

Preface

This third *OECD Environmental Performance Review of Austria* assesses progress achieved since the last review, which was carried out in 2003, as well as remaining challenges. It shows that Austria's experience provides many valuable lessons for countries promoting green growth and sustainable development.

Austria has indeed often played a leading role in developing EU environmental legislation, and performs above average in its implementation. As a result, environmental quality is generally very good, and citizens are relatively satisfied with their environmental quality of life. Water quality is among the best in the world, a large share of the land is under some form of nature protection, and the carbon, energy and resource intensities of the economy have declined. Nevertheless, in some areas such as greenhouse gas emissions, air quality and biodiversity, progress has not been sufficient to reach domestic and international objectives.

The combination of a robust environmental policy framework and substantial financial assistance has fostered the development of a strong, innovative environmental goods and services sector. In 2011, this sector contributed almost twice as much to GDP as tourism. Austria has also made greater use of taxes and other economic instruments to reach environmental objectives, although the potential synergies among instruments have not been fully realised. Subsidies, mainly related to energy and vehicle use, have a potentially negative impact on the environment and are socially regressive. The partial law-making and implementation autonomy of the *Länder* has led to some inconsistencies in implementation and enforcement. Going forward, further efforts are needed to enhance the coherence and effectiveness of existing policies.

This *Review* presents 27 recommendations with a special emphasis on adaptation to climate change, chemicals management and green growth. The focus on adaptation to climate change and natural hazards is particularly pertinent in light of the devastating floods that occurred in Austria in June 2013. The *Review* recommends, for example, to further mainstream climate change adaptation at an early stage in government policies and to allocate sufficient financial resources for it, while exploring the possible role of private finance, insurance markets and public-private partnerships. It also calls for providing more targeted support to small- and medium-sized enterprises to assist them to comply with obligations under EU chemicals regulations.

The *Review* also recommends to extend the use of environmentally related taxes in the framework of a comprehensive socio-environmental tax reform. Moreover, it calls for analysing the potentially negative environmental impacts of existing subsidies and reducing perverse incentives for car use, while systematically evaluating the cost-effectiveness of environmental support measures at the federal and subnational levels.

This *Review* is the result of a constructive policy dialogue between Austria and the other members and observers of the OECD Working Party on Environmental Performance. I am confident that this collaborative effort will help to improve our understanding of how to tackle the many shared environmental challenges faced by OECD members and its partner countries.



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