

# The Houston Economic Summit

Houston, Texas  
July 9-11, 1990



CANADA

# Sommet économique de Houston

Houston (Texas)  
du 9 au 11 juillet 1990

## The Environment and Economy

To achieve sustainable development, environmental considerations must be incorporated into a wide range of policy decisions. Two key mechanisms for bringing about this integration are the use of environmental indicators and economic instruments.

**Environmental indicators** link environmental and economic data. At the 1989 Paris Summit, leaders agreed on the importance of developing such indicators. In response to this, the Organization for Economic Co-operation and Development (OECD) has established a task force on economic instruments which is developing environmental and sectoral indicators, and natural resource accounting approaches that incorporate sustainable development. The May 1990 OECD Council Ministerial welcomed the progress made by the OECD in the analysis of environmental issues. This work will be presented at the January 1991 OECD Environmental Ministerial.

Canada has launched a pilot project for developing an approach to national accounting that incorporates environmental factors, and it is also taking part in national accounting work under way at the World Bank and elsewhere. Canada will also host an international conference in 1991 on the development and communication of environmental information, including that on environmental indicators. This conference would be structured so as to make a significant contribution to the 1992 UN Conference on Environment and Development.

**Economic instruments** (e.g., emissions taxes, tradeable permits systems, and product charges) can be used as substitutes for, or complements to, regulations. In certain circumstances they may well allow environmental objectives to be achieved at a lower cost than regulations, and could encourage innovation and diffusion of new technologies. Nevertheless, further work is needed to assess fully the merits of using economic instruments.

While such instruments have not been widely used in Canada, other OECD countries have had wider experience with them (in most cases, the purpose was to raise revenue rather than to change behaviour). Canada is closely evaluating the possible application of economic instruments to specific environmental problems, and is actively participating in an OECD task force on economic instruments. Following the release of the *Green Plan*, the government will initiate an in-depth public discussion of the advantages and disadvantages of using economic instruments.