclosures

Creating a technical expert group to expedite the mobilization of the funds needed by developing countries

- A more exhaustive list of the possible actions by key stakeholder groups is presented in section 4 of the present study, on the way forward. These proposed activities would benefit from further discussion with a view to ascertaining what is most important for stakeholders in the implementation of the framework/instrument for the sound management of chemicals and waste beyond 2020.





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The International Conference on Chemicals Management may consider tasking UNEP, other relevant members of the Inter-Organization Programme for the Sound Management of Chemicals and/or the secretariat of the framework/instrument for the sound management of chemicals and waste beyond 2020 to undertake the following supporting measures:

- Facilitating the monitoring of industry involvement by (a) conducting an in-depth assessment of the information that is currently collected or could be obtained through existing mechanisms, such as multilateral organizations or standardized reporting systems, and engaging with relevant organizations; and (b) enhancing inter-organizational cooperation with a view to harmonizing methodologies for data collection.
- Deepening the involvement of UNEP in monitoring via its regional offices.
- Creating a technical expert group to expedite the mobilization of the funds needed by developing countries, with a focus on innovative forms of financing that involve primarily the private and financial sectors, including, but not limited to, blended finance, a global coordinated tax and an international fund for chemicals and waste.



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## Actions expected from industry include

- Developing, pledging and showcasing action plans and road maps for achieving the sound management of chemicals and waste; proposing targets and reporting metrics for measuring progress through the framework/instrument for the sound management of chemicals and waste beyond 2020.
- Internalizing the costs of the negative impacts of its activities (remediation activities, health-care costs, etc.), in accordance with the polluter pays principle.
- Assuming greater responsibility and scaling up voluntary measures in order to go beyond the requirements for regulatory compliance and minimize externalities.
- Financing the costs of, inter alia, domestic chemicals management schemes; data generation; identification and communication of hazards; comprehensive risk assessment and risk mitigation measures; strengthening all stakeholders' technical capacity; implementing pollution release and transfer registers; preventing exposure; compensation for resulting environmental and human harm; and contaminated site remediation.
- Reviewing, identifying, disclosing and implementing commitments to transition away from dependence on harmful subsidies in recognition of the global momentum and support for the harmful subsidy reform.
- Allocating resources to support developing countries through dedicated external financing mechanisms, namely GEF co-financing and the Special Programme trust fund, and through capacity building and in-kind contributions.
- Advancing the sound management of chemicals and waste through in-kind commitments to innovation, training, safety and green and sustainable chemistry.
- Using proactively national and international industry associations and expanding their networks so that there is better coverage in developing countries to enable companies to support governments in institutional strengthening and in setting up chemicals and waste regulatory systems.
- Communicating more effectively on the precise nature, extent and impact of private-sector action and in-kind and monetary contributions for the sound management of chemicals and waste.
- Ensuring that health and safety information about toxic substances is never confidential and disclosing information through voluntary initiatives across the product life cycle; expediting the use of new technological solutions, such as smartphone applications, big data, blockchain technologies and digital product passports that may offer opportunities to make broadly available to stakeholders data and information on the health and environmental effects and safe use of chemicals and the products made from them.
- Working, using a range of approaches and through partnerships with specific goals related to the sound management of chemicals and waste, to develop sectoral knowledge exchange networks; ensuring that partnerships introduce time-bound targets and metrics to monitor progress and help increase impact, following the model of the Science Based Targets initiative.



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## Actions expected from Governments to facilitate industry involvement

- Setting up national coordination mechanisms to enable dialogue between regulators and industry; mapping private-sector stakeholders so that all the relevant sectors and actors in the value chain, at all levels, are involved, paying particular attention to the inclusion of downstream users and small and medium-sized enterprises, which are often underrepresented; developing the necessary safeguards to ensure that cooperation will lead to an increased level of ambition over time; partnering with civil society on an equal footing to enrich cooperation.
- Defining, in legislation, the responsibilities of the public and private sectors to help increase funding for chemicals control, paying special attention to advancing the classification and labelling of chemicals, in line with GHS, and bans and restrictions on the production and use of substances of concern.
- Conducting national assessments of the cost of externalities arising from the unsound management of chemicals and waste, focusing initially on selected policies, chemicals and/or sectors and gradually expanding to assess the full cost of the externalities.
- Channelling funding to support research, development and innovation in the field of sustainable chemistry and to include courses on toxicology and green and sustainable chemistry in educational curricula; taking measures to secure the independence of research by preventing the sponsoring of fraudulent external scientific research.
- Transitioning gradually from voluntary to mandatory requirements for information disclosure and the labelling of hazardous chemicals, in line with international transparency principles.
- Making mandatory pre- and post-market risk assessment to help internalize the costs of achieving the sound management of chemicals and waste; examining risk assessments completed by other jurisdictions when appropriate; promoting regional cooperation to enable the pooling of resources for risk assessment and management to create efficiency and economies of scale.
- Articulating due diligence duties across the supply chain of chemicals so that suppliers and distributors are obliged to adhere to human rights, labour and environmental standards.





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## Actions expected from Governments to facilitate industry involvement (2)

- Assessing existing economic instruments and empowering the Ministry of Finance to carry out the necessary reforms, in consultation with research institutes, the private sector and other stakeholders, with a view to:
  - (a) Introducing fees for recovering the cost of chemicals control and ensuring that the revenue collected is earmarked for the provision of the necessary public services, such as the registration, inspection and licensing of chemicals (such mechanisms at the regional level could also be considered);
  - (b) Developing EPR schemes for products and packaging that might cause harm to the environment and human health if not disposed of properly, such as electrical and electronic waste, packaging, tyres and batteries, in order to transfer the costs of waste management and clean-up from municipalities and taxpayers to the producers;
  - (c) Introducing deposit-refund systems to provide a financial incentive to return end of life products or materials thereby reducing illegal and improper disposal of bottles, cans, agrochemical containers, scrap tyres, lead-acid batteries and other items;
  - (d) Introducing taxes, earmarked for the sound management of chemicals and waste, on substances that do not need to be phased out completely, which, ideally, are proportional to the risk that the substances pose. Such substances will include many flame retardants, pesticides, fertilizers and chlorinated solvents;
  - (e) Developing and implementing a road map for the redesign, reduction or redirection of existing subsidies so that they no longer incentivize the use of substances of concern, particularly in relation to harmful agrochemicals;
  - (f) Using subsidies to encourage the use of safer chemicals and more sustainable practices and mainstreaming sound management of chemicals and waste in government stimulus measures;
  - (g) Developing liability schemes to transfer to industry the cost of remediation of contaminated sites and to ensure that victims of chemicals and waste pollution receive adequate compensation.



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## Actions expected from international organizations, including the participating organizations of the Inter-Organization Programme for the Sound Management of Chemicals, and non-governmental organizations, to facilitate industry involvement:

- Increasing communication, outreach and advocacy in relation to the use of the UNEP LIRA-Guidance and any other relevant guidance by actively engaging the UNEP regional offices and the regional centres of the Basel and Rotterdam conventions and other relevant United Nations bodies and funds.
- Developing a review on the economics of chemicals and waste similar to the Stern Review on climate change and the Dasgupta Review on biodiversity, accompanied by country pilots to estimate the domestic cost of unsound management of chemical and waste, building on work carried out by UNEP and the World Bank. This would help identify gaps between developing and developed economies, raise general awareness, increase political clout and enable the identification of priorities for the design policies that effectively internalize externalities and bring socioeconomic benefits.
- Developing a methodology, which builds on existing work, for a chemical footprint assessment to help countries and companies take more targeted and cost-efficient measures to restrict the production, use and trade of substances of concern.
- Developing and fostering best practices for the preparation of national chemical inventories; developing a publicly accessible global chemical inventory of all chemicals on the market that is managed by an independent third party.
- Engaging directly and strategically with businesses and industries as partners in achieving a wide range of development outcomes, including by convening chief executive officers of major companies to establish high-impact partnerships on issues of concern, such as the ten chemicals of public health concern identified by WHO and/or the 11 issues where emerging evidence indicates a risk identified in the report Global Chemicals Outlook II. In any multi-stakeholder partnership it is important to outline success criteria, such as time bound targets and measurable indicators.
- Updating Harmonized Commodity Description and Coding System codes for hazardous chemicals following the example of the ozone-depleting substances listed under the Montreal Protocol to enable customs to track more effectively the movement of chemicals in international commerce (Green Customs Initiative).
- Harmonizing risk assessment methods and procedures to create efficiency for companies and manufacturers, building on existing initiatives, including the Mutual Acceptance of Data system (OECD).
- Promoting green economy initiatives, such as the development of eco-industrial parks, chemicals leasing and use of relevant tools (e.g., life cycle assessments and portfolio sustainability assessments) and setting science-based targets endeavoring to decouple production from chemical pollution and waste (UNEP and UNIDO).
- Mainstreaming the sound management of chemicals and waste into corporate sustainability reporting frameworks that aim to inform financial institutions (e.g., the Sustainability Accounting Standards Board and the Dow Jones Sustainability Indices) and those that have a broader audience (e.g., the Global Reporting Initiative and the United Nations Global Compact).



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**The following elements would benefit from further research and analysis to guide action on industry involvement:**

- The possibilities for aligning and addressing gaps in current standards and certification schemes.
- Mechanisms to guide institutional investors, banks and insurers in enhancing chemicals safety in the private sector through their operations and decision-making.
- The possibility of using innovative financial instruments to mobilize resources from the private sector.
- The possibility of scaling up the use of tradable permits, in particular cap-and-trade systems, to control chemical pollution, along with development of the necessary technical guidance and other tools.
- Lessons learned from other fields in developing a regional approach to the collection of fees to cover cost of chemicals control; how regional organizations could take on such a system; and the possible trade benefits of a regional approach.
- The Chemicals in Products programme, with a view to understanding its influence in generating transparency across the value chain of chemicals and identifying ways of addressing the challenges faced.
- Opportunities for mainstreaming the sound management of chemicals and waste into sustainability reporting frameworks.





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## Conclusion

- The study does not aim to provide definitive answers about the scope of and the precise activities that constitute industry involvement.
- Instead, it aims to give helpful context and recommendations to support decision-making on industry involvement in preparation for the fifth session of the International Conference on Chemicals Management.
- It can also be used as input for the development of guidelines on implementing industry involvement.
- Additionally, the present study can inform discussions on financing in relation to the framework/instrument for the sound management of chemicals and waste beyond 2020.



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<http://www.saicm.org>  
[saicm.chemicals@un.org](mailto:saicm.chemicals@un.org)



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United Nations Environment  
Chemin des Anémones 11-13  
CH-1219 Chatelaine, Geneva  
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